Keeping a Charity Functioning: Some Accounting Guidance for Non-Profit Organizations

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Introduction

This article is based on a presentation to the Canadian Bar Association—Ontario Branch on September 27, 1983. It reviews briefly:

- mandatory filing requirements
- risks associated with charities
- internal controls to minimize the risk of misused funds
- budgeting and administrative procedures.

Through this review some of the major factors that directors, trustees and management should consider if they are to maintain a smooth-running non-profit organization that meets its original objectives and that minimizes exposure of directors and trustees will emerge.

The terms "charity" and "non-profit organization" are used interchangeably.

Industry Statistics

To begin, let us review some industry statistics. Most people do not consider non-profit organizations in the same way as profit-oriented businesses. Possibly they should. "Philanthropy" is big business. Consider these startling statistics:[1]

- In Canada, philanthropy (excluding health-care and religious institutions) is a $6.5 billion industry accounting for almost two per cent of the Gross National Product.
- A single appeal, the Terry Fox Marathon of Hope, raised $24 million between April 1980 and January 1981. By August 1983 the Marathon of Hope had raised a total of $33 million of which approximately 40 per cent came from Toronto and its surrounding area.
- There are, in Canada, nearly 40,000 registered charities employing close to 200,000 people. This is twice as many people as are directly employed in forestry or one-quarter of those employed in public administration at all levels of government.
- Charities use the services of approximately 2.7 million volunteers providing 373 million hours of work annually. If volunteers were compensated on the basis of the average wage for the service sector, their work would be worth $2 billion (equivalent to $5 per hour). This is as large as the agricultural sector's wage bill.

These statistics show the significance of non-profit organizations in Canada. Such significant entities must be considered and managed on the same basis as well-run businesses.

Mandatory Filing Requirements

Federal and provincial governments monitor non-profit organizations to ensure that they comply with statutory requirements. Statutes such as the *Income Tax Act* and the *Canada Corporations Act* provide the means by which the federal government monitors non-profit organizations. Each piece of legislation sets out mandatory filing requirements. Although this article will not review these in detail, the varying filing requirements under both federal and Ontario statutes are summarized in Appendix I. The appendix summarizes the requirements under:

- Income Tax Act
- Charities Accounting Act
- Statistics Act
- Canada Corporations Act.

Directors' and trustees' liabilities under the legislation are a separate issue, not covered in this article.

Risks

In the accounting profession we often refer to "risk" as the potential for the occurrence of an undesirable event. Non-profit organizations have both unique areas of risk and areas of risk in common with any business. We will review four major risk areas that should be considered by management, directors and trustees when they are establishing a non-profit organization or evaluating its performance. Summarized in Appendix II, these include:

- Lack of a Business Organization and Discipline
- Cash Receipts
- Disbursements
- Restricted Funds.

In an article entitled *Investigating Alleged Fraud,* Hilliard Steele defines employee fraud as:

> the taking of money or goods of an employer by an employee for his own use. It . . . often involves collusion among employees and others in one form or another.[2]

Risk does not necessarily mean fraud and auditors, management, and directors need not constantly search for fraud. However, they must be alert to possibilities. Red flags, warning of vulnerability should be seen when any of these four risks is present:

1. Lack of a Business Organization and Discipline

   Today, non-profit organizations are receiving more professional management but the challenge of working effectively in co-operation with volunteers remains. There is need for a fine balance between enforcing basic disciplines and alienating volunteer help; between motivating and controlling volunteers.

   When people donate their time, it is often more difficult for management to enforce discipline. There is no pay cheque to reinforce organizational policies. Volunteer staff may not be subjected to the supervision or enforcement of procedures found in business. For example, it may be difficult for management to obtain appropriate activity and expense reports from its volunteer work force. This lack of a business organization and discipline is understandable, however, it should be remembered that non-profit organizations are big business and, like any big business, they can suffer from such laxity.

2. Cash Receipts

   Non-profit organizations could not exist without contributions from the private and public sectors. An inherent risk is that donations and pledges are not being accounted for. There is an attendant risk that cash receipts are not being deposited intact.

   Examination of some auditors' reports on non-profit organizations shows that auditors often do not render an opinion on receipts. This is because there is no method by which auditors can test to ensure that all cash is being deposited. (Some suggestions for offsetting controls will be discussed in the next section.)

3. Disbursements

   Since non-profit organizations are established to achieve specific community objectives, the public believes its cash donations as well as volunteered time are being used to achieve those goals. Management and directors must, therefore, ensure that the organization's resources are being directed to declared purposes.

