

24 July 2023

Corporate Governance and Intellectual Property Policy
Building, Resources and Markets
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140
New Zealand

Via email: societies@mbie.govt.nz

Consultation paper: Draft Incorporated Societies Regulations 2023 and proposed initial fees under the Incorporated Societies Act 2022

As the representatives of over 300,000 professional accountants globally, Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia welcome the opportunity to comment on the consultation paper ("the CP") on the exposure draft regulations for the *Incorporated Societies Act 2022* ("the Act") and proposed initial fees under the Act.

We are strong supporters of the not-for-profit (NFP) sector as many of our members are involved in this sector as advisors, auditors, employees, and volunteers. We advocate in the public interest for requirements that promote the transparency of the NFP sector and its activities, to stakeholders and the public, in a way that minimises the complexity and cost for NFP entities.

The **Attachment** to this letter includes our responses to selected specific questions raised in the CP. We have focused our feedback on matters relating to reporting and audit.

Key points:

- We support the definition of 'total current assets', 'cash' and 'cash equivalent'.
- The term 'total operating expenditure' should be defined.
- In our view the annual return should include some basic financial information.
- There does not appear to be a requirement for the auditors' report on the financial statements (if any) to be presented at the annual general meeting.
- There does not appear to be a requirement for a society to send a copy of the auditors' report (if any) on the financial statements to the Registrar.
- There are no "documents relating to the auditor's report", just the auditor's report itself.
- We support the interim approach of rolling over registration and restoration fees from the *Incorporated Societies Act 1908*.

Should you have any questions about the matters raised in this submission or wish to discuss them further, please contact either Zowie Pateman (CA ANZ) at zowie.pateman@charteredaccountantsanz.com or Ram Subramanian (CPA Australia) at ram.subramanian@cpaaustralia.com.au.

Yours sincerely

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Attachment

Question 5. Part 3 – Administration of societies: Financial reporting

Do you have any comments to make in relation to regulations 15-16? (Financial reporting)

In relation to proposed Regulation 15 (Definition of total current assets) we support:

- the definition of ‘total current assets’ being consistent with paragraph 76 of [PBE IPSAS 1 Presentation of Financial Statements](#),
- the definitions of ‘cash’ and ‘cash equivalent’ being consistent with paragraph 8 of [PBE IPSAS 2 Cash Flow Statements](#),
- endeavouring to use plain language where possible, and
- the intention for guidance to be released on how to calculate ‘total current assets’ in practice, using specific examples.

We recommend the definitions are reviewed periodically to ensure alignment with the relevant financial reporting standards.

In relation to proposed Regulation 16 (Annual financial statements of certain societies must be audited) we reiterate our comments from our [submission](#) on the preceding consultation. The term ‘total operating expenditure’ is still not defined. We recommend the same approach is taken to defining this term as taken in [section 42D\(2\)](#) of the *Charities Act 2005*, which states:

“A financial reporting standard (within the meaning of the Financial Reporting Act 2013), or a part of such a standard, that is expressed as applying for the purposes of subsection (1)(a) or (b) must be applied in determining whether that provision applies (for example, the standard may define operating expenditure or control).”

“The standard” is [Standard XRB A2 Meaning of Specified Statutory Size Thresholds](#), and the relevant paragraphs for registered charities ‘total operating expenditure’ are 23C–23G. We note that the XRB may need to amend Standard XRB A2 to give effect to any such references.

We also note that in [section 86](#) of the *Incorporated Societies Act 2022* – there does not appear to be a requirement for the auditors’ report on the financial statements (if any) to be presented at the annual general meeting. This gap could be addressed through regulations made under section 86(2) by requiring the annual report to contain the auditor’s report.

Question 6. Part 3 – Administration of societies: Annual return

Do you have any comments to make in relation to regulations 17-18? (Annual return)

In our view the annual return should include some basic financial information similar to the requirement for registered charities and we recommend the regulations are amended to address this. The inclusion of financial information in the annual return would:

- increase the data that is publicly available on the Register,
- enhance the search functionality of the Register,
- provide greater transparency to the public, and
- improve public trust and confidence in the sector.

Question 13. Part 6 – Infringement fees and other fees**Do you have any comments to make in relation to regulations 53-57? (Infringement fees and other fees)**

Regulation 57(1)(d) states:

“section 107 (requirement to provide documents relating to auditor’s report)”

We note that there are no “documents relating to the auditor's report”, just the auditor's report itself, so we recommend this is amended to *“requirement to provide auditor’s report”*.

Question 15. General comments**Do you have any general comments regarding the regulations?**

There does not appear to be a requirement for a society to send a copy of the auditors' report (if any) on the financial statements to the Registrar, along with the financial statements which is required under [section 102\(3\)](#) of the *Incorporated Societies Act 2022*. There appears to be a requirement for the auditor to send a copy of the auditor's report to the Registrar if, and only if, the requirements of the *Incorporated Societies Act 2022* have not been complied with. In our view this is a critical omission in the reporting framework and recommend this matter is rectified.

Question 16. Initial fees**Do you agree with our proposal to roll over the current fees under the 1908 Act to the 2022 Act to cover the period until the system-wide funding review is complete? If not, why not?**

We support the interim approach of rolling over registration and restoration fees from the *Incorporated Societies Act 1908* while a review of all fees and levies for registers administered by the Companies Office takes place.