



NOTICE OF MEETING

**Notice is hereby given of the Meeting of the
Audit and Risk Committee
to be held in the Council Chamber,
First Floor, Civic Administration Building,
101 Esk Street, Invercargill on
Friday 31 August 2018 at 8.00am**

Cr I R Pottinger (Chair)
His Worship the Mayor Mr T R Shadbolt JP
Cr R R Amundsen (Deputy Mayor)
Cr R L Abbott
Cr D J Ludlow
Cr L S Thomas
Mr B Robertson (External Advisor)

CLARE HADLEY
CHIEF EXECUTIVE

Council's Values:

Responsibility	<p>Take ownership of decisions and outcomes, both collectively and individually.</p> <ul style="list-style-type: none">• We willingly share our knowledge.• We acknowledge our mistakes, work to resolve them and learn from them.• We give and receive feedback in a constructive manner to resolve issues.• We do our job with total commitment.
Respect	<p>Everyone is important, as are their views.</p> <ul style="list-style-type: none">• We support and care for each other.• We stop to listen, learn and understand.• We communicate in an honest, up-front and considerate manner.• We maintain confidences and avoid hurtful gossip.
Positivity	<p>Always look on the bright side of life.</p> <ul style="list-style-type: none">• We are approachable, interested and friendly.• We are open and receptive to change.• We acknowledge and praise the efforts of others.• We work together as a team to get the job done.
Above and Beyond	<p>Take opportunities to go the extra mile.</p> <ul style="list-style-type: none">• We take the initiative to improve our work practices to get the best results.• We challenge ourselves and each other to make it better.• We take pride in providing the best possible outcomes.• We are ambassadors for our Council at all times.

Council's Vision for the City:

Enhance our City and preserve its character, while embracing innovation and change.

Council's Vision:

We are an energised, fun and innovative team that makes it better for each other and our community.

Council's Mission:

Making it better by making it happen.

A G E N D A

2. **APOLOGIES**

3. **INTEREST REGISTER**

4. **MINUTES OF THE MEETING OF AUDIT AND RISK HELD ON 26 JUNE 2018**

5. **PUBLIC EXCLUDED SESSION**

Moved, seconded that the public be excluded from the following parts of the proceedings of this meeting; namely

- (a) *Chair's Report*
- (b) *Work Program Timetable Report*

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1)(d) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
(a) Chair's Report	<i>Maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees of any local authority, or any persons to whom section 2(5) of this Act applies, in the course of their duty.</i>	7(2)(f)(i)
(b) Work Program Timetable Report	<i>Maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees of any local authority, or any persons to whom section 2(5) of this Act applies, in the course of their duty.</i>	7(2)(f)(i)

6. **RISK FRAMEWORK REPORT**

6.1 **APPENDIX 1 – RISK MANAGEMENT FRAMEWORK**

7. **DEBTORS POLICY REPORT**

7.1 **APPENDIX 1 – DEBTORS POLICY**

8. **FRAUD POLICY REPORT**

8.1 **APPENDIX 1 – FRAUD POLICY**

9. **CONFLICTS OF INTEREST POLICY REPORT**

9.1 **APPENDIX 1 – DRAFT CONFLICTS OF INTEREST POLICY**

9.2 **APPENDIX 2 – MANAGING PECUNIARY AND NON-PECUNIARY**

9.3 **APPENDIX 3 – CONFLICTS OF INTEREST FLOW CHART**

**INVERCARGIL CITY COUNCIL ELECTED MEMBERS
INTEREST REGISTER**

ELECTED MEMBERS			
NAME	ENTITY	INTERESTS	PROPERTY
RONALD LINDSAY ABBOTT	Invercargill City Council Kiwi-Pie Radio 88FM Invercargill Invercargill Art Gallery Invercargill Venues and Events Management	Councillor Director / Broadcaster Council Representative / Board Member Director	
REBECCA RAE AMUNDSEN	Invercargill City Council Arch Draught Ltd BP Orr Ltd Task Ltd Arts Murihiku Dan Davin Literary Foundation Heritage South Glengarry Community Action Group SMAG Board Venture Southland Southland Regional Heritage Committee	Councillor Director Director Director Trustee Trustee/Chair Contractor Events Co-ordinator (Volunteer) Council Representative Council Representative Council Representative	

**INVERCARGILL CITY COUNCIL ELECTED MEMBERS
INTEREST REGISTER**

ALLAN JAMES ARNOLD	Invercargill City Council	Councillor	
KAREN FRANCES ARNOLD	Invercargill City Council Electricity Invercargill Ltd Powernet Ltd Pylon Ltd Invercargill Creative Communities Funding Scheme Southland Warm Homes Trust	Councillor Director Director Director Trustee/Chair Trustee	
TONI MARIE BIDDLE	Invercargill City Council Invercargill Venue and Events Management Limited Southland Museum and Art Gallery Trust Board McIntyre and Dick	Councillor Director Trustee Partner – Executive Team	
ALEX HOLLY CRACKETT	Invercargill City Council Ride Southland Southland Youth Futures Advisory Board Venture Southland and Sub Committee	Councillor Chair Chair Council Representative	High Street Invercargill

INVERCARGIL CITY COUNCIL ELECTED MEMBERS INTEREST REGISTER

IRWIN LLOYD ESLER	Invercargill City Council	Councillor	
GRAHAM DAVID LEWIS	Invercargill City Council Invercargill City Holdings Limited	Councillor Director	
DARREN JAMES LUDLOW	Invercargill City Council Radio Southland Invercargill City Holdings Limited Invercargill Venue and Events Management Southland Museum and Art Gallery Trust Board Healthy Families Invercargill Murihiku Maori Wardens Southland Community Law Centre	Councillor Manager Director Director / Chairman Trustee Board Member Board Member Board Member	770 Queens Drive Invercargill
IAN REAY POTTINGER	Invercargill City Council Southland Electronics Limited Santa Parade Organiser	Councillor Director Alice Pottinger (Wife)	171 Terrace Street Invercargill 9810
TIMOTHY RICHARD SHADBOLT	Invercargill City Council Invercargill Airport Limited Kiwi Speakers Limited Sit Ambassador	Mayor Director Director Contractor	

INVERCARGILL CITY COUNCIL ELECTED MEMBERS INTEREST REGISTER
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LESLEY FRANCES SOPER	Invercargill City Council Breathing Space Southland Trust (Emergency Housing) Omaui Tracks Trust National Council of Women (NCW) Active Communities Invercargill Public Art Gallery Citizens Advice Bureau Southland ACC Advocacy Trust	Councillor Chair Secretary/Treasurer Member Chair/Trustee Board Member Board Member Employee	137 Morton Street Strathern Invercargill 24 Margaret Street Richmond Invercargill
LINDSAY STEWART THOMAS	Invercargill City Council Invercargill City Holdings Limited Invercargill City Property Limited HWCP Management Limited	Councillor Director Director Director	

EXECUTIVE STAFF			
NAME	ENTITY	INTERESTS	PROPERTY
PAMELA GARE	Invercargill City Council	Director of Environmental and Planning Services	
CLARE HADLEY	Invercargill City Council	Chief Executive	

