

Lloyd Brewerton C.A.

Chartered Accountant

P O Box 6010, Tauranga.

Phone (07) 578,1055 Mobile (021) 396.155

Email: lbrewerton@xtra.co.nz

15 May 2013

Audit of Large and Medium Registered Charities
Commercial and Consumer Environment Branch
Ministry of Business, Innovation and Employment
P O Box 1473
Wellington

Submission re Auditing of Large and Medium Registered Charities

I submit that:

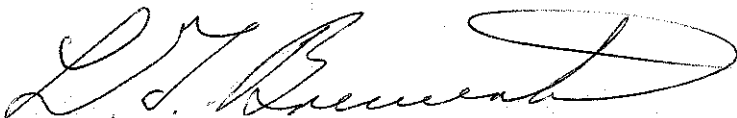
1. the definition of "OPEX" should specifically exclude, the purchase of goods for resale.
2. The threshold for a medium sized charity should be \$500,000 of OPEX, (excluding the purchase of goods for resale).

These submissions are made;

1. to reduce the burden on medium sized charities because the cost of an audit is a material cost for what are really relatively small sized charities with only a few staff.
2. to ensure that small trading charities are not inflicted with a proportionately huge audit costs just because they are "trading" and therefore categorised as much larger charities than they really are.

Take the situation of a trading charity with a turnover of say \$1,100,000 and cost of goods sold (i.e. purchases) of \$750,000. For any normal NZ business, this would leave a gross profit of about \$350,000 for the payment of wages and expenses and leave only say \$50,000 as a net profit for distribution to other charities. Such a charity is definitely not a "medium" sized charity. However if purchases of goods for resale are not excluded from "OPEX", the current proposal will require such a charity to pay for an audit.

A commercial audit on such a trading charity will cost around \$10,000. This will mean that 20% of the charities net profit will be spent on an audit. This is an unreasonable burden on such a charity and simply means that \$10,000 will be paid for professional fees instead of being distributed to other Charities. This unnecessary burden can be eliminated by excluding the purchase of goods for resale from operating expenditure.



Lloyd Brewerton C.A.