



19 July 2012

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

To Whom it May Concern:

Re: Auditing and Assurance for Larger Registered Charities

Thank you for the opportunity to comment on the proposed auditing and assurance requirements for larger registered charities. Please see our comments below:

Q1

No comment. The problem identified is not only restricted to the charitable sector. It is a skill and cost versus perceived value issue. A number of charities (or SMO's) do not have the ability to engage or to receive the services of a suitably qualified accountant to prepare their financial statements.

Q2

No comment.

Q3

No comment.

Q4

I am not sure charitable size equates to an audit expense being any more affordable to the larger charities. Generally, the size and complexity of an organization dictates the level and degree of audit work which then equates to cost for the completion of the audit.

Agreed that the larger the charitable trust, the greater the governance skill which can lead to better processes, procedures and controls which lessens the requirements to complete an audit. However this also leads to board members requesting completion of an audit.

Q5

I agree. If the proposal is to proceed then an audit is to be completed by all large registered charities and that a review is completed for less large registered charities.

Q6

I would suggest if the charity met or exceeded any of the 3 measures; annual revenue, annual operating expenditure or total assets, then it meets the requirements for either an audit or review. Each of the 3 measures has a different value in terms of risk to an organization and therefore a trigger for an audit to be completed.

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Q7

Option B: No value in receiving an opinion on compliance of the financial statements of an organization if the person providing the opinion is not suitably qualified in the eyes of the public for whom the audit has in effect been completed for.

Q8

Too low. The definition of size is different in the not for profit organisations.
If large numbers of organisations are required to complete a full audit it will lead to demand and supply issues for audit services which will then lead to non-qualified audit providers completing the level of rigour required. The recent finance company audit activity has demonstrated this.

Q9

Yes but maybe the government should work with NZICA to ensure commonality.

Q10

I believe the costs are too low. The need is to ensure quality reputable audit firms are undertaking the audit work. To do this these firms need to balance cost vs risk to the firm for providing an opinion on charities. The higher the quality of the firm generally means higher fees. The landscape has changed over the past 5 years regarding audit firms and the increased liability they carry now to complete audit and provide public opinion.

Q11

No, given the cost of completing an audit, the charitable organisations currently doing so are likely to have recognized the demand and/or benefit of having an audit of their organization.

Q12

The real need is to ensure that charitable organisations with limited financial resources do not get caught in the compliance whirlpool. The charitable sector is important to the NZ economy and social makeup of NZ. If we end up with less charities as a result of forced compliance then NZ as a whole is worse off.

If it is to be introduced that the full audit threshold needs to be high, and the review level down to a certain threshold. I do not see value in either an audit or review being completed as a charitable organization when operating expenditure makes it immaterial.

The proposal should also receive formal acceptance by NZICA as NZICA will need to put in place education procedures etc to handle increased demand for services.

Kind Regards,



Craig Blackmore
Chief Financial Officer