

Agenda for a meeting of the Waikato District Community Wellbeing Trust to be held in the Te Piringa Boardroom, District Office, 15 Galileo Street, Ngaruawahia on **TUESDAY 25 FEBRUARY 2020** commencing at **12.30pm**.

1. **APOLOGIES AND LEAVE OF ABSENCE**
2. **CONFLICT OF INTEREST AND DISCLOSURES**
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Meeting held on 10 December 2019
4. **ACTION POINTS UPDATE**
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7. **QUARTERLY CERTIFICATE OF COMPLIANCE FOR PERIOD ENDING 31 DECEMBER 2019** 11
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Reimburse WDC for payments made on behalf of the Trust
9. **WAIKATO DISTRICT COUNCIL COMMUNITY WELLBEING TRUST DRAFT STATEMENT OF INTENT FOR 2020/21** 19
Investment Portfolio and Distribution Policy review
10. **ANNUAL INVESTMENT MANDATE REVIEW** 35
Time with Kiwi Wealth Limited representative (Roger Browne)
11. **FINAL MANAGEMENT REPORT FOR YEAR ENDED 30 JUNE 2019** 36
12. **GENERAL BUSINESS**

MINUTES of a meeting of the Community Wellbeing Trust held in the Ruru Room, District Office, 15 Galileo Street, Ngaruawahia on **TUESDAY 10 DECEMBER 2019** commencing at **9.00am.**

Present:

Cr J Church (Chairperson)
Ms E Bateup
Cr R McGuire
His Worship the Mayor, Mr AM Sanson.

Attending:

Ms A Diaz (Chief Financial Officer)
Ms M Davis (Financial Accountant)
Ms L van den Bemd (Community Development Advisor)
Ms E Wilson (Minutes)

Apologies and Leave of Absence

Agenda Item 1

THAT apologies be received from Ms Judi Muru.

Resolved: (Cr McGuire / Cr Church)

CARRIED on the voices

WBT1912/1

Conflict of Interest and Disclosures

Agenda Item 2

THAT there were no disclosures of interest.

CARRIED on the voices

WBT1912/2

Confirmation of Minutes
Agenda Item 3

Re number the Agenda items listed in the minutes.

Resolved: (Cr Church / Cr McGuire)

THAT the minutes of the meeting of the Waikato District Community Wellbeing Trust held on Friday 27 September 2019 be confirmed as a true and correct record of that meeting;

CARRIED on the voices

WBT1912/3

Action Points update
Agenda item 4

No updates required.

CARRIED on the voices

WBT 1912/4

Approved Grants and Payment Reconciliation
Agenda item 5

Scouts funds unspent will return into the Wellbeing Trust Account.
Glen Afton – have received no paperwork yet, Memorial Hall is not on site yet.
Their budget has increased so will apply for additional funding, still unsure how much.

Resolved: (Cr McGuire / Cr Church)

THAT the report from the Chief Financial Officer be received.

AND THAT the Trust approves the second instalment of \$10,000 to Glen Afton / Pukemiro.

CARRIED on the voices

WBT1912/5

Quarterly Certificate of Compliance to 30 September 2019
Agenda Item 6

Circulated via email.

Resolved: (Cr Church / Cr McGuire)

THAT the report from the Chief Financial Officer be received.

CARRIED on the voices

WBT1912/6

KiwiWealth Limited Fund Performance to 30 September 2019
Agenda Item 7

Circulated via email.

The return for the month was poor based on Momentum crash.
Noted since funds moved into PIE the funds haven't performed so well.

ACTION: Mairi to compare in February meeting.

Resolved: (Ms Bateup / Cr McGuire)

THAT the report from the Chief Financial Officer be received.

CARRIED on the voices

WBT1912/7

Transfer of Wellbeing Trust funds to Waikato District Council for the 2018/19 financial year
Agenda Item 8

Resolved: (Cr Church / Mayor Sanson)

THAT the report from the Chief Financial Officer be received;

AND THAT the Waikato District Community Wellbeing Trust approves a payment of \$134,776.43 from the Trust's investment portfolio account to reimburse Waikato District Council for 2018/19 expenditure on behalf of the Trust.

CARRIED on the voices

WBT1912/8

Trust Board Vacancy
Agenda item 9

Resignation of Ms Bateup tabled.

Resolved: (Cr Church / Mayor Sanson)

THAT the report from the Chief Financial Officer be received;

AND THAT the Waikato District Community Wellbeing Trust advises the Waikato District Council of the vacancy on the Trust Board.

CARRIED on the voices

WBT1912/9

General Business
Agenda item 10

Thank you to Eileen Bateup on behalf of the Wellbeing Trust Board for service to the community.

Funding rounds: if distributed less than 60% in May we should have another funding round.
ACTION: to be discussed at next meeting (what is the trigger, or do we grow funds?).

Next meeting: 25 February 2020

There being no further business the meeting was declared closed at 9.57am.

Minutes approved and confirmed this day of 2020.

Cr J Church
CHAIRPERSON

Open Meeting

To	Waikato District Community Wellbeing Trust
From	A Diaz Chief Financial Officer
Date	19 February 2020
Chief Executive Approved	Y
Reference #	CVN0102 / 2507202
Report Title	Meeting framework for the 2020 calendar year

1. EXECUTIVE SUMMARY

The following report outlines the reporting framework for the year and proposes dates for the consideration of Trustees.

Meeting dates will be finalised once the availability of Trustees is confirmed.

2. RECOMMENDATION

THAT the report from the **Chief Financial Officer** be received;

AND THAT the meeting framework is adopted for the **2020** calendar year, subject to confirmation of **Trustee** availability.