**INVERCARGILL CITY COUNCIL ELECTED MEMBERS
INTEREST REGISTER**

EXECUTIVE STAFF			
NAME	ENTITY	INTERESTS	PROPERTY
DEAN JAMES JOHNSTON	Invercargill City Council Invercargill City Holdings Limited Invercargill City Forests Limited Forest Growth Holdings Limited Netball South Crowe Howarth	Director of Finance and Corporate Services Chief Executive Chief Executive Director Donna (wife) is senior accountant	
CAMERON MCINTOSH	Invercargill City Council	Director of Works and Services	
RACHEL REECE	Invercargill City Council Reece Property Limited	HR Manager Sole Director	

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, CIVIC ADMINISTRATION BUILDING, 101 ESK STREET,
INVERCARGILL, ON TUESDAY 26 JUNE 2018 AT 2.30PM**

PRESENT: Cr I R Pottinger – Chair
His Worship the Mayor T R Shadbolt
Cr D J Ludlow
Cr L S Thomas
Cr R L Abbott

IN ATTENDANCE: Cr L F Soper
Cr T M Biddle
Cr K Arnold (*from 3.30 pm*)
Mrs C Hadley – Chief Executive
Mr D J Johnston – Director of Finance and Corporate Services
Mr C A McIntosh – Director of Works and Services
Ms M Brook – Manager Strategy and Policy
Mr D Booth – Manager Financial Services
Mr A Cameron – Policy Analyst
Mr I Lothian – Audit NZ
Ms J Hills – Audit NZ
Miss C Keen – Governance and Corporate Administrator

2. **APOLOGIES**

Cr R R Amundsen

Moved Cr Abbott, seconded Cr Thomas and **RESOLVED** that the apologies be accepted.

3. **INTEREST REGISTER**

Cr Abbott asked that his details be updated to include Invercargill Venue and Events Management (IVEM) – and the Invercargill Public Art Gallery Incorporated – Council Representative and Board Member.

Cr Pottinger asked that his details be updated to include Southland Electronics Limited – Director.

4. **CONFIRMATION OF COMMITTEE MINUTES**

13 FEBRUARY 2018

Moved Cr Thomas, seconded Cr Ludlow and **RESOLVED** that the minutes be accepted as a true and accurate record.

5. **MATTERS ARISING**

Nil

6. AUDIT PLAN REPORT

Cr Pottinger took the Committee through the Audit Plan Report. Mr Lothian confirmed that payroll fraud would not be investigated in this particular area and added that what was happening in this area was setting out the risks that would need attention during the audit process. It is something that applies to all organisations/councils and there is the risk that those in a position of seniority can override controls which are put in place within the organisation. Because of their seniority and the lack of people that would challenge these senior people, audit checking is required.

Mr Booth explained that the impairment of property plant and assets was being worked on currently, infrastructure had prepared the documents and were almost ready to be with audit this week. Cr Thomas sought clarification that this was revalued every three years, as the wording stated 'periodically'. This was confirmed.

Cr Pottinger highlighted that he had concerns when it came to fair valuation of investment properties. Council has had properties previously valued by different property valuers around town and there had been significant differences in those values. Mr Lothian suggested if Council did not have confidence in local valuers, contact another Council (in close proximity) and see if that council has confidence in their valuer.

Cr Pottinger questioned where Council was at regarding Risk Management. Mr Johnston confirmed that Council's Policy Analyst was currently building a risk management framework and that a risk management workshop was scheduled for 10 July 2018 following the Finance and Policy Committee Meeting.

Cr Pottinger stated that Council needed a project management policy as this would set a template that would be followed and information wouldn't fall through the cracks. He wanted to start looking at projects that had previously been completed to gain an example of what a template may look like if it was overlaid. It was confirmed that Cr Pottinger would send out an email via the Chief Executive to source some projects that Council may work with. Mr Lothian encouraged this idea and supported getting a framework up and running.

Mr Booth informed the Committee that a review of the rate setting documents had been carried out, particularly the rates resolution and the Funding Impact Statement. Council had taken advice and entered improvements into relevant documents. Council had been given legal compliance but there would be continuous work to make future improvements and this would become the process each year going forward.

Mr Lothian brought to the attention of the Committee that Audit NZ had reported on sensitive expenditure matters in 2017 and that there had been strong recommendations made.

Mr Johnston said that Council did have controls over review of credit cards, all expenditure on credit cards and all personal reimbursements and the purchasing team had been told not to, and have not allowed staff to book purchases up personally onto debtor accounts. He was confident that controls and the Sensitive Expenditure Policy were in place. Cr Pottinger reinforced that this policy needed to be constantly updated.

A lengthy discussion on fraud risk took place. Mr Lothian highlighted that the Committee should recognise fraud was a constant risk, was common and was often

well publicised in the media. He enforced that having a fraud policy that is reviewed and kept up to date was key, flowing from that a system of financial controls should be in place and this is what management are to manage on behalf of the organisation. Councillors need to keep an active and regular interest in what is happening and have a clear understanding and arrangement with management that there are regular reports on fraud risk, on whether controls are operating as they should and any issues that have come up, certainly if there is any fraud or potential suspected fraud they should know about it.

Mrs Hadley outlined the sort of protocols/procedures she would expect to see, such as a number of individual checks that Council could do, for instance she would like to see the senior managers signing off payroll. That those people that have been paid, managers understand that they are actually on Council's payroll and that Council doesn't have any ghost employees. There would be a number of processes that she would be looking to introduce to make sure that she can be assured Council is in control of its assets.

Mr Lothian added that it was very relevant to think about the extent of an internal audit plan. An organisation of this size and complexity should have some kind of internal audit plan agreed. Mrs Hadley added that the establishment of an internal work programme was something that she would be seeking to implement into Council over the next three months.

Cr Thomas added it was about putting in a solid framework to work to and it was not there at the moment. This would be hugely beneficial; in the short term we may think it's painful but in the long term there's a huge gain from it. Cr Ludlow added that once the framework was in place it would need to be regularly tested.

Cr Thomas highlighted Health and Safety requirements that Audit NZ require, as the audit team were travelling 26 weeks of the year it was important when visiting clients that they have suitable work stations. It was confirmed that a healthy working environment was available when working at the Invercargill City Council.

Moved Cr Thomas, seconded Cr Pottinger and **RESOLVED** that the Audit Committee receive the report.

7. **ADDITIONAL AUDIT FEES**

Cr Pottinger raised that this Committee, under the governance statement, does not have any financial delegation. The Committee can approve in principle a recommendation to the Finance and Policy Committee which meets on 10 July 2018 and they have delegation of \$500,000.

Mr Lothian explained that 2017 was a remarkable year, Audit NZ's planned agreed fee was \$129,000 and there was an overrun of \$113,000 so their cost virtually doubled last year. Audit NZ have been through the process with the Office of the Auditor General to seek permission to request recovery of some fees from Council. They are requesting recovery of \$25,895, slightly less than a quarter of the overrun.

Mr Johnston said that the four points were being worked through. In regards to the asset revaluation, this was a large job every three years and was currently carried out internally. The QA process on the final accounts wasn't at the standard that Council needed and the finance team were trying to get it done a lot earlier and had proven it this year with the Long-term Plan, it was completed much earlier and it had made the process better for everybody and certainly with the team that is in place, knowledge and resources we hope to have that replicated for the annual report this year

Council didn't quite run the right reports at the end of the year and unfortunately with the payroll system once the system had rolled over to the next pay you can't go back and retrospectively run the reports. This year there had been quite a bit of liaising between the finance team and the auditors to clarify what was needed to make sure Council had everything run off so that hopefully it didn't experience the same situation.

