

# New Zealand Association of Psychotherapists Incorporated audit management report to governance for the year ended 31 January 2022



**DRAFT** For discussion  
purposes only



# summary

We have completed our audit of the financial statements for the year ended 31 January 2022 and are pleased to provide our *audit management report to governance* detailing our findings.

The purpose of this report is to update the Councillors on the outcome of our audit and of any significant matters that have arisen during the course of our work.

We would appreciate your written response to these findings in due course.

We have prepared this report solely for the use of the Councillors and it would be inappropriate for it to be made available to third parties and, if such a third party were to obtain a copy without our prior written consent, we would not accept responsibility for any reliance that they might place on it.

This correspondence is part of our ongoing discussions as auditor in accordance with our engagement letter and as required by International Standards of Auditing (New Zealand). This report includes only those significant matters that have come to our attention as a result of performing our audit procedures and which we believe are appropriate to communicate to the Council.

The audit of the financial statements does not relieve Management or the Councillors of their respective responsibilities. The ultimate responsibility for the preparation of the financial statements rests with the Councillors.

We would like to take this opportunity to extend our appreciation to the team at New Zealand Association of Psychotherapists Incorporated for their assistance and cooperation during the course of our audit.

If you would like to discuss any matters raised in this report please do not hesitate to contact us at [audit@kendons.co.nz](mailto:audit@kendons.co.nz)

Yours sincerely

**Kendons Chartered Accountants Limited**

Michael Markham

Director

Date

adding value to business

# audit scope



# audit scope

We audited the financial statements of New Zealand Association of Psychotherapists Incorporated as of 31 January 2022 and the year then ended with the objective of forming and expressing an opinion on the financial statements. The audit report expresses our opinion in the form of either an unmodified or a modified audit report.

## audit report

We intend to issue an unmodified report.

As required by the auditing standards, our report includes an emphasis of matter paragraph – a standard reference to the fact that the financial statements are special purpose. We have also included an Other matter paragraph – stating that the previous years figures are unaudited. And finally, an Other information paragraph – referring to the fact that the Directory is unaudited, but we have read it, and the Council is responsible for the presentation of the Directory.

## responsibilities of governance

We wish to remind you that the examination of your systems of internal control and accounting records, which we carried out, cannot necessarily be expected to disclose every weakness or shortcoming that exists because our audit work is primarily designed to enable us to report on the financial statements. For this reason, any matters dealt with in this report may not necessarily be the only shortcomings that exist within the accounting systems and records.

Our audit is not designed to provide assurance as to the overall effectiveness of controls but we will provide you with any recommendations on control that we might have identified during our audit work included within our audit findings section of this report.

It is your responsibility, on behalf of the entity:

- ✚ For the preparation and fair presentation of the special purpose financial statements in accordance with the stated accounting policies,
- ✚ For such internal controls as you determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## letter of representation

The Councillors has provided a letter of representation to us relating to the completeness of information provided to us, the accuracy of the financial statements, its consideration of the appropriateness of the going concern assumption, and other matters confirming representations made to us in connection with the audit.

# audit findings



# audit findings

## specific findings

We detail below our specific findings.

### 1) Conflict of interest register/Pānga Rongorua

As part of our minutes review we detected that there is no evidence that conflicts of interest are discussed nor an Interests Register kept.

Best practice requires that in all instances, whether there is a conflict of interest or not, should always be noted in the minutes.

A Conflicts of Interests Register should be developed. This register should contain a list of all the Councillors and any organisation they have an interest in. This will provide a quick reference point for all Councillors and can easily be updated for any new conflicts of interest. This will also help in the preparation of the Related Parties note for the financial statements.

We recommend that the Council Minutes explicitly state that all conflicts of interest are declared at the beginning of the meeting. Best practice in governance suggests that a Conflicts of Interest policy and register should be developed – more information and guidance is on the Charities Services website <https://www.charities.govt.nz/im-a-registered-charity/running-your-charity/conflict-of-interestpanga-rongorua/>

### 2) Minutes

We recommend that minutes should be converted to pdf, once signed and stored electronically, to reduce the risk of adjustments being made to the minutes or loss of data.

There are no other significant audit or accounting findings arising from our recent audit to bring to your attention.

### 3) Incorporated Societies Act 2022

The new Incorporated Societies Act 2022 has been signed off by the Governor General.

All Incorporated Societies will need to register with the Companies Office (the registrar) under the new Act, at some point between October 2023 and April 2026 or they will cease to exist.

As soon as a society registers under the new Act, they become subject to the rules in the 2022 Act. This means each society will become subject to the new rules at the time of its own choosing. The financial reporting regulations, including determining the financial reporting standards required, are still being drafted and are expected to be published later this year.

A comparison between the 1908 Act and 2022 Act is on the Companies Office website - <https://is-register.companiesoffice.govt.nz/law-changes-for-societies/key-changes/>

We recommend that the Committee reviews the new Act requirements, sets a timetable for when it will register under the new Act, and looks at drafting a new constitution/rules that comply with the new Act.

# audit findings

## **Income Tax**

We note that there is not currently an income tax exemption, and that the entity should look to either become a Registered Charity (if a Charitable purpose is considered to exist, or apply for an exemption from income tax from the IRD following advice from a specialist tax advisor). In the current year we have reviewed your assessment of income and expenditure “within the circle of membership” for the last 5 years and accept your view that there is no taxable income to pay tax on. This position may change over time, hence our recommendation going forward.

## **fraud risk assessment (FRA)**

Thank you for completing the FRA. We note your assessment on the risk of fraud in the entity is: Low. We remind the Councillors to continue to be vigilant over any risk of fraud and ensure that appropriate internal controls are maintained. We have no further findings to report in regard to the completion of the assessment.

## **internal control questionnaire (ICQ)**

Thank you for completing the ICQ. We have no findings to report in regard to the completion of the questionnaire.

# other communication





# other communication

We are required by the International Standards of Auditing (New Zealand) (ISA's) to report specific matters to you as follows:

## segregation of duties

It is our responsibility to remind you that in view of the limited number of key staff employed by the entity it is not always possible to segregate adequately the duties of the staff for internal control purposes. Our recommendations on internal control therefore includes a continuing emphasis on oversight by those charged with governance.

## independence

We take our independence and the quality of the audit work we perform very seriously. We reaffirm we are independent of your organisation, and that we have no relationship with your organisation that could impair our independence.

## fraud & risks

We have not identified, or been made aware of, any instances of fraud involving management, or any other fraud that caused a material misstatement of the financial statements.

We have not noted, or been made aware of, any further significant risks or exposures that are required to be separately disclosed in the financial statements.

## legislation

We have not identified, or been made aware of, any non-compliance of legislation during our audit that would have an impact on the determination of material amounts and disclosures in the financial statements.

# other communication

We are required by the International Standards of Auditing (New Zealand) (ISA's) to report specific matters to you as follows:

## management judgements & estimates

Under International Standards on Auditing (NZ), we have a responsibility to ensure that you have been informed about the process used by management in formulating particularly sensitive accounting estimates, assumptions or valuation judgements. Overall, we note that the significant judgements and estimates by management in preparing the financial statements, if any, appear reasonable.

## communication

We have had no disagreements with management or governance during our audit nor any other serious difficulties encountered during the audit.

## uncorrected misstatements

There were no errors left uncorrected at the conclusion of our audit.

## accounting practices

Except for the matters reported earlier in this report (if any), there were no other significant qualitative aspects of accounting practices which we wish to bring to the Councillors' attention.

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