3. ATTACHMENTS

Trust meeting schedule for 2020

WAIKATO DISTRICT COMMUNITY WELLBEING TRUST

Proposed Trust Meetings 2020

Proposed Date (TBC)	Key Meeting Topic
Feb-20	<ul style="list-style-type: none"> ▪ Action points update ▪ Meeting framework for the 2020 calendar year ▪ Fund performance December 2019 ▪ Quarterly certificate of compliance December 2019 ▪ Six monthly accounts <ul style="list-style-type: none"> – Reimburse WDC for payments made on behalf of the Trust ▪ Draft Statement of Intent for 2020/21 <ul style="list-style-type: none"> – Investment Portfolio and Distribution Policy review ▪ Trustee conference call/meeting with Fund Manager (Kiwi Wealth) representative
Mar-20	<ul style="list-style-type: none"> ▪ NO FORMAL MEETING ▪ Site visits
Apr-20	<ul style="list-style-type: none"> ▪ NO FORMAL MEETING ▪ Following reports distributed via email: <ul style="list-style-type: none"> – Fund performance March 2020 – Quarterly certificate of compliance March 2020
May-20	<ul style="list-style-type: none"> ▪ Action points update ▪ Formal receipt of emailed reports ▪ Final Statement of Intent for 2020/21 ▪ Grant update ▪ Grant distribution for 2020/21 ▪ Feedback and photos from site visits
Jun-20	No meetings, site visits or correspondence
Jul-20	No meetings, site visits or correspondence
Aug-20	<ul style="list-style-type: none"> ▪ NO FORMAL MEETING ▪ Following reports distributed via email: <ul style="list-style-type: none"> – Fund performance June 2020 – Quarterly certificate of compliance June 2020 – Annual review of Trust Deed compliance
Sep-20	<ul style="list-style-type: none"> ▪ Action points update ▪ Formal receipt of emailed reports ▪ Draft Annual Report (<i>adoption subject to audit sign-off December</i>)
Oct-20	No meetings, site visits or correspondence
Nov-20	<ul style="list-style-type: none"> ▪ NO FORMAL MEETING ▪ Following reports distributed via email: <ul style="list-style-type: none"> – Fund performance September 2020 – Quarterly certificate of compliance September 2020
Dec-20	<ul style="list-style-type: none"> ▪ Action points update ▪ Formal receipt of emailed reports ▪ Grant update ▪ Annual General Meeting <ul style="list-style-type: none"> – Ratify Annual Report for 2019/20 – Receive Audit Management Letter – Appointment of Auditors

Open Meeting

To	Waikato District Community Wellbeing Trust
From	A Diaz Chief Financial Officer
Date	19 February 2020
Chief Executive Approved	Y
Reference #	CNV0102/ 2506720
Report Title	Kiwi Wealth Limited Fund Performance to 31 December 2019

I. EXECUTIVE SUMMARY

The investment fund performance for the quarter ended 31 December 2019 was 1.2% against a benchmark performance of the same. The total return since inception after tax, brokerage and fees is 97.7% or 9% on an annualised basis.

The result for the month of December provided a neutral position (0%) against a benchmark performance of -0.4%, exceeding the benchmark.

The Trustees are familiar with the fact that the investment objectives and investment portfolio takes a long term view of the fund. Investment strategy commentary is provided by KiwiWealth in the attached report.

2. RECOMMENDATION

THAT the report from the Chief Financial Officer be received.

3. ATTACHMENTS

Kiwi Wealth Limited Fund Performance to 31 December 2019

Waikato District Community Wellbeing Trust

Investment Mandate

This is a balanced portfolio split 45/55 fixed interest/growth shares investments

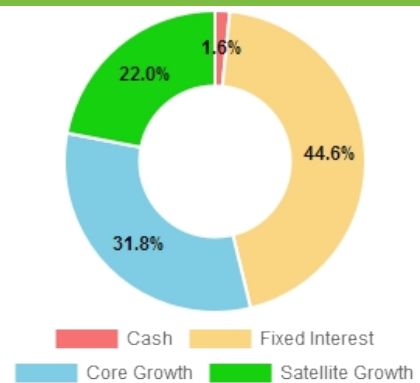
This mandate was last reviewed on 26 February 2019.

Asset Class	Ultimate Allocation	Target NZD Exposure
Cash	0.0%	
Fixed Interest	45.0%	100.0%
Core Growth	27.5%	50.0%
Thematic Growth	27.5%	50.0%
Total	100.0%	

Portfolio Position

As at 31 December 2019, the total value of your investment portfolio is \$4,383,071. Your net contributions since inception in January 2012 have totalled \$2,063,333 (\$2,514,366 deposits less \$451,032 withdrawals).

Asset Class	Actual Value	Actual Allocation
Cash	\$68,973	1.6%
Fixed Interest	\$1,956,296	44.6%
Core Growth	\$1,394,169	31.8%
Thematic Growth	\$963,633	22.0%
Total	\$4,383,071	100.0%

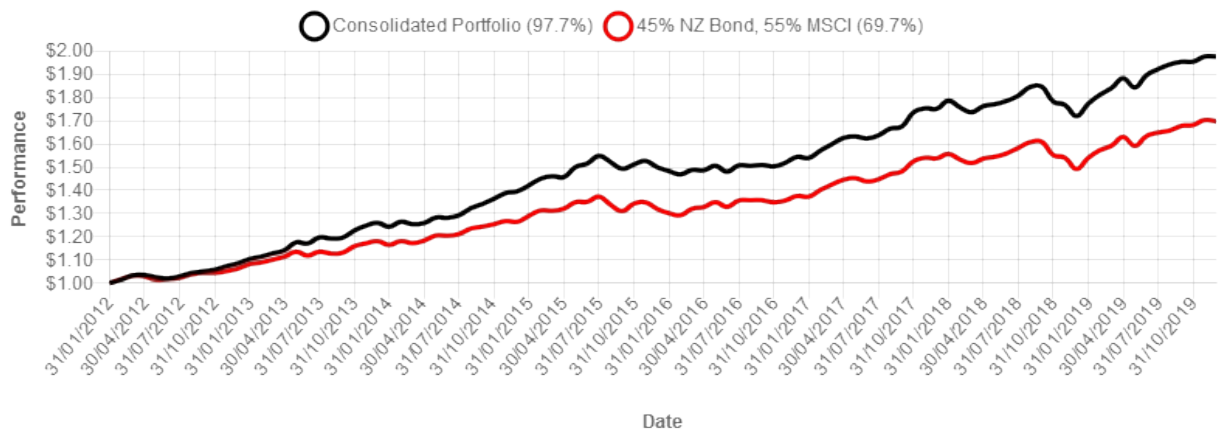


Portfolio Performance

The Kiwi Wealth Growth Fund (Growth PIE) returned 0.36% after tax and fees in December, 0.02% behind the MSCI All Country benchmark. All three of the underlying equity strategies contributed positively, while the Alternatives underperformed. The Kiwi Dollar climbed against most of the other G10 currencies which offset a large portion of foreign returns.

The Kiwi Wealth Fixed Interest Fund (Fixed Interest PIE) returned -0.46% in December, after fees and taxes, outperforming the NZ government bond benchmark by 0.93%. The outperformance was primarily due to sell off in government bonds as investors flocked to riskier asset classes given the better risk-on sentiment.

