

### **The Hauraki Rail Trail Charitable Trust Annual Report FY2022**

As per Section 9 of the Funding Agreement, the Hauraki Rail Trail Charitable Trust is required to present its audited annual accounts and annual report ("Annual Report"), and all the information each Council requires to meet its obligations under the Local Government Act 2002 for annual reporting purposes (including, without limitation, Schedule 10 of the Local Government Act 2002) whether or not the Trust is an exempted council-controlled organisation (CCO) under section 7(3) of the Local Government Act 2002.

As per section 7(3) of the LGA, all three settlor councils have exempted the Hauraki Rail Trail Charitable Trust from the high-level reporting requirements of a CCO. This review occurs every three years. Exemptions were approved as follows:

- Hauraki District Council 27 September 2023
- Thames-Coromandel District Council 19 September 2023
- Matamata-Piako District Council 27 September 2023

The next review process is due in 2026.

BDO has completed its audit of the Trust's FY2023 accounts and is attached along with the management report for your records.

The Audit Opinion is:

1. *The financial statements of the Trust present fairly, in all material aspects:*
  - a. *Its financial position as at 30 June 2023; and*
  - b. *Its financial performance and cash flows for the year ended; and**Comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) standards.*

BDO also highlighted some recommendations being:

- a. *Manual journals to be reviewed at Board level*
- b. *Introduction of a grant register to record progress of grants*
- c. *A realignment of financial statements to the PBE Tier 3 framework.*

Finally, BDO reviewed the management's financial forecasts and the Trust's ability to continue as a going concern. The report recognised that the Trust did not have confirmed agreement from the three Settlor Councils regarding the request for financial support of \$81,000 as at the time of writing. The Auditor was however able to conclude that the Trust is a going concern, with significant funding flowing through the coming year and beyond.

The Trust is confident based on discussions with the three Settlor Councils that the required support will be forthcoming.

The Annual Report outlines the deliverables against the agreed key objectives:

- 1) Upgrade and implementation of Health and Safety policies/procedures to meet statutory requirements;
- 2) Remediation of storm damages: successful funding to rehabilitate the trail-wide issues;
- 3) Completion and sign off to Grade one standards of TAMM and P2K;
- 4) Progress on linking to Auckland, via Hunua, and via Waikato;
- 5) Completion of Rotary Shelter project;
- 6) Continue to raise funds to upgrade trail surface north of Te Aroha; and
- 7) Brochure development

## 1. Health and Safety

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**Key Outcome:** Upgrade and Implementation of Health and Safety Policies/Procedures to meet Statutory Requirements

• Specific	• Progress
1. Upgrade and implementation of Health and Safety policies/procedures to meet statutory requirements	<ol style="list-style-type: none"> <li>1. Contracted with Total Industrial Solutions to form basis of documentation.</li> <li>2. Active implementation in play</li> <li>3. HSE regular meeting minute at all Trust related meetings</li> </ol>

## 2. Asset Management

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**Key Outcomes:**

- 1) Remediation of storm damages: successful funding to rehabilitate the trail-wide issues;
- 2) Completion and sign off to Grade one standards of TAMM and P2K;
- 3) Progress on linking to Auckland, via Hunua, and via Waikato;
- 4) Completion of Rotary Shelter project;
- 5) Asset Management Plan

Specific	• Progress
1. Remediation of storm damages: successful funding to rehabilitate the trail-wide issues	<p>Successfully raised \$2m from MBIE to assist in storm damage remediation and stopbank reinstatements.</p> <p>Established a Technical Delivery Group to manage risk and project outcomes.</p>
2. Completion and sign off to Grade one standards of TAMM and P2K;	Inspection Rides held for P2K and TAMM. Waiting on final report for P2K before ministerial acceptance as part of the Great Ride network.
3. Progress on linking to Auckland, via	Hunua Traverse is open with new trail head signage

Hunua, and via Waikato;	due for installation early.
4. Completion of Rotary Shelter Project	13 of 16 shelter bases in situ 6 of 16 shelters in situ A further 6 have been constructed awaiting installation Fit outs in process.
5. Asset Management Plan	In process, and under review by Trust. Completion expected in March 2024.

