



Eastern & Central
**COMMUNITY
TRUST**

Helping fund a better community

AUDIT & RISK COMMITTEE MEETING

12.30pm Thursday 28th January 2016
Eastern & Central Community Trust Meeting Room

**THE AGENDA FOR A MEETING OF THE A & R COMMITTEE OF THE EASTERN AND CENTRAL
COMMUNITY TRUST INC., TO BE HELD AT THE TRUST'S OFFICE, ON THURSDAY 28th JANUARY
2016 COMMENCING AT 12:30 P.M.**

*Auditor Stuart Signal will be in attendance.
A light lunch will be available from 12:00 noon.*

AUDIT PLAN AND ENGAGEMENT LETTER

1. The Auditor, Stuart Signal, will outline the plan and timing of the audit.
2. The Audit & Risk Committee will consider the Engagement Letter.

SECRETARIAL AND COMMITTEE ADMINISTRATION ITEMS

3. Welcome and Apologies
4. Draft Minutes of the A & R Committee Meeting held December 18th 2015 : [pages 3-6](#)
5. Matters arising and action items: [pages 7-8](#)

COMMITTEE INFORMATION PAPERS

6. PBE Reporting Requirements : [pages 9-34](#)
7. Risk Register: [pages 35-42](#)
8. Work plan update: [pages 43-50](#)
9. General Business

Close of Meeting

Next meetings:

Thursday 25th February 3.00pm - BAU

Thursday 30th March 12:30pm. Meeting with Auditor - Audit Up-date.

Report type:	Secretarial and Committee Administration Items
Recommendation:	The Committee considers the Minutes of the Audit & Risk Committee Meeting held on 18 th December 2015 and approves as a true and accurate record of the meeting.
Agenda item no:	4
Subject:	Minutes of the Audit & Risk Committee Meeting held on 18 th December 2015
Responsible for the report:	Trust Secretary

Purpose of report:	To record the recommendations of the Committee from the Audit & Risk Meeting, including decisions taken, and to approve the minutes from 18 th December 2015 as a true and accurate record of the meeting.
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**MINUTES FOR THE MEETING OF THE AUDIT & RISK COMMITTEE OF THE
EASTERN AND CENTRAL COMMUNITY TRUST INC.,
HELD IN THE MEETING ROOM, 1ST FLOOR, WESTERMAN'S BUILDING,
102-104 RUSSELL STREET SOUTH, HASTINGS,
ON FRIDAY 18TH DECEMBER 2015, COMMENCING AT 2.00 PM.**

PRESENT:

Via Teleconference: Shelly Mitchell-Jenkins (Chair), Caren Rangi, Stephen Kerr

In Person: Mark Kilmister, Jonathan Bell (General Manager) and Kelie Jensen (Trust Secretary)

SECRETARIAL AND ADMINISTRATION ITEMS

1. Apologies

1.1 RESOLUTION

The Committee resolved to accept an apology from Geoff Milner.

C Rangi/S Kerr

CARRIED

2. Draft Minutes of the Audit & Risk Meeting held on 29th October 2015

2.1 RESOLUTION

The Committee resolved to approve the minutes of the meeting held on 29th October 2015 as a true and accurate record of the meeting.

M Kilmister/S Kerr

CARRIED

3. Matters Arising and Action Items

Matters Arising:

- Page 4, #4 – Elevation Capital cash balance: Trustees asked whether our concerns have been addressed with them – main concern is whether they are working the funds effectively. The GM confirmed that ECCT has taken \$2M back from Elevation Capital and invested for higher return on 30 day term deposit. The concerns raised by Trustees will be addressed in the New Year as part of the performance review process and the GM will report back to the Board at the May Trust Meeting.
ACTION ITEM C Swasbrook is scheduled to present at the March Board Meeting and Trustees can also raise concerns with him directly.
- Page 5, #5 – Capital Base: Trustees noted that the GM was to seek commentary and advice on our options from M Chamberlain and to report at the November Trust Meeting. This didn't happen because markets improved, but still important to include this as Agenda Item for the January Trust Meeting. **ACTION ITEM**
- C Rangi noted that although absent at the last meeting, she e-mailed four points to be considered. Were they considered and what is the process to document this in the future? The GM apologised as these were not reported at the meeting and confirmed that such items would be documented in the minutes in future. C Rangi to please re-send. **ACTION ITEM** The GM also clarified that the action item requiring C Rangi's assistance is the Governance Charter.

Action Items:

- Videoconferencing has been included in the main Board Action Item list.

OPERATIONAL REPORTS TO THE COMMITTEE

4. General Manager's Report to the Committee

The Committee noted the General Manager's Report to 14th December 2015. Noted:

- The GM confirmed that, following discussions with M Chamberlain, we have hedged \$17M US, \$6M Euro, \$4M Pound, \$4M AUS – this is approx. 50%; although policy model suggests 75%, we are coming from 0% and made a judgement to go to 50% for three months, to be reviewed in January. The GM to send an e-mail to inform all Trustees and note that this is heading towards policy model. **ACTION ITEM**
- Trustees asked why donation numbers are low for January. The GM responded that it is difficult to know, but has happened in the past and come back up to normal. Also, although numbers are low (50 compared to 80-90 historically for January), specials are a higher proportion, so \$ amount may be close to budget. Also approx. 10 specials pushed into March. Trustee suggested that reporting include analysis of whether applications are repeat or new, but current reporting options make this difficult.
- Page 11, #3 – Governance Charter: Trustees asked what input the GM requires from them in relation to the review of the Governance Charter over the coming six months. The GM clarified that he sees this document as the Trustees responsibility and the review should be completed by Trustees. S Mitchell-Jenkins suggested that the GM still needs to lead the process. The GM to work with the Board Chair on this and include on Agenda for the January Trust Meeting. **ACTION ITEM**

FINANCIAL INFORMATION PAPERS

5. Dashboard Report to 30th November 2015

- Noted “red lights”, but YTD bottom lines are green.

6. Summarised Financial Position & Financial Performance YTD

The Committee noted the Financial Reports to 30th November 2015. Discussion:

- Pages 13 & 15 – Budgeted Income: Trustees raised whether budgeted Income for the year is reasonable given current environment and YTD performance – does budget need to be reviewed. Based on recent discussions with R Burton and C Swasbrook, the GM believes we remain on track to meet budget. Can we request schedule of dividend payments – Public Trust should be able to provide this. **ACTION ITEM** The GM to please add to agenda for discussion with Forsyth Barr and Elevation Capital – given that ECCT needs realised income, not only gains, are our managers on top of this? **ACTION ITEM**
- Page 14 – Elevation Capital: Trustees continue to raise concerns over performance of Elevation Capital – difference between Elevation Capital and Forsyth Barr continues to grow and is now very material; concerns further fuelled by Elevation Capital's willingness to return \$2M cash. Also noted that as EC is still responsible for the \$2M, it should continue to sit on their reports. **ACTION ITEM** The GM is fully aware of Trustee concerns re Elevation Capital and they will be addressed during the review process – he believes it is M Chamberlain's responsibility to ask questions of C Swasbrook in the first instance. **ACTION ITEM**
- Page 21 – NZ Bonds Allocation: Need to revisit our tactical investment of NZ Bonds - this is a Trustee decision but advice is needed from M Chamberlain. Suggest asking him a general question “Is the allocation of NZ bonds about where you would have it?” **ACTION ITEM** Trustees also noted 0% for Private Equity in table – the GM to please check formulas. **ACTION ITEM**

- Trustees noted that Elevation Capital has reduced allocation in services and increased allocation to tobacco to 10%. Recognise that this is within existing mandate, but raises three issues:
 - 1) Is 10% exposure to Tobacco too high risk?
 - 2) This further highlights concerns re the performance of Elevation Capital versus Forsyth Barr – in comparison, Forsyth Barr have increased allocation to services and reduced to tobacco – polar opposite investment decisions.
 - 3) Ethical investing – historically Trustees have chosen not to have input into this re investment mandate – do we need to revisit this?

Please add to the Agenda for the January Trust Meeting – allow for brief discussion of this example in relation to risk appetite; also whether Trustees have an appetite for a larger discussion around ethical investment to be scheduled for a future meeting. **ACTION ITEM** Also noted that reporting on the rationale behind these investment decisions is exactly what we want from Elevation Capital and Forsyth Barr as part of the annual review and reporting process.

7. Hedging Report

The Committee noted the GM's Report on Hedging.

8. Risk Register Summary

The Committee noted the GM's Report on the Risk Register.

9. Summarised Fund Manager Reports

The Committee noted the Summarised Fund Manager's Report to 30th November 2015.

COMMITTEE DECISION PAPERS

Nil

COMMITTEE INFORMATION PAPERS

10. General Business

- Work plan: S Mitchell-Jenkins noted that work needs to be done on this - suggests comparing the Committee Terms of Reference and the Charter with what the Committee is doing in practice; believes there is an action item missing around policy review, rotation of policy review dates etc. She will look over this at high level and circulate comments to the Committee for discussion – outcome is for the Committee to review and make a recommendation to the Board. **ACTION ITEM** S Mitchell-Jenkins also intends to review the Risk Register to include categories and a schedule of category review at each Committee Meeting. C Rangi offered to assist with this. The GM to please confirm where the current Risk Register is available online. **ACTION ITEM** Also need to review website folders and need to develop financial policy documents etc. – to be included in Work plan. **ACTION ITEM**
- Annual Budget: Trustees raised whether the Annual Budget should be discussed by the A&R Committee prior to being presented to the full Board. The GM noted that it is his role to set the Annual Budget and that it should be presented to the full Board for discussion as will be the case at the January Trust Meeting.

11. Close of A&R Committee Meeting

Next A&R Meeting (Pre-Audit Meeting with the Auditor) will be held on Thursday 28th January, 2016 at 12.00pm.

There being no further business, S Mitchell-Jenkins closed the meeting at 2.57pm.

