



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

Date: Friday, 19 June 2020
Time: 9.30am
Meeting Room: via Zoom (digital technology)
Venue:

Milford Community Trust Agenda OPEN

MEMBERSHIP

Chairperson	Ebel Kremer
Trustees	Rosco Gaudin
	Tim Holland
	Brad Johnstone
	Jason Steele

IN ATTENDANCE

	Tony Woodham - new Trustee pending Council approval
	Stephen Norris - new Trustee pending Council approval
Community Partnership Leader	Simon Moran
Committee Advisor	Alyson Hamilton

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Full agendas are available on Council's Website
www.southlanddc.govt.nz

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.

TABLE OF CONTENTS

ITEM PAGE

PROCEDURAL

1	Apologies	3
2	Leave of absence	3
3	Conflict of Interest	3
4	Public Forum	3
5	Extraordinary/Urgent Items	3
6	Confirmation of Minutes	3

REPORTS

4.1	Invoicing Operators	5
4.2	Financial Report to 31 May 2020	9
4.3	Sensitive Expenditure Policy	13
4.4	Audit New Zealand documents	21
4.5	Chairperson's Report	
	The Chairperson, Councillor Kremer to report on matters with which he has been involved since the last meeting.	
4.6	Department of Conservation Update	
	Ms Croft to provide an update on behalf of the department.	

PUBLIC EXCLUDED

	Procedural motion to exclude the public	59
C5.1	Annual Insurance Renewal	59

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 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 February 2020



OPEN MINUTES

Minutes of a meeting of Milford Community Trust held in the Te Anau Library Meeting Room, 24 Milford Road on Wednesday, 26 February 2020 at 9.30am.

PRESENT

Chairperson	Ebel Kremer
Trustees	Rosco Gaudin
	Tim Holland

IN ATTENDANCE

Department of Conservation - Antonia Croft
Committee Advisor/Customer Support - Rose Knowles
Community Partnership Leader - Simon Moran

Trustees Brad Johnstone and Jason Steele had indicated that they were not able to attend the meeting.

There was not a quorum for the meeting present at 9.40am.

The meeting failed due to the want of a quorum at 9.40am.

CONFIRMED AS A TRUE AND CORRECT RECORD AT A MEETING OF THE MILFORD COMMUNITY TRUST HELD ON WEDNESDAY, 26 FEBRUARY 2020.

DATE:.....

CHAIRPERSON:.....

Invoicing Operators

Record No: R/20/6/13416
Author: Simon Moran, Community Partnership Leader
Approved by: Rex Capil, Group Manager Community and Futures

☒ Decision ☐ Recommendation ☐ Information

Purpose

- 1 To seek direction from the Trust on whether it wishes to -
 - provide financial relief to the tourism operators in Milford Sound *Piopiotahi* by foregoing the revenue from the last quarter invoicing of the 2019/20 financial year and the first two of the quarterly invoices for the 2020/21 financial year due to the impacts on operators from Covid-19.
 - as a consequence of the above and the impacts on tourism of Covid-19 defer the construction of the Milford recreation centre until the 2021/22 financial year.

Background

- 2 Recently Milford tourism operators have been affected by the February floods followed by Covid-19 which as you are all aware has resulted in the borders being closed to international visitors. Although the government is promoting domestic tourism and talking about a potential 'trans-Tasman bubble' it isn't clear when that might happen or if the effects of them would have significant benefits to Milford businesses.
- 3 The only significant capital works project the Trust has programmed is the recreation centre in the Cleddau village. Currently the Trust has a concession application lodged with the Department of Conservation, however, even assuming it is successful a final decision whether to proceed with the project may also depend on the extent of the recovery in the next 12-18 months.
- 4 In the meantime the Trust's financial position is strong as can be seen in the Financial Report also included in this meeting's agenda. With few expenses likely to be incurred in the next six months the Trust is in a position to consider foregoing the budgeted revenue in order to assist operators in these financially difficult times.

Financial Implications

- 5 Earlier this year Trustees approved the Statement of Intent 2020-2023. In it Trustees noted the intention to proceed with construction of the recreation centre which was planned to cost \$550,000. Of that cost \$50,000 was to be incurred in the current financial year and \$500,000 in the 2020/21 financial year.
- 6 Funding was budgeted to come from cash reserves (\$300,000) and a loan of \$200,000.
- 7 The decision to provide relief by foregoing revenue for three periods equates to a loss of income of \$112,937 (excl GST). The Trust will still have approximately \$427,000 in cash reserves.

Matters to consider

- 8 The Statement of Intent shows the Recreation Centre building as a \$500,000 capital project and there was also \$80,000 of expenditure to support a full time medical position. Given the current economic climate it is expected that these will be 'on-hold' for the next 12 months. Before agreeing to forego 9 months of income the Trust should consider the following matters -
- 9 A loan may be required for the recreation centre – The actual cost of the centre will not be known until the Trust has worked through a tender process. If the cost of design and construction is higher than estimated and the Trust does not have sufficient cash reserves at that point it may need to consider taking a loan for the project.
- 10 The need to take a loan is unlikely if the Trust continued to invoice as per its usual schedule.
- 11 Foregoing further income – It is possible that the economy, and in particular tourism, will not pick up in the next six months. In that situation the Trust may need to consider whether to forego further income.
- 12 Foregoing further income could impact on projects the Trust is looking to invest in.
- 13 Effect on Operators – It is possible that some operators that are currently contributing to the Trust will not be in business in six months. The Trust may need to consider whether it seeks lower revenue from the operators. Alternatively, the current level of revenue may be spread over fewer operators at a greater cost to individual operators than they are currently being invoiced.

