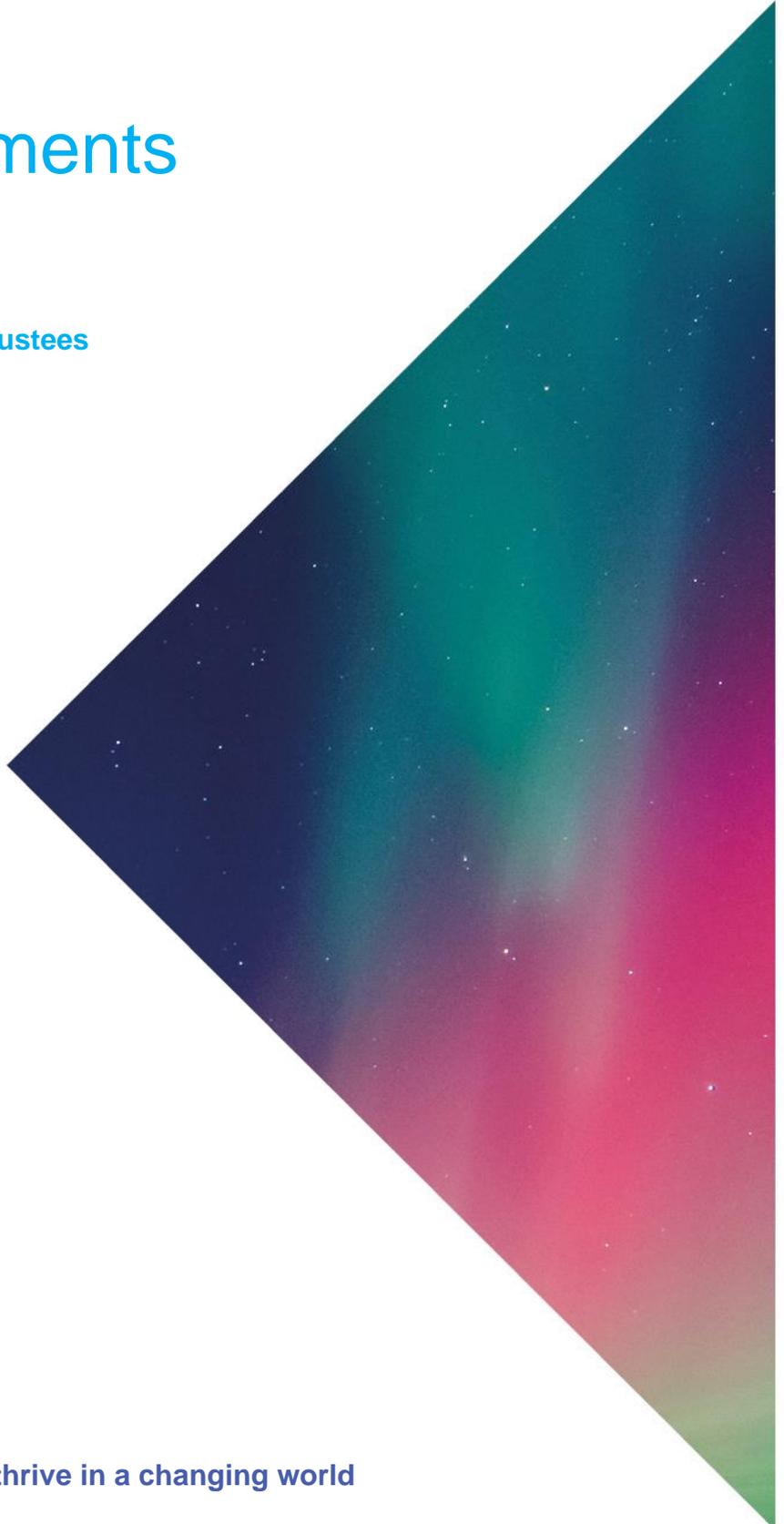


# Audit arrangements report

Greytown District Trust Lands Trustees

For the year ended 31 March 2020



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# Introduction

## Executive summary

This report details the audit planning process of Greytown District Trust Lands Trustees (the “Organisation”) in accordance with International Standards on Auditing (NZ) and the terms of our engagement as set out in our audit engagement letter. This letter serves to communicate to you of the significant audit risks identified during the planning process and invites the governing body to consider whether there are any further areas of risk they consider we should be focused as auditors.