Report type:	Secretarial and Committee Administration Items
Recommendation:	The Committee receives the Action Plan from the previous Audit & Risk Committee Meeting dated 18 th December 2015
Agenda item no:	5
Subject:	Audit & Risk action items and matters arising progress report
Responsible for the report:	General Manager

Purpose of report:	To ensure that assigned tasks are monitored and completed.
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A & R COMMITTEE ACTION PLAN

Meeting Date; 18th December 2015

back to
agenda

#	ACTION	WHO	WHEN	STATUS
1	Add amended Trustee exit interview strategy to plan and charter	Jonathan	At Governance Charter Review	Pending
2	Review Fund Managers Contracts	Jonathan	Sept	Part of Annual Review due March/April 2016
3	Elevation Capital – Holding more cash than mandate	Jonathan & MCA	Mar/Apr	To be discussed at Annual Review in Mar/Apr
4	GM to look at various Video Conferencing options	Jonathan	Jan	Noted in GM Board Report
5	Concerns about cash balance in Elevation Capital portfolio	Jonathan	March	Part of review process
6	Capital base as an agenda item for Board Meeting	Jonathan	Jan	Noted in GM report
7	C Rangi email of four points of concern – These have been noted and acted upon	Jonathan	ASAP	Completed
8	Notify Trustees of hedging decision	Jonathan	Dec	Completed
9	Governance Charter Review – To include a paper in Jan Board Meeting	Jonathan/Geoff	Jan	Completed
10	Request Schedule of dividend payments from Public Trust	Jonathan	Feb	Pending
11	ECCT needs income as well as gains in the portfolio – emphasise to Fund Managers	Jonathan	March	Part of review process
12	ECap \$2mill which is now being managed by ECCT still needs to sit on their reports	Jonathan	Feb	Sage Accpac may need to be changed to accommodate this request
13	ND Bonds – Ask Michael Chamberlain the general question “Is the allocation of NZ bonds where you would have it?”	Jonathan	Feb	Pending
14	Private Equity at 0% in Asset Allocation Table – Please check formulas	Jonathan	Feb	Completed
15	Ethical Investment – Add to January Board meeting as an agenda item	Jonathan	Jan	Not done
16				

Report type:	Audit & Risk Committee Information Papers
Recommendation:	<ol style="list-style-type: none">1. That the Committee receives and notes the draft report from RSM Audit on PBE Reporting Transition.2. That the Committee recommend to the Board that ECCT report under Tier 2.
Agenda item no:	6
Subject:	PBE Transition Reporting Recommendation
Responsible for the report:	General Manager

Purpose of report:	To inform the Committee of the proposed new financial reporting standards under Public Benefit Entities (PBE) standards.
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Background

Please find attached a draft of a report from RSM Audit.

This report provides an overview of;

1. The new financial reporting obligations with a recommendation for ECCT to undertake reporting as Tier 2 entity.
2. Measurement and Recognitions with recommended actions to consider
3. Disclosure considerations with recommended actions to consider
4. General PBE Standard's considerations with specific actions and implications for Tier 1 & 2 organisations.

Resolution

"The A & R Committee recommends to the Board that ECCT elects to provide financial reporting in accordance with Tier 2 reporting standards"

Future Actions

Andy Arcus and I will begin the process of developing the new notes to the Financial Statements in accordance with the recommendations from RSM Audit. Once these are in draft format we will provide them to the Committee for feedback. I will also be providing a copy of the RSM report to our Auditor for his information.

My initial thoughts after reading the report is that our notes to the Financial Statements will only substantially change in the Financial instrument disclosures which will reduce significantly.

Jonathan Bell
January 2016



COMBINED COMMUNITY TRUSTS

PBE Standards – Transition Assistance Report



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1. Introduction

This report has been prepared in accordance with our proposal of December 2015. This report is based on a review of the publicly available financial statements of the following Community Trusts (“the Trusts”):

- Community Trust of Southland (“CTOS”)
- Eastern and Central Community Trust (“ECCT”)
- Rata Foundation Incorporated (“Rata”)
- Whanganui Community Foundation Incorporated (“WCFI”)

Some of the Trusts have a variety of controlled entities, including some for profit subsidiaries. The scope of our report excludes consideration of the separate financial statements for any controlled entities.

Our report aims to provide the following:

- An overview of the changes in accounting framework for the 2016 year
- Identification of the main areas of change from the Trusts’ existing financial reporting compliance and provide general guidance regarding the required treatment and implications.

We have separated these considerations into sections related to measurement and disclosure for Tier 2 entities and provided a separate section for Tier 3 entities.

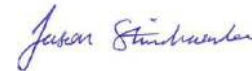
We’ve performed a high level review of each individual Trust’s most recent annual financial statements to identify any other likely specific issues for that particular Trust.

This is contained in the specific appendix for each Trust.

This report has focussed on identifying differences in treatment and presentation between your previous framework and the new PBE requirements. We have not subjected your disclosures or information to any verification procedures – and our engagement does not constitute an audit or a review. Further, the scope of our work has been solely based on consideration of publicly available information and we have not inspected any source documentation or agreements in relation to the Trusts. Because of this it is possible that there may be facts and circumstances that we are not aware of that require consideration in your transition to the new standards.

We hope you find this report of use in your journey into the new reporting landscape.

Should you have any queries, please do not hesitate to contact me.



Jason Stinchcombe
Audit & Technical Partner
RSM Hayes Audit

22 January 2016

2. Overview of your new financial reporting obligations

Your financial reporting obligations at law arise from the Community Trusts Act 1999. This has been recently updated to link these obligations into the new Financial Reporting Act 2013.

Broadly, the obligations can be summarised as:

- Preparation of financial statements in compliance with Generally Accepted Accounting Practice ("GAAP") within 5 months of balance date
- Audit to be completed of these by a qualified statutory auditor
- Publish the financial statements by 31 August each year
- Submit the financial statements of the trust along with the auditor's report to the Minister of Finance

However, what has changed is what is considered to be GAAP. GAAP consists of the applicable financial reporting standards (issued by the External Reporting Board or "XRB") for the entity and period concerned.

The significant change has been the XRB's introduction of new sector specific standards, tailored to fit different sizes of organisations.

Specific standards have been developed for entities who are considered public benefit entities and for profit entities. Standards for public benefit entities then have further customisation between public sector and not-for-profit entities.

The XRB's new financial reporting frameworks

Depending on scale, there are four tiers of financial reporting standards for public benefit entities.

	Tier 1	Tier 2	Tier 3	Tier 4
Criteria	"Public Accountability" or Expenses >\$30m	No "public accountability" and Expenses ≤\$30m	No "public accountability" and Expenses ≤\$2m	No "public accountability" and Payments <\$125k
Framework that defines GAAP:	PBE Standards	PBE Standards RDR	Simple Format Standard (accrual)	Simple Format Standard (cash)

"Public accountability" is a particularly technical concept in the context of these frameworks. An entity is publicly accountable if:

- its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market; or
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses; or
- it is deemed to be so under XRB A1 which notes registered banks, non-bank deposit takers, and registered superannuation schemes as being publicly accountable.

The development of PBE Standards (Tiers 1 and 2)

The PBE Standards are themselves comprised of locally adopted versions of International Public Sector Accounting Standards (“IPSAS”). IPSAS standards are themselves derived from International Financial Reporting Standards (“IFRS”) however the IPSAS standards tend to lag developments within IFRS.

Accordingly, some of the definitions and terminology used within IPSAS standards reflect older IFRS standards now superseded by recent developments within IFRS – for instance terminology around the treatment of joint ventures. This means some updating of PBE standards is to be expected in the future.

In addition, there are a number of standards that the XRB determined needed to be introduced in addition to IPSAS standards to cover topics not presently included in that suite of international standards. For this reason, there are additional PBE standards that are referred to as either PBE IAS or IFRS that are taken almost directly from the NZ IFRS standards, and others that are introduced solely in the local context. Such additional standards were considered necessary given the broader use of these standards in the NZ market compared to the IPSAS’s original intended use – being for the public sector.

Section 3 of this report outlines some of the key measurement considerations of these standards.

Reduced disclosures for mid-sized entities

The Tier 2 standards include disclosure concessions, and is known as the Reduced Disclosure Regime (“RDR”). This means that the standards effectively contain all the measurement and recognition criteria of the Tier 1 PBE Standards but with the removal or simplification of certain disclosure requirements.

Section 4 of this report details key disclosure changes for Tier 1 and Tier 2 entities.

Development of Tier 3 reporting standards - Simple Format Accrual Standard

For smaller not-for-profit entities it was determined that the cost of compliance from implementing the full suite of PBE Standards would be too high relative to the scale of such organisations.

Accordingly, for entities that have less than \$2m of operating expenditure there is a single standard framework. This framework draws upon many of the concepts in the PBE Standards, however is significantly simpler – for instance there is no requirement to account for investments at fair value. However, it still requires entities to consolidate subsidiaries and, importantly, contains the ability to adopt Tier 2 requirements for a class of transaction or balance sheet item where the Tier 3 requirements are not considered adequate – as long as the Tier 2 rules are applied to all items of a similar nature.

Tier 3 requirements also include reporting of non-financial information – and a statement of service performance is required to be provided, along with some entity background information. This provides information on the entity’s goals and annual outcomes sought and achieved. The service performance information is also required to be audited.

As a result of the more holistic nature of the external reports required by Tier 3, they are referred to as “performance report” as opposed to financial statements.

Section 5 of this report provides more detail for Tier 3 entities.

Service performance reporting for tier 2 entities

Tier 1 and 2 PBE Standards do not yet include a requirement to produce a statement of service performance. A comprehensive standard is currently under development for Tier 1 and Tier 2 public benefit entities by the XRB, which we understand is to be released as a draft for comment in early 2016. The XRB is also developing an assurance standard - as once in place this service performance reporting information will be required to be audited. This will not be effective for the 2016 period.

Application of the Tier Structure to the Trusts

It does not appear that the Trusts would meet the public accountability criteria.

The measurement of the expenditure criteria is by reference to total expenditure - specifically noted to include grants expenditure.

- Based on the 31 March 2015 financial statements none would exceed \$30m of expenditure, and thus all would appear eligible to apply Tier 2 standards.
- Given the scale of the community trust's donation expenditure, most will be clearly above the \$2m annual expenditure threshold.

