

Cherie Wightman  
Ministry of Business, Innovation and Employment,  
PO Box 1473  
WELLINGTON

Dear Cherie

By e mail

Thank you for the opportunity to comment on assurance for the not for profit sector.

The Whanganui Community Foundation is a statutory community trust. Several years ago we developed a position in relation to financial assurance. This is available on our website (<http://www.whanganuicommunityfoundation.org.nz/making-an-application>)

*For some time there has been concern from both community organisations and funders about the issue of audits for community organisations.*

*For community organisations these concerns have centred around the issues of finding auditors who are prepared to do the work and when they are able to find an auditor, the cost.*

*Many funders have had concerns about the value for money and what exactly we know from the audit. We know that the accounts will meet generally accepted accounting principles. We do not know much else.*

*Of recent times the New Zealand Institute of Chartered Accountants has looked closely at this issue. They have suggested the following possibilities*

*1 Audit. This is an opinion that after looking at the accounts they are of the view that they appear to be correct. There is in depth examination of transactions.*

*2 Review. This is an opinion that after looking at the accounts they are of the view that they do not appear to be incorrect. There is less work done and a reasonable criterion applied to transactions.*

*3 Agreed upon procedures. This is tailored to the needs of the client and the opinion expressed relates only to the issues agreed upon.*

*4 Compilation. This is where the accountant takes the data and information provided by the client and compiles a set of Annual Accounts.*

*As a result the Whanganui Community Foundation has adopted the following:*

*The Whanganui Community Foundation has adopted agreed upon procedures with the following requirements as its preferred method of establishing financial accountability.*

*(a) Are there reasonable controls within the organisation relative to the size and scope of the organisation?*

*(b) Have funds granted to the organisation been used for the purposes for which the grant was given?*

*(This would be prepared by a suitably qualified person)*

*Discussions are to be held with other funders to try to work to a common system for all funders*

*The Whanganui Community Foundation will adopt a flexible practice to avoid multiple requirements on grantees. This means that if another funder requires an audit the Foundation will not impose other requirements on top of that.*

*Applications for grants under \$10,000 will be exempt from any financial accountability requirements. Accounts will still need to be supplied with the application but will not need to be "audited"*

Our reasons for the choice are as follows:

- 1 The information is tailored to the needs of most organisations that would wish to see a not for profit audited
- 2 The twin criteria are underpinned by competence and integrity
- 3 Costs are likely to be less than for other forms of assurance

We have had conversations with other funders, including Government funders, all of whom have agreed that our position is both practical and sensible. None, however, have been able to achieve policy change in their organisations.

Trustees have recently questioned whether the exemption limit at \$10,000 should be raised.

Yours Faithfully

Judith Timpany  
Chief Executive  
Whanganui Community Foundation