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**For: Competition, Trade and Investment Branch
Ministry Business, Administration and Employment
WELLINGTON**

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**Submissions by Karori Anglican Churches in Response to
Discussion Paper Auditing and Assurance for Larger Registered
Charities**

1. This submission is made on behalf of the Karori Anglican Churches (**KAC**). KAC is a parish within the Anglican Diocese of Wellington. As such, KAC is within the group registration of the Diocese under the Charities Act, rather than being separately registered. KAC does, however, have two trusts that are separately registered.
2. In relation to Question 8 KAC is **opposed to the low thresholds there set out**.
3. Such low thresholds will impose unnecessary extra cost on KAC (and other charities) without any corresponding benefit.
4. In broad terms KAC operates through three separate units. The primary unit is the parish worshipping community and its general outreach into the wider community. The other two units are specific outreach units, being an early childhood centre and an after school programme. These two units receive Government grants and, as required by the terms of the grant, have audited accounts. KAC has no difficulty with that.
5. The worshipping community, however, is supported almost entirely by donations from the regular worshipping congregation. The accounts are prepared by a member of the congregation who happens to be a chartered accountant and who does not charge for her services. The accounts are then reviewed by a prominent chartered accountant. These accounts are freely available to the congregation, both before and at the annual general meeting.
6. Although the donations from, and consequential operating expenses of, the worshipping community unit are well in excess of the \$300,000 threshold proposed for when an audit is required, there is absolutely no demand from the donors or others using the accounts

for audited accounts. Why then should we be put to the expense of an audit that is not sought by the users?

7. We are also concerned that, if the proposed thresholds are enacted, our voluntary Treasurer may consider the need to prepare accounts in an auditable form and present them as such to the auditor, as well as spending time with the auditor, may impose too great a burden on her.
8. It would also mean that the very prominent person who reviews our accounts will not be prepared to audit them. In that event we will probably need to seek an independent auditor and pay for that service with a significant increase in cost. Given the total lack of demand for an audit, this is simply an unnecessary expense for us.
9. We also note, from our experience with the entities that are audited, that auditors have a tendency to significantly increase their fees in subsequent years once they believe the client has been “captured”. This is unless the re-letting of the audit contract is carefully managed. The estimates at para 58 of the Discussion Paper do not reflect this phenomenon.
10. A large part of our income is in the form of donations via the weekly offertory taken up at our various Sunday services. Although we are confident that all funds so donated are actually received, no auditor will be able to fully satisfy themselves of the accuracy of accounting for those funds. It would seem inevitable that any audit would be subject to a major qualification. What then is the utility of the audit (and attendant expense)?
11. Further, the first year’s audit will need to be qualified in relation to the prior period figures.
12. We believe that there would be other parishes and charities in a similar situation.

Yours faithfully



Dugald Morrison
Chair of the Finance Committee