Moved Cr Pottinger, seconded His Worship The Mayor and **RESOLVED** that it be recommended to the Finance and Policy Committee that the request from Audit New Zealand for an additional audit fee of \$25,895 be approved in principle as unbudgeted expenditure.

Cr Pottinger noted that Council had also had an \$87,000 write off.

8. **LTP AUDIT MANAGEMENT REPORT**

Mr Johnston explained that following the audit of the Long-term Plan, Audit NZ provided an audit management report stating what they found through the process, the systems and the undertakings. Audit had recommended Council revisit the number of Funding Impact Statements it has and consolidate them, to make it clearer and more consistent and these comments would be reviewed within the next 18 to 24 months. That was the only recommendation that had come out of the Long-term Plan audit and added that this was a good reflection on the staff, Council and Audit involved in the process.

Mr Lothian added that he did not want to lose sight of the main message which was that from an audit point of view it was a very good process both for the Consultation Document and the Long-term Plan and expressed his thanks to the Council management, staff and governing body for all the information that had been received and the assistance along the way.

Moved Cr Thomas, seconded Cr Pottinger and **RESOLVED** that the Audit Committee receive the Audit Long-term Plan Management Report.

9. **PUBLIC EXCLUDED SESSION**

Moved Cr Pottinger, seconded Cr Abbott and **RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting, namely:

- (a) *Minutes for Confirmation from the Meeting of 13 February 2018*
- (b) *Matters Arising*
- (c) *Audit Interim Management Report*
- (d) *Sensitive Expenditure*

	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
a)	<i>Minutes for Confirmation from the Meeting of 13 February 2018</i>	<i>Enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</i>	Section 7(2)(i)
b)	<i>Matters Arising</i>	<i>Enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</i>	Section 7(2)(i)
c)	<i>Report of the Director of Finance and Corporate Services – Audit Interim Management report</i>	<i>Maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members of officers or employees of any local authority, or any persons to whom section 2(5) of this Act applies, in the course of their duty.</i>	Section 7(2)(f)(i)
d)	<i>Sensitive Expenditure</i>	<i>Protect the privacy of natural persons, including that of deceased natural persons.</i>	Section 7(2)(a)

There being no further business the meeting closed at 3.53 pm.

TO: AUDIT AND RISK COMMITTEE
FROM: ANDREW CAMERON
MEETING DATE: 31 August 2018

RISK MANAGEMENT FRAMEWORK

SUMMARY

On 10 July 2018 Council held a risk workshop to consider the current state and future steps necessary to implement a risk management framework. At the conclusion of that workshop it was agreed that officers would prepare a risk framework document for subsequent approval by Council. This paper presents a draft risk framework based on the International Standards Organisation, *ISO 31000:2009 – Risk management – Principles and guidelines* for consideration.

Risk management is an important area of responsibility for Council as the governing body. The first step in the development of that framework is the adoption of a process and procedure for the assessment of risk, including the risk consequence and criteria table. This provides consistency in approach across the Council and will enable the further development of the framework.

The risk management framework also assigns roles and responsibilities to enable the management, monitoring and reporting of risks.

RECOMMENDATIONS

That the “Risk Management Framework” paper be received.

And

That the Audit and Risk Committee request the Executive Leadership Team undertakes an enterprise wide risk assessment and reports the findings to Council through the Audit & Risk Committee;

And

That, following completion of the enterprise wide risk assessment, Council develops a risk appetite and tolerance statement.

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> No
2.	<i>Is a budget amendment required?</i> No
3.	<i>Is this matter significant in terms of Council’s Policy on Significance?</i> No
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> N/A
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> Education on the risk framework will be completed in accordance with the document upon approval by Council.
6.	<i>Has the Child, Youth and Family Friendly Policy been considered?</i> Yes.

Appendices

A. Draft Risk Management Framework

1: LEGISLATIVE CONSIDERATIONS

There is no specific obligation under the *Local Government Act 2002* for Council to adopt a risk management framework. Council is however required under the Act to consider the risks associated with various transactions, including the forecasting assumptions and risks underlying the financial estimates in the long term plan.

The Financial Markets Authority produces a handbook for directors, executives and advisers which outlines the principles and guidelines for Corporate Governance in New Zealand. The principles in that handbook can be generally applied to the governance of entities that have economic impact in New Zealand, or those entities that are accountable, in various ways to the public. Principle 6: risk management requires that Councillors should have a sound understanding of the key risks faced by Council. Councillors should regularly verify that Council has appropriate processes that identify and manage potential and relevant risks. Consistent with the recommendations of the Controller and Auditor General and the Financial Markets Authority adopting the risk framework is the first step to manage risk effectively.

2: POLICY

What is the Problem/Risk to be Addressed?

The Auditor General has stated that risk management is one of the two least mature elements of governance in the public sector. Clear roles and responsibilities, which also form part of a good risk framework, is identified as the other immature area of governance.

As well as avoiding failures, good risk governance can ensure that opportunities are not missed.

Is a Policy the Most Appropriate Method of Addressing the Perceived Problem?

A risk framework is required to provide clarity around roles, responsibilities and expectations across Council. Through the risk framework and by setting risk appetite and tolerance Councillors set the tone from the top and enable the consistent treatment of risk:

- assessment;
- monitoring; and
- reporting.

The risk framework is based on the International Standards Organisation, *ISO 31000:2009 – Risk management – Principles and guidelines*.

4: INCONSISTENCY

The proposed risk framework is consistent with the general approach taken to risk management in existing council documents.

5: RISKS

Implementation of a risk framework will take time and require commitment. Maturity of the system will require investment in technology and a commitment from managers and staff throughout the organisation.

6: FINANCIAL IMPLICATIONS

No financial implications result from this report.

7: WHERE TO FROM HERE?

Following adoption of the draft risk framework officers will conduct risk workshops in order to establish the enterprise wide risk register. Following this a workshop will be conducted with Councillors on the identified risks and the adoption of a risk appetite and tolerance to enable implementation of the risk management framework.

Further documents to support the risk framework including:

- risk appetite statement;
- business continuity; and
- compliance program

will be presented to future meetings of the Audit and Risk Committee.

8: CONCLUSION

The risk framework seeks to provide guidance to staff and the public about how Council will manage risk. The risk framework is the first step in a range of policies and procedures aimed at reducing risks to Council from carrying out its operations.



RISK MANAGEMENT FRAMEWORK

Effective from DD Month YYYY

Purpose

The purpose of the Risk Management Framework (RMF) is to describe ICC’s approach for managing its risks, including:

- The methodology used to identify, monitor and manage material risks that arise in providing council services and facilities;
- Risk management roles and responsibilities;
- Reporting requirements and the process for escalation;
- The process by which ICC aligns the management of risk with the ICC’s Risk Appetite Statement; and
- The annual risk assessment program.

Definitions

Control Owner	Control owners are defined as Directors / Managers.
Enterprise Wide Risk (EWR) (Schedule 5)	Risks that impact the achievement of the Council’s strategic objectives.
EWR Register	Register of the Council’s EWRs
External Auditor	The Auditor-General.
Promapp	The software that ICC intends to purchase to manage and monitor its: <ul style="list-style-type: none"> ➤ Legislative and Regulatory obligations ➤ EWRs and Risk Treatment Plans; and ➤ EW Subordinate Risks.
Inherent Risk Rating	Determined by combining consequences and likelihood, without taking into consideration existing control measures.