We would like to emphasise that our audit work involves the review of only those systems and controls in the Trust upon which we rely for audit purposes. Our examination may not have identified and should not be relied upon to identify all internal control weaknesses that may exist.

## Audit scope and objectives

Moore Markhams Wairarapa Audit is appointed as the auditor of the performance report of Greytown District Trust Lands Trustees.

Moore Markhams Wairarapa Audit’s responsibilities include a requirement to express an opinion on the Organisation’s performance report arising from our audit conducted in accordance with the International Standards on Auditing (New Zealand).

Our audit objectives are to:

- report on whether the performance report shows a true and fair view, and
- report to management and those charged with governance about any significant weaknesses that are identified in the systems of internal control that should be addressed by the Organisation.

A good internal control environment would exhibit adequate segregation of duties over key financial processes, and independent reviews as compensating controls should it not always be practicable for the duties to be separated.

## Confirmation of audit independence

In conducting our audit, we are required to comply with the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Our own internal policies and procedures are put in place to identify any threats to our independence, and to appropriately deal with and, if relevant, mitigate those risks.

We confirm we have performed audit conflict checks of all Partners, Directors and Associates of the Moore Markhams network firms and of all members of the audit engagement team and advise that there are no conflicts identified.

For the comfort of the governing body, we note that the following processes assist in maintaining our independence:

- No other work is permitted to be undertaken by any Moore Markhams office without the express approval of the audit engagement partner.
- All services performed by any national Moore Markhams office will be reported to the governing body.

We have not provided any non-audit services to the Organisation.

# Audit logistics

## Timetable

The agreed timetable for the audit is as follows:

	Date
Planning discussion and interim testing to document, test and evaluate the systems of internal control and gathering information	April 2020
Statutory Performance report ready for audit	2 June
Reconciliations and working papers and availability of source records (per our Audit preparation checklist) uploaded to <i>your DropBox</i>	3 June
Commence audit (in our office)	8 June
Audit adjustments issued	24 June
Adjusted performance report returned to Moore Markhams Wairarapa Audit	29 June
Audit clearance to sign the performance report subject to satisfactory resolution of all outstanding matters	30 June
Audit report issued	1 July
Report to the Trustees issued	1 July

## Personnel

The key members of our client service team are:

Engagement Partner: Michael Rania  
 Manager: Adrienne Dempsey  
 Auditor in charge: Daniel Trail

Please note that other auditors may be assigned to this engagement.

## Fee

Our fee for the audit of the 2020 statutory performance report prepared under the Tier 3: Public Benefit Entity Simple Format Reporting – Accrual (Not-for-profit) reporting framework, including furnishing a *Report to the Governing Body*, is in the range of \$7,375 and \$7,440 exclusive of GST and out-of-pocket disbursements (2019: \$7,250). The fee has been carefully assessed and based on the anticipated audit work to meet the prescribed requirements of the International Standards on Auditing (ISA) and from our knowledge and perception of your organisation’s activities and internal control environment. It also provides for planned procedures to evaluate your assessment of the impact that Covid-19 might have on your business activities and assess the validity of the going concern basis of preparation of the financial statements.

Our work will include procedures to document, test and evaluate the Organisation’s systems of internal control; develop the audit strategy; carry out the year end audit fieldwork; quality assurance review; and issue a report to the governing body.

