

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

In 2.1/11/a & b, there is a potential contradiction. Care will need be taken to ensure that by increasing the quality of financial reporting, the cost of such reporting is decreased at the same time.

2.2/15 raises major and real issues. Issues of consolidation – or lack of it - need to be seriously addressed. While it is lawful to establish entities under Company's, Society's, Trust's etc, all associated entities should be either consolidated or reported on separately, under the umbrella of the 'main' organisation. Charitable trusts may well have the ability to direct bequests into an associated foundation but where this is done, it should be mandatory for the financial results of both entities to be disclosed. How often do we see an operating entity pleading hardship when, at the same time, they are building extensive financial reserves in an 'associated' foundation.

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

I agree the objectives.

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

As a CA, involved in Audit, I have a personal fear of 'Reviews'. I tend to the view that the organisation seeking the review are seeking, not without reason, to reduce the assurance cost, while at the same time, expecting the liability to rest with the Assurer if problems are found at a later date.

The question of Assurance Liability and risk need be addressed, especially in relation to Q7. It would be somewhat foolish of any assurer to undertake work of this nature, without professional indemnity insurance, if risks remain with that Assurer. If the Assurance work is to be undertaken by non CA's as I believe it can in part, the risk to that Assurer needs to be restricted or eliminated.

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

Yes, unreservedly.

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?

As mentioned above, I would remove the review option. A cut off point, be it by size or by nature, should be established and all registered charities above the threshold should be audited.

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?

Evidence is pointing to the fact that Operating Expenditure is the accepted determinant. As an aside, and as an Auditor, I am left with 'moral' dilemma's on various occasions. In brief, many charitable trusts appear to have the charity as a secondary objective. The primary objective appears to provide a level of income to the operator of the Charity. While legally

legitimate, I am left wondering at the moral integrity of such operators and the probable views of the general public, were these salary and wages widely exposed.

Is there a case for establishing operational remuneration guidelines?

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

See Q3 & Q5. I would support option B assuming that the risk element is to remain for the Assurer.

If the risk issue can be addressed then I think it beneficial, and a safeguard for all Treasurer's, to have some independent third party sign off on the Financial Statements likewise.

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?

>\$200,000 should be Audited.

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?

Does it need a mechanism? Should Government not have the ability to change the criteria as it sees fit or to require a 'problem' charity to undertake an audit?

Issued raised in question 1 are relevant. You would need to safeguard against the possibility of, primarily, a single charity splitting into two, in order to come under the threshold.

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

I accept the views expressed

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?

The question is being asked of me with greater regularity over the last few years. I discourage it as I remain unconvinced that the level of assurance required is the same as that of an audit but for a lesser fee.

I would question that many Treasurer's would understand the difference between Audit and Review other than one is supposedly cheaper than the other.

Q12. Do you have any other comments?

- Legislation **must**, in my opinion, address the consolidation issue of associated entities.
- Audits only above a set threshold.

Look after the voluntary Treasurer, and issue a review sheet for some third party reviewer to sign off on. Reviews, in this context, are not as prescribed by NZICA, but a common sense checklist that the club patron or likes could si