



Notice is hereby given that a Meeting of the Milford Community Trust will be held on:

**Date:** Friday, 6 December 2019  
**Time:** 5.00pm  
**Meeting Room:** Milford Sound Tourism  
**Venue:** 147-157 Milford Sound Highway  
Milford  
Milford Sound

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## **Milford Community Trust Agenda OPEN**

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### **MEMBERSHIP**

<b>Chairperson</b>	Ebel Kremer
<b>Deputy Chairperson</b>	
<b>Trustees</b>	Rosco Gaudin Tim Holland Brad Johnstone Jason Steele

### **IN ATTENDANCE**

<b>Committee Advisor/Customer Support Partner</b>	Jenny Labruyère
<b>Community Partnership Leader</b>	Simon Moran

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**Full agendas are available on Council's Website**  
**[www.southlanddc.govt.nz](http://www.southlanddc.govt.nz)**

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**Note:** The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.





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**1 Apologies**

At the close of the agenda no apologies had been received.

**2 Leave of absence**

At the close of the agenda no requests for leave of absence had been received.

**3 Conflict of Interest**

Committee Members are reminded of the need to be vigilant to stand aside from decision-making when a conflict arises between their role as a member and any private or other external interest they might have.

**4 Public Forum**

Notification to speak is required by 5pm at least two days before the meeting. Further information is available on [www.southlanddc.govt.nz](http://www.southlanddc.govt.nz) or phoning 0800 732 732.

**5 Extraordinary/Urgent Items**

To consider, and if thought fit, to pass a resolution to permit the committee to consider any further items which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the Chairperson must advise:

- (i) the reason why the item was not on the Agenda, and
- (ii) the reason why the discussion of this item cannot be delayed until a subsequent meeting.

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

"Where an item is not on the agenda for a meeting,-

- (a) that item may be discussed at that meeting if-
  - (i) that item is a minor matter relating to the general business of the local authority; and
  - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
- (b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion."

**6 Confirmation of Minutes**

3.1 Meeting minutes of Milford Community Trust, 26 September 2019



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## OPEN MINUTES

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Minutes of a meeting of Milford Community Trust held in the Te Anau Library Meeting Room, 24 Milford Crescent , Te Anau on Thursday, 26 September 2019 at 9am.

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### PRESENT

<b>Chairperson</b>	Ebel Kremer
<b>Trustees</b>	Rosco Gaudin
	Tim Holland
	Jason Steele

### APOLOGIES

Brad Johnstone

### IN ATTENDANCE

<b>Committee Advisor</b>	Rose Knowles
<b>Community Partnership Leader</b>	Simon Moran

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**1 Apologies**

An apology for non-attendance was lodged by Trustee Brad Johnstone.

Moved Trustee Holland, seconded Trustee Holland and **resolved:**

**That the Milford Community Trust accepts the apology for non-attendance lodged by Trustee Johnston.**

**2 Leave of absence**

There were no requests for leave of absence.

**3 Conflict of Interest**

There were no conflicts of interest declared.

**4 Public Forum**

There were no public to speak in public forum.

**5 Extraordinary/Urgent Items**

There were no Extraordinary/Urgent items.

**6 Confirmation of Minutes**

**Resolution**

Moved Trustee Holland, seconded Trustee Gaudin and **resolved:**

**That the minutes of the Milford Community Trust meeting held on 14 June 2019 be confirmed as a true and correct record.**

**Reports**

**4.1 Milford Community Trust Performance Report 2018/2019**

**Record No: R/19/9/20231**

Community Partnership Leader, Simon Moran presented this report.

Mr Moran advised that the Milford Community Trust Performance Report for the year ended 30 June 2019 is provided for adopted.

Mr Moran added that an updated Performance Report was also attached to the report.

Mr Moran tabled the draft audit opinion, and representation letter at the meeting which

was signed by the Chair and one other Trustee., being Trustee Steele.

Mr Moran sought the consideration of the Trustees on the Performance Report for the ended 30 June 2019 as presented for adoption.

**Resolution**

Moved Trustee Holland, seconded Trustee Gaudin and **resolved:**

**That the Milford Community Trust:**

- a) **Receives the report titled “Milford Community Trust Performance Report 2018/2019” dated 19 September 2019.**
- b) **Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Adopts the Milford Community Trust Performance Report for the year ended 30 June 2019.**
- e) **Agrees that the audited performance report be delivered to shareholders and be made available to the public by 30 September 2019.**
- f) **Delegates authority to the Chairman and Trustee Steele to sign the letter of representation to Audit New Zealand on behalf of the Trust.**

**4.2 Financial Report to 31 August 2019**

**Record No: R/19/9/20694**

Community Partnership Leader, Simon Moran presented this report.

Mr Moran advised that the financial report for the period ended 31 August 2019, provided an updated financial position of the Trust which is showing a strong cash position and invested funds in a term deposit.

**Resolution**

Moved Chairman Kremer, seconded Trustee Steele

**That the Milford Community Trust, and resolved**

- a) **Receives the report titled “Financial Report to 31 August 2019” dated 19 September 2019.**



The meeting concluded at 9.40am

CONFIRMED AS A TRUE AND CORRECT RECORD AT A  
MEETING OF THE MILFORD COMMUNITY TRUST  
HELD ON THURSDAY 26 SEPTEMBER 2019.

**DATE:**.....

**CHAIRPERSON:**.....



## Draft Amended Financial Delegations Policy

Record No: R/19/11/26734  
Author: Brie Lepper, Graduate Accountant  
Approved by: Anne Robson, Chief Financial Officer

☒ Decision ☐ Recommendation ☐ Information

### Purpose

- 1 This report presents the amended draft Financial Delegations Policy for the Trust's consideration.
- 2 The only change proposed is the inclusion in the policy statements for Southland District Finance staff to act on behalf of the Trust in matters regarding the Inland Revenue Department (IRD), Bank of New Zealand (BNZ) and the Charities Services in order to carry out their required duties.

### Background

- 3 Southland District Council's Finance team has recently been contacted by IRD regarding who can access their online portal for Milford Community Trust. IRD requires the Trust to appoint an "Executive Office Holder" to act on the trust behalf regarding all matters to do with IRD. This has prompted staff to ensure all organisations that staff are in regular dealings with are included in the delegation policy.
- 4 The Trust's Financial Delegations policy has been amended to include policy statements regarding dealings with Inland Revenue, BNZ and the Charities Services. These are the only changes proposed to the existing policy (adopted on 14 June 2019).
- 5 In the draft policy, additional commentary has been included within subsection 5.4, which proposes council staff have the authority to administer the Trust's bank accounts, along with authorising payments.
- 6 The inclusion of subsection 5.5 proposes that the Chief Financial Officer, Finance Manager, Financial Accountant, Senior Management Accountant and the designated Finance Officer to have the authority to be appointed as executive office holders to act on behalf of the Trust with the IRD.
- 7 The proposed inclusion of subsection 5.6, proposes that the Community Partnership Leader and the designated Finance Officer have authorisation to engage with the Charities Services on behalf of the Trust for matters regarding the Trust's Charity status.
- 8 A copy of the amended draft policy is attached (Attachment A) for your consideration, proposed amendments are highlighted in yellow.