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### 3. Marketing Focus

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#### **Key Outcomes:**

- 1) Brochure development

Specific	• Progress
1. Brochure development, narration, and production	Brochure was successfully produced using in-house expertise and strategic contractors (Away Laughing and Cass Esposito). 2024 brochure was developed in August 2024 and successfully produced.

#### **2024 Objectives**

Key objectives for FY2025 have been set as:

1. The future financial sustainability of the Trust, in conjunction with our Settlor Councils;
2. Completion of the upgrade and implementation of our Health and Safety policies/procedures to meet statutory requirements;
3. Remediation of storm damages;
4. Transition of P2K and TMM extensions into the Trust's management;
5. Progress on linking to Auckland, via Hunua, and via Waikato; and
6. Continue to raise funds to upgrade trail surface north of Te Aroha.

**THE HAURAKI RAIL TRAIL CHARITABLE TRUST**  
**Performance Report for the year ended 30 June 2023**

## ENTITY INFORMATION FOR THE YEAR ENDED 30 JUNE 2023

### Legal name

Hauraki Rail Trail Charitable Trust (the Trust).

### Type of entity and legal basis

The Trust is incorporated in New Zealand under the Charitable Trusts Act 1957. The Trust is a Council Controlled Organisation (CCO) as defined under section 6 of the Local Government Act 2002, by virtue of 50% of the votes at Trust meetings being indirectly controlled by three councils, Hauraki District Council (HDC), Matamata-Piako District Council (MPDC) and Thames-Coromandel District Council (TCDC). The Trust was exempted as a CCO by three settlor Councils in 2020. The three-year review process is due for renewal in the second half of FY2023.

### The Trust's purpose or mission

The nature and scope of the Hauraki Rail Trail Charitable Trust's activities under the Trust Deed are relatively narrow and limited to governance of the Hauraki Rail Trail.

### Structure of the Trust's operations, including governance arrangements

The Trust is the governance entity for the Hauraki Rail Trail and includes appointment made by each of Hauraki District Council (HDC), Matamata-Piako District Council (MPDC) and Thames-Coromandel District Council (TCDC), (the councils) and three Iwi representatives appointed from Iwi that have Mana Whenua status over the route of the Hauraki Rail Trail.

### Main sources of the Trust's cash and resources

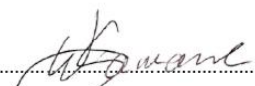
The main source of revenue is from underwriting agreements with the three councils and project funding from central government for the maintenance and improvements of the trail.

### Outputs

The main output of the entity is to operate, maintain, repair, develop and facilitate the use and In undertaking its responsibilities, the Trust takes all reasonable steps to protect any areas of spiritual and cultural significance to mana whenua.

### Approval of Trust Performance Report

The Board of Trustees adopted this performance report on the 24th November 2023

  
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Chair: Wati Ngamane

**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2023**

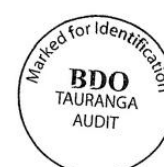
		Actual 2023	Actual 2022
		\$	\$
<b>ASSETS</b>	<b>Note</b>		
<b>Current Assets</b>			
Bank Accounts & Cash	1	904,560	238,259
Debtors	2	101,136	109,426
Inventory		2,198	
GST Receivable			15204
<b>Total Current Assets</b>		<b>1,007,894</b>	<b>362,889</b>
<b>Non- Current Assets</b>			
Vehicle, Furniture, Equipment and Signage	3	31,090	40,585
<b>Total Non-Current Assets</b>		<b>31,090</b>	<b>40,585</b>
<b>TOTAL ASSETS</b>		<b>1,038,984</b>	<b>403,474</b>
<b>LESS</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Creditors & Accrued Expenses	4	194,193	167,128
Income in Advance		705,214	168,370
Employee Costs Liability	5	23,118	17,083
GST Liability		83,705	
<b>Total Current Liabilities</b>		<b>1,006,230</b>	<b>352,581</b>
<b>NET ASSETS</b>		<b>32,754</b>	<b>50,893</b>
<b>Represented by:</b>			
<b>EQUITY</b>			
Retained Earnings	6	32,754	50,893
<b>TOTAL EQUITY</b>		<b>32,754</b>	<b>50,893</b>

The accompanying notes form part of these statements.



