

**Audit and Risk Subcommittee**  
**Wednesday 15 April 2020 at 10.00am**

# **AGENDA**

## Audit and Risk Subcommittee Agenda

Meeting to be held in the Zoom meeting  
on Wednesday 15 April 2020, commencing at 10.00am

**Recommendations contained in the agenda are NOT decisions of the meeting. Please refer to minutes for resolutions.**

### MEMBERSHIP OF THE AUDIT AND RISK SUBCOMMITTEE

Chairperson, FNDC Councillor Colin Kitchen

Councillor John Bain

Councillor Amy Macdonald

Councillor Joce Yeoman

Ex-Officio Penny Smart

Independent Financial Advisor

Geoff Copstick

Item	Page
<b>1.0 APOLOGIES</b>	
<b>2.0 DECLARATIONS OF CONFLICTS OF INTEREST</b>	
<b>3.0 REPORTS</b>	
<b>3.1 Insurance Overview</b>	3
<b>3.2 Risk Management Policy, Framework and reporting concepts</b>	9
<b>3.3 Health &amp; Safety Update</b> <i>Presented by Beryl Steele</i>	
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<b>3.5 Northland Regional Council - High level Audit Plan for the year ended 30 June 2020</b> <i>Report produced by Peter Gulliver from Deloitte</i>	
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<b>3.6 Independent GST Review</b>	47
<b>3.7 General Business - Internal Audit</b>	

**TITLE:** Insurance Overview  
**ID:** A1297094  
**From:** Simon Crabb, Finance Manager

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### Executive summary/Whakarāpopototanga

A summary of Councils 21 insurance policies is presented in **Attachment 1**.

The total cost of these policies in the 2019-20 financial year is \$396,239 (GST exclusive) which represents an increase of 15% from 2018-19.

Early indications suggest there will be another increase of 10% - 15% in 2020-21.

A representative from AON NZ (council's insurance brokers) will be present at the March subcommittee meeting to provide an overview of the current insurance market, and discuss council's current insurance coverage, excess and premiums.


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### Recommendation

That the report 'Insurance Overview' by Simon Crabb, Finance Manager and dated 18 March 2020, be received.

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### Attachments/Ngā tapirihanga

Attachment 1: 2019-20 Insurance summary [↓](#) 

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### Authorised by Group Manager

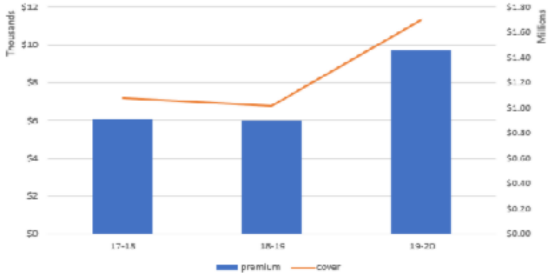
**Name:** Dave Tams  
**Title:** Group Manager, Corporate Excellence  
**Date:** 19 March 2020

Insurance Policy	Covers	2019-20 Cover \$	2019-20 Premium Pa	2019-20 Excess	Premium Trend (3 years)												
<b>Material Damage Fire/ Material Damage Ex Fire</b>	Material damage cover insures Council against loss or damage to physical assets including buildings, contents, plant and equipment & field equipment	\$56,176,887	\$68,659	\$5,000	<table><caption>Premium Trend (3 years) - Material Damage Fire/Ex Fire</caption><thead><tr><th>Year</th><th>Premium (Thousands)</th><th>Cover (Millions)</th></tr></thead><tbody><tr><td>17-18</td><td>~\$60,000,000</td><td>~\$50,000,000</td></tr><tr><td>18-19</td><td>~\$60,000,000</td><td>~\$50,000,000</td></tr><tr><td>19-20</td><td>~\$60,000,000</td><td>~\$50,000,000</td></tr></tbody></table>	Year	Premium (Thousands)	Cover (Millions)	17-18	~\$60,000,000	~\$50,000,000	18-19	~\$60,000,000	~\$50,000,000	19-20	~\$60,000,000	~\$50,000,000
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18-19	~\$60,000,000	~\$50,000,000															
19-20	~\$60,000,000	~\$50,000,000															
<b>Liability Excess Layer - National Councils Collective</b>	Additional Layer over and above the \$15,000,000 Liability insurance	\$145,000,000	\$9,627	\$15,000,000	<table><caption>Premium Trend (3 years) - Liability Excess Layer - National Councils Collective</caption><thead><tr><th>Year</th><th>Premium (Thousands)</th><th>Cover (Millions)</th></tr></thead><tbody><tr><td>17-18</td><td>~\$10,000,000</td><td>~\$15,000,000</td></tr><tr><td>18-19</td><td>~\$10,000,000</td><td>~\$15,000,000</td></tr><tr><td>19-20</td><td>~\$10,000,000</td><td>~\$15,000,000</td></tr></tbody></table>	Year	Premium (Thousands)	Cover (Millions)	17-18	~\$10,000,000	~\$15,000,000	18-19	~\$10,000,000	~\$15,000,000	19-20	~\$10,000,000	~\$15,000,000
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18-19	~\$10,000,000	~\$15,000,000															
19-20	~\$10,000,000	~\$15,000,000															
<b>Public Liability</b>	Public Liability Insurance, often referred to as General Liability, gives you peace of mind, protecting council business against such claims by providing compensation for property damage, and personal injury or death in circumstances that are not covered by the Accident Compensation Commission (ACC)	\$15,000,000	\$15,376	\$10,000	<table><caption>Premium Trend (3 years) - Public Liability</caption><thead><tr><th>Year</th><th>Premium (Thousands)</th><th>Cover (Millions)</th></tr></thead><tbody><tr><td>17-18</td><td>~\$15,000,000</td><td>~\$10,000,000</td></tr><tr><td>18-19</td><td>~\$15,000,000</td><td>~\$10,000,000</td></tr><tr><td>19-20</td><td>~\$15,000,000</td><td>~\$10,000,000</td></tr></tbody></table>	Year	Premium (Thousands)	Cover (Millions)	17-18	~\$15,000,000	~\$10,000,000	18-19	~\$15,000,000	~\$10,000,000	19-20	~\$15,000,000	~\$10,000,000
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18-19	~\$15,000,000	~\$10,000,000															
19-20	~\$15,000,000	~\$10,000,000															
<b>Professional Indemnity</b>	Protects Council and staff against any financial losses or legal action taken against Council for services or advice you have provided.	\$15,000,000	\$54,820	\$25,000	<table><caption>Premium Trend (3 years) - Professional Indemnity</caption><thead><tr><th>Year</th><th>Premium (Thousands)</th><th>Cover (Millions)</th></tr></thead><tbody><tr><td>17-18</td><td>~\$50,000,000</td><td>~\$25,000,000</td></tr><tr><td>18-19</td><td>~\$50,000,000</td><td>~\$25,000,000</td></tr><tr><td>19-20</td><td>~\$50,000,000</td><td>~\$25,000,000</td></tr></tbody></table>	Year	Premium (Thousands)	Cover (Millions)	17-18	~\$50,000,000	~\$25,000,000	18-19	~\$50,000,000	~\$25,000,000	19-20	~\$50,000,000	~\$25,000,000
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18-19	~\$50,000,000	~\$25,000,000															
19-20	~\$50,000,000	~\$25,000,000															
<b>Contract Works - Kensington PRF Funded</b>	It is designed to cover work that's underway and can pay to repair or redo the work in progress if it's damaged by an insured event like fire, flood, storm, vandalism or theft. This can include the cost of the labour, materials and tools to get the work back to the stage it was at before it was damaged.	\$6,936,859	\$19,733	\$5,000	<table><caption>Premium Trend (3 years) - Contract Works - Kensington PRF Funded</caption><thead><tr><th>Year</th><th>Premium (Thousands)</th><th>Cover (Millions)</th></tr></thead><tbody><tr><td>17-18</td><td>~\$20,000,000</td><td>~\$5,000,000</td></tr><tr><td>18-19</td><td>~\$20,000,000</td><td>~\$5,000,000</td></tr><tr><td>19-20</td><td>~\$20,000,000</td><td>~\$5,000,000</td></tr></tbody></table>	Year	Premium (Thousands)	Cover (Millions)	17-18	~\$20,000,000	~\$5,000,000	18-19	~\$20,000,000	~\$5,000,000	19-20	~\$20,000,000	~\$5,000,000
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18-19	~\$20,000,000	~\$5,000,000															
19-20	~\$20,000,000	~\$5,000,000															

Insurance Policy	Covers	2019-20 Cover \$	2019-20 Premium Pa	2019-20 Excess	Premium Trend (3 years)												
Commercial Motor	Protects any vehicles used for Council purposes against property damage and liability	\$2,099,776	\$51,308	\$500	<table><caption>Commercial Motor Premium Trend</caption><thead><tr><th>Year</th><th>Premium (Thousands)</th><th>Cover (Millions)</th></tr></thead><tbody><tr><td>17-18</td><td>50</td><td>2.1</td></tr><tr><td>18-19</td><td>50</td><td>2.1</td></tr><tr><td>19-20</td><td>50</td><td>2.1</td></tr></tbody></table>	Year	Premium (Thousands)	Cover (Millions)	17-18	50	2.1	18-19	50	2.1	19-20	50	2.1
Year	Premium (Thousands)	Cover (Millions)															
17-18	50	2.1															
18-19	50	2.1															
19-20	50	2.1															
Business Interruption	Business interruption insurance - also known as 'business continuity' insurance - helps to minimise the financial impact to Council when an interruption to your normal operations occurs after a physical loss of business assets.	\$7,497,918	\$2,359	Various	<table><caption>Business Interruption Premium Trend</caption><thead><tr><th>Year</th><th>Premium (Thousands)</th><th>Cover (Millions)</th></tr></thead><tbody><tr><td>17-18</td><td>2</td><td>7.5</td></tr><tr><td>18-19</td><td>2</td><td>7.5</td></tr><tr><td>19-20</td><td>2</td><td>7.5</td></tr></tbody></table>	Year	Premium (Thousands)	Cover (Millions)	17-18	2	7.5	18-19	2	7.5	19-20	2	7.5
Year	Premium (Thousands)	Cover (Millions)															
17-18	2	7.5															
18-19	2	7.5															
19-20	2	7.5															
Employers Liability	Employers Liability insurance provides cover for claims made by employees against employers for injuries or illness occurring in the workplace - that falls outside the scope of cover provided by ACC.	\$1,000,000	\$1,410	\$1,000	<table><caption>Employers Liability Premium Trend</caption><thead><tr><th>Year</th><th>Premium (Thousands)</th><th>Cover (Millions)</th></tr></thead><tbody><tr><td>17-18</td><td>1</td><td>1</td></tr><tr><td>18-19</td><td>1</td><td>1</td></tr><tr><td>19-20</td><td>1</td><td>1</td></tr></tbody></table>	Year	Premium (Thousands)	Cover (Millions)	17-18	1	1	18-19	1	1	19-20	1	1
Year	Premium (Thousands)	Cover (Millions)															
17-18	1	1															
18-19	1	1															
19-20	1	1															
Statutory Liability	A statutory liability policy is designed to protect Council from fines, penalties and reparation under the health and safety legislation imposed by the courts for unintentional breaches of most laws in New Zealand. It also covers the legal costs of investigating and defending claims	\$2,000,000	\$7,369	\$10,000 except for - \$25,000 claims arising from Health and Safety and Resource Management Act	<table><caption>Statutory Liability Premium Trend</caption><thead><tr><th>Year</th><th>Premium (Thousands)</th><th>Cover (Millions)</th></tr></thead><tbody><tr><td>17-18</td><td>7</td><td>2</td></tr><tr><td>18-19</td><td>7</td><td>2</td></tr><tr><td>19-20</td><td>7</td><td>2</td></tr></tbody></table>	Year	Premium (Thousands)	Cover (Millions)	17-18	7	2	18-19	7	2	19-20	7	2
Year	Premium (Thousands)	Cover (Millions)															
17-18	7	2															
18-19	7	2															
19-20	7	2															
Harbour Masters Liability	** Wreck removal excess is \$100,000  Sums which the Insured is legally liable for whilst exercising the statutory powers and duties of Harbour Master.	\$40,000,000	\$58,700	\$20,000	<table><caption>Harbour Masters Liability Premium Trend</caption><thead><tr><th>Year</th><th>Premium (Thousands)</th><th>Cover (Millions)</th></tr></thead><tbody><tr><td>17-18</td><td>58</td><td>40</td></tr><tr><td>18-19</td><td>58</td><td>40</td></tr><tr><td>19-20</td><td>58</td><td>40</td></tr></tbody></table>	Year	Premium (Thousands)	Cover (Millions)	17-18	58	40	18-19	58	40	19-20	58	40
Year	Premium (Thousands)	Cover (Millions)															
17-18	58	40															
18-19	58	40															
19-20	58	40															

