

CATHOLIC SCHOOLS BOARD LIMITED

ARCHDIOCESE OF WELLINGTON AND DIOCESE OF PALMERSTON NORTH

22-28 Hill Street P.O. Box 12 341 Thorndon Wellington

Telephone: 04 499 0184 0800 462 725 Facsimile: 04 499 4804 E-mail: office@catholicschools.co.nz

18 June 2012

Ministry of Economic Development
33 Bowen Street
PO Box 1473
WELLINGTON 6011



Auditing & Assurance for Larger Registered Charities

I enclose a submission on behalf of Catholic Schools Board Limited

Yours sincerely

Bernie Dodson
Senior Policy Adviser

Encl: *Submission*

19/06/12 09:03

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Submission



On: Auditing and Assurance for Larger Registered Charities

By: Catholic Schools Board Limited (CSBL)

Introduction

CSBL is a private company and a registered charity (Ref. CC24226) established (and owned) by the proprietors of Catholic schools in the Archdiocese of Wellington and the Diocese of Palmerston North.

In general terms, CSBL was established to enable proprietors to pool and share resources for the common good of all proprietors and their schools. CSBL manages school property and collects attendance dues on behalf of its proprietors and provides funding for the maintenance, enhancement and preservation of education with a Catholic character at their schools.

CSBL's annual operating expenditure is in the order of \$3,000,000 (\$3.2m in 2011).

The accounts of CSBL are audited annually.

Consolidated Questions

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

CSBL agrees that a charitable trust's financial statements should be full, accurate and transparent.

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

No.

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

No.

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

Yes. We would suggest, in addition, that an assurance engagement should be a pre-requisite for a charity that is seeking access to public funding and further, that such assurance should be in the form of an audit.

5. *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?*

CSBL agrees that large charities should be required to be audited, that being the best form of assurance available.

We have doubts about the efficacy of negative assurance. We think it is capable of becoming an exercise in "ticking boxes" without satisfying the charity's obligation to provide financial statements that are full, accurate and transparent. For that reason, we think all large charities should be required to have an audit.

No doubt there will be wriggle room when determining what a large charity is.

6. *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?*

CSBL agrees that annual operating expenditure is likely to be the best option. However, we consider that the options of total assets and annual revenue could also be used. There is no reason why the test shouldn't be that assurance is required if the trust meets the level set in respect of any of those options.

The test should also require that operating expenditure/total assets/annual revenue of subsidiaries and other related entities be taken into account and, if assurance is required, that those subsidiaries and other related entities also be subject to it.

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

CSBL favours a higher proportion of registered charities being required to have an assurance engagement and, so far as is possible or practical, that the assurance is carried out by qualified accountants.

This is neither option A nor option B but we consider that an assurance carried out by a qualified accountant is more likely to be carried out fairly, impartially and correctly and note that some of the categories of persons in Table 6 have no compelling reason (such as redress by their professional body) to meet the stipulated standards.

We accept there may be a need for persons with lesser qualifications to be involved simply because of the number of trusts involved and because some cannot afford the cost but there should be some means of compelling (or encouraging) them to meet a minimum standard such as accreditation by the Charities Commission.

8. 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?

Based on the information in the discussion paper, CSBL considers that it would not be unreasonable for the audit requirement to apply in respect of charities with operating expenditure of \$200,000 or more.

9. 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?

Yes.

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

No.

11. 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?

The large charities are likely to have good reasons – ethical grounding, transparency, funding requirements etc. - for continuing with an audit.

12. Do you have any other comments?

No.



Bernie Dodson
Senior Policy Adviser

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