**STATEMENT OF FINANCIAL PERFORMANCE**  
**For the year ended 30 June 2023**

	Note	Actual 2023 \$	Budget 2023 \$	Actual 2022 \$
<b>REVENUE</b>				
Underwriting - Strategic (Funding)		404,704	404,704	404,704
Underwriting - Proportional (Funding)		229,796	266,965	210,943
Other Grants / Funding	7	894,035	1,071,500	481,342
Covid Payment	8	1,200		2,000
Merchant Sales		3,352	5,000	232
Official Partner Programme(Goods & Services)		31,425	35,000	32,867
Leases (Sub Leases)		1,400	1,400	1,400
Brochure Advertising (Goods & Services)		33,564	25,000	
Reimbursement		6,283	6,283	
<b>TOTAL REVENUE</b>		<b>1,605,759</b>	<b>1,815,852</b>	<b>1,133,488</b>
<b>EXPENSES</b>				
Brochure Expenditure		28,035	20,000	
Retail Stock		2,280	2,500	
Audit Fees for the Financial Statement audit		26,061	18,991	18,991
Administration		102,168	77,113	52,107
Depreciation		9,495	10,500	10,228
Employee Related Costs	9	225,244	208,452	201,408
Trustee Expenses	10	11,828	19,000	14,167
Travel Expenses		23,657	19,216	17,509
Fees		720	720	720
Reimbursement		6,283	6,283	
Other Trail Operations		76,645	61,626	38,614
Professional Services		6,500	6,500	6,500
Marketing and Website Development		61,764	93,000	72,645
Stakeholder engagement		4,288	4,500	3,510
Grant Expenditure		809,234	1,000,000	491,842
Proportional Expenses		229,696	266,965	210,943
<b>TOTAL EXPENSES</b>		<b>1,623,898</b>	<b>1,815,366</b>	<b>1,139,184</b>
<b>EXCESS EXPENSES OVER REVENUE FOR YEAR</b>		<b>-18,139</b>	<b>486</b>	<b>-5,696</b>



## STATEMENT OF CASH FLOWS

Note	Actual 2023 \$	Actual 2022 \$
<b>Cash flows from Operating Activities</b>		
Receipt of council funding	1,092,633	772,172
Receipt of other grants and donations	988,091	546,970
Receipts from other revenue	67,971	86,246
Payments to suppliers and employees	-1,581,303	-1,222,369
GST (net)	98,909	466
<i>Net cash flow from operating activities</i>	666,301	183,485
<b>Cash flows from investing and financing activities</b>		
Payments to acquire property, plant and equipment		
<i>Net cash flow from investing and financing activities</i>		
<b>Net Increase / (decrease) in cash for the year</b>	<b>666,301</b>	<b>183,485</b>
Add opening bank accounts and cash, including bank overdraft	238,259	54,774
<b>Closing bank accounts and cash, including bank overdraft</b>	<b>904,560</b>	<b>238,259</b>





## STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2023

### Accounting policies applied

#### **BASIS OF PREPARATION**

The Board has elected to apply Tier 3 PBE SFR-A (PS) *Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)* on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

The accounting policies adopted in these financial statements are consistent with those of the previous financial year and no changes have been made during 2023.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

#### **GOODS AND SERVICES TAX**

Hauraki Rail Trail Trust is registered for GST.

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statements of financial position.

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **Revenue**

Revenue is measured at fair value of consideration received.

The main sources of revenue are from underwriting agreements with the councils and commission from bookings through the rail trail website.

Council, government, and non-government grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met (“use or return condition”). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

##### **Employee related costs**

Wages, salaries, and annual leave are recorded as an expense as staff provide services and become entitled to wages, salaries, and leave entitlements.

Superannuation contributions are recorded as an expense as staff provide services.