Insurance Policy	Covers	2019-20 Cover \$	2019-20 Premium Pa	2019-20 Excess	Premium Trend (3 years)												
UAV Hull and Liability Insurance	UAV Hull/ Drone cover of devices for the named Pilots  Includes a \$1,000,000 Third party liability	\$20,570	\$1,745	\$500	<table><thead><tr><th>Period</th><th>Premium (Thousands)</th><th>Cover (Thousands)</th></tr></thead><tbody><tr><td>17-18</td><td>18.0</td><td>15.0</td></tr><tr><td>18-19</td><td>15.0</td><td>14.0</td></tr><tr><td>19-20</td><td>22.0</td><td>18.0</td></tr></tbody></table>	Period	Premium (Thousands)	Cover (Thousands)	17-18	18.0	15.0	18-19	15.0	14.0	19-20	22.0	18.0
Period	Premium (Thousands)	Cover (Thousands)															
17-18	18.0	15.0															
18-19	15.0	14.0															
19-20	22.0	18.0															
Forestry Cover	Standing Timber - Mt Tiger forest 12 Blocks. Fire Fighting Levy, ReEstablish & Removal of Debris, Hail Strike and Claims Preparation	\$3,392,373	\$3,913	\$25,500	<table><thead><tr><th>Period</th><th>Premium (Thousands)</th><th>Cover (Thousands)</th></tr></thead><tbody><tr><td>17-18</td><td>7.5</td><td>7.5</td></tr><tr><td>18-19</td><td>3.5</td><td>3.5</td></tr><tr><td>19-20</td><td>4.0</td><td>4.0</td></tr></tbody></table>	Period	Premium (Thousands)	Cover (Thousands)	17-18	7.5	7.5	18-19	3.5	3.5	19-20	4.0	4.0
Period	Premium (Thousands)	Cover (Thousands)															
17-18	7.5	7.5															
18-19	3.5	3.5															
19-20	4.0	4.0															
Marine Hull	Covers Marine Hull and Navigation Aids - accidental loss or damage to boats used for commercial purposes; it includes salvage costs, and third party liability cover (\$5M). Vessels insurance covers accidental loss or damage to the vessel	\$2,987,365	\$23,379	Various	<table><thead><tr><th>Period</th><th>Premium (Thousands)</th><th>Cover (Thousands)</th></tr></thead><tbody><tr><td>17-18</td><td>21.0</td><td>24.0</td></tr><tr><td>18-19</td><td>23.0</td><td>21.0</td></tr><tr><td>19-20</td><td>23.0</td><td>21.0</td></tr></tbody></table>	Period	Premium (Thousands)	Cover (Thousands)	17-18	21.0	24.0	18-19	23.0	21.0	19-20	23.0	21.0
Period	Premium (Thousands)	Cover (Thousands)															
17-18	21.0	24.0															
18-19	23.0	21.0															
19-20	23.0	21.0															
Infrastructure	Flood Protection (Awanui, Kaeo, Whangarei Urban) Covers Physical loss caused by a Natural Castastrophe Event including: Earthquake, Natural Landslip, Flood, Tsunami, Tornado, Windstorm, Volcanic Eruption, Hydrotherman & Geothermal Activity and Subterranean Fire	\$32,823,963	\$24,693	\$100,000	<table><thead><tr><th>Period</th><th>Premium (Thousands)</th><th>Cover (Thousands)</th></tr></thead><tbody><tr><td>17-18</td><td>17.0</td><td>23.0</td></tr><tr><td>18-19</td><td>19.0</td><td>23.0</td></tr><tr><td>19-20</td><td>25.0</td><td>28.0</td></tr></tbody></table>	Period	Premium (Thousands)	Cover (Thousands)	17-18	17.0	23.0	18-19	19.0	23.0	19-20	25.0	28.0
Period	Premium (Thousands)	Cover (Thousands)															
17-18	17.0	23.0															
18-19	19.0	23.0															
19-20	25.0	28.0															
Computer & Electronic Equipment Breakdown	Covers Accidental damage including breakdown and the restoration of Data/Loss of Software	\$2,206,806	\$6,730	Various	<table><thead><tr><th>Period</th><th>Premium (Thousands)</th><th>Cover (Thousands)</th></tr></thead><tbody><tr><td>17-18</td><td>3.5</td><td>7.5</td></tr><tr><td>18-19</td><td>6.5</td><td>5.5</td></tr><tr><td>19-20</td><td>6.5</td><td>6.5</td></tr></tbody></table>	Period	Premium (Thousands)	Cover (Thousands)	17-18	3.5	7.5	18-19	6.5	5.5	19-20	6.5	6.5
Period	Premium (Thousands)	Cover (Thousands)															
17-18	3.5	7.5															
18-19	6.5	5.5															
19-20	6.5	6.5															

Insurance Policy	Covers	2019-20 Cover \$	2019-20 Premium Pa	2019-20 Excess	Premium Trend (3 years)												
Crime	Responds to claims for direct loss to Council arising from any fraudulent or dishonest act or acts committed by employees and third parties. Given the nature of this cover it is incumbent upon Council to maintain strictly confidentiality as to the existence or otherwise of such cover	\$1,000,000	\$6,683	\$25,000	<table><caption>Premium Trend (3 years) - Crime</caption><thead><tr><th>Period</th><th>Premium (Thousands)</th><th>Cover (Millions)</th></tr></thead><tbody><tr><td>17-18</td><td>2.5</td><td>0.3</td></tr><tr><td>18-19</td><td>6.7</td><td>0.3</td></tr><tr><td>19-20</td><td>6.7</td><td>0.3</td></tr></tbody></table>	Period	Premium (Thousands)	Cover (Millions)	17-18	2.5	0.3	18-19	6.7	0.3	19-20	6.7	0.3
Period	Premium (Thousands)	Cover (Millions)															
17-18	2.5	0.3															
18-19	6.7	0.3															
19-20	6.7	0.3															
Personal Accident	Financial and other assistance for Council, your employees and their families in the event of an employee's accidental injury or death	Various	\$8,144	7 day wait period for Weekly Injury Benefit and Weekly Sickness Benefit	<table><caption>Premium Trend (3 years) - Personal Accident</caption><thead><tr><th>Period</th><th>Premium (Thousands)</th><th>Cover (Millions)</th></tr></thead><tbody><tr><td>17-18</td><td>8.8</td><td>0.1</td></tr><tr><td>18-19</td><td>8.2</td><td>0.1</td></tr><tr><td>19-20</td><td>8.2</td><td>0.1</td></tr></tbody></table>	Period	Premium (Thousands)	Cover (Millions)	17-18	8.8	0.1	18-19	8.2	0.1	19-20	8.2	0.1
Period	Premium (Thousands)	Cover (Millions)															
17-18	8.8	0.1															
18-19	8.2	0.1															
19-20	8.2	0.1															
Travel	Covers Employees from financial losses occurred during international and domestic business trips	Various	\$1,670	\$250 for Mobile Electronic Equipment. 7 days wait period for Temporary Total Disablement. No other excesses	<table><caption>Premium Trend (3 years) - Travel</caption><thead><tr><th>Period</th><th>Premium (Thousands)</th><th>Cover (Millions)</th></tr></thead><tbody><tr><td>17-18</td><td>1.4</td><td>0.1</td></tr><tr><td>18-19</td><td>1.7</td><td>0.1</td></tr><tr><td>19-20</td><td>1.6</td><td>0.1</td></tr></tbody></table>	Period	Premium (Thousands)	Cover (Millions)	17-18	1.4	0.1	18-19	1.7	0.1	19-20	1.6	0.1
Period	Premium (Thousands)	Cover (Millions)															
17-18	1.4	0.1															
18-19	1.7	0.1															
19-20	1.6	0.1															
Cyber	Provides cover in the event that Council is a victim of a data breach. It covers the financial consequences of lost or stolen employee or customer data, including damages claims and loss of profit, while it also covers the cost of restoring or recollecting data following a breach	\$2,000,000	\$5,830	\$25,000	<table><caption>Premium Trend (3 years) - Cyber</caption><thead><tr><th>Period</th><th>Premium (Thousands)</th><th>Cover (Millions)</th></tr></thead><tbody><tr><td>17-18</td><td>3.5</td><td>0.1</td></tr><tr><td>18-19</td><td>3.8</td><td>0.1</td></tr><tr><td>19-20</td><td>6.0</td><td>0.1</td></tr></tbody></table>	Period	Premium (Thousands)	Cover (Millions)	17-18	3.5	0.1	18-19	3.8	0.1	19-20	6.0	0.1
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18-19	3.8	0.1															
19-20	6.0	0.1															
Flyger Road	Covers the Flyger Road Nursery -Including standing Timber - Poplars, Total Span Shed and Equipment used on the nursery	\$394,481	\$3,092	\$500	<table><caption>Premium Trend (3 years) - Flyger Road</caption><thead><tr><th>Period</th><th>Premium (Thousands)</th><th>Cover (Thousands)</th></tr></thead><tbody><tr><td>17-18</td><td>2.0</td><td>0.1</td></tr><tr><td>18-19</td><td>2.1</td><td>0.1</td></tr><tr><td>19-20</td><td>3.2</td><td>0.1</td></tr></tbody></table>	Period	Premium (Thousands)	Cover (Thousands)	17-18	2.0	0.1	18-19	2.1	0.1	19-20	3.2	0.1
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18-19	2.1	0.1															
19-20	3.2	0.1															

Insurance Policy	Covers	2019-20 Cover \$	2019-20 Premium Pa	2019-20 Excess	Premium Trend (3 years)
Hewlett Road - Farm	Rural Cover for Properties on 45 Hewlett Road (Sheds and Dwellings)	\$1,694,000	\$9,718	\$500	



**TITLE:** Risk Management Policy, Framework and reporting concepts

**ID:** A1283662

**From:** Kym Ace, Corporate Systems Champion

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### Executive summary/Whakarāpopototanga

The purpose of this report is to present the revised Northland Regional Council Risk Management policy, framework & reporting programme for acceptance.

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### Recommendation(s)

1. That the report 'Risk Management Policy, Framework and reporting concepts' by Kym Ace, Corporate Systems Champion and dated 4 February 2020, be received.
2. That the revised policy, framework, reporting and implementation plan, as attached (Appendix one to four) is accepted.