   As an example, a proper expenditure of funds to send an employee to a convention of fund raisers, becomes improper if the expenses of family members accompanying the employee for a holiday are paid by the organization.

4. Restricted Funds

   Funds are often donated for a specific purpose designated by the donor. There is always a risk that such donations may not be applied to the use specified. It is the manager's, directors' and trustees' responsibility to ensure that restricted funds are spent only for the stated purpose.

   In Appendix II I have listed some basic procedures which should be considered to reduce exposure to losses or misappropriation. While no risk can be eliminated absolutely, the risks can be minimized by these strong internal controls.

Internal Controls

Why do we have internal controls?

Recent articles describing Share Life's difficulties in Toronto illustrate the problem. Between 1976 and 1982, nearly $600,000 was stolen. The following paragraph from the Toronto *Globe and Mail* of June 21, 1983 tells the story:

Misappropriation of such a large amount of money occurred because the complete confidence and faith placed in senior operating officers were abused, with the result that deficiencies in its management and internal controls went unnoticed and were seriously exploited.

Appropriate internal controls can reduce exposure to risks like this. A summary of selected internal controls is included in Appendix III under three headings:

- General
- Receipts
- Expenditures.

1. General Controls

   General internal controls need not be specifically or exclusively associated with individual areas such as receipts or expenditures but can apply in a number of areas. There are many such controls that can be easily implemented. These would include basic controls such as rotation of functions and segregation of duties and mandatory vacations as well as more complex controls such as budgets and regional/divisional responsibility and reporting. A simple rule requiring employees who handle receipts and disbursements to take mandatory vacations can provide protection from much employee dishonesty if, during that time, their functions are handled by others so that any irregularities will be noticed.

2. Receipt Controls

   To minimize the risks relating to the receipt of donations, there are specific controls such as pre-numbered receipts and control of receipts. Pre-numbered receipts allow the organization to keep track of the order and value of donations. If the receipts are not pre-numbered an employee can receive a donation and write a receipt without putting the money into the accounting system. Any missing pre-numbered receipts are easily noticed—as long as there is regular accounting for the numerical sequence.

3. Expenditure Controls

   The risks associated with expenditures can be minimized by specific controls such as a requirement for directors' approval of large expenditures. Also, all cheques should have two signatures and cheque signers should review carefully the supporting documents for all disbursements. This minimizes the risk of fraud as collusion is needed for any fraud to succeed. Furthermore, all accounts should be properly cancelled when paid so that they cannot be presented to different cheque signers for duplicate payment.

Reporting
There should be regular accounting by the organization and its staff. Such reporting should be prepared in accordance with adopted accounting policies and be compared to budgets and previous years. Appendix IV summarizes the policies which might be adopted, as well as indicating minimum footnote disclosures. It is derived from generally accepted accounting principles (GAAP) appropriate for non-profit organizations.

Budgeting

Budgets are an excellent discipline and control if properly employed. Through the budget a non-profit organization can allow management and directors to take a first step towards interpreting the expected costs and benefits of programs. The budget also serves as a guide for the future plans of the organization.

As an example, we have prepared a budget for a fictional charity, The Association for the Prevention of Rubik's Cube Fingers. This appears in Appendix V and accompanying exhibits. It should be noted that R. Rubik is chairman of the finance committee and that T. Cube is honorary treasurer. The fictional example prepared gives a short outline of a process which is well-adapted to the needs of non-profit organizations and also offers some basic examples of budgeted revenues and expenditures. Real-life examples could be simpler or more complex depending on the nature and size of the organization.

It is important to keep the organization's goals and objectives in mind during the budgetary process. Priorities among the organization's goals must be determined so that available resources can be allocated to yield the maximum benefit.

When budgeting, the organization could, in one approach, use the previous year's budget as a base, unless there had been an extraordinary gift in that year. When the previous year's budget is used an "add-on" process often occurs. The planner takes a combination of the previous year's budget and the actual results and adds on the expected inflation rate and proposed new programs to come up with the new budget. However, this method of striking a budget is not always adequate.

An alternative planning method is "zero-base budgeting". This means starting at zero and re-evaluating every program each year. The organization analyzes the program by evaluating different ways of performing the same function and the different levels of effort required. The program is only budgeted for after it has been justified in relation to other options.