### **Advertising, marketing, administration, overhead, and fundraising costs**

These are expensed when the related service has been received.

### **Bank Accounts and cash**

Bank accounts and cash include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

### **Leases**

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

### **Vehicles, Furniture, Equipment and Signage**

Furniture, Equipment and Signage is recorded at cost, less accumulated depreciation and impairment losses.

For an asset to be used by the Trust, the asset is impaired if the value to the Trust in using the asset falls below the carrying amount of the asset.

Depreciation is provided on a straight-line basis at rates that will write off the cost of the assets over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Furniture and fittings 5 years (20%)

Equipment 3 years (33%)

Signage 10 years (10%)

Vehicles 5 years (21%)

### **Debtors**

Short-term debtors and other receivables are recorded at their face value, less any provision for impairment.

### **Creditors and accrued expenses**

Creditors and accrued expenses are measured at the amount owed.

### **Employee costs payable**

A liability for employee costs payable is recognised when an employee has earned the entitlement.

These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date. A liability and expense for long service leave and retirement gratuities is recognised when the entitlement becomes available to the employee.

### **Income Tax**

The Trust is a registered charity and is exempt from income tax. Accordingly, no provisions have been made for income tax.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2023

<b>1 Bank Accounts &amp; Cash</b>	<b>2023</b>	<b>2022</b>
Westpac cheque account	862,083	205,989
Westpac savings account	42,477	32,270
<b>Total Bank Accounts &amp; Cash</b>	<b>904,560</b>	<b>238,259</b>

**Net bank accounts and cash for the purposes of the Statemen**      **904,560**      **238,259**

<b>2 Debtors</b>	<b>2023</b>	<b>2022</b>
Debtors	0	483
Related parties debtors (Councils)	101,136	108,943
<b>Total Debtors</b>	<b>101,136</b>	<b>109,426</b>

### 3 Vehicle, Furniture, Equipment and Signage

	<b>Vehicle</b>	<b>Furniture</b>	<b>Equipment</b>	<b>Signage</b>	<b>Total</b>
Carrying amount as at 1 July 2021	10,069	605	2,749	37,390	50,813
Additions					0
Less Depreciation Expense	2,737	605	1,431	5,455	10,228
Carrying amount as at 30 June 2022	7,332	0	1,318	31,935	40,585
Carrying amount as at 1 July 2022	7,332	0	1,318	31,935	40,585
Additions					0
Less Depreciation Expense	2,737	0	1,303	5,455	9,495
<b>Carrying amount as at 30 June 2023</b>	<b>4,595</b>	<b>0</b>	<b>15</b>	<b>26,480</b>	<b>31,090</b>

<b>4 Creditors &amp; Accrued Expenses</b>	<b>2023</b>	<b>2022</b>
Westpac Credit Card	0	2,562
Creditors	143,741	53,633
Related parties creditors (Councils)	50,452	110,933
<b>Total Creditors</b>	<b>194,193</b>	<b>167,128</b>

<b>5 Employee Costs Liability</b>	<b>2023</b>	<b>2022</b>
Accrued Wages & Salaries	4,078	
PAYE	4,326	4,110
Leave Accrued	14,139	12,202
KIWI Saver	575	771
<b>Total Employee Cost Liabilities</b>	<b>23,118</b>	<b>17,083</b>

<b>6 Retained Earnings</b>	<b>2023</b>	<b>2022</b>
Opening Balance as at 01 July	50,893	56,589
Non Deductable IRD Penalties	0	0
Retained earnings for the period ending 30 June	-18,139	-5,696
<b>Total Retained Earnings</b>	<b>32,754</b>	<b>50,893</b>



<b>7 Grants / Funding</b>	<b>2023</b>	<b>2022</b>
Councils	329,942	102,742
Grants recognised as income	159,417	43,465
Ministry of Business and Innovation	404,676	335,135
<b>Closing Balance</b>	<b>894,035</b>	<b>481,342</b>

## **8 COVID 19**

Payment of \$1,200 was received from Work and Income for sick leave.

