



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

Date: Thursday, 5 November 2020
Time: 9am
Meeting Room: Te Anau Library/Office, 24 Milford Crescent
Venue: Te Anau

Milford Community Trust Agenda OPEN

MEMBERSHIP

Chairperson Councillor Ebel Kremer
Trustees Rosco Gaudin
Tony Woodham
Stephen Norris
Jason Steele

IN ATTENDANCE

Committee Advisor Alyson Hamilton
Community Partnership Leader Simon Moran

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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.

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4.4 Department of Conservation Update

Ms Croft to provide an update on behalf of the department.

4.5 Chairperson's Report

The Chairperson, Councillor Kremer to report on matters with which he has been involved since the last meeting of the Milford Community Trust.

Apologies

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

1 Leave of absence

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

2 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.

3 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.

4 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."

5 Confirmation of Minutes

3.1 Meeting minutes of Milford Community Trust, 19 June 2020



OPEN MINUTES

Minutes of a meeting of Milford Community Trust held Via Zoom (digital technology) on Friday, 19 June 2020 at 9.30am.

PRESENT

Chairperson	Councillor Ebel Kremer
Trustees	Rosco Gaudin
	Tim Holland
	Brad Johnstone

APOLOGIES

Stephen Norris New Trustee pending Council approval
Jason Steele

IN ATTENDANCE

Committee Advisor	Tony Woodham	New Trustee pending Council approval
Community Partnership Leader	Alyson Hamilton	
Graduate Accountant	Simon Moran	
Department of Conservation	Brie Lepper	
	Antonia Croft	

1 Apologies

There were apologies from Jason Steele and Stephen Norris.

Moved Chairperson Kremer, seconded Trustee Gaudin and **resolved:**

That the Milford Community Trust accept the apologies.

2 Leave of absence

There were no requests for leave of absence received.

3 Conflict of Interest

There were no conflicts of interest declared.

4 Public Forum

There was no public forum.

5 Extraordinary/Urgent Items

There were no Extraordinary/Urgent items.

6 Confirmation of Minutes

Resolution

Moved Chairperson Kremer, seconded Trustee Gaudin **and resolved:**

That the Milford Community Trust confirms the minutes of the meeting held on 26 February 2020 as true and correct record of that meeting.

Reports

4.1 Invoicing Operators

Record No: R/20/6/13416

Community Partnership Leader – Simon Moran was in attendance for this item.

Mr Moran advised the purpose of the report is to seek direction from the Trust on whether it wishes to:

- provide financial relief to the tourism operators in Milford Sound *Piopiota* by forgoing 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.

Resolution

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

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.**

4.2 Financial Report to 31 May 2020

Record No: R/20/6/13404

Graduate Accountant – Brie Lepper was in attendance for this item.

Ms Lepper advised that the purpose of the report was to provide the Trustees with a statement of financial performance and financial position of the Trust for the period 1 July 2019 to 31 May 2020.

Resolution

Moved Chairperson Kremer, seconded Trustee Gaudin **and resolved:**

That the Milford Community Trust:

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

4.3 Sensitive Expenditure Policy

Record No: R/20/6/13521

Community Partnership Leader – Simon Moran was in attendance for this item.

Mr Moran advised the purpose of the report is for the Trust to review the draft Sensitive Expenditure Policy and consideration its adoption.

Resolution

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

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.**

4.4 Audit New Zealand documents

Record No: R/20/6/13608

Graduate Accountant – Brie Lepper was in attendance for this item.

Miss Lepper advised that the purpose of the report was 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.

The Trust noted that Audit New Zealand 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.

Resolution

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

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 attachments A, B and C of the officers report.**
- 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 of the officers report),**
 - **audit engagement letter (attachment B of the officers report).**

4.5 Chairperson's Report

Record No: R/20/2/4307

The Chairperson, Councillor Kremer, reported on matters with which he has been involved since the Trust's last meeting. These included:

- discussions with Department of Conservation staff regarding lodgement of the application for the Recreation Centre and appreciation to the Community Partnership Leader for his work on this application
- advice of catch-ups with Tony Woodham and Tim Holland in Milford Sound following Covid-19 lockdown with discussions on local issues
- advice that Brad Johnstone (Milford Community association elected representative) and Tim Holland (Milford Community appointee) term of representation on the Trust expires 30 June 2020. The Chair requested a note of appreciation be forwarded to both members.

4.6 Department of Conservation Update

Record No: R/20/2/4306

Department of Conservation representative, Antonia Croft updated the Trustees on Department activities. These included:

- update on flood protection system processes and procedures following recent flood event

Members queried what action the Department of Conservation is taking to prevent flood waters going through the Events Centre in the future. Ms Croft responded remedial work by way of the water being diverted is being undertaken.

- happy to see progress of the application for the Recreation Centre which has been lodged with and acknowledged by the Department of Conservation.

4.7 Milford Community Association Report

Association member Brad Johnstone provided an update on activities in Milford Sound post Covid-19 lockdown advising of a skeleton crew in Milford with a minimal number of people in the area and hopeful things will change in the near future.

Mr Moran queried whether there are any Health and Safety issues at the Recreation Court that the Trust needs to be made aware of.

In response the Chairperson advised it was timely a Risk Management and Health and Safety discussion be undertaken at the next meeting of the Trust and requested this be an agenda item.

Resolution

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

That the Milford Community Trust:

- a) **Requests a Risk Management and Health and Safety Report be presented to the next meeting of the Milford Community Trust.**

Public Excluded

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

Resolution

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

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	S7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.

That the Community Partnership Leader – Simon Moran, Graduate Accountant – Brie Lepper and Committee Advisor - Alyson Hamilton be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the items C5.1 Annual Insurance Renewal. This knowledge, which will be of assistance in relation to the matters to be discussed, is relevant to those matters because of their knowledge on the issues discussed and meeting procedure.

The public were excluded at 10.12am.

Resolutions in relation to the confidential items are recorded in the confidential section of these minutes and are not publicly available unless released here.

The meeting concluded at 10.20am

CONFIRMED AS A TRUE AND CORRECT RECORD AT A
MEETING OF THE MILFORD COMMUNITY TRUST
HELD ON FRIDAY 19 JUNE 2020.

DATE:.....

CHAIRPERSON:.....

Financial Report to 30 September 2020

Record No: R/20/10/62046
Author: Brie Lepper, Graduate Accountant
Approved by: Anne Robson, Chief Financial Officer

Decision Recommendation Information

Purpose

- 1 This financial report is for the period 1 July 2020 to 30 September 2020 and provides the Trustees with an updated statement of financial performance and financial position of the Trust.

Commentary

The 30 June 2020 comparative financial results included in this report have been audited by Audit New Zealand and are consistent with the 2019/2020 Performance Report included in this agenda.

Financial Performance

- 2 As the Trust resolved at their June 2020 meeting, the first six months of concessionaire's income for 2020/2021 has not been invoiced and therefore no concessionaire's income has been received to date.
- 3 The majority of expenses to date relate to chairman fees and insurance. Insurance costs are for the placement of trustees liability, statutory liability and public liability insurance for the period 1 July 2020 to 30 June 2021. The negative general expenses relate to an accrual completed at 30 June 2020 for potential disbursements relating to the audit for the year ended 30 June 2020. As the audit was completed remotely by Audit NZ, no disbursements are anticipated.