Waikato District Community Wellbeing Trust Performance (Consolidated Portfolio - NZD)



Your return for the month of December was 0.0% against a benchmark of -0.4%. Your net contributions since 31 January 2012 have totalled \$2,063,333 (\$2,514,366 deposits less \$451,032 withdrawals). As of 31 December 2019 the total value of your portfolio is \$4,383,071. This is a simple return of 112.4%. The total return on each dollar invested at inception is 97.7% (after withholding tax, brokerage, and fees), or 9.0% p.a. on an annualised basis.

	10 Loss/Gain				
	Last Month	Last 3 Months	Last 12 Months	Since Inception	Annualised
Consolidated Portfolio Inception date (31/01/2012)	0.0%	1.2%	14.9%	97.7%	9.0%
45% NZ Bond, 55% MSCI	-0.4%	1.2%	13.7%	69.7%	6.9%
Cash Inception date (31/01/2012)	0.1%	0.8%	10.3%	40.4%	4.4%
45% NZ Bond, 55% MSCI	-0.4%	1.2%	13.7%	69.7%	6.9%
Fixed Interest Inception date (31/01/2012)	-0.6%	-1.1%	6.0%	54.8%	5.7%
100% NZ Bond	-1.3%	-2.0%	2.9%	22.0%	2.5%
Core Stocks Inception date (31/01/2012)	0.6%	3.3%	23.9%	137.0%	11.5%
MSCI	0.4%	3.8%	23.1%	118.9%	10.4%

Investment Strategy

Market Review

Global equity markets rallied in December with some hitting record highs, the MSCI All Country World Index (MSCI ACWI) gained 2.7% in local US dollar terms. Government bonds declined as investors flocked to riskier asset classes while Corporate bonds remained strong. Both the US Federal Reserve and the European Central Bank kept their interest rates unchanged.

Portfolio Changes

Global Thematic fared slightly better than the benchmark in December, capping off a strong year for both absolute and relative returns. December's rally was led by a surge in global chip stocks amid increased confidence over a US-China trade deal. There was a large difference in returns for hedged and unhedged classes during the month, with the rally in global markets more than matched by a sharp spike in the NZD, particularly against the USD. While optimism seems to be the prevailing mood in markets at present, we continue to tilt the portfolio towards defensive growth and secular growth themes given our view that macroeconomic risks are in the balance. Our top-down macro positioning continues to favour the US and Europe versus Asia Pacific, focusing on those companies with attractive metrics across earnings quality, capital efficiency, valuations, sentiment and sustainability. Over the month, we've increased our allocation to Financials (**Choe Global Markets**) and IT (**Adobe**) while trimming Health Care (**Roche**) and Utilities (**Vistra Energy**). Technology and Consumer Staples remain our favoured sectors.

Core Fixed Income handily outperformed its benchmark in the month of December, this was due to an underweight to longer dated New Zealand maturity bonds whose market interest rates rose sharply from the mix of international and domestic factors. Positioning wise, there weren't many changes during the month, we were being leery of some of the sharp moves upwards in interest rates adding some term deposits at the margin. The prospect of a partial cease-fire in the US-China Trade War led to a distinctive risk-on feel across markets much of December. Also of note internationally, Sweden raised its key overnight interest rate from -0.25% to zero, ending its long flirtation with negative interest rates. There certainly appears to be an increasing consensus internationally that negative interest rates may be doing more harm than good. We wholeheartedly agree with that.

Open Meeting

To	Waikato District Community Wellbeing Trust
From	A Diaz Chief Financial Officer
Date	19 February 2020
Chief Executive Approved	Y
Reference #	CVN0102/ 2506719
Report Title	Quarterly Certificate of Compliance for period ending 31 December 2019

1. EXECUTIVE SUMMARY

The Waikato District Community Wellbeing Trust's ("Wellbeing Trust") Statement of Intent requires the Trustees to consider certain compliance obligations. These obligations are considered by the Trustees at each meeting from performance reporting and associated discussion.

This report provides a quarterly certificate of compliance using the information that has been considered by the Trustees since the commencement of this financial year.

2. RECOMMENDATION

THAT the report from the Chief Financial Officer be received.

3. ATTACHMENTS

Quarterly Certificate of Compliance for period ending 31 December 2019

**Waikato District Community Wellbeing Trust
Quarterly Certificate of Compliance
for period ending 31 December 2019**

	Actual	Per Policy
Benchmark Portfolio (fixed interest : equities)	45 : 55	>45 : <55
Cap on value of single investments	Compliant	<7.5%
Grant distribution limit as % of net income after inflation	Compliant	<50%
Grant distribution cap as a % of capital	Compliant	<10%
Review of investment mandate (within last year)	Yes – at February 2019 meeting (scheduled for further review on Tuesday 25 Feb 2020)	Annual
Applicant accountability reports received	Yes	Required upon completion of project

.....
Chairperson

Open Meeting

To	Trustees of Waikato District Community Wellbeing Trust Strategy and Finance Committee
From	Alison Diaz Chief Financial Officer
Date	14 February 2020
Prepared by	Mairi Davis Financial Accountant
Chief Executive Approved	Y
Reference #	GOV1318 / 2507510
Report Title	Waikato District Community Wellbeing Trust – Financial Statements for the six months ended 31 December 2019

1. EXECUTIVE SUMMARY

Attached are the Waikato District Community Wellbeing Trust (Wellbeing Trust) six-month financial statements to 31 December 2019. The operating surplus is \$177,526 compared with a full year surplus budget of \$210,275 as approved in the statement of intent.

2. RECOMMENDATIONS

THAT the report from the Chief Financial Officer be received;

AND THAT the financial statements be provided to Waikato District Council in accordance with the Local Government Act;

3. BACKGROUND

Pursuant to section 66 of the Local Government Act 2002, Council is required to receive regular financial reports from the Wellbeing Trust.

The Wellbeing Trust was established in May 2010 to receive, manage and distribute the funds received from the Waikato Foundation Trust. The funds were actually received in May 2012 by way of transfer of funds managed by Kiwi Wealth Ltd (then known as Gareth Morgan Investments or GMI) from the Foundation Trust to the Wellbeing Trust.

Trustees of the Wellbeing Trust have adopted an investment policy intended to provide a long term sustainable return which protects the real value of the fund, allows the fund to grow and provides for funds to be distributed to approved community projects, via an application process.