Legal Implications

- 14 The Local Government Act 2002, section 64 notes that a Council Controlled Organisation (CCO) must have a Statement of Intent that complies with clauses 9 and 10 of Schedule 8.
- 15 Schedule 8 outlines the purpose of a Statement of Intent, which is to state publicly the activities and intentions of the CCO for the year and any objectives to which those activities will contribute, providing an opportunity for the shareholder (Council) to influence the direction of the organisation on the basis of accountability of the Trustees to Council.
- 16 Section 66 of the LGA states that within two months of the end of the first half of each financial year the board of a CCO must deliver to shareholders a report on the organisation's operations during that half year.
- 17 Staff are of the view that there no changes are needed to the Statement of Intent as there is still an intention to continue with the activities outlined in it albeit the timing may be delayed.
- 18 As part of preparing the half year report to the Trust (31 December 2020) any decision to delay the collection of concessionaire funds as well as the impact on projects and timelines will be discussed.

Options

- 19 The Trust could choose either to forego revenue or not. If it chooses to forego revenue the suggestion in this paper is for the three of the quarterly invoicing rounds (Invoice 4 – 2019/20 and Invoices 1 & 2 – 2020/21), however, the Trust could also choose another combination if it wished.

Next steps

- 20 The Trust will write to the operators advising them of its decision.

Recommendation

That the Milford Community Trust:

- a) **Receives the report titled “Invoicing Operators” dated 12 June 2020.**
- b) That the Milford Community Trust agrees not to invoice for the revenue budgeted for the last quarter of the 2019/20 financial year (\$37,646 excl GST) and the first two quarters of the 2020/21 financial year (\$75,292 excl GST).
- c) Agrees to defer the construction of the Milford recreation centre from 2020/21 financial year to 2021/22.

Attachments

There are no attachments for this report.

Financial Report to 31 May 2020

Record No: R/20/6/13404
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 May 2020.

Commentary

Financial Performance

- 2 The concessionaire's income represents the first three quarters. The third quarter invoicing was completed in January. As at 31 May 2020, \$19 was still outstanding from the third quarter.
- 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: trustee's liability, statutory liability and public liability insurance.

Financial Position

- 4 The Milford Community Trust (MCT) continues to have a strong cash position. \$17,839 is held in the cheque/savings accounts, the savings account receives interest at a rate of 0.1% p.a. Surplus funds are invested as appropriate, on a regular basis. Additionally, \$410,000 is currently invested in term deposits as outlined in the table below:

Bank	Amount	Interest Rate	Term	Maturity Date	Total Expected Interest
BNZ	\$150,000	2.75%	182 Days	24/05/2020	\$2,057
BNZ	\$60,000	2.80%	213 Days	26/06/2020	\$980
BNZ	\$100,000	2.41%	184 Days	09/09/2020	\$1,215
BNZ	\$50,000	2.12%	183 Days	28/10/2020	\$534
BNZ	\$50,000	2.06%	184 Days	11/11/2020	\$519
Total:	\$410,000				\$5,306

Concessionaries Contributions

- 5 Due to the impact of the February 2020 flooding event and the Covid-19 pandemic on Milford businesses, this report acknowledges that trustees as part of this meeting are going to consider not invoicing the fourth quarter concessionaire's contributions to assist in providing some financial relief to concessionaires. As such the fourth quarter invoicing has not been issued.

Milford Community Trust Statement of Financial Performance For the period to 31 May 2020			
Actual 30/06/19	Account Description	Actual 31/05/20	Annual Budget
	<u>Income</u>		
136,893	Concessionaires Income	112,938	150,583
6,943	Interest	9,354	-
3,600	Trustees Fees Forgiven	2,400	-
<u>147,436</u>		<u>124,691</u>	<u>150,583</u>
	<u>Expenses</u>		
(95)	Accommodation and Meals	-	800
44	Administration	44	67
-	Advertising	38	600
4,199	Audit Fees	-	4,300
79	Bank Fees	-	40
98	Catering Expenses	(3)	500
10,000	Chairperson's Fees	9,167	10,000
1,549	Depreciation	1,320	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	2,100	6,000
2,675	Insurance	2,825	2,605
<u>110,327</u>		<u>16,513</u>	<u>49,495</u>
37,110	Net Operating Surplus/(Deficit)	108,178	101,088
-	Other Comprehensive Income	-	-
37,110	Total Comprehensive Income	108,178	101,088

Statement of Changes in Equity
For the period to 31 May 2020

Actual 30/06/19		Actual 31/05/20
326,403	Total Equity at beginning of year	363,512
37,110	Net Surplus / (Deficit)	108,178
363,512	Equity at end of year	471,690

Statement of Financial Position
As at 31 May 2020

Actual 30/06/19		Actual 31/05/20
	Equity	
100	Trust Capital	100
363,412	Accumulated Funds	471,590
363,512		471,690
	Represented by:	
	Current Assets	
673	Accounts Receivable	19
1,532	Accrued Income	2,886
1,388	GST Receivable	-
3,756	BNZ Cheque Account	796
39,046	BNZ Savings Account	17,043
275,000	BNZ Term Deposits	410,000
321,395	Total Current Assets	430,744
	Non Current Assets	
100	Trust Capital	100
50,075	Recreational Pad	48,755
371,570	Total Assets	479,599
	Current Liabilities	
7,859	Accrued Expenses	2,267
198	Accounts Payable	-
-	GST Payable	5,641
8,057	Total Liabilities	7,908
363,512	Net Assets	471,690

Recommendation

That the Milford Community Trust:

- a) **Receives the report titled “Financial Report to 31 May 2020” dated 10 June 2020.**

Attachments

There are no attachments for this report.