<b>9 Employee Related Costs</b>	<b>2023</b>	<b>2022</b>
Salaries and wages	220,513	194,599
Employer Kiwi saver contributions	4,731	5,852
ACC levies		957
<b>Total Employee Related Costs</b>	<b>225,244</b>	<b>201,408</b>

<b>10 Trustee Expenses</b>	<b>2023</b>	<b>2022</b>
Honorarium	8,100	11,000
Expenses	1,228	667
NZCT Membership	2,500	2,500
<b>Total Trustee Expenses</b>	<b>11,828</b>	<b>14,167</b>

## **11 Related Party Disclosure**

The Hauraki Rail Trail Charitable Trust is a Council Controlled Organisation of the Hauraki (HDC), Matamata-Piako (MPDC) and Thames-Coromandel (TCDC) District Councils.

### **Key Management Remuneration**

The Chief Executive Officer of the Trust earned wages of \$159,489. (2022, \$144,422)

The total cost of Trustee Meeting Allowances of \$8,100. (2022, \$11,000)

### **Trustees**

The Trust also reimbursed trustees for \$1,228 of expenditure. (2022, \$667)

### **Hauraki District Council**

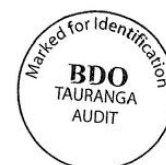
During the year HDC provided underwriting funding of \$134,901 (2022 \$134,901) as well as additional funding for proportional maintenance in total of \$163,155 (2022 \$149,257) as per the Funding Agreement.

At balance date the Trust owed HDC \$50,452 (2022, \$110,933) and HDC owed the Trust \$70,158 (2022 \$74,852).

### **Matamata-Piako District Council**

During the year MPDC provided underwriting funding of \$134,901 (2022 \$134,901) as well as additional funding for proportional maintenance in total of \$25,278 (2022 \$23,398) as per the Funding Agreement.

At balance date the Trust owed MPDC \$0 (2022 \$0) and MPDC owed the Trust \$13,192 (2022 \$17,182)



### **Thames-Coromandel District Council**

During the year TCDC provided underwriting funding of \$134,901 (2022 \$134,901) as well as additional funding for proportional maintenance in total of \$41,363 (2022 \$38,288) as per the Funding Agreement.

At balance date TCDC owed the Trust \$17,786 (2022 \$16,910)

### **12 Commitments**

The Hauraki Rail Trail Charitable Trust has no capital or operating commitments as at 30 June 2022. (2022 \$0)

### **13 Contingent Liabilities**

There are no contingent liabilities as at 30 June 2023, (2022 \$0)

### **14 Funding Agreement**

The HDC, MPDC, and TCDC are party to a Trust deed which formed the Hauraki Rail Trail Charitable Trust (the Trust). The deed, signed on 2 March 2012, allows the Trust to own, operate, maintain, repair, develop and facilitate the use and enjoyment of a rail trail within the region.

This deed was reviewed and global changes made, adopted 26 February 2019. This supercedes the original Trust deed of 2 March 2012.

A Funding Agreement was signed between the three councils and the Trust in May 2018 which supercedes the Underwriting Agreement, signed by HDC, MPDC and the Trust of April 2013 and, the Memorandum of Understanding between HDC and TCDC of December 2012.

This Agreement allows for the following:

Strategic and overhead costs associated with operating the Trail are apportioned equally amongst the Settlor Councils; and Proportional overhead costs are apportioned, where possible, based on the length of Hauraki Rail Trail within each Settlor Council boundary and Proportional income and expenses in the statement of financial performance relate directly to trail maintenance.

### **15 Events after Balance Date**

There are no significant events after balance date.







# HAURAKI RAIL TRAIL CHARITABLE TRUST

FOR THE YEAR ENDED 30 JUNE 2023





9 November 2023

The Hauraki Rail Trail Charitable Trust  
101 Normanby Road  
Paeroa  
3600

For the Board of Trustees

We have pleasure in presenting our Audit Completion Report for our audit of The Hauraki Rail Trail Charitable Trust for the year ended 30 June 2023.

We set out the findings of our audit work for that year in the report attached to this letter.