An example of zero-base budgeting might be as follows: in Year 1, The Association for the Prevention of Rubik's Cube Fingers decides that research designed to discover a cure is its most important program. The Association would then allocate the majority of its money to research with some funds also being spent on the second priority, finger therapy. During Year 1, a cure is found. When budgeting for Year 2 is undertaken, a zero-base budget approach would ensure that finger therapy takes the place of research as the most important priority.

Budgets are only one of the tools used for management of an organization. By comparing actual results to the budget, directors, trustees and management have an opportunity to see where problems arose. Variances between actual and budget should be investigated and explained. Through analysis of problems, the organization can determine if it has met its objectives and if the problems can be avoided in the next year.

Budgets can also provide decision-making information to donors and users and permit the public to assess whether the organization is providing value for money.

Administrative Procedures
From an administrative point of view, a difficult area for the organization's management to budget and control is often the area of divisional financial contributions. Planners can use the budget as an incentive for each division to meet or exceed its target. Unfortunately, divisions often do not see the importance of transferring funds requested by central management. This can be seen in the Rubik's Cube example in Appendix V. How reliable is the estimated revenue (Exhibit A) noted as divisional support? Yet this uncertain number is the major source of revenue of many non-profit organizations.

There are many other important considerations for the directors and trustees in the administrative structure of the organization. These include: membership, regional versus national reporting and responsibilities, and board sizes. Sound management lies in inspiring both staff and volunteers to work within agreed controls.

There are advantages and disadvantages to having one office responsible for all the functions of the organization throughout the country. Such an organizational structure allows management, directors and trustees to be directly involved with the running of all aspects of the organization. Unfortunately, it can also cause low morale among the volunteers and the public as they often cannot see the effects of their work and financial contributions.

Regional, divisional or provincial organizational structures reduce the morale problem as volunteers and the public can see at close hand the benefits of their work and financial contributions, however top management, directors, and trustees then have less direct involvement in running the overall organization. The risk that the organization may not be meeting its objectives is increased.

To quote from the current best seller *In Search of Excellence*, a study of the United States' best-run companies:

> Our research told us that any intelligent approach to organizing had to encompass, and treat as independent, at least seven variables; structure, strategy, people, management, style, systems and procedures, guiding concepts and shared values (i.e. culture), and the present and hoped for corporate strengths or skills.[3]

We have touched on some of these concepts. They all need to be considered by directors and trustees.

Value-For-Money Audits
The primary responsibility of accounting firms is to state an opinion about the organization's financial statements in accordance with generally accepted accounting principles or a disclosed basis of accounting—as noted in Appendix IV. But in recent years the public has demanded additional information from auditors examining the statements of public sector and non-profit organizations.

"Value-for-money audits" or "comprehensive auditing" are the terms often associated with this increased role. The Canadian Comprehensive Auditing Foundation (CCAF) has a pamphlet entitled *Comprehensive Auditing—An Overview*, which states:

> A comprehensive audit is an objective and constructive review of the organization's ability to manage its "financial, human and physical resources so as to provide the greatest possible degree of accountability in the expenditure of public funds". The focus is on the management systems and internal controls in terms of economy, efficiency and effectiveness.
>
> The auditors examine whether the organization has procedures in the economic environment to obtain financial, human and physical resources in the proper quantity and quality for the lowest costs. They review the organization's use of available resources to ensure the resources are being used efficiently; i.e., maximum output for any given set of resources inputted. And finally, they examine whether the organization is measuring its effectiveness in meeting its goals and objectives (i.e., getting the biggest bang for its buck).[4]

The following quotation on comprehensive auditing is taken from a new publication of the Federation of Canadian Municipalities entitled *Six, Five and Counting: Innovations in Municipal Economy.* The first issue, published in June 1983 states:

> Comprehensive auditing is not itself a tool or technique. Rather, it is a concept which rests on the assumption that public business should be conducted in ways that make the best possible use of public funds, and that those who conduct public business should be accountable for the prudent and effective management of the resources entrusted to them.[5]

Although this publication was launched "to assist elected municipal officials with their ongoing efforts", the principles expressed are applicable to non-profit organizations. Value-for-money audits have been increasing in Canada since the mid 1970s. They are not yet widely accepted in areas outside the public sector, however I think that the concepts they embody should be considered by all who bear responsibility for the financial affairs of non-profit organizations.