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## Recommendation

That the Milford Community Trust:

- a) **Receives the report titled “Draft Amended Financial Delegations Policy” dated 27 November 2019.**
- b) **Determines that this matter or decision be recognised as not significant in terms of Section 76 of the Local Government Act 2002.**
- c) **Determines that it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with Section 79 of the Act determines that it does not require further information, further assessment of options or further analysis of costs and benefits or advantages and disadvantages prior to making a decision on this matter.**
- d) **Adopts the draft amended Financial Delegations Policy (Attachment A), subject to any amendments agreed at the meeting.**
- e) **Acknowledges that the current Southland District Council staff, as at 6 December 2019 that hold the specified positions are:**
  - **Chief Financial Officer – Anne Robson**
  - **Finance Manager – Vacant**
  - **Financial Accountant – Sheree Marrah**
  - **Senior Management Accountant – Susan McNamara**
  - **Management Accountant – Joanie Nel**
  - **Designated Finance Officer – Brie Lepper**
  - **Community Partnership Leader – Simon Moran**

## Attachments

- A     Draft Amended Milford Community Trust - Financial Delegations Policy December 2019 [↓](#)



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## **Milford Community Trust**

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### **Policy - Financial Delegations - DRAFT**

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**Effective from 6 December 2019**

## 1. BACKGROUND

The Milford Community Trust Financial Delegations Policy provides guidelines for who can authorise expenditure and promotes good financial record keeping. This helps prevent fraud and financial mismanagement and allows the Trust to make the best use of available funds.

Section 5(b) of the deed of the Milford Community Trust provides that the Trust Fund shall be used for services and activities necessary for the promotion and advancement of all charitable, recreational purposes and all other purposes beneficial to the Milford Community as a whole.

## 2. OBJECTIVES

This policy aims to ensure that funds are directed at the services and activities outlined under Section 5(b) of the Trust Deed. The policy is aligned with the process of budget setting, which occurs during the Statement of Intent process. Budget setting is a key financial control measure. The underlying assumption is that budgeted expenditure is consistent with Section 5(b) of the Trust Deed.

The policy also seeks to formalise the current financial control procedures and ensure that appropriate financial records be maintained.

## 3. SCOPE

The Milford Community Trust Financial Delegations Policy applies to Trustees and all employees of the Milford Community Trust.

The Financial Delegations Policy also applies to support agency staff and contractors who are part of the Trust resources and to Southland District Council (SDC) staff working under the agreement for administration services and Trust staff.

## 4. DEFINITIONS

Term	Definition
Budgeted Expenditure	All operational and project expenditure for the current year as budgeted in the latest approved Milford Community Trust Statement of Intent.
The Council / SDC	Southland District Council.
Financial Delegation	Formal authority and responsibility provided in relation to financial expenditure and associated processes, including documentation and record keeping.
Milford Community Trust / The Trust	A charitable trust for the benefit of the residents of Milford, the holders of concessions from the Crown operating at Milford and Iwi.
Unbudgeted Expenditure	All expenditure incurred by the Trust outside of that approved in the latest Milford Community Trust Statement of Intent.
The Schedule	The Financial Delegations Schedule attached to this policy.
The Trust Fund	The Milford Community Trust Fund.

## 5. POLICY STATEMENTS

## **5.1 Powers and limitations**

The deed of the Milford Community Trust broadly sets out the powers and limitations of Trustees in relation to financial matters.

## **5.2 Approvals and Delegations**

### *Budgeted expenditure*

The authority to approve budgeted expenditure incurred by the Trust is delegated by the Schedule of Financial Delegations.

Payment can only be made following approval from one individual with the appropriate delegated authority. This applies to all budgeted expenditure. Approval is provided by signing and dating each invoice prior to payment.

### *Unbudgeted expenditure*

The authority to approve unbudgeted expenditure incurred by the Trust is delegated by the Schedule of Financial Delegations.

Payment can only be made following approval from one individual with the appropriate unbudgeted expenditure delegated authority. Approval is provided by signing and dating each invoice prior to payment.

Where unbudgeted expenditure exceeds the maximum level provided in the Schedule of Financial Delegations, there are two options for approval. Approval can be granted either:

- By a resolution passed at a meeting of the trust AND subsequent authorisation from the Community Partnership Leader ; OR
- Approval from two people who hold the office of Chairperson or Trustee.

## **5.3 Personal Costs**

All payments/reimbursements for personal expenditure (including meals, accommodation, training, trustee fees etc) require approval from the Community Partnership Leader or Chairperson.

Reimbursements to the Community Partnership Leader require approval from the Trust Chairperson or a Trustee.

Reimbursements to the Trust Chairperson require approval from the Community Partnership Leader or a Trustee.

## **Financial Processing and Documentation**

Section 12(a) of the deed of the Milford Community Trust requires that the Trustees shall ensure that full and correct amounts of all the financial transactions are kept.

All approved transactions will be process by the designated officer from the Southland District Council's Finance Team. The designated Finance Officer will also prepare the management accounts and Annual Report.

The designated Finance Officer is responsible for:

- Reviewing all payments to ensure compliance with the procedures stated in this policy; and
- Ensuring appropriate records are kept, including:
  - Documentation of compliance with this policy.
  - Monthly financial reports detailing budgeted vs actual expenditure.

#### **5.4 Bank Authorisation**

All financial transactions processed by the Finance Officer require authorisation by two authorised signatories from Southland District Council.

The authorised signatories from Southland District Council are:

- Chief Financial Officer
- Finance Manager
- Financial Accountant
- Senior Management Accountant
- Management Accountant(s).

The staff noted above, as well as the designated Finance Officer, also have authority to act on behalf of the Trust in administering all Trust bank accounts.

#### **5.5 Inland Revenue Department**

Inland Revenue require the Trust to appoint an executive office holder(s) to act on the Trust's behalf with Inland Revenue. This includes making enquires, receiving statements, financial authority and registering for and managing a myIR secure online service for the Trust.

The authorised executive office holders from Southland District Council are:

- Chief Financial Officer
- Finance Manager
- Financial Accountant
- Senior Management Accountant
- Designated Finance Officer

#### **5.6 Charities Services**

Milford Community Trust is required to complete an annual charity return in order to maintain their charities registration status.

The authorised personnel from Southland District Council that can engage with the Charities Services (a part of the Department of Internal affairs) are:

- Community Partnership Leader
- Designated Finance Officer

#### **5.7 Compliance and Breaches**

Any transactions in breach of this policy shall be investigated in accordance with the Milford Community Trust - Suspected Fraud Policy. Breaches may result in disciplinary action or prosecution.



**6 . ASSOCIATED DOCUMENTS**

- Milford Community Trust - Statement of Intent
- Milford Community Trust - Trust Deed
- Milford Community Trust - Suspected Fraud Policy.