Material Risk	A risk, both financial and non-financial, that should it occur will impact the ability of Council to meet its obligations to its residents.
Residual Risk Rating	Determined by combining the consequences and their likelihoods, taking into consideration existing risk controls.
Risk	The effect of uncertainty on objectives.
Risk Owner	A person who is responsible and accountable for identifying, assessing and managing material risks, including ensuring that the mitigation strategies and controls are effective and consistently implemented.
ICC Risk Management Framework	The framework of policies processes and procedures that enables Council to implement a holistic, consistent and forward-looking approach to risk management which supports sound decision making. Key components of the Council RMF include the Governance Policy, RMF, Risk Appetite Statement (RAS), EWR Register and supporting EW Subordinate Risk Register.
EW Subordinate Risks	Risks that relates to and support an EWR.
EW Subordinate Risk Registers	These currently include, but are not limited to, the following risk registers: <ul style="list-style-type: none"> ➤ Fraud and Corruption Control; ➤ Work Health & Safety; and ➤ Information and Technology Services.

Background

ICC is a territorial authority established under the Local Government (Invercargill City) Reorganisation Order 1990. The Councillors of ICC (the ICC) administer and manage the Invercargill City and the council controlled organisations in accordance with the *Local Government Act 2002*, *Local Government Official Information and Meetings Act 1987*, *Health and Safety at Work Act 2015*, *Local Authorities (Members' Interests) Act 1968*, *Crimes Act 1961* and any other applicable law.

ICC wholly owns the company Invercargill City Holdings Limited (ICHL), which was established as the holding company for ICC's investments.

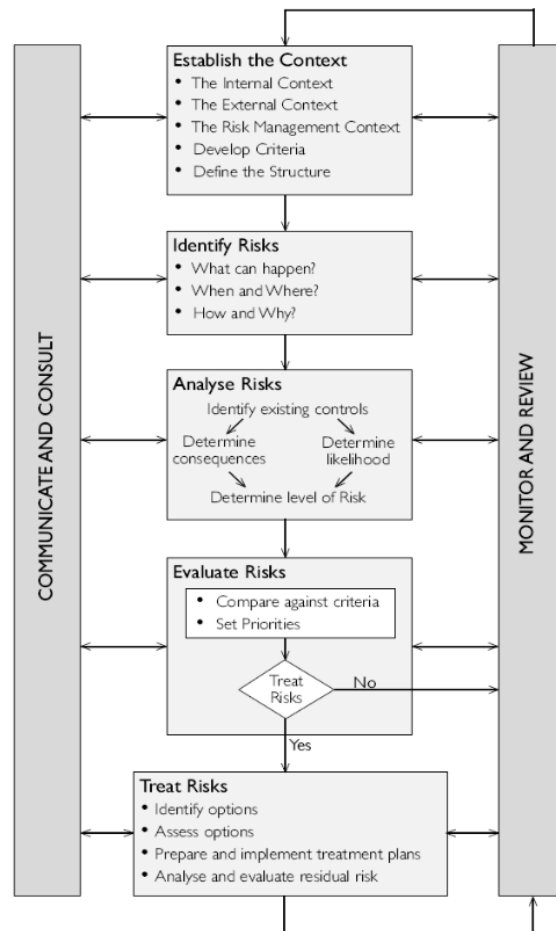
ICHL subscribes to the ICC risk management methodology and adapts the principles of the ICC RMF where appropriate for its operations.

The RMF does not currently apply to **Council-controlled Organisations**. Consideration will be given to including them in the scope of the RMF at a later date.

Risk Management Process

For the purposes of this RMF, the approach to risk management is in accordance with International Standards Organisation, *ISO 31000:2009 - Risk management - Principles and guidelines* and is shown in the diagram below.

ICC's application of these elements is described below:



1. Communicate and Consult

Effective internal and external communication in an organisation is important to ensure that those responsible for implementing risk management, and the organisation's stakeholders, understand the basis on which decisions are made and why particular actions are required.

Staff are available to assist the business through:

- Facilitating risk workshops; and
- Assisting with the application of the RMF.

2. Establish the Context

Establishing the context defines the basic parameters within which the organisation will manage risk and sets the scope for the rest of the risk management process. This step is needed to identify a set of criteria against which the risks will be assessed and evaluated.

The risk criteria ratings that are used in order to assess the level of the risk to determine whether treatment is required are as follows:

- **Consequence Criteria** –These criteria define the level of potential severity of the risk depending upon the consequence across a number of areas. See Schedule 1 for the Consequence Criteria to be used when analysing Enterprise Wide and EW Subordinate risks.
- **Likelihood Criteria** –The Likelihood criteria defines a consistent approach to determining a rating for how likely the risk is to occur. See Schedule 2 for the likelihood rating system to be used.
- **Control Effectiveness Criteria** – The Control Effectiveness criteria provide a method of rating the effectiveness of current controls in order to determine the level of residual risk. See Schedule 3 for the Risk Control Effectiveness criteria.
- **Risk Matrix** – The matrix to be used to determine the risk rating of the identified Enterprise Wide and EW Subordinate level risks is in Schedule 4.

3. Identify Risks

The aim of the risk identification process is to develop a comprehensive list of events that may occur and if they do, are likely to have an impact on organisational objectives or the activity being undertaken. The identification process asks the following questions:

- What could go wrong (risk event)?
- What needs to go right?
- What would cause it to occur?
- What would the effect on objectives be?
- How likely is it to occur?

4. Analyse Risk

The risk analysis process involves assessing the risks against the risk criteria identified in section 2 “Establish the Context”.

The process steps are as follows.

- a) Identified risks are assessed to determine the level of inherent risk by rating the consequence and likelihood of the risk using the criteria in Schedules 1 and 2. Use the consequence and likelihood ratings to determine the risk rating using the matrix in Schedule 4.

- b) Identify controls and then rate them in terms of effectiveness using the Risk Control Effectiveness criteria in Schedule 3.
- c) The identified risks are then re-assessed, taking into account the identified controls and their operational effectiveness, to determine the residual consequence, likelihood and risk rating.

5. Evaluate Risk

The purpose of risk evaluation is to determine whether a risk requires further treatment. The residual risk rating determined during section 4 “Analyse Risk” is compared with the ICC’s corresponding Risk Tolerance.

The Risk Tolerances for Enterprise Wide and EW Subordinate risks are contained in the RAS. EWRs have specific risk tolerances whilst the risk rating ranges associated with the broad risk categories are applied to EW Subordinate Risks.

Risk Tolerances that relate to projects risks can be found in the Project Risk Management Framework and Project Management Framework.

Risks with a residual risk rating that is higher than the expressed risk tolerance are to be treated. Where all reasonable steps have been taken to treat the risk and the risk’s residual rating continues to be above the ICC’s tolerance, approval is to be sought from the ICC, via the Audit and Risk Committee, to accept the higher risk rating.

6. Treat Risk

If a risk is to be treated, several options may be available. The following are broad treatment options to be considered:

- **Avoid** – This option seeks to treat the risk by avoiding the event that would lead to the risk. May be appropriate where a particular strategy / activity under consideration has a significant number of High / Extreme risks and the consequences of these outweigh the benefits.
- **Mitigate** – Under this option a decision is made to reduce the residual risk rating by reducing the:
 - frequency of the event (likelihood); and / or
 - severity / impact of the event (consequence).
- **Share** – Treat the risk by transferring to a third party either the:
 - responsibility for undertaking a particular activity (outsourcing); or
 - consequence should the risk eventuate (insurance).
- **Tolerate** – Risk are tolerated for a number of reasons including:
 - there are no treatment options available;
 - the likelihood of occurrence is so low that it does not warrant treatment;
 - the consequences are insignificant enough that it does not warrant the use of resources to treat the risk; or

- the cost of treating the risk exceeds the consequence cost should the risk occur.

