

17 July 2012

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

Submissions on: Auditing and Assurance for Larger Registered Charities

My name is John O'Connell and my address is PO Box 2717 Wellington. I am the Chief Executive of the Life Education Trust (NZ) Inc.

We are an organisation made of 38 regional entities, each are separately incorporated societies and are registered charities.

Our organisation has a total annual income of \$6.2m, however, this is broken down as 38 regional charities into the following bands

- 5 turn over less than \$100,000
- 29 turn over between \$100,000 and \$150,000
- 4 turn over between \$150,000 and \$300,000
- LET NZ income is \$2.0m

Within the turnover of these regional charities their activity is almost identical. The larger four Trusts simply employ an additional person to double their local outputs and service provision.

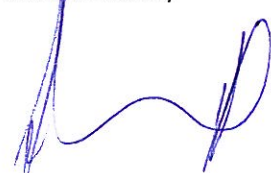
Our Submission is:

1. We agree with the principle of a threshold structure as proposed in the MED discussion paper.
2. The levels promoted to establish the thresholds are reasonable, but there should be a commitment to review these every three years.
3. The Department of Internal Affairs (DIA) has already moved to establish conflicting policy with the MED discussion paper. DIA has introduced a level of assurance for NZLGB applications and reporting, which is in conflict with the Charities Commission requirements and those proposed by the MED paper. This conflicting position is of concern when NZLGB and the Charities Commission are both administered by DIA.
4. We disagree with the costs outlined in the MED prepared discussion paper. We believe these are significantly under represented:
 - a. Based upon actual costs our organisation is paying, and
 - b. This concern has been reinforced in listening to other charities experience at, for example the ANGOA meeting in Wellington 1 June.

- c. We submit the average assurance price for \$200,000 turnover charity is closer to 2.5%, not the 0.91% promoted in the MED discussion paper
- 5. The paper takes no account of the limited supply of assurance providers, particularly in rural areas and the natural supply and demand impact on current pricing that will occur. Charities are already experiencing challenges in obtaining providers, however, the discussion paper does not reflect this.
- 6. For charities where their income is close to a threshold, there is no solution offered where charities will move across this threshold in differing years. We suggest some flexibility needs to be established. This will occur, for example, where charities have high capital investment needs and fundraising income will reflect significant variances in different years
 - a. This might be in the form of a moving average over three years to establish what that threshold is for the next three years.

In addition to these five points, given the intent of establishing and maintaining the Charities Commission then financial assurance is only one part of that intent. A level of assurance that the registered charity is achieving outcomes consistent with its statement of intents is the assurance the public are likely to seek from charities, rather than that achieved from a financial assurance process. Currently that is not tested or measured once registration as a charity is obtained.

Yours sincerely



John O'Connell
Chief Executive