**7. SCHEDULE OF FINANCIAL DELEGATIONS**

Position	Approve invoices relating to Budgeted Expenditure (GST exclusive)	Approve invoices relating to Unbudgeted Expenditure (GST exclusive)	Authority to make electronic bank payments, direct debits, inter account transfers, GST payments subject to payment being duly approved
Community Partnership Leader	\$5,000	\$500	Nil
Chairperson	No Limit	\$1,000	Nil
Trustees	\$10,000	Nil	Nil
SDC Chief Financial Officer	Nil	Nil	No Limit
SDC Finance Manager	Nil	Nil	No Limit
SDC Financial Accountant	Nil	Nil	No Limit
SDC Senior Management Accountant	Nil	Nil	No Limit
SDC Management Accountant	Nil	Nil	No Limit

## Audit New Zealand's Management Report to 30 June 2019

**Record No:** R/19/9/21670  
**Author:** Brie Lepper, Graduate Accountant  
**Approved by:** Anne Robson, Chief Financial Officer

☐ Decision ☐ Recommendation ☒ Information

### Summary

- 1 As part of the audit process, Audit New Zealand provides Milford Community Trust with a report on its audit findings at the conclusion of the audit which outline the work that was performed and any recommended areas for improvement.
- 2 The management report (report) received from Audit New Zealand (Audit NZ) in relation to the performance report audit for the year ended 30 June 2019, is attached in appendix 1.
- 3 A draft of this report was tabled at the Trust's September 2019 meeting, however it did not include any comments from management on the recommendations made. Management comments have now been included in the version attached.
- 4 The report does not identify any significant issues in the systems and process that support the activities of Milford Community Trust. However, it has identified some areas for improvement as noted below.

**Recommendation 1:** That the Trustees and key management personnel disclose all interests in the register and ensure that this is updated when necessary.

**Management comment:** Staff will seek disclosure of interests from Trustees on a regular basis in the future.

**Recommendation 2:** That the Trustees implement a sensitive expenditure policy to cover the Office of the Auditor General best practice principles.

**Management comment:** Staff will work with the Trust to develop this policy in the coming months.

**Recommendation 3:** That steps are taken to appoint two new Trustees during the 2020 financial year or the Trust deed is amended.

**Management comment:** The Trust are aware that they currently have insufficient trustees, however they are finding it difficult to find eligible candidates. This will continue to be an ongoing focus of the Trust.

**Recommendation 4:** That the Trust look at their policy around Trustees' fees and amend the trust deed if Trustee fees will not be claimed, or Trustees should claim for actual expenditure incurred.

**Management Comment:** Recommendation noted, Trustees will give consideration to this matter, however note that no changes can be made to the Trust Deed until all trustee positions

have been filled. Staff will provide Trustees some guidance around the options and implications of changing trustee fees methodology in the coming months.

## **Recommendation**

**That the Milford Community Trust:**

- a) Receives the report titled "Audit New Zealand's Management Report to 30 June 2019" dated 29 November 2019.**

## **Attachments**

- A Report to the Board on the audit of Milford Community Trust for the year ended 30 June 2019 [↓](#)

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# **Report to the Board on the audit of**

**Milford Community Trust**

For the year ended 30 June 2019

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## Key messages

We have completed the audit for the year ended 30 June 2019. This report sets out our findings from the audit and draws attention to areas where Milford Community Trust (the Trust) is doing well and where we have made recommendations for improvement.

### Audit opinion

We issued an unmodified audit opinion on 26 September 2019.

### Matters identified during the audit

Our final audit involved ensuring that the Trust's results were fairly reflected in its financial statements, with specific attention paid to the matters that were outlined in our audit plan at the beginning of the audit.

In this report we discuss our findings in relation to these matters.

### Thank you

We would like to thank the Trustees, management and staff for their assistance received throughout the audit.



Dereck Ollsson  
Appointed Auditor  
28 November 2019

# 1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Explanation	Priority
<b>Needs to be addressed <i>urgently</i></b> These recommendations relate to a significant deficiency that exposes the Trust to significant risk or for any other reason need to be addressed without delay.	
<b>Address at the earliest reasonable opportunity, <i>generally within six months</i></b> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.	Necessary
<b>Address, <i>generally within six to 12 months</i></b> These recommendations relate to areas where the Trust is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.	Beneficial

## 1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Implement a new sensitive expenditure policy	Section 3	Necessary

## 1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 2 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open recommendations		2	-	2
Implemented or closed recommendations		3	-	3
<b>Total</b>	-	5	-	5



## 2 Our audit report

### 2.1 We issued an unmodified audit report



We issued an unmodified audit opinion on 26 September 2019.

This means that we were satisfied that the financial statements and statement of service performance present fairly the Trust's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered whether the Trust's results of its activities were fairly reflected in its financial statements and specifically concentrated on the matters that were outlined in our audit plan at the beginning of the audit. These matters are discussed in section 3 of this report.

### 2.2 Uncorrected misstatements

The misstatements that have not been corrected are listed below. We are satisfied that these misstatements are individually and collectively immaterial.

Prior year uncorrected misstatements	Reference	Assets Dr (Cr)	Liabilities Dr (Cr)	Equity Dr (Cr)	Financial performance Dr (Cr)
Trustee fee expense					\$4,200
Trustee fee forgiven					(\$4,200)
<b>Total</b>					<b>0</b>

#### Explanation for uncorrected differences

Recognition of the prior year grossing up of Trustee fee expenditure and Trustee fee forgiven.

### 2.3 Corrected misstatements

We also identified misstatements that were corrected by management. These corrected misstatements had the net effect of increasing revenue by \$3,600 and increasing expenditure by \$3,600. The corrected misstatements are listed below.

- Trustee fee forgiven revenue - \$3,600.
- Trustee fee expense - \$3,600.

There were also other misstatements related to disclosures that have been corrected by management which include:

- Related party note – the Trust had incorrectly disclosed Concessionaires income received from Department of Conservation as \$2,604 instead of \$920.
- Related party note – the Trust had incorrectly disclosed accommodation expenditure paid to Southland District Council in the current year where it had been related to the 2018 period.

#### 2.4 Quality and timeliness of information provided for audit



Management is required to provide information for audit relating to annual report of the Trust. This includes the draft annual report with supporting working papers.

Management provided all requested information in a timely manner and to a high quality. This allowed the audit to run smoothly and be completed within the agreed timeframes.