Changes to EWR Treatment Plans must be approved by the CE.

7. Monitor and Review

- Results of the monitoring activities form part of risk management reporting. Risk is periodically reported to the Directors, the ARC and the ICC. Details of the specific risk information that is provided to each group is summarised below.

The following additional monitoring activities are conducted as required:

- **Risk Management Activities**

- Risks will be reviewed in accordance with the Risk Assessment Program.
- EWR, risk controls and risk treatment plans will be monitored and reported through Promapp.
- EW Subordinate Risks, risk controls and risk treatment plans will be monitored and reported through Promapp.

- **Revisions to residual risk**

Residual risk is to be reviewed and updated upon:

- Completion of treatment plans.
- Reassessment of the control environment.
- Reassessment of control effectiveness.

- **Control Self Assessment**

- ICC may consider the introduction of a Control Self Assessment program as the level of risk maturity increases.
- A Control Self Assessment program may be established to ensure that key controls associated with EWRs are still operating as they were originally assessed, or have been improved.
- Control Owners would be responsible for assuring the effectiveness of controls in the area and functions for which they are accountable.
- Control Self Assessments for all key controls against EWRs would be conducted in accordance with the Strategic Assurance Program and supporting documentation.

Further details of monitoring activities are listed in the Responsibility section of this RMF.

8. Risk Registers

Enterprise Wide and EW Subordinate risks are to be recorded in risk registers. Risk registers are to contain the following information:

Reference	Within a risk register each risk identified is to be allocated a unique reference.
Risk Category	Select the risk category that the risk relates. The risk categories together with descriptions are listed in the Risk Appetite Statement.
Description:	{...Risk / Event...} leading to {...Risk Impact / Consequence...}.
Cause/s:	Explanation of what might cause the risk event to occur (list each cause).
Inherent Consequence	The consequence of the risk event prior to the consideration of controls.
Inherent Likelihood	The likelihood of the risk event prior to the consideration of controls.
Inherent Risk Rating	The risk rating which is a combination of the inherent consequence and likelihood.
Controls	Explanation of the things that exist to reduce consequence of a risk should it occur, or that reduce the likelihood of the risk event occurring.
Control Effectiveness Rating	An assessment of the effectiveness of the controls.
Residual Consequence	The consequence of the risk event taking into account the existing controls.
Residual Likelihood	The likelihood of the risk event taking into account the existing controls.
Residual Risk Rating	The risk rating which is a combination of the residual consequence and likelihood.
Treatments (where applicable)	Actions that are planned to deliver improvements to / or additional controls.
Target Residual Risk Rating	The planned residual risk rating once the treatments are implemented.

Risk Appetite

The ICC has developed and maintains a RAS to provide staff at all levels with a clear and consistent understanding of:

- **Risk Appetite** – The degree and type of risk that it is prepared to accept in pursuit of its strategic objectives, giving consideration to the interests of beneficiaries.
- **Risk Tolerance** – the maximum level of risk that it is willing to operate within, expressed in relation to each identified material risk.

The RAS is reviewed annually as part of the strategic and business planning cycle.

Compliance with Legislative Requirements

ICC uses Promapp to assign responsibility for, and manage and monitor ongoing compliance with, all applicable legislative requirements.

A legislative and regulatory change process has been established to ensure a consistent, systematic and proactive approach to managing changes to requirements.

The frequency of the monitoring and reporting is set out in the Risk Management Process Section, Part 7.

Risk Assessment Program

Annual EWR Assessment

An EWR assessment will be undertaken as part of the annual strategic and business planning cycle, in accordance with the process and criteria set out in this RMF.

The risks identified will be recorded in the EWR Register. The register will be maintained by the Risk, Compliance and Commercial Services Unit.

EW Subordinate Risk Assessment

EW Subordinate risk assessments/reviews will be undertaken annually as part of the responsible Division's planning process, in accordance with the process and criteria set out in this RMF.

The risks identified will be recorded in the relevant EW Subordinate Risk Register.

Ad-hoc Basis

Risks will also be re-assessed on an ad-hoc basis if events have occurred that may cause a change to the risk profile. See the Audit and Review requirements section for further details on the types of events that may prompt an ad hoc review.

Project/Procurement Risk Assessment

Project risk assessments will be conducted for all projects in accordance with the Project/Procurement Risk Management Framework and Project Management Framework.

As part of Project Management activities, the Project Risk Management Framework will be modified to ensure it is appropriate for each individual project. These modifications will be approved by the relevant Steering Committee (or Sponsor where a Steering Committee does not exist) and in consultation with the responsible officer. The Project Management

Framework will be aligned to this RMF.

The Project risks identified will be recorded, maintained and managed in accordance with the Project Management Framework.

Process Risk Assessments

Risk assessments associated with processes are to be conducted in a manner consistent with the methodology set out in this RMF and may require modification of the consequence matrix so that it is appropriate to the process level. Any modifications should be developed in consultation with the responsible officer.

Risk Awareness Program

Induction

High level information on ICC's RMF will be provided to all employees as part of the new employee induction process.

Tier 3 Managers

All Tier Three Managers will be provided with specific training in ICC's RMF, within six months of commencing employment with the organisation.

Refresher training will be provided at least every two years. Usually will occur in July/August.

Board Members and Executive Team

All members of the Board and Leadership Group will be provided with specific training in ICC's RMF, within three months of commencing employment with the organisation.

Refresher training will be provided annually. Usually will occur in July/August each year.

Integration of Risk with Other Programs

The requirements of this RMF are to be integrated into all key organisational programs, including but not limited to:

- Strategic and Business Planning
- Change Management
- Compliance Program
- Strategic Assurance
- Business Continuity Management
- Project Risk Assessments

Responsibility

Individual / Group	Roles and Responsibilities							
ICC	<ul style="list-style-type: none"> ➤ Approval and oversight of compliance with the RMF; ➤ Determination of the risk appetite; ➤ Oversight of the RMF; and ➤ Participation in the assessment of EWRs. 							
Audit and Risk Committee	<ul style="list-style-type: none"> ➤ Oversight of the continued effectiveness of the RMF. ➤ Review and recommend to the ICC for approved risk management documents including RMF, RAS and EWR Register. 							
CCO Boards	<ul style="list-style-type: none"> ➤ Oversight of the RMF as it relates to the CCO; ➤ Periodic confirmation that the ICC RMF continues to be relevant to the CCO; and ➤ Participation in the assessment of CCO related risks. 							
Chief Executive	<ul style="list-style-type: none"> ➤ Ensuring an appropriate RMF is in place, as outlined in the RMF, including the allocation of adequate resources and providing assurance to the ICC in relation to this; and ➤ The design, implementation and reporting of the adequacy of the RMF. 							
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">What is to be reported</th> <th style="width: 20%;">To whom</th> <th style="width: 30%;">Frequency</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> ➤ Attest, quarterly, on behalf of ICC, in relation to the fact that risks have been identified and are being appropriately and effectively managed as part of the Compliance and Fraud and Corruption Control Attestation. </td> <td style="text-align: center; vertical-align: middle;"> Audit and Risk Committee </td> <td style="text-align: center; vertical-align: middle;"> Quarterly </td> </tr> </tbody> </table>	What is to be reported	To whom	Frequency	<ul style="list-style-type: none"> ➤ Attest, quarterly, on behalf of ICC, in relation to the fact that risks have been identified and are being appropriately and effectively managed as part of the Compliance and Fraud and Corruption Control Attestation. 	Audit and Risk Committee	Quarterly	Audit and Risk Committee
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Executive leadership Team	<ul style="list-style-type: none"> ➤ Participating in the identification and assessment of EWRs; ➤ Monitoring compliance with all components of the RMF; and ➤ Periodic review of EWRs (at least every 6 months) and EW Subordinate (at least annually) risk registers. 							
Democratic Services	<ul style="list-style-type: none"> ➤ Oversight of a whole of business approach to risk management; ➤ Ensuring establishment and continuous improvement of the RMF and optimisation of risk management outcomes; ➤ Ensuring the maintenance of an effective RMF, including principles, standards, guidelines and tools that facilitate the effective identification, assessment, treatment and monitoring of risk throughout the ICC Group; ➤ Providing mentoring, training and risk reporting to management, Board Committees and the ICC and CCO Boards; 							

