

Eastern & Central Community Trust – Internal Memorandum

To A & Committee Members (Shelly Mitchell-Jenkins, Caren Rangi, Mark Kilmister, Stephen Kerr, Geoff Milner).
From Jonathan Bell
Date 29th June 2016
Subject A & R Committee Agenda Papers June 2016 – Feedback

Background

This memo is to provide feedback form Trustees questions raised regarding the agenda papers for the June 30th A & R Committee meeting.

Questions & Responses

#	Question	Response
1	Brexit – Request for information regarding the implications for Great Britain exiting the EU	Commentary has been provided from Michael Chamberlain and Matthew McLenaghan (PIMCO) to all Trustees. General consensus is to sit tight and see what happens, long term investors, such as us, will fare better in the long term.
2	<p>GM Report</p> <ul style="list-style-type: none">Hedging – US should be 75% as per policyCyber risk – This occurrence would not be able to take money as our banking system is via Westpac and very hard to hack. Only issue is asking for money to unencrypt files and data. What you do is go back to the last back up and start again. This process took six hours.Audit Update	<ul style="list-style-type: none">Further hedging has been placed against the USD to bring it up to 75%. Michael and I decided to wait and see what the impact of Brexit would be on the USD before placing more hedging in place. The comment about closing early then makes us currency traders and we should not be in that space. Early exits have cost us money, and going full term on the contracts has also cost us money. I believe we stick to policy.I will provide the full report and implications to the July meeting. FYI it was a random hacker based in Spain via a Russian email address. We have changed all passwords and have beefed up the security on our server.I have asked the Auditor for confirmation of the summarised financials and notes. Once I have adjusted some of the suggestions

	<ul style="list-style-type: none"> • Donations Creditors – Comment from mark about the high level and potential for possible write backs during the year. • Donations Creditors – Progress on May 2014 applications and heading in GM report 	<p>from the A & R Committee I will send through the updated full Financial Statements Report to the Auditor for sign off. That will happen today.</p> <ul style="list-style-type: none"> • The number is high because we have \$871k of the education initiatives and RST's approved in the last meeting, these are normally spread over a couple of meetings. We also have \$1.265m of large projects (over \$100k) which is also unusual. I don't know about potential writebacks for some of those. • Pahiatua Railcar trust have completed all conditions and will be paid. Matapuna has been paid, TAKAH has been contacted and they do not wish to pick up the funds. Marotiri used bark instead of safety matting so are likely to withdraw their application, I will have confirmation in the next week. I will place this as a regular heading in my monthly report.
3	<p>May Financial Statements</p> <ul style="list-style-type: none"> • Variance between profit on P & L and the amount in the Statement of Financial Position \$6,354. • Capital Base – Comment needed • Asset Allocation – Impact of Private Equity on the upper end of target weighting for growth assets. 	<ul style="list-style-type: none"> • I believe that we have set up some new accounts in the GL which may not be pulling through in the financial performance reports. The system (FMIS) is down at the moment so I will check before tomorrow's meeting. • Noted for future reports • Mark has raised an interesting point, as our PE increases it will have an impact in reducing our income. Target weighting and income reduction should be discussed at a Board level.
4	Donations Equity – Comment form Mark about certain regions getting more than others	The average over the past ten years suggests that each region averages out over time and the donations per head of population are very similar. I will compile some statistics for the July meeting and comment in my GM report to that meeting.
5	Trustee exit interview – Governance Policy development	Noted and I think this will need to be actioned fairly quickly as we have two Trustees retiring in July. I will draft something and bounce off Caren and possibly Anna.
6	<p>Draft Annual Report</p> <ul style="list-style-type: none"> • Page 29 – Anna's reappointment 	<ul style="list-style-type: none"> • Appointment was after the year end so will be noted next year

	<ul style="list-style-type: none"> • Page 30 – Change years to year's • Page 32 – Change capitals • Page 32 – Reference to Hawkes Bay Funders forum and Marae Whakaute. • Page 34 – Reference to four committees and we have three. • Page 34 – Add “monitor risk management” to A & R Committee scope. • Page 34 - \$163m not \$162m • History of Trust placement • Page 53 – Schedule of Community Payments but we refer to donations. • Page 58 – Donations are net of write backs in the summarised notes. • Summarised notes – Shelly • Note 6 & 7 Reconciliation 	<ul style="list-style-type: none"> • Noted and will change • Noted and will change • Noted and will change wording • Noted and will change wording • Noted and I will add • Noted and will change • This is where it has always gone. I will leave but we should consider for next year. • I will change to be consistent and refer to donations. • We haven't made that known in the past but we do refer to the full financial statements and where they can be found. I believe we should leave as is. • Copy of these attached, they are in draft form. • Note 6 (c) should have Trust Capital of \$145,230,081 not \$145,203,081. I will change this. • Note 7 – The correct number is \$159,073,199 which includes the adjustment for fair value of Private Equity. The <i>Investment portfolio movement</i> (Net income and change in value) needs to be adjusted by \$101,323, as does the <i>Investments held in</i> (New Zealand). This then brings those two totals up to \$159,073,199. This ties into the minutes from the May A & R Committee. I will change this.
7	Auditor Appointment and evaluation	<p>In January 2011, the trustees called for expressions of interest from potential auditors for a period of five years. This means the term for the current Auditors, Staples Rodway ceases at the end of the end of financial year end 2016. The A & R Committee has oversight of the Annual Financial Planning and Audit Process, as stated in the Governance Charter, including;</p> <ul style="list-style-type: none"> • Assessing the performance of the auditor • Recommending the appointment and review of the external auditors

		I have been unable to find anything on auditor evaluation but will keep searching, otherwise I will go to Stuart Signal and ask. This should be an agenda item for discussion.
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