Sensitive Expenditure Policy

Record No: R/20/6/13521
Author: Simon Moran, Community Partnership Leader
Approved by: Rex Capil, Group Manager Community and Futures

☒ Decision ☐ Recommendation ☐ Information

Purpose

- 1 For the Trust to review the draft Sensitive Expenditure Policy and consider adopting it

Background

- 2 In last year's Audit New Zealand – Report to the Board on the audit of Milford Community Trust it was recommended that the Trust should implement a Sensitive Expenditure Policy as a 'necessary' priority.
- 3 Attached is a draft policy for the Trust to consider and if in agreement then to approve the policy.

Recommendation

That the Milford Community Trust:

- a) **Receives the report titled "Sensitive Expenditure Policy" dated 9 June 2020.**
- b) Adopts the Sensitive Expenditure Policy for the Milford Community Trust.

Attachments

- A Draft Sensitive Expenditure Policy [↓](#)

Sensitive Expenditure Policy

Date approved: 19/6/20

1 Introduction

1.1 Purpose

Milford Community Trust (Trust) shall have policies and processes in place to control sensitive expenditure and ensure that the standards of integrity and financial prudence expected of a charitable entity are met and the expenditure is able to withstand public scrutiny.

1.2 What is sensitive expenditure?

Sensitive expenditure is expenditure by a public entity that provides, has the potential to provide, or has the perceived potential to provide a private benefit to an individual that is additional to the business benefit to the entity of the expenditure. It also includes expenditure by a public entity that could be considered unusual for the entity's purpose and/or functions.

Sensitive expenditure will normally have one or more of the following attributes:

- potentially results in a perceived or real private benefit to an individual
- considered an 'unusual' expenditure item for Trust
- does not directly align with the core business of Trust or has an unclear link to the normal business purposes of Trust
- may involve a conflict of interest (legal or ethical)
- may be considered an extravagant or immoderate expenditure.

The Sensitive Expenditure Policy shall have precedence over associated expenditure policies.

1.3 Application

This policy applies to all Trustees and employees of the Trust.

1.4 Principles

All decisions on sensitive expenditure shall be made by a properly authorised by the Chair of the Trust and shall be guided by the following principles:

- have a justifiable business purpose
- preserve impartiality
- be made with integrity

- be moderate and conservative, having regard to the circumstances
- be made transparently; and
- be appropriate in all respects.

The principles shall be applied as a set, with each principle being treated equally.

2 Policy statements

2.1 Approval of sensitive expenditure

Persons with authority to approve expenditure must ensure that approval of sensitive expenditure is:

- given before the expenditure has occurred, wherever practical
- given only when the person(s) approving the expenditure is satisfied that there is a justified business purpose and the principles stated above have been adequately met
- made within Trust's statutory limitations
- made only when budgetary provision exist, wherever practical
- made within Trust's Sensitive Expenditure Policy and any other relevant policy and process

For clarity:

- the chair shall approve sensitive expenditure of the Trustees and any employees
- two Trustees shall approve sensitive expenditure of the chair
- Self-approval for sensitive expenditure is not permitted

2.2 Claims for sensitive expenditure

Claims relating to sensitive expenditure must:

- clearly state the business purpose of the expenditure
- be accompanied by adequate original supporting documentation, such as tax invoices or other validating documentation. Credit card statements do not constitute adequate documentation for reimbursement
- document the date, amount, description and purpose of minor expenditure when receipts are unavailable (for example from vending or parking machines)
- be submitted within two months of the expenditure being incurred.

2.3 Air travel

2.3.1 Bookings / changes

Where possible, air travel should be booked well ahead of the travel date, so the expenditure is as cost effective as possible.

Fully flexi fares are to be purchased as this allows fares to be fully refundable should plans change due to factors such as illness, weather and conference cancellations. This will ensure that the Trust does not incur cost due to change of plans.

2.3.2 Travel approval

Self-approval of travel is not permitted.

2.4 Private arrangements

Trustees and employees may travel with their spouse, partner or other family members provided that:

- The Trust will only pay, or reimburse, expenditure for the Trust member's travel as if it were a separate journey
- No additional arrangements or costs for the spouse, partner or family members are incurred by the Trust
- The Trust shall not bear any responsibility or liability (and insurance) for the personal health, security and safety for the spouse, partner or family member.

2.5 Accommodation, meals and beverages while away on Trust business

2.5.1 Accommodation

The maximum amount to be spent on accommodation is \$250 (including GST) per night. This amount is a **maximum** and those booking accommodation are expected to look for the most cost-effective option.

Where accommodation is greater than \$250, approval is required before booking the accommodation.

Where possible, accommodation should be selected in close proximity to the event.

Discretionary entertainment expenditures such as movies and books/magazines will not be incurred or reimbursed by the Trust.

Accommodation check-out times are to be observed. In the absence of extenuating circumstances, any additional costs incurred as a result of failing to check-out in time will not be incurred or reimbursed by the Trust.

2.5.2 Meals

Reasonable meal costs will be met. In general the total cost (including beverages) is not expected to exceed:

- breakfast - \$30.00
- lunch - \$30.00
- dinner - \$60.00

It is the responsibility of the approving person(s) to ensure that these limits are met.

2.5.3 Beverages

The Trust will pay for a maximum of one beverage (alcoholic or non-alcoholic) with an evening meal and one non-alcoholic beverage respectively with breakfast and lunch. These must be clearly identifiable on receipts supporting expenditure. The reimbursement does not include any mini-bar costs.

It is the responsibility of the approving person(s) to ensure that these limits are met.

Meal and beverage expenses will not be reimbursed if a meal is provided as part of another package paid for by the Trust.

2.6 Motor vehicles and taxis ---

2.6.1 Rental cars

People must use the most economical type and size of rental car, consistent with the requirements of the trip.

Rental cars are only available for business conducted outside the Southland Region.