Accordingly, based on this:

- Rata would be considered Tier 2 based on 2015 reported levels. However, we note that 2014 levels were in excess of the \$30m threshold (once special funds donations are included). A view would need to be formed as to what the likely level of stable expenditure (including all grants) will be for Rata. If this is likely to be under \$30m then Tier 2 offers substantial disclosure simplifications. If not, then Tier 1 will introduce a limited number of additional or modified disclosures for Rata.
- WCFI operates at a lower level of annual donations and has reported less than \$2million in the 2015 and 2014 years. This means that it may be able to elect to adopt Tier 3 reporting requirements for the 2016 period. However, there are some limitations and additional requirements to the Tier 3 standard which need consideration prior to making this election.
- (See section 5 later in this report.)
- ECCT and CTOS would appear well within the Tier 2 thresholds

Action required

Election of your reporting tier

The election of which reporting framework should be made by the governing body as it will form an important decision as to the degree of transparency provided in your future annual reports.

- **ECCT** and **CTOS** will need to elect to report in accordance with Tier 2 (or otherwise produce full Tier 1 financial statements if considered more appropriate.)
- **Rata** will need consider whether it is likely to exceed \$30m of expenditure on a recurring basis. Assuming not, Tier 2 could be elected.
- **WCFI** will need to consider whether to elect to report in accordance with Tier 2 or Tier 3. Both will provide some simpler disclosures, however Tier 3 rules are perhaps too simplistic for the scale of investment base of WCFI and so would probably lead to utilising some of the Tier 2 requirements. In addition, Tier 3 requirements include the presentation of (and then audit of) a statement of service performance. (More details are provided later in this report).

3. Tiers 1 and 2: Measurement and recognition

Whilst the majority of the requirements in the PBE Standards are aligned with your previously adopted NZ IFRS PBE standards, there are certain topics that were not considered by IFRS given their relevance is largely in the for profit arena. This section summarises some of the key concepts developed in the PBE Standards.

This section assumes Tier 1 or Tier 2 PBE Standards are being applied.

Exchange vs non-exchange revenue

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services or use of assets) to another entity in exchange.

Examples of exchange transactions are the purchase or sales of goods or services or the lease of equipment at market rates.

Non-exchange transactions arise where an entity receives value from another entity without giving approximately equal value in exchange. Grants, donations, gifts and bequests fall into this category.

PBE Standards provide two separate accounting standards for revenue arising from exchange and non-exchange transactions. A key difference is that revenue received in advance from non-exchange transactions is only deferred as a liability where it has unfulfilled conditions (often referred to as use-or-return conditions) attached that would require repayment of the funds if the conditions are not met.

The nature of the activities of the trusts means that this standard is likely to be of limited application, however it does create new disclosure requirements for Tier 1 and 2 entities being required to disclose revenue, receivables, and payables from exchange and non-exchange transactions separately.

Action required: It is not expected that any non-exchange revenue will be present. Liabilities from exchange and non-exchange transactions will require separate disclosure.

Non-cash generating assets

There are specific requirements present for the consideration of impairment for non-cash generating assets – assets other than those which are held with a primary objective of generating a commercial return.

The primary non-current assets held by the Trusts are either investments, investment properties, or property plant and equipment classified as held for sale.

However, the Trusts will need to consider if any of their property plant and equipment, intangibles, or investments in associates (for instance Rata's investment in Te Kete Putea) represent such assets that will be within scope of PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets*.

For such assets, the standard requires an assessment as to whether there is any indication that an asset may be impaired from external and internal sources of information. Such indicators could range from physical deterioration to the cessation of use of the asset.

Where an indicator exists, determining whether or not a non-cash-generating asset is impaired is considered by comparing the carrying value to the "recoverable service amount" – which is the higher of the asset's fair value less costs to sell, or its value in use.

Unlike IFRS, PBE Standards define value in use as the present value of the remaining service potential, which permits several approaches, including:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

Action required:

Consider whether there have been any indicators of impairment on such assets (taking their materiality into account) before progressing to detailed testing of such assets.

Any intangible assets with an indefinite useful life or intangible assets not yet available for use will be required to be tested annually for impairment.

Concessionary loans

Concessionary loans are those granted at below market rates; as such amount of principals at commencement of the loan will not usually be equal to the fair value of such a loan.

Where a concessionary loan is granted by one of the trusts, the difference between the fair value is required to be treated as an expense in surplus or deficit at initial recognition. Interest income (at the market rate) is then recognised on the reduced carrying value of the loan but at a market rate. We note that this would generally have been expected to have been the accounting treatment under NZ IFRS however it is not clear that this is the case for concessionary loans disclosed within the CTOS (to related parties) and Rata ("Community Loans") financial statements.

WCFI essentially applies this treatment, albeit the disclosures around these will need to be updated (assuming Tier 2 standards are applied.)

Action required: Confirm accounting for concessionary loans is materially in compliance with the above.

Investment portfolios

Investments at fair value

The major portions of the investment portfolios have been accounted for as investments through profit or loss under previous IFRS standards. Fortunately, PBE Standards are aligned to the IFRS standards in this respect. Accordingly, all entities will be able to adopt existing standards essentially reflecting revised terminology where by fair value through profit or loss becomes "fair value through surplus or deficit".

Investments at cost

CTOS holds some investments at cost on the basis that such items are not able to have their fair value reliably estimated. This triggers some further disclosure requirements, albeit that this may be subject to a materiality consideration.

Under PBE standards, any dividends on equity securities carried at cost received from pre-acquisition profits are not recognised as revenue but deducted from the cost of the investment. In the event of any such distributions care will need to be applied to how these are recognised.

Controlled entities

PBE Standards contain requirements to consolidate controlled entities, importantly with broader guidance around the definition of control than for profit standards - and with specific and enhanced guidance for the not-for-profit sector. Whilst control is still considered to be an ownership form of control, there is much clearer explanatory material as to factors that may indicate such control exists in substance in a not-for-profit context.

The impact of this is that more entities are considered controlled, particularly where entities have set up related trusts or national structures within separate entities but are effectively able to control the financial and operating policies of those entities.

These requirements and guidance are contained in IPSAS 6 *Consolidated and Separate Financial Statements* and also EG A9 *Financial Reporting by Not-For-Profit Entities: Identifying Relationships for Financial Reporting Purposes*.

From the note disclosures contained in the financial statements it is not apparent that any further entities would be potentially considered to be controlled.

Action required: Assessments should be made internally as to whether there are any further entities with close relationships with the Trusts that require a detailed assessment of whether or not they may be controlled.

Te Kete Putea

Various treatments appear to be reported for Te Kete Putea:

- WCFI treating this as their proportion share in an underlying asset.
- ECCT record this at "fair value" – but also impair this partially.
- Rata treat the investment as an associate and equity account for it.
- CTOS have written down the carrying value to nil.

However, the carrying value would appear immaterial to the Trusts' net assets and accordingly we have not examined this issue further.

Appendix

A checklist of the key measurement considerations is attached at Appendix 1 for your consideration. Specific appendices for each of the Trusts are also contained at Appendix 3 to 6.

4. Tier 1 and 2: Disclosure considerations

For all of the trusts there will be significant changes to the disclosure requirements – in the main, a significant reduction will be available.

Terminology changes

The following presents the new names for the primary financial statements and key concepts.

PBE Standards term	NZ IFRS Term
Statement of comprehensive revenue and expense	Statement of comprehensive income
Statement of changes in net asset/equity	Statement of changes in equity
Surplus or deficit	Profit or loss

There are consequential amendments required as a result of the financial reporting reform.

- The statutory base under which the financial statements are prepared – removing reference to the Financial Reporting Act 1993.
- The fact that, for the purpose of financial reporting, it is a public benefit entity
- That it has elected to report in accordance with Tier 2 PBE Standards and applied disclosure concessions.
- Criteria by which the entity is eligible to apply Tier 2 standards.

Action required: Terminology and entity information to be updated.

Statement of comprehensive revenue and expense structure

The change in reporting framework may be an opportune time to consider the structure and level of aggregation provided within the financial statements, particularly in regard to revenue and expenditure.

Expenditure is able to be classified either:

- By function within the entity (e.g. investment management, grant management, administration etc.)
- By nature of expenditure (e.g. salaries, fund management fees, professional services etc.)

Whilst entities are encouraged to present such disaggregation within the face of the statement, it is permissible to provide this analysis within the notes to the financial statements.

Action required: Consider the level of aggregation and classification presented of revenue and expenditure.

Disclosure of budget information

Where an entity makes a financial budget publicly available, comparison against the budget is required. It does not appear that any of the Trust's budgets are publicly available but this should be confirmed.

Presentation of group and parent financial statements

With the introduction of the Financial Reporting Act 2013 the obligation to present separate parent and consolidated financial statements have been removed for many entities. We note that this has been taken up by the Rata Foundation already in the 2015 year. However, WCFI and CTOS would appear to be able to present group financial statements only.

Action required: WCFI and CTOS should consider presenting consolidated information only for clarity and ease of reporting within their financial statements. This would be subject to confirmation that there are no specific regulatory, constitutional or other requirements to provide this separate information specific to your individual organisations.

Treatment of grants – expenditure vs equity contributions

IPSAS 1 confirms that expenses are “*all decreases in economic benefits or service potential during the reporting period in the form of outflows ... that result in decreases in net assets/equity, other than those relating to distributions to owners.*”

We note the most of the grants provided by the community trusts have been appropriately recognised as expenditure.

Action required: Any donations recorded in the financial statements directly through equity will require presentation as an expense.

Concessionary loans

Increased disclosure requirements are present for these compared to the specific requirements of NZ IFRS. Details are included in the appendix to this report.

¹ Defined in PBE IPSAS 20 as being those family members who may be expected influence, or be influenced by that person in their dealing, including – children, dependants, spouse/domestic partner, spouse/domestic partner's children or dependants.

Related party transactions – generally

The definition of a related party is subtly different; PBE IPSAS 20 states:

“parties are considered to be related if one party has the ability to:
(a) control the other party, or
(b) exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.”

The definition is slightly broader and it acknowledges the ability to control or influence to be in either direction.

Action required: It is recommended that this definition be considered to ensure that there are no further relationships that need to be included in related party disclosures.