### 3 Matters raised in the Audit Plan



In our Audit Plan of 7 June 2019, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
<b>Management override</b>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>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.</p> <p>Auditing standards require us to treat this as a risk on every audit.</p>	<p>To address this risk, during the audit we:</p> <ul style="list-style-type: none"> <li>• tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>• reviewed accounting estimates, including the estimation of impairment, for bias and evaluated whether there was any risk of material misstatement due to fraud from bias; and</li> <li>• evaluated the business rationale for significant transactions that were outside the normal course of business, or that otherwise appeared to be unusual given our understanding of the Trust.</li> </ul> <p>We found no indications of management override that would result in a material misstatement, in the financial statements, due to fraud.</p>
<b>Going concern</b>	
<p>From our discussions held earlier in 2019, we note that the Trust is considering the future of the entity and its assets.</p> <p>General purpose financial statements are prepared on a going concern basis, which assumes the entity will continue to operate for the foreseeable future.</p> <p>The going concern assumption in the preparation of the financial statements takes into account all available information about the future, which is at least, but is not limited to, 12 months from the approval of the financial statements.</p>	<p>To address this risk, during the audit we:</p> <ul style="list-style-type: none"> <li>• reviewed management's assessment of the use of the going concern assumption and obtained an up-to-date understanding of the intention on the future of the Trust; and</li> <li>• considered with the Trust whether its accounts needed to be prepared on a disestablishment basis.</li> </ul> <p>We found no information to suggest the financial statements needed to be prepared on a disestablishment basis.</p>

Audit risk/issue	Outcome
<b>Non-financial performance reporting</b>	
<p>Each year, we audit the performance information contained in the annual report and report on whether it fairly reflects the achievements measured against the targets and other measures in the Statement of Intent (Sol).</p> <p>We expect Sols to have taken into account guidance from the Auditor-General's report Statements of Corporate Intent: Legislative compliance and performance reporting published in June 2007.</p>	<p>As part of our audit we:</p> <ul style="list-style-type: none"> <li>considered the appropriateness of performance measures and targets;</li> <li>determined whether the performance information fairly reflects the performance measures and targets outlined in the Sol; and</li> <li>checked the reported levels of achievement for the significant performance measures, including explanations for variances.</li> </ul> <p>We have no concerns to report.</p>
<b>Related parties and conflicts of interest</b>	
<p>Related party transactions represent a particular area of risk in most public sector audits.</p> <p>Conflicts of interest are an area of concern because of probity, and the potential for matters to gain a high profile. The Auditor-General continues to receive many queries, and requests for inquiries, on conflicts of interest. A conflict of interest, which is not well managed, can create significant legal and reputational risks.</p> <p>The 2007 report on Managing conflicts of interest: guidance for public entities sets out the Auditor-General's view of what constitutes good practice in the public sector.</p> <p>It is primarily the responsibility of the Trust to identify and manage conflicts of interest.</p>	<p>We gained an understanding of how the Trust identifies, manages and discloses related party transactions. We have confirmed the completeness and accuracy of the related party transactions and balances disclosed in the annual report.</p> <p>We completed a Companies and other Register search and identified several instances where interests that had not yet been updated in the Interest Register. We emphasise the importance of ensuring that the Interest Register remains up-to-date.</p> <p><b>Recommendation</b></p> <p>We recommend that the Trustees and key management personnel disclose all interests in the register and ensure this is updated when necessary.</p> <p><b>Management comment</b></p> <p><i>Recommendation noted. Staff will seek disclosure of interests from Trustees on a regular basis in the future.</i></p>

Audit risk/issue	Outcome
<b>Sensitive expenditure</b>	
<p>Sensitive expenditure is an area that continues to undergo significant public scrutiny.</p> <p>In February 2007 the Auditor General published: <i>Controlling sensitive expenditure: Guidelines for public entities (the Sensitive Expenditure Guidelines)</i>. It is an expectation that the sensitive expenditure policies, of all public entities, cover the principles in these best practice guidelines. It is also expected that the policies are applied in practice.</p>	<p>We note that the Trust does not have a sensitive expenditure policy.</p> <p>We tested all expenditure, which the Trust incurred during the period, for compliance with accepted good practice in the public sector.</p> <p><b>Recommendation</b></p> <p>We recommended the Trustees implement a sensitive expenditure policy to cover the OAG best practice principles.</p> <p><b>Management comment</b></p> <p><i>Recommendation noted. Staff will work with the Trust to develop this policy in the coming months.</i></p>
<b>Legislative compliance</b>	
<p>To discharge the Auditor-General's mandate, we carry out an audit of legislative compliance. We limit this review to obtaining assurance that you have complied with significant legislative requirements that may directly affect the financial statements or general accountability.</p> <p>Our review does not cover all of the Trust's legislative compliance requirements.</p>	<p>We assessed the systems and procedures that the Trust has in place to ensure compliance with significant legislation. We assessed whether the processes, in place, are appropriate for the size and structure of the Trust. We note that from our review of the Trust Deed, the Trust should have seven Trustees. Since, June 2018, the Trust has not complied with this aspect of their Trust Deed.</p> <p><b>Recommendation</b></p> <p>We recommend that steps are taken to appoint two new Trustees during the 2020 financial year or the Trust deed is amended.</p> <p><b>Management comment</b></p> <p><i>Recommendation noted. The Trust are aware that they currently have insufficient trustees however they are finding it difficult to find eligible candidates. In September 2019 a public call was made for nominations to fill these vacancies, however only one nomination was received (from an existing Trustee). This will continue to be an ongoing focus of the Trust.</i></p>

## 4 Public sector audit



The Trust is accountable to a local authority and to the public for their use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the Trust said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the Trust has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the Trust carrying out its activities effectively and efficiently;
- the Trust incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the Trust or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

Based on the audit work completed, we have not identified or been notified of any concerns regarding the above points other than what has been addressed in section 3.

## 5 Other findings from the audit

### 5.1 Trustee fees

We noted that the Trust were incorrectly accounting for Trustee fees by reversing an accrual. The Trustees are entitled to a Trustee fee after attending each meeting for which needs to be claimed within three months.

#### Recommendation

We recommend the Trust look at their policy around Trustees' fees and amend the trust deed if Trustee fees will not be claimed or Trustees should claim for actual expenditure incurred.

#### Management comment

*Recommendation noted. Trustee will give consideration to this matter, however note that no changes can be made to the Trust Deed until all Trustee positions have been filled. Staff will provide Trustees with some guidance around the options and implications of changing trustee fees in the coming months.*

### 5.2 Fraud risk management

We held discussions with management and those charged with governance, and obtained written confirmations on the risk of fraud occurring at the Trust. We have considered the fraud risk management systems in place as appropriate.

Management and those charged with governance confirmed to us that they were not aware of any fraud during the 2019 financial year. No instances of fraud were noted during our audit.

## 6 Useful publications



Based on our knowledge of the Trust, we have included some publications that the Board and management may find useful.

Description	Where to find it
<b>Client updates</b>	
<p>In March 2019, we hosted a series of client updates. The theme was "Our high performing and accountable public sector".</p> <ul style="list-style-type: none"> <li>These included speakers from both Audit New Zealand and external organisations.</li> </ul>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Client updates</a></p>
<b>Model financial statements</b>	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <ul style="list-style-type: none"> <li>significant accounting policies are alongside the notes to which they relate;</li> <li>simplifying accounting policy language;</li> <li>enhancing estimates and judgement disclosures; and</li> <li>including colour, contents pages and subheadings to assist the reader in navigating the financial statements.</li> </ul>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Model Financial Statements</a></p>
<b>Client substantiation file</b>	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a tool box called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a tool box to help you collate documentation that the auditor will ask for.</p>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Client Substantiation File</a></p>



Description	Where to find it
<b>Good practice</b>	
<p>The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> <li>• audit committees;</li> <li>• conflicts of interest;</li> <li>• discouraging fraud;</li> <li>• good governance;</li> <li>• service performance reporting;</li> <li>• procurement;</li> <li>• sensitive expenditure; and</li> <li>• severance payments.</li> </ul>	<p>On the OAG's website under good practice. Link: <a href="#">Good practice</a></p>
<b>Reporting fraud</b>	
<p>The OAG have released data from 2012-2018 on fraud in public entities. This includes how the fraud was detected, the type of fraud and the methods and reasons for the fraud. The graphs show the high-level sector, and this can be broken down further into sub-sectors by opening the spreadsheets available.</p>	<p>On the OAG's website under data. Link: <a href="#">Reporting Fraud</a></p>

