

Charities Amendment Bill (No 3)

(Divided from the Accounting Infrastructure Reform
Bill)

Government Bill

As reported from the committee of the whole
House

This bill was formerly part of the Accounting Infrastructure Reform Bill as reported from the Commerce Committee. The committee of the whole House has further amended the bill and divided it into the following bills:

- Auditor Regulation Amendment Bill comprising clauses 1 and 2, and subpart 1 of Part 1
 - this bill comprising subpart 2 of Part 1 and Schedule 1AA
 - Financial Reporting Amendment Bill comprising subpart 3 of Part 1, Part 2, and Schedules 1 and 2
 - New Zealand Institute of Chartered Accountants Amendment Bill comprising subpart 4 of Part 1 and Schedule 1A.
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Charities Amendment Bill (No 3)

Key to symbols used in reprinted bill

**As reported from the committee of the whole
House**

text inserted

Hon Paul Goldsmith

Charities Amendment Bill (No 3)

Government Bill

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	Schedule 1AA	6
	New Schedule 1AA inserted	
	

The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Charities Amendment Act **2014**.

2 Commencement

- (1) This Act comes into force on a date appointed by the Governor-General by Order in Council; and 1 or more orders may be made bringing different provisions into force on different dates. 5
- (2) To the extent that it has not previously been brought into force under **subsection (1)**, the rest of this Act comes into force on 1 April 2017. 10
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23 Principal Act

This **subpart** amends the Charities Act 2005 (the **principal Act**).

23A New section 6A inserted (Transitional, savings, and related provisions) 15

After section 6, insert:

“6A Transitional, savings, and related provisions

The transitional, savings, and related provisions set out in **Schedule 1AA** have effect according to their terms.” 20

24 New sections 42C to 42F inserted

After section 42B, insert:

“42C When financial statements must be audited or reviewed

- “(1) This section applies to— 25
- “(a) every charitable entity that is large; and
- “(b) every charitable entity that is of medium size.
- “(2) Every charitable entity to which this section applies (**A**) must ensure that the financial statements of A that accompany an annual return under section 41 are—

- “(a) audited by a qualified auditor if A is large in respect of the accounting period to which the financial statements relate:
- “(b) audited or reviewed by a qualified auditor if A is of medium size in respect of the accounting period to which the financial statements relate. 5
- “(3) If financial statements are prepared on a consolidated basis in respect of a single entity under section 46(1A)(a),—
- “(a) the parent entity must ensure that the financial statements of the single entity that accompany an annual return under section 41 are— 10
- “(i) audited by a qualified auditor if the single entity is large in respect of the accounting period to which the financial statements relate:
- “(ii) audited or reviewed by a qualified auditor if the single entity is of medium size in respect of the accounting period to which the financial statements relate; and 15
- “(b) for the purposes of **paragraph (a)**, the references to a charitable entity in **subsection (1)** and in **sections 42D(1) and 42F** must be treated as references to the single entity. 20
- “**42D Meaning of large and medium size**
- “(1) In **section 42C**,—
- “(a) a charitable entity is **large** in respect of an accounting period if, in each of the 2 preceding accounting periods of the entity, the total operating expenditure of the entity and all entities it controls (if any) is \$1 million or more: 25
- “(b) a charitable entity is of **medium size** in respect of an accounting period if— 30
- “(i) it is not large under **paragraph (a)**; and
- “(ii) in each of the 2 preceding accounting periods of the entity, the total operating expenditure of the entity and all entities it controls (if any) is \$500,000 or more: 35
- “(c) **qualified auditor** has the same meaning as in section 35 of the Financial Reporting Act 2013.

“(2) 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). 5

“**42E Offence relating to audit or review**

If a charitable entity fails to comply with **section 42C**, the charitable entity commits an offence and is liable on conviction to a fine not exceeding \$50,000. 10

“**42F Audit or review must be carried out in accordance with auditing and assurance standards**

“(1) An auditor must, in carrying out an audit or a review of the financial statements of a charitable entity, comply with all applicable auditing and assurance standards. 15

“(2) The auditor’s report must comply with the requirements of all applicable auditing and assurance standards.

“(3) This section does not apply in respect of a charitable entity that is a public entity (within the meaning of the Public Audit Act 2001). 20

“(4) In this section, **applicable auditing and assurance standards** has the same meaning as in section 5 of the Financial Reporting Act 2013.”

25 Section 46 amended (Board or chief executive may treat parent entity and 1 or more other entities as forming part of single entity on certain terms and conditions) 25

Before section 46(2), insert:

“(1C) If terms and conditions referred to in subsection (1A) relate to the financial statements of an entity, those terms and conditions must be treated as including a requirement for the financial statements to disclose, in the statement of accounting policies section, a brief description of the terms and conditions that apply under subsection (1A).” 30

25A New Schedule inserted

Before Schedule 1, insert the **Schedule 1AA** set out in **Schedule 1AA** of this Act.

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	Schedule 1AA	s 25A
	New Schedule 1AA inserted	
	Schedule 1AA	s 6A
	Transitional, savings, and related provisions	5
	Provisions relating to subpart 2 of Part 1 of Accounting Infrastructure Reform Act 2013	
1	Interpretation In clause 2 ,— 2013 Amendment Act means subpart 2 of Part 1 of the Accounting Infrastructure Reform Act 2013 principal Act means the Charities Act 2005.	10
2	Provisions relating to audit or review apply to accounting periods that commence on or after commencement	15
(1)	The principal Act, as amended by the 2013 Amendment Act, applies to a charitable entity in relation to accounting periods that commence on or after the commencement of this clause.	
(2)	The principal Act, as in force before the commencement of this clause, continues to apply to a charitable entity in relation to accounting periods that commenced before the commencement of this clause as if the 2013 Amendment Act had not been enacted.	20

Legislative history

28 October 2014

Divided from Accounting Infrastructure Reform
Bill (Bill 180–2) as Bill 180–3B
