

From: Tony Bracefield

Sent: Tuesday, 1 May 2012 11:51 a.m.

To: *Financial Reporting

Subject: Submission on the auditing and assurance for larger registered charities

To whom it may concern

I am the accountant and trustee for 3 quite distinct charities. One is Manukau Christian Charitable Trust that primarily operates preschools, the second is a very small church charity – Ezra Ministry Charitable Trusts and the third is Grace Presbyterian Church of New Zealand – a group of 10 congregations.

Because I do the financial statements for all three of these organisations from small (Ezra Ministry under \$60,000 pa expenses) to medium (Manukau Trust at about \$1,000,000 expenses) and Grace Presbyterian Church has 13 congregations that make us 1.1million worth of expenditure, I have a good understanding of the different size issues.

Below are is my submission on your questions

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

No

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

No

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

I think non Chartered accountants should be able to be engaged in reviews.

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

Only if required by their constitutions or if they are over \$2million and complying with the new XRB financial requirements.

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

Only if required by their constitutions or if they are over \$2million and complying with the new XRB financial requirements.

(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?

Yes I agree there should be a difference between when reviews and audits are required.

I favour reviews over \$500,000 and audits over \$2million unless the charities constitutions require audits, then the constitution should be complied with.

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?

I think expenditure is a good measure.

I favour reviews over \$500,000 and audits over \$2million unless the charities constitutions require audits, then the constitution should be complied with.

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

I favour Option B and in addition I think depending on what levels are eventually set that non chartered accountants could carry out reviews – ie people with a BCom degree could carry out reviews – they may not be accountants but have a good understanding of business. For audits over \$2million you should have a chartered accountant.

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?

I favour reviews over \$500,000 and audits over \$2million unless the charities constitutions require audits, then the constitution should be complied with.

I think we should be looking at minimising requirements on charities whose constitutions do not require extra reviews or audits but agree that at some financial point the Charities Commission should require audits – my opinion is that this should match the XRB's level for preparing different financial reports. If they do not require different reports then we should not require audits.

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?

Yes

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

This will depend on who the Ministry allow to do the reviews – if only chartered accountants then I think the costs are likely to be much higher as the market will be captured and competition reduced. I favour non chartered accountants being able to do reviews and then I think your costs are reasonable.

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?

Yes

Q12. Do you have any other comments?

Yes I am concerned for the application of the above for Church organisations or Charities with many branches who have just the one Head Office registration number and therefore who consolidate congregation or branch activities.

In our church case we have 13 congregations that make us Grace Presbyterian Church of New Zealand. We are required to put in a consolidated position on the 13 congregations that comes to 1.1 million in expenditure but none of the congregations is over \$200,000 and many are under \$80,000 – if a rule was made to audit at \$300,000 then unless specific exemption is made for organisations with branches, suddenly all 13 congregations would require audits and this would be cost prohibitive – ie 13 times 3,750 = \$48,750.

I therefore think it is critical that you look at the composition of Charities and make specific clarification of costs around those that have multiple congregations or branches in them.

I would be very happy to be contacted on this and should you have a forum for discussion on this in Auckland – I would like to attend.

Tony Bracefield