Financial Position

- 4 The Trust continues to have a strong cash position with \$7,566 held in the cheque/savings accounts. The savings account receives interest at a rate of 0.1% p.a. Surplus funds are transferred to the savings account, or invested as appropriate, on a regular basis.
- 5 Additionally, \$410,000 is invested in term deposits as outlined in the table below:

Bank	Amount	Interest Rate	Term	Maturity Date	Total Expected Interest
BNZ	\$50,000	2.12%	183 Days	28/10/2020	\$531
BNZ	\$50,000	2.06%	184 Days	11/11/2020	\$519
BNZ	\$60,000	1.83%	273 Days	26/03/2021	\$821
BNZ	\$100,000	1.30%	212 Days	9/04/2021	\$755
BNZ	\$150,000	1.33%	273 Days	24/05/2021	\$1,492
Total:	\$410,000				\$4,119

Milford Community Trust			
Statement of Financial Performance			
For the period to 30 September 2020			
Actual	Account Description	Actual	Annual
30/06/20		30/09/20	Budget
	<u>Income</u>		
112,938	Concessionaires Income	-	150,583
9,994	Interest	1,818	-
3,000	Trustees Fees Forgiven	-	-
<u>125,931</u>		<u>1,818</u>	<u>150,583</u>
	<u>Expenses</u>		
-	Accommodation and Meals	-	500
44	Administration	-	50
38	Advertising	-	600
4,208	Audit Fees	-	4,500
40	Bank Fees	-	40
(3)	Catering Expenses	-	500
10,000	Chairperson's Fees	2,500	10,000
1,502	Depreciation	364	1,472
	Grant to Milford Sound Tourism Ltd (Walkway)	-	-
346	General Expenses	(150)	500
832	Legal Fees	-	-
-	Medical Clinical Desk Support Grant	-	80,000
-	Mileage	-	1,500
3,030	Project Development and Planning	-	5,000
-	RNZ Licence	-	370
(7)	Room Hire	-	200
3,000	Trustees Fees	-	6,000
2,825	Insurance	2,900	2,882
<u>25,856</u>		<u>5,614</u>	<u>114,114</u>
<u>100,075</u>	Net Operating Surplus/(Deficit)	<u>(3,796)</u>	<u>36,469</u>
-	Other Comprehensive Income	-	-
<u>100,075</u>	Total Comprehensive Income	<u>(3,796)</u>	<u>36,469</u>

Statement of Changes in Equity		
As at 30 September 2020		
Actual		Actual
30/06/20		30/09/20
363,512	Total Equity at beginning of year	463,586
100,075	Net Surplus/(Deficit)	(3,796)
<u>463,586</u>	Equity at end of year	<u>459,790</u>

Statement of Financial Position		
As at 30 September 2020		
Actual		Actual
30/06/20		30/09/20
	Equity	
100	Trust Capital	100
463,486	Accumulated Funds	459,690
<u>463,586</u>		<u>459,790</u>
	Represented by:	
	Current Assets	
19	Accounts Receivable	-
2,545	Accrued Income	1,090
-	GST Receivable	1,066
819	BNZ Cheque Account	270
17,024	BNZ Savings Account	7,297
410,000	BNZ Term Deposits	410,000
<u>430,406</u>	Total Current Assets	<u>419,722</u>
	Non Current Assets	
100	Trust Capital	100
48,573	Recreational Pad	48,208
<u>479,079</u>	Total Assets	<u>468,031</u>
	Current Liabilities	
7,798	Accrued Expenses	3,400
2,507	Accounts Payable	4,839
5,187	GST Payable	-
<u>15,492</u>	Total Liabilities	<u>8,239</u>
<u>463,586</u>	Net Assets	<u>459,790</u>

Recommendation

That the Milford Community Trust:

- a) **Receives the report titled “Financial Report to 30 September 2020” dated 29 October 2020.**

Attachments

There are no attachments for this report.

Audit New Zealand's Draft Management Report to 30 June 2020

Record No: R/20/10/62685
Author: Simon Moran, Community Partnership Leader
Approved by: Rex Capil, Group Manager Community and Futures

Decision Recommendation Information

Summary

- 1 As part of the audit process, Audit New Zealand (“Audit NZ”) 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 draft management report (the report) received from Audit NZ in relation to the performance report audit for the year ended 30 June 2020, is included as attachment A to this report.
- 3 At the date of this report, Council staff were still liaising with Audit NZ and compiling their responses to the recommendations made in this report. It is anticipated that the final report will be tabled at the Trust’s meeting on 5 November 2020.
- 4 The draft report does not identify any new issues with the Trust’s systems or processes, however it requests an update on prior year’s outstanding recommendations (refer page 11 (appendix 1) of Audit NZ’s report).

Recommendation

That the Milford Community Trust:

- a) **Receives the report titled “Audit New Zealand's Draft Management Report to 30 June 2020” dated 27 October 2020.**

Attachments

- A Draft management report for the year ended 30 June 2020 from Audit New Zealand [↓](#)

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

**Report to the Trustees
on the audit of**

Milford Community Trust

For the year ended 30 June 2020

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DRAFT

Key messages

We have completed the audit for the year ended 30 June 2020. This report sets out our findings from the audit and draws attention to areas where Milford Community Trust is doing well and where we have made recommendations for improvement.

Audit opinion

We expect to issue an unmodified audit opinion dated 5 November 2020.

Matters identified during the audit

Our final audit involved ensuring that the Trust's results were fairly reflected in its performance report, 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
21 October 2020

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
<p>Needs to be addressed <i>urgently</i></p> <p>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.</p>	Urgent
<p>Address at the earliest reasonable opportunity, <i>generally within six months</i></p> <p>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.</p>	Necessary
<p>Address, <i>generally within six to 12 months</i></p> <p>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.</p>	Beneficial

1.1 New recommendations

There are no new recommendations made for the current year.

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open		4		4
Implemented or closed		3		3
Total		7		7

2 Our audit report

2.1 We intend to issue an unmodified audit report



We intend to issue an unmodified audit report on 5 November 2020. This means we were satisfied that the performance report 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 the following matters. Refer to sections 3 for further detail on these matters.

2.2 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the performance report of the Trust. This includes the draft performance report with supporting working papers. We provided a listing of information we required to management on 21 August 2020. This included the dates we required the information to be provided to us.

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 11 June 2020, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Our audit response
The risk of management override of internal controls	
<p>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>	<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. <p>We found no indications of management override that would result in a material misstatement, in the performance report, due to fraud.</p>
COVID-19	
<p>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 for a period of time. As a result, economic uncertainties have arisen which are likely to negatively affect Milford Community Trust's operations and services.</p>	<p>We reviewed management's assessment of the impact of COVID-19 on the Trust and in particular the use of the going concern assumption and updated our understanding of the intention on the future of Milford Community Trust.</p>

4 Public sector audit



The Trust is accountable to a local authority and to the public for its 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 performance report.