Related parties – key management personnel remuneration

Disclosure of aggregate remuneration by major class of key management personnel and the number of FTE's deemed to be key management personnel in each category is required. This further disaggregation of data will be a new requirement and comparative information will be required.

It is important to note that key management personnel include both members of the governing body and the senior management group of the reporting entity. Where there are key advisors to elected representatives these may also be considered to be related parties depending on the substance of their influence.

Remuneration, other than on normal terms and conditions, paid to close family members¹ of key management personnel is also required to be disclosed.

In addition to these, further details of loans provided are required where provided to key management personnel or close family members.

Action required:

- Review composition of those considered to be key management personnel.
- Compile estimate of the number of FTE's by category.
- Determine if any further transactions or off market remuneration to close family members of key management personnel is required.

Disclosure concessions available with the Reduced Disclosure Regime

New disclosure simplifications are available for Tier 2 PBE's, which will include:

- Financial instruments disclosures can be extensively reduced, with the majority of the risk management disclosures able to be removed.

However, there will still be a need to provide information that enables users to understand the nature and range of financial instruments entered into by the trusts, as the financial investments essentially form the substance of the asset base. In addition, some disclosure around methodology of valuing the assets and liabilities is required.

Nevertheless, there will be a significant reduction in compliance time and effort required here.

- Reconciliations of property plant and equipment, investment property, and provision carrying values need not be presented for comparative periods.
- The reconciliation of operating cash flows with net surplus may be removed.

Analysis of the more significant disclosure reductions are available in Appendix 2.

Action required:

- Confirm election of Tier 2 standards with your governing body
- Reduce disclosures within your financial reporting template.
- We suggest that the revised template be considered by your auditors ahead of your year-end audit visit to ensure that they are in agreement. As Tier 2 is a fair presentation framework there is a degree of qualitative assessment required as to how much disclosure will be sufficient – particularly in respect of the investment portfolio.

5. Tier 3 - Simple Format Requirements

WCFl appears able to adopt Tier 3 reporting requirements as expenditure has been less than \$2m in the 2015 financial statements. Assuming the 2016 level of expenditure is similar and there are no future plans to increase the level of expenditure, the election to report under Tier 3 standards is a viable alternative. Whilst in general these are straight forward to apply, consideration as to whether to adopt Tier 2 standards for some specific transaction types due to the simplicity of the Tier 3 requirements may be needed.

Measurement considerations

The following is of note:

- Fair value accounting is not required for financial instruments (including investments). The default is to record these at cost (unless market value is lower). Given the scale of the investment portfolio this may not be considered appropriate for WCFl.
- If investments are to be carried at fair value, then the full requirements of the Tier 2 Financial Instruments standards would need to be applied to that type of transaction (including disclosure).
- The default requirement is for property to be carried at cost less depreciation rather than valuation. Where the valuation of property, plant and equipment is to be recognised, this must be done in accordance with the Tier 2 rules, except that council rating valuations are permitted.
- There are no specific accounting requirements for concessionary loans, so these could be recorded at face value.

There is also a specific requirement to recognise grants and donations made only when the grant or donation has been approved and the recipient advised – however it does not appear to be a significant issue based on past levels of grants accrued.

Consolidation is still required of any controlled undertakings, as is accounting for associates and joint ventures – the Tier 3 standard requires reference to the appropriate Tier 2 standard in this event.

Disclosure requirements

In terms of disclosure requirements, in general a template is provided by the XRB (and available on their website in Excel format) that would facilitate production of the financial statements in accordance with these requirements. Whilst the disclosure simplifications are numerous, some key highlights are as follows:

- Significant simplification of the disclosure around investments - where not adopting Tier 2 rules.
- Simplification of related party transaction disclosure, including removal of Key Management Personnel Remuneration disclosure.
- Simplified presentation of the cash flow statement with investing and financing activities simplified.

Non-financial information disclosure requirements

All not-for-profit Tier 3 entities are required to prepare entity and service performance information. This information is at present more extensive than is required for Tier 1 or 2 entities (all though long term the other PBE Tiers are expected to have equivalent requirements introduced). The information required includes:

Entity information

- The entity's purpose or mission
- A description of the structure of the entity's operations (including governance arrangements);
- The main sources of the entity's cash and resources;
- The main methods used by the entity to raise funds;
- The entity's reliance on volunteers and donated goods or services; and
- Any additional information that is considered essential to users' overall understanding of the entity.

Service performance information

The intention here is for entities to report on how they have achieved what they set out to do. The requirements are to:

- Describe the outcome(s) that the entity is seeking to achieve or influence through the delivery of its goods or services.
- Describe, and quantify to the extent practicable, the outputs (goods or services) the entity has delivered for the current year.

Action required: WCFI - The benefits of Tier 3's simpler financial reporting requirements should be considered relative to the (short term) additional non-financial reporting requirements prior to an election being made in regard to adopting either Tier 2 or Tier 3 standards.

6. Transition requirements

PBE Standards (Tier 1 and 2)

For Tier 1 and Tier 2 reporting entities your transition to the new reporting requirements is contained in a specific standard - PBE FRS 46. This requires:

- A first-time adopter of PBE Standards shall prepare an opening statement of financial position at the date of transition (i.e. 1 April 2014 – the beginning of the comparative period) to PBE Standards.
- Full restatement of comparative information in compliance with the requirements of the PBE Standards
- Presentation of a note disclosure explaining the nature and amount of transition adjustments to each financial statement line.
- Explanation of transition exemptions applied (if any)

Similar to when IFRS was first implemented there are a number of potential exemptions available to be applied, including the potential use of fair value on transition for deemed cost. However, given the nature of the assets and liabilities recorded by the trusts this will be of limited consequence.

In addition, PBE FRS 46 doesn't permit a change of policy at transition where NZ IFRS and PBE Standards permit the existing treatment.

Comparative information capture

Accordingly, the key transition consideration is in providing comparative information for any newly required note disclosure information. The key items of such disclosure relate to:

- Differentiation of revenue, receivables and payables between exchange and non-exchange transactions
- Enhanced key management personnel remuneration disclosure
- Concessionary loans

Simple Format Reporting (Tier 3) Transition requirements

An entity previously applying NZ IFRS PBE has two transition options under the Tier 3 standards:

- Follow this Standard from the start of the current period. In this case comparative information is not required, and this overrides any requirement elsewhere in this Standard for comparatives to be reported. However, the entity shall attach its previous financial statements and a list of its previous accounting policies; or
- Apply the Tier 3 requirements to the beginning of the earliest comparative period presented – which may present users with the most meaningful information.

Appendix 1: General PBE Standards (Tier 1 & 2) considerations

STANDARD / ISSUE	IMPACT
<p>XRB A1 Application of Accounting Standards Framework</p> <p>An election should be made as to whether to report under Tier 1 or Tier 2 standards (unless it is clear that Tier 2 size criteria will not be met – see body of report.)</p>	Limited changes to disclosure
<p>PBE IPSAS 1 Presentation of Financial Statements</p> <p><i>Terminology and references</i></p> <p>Update names and terminology of statements throughout, referring to:</p> <ul style="list-style-type: none"> Public Benefit Entity Standards (Reduced Disclosure Regime if elected) as the accounting framework Statement of comprehensive revenue and expense Statement of changes in net assets/equity Update references to statutory bases of preparation to remove reference to the Financial Reporting Act 1993. <p><i>Structure, materiality and aggregation</i></p> <p>Consider level of detail and classification particularly within the statement of comprehensive revenue and expenditure – and in particular in relation to level of detail provided for expenditure. (See body of report).</p>	Limited changes to disclosure
<p>PBE IPSAS 6 (NFP) Consolidated and Separate Financial Statements PBE IPSAS 7 Investments in Associates PBE IPSAS 8 Interests in Joint Ventures</p> <p>Consider if there are any relationships with other entities that give rise to potential control assessment. (Special purpose trusts etc. that may be controlled by the Trust).</p>	No change expected.
<p>PBE IPSAS 20 Related Party Disclosures - General</p> <p>Consider if any further related party relationships may exist given the following definition of related parties and update your related party register for any that do.</p> <p><i>Parties are considered to be related if one party has the ability to:</i></p> <p>(a) control the other party, or</p> <p>(b) exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.”</p>	Limited changes (if any) expected.

STANDARD / ISSUE	IMPACT
<p>PBE IPSAS 20 Related Party Disclosures – Key management personnel</p> <p>Collate information and prepare comparative information to report the following for Key Management Personnel, which will involve consideration of the appropriate classes of KMP and assessment of their time input on a FTE basis.</p> <p>The required disclosure is:</p> <ul style="list-style-type: none"> ▪ The aggregate remuneration of key management personnel ▪ The number of individuals, determined on a full-time equivalent basis, receiving remuneration within each category, showing separately major classes of key management personnel and including a description of each class (for example board member's vs senior management employees) <p>And where applicable:</p> <ul style="list-style-type: none"> ▪ The total amount of all other remuneration and compensation² provided to key management personnel, and close members of the family of key management personnel, showing separately the aggregate amounts provided to: ▪ Key management personnel ▪ Close members of the family of key management personnel <p>In respect of any loans, for each individual member of key management personnel and each close member of the family of key management personnel:</p> <ul style="list-style-type: none"> ▪ The amount of loans advanced during the period and terms and conditions thereof ▪ The amount of loans repaid during the period ▪ The amount of the closing balance of all loans and receivables ▪ Where the individual is not a director or member of the governing body or senior management group of the entity, the relationship of the individual to such body or group. <p><u>Of note for future periods:</u> For periods commencing after 1 January 2016, if a not-for-profit entity obtains key management personnel services from another entity (the 'management entity'), the not-for-profit entity shall disclose the amounts paid or payable to the management entity for the provision of key management personnel services.</p>	<p>Some change and further information capture required</p>

² including other remuneration and compensation that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual at arm's length in the same circumstances