Our core fee is based on the following conditions:

- Complete statutory performance report including accounting policies and notes and statement of service performance will be provided prior to the commencement of the audit that will enable us to finalise our audit strategy;
- Clear ‘mapping’ between the trial balance and the performance report will be available by the commencement of the audit;
- Information required per our Audit Preparation Checklist will be made systematically available for the commencement of the audit;
- Reconciliations will be available at the commencement of the audit to support key balances in the performance report;
- Systematically organised evidence will be available for the information presented in the statement of service performance; and
- Key personnel will be available to respond to queries during the audit and provide additional information in a timely manner.

### Audit preparation checklist

We have included a copy of our Audit preparation checklist, which is a tailored list of the information and documents that we would normally require at the commencement of the audit. We wish to point out that the checklist is not intended to be exhaustive lists of our requirements, and additional information may be requested during the audit.

Management and other finance team members are an integral part of a successful audit. Meeting agreed deadlines and providing all information and explanations in a thorough and timely manner is crucial to an effective and efficient audit process.

We have endeavoured to keep our audit fee low. We reserve the right to negotiate additional audit fees with Management charged at time and cost engaged should any of the above conditions not be met.

## Audit risk assessment

We have set out below areas we have identified as significant risks, alongside our planned audit approach. We ask those charged with governance to review these and, if there are further areas considered to be risks of material misstatement in the year-end performance report, we invite you to make contact to discuss so we may incorporate them into our audit plan.

Risk	Background	Planned audit response
<p><b>Management override of controls</b></p>	<p>There is a risk that controls can be circumvented by those in positions of management or governance, with a view to manipulating accounting records.</p> <p>Under ISA (NZ) 240 'The auditor's responsibilities relating to fraud in an audit of financial statements', management override of controls is a presumed significant risk, upon which material misstatement could occur within the performance report.</p>	<p>Detailed consideration of fraud risk factors including controls surrounding payment authorisation, review and approval of journals and the use of suspense or other general ledger accounts.</p>
<p><b>COVID-19 and Going Concern</b></p>	<p>With the outbreak of the COVID-19 pandemic, widespread effects are expected to be felt on the business activities of many organisations, adversely affecting their financial results and position and sustainability.</p> <p>These effects might include, but are certainly not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Reduction in turnover;</li> <li>• Staff shortages;</li> <li>• The recoverability of receivables;</li> <li>• Repairs and renewals supply chain disruption.</li> </ul> <p>The performance report is ordinarily prepared on a going concern basis, the validity of which depends on the organisation meeting its targets and being able to meet financial obligations as they fall due.</p>	<p>As part of Auditing Standards (ISA (NZ) 570 Going Concern), we will:</p> <ul style="list-style-type: none"> <li>• Evaluate your assessment of the impact that Covid-19 might have on your business activities</li> <li>• Review your budget (and as appropriate the cash flow forecast) together with key documented assumptions and notes, for the foreseeable future (twelve months from the expected signing date of our audit opinion)</li> <li>• Assess the validity of the going concern basis of preparation of the performance report.</li> </ul>
<p><b>Revenue recognition: Material misstatement due to fraud or error</b></p>	<p>Under ISA (NZ) 240 'The auditor's responsibilities relating to fraud in an audit of financial statements', misstatement of revenue due to fraud or error is a rebuttable presumed significant risk upon which material misstatement could occur within the performance report.</p>	<p>Detailed consideration of fraud risk factors and controls. Specific income testing may include tests of controls, substantive analytical procedures or substantive tests of detail.</p>

## Other reporting matters

### Management judgements and estimates

Under International Standards on Auditing (NZ) we have a responsibility to ensure that you have been informed about the process used by the Organisation in formulating particularly sensitive accounting estimates, assumptions or valuation judgements.

We are not aware of any other significant sensitive accounting estimates, assumptions or valuation judgements made by the Organisation.

### Matters requiring input by those charged with governance

As part of our audit we will be placing reliance on the governing body's review and approval of the following matters:

- Minutes of the governing body meetings
- Implementation of such controls as is needed to ensure that the performance report is fairly presented
- 2021 and 2020 budget
- Notification of fraud, and
- Review and approval of the performance report.