Individual / Group	Roles and Responsibilities									
	<ul style="list-style-type: none"> ➤ The alignment of ICC’s Strategic Assurance Program to its current and emerging risk profile; and ➤ Providing assurance to the CE, the Audit and Risk Committee on the appropriateness and adequacy of the RMF, the effectiveness of risk controls and the completeness and accuracy of risk reporting by management. <p>Monitoring and Reporting</p> <table border="1" data-bbox="438 638 1204 1288"> <thead> <tr> <th data-bbox="438 638 869 683">What is to be reported</th> <th data-bbox="877 638 1037 683">To whom</th> <th data-bbox="1045 638 1204 683">Frequency</th> </tr> </thead> <tbody> <tr> <td data-bbox="438 689 869 1064"> <ul style="list-style-type: none"> ➤ Overdue EWR Treatment Plans (against agreed due dates). ➤ Outcomes of Control Self Assessments (for key controls). ➤ Status of Top Ten Risks. ➤ Details of any RMF breaches. ➤ Results of independent reviews of key controls including the RMF. ➤ Completion of major change and project risk assessments. </td> <td data-bbox="877 689 1037 1064">Audit and Risk Committee</td> <td data-bbox="1045 689 1204 1064">Quarterly</td> </tr> <tr> <td data-bbox="438 1075 869 1288"> <ul style="list-style-type: none"> ➤ Attest, quarterly, on behalf of ICC, in relation to the fact that risks have been identified and are being appropriately and effectively managed as part of the Compliance and Fraud and Corruption Control Attestation. </td> <td data-bbox="877 1075 1037 1288">CE</td> <td data-bbox="1045 1075 1204 1288">Quarterly</td> </tr> </tbody> </table>	What is to be reported	To whom	Frequency	<ul style="list-style-type: none"> ➤ Overdue EWR Treatment Plans (against agreed due dates). ➤ Outcomes of Control Self Assessments (for key controls). ➤ Status of Top Ten Risks. ➤ Details of any RMF breaches. ➤ Results of independent reviews of key controls including the RMF. ➤ Completion of major change and project risk assessments. 	Audit and Risk Committee	Quarterly	<ul style="list-style-type: none"> ➤ Attest, quarterly, on behalf of ICC, in relation to the fact that risks have been identified and are being appropriately and effectively managed as part of the Compliance and Fraud and Corruption Control Attestation. 	CE	Quarterly
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<p>Tier 2 Managers</p>	<ul style="list-style-type: none"> ➤ Compliance with the RMF; ➤ Oversight of their EW and EW Subordinate risks, including the establishment / review of risk registers and associated controls; ➤ Development and implementation of risk treatment plans in accordance with this RMF; ➤ Completion of assigned Enterprise Wide treatment plans; ➤ Coordination of EW Subordinate residual risk reviews; and ➤ Risk owners of: <ul style="list-style-type: none"> ○ allocated EWRs; ○ all EW Subordinate Risks supporting allocated EWRs; and ○ all risks arising from their Division’s operations. <p>Monitoring and Report</p> <table border="1" data-bbox="438 1803 1204 1904"> <thead> <tr> <th data-bbox="438 1803 853 1848">What is to be reported</th> <th data-bbox="861 1803 1037 1848">To whom</th> <th data-bbox="1045 1803 1204 1848">Frequency</th> </tr> </thead> <tbody> <tr> <td data-bbox="438 1854 853 1904"> <ul style="list-style-type: none"> ➤ EW Subordinate Risks. </td> <td data-bbox="861 1854 1037 1904">Executive Leadership</td> <td data-bbox="1045 1854 1204 1904">Annually or where there</td> </tr> </tbody> </table>	What is to be reported	To whom	Frequency	<ul style="list-style-type: none"> ➤ EW Subordinate Risks. 	Executive Leadership	Annually or where there			
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Individual / Group	Roles and Responsibilities								
	<ul style="list-style-type: none"> ➤ Attest, quarterly, in relation to risks arising from their areas of responsibility, the associated controls and their effectiveness, as part of the Compliance and Fraud and Corruption Control Attestation. 	Team Democratic Services	is a significant change Quarterly						
Tier 3 Managers	<ul style="list-style-type: none"> ➤ Compliance with the RMF; ➤ Identification, monitoring and management of EW Subordinate risks, including the maintenance of their EW Subordinate risk registers; ➤ Identification and documentation of key controls and to periodically attest to their effectiveness; ➤ Implementation of assigned risk treatment plans in accordance with this RMF; <p>Monitoring and Report</p> <table border="1" data-bbox="440 1167 1206 1442"> <thead> <tr> <th data-bbox="440 1167 852 1211">What is to be reported</th> <th data-bbox="860 1167 1038 1211">To whom</th> <th data-bbox="1046 1167 1206 1211">Frequency</th> </tr> </thead> <tbody> <tr> <td data-bbox="440 1218 852 1442"> <ul style="list-style-type: none"> ➤ Attest, quarterly, in relation to risks arising from their areas of responsibility, the associated controls and their effectiveness, as part of the Compliance and Fraud and Corruption Control Attestation. </td> <td data-bbox="860 1218 1038 1442">Democratic Services</td> <td data-bbox="1046 1218 1206 1442">Quarterly</td> </tr> </tbody> </table> <ul style="list-style-type: none"> ➤ 			What is to be reported	To whom	Frequency	<ul style="list-style-type: none"> ➤ Attest, quarterly, in relation to risks arising from their areas of responsibility, the associated controls and their effectiveness, as part of the Compliance and Fraud and Corruption Control Attestation. 	Democratic Services	Quarterly
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Manager Risk????	<ul style="list-style-type: none"> ➤ Day-to-day oversight of the RMF; ➤ Administering the recording of Enterprise Wide and associated controls and treatment plans in the Enterprise Wide management and monitoring tool; ➤ Monitoring and reporting on Enterprise Wide and EW Subordinate Risks, controls and treatment plans; ➤ Facilitating risk and control education and awareness; ➤ Reviewing Directorate level risk assessments to ensure completeness of risk identification at both the EW and EW Subordinate levels and providing reports to the Executive Leadership Team regarding these; 								