Any fines (parking or traffic offences) incurred while using a rental vehicle are the responsibility of the driver.

Private use of a rental car is only permitted in exceptional circumstances and requires the approval. All additional costs as a result of private use are the responsibility of the driver member.

2.6.2 Taxis, shuttles and bus services

Taxis, in relation to this policy, include any other alternative form of 'taxi' available, such as Uber and Take Me.

The Trust will pay for travel by taxi for person(s) away on Trust business.

Where possible, shuttles or bus services may be utilised for transport to and from airports for reasonable distances where time permits (i.e. for shuttling from a hotel or event to the airport).

2.6.3 Use of private vehicles

Pre-approval is required in order for reimbursement for the use of a private motor vehicle.

The vehicle owner must ensure that they have appropriate insurance cover for the vehicle while it is being used on Trust business. Any fines (parking or traffic offences) incurred while using a private vehicle on Trust business are the responsibility of the driver.

2.7 Entertainment and hospitality ---

Expenditure on entertainment and hospitality covers a range of events such as spending on tea, coffee, biscuits, catering and alcohol.

Expenditure on entertainment and hospitality may be approved for the purposes of:

- building relationships
- representing the Trust

- reciprocity of hospitality where there is a clear business purpose and the acceptance of the hospitality is consistent with this Policy and/or other approved policies
- supporting organisational development.

Those approving should confirm the expenditure as being appropriate and, where appropriate, pay for the event. They should also ensure that all relevant information is documented (receipts etc - all entertainment expenses must include related documentation to identify the date, venue, costs, people in attendance and the benefits derived and/or reasons for the event).

2.8 Disposal of surplus assets

To ensure transparency, fairness and receipt of best value for the Trust, the disposal of assets, which have become obsolete, worn out or surplus to requirements, shall normally be conducted on the open market or by way of trade-in on a replacement asset.

2.9 Gifts

3.16.1 Receiving of gifts

The receiving of a gift is not strictly sensitive expenditure however it nevertheless is a sensitive issue.

Where any gift, service or benefit is reported, the Trust may:

- decline to accept, or return, the gift
- accept it, providing it is made clear that no obligations are to be entered into whereby the giver expects the Trust to take, or refrain from taking, any action that would tend to favour an interest or
- accept it and resolve how it is to be displayed, used or otherwise disposed of.

2.10 Koha

Those arranging or approving koha must ensure that:

- there is a justified business purpose and
- the koha reflects the occasion.

The koha must be pre-approved and sufficient records maintained, including time, date method of payment and reason. The Trust's financial manager must be notified of the payment to ensure that taxation is properly applied.

2.11 Donations

Those approving donations must ensure that the donation:

- has a justified business purpose
- is moderate, conservative and preserves the Trust's impartiality and integrity
- is lawful and disclosed in aggregate (where required);

- is not political and
- is made to a recognised organisation by normal commercial means, that is, not made to an individual.

3 Transitional arrangements

This policy will become effective immediately upon approval by the Trust.

4 Monitoring, evaluation and policy review

Informal feedback can be provided at any time to the chair on the effectiveness and appropriateness of this policy.

A formal review of this policy will be undertaken within three years of it being implemented/reviewed.

5 Responsibilities

All Trustees have a responsibility for properly and prudently spending the monies under their control, including sensitive expenditure, and for ensuring that supporting policies, processes and internal controls are in place.

Those persons with delegated authority to commit and approve expenditure are responsible for exercising good judgment in applying these principles and policies and ensuring that sensitive expenditure is appropriate and transparent.

Those persons incurring and claiming for sensitive expenditure are responsible for acting in accordance with this policy.

Audit New Zealand documents

Record No: R/20/6/13608
Author: Brie Lepper, Graduate Accountant
Approved by: Anne Robson, Chief Financial Officer

☒ Decision

☐ Recommendation

☐ Information

Purpose

- 1 To seek formal approval of the audit proposal and the audit engagement letter for three years to 30 June 2022, and receive the audit plan for the year ended 30 June 2020.

Executive summary

- 2 Audit New Zealand (Audit NZ) requires the Trust to accept and sign the proposal to conduct the annual report audit on behalf of the Auditor-General for the 2020, 2021 and 2022 years.
- 3 Audit NZ requires trustees to sign the audit engagement letter sent on behalf of the Auditor-General, who is the auditor of all “public entities”, including Milford Community Trust (MCT) under section 14 of the Public Audit Act 2001.
- 4 Audit NZ have also provided the audit plan for the 2019/2020 performance report of MCT.
- 5 Once the Trust has confirmed its acceptance of the audit proposal and audit engagement letters, these documents are required to be signed by the Chairperson and returned to Audit NZ.
- 6 This report provides a summary of the three documents for the Trust’s information. A full copy of the documents are attached to this report for your information.

Recommendation

That the Milford Community Trust:

- a) **receives the report titled “Audit New Zealand documents” dated** 12 June 2020,
- 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) accepts the terms, conditions, arrangements and fees as set out in attachment A, B and C,
- e) authorises the Chairperson to sign the following letters received from Audit NZ,
 - proposal to conduct the audit of Milford Community Trust on behalf of the Auditor General for the 2020, 2021 and 2022 financial years (attachment A),
 - audit engagement letter (attachment B).

Background

- 7 The purpose of this report is to provide an overall summary of the three documents recently received from Audit NZ.

Audit Proposal Letter

- 8 The Auditor General has appointed Audit NZ to carry out the audit of the Milford Community Trust for the 2020, 2021 and 2022 years. The purpose of the proposal letter is to provide information on:
- the statutory basis for the audit and how the audit fees are set,
 - the entities covered by the proposal,
 - the key members of the audit team,
 - the hours Audit NZ plan to spend on the audit and the reasons for any change in hours,
 - the proposed fee for the audit of the financial year ending 30 June 2020, and the reasons for any change,
 - assumptions relating to the proposed audit fees, including what is expected of the Trust,
 - what the OAG audit standard and quality support fee provides,
 - the certification required by the Auditor General, and
 - Audit NZ's commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

For a more detailed discussion on the above matters, please refer to Attachment A of this report.