4. ISSUES

1. The attached financial statements have not been audited.
2. The Wellbeing Trust has achieved a surplus of \$177,526 for the six months compared with a deficit of \$201,913 in the corresponding period of the previous year and a full year budgeted surplus of \$210,275.
3. Budgets are based on an assumed long term, sustainable return of 7.26% (as advised by Kiwi Wealth). This allows for the expected fluctuations in financial returns and enables the Trustees to take the longer term view reflected in their investment and distribution policy. At 31 December 2019, the return on the Trust's portfolio since its inception in 2012 is 97.7% or 9.0% on an annualised basis.
4. There has been a change in the makeup of the Trust's income as a result of the shift towards the use of PIE funds as the investment vehicle for the Trust's investments. Finance income is now simply the interest earned on the Trust's BNZ account and the small amount of cash held by Kiwi Wealth on behalf of the Trust. All income from the PIE funds is in the form of realised or unrealised gains and losses.
5. No grant payments have been expensed during the six months as all outstanding grants were accrued at 30 June 2019. During same period last year the Trust paid out \$53,774 in grants. Grants expensed in previous periods but re-accrued and yet to be paid are:

	\$\$
Glen Afton Pukemiro Society	10,000
Waikato District Crime Prevention Technology Trust – grant 2	30,000
Waikato District Crime Prevention Technology Trust – grant 3	19,556
	59,556

6. Grant commitments of \$33,500 remain outstanding.

5. OPTIONS CONSIDERED

The Trustees have governance responsibility for the Wellbeing Trust. Council is receiving this reports as required under the Local Government Act.

6. CONSIDERATION OF VIEWS OF THOSE AFFECTED

The six-month financial statements will be made available on Council's website.

7. CONCLUSION

As a Council-Controlled Organisation, Wellbeing Trust is required to provide its six-month report to Council.

The performance of the fund is a year-to-date surplus of \$177,526 which is an unfavourable result compared with the full-year budget surplus of \$210,270.

8. ATTACHMENTS

Waikato District Community Wellbeing Trust Financial Statements for the six months ended 31 December 2019.

Waikato District Community Wellbeing Trust
Statement of financial performance
For the six months ended 31 December 2019

	6 mths		Full year	
	Actual	Actual	Budget	Actual
	\$	\$	\$	\$
	2019/20	2018/19	2019/20	2018/19
Revenue				
Finance income	130	91	141	223
Realised gains on investments	27,829	14,808	69,977	22,288
Unrealised gains on investments	162,758	-	215,642	253,258
Total revenue	190,717	14,899	285,760	275,769
Expenses				
Audit fees				
- Current year	-	-	7,808	7,810
Other expenditure	13,191	12,619	29,709	25,471
Grants	-	53,774	37,968	187,774
Unrealised losses on investments	-	150,419	-	-
Total expenses	13,191	216,812	75,485	221,055
Surplus (deficit) for the period	177,526	(201,913)	210,275	54,714

Waikato District Community Wellbeing Trust
Statement of financial position
As at 31 December 2019

	6 mths		Full year	
	Actual	Actual	Budget	Actual
	\$	\$	\$	\$
	2019/20	2018/19	2019/20	2018/19
Assets				
Current assets				
Cash and cash equivalents	11,399	16,613	15,873	1,882
Prepayments	-	958	408	386
Other financial assets	4,372,579	3,887,194	3,963,917	4,301,156
Total current assets	4,383,978	3,904,765	3,980,198	4,303,424
Total assets	4,383,978	3,904,765	3,980,198	4,303,424
Liabilities				
Current liabilities				
Creditors and other payables	166,931	171,778	50,003	234,096
Accrued expenses	67,904	17,997	8,164	97,711
Total current liabilities	234,835	189,775	58,167	331,807
Total liabilities	234,835	189,775	58,167	331,807
Total assets less total liabilities (net assets)	4,149,143	3,714,990	3,922,031	3,971,617
Trust equity				
Introductory fund	2,579,899	2,579,899	2,579,899	2,579,899
Capital maintenance fund	524,986	446,101	559,505	485,270
Accumulated funds	1,044,258	688,990	782,627	906,448
Total Trust equity	4,149,143	3,714,990	3,922,031	3,971,617

Waikato District Community Wellbeing Trust
Statement of cash flows
For the six months ended 31 December 2019

	6 mths		Full year	
	Actual	Actual	Budget	Actual
	\$	\$	\$	\$
	2019/20	2018/19	2019/20	2018/19
Cash flows from operating activities				
Cash was received from:				
Interest receipts	130	92	141	219
Cash was applied to:				
Payments to donees	(95,529)	(118,798)	(198,162)	(118,798)
Payments to suppliers	(14,248)	(19,517)	(16,983)	(31,575)
Net cash flows from operating activities	(109,647)	(138,223)	(215,004)	(150,154)
Cash flows from investing and financing activities				
Cash was received from:				
Sale of investments	202,892	146,091	215,824	236,530
Cash was applied to:				
Acquisition of investments	(83,728)	(131,054)	-	(224,299)
Net cash flows from investing and financing activities	119,164	15,037	215,824	12,231
Foreign exchange translation differences	-	-	-	5
Net increase (decrease) in cash for the year	9,517	(123,186)	820	(137,918)
Add opening bank accounts and cash	1,882	139,799	15,053	139,800
Closing bank accounts and cash	11,399	16,613	15,873	1,882

Waikato District Community Wellbeing Trust
Change in equity
For the six months ended 31 December 2019

	Capital			Total
	Introductory fund	maintenance fund	Accumulated funds	
Opening balance at 1 July 2019	2,579,899	485,270	906,448	3,971,617
Net surplus (deficit)	-	-	177,526	177,526
Capital maintenance charge	-	39,716	(39,716)	-
Closing balance at 31 December 2019	2,579,899	524,986	1,044,258	4,149,143

Waikato District Community Wellbeing Trust
As at 31 December 2019

Investment portfolio managed by Kiwi Wealth Ltd

	31-Dec-19	31-Dec-18	30-Jun-19
Cash	10,491	15,676	934
Fixed income pie	1,956,296	1,776,385	1,933,767
Growth pie	2,416,283	2,110,809	2,367,389
Total portfolio value	4,383,070	3,902,870	4,302,090
6 month change from 1 July 2019		1.88%	
12 month change from 31 December 2018		12.30%	

Grant commitments

Scout Association of NZ - Camp Waingaro	Install new lino in kitchen, bunkroom and corridors	5,500
Tuakau Youth Sport Trust	To build a new skatepark in Tuakau	20,000
David Johnstone Pukemokemoke Trust	To upgrade walking track and install composting toilets	8,000
Total committed grants at 31 December 2019		33,500

Open Meeting

To	Trustees of Waikato District Community Wellbeing Trust Strategy & Finance Committee
From	Alison Diaz Chief Financial Officer
Date	18 February 2020
Prepared by	Mairi Davis Financial Accountant
Chief Executive Approved	Y
Reference #	CVN0102 / 2507513
Report Title	Waikato District Community Wellbeing Trust – draft Statement of Intent for the year ending 30 June 2021

I. EXECUTIVE SUMMARY

Pursuant to section 64 of the Local Government Act 2002, a Council-Controlled Organisation (CCO) is required to provide a draft Statement of Intent to its shareholder(s) (Council) by 01 March each year. Council then has the opportunity to provide feedback on the draft within two months of 01 March, after which time the CCO must provide a finalised Statement of Intent to the shareholder by 30 June.