List of Appendices

The following list provides a brief reference guide relating to filing requirements and accounting matters for non-profit organizations. It is not, nor is it intended to be, a detailed list of areas to be considered by those responsible for the financial management of a charity. It does, however, list some basic concepts which should be considered:

I. Mandatory Annual Returns

II. Risks

III. Internal Controls

  1. General
  2. Receipts
  3. Expenditures

IV. Accounting Matters

  1. Accounting Policies
  2. Notes to the Financial Statements

V. Budgeting—The Association For The Prevention of Rubik's Cube Fingers

  1. The Process
  2. Exhibit A — Statement of Revenues and Expenditures
  3. Exhibit B — Divisional Support
  4. Exhibit C — Summary of Expenditures
  5. Minutes

Appendix I

Mandatory Annual Returns

Non-profit organizations are governed by both federal and provincial statutes. The statutes outline required reports that must be filed with the appropriate federal or provincial government department. The following is a summary of the mandatory federal and Ontario filing requirements.**

Statutes	When To File	Where To File	What Forms To File
Income Tax Act	Annually, within 3* months of year end	Revenue Canada	One copy of Return of Information (Form T2052). One copy of financial statements. One copy of Public Information Return (Forms T3010 and T3010A).
Income Tax Act	Annually, within 6 months of year end	Revenue Canada	Corporate Tax Return (Form T2)
Charities Accounting Act — Chapter 65	When requested	Ontario's Public Trustee	Information on the charity's operations, assets, profits or losses and finances (e.g., financial statements are sent annually).
Statistics Act — Section 10	When requested	Statistics Canada	Surveys (e.g., Research and Development Survey).
Canada Corporations Act	Annually	Department of Consumer and Corporate Affairs	All incorporated registered charities must file Form 22.

* The February 15, 1984 Budget proposes to extend the filing date to six months.

** Further information on filing with Revenue Canada may be obtained from Arthur Andersen & Co.'s *Registered Charities Handbook*, pp.6, 7.

Appendix II

Risks

Charitable or non-profit organizations are subject to risks common to any enterprise. The following four major risk areas are inherent in most non-profit organizations and would represent the major exposure areas to be considered in establishing objectives to ensure sound management and internal control procedures:

1. Lack of Business Organization and Discipline
   - Ensure that people are supervised and procedures enforced (reliance on a volunteer work force makes this much more difficult for charities).
2. Cash Receipts
   - Ensure that donations are being received and properly processed through the accounting system.
   - Ensure all cash receipts are deposited intact.
   - Ensure that pledges are being accounted for in the proper accounting period based on agreed-upon criteria.
   - Ensure access to critical forms and processing procedures is controlled in accordance with management criteria.
3. Disbursements
   - Ensure that resources are being used to meet the organization's objectives.
   - Ensure access to forms and procedures is controlled (see Cash Receipts).
4. Restricted Funds
   - Ensure restricted funds are being applied to the purpose specified. (Restricted Funds are funds the use of which is restricted by outside agencies or persons as contrasted with funds over which the organization has complete control and discretion.)

Appendix III

Internal Controls

All organizations have some internal controls based on their needs, size and resources. Directors, trustees, managers and auditors must analyze the organization's internal controls to satisfy themselves whether, and by how much the controls minimize the risks.

The following are a few basic internal controls[6] which should be considered:

1. General Controls
   - Rotation of Functions
   - Mandatory Vacations
   - Segregation of Duties
   - Chart of Accounts
   - Written Procedures
   - Written Activity Reports
   - Regular Financial Reports vs. Budgets
   - Regional/Divisional Reporting and Responsibility
   - Regular Reconciliation of Subsidiary Records
   - Surprise Checks/Visits By Directors or Trustees
2. Receipts
   - Pre-Numbered Receipts
   - Control of Receipts
   - Lock Box for Receipts
   - Compliance with Income Tax Regulations
3. Expenditures
   - Directors' Approval of Large Expenditures
   - Two Cheque Signers
   - Cancellation of Disbursement Vouchers
   - Pre-Numbered Cheques
   - Control of Unissued Cheques

Appendix IV

Accounting Matters

1. Accounting Policies

The Canadian Institute of Chartered Accountants (CICA) has set down specific accounting guidelines for profit-oriented organizations. These are contained in *Generally Accepted Accounting Principles* (GAAP) but the CICA has not set down the same specific guidelines for non-profit organizations. The CICA does recommend that the GAAP for profit-oriented organizations be applied to non-profit organizations.

Non-profit organizations however, have options to depart from GAAP on two types of accounting methods.