Estimated audit hours and proposed audit fees

- 9 Audit NZ estimate the following hours and fees for the next three audits (compared to budgeted and actual data from the previous financial year):

	2019 budget	2019 actual	2020	2021	2022
Total audit hours	29	152	29	29	29

Structure of audit fees	2019 budget \$	2019 actual \$	2020 proposed \$	2021 proposed \$	2022 proposed \$
Net audit fee (excluding OAG overhead and disbursements)	3,967	3,967	3,976	4,084	4,219
OAG overhead charge	232	232	232	232	232
Total audit fee (excluding disbursements)	4,199	4,199	4,208	4,316	4,451

Estimated disbursements	150	346	150	150	150
Total billable audit fees and charges	4,349	4,545	4,358	4,466	4,601
GST	652	682	654	670	690
Total (including GST)	5,001	5,227	5,012	5,136	5,291

- 10 Audit New Zealand are not proposing to change the audit hours from previous years and thus there is minimal increase in fees proposed. The primary reason for the increase in the fees between years is the anticipated increase in salary costs.
- 11 The content of the audit proposal is not significantly different to the audit engagement letter signed by the Chairman three years ago, other than a change in Audit NZ staff members.

Audit Engagement Letter:

- 12 The audit engagement letter for the 2020, 2021 and 2022 years outlines:
- the terms of the audit engagement and the nature, and limitations of the annual audit,
 - the respective responsibilities of the Trust and Audit NZ as the Appointed Auditor for the financial statements and performance information.
- 13 The content of the engagement letter is not significantly different to the audit engagement letter signed by the Chairman three years ago.
- 14 A copy of the engagement letter is included as attachment B of this report.

Audit Plan:

- 15 Audit NZ director, Dereck Ollsson met with the Trust chair and Council staff on 17 March 2020 to discuss the audit for the 2019/2020 year, specifically the future intentions of the Trust and audit logistics. These discussions formed the basis of the matters to be included in the audit plan.
- 16 The audit plan for the year ended 30 June 2020 outlines:
- audit risks and issues;
 - Audit NZ's audit process;
 - reporting protocols;
 - audit logistics; and
 - expectations
- 17 For a more detailed discussion on the above matters, please refer to Attachment C of this report.
- 18 The audit field work will be completed remotely from early August and adoption is expected in late September (the statutory deadline is 30 September 2020).
- 19 Council staff are currently discussing the timetable with Audit NZ to ensure there is sufficient time for the Trust to review the final performance report prior to adoption.
- 20 Other than the timetable as noted above, Council staff have no issues with the content of the Audit Plan

Issues

- 21 The purpose of an audit is to provide an objective independent examination of the financial statements, which increases the value and credibility of the financial statements produced by management and the public, thus increasing user confidence in the financial statements. As such, it is in Trust's interest for Audit NZ to define the audit programme of work.
- 22 Council staff have no issues with the content of the three audit documents attached to this report.

Factors to consider

Legal and statutory requirements

- 23 Section 67(1) of the Local Government Act 2002 requires the Trust to prepare and have a report delivered to the shareholders each financial year. Section 69(1) also requires the financial statements to include an Auditor's Report.
- 24 In accordance with Section 14(1) of the Public Audit Act 2001, the Trust's Annual Report must be audited by the Office of the Auditor-General. Audit New Zealand is the authorised audit service provider on behalf of the Auditor-General.

Community views

- 25 No consultation is required as the Annual Report reflects the actual results of activities undertaken during the year compared to the Statement of Intent, which has been provided to all major stakeholders.

Costs and funding

- 26 The cost associated with the audit of 2019/2020 Annual Report is \$4,358 (GST exclusive) plus disbursements. Audit Fees of \$4,300 have been budgeted in the 2019-2022 Statement of Intent.

Policy implications

- 27 There are no policy implications.

Analysis

Options Considered

- 28 There are two options to be considered in this report as outlined below.

Analysis of Options

Option 1 – accept the audit proposal, audit engagement letter and audit plan as attached.

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none">allows the Annual Report process to continue as proposed.	<ul style="list-style-type: none">none, unless the Trust requires clarification and this is not sought before signing.

<ul style="list-style-type: none"> confirms Trust's auditors for the next three years and the key details around the engagement. 	
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Option 2 – Request clarification or inclusion of any issue that the Trust wants included in the audit letters before accepting them

<i>Advantages</i>	<i>Disadvantages</i>
<ul style="list-style-type: none"> the Trust is able to seek the clarification it requires or discuss the inclusion of any issue it would like incorporated into the audit 	<ul style="list-style-type: none"> could delay the audit process if the Trust and Audit NZ cannot agree to appropriate arrangements.

Recommended Option

- 29 Option 1, accept the audit proposal, audit engagement letter and audit plan as attached.

Next Steps

- 30 If accepted, council staff will arrange for the Chairperson to sign the audit proposal and engagement letters and return them to Audit NZ.
- 31 Council staff will compile the 2019/2020 Annual Report to enable the final audit to be undertaken and adoption to occur prior to the 30 September 2020.

