

107 Waipapa Road
Wellington
23 July 2012

Assurance for Larger Registered Charities
Competition, Trade and Investment Branch
PO Box 1473
Wellington

Dear Sir/Madam

SUBMISSION ON DISCUSSION PAPER – AUDITING AND ASSURANCE FOR LARGER REGISTERED CHARITIES

Thank you for providing the opportunity to comment on the Discussion Paper on Auditing and Assurance for Larger Registered Charities. I am the honorary auditor of three charities, none of which are large, and am also the Treasurer of another charity. None of the charities that I am involved with would be affected by the proposals in the Discussion Paper. However, I have two observations that I believe are worthy of consideration.

My first observation is that, in my opinion, the monetary thresholds for mandatory audit, and audit or review (as set out in the Discussion Paper) are too low. As a consequence there is a strong likelihood that regulation will force unnecessary compliance costs on certain charities. Furthermore, the regulatory requirements appear to ignore the fact that there are already many incentives that lead charities to obtain the appropriate level of assurance on their financial statements.

In my opinion mandatory audit should only be required for the financial statements of charities with annual operating expenditure of \$2million or greater. For charities with annual operating expenditure of less than \$2million any decision about the need for an audit or a review of the financial statements should be left with the members of the charity. Every charity is different and it is therefore important for the members of charities below the regulatory assurance threshold to determine if their financial statements need to be assured. In some instances there will be good reasons why a large charity with annual operating expenditure of slightly less than \$2million does not require its financial statements to be audited or reviewed. In other instances there will be very strong reasons why the financial statements of a very small charity should be audited. Often third

parties, such as a funding agency, will require a charity's financial statements to be audited as a condition of grant funding.

In my opinion the Discussion Paper advocates an unnecessary intrusion (with associated and unnecessary compliance costs) into the affairs of charities – particularly when there are many other incentives that influence the accountability and assurance needs of charities.

My second observation is that if a charity is required (or voluntarily decides) to have an audit or review of its financial statements then this must be carried out by a person who is experienced in carrying out audits or reviews. Typically such a person will be a member of the New Zealand Institute of Chartered Accountants, or be a member of an appropriate professional body. Audit and review are specialist disciplines and I am pleased to note the MED's preliminary view is that this work should be carried out by a qualified accountant. To suggest an analogy "Would you ask a butcher to perform brain surgery?".

Therefore what I am suggesting is a regime that relaxes the threshold for requiring an audit or a review, but when an audit or review is carried out that it is performed by a specialist.

I hope these comments are of assistance.

Yours faithfully

A handwritten signature in black ink, appearing to read "Roy Glass". The signature is written in a cursive, flowing style with some loops and flourishes.

Roy Glass