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 carrying out its activities effectively and efficiently;
- the 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 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.

We have not identified or been notified of any concerns regarding the above points other than what has been raised in section 3 of this report.

5 Useful publications



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

Description	Where to find it
Legislation update	
Legislation where it is required that councils include their subsidiaries' annual reports on their websites	Local Government Act 2002 Section 68(3).
COVID-19 Impact on Public Sector Reporting	
<p>The state of emergency in response to the COVID-19 coronavirus has significantly impacted most public sector entities. The consequences for the completion of annual reports and the annual financial statements are one part of this impact.</p> <p>We are developing a series of Bulletins in response:</p> <ul style="list-style-type: none"> • revaluations of property, plant and equipment and investment property; • service performance reporting; and • financial reporting. 	<p>On our website under good practice.</p> <p>Link: COVID-19 bulletins</p>
Client updates	
<p>As part of our response to the COVID-19 situation, we developed online client updates to replace the in-person sessions that were cancelled.</p> <p>This year's material is accessible via video presentations on our website. You can explore the material at a pace that takes account of your busy schedule.</p> <p>The themes respond to challenges that our clients now face, such as planning for unexpected events or dealing with additional reporting requirements related to COVID-19 and climate change.</p>	<p>On our website under publications and resources.</p> <p>Link: Client updates</p>

Description	Where to find it
Tax matters	
As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.	On our website under good practice Link: Tax Matters Link: Reduction in deferred tax on buildings
Client substantiation file	
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. 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.	On our website under good practice. Link: Client Substantiation File
Conflicts of interest	
The Auditor-General has recently updated his guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have. The update includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz. These can all be used as training resources for your own employees.	On the Office of the Auditor-General's website under 2019 publications. Link: Conflicts of interest
Severance payments	
Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payments to a departing employee. It encourages public organisations	On the OAG's website under 2019 publications. Link: Severance payments

Description	Where to find it
to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.	
Good practice	
<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"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	<p>On the OAG's website under good practice. Link: Good practice</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Appoint two new Trustees during the 2020 financial year to ensure compliance with the Trust Deed.	2017/18	Open Management comment
Declare all pecuniary and non-pecuniary interests in the interests register.	2017/18	Open Management comment
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.	2018/19	Open Management comment
We have considered the fraud risk of Milford Community Trust's management systems in place as appropriate.	2018/19	Open Management comment

Implemented or closed recommendations

Recommendation	First raised	Status
<p>Renew of the 2012 Fraud Policy</p> <p>It was recommended in that the fraud policy should be reviewed and updated as the current policy was implemented in 2012. It was confirmed that in 2018/19 this was 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.</p>	2016/17	Closed
<p>Independently review all journals</p> <p>All journals has been Independently reviewed</p>	2016/17	Closed
<p>Cut off expenditure</p> <p>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.</p> <p>In this case the amount was not material to be a prior period error, and has instead been recognised in the 2018 financial year.</p>	2017/18	Closed

Appendix 2: 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 performance report and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the performance report does not relieve management or the Trust of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Trust.</p>
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 all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Trust and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the 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): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than the audit, we have no relationship with, or interests in, the Trust.</p>
Fees	<p>The audit fee for the year is \$4,208, 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 the 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 the Trust during or since the end of the financial year.</p>



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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Christchurch 8140

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Milford Performance Report

Record No: R/20/10/62979

Author: Simon Moran, Community Partnership Leader

Approved by: Rex Capil, Group Manager Community and Futures

Decision

Recommendation

Information

Purpose

- 1 To provide the trust with the Milford Community Trust Performance Report (attachment A) for the year ended 30 June 2020 so it can be adopted.

Executive Summary

- 2 Milford Community Trust, as a Council controlled organisation, is usually required by the Local Government Act 2002 to develop and adopt a Performance Report within three months of the end of a financial year but due to Covid-19 pandemic, legislation was passed to extend the deadline to 30 November 2020.
- 3 The Performance Report is a means for the Trust to account and report to the community on its performance for the preceding financial year. It reports on outcomes, performance measures, both financial and non-financial and provides the actual results against budgeted results.
- 4 The Performance Report compares and comments on the performance of the Trust against the budget and operating targets set in their Statement of Intent 2019-2022.
- 5 The Performance Report has been reviewed by the Financial Accountant and Southland District Council's Community Partnership Leader prior to being audited by Audit New Zealand ("Audit NZ"). Changes required from these processes have been incorporated into the document.
- 6 The final draft Performance Report for the year ended 30 June 2020 is attached to this report (attachment A).

Recommendation

That the Milford Community Trust:

- a) **Receives the report titled “Milford Performance Report” dated 27 October 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) **Adopts the Milford Community Trust Performance Report (attachment A) for the year ended 30 June 2020.**
- e) **Delegates authority to the Chairperson to sign the letter of representation to Audit New Zealand (attachment C) on behalf of Trust.**
- f) **Agrees that the audited performance report be delivered to shareholders and be made available to the public by 30 November 2020.**

Background

- 7 The performance report is a means of accounting for the Trust's activities for the 2019/2020 financial year. It reports on targets and budgets in the Statement of Intent 2019-2022.
- 8 The Performance Report details the operating activities of the Trust and includes financial statements for the Trust. The report and financial statements have been audited by Audit NZ on behalf of the auditor-general.
- 9 As the Trust is a Council controlled organisation, it is required to comply with sections of the Local Government Act 2002 outlined below. Part of this includes the delivery of the audited performance report to shareholders; for this purpose the Trust shareholders have been defined as Southland District Council, the Department of Conservation and Environment Southland. The Trust must also make the performance report information available to the public.

Status of the Report

- 10 At the time of writing this report, Audit NZ have completed their audit fieldwork and review of the Performance Report. Verbal audit clearance has been received along with their draft audit opinion (attachment B), and the draft representation letter (attachment C) on Thursday 22 October 2020. Any changes to the document will be tabled at the meeting.
- 11 The letter of representation to Audit NZ is required to be signed by the chairman and a trustee.

Trust Performance

- 12 The Performance Report for the year ended 30 June 2020 details the performance of the Trust against the key performance targets that were specified in the Statement of Intent 2019-2022
- 13 The Trust achieved one of the two key performance indicators set for the 2019/2020 year. The February flooding event followed by the Covid-19 pandemic response prevented the Trust from meeting the target of holding a public forum in Milford Sound Piopiotahi.

Activities

- 14 The Performance Report 2019/2020 includes summarised information about the planned activities of the Trust and their status as programmed in the Statement of Intent 2019-2022.
- 15 During 2019/2020 the Trust lodged a concession application for the recreation centre with the Department of Conservation, however, it was initially noted that there may be some issues with that site.

Financial Results

- 16 These financial statements have been prepared in accordance with Tier 3 PBE accounting standards. Explanations of the variances between actual results and budgeted results for 2019/2020 year can be found in note 9 of the Performance Report.

