

Pukorokoro Miranda Naturalists' Trust

Completion Report to Those Charged with Governance

Statutory audit of the performance report
for the year ended 31 December 2022

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Report purpose

We are pleased to present our completion report relating to our audit of the performance report of Pukorokoro Miranda Naturalists' Trust ('the Trust'), for the year ended 31 December 2022 ('reporting date').

The purpose of this report is to update the Trustees ('Those Charged with Governance') on the outcome of the significant matters identified during the planning phase of our audit and any matters that have arisen during the course of our audit.

Under the requirements of International Standard on Auditing (New Zealand) 260 (Revised) *Communication with Those Charged with Governance* ('ISA (NZ) 260 (Revised)'), we are required to communicate audit matters arising during our audit to Those Charged with Governance of an entity. This Report, together with previous reports, discharges parts of the requirements of ISA (NZ) 260 (Revised).

Auditor independence

We confirm that there has been no change to our relationship with the Trust since the date of our planning reports that would bear on our independence and that we continue to comply with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board.

We have no relationships with the Trust that in our professional judgement, may be reasonably be thought to bear on independence.

Status of the audit

At the time of preparing this report, the following procedures were still to be completed:

- Receipt of the signed financial statements and signed directors' representation letter.

Overview of planning procedures

We undertook a risk-based audit of the Trust.

As part of our planning, the following areas were identified as areas of significant or heightened audit risk.

Significant risks are risks of material misstatement that, in our judgement, require special audit consideration.

Heightened audit risk areas relate to areas that we have identified as being significant aspects of accounting practices and financial reporting, management's judgments and accounting estimates and financial statement disclosures. Heightened audit risk areas have a risk of material misstatement at the financial statement and assertion level but are not considered a significant risk.

Summary of key audit risk areas and any changes:

Significant risk areas:

Description of risk	Description of change from planning
Management override of controls	No change.
Fraud related to revenue recognition	No change.

Heightened risk areas:

Description of risk	Description of change from planning
Completeness of unearned grant revenue	No change.
Completeness of creditors and accruals	No change.
Valuation of freehold land and buildings	No change.
Completeness and accuracy of the Life Member Reserve	No change.

Significant audit and financial reporting matters

Risk area	Explanation	Conclusion
Significant risks		
Management override of controls	<p>Per ISA (NZ) 240, <i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>, Management is in a unique position to perpetrate fraud because of Management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Due to the unpredictable nature in which such overrides could occur, it is a risk of material misstatement due to fraud and thus a significant risk.</p>	<p>During our audit planning we did not identify any specific additional risks of management override of controls at the Trust.</p> <p>We carried out substantive procedures, including, over manual journal entries, accounting estimates and significant transactions that are outside the Trust's normal course of business, or are otherwise unusual.</p> <p>We have reviewed management's overall policies and procedures to address instances of fraud. We have reviewed a sample of significant manual journal entries to obtain comfort that manual journals processed were appropriate and that they were supported by a clear business rationale.</p> <p>We have considered critical accounting estimates and judgements for bias, namely: accruals, inventory obsolescence provisions and deferred revenue,</p> <p>We have not identified any instances of management override of controls in the above areas.</p>
Fraud related revenue recognition	<p>Per ISA (NZ) 240, <i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>, there is a presumption that there are risks of fraud in revenue recognition.</p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition often results from an overstatement of revenues through, for example, premature revenue recognition or recording fictitious revenues. It may result also from an understatement of revenues through, for example, improperly shifting revenues to a later period.</p>	<p>We updated our understanding of the Trust revenue recognition processes as well as the accounting policies in place during our planning and audit fieldwork. We are satisfied with the Trust's revenue recognition processes and accounting policies.</p> <p>We carried out a combination of appropriate controls testing and substantive procedures over the Trust's revenue streams to assess the accounting treatment as being in line with the Trust's accounting policies. We are satisfied with the Trust's revenue recognition.</p>

