

# assurance adviser

Grant Thornton 

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## [www.companies.govt.nz](http://www.companies.govt.nz)

Did you know that on the companies office website is their information library which contains a great wealth of information and forms for incorporated societies and charitable trusts? Valuable information included in the information library under 'other entity registers' are:

### Registering an Incorporated Society -

This document endeavours to answer some frequently raised questions about incorporate societies - what are they, what purpose do they serve, what can they do, who can form them, and how do you incorporate one?

### Incorporated Societies After

**Registration** - This document explains the effect of the Incorporated Societies Act 1908 on a society and its members once that society is incorporated. It also offers advice on matters that are not covered by the Act.

### Incorporating a Charitable Trust under the Charitable Trusts Act 1957 -

This document is intended as a guide to registering a charitable trust in New Zealand under the Charitable Trusts Act 1957.

### Charitable Trusts Information Pack

This pack includes details of the different requirements for incorporation of trustees as a board and incorporation of a society as a board, checklists for each

## Current business events heighten need for diligent boards

Board members and executives in many industries are paying extra attention to the propriety of their business operations, accounting and audit practices these days. In this climate of heightened diligence, what should organisations consider?

**Code of Ethics and Policies** - This is a good time for organisations to review their code of ethics and policies regarding conflict of interest.

There is nothing wrong with board members also being vendors to the organisation, but they should be sure to excuse themselves from any discussion regarding the work they do or may bid on for the organisation. The organisation should also be sure to obtain multiple bids or proposals before awarding work to related parties.

**Don't wait, communicate** - Boards should take a close look at how often and how well they are communicating with their auditors.

Executives and board members should not wait for the auditor to raise issues that they know to be significant. Whenever an organisation faces significant or unusual transactions, the organisation should consider raising those issues directly with its auditor to avoid problems or surprises.

Having an effective audit committee and having at least one member on that committee with significant financial experience are important steps to ensuring appropriate and effective communication with outside auditors.

**Managing Investments** - Now is a good time for boards of organisations to take a close look at how effectively the organisation is managing its investments.

Organisations should have a well defined investment policy in place. Given the significant changes in market dynamics over the past year, this is a good time for the board to ensure that the policy is followed. With the volatility in investment markets today, asset allocation can creep out of balance with the absence of careful management

**Board oversight** - The board should always take care to maintain effective oversight without becoming overly involved in the day to day operations

Board members must be careful not to become too involved in the actions they are supposed to be providing oversight for; otherwise they end up overseeing themselves,

## The Global Impact of Accountancy Regulations

Barry Barber, Worldwide Director of Audit and Risk Management for Grant Thornton visited New Zealand in February 2003.

While in New Zealand he addressed the following matters:

- Worldwide developments in auditing
- Legislator and Market responses in key economies
- Provisions of the US Sarbanes-Oxley Act of 2002
- The impact on New Zealand and New Zealand organisations.

Of particular interest was the US Sarbanes-Oxley Act of 2002 which was signed into law on 30 July 2002. Provisions under this act includes sweeping legislation on corporate and accounting reform, improved financial disclosure and enhanced penalties for securities fraud.

The Act requires management to be held responsible for the financial representations of the companies they serve, by requiring certifications in periodic reports. Audit committees are now required to become more involved with the auditors and are required to be independent.

Auditors are prohibited from performing certain audit services - bookkeeping or other services relating to the accounting records or financial statements, financial systems design and implementation, appraisal and valuation services, internal audit outsourcing, management functions or human resources.

Violations of these independence standards will now be considered to be a violation of the law.

### How does this affect New Zealand?

A revised code of ethics was released late in 2002 and brings the NZ Code of ethics into line with the International Federation of Accountants code of ethics. An exposure draft on independence has been issued and submissions have closed. Once finalised this will supplement and expand the Code of Ethics to provide detailed professional guidance, particularly in the area of assurance assignments.

We are headed toward quality global standards.

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