2. RECOMMENDATION

THAT the report from the Chief Financial Officer be received;

AND THAT the Waikato District Community Wellbeing Trust approves the draft Statement of Intent for the year ending 30 June 2021 for release to Waikato District Council.

3. BACKGROUND

The Trustees of the Waikato District Community Wellbeing Trust (Wellbeing Trust) are required to present a draft Statement of Intent for the year ending 30 June 2021 to Council by 01 March 2020. This draft Statement of Intent retains the principles developed in the inaugural Statement of Intent which are:

- Ensure the real (inflation-adjusted) value of the fund is protected;

- Ensure that the total grants distributed do not exceed 50% of the accumulated retained net income after allowing for the CPI movement and expenses;
- Ensure no more than 10% of the capital is distributed in any one year;
- Identify opportunities to grow the fund;
- Have a process for promoting the fund availability and for allocating the fund; and,
- Monitor performance of investments by receiving and considering financial information.

This Statement of Intent has been prepared based on receiving a long term, sustainable return on investment of 7.26% before fund manager fees. The grant distributions are based on the principles identified above and on discussions between the Trustees and Kiwi Wealth Limited.

The draft Statement of Intent will be considered by Council's Strategy & Finance Committee at their 18 March 2020 meeting.

4. OPTIONS CONSIDERED

The Trustees have the ability to decline or approve the presentation to Council of this draft Statement of Intent. In any event, a draft must be provided to Council by 01 March each year as required by section 64 of the local Government Act 2002.

5. CONCLUSION

The Trustees are asked to consider the draft Statement of Intent for the Waikato District Community Wellbeing Trust for presentation to Council.

6. ATTACHMENTS

Waikato District Community Wellbeing Trust draft Statement of Intent for the year ended 30 June 2021.

Waikato District Community Wellbeing Trust

Statement of intent

For the year ending 30 June 2021

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2021

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Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2021

Introduction

This Statement of Intent (SOI) is presented by the Waikato District Community Wellbeing Trust (the Trust) as required by Section 64(1) of the Local Government Act 2002.

The SOI forms the basis for the accountability of the Trustees to Waikato District Council, and sets out the objectives, scope of activities undertaken, and performance targets by which the Trust will be measured.

The purpose of this statement of intent is to:

- State publicly the activities and intentions of this council-controlled organisation for the year and the objectives to which those activities will contribute;
- Provide a basis for accountability and transparency.

This Statement of Intent covers the year to 30 June 2021 and also includes prospective financial information for the following two financial years.

Jacqui Church (Chair)

Entity information

Legal name

Waikato District Community Wellbeing Trust.

Type of entity and legal basis

The Trust was incorporated on 1 November 2010 under the Charitable Trust Act 1957 and is domiciled in New Zealand. On the same date the Trust was registered in accordance with the Charities Act 2005 to give it charitable status.

The Trust was established by Waikato District Council (WDC) and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002, by virtue of WDC's right to appoint the Trustees.

Waikato District Community Wellbeing Trust

Statement of intent

For the year ending 30 June 2021

Objectives of the Trust

The principal activities of the Trust are undertaken to:

- Promote the social, environmental and cultural wellbeing of the Waikato district and its communities;
- Deliver on the aspirations and community outcomes of the Waikato district as identified and promoted by the community; and,
- Fund projects identified by Council's planning documents.

Governance

The Trust will be governed in accordance with the terms of the Trust Deed.

Objective

1. To comply with the terms of the Trust Deed and in particular with the duties of the Trust as set out in clause 11 of the Deed.

Clause 11 of the Deed lists the Trust's objectives as:

- a) To consider and approve projects submitted by Waikato District Council (Council);
- b) To publicise the projects and activities of the Trust;
- c) To actively promote the work of the Trust with a view to ensuring the long term operations of the Trust;
- d) To ensure information about the Trust's activities and objectives is available to people within the area and fosters a sense of community achievement and betterment;
- e) To develop appropriate funding allocation mechanisms; and,
- f) To be guided by a clearly defined set of principles.

Performance measure

1. Undertake an annual legal review of compliance with the Trust Deed; no later than two months after the end of the financial year.

Investment

The Trust will, in accordance with the Trust Deed, invest or reinvest part or parts of the Trust Fund not immediately required for the purposes of the Trust (whether income or capital) in investments or securities, as the Trust Board considers beneficial to the Trust Fund. The Trust will also seek other opportunities and avenues for growing the trust Fund. The intention of the Trustees is that the real value of the Trust Fund is preserved.

Objective

1. To adhere to the Trust's *Management of Investment Portfolio and Distribution Policy*.
2. To review, on an annual basis, the investment mandate and the performance of the portfolio manager.

Performance measure

1. At each quarterly meeting, review compliance with the Trust's *Management of Investment Portfolio and Distribution Policy* during that quarter.

Waikato District Community Wellbeing Trust

Statement of intent

For the year ending 30 June 2021

Fund disbursement

The Trust will, as appropriate, disburse funds towards projects that meet the Trust's criteria and meet the objectives of the Trust Deed.

Objective

1. As per the *Management of Investment Portfolio and Distribution Policy*, to distribute total grants that do not exceed 50% of the accumulated net income after allowing for accumulated expenses, inflation movements and prior year distributions.

Performance measures

1. A distribution process is undertaken that distributes the annual fund to eligible recipients in accordance with funding targets set up by the Trustees in accordance with the *Management of Investment Portfolio and Distribution Policy* for the current year
2. Six monthly reports are received from all successful applicants within the required time frames.

Portfolio and distribution policy compliance

Agreed targets

1. Ensure that the real (inflation-adjusted) value of the Fund is protected.
2. Ensure that no more than 10% of the capital is distributed in any one year.
3. Ensure there is diversification of investments with a 7.5% cap on the value of any single investment in the portfolio.
4. The portfolio investment manager will report regularly to the Trustees.
5. The Trustees will annually review the performance of the portfolio manager.