We would like to thank the team at The Hauraki Rail Trail Charitable Trust for their assistance extended to BDO Tauranga, during the course of the audit.

The primary aim of our 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 expresses this opinion.

We would like to emphasise that our audit work involves the review of only those systems and controls in your organisation upon which we rely on for audit purposes. Our examination may not have identified, and should not be relied upon to identify, all control weaknesses that may exist.

We have received full and frank cooperation throughout our audit.  
There is nothing we wish to raise solely with the Trustees.

Yours faithfully,  
BDO Tauranga

A handwritten signature in blue ink that reads 'Donna Taylor'. The signature is written in a cursive style and is contained within a rectangular box with a black border.

**Donna Taylor**  
Partner  
Audit & Assurance Services  
Email: Donna.Taylor@bdo.co.nz



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# 1. EXECUTIVE SUMMARY

## STATUS OF THE AUDIT AND THE AUDIT OPINION

BDO Tauranga ('BDO') is the Appointed Audit Firm of The Hauraki Rail Trail Charitable Trust ('The Trust').

BDO's responsibilities include a requirement to express an opinion on the Trust's financial statements arising from our audit conducted in accordance with International Standards on Auditing (NZ), the Auditing Standards issued by the Office of the Auditor-General and the terms of our engagement as set out in our audit engagement letter.

This report details the processes, findings and recommendations from our audit for The Hauraki Rail Trail Charitable Trust in accordance with the relevant auditing standards and the terms of our engagement as set out in our audit engagement letter.

Our audit of The Hauraki Rail Trail Charitable Trust's financial statements for the year ended 30 June 2023 is now complete and we have issued an unqualified audit opinion.

We welcome your feedback on the effectiveness of the audit process and are available to discuss our performance.

## AUDIT SCOPE AND OBJECTIVES

Our audit objectives are to:

- report on whether the financial statements give a true and fair view, and
- report to Management about control environment issues that should be addressed by the Trust.

A strong control environment would feature adequate segregation of duties over important financial processes, and independent reviews as compensating controls should it not always be practicable for the duties to be separated.

We have documented, tested and assessed the controls supporting the Trust's key transaction streams, and there are no significant weaknesses to report. Control weaknesses identified during the audit have been included in the Internal Control and Other Findings section of this report.

## AREAS OF SIGNIFICANT RISK AND AUDIT EMPHASIS

Our audit approach considered the inherent risks in your business, their potential impact on the financial statements and the associated risk mitigations and controls in place. The significant matters arising from our audit work are:

- Management Override
- Completeness and Existence of Income
- Revenue received in advance
- Related party transactions not identified
- Going concern

We were able to obtain sufficient and appropriate audit evidence in respect to these items and have no significant findings to bring to your attention. Refer to Section 2 for our comments in respect to each significant risk and area of audit emphasis.

## SUMMARY OF CORRECTED AND UNCORRECTED MISSTATEMENTS

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

## INTERNAL CONTROLS

Our audit approach requires us to obtain an understanding of the Trust's internal controls in order to identify and assess the risk of material misstatement of the financial statements whether due to fraud or error but is not designed to provide assurance over the overall effectiveness of controls operating within the business.

We have included in Section 3 of this report, a summary of our findings and recommendations arising as a result of our audit procedures.

## 2. KEY FINANCIAL STATEMENT AUDIT RISKS AND AREAS OF AUDIT EMPHASIS

Our audit procedures were focused on those areas of the Trust’s activities that are considered to represent the key audit risks identified during the risk assessment process undertaken and communicated with you through the planning phase of the audit. Below we present a summary of the identified key areas of risk and audit emphasis and our conclusions in relation to each matter. We are satisfied that these areas have been satisfactorily addressed through our audit processes.