Significant audit and financial reporting matters

Risk area	Explanation	Conclusion
Areas of heightened audit risk		
Completeness of unearned grant revenue	Ensure all grant revenue that were received during the financial year have been completely recorded as at balance date. Ensure that the unearned portion of grant revenue is accurately recorded as a liability.	We have performed substantive procedures on grant revenue to ensure all sums received in bank and supported with supporting letter from funding organisations
Completeness of creditors and accruals	Ensure all expenses that were incurred during the financial year have been completely recorded as at balance date.	We evaluated the design and operating effectiveness of the control surrounding the purchasing and payroll process. We carried out substantive audit procedures to evaluate the appropriateness purchasing and payroll processes. We reviewed subsequent bank statements to identify unrecorded liabilities and perform analytical procedures to develop an understanding of the movement during the year.
Valuation of freehold land and buildings	Since the 2016 financial year, the Trust has adopted the valuation model for freehold land and buildings. There is a risk that the carrying value of these classes of assets is not materially consistent with their fair value.	We have assessed the movement between the most recent rateable value of these properties and the last financial year's rateable value. We are satisfied that although the Trust did not engage an independent valuation specialist to review the market value of these properties for the 2022 financial year, the market value of these properties would not have moved materially from the prior financial year.
Completeness and accuracy of Life Members Reserve	The value of this reserve is derived based on life expectancy of the life members, therefore there is a risk that the value of this reserve may be understated.	We have assessed the reasonableness of the Trust's assumptions in deriving the figure for this balance and we have gained comfort that any error in this balance would not be higher than the materially we have set for this audit.

Audit differences

Materiality

ISA (NZ) 320 *Materiality in Planning and Performing an Audit* defines misstatements and omissions as being material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the performance report. The determination of materiality is based on our professional judgment and is affected by our perception of the financial information needs of users of the performance report.

The concept of materiality is applied throughout the audit process, including planning of the audit. Specifically, it is applied in evaluating the effect of identified misstatements and of uncorrected misstatements, if any, on the performance report and in forming our opinion.

Our preliminary assessment of the Trust's materiality was based on Net Assets.

Our assessment of Trust materiality was \$ 51,800

There were no changes to materiality made in the course of the audit work.

We have reported to Those Charged with Governance any unadjusted differences identified during the audit that are greater than \$ 3,050.

Differences (both, adjusted and unadjusted) identified during our audit that are greater than these amounts have been reported further below.

We will request Those Charged with Governance to confirm that any reported unadjusted differences are not material to the respective performance report

Summary of adjusted audit differences

There were no adjusted audit differences identified for the year ended.

Summary of unadjusted audit differences

There were no unadjusted audit differences identified for the year ended.

Internal controls

Our audit included the consideration of the Trust's internal controls relevant to the preparation of the performance report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls.

With respect to the Trust's following key cycles, we updated our understanding of the internal controls within these cycles, evaluated their design effectiveness, and if effectively designed, tested their operating effectiveness on a sample basis throughout the year:

- Revenue cycle:
 - Donation revenue
 - Sales revenue
 - Subscription revenue
 - Investment revenue
 - Other revenue

- Expenditure cycle:
 - Costs of goods sold;
 - Operating expenses; and
 - Administrative expenses.

- Payroll cycle:
 - Remuneration; and
 - Hiring and terminations

Our observations and recommendations in relation to areas where accounting controls can be further strengthened and other matters which came to our attention are outlined below.

We comment only on those items which came to our attention during the normal course of our audit work and therefore our observations are not as comprehensive as they would be, should a special review of the Trust's systems, procedures and controls be undertaken. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorised use or disposition, and that transactions are executed in accordance with management's authorisation and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Internal controls *(continued)*

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate.

It should be stressed that the comments made do not imply any lack of integrity or honesty on the part of the officers and employees of the Trust, from whom we have received every courtesy and co-operation during the course of our audit.

Priority ratings for recommendations		
High	Medium	Low
Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	Issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

Internal Control Finding Summary

Rating	New findings	Findings rolled from prior year	Findings resolved	Total findings
High	1	0	0	1
Medium	0	1	0	1
Low	0	2	0	2

Internal controls *(continued)*

#	Observation	Risk	Issue and recommendation	Trust's response
1	<p>Valuation of freehold land and buildings</p> <p>Under the requirement of Public Benefit Entity International Public Sector Accounting Standard 17 <i>Property, Plant and Equipment</i>, revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.</p> <p>The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required.</p> <p>Some items of property, plant and equipment experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.</p> <p>The Trust last revalued its freehold land and buildings to their fair values as at 31 December 2016.</p>	<p>Given the current uncertain economic environment, the value of land and buildings could fluctuate materially.</p>	<p>Under PBE SFR-A (NFP), the entity may use the current rateable or government valuation, rather than fair value as required by PBE IPSAS 17 when revaluating. Where this is the case, the entity must disclose the source and date of the valuation in the notes to the performance report.</p> <p>We recommend that the Trustees consider the valuation approach for the 2023 financial year, especially given the increase in the valuation based on the latest Council rating valuations.</p>	