Structure of the Trust's operations, including governance arrangements

The Trust comprises a Board of five Trustees who oversee the governance of the Trust.

The Trustees are:

Mayor	Allan Sanson
Councillor	Jacqui Church (Chair)
Councillor	Rob McGuire
WDC appointee	Judi Muru
WDC appointee	vacant position

The operation and administration of the Trust are undertaken by staff of WDC. Those staff are: Chief Financial Officer, EA to the Chief Operating Officer, Community Development Coordinator and Financial Accountant.

Main sources of the Trust's cash and resources

The Trust's introductory fund was provided by distribution of the capital fund of the Waikato Foundation Trust.

The proceeds of that distribution are invested in a portfolio of financial assets managed by Kiwi Wealth Limited. The returns from the portfolio are the Trust's source of continuing revenue.

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2021

Prospective statement of financial performance

Prospective performance reports for the years ending 30 June 2021 - 2024

Prospective statement of financial performance

	FY Budget	FY Forecast			
	2019/20	2019/20	2020/21	2021/22	2022/23
	\$	\$	\$	\$	\$
Revenue					
Finance income	141	261	241	241	241
Dividend income from portfolio of investments managed by Kiwi Wealth Limited	-	-	-	-	-
Realised gains on investments	50,813	67,774	81,466	84,348	85,793
Unrealised gains on investments	-	278,849	236,759	245,136	249,337
Total revenue	50,954	346,884	318,466	329,725	335,371
Expenses					
Audit fees	7,921	7,811	7,810	7,810	7,810
Portfolio management fees	28,794	30,618	30,821	31,951	32,450
Other expenditure	1,761	1,781	2,159	2,254	2,349
Grants	178,162	33,500	210,165	119,145	104,415
Unrealised losses on investments	39,463	-	-	-	-
Total expenses	256,101	73,710	250,955	161,160	147,024
Surplus/(deficit) for the period	(205,147)	273,174	67,511	168,565	188,347

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2021

Prospective statement of financial position

Prospective statement of financial position

	FY Budget	FY Forecast			
	2019/20	2019/20	2020/21	2021/22	2022/23
	\$	\$	\$	\$	\$
Assets					
Current assets					
Cash and cash equivalents	15,053	9,243	9,499	9,608	9,899
Other financial assets	3,921,933	4,378,240	4,533,026	4,610,641	4,784,100
Prepaid insurance	391	391	408	425	442
Total current assets	3,937,377	4,387,874	4,542,933	4,620,674	4,794,441
Total assets	3,937,377	4,387,874	4,542,933	4,620,674	4,794,441
Liabilities					
Current liabilities					
Creditors and other payables	217,468	134,927	222,465	131,631	117,041
Accrued expenses	8,154	8,156	8,166	8,176	8,186
Total current liabilities	225,622	143,083	230,631	139,807	125,227
Total liabilities	225,622	143,083	230,631	139,807	125,227
Net assets	3,711,755	4,244,791	4,312,302	4,480,867	4,669,214
Equity					
Introductory fund	2,579,899	2,579,899	2,579,899	2,579,899	2,579,899
Capital maintenance fund	485,270	564,702	649,598	735,844	825,462
Accumulated funds	646,586	1,100,189	1,082,805	1,165,124	1,263,854
Total net assets / equity	3,711,755	4,244,791	4,312,302	4,480,867	4,669,214

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2021

Prospective statement of cash flows

Prospective performance reports for the years ending 30 June 2019 - 2022 (cont)

Prospective statement of cash flows

	FY Budget	FY Forecast			
	2019/20	2019/20	2020/21	2021/22	2022/23
	\$	\$	\$	\$	\$
Cash flows from operating activities					
Cash was received from:					
Interest receipts	141	261	241	241	241
Dividends received	-	-	-	-	-
Cash was applied to:					
Payments to donees	(214,326)	(213,746)	(123,056)	(210,165)	(119,145)
Payments to suppliers	(9,206)	(48,254)	(40,119)	(41,545)	(39,576)
Net cash flows from operating activities	(223,391)	(261,739)	(162,934)	(251,469)	(158,480)
Cash flows from investing and financing activities					
Cash was received from (applied to):					
Realised gains from investments	-	67,774	81,466	84,348	85,793
Sale (acquisition) of investments	98,644	201,326	81,724	167,230	72,978
Net cash flows from investing and financing activities	98,644	269,100	163,190	251,578	158,771
Foreign exchange translation differences	-	-	-	-	-
Net increase (decrease) in cash for the year	(124,747)	7,361	256	109	291
add opening bank accounts and cash	139,800	1,882	9,243	9,499	9,608
Closing bank accounts and cash	15,053	9,243	9,499	9,608	9,899

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2021

Statement of accounting policies

Basis of preparation

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

Notwithstanding the comments above, the following Tier 2 PBE accounting standards have been applied:

PBE IPSAS 4 The effects of changes in foreign exchange rates; and,
 PBE IPSAS 29 Financial instruments: recognition and measurement.

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

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

Goods and services tax

The Trust is not registered for GST. All amounts in the performance report are inclusive of GST.

Significant accounting policies

Interest and dividend revenue

Interest revenue is recognised as it is earned during the year.
 Dividend revenue is recognised when the dividend is declared.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand Dollars using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at the end of the period exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in surplus (deficit) for the year.

Grant expenditure

All grants made by the Trust are classified as discretionary.

Discretionary grants are those grants where the Trust has no obligation to award on receipt of the grant application. Such grants are recognised as expenditure when approved without condition by the Board and the approval has been communicated to the applicant. Discretionary grants made subject to conditions are recognised as expenditure when all conditions have been met.

Income tax

The Trust has charitable status and is exempt from income tax.

Waikato District Community Wellbeing Trust
Statement of intent
For the year ending 30 June 2021

Statement of accounting policies (cont)

Bank accounts and cash

Bank accounts and cash comprise cash on hand and deposits held at call with financial institutions.

Investment portfolio

Components of the investment portfolio are classified as financial assets at fair value through surplus (deficit) for the year. The reason for this classification is that the portfolio is comprised of identified financial instruments which are managed together and for which there is evidence of short-term profit-taking.

All financial assets in the portfolio are classified as a current asset.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus (deficit) for the year.

Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

Forecast assumptions

1. Portfolio income

Kiwi Wealth has estimated an average return on the portfolio of 7.26% per annum before expenses. The split of the total return between interest, dividends and gains/losses is estimated using proportions calculated from an average of past results while taking into account changes to the components of the portfolio.