STANDARD / ISSUE	IMPACT
<p>PBE IPSAS 30 Financial Instruments: Disclosures (Para 37)</p> <p>Develop disclosures providing the following information around concessionary loans</p> <p>A reconciliation between the opening and closing carrying amounts of the loans, including:</p> <ul style="list-style-type: none"> ▪ Nominal value of new loans granted during the period ▪ The fair value adjustment on initial recognition ▪ Loans repaid during the period ▪ Impairment losses recognised ▪ Any increase during the period in the discounted amount arising from the passage of time ▪ Other changes - Nominal value of the loans at the end of the period - The purpose and terms of the various types of loans - Valuation assumptions <p>If in the past loans have not been accounted for as concessionary loans (i.e. have been previously been accounted for at face value), an assessment of their relative materiality may need to be made and discussed with the auditors of the trust.</p>	<p>Increase to level of disclosure</p> <p>Treatment may need to be considered for compliance as well.</p>
<p>PBE IPSAS 21 Impairment of non-cash generating assets</p> <p><i>Impairment indicators and testing for non-cash generating assets (refer body of report)</i></p> <p>Develop and disclose the criteria to distinguish non-cash generating assets from cash-generating assets.</p> <p>Where non-cash generating assets exist (and subject to materiality considerations) consider if there are indicators of impairment from internal or external sources.</p> <p>Where such assets exist, assess recoverable amount by determining:</p> <ul style="list-style-type: none"> - Fair value less costs to sell - Value in use, using one of: <ul style="list-style-type: none"> - Depreciated replacement cost approach - Restoration cost approach - Service units approach <p>If any such impairment is noted, disclosure requirements within PBE IPSAS 21 will require details of this to be provided – refer paragraphs 77-78 of the standard. (Tier 1 only)</p>	<p>Process to be considered, limited disclosure added.</p>

STANDARD / ISSUE	IMPACT
<p>PBE FRS 46 Transition</p> <p>Disclosure requirements</p> <p>A first-time adopter shall include a statement that the interim or annual financial statements presented are its first set of financial statements presented in accordance with PBE Standards or PBE Standards RDR, as appropriate.</p> <p>An entity shall disclose the nature and amount of the adjustment for each financial statement line item that is materially affected at the date of adoption of PBE Standards, distinguishing separately corrections of errors and voluntary changes in accounting policies from changes resulting from transition to PBE Standards</p> <p>Any adjustments to the carrying amounts of assets and liabilities shall be recognised in opening net assets/equity.</p>	<p>Limited additional disclosures</p>

Appendix 2: Reduced disclosure regime concessions

STANDARD / ISSUE	IMPACT
<p>XRB A1 Accounting Standards Framework PBE IPSAS 1 Presentation of Financial Statements</p> <p>A Tier 2 entity shall disclose that it has elected to report in accordance with Tier 2 PBE Standards (Reduced Disclosure Regime) and has applied disclosure concessions in preparing its financial statements. It should also disclose the criteria (that is, that it is not publicly accountable and that its expenditure is less than \$30m) under which the entity is eligible to report in accordance with Tier 2 PBE Standards.</p> <p>An unreserved statement of compliance with Public Benefit Entity Standards Reduced Disclosure Regime should be provided.</p>	Limited change to disclosure
<p>PBE IPSAS 1 Presentation of Financial Statements PBE IPSAS 9 Revenue from Exchange Transactions PBE IPSAS 23 Revenue from Non-Exchange Transactions</p> <p>Disclosure is required of:</p> <ul style="list-style-type: none"> - Revenue from exchange and non-exchange transactions separately (although it is expected there would be no non-exchange transactions) - Receivables from exchange and non-exchange transactions separately (although it is expected there would be no non-exchange transactions) - Payables from exchange and non-exchange transactions separately (tax liabilities and donations outstanding would be non-exchange liabilities) 	Reduction in disclosure
<p>PBE IPSAS 1 Presentation of Financial Statements</p> <p>Capital Management disclosure</p> <p>The requirement to present information regarding the capital management of the entity (sometimes a separate note, but often a sub heading within your financial instruments note) is not required under Tier 2 RDR.</p>	Reduction in disclosure
<p>PBE IPSAS 2 Cash Flow Statements</p> <p>Reconciliation</p> <p>Tier 2 entities are not required to reconcile operating cash flows with the net surplus, and accordingly this note can be removed.</p>	Reduction in disclosure

STANDARD / ISSUE	IMPACT
<p>PBE IPSAS 16 Investment Property</p> <p><i>Reconciliation</i></p> <p>The prior year comparative reconciliation of carrying value is no longer required.</p> <p><i>Valuation methods</i></p> <p>The level of detail provided in regards to the valuation methods could be reduced, and the reference to the 3 levels of Fair Value Hierarchy is not required. Instead the disclosure required is of the methods and significant assumptions applied in determining the fair value.</p>	Reduction in disclosure
<p>PBE IPSAS 17 Property, Plant and Equipment</p> <p><i>Reconciliation</i></p> <p>The prior year comparative reconciliation of carrying value is no longer required.</p>	Reduction in disclosure
<p>PBE IPSAS 30 – Financial Instruments Disclosure</p> <p><i>Reduced disclosures regarding risks</i></p> <p>The level of disclosure required under PBE IPSAS 30 is significantly reduced for Tier 2 entities, particularly in respect of quantitative and qualitative analysis of both financial risk management, and the technical complexities of the fair value hierarchy into which instruments fall.</p> <p>This means significant portions of the financial risk management note are able to be removed – in particular quantitative and qualitative risk analysis, fair value hierarchy information, liquidity maturity profiles and sensitivity analysis.</p> <p>The required disclosures that remain applicable to Tier 2 entities include:</p> <ul style="list-style-type: none"> ▪ Information that enables users of its financial statements to evaluate the significance of financial instruments to its financial position and performance. ▪ Analysis of the categories in which financial instruments are recorded ▪ The criteria for designating financial assets or financial liabilities through revenue and expense upon initial recognition ▪ For all financial assets and financial liabilities that are measured at fair value: <ul style="list-style-type: none"> - the basis for determining fair value, for example, quoted market price in an active market. - if a valuation technique is used to determine fair value, the assumptions applied in determining fair values of each class of financial assets or financial liabilities ▪ In the cases where equity instruments fair value cannot be reliably measured (and thus the investments are measured at cost) the entity should disclose information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those financial assets or financial liabilities and their fair value, including: 	Significant reduction in disclosure and preparation time

STANDARD / ISSUE	IMPACT
<p>-The fact that the entity does not disclose fair value information for these instruments because their fair value cannot be measured reliably</p> <p>Where derivatives are utilised for hedging purposes, the information provided previously has generally been a little unspecific as to the nature of the instruments and underlying notional values hedged. The transition to PBE Standards may provide an opportunity to clarify the disclosures around these instruments without the “clutter” of the previous lengthy risk management disclosures.</p> <p>There are further disclosure considerations if any investments were to be classified as available for sale, and reclassifications etc., but none of these issues appear to be so recognised at present.</p> <p>In terms of the accounting policies for investments and financial instruments, terminology will need to be updated to refer to the financial instrument category of “fair value through surplus or deficit” rather than “through profit or loss.”</p> <p>Cautionary note: Given the relevance and fundamental importance of the investment portfolio to the existence of the Trusts, care will need to be taken to ensure that the disclosure is fulsome enough so as to give the reader a sufficient understanding of the nature and structure of the investment portfolio.</p>	Significant reduction in disclosure and preparation time
<p>PBE IPSAS 19 Provisional, Contingent Liabilities and Contingent Assets</p> <p><i>Grant provisions</i></p> <p>Reconciliations around grants provision are required only for the current year, not the comparative year.</p>	Reduction in disclosure

Appendix 3: Considerations specific to Rata

STANDARD / ISSUE	IMPACT
<p>PBE IPSAS 1 Presentation of Financial Statements</p> <p>Review accounting treatment for the “Special Fund” Reserve.</p> <p>The existing note disclosure describe that this was a response to the Canterbury earthquakes.</p> <p>It appears that donations in relation to this have been deducted directly from equity, rather than being presented as an item of profit or loss. We recommend that this treatment be reconsidered as the nature of such distributions does not appear to relate to a transaction with an owner of the trust. Instead this appears to be an item of expenditure that should be recorded as such.</p>	<p>Treatment needs to be considered for compliance.</p>

Appendix 4: Considerations specific to ECCT

STANDARD / ISSUE	IMPACT
No specific findings.	

Appendix 5: Considerations specific to CTOS

STANDARD / ISSUE	IMPACT
<p>General</p> <p>Consider if group and separate parent financial statements are to be presented. The general legislative requirement for these under the Financial Reporting Act 1993 have been removed, however specific requirements within your organisations founding documents may require this.</p> <p>If removed, this could reduce the complexity of your financial report – particularly related party transaction disclosure.</p>	<p>Potential reduction of disclosure.</p>

Appendix 6: Considerations specific to WCFI

STANDARD / ISSUE	IMPACT
<p>General</p> <p>Consider if group and separate parent financial statements are to be presented. The general legislative requirement for these under the Financial Reporting Act 1993 have been removed, however specific requirements within your organisations founding documents may require this.</p> <p>If removed, this could reduce the complexity of your financial report – particularly related party transaction disclosure.</p>	Potential reduction of disclosure.
<p>PBE IFRS 5 <i>Non-current assets held for sale</i></p> <p>Treatment of held-for-sale buildings</p> <p>It was noted that WCFI's financial statements include a building that has been disclosed as held for sale. However, the building appears to have continued to be depreciated. Whilst likely to be considered immaterial overall, we note that upon classification as held for sale, depreciation should cease if adopting Tier 2 standards.</p>	Likely immaterial.
<p>Election to present in accordance with Tier 3 requirements</p> <p>Please note that the Appendix 1 and 2 assume Tier 2 standards will be applied.</p> <p>If WCFI elects to apply Tier 3 requirements, then the financial statements would probably be best completed utilising the XRB template as a starting point as opposed to the prior year template. In that instance, detailed consideration would need to be applied towards:</p> <ul style="list-style-type: none"> - The level of service performance reporting (which will be audited) - Whether to opt in to Tier 2 requirements for investments and properties (in order to preserve the previous carrying value of assets, as the default Tier 3 requirement is based on historical cost) - Whether to present comparatives in accordance with Tier 3 requirements, or to simply attach the past financial statements in accordance with the Tier 3 transitional provisions. 	Key decision point

Report type:	Discussion Paper
Recommendations:	1 Discussion of the proposed approach to revising, reviewing and reporting on risk; and 2 Approval of an approach to support the Trust to effectively manage its risk
Agenda Item:	7
Subject:	Review of Risk Register
Responsible for the report:	Shelly Mitchell-Jenkins and Caren Rangi

Purpose of report:	To recommend a suggested approach to revising, reviewing and reporting on risk, for discussion and approval by the Audit and Risk Committee, and subsequent recommendations to the Trust.
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Background:

At the December 2015 Trust meeting, the Trust resolved that C Rangi and S Mitchell-Jenkins were to review the Risk Register and provide a recommendation for compiling this into categories, with these categories being regularly reviewed. The need for this review was identified during the Strategic Planning process as a necessary step for ensuring that our identified risks were aligned with our Strategic Plan (given that the Risk Register was put in place prior to the completion of the current Strategic Plan). C Rangi and S Mitchell-Jenkins have recommended an approach for discussion and consideration by the Audit and Risk Committee, which would ensure that the Trust is identifying and managing the key strategic risks.

