



Presbyterian Church of Aotearoa New Zealand

FINANCE NEWSLETTER 146

TO: Parish and Presbytery Treasurers
FROM: Brendan Sweeney, Manager, Financial Services
DATE: 27 August 2012

1.	Parish accounting and reporting changes
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This is an update on possible changes to parish accounting and reporting standards due to changes enacted by the government. These changes may require significant changes to your existing accounting systems. Please note that this is only an indication of impending changes and you do not have to take any action at this stage.

Currently, there are no requirements other than those from General Assembly for parishes to produce annual accounts or have them audited or independently reviewed. Over the next few years, however, this may change with the implementation of the proposed accounting standards legislation discussed below.

Financial Reporting Standards

The government has established a Crown entity called the External Reporting Board (XRB), which has been tasked with reviewing the accounting standards of businesses and Public Benefit Entities (PBE). PBEs are defined as being for the benefit of the public, rather than having a profit motive. They include not-for-profit entities (NFP) and charitable organisations, such as churches.

The XRB review is currently considering disclosure requirements and has categorised NFP entities by their size in terms of annual expenditure:

- Tier 1: Expenditure over \$30 million
- Tier 2: Expenditure between \$2 million and \$30 million
- Tier 3: Expenditure between \$40,000 and \$2 million
- Tier 4: Expenditure below \$40,000

Most parishes would fall into a category of expenditure between \$40,000 and \$2million per annum. This would mean they would be required to adopt simple format accrual accounting. The definition of simple format and the actual standards required in terms of reports and notes have yet to be confirmed by XRB, as they are still considering input from affected parties. The InterChurch Working Party has issued a submission to XRB, expressing concern that some parishes may not be able to meet the new standards and that the

standards may require too much in terms of administration and cost for some churches.

Audit and Review Requirements

The requirements for reviewing parish accounts may become more stringent. The Ministry of Economic Development is proposing that entities having greater than \$300,000 expenditure be subject to a full audit, and those below that threshold be required to have a full external financial review.

Charities Commission Registration

At present, all parishes and presbyteries come under a single Charities Commission registration in the name of Presbyterian Church of Aotearoa New Zealand. As a result, the public reporting of accounts by the Commission is met by us publishing only the General Assembly accounts. However, if parish accounting becomes a requirement, one of two options would be necessary:

- Consolidate all parish accounts into one entity. This would require a standard chart of accounts, which are summary and similar to the existing P4 statistics form, to be delivered to this office by all parishes for consolidation and publication.
- Decentralise the single Charities Commission registration and register individual Presbyterian churches, which would then be responsible for publishing their own accounts. (Cooperating Ventures are already individually registered, so consolidation of accounts won't apply to them; however, they would be subject to revised accounting standards)

These governmental changes are due to take effect in mid-2015 and requirements will be known 12-18 months prior to implementation. The XRB has asked for feedback on the proposals and the InterChurch Working Party on Taxation has issued a submission to the XRB suggesting that the proposed changes are not necessary for many parishes and would require that valuable human and financial resources be taken away from mission to service compliance.

Again, please remember that these are proposed changes and this communication is to merely inform you about them. You do not have to take any action at this time. I am in contact with my counterparts from the other major denominations and with the ICWP. I will, of course, keep you informed as the new standards are confirmed.