Statement of Financial Performance

- 17 The Statement of Financial Performance (Page 11 of the Performance Report) outlines the actual income and expenditure compared to budget. The Trust ended with a surplus of \$100,075 compared with a budgeted surplus of \$101,088.

- 18 The surplus is primarily intended to fund the construction of the proposed recreation centre.

Statement of Financial Position

- 19 Term deposits are higher than budgeted primarily due to work on the Cleddau Village Recreation Building not commencing. All surplus funds have been invested in term deposits.

Issues

- 20 There are no unresolved issues in relation to the Performance Report for the year ended 30 June 2020.
- 21 It should be noted that Audit NZ are proposing to issue an unqualified audit opinion, however it will include an emphasis of matter paragraph in relation to the impact of Covid-19 (refer attachment B). Audit NZ have advised that the Office of the Auditor General have requested an emphasis of matter paragraph be included in all audit opinions of financial statements with a balance date of 30 June 2020. This is to bring to the readers' attention the uncertainties in regards to the impact of Covid-19.

Factors to Consider

Legal and Statutory Requirements

- 22 Under the Local Government Act 2002, the Trust must prepare and adopt a performance report in respect of each financial year.

Costs and Funding

- 23 The audit fee for the Performance Report for the year ended 30 June 2020 is \$4,208 (excluding GST), which was paid on 20 October 2020.
- 24 There are no additional financial considerations associated with making a decision on whether to adopt the Performance Report.

Policy Implications

- 25 Section 67 of the Local Government Act 2002 requires that a Council controlled organisation must deliver to the shareholders, and make available to the public a report on the organisation's operations during the year. The information required to be included are defined in Section 68 and 69 of the Local Government Act 2002 and the trust's own statement of intent for the financial year.
- 26 Section 68 requires enough information to be included to enable an informed assessment of the operations of the trust including an assessment of performance against the statement of intent and an explanation of any major variances.
- 27 Section 69 requires that the report include an auditor's report and that the audited statements be prepared within generally accepted accounting practice which incorporates the New Zealand International Financial Reporting Standards.

Next Steps

- 28 Once the Trust adopts the performance report for the year ended 30 June 2020, the signed version will be forwarded to the auditors and the final audit opinion will be issued. A copy of the final audited performance report will be circulated to the stakeholders.

Attachments

- A Performance report for the year ended 30 June 2020 [↓](#)
- B Draft Audit Opinion from Audit NZ for 2019/2020 [↓](#)
- C Representation letter for the year ended 30 June 2020 [↓](#)



MILFORD COMMUNITY TRUST

DRAFT

PERFORMANCE REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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Entity Information

Legal Name:

Milford Community Trust Board

Type of Entity and Legal Basis:

Charitable Trust

Registration Number:

CC39881

Mission:

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.

Structure of the Trust:**Date of Settlement:**

May 2007

Settlor:

Southland District Council

Current Trustees:

Ebel Kremer
Tim Holland
Jason Steele
Brad Johnstone
Rosco Gaudin

Term of Office:

Councillor and Interim Chairperson
Four Years
Four Years
Three Years
Four Years

Manager:

Southland District Council

Secretary:

Southland District Council

Trust Capital:

100 dollars

Main Sources of Resources:

Milford Community Trust's primary source of income is via a concessionaire's fee charged to local organisations on a quarterly basis.

Chairperson's Report

It's been a most challenging year for the Milford Community and Tourist Operators operating out of Milford Sound.

In February the Milford Sound area experienced a major "weather bomb" resulting in significant flooding and devastation in and around Milford. Milford road was closed for several weeks until some major road repairs allowed for organised vehicle convoys to gain access to Milford Sound. This devastation had an immediate negative economic impact on the Tourist operators with a follow on effect to the Milford Community in dealing with the floods itself followed by the flood clean-up work.

I'd like to give special acknowledgement of the Milford Emergency Response Team and community members who provided exceptional services to the Milford Community and to the hundreds of tourists evacuated from the Milford area by Helicopter. All tourists were evacuated with no major injuries or loss of life during this natural disaster and evacuation process, a credit to all those involved.

The impact of the February Floods followed by Covid 19 has been devastating to Milford's economy occurred as it did just as the Milford road was getting back to some normality with an increase of Tourist traffic to and from Milford Sound. The effect of Covid 19 on the Milford Community cannot be underestimated. Tourist operators struggling to survive have had no option but to reduce their level of staff, resulting in redundancies and some staff employment positions changed from full time to part time. This restructuring by Tourist Operators has decreased the number of residents living in the Milford accommodation village.

The Trust has recognised the significant financial impact the February floods and the continuation of Covid 19 has had, and continues to have on the economic viability of the Milford Tourist industry. It is for this reason the Trust decided not to invoice the last financial quarter contribution to the Trust. This approach was seen by the Trust as a way of acknowledging the economic down turn plus providing a level of support to the Milford Operators during such adverse times.

The Trust has also decided to place on hold for a period of up to 12 months the construction of the Recreational Facility. To construct a facility in these uncertain times and place additional responsibility on the Milford Sound Residents is, in the Trust's view, unwise. In addition, the ongoing financial contribution by the Concession holders towards the Recreational Facility would be inappropriate under the difficult times being experienced with Covid 19.

Over the next twelve months the Trust will continue discussions with DOC as to a possible alternative site for the Recreational Facility with the end goal in mind for the facility to be adjacent to the tennis courts.

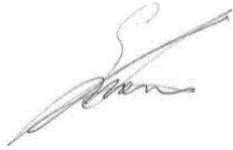
The down turn in high tourist numbers provides an opportunity to review the number of trustees required on the trust and to review the Trust's deed itself ensuring the deed is appropriate and reflects the outcomes the Trust needs to focus on.

On behalf of the Trust I wish to thank Tim Holland and Jason Steele for their commitment and support during their time on the Trust. I wish them well in their new adventures.

Thank you to all the trustees for their support and assistance. Also my thanks to SDC staff Simon Moran for your support and guidance. I would also wish to recognise and thank DOC representative Antonia Croft for her attendance and advice.

I look forward to working alongside fellow Trustees as we meet new and challenging times. I

also look forward to enhancing the Trust's relationship with relevant agencies and organisations as we work together for the benefit and improvement of the Milford Community and its visitors.

