



# Tuwharetoa ki Kawerau Health, Education and Social Services Trust

Completion Report

Year ended 30 June 2022

**William Buck**



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## Executive Summary

We're pleased to have the opportunity to meet with you to discuss the results of our audit of the financial statements of Tuwharetoa ki Kawerau Health, Education and Social Services Trust for the year ended 30 June 2022.

The form of our Opinion is as presented below.

We'd like to express our appreciation for the cooperation and assistance which we received during the course of our audit from all the staff of Tuwharetoa ki Kawerau Health, Education and Social Services Trust and from Goldsmiths.

This report summarises our audit approach and findings as well as providing any recommendations for areas of improvement identified during the audit process.

### OUR OPINION

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Trust as at 30 June 2022, and of its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity International Public Sector Accounting Standards Reduced Disclosure Regime (IPSAS RDR).

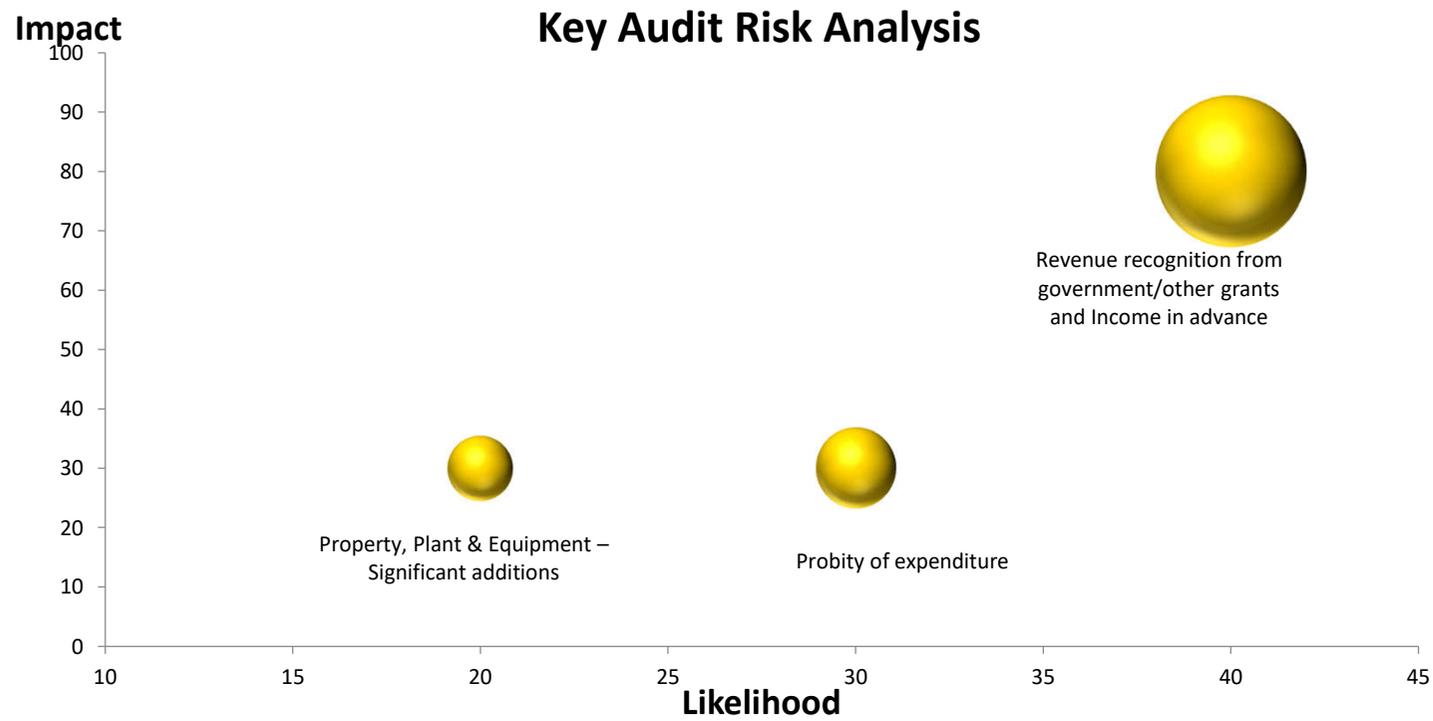
### SIGNIFICANT AUDIT MATTERS

- Revenue recognition from government/other grants and Income in advance
- Probity of expenditure
- Property, Plant & Equipment – Significant additions

## 1. Executive Summary



## Audit Risk Assessment



### 2. Audit Focus



## Audit Focus Areas

Audit risk area	Audit approach	Summary of results
Revenue recognition from government/other grants and Income in advance	We review revenue recognition from grants, including deferral of Grants when there is an Unconditional Right to repay if not used for specified purpose.  We tested contracts with focus in their conditions and cut-off.  We performed a reconciliation between general ledger transactions and contracts.	No issues arose from our review and testing.  Revenue is complete and accurately reported.