## Appendix 1: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<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 performance information 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 Board of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Board.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Board and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of Milford Community 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 (Revised): 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, Milford Community Trust.</p>
Fees	<p>The audit fee for the year is \$4,199, as detailed in our Audit Proposal Letter.</p> <p>No other fees have been charged in this period.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with Milford Community Trust that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with Milford Community Trust during or since the end of the financial year.</p>

## Appendix 2: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Necessary</b>		
Appoint two new Trustees during the 2019 financial year to ensure compliance with the Trust Deed.	2017/18	<b>Open</b> <b>Management comment</b> <i>Refer to responses in section 3 of this report.</i>
Disclose all pecuniary and non-pecuniary interests in the interests register.	2017/18	<b>Open</b> <b>Management comment</b> <i>Refer to responses in section 3 of this report.</i>

### Implemented or closed recommendations

Recommendation	First raised	Status
<b>Necessary</b>		
<b>Cut off expenditure</b> As part of testing of expenditure we noted an instance where an invoice was received a year later than the work was performed for the Trust.  In this case the amount was not material to be a prior period error, and has instead been recognised in the 2018 financial year.	2017/18	<b>Closed</b>  During our 2018/19 audit we did not find issue with the accrual of expenditure.
<b>Independently review all journals</b> All journal has been Independently reviewed.	2016/17	<b>Closed</b>  During our testing we did not find any issue with independent review journal by a delegated person.
<b>Renew the 2012 Fraud Policy</b> We recommended in the prior year that the fraud policy should be reviewed and updated as the current	2016/2017	<b>Closed</b>

Recommendation	First raised	Status
policy was implemented in 2012. We have confirmed that this was not updated during the financial year and we have reviewed the current policy against OAG best practice and note for the most part the policy complies with best practice but it should include processes for regular reviews to occur in areas that are most susceptible to fraud.		Fraud policy has been updated in March 2019. We have reviewed the policy complies with best practice.



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## Financial Report to 31 October 2019

Record No: R/19/11/26223  
Author: Brie Lepper, Graduate Accountant  
Approved by: Anne Robson, Chief Financial Officer

☐ Decision ☐ Recommendation ☒ Information

### Purpose

- 1 This financial report provides the Trustees with a statement of financial performance and financial position of the Trust for the period 1 July 2019 to 31 October 2019.

### Commentary

#### Financial Performance

- 2 The concessionaire's income represents the first two quarters. The second quarter invoicing was completed in October with payments expected to be received by 20 November 2019.
- 3 The majority of expenses to date relate to chairman fees, trustee fees, legal fees and insurance. Legal fees relate to costs associated with discussions around the trust deed. Insurance costs are for the placement of the following policies for the period 1 July 2019 to 30 June 2020: trustees liability, statutory liability and public liability insurance.

#### Financial Position

- 4 The Milford Community Trust (MCT) continues to have a strong cash position. \$17,787 is held in the cheque/savings accounts, the savings account receives interest at a rate of 0.1% p.a.
- 5 Surplus funds are transferred to the savings account, or invested as appropriate, on a regular basis.
- 6 Additionally, \$325,000 is invested in term deposits as outlined in the table below:

Bank	Amount	Interest Rate	Term	Maturity Date	Total Expected Interest
BNZ	\$30,000	2.67%	120 days	15/11/2019	\$263
BNZ	\$45,000	3.30%	180 days	11/12/2019	\$732
BNZ	\$120,000	3.18%	215 days	24/02/2020	\$2,248
BNZ	\$80,000	3.12%	271 days	9/03/2020	\$1,853
BNZ	\$50,000	2.63%	186 days	28/04/2020	\$670
<b>Total:</b>	<b>\$325,000</b>				<b>\$5,767</b>

### Concessionaries Contributions

---

7 As you are aware we have been indicating for a number of months the Trust's intention to update the data used to calculate the concessionaire contribution percentage. The data required is passenger numbers, staff bedrooms, staff numbers, square meterage and improvement value. At this time as we are still awaiting information from DOC, therefore we have issued the second quarter concessionaire invoices using the same percentages as 2018/2019.

8



<b>Milford Community Trust</b> <b>Statement of Financial Performance</b> <b>For the period to 31 October 2019</b>			
<b>Actual 30/06/19</b>	<b>Account Description</b>	<b>Actual 31/10/19</b>	<b>Annual Budget</b>
	<b><u>Income</u></b>		
136,893	Concessionaires Income	75,292	150,583
6,943	Interest	2,792	-
3,600	Trustees Fees Forgiven	900	-
<u>147,436</u>		<u>78,984</u>	<u>150,583</u>
	<b><u>Expenses</u></b>		
(95)	Accommodation and Meals	-	800
44	Administration	-	67
-	Advertising	-	600
4,199	Audit Fees	-	4,300
79	Bank Fees	-	40
98	Catering Expenses	(3)	500
10,000	Chairperson's Fees	3,333	10,000
1,549	Depreciation	480	1,613
86,934	Grant to Milford Sound Tourism Ltd (Walkway)	-	-
420	General Expenses	196	500
-	Legal Fees	832	-
-	Medical Clinical Desk Support Grant	-	15,000
338	Mileage	-	1,500
-	Project Development and Planning	-	5,000
-	RNZ Licence	-	370
185	Room Hire	(7)	600
3,900	Trustees Fees	900	6,000
2,675	Insurance	2,825	2,605
<u>110,327</u>		<u>8,558</u>	<u>49,495</u>
<b>37,110</b>	<b>Net Operating Surplus/(Deficit)</b>	<b>70,426</b>	<b>101,088</b>
-	<b>Other Comprehensive Income</b>	-	-
<b>37,110</b>	<b>Total Comprehensive Income</b>	<b>70,426</b>	<b>101,088</b>

**Statement of Changes in Equity**  
**For the period to 31 October 2019**

<b>Actual</b> <b>30/06/19</b>		<b>Actual</b> <b>31/10/19</b>
326,403	Total Equity at beginning of year	363,513
37,110	Net Surplus / (Deficit)	70,426
<b>363,513</b>	Equity at end of year	<b>433,939</b>

**Statement of Financial Position**  
**As at 31 October 2019**

<b>Actual</b> <b>30/06/19</b>		<b>Actual</b> <b>31/10/19</b>
	<b>Equity</b>	
100	Trust Capital	100
363,413	Accumulated Funds	433,839
<b>363,513</b>		<b>433,939</b>
	<b>Represented by:</b>	
	<b>Current Assets</b>	
673	Accounts Receivable	51,427
1,532	Accrued Income	2,643
1,388	GST Receivable	-
3,756	BNZ Cheque Account	2,061
39,046	BNZ Savings Account	15,726
275,000	BNZ Term Deposits	325,000
321,395	<b>Total Current Assets</b>	396,856
	<b>Non Current Assets</b>	
100	Trust Capital	100
50,075	Recreational Pad	49,595
371,570	<b>Total Assets</b>	446,551
	<b>Current Liabilities</b>	
7,859	Accrued Expenses	1,733
198	Accounts Payable	825
-	GST Payable	10,054
8,057	<b>Total Liabilities</b>	12,612
<b>363,513</b>	<b>Net Assets</b>	<b>433,939</b>

## **Recommendation**

**That the Milford Community Trust:**

- a) **Receives the report titled “Financial Report to 31 October 2019” dated 27 November 2019.**

## **Attachments**

There are no attachments for this report.