Management Override	
Area of Audit Emphasis	Conclusion/Response
There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.	<p>We have assessed the segregation of duties and risk of management override as part of our planning process and concluded that the risk of fraud from management override of controls is primarily through the processing of manual journals.</p> <p>We have used a risk-based approach to test manual journals and focused on any areas where a risk of judgement, estimation or cut-off risk exists with management override in mind.</p> <p>No issues with management override were noted.</p>

Completeness and Existence of Income	
Area of Audit Emphasis	Conclusion/Response
There is a rebuttable presumption that revenue is not recognised correctly.	<p>Our audit work included analytical procedures and detailed testing specifically tailored to each material income stream.</p> <p>From the audit work performed, we found no issues regarding the completeness or existence of revenue balances in the financial statements.</p>

### Income in advance

Area of Audit Emphasis	Conclusion/Response
Where grants are received and performance criteria are attached to the grant, where those performance criteria are not satisfied at the year end, we would expect an element of the grant to be deferred to match with the performance criteria.	From our testing performed we concur that all income received from the MBIE for projects that have not yet been carried out have been correctly disclosed as income received in advance.

### Related Party Transactions not identified

Area of Audit Emphasis	Conclusion/Response
Risk that transactions with Trustees and other related not-for-profit entities are not identified, recorded or properly disclosed.	From our testing performed we concur that related party transactions have been correctly disclosed in the financial statements.

### Going concern

Area of Audit Emphasis	Conclusion/Response
<p>The Trust has recorded a 2023 draft deficit of \$18,139 (2022 loss \$5,696).</p> <p>The Trust has equity of \$32,754 in the 2023 year (2022 equity \$32,754).</p> <p>The Trust has significant amount of cash in bank of approx. \$904k.</p> <p>Given that the trust has recorded a small deficit and has low equity there is a risk that the going concern assumption has not been appropriately considered and applied for 2023.</p>	<p>We reviewed management's financial forecasts and their assessment of the Trust's ability to continue as a going concern for the foreseeable future to ensure that their forecasts are sufficient and detailed.</p> <p>We understand that the Trust does not at this stage have agreement from the three partner councils that the budgeted strategic overheads funding will be provided. However, despite the uncertainty around this funding, we see that the Trust has a number of ongoing maintenance projects with significant funding flowing through the coming year and beyond.</p> <p>Therefore, based on our work performed on the above we can conclude that the going concern assumption for the basis of preparation for the 2023 financial statements is appropriate.</p>

### 3. INTERNAL CONTROL AND OTHER AUDIT FINDINGS

This section of the report sets out the key internal control findings we have identified during the course of the audit and highlights control deficiencies requiring management attention. Our work has been limited to those controls relevant to the audit of your statutory financial statements. The purpose of our audit work on controls is not to provide assurance in its own right on the internal controls and therefore we may not necessarily disclose all matters that might be significant deficiencies or deficiencies that heighten the risk of a fraud being perpetrated.

#### Board Review of Manual Journals

##### Finding

During the audit we noted that the manual journals are prepared and processed by the same individual and that no one else is required to review and approve manual journals.

There is therefore the risk that errors or management bias could occur and not be identified.

##### Recommendation

We recommend that manual journals posted each month be reviewed as part of the governance processes undertaken by the Board.

Evidence of such a review having been undertaken could then be recorded in the minutes.

Management comments: We will undertake the board review at the quarterly meeting.

#### Grant register

##### Finding

From our work performed on grants we note that the trust does not maintain a register to track all the grants applied for and grants approved in the year.

By having a register in place this will introduce a control over the grants and funding process.

For this process to be a reliable control, the trust should document in the register the initial discussion and date of the application process, the board approval discussion and date and the acceptance date from the funder.

##### Recommendation

We recommend management introduce a register system to record the progress of grants that are applied in order that the completeness of grants revenue recorded in the financial statements can be verified.

Management comments: The trust will consider introducing this register.



## Presentation of accounts to comply with PBE Tier 3

Finding	Recommendation
<p>The financial statements are prepared under Tier 3 PBE SFR- A (PS) Public Benefit Entity Simple Format Reporting- Accrual (Public Sector).</p> <p>Currently the financial statements are not fully compliant with the framework. Per the framework, revenue and expenses are categorised under specific headings which is then further broken down in the notes.</p> <p>At the moment on the statement of financial performance, the revenue and expenses are not analysed into the required categories.</p>	<p>Going forward, we recommend that the trust work with the accountant to ensure that the financial statements align as closely to the PBE Tier 3 framework as possible. This is especially important for the primary financial statement pages.</p>

Management comments: The Trust has considered this request and will action prior to the next financial audit.