Attachments

- A Audit Proposal Letter for 2020-2022 [↓](#)
- B Audit Engagement Letter for 2020-2022 [↓](#)
- C Audit Plan for the year ending 30 June 2020 [↓](#)



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

9 June 2020

Level 1, 399 Moray Place
PO Box 232, Dunedin 9054

Ebel Kremer
Chairperson
Milford Community Trust
C/- Southland District Council
PO Box 903
Invercargill 9840

Ref: EN/CCO/2-0055 D852
Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington 60140

Dear Ebel

Proposal to conduct the audit of Milford Community Trust on behalf of the Auditor-General for the 2020, 2021 and 2022 financial years

1 Introduction

The Auditor-General proposes to appoint me to carry out the audit of your organisation for the next three years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the three financial years ending 30 June 2020, 2021 and 2022. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial years ending 30 June 2020, 2021 and 2022 and reasons for any change;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG overhead charge provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

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2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under Section 15 of the Public Audit Act 2001, which states that “the Auditor-General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited”.

Fees for audits of public entities are set by the Auditor-General under section 42 of the Public Audit Act 2001. However, your board and I have the opportunity to reach agreement first and recommend those fees for approval. The Auditor-General, with assistance from the OAG, will set audit fees directly only if we fail to reach agreement.

Our proposed audit fees are set out in this letter and include an estimate of the reasonable cost of disbursements (including travel and accommodation where necessary).

3 Entities covered by this proposal

This proposal covers the audit of Milford Community Trust only.

4 Key members of the audit team

Appointed Auditor	Dereck Ollsson
Audit Manager	Monique Kruger

5 Estimated audit hours

We estimate that the following hours will be required to carry out the audits (compared to budgeted and actual data from the previous financial year):

Audit team member	2019 budget	2019 actual *	2020	2021	2022
Appointed Auditor	2	8	2	2	2
EQR Director	0	5	0	0	0
Audit Manager	5	35	5	5	5
Non CA qualified staff	22	104	22	22	22
Total audit hours	29	152	29	29	29

5.1 Reasons for changes in audit hours

We are not proposing to change the audit hours.

6 Proposed audit fees

Our proposed fees for the next three audits (compared to budgeted and actual data from the previous financial year) are:

Structure of audit fees	2019 budget fees	2019 actual fees charged (*)	2020	2021	2022
	\$	\$	\$	\$	\$
Net audit fee (excluding OAG overhead and disbursements)	3,967	3,967	3,976	4,084	4,219
OAG overhead charge	232	232	232	232	232
Total audit fee (excluding disbursements)	4,199	4,199	4,208	4,316	4,451
Estimated disbursements	150	346	150	150	150
Total billable audit fees and charges	4,349	4,545	4,358	4,466	4,601
GST	652	682	654	670	690
Total (including GST)	5,001	5,227	5,012	5,136	5,291

* **Note** – 2019 actual audit fees charged were \$3,967 compared to our 2019 audit costs of \$22,501 (excluding OAG overhead and disbursement).

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG overhead charge. We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

6.1 Reasons for changes in audit fees

In table 5.1 we showed the factors that have resulted in a change of audit hours. The cost impacts of those changes are shown in the table below.

Reasons for increased or decreased audit fees compared to previous period <i>budgeted</i> fees.	2020	2021	2022
Predicted staff salary cost movements.	9	108	135
Total increase (decrease) in audit fees	9	108	135

7 Assumptions relating to our audit fee

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- you will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit;
- your staff will provide us with an appropriate level of assistance;
- your organisation's annual report and financial statements (including Statements of Service Performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit;
- your organisation's financial statements will include all relevant disclosures;
- we will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website);
- there are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us);
- there are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work (other than as specified in tables 5.1 and 6.1);
- there are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above; and
- there are no significant changes to the agreed audit arrangements that change the scope of, timing of, or disbursements related to, this audit.

If the scope and/or amount of work changes significantly, we will discuss the issues and any implications for our audit costs and your audit fees with you and the OAG at the time.

8 What the OAG overhead charge provides

Parliament has indicated that it expects **the full cost** of annual audits under the Public Audit Act (including an OAG overhead charge) to be funded by public entities.

The OAG overhead charge partially funds a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;

- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG overhead charge portion of the audit fee, to the OAG.

9 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

10 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely



Dereck Ollson
Appointed Auditor
Audit New Zealand

I accept the audit fees for the audit of the three financial years as stated above.

Full name: Ebel Kremer Position: Chairperson

Authorised signature: _____ Date: _____

Entity name: Milford Community Trust

Actions to take when agreement has been reached:

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to:

Dereck Ollsson
Audit New Zealand
PO Box 232
Dunedin 9054



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Level 1, 399 Moray Place
PO Box 232, Dunedin 9054

9 June 2020

Ebel Kremer
The Chairperson
Milford Community Trust
C/- Southland District Council
PO Box 903
Invercargill 9840

Dear Ebel

Audit engagement letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Milford Community Trust, under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Dereck Ollsson, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of Milford Community Trust’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf, for the years ending 30 June 2020 to 30 June 2022.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the board and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on Milford Community Trust’s financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

We will carry out the audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether Milford Community Trust’s financial statements and performance information are free from material

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misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

Your responsibilities

Our audit will be carried out on the basis that the board acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
 - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
 - all other information, in addition to the financial statements and performance information, to be included in the annual report;
 - additional information that we may request from Milford Community Trust for the purpose of the audit;
 - unrestricted access to board members and employees that we consider necessary; and
 - written confirmation concerning representations made to us in connection with the audit.

The board's responsibilities extend to all resources, activities, and entities under its control. We expect that the board will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;
- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the board and/or the individuals within Milford Community Trust with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred – regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The board has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the board to be familiar with those responsibilities and, where necessary, have obtained advice about them.

The board should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements of Milford Community Trust:

- present fairly, in all material respects:
 - its financial position; and
 - its financial performance and cash flows for the financial year; and
- comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) Standard.