## Draft Statement of Intent 2020 - 2023

Record No: R/19/11/26461

Author: Simon Moran, Community Partnership Leader

Approved by: Rex Capil, Group Manager Community and Futures

☐ Decision

☐ Recommendation

☒ Information

### Purpose

- 1 The trust is required by legislation to prepare a Statement of Intent annually covering three years.

### Commentary

- 2 Included in the draft Statement of Intent is the planned activities/services of the trust for the 2020/2021, 2021/2022 and 2022/2023 financial years for review by trustees.
- 3 The prospective financial statements outline the trust's forecast financial performance and position over the three financial years.

### Adjustments

- 4 In preparing this report, the following forecast adjustments have been made for the 2019/2020 financial year:
  - insurance expenditure has been adjusted to the 2019/2020 September actual invoice amount
  - capital costs for the recreation centre of \$50,000 are expected in 2019/2020, subject to formal approval of the commencement of the project. The majority of the capital cost is anticipated to occur in 2020/2021.

### Assumptions

- 5 In preparing the draft prospective financial statements for 2020/2021, 2021/2022 and 2022/2023 the following assumptions have been made:
  - concessionaire's fees will remain constant from 2019/2020 to 2022/2023
  - accommodation for auditors will decrease as audit fieldwork is anticipated to be undertaken at Audit NZ's office
  - audit fees are set for a three year period and have been budgeted assuming the fees will increase
  - the recreational pad has been depreciated at 3% per annum on a diminishing value basis, representing a useful life of approximately 33 years. The recreation centre is proposed to be depreciated at 2% from 1 July 2021
  - repayments of the term loan will commence from 1 July 2021, with an assumed interest rate of 4.65% (SDC's proposed interest rate for 2021/2022)
  - trustee fees has been budgeted, assuming all trustees claim all meeting fees
  - no inflation has been applied to any costs other than insurance. Insurance has been inflated at a rate of 2% per annum.

### **For discussion**

- 6 In reviewing the prospective financial statements, staff recommend trustees discuss and consider the following items:
- whether or not the concession fees should continue to be budgeted to increase by 10% year on year given the capital and operational expenses identified in this SOI
  - estimated operational costs have not been incorporated for the recreational centre as the responsibility surrounding the ongoing maintenance (such as electricity, internet, cleaning, repairs and maintenance) and management of the building is still ongoing. It would be anticipated that monthly expenditure would occur on completion of the project in late 2020/2021
  - the draft SOI should be updated to reflect any decisions made relating to the recreation centre project and any anticipated changes (including cost, funding, timing and ongoing management).

### **Next Step**

- 7 Staff will amend the draft Statement of Intent based on the trust's discussions and present the final draft Statement of Intent at the trust's February meeting for approval.

### **Recommendation**

#### **That the Milford Community Trust:**

- a) **Receives the report titled "Draft Statement of Intent 2020 - 2023" dated 26 November 2019.**
- b) **Request staff amend the draft Statement of Intent to reflect the outcome of the trust's discussions at this meeting and present the final draft Statement of Intent to the next meeting for approval.**

### **Attachments**

- A DRAFT - Milford Community Trust Statement of Intent 2020-2023 [↓](#)



# **MILFORD COMMUNITY TRUST**

## **DRAFT**

# **STATEMENT OF INTENT 2020 - 2023**

## STATEMENT OF INTENT

### 1. Introduction

The Milford Community Trust was established in 2007 by the Southland District Council and the Department of Conservation with the assistance of Environment Southland for the purposes of providing leadership and governance for the Milford community.

The Trust Deed defines Milford as the developed area of land and adjacent coastal marine area at the end of State Highway 94 at the head of Milford Sound. It defines the Milford community as being the residents of Milford, the holders of concessions from the Crown operating at Milford and Iwi.

The purpose of this Statement of Intent (SOI) is to:

- Set out the proposed activities of the Trust.
- Provide an opportunity for stakeholders to influence the direction of the organisation.
- Provide a basis for accountability of the Trustees to their stakeholders for the performance of the organisation.

This Statement of Intent covers the three years from 1 July 2020 to 30 June 2023. The statement is updated annually.

### 2. Objectives of the Trust

The objectives of the Trust are:

- (a) To manage and carry out services and undertake leadership, planning and advocacy for the general benefit of the Milford community so as to ensure as far as possible that the infrastructure of the community and its sense of identity, viability and wellbeing are maintained and enhanced.
- (b) To liaise with and communicate with all individuals, organisations, groups and other parties with interests in the Milford community for all purposes which are beneficial to the community.
- (c) To represent the interests of the Milford community to ensure that the natural environments and outstanding values of the Milford Sound area are safeguarded and protected for all residents and visitors to the area.
- (d) To monitor and maintain an overview of all activities and services provided within the Milford community.
- (e) To consider and report on all matters either referred to and/or delegated to it from time to time by the Department of Conservation and the Southland District Council and on any matter of interest or concern to the Milford community.



- (f) To access, use or invest funds and enter into arrangements, contracts and other agreements upon such securities or in such manner and upon such terms and conditions that the Trustees deem suitable for the purpose of furthering the objects and purposes of the Trust.
- (g) To carry out such other lawful activities which are incidental or conducive to attaining the objects and purposes of the Trust.

### 3. Statement on the Trust's Approach to Governance

#### Establishment

The Milford Community Trust was established in 2007 following a process of consultation with residents, agencies and businesses with interests in Milford in accordance with the special consultation process set out in the Local Government Act 2002. The inaugural meeting of the Trust was held on 18 April 2007.

The Trust was incorporated under the Charitable Trusts Act 1957 on 18 May 2007. The Charities Commission has approved the Trust as being exempt for tax purposes.

The Trust reports to the Southland District Council.

#### Trust Structure

In accordance with Section 9 of the Trust Deed, the Trust is governed by a board of seven Trustees. Current representatives from stakeholder groups are shown in the table below:

Designation	Name	Term Expires 30 June
Mararoa-Waimea Ward Councillor, ex-officio appointment Interim Chair	Ebel Kremer	Oct 2022 Dec 2020
Milford Community Association elected representative	Brad Johnstone	2020
Milford Community appointee	Tim Holland	2020
Milford Community appointee	Jason Steele	2022
Milford Community appointee	Rosco Gaudin	2023
Milford Community appointee	Vacant	

#### Trust Operations

The Trust Deed sets out the way in which business of the Trust is to be conducted. A strong driver is that the local Milford community should determine its own priorities and agree on the funding for these. The Trust strives to regularly review its performance and to be open and accountable to the community through public meetings. The Trustees also undertake to meet the regulatory and stakeholder requirements for governance, reporting and planning, particularly the local government reporting requirements and recognition of the National Park and World Heritage Area status of the Milford Sound *Piopiotahi* area.