## 4. REQUIRED COMMUNICATIONS WITH GOVERNANCE

Matter	How the matter was addressed
<b>Our responsibilities in conducting the audit</b>	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Trust of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Trust.</p>
<b>Confirmation of Audit Independence</b>	<p>We are independent of the Hauraki Rail Trail Charitable Trust in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than the audit, we have no relationship with, or interests in, the Hauraki Rail Trail Charitable Trust.</p>
<b>Management Judgements and Estimates</b>	<p>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 judgements and estimates by management in preparing the results for the year ended 30 June 2023 appear reasonable. Key matters impacting on our audit have been raised in sections 2 and 3 of this report if applicable.</p>
<b>Matters requiring Board input</b>	<p>We have placed reliance on the Trustee's review and approval of the following matters:</p> <ul style="list-style-type: none"> <li>• Minutes of the Trustees meetings;</li> <li>• Implementation of such controls as is needed to ensure that financial statements are presented fairly;</li> <li>• Review and approval of management accounts;</li> <li>• Review and approval of annual budget;</li> <li>• Notification of fraud; and</li> <li>• Review and approval of the financial statements.</li> </ul>

Matter	How the matter was addressed
Accounting policies	Auditing standards require us to discuss with you the qualitative aspects of the Trust’s accounting practices and financial reporting. We reviewed the financial statements of the Trust against the Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) Framework and noted no material departures from the requirements.
Materiality and adjusted/unadjusted differences	<p>Materiality means, in the context of an audit or review, if financial information is omitted, misstated or not disclosed it has the potential to affect the decisions of users of the financial statements. Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and for evaluating the financial report. Materiality is initially calculated at the planning stage and has an influence on the amount of work we do, as well as where we direct our audit efforts. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.</p> <p>During the course of our audit, we identified misstatements that have been corrected in the financial statements. These have been detailed in Appendix 1 of this report.</p> <p>There were no errors left uncorrected at the conclusion of the audit.</p> <p>It should be noted that the auditing standards do not require us to communicate misstatements that are considered “clearly trivial” and as such, if we identify such misstatements, we will not communicate these to you. We consider “clearly trivial” to be 5% or less of our planned materiality.</p>
Going concern	<p>We have undertaken a review of management and those charged with governance’ assessment of the ability of the Trust to continue as a going concern for 12 months from the date of signing the audit report and therefore whether the going concern basis for the preparation of the financial statements is appropriate.</p> <p>We identified no issues or concerns that lead us to conclude the going concern assumption cannot be relied upon.</p>
Fraud	During the audit, no matters relating to fraud, concerning either employees or management, have come to our attention. It should be noted that our audit is not designed to detect fraud, however, should instances of fraud come to our attention, we will report them to you.
Compliance with laws and regulations	We have made enquiries in relation to compliance with laws and regulations during the course of our audit. We have not become aware of any instances of non-compliance with laws and regulations which has materially impacted the financial position or performance of the Trust.



Matter	How the matter was addressed
Significant findings from the audit	Other than those documented in the executive summary and sections 2 and 3 of this report, there were no significant matters arising from the audit.
Disagreements with management	There have been no disagreements with management over matters of significance to the audit.
Difficulties encountered during the audit	There have been no significant difficulties encountered during the audit.
Consultations with other accountants and consultants	We have considered the need for other accounting specialists during our work and determined, due to the nature of the engagement and experience and knowledge of the engagement team, that no specialists were necessary for the current period.
Management representation letter	We have not requested any specific representations from management in addition to those areas normally covered by our standard representation letter.

## APPENDIX 1 - ADJUSTED AND UNADJUSTED DIFFERENCES

### AUDIT ADJUSTMENTS

There were no misstatements identified during the course of our audit.

### UNADJUSTED DIFFERENCES

There were no unadjusted differences for the year ending 30 June 2023.