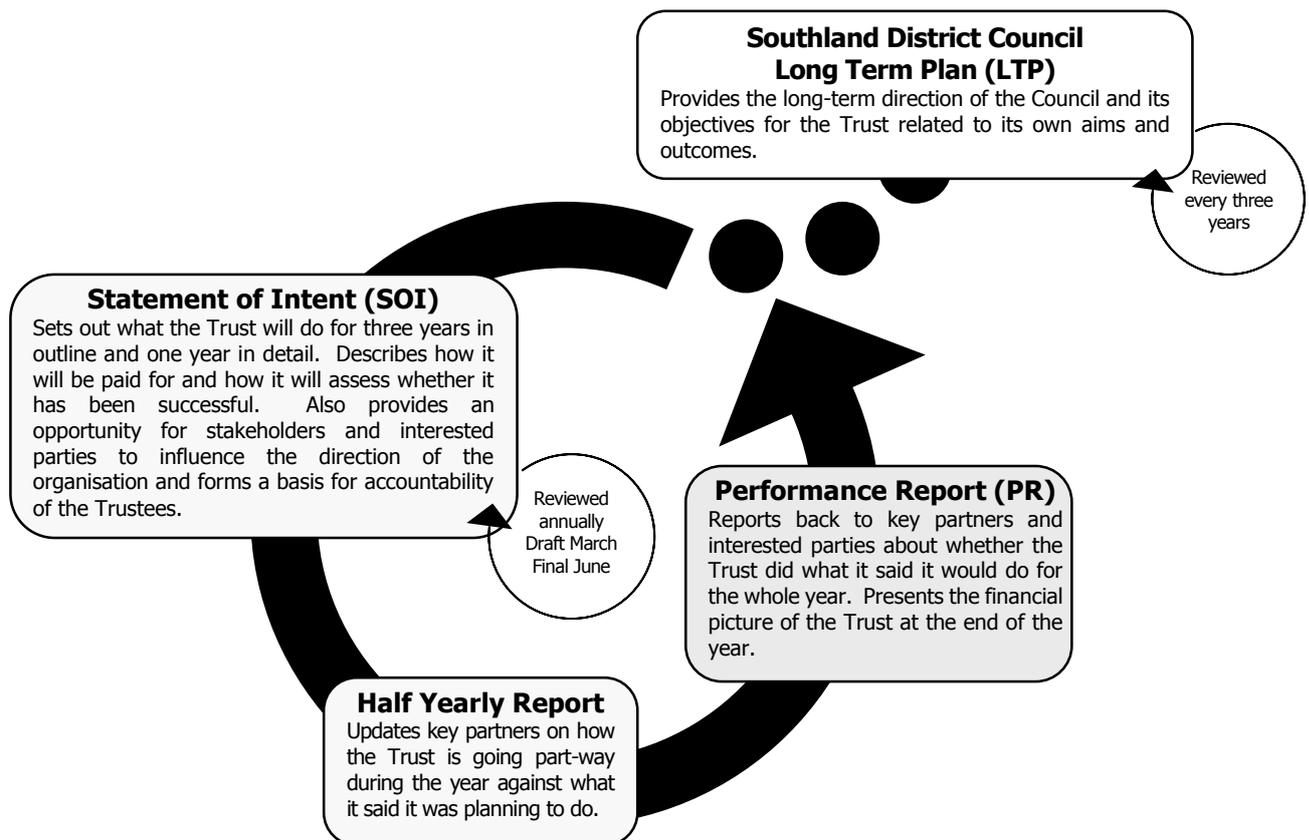


Ebel Kremer
Interim Chairperson
Milford Community Trust

What is the Performance Report?

Each year a Performance Report is produced for the Milford Community Trust which compares activities performed with those intended as set out in the Trust’s Statement of Intent for the year. This information allows the operation of the Trust to be assessed by its key partners and other interested parties. This document reports in the Trust’s activities during the year 1 July 2019 to 30 June 2020 which was the period of Year 1 in the Statement of Intent 2019/2022.

As a Council Controlled Organisation (CCO), the Milford Community Trust has obligations to report on its activities under the Local Government Act 2002.



Performance Information

This section reports on the Trust's performance compared against what was intended in the Statement of Intent.

Objectives

The Trust has several key objectives which guide its activities, namely:

- (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.

Reporting on the activities of the Trust as well as actual performance against planned targets provides information which can be used to evaluate progress being made towards these objectives. The Trust's Statement of Intent includes a number of performance targets and specific projects which are reported on below.

Governance Report

The Milford Community Trust was established in 2007 following a process of consultation with residents, agencies and businesses with interests in Milford. This followed 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 is governed by a board of seven Trustees with representatives from stakeholder groups as shown in the table below. 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.

Four meetings, which are open to the public, were held during the year. These meetings were held as follows;

26 September 2019 at Te Anau
10 December 2019 at Te Anau
26 February 2020 at Te Anau
19 June 2020 via Zoom

Trustees are detailed in the table below;

The Designation	Trustee Name	Appointed	Term Expires
Te Anau Ward Councillor, ex-officio appointment Interim Chair	Ebel Kremer	Oct 2019	Oct 2022
		Dec 2019	Dec 2020
Milford Community Association elected representative	Brad Johnstone	June 2017	June 2020
Milford Community appointees	Rosco Gaudin	Dec 2020	June 2023
	Jason Steele	June 2018	June 2021
	Tim Holland	Aug 2016	June 2020

Trustee appointments

No Trustees were appointed in 2019/2020. The Trust expects to fill the two vacant Trustee positions as well as the two positions that expired in June 2020 in the coming year.

Performance Targets

The information below sets out how the Trust performed against the key performance indicators from the Statement of Intent chosen to reflect the level of service to be provided.

The table shows what Level of Service the Trust said it would provide, how this will be measured, the target for the 2019/2020 year and whether the targets were achieved, partially achieved or not achieved and the reason for any significant variance.

What the Trust said will provide	How the Trust said it will measure the service provided		
	Key Performance Indicator	Target	Achievement
Maintain a structure that facilitates local decision-making.	Number of Milford Community Trust meetings held annually	4	Achieved. Four meetings were held in 2019/20 in September, December, February, and June. (2018/19 : Achieved)
Keep the Milford community informed about Trust plans and outcomes.	Hold public forums in Milford each year.	1	Not Achieved. Due to Trustee commitments then the flood event and Covid-19 no forum was held in Milford during 2019/20. (2018/19 : Achieved)

Activity Report

The information below reports on the planned activities included in the Statement of Intent 2019-2022 as well as any unplanned for activities actually carried out during the year.

Activity Description	Date	Status
Planned Activities		
Advocate and assist with other organisations for strategic improvements in community planning in Milford Sound.	June 2020	There have been ongoing discussions with the Department of Conservation primarily through their representatives who attend the Trust meetings. The Cahir has also participated in discussions with the Milford Opportunities Project consultants who are working on a long-term master plan for Milford.
Advocate with other organisations for public toilets and shelter at the airport and a walking track to the Lodge	June 2020	No progress has been made in relation to the public toilets/shelter at the airport. The Trust considers that it is up to the Lodge to drive the walking track project and to come back to it with further information.
Assist Milford Community Association with the ongoing development of Cleddau Village recreation area to accommodate the community centre.	June 2020	Construction was intended to occur however, flooding and Covid-19's impacts on tourism have affected this project. The Trust decided to put it on hold for 12 months but has applied for the required concession from the Department of Conservation.
Provide funding for medical support, services and facilities for the Milford Emergency Response Team station.	June 2020	The Trust decided to allocate \$80,000 p.a. in conjunction with Milford Sound Tourism Limited to ensure there was full time medical coverage for Milford. No appointments were made prior to the flooding and Covid-19 events of 2020 and it is unlikely that they will occur in the next 12 months.
Purchase of emergency response equipment as required.	June 2020	None required this year.
Facilitate the construction of the Milford recreation centre if it gets approval.	June 2020	Construction was intended to occur however, flooding and Covid-19's impacts on tourism have affected this project. The Trust decided to put it on hold for 12 months but has applied for the required concession from the Department of Conservation.
Advocate for the continuation of maintaining beautification and roading within the village and Deepwater basin.	June 2020	Lobbying of the Department of Conservation and Council has continued primarily through the Trust meetings where representatives are present.
Unplanned Activities		
None		
Information Requirements		
Draft Statement of Intent approved by the Trust.	30 March 2020	Achieved. Although the Trust did not have a quorum at its February meeting the Trustees subsequently confirmed their approval of the SOI.