### Resources Available to the Trust

Standing Orders, a Code of Conduct for Trustees and administrative support are available from Southland District Council.

### Significant Policies

Financial Delegations Policy  
Suspected Fraud Policy

Where appropriate, further policy guidance is obtained from relevant council and other statutory authority policy and this will be reviewed as necessary.

## **4. The Nature and Scope of the Activities to be Undertaken**

### Vision

The Trust's vision is:

**The long-term sustainability of Milford Sound *Piopiotahi*, with a community focus.**

### Strategic Goals

The primary goals of the Trust are to:

- Provide leadership and governance for the Milford community in Milford Sound *Piopiotahi*.
- Advocate for the general benefit of the Milford community.
- Coordinate and communicate with all parties having interests in Milford Sound *Piopiotahi*.

Within the over-arching vision and strategic goals, the more specific focus areas for 2020 – 2023 are:

### **Planning:**

- Determine the future direction of the Trust.
- Advocating for better planning to address specific issues: highway safety, control of illegal camping, toilet facilities, community facilities, coordinated emergency response, and recognition of the area's World Heritage status.

### **Communication:**

- Communicate the roles of the Trust and other authorities more clearly to the Milford community.
- Affirm the Trust role as a voice for the Milford community.
- Maintain closer relationships with Milford infrastructure providers.
- Provide clear information to concessionaires regarding intentions and implementation of Trust policies.

- Consult with the community and concessionaires to develop a strategic project plan for the Trust to deliver for the benefit of the community.

### **Advocacy:**

- Advocate on behalf of the Milford community to central government, Environment Southland, Department of Conservation, Southland District Council, Iwi and other authorities.

### **Planned Activities/Services**

#### **2020/21:**

- Advocate and assist with other organisations for strategic improvements in community planning in Milford Sound.
- Provide funding for medical support services and facilities.
- Review of the Trust and charging mechanism with stakeholders including concessionaires.
- Facilitate the construction of the Milford recreation centre if the project gets approval.
- Advocate the continuation of maintaining beautification and roading issues within the Village and Deepwater Basin.
- Assist the Milford Community Association with the on-going development of the Cleddau Village Recreation Area to accommodate the community centre.
- Advocate with other organisations for public toilets and shelter at the airport and a walking track to the Lodge.

#### **2021/22:**

- Advocate and assist with other organisations for strategic improvements in community planning in Milford Sound.
- Provide funding for medical support services and facilities.
- Advocate the continuation of maintaining beautification and roading within the village.

#### **2022/23:**

- Advocate and assist with other organisations for strategic improvements in community planning in Milford Sound.
- Provide funding for medical support services and facilities.
- Advocate the continuation of maintaining beautification and roading within the village.

## **5. Ratio of Total Assets: Equity**

Total assets are defined to include cash, investment and bank balances, accounts receivable, investments, prepayments, fixed assets (net of accumulated depreciation), intangible assets (net of accumulated amortisation), loans (none), etc.

Total equity is defined to include accumulated funds and retained earnings.

## **6. Significant Accounting Policies**

The following accounting policies have been adopted by the Trust.

**Revenue Recognition***Concessionaires Fees*

Revenue is recorded when the fee is due to be received.

*Donated Assets*

Revenue from donated assets is recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the value of the asset is readily obtainable and significant.

*Interest*

Interest revenue is recorded as it is earned during the year.

**Debtors**

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment and the loss is recorded as a bad debt expense. Debtors are shown as GST inclusive.

**Bank Accounts and Cash**

Bank accounts and cash comprise cash on hand, cheque or savings accounts, and deposits held at call with banks.

**Term Deposits**

Term Deposits with Banks are initially recorded at the amount paid. If it appears that the carrying amount of the investment will not be recovered, it is written down to the expected recoverable amount.

**Creditors and Accrued Expenses**

Creditors and accrued expenses are measured at the amount owed.

**Property, Plant and Equipment**

Property, plant and equipment is recorded at cost, less accumulated depreciation and impairment losses.

Donated assets are recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the value of the asset is readily obtainable and significant. Significant donated assets for which current values are not readily obtainable are not recognised.

For an asset to be sold, the asset is impaired if the market price for an equivalent asset falls below its carrying amount.

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 that will write off the cost of the assets over their useful lives. This is calculated using the following rates:

Recreational Pad	3%	Diminishing Line
Buildings	2%	Straight Line

### Income Tax

The Trust is exempt from income tax as it is a Charitable Trust registered with the Charities Commission.

### Loans

Loans are recognised at the amount borrowed from the lender, less any repayments made.

### Budget Figures

The budget figures are derived from the Statement of Intent as approved by the Trustees at the beginning of the financial year. The budget figures have been prepared in accordance with tier 3 standards, using accounting policies that are consistent with those adopted by the Trustees in preparing these financial statements.

## 7. Key Performance Targets

These are agreed through the Long Term Plan (LTP) public consultation process undertaken by the Southland District Council. These targets can be changed only through a formal review of the LTP.

Level of service	Key performance indicator	Actual	Target				Confirmation source
		18/19	19/20	20/21	21/22		
Maintain a structure that facilitates local decision making.	Number of Milford Community Trust meetings held annually.	4	4	4	4	Agenda/minute records on file.	
Keep the Milford community informed about Trust plans and outcomes.	Hold public forums in Milford each year.	1	1	1	1	Agenda/minute records on file which note meeting location	

## 8. Information to be reported to Council

In each year the Trust will comply with all reporting requirements under the Local Government Act 2002 (particularly Sections 66 to 69 of that Act). In particular, it will provide:

- A draft Statement of Intent detailing all matters required under the Local Government Act 2002 by 1 March each year for consideration prior to commencement of the new financial year.
- A half yearly report by the end of February each year (specific dates as set by Council).
- An annual report by the end of September each year (specific dates as set by Council).

Copies of the Trust's reports are forwarded to the other major stakeholder authorities, being the Southland District Council, Department of Conservation and Environment Southland.

## 9. Key Issues

- The future direction of the Trust
- Decide whether or not it is feasible to proceed with the development of a recreation centre building.

## 10. Activities for which Other Investment is sought

The value of the annual concession to be charged will continue to be reviewed each year. For 2020/2021, the total amount being sought from concessionaires is \$150,583 excluding GST. Any surplus funds will be held by the Trust in its bank account for future project funding.

Included within the Forecast Expenditure of the Trust is Management and Administration costs of \$34,113.

The operational and project costs are those which the Milford Community Trust considers will provide benefit for all concessionaires at Milford and should be recovered from the Milford concessionaires through the Implied Concession Activity Fee, apportioned as per the Department of Conservation apportionment of cost schedule. The costs indicated above in the supporting forecasted accounts are funded from the annual implied concession activity fee and monies held.

Future budgeted costs are indicative only and will be reviewed annually by the Trustees.