Individual / Group	Roles and Responsibilities						
	<ul style="list-style-type: none"> ➤ Coordinating residual risk reviews associated with EW and EW Subordinate Risks; and ➤ Provide an organisational risk management advisory and support services. <p>Monitoring and Report</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #76b82a; color: white;">What is to be report</th> <th style="background-color: #76b82a; color: white;">To whom</th> <th style="background-color: #76b82a; color: white;">Frequency</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> ➤ Attest, quarterly, in relation to risks arising from their areas of responsibility, the associated controls and their effectiveness, as part of the Compliance and Fraud and Corruption Control Attestation. </td> <td style="text-align: center; vertical-align: middle;"> <p style="background-color: yellow; display: inline-block; padding: 2px;">Democratic Services</p> </td> <td style="text-align: center; vertical-align: middle;"> <p>Quarterly</p> </td> </tr> </tbody> </table>	What is to be report	To whom	Frequency	<ul style="list-style-type: none"> ➤ Attest, quarterly, in relation to risks arising from their areas of responsibility, the associated controls and their effectiveness, as part of the Compliance and Fraud and Corruption Control Attestation. 	<p style="background-color: yellow; display: inline-block; padding: 2px;">Democratic Services</p>	<p>Quarterly</p>
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Audit and Review Requirements

Review – Risk Management Framework

The ICC will undertake a review of the appropriateness, effectiveness and adequacy of the Risk Management Framework each year.

The following table contains indicative timings for each review.

Component	Indicative timing
Risk Management Strategy	July - August each year.
Risk Appetite Statement Enterprise Wide Risk Register	September - October each year

Review – Ad Hoc

During normal operations events may occur that trigger the need to commission additional reviews in addition to those set out in the Strategic Assurance Program. These events include:

- institutional, operational or other developments that materially affect the size, business mix and complexity of ICC’s business operations;
- a significant change in the operating environment;
- a significant failure of the internal control environment (for example, evidence of the systemic failure of key controls through control self-assessments or independent assurance); or
- identification of significant systemic breaches.

Audit – Comprehensive Review

The appropriateness, effectiveness and adequacy of the RMF will be subject to a comprehensive triennial review by an operationally independent, appropriately trained and competent person, as set out in the Strategic Assurance Program.

The scope of the triennial review must have regard to ICC's size, business mix and complexity of its business operations, the extent of any change to those operations or its risk appetite and any changes to the external environment in which ICC operates. The review of the RMF must, at a minimum, include a review of:

- (a) whether the RMF remains appropriate for ICC's business operations;
- (b) the specific resources utilised, at a minimum, to undertake the risk management activities required;
- (c) the RAS;
- (d) the RMF, to ensure that it accurately documents the ICC's RMF and the ICC's strategy for managing risk;
- (e) all risk management policies and procedures; and

all risk management and internal control systems.

Schedules

Schedule 1 – Consequence Matrix

Schedule 2 – Likelihood Matrix

Schedule 3 – Risk Control Effectiveness Matrix

Schedule 4 – Risk Rating Matrix

Schedule 5 –Enterprise Wide Risk Register

Revision History:

Effective Date:

Review Period:

This policy will be reviewed annually unless earlier review is required due to legislative change, or is warranted by another reason requested by Council.

New Review Date:

Associated Documents / References:

Supersedes:

Reference Number:

Policy Owner:



Appendix 1

Subheading

Best Practices & Supporting Action

BEST PRACTICE	SUPPORTING ACTION
	<ul style="list-style-type: none"> ➤ Identification, Assessment, Treatment, Monitoring and Review of Risk ➤ Risk Control Self Assessment ➤ Changes to Enterprise-Wide Risk Treatment Plans ➤ Reassessment of Residual Risk ➤ Strategic Assurance Program ➤ Issue and Breach Management Process ➤ Protected Disclosure Process ➤ Long-term Plan Process ➤ Risk Appetite Statement ➤ Governance Policy ➤ Code of Conduct ➤ ICC HR Handbook ➤ Protected Disclosure Policy ➤ Fraud and Corruption Control Program ➤ ISO 31000:2009 – Risk management – Principles and guidelines



BEST PRACTICE	SUPPORTING ACTION

Schedule 1 – Consequence Matrix

Rating		Financial Impact on ICC	Reputation and Brand	Regulatory / Compliance	Operational Effectiveness	Strategic	Impact on Ratepayers	People and Safety
5	Severe	<ul style="list-style-type: none"> ➢ 66% or more of operating budget. 	<ul style="list-style-type: none"> ➢ Loss of stakeholder confidence undermining business viability. ➢ Extensive negative public exposure. ➢ Long-term damage to reputation and brand. 	<ul style="list-style-type: none"> ➢ Breach of legislation or regulation resulting in potential loss of key business licence. ➢ Regulatory censure. 	<ul style="list-style-type: none"> ➢ The event may lead to the collapse of the business. 	<ul style="list-style-type: none"> ➢ Failure to achieve 5 or more of the ICC Annual Plan. 	<ul style="list-style-type: none"> ➢ More than 30% of ratepayers materially impacted. ➢ Unacceptable reduction/deterioration in the experience of the ratepayers. ➢ Complete failure of core service s11A of the <i>Local Government Act 2002</i> (efficiency and/or effectiveness). 	<ul style="list-style-type: none"> ➢ Fatality and/or severe disability to one or more persons.
4	Major	<ul style="list-style-type: none"> ➢ 35-65% of operating budget. 	<ul style="list-style-type: none"> ➢ Negative public exposure with significant impact ➢ Consistent and continued concerns/criticisms by key stakeholders. 	<ul style="list-style-type: none"> ➢ Conditions imposed on business licence ➢ Breach of legislation or regulation resulting in enforceable undertaking. ➢ Regulatory censure 	<ul style="list-style-type: none"> ➢ A critical event, which with proper management can be endured. May involve some management changes. 	<ul style="list-style-type: none"> ➢ Failure to achieve four of the ICC Annual Plan objectives.. 	<ul style="list-style-type: none"> ➢ Between 25% and 30% of ratepayers materially impacted. ➢ Major reduction/deterioration in in the experience of the ratepayers. ➢ Major (but not complete) failure of core service s11A of the <i>Local Government Act 2002</i> (efficiency and/or effectiveness) 	<ul style="list-style-type: none"> ➢ Single permanent disability.
3	Moderate	<ul style="list-style-type: none"> ➢ 15%-35% of operating budget. 	<ul style="list-style-type: none"> ➢ Concerns becoming broader and more vocalised. ➢ Attention from media and/or heightened ratepayer concerns. 	<ul style="list-style-type: none"> ➢ Moderate implications for business licence. ➢ Breach of legislation or regulation resulting in increased regulatory oversight. 	<ul style="list-style-type: none"> ➢ A significant event which can be managed under normal circumstances 	<ul style="list-style-type: none"> ➢ Failure to achieve three of the ICC Annual Plan objectives. 	<ul style="list-style-type: none"> ➢ Between 15% and 25% of ratepayers materially impacted. ➢ Significant reduction/deterioration in in the experience of the ratepayers. ➢ Significant failure of core service s11A of the <i>Local Government Act 2002</i> (efficiency and/or effectiveness). 	<ul style="list-style-type: none"> ➢ Serious multiple injuries.
2	Minor	<ul style="list-style-type: none"> ➢ 5-15% of operating budget. 	<ul style="list-style-type: none"> ➢ Serious segmented stakeholder concerns / incidents ➢ Minor, adverse local media attention or complaints. 	<ul style="list-style-type: none"> ➢ Minor implications for business licence. ➢ Breach of legislation or regulation resulting in review by regulator 	<ul style="list-style-type: none"> ➢ An event, the consequence of which can be absorbed but management effort is required to minimise the impact. 	<ul style="list-style-type: none"> ➢ Failure to achieve two of the ICC Annual Plan objectives 	<ul style="list-style-type: none"> ➢ Between 10% and 15% of ratepayers materially impacted. ➢ Minor reduction/deterioration in in the experience of the ratepayers. ➢ Minor failure of core service s11A of the <i>Local Government Act 2002</i> (efficiency and/or effectiveness). 	<ul style="list-style-type: none"> ➢ Moderate injury or illness, medical treatment required.
1	Insignificant	<ul style="list-style-type: none"> ➢ 0 - 5% of operating budget. 	<ul style="list-style-type: none"> ➢ Minor isolated stakeholder concerns / impacts. 	<ul style="list-style-type: none"> ➢ Minor breach of legislation or regulation. ➢ Potential review by regulator. 	<ul style="list-style-type: none"> ➢ An event, the impact of which can be absorbed through normal activity. 	<ul style="list-style-type: none"> ➢ Failure to achieve one of the ICC Annual Plan objectives 	<ul style="list-style-type: none"> ➢ Less than 10% of ratepayers materially impacted. ➢ No material reduction/deterioration in in the experience of the ratepayer. 	<ul style="list-style-type: none"> ➢ Minor injury or illness.