A. Depreciation

- Capitalize and Depreciate
  Capitalized when purchased and reported on the balance sheet at cost less depreciation (this is GAAP).

- Capitalize
  Capitalized when purchased and reported on the balance sheet at cost (no depreciation is taken).

- Immediate Expense
  In the year the asset is purchased the item is expensed.

B. Pledges

- Cash Basis
  Donations are only accounted for when the donation is received.

- Accrual Basis
  When a pledge is received, the donation is accounted for (this would be GAAP).

The accounting policies which the organization has chosen as most appropriate for its circumstances should be disclosed in the notes appended to the financial statements.

2. Notes to the Financial Statements

The CICA research study on *Financial Reporting for Non-Profit Organizations*[7] outlines five notes to the financial statements that should disclose the following information:

- The significant accounting policies, particularly when a choice has been made among acceptable alternatives.
- Any significant restrictions on the expenditure of funds.
- Commitments or plans made for the expenditure of unexpended funds.
- Significant details regarding status under the *Income Tax Act*.
- Information regarding related-party transactions:
  (a) a description of the nature and extent of transactions;
  (b) a description of the relationship; and
  (c) amounts due to, or from, related parties and, if not otherwise apparent, the terms of the settlement.

Appendix V

Budgeting—The Association For The Prevention Of Rubik's Cube Fingers

1. The Process (an example) —

The national office has five functions:
- Fund Raising
- Finger Therapy
- Publicity and Education
- Administration
- Preventive Research.

With the exception of the last two, these functions are represented by a committee comprising a volunteer chairman, a staff person at the national office (part-time or full-time) and a representative from each division. These committees meet to discuss divisional needs and where and how the national office can help the divisions. From these groups, plans are developed that are translated into budgets which include the direct expenses of the function, including salaries, and an appropriate allocation of other expenses such as heat, phone, certain administration salaries, etc. These plans and budgets are reviewed carefully by the national executive director, who also prepares the administration budget, so that he or she has an overall view of the goals of each function, how they interrelate and the priorities.

The combined budget is then compiled and discussed in depth with the sub-committee responsible so as to arrive at a budget that comes as close as possible to providing each function with the funds it needs to meet its plans (see attached minutes). This is done bearing in mind the cash which the divisions feel they can provide and the need for research funding. Changes proposed to the functional budgets are agreed in consultations with the related committee chairmen and the budget is completed for presentation to the board. Thus, the plans of Fund Raising, Finger Therapy, and Publicity and Education should reflect the expectations of the divisions, through their committees, at a cost they consider appropriate.

Administration costs represent the costs of the board, the executive committee and ad hoc meetings (including travel and accommodation); the general time of the executive director; legal fees; accounting and audit; support for the International Federation for the Prevention of Rubik's Cube Fingers (IFPRCF) and related allocated expenses.

Preventive Research funds are spent by the Medical Finger-Advisory Committee with approval of the board. The related costs include meetings, medical director's salary, an allocation of administrative support (including salaries) and certain other costs such as the publication of research abstracts.

The attached exhibits summarizing the budget for fiscal 1984 have been developed as described above. The support from divisions is based on their preliminary budgets. The level of expenses reflects a 14 per cent reduction from last year's budget and a 25 per cent reduction from the amount expected to be incurred during fiscal 1983. The 1983 budget was overspent by year end by approximately $468,000, an overrun arising primarily from additional research grants and publicity and education expenses which could not be deferred as originally contemplated in the fiscal 1983 budget cuts. These excess expenditures were separately approved by the board at a March 2, 1983, meeting.

T. Cube
Honorary Treasurer

EXHIBIT A

The Association For The Prevention Of Rubik's Cube Fingers

National Budget—1984
Statement Of Revenues And Expenditures (in 000's)

	1983		1984
	Budget	Projected	Proposed
Revenues:			
Divisional Support (Ex. B)	$3,158	$3,061	$2,543
Direct Donations	15	33	15
Bequests	–	26	–
Investment Income	98	59	38
	$3,271	$3,179	$2,596
Expenditures (Exhibit C):			
Preventive Research	$1,823	$2,254	$1,565
Finger Therapy	231	202	211
Publicity and Education	220	269	261
Administration	284	295	239
Fund Raising	262	268	192
	$2,820	$3,288	$2,468
Excess (Deficit) of Revenues over Expenses	$ 451	$ (109)	$ 128