Activity Description	Date	Status
Final Statement of Intent prepared and circulated to key partners.	30 June 2020	Achieved. The final statement of intent was provided to Southland District Council at its 7 th May 2020 meeting.
Half yearly report prepared and circulated to key partners.	30 March 2020	Not Achieved. Due to the Covid-19 lockdown the half yearly report was not provided to Southland District Council until its 7 th May 2020 meeting.

Compensation

In the Statement of Intent, the Trust indicated that it would require funding (investment) from parties for undertaking particular activities. The Trust is required to report on compensation provided by key partners in particular. The table below details the actual compensation versus what was budgeted in the Statement of Intent.

Contribution	Activity	2019/2020 Budgeted	2019/2020 Actual	Comment
Key Partners				
Other Sources				
Concessionaires (via Concession Activity Fee)	Governance Costs	\$150,583	\$112,938	The Trustees at their June 2020 meeting decided that due to the effects of Covid-19 on the revenues of tourism companies (all MCT revenue is derived from tourism operators), it would not invoice for the last quarter of the financial year and consciously forego the income in order to support the operators.

Value of Stakeholders Investment

The net value of the stakeholders' investment in the Trust is estimated to be \$463,587 as at 30 June 2020. The assessment uses the value of stakeholders' funds as a guide.

Milford Community Trust
Statement of Financial Performance
For the year ended 30 June 2020

	Actual 2020	Budget 2020	Actual 2019
Revenue			
Concessionaires Income	112,938	150,583	136,893
Grant	-	-	-
Interest Income	9,994	-	6,943
Trustee Fees Forgiven	3,000	-	3,600
Total Revenue	125,931	150,583	147,436
Expenses			
Accommodation and Meals	-	800	(95)
Administration Fees	44	67	44
Advertising - Newspaper	38	600	-
Audit Fees	4,208	4,300	4,199
Bank Fees	40	40	79
Catering Expenses	(3)	500	98
Chairpersons Fees	10,000	10,000	10,000
Depreciation	1,502	1,613	1,549
General Expenses	346	500	420
Legal Costs	832	-	-
Deepwater Basin Walkway	-	-	86,934
Medical Clinic	-	15,000	-
Mileage	-	1,500	338
Project Development & Planning	3,030	5,000	-
Radio Tower	-	370	-
Room Hire	(7)	600	185
Trustees Fees	3,000	6,000	3,900
Insurance	2,825	2,605	2,675
Total Expenses	25,856	49,495	110,327
Surplus/(Deficit) for the Year	100,075	101,088	37,110

The above statement should be read in conjunction with the following Statement of Accounting Policies and Notes to the Financial Statements.

Milford Community Trust
Statement of Changes in Equity
For the year ended 30 June 2020

	Actual 2020	Budget 2020	Actual 2019
Total Equity at beginning of year	363,512	302,754	326,402
Net Surplus/(Deficit)	100,075	101,088	37,110
Equity at end of year	463,586	403,842	363,512

Milford Community Trust
Statement of Financial Position
As at 30 June 2020

	Note	Actual 2020	Budget 2020	Actual 2019
Assets				
Current Assets				
Bank Accounts and Cash	2	17,843	15,000	42,802
Short Term Deposit	3	410,000	16,859	275,000
Debtors		119	100	773
Accrued Income		2,545	-	1,532
GST Recievable		-	28,485	1,388
Total Current Assets		430,506	60,444	321,494
Non-Current Assets				
Property, Plant and Equipment	4	48,573	548,398	50,075
Total Non-Current Assets		48,573	548,398	50,075
Total Assets		479,079	608,842	371,569
Liabilities				
Current Liabilities				
Accrued Expenses		7,798	5,000	7,859
Creditors		2,507	-	198
Term Loan - Current Portion		-	36,376	-
GST Payable		5,187	-	-
Total Current Liabilities		15,492	41,376	8,057
Non-Current Liabilities				
Term Loan - Non Current		-	163,624	-
Total Non-Current liabilities		-	163,624	-
Total Liabilities		15,492	205,000	8,057
Net Assets		463,587	403,842	363,512
Accumulated Funds				
Trust Capital	7	100	100	100
Accumulated Surplus/(Deficit)		463,487	403,742	363,412
Total Accumulated Funds		463,587	403,842	363,512

The above statement should be read in conjunction with the following Statement of Accounting Policies and Notes to the Financial Statements.

Trustee

Trustee

Date Signed:

Milford Community Trust
Statement of Cash Flows
For the year ended 30 June 2020

	Actual 2020	Actual 2019
Cash Flows from Operating Activities		
Cash was received from:		
Receipts from Concessionaires Income	113,507	136,972
Grants	-	-
Interest Received	8,981	5,929
Cash was applied to:		
Goods and Services Tax (Net)	6,961	(15,007)
Payment to Suppliers and Employees	(19,407)	(103,570)
Net Cash Flows from Operating Activities	110,042	24,324
Cash Flows from Investing Activities		
Cash was received from:		
Term Deposit Maturity	275,000	289,807
Cash was applied to:		
Investment In Property, Plant and Equipment	-	-
Investment In Term Deposit	(410,000)	(275,000)
Net Cash Flows from Investing Activities	(135,000)	14,807
Net Cash Flows from Financing Activities	-	-
Net Increase/(Decrease) in Cash	(24,958)	39,131
Opening Cash	42,801	3,671
Closing Cash	17,843	42,801

The above statement should be read in conjunction with the following Statement of Accounting Policies and Notes to the Financial Statements.

Statement of Accounting Policies

For the year ended 30 June 2020

BASIS OF PREPARATION

Milford Community Trust has applied PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) on the basis that it does not have public accountability and has total annual expenses of equal to or less than \$2 million.

All transactions in the Performance Report are reported using the accrual basis of accounting.

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

SIGNIFICANT ACCOUNTING POLICIES

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 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.

At balance date, trustee's fees that have not been claimed are recognised as revenue.

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 diminishing value 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
------------------	----	------------------

Income Tax

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

Budget Figures

The budget figures are derived from the 2019-2022 Statement of Intent as approved by the Trustees on 5 April 2019. 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.

Changes in Accounting Policies

There have been no changes to the accounting policies applied in the financial statements from the prior year.

Goods and Services Tax

The Trust is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors which are stated inclusive of GST.

Notes to the Financial Statements

For the year ended 30 June 2020

1. Post balance date events

Southland District Council appointed two new Trustees to Milford Community Trust at their 22 July 2020 Council meeting. The new Trustees are Stephen Norris and Tony Woodham.