### Other Project Funding:

In addition to the above operational and project costs, there are also costs associated with other significant projects that fall either directly or indirectly under the influence of the Milford Community Trust but have all or a majority of proposed funding through means other than apportioned implied concessionaires fees. There may also be a portion of public good associated with these projects.

In this Statement of Intent the Trustees are seeking to borrow to fund the anticipated shortfall of the cost to build the recreation centre. The shortfall is expected to be no more than \$300,000, and will be repaid over five years, commencing from 1 July 2021. Based on the current and forecast financial position of the Trust, the financials included in this Statement of Intent have been prepared on the assumption that \$200,000 will be borrowed, at an interest rate of 4.65% per annum.

In accordance with sections 3.3 and 3.4 of Southland District Council Investment and Liability Management Policy, Milford Community Trust has the ability to approach Southland District Council to borrow funds.

## 11. Estimate of Value of Stakeholders Investment

The net value of the stakeholders' investment in the Trust is estimated to be valued at \$100. This value shall be reassessed by the Trustees on completion of the annual accounts or at any other time determined by the Trustees. The method of assessment will use the value of stakeholders' funds as determined in the annual accounts as a guide.

**12. Other Matters**

No distribution is intended within the period of the Statement or succeeding years, noting the Trust's status as a charitable organisation.

Any subscription for, purchase or otherwise acquiring shares in any company or other organisation requires the prior approval of the Trustees.

**MILFORD COMMUNITY TRUST**  
**PROSPECTIVE FINANCIAL STATEMENTS 2020-2023**  
**Prospective Statement of Financial Performance**

Account Description	Actuals 2018/2019	Forecast 2019/2020	Budget 2020/2021	Budget 2021/2022	Budget 2022/2023
<b><u>Income</u></b>					
Concessionaires Income	136,893	150,583	150,583	150,583	150,583
Grant	-	-	-	-	-
Trustee Fees Forgiven	3,600	-	-	-	-
Interest	6,943	-	-	-	-
	<u>147,436</u>	<u>150,583</u>	<u>150,583</u>	<u>150,583</u>	<u>150,583</u>
<b><u>Expenses</u></b>					
<b><u>Management/Administration</u></b>					
Accommodation and Meals	(95)	500	500	500	500
Administration	44	50	50	50	50
Advertising	-	600	600	600	600
Audit Fees	4,199	4,500	4,500	4,500	5,000
Bad Debts	-	-	-	-	-
Bank Fees	79	40	40	40	40
Catering Expenses	98	500	500	500	500
Chairperson's Fees	10,000	10,000	10,000	10,000	10,000
Depreciation - Recreational Pad	1,549	1,502	1,472	1,443	1,414
Depreciation - Recreational Centre	-	-	-	11,000	11,000
Emergency Services Provider	-	-	-	-	-
General Expenses	420	500	500	500	500
Interest on Loan - Recreation Centre	-	-	-	8,531	6,803
Mileage	338	1,500	1,500	1,500	1,500
Project Development and Planning	-	5,000	5,000	5,000	5,000
RNZ Licence	-	740	370	370	370
Room Hire	185	200	200	200	200
Trustees Fees	3,900	6,000	6,000	6,000	6,000
Insurance	2,675	2,825	2,882	2,939	2,998
Deepwater Basin Walkway	86,934	-	-	-	-
	<u>110,327</u>	<u>34,457</u>	<u>34,113</u>	<u>53,673</u>	<u>52,475</u>
<b><u>Grants</u></b>					
Medical Clinical Desk support	-	15,000	15,000	15,000	15,000
	-	15,000	15,000	15,000	15,000
<b>Total Expenses</b>	<u>110,327</u>	<u>49,457</u>	<u>49,113</u>	<u>68,673</u>	<u>67,475</u>
<b>Net Operating Surplus/(Deficit)</b>	<u><b>37,110</b></u>	<u><b>101,126</b></u>	<u><b>101,470</b></u>	<u><b>81,911</b></u>	<u><b>83,109</b></u>

**Capital Projects**

<b><u>Project</u></b>				
Recreation Centre	-	50,000	500,000	-
	-	<u>50,000</u>	<u>500,000</u>	-



## Prospective Statement of Changes in Equity

	Actuals 2018/2019	Forecast 2019/2020	Budget 2020/2021	Budget 2021/2022	Budget 2022/2023
Balance at 1 July	326,402	363,512	464,638	566,108	648,018
Net Surplus / (Deficit)	37,110	101,126	101,470	81,911	83,109
Capital Funding					
Equity at end of year	<b>363,512</b>	<b>464,638</b>	<b>566,108</b>	<b>648,018</b>	<b>731,127</b>

## Prospective Statement of Financial Position

	Actuals 2018/2019	Forecast 2019/2020	Budget 2020/2021	Budget 2021/2022	Budget 2022/2023
<b>Equity</b>					
Accumulated Funds	363,412	464,538	566,008	647,918	731,027
Trust Capital	100	100	100	100	100
	<b>363,512</b>	<b>464,638</b>	<b>566,108</b>	<b>648,018</b>	<b>731,127</b>
<b>Represented by:</b>					
<b>Current Assets</b>					
Accounts Receivable	773	100	100	100	100
Accrued income	1,532	-	-	-	-
Bank Account - 00	3,756	5,000	5,000	5,000	5,000
Bank Account - 25	39,046	10,000	10,000	10,000	10,000
Term Deposit - Recreation Centre	110,000	-	-	-	-
Term Deposit - Surplus Funds	165,000	361,225	130,440	224,448	281,954
GST Recievable	1,388	-	-	-	-
	<b>321,494</b>	<b>376,325</b>	<b>145,540</b>	<b>239,548</b>	<b>297,054</b>
<b>Non Current Assets</b>					
Recreational Pad	50,075	48,573	47,101	45,659	44,245
Recreational Centre	-	-	550,000	539,000	528,000
Recreational Centre - WIP	-	50,000	-	-	-
	<b>50,075</b>	<b>98,573</b>	<b>597,101</b>	<b>584,659</b>	<b>572,245</b>
<b>Total Assets</b>	<b>371,569</b>	<b>474,898</b>	<b>742,641</b>	<b>824,206</b>	<b>869,299</b>
<b>Current Liabilities</b>					
Accrued Expenses	7,859	5,000	5,000	5,000	5,000
Accounts Payable	198	-	-	-	-
Term Loan - Recreation Centre - Current	-	-	36,376	38,104	39,914
GST Payable	-	5,260	(28,467)	7,564	7,652
	<b>8,057</b>	<b>10,260</b>	<b>12,909</b>	<b>50,668</b>	<b>52,566</b>
<b>Non-Current Liabilities</b>					
Term Loan - Recreation Centre - Non Current	-	-	163,624	125,520	85,606
	<b>-</b>	<b>-</b>	<b>163,624</b>	<b>125,520</b>	<b>85,606</b>
<b>Total Liabilities</b>	<b>8,057</b>	<b>10,260</b>	<b>176,533</b>	<b>176,188</b>	<b>138,172</b>
<b>Net Assets</b>	<b>363,512</b>	<b>464,638</b>	<b>566,108</b>	<b>648,018</b>	<b>731,127</b>