EXHIBIT B

The Association For The Prevention Of Rubik's Cube Fingers

National Budget—1984
Divisional Support
(in 000's)

	1983 Budget	1983 Projected	1984 Proposed
Atlantic	$ 113	$ 113	$ 113
Quebec	225	225	300
Ontario	2,400	2,400	1,500
Manitoba	75	23	150
Saskatchewan	90	90	90
Alberta	180	135	90
British Columbia	75	75	300
	$3,158	$3,061	$2,543

EXHIBIT C

The Association For The Prevention Of Rubik's Cube Fingers

National Budget—1984
Summary Of Expenditures
(in 000's)

	Prevent. Research	Finger Therapy	Publicity/ Education	Admin.	Fund Raising	Total
Salary & Benefits	$ 88	$109	$109	$ 95	$109	$ 510
Occupancy	9	13	13	13	13	61
Office Expense	6	19	19	15	19	78
Audit & Legal	–	–	–	12	–	12
Meetings	9	19	15	56	13	112
Travel	3	8	6	14	8	39
Promotion/Publicity	–	–	4	6	3	13
Special Projects	–	–	–	–	16	16
Print. & Production	11	35	87	–	–	133
IFPRCF Support	–	–	–	19	–	19
General Expenses	–	8	8	9	11	36
Research Grants	1,439	–	–	–	–	1,439
	$1,565	$211	$261	$239	$192	$2,468
Budget 1983	$1,823	$231	$220	$284	$262	$2,820
Projected 1983	$2,254	$202	$269	$295	$268	$3,288

The Association For The Prevention Of Rubik's Cube Fingers

Wednesday, April 11, 1983

5. Minutes

A core group of the Finance Committee met on Wednesday, April 11, 1983 at 8:00 a.m. in the office of Arthur Andersen & Co.

Present were: R. Rubik, Chairman
T. Cube
J. Colour
Z. Square
K. Swivel, Recording Secretary

The purpose of the meeting was to examine the proposed national and departmental budgets for fiscal 1983–84.

Given that anticipated revenues reported to national are 25 per cent lower than last year, it was agreed that the proposed budgets for 1983–84 should be reduced by at least 10 per cent.

1983–84 National Budget
Possible cutbacks in fixed and variable costs were discussed.

Fund-Raising Budget
Since this is the most important area to the Association in terms of investment for the future, it was agreed to accept the proposed budget without change.

Finger Therapy Budget
Questions were raised concerning the amount of expenditure on literature and film. It was agreed to defer some of these costs.

Publicity and Education Budget
Expenses for groundwork and future development of the National Communications Plan were explained by Z. Square. The proposed budget was considered and reduced.

The Association's Research Budget
It was agreed to accept the proposed budget without change.

1983–84 National Office Administration Budget
A reduction of $45,000 was effected to specific allocated costs, e.g., telephone, travel, meetings, etc.

The National Budget for 1983-84 was also reduced resulting in a total operating budget in the amount of $2,468,000.

It was agreed that the Honorary Treasurer and National Executive Director would make contact with each of the national committee chairmen to discuss the budget changes and assist them with regard to their reports to the board. The final documents should be prepared for advance mailing to board members on or about June 15, 1983.

K. Swivel	Z.Square	T. Cube
Recording Secretary	*National Executive Director*	*Honorary Treasurer*

FOOTNOTES

1. David P. Ross, *Some Financial and Economic Dimensions of Registered Charities and Volunteer Activity in Canada*, Ottawa, Secretary of State, Government of Canada, February 1983. Also see *Toronto Star*, Friday, September 2, 1983.
2. Hilliard Steele, "Investigating Alleged Fraud", *Internal Auditor*, Institute of Internal Auditors Inc., October 1982.
3. Thomas J. Peters and Robert H. Waterman, Jr., *In Search of Excellence*, New York, Harper & Row, 1982.
4. *Comprehensive Auditing—An Overview*, Ottawa, Canadian Comprehensive Auditing Foundation.
5. *Six, Five and Counting: Innovations in Municipal Economy*, Ottawa, Federation of Canadian Municipalities, June 1983.
6. *A Guide for Studying and Evaluating Internal Accounting Controls*, available from Arthur Andersen & Co., includes an overview of internal controls and related risks. Although the book is designed primarily for manufacturing companies, the concepts apply to non-profit organizations as well.
7. *Financial Reporting for Non-Profit Organizations, A Research Study*, Ottawa, Canadian Institute of Chartered Accountants, 1980, p.37, para. 28.