

14 June 2022

The Board of Trustees
Cook Islands National Superannuation Fund
Auckland

Dear Trustees

REPORT TO THE BOARD OF TRUSTEES – FOR THE YEAR ENDED 31 DECEMBER 2021

We have now substantially completed our audit of the financial statements of the Cook Islands National Superannuation Fund (“the Fund”) for the year ended 31 December 2021, subject to the completion of the following items:

- Receipt of the signed financial statements;
- Receipt of the signed representation letter; and
- Completing a subsequent events review up to the date the financial statements are signed.

In accordance with our normal practice, we include in the attached report all matters arising from our audit of the Fund for the year ended 31 December 2021 which we consider appropriate for the attention of the Board. Where applicable, these matters have been discussed with management of the Fund and their comments (if any) have been included.

This correspondence is part of our on-going discussions as auditor in accordance with our engagement letter and as required by New Zealand auditing standards. This report includes only those 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 Board of Trustees (“the Board”). The audit of the financial statements does not relieve management or the Board of their responsibilities. The ultimate responsibility for the preparation of the financial statements rests with the Board.

We have prepared this report solely for the use of the Board and it would be inappropriate for this report 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.

1. Consideration of Fraud

The primary responsibility for the prevention and detection of fraud rests with management and the Board, including establishing, implementing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditor, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Auditing standards require us to obtain an understanding of how those charged with governance exercise oversight of management’s processes for identifying and responding to the risks of fraud and the internal control that management has established to mitigate these risks.

Accordingly we ask the Board of Trustees to consider the following points below and contact us if there are any matters that need to be brought to our attention:

- Whether the Board of Trustees has knowledge of any fraud, suspected fraud or allegations of fraud;
- The role that the Board of Trustees exercises in oversight of the Board’s assessment of the risks of fraud and the design and implementation of internal control to prevent and detect fraud;

- The Board of Trustees' assessment of the risk that the financial statements may be materially misstated as a result of fraud.

2. Key areas of audit focus

Management Override of Controls

Under auditing standards, we are required to presume a significant risk of fraud exists due to management override of controls. To address this, we obtained a complete listing of all journals posted during the year, and performed profiling procedures to identify journals which exhibit heightened fraud risk characteristics, including journals posted near year-end, journals with round numbers and journals containing specific words or phrases in the narration. We then tested the appropriateness of these journals by obtaining relevant support. We also made inquiries of those involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. No instances of management override of controls were identified.

Investments

We obtained investment confirmations directly from Russell Investments and agreed these to the amount recorded in the general ledger at 31 December 2021. Using the transactions listed within the confirmations, we performed a proof to verify the gain or loss on investments recorded in the general ledger for the year ended 31 December 2021. We also calculated the investment weightings for each of the conservative, balanced, and growth funds, and ensure this is line with the weighting ranges stipulated in the SIPO. No issues were identified in respect of any of these tests.

3. Other Communications

Included in Appendix 1 are certain other communications we are required to provide to the Board in accordance with Auditing Standards.

4. Uncorrected misstatements and omitted disclosures

Included in Appendix 2 are the identified uncorrected misstatements and omitted disclosures.

We would like to take this opportunity to extend our appreciation to management and staff 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.

Yours sincerely

Deloitte Limited

Silvio Bruinsma
Partner
for Deloitte Limited

Enclosure: Appendix 1
 Appendix 2
 Appendix 3

Appendix 1: Other Communications

The following matters relevant to our audit of the Fund for the year ended 31 December 2021 are communicated in accordance with the requirements of New Zealand auditing standards.

Matter to be communicated	Response
Written representations	A copy of the representation letter to be signed on behalf of the Board has been circulated separately.
Accounting policies and financial reporting	We have not become aware of any significant qualitative aspects of the entity's accounting practices, including judgements about accounting policies, accounting estimates and financial statement disclosures that need to be communicated to the Board, other than those already communicated in this report.
Related parties	No significant related party matters other than those reflected in the financial statements came to our attention that, in our professional judgement, need to be communicated to the Board.
Other information	As of the date of preparing this report, we have not yet read the other information (the financial and non-financial information other than the financial statements) contained within the annual report. If when doing so we identify any material inconsistencies, we will bring them to your attention.

Appendix 2: Uncorrected misstatements and omitted disclosures

Uncorrected misstatements

Item	Finding & Recommendation	Management's response
VAT Liability	<p>We found that the VAT liability has been disclosed as a contingent liability in Note 20 of the financial statements.</p> <p>We have determined that the VAT obligation satisfies the criteria of a liability at balance date as an obligation exists of \$325,000 based on the amendment of the VAT Act which the Fund is required to pay.</p> <p>As a result of this, we have recommended the liability be disclosed in the financial statements as a liability rather than a contingent liability per Note 20.</p>	<p>Not considered to have a material impact on the financial statements.</p>

Omitted disclosures

We have identified the following omitted disclosures assessed by management as not being material that have not been adjusted in the financial statements. Management has determined that these uncorrected disclosures do not result in the material misstatement of the financial statements or non-compliance with the applicable legislative framework.

Omitted disclosures assessed by management as not being material	Ref	Management's response
<p>Property, Plant and Equipment</p> <p>Note 15 does not contain a full movement schedule as required by IAS 16, which states that a reconciliation of the carrying amount should be disclosed including additions, disposals and depreciation.</p>	IAS 16, para 73e	Not considered to be a material disclosure given low value and volume of additions, disposals, and depreciation charges.

Appendix 3: Other items

No other items have been identified that we believe required communication to the Board.