2. Bank accounts and cash

Account	2020	2019
BNZ Cheque Account	819	3,756
BNZ Savings Account	17,024	39,046
Total	17,843	42,802

Interest rates on the BNZ Cheque and Savings accounts at 30 June 2020 are 0.05% and 0.05% per annum respectively (2019: 0.1% and 0.1%).

3. Investments

Account	2020	2019
Term Deposit(s)	410,000	275,000
Total	410,000	275,000

Five term deposits are held with BNZ at 30 June 2020.

- A \$150,000 deposit, maturing 24/08/2020, at 2.75% interest.
- A \$100,000 deposit, maturing 09/09/2020, at 2.41% interest.
- A \$50,000 deposit, maturing 28/10/2020, at 2.12% interest.
- A \$50,000 deposit, maturing 11/11/2020, at 2.06% interest.
- A \$60,000 deposit, maturing 26/3/2021, at 1.83% interest.

Four term deposits were held with BNZ at 30 June 2019.

- A \$30,000 deposit, maturing 18/07/19, at 1.64% interest.
- A \$120,000 deposit, maturing 22/07/19, at 3.08% interest.
- A \$45,000 deposit, maturing 11/12/19, at 3.30% interest.
- A \$80,000 deposit, maturing 09/03/20, at 3.12% interest.

4. Property, plant and equipment

	Land Improvements	Total
Carrying Amount at 1 July 2018	51,624	51,624
Additions	-	-
Disposals (net of Accumulated Depreciation)	-	-
Depreciation Expense	(1,549)	(1,549)
Carrying Amount at 30 June 2019	50,075	50,075
Carrying Amount at 1 July 2019	50,075	50,075
Additions	-	-
Disposals (net of Accumulated Depreciation)	-	-
Depreciation Expense	(1,502)	(1,502)
Carrying Amount at 30 June 2020	48,573	48,573

* Land Improvements relates to the construction of the Cleddau Village Recreational Reserve asphalt pad. Construction was completed in March 2017.

5. Contingent assets and liabilities

There are no contingent assets or liabilities as at 30 June 2020 (Nil June 2019).

6. Commitments

The Trust has no commitments as at 30 June 2020 (Nil June 2019).

7. Accumulated Funds

	2020	2019
Contributed Capital		
Balance at 1 July	100	100
Balance at 30 June	<u>100</u>	<u>100</u>
Accumulated Surplus		
Balance at 1 July	363,512	326,402
Surplus/(Deficit) for the year	100,075	37,110
Balance at 30 June	<u>463,587</u>	<u>363,512</u>
Accumulated funds	463,587	363,512

8. Related Parties

Department of Conservation and Southland District Council with the assistance of Environment Southland worked together setting up a Council Controlled Organisation in the form of this Trust, and therefore are the stakeholders of the Trust.

The Trust had transactions with DOC during the year of \$759 (2019 \$920) for current year concessionaires income.

The Trust had no transactions with Southland District Council during the year (2019 Nil).

The Trust had no transactions with Environment Southland during the year (2019 Nil).

Additionally, Trustees have interests in organisations within Milford Sound which contribute to the Trust through payment of a concessionaire's fee. Related party disclosures have not been made for transactions with these organisations as the setting of these fees is conducted under terms and conditions no more or less favourable than those that it is reasonable to expect the Trust would have adopted in dealing with the party at arm's length in the same circumstances.

9. Explanation of major variances against budget

Explanations for major variations from the Trust's budget for the year ending 30 June 2020 Statement of Intent are as follows:

- **Statement of Financial Performance**

- The fourth quarter concessionaires invoicing was not completed as the Trust resolved on the 19 June 2020 to forego this revenue, to provide relief for the Concessionaires due to the impact on tourism from the February floods and Covid-19.
- No accommodation and meal costs, were incurred as the audit is completed offsite.
- No Trustee fees or mileage was claimed by Trustees for the year.
- Legal costs relate to advice received regarding, amending the current Trust Deed.
- Project development costs relate to consultants work on the submission of the concessionaire application to the Department of Conservation (DOC) for the proposed recreation centre.
- Medical Clinic support discussions/contracts were not finalised by 30 June 2020, hence no costs incurred.

- **Statement of Financial Position**

- Term Deposits are higher than budgeted primarily due to minimal progress on the recreation centre project. All surplus funds have been invested in term deposits.
- GST Receivable, Property, Plant and Equipment and Term Loan balances are lower than budget due to the work on the Cleddau Village recreation centre being slower to progress than anticipated as a result of the February flooding event and Covid-19.

10. The impact of Covid-19 on the Trust

On 11 March 2020, the World Health Organisation declared the outbreak of Covid-19 a pandemic and two weeks later the New Zealand government declared a State of National Emergency. The country was in lockdown at alert level four from 26 March 2020 to 27 April 2020, and then remained in lockdown at alert level three until 13 May 2020. Additionally the country's borders have been closed throughout lockdown and continue to date.

During this period and post 13 May 2020, the Trust operations were not significantly affected other than support staff moved to "working from home" and Trustee meetings being held via video conference rather than in person.

The effect on the Trust's operations is reflected in these financial statements, based on the information available to the date these statements are signed. The impact is considered to be minimal as the Trust does not operate public facilities and its income is not directly driven by tourism. However it is important to recognise that the organisations that pay the concessionaire fees to the Trust are heavily reliant on the tourism industry. The Trust therefore decided not to invoice concessionaire fees for the period 1 April 2020 to 31 December 2020. This approach was seen by the Trust as a way of acknowledging the economic down turn and providing a level of support to the Milford operators during adverse times.

The Trust has also decided to place on hold for a period of up to 12 months on the construction of the recreational facility and the ongoing financial contribution by the concessionaires towards the recreational facility would be inappropriate under the difficult times being experienced with Covid-19. Due to the infancy of this project no contract variations were incurred as a result of Covid-19.

As at the date of this report, the Trust has not received any enquiries from concessionaires raising concerns about their ability to pay. Additionally the Trust's only property asset (the recreational pad), is recognised at cost at there is no impact on its value as a result of Covid-19.

On this basis it is anticipated that the ongoing effect of Covid-19 on the Trust will be minimal, however some uncertainties remain. There could also be other matters that affect the Trust in the future, of which we are not yet aware.

Independent Auditor's Report**To the readers of Milford Community Trust's performance report
for the year ended 30 June 2020**

The Auditor-General is the auditor of Milford Community Trust (the Trust). The Auditor-General has appointed me, Dereck Ollsson, using the staff and resources of Audit New Zealand, to carry out the audit of the performance report of the Trust on his behalf.

Opinion

We have audited:

- the financial statements of the Trust on pages 11 to 19, that comprise the statement of financial position as at 30 June 2020, the statement of financial performance, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Trust on pages 7 to 10.

In our opinion:

- the financial statements of the Trust:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) Standard; and
- the performance information of the Trust presents fairly, in all material respects, the Trust's achievements measured against the performance targets adopted for the year ended 30 June 2020.

Our audit was completed on 5 November 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the Trust. In addition, we outline the responsibilities of the Trustees and our responsibilities relating to

the financial statements and the statement of service performance, and we explain our independence.