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### Background/Tuhinga

In 2018, the International Organisation for Standardisation (ISO) published ISO31000:2018 Risk Management – Guidelines, providing principles, a framework and a process for managing risk for any organisation regardless of size, activity or sector.

Based on ISO31000:2018 and a review request from the ELT to ensure our documents are fit for purpose, we have reviewed the Risk Management Framework, separating the policy, rewriting the framework and reviewing the risk register. The Risk register formal review will be a continuous process which will be aligned to the new risk management policy, framework, reporting and related documents.

The summary of changes in the ISO standard include:

- Change of risk definition from “chance or probability of loss” to “effect of uncertainty on objectives”
- Inclusion of recording and reporting
- Enhancement of the leadership by top management and the integration of risk management, starting with the governance of the organisation, specifically:
  - Makes Councillors accountable for overseeing risk management
  - Makes the Executive Leadership Team accountable for managing risk

While the updated risk definition and other points noted above had already been incorporated, Governance and leadership accountability have been made more explicit in the Policy and Framework.

Strong leadership from Governance and ELT is required to ensure that the policy and framework are embedded within council. Alongside strong leadership, the development of clear processes, reporting, consistency and good management we will grow a robust risk management culture.

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### Considerations

## 1. Options

No.	Option	Advantages	Disadvantages
1	Accept the revised policy and frame work	Council will have up to date policy & framework that are reflective of best practice	The framework & policy will not be reflecting best practice
2	Do not accept the revised policy and frame work	Nil	The current Risk management framework not reflective of best practice, will remain in place

The staff's recommended option is 1

## 2. Significance and engagement

In relation to section 79 of LGA2002, these matter are part of day-to-day operation of council & hence deemed to be low significance under council policy

## 3. Policy, risk management and legislative compliance

Being a purely administrative matter, Community Views, Māori Impact Statement, Financial Implications and Implementation Issues are not applicable.

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## Attachments/Ngā tapirihanga

Attachment 1: Risk Management Policy [↓](#) 

Attachment 2: Risk Management Framework Feb 2020 [↓](#) 

Attachment 3: Risk Management Reporting Ideas [↓](#) 

Attachment 4: Risk Management Implementation Plan [↓](#) 

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## Authorised by Group Manager

**Name:** Dave Tams

**Title:** Group Manager, Corporate Excellence

**Date:**

# Risk Management Policy

## Purpose and Scope

1. The purpose of this policy is to state the objectives and behaviours needed to achieve effective risk management across all of council.
- 2.
3. This policy does not set out how risk management is implemented. Approaches for implementing risk management are detailed in the Risk Management Framework.
- 4.

## Introduction

5. Risk is the impact of an uncertain event or condition that, if it occurs, has a positive or negative effect on the things that we value and want to achieve. We seek to better understand risk because it informs the decisions that we make in order to achieve our vision, mission and community outcomes.
- 6.
7. Risk management is the knowledge, behaviours, and practices that we use to control the risks that can impact on the things we value. Risk management aims to reduce threats and maximise opportunities.
- 8.

## Policy Statement

9. Northland Regional Council is committed to council wide risk management principles, framework and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.
- 10.

## Objectives

11. The objectives of risk management are to:
  - Support the achievement of council's vision, mission and community outcomes.
  - Embed risk management as an integral part of all council activities.
  - Provide a safe and secure environment for employees, contractors and visitors to our workplaces.
  - Limit loss or damage to property and other assets.
  - Limit interruption to business continuity.
  - Be agile and responsive to emerging and changing risks.
  - Ensure a structured, comprehensive and effective approach.
  - Continually improve risk management through learning, experience, reporting and review.
  - Meet or exceed international best practice standards (ISO 31000).

## Strategic Context

Northland Regional Council's Vision and Mission, as stated in the 2018 – 2028 Long Term Plan is:

**Our Vision:** Our Northland – together we thrive.

**Our Mission:** 'Working together to create a healthy environment, strong economy and resilient communities'.

The promotion and practice of good policy is a crucial element in delivering our vision and mission and achieving specified community outcomes. This policy aligns to the efficient and effective service delivery, carried out and managed in all council activities.

**Our values** of strong decisive leadership, one high performing team, customer focus, integrity, transparency and accountability affirm the importance of policy direction and recognises that risk management is a fundamental corporate function.

## Roles and Behaviours

3. All Council Staff	12. Actively involved in owning risk. Consult with and keep managers informed about risk as appropriate.
4. Managers	13. Accountable for how risks are managed within their team/department/activities in accordance with relevant policies, frameworks and plans. Identify new and emerging risks. Consult with and keep the Group Manager informed about risk as appropriate.
5. Corporate Systems Champion	14. Accountable for developing and maintaining risk management processes across the organisation, including: <ul style="list-style-type: none"> <li>• Custody of the risk management policy and framework.</li> <li>• Provision of support and guidance to achieve council's risk management policy and framework.</li> <li>• Collaborating and consulting with the HR Manager regarding health &amp; safety risks.</li> <li>• Reporting council's risk profile (excluding health &amp; safety) to the ELT and the Audit and Risk Sub-Committee.</li> </ul>
6. Human Resources Manager	15. Accountable for developing and maintaining health & safety risk management processes across the organisation, including: <ul style="list-style-type: none"> <li>• Provision of support and guidance to achieve council's health and safety risk management policy and framework.</li> <li>• Collaborating and consulting with the Corporate Systems Champion regarding risks.</li> <li>• Reporting council's health and safety risk profile to the ELT and the Audit and Risk Sub-Committee.</li> </ul>
7. Executive Leadership Team (ELT)	16. Actively support the use of risk management as a key management tool and ensure risk management is an integral part of decision making. Assess and monitor the organisation-wide risk profile. Regularly review risk controls and treatments. Set priorities and allocate resources for risk management.
8. Audit and Risk Sub Committee	17. Support the use of risk management for strategic decision making. Set risk management tone and objectives. Confirm that risk is managed within prescribed tolerance. Review the risk management policy and framework. Review and monitor risk management reports and communicate key risks to council and identify new and emerging risks.

18.

19.

### Key relevant documents

20. Include the following: (in hierarchical order)
- Risk Management Framework – (hyperlink)
  - Audit and Risk Subcommittee – Terms of Reference: [ADOPTED TOR Audit & Risk Subcommittee 2019 \(A1262366\)](#)
  - ISO 31000|2018 – (hyperlink)
  - Legislative Compliance Policy, Framework and Programme (hyperlink)

21.

## Document approval

22. The approval for distribution and use of this policy has been delegated as per the document information:

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25.	Document ID:	26.	Objective ID A1250391
27.	Document version:	28.	1.0
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31.	Approved by:	32.	ELT – via GM Corporate Excellence
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35.	Policy Owner:	36.	GM Corporate Excellence.
37.	Policy Author:	38.	Corporate Systems Champion
39.	Group	40.	Corporate Excellence
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50.	1.0	51.	02/2020	52.	First edition separating policy from the Risk management framework.
53.		54.		55.	
56.		57.		58.	
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# Risk management framework

**Date:** November 2019

**Author:** Corporate Systems Champion



## Overview

This risk management framework provides the system and processes to implement risk management across council, including updating the Risk Register. The framework aims to be consistent with council's policy, [Risk Management Policy \(A1250391\)](#), and both the policy and framework are consistent with best practice based on the Australian/New Zealand Standard AS/NZS 31000:2018 Risk Management – Principles and guidelines.

## Introduction

Risk is the impact of an uncertain event or condition that, if it occurs, has a positive or negative effect on the things that we value and want to achieve. We seek to better understand risk because it informs the decisions that we make in order to achieve our vision, mission and community outcomes.

Risk management is the knowledge, behaviours, and practices that we use to control the risks that can impact on the things we value. Risk management aims to reduce threats and maximise opportunities.

The key stages in managing risks are:



## Commitment

Northland Regional Council is committed to council wide risk management principles, framework and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.

## Appetite

Council undertakes many diverse activities on behalf of its stakeholders in multiple locations across the region. NRC aims to implement controls to mitigate its identified risks to a moderate post-control (residual) level. However, as a publicly funded organisation, council understands that some controls may be cost-prohibitive or impractical to implement and an increased appetite for post-control risk may need to be tolerated.

## Objectives

The objectives of the risk management framework include:

- Provide early visibility and warning - risks are recorded, made visible, and communicated to ensure that response action plans are developed at the outset.
- Drive resolution/mitigation – to ensure an activity or objective is not compromised through lack of risk management.
- Set escalation levels – to ensure the appropriate people/team/group takes responsibility for accepting or rejecting an identified risk.
- Standardise the process – providing a common process and format for the defining, raising, reporting, communicating and tracking risks

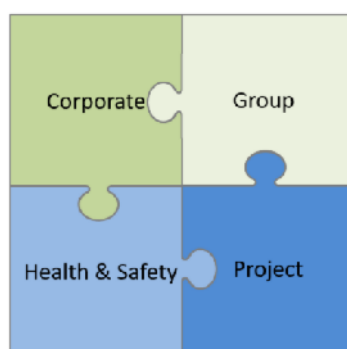
## Terms and definitions

For the purposes of risk management, the following terms have been defined:

Term	Definition
Risk	Risk is the impact of an uncertain event or condition that, if it occurs, has a positive or negative effect on the things that we value and want to achieve
Risk management	The culture, process and structures that are directed towards realising potential opportunities whilst managing adverse effects
Stakeholder	Person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity
Risk owner	Person with the accountability and authority to manage a risk
Risk source	Element which alone or in combination has the potential to give rise to risk
Event	Occurrence or change of a particular set of circumstances
Consequence	Outcome of an event affecting objectives
Likelihood	Chance of something happening
Control	Measure that maintains and/or modifies risk
Risk register	The register that records more detailed information about identified risks
Risk appetite/tolerance	The level of risk that council is willing to accept in achieving its objectives
Pre-control risk rating	The risk rating before controls are put in place
Post – control risk rating	The risk rating after controls are put in place

## Risk registers

The following diagram outlines the key risk registers maintained by Council:





The registers will capture and maintain information on identified risks. All identified risks are to be recorded in the Registers, assigned to specific individuals, proactively managed and tracked through to their conclusion.

The registers will follow the key process stages in managing risk:



All staff will have read only access to the registers. Until the time as we have an Enterprise electronic risk solution, all staff will be expected to complete the risk form on the Express to add a risk to a register. The corporate and group registers will be administered by the Corporate Systems Champion, the health and safety Register by the Health and Safety Advisor and the projects Register by the relevant Project Manager.

Risks in the projects Register that have a post control (residual) risk rating of high or above will be recorded in the Group Risk Register, as these risks need to be visible to the wider organisation and potentially reported to ELT and council.

Throughout this document, any concept / term that is recorded in the risk registers is flagged with this symbol:



## Corporate risks

These risks may impact on council achieving its vision, mission and community outcomes. Corporate risks are identified by Councillors, Committee Members and staff and are managed by the ELT. These risks are regularly reported to the ELT and the Audit and Risk Sub-Committee to ensure risks are being appropriately managed. The focus of corporate risks is more likely, but not exclusively, to be on:

- External influences affecting council's effective operations.
- Council's most critical and essential assets, activities and associated risks.
- Risks that are common to more than one council group or activity.
- Risk to Council meeting its expected stakeholder service levels.

## Group risks

These risks may have an impact on council's individual groups achieving their group objectives. Group risks are identified and managed by group managers and their teams. Group risk must be regularly reviewed and reported as evidence of management. The focus of group risks is more likely, but not exclusively, to be on:

- External influences impacting group's effective operations.
- The group's most critical and essential assets, activities and associated risks.
- Risks to council meeting its expected stakeholder service levels.

