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Charities Services
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Via email: formsfeedback@charities.govt.nz

Consultation on form changes

Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia represent over 300,000 professional accountants who work in diverse roles across public practice, commerce, industry, government and academia throughout New Zealand, Australia and internationally. We welcome the opportunity to provide feedback on the above consultation and make this submission on behalf of our members and in the public interest. We have focused our feedback on the proposed changes to the Annual Return Forms related to financial information.

As leading professional accounting bodies of the country, we are strong supporters of reducing red tape and reporting burden for charities as we acknowledge their contribution to the economy and to society at large. Many of our members are involved in this sector as advisors, auditors, employees, and volunteers. We also advocate in the public interest for requirements that promote the transparency of this sector and its activities, to stakeholders and the public, in a way that minimises the complexity and cost for the sector.

We support reviewing the Annual Return Forms as a result of the *Charities Amendment Act 2023* and the External Reporting Board (XRB) revised Tier 3 and 4 reporting requirements. In particular, we support aligning the information provided in the Annual Return Forms with the revised Tier 3 and 4 reporting requirements so that the same information provided in the Performance Report is also included in the Annual Return Forms, ensuring consistency and accuracy of information on the Charities Register.

We support the proposal to give Tier 4 charities the option of completing a combined Annual Return Form and Performance Report, that enables compliance with the Tier 4 reporting requirements. We agree that only requiring a single form to be completed would help make reporting easier for the smallest of charities. For charities that still wish to prepare a separate Performance Report, we support the ability to choose to complete the standard Annual Return Form and attaching a Performance Report instead.

Our specific comments on the reporting and assurance aspects of the Annual Return Forms are set out below:

- Tiers 1-2, Section 1.15/2.15, Audit and Review: Tier 1 charities generally have operating expenditure over \$30m, and Tier 2 charities generally have operating expenditure over \$2m, so must have their financial statements audited. Although others *may* decide to not opt down to a lower tier, this is rare. Therefore, it seems unnecessary to ask if the charity has expenditure 'under

\$550,000' (Option A), 'between \$550,000 and \$1,100,000' (Option B), or 'over \$1,100,000' (Option C).

- Tiers 1-3, Section 1.15/2.15/3.15, Audit and Review: The terminology used is technically incorrect, therefore we recommend the following changes are made as marked up in the extracts below.

Did the person who conducted the audit or review of your charity's accounts raise any issues of concern in their report? (If your audit/review report has an Unqualified unmodified opinion or conclusion, select No, as this means there were no impactful issues of concern identified).

...

If yes, what type of modified opinion/conclusion was received:

...

A disclaimer of opinion/conclusion

- Tiers 1-3, Section 1.15/2.15/3.15, Audit and Review: Option A says: "If Option A is selected, please continue to related party transactions." There is no section entitled "related party transactions". We assume it is referring to the next section entitled "Payments to officers". We highlight that the definition of "related party" extends beyond the definition of "officers". The Tier 4 form, section 4.14, Transactions with close relationships, asks for this broader financial information, but the Tier 1, 2 and 3 forms do not. It is counterintuitive to request more information from an entity in a lower tier, therefore we recommend an approach consistent with that in the Tier 4 form is taken for all Annual Return Forms.
- Tiers 1-2, Section 3.16, Reporting currency: The instructions that precede the Statement of Financial Performance and Statement of Financial Position refer to "dollars", "cents" and "dollar signs" which is at odds with the reporting currency not being required to be in New Zealand Dollars. We recommend changing this language to be generic.
- Tier 3, Section 3.16, Reporting currency: Paragraph A24 of the [Tier 3 \(NFP\) Standard](#) requires all amounts to be expressed in New Zealand Dollars. On this basis, we recommend that this question is removed. Furthermore, the instructions that precede the Statement of Financial Performance and Statement of Financial Position could be enhanced to reinforce this requirement as follows:

Enter the amounts in whole New Zealand Dollars
- Tier 4, Reporting currency: Paragraph 21 of the [Tier 4 \(NFP\) Standard](#) requires all amounts to be reported in New Zealand Dollars unless the entity's main bank account is denominated in a foreign currency. If an entity prepares its Performance Report in a currency other than New Zealand Dollars, it must disclose that fact and the currency in which the Performance Report is prepared as part of the notes to the Performance Report. On this basis, we recommend that a question on this is added to the Tier 4 form. In addition, the reference to "dollars", "cents" and "dollar signs" in the instructions that precede the Statement of Financial Performance and Statement of Financial Position should be made generic.

- Tiers 1-3, Section 1.18/2.18/3.17, Plan to use charity's accumulated funds: Reserves that are part of accumulated funds can include restricted reserves, discretionary reserves, revaluation reserves and other reserves (e.g., see paragraph A179 of the [Tier 3 \(NFP\) Standard](#)). Whilst general accumulated funds are the accumulation of surpluses that the charity holds to ensure its financial viability and sustainability, information around restricted and discretionary reserves, and how these reserves are intended to satisfy both the overall objectives of the charity and the specific objectives for which these reserves have been created, would be of informational value to stakeholders. We therefore recommend focusing this question primarily on reserves rather than accumulated funds more broadly. A secondary focus could be on how the general accumulated funds help the charity achieve the charity's goals of advancing its charitable purpose.
- Tiers 1-3, Statement of Financial Position: Paragraph A154 of the [Tier 3 \(NFP\) Standard](#) requires liabilities to be presented separately in the following minimum categories (and split between current and non-current):
 - bank overdraft
 - creditors and accrued expenses
 - employee costs payable
 - deferred revenue
 - loans

We recommend these categories be incorporated into the Tier 3 form. Furthermore, it is counterintuitive to request greater disaggregation for a lower tier, therefore we also recommend these categories be incorporated into the Tier 1 and Tier 2 forms.

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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