

Fraud Risk Assessment

ISA (NZ) 240 “The Auditor’s responsibilities relating to fraud in an audit of financial statements” requires us to obtain a fraud risk assessment from the governing body and others within the entity as appropriate (i.e. management).

We suggest that the easiest way to answer it is to treat each bullet point as a heading and underneath write an explanation and/or yes/no/NA.

Items we need representations on:

(Note that not all items may relate to your trust)

Written information from management and those charged with governance about the following:

- Assessment of risk that the financial statements may contain a material error as a result of fraud (for example High, Medium or Low for each financial statement area, and for the financial statements overall).

Please include disaggregated figures consistent with the presentation of the financial statements.

L = Low Risk, M = Medium Risk, H = High Risk.

Financial Statement Area	Potential impact (L/M/H)	Likelihood (L/M/H)	Risk Profile (L/M/H)	Comments
INCOME				
Rents	H	L	L	All rent income relates back to lease terms, which are used to create the annual budget. Monthly monitoring of actual against budget would identify any material discrepancies
Recoveries	M	L	L	Outgoings paid by the Trust but not recovered would, allowing for timing differences in billing, be identified through actual against budget comparison.
Interest	L	L	L	Interest relates back to agreed rates & terms agreements with bankers, which are used to create the annual budget. Monthly

				monitoring of actual against budget would identify any material discrepancies
Gains on disposal	L	L	L	Such annual journal adjustments are undertaken by Rightway, reviewed by the GM and subject to Board/A&R committee review of the draft annual financial statements. End of year journals are reviewed by MMWA.
EXPENSES				
Cost of providing services	H	L	L	Payment authorisation controls and monthly monitoring of actual against budget minimise the risk of material error.
Other costs	M	L	L	Ditto
Wages	M	L	L	Ditto
Impairment of assets	M	L	L	Ditto
Losses on disposal	L	L	L	See gains on disposal
ASSETS				
Bank and deposits	H	L	L	Daily Xero bank reconciliations undertaken by the Administrator are independently monitored by Rightway. Increases in term deposits actioned by the Administrator are sanctioned by the General Manager and reported to the Board. Withdrawals require the prior authorisation of the Board.
Accounts receivable	M	L	L	Accounts receivable are reported monthly for monitoring by the Board. Y/E accounts receivable resulting

				from Y/E journal adjustments are audited.
GST receivable				N/A
Property, plant & equipment	H	L	L	<p>Property sale and purchase transactions require prior Board approval. Annual property revaluation adjustments relate back to annual assessments by an independent valuer.</p> <p>Controls over expenditure on improvements to property are the same as for all other expenditure.</p> <p>Capitalisation of such expenditure is actioned by Rightway but sanctioned by the GM and reviewed by the Board at year end.</p>
LIABILITIES				
GST payable	M	L	L	Monthly GST returns are prepared independently by Rightway from Xero accounting records and are reviewed by the GM for accuracy and completeness before authorisation.
Accounts payable	L	L	L	All invoices due for payment as at 20 th of each month are authorised and paid per payment authorisation process. Any Y/E accounts payable resulting from Y/E journal adjustments prepared by Rightway are audited by MMWA.

Holiday Leave accruals	L	L	L	These are reported monthly to the Board for scrutiny
Loans				N/A

- The processes in place for identifying and responding to the risks of fraud in the trust

These are:

1. Adequate segregation of governance from management, represented by requirements for:
 - Board of Trustees' approval of an annual financial budget that reflects anticipated levels of income and expenditure, the proposed level of distribution of grants to the community and the outcome of anticipated property transactions (disposals, acquisitions and new developments).
 - Regular reporting by management of financial performance against budget based on information produced independently by an external accounting contractor.
 - All financial transactions, except of a type and value for which financial authority has been delegated to management, to be pre-approved by the Board of Trustees.
 2. Implementation of management controls that to the fullest extent possible within the constraints of management being represented by only two employees and one external accounting contractor ensure adequate separation of duties. These are identified in the attached internal control questionnaire.
 3. Compliance with Act requirements regarding accounting and financial reporting.
 4. Compliance with the requirement for independent external audit of published annual financial statements.
- How management communicates, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the trust

The Audit & Risk Committee acts as the conduit for communication of processes to the Board.

- How the trustees communicate to employees regarding its views on business practices and ethical behaviour

The General Manager is based part-time in the Trust's Greytown office, which better facilitates oversight of fraud risk processes because, with only one other part-time employee on staff, communication of the need for maintenance of ethical standards and good business practices is immediate, hands on and tailored to circumstances.

The involvement of an external accounting contractor in administering and monitoring many financial processes, provides not only an additional level of control but also access to a source of independent

good practice advice. As a result, opportunities for improving current processes are under continual review and, where considered appropriate, implemented.

- Whether there has been any actual, suspected or alleged fraud affecting the trust

None.

- How those charged with governance exercise the oversight of management’s processes for identifying and responding to the risks of fraud in the trust and the internal controls that the management has established to mitigate those risks.

Practical application of the Board processes for approving financial transactions initiated by management raises awareness among Trustees of the need to minimise the risk of fraud through the exercise of governance oversight. These include, among others:

- The requirement for property transactions to be authorised by two Trustees;
- The requirement for payment and salary/wages transactions to be vetted and authorised by the Chairman or Deputy Chairman;
- Regular monthly reporting by management to the Board of actual financial performance against the approved annual budget which provides the opportunity for queries to be answered.

Completed by :	Chairperson, Audit & Risk Committee	General Manager
Signed:		
Name:	C Rossiter-Stead	P Broughton
Date:		
Trust name:	Greytown District Trust Lands Trustees	