## Health and Safety risks

These risks may have an impact on the health and safety of council staff, contractors, visitors or the general public. Health and safety risks are identified by all staff members and may also impact more than one group or activity. These risks are regularly reported to the Group Manager Corporate Excellence to ensure risks are being appropriately managed. Council commits to the identification of existing and new health and safety risks, taking all practicable steps to eliminate, or minimise exposure to these risks.

## Project risks

These risks may have an impact on council's individual projects achieving their objectives. Project risks are identified and managed by project managers and their teams. Project risks are identified as part of project planning, are regularly assessed throughout the life of the project, and regularly reported to the project steering group/team to ensure risks are being appropriately managed. Project risk registers should be documented and maintained by each project manager.

Risks in the projects register that have a post control (residual) risk rating of high or above will be recorded in the Group Risk Register, as these risks need to be visible to the wider organisation and potentially reported to ELT, Audit and Risk Sub-committee and Council.

## Risk types

The following table outlines the six risk types that may impact operations and activities:

Risk Type	Definition
Service delivery	Potential event that impacts council's ability to function and deliver services as expected
Reputation	Situations that potentially impact the way council and staff are perceived by our stakeholders
Financial	The ability to fund council activities and operations now and into the future and financial management of council
Health and Safety	Potential event that adversely impacts on the health and safety of staff, contractors, visitors or the general public
Legislative	Potential event that breaches legislation
Infrastructure	Potential event that adversely impacts council's infrastructure

## Difference between a risk and an issue

The difference between a risk and an issue is that a risk is a **potential** threat/opportunity whereas an issue is a **current**, live and real situation (either positive or negative).

A risk has a probability (or likelihood) of happening and if it does, there will be a certain consequence (positive or negative).

An issue has happened (or is happening right now). It does not have a probability, however will have a consequence (positive or negative).

This framework guides the proactive management of risks, rather than reactive responses to issues.

## Difference between a risk and a hazard

In terms of health and safety, these two terms are often incorrectly used as synonyms.

A **hazard** is something that can cause harm, e.g. electricity, chemicals, working up a ladder, noise, a keyboard, a bully at work, stress, cars when crossing a road, etc.

A **risk** is the chance / likelihood that any hazard will cause somebody harm in the future.

The below infographic will help you understand the difference between a hazard and a risk.



## Responsibilities, roles and behaviours

Every person employed or engaged by council has responsibility for considering risk as they perform their duties. Everyone at council should:

- Be aware of the council's policy on risk and the associated framework that provides a process that promotes and supports risk management; and
- Report or escalate risk management concerns, issues and failures in accordance with the framework and know that such reporting is valued and encouraged by council.

The following table outlines the risk management responsibilities *by position* at council.

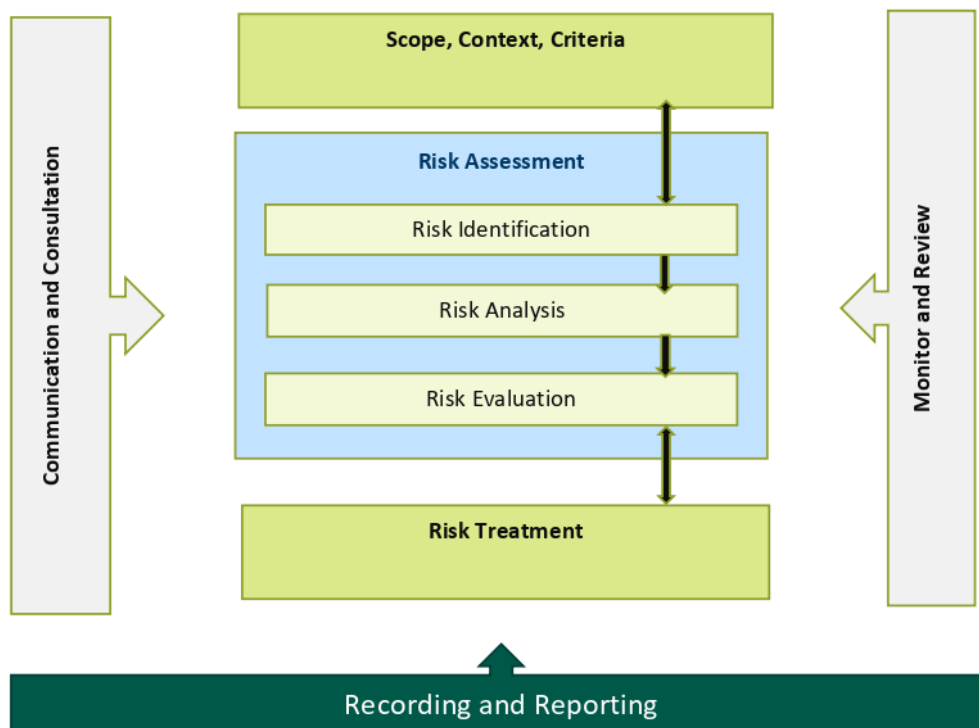
Position	Roles and Responsibilities
Councillors	<ul style="list-style-type: none"> <li>• Ensure that risks are adequately considered when setting council's vision, mission and community outcomes</li> <li>• Understand the risks facing the organisation in pursuit of its vision, mission and community outcomes</li> <li>• Ensure that such risks are appropriate in the context of council's vision, mission and community outcomes</li> </ul>
Audit and Risk Sub-Committee	<ul style="list-style-type: none"> <li>• Understand the risks facing council in pursuit of achieving its vision, mission and community outcomes</li> <li>• Assure council that such risks are appropriate in the context of achieving its vision, mission and community outcomes</li> <li>• Assure council that systems to manage risks are implemented and operating effectively</li> </ul>
Chief Executive Officer	<ul style="list-style-type: none"> <li>• Advocate risk identification and management across the organisation</li> <li>• Assure the Audit and Risk Sub-Committee and Council that risks to achieving its vision, mission and community outcomes are identified and managed</li> <li>• Assure the Audit and Risk Sub-Committee and Council that systems to manage risks are implemented and operating effectively</li> </ul>
Group Managers	<ul style="list-style-type: none"> <li>• Identify and record risks in the register</li> <li>• Promotion of a risk management culture</li> <li>• Communicate and raise awareness of risk management to managers and staff</li> <li>• Assure the Chief Executive that risks to council achieving its vision, mission and community outcomes are identified and managed</li> </ul>
Corporate Systems Champion	<ul style="list-style-type: none"> <li>• Ensure that corporate and group risks are reviewed in accordance with the review and reporting schedule</li> </ul>
Human Resources	<ul style="list-style-type: none"> <li>• Assure the ELT that health and safety risks are identified and managed.</li> </ul>
Project Managers	<ul style="list-style-type: none"> <li>• Assure the ELT that project risks are identified and managed</li> </ul>
Risk Owners	<ul style="list-style-type: none"> <li>• Identify and manage risks in accordance with the risk management framework</li> <li>• Share risks with other people likely to be exposed to/affected by the risk</li> <li>• Act appropriately to these risks when undertaking their roles &amp; responsibilities</li> <li>• Assure the ELT that the identified risks are being managed</li> </ul>
All Staff	<ul style="list-style-type: none"> <li>• Identify risks and report them to your Manager</li> <li>• Act appropriately to these risks when undertaking their roles &amp; responsibilities</li> </ul>

Risk identification and management is the responsibility of all staff members; however, the following table outlines the **primary** risk management responsibilities *by process* at NRC.

Process	Corporate	Group	Health & Safety	Project
Identify	ELT	Group Manager	<b>All Staff</b>	Project Manager
Analyse	ELT	Group Manager	H&S and HR Advisor	Project Manager
Evaluate	ELT	Group Manager	H&S and HR Advisor	Project Manager
Treat	ELT	Group Manager	H&S and HR Advisor	Project Manager
Record/report	ELT	Group Manager	H&S and HR Advisor	Project Manager
Monitor/review	ELT	ELT	HR Manager	Project Steering Group
Communicate/consult	ELT	Group Manager	HR Manager	Project Manager

## The process

Risk management is a continual process that involves the following key steps:



### 1. Identify



It pays to be thorough and comprehensive when identifying risks before making a decision, or at the start of a project. This can avoid an unpleasant surprise at some later point.

The following techniques can be used to identify risk:

- Brainstorming
- Interviews
- Independent / external reviews
- Consultation with other councils and public sector organisations
- Internal auditing reports
- Quality management system
- Annual and long-term plan processes

- Health and safety processes
- Legislative compliance programme
- Activity/Asset management plans (Te Kete Marika)
- Project management
- Business case development
- Opportunities for improvement
- Asking the following questions:
  - What are our relevant objectives?
  - What could go wrong and impact our plans?
  - What keeps you or your manager awake at night?



Identification should include risks whether they are under the direct control of the organisation or not.

Once risks have been identified, they should be recorded on the corporate, group, health and safety or project risk registers. The following guide is used to record identified risks:

There is a risk that **[uncertain event occurs]** caused by **[cause of uncertain event]** that may result in **[consequence to Northland Regional Council]**.



This can be illustrated in the following table that outlines an example of risk:

Event	Cause	Consequence
Council does not provide a safe and healthy work environment for staff, contractors and visitor events	Poor practices and non-compliance with processes	Result in loss of life or permanent disability
Asset information is incomplete or inaccurate	Lack of resources (staff and technology)	Council's assets being underinsured

## 2. Analysis



Once risks have been identified, the likelihood and consequence of the risk occurring is analysed.

### Likelihood

The following table is used to analyse the likelihood of a risk occurring, e.g. how often the uncertain event is expected to occur pre-controls and post-controls (before and after existing and/or additional controls are considered):

Likelihood	Description	Probability
Frequent	Continuous or will happen frequently Will most certainly occur in the foreseeable future	5
Often	6 – 12 times per year Will possibly occur in the foreseeable future	4
Likely	1 – 5 times per year	3



Likelihood	Description	Probability
	There is always a chance it will occur in the foreseeable future	
Possible	Once every 2 to 5 years There is little chance of occurrence in the foreseeable future	2
Rare	Less than once every five years Occurrence is unlikely in the foreseeable future	1

### Consequence

The following guide is used to analyse the consequence of a risk occurring, e.g. consequence if the uncertain event was to occur pre-controls and post-controls (before and after existing and/or additional controls are considered):

Consequence Risk Type	Severe 5	Major 4	Moderate 3	Minor 2	Inconsequential 1
Service Delivery	Serious loss of critical operational capability for more than 1 month and serious disruption to service levels	Serious loss of critical operational capability between 2 weeks and up to 1 month and major disruption to service levels	Serious loss of critical operational capability for over 2 weeks and disruption to service levels	Loss of critical operational capability in some areas and some disruption to service levels	No loss of critical operational capability or negative disruption to service levels
Reputation	Insurmountable loss in community confidence. Negative multi-media nation-wide coverage for 2 weeks +	Large loss in community confidence that will take significant time to remedy. Negative multi-media nation-wide coverage for up to 2 weeks	Manageable loss in community confidence. Negative multi-media nation-wide coverage for several days	Loss of confidence among sections of the community. Negative multi-media nation-wide coverage for 2 days	Negative feedback from individuals or small groups in the community. Negative regional multimedia coverage for up to 2 days
Financial	Loss of \$500K or greater (for a single council activity)	Loss of \$250K to \$500K (for a single council activity)	Loss of \$140K to \$250K (for a single council activity)	Loss of \$50 to \$140K (for a single council activity)	Loss of less than \$50K (for a single Council activity)
Health and Safety People and/or Plant/equipment/facility	Fatality  Major damage to plant of facility resulting in potential costs of >\$1m	>6 months off work/medical incapacity/Permanent Disabling Injury  Serious damage to major plant or a facility costing between \$100,001 to \$1m.	Lost Time Injury>Restricted Work Injury  Significant damage to plant, equipment or a facility costing between \$10,001 to \$100,000	First Aid/Medical Treatment Injury  Minor plant and equipment damage requiring repairs or replacement costing \$1,001 to \$10,000	No injury/ No medical treatment  < \$1,000 damage to plant and equipment
Legislative	Breach of legislation that cannot be resolved internally	Breach of legislation that cannot be resolved internally and may give rise to	Breach of legislation that cannot be resolved internally and	Breach of legislation which can be resolved	Breach of legislation which can be resolved internally and