Discussion:

The following approach is proposed:

- 1 The first step is to categorise the 44 risks identified in the current Risk Register in accordance with the three strategic objectives in the Trust Strategic Plan. This exercise has been completed, and is contained in Attachment 1. The current categorisation of risks into those relating to Investments, Donations, Governance, Administration and IT broadly link to the three strategic objectives.
- 2 The next step is to decide on a simple scoring system for the identified risks, as a means of easily identifying changes in risks. This will be discussed further at the meeting.

- 3 Next step is a review of the current 44 identified risks to ensure that they are relevant and appropriate in the context of the strategic objectives, and that the mitigation processes will ensure that risks are effectively managed.
- 4 Once the risks have been reviewed, it is proposed that the General Manager apply the scoring system and report on the results at each Audit and Risk meeting, with clear identification of any changes in risk scores, reasons for changes, likely impact on the successful achievement of the Trust's strategic objectives and explanation of the risk management strategies being applied in response to changes. The Audit and Risk Committee would then report on this to the full Trust meeting, along with any relevant recommendation.
- 5 Finally, it is recommended that the results of the regular risk management be considered during the Trust's strategic planning process. A suggestion is that the Audit and Risk Committee provide a report once a year to the Trust on the risks, the management processes and implications for the Trust's strategy moving forward (and this report to be included as part of the Audit and Risk workplan).

Recommendations

It is recommended that the Audit and Risk Committee:

- Discuss the proposed approach outlined above; and
- Decide on an appropriate process for effectively identifying and managing risks

E&CCT RISK REGISTER

revised 20 January 2016 to align with Strategic Plan

Investments 1 - 9

Governance 20, Admin 21-42

Donations 10 - 19

IT 43-44

Risk #	Identified Risk	Likelihood	Significance	Staff/People	Existing Controls	Controls Assessment	Risk Response	Link to Strategic Objective
	Strategic Objective 1	Capital - to preserve the capital base in real terms while making optimal annual distributions						
1	Equity Crash or prolonged period of negative returns	Medium	Significant	Trustees/General Manager/Advisor	Reserving policy, asset allocation, diversification & monitored monthly.	Global financial news & monthly Mngmt Reports very transparent.	Readdress SIPO, investment strategy, cashflows, expenditure budgets, donation distributions, call special meeting, etc..	1
2	Global or local failure of financial markets	High	Significant	Trustees/General Manager/Advisor	Monthly reporting. Diversification of assets.	Global financial news & monthly Mngmt Reports very transparent.	Trustees have policy for individual Trustees to call a Special Meeting. Readdress SIPO, investment strategy etc as above.	1
3	Currency Fluctuations	High	Significant	Executive/Trustees General Manager/Advisor	Currency Policy & FX rates monitored & reviewed monthly.	Monitored monthly by Executive - permanent item on the agenda. Controls sound although current FX rates abnormal (mean reversion?).	Bonds 100% hedged, equities 50% hedged but fluctuating. Exposure to currency appreciation on approximately NZ\$65m to \$80m. Currency policy defined in SIPO.	1
4	Poor Fund Manager Performance	Medium	Medium	Fund Managers/ Financial Advisor/ Trustees	High proportion of investments in passive index funds. Annual Fund Manager Presentations. Performance reviewed monthly. Diversified amongst managers and assets.	Diversification of assets maintained close to benchmarks. Preference for passive over active assets. Performance over short and longer terms reported.	Monthly, quarterly and annual reviews. MCA recommendations. Change manager or change mandate. Take advice on alternative investments that arise.	1
5	Poor performance & advice from Financial Advisor	Low	Significant	Trustees/General Manager/ Financial Advisor	Peer reviewed every five years.	Actual v Benchmark performance monitored monthly.	Advise and monitor. Replace the financial advisor if necessary.	1
6	Fund Manager not adhering to fund mandate or not holding a satisfactory internal controls assurance report	Low	Medium	Fund Managers/ General Manager/ Financial Advisor	Mandates provided to fund managers at appointment. Monitored monthly by Financial Advisor, General Manager & Trustees. Annual checks on Internal Controls of Fund Managers to be reported when concern or annually to the May Audit & Risk Meeting	Mandates are very clear and applied as stated. Latest Internal Controls Assurance Reports for PIMCO, Elevation Capital & Forsyth Barr signed off at Sept Audit & Risk Meeting.	Advise and monitor. Replace the fund manager. Seek compensation from Fund Manager if losses occur. General Manager and/or Financial Advisor to advise the Board immediately of any concerns regarding internal controls.	1
7	Reporting errors in fund manager reports	Medium	Medium	Fund Managers/ General Manager / Financial Advisor	Monitored monthly by Financial Advisor, General Manager & Trustees.	Reconciled each month by General Manager and MCA. Process works well.	Advise fund manager and monitor.	1
8	Nil donation reserves	Medium	Significant	Trustees	Monitored monthly by Trustees from Monthly Mngmt Report.	Donation reserves under pressure at times (i.e. reserves < 5%)	Cease donations or continue on the premise that investment markets will correct over the long term.	1
16	Unable to pay donations	Low	Very significant	Trust Manager /Trustees	Maintain adequate funds in self-managed cash portfolio. NZ Bonds hold available cash if required. Hold reserves.	Added pressure from demand to meet hedging losses. Managed to date but any large FX changes could be challenging.	Ensure sufficient liquid funds to meet obligations. Adjust donation budgets and review asset allocation. Sell overseas equities (gain on FX fall) to meet need of hedges.	1

E&CCT RISK REGISTER

revised 20 January 2016 to align with Strategic Plan

Investments 1 - 9

Governance 20, Admin 21-42

Donations 10 - 19

IT 43-44

Risk #	Identified Risk	Likelihood	Significance	Staff/People	Existing Controls	Controls Assessment	Risk Response	Link to Strategic Objective
	Strategic Objective 2	Giving - to distribute Trust funds, in partnership with our communities and stakeholders, in a fair and effective manner						
11	Fictitious Application	Low	Unlikely	Staff/Trustees	Requirements of the application e.g. annual accounts, tax status etc.	None to date. Introduction of web portal could attract such fictitious applications.	Red alert for people involved into DMS.	2
12	Funds not used for the intended purpose	Medium	Significant	Staff/Trustees	Emphasised in approval letter. Accountability audits.	Controls work very well. Some cases have occurred over time.	Trust to request the return of all, or part of, donation. Stand down period for organisation.	2
13	Funding inappropriate organisations	Low	Unlikely	Staff/Trustees	Staff recommendations & full Board decision. If declaration of	Requirements of application form determines assessment of	Monitor applicants at database entry time and rely on the community knowledge of	2
17	Donations surpass the two year timeframe to be uplifted or spent	Medium	Low	Staff/Trustees	Monthly check by General Manager on unpaid donations. Reminder letters dispatched.	Well-managed and easily applied.	Advise applicant and write back the donation. Predominantly fund when project is likely to be commenced in the short term.	2
19	Diminishing number of Applications	Low	Medium	General Manager/Trustees	Numbers published monthly in Mngmt Report and reported on by General Manager.	Numbers being maintained although fall off expected in weak economic conditions.	Proactive advertising. Seek community concerns. Regional promotion. Review advertising. On-line applications.	2
	Strategic Objective 3	Organisation - to exercise effective governance and management that reflects best practice						
9	Incorrect accounting procedures	Low	Low	General Manager/ Trustees/ Auditor	Monitored monthly. Full fund manager reports provided to Trustees on a monthly basis.	Annual sign off by Auditor confirms all is in order.	Interim and full year reviews by Auditor. Correct methodology in creating GL entries.	3
10	Misappropriation of a Donation	Low	Significant	Staff/Trustees	Accountability audit process on all special donations and random selection of standards.	Controls work well. Some not abiding to Client Agreement by not placing donation as separate entry in Annual Accounts.	Trust to request return of all funds. If fraud involved liaise with organisation and police. Stand down period for organisation.	3
14	Donation Policy is publicly criticised	Low	Medium	Staff/Trustees	Donation Policy. Register of complaints.	Donation Policy is not made available to the community. Therefore difficult to criticise.	Address at annual donation policy review.	3
15	Negative donation publicity	Low	Medium	Trustees	Donation Policy. Media person to provide donation publicity on regular basis.	No negative publicity to date.	If warranted, prepare and release a media statement from the Chair.	3
18	Trustees and/or staff influence the donation process inappropriately	Low	Significant	Staff/Trustees/Chair	Staff recommendations & full Board decision. If declaration of interest Trustee unable to	Unlikely that one Trustee or a staff member could sway the majority of the Board.	Ensure the declaration of interest policy is adhere to. Trustees and staff must be above promoting applications. Trustee & staff	3
20	Poor Governance	Low	Significant	Chair/Trustees	Trust Deed, Governance Charter & Code of Conduct	Sound policies in place which are reviewed annually.	Additional Training as required.	3
21	Trustee or staff Fraud (Refer to additional comments under Part Two - Fraud Section)	Low	Significant	General Manager	Two authorised signatories required for all payments. Funds only transferred from one account to another. Protected Disclosure Policy (Appendix 7 of Gov Charter)	Controls work very well. All cashflows and creditor payments reported monthly. Almost impossible for a Trustee to commit fraud.	Remain vigilant and maintain present controls. Report matter Police	3
22	Acting outside the Trust Deed	Low	Significant	General Manager /Trustees	All senior staff and Trustees are issued with a Trust Deed. Discussed at training.	Recent Trustees review suggests a refresher course.	Refresher on Trust Deed	3