2. Expenses

Audit fees are estimated at \$7,810 for each of the four forecast years.

Portfolio management fees are assumed at a rate of 0.61% of the opening portfolio value in each year.

Other expenditure comprises annual return fees, bank charges, general expenses and audit disbursements.

3. Grants expenditure

It is assumed that for the current (2020) year all outstanding grants will be paid by 30 June 2020. It is further assumed that in subsequent years 80% of the maximum allowable distribution will be approved and fully paid by year end.

The maximum allowable distribution is set out in the *Management of Investment Portfolio and Distribution Policy*. Total grants must not exceed 50% of the accumulated net income after allowing for accumulated expenses, inflation movements and prior year distributions.

4. Prepayments

Prepayments represent four months of insurance costs.

5. Creditors and other payables

Creditors and other payables are made up of the amount owing to Waikato District Council and the June portfolio management fee.

It is assumed that the year-end balance owing to WDC is paid in full in the following year.

6. Accrued expenses

Accrued expenses comprise audit fees and disbursements.

7. Equity

The Trust was established with an initial capital contribution resulting from the transfer of 35% of funds previously held by the Waikato Foundation Trust as at 31 January 2012. This was recognised as revenue in that year and transferred to the introductory fund.

Waikato District Community Wellbeing Trust

Statement of intent

For the year ending 30 June 2021

The capital maintenance fund is made up of accumulated annual charges transferred from accumulated funds to maintain the real value of the Trust fund.

The accumulated funds and capital maintenance funds together represent the total net increase in the fund value since the inception of the Trust.

Other financial disclosures

Ratios

The Local Government Act 2002 requires a statement of intent to include the projected ratio of equity to total assets.

The ratio of equity to total assets is forecast as follows:

2019/20	96.7%
2020/21	94.9%
2021/22	97.0%
2022/23	97.4%

Compensation

The Trustees will not seek any fees or expenses for work undertaken on behalf of Waikato District Community Wellbeing Trust.

Information to be provided to the Trustees

The Trustees will be provided with the following information:

- Within four months of the end of the financial year the audited financial statements plus a summary of how the Trust has performed against its objectives and performance targets;
- Quarterly reports on the performance of investments; and,
- A draft statement of intent for consideration in February of each year.

Waikato District Community Wellbeing Trust

Investment Portfolio and Distribution Policy

Investment Manager

The Trustees have appointed Kiwi Wealth Limited as a portfolio investment manager to attend to all matters relating to the investment of the trust funds.

The Trustees have agreed an investment mandate under which the manager will operate namely 45% of the total portfolio to be invested in New Zealand fixed interest securities and 55% to be diversified across a range of equities both in New Zealand and overseas.

The mandate determines that the degree of investment risk that the Trustees are prepared to accept, is medium to low.

The Trustees instruct that there is to be a diversification of investments with a 7.5% cap on the value of any single investment in the portfolio.

The portfolio investment manager will report regularly to the Trustees, the reports covering the following:

- Market conditions and trends
- Schedule of investments held showing cost price, current market value and % of individual investments to the total portfolio.
- Schedule showing income received

The Trustees will advise the portfolio manager of an anticipated amount that they wish to have available for distribution at least three months before distribution date.

The Trustees will annually review the performance of the portfolio manager but as a general principle would regard a three year average as a preferred measure of performance.

Trustees' Accounting Policy

In determining the annual return on the investment portfolio the total of dividends and interest received plus any growth in the value of investments will be taken into account.

The Trustees shall each year add to the base capital an amount equivalent to the annual rate of inflation such that the "real value" of the investment fund is protected.

Each year the Trustees will record a new base capital being the original capital received plus the amount of inflation reserve added in previous years. Each year the calculation for the inflation adjustment will be made on the new base capital figure.

Trustees' Distribution Policy

In determining the level of funds available for distribution in any one year the Trustees have taken advice from the portfolio manager as to what a five year average return per annum could conservatively be expected from the mandated portfolio. The figure provided was 7.26% per annum.

The Trustees have agreed that the total grant disbursement will not exceed 50% of the accumulated net income after allowing for accumulated expenses, inflation movements and prior year distributions.

The Trustees will ensure that no more than 10% of the capital is distributed in any one year and have regard to growing the fund when determining the distribution.

The Trustees recognise that investment returns will fluctuate from year to year and will have regard to this before determining whether to distribute up to the maximum allowed under the policy in any one year. The Trustees would seek to have an amount in retained profits equal to at least a one year distribution in accordance with this policy.

Open Meeting

To	Waikato District Community Wellbeing Trust
From	A Diaz Chief Financial Officer
Date	19 February 2020
Chief Executive Approved	Y
Reference #	CVN0102 / 2507205
Report Title	Annual Investment Mandate Review

I. EXECUTIVE SUMMARY

The Trustees have a discussion annually with the Fund Manager, to review performance and investment objectives and risk profile, with a view to reconfirming or amending the investment portfolio mix.

Roger Browne from Kiwi Wealth Limited will be attending via phone for this meeting.

Any changes to the objectives and/or portfolio mix would need to be reflected in the Trust's Investment Portfolio and Distribution Policy and draft Statement of Intent.

2. RECOMMENDATION

THAT the report from the Chief Financial Officer be received.

3. ATTACHMENTS

- Nil

Open Meeting

To	Waikato District Wellbeing Trust
From	A Diaz Chief Financial Officer
Date	19 February 2020
Chief Executive Approved	Y
Reference #	GOV1318 / 2507203
Report Title	Final Management Report for Year Ended 30 June 2019

I. EXECUTIVE SUMMARY

The purpose of this report is to highlight the issues that arose during the year end Annual Report audit. This audit was undertaken by our independent auditors, Audit New Zealand.

Following the final audit, Audit New Zealand produce an Audit Management report which highlights issues that arose during the final audit. Waikato District staff who prepare the accounts and support the audit process have an opportunity to provide comment on each of the issues specified, based on management's understanding of the issues and whether they require further action or have already been addressed.

The Report for the Year Ended 30 June 2019 is attached to this report.

2. RECOMMENDATION

THAT the report from the Chief Financial Officer be received.

3. ATTACHMENTS

- Report to the WBT on the Audit for the Year Ended 30 June 2019

Report to the Board on the audit of

Waikato District Community
Wellbeing Trust

For the year ended 30 June 2019

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Key messages

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

Audit opinion

We issued an unmodified audit opinion on 10 December 2019.