Consequence Risk Type	Severe 5	Major 4	Moderate 3	Minor 2	Inconsequential 1
	and may give rise to penalties of over \$10m	penalties of up to \$10m	may give rise to penalties of up to \$1m	internally and may give rise to penalties of up to \$250k	may give rise to penalties of up to \$50k
Infrastructure	Infrastructure is not operational. Significant improvements or repairs over \$10m are required. Unbudgeted and/or external resources are required to resolve	Infrastructure is not operational. Major improvements or repairs between \$1m to \$10m are required. Unbudgeted and/or external resources are required to resolve	Infrastructure is not fully operational. Moderate improvements or repairs between \$250k to \$1m required. Unbudgeted and/or external resources may be required to resolve	Infrastructure remains mostly operational. Minor improvements or repairs between \$50k to \$250k required which can be met by current budget and/or internal resources	Infrastructure remains operational. Improvements or repairs up to \$50k required which can be met by current budget and/or internal resources

### 3. Evaluate



Once risks have been analysed, the following matrix and ranking are used to evaluate the risk rating pre and post-controls. This is used to determine what action is required by council in relation to the risk:

Likelihood	Consequence				
	Inconsequential (1)	Minor (2)	Moderate (3)	Major (4)	Severe (5)
Frequent (5)	5 Moderate	10 High	15 Extreme	20 Extreme	25 Extreme
Often (4)	4 Low	8 High	12 High	16 Extreme	20 Extreme
Likely (3)	3 Low	6 Moderate	9 High	12 High	15 Extreme
Possible (2)	2 Low	4 Low	6 Moderate	8 High	10 High
Rare (1)	1 Low	2 Low	3 Low	4 Low	5 Moderate

### 4. Treat





Once the risk has been evaluated, the following table outlines the general treatment actions required. Alternative treatment action may be determined by the ELT, Group Manager, Human resources - health and safety team or project manager responsible for managing the Corporate, Group, Health and Safety or Project risks:

Action	Description
Accept	Activity is managed to a low or moderate risk rating through existing controls
Transfer	Activity is managed to a low or moderate risk rating through transferring risk to another party, e.g. contractor/ insurer/stakeholder
Mitigate	Activity is managed to a low or moderate risk rating through existing or additional controls Group Manager approval is required for high risk activity to continue
Terminate	Activity is terminated if it cannot be reduced to a high or lower risk rating CEO/ELT approval required for extreme risk activity to continue

Actions must be documented in the risk register, outlining the:

- Action to be taken
- Individual responsible for completing the action
- Timeframe for completing the action; and
- Status progress



## 5. Record and report



All risks must be recorded in the relevant risk register. Use **form one** for Corporate or Group risk; **form two** for Health and Safety Risks; or **form three** for Project risks. These forms are available on the Express. This will potentially change once we have an electronic solution to risk recording and management



Once risks have been recorded, the following table outlines the reporting timeframe based on the risk ranking. Alternative reporting timeframes may be determined by the ELT, Group Manager, or Project Manager responsible for managing the Corporate, Group, Health and Safety or Project risk.

Risk Rating	Recording and Reporting
Low Risk	Quarterly update of risk register
Moderate Risk	Quarterly update of risk register
High Risk	Monthly update of risk register to ELT
Extreme Risk	Weekly update of risk register to ELT

## 6. Monitor and review



Once risks have been reported, the following table outlines the monitoring and review timeframe based on the risk ranking. Alternative monitoring and review timeframes may be determined by the ELT, Group Manager, or Project Manager responsible for managing the Corporate, Group, Health and Safety or Project risks:



Risk Rating	Monitoring and Reviewing <sup>2</sup>
Low Risk	Quarterly
Moderate Risk	Quarterly
High Risk	Monthly
Extreme Risk	Weekly

Risks can also be reviewed when an incident occurs and is reported relating to an existing risk.

<sup>2</sup> Risks are monitored and reviewed in accordance with the table outlining primary risk management responsibilities by process, e.g:

- Corporate – risk owner/staff responsible/ELT
- Group - risk owner/staff responsible/ELT
- Health & Safety – HR Manager/ELT
- Project – project manager/project steering group/ELT.

Risks will be monitored and reviewed as part of regular management meetings. Attention should focus upon five key areas:

- Identifying new risks.
- Ensuring that effective monitoring of actions, contingency plans and risk responses are in place for risks assessed as requiring them.
- Ensuring that actions identified have been carried out.
- Ensuring that controls are effective and efficient in both design and operation.
- Reviewing risks to determine if any re-assessment is required.
- Identifying risks which can be closed.

Any actions, re-assessments or other changes arising from the review should be recorded within the appropriate risk register.

Monitoring and reviewing of risks is essential to ensure that council manages risks appropriately and effectively. Some risks diminish in significance, or disappear, while others become more important and new risks arise.

## Communication and consultation

ELT, the human resource - health & safety team, project managers and managers communicate and consult through promoting awareness and understanding of risk and risk management and utilising the risk management framework to inform decision making and allocation of resources.

## Forms:

### Corporate and Group Risk

In accordance with the council's risk management framework, this form is to be used to record or update all identified risks, and must be forwarded to the Corporate Systems Champion as soon as the risk has been accepted.



Identify	Date raised	
	Risk raiser name	
	Department	
	Group	
	Risk description	Describe the risk in terms of the event, the cause and the effect
	Risk category	The main type of risk (from agreed list) (could be a drop down?)
Analyse & Evaluate	Current controls	If any, list existing actions or systems which are already in place to modify the likelihood or consequence of the risk
	Pre-control likelihood	The chance of a threat or opportunity occurring, with current controls, from an agreed scale
	Pre-control consequence	The result of a threat or opportunity occurring, with current controls, from an agreed scale
	Pre-control risk rating	Based on combination of likelihood and consequence ratings
	Risk owner	The person who will be responsible for managing the risk
Treat	Risk response	Describe the actions / controls to be put in place to modify the likelihood or consequence of the risk.
	Post- control likelihood	The chance of a threat or opportunity occurring, once treatment implemented, from an agreed scale
	Post- control consequence	The result of a threat or opportunity occurring, once treatment implemented, from an agreed scale
	Post-control risk rating	Based on combination of likelihood and consequence ratings
	Staff responsible	The person assigned responsibility for implementing the Risk Response
	Target date	The agreed date for implementing the Risk Response
	Risk treatment status	Whether risk treatment has been started, monitored or completed
Monitor and Review	Review date	The date the risk will next be reviewed
	Risk status	Whether the risk is open or closed
Manager, GM or CEO risk acceptance	Date:	Signature:

## Key relevant documents

Include the following: (in hierarchical order)

- Risk Management Policy – (hyperlink)
- Audit and Risk Subcommittee – Terms of Reference: [ADOPTED TOR Audit & Risk Subcommittee 2019 \(A1262366\)](#)
- ISO 31000|2018 – (hyperlink)
- Legislative Compliance Policy, Framework and Programme (hyperlink)

## Document approval

The approval for distribution and use of this policy has been delegated as per the document information:

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Version	Issue Date	Notes
1.00	29 January 2020	Fully revised risk management framework

### Northland Regional Council

P 0800 002 004

E [info@nrc.govt.nz](mailto:info@nrc.govt.nz)

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## Risk management framework reporting ideas

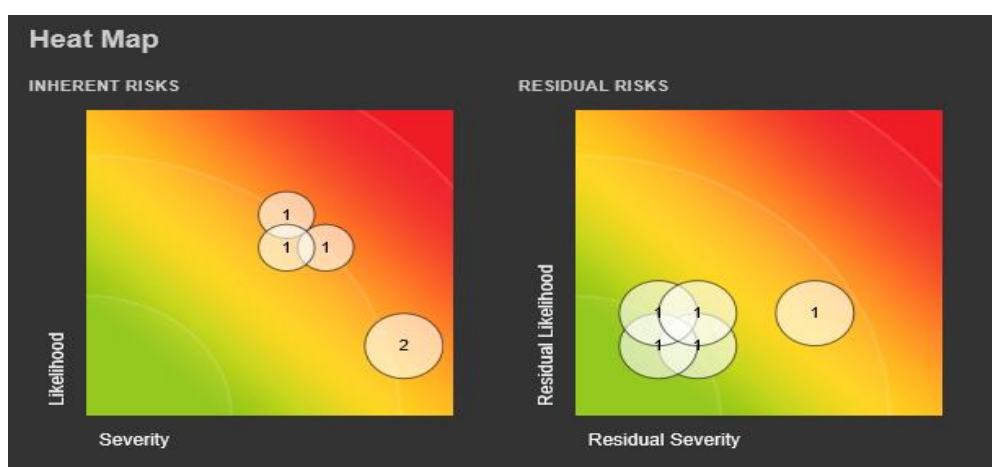
Our proposed risk reporting, which will form the basis of the structure of the registers and inform the details to be included in the forms is presented below for acceptance:

### Corporate and group (Currently governance & operational) risks reporting to ELT and the Audit and Risk Sub Committee

It is proposed that the corporate & group risks and mitigation actions are monitored by staff and reported quarterly to the Audit and Risk Subcommittee.

1. Heat Map reporting of overall risks based on pre-control (inherent) and post-control (residual) risks aligned to the level of risk: Low, Moderate, High, and Extreme.

This will look something like e.g.:



2. The corporate risks, their consequences, risk types, pre-control (Inherent) and post-control (implemented controls) ratings will be summarised in a table. See Table 1 for an example of the summarised report.

Table 1 Corporate risk summary

Risk title	Risk summary and consequence PRE-control (Inherent risk)	Risk type	PRE-controls (Inherent) Risk rating	Controls identified	POST- controls (Residual) risk rating	Control status elevator <sup>1</sup>
<b>CORP01</b> <b>HEALTH</b> <b>AND SAFETY</b>	Council does not provide a safe and healthy work environment for staff, contractors or visitors that may result in loss of life or permanent disability <i>Appetite: Council accepts a post-controls moderate risk, recognising that safety is paramount</i>	<b>Health and Safety</b> Financial Legislative Reputation	<b>EXTREME</b> Likelihood: Likely Consequence: Severe	Yes	<b>HIGH</b> Likelihood: Possible Consequence: Severe	WIP
<b>CORP02</b> <b>RELATIONS</b> <b>HIPS</b>	Council does not effectively manage relationships with iwi, partners and stakeholders that may result in national negative multi-media coverage for more than one week requiring significant additional work to repair stakeholder confidence <i>Appetite: Council accepts a post-controls high risk, recognising that Council can control only their role in relationships</i>	<b>Reputation</b> Financial	<b>HIGH</b> Likelihood: Likely Consequence: Major	No	<b>HIGH</b> Likelihood: Possible Consequence: Major	Nothing
etc						

<sup>1</sup>. Control status elevator will be one of: Completed, WIP (i.e. Underway), Nothing (Not commenced).