Schedule 2 – Likelihood Matrix

Level	Likelihood	Description
5	Almost Certain	Expected to occur.
4	Likely	Could occur on balance of probability.
3	Possible	Could occur, but may not.
2	Unlikely	May occur but not anticipated.
1	Rare	May only occur in exceptional circumstances.

Schedule 3 – Risk Control Effectiveness Matrix

Level	RCE	Guide
5	Ineffective or Non Existent	<p><i>Not effective at all in mitigating the risk (will not have any effect in terms of reducing the likelihood and/or consequence of the risk) either because:</i></p> <ul style="list-style-type: none"> ➤ <i>Control does not exist; or</i> ➤ <i>Control is designed very poorly and has no operational effectiveness</i>
4	Defective / Negligible	<p><i>Partial control in some circumstances (will have very little effect in terms of reducing the likelihood and/or consequence of the risk) either because:</i></p> <ul style="list-style-type: none"> ➤ <i>Control does not treat root cause; or</i> ➤ <i>Control is only reactive / detective and only mitigates consequence to a minimal extent</i>
3	Partially Effective	<p><i>Partial control most of the time (will have some effect in terms of reducing the likelihood and/or consequence of the risk) either because:</i></p> <ul style="list-style-type: none"> ➤ <i>Control is not designed to treat root cause, however, indirectly mitigates likelihood or consequence; or</i> ➤ <i>Control is reactive / detective, however, mitigates consequence to a major extent; or</i> ➤ <i>There is an over reliance on the reactive / detective controls</i>
2	Reasonably / Mostly Effective	<p><i>Effective in most circumstances (will have a reasonably significant effect in teRMF of reducing the likelihood and/or consequence of the risk) as:</i></p> <ul style="list-style-type: none"> ➤ <i>Control is largely of a preventative nature and designed to treat the root cause and mitigates likelihood and / or consequence to a major extent; and</i> ➤ <i>Some more work can be done to improve the operating effectiveness and reliability</i>
1	Effective	<p><i>Fully effective at all times (will significantly reduce the likelihood and/or consequence of the risk at all times) as:</i></p> <ul style="list-style-type: none"> ➤ <i>Control is well designed to treat the root cause, is preventative and operates reliably at all times; and</i> ➤ <i>No further actions are required except periodic review and monitoring of the existing control; and</i> <p><i>Reactive controls support this preventative control</i></p>

Schedule 4 – Risk Rating Matrix

The matrix utilised to determine the risk level of the identified Enterprise Wide and EW Subordinate risks is shown below:

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Severe
Almost Certain	Medium (6)	High (7)	High (8)	Extreme (9)	Extreme (10)
Likely	Medium(5)	Medium (6)	High (7)	High (8)	Extreme (9)
Possible	Low (4)	Medium (5)	Medium (6)	High (7)	High (8)
Unlikely	Low (3)	Low (4)	Medium (5)	Medium (6)	High (7)
Rare	Low (2)	Low (3)	Low (4)	Medium (5)	Medium (6)

Schedule 5 – Enterprise Wide Risk Register

The Enterprise Wide Risk Register:

- is to be read in conjunction with the Risk Management Strategy; and
- is approved by the ICC Board independently to the Risk Management Strategy.

Potential Risks

Strategic Level Risks - Are associated with achieving the organisation's long term objectives. These risks can be of an internal or external nature. They are usually owned and managed by Council and/or the Executive Leadership Team.

In the context of Integrated Planning and Reporting, Strategic Level Risks may include:

- Risks associated with achieving the objectives of the Long Term Plan:
 - Effective engagement with the community
 - Equity in involvement
 - Transparency of process
 - Integration of informing strategies
 - Organisational acceptance of Long Term Plan.
- Risks associated with delivering the Annual Plan:
 - Impact of new assets or changes to services
 - Aligning service delivery to meet organisational objectives
 - Resourcing and sustainability
 - Alignment of local government structure and operations to support achievement of objectives.
- Governance
 - Skills
 - Decision making process

Operational Level Risks - Are associated with developing or delivering the operational plans, functions or activities of the local government. These risks have day to day impacts on the organisation. These risks are owned and managed by the person who has responsibility for the activity or function to the level of their delegated authority or capability.

In the context of Integrated Planning and Reporting, Operational Level Risks may include:

- Risks associated with the development or delivery of the Long-term Financial Plan:
 - Organisational capacity
 - Operational costs
 - Integration of other informing strategies, service delivery plans and project plans.
- Risks associated with the development or delivery of the Asset Management Plan:
 - Registration of assets
 - Integration with the long term financial plan, other informing strategies, service delivery plans and project plans
 - Council resourcing of asset maintenance and renewal.
- Risks associated with the development or delivery of the Workforce Plan:
 - External supply
 - Salary and conditions
 - Housing, transport etc.

- Financial/Audit
 - Budgets;
 - Tax;
 - Fraud
- Customer relations/service delivery
 - Meeting current and changing customer expectations
- Environment
 - Environmental hazards when providing Council services
- Human resources
 - Recruitment and retention
 - Payroll
 - HR Issues – bullying harassment etc
- Compliance/legal
 - Legislative and policy framework
- Political/Reputation
 - Delivery of legislation
 - Meeting strategic goals
- Safety and Welfare
 - Work health and safety

Project Level Risks - Are associated with developing or delivering projects or discrete activities. Project risks should be managed at each stage of the project by the person who has responsibility for that project.

23



40

TO: AUDIT AND RISK COMMITTEE
FROM: MELISSA BROOK – MANAGER, STRATEGY AND POLICY
MEETING DATE: FRIDAY, 31 AUGUST 2018

DEBTORS POLICY

SUMMARY

The Debtors Policy has been reviewed by Council Officers with three amendments being recommended.

RECOMMENDATIONS

That the Debtors Policy attached in Appendix 1 be adopted.

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> Yes
2.	<i>Is a budget amendment required?</i> No
3.	<i>Is this matter significant in terms of Council’s Policy on Significance?</i> No
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