We are also responsible for forming an independent opinion on whether the performance information of Milford Community Trust:

- presents fairly, in all material respects, the performance for the financial year, including:
 - its performance achievements as compared with forecasts included in the forecast performance report for the financial year; and
 - its actual revenue and expenses as compared with the forecasts included in the forecast performance report for the financial year; and
- complies with generally accepted accounting practice in New Zealand.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of

accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Milford Community Trust's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the board and Milford Community Trust have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the board obtained and applied the resources of Milford Community Trust in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the board and Milford Community Trust have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of Milford Community Trust; including being independent of management personnel and members of the board. This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Audit New Zealand.

To protect our independence, specific limitations are placed on us in accepting engagements with the board other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the board and me or Audit New Zealand.

Reporting

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) Standard. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report.

We will also issue a report to the board. This report communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the board. Typically those matters will relate to issues of financial management and accountability. We may also provide other reports to the Milford Community Trust from time to time. We will inform the board of any other reports we have issued.

Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

Next steps

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the letter in the space provided and returning a copy to me. The terms will remain effective until a new audit engagement letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If after contacting me you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Yours sincerely



Dereck Ollsson
Appointed Auditor
On behalf of the Auditor-General

I acknowledge the terms of this engagement and that I have the required authority on behalf of the board.

Signed _____ Date _____
Ebel Kremer
Chairperson
Milford Community Trust

Appendix 1: Respective specific responsibilities of the board and the Appointed Auditor

Responsibilities of the board	Responsibility of the Appointed Auditor
Responsibilities for the financial statements and performance information	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> • present fairly, in all material respects: <ul style="list-style-type: none"> ◦ the financial position; and ◦ the financial performance and cash flows for the financial year; and • comply with generally accepted accounting practice in New Zealand in accordance with the applicable financial reporting framework. <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> • presents fairly, in all material respects, the performance for the financial year, including: <ul style="list-style-type: none"> ◦ the performance achievements as compared with forecasts included in the forecast performance report for the financial year; and ◦ the actual revenue and expenses as compared with the forecasts included in the [forecast performance report for the financial year; and • complies with generally accepted accounting practice in New Zealand. <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p>

Responsibilities of the board	Responsibility of the Appointed Auditor
	<p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> • the appropriateness of accounting policies used and whether they have been consistently applied; • the reasonableness of the significant accounting estimates and judgements made by those charged with governance; • the appropriateness of the content and measures in any performance information; • the adequacy of the disclosures in the financial statements and performance information; and • the overall presentation of the financial statements and performance information. <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> • the adoption of the going concern basis of accounting is appropriate; • all material transactions have been recorded and are reflected in the financial statements and performance information;

Responsibilities of the board	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> correctly record and explain the transactions of Milford Community Trust; enable you to monitor the resources, activities, and entities under your control; enable Milford Community Trust's financial position to be determined with reasonable accuracy at any time; enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

Responsibilities of the board	Responsibility of the Appointed Auditor
Responsibilities for accounting and internal control systems	
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of Milford Community Trust), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>
Responsibilities for preventing and detecting fraud and error	
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of Milford Community Trust) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within the Milford Community Trust with delegated authority have a reasonable basis that suspected fraud has occurred - regardless of the amount involved.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> • obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and • report to you any significant weaknesses in internal control that come to our notice. <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p>

Responsibilities of the board	Responsibility of the Appointed Auditor
	<p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>
Responsibilities for compliance with laws and regulations	
<p>You are responsible for ensuring that Milford Community Trust has systems, policies, and procedures (appropriate to the size of Milford Community Trust) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of Milford Community Trust are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> • the relevance of the law or regulation to the audit; • our assessment of the risk of non-compliance; and • the impact of non-compliance for the addressee of the audit report. <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>

Responsibilities of the board	Responsibility of the Appointed Auditor
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a “Code of Conduct” and, where applicable, support the “Code of Conduct” with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted “Codes of Conduct” that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of Milford Community Trust may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p> <p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>
Responsibilities for conflicts of interest and related parties	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>

Responsibilities of the board	Responsibility of the Appointed Auditor
Responsibilities for publishing the audited financial statements on a website	
<p>You are responsible for the electronic presentation of the financial statements and performance information on the public entity's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p>

Appendix 2: Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit plan

Milford Community Trust

For the year ending 30 June 2020

Audit plan

I am pleased to present our audit plan for the audit of Milford Community Trust for the year ending 30 June 2020. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Our audit process	4
Reporting protocols	7
Audit logistics	8
Expectations	9

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public's trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely



Dereck Ollsson
Appointed Auditor
11 June 2020

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Our audit response
The risk of management override of internal controls	
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>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.
COVID-19	
On March 11, 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic. Two weeks later the New Zealand government declared a state of national emergency and the country was at alert level 4 and in lockdown. As a result economic uncertainties have arisen which are likely to affect Milford Community Trust's operations and services.	<p>We will discuss and gain an understanding of how COVID-19 has impacted your business, including any potential going concern issues.</p> <p>Including:</p> <ul style="list-style-type: none"> • review management's assessment of the use of the going concern assumption and obtain an up-to-date understanding of the intention on the future of Milford Community Trust.

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are

relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the board, with assistance from management. In this regard, we will discuss the following questions with you:

- What role do the trustees play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, are the trustees satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the trustees and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to the trustees? Has appropriate action been taken on any lessons learned?