Emphasis of matter – Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Trust as set out in the statement of accounting policies.

Basis for our opinion

We carried out our 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. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General’s Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Trustees for the performance report

The Trustees are responsible on behalf of the Trust for preparing the performance report that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

This responsibility arises because the Trust has elected to prepare performance information in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) Standard.

The Trustees are responsible for such internal control as they determine is necessary to enable them to prepare the performance report that are free from material misstatement, whether due to fraud or error

In preparing the performance report, the Trustees are responsible on behalf of the Trust for assessing the Trust’s ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the Trustees intend to wind up the Trust or to cease operations, or have no realistic alternative but to do so.

The Trustees’ responsibilities arise from clause “*Local Government Act 2002*” of the Trust Deed of the Trust.

Responsibilities of the auditor for the audit of the performance report

Our objectives are to obtain reasonable assurance about whether the performance report, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this performance report.

We have agreed to audit the performance report that the Trustees have elected to prepare for the Trust.

We did not evaluate the security and controls over the electronic publication of the performance report.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risk of material misstatement of the performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 the Trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- We evaluate the appropriateness of the reported performance within the Trust's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the performance report, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether the performance report represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities to audit the financial statements arise from the Public Audit Act 2001.

Other information

The Trustees are responsible for the other information. The other information comprises the information included on pages 3 to 6, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the performance report does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the performance report, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Trust in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirement of the Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Trust.

Dereck Ollsson
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

5 November 2020

Dereck Ollsson
Appointed Auditor
Audit New Zealand
PO Box 2
Christchurch 8140

Dear Dereck

Representation letter for the year ended 30 June 2020

This representation letter is provided in connection with your audit, carried out on behalf of the Auditor-General, of the financial statements and statement of performance of Milford Community Trust (the Trust) for the year ended 30 June 2020 for the purpose of expressing an independent opinion about whether:

The financial statements:

- present fairly, in all material respects:
 - the financial position as at 30 June 2020; and
 - the financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) Standard.

The statement of performance:

- presents fairly, in all material respects, the performance for the year ended 30 June 2020, including:
 - the performance achievements as compared with forecasts included in the performance target for the financial year; and
 - the actual revenue and expenses as compared with the forecasts included in the performance target for the financial year; and
- complies with generally accepted accounting practice in New Zealand.

We understand that your audit was carried out in accordance with the Auditing Standards issued by the Auditor-General, which incorporate the International Standards on Auditing (New Zealand).

General representations

To the best of our knowledge and belief:

- the resources and activities under our control have been operating effectively and efficiently;
- we have complied with our statutory obligations including laws, regulations, and contractual requirements;
- we have carried out our decisions and actions with due regard to minimising waste;

- we have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector (that is, we have carried out our decisions and actions with due regard to probity); and
- any decisions or actions have been taken with due regard to financial prudence.

We also acknowledge that we have responsibility for designing, implementing, and maintaining internal control (to the extent that is reasonably practical given the size of the Trust to prevent and detect fraud.

Representations on the financial statements and the statement of performance

We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements and statement of performance, and that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have fulfilled our responsibilities for preparing and presenting the financial statements and the statement of performance as required by Local Government Act 2002 and, in particular, that:
- The financial statements:
 - present fairly, in all material respects:
 - the financial position as at 30 June 2020; and
 - the financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) Standard.
- The statement of performance:
 - presents fairly, in all material respects, the performance for the year ended 30 June 2020, including:
 - the performance achievements as compared with forecasts included in the performance targets for the financial year; and
 - the actual revenue and expenses as compared with the forecasts included in the performance targets for the financial year; and
 - complies with generally accepted accounting practice in New Zealand.
- We believe the significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- We have appropriately accounted for and disclosed the related party relationships and transactions in the financial statements.
- We have adjusted or disclosed all events subsequent to the date of the financial statements and the statement of performance that require adjustment or disclosure.
- We believe the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements and statement of performance as a whole. A list of the uncorrected misstatements is attached to this representation letter.
- We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. Where applicable, such litigation and claims have been accounted

for and disclosed in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) Standard.

- The financial statements and performance information adequately disclose the impact of COVID-19.

Representations about the provision of information

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- We have provided you with:
 - all information, such as records and documentation, and other matters that are relevant to preparing and presenting the financial statements and the statement of performance; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- We have disclosed to you the results of our assessment of the risk that the financial statements and statement of performance may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements and the statement of performance.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements and statement of performance communicated by employees, former employees, analysts, regulators, or others.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements and the statement of performance.
- We have provided you with all the other documents ("other information") which will accompany the financial statements and the performance information which are consistent with one another, and the other information does not contain any material misstatements.
- We have disclosed the identity of the related parties, all of their relationships, and all of their transactions of which we are aware.
- We have disclosed to you all information in relation to the impacts that the COVID-19 pandemic has had on the trust that could affect the financial statements and performance information.

Publication of the financial statements and statement of performance and related audit report on a website

- The Trust accepts that it is responsible for the electronic presentation of the audited financial statements and statement of performance.
- The electronic version of the audited financial statements and statement of performance and the related audit report presented on the website are the same as the final signed version of the audited financial statements and statement of performance and audit report.
- We have clearly differentiated between audited and unaudited information on the website and understand the risk of potential misrepresentation without appropriate controls.
- We have assessed the security controls over audited financial and performance information and the related audit report, and are satisfied that procedures are adequate to ensure the integrity of the information provided.
- Where the audit report on the full financial statements and statement of performance is provided on a website, the financial statements and statement of performance are also provided in full.

Going concern basis of accounting

We confirm that, to the best of our knowledge and belief, the Trust has adequate resources to continue operations at its current level for the foreseeable future. For this reason, the Trustees continues to adopt the going concern basis of accounting in preparing the financial statements and the statement of performance for the year ended 30 June 2020. We have reached this conclusion after making enquiries and having regard to circumstances that we consider likely to affect the Trust during the period of one year from date of signing the financial statements and the statement of performance, and to circumstances that we know will occur after that date which could affect the validity of the going concern basis of accounting.

We consider that the financial statements and the statement of performance adequately disclose the circumstances, and any uncertainties, surrounding the adoption of the going concern basis of accounting by the Trust.

Throughout the year, the Trust has complied with the requirements of its banking arrangements, debenture trust deeds, or negative pledge agreements, including those relating to its net tangible assets ratios.

The representations in this letter are made at your request, and to supplement information obtained by you from the records of the Trust and to confirm information given to you orally.

Yours sincerely

Ebel Kremer - Chairperson

Trustee

Appendix 1: Uncorrected misstatements

Note	Statement of comprehensive income		Statement of financial position	
	Dr \$000	Cr \$000	Dr \$000	Cr \$000
1				
2				
3				

Explanation for uncorrected differences

1 [Description]

2 [Description]

3 [Description]

Detail of performance information misstatement	Explanation of why not corrected

Appendix 2:

Uncorrected disclosure deficiencies

Detail of disclosure deficiency	Explanation of why not corrected