Internal controls (*continued*)

#	Observation	Risk	Issue and recommendation	Trust's response
2	<p>Disaster recovery plan</p> <p>The Trust does not have a documented Disaster Recovery Plan to be followed in the event of a catastrophe.</p>	<p>A Disaster Recovery Plan provides a strategy to rebuild an organisation after a disaster. Without a Disaster Recovery Plan there is increased risk of:</p> <ul style="list-style-type: none"> • Failure to recover key business functions on a timely basis; and • The loss of data and assets. 	<p>We recommend that a Disaster Recovery Plan should be formally documented.</p> <p>A Disaster Recovery Plan should include:</p> <ul style="list-style-type: none"> • Assumptions made in the development of the Plan; • Initial response procedures including determining the duration of the disaster and notifying recovery team members; • Disaster procedures including IT system assessment procedures and recovery team procedures; and • Emergency team members and their contact details. <p>The Disaster Recovery Plan should be distributed to the staff involved in disaster recovery.</p>	<p>The most obvious risk to PMNT is sea level rise. There are two levels of damage this could inflict. One is an increasing incident of flooding when high tides and particular weather conditions send a surge up the Hauraki Gulf. It has happened and will happen again, at present our buildings are high enough to be above what has happened so far. The real disaster would be if the climate conditions became such that the birds decided to abandon the gulf as a roosting area. We do not currently have any plan to deal with these issues.</p>
3	<p>Record keeping</p> <p>We have noted from our testing that supporting documents for one transaction was not obtained and/or retained in a way that could be retrieved in a timely manner. This transaction related to invoices/receipts for magazine distribution expense.</p>	<p>It is a tax requirement to keep accurate and complete records for at least seven years. The Trust could be randomly subject to a tax audit therefore it is crucial to retain all relevant source documents associated to revenue and expense transactions, especially if those transactions have GST implications.</p>	<p>Although some small suppliers (i.e. sole traders) may not issue invoices, it is good business practice to obtain some written evidence as support for the transaction, for example, an email trail.</p>	<p>Noted.</p>

Internal controls *(continued)*

#	Observation	Risk	Issue and recommendation	Trust's response
4	<p>Segregation of duties</p> <p>As is common in entities this size, there is limited segregation of duties within the accounting process and information systems. The Trust's staff levels are insufficient to allow the degree of segregation of duties that would be ideal.</p> <p>We have noted from our expense testing that the Treasurer can enter in new creditors and change existing creditor details (such as bank account details) without review and approval. In addition, the Treasurer processes, records and pays employee benefit expenses and other expenses.</p>	<p>The lack of segregation of duties represent a weakness in the cycle that increases the risk of misappropriation of the assets of the Trust, leading to misstatements in the financial statements that may be material.</p>	<p>We have not raised detailed recommendations regarding improving segregation of duties because we understand that you view the cost of additional personnel outweighs the benefit of improved control, but you should be aware that the limited segregation of duties at the Trust does increase the risk of loss through error or fraud.</p>	<p>Agreed there is a lot of trust involved. Soon after I became Treasurer I changed the banking arrangements so that payments needed to be signed off by 2. Usually myself and Ann Buckmaster. At each committee meeting the committee has a full list of all payments since the last meeting to review and approve. They also get the latest P&L and Balance Sheet. I suppose our most at risk are is the shop income. The consistency of this had always been a comfort but covid has made a mess of the past 2 years. We have a lot of respect for the integrity of the people who work for the Trust.</p>

Related party transactions and balances

We have undertaken the following procedures to ensure all related party transactions and balances are correctly identified and appropriately disclosed in the Trust's performance report:

- For identified, significant related party transactions outside the Trust's normal course of business:
 - Reviewed and vouched transaction to source documents;
 - Obtained Management representations regarding the nature and description of the transaction(s);
 - Checked appropriate written authorisation exists;
 - Evaluated:
 - the business rationale (or lack thereof) of the transactions;
 - the risk of fraudulent financial reporting or misappropriation of assets;
 - the terms of the transactions are consistent with Management's explanations; and
 - the transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework.
 - Checked amount(s) recognised have been measured in accordance with the appropriate accounting standard.
- Reviewed classification and description of all related party transactions.
- Reviewed completeness of the information obtained above by considering:
 - previously identified transactions or relationships;
 - minutes of shareholder and Those Charged with Governance meetings;
 - discussions with Trust's personnel;
 - unusual transactions of significance;
 - bank and legal confirmations obtained as part of other audit procedures;
 - such other records or documents as we consider necessary in the circumstances of the entity.
- Obtained written representations from Management and, where appropriate, Those Charged with Governance:
 - on the reasonableness of significant assumptions and the management's intent and ability to carry out specific courses of action in respect of related party transactions and balances that are not covered by written agreements between the related parties;
 - that they have disclosed to us the identity of the entity's related parties and all the related party relationships and transactions of which they are aware; and
 - that they have been appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.

