

From: Lloyd Brewerton
Sent: Tuesday, 17 July 2012 12:14 p.m.
To: *Financial Reporting
Subject: Submission on Auditing and Assurance of Larger Registered Charities

Submission on Auditing and Assurance of Larger Registered Charities

Background

I work with the range of Charities, publicly controlled charities working in a range of service and environmental areas, private charities where a donor has given a substantial sum to provide a fund to support other charities, and trading charities where a donor has given their business to a charity so that the profits can be given to provide on going support to other charities.

I am a Chartered Accountant and a Company Director of multiple companies.

I support the overall objective of this proposal but strongly object to what is being proposed as the solution as there is a far better solution based on public accountability.

The requirement for an audit or assurance should primarily be to do with whether or not the public is being asked to contribute funds to the organisation.

If any funds are requested by a Charity from the public, an audit or assurance review (depending on the size of the public donations) should be required to provide assurance that the funds have been used as promised. A charity requesting or receiving funds from the public, is in the same position as an "issuer" and they should be audited. This is consistent with the same principle for businesses. If the business is an "issuer", then it must be audited to ensure that the public are not being misled.

The present proposal falls short in that;

1. it does not provide for an audit of small charities seeking public donations which means that the public can still be misled if the promoter keeps the size of the charity below the threshold.
2. It adds unnecessary costs to private charities that exceed the expense thresholds.

By setting the threshold at a level of expenditure, instead of public donations, the following types of charities will be forced to pay for an audit/assurance.

- a. Private charities who employ people to vet funding applications. They do this to ensure that their distributions are made after proper consideration and due diligence. It only takes a couple of employees and an office to exceed the \$200,000 expense threshold and so they will be required to have an audit/assurance.
- b. Virtually every trading charity in the country will be required to have an audit even though less than \$200,000 is only a small business.

The effect of this unnecessary costs on these charities is that there will be more money flowing to accountants and less money flowing to the charities working in our community that need their support.

To propose to raise this threshold is not the answer. The solution is to make audits/assurance based on whether the charity has requested or received public donations.

It should also be noted that it is becoming very difficult to find honorary auditors and so this will further increase the financial gain of the accounting fraternity as a result of this proposal at the expense of charitable funding.

I would like the opportunity to appear before the committee reviewing the proposal.

Lloyd Brewerton C. A.