

Reporting Responsibilities and Audits



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Constant Laubscher

Changing Lives.

Agenda

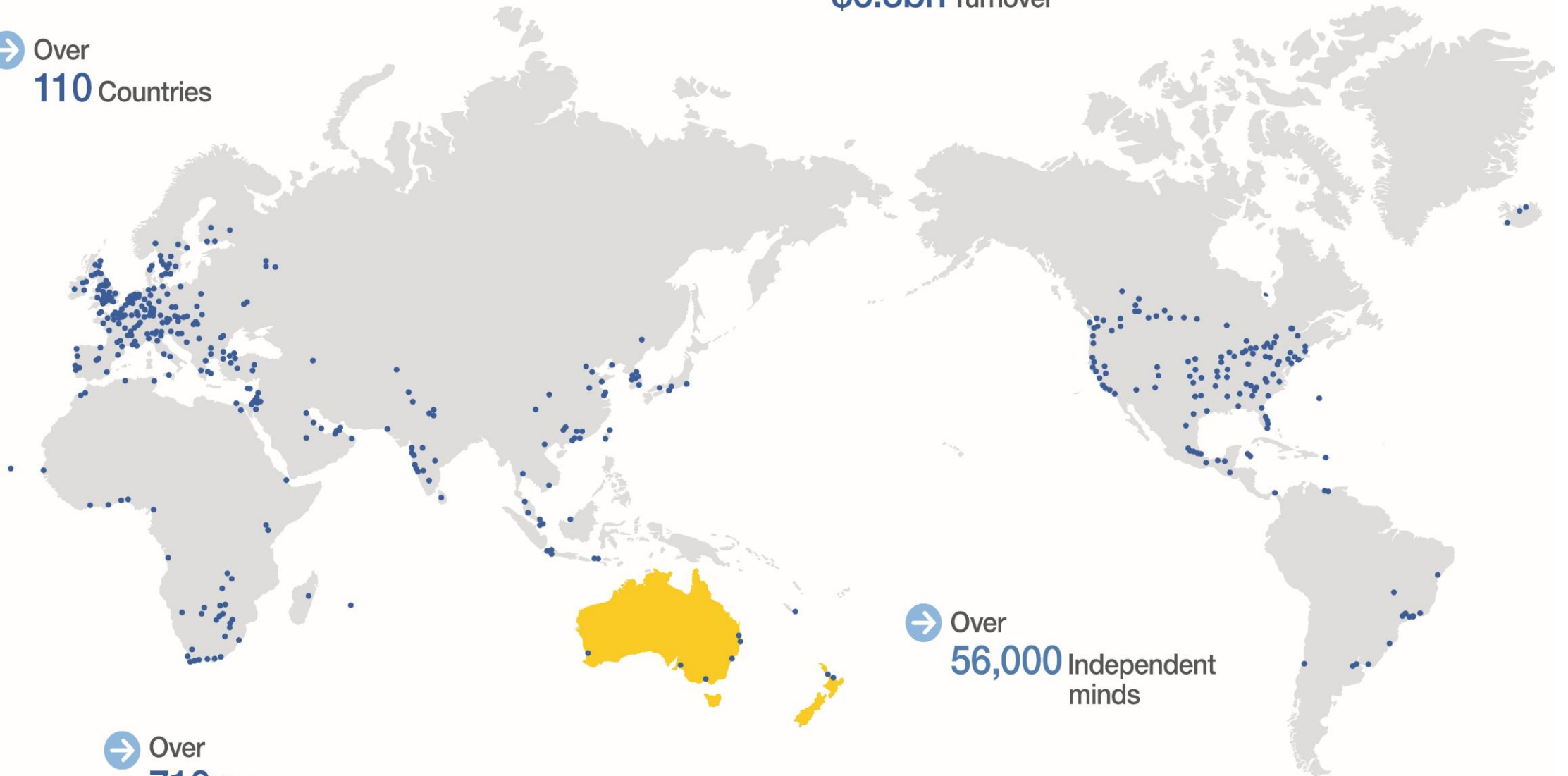
- Current issues
 - New standard
 - XRB review of Tier 3 & 4 charities reporting
- Common concerns with audit implications
 - Accounting for grants
 - Showing a surplus
 - Controls for grant applications

William Buck – Who are we?

- Chartered Accountants with offices in Tauranga & Auckland
 - Tauranga : specialist auditors – 8 qualified staff and a Director
 - Auckland : audit, tax, consulting – 70+ staff
 - Part of a global network
- A wide range of clients, from large businesses to tiny charities
- Significant experience in the NFP sector
- Based at The Kollektive since September 2020

→ Over
\$6.3bn Turnover

→ Over
110 Countries



→ Over
56,000 Independent
minds

→ Over
710 Offices

Who we are?

What do auditors do to liven up the party?

They don't turn up

New Standard: PBE FRS 48 – Service Performance Reporting

Only relevant for Tier 1 and Tier 2 not for profits

Standard is effective for financial periods beginning 1 January 2022 – this means the comparative figures would be for current year financial year

Statement of Service Performance should cover:

- What the entity is accountable/responsible for
- What it intended to achieve during the reporting period
- How it went about achieving its service performance objectives

Board/Trustees responsible for setting up system and controls to ensure relevant and reliable info is reported.
The Statement Service Performance will be subject to audit with the financial statements.

XRB Review of Tier 3 and Tier 4 Standards

They want your feedback.

They are looking for feedback on:

- Which parts of the standards do or do not provide useful information?
- Why is that part useful or not useful?
- Which parts of the standard are difficult to apply and why?
- How do you think the current requirements could be improved?



You can find the link to the review on the Charities Services website – at the moment under the hot topics



Understand the reporting implications

The funds must be applied to the authorised purpose itemised on this notice.

It is illegal to apply these funds to any other purpose. If for any reason the funds can no longer be applied to the standard purpose please contact our Audit Department immediately.

You must supply copies of the bank statements confirming this money as going out of your account.

Any surplus funds from the original grant must be returned

Understand the reporting implications

The importance of reading and understanding your grant agreement

- What is a use or return condition?
- How is a restriction on use clause different?

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Understand the reporting implications

Grant type	Accounting treatment
Use or return condition	Income received in advance (liability)
Unconditional (with restrictions)	Revenue when funds are received
Unconditional (no restrictions)	Revenue when funds are received

- Difference in recording between Tier 3 and Tier 4

But, I don't want a surplus showing in my Statement of Financial Performance!



Showing a surplus

Type of grant	Disclosure
Grant for purchase of capital asset	Recorded through revenue.
Operational grant	First record as revenue and then the entity can transfer grants recorded in accumulated funds to a designated reserve
Operational grant with restrictions	First record as revenue and then the entity can transfer grants recorded in accumulated funds to a designated reserve

Controls for grant applications

When things go wrong.....

Use a funding plan / register of grants containing:

- list of grants applied for
- list of successful grants

The funding plan / register is an important control that allows the **board / trustees** to:

- Avoid risk of miscommunication with funder
- Provide transparency for staff and governance
- Make life easier for auditors



Questions?



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Lives.*

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