Matters identified during the audit

Most of the Trust's assets and revenue arise from the investment portfolio managed by KiwiWealth on behalf of the Trust. We rely on an independent audit report from KiwiWealth's auditors to support key items in the Trust's accounts. As in prior years, this report was not available before the Trust's statutory deadline of 30 September 2019. Consistent with prior years, this has resulted in a breach of legislation and the Trust has appropriately reported the breach in Note 15 of the performance report.

As the Trust's main operation is to distribute grants, a key focus of our audit was to review the processes for awarding, approving, and monitoring grants. We continue to recommend the Trust maintains clear supporting documentation of the status of each project, such as site inspections undertaken and the corresponding assessment of whether the conditions have been satisfied.

Thank you

We would like to thank the Board and staff at Waikato District Council for their assistance during the audit.



Leon Pieterse
Appointed Auditor
16 January 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 the Trust. We use the following priority ratings for our recommended improvements.

Priority	Explanation
Urgent	<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>
Necessary	<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>
Beneficial	<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>

1.1 New recommendations

The following table summarises our recommendation and its priority.

Recommendation	Reference	Priority
Processes are put in place to ensure all deadlines relating to the preparation of the SOI are met in future years.	4.1	Necessary

1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	2	1	3
Implemented or closed	-	-	-	-
Total	-	2	1	3

2 Our audit report

2.1 We issued an unmodified audit report

We issued an unmodified audit report on 10 December 2019. This means we were satisfied the financial statements and statement of service performance present fairly the Trust's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the matters discussed in sections 3 and 4 of this report.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. There were no significant misstatements identified during the audit that were not corrected.

2.3 Corrected misstatements

No significant financial deficiencies were identified during the course of the audit.

2.4 Corrected disclosure deficiencies

No significant disclosure deficiencies were identified during the course of the audit.

2.5 Corrected performance reporting misstatements

Detail of misstatement
Portfolio distribution; Fund distribution
There were several amendments made to the wording of these measures due to changes in the 2019 Statement of Intent (SOI) wording not being reflected in the original draft of the report.

2.6 Quality and timeliness of information provided for audit

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

The draft annual report was provided before the audit commenced, and all supporting information was provided in a timely manner as requested.

Consistent with prior years, the delay in signing the performance report and audit report was due to the audit report from KiwiWealth's auditors not being available till after the statutory deadline.

3 Matters raised in the Audit Plan



In our Audit Plan dated 25 March 2019, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Grant distribution process	
<p>As part of the grant application process, the Trust needs to ensure the arrangements for making grants are appropriate.</p> <p>In the prior year, we noted some grants did not have clear and formal supporting documentation to show whether the conditions stipulated by the grant had been met.</p>	<p>This year we considered whether appropriate processes had been followed when considering and approving grants.</p> <p>Our review again noted there was not always clear documentation of the grant conditions being met and a site visit being undertaken.</p> <p>This issue is also noted in Appendix One as an outstanding prior year recommendation.</p>
Compliance with Local Government Act 2002	
<p>Section 67 of the Local Government Act requires a report on the organisations' operations during the year to be made available to the shareholders and the public within three months of the end of the financial year.</p> <p>In prior years the Trust has been unable to meet this legislative requirement due to the audit report from KiwiWealth's auditors not being available until after the statutory deadline.</p>	<p>A key component of our audit is receiving and reviewing a report from KiwiWealth's auditors. Due to the statutory reporting date of KiwiWealth, the independent audit report is not available prior to the Trust's statutory deadline.</p> <p>Accordingly the Trust has again breached the statutory deadline of 30 September. The Trust has self-disclosed this breach in Note 15 of the annual report.</p>
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>We completed sufficient and appropriate audit procedures around journal entries and significant transactions. We assessed the accounting treatment for a number of transactions.</p> <p>We noted no matters indicative of management override.</p>

4 Other matters



We identified one new matter to bring to your attention this year.

4.1 Statement of Intent (SOI) timeframes

As per Schedule 8 clause 3 (b) of the Local Government Act 2002 - the Board must deliver the completed SOI to the shareholders before 30 June each year. The Trust's final SOI was delivered to Waikato District Council (shareholder) on 12 August 2019, in breach of the statutory deadline. We note the draft SOI was provided to the Council in line with the legislation.

Recommendation

We recommend processes are put in place to ensure all deadlines relating to the preparation of the SOI are met in future years.

Management comment

At the time it was received, the draft SOI was approved by the Council as the final version; this means that it was in fact received within the statutory timeframe. The August Council meeting was simply the first opportunity to share all of the final SOIs received from CCOs.

5 Public sector audit



The Trust is accountable to Waikato District Council 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 financial statements and non-financial information.

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

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

Other than the breach of the statutory deadline discussed in section 3, there are no matters of concern to bring to your attention.

6 Useful publications



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

Description	Where to find it
Client updates	
<p>In March and April 2019, we hosted a series of client updates. The theme was “Improving trust and confidence in the public sector”.</p> <p>These included speakers from both Audit New Zealand and external organisations covering a variety of subjects. These topics may be of interest to the Trustees, either in their role with this Trust, or in the wider community.</p>	<p>On our website under publications and resources.</p> <p>Link: Client updates</p>
Reporting fraud	
<p>The OAG has released data from 2012-2018 on fraud in public entities. This includes how the fraud was detected, the type of fraud and the methods and reasons for the fraud. The graphs show the high-level sector, and this can be broken down further into sub-sectors by opening the spreadsheets available.</p>	<p>On the OAG’s website under data.</p> <p>Link: Reporting Fraud</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Maintain clear supporting documentation for the arrangements to check the status of the project, i.e. site inspection and the corresponding assessment whether the conditions have been satisfied.	2016/17	Outstanding There was not clear supporting documentation of the status of the project, site inspections or whether conditions of grants have been satisfied. See section 3 of this report.
Comply with all requirements of the Local Government Act 2002.	2016/17	Outstanding As noted in section 3, due to the statutory reporting date of KiwiWealth, the independent audit report is not available prior to the Trust's statutory deadline. As this report is a key element of audit evidence, the Trust continues to breach the statutory deadline each year. This was disclosed in note 15 of the Performance Report.
Beneficial		
Amend the Trust Deed to reflect the new process for awarding grants in non-Long Term Plan years where there has been no significant change (and therefore no consultation required in the annual plan).	2015/16	Outstanding The Trust has not made this amendment to the Trust Deed. A review for this process will be undertaken to assess its validity next year.

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 financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Board of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Board.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Board and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of 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 \$7,809, 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

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