



# Accounting For Charities Trust

*"Empowering Charities with the knowledge and skills to effectively manage their finances with confidence"*

13<sup>th</sup> of July 2012.

Assurance for Larger Registered Charities  
Competition, Trade and Investment Branch  
Ministry of Economic Development  
PO Box 1473  
Wellington.

## **Submission on auditing and assurance for larger registered charities**

We are a registered charitable trust based in Lower Hutt. We provide subsidised financial education and training to community organisations in the Lower North Island.

Q1. Do you have any comments on the description of the problem definition?

**We are not sure about the accuracy of the research as how could larger charities continue to get funding without having audited accounts? All funders we are aware of including government agencies require audited financial statements as a requirement for funding. Is it simply because they are not uploading the audit report with the financial statements to the Charities Commission when completing the annual return? Is the problem really as big as the research suggests as the scope of the research is small.**

Q2. Do you have any comments on the description of the objective?

**No**

Q3. Do you have any comments on the description of the options?

**Confusing to the sector – committees/boards have overall responsibility for financial management, and therefore to carry out effective governance they should opt for an audit rather than a review even if it costs more. Non-accountants do not understand the relevance of reviews.**

Q4. Do you consider that large charities should be required by legislation to have an assurance engagement completed?

**Yes**

Q5. Assuming that mandatory assurance was to be introduced for large registered charities, do you consider that (a) all large registered charities should be required to have an audit

completed or (b) that 'less large' charities should be required to have an audit or a review completed and 'more large' charities should be required to have an audit completed?

**Audits mandatory for all organisations with expenses > \$100k. Up to funders, stakeholders, and the market to determine assurance required for < \$100k turnover.**

Q6. Which measure or measures should be used for determining whether assurance is required and, if there are to be tiers, for setting the cut-off point between audit and review?

**It really should be left up to market forces and stakeholders. Funders and government agencies providing funding will set the assurance levels required as part of the funding process. Also, many committees/boards prefer an audit over a review to give them more comfort that good financial management and internal controls are in place.**

Q7. Do you prefer Option A, Option B (see paragraph 49) or another option in relation to assurers' qualifications?

**All members of the NZICA with the designations of CA, ACA, AT, and CA Ret'd should be included in the pool of auditors not just Chartered Accountants with practicing certificates. This will ensure there is an adequate number of qualified accountants available to perform audits and keep costs down. We believe that CAs with practicing certificates should be required for audits of organisations with > \$1 million expenses. All other designations could be utilised for audits/reviews of organisations of expenditures of < \$1million.**

Q8. What are your views on the tentative proposal for all registered charities with annual operating expenditure of \$300,000 or more to have an audit completed and annual operating expenditure of \$200,000-\$300,000 to have a review or an audit completed?

**Already outlined.**

Q9. Do you consider that there should be a mechanism for the government to increase the dollar amounts from time-to-time to counter the effects of inflation?

**Cost – Benefit will need to be weighed up.**

Q10. Do you have any views on the Ministry's estimates of costs and benefits?

**Ministry has underestimated costs especially if it was only CAs or CAs with practicing certificates being the only designations that can carry out audits.**

Q11. Do you consider that introducing a review requirement into law could encourage some charities that are currently having an audit carried out to switch to a review?

**Probably but more education is required.**

Q12. Do you have any other comments?

**No.**

*On Behalf of the Trustees at Accounting for Charities Trust*