### 2. Audit Focus



## Audit Focus Areas

Audit risk area	Audit approach	Summary of results
<p>Probity of expenditure</p>	<p>We compared lines of expenditure with the prior period and sought explanation for large movements.</p> <p>We statistically selected a sample of (25) individual invoices and tested that the invoice agreed to the ledger, that it had been approved and that it was correctly coded.</p> <p>We reconciled payroll in total and reviewed a selection of individual employees payroll details.</p>	<p>Suitable explanations were obtained for movements.</p> <p>We had difficulty obtaining supporting documentation for some of our selection. However, we followed up with management and were able to complete our testing.</p> <p>Expenditure is appropriately approved and is correctly presented in the financial statements.</p> <p>Please see recommendations below.</p>

### 2. Audit Focus



## Audit Focus Areas

Audit risk area	Audit approach	Summary of results
<p>Property, Plant &amp; Equipment – Significant Additions</p>	<p>We statistically selected a sample of (7) additions tested that:</p> <ul style="list-style-type: none"> <li>- Support documentation agreed to the Fixed Asset Register, that it had been approved and that it was correctly coded.</li> <li>- Reasonability of the rate used.</li> <li>- Test the existence of each addition.</li> <li>- We performed a title search for Land purchases.</li> </ul> <p>We review the depreciation calculation.</p> <p>We consider impairment.</p>	<p>No issues arose from our review and testing.</p> <p>Property, Plant and Equipment are appropriately presented in the financial statements.</p>

### 2. Audit Focus



## Audit Focus Areas - Other

Audit risk area	Audit approach	Summary of results
Cash & Bank Balances	We verified balances to third party confirmations.	No matters arising.
Term deposits	We reviewed the appropriate classification of the term deposits in the Financial Statements.	No matters arising.
Account receivables	We performed testing subsequent receipts. We performed reviewing of doubtful debts.	No matters arising.
Accounts payable and Accruals	We performed search for unrecorded liabilities. We vouched to supplier statements.	No matters arising.
Contingencies & Commitments	We performed PPRS search to ensure the completeness of the disclosure. We reviewed the appropriate disclosure in the Financial Statements of the operating lease agreements	No matters arising.
Related parties	We reviewed the appropriate disclosure in the Financial Statements of the related parties transactions.	No matters arising.

### 2. Audit Focus



## Summary of Adjusted Differences

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We set planning materiality at \$160,479 based on a 3% of expenses.

The only adjustment during the audit was to process changes advised by Goldsmiths after the first draft of the financial statements.

## Summary of Unadjusted Differences

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There were no unadjusted errors.

### 3. Audit Differences



## Key areas for Improvement

Observations	Recommendations
<p><b>Revenue agreements</b> The Trust holds a significant quantity of contracts with several third parties. There are many variations and renewals of contracts, and we have observed that some contracts are not signed.</p> <p>Additionally, we have observed that one of the contracts was billed for an incorrect amount due to the amount per agreement being set with GST excluded and during the billing process was considered as GST included.</p>	<p>We recommend that the Trust maintains an updated and signed copy of all contracts, including their amendments.</p> <p>Additionally, we suggest that the Trust ensures that the billed amounts agree with the conditions of the agreements.</p>
<p><b>Expenses – Lack of Supporting Documentation</b> During our audit, we selected some expenses in order to agree a sample to proof of purchase. Not all supporting documentation was found. We note that we were satisfied that, overall, expenses are appropriate and valid for the Trust.</p> <p>Appropriate supporting documentation is important for tax reasons (including claiming GST) and to provide evidence that the purchase was a valid expenditure for the Trust.</p> <p>Supporting documentation ensures that an appropriate audit trail is in place.</p>	<p>We suggest ensuring that all the expenses are accompanied by the proper supporting documentation. If an invoice is lost or misplaced, a replacement should be requested.</p>

## 2. Audit Focus



## Key areas for Improvement

Observations	Recommendations
<p><b>Equity reserves</b> The Trust has carried forward reserves totalling \$238,160. These reserves are described as being for future fiscal security and activities.</p> <p>Given the significant surpluses generated in recent years, these balances may need to be reviewed for relevance.</p>	<p>We recommend that the board reviews reserves balances and ensured policies for use of these balances are relevant and appropriate.</p>
<p><b>Documentation of Pay Rates</b> From our testing on payroll we noted that a number of staff members had pay rate changes however there was no evidence supporting this change on the employees files.</p> <p>The personnel records are a key record of the employee’s employment terms with the Trust. These are important, particularly in the event of any dispute about these terms.</p> <p>This also makes it impossible to readily distinguish between an appropriately authorised and valid change in pay rates and an improper change that should not have been made.</p>	<p>We recommend that a letter signed by management is issued to the employee notifying them of the rate change and a copy of the letter retained on the employees file.</p>
<p><b>High annual leave balance</b> We have observed that the annual leave entitlement accrual for several staff members was over 20 days at balance date.</p> <p>It is good practice to have staff take their annual leave. High leave balances also create a significant liability for the Trust, which accrues at the current rate of pay.</p>	<p>We strongly recommend that staff take their leave within 12 months of entitlement to minimise its cost to the Trust and for the health and wellbeing of the staff.</p>