E&CCT RISK REGISTER

revised 20 January 2016 to align with Strategic Plan

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Risk #	Identified Risk	Likelihood	Significance	Staff/People	Existing Controls	Controls Assessment	Risk Response	Link to Strategic Objective
23	Trust is negligent as a good "employer"	Low	Significant	General Manager / Trustees	Employment Contracts. Salaries reviewed annually in accordance with national trends. Senior roles assessed by Hay Group periodically.	Staff appraisals and accessibility to General Manager to discuss concerns.	Address employee concerns immediately. Attend relevant employment courses.	3
24	Trust fails to comply to OSH requirements	Low	Significant	General Manager	Annual Building Health check. Work not dangerous by nature.	Earthquake status of building currently under assessment.	Rectify.	3
25	Business Continuity - Premises affected by Fire, Flood, Earthquake, Burglary, Terrorism etc	Very Low	Very significant	Staff / Trustees	Contents Insurance etc. Risk Prevention Strategy for the computer system. Pandemic Influenza Contingency Plan	Degree of cover sufficient - broker (Aon) assessment.	Salvage records where possible. Relocate to alternative premises. Staff have the ability to work from home. Reassess insurance premiums annually. Apply Business Continuity Plan.	3
26	Unexpected loss of staff member, pandemic etc.	Medium	Very significant	All staff	Insurance cover on the two senior roles upon death. Ensures temporary appointment. Pandemic policy.	Timeframe set for resignations e.g. Trust Manager 3 months, other staff 1 month.	If urgent replacement required use employment agency. Apply Business Continuity Plan.	3
27	Inappropriate Expenditure	Low	Low	General Manager	Budget sign off by Board. Budgets set at realistic levels. Budget not adjusted during year.	Over last decade expenditure has always been under budget.	Tighter controls on expenditure. Difficult to cover for "unplanned" expenses e.g. rise in GST, increase in insurance, etc.	3
28	Loss of records/archives	Low	Very significant	All staff	Security Alarm/Fire alarm	E&CCT lead tenant for security.	Majority of records held in computer files.	3
29	Inappropriate financial reporting	Low	Significant	Audit & Risk/ Auditor	Auditor sign off & assistance.	E&CCT Annual Accounts rated highly by BDO head office IFRS expert over recent years.	Comparison with Annual reports from the other Community Trusts. Maintain annual review by IFRS expert.	3
30	Inappropriate marketing	Low	Significant	General Manager/ Tracta/ Trustees	Marketing approved by Trustees.	Promotional Strategy review completed in March 2012.	Review the strategy	3
31	Loss through unauthorised expenditure/budget overrun	Low	Very significant	General Manager	Dual authorisation. Expenses reported against budgets.	To date there has not been a budget overrun on expenses.	No action required.	3
32	Long term unavailability of staff	Medium	Significant	All remaining staff	Sharing of roles when staff on leave. Working manuals where appropriate. Use the services of an Employment Agency.	With small staff and specialist roles this is difficult to prepare for.	Knowledge of each other's work & work collaboratively. Trialled for periods of up to 11 weeks. 1-3 months notice on contracts. Immediate training required. Staff working manuals developed. Staff back-up determined. Insurance cover exists on managers in case of sudden death.	3
33	Professional gaps of Trustees.	Low	Medium	Chair	Policies developed. Addressed with DIA by the Chair during appointment round. Ability to co-opt.	E&CCT has been well-served with the professional expertise required over the past. On-going policies established.	Request of Minister at appointments. Training. Seek independent advice. Maintain review process of policies. Annual Planning Reviews.	3
34	Staff incompetence	Low	Medium	General Manager / Trustees	Annual staff appraisals	A very competent staff.	Train, terminate, replace.	3
35	Inappropriate Trustee behaviour	Low	Significant	Chair	Code of Conduct Policy. Non-acceptance by fellow Trustees.	Occurs rarely - difficult to address.	Signed "Code of Conduct" by each Trustee on appointment. Encourage a screening process of new appointments (DIA?)	3
36	Fraud (separate section given to fraud)	Low	Significant	General Manager/Fund Managers/Trustees	Multiple checks & controls.	No evidence to date.	Minimise opportunity & minimise exposure. Audited accounts, custodial responsibility by fund managers. Internal control systems.	3
37	Health & Safety of Employees	Low	Medium	General Manager	Annual Building Health check. Work not dangerous by nature.	Earthquake status of building currently under assessment.	Evacuation plans. Address problems as notified.	3
38	Non-Statutory Compliance	Low	Significant	General Manager/Audit & Risk	Listed in Trust Deed. Annual letter to DIA & Minister.	General Manager reports annually to Trustees.	Maintain General Manager's annual report. In addition DIA do monitor.	3

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39	Legislation Compliance	Low	Significant	Audit & Risk Committee/ Trustees	Various Acts.		Trust Deed & Community Trusts Act 1999, Trustees Act, OSH Act, Financial Reporting Act, Employment Act, etc.	3
40	IRD/DIA or Government interference	Low	Medium	Trustees/Tax Advisor	Chairs Group Meeting with DIA/Minister. Minimal contact with IRD. All records held for min of 7 years.	DIA represents the Minister. Relationship with CTs respectful.	Community Trusts Act. Maintain protocols around applicants' tax status and governance policies. Lobby DIA/Minister.	3
41	New Chairman and New General manager	Low	Not significant	Trustees/All Staff	Appointment of a new Chair and new General manager exposes the Trust to a lack of institutional knowledge if both leave unexpectedly	Cover and knowledge of ECCT can be provided by experienced Trustees and Staff	No action required.	3
42	Negative publicity	Low	Significant	Chair/Trustees	Concerns & complaints register. Brand Research 2001. Effectiveness Survey 2005.	The two research documents were both very positive and recorded high satisfaction.	Draft of Grievance Policy prepared.	3
43	General Computer system failure	Medium	Significant	Donations Assessor/TKP	Internal back ups stored off-site.	Current procedure provides adequate comfort.	Reconsider the current procedures. Apply Business Continuity Plan.	3
44	Te Kete Putea (DMS & FMIS failure or budget overruns)	Medium	Significant	General Manager & providers	TKP back ups off-site. Help Desk. Governance role with Chairs Group. Directors appointed.	The inevitable budget over run. Enabling support under pressure - Helpdesk training for portal.	TKP Help Desk & Enabling. Also involved closely will be the four elected Directors and the appointed Management Group. Apply Business Continuity Plan.	3

E&CCT FRAUD RISK ASSESSMENT FORM

refer to Risk 36 above

FINANCIAL REPORTING

Income

45	Not recording Fund Manager or Bank receipts	Low	Significant	General Manager	All transactions are made by direct credit into cheque account & transactions published monthly..	Monthly reconciliation - transparent through Mngmt Report. Annual & Interim Audits.	No action required
46	Not recording applicant cheques	Low	Not significant	General Manager & Admin Officer	All cheques banked into cheque account & transactions published monthly.	Donation Written Back report to Trustees. Annual & Interim Audits.	No action required

Expenses

47	Not entering invoices	Low	Not significant	General Manager & Admin Officer	All invoices are approved by the General Manager and GL codes checked	Monthly check on regular creditor invoices. Annual & Interim Audits.	No action required
48	Incorrect GL coding	Medium	Medium	General Manager & Admin Officer	Check on GL codes at invoice approval by General Manager.	Monthly review of the Financial Performance Statements. Annual & Interim Audits.	No action required
49	Fictitious Vendors	Low	Significant	General Manager & Admin Officer	Check on all invoices by General Manager. Negotiated contract price for reviews.	All creditor payments are listed in Mngmt Report. Contacts for vendors in FMIS.	No action required - Management aware of small list of regular vendors (25).
50	Inflated invoices	Medium	Medium	General Manager & Admin Officer	Check on all invoices by General Manager. Negotiated contract price for reviews.	All creditor payments are listed in Mngmt Report - Trustees expected to question.	No action required

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Risk #	Identified Risk	Likelihood	Significance	Staff/People	Existing Controls	Controls Assessment	Risk Response	Link to Strategic Objective
Risk #	Identified Fraud Risk	Likelihood	Significance	Staff/People	Existing Controls	Controls Assessment	Risk Response	
CASH TRANSACTIONS								
51	Cash receipts	Low	Not significant	All staff.	There are <u>no</u> receipts of cash within the Trust's operations	None required	No action required	
52	Petty Cash purchases	Low	Not significant as balance <\$200	All staff (cash locked in safe overnight)	Petty Cash reconciled at end of each month. All receipts retained.	Monthly reconciliation and sign off by the General Manager - works well.	No action required	
53	Imprest card	Low	Significant but balance kept < \$2,000.	All staff (card locked in safe overnight).	All invoices signed off by the General Manager on the day of the expenditure.	Monthly reconciliation of imprest bank balance. Transfers recorded in Mngmt Report.	Only senior managers to use if any sign of misuse. Change PIN.	
54	Credit Card	Low	Significant but Limit kept at \$5k	General Manager, Donations Assessors	All Statements checked by GM for approval. GM Statement signed retrospectively by Chair	Monthly reconciliation by Admin Officer, sign off by General Manager and Chair. Reported in Monthly Reports	Only work related expenses. Abuse will lead to removal of card from staff member	
EXPENSE CLAIMS								
55	Staff and Trustee expense claims	Low	Not significant	All staff and Trustees.	Payment of expenses requires invoice and receipt of payment.	All expense claims signed off by General Manager - rechecked once in Payroll.	No action required - addressed at new Trustee Training Day annually.	
56	Staff and Trustee mileage claims	Low	Not significant	All staff and Trustees.	Starting point and destination stated on staff claim form (AA checks at times) along with engine cc. Annual AA rates sought.	All expense claims signed off by General Manager - rechecked in Payroll. Payment authorised by <u>two</u> delegated authorisers	No action required - addressed at new Trustee Training Day annually.	
PAYROLL								
57	Unauthorised adjustments	Low	Significant	Prepared by Admin Officer. Payroll installed on three PCs only.	Payroll approved & imported into desk banking by General Manager. Access to Payroll on three computers only (passwords).	Payment authorised by <u>two</u> delegated authorisers. Payroll batches reported in Mgmt Report cash flows.	Only achievable if two collaborate. Two dismissals?	

