



CHARTERED ACCOUNTANTS  
AUSTRALIA + NEW ZEALAND

Geoff Connor  
Principal Advisor  
Commercial, Consumers and Communications Branch  
Ministry of Business, Innovation and Employment  
PO Box 1473  
Wellington 6140

By email: [societies@mbie.govt.nz](mailto:societies@mbie.govt.nz)

Dear Geoff

### **Submission on the Exposure Draft of the Incorporated Societies Bill**

Chartered Accountants Australia and New Zealand welcomes the opportunity to comment on the Exposure Draft of the Incorporated Societies Bill (“the Bill”). Information about us located in the Appendix to this submission. This submission focuses on the proposals in relation to financial reporting and assurance.

### **Financial reporting**

In the development of the Financial Reporting Bill, three ‘indicators of financial reporting’ were used to assess whether general purpose financial reporting should be required. Incorporated societies display at least one of these – separation – where members that do not manage the incorporated society will most likely have no access to the society’s financial information. On this basis we support the proposal to require all incorporated societies to prepare financial statements in accordance with the accounting standards issued by the External Reporting Board (XRB) (clauses 83–84 of the Bill). We believe this will improve the quality and consistency of the information in incorporated society financial statements, and will provide greater accountability and transparency which is in the public interest.

#### **Chartered Accountants Australia and New Zealand**

33 Erskine Street, Sydney NSW 2000  
GPO Box 9985, Sydney NSW 2001, Australia  
T +61 2 9290 1344 F +61 2 9262 4841

**[charteredaccountantsanz.com](http://charteredaccountantsanz.com)**

Chartered Accountants Australia and New Zealand ABN 50 084 642 571 (CA ANZ).

Formed in Australia. Members of CA ANZ are not liable for the debts and liabilities of CA ANZ.



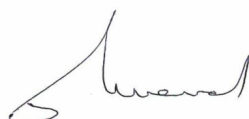
There appears to be an underlying assumption in the Bill that all incorporated societies meet the definition<sup>1</sup> of a Public Benefit Entity (PBE). However this may not always be the case, as an incorporated society with a primary objective other than “the provision of goods or services for community or social benefit” would be deemed a for-profit entity for the purposes of financial reporting. This means that smaller<sup>2</sup> incorporated societies would not be able to prepare financial statements in accordance with the XRB’s tier 3 or 4 simple format reporting standards for not-for-profit entities. Instead they would be required to prepare financial statements in accordance with the more extensive requirements of the tier 1 or 2 for-profit entity accounting standards.

## **Assurance**

Having an independent professional provide assurance over a financial report is an important part of an efficient and effective reporting framework. It demonstrates to users that an entity appropriately reports on the assets entrusted to it. The Bill does not mention assurance requirements, and if the Bill is progressed we recommend inclusion of assurance requirements.

If you have any questions regarding this submission, please contact Liz Stamford (Audit and Insolvency Leader) via email; [liz.stamford@charteredaccountantsanz.com](mailto:liz.stamford@charteredaccountantsanz.com).

Yours sincerely



**Rob Ward FCA AM**  
Head of Leadership and Advocacy

---

<sup>1</sup> As defined in paragraph 6 of Standard XRB A1 *Application of the Accounting Standards Framework*

<sup>2</sup> Those with annual operating expenses of \$2m or less

## **Appendix: About us**

Chartered Accountants Australia and New Zealand is a professional body comprised of over 115,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international capital markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.