### 2. Audit Focus



## Key areas for Improvement

Observations	Recommendations
<p><b>Statement of Service Performance</b>            At present, a Tier 2 reporting entity is not required to prepare a Statement of Service Performance (“SSP”) as part of its financial statements.</p> <p>The External Reporting Board (XRB) has issued PBE FRS 48 Service Performance Reporting which will require the Society to present a SSP for the year ended 30 June 2023 with comparative information for the period from 1 July 2021 to 30 June 2022.</p> <p>The two key components of the statement required under PBE FRS 48 are Outcomes (what the Society is seeking to achieve in terms of its impact on society) and Outputs (what the Society actually achieved).</p> <p>The report is required to be audited, and so an appropriate audit trail is required to substantiate the information presented.</p> <p>There are a number of good resources on <a href="http://www.charities.govt.nz">www.charities.govt.nz</a> and <a href="http://www.xrb.govt.nz">www.xrb.govt.nz</a> that will guide you in how to prepare the statement and there are also good example financial reports from charities that have already adopted service performance reporting.</p>	<p>We recommend the Board and management review the standard and available guidance and then determine an implementation strategy.</p>

### 2. Audit Focus



## Risk of Fraud

Management override of controls and risk of fraud in revenue recognition	Response
<p>An area of audit significance is the risk of material misstatement of the financial report due to fraud. We obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through implementing appropriate responses.</p> <p>Management override of controls and risk of fraud in revenue recognition are always pervasive risks to the financial statements, and we have planned testing to respond to these risks. Our assessment of the risk of management override of controls includes how those charged with governance (including elected officials) exercise oversight of management's processes for identifying and responding to risk of fraud and the internal control that management has established to mitigate these risks.</p>	<p>Our audit response is a combination of controls and substantive-based testing and include:</p> <ul style="list-style-type: none"> <li>• evaluating and testing key controls over manual journals and the extent of segregation of duties</li> <li>• evaluating and testing IT general controls and application controls over relevant system generated reports</li> <li>• assessing material accounting estimates and one-off items for management bias</li> <li>• evaluating and testing effectiveness of key controls over revenue recognition</li> <li>• testing a sample of revenue transactions during the year</li> <li>• performing analytical procedures over revenue recognition.</li> <li>• testing contract asset and liability balances as part of the assessment of revenue recognition.</li> </ul> <p>We also build an element of unpredictability into our work program meaning management will not be aware of all procedures prior to their execution.</p>

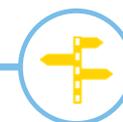
### 5. Other Communications



## Other Communications

Dealings with Management	Other matters
<p><b>Disagreements with Management or significant difficulties</b></p> <p>There have been no disagreements with management in completing the audit.</p>	<p><b>Independence</b></p> <p>The engagement team and others in the firm as appropriate, the firm and network firms are independent in accordance with relevant ethical requirements and any regulatory requirements that apply to the audit engagement.</p>
<p><b>Other communications with management</b></p> <p>There have been no other significant discussions with management that have not been reported to you or included in this report.</p>	<p><b>Non-audit fees</b></p> <p>We have not charged any non-audit related fees to the entity in the period under review.</p>
	<p><b>Going concern</b></p> <p>During the audit there have been no material uncertainties that may cast significant doubt on the Trust's ability to continue as a going concern and require further consideration or disclosure within the financial report.</p>

### 5. Other Communications



## Other Communications

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**Other matters**

**Fraud**

During the audit we have not identified or been notified by your office of any circumstances of fraud.

**Use of Other Auditors**

William Buck did not require the assistance of another audit firm in performing the audit of the Trust.

**Other matters**

**Laws and Regulations**

During the audit there has been no evidence that the Trust has not complied with laws and regulations pertaining to the Trust.

**Use of Specialists**

William Buck did not require the assistance of a specialist in performing the audit of the Trust.

**5. Other Communications**



# Thank you

This report is prepared on the basis of the limitations set out below.

This communication is prepared solely for the information of the Board of Directors and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication. The matters raised in this report are only those that came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures reviewed, or potential instances of fraud that may exist. Our comments should be read in the context of the scope of our work. Findings within this report may have been prepared on the basis of management representations. Suggestions for improvement should be assessed by the group for their full commercial impact before they are implemented.

This report has been prepared solely for your use as management of the group and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

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