

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

Agree-but:

...should add comments about the problem which some Charities face from other Organisations, Funding Agencies in particular, who require the Charities accounts to be Audited, and at an often high cost to the Charity.

If a Standard industry-wide-accepted Assurance process was made mandatory, those 'other Organisations' could use the information from the 'Annual Returns' process, and thereby save the Charity having to incur additional costs for a special 'Audit'.

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

Agree

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

Agree, except for comments below:

Comments in Para 16 of the 'Discussion Document' say:

"The accountability requirement under the Charities Act, including financial reporting, has led to awareness that charities need better opportunities to tell their story. This has led to the XRB considering how it can integrate non-financial reporting into the standards it is drafting for registered charities."

Para 21 b should have an additional category 'v' for 'Non-Financial Performance Measures'.

The Reason:

Non-Financial Performance Measures

Charitable Organisations, by their very nature, focus primarily on 'Delivery of Services'-as opposed to 'Commercial Performance'.

The success of Charitable Organisations actions should therefore be measured against them making positive contributions toward community-wide outcomes, or at a service-delivery level-results which improve an individual's wellbeing.

The success of Commercial enterprises, compared to Charitable Organisations, are measured in terms of Financial Performance.

Therefore, any 'Audit' or 'Review' of the Annual Return of a Charitable Organisation which is based solely on traditional' Commercial-standards', will be deficient to the extent that it fails to 'Audit or Review' the more Strategic 'Non-Financial Performance Measures' as well,

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

Yes, because the Services provided and the Finances involved are significant in terms of the effects they can have on a Community and/or on individuals quality of life, compared to those of a small charity.

As a general Principle, “The greater the impacts and the greater the level of Finances involved-the greater the need for Assurance”.

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?

Agree with (b) on the basis of ‘degree of social impact/financial risk management’

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?

We Agree with the Ministries Recommendation that:

“.... annual operating expenditure is clearly the best option.”

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

Option A: A combination of (i) a higher proportion of registered charities being required to have an assurance engagement completed and (ii) certain non-accountants being permitted to carry out relatively simple engagements; or

Option B: A combination of (i) a lower proportion of registered charities being required to have an assurance engagement completed and (ii) requiring all of those

We support your recommendation for Option B

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?

Comment:

The only cost Charities are currently obliged by law to pay in filing their Annual return is \$51.11.

For small Charities, some would face hardship if this cost was to escalate.

We therefore support the setting of a Maximum sum, below which the proposed change would not apply.

The question is:

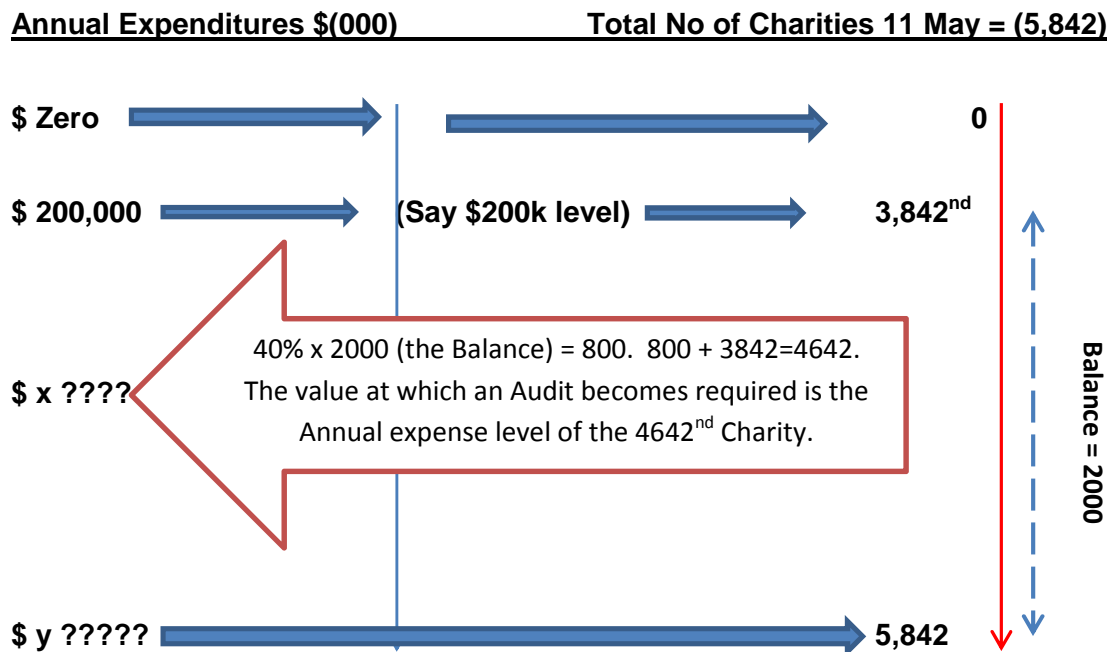
1. What should the Maximum sum be? and:
2. At what level should the mandatory Audit apply

We suggest that the \$200,000 appears reasonable.

However, we believe the gap between the 'Mandatory Audit' and 'Review' may be too small, at \$300,000.

We suggest that the monetary level at which mandatory Audits would apply should be set where 40% of the total number of Charitable Organisations above \$200,000, in ascending order of total annual costs according to the Annual Returns, is reached.

Expressing our suggestion in another form may illustrate better what we mean:



(We made attempts to determine this figure through the Charities Commission website, but the inability to navigate the 'site' well, coupled with a general lack of time available, put paid to those attempts)

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?

Yes-but not too often. Say every 5 x years

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

No

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?

Yes, if the cost is less.

Q12. Do you have any other comments?

A good initiative.

You should inform the various funders of this review so that they know what's happening. You should also assure them that they will be able to rely on the new 'Review' process as an Assurance tool.