3. The risk owners will provide deep dives into each corporate and or group risk in accordance with the following schedule (Table 2), initially focussing on the corporate risk with the highest pre-controls risk rating e.g. Health and safety, climate change and business continuity. The number of risks that would require deep dives will depend on the risk appetite set in the framework i.e. all risk that exceed council's post-control moderate risk appetite for implemented controls.

Table 2 – Example Corporate risk - deep dive schedule

#	Corporate Risk	MM 2020	MM 2020	MM 2020
1	Health and safety	√		
2	Relationships		√	
3	Fraud			√
4	Legislative compliance		√	
5	Business continuity	√		
6	Climate change	√		
7				
8				
9				
10				

4. The proposed format for a deep dive is presented in Table 3.

Table 3 – Corporate risks deep dive an example – CORP01 Health and safety

CORP01 – HEALTH AND SAFETY	Pre-controls (Inherent) risk likelihood	Pre-controls risk consequence	Pre-controls risk ranking	Post- controls risk ranking (Based on mitigations/controls currently complete)	Risk ranking appetite
There is a risk that council does not provide a safe and healthy work environment for staff, contractors or visitor events that may result in loss of life or permanent disability	Likely	Severe	Extreme	High <sup>1</sup>	Moderate
<p><b>Appetite:</b> Council accepts a post-control moderate risk, recognising that safety is paramount but recognises that implementing additional controls would be cost-prohibitive</p> <p><b>Risk Type:</b> Primary: Health and safety Secondary: Financial, legislative, reputation</p> <p><b>Background:</b> The Health and Safety at Work Act 2015 makes everyone's health and safety responsibilities clear:</p> <ul style="list-style-type: none"> <li>Businesses have the primary responsibility for the health and safety of their workers and any other</li> </ul>					



<p>workers they influence or direct. They are also responsible for the health and safety of people at risk from the work of their business.</p> <ul style="list-style-type: none"> <li>• Officers must do due diligence to make sure the business understands and is meeting its health and safety responsibilities.</li> <li>• Workers must take reasonable care for their own health and safety and that their actions don't adversely affect the health and safety of others. They must also follow any reasonable health and safety instruction given to them by the business and cooperate with any reasonable business policy or procedure relating to health and safety in the workplace.</li> <li>• Other people who come into the workplace, such as visitors or customers, also have some health and safety duties to ensure that their actions don't adversely affect the health and safety of others.</li> </ul>			
Key Controls or Mitigation Activities	Responsible Group and Department	Timeframe	Status
<ul style="list-style-type: none"> <li>• Health and safety strategy to identify, prioritise and schedule actions/initiatives/projects to align Council's practices with good practice</li> </ul>	GM CX H&S Team	Oct 2019	Completed
<ul style="list-style-type: none"> <li>• Health and safety committee terms of reference</li> </ul>	GM CX, H&S Committee	Feb 2020	Needs updating - In Progress
<ul style="list-style-type: none"> <li>• Health and safety policies, processes, practices</li> </ul>	H&S Team, ELT, H&S Reps, All Groups		In Progress
<ul style="list-style-type: none"> <li>• Health and safety incident management system for council employees to log, investigate and follow up incidents</li> </ul>	H&S Team All Groups	Ongoing	In Progress
<ul style="list-style-type: none"> <li>• Health and safety hazard/risk register</li> </ul>	H&S Team All Groups	Ongoing	In Progress
<ul style="list-style-type: none"> <li>• Health and safety training: <ul style="list-style-type: none"> <li>- Induction</li> <li>- Hazard specific</li> <li>- Task safety plans</li> <li>- Contractor management</li> <li>- H&amp;S Representatives</li> <li>- H&amp;S Leadership</li> <li>- Incident management</li> </ul> </li> </ul>	GM CX H&S Team	Ongoing	In Progress
<ul style="list-style-type: none"> <li>• Monitoring and reporting health and safety incidents and trends to health and safety committee, ELT and Audit and Risk Sub-Committee</li> </ul>	GM CX H&S Team	Ongoing	In Progress

<sup>1</sup> Likelihood: Possible, Consequence: Severe

## **Risk management implementation plan**

Strong leadership will be required from ELT to ensure the policy and framework is embedded.

### Phase One:

1. Review the framework. Separate the policy from the framework. Decide on reporting and monitoring structure and this will drive the recording. Completed 29 January 2020.
2. Review the current risk register. Initial review completed in Dec 2019.
3. Investigate electronic risk register – Promapp
4. Develop processes

### Phase two:

1. Undertake risk management training – to identify risk champions
2. Undertaking current risk identification and evaluation:
  - Externally/internally facilitated workshop to be held with OMT, ELT, Risk Champions, and Council to identify and capture corporate and group risks, including identification and assessment of risk mitigation
  - Workshopping – risk management champions to meet with groups to introduce the policy & framework and then identify and capture risks associated with each group's activities including identification and assessment of risk mitigation
  - Risk management champions to present findings to relevant GM for review to ensure the risks are comprehensive and those with the highest risk level are accurate.
  - Across group workshops to communicate and identify risks further

### Phase three:

Ongoing actions required to embed the risk management culture:

1. Staff made aware of the policy and framework – express page. Inclusion in manager induction, trainings and templates
2. Support from ELT – inclusion of risk management in communications that go to all staff. Recognising and celebrating staff that are risk champions.
3. Integrate risk management into everyday business and decision making:
  - Agenda templates update to include risk management
  - Project management templates.
  - Contract management.
  - Procurement processes.

- Add risk discussion as a standard item on meeting agendas (including Quality Agendas) to make it easy for staff to raise concerns regarding risk.
- Allocate sufficient time for those directly involved in managing risk.
- Risk to be a standing agenda items at ELT and group meetings.

**TITLE:** Cyber Security Update

**ID:** A1294318

**From:** Carol Cottam, Information Services and Technology Manager

---

### Executive summary/Whakarāpopototanga

This report provides an update on progress with the implementation of Cyber roadmap actions to improve councils security posture.

Council engaged Deloitte New Zealand to undertake a Cyber Maturity Governance review in June 2019. The report identified areas for improvement to strengthen council's cyber security posture and included a proposed action plan. The proposed roadmap focused efforts on Defining a Security Strategy and Training and Awareness.

A revised action plan was prepared that was cognisant of resourcing and budgets constraints (attached). Several training activities have been completed, along with the implementation of new and additional cyber monitoring software to strengthen council's security posture.

The next planned activity is the development of an Information Security Plan. This activity will be undertaken collaboratively with the District Councils who have identified the same need.

---

### Recommendation

That the report 'Cyber Security Update' by Carol Cottam, Information Services and Technology Manager and dated 9 March 2020, be received.

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### Background/Tuhinga

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### Attachments/Ngā tapirihanga

Attachment 1: Cyber Security Project Planner 

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### Authorised by Group Manager

**Name:** Dave Tams

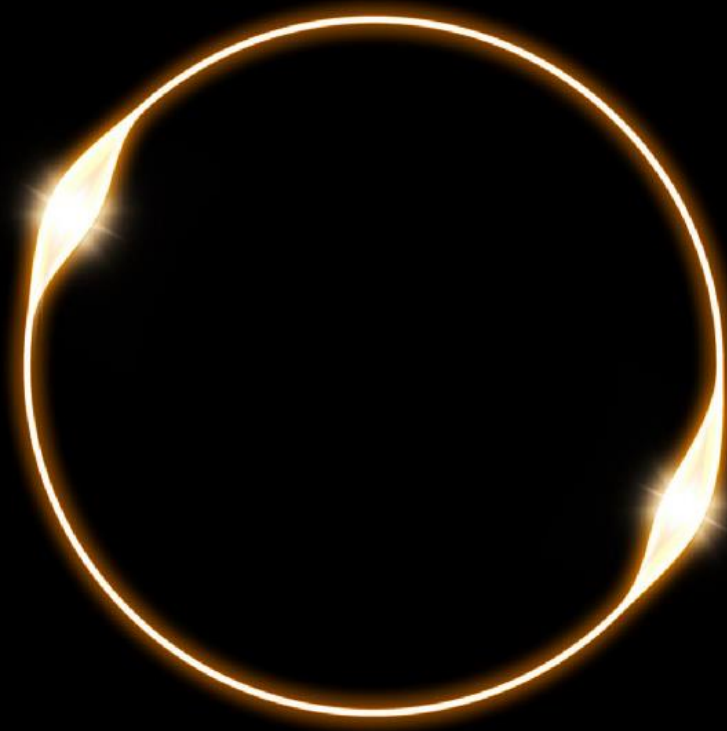
**Title:** Group Manager, Corporate Excellence

**Date:**

Period H 38   Plan Duration   Actual Start   % Complete   Actual (beyond plan)   % Complete (beyond plan)



**Deloitte.**



**Northland Regional Council**  
High Level Audit Plan  
for the year ended 30 June 2020



18 February 2020

Colin Kitchen  
Chair of the Audit and Risk Committee  
Northland Regional Council  
Private Bag 9021  
Whangarei 0148

Dear Mr Kitchen

#### High level audit plan for the year ended 30 June 2020

On an annual basis we submit a detailed audit planning document to the Audit and Risk Committee ("the Committee") of Northland Regional Council ("Council" or "NRC") to both communicate the key aspects of the audit process and to seek the Committee's feedback and input. This plan is normally prepared in April following the first audit visit.

For the 2020 financial year management has suggested we submit this high level plan setting out an overview of the audit process, our timetable of work and a synopsis of the audit areas of focus. This document will be supplemented by our more detailed plan in April, but will allow the new members of the Committee to turn their minds to the audit process at an earlier stage of the year.

We would be pleased to attend the next Committee meeting to discuss the contents of this report. In the interim should you require clarification on any matter in this report please do not hesitate to contact us.