In addition, towards the end of the audit we will be seeking a letter of representation from the Chair of the governing body. This will seek confirmation that appropriate accounting policies have been effectively applied, all statutory requirements have been met, all relevant legislation complied with and all material transactions have been included in the performance report.

In accordance with Auditing Standards we will present management and those charged with governance any errors identified during our audit testing that remain uncorrected in the performance report that are greater than 'clearly trivial'. The clearly trivial threshold will be determined in accordance with our methodology. You will be required to approve any errors left uncorrected at the conclusion of the audit (should there be any).

We will also report to management any weaknesses we may identify in the systems of internal control and procedures related to monitoring the prevention and detection of fraud and error. However, we remind the governing body it remains the responsibility of those charged with governance for establishing and maintaining systems of internal control designed to reduce the opportunity for fraud through misstatement or misappropriation to occur in the Organisation.

### Materiality and adjusted and unadjusted differences

Materiality means, in the context of an audit or review, if financial information is omitted, misstated or not disclosed it has the potential to affect the decisions of users of the performance report. Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and for evaluating the financial report. Materiality is initially calculated at the planning stage and has an influence on the amount of work we do, as well as where we direct our audit efforts. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.

During the course of our audit if we identify material misstatements we will report them to you in our Report to those charged with governance. If there are any unadjusted differences (none of which we consider material, either individually or in aggregate) we will also report these to you.

The auditing standards do not require us to communicate misstatements that are considered "clearly trivial" and as such, if we identify such misstatements we will not communicate these to you. We consider "clearly trivial" to be 5% or less of our materiality.

## Going concern

As part of our audit planning, we will undertake a review of the ability of the Organisation to continue as a going concern for twelve months from signing the audit report and whether the going concern basis for the preparation of the performance report is appropriate.

The assumption of going concern will be concluded as appropriate based on the Organisation's funding sources and its operating budget for following financial period. We will review this as part of our audit procedures.

## Fraud

During the audit, if any matters relating to fraud, concerning either employees or management, come to our attention we will report them to you. It should be noted that our audit is not designed to detect fraud however, should instances of fraud come to our attention, then we will report them to you.

## Compliance with laws and regulations

From our enquiries made we have not become aware of any instances of non-compliance with laws and regulations which has materially impacted the financial position or performance of the Organisation. We will continue to consider legal and regulatory compliance throughout the audit engagement.

# Audit preparation checklist

To enable an efficient and timely audit, we require that certain information is ready for us at the start of our audit.

To use this checklist, please indicate in the relevant boxes who will provide this information to us.

We kindly request that the required documentation be uploaded to the Trust's Moore Markhams *MyDrive*

MyDrive reference	Information required	Client to supply	Accounting service provider to supply
<b>A1</b>	<b>Planning</b> Fraud Risk Assessment (completed by management and governance) Management and Governance Initial Representations Questionnaire (completed by management and governance) Signatories, Internet Banking and Credit Card Questionnaire (completed by the Organisation's bankers) Board meeting minutes for the year and up to the date of audit sign off Sub-committee meeting minutes for the year and up to the date of audit sign off (if applicable) Copy of any new or updated finance policies or procedures manuals		
<b>A2</b>	<b>General</b> Statutory performance report including notes Trial balance 'mapped' to the statutory performance report Trial balance (excel) Line-by-line commentary explaining the reasons for any significant variances of statement of financial performance and statement of position items compared with the previous year's performance report. Please consider greater than 10% movement to be significant in the context of the statement of financial performance, and in the context of the statement of financial position General ledger for the year up to the date of audit sign off Journals for the year and up to the date of audit sign off Approved budget for this year and next year		
<b>SSP</b>	<b>Statement of Service Performance</b> Supporting evidence for the outputs reported in the statement of service performance		
<b>CFS</b>	<b>Statement of Cash Flows</b> Cash flows spreadsheet (electronic copy) and reconciliation work papers		
<b><u>Statement of Financial Position</u></b>			
<b>B</b>	<b>Cash and cash equivalents including bank term deposits</b> Bank reconciliations for all bank accounts for the year Bank statements for all accounts for the year through to the most recently received prior to commencement of the audit A detailed listing of term deposits held at Balance date, together with supporting documentation - term deposit certificates		
<b>C</b>	<b>Receivables</b> Aged accounts receivable listing at balance date reconciled to the general ledger Details of all debtors balances over 90+ days at balance date, including details of the action being taken to recover amounts due Details of any provision made for doubtful debts Details of bad debts written off during the year and supporting documentation that they are determined to be uncollectable		

