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Who needs an audit?

There are four reasons why you need an audit:

1. Statutory Requirement
2. Constitutional Requirement
3. Funding and Banking/ Loan Requirement
4. Investigation and Fraud

Statutory Requirement is when an audit is required by law. This is when an organisation has been established by law or its structure is governed by law. These include:

- Maori Authorities under Te Ture Whenua Act 1993,
- Companies under the Companies Act 1993,
- Issuers or FMC Reporting Entities (who raise and issue funds to the public) under the Financial Reporting Act 2013,
- Schools, under the Ministry of Education Act 1989,
- Real Estate Trust Account, under the Real Estate Agents Act 2008
- Charitable organisations registered with the Charities commission: Charities with a total operating expenditure for each of the previous two accounting periods
  - over $500,000 (medium) – financial statements must be either audited or reviewed by a qualified auditor, or
  - over $1 million (large) – financial statements must be audited by a qualified auditor.

Constitutional Requirement is when the constitution of the organisation states in its rules that an audit or review engagement is required.
Registered Charities with total operating expenditure of less than $500,000 are not required by law to have an audit or review. However, they may be required by their rules (e.g. trust deed, constitution, or charter) or as a condition of receiving a grant to have their financial statements audited or reviewed.

Funding and Banking Requirement occurs when receiving funding such as donations, contractual income or a loan, which may require an annual audit or review engagement to secure that type of income or financial support.

Investigation and Fraud can be prevented by having an annual audit, however these types of services are typically an agreed upon procedure which may include investigating only a particular area of an organisation such as income, payments, payroll or internal controls.