Yours faithfully

Peter Gulliver  
**Appointed Auditor,**  
**for an on behalf of the Office of the Auditor General**

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Deloitte  
Deloitte Centre  
80 Queen Street  
Auckland 1010

Private Bag 115033  
Shortland Street  
Auckland 1140  
New Zealand

Tel: +64 (0) 9 303 0700  
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- 3. Identifying areas of audit focus
- 4. Continuous communication and reporting
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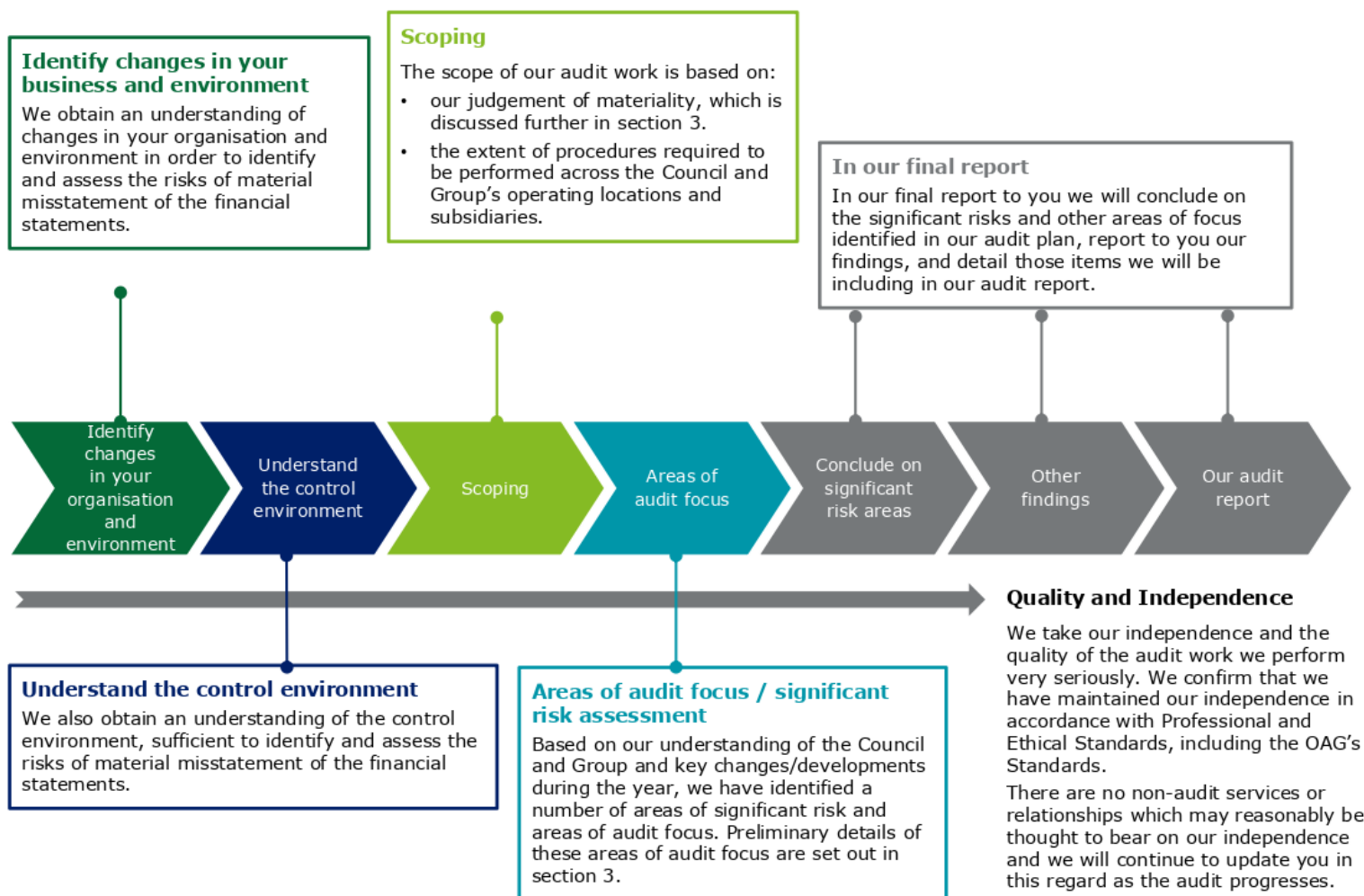


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## 1. Our audit explained – a tailored approach



## 2. Audit Scope

### Scope of the audit

The Auditor-General is the auditor of Northland Regional Council and its subsidiaries (the Group). The Group therefore includes Marsden Maritime Holdings Limited (which is audited by another firm) and Northland Inc Limited (which is also audited by Deloitte Limited).

The Auditor-General has appointed Peter Gulliver, using the staff and resources of Deloitte Limited, to report on the information in the Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). This information includes the Council's financial statements, the Group financial statements and the Council's non financial performance as incorporated into the Statement of Service Performance.

We are also required to report on whether the Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report (which includes a number of specific disclosure requirements) and the completeness and accuracy of Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

These matters are all covered by our audit report.

### Related assurance services

In addition to our audit report we provide reports relating to:

- Council's compliance with certain reporting responsibilities under its Trust Deed;
- Council's maintenance of a register of security stock (as required by the Trust Deed); and
- An agreed set of procedures in relation to Waima Watai Wairoa project which is being co-funded by the Ministry for the Environment.

### Our Responsibilities

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

We are responsible for conducting our audit in accordance with the OAG's auditing standards which incorporate the New Zealand auditing standards issued by the NZ Auditing and Assurance Standards Board.

Our audit is performed pursuant to the requirements of the Local Government Act 2002 with the objective of forming and expressing an opinion on the financial statements, performance information, and other requirements of Schedule 10 that have been prepared by management with the oversight of the Councillors. The audit of the financial statements and performance information does not relieve management or the Councillors of their responsibilities.

### Council's Responsibilities

The Council is responsible for meeting all legal requirements that apply to its annual report. The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.



### 3. Identifying the areas of audit focus

#### Identification of audit risks

Our audit approach is underpinned by the identification of relevant audit risks and tailoring appropriate audit responses to address those risks. We consider a number of factors when deciding on the significant areas of audit focus, such as:

- the risk assessment process undertaken during the planning phase of our engagement;
- our understanding of the business risks faced by the Council;
- discussions with management during the course of our audit;
- the significant risks and uncertainties previously reported in the financial statements, including any critical accounting estimates or judgements;
- our assessment of materiality; and
- any changes in the business and the environment it operates in since the last annual report and financial statements.

We have highlighted below the areas of significant risk and other areas of focus from the 2019 audit that we expect to be relevant in 2020. We will update the Committee when we submit our full planning report in April 2020.

#### Determining materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Quantitative materiality is generally set within a range of 1.5% to 3% of total expenditure. In 2019 this equated to \$1,258,000. Whilst this figure is used to scope our work and assess the impact of misstatements on the financial statements, we use a lower reporting threshold of \$50,000 which drives the level at which unadjusted misstatements are reported to the Committee.

#### Initial view of audit risks & areas of focus

The following represents our initial view of audit risk and areas of focus.

- Asset valuations and assessment of carrying value
- Governance and valuation of investment assets
- Validity of fees and charges revenue
- Rates setting– legislative compliance

Additional areas of focus required by the OAG:

- Fraud risks
- Performance, waste, and probity
- Managing conflicts of interest and related party transactions
- Legislative compliance
- Financial prudence

We continually update our risk assessment as we perform our audit procedures, so our areas of audit focus may change. We will report to you on any significant changes to our assessment as part of our final report to the Committee.



## 4. Continuous communication and reporting

Audit Activities and Deliverables	Timing
Audit planning and risk assessment	30 March to 10 April
Presentation of audit plan to the Audit and Risk Committee	TBC April
Interim audit fieldwork	15 June to 26 June
Final audit fieldwork	24 August to 11 September
Audit clearance in principle	12 September
Year-end closing meeting with the Audit and Risk Committee	TBC September
Signing audit report in respect of annual report	TBC October
Issue management letter	TBC October
Statutory filing deadline	31 October

Ongoing  
communication and  
feedback with  
management

In addition to the above activities we also have regular (quarterly) calls with the GM of Corporate Excellence and the Finance Manager to ensure we are kept up to date with Council's activities and any matters that may have financial reporting and audit implications. The objective is to ensure no surprises heading into year end.

During the final audit fieldwork period we have weekly briefing meetings with management and Mr Copstick.



## 5. Our team

Our audit will be led by Peter Gulliver as Appointed Auditor and Group Audit Partner. Peter is beginning his second three year term as the Council’s auditor.

He will oversee the co-ordination of the audit and has primary responsibility for working with your management team.

Vera Chian will be the primary point of contact for the finance team and will oversee the day to day execution of our group audit. Vera has been involved in the Council’s audit for the previous three years.

Both Peter and Vera also undertake the audit of Northland Inc Limited.

In performing the audit we will also incorporate IT specialists within our engagement team to better understand and assess the IT processes and the control environment.

Name / Role	Contact details
Peter Gulliver Audit Partner	<a href="mailto:pegulliver@deloitte.co.nz">pegulliver@deloitte.co.nz</a> +64-9 3030 891
Vera Chian Audit Associate Director	<a href="mailto:vchian@deloitte.co.nz">vchian@deloitte.co.nz</a> +64-9 3064 408
Reenesh Bhana IT Specialist partner	<a href="mailto:rbhana@deloitte.co.nz">rbhana@deloitte.co.nz</a> +64-9 3064 421





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**TITLE:** Independent GST Review

**ID:** A1297039

**From:** Simon Crabb, Finance Manager

---

### Executive summary/Whakarāpopototanga

An independent GST review is an effective way to pick up any errors that may have crept into the accounting processes, highlight any areas of concern and opportunity, and provide senior management and governance with guidance on how to correct any GST deficiencies going forward.

Findex, a large Australasian financial advisory and accounting services firm, undertook a review of councils GST processes in February 2020. The Findex report is attached as **Attachment 1**.

The key opportunity identified in the GST review is to claim GST on all invoices/receipts received that are less than \$50, regardless of the provision of a GST number. Most of these instances revolve around parking receipts and small cash purchases made by staff while travelling. This opportunity has been forwarded to our external auditors (Deloitte) to review and confirm acceptable before embedding into our accounting processes.

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### Recommendation

That the report 'Independent GST Review' by Simon Crabb, Finance Manager and dated 18 March 2020, be received.

---

### Attachments/Ngā tapirihanga

Attachment 1: GST Review - Northland Regional Council  

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### Authorised by Group Manager

**Name:** Dave Tams

**Title:** Group Manager, Corporate Excellence

**Date:**

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## Northland Regional Council

### GST Review

19 March 2020

Prepared for: Audit and Risk Subcommittee

Prepared by: Mike Brunner, Partner





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## Scope of review

The purpose of this piece of work was to review Council's GST compliance by interrogating 100% of Council's systems generated transaction data for the financial year ended 30 June 2019. Key compliance obligations targeted by this review included:

- Whether the correct GST treatments had been applied to all income and expenses
- Whether the GST rate was correctly applied
- Whether GST was reported at the correct time on income and claimed efficiently on expenses
- Whether correct GST adjustment processes were in place and complete

Documentation compliance (tax invoices, debt notes, credit notes) was out of scope; other than to the extent necessary to prove the validity of apparent exceptions identified by our data interrogation scripts.

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## Process of review

Our review program was structured around Council's risk profile, financial reporting systems and key outputs from this. The review commenced by updating Council's GST risk profile and working with Vincent McColl to obtain comprehensive transaction downloads from the following systems and sub-systems:

- General Ledger (GL)
- Projects Sub-Ledger (PJ)
- Property Sub-ledger (PL)
- Investments (TL)
- Staff Sub-Ledger (SL)

To ensure comprehensiveness we reconciled key report totals between systems and to Council's published financial statements, GST returns and GST assessments.

For transactions treated by Council as subject to GST we tested whether this was appropriate to the nature of the supply made/received and that the correct rate of GST was, without exception, consistently applied.

We completed identical testing on transactions treated by Council as either not subject to GST or as specifically GST exempt.

Finally, we reviewed Council's manual GST adjustments and other GST return workings for completeness and accuracy.

From this analysis we isolated transaction level risks of error and, to confirm or deny the identified risks, reviewed supporting source documents. Our findings, conclusions and recommendations arising are summarised in this report.

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## Risk profile assessment – GST

Council is a medium size entity, with a scale appropriate Technology One financial system to support diverse revenue streams and gains totalling some \$50.0m (GST exclusive) to 30 June 2019. From a GST perspective, such revenue streams and gains include fully taxable, zero-rated and tax-exempt supplies; the latter including rents, dividends and interest. Invoicing and collection of rates is outsourced to three TLA's - simplifying related administration but introducing agency compliance aspects. Investment funds management continues to be wholly outsourced; thereby confining GST input tax apportionment requirements to properties with mixed use.

The primary GST risks for Council relate to:

- Timing of reporting of revenue invoiced and collected by the TLA's on Council's behalf;
- Timing of reporting of revenue where deposits are taken in respect of fees and charges;
- Mixed and changing exempt/taxable use of property and related zero-rating rules on disposals;
- The treatment of out-of-the-ordinary revenue streams such as grants; and
- Documentation, especially in support of upwards of \$33m of GSTable expenses comprising operating and capital purchase costs.

