

# Vijay Talekar

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28 April 2014

The Directors  
The Akarana Community Trust Limited  
Unit 1  
61 George Street  
Papatoetoe  
**Auckland 2025**

Dear Sir/Madam

## **AUDIT OF YOUR FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2014**

I have completed the audit of your financial statements for the year ended 31 March 2014.

A report of the significant findings arising from the audit is attached. Matters raised in this report have been discussed with Mr. Janu Partap Singh, Director at The Akarana Community Trust Limited during the audit. This report has been prepared solely for the use of the Directors of your organisation. It may not be provided to third parties without my prior written consent.

If you wish, I would be pleased to discuss with you my recommendations in this letter or any other aspect of your organisation's audit. If it is of value to your board, I would be happy to attend a board meeting to discuss any finance related issues you have.

I would like to take this opportunity to record my appreciation of the assistance received during the course of the audit from all the team at The Akarana Community Trust Limited.

I am always trying to improve my services. If you have any observations or suggestions in this regard I would be grateful to hear of them.

Should you have any queries regarding this letter, any aspect of our audit, or require any further assistance please do not hesitate to contact myself.

Yours sincerely



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**Vijay Talekar**  
Chartered Accountant

# THE AKARANA COMMUNITY TRUST LIMITED

## AUDIT FINDINGS

### FOR THE YEAR ENDED 31 MARCH 2014

#### 1. Introduction

I set out below my findings from the audit work I have performed during the audit of your financial statements for the 2014 financial year.

This report will discuss:

- The expected content of our formal audit report
- Governance and risk management matters
- Financial statements
- Accounting systems and controls

The primary aim of my audit is to form an opinion as to whether your financial statements fairly reflect the results of your organisation's activities for the reporting period and its financial position at balance date. The audit report will express this opinion.

In forming my audit opinion, I conduct detailed tests of selected transactions and review the design of internal controls within the organisation. As a service to ensure you receive maximum benefit from my audit I note my evaluation of your systems and highlight areas of possible weakness or where I believe improvements can be made. My motive is to offer objective and constructive advice so that the accounting function and related control issues can be improved in the future.

These points arose during the course of my audit which is designed primarily to enable me to form an opinion on the financial statements taken as a whole. My report cannot, therefore, be expected to include all possible comments and recommendations which a more extensive special examination might indicate.

#### 2. Expected content of my formal audit report

Subject to receipt of signed financial statements and any final update of events subsequent to balance date, I expect to issue an audit report in our standard wording.

### 3. Governance and risk management

#### Areas of significant audit focus

I believe it is best practice to communicate with you as the governing body regarding matters which form an important part of my audit process. However, ultimately it is you, the governing body that remains responsible for your financial systems, internal controls and financial statements.

While my audit necessarily involves testing of your overall system of financial controls and reporting, I assessed some potentially significant risk areas in relation to your organisation. Accordingly I believe that they are important issues that should be of interest to you in your governance capacity.

In the case of your organisation the following are the areas and issues in the current year that I assessed significant risk areas:

- Internal Control Systems
- Income Tax Exemption for filing Income Tax Returns.
- Segregation of duties.
- Minutes of the Directors Meetings.
- Payment to employee for the Lease of the Vehicle.
- Recognition and disclosure of related party transactions
- Timely completion of Financial Reports

I am pleased to advise that my testing of these assessed risks did not identify any significant issues or concerns other than any observations and recommendations related to these topics as detailed below.

#### Internal Control Systems

Internal control is a control process put in place by an entity's governing body and management. Internal control systems are designed to provide reasonable assurance that the following objectives are being achieved:

- ✓ effectiveness and efficiency of operation.
- ✓ reliability of financial reporting.
- ✓ compliance with laws and regulations.

The internal control systems therefore include all the policies and procedures (internal controls) adopted by the management of an entity to assist in achieving the objective of ensuring, as far as practicable, the orderly and efficient conduct of its business. This includes adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial and non-financial information.

It is my recommendation to you as governing body to work in implementing internal control systems in your organisation.

#### Income Tax Exemption for filing of the Income Tax Returns

Your organisation will not be required to file an income tax return if the only income was from gambling proceeds. I would ask you to check with the Inland Revenue Department and get an exemption certificate so that no Resident Withholding Tax on the Interest income.

Should you require assistance or any advice in this area my specialist tax team would be happy to assist.

### **Segregation of Duties**

At the moment all the functions of the organisation are carried out by the Director cum General Manager and there is no segregation of duties of functions.

In any organisation it is important that no single person has control over, or access to, all aspects of recording and control of Trust's funds. I have noted that significant portions of the day to day accounting functions are under sole control.

Not only does this provide opportunity for abuse of the entity's funds, but also puts a great responsibility and burden of trust upon the person who has this control. The separation of key accounting responsibilities is a critical internal control in any system to prevent misappropriation of funds, error, or unrecorded transactions. I recommend that the responsibility of recording and control over Trust funds be delegated between two individuals.

### **Statutory Records**

The company is required to maintain the following statutory records:

- Register of members.
- Register of directors' names and addresses.
- Register of directors shareholdings.
- Interest register.
- Minute Book- Shareholder meetings.

I recommend that in view of the importance of the above statutory records, the Directors are advised to pay their attention to this area.

### **Recognition and disclosure of related party transactions**

Entities generally enter into transactions on an arm's length basis, the interests of each party being completely independent. However, transactions often take place between parties who, because of their relationship, are not independent of one another — a related party relationship. A related party relationship may have a material effect on the activities of a reporting entity and consequently its financial position. This may occur as a result of transactions taking place between the parties which would not have occurred in the absence of the related party relationship; or as a result of one of the related parties directing the other party to transact, or not to transact, with another party. The existence of a related party relationship may also expose a reporting entity to risks, or provide opportunities or restrictions which would not have existed in the absence of the relationship.

Related party transactions have to be disclosed in the records of the company- preferably in the minutes, apart from the financial reports.

### **Fraud and Theft Detection Policy**

One of the issues facing your board is the protection of your organisations assets from the possibility of fraud or theft. I note that your organisation does not yet appear to have adopted a policy on fraud

and theft detection. I recommend this matter be addressed in the near future and an appropriate policy be developed and adopted.

#### **Other governance and risk management matters**

We are required by auditing standards to report specific matters to you as follows:

- I have had no disagreements with management during our audit nor any serious difficulties in dealing with management;
- I have not identified any breaches of legislation during our audit;
- I have not identified any instances of fraud involving management, or any other fraud that caused a material misstatement of the financial statements; and
- I have not noted any further significant risks or exposures that are required to be separately disclosed in the financial statements.

I reaffirm I am independent of your organisation, and that I have no relationship with your organisation that could impair my independence.

## **4. Financial statements**

#### **Adjustments needed to Accounts.**

Please ask your accountant to get in touch me to get the journals that need to be passed to align the Accounts with Xero.