Management representations

We will be requesting Those Charged with Governance to provide us with representations on specific matters relating to the preparation of performance report that are free from material misstatement, whether due to fraud or error, in accordance with the applicable financial reporting framework, as set out in the terms of the audit engagement.

Prior to the completion of the audit, we will provide a template of these representations to Those Charged with Governance. These representations will include specific representations relating to areas described above and that you have disclosed all relevant related parties to us and all transactions and balances with these parties. We will also be requesting Those Charged with Governance to confirm that any unadjusted differences reported are not material to the performance report.

We will require a signed copy of these representations before we issue our audit opinion.

Other matters

ISA (NZ) 260 (Revised) requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the performance report' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management; and
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process.

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report relating to the audit of the Trust's performance report for the year ended 31 December 2022.

Factors impacting financial reporting

Summary of new and amended financial reporting standards impacting the Trust's financial reporting that have been issued and are effective for the current reporting period:

Newly applicable developments include PBE FRS 48 *Service Performance Reporting*, PBE IFRS 9 *Financial Instruments*, and PBE IPSAS 41 *Financial Instruments*. If requested, we would be happy to provide further details regarding these developments.

Summary of new and amended financial reporting standards impacting the Trust's financial reporting that have been issued but are not yet effective:

New Development	Effective date*
PBE FRS 48 Service Performance Reporting	1 Jan 2022 ¹
PBE IFRS 9 Financial Instruments ²	1 Jan 2022
PBE IPSAS 41 Financial Instruments	1 Jan 2022
PBE IFRS 17 Insurance Contracts	1 Jan 2023 ¹
Amendments to PBE IFRS 17	1 Jan 2023 ¹
Climate Related Disclosures	1 Jan 2023
2022 Omnibus Amendments to PBE Standards	1 Jan 2023 ¹
Initial Application of PBE IFRS 17 and PBE IPSAS 41 - Comparative Information	1 Jan 2023 ¹
Public Sector Specific Financial Instruments (Non-Authoritative Amendments to PBE IPSAS 41)	1 Jan 2023 ¹

* Annual reporting periods beginning on or after

¹ Effective date delayed due to COVID-19

If requested, we would be happy to provide further details regarding the developments listed above to Those Charged with Governance or Management.

Our fees

Consistent with our audit and assurance fee estimate presented in our letter dated 29 November 2022, during the year ended 31 December 2022, Baker Tilly Staples Rodway provided the following services to the Trust:

	2022
Audit of the performance report	\$7,000
Total	\$ 7,000

Important notice

This report

This report is presented under the terms of our audit engagement letter.

- Circulation of this Report is restricted; and
- The content of this Report is based solely on the procedures necessary for our audit.

Limitations on work performed

This report has been prepared in connection of our audit of the performance report of Pukorokoro Miranda Naturalists' Trust ('the Trust'), prepared in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit), as at 31 December 2022 and for the year then ended.

This report has been prepared for Those Charged with Governance, whom we consider to be the Board of Trustees, in order to communicate matters of interest as required by ISAs (NZ) (including ISA (NZ) 260 (Revised) *Communication with Those Charged with Governance*), and for no other purpose.

This Report is separate from our audit report and does not provide an additional opinion on the Trust's performance report, nor does it add to, extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Restrictions on distribution

The Report is provided on the basis that it is only for the information of Those Charged with Governance of the Trust; that it will not be quoted or referred to, in whole or in part, without prior written consent; and that we accept no responsibility to any third party in relation to it.

Your Baker Tilly Staples Rodway team



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About Baker Tilly Staples Rodway

Baker Tilly Staples Rodway Auckland is a full service locally owned and operated business providing accountancy, audit and assurance, and business advisory services.

We are part of Baker Tilly Staples Rodway – a New Zealand-wide group of firms and a member of Baker Tilly International. Our people benefit from the training and expertise that comes with being part of a national Chartered Accounting network and an international accountancy and business advisory network.

Baker Tilly Staples Rodway Auckland (our Auckland audit partnership) trading as Baker Tilly Staples Rodway is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

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