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## Assessment of compliance

In the scheme of Council accounting for approximately \$10.5million (in absolute terms) p.a. of GST obligations in a relatively complex compliance context, Council's staff and systems do an excellent job of efficiently meeting its compliance obligations, the positive tax compliance culture being most strongly evident in a desire to understand and willingness to ask questions. Those attributes are leading indicators of a healthy tax compliance culture and, consequently, materially sound compliance. Our analysis of the 2019 financial year data supports the following conclusions:

### Overall

- Council's compliance with its GST obligations in the 2019 financial year is demonstrably very sound, and slightly conservative, at the transaction level;
- The annual GST proof remains an important risk management check/tool proving, amongst other matters, that GST has been correctly accounted on all rates revenue and that there has been no double accounting;

### GL GST Accounting

- GST accounted on rates revenue, including adjustments is 100% consistent between the amounts reported in the audited financial statements, the transactions recorded in the GL and the GST accounted thereon in Council's GST returns;
- Nothing came to our attention to suggest that GST was not otherwise wholly correctly applied and accounted on revenue and expenses in the general ledger;
- Council's GST proof provides a very good check that its GST compliance is full and complete, with an unexplained variance of just 1% of GST accounted (adding output tax and input tax together), well within sector tolerances of plus or minus 3%. There are diminishing returns to further refining this and it would only be recommended as part of further refining Council's Cashflow Statement, reconciliation of Cashflow Statement to its Statement of Financial Performance and related financial statement notes. In particular, the current unreconciled difference is most likely a function solely of very difficult to capture differences in cut-off adjustments for GST reporting versus financial reporting where those differences are valid differences rather than indicating any particular problem.

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## TL GST Accounting

- Costs and revenue are properly allocated to the investment area and correctly treated as wholly exempt from GST;

## PL GST Accounting

- In the property ledger GST is correctly not accounted on long term rental properties, including not claimed on related costs.
- GST is otherwise correctly applied, including correctly treating property acquisitions as zero-rated when needed and not claiming GST on costs such as insurance of long-stay rental properties;
- Nothing came to our attention to suggest that GST was not wholly correctly applied and accounted on revenue and expenses in the property ledger;

## PJ GST Accounting

- Projects accounting is complex from a GST perspective as transactions often involve unusual expense items, GST zero-rated and GT standard rated supplies. We found GST compliance to be materially correct and on the conservative side. However, we found the following opportunities:
  1. Second-hand goods input tax credits: When Council (a GST registered person):
    - a. Acquires goods;
    - b. From a non-GST registered person; and
    - c. To apply those goods in Council's GSTable activity<sup>1</sup>.

---

<sup>1</sup> All of Councils activities are deemed GSTable activities except for its long stay residential housing and its management of cash, shares and debt instruments, though most of the latter is outsourced.

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The difficulty of capturing these entitlements is three-fold, being that they are relatively rare (we found one example with a 100% search of NRC's transaction data for 2019), associated documentation makes no mention of GST (as the supplier is not GST registered) and that the absence of any requirement to hold a tax invoice<sup>2</sup> to support these claims conflicts with the GST standard requirement to do so in almost all other circumstances.

In the example we found, Council purchased three diesel engines through TradeMe for a little over \$30,000 from an unregistered party and had not identified the opportunity claim 3/23rds of the cost back as a GST input tax credit. This has now been corrected along with relevant staff being upskilled on what to look for.

2. GST on legal fees incurred in buying properties:

Often lawyer service fees are bound up with property settlement payments and if the property purchase transactions are zero rated then extra vigilance is required as small amounts of GST claimable on the legal fees may otherwise be missed. We referred two examples to Council for closer review and both were correctly processed.

3. GST on rent apportionments in property transactions: Some lawyers are apportioning these on the basis they are a separate supply (in our view correctly) while others are doing so on the basis they form one supply with the underlying property (in our view incorrectly).

We referred one transaction to Council for closer review and correction in a next return (the GST amount involved was less than \$200).

## SL GST Accounting

- GST accounting and compliance within the staff ledger was accurate and conservative. We identified only the following opportunity:

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<sup>2</sup> Section 20((7) of the Goods and Services Tax Act 1985 ("GST Act")

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1. GST on purchases under \$50: There is neither a requirement to issue a tax invoice for a supply of under \$50<sup>3</sup> in value nor a requirement to hold a tax invoice for a supply of under \$50 in value<sup>4</sup>. IRD confirms this in its various guides when advising taxpayers as follows:

*"A tax invoice is not needed for supplies of \$50 or less (including GST). However, it is best practice to keep records for these purchases, such as invoices, vouchers or receipts. At a minimum, record the:*

- a. Date;*
- b. Description;*
- c. Cost; and*
- d. Supplier of all purchases."*

We would go a step further and advise that Council must also form and support a reasonable view that GST was paid on relevant purchases, since the onus is always on the taxpayer to prove their entitlements and such only exist if GST was paid as part of the purchase price.

However, practically, Council is unlikely to pay any cost without at least IRD's minimum details being recorded and, for most common small costs, forming a reasonable presumption that GST is included in the price is straightforward.

For example, employee expense claims often include amounts for out of pocket food, travel, parking and associated matters. These are supported by a receipt providing enough information to meet the above requirements. Further, even very small cafes, dairies and the like typically turn over several hundred thousand dollars a year, well over the \$70,000 threshold for them to be deemed a GST registered person<sup>5</sup>, thus satisfying the presumption GST is included in the price.

<sup>3</sup> Section 24(5) of the GST Act and noting that this applies to each individual supply - so that if several supplies are made of under \$50 per item then this applies even if the sum of the parts is greater than \$50 when paid for together.

<sup>4</sup> Section 20(2)(b) of the GST Act.

<sup>5</sup> Section 51(4)(b) of the GST Act - A person is a registered person if they are required to be - including even if they are not meeting their obligations.



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Against this backdrop, Council's policy in respect of under \$50 expense claims is evidently to require a full tax invoice and if this is not present to not claim any GST input tax credit. In our view this policy is overly conservative and could be relaxed more in line with the law which is deliberately more relaxed in this context.

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## Limitations and disclaimers

### 1.1. Restrictions on use of opinion

Our opinion is solely for your benefit and is not intended to be relied upon by any third party without our prior written consent. Furthermore, this opinion may not be quoted or circulated without our prior written consent.

### 1.2. Non-disclosure

This advice or parts of it may qualify for tax non-disclosure rights. If so, Inland Revenue cannot require you to provide it all to them. Non-disclosure rights can be claimed only if this advice remains confidential. You should therefore not provide copies to third parties. Should Inland Revenue request documentation please seek advice as to what you are required to disclose.

### 1.3. Effect of changes in tax law

This advice has been prepared on the basis of taxation law as at [Date]. You have not asked us to update this advice for future legislative, judicial or Inland Revenue policy changes. Therefore, we accept no responsibility for different outcomes arising from such changes. We strongly recommend confirming with us that there have been no changes before proceeding with or relying on any aspect of this advice.

### 1.4. Effect of our opinion on Inland Revenue

The opinion expressed above is not binding on Inland Revenue and we cannot guarantee they will adopt the same opinion as us. While it does not appear on the basis of our understanding of the facts that the general anti-avoidance provisions of the tax legislation will apply, Inland Revenue may take a different view. Should Inland Revenue dispute a tax position adopted you could incur significant legal and accounting costs in defending such action. Costs, which would not be recoverable, may be incurred even in the event of a successful defence. Furthermore, tax in dispute may need to be paid pending finalisation of dispute procedures.

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## Contact

Mike Brunner, Partner – Specialist Tax

Helping you solve complex problems

### CONTACT DETAILS:

Level 1 Findex House

57 Willis Street

Wellington 6011

DDI: +64 4 466 4803

Email: [mike.brunner@findex.co.nz](mailto:mike.brunner@findex.co.nz)

[www.findex.co.nz](http://www.findex.co.nz)

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## Schedule One – GST proof for 2019 year

### Proof of closing payable/receivable

Year end GST receivable	582,000	Note 7
Per P11 and P12 GST returns	582,000	
Reconciled (IRD refund for May a little slow)		

The above proves that there are no material historical balances being carried in Council's GST accounts.

In contrast, the following proof of gross income and expenses aims to ensure (at a high-level) that there is internal consistency (i.e. integrity) between Council's financial statement accounting and its GST returns. In simple terms it works on the basis that if the financial statements record \$1-00 of GSTable revenue/expense, then the GST returns should reflect the same.

Ideally this proof should establish that the GST returns are slightly conservative (under claimed) relative to the financials<sup>6</sup>. In the present instance this is the case for the June 2017 financial year, with the reconciliation being to within 1.12% of total transactions accounted and so close enough to deliver the requisite comfort that there is internal consistency between financial reporting and GST accounting at a global view level. Such a proof should be:

<sup>6</sup> Due to financial statement information being too summarised to readily exclude all non-GSTable claims and journals.

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- Prepared annually;
- Encompass all GST accounts;
- Supported by accounting procedures that enable efficient proof of individual lines of revenue; and
- Be further refined over time, especially to more accurately capture non-GSTable transaction data and accrual movements.

Note that we do not recommend preparation of GST proofs to financials unless full financials, including notes, are available for an entity such as Council. This is because there are too many 'expected' differences to a simple trial balance that require the same work as goes into preparing financial statement notes.

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## Proof of gross revenue and expenses accounted

Fin Stats Ref	Per Financials/trial balance 2018/19		Per GST returns
	<b>Statement of Comprehensive Revenue and Expenses</b>	\$	\$
Fin Statements	Rates (excluding penalties, remissions and bad debts)	26,785,000	
Fin Statements	Fees and charges (minus prosecutions revenue)	4,367,000	
Fin Statements	Subsidies and grants (less zero-rated)	4,894,000	
Note 2(ii)	Other revenue - rent	2,992,000	
Note 2(ii)	Other revenue - forestry	1,049,000	
Note 2 (iii)	Other gains - revaluations, journals and exempt/zero rated (so exclude)	-	
Note 2(i)	Add back rates impairment	561,000	
	<b>Statement of Financial Position items</b>		
Note 19	Revenue in advance movement	- 216,000	
Trial balance	Sundry debtor journals movement	29,000	
Note 19	Deferred grant revenue movement	27,000	
Stat of CFlows	Investment property disposals (exclude zero rated)	-	
Note 7	Movement in provisions (where GST not accrued)	344,000	
Stat of CFlows	Asset disposals (exclude zero rated)	170,000	
	<b>Expected total GSTable receipts</b>	<b>41,002,000</b>	<b>39,741,099</b>
	<b>Statement of Comprehensive Revenue and Expenses</b>		
Analysis of T/Bal	Other Expenses (including donations as GST paid on)	23,797,000	
	<b>Statement of Financial Position items</b>		
Cash to surplus rec	Pre-payments movement	78,000	
Cash to surplus rec	Increase in inventory	79,000	
Analysis of transactions	Asset additions (exclude zero rated land component)	4,028,000	
	<b>Expected total GSTable payments</b>	<b>27,982,000</b>	<b>27,424,914</b>
	<b>GST Amounts</b>	<b>GST Amounts</b>	
	Net GST Collected estimated per financials	1,953,000	1,847,428
	Net GST actually collected and paid/payable to IRD as per GST returns (sum of 12 GST returns)		
	Difference (GST) - immaterial		105,572
	<b>Grossed up unreconciled difference (net of GST)/(total revenue plus total expenses)</b>		<b>1.05%</b>