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Risk #	Identified Risk	Likelihood	Significance	Staff/People	Existing Controls	Controls Assessment	Risk Response	Link to Strategic Objective
Risk #	Identified Fraud Risk	Likelihood	Significance	Staff/People	Existing Controls	Controls Assessment	Risk Response	
	FIXED ASSETS							

58	Theft by employees	Low	Significant	All staff	Majority of assets highly visible and required daily. Asset register.	Asset Register checked annually. Trustees to be advised when assets removed from register.	Inform the Police. Dismissal.
59	Theft by others	Low	Significant	Cleaner and Security on nightly basis, other visitors, burglars.	Portable laptops (2) taken home most evenings. Safe and filing cabinets locked	Asset Register check annually. Security alarm sound and monitored.	Inform the Police. Readdress security measures - continue to ensure the premises are locked each evening.

DONATIONS

60	Fictitious applications by staff	Low	Significant	Staff	Deposit slip, financials, legal & tax status etc. Staff recommendation part of process. Sign off by Donations Manager & Trustees	Applications only submitted to the Board once all information is received	Staff dismissal.
61	Collusion between a staff member and a Trustee	Low	Significant	Staff & Trustee	Sign off of application by Trustees at Trust Meeting and two authorised signatories at payment time.	Meeting outcomes checked by three staff members and payment approval by two.	Dismissal of staff member and enforced retirement of Trustee.
62	Collusion between two staff members	Low	Significant	Two staff members	Sign off of application by Trustees at Trust Meeting and two authorised signatories at payment time.	Meeting outcomes checked by three staff members and payment approval by two.	Dismissal of staff members involved.

CHANGES SINCE LAST REVIEW

The following changes have been made since the last review and are colour coded in **red**:

NIL Changes Have been made
DATE OF CHANGE

Last Board Review - Board Meeting:

24th Sept 2015

Last updated and approved by Board:

24th Sept 2015
J:Policy>RiskManagementAssessment

Report type:	Audit & Risk Committee Information Papers
Recommendation:	That the Committee receives and notes the proposed work plan.
Agenda item no:	8
Subject:	Work Plan Update
Responsible for the report:	A & R Committee Chair

Purpose of report:	To inform the Committee of the proposed work plan for the A & R Committee.
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The terms of reference sets out what duties the Audit and Risk Committee have been tasked with. The attached table is formatted to list those duties and outline how the duties are to be performed. This then forms the basis of an annual workplan. The workplan forms the basis of Audit and Risk meeting agendas, spreading the duties appropriately over the year and setting out who is responsible

The attached tables are in draft form and are for review and comment at this meeting.

There are a couple of areas that I have identified that require further work by the Committee and General Manager to put the appropriate procedures in place. We will need to discuss these further.

My intention is for the workplan to be confirmed at the February meeting.

Shelly Mitchell-Jenkins
January 2016

Audit Workplan

Purpose To ensure that the Audit and Risk Committee have a workplan that will ensure duties as outlined in the Terms of Reference are delivered.

Context

The terms of reference sets out what duties the Audit and Risk Committee have been tasked with. This paper serves to review those duties, outline how the duties are to be performed and then form the basis of an annual workplan. The workplan forms the basis of Audit and Risk meeting agendas, spreading the duties appropriately over the year.

Duty per Terms of Reference	How is this delivered	When is it delivered	Workplan entry
Oversight of the Annual Financial Reporting and Audit Process	Discussions are held, a timeline is prepared by the GM which is reviewed and agreed to by the Committee. Progress against this plan is monitored at meetings. Drafts are reviewed when prepared and final review prior to presentation to the Board	The annual reporting and audit process is carried out from late January each year to the end of May when the financial accounts are approved by the full Trust.	January - discuss timeline for annual reporting process. April – review draft annual accounts. May – review final annual accounts for recommendation
Ensure they are compliant with generally accepted accounting practices	Compliance is ensured by the GM and accounting team monitoring changes in reporting standards. In 2016 an outside expert has been jointly funded by Community Trusts to review the requirements of the new standards and recommendations will be reviewed by the Committee. GM will ensure they are incorporated into the 2016 financial accounts. The audit report confirms they are compliant,	Reporting from the outside expert is expected by the end of January for review by the Committee. Any changes to be incorporated into the accounts for year end 2016 once the Board is informed and have approved.	January – review report from outside expert January – discuss with auditor any changes that they are aware of, discuss any areas of concern February – agenda item to discuss inclusion April – review draft accounts and confirm with GM compliance May – auditor will confirm compliance
Oversight of the annual production of the financial statements and related reports	Review and agree timeline with GM and auditor Provide input to GM Monitor progress over timeline	January - agree timeline Feb – May – monitor progress	January – agree timeline Feb – May – agenda item for progress report

liaising with the external auditors	Meetings are held pre and post audit outlined below. The Chair will work with the GM and auditor as required at the time of financial statement during the audit process		January – planning meeting May – post audit
reviewing the annual audit plan with the external auditors	A meeting is held with the auditor before year end and before the audit commences	At the January meeting	January – review audit plan
reviewing audit findings in relation to the annual audit and matters relating to the financial statements, and monitoring the status of corrective actions required	A meeting is held with the auditor at the completion of the audit. The auditor provides a letter of audit findings to be discussed and then audit findings are carried forward to each meeting to monitor as needed	Generally at the May meeting but will be at the completion of the audit and prior to sign off of the financial statements Audit findings and corrective actions are checked at each bi-monthly meeting	May – post audit meeting June August October December
reviewing compliance to relevant statutory reporting requirements	Part of audit process	<i>Or does this refer to other reporting requirements</i>	
recommending the appointment and review of the external auditors	<i>Discussion is held by Committee after the audit is complete and then a recommendation to the Board is decided. Currently there is no formal review process. Could use a simple questionnaire that both fill in after the audit. Could be discussed at June meeting of</i>	<i>For the AGM? Is there a Trust resolution at agm or Trust meeting?</i>	June meeting review?

	<i>Committee</i>		
determining the audit fees	Fees are advised by the auditor at the pre-planning meeting, discussed by the committee then a resolution to recommend to the full Board (<i>or have we delegated authority to approve or recomeend to Board?</i>)	January meeting?	January – determine audit fees for Board approval at Janary Trust meeting?
assessing the performance of the auditor	Is this a double up?		
Ensuring that the Trust has the appropriate policies in place and these policies are reviewed and monitored on a regular basis and reported to the Trust Board	There are a number of Board policies that are on the Board agenda for review and monitoring. (SIPO and Donations). There is not a comprehensive set of other policies that the Committee is aware of. Project for 2016 is to develop a policy framework. This would need to be reviewed and developed with A & R and then approved by the Board. Then a review and monitoring process can be formalised and implemented.	<i>To discuss how to do this – Caren has started something for this</i>	Feb meeting agenda?
Receiving and reviewing the monthly financial reports, including investment performance of the Trust in	These are provided bi-monthly by the GM		February April June August

months where a full Trust meeting is not held			October December
Monitoring compliance with the Trust Deed and the Statutory Financial Reporting requirements as set in clause 15 of the Trust Deed	GM will provide a bi-monthly/quarterly or sixmonthly (?) signed confirmation that all aspects of the Trust Deed and Financial Reporting requirements have been met. A checklist is to be developed for sign off by the GM and tabling at the meetings	Develop checklist by April meeting Then include on agenda for each meeting once time frame is confirmed	February April June August October December
Evaluation and monitoring of the Trust's risk management policies, practices and procedures. This would include monitoring the Trust's internal control environment to assess its adequacy.	Evaluation and monitoring is carried out by the development of the Risk Matrix (developed by GM and A & R and approved by Board), regular update and review of status by GM, reporting by GM to the A & R Committee and Board, closer review of each category once a year by A & R and full review by Board annually	The initial redevelopment of the matrix, scoring system, reporting/monitoring system and annual review will be discussed at January meeting and confirmed at February meeting. GM will report bi-monthly on Matrix Each risk category (3) will be reviewed/discussed in more detail once a year Once a year recommendations will be given to Board for inclusion in Board review	January 2016 February April June August October December February, August, December

	<p>The internal control environment is generally assessed and documented by the auditor as part of their audit work. Comment is then given to management and to A & R post audit. There are is no internal audit function being performed at present.</p> <p>Delivery of this duty needs further development</p>	<p>Some Community Trusts currently have RFP's out for an assessment of their controls as well as their "performance".</p> <p>These are things that the ECCT Trustees have raised also as an option. This option may wish to be considered as a starting point for ECCT to then develop an oversight method.</p>	<p>Discuss at February meeting?</p>
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January	Meet with auditor – audit plan/engagement letter/determine fees Review annual report preparation planning timeline RSM report – new financial reporting standards	
February	Monthly Accounts and Investment reports Independent review of internal controls Risk Register update Review Risk Category 1 Review annual report preparation timeline Review changes for new financial reporting for recommendation/report to Board Discuss policy framework for recommendation of a plan to Board (?)	
March	Meet with auditor for update Review annual report preparation timeline	
April	Monthly Accounts and Investment reports Risk Register update Confirm new reporting standard changes are incorporated in 2016 accounts Checklist for confirming compliance with Trust Deed and Statutory Reporting	
May	Post audit meeting Recommend annual financial statements to Board Review annual report preparation timeline	
June	Monthly Accounts and Investment reports Review annual report preparation timeline Risk Register update Audit findings list <i>Review auditor</i>	
July	Recommend Auditor to Board	
August	Monthly Accounts and Investment reports Risk Register update Audit findings list Review Risk Category 2	
September	Checklist for confirming compliance with Trust Deed and Statutory Reporting	
October	Monthly Accounts and Investment reports Risk Register update Audit findings list	
November		
December	Monthly Accounts and Investment reports Risk Register update Review Risk Category 3 Audit findings list	