Detailed listing of other debtors and/or prepayments at balance date, together with supporting documentation to support balances

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**G Property, plant and equipment**

Fixed Assets Register reconciled to the general ledger (including finance leases & intangible assets if applicable)  
 Invoices for all fixed asset additions  
 Supporting documentation for all fixed asset disposals (including copies of sales invoices and details supporting the calculation of any gains/losses on disposals)  
 Details of repairs and maintenance work carried out during the year, with copies of invoices supporting charges greater than \$2,000  
 Supporting schedule of any leases capitalised during the year  
 Annual revaluation gains & losses calculations and latest valuation reports or govt CV values for all properties  
 Sale and Purchase Agreements for all properties bought and sold during the year  
 Settlement statements for all properties bought and sold during the year.


**N1 Accounts payable and accruals**

Aged accounts payables listing at balance date reconciled to the general ledger

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Detailed schedule of accruals and other payables at balance date, together with supporting invoices/calculations, reconciled to the general ledger

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**N2 GST**

Completed GST reconciliation at balance date, together with supporting documentation for reconciling items  
 Copies of all GST returns and work papers for the year  
 Copies of IRD statements of accounts/notices of assessments in respect to GST


**U Equity**

Detailed listing of equity and reserve accounts, together with supporting documentation for any material movements.

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**Statement of Financial Performance**

**V Revenue**

Detailed breakdown of all income accounts, reconciled to the general ledger  
 Revenue receipt books and bank receipt books  
 Remittance advice for revenues received during the year (where applicable)  
 New rental leases and documentation to support leases rolled over for a further term  
 Supporting documentation for any rental concessions (rent holidays and reductions) given  
 Supporting documentation for all donations received during the year  
 Realised gains & losses reconciliations for all properties sold during the year  
 Annual revaluation gains & losses calculations together with latest valuation reports or government Capital Values for all properties.


**W Expenses**

Detailed breakdown of all expenditure accounts, reconciled to the general ledger  
 Access to all invoices for the year and after balance date (including paid and unpaid post balance date invoices)


**X Payroll**

Payroll report for the year from the payroll system used broken down by employee  
 Payroll reconciliation between the general ledger and the payroll report  
 Employer kiwisaver contribution report  
 Detailed listing of all employee provisions including: holiday pay/time in lieu/long service leave, payroll accrual  
 Supporting documentation/workings of employee annual leave (including system generated 'Leaving Owing' report)


<b>GG</b>	<b>Going Concern</b> 2020/21 approved Budget that facilities demonstrating the ability of the Organisation to continue in operational existence		
<b>NN</b>	<b>Commitments &amp; Contingencies</b> Supporting documentation for all capital commitments, including contracts, with workings to support the note disclosure (if applicable) Supporting documentation for all operating commitments, including operating lease agreements, with workings to support the note disclosure (if applicable) Supporting documentation for any contingent liabilities, with workings to support the note disclosure (if applicable) Confirmation request letter to be sent to lawyers used during the year		
<b>SS</b>	<b>Subsequent Events</b> Details of any significant events subsequent to balance date		
<b>VV</b>	<b>Related Parties</b> Details of any related parties and related party transactions during the year		

## CONTACT US

For more information, visit [www.mooremarkhams.nz](http://www.mooremarkhams.nz) to locate your nearest firm.



[www.mooremarkhams.nz](http://www.mooremarkhams.nz)

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