

Bizwize Consulting Limited.
Wellington.

12th 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

Our company provides accounting software support and training to charities and other not-for-profit organisations in the Wellington region.

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

Research seems limited in scope and sampling, and biased.

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?

The relevance of a review requires more education. Most committee members/boards have little idea of the value of a review other than it may be cheaper than an audit.

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 required for all organisations with turnover greater than \$100k. Up to organisations with turnover of less than \$100k whether they have a review or audit.

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?

As above.

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

All members of the NZICA could do audits including ACAs and AT's. Many of these members bring valuable accounting skills, life experience, and sound knowledge of the not-for-profit sector required for auditing. Including these members will also ensure there are adequate numbers of auditors available and reduce costs. Organisations with turnover greater than \$500k require audit signoff by CAs with practicing certificates. Turnover of less than \$500k could be done by ACAs, ATs and retired CAs.

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?

I think this should be left up to the market, stakeholders and funders to determine rather than legislation. Most boards/committees understand they are responsible for financial management and will have audits/reviews to provide comfort that finances are being managed appropriately.

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?

Bureaucracy and costs – not a good look for the NFP sector.

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 auditors.

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?

More education is required before the introduction of any laws/legislation.

Q12. Do you have any other comments?

No.

On Behalf of Directors of Bizwize Consultancy Limited