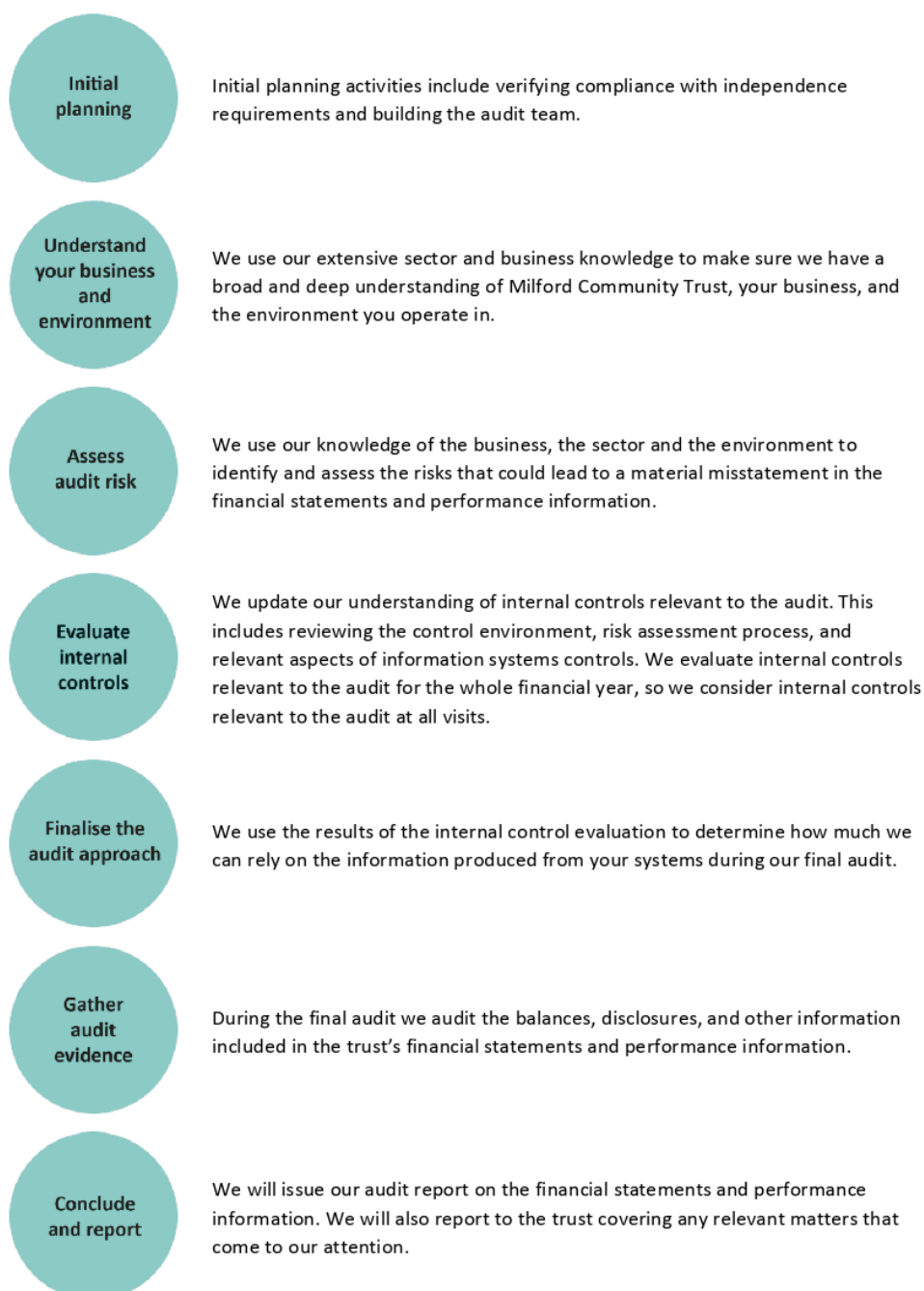
Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.parliament.nz/reports/fraud-reports.

Our audit process



Materiality

In performing our audit, we apply the concept of materiality. In the public sector, materiality refers to something that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

Accounting standards also require the trust and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements we identify to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from representatives of the trust that specify the reasons why the corrections will not be made.

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- Milford Community Trust carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by Milford Community Trust;
- there is any sign or appearance of a lack of probity as a result of any act or omission by Milford Community Trust or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by Milford Community Trust or by one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the trustees



We will meet with management and the trustees throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

Reports to governors



We will provide a draft of all reports to management (and the trust) for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the trust.

We will also follow up on your progress in responding to our previous recommendations.

Audit logistics

Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Dereck Ollsson

Appointed Auditor

Monique Kruger

Audit Manager

Timetable



Our proposed timetable is:

Draft annual report available for audit (including notes to the financial statements) with actual year-end figures and including any Chair overview or reports	3 August 2020
Final audit begins	21 September 2020
Final annual report available, incorporating all the amendments agreed to between us	28 September 2020
Verbal audit clearance given	29 September 2020
Audit opinion issued	30 September 2020
Draft management report issued	30 September 2020

The above dates were discussed before and during the country lockdown as a result of the COVID-19 virus. There is a distinct possibility that due to the consequential uncertainty created by COVID-19 there may be disruptions that will require changes to the above proposed timetable from both yourselves and the audit team. We will maintain open dialogue with you when any disruptions occur, and when potential changes to the timetable are known.

Expectations



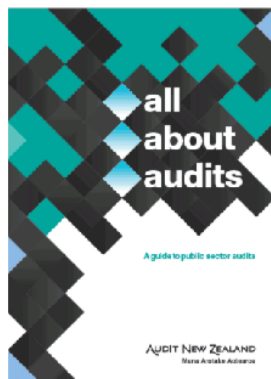
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to help explain the audit process:





Exclusion of the Public: Local Government Official Information and Meetings Act 1987

Recommendation

That the public be excluded from the following part(s) of the proceedings of this meeting.

C5.1 Annual Insurance Renewal

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Annual Insurance Renewal	s48(1)(d) - Check to make report confidential.	That the exclusion of the public from the part of the meeting is necessary to enable the local authority to deliberate in private on its decision or recommendation.