

Sample Decision Making Profile

Decision Required: to appoint an auditor for the 2017 fiscal year who will be requested to perform a full audit.

Strategic Relevance of Issue, or Why It's On the Agenda: Major board responsibilities include (1) ensuring proper financial controls, (2) maintaining accountability and (3) enhancing the organizations standing in the eyes of our members. Deciding on the level of financial audit in our circumstances is crucial in these days of public scrutiny of accountability of non-profit organizations.

Background:

1. The firm of M. Smith & Associates, Inc. has been the auditor for the past 5 years. We have been pleased with the service.
2. The annual cost for a "review engagement" has been about \$_____.
3. A full audit will cost in the neighbourhood of \$_____.
4. While there is no evident concern about our financial operations being expressed from the membership, we believe that embarking on a \$2 million dollar capital expansion program in 2018 would make it prudent for a full audit prior to obtaining the bank's approval for the necessary financing.
5. M. Smith has just become a member of our society and we are concerned about the perceived conflict of interest if his firm does the full audit with the associated costs.

Alternatives Considered:

1. To continue with only a "review engagement" for the coming year. There were minor questions of financial prudence associated with our last capital project and we want to minimize this being repeated. Still an option but not preferred.
2. To change firms to remove the perception of conflict of interest. This would require greater cost with the new firm needing to become acquainted with our financial software and accounting structure. Rejected.

Recommendation:

THAT the firm of M. Smith & Associates Inc. be engaged as auditors for the fiscal year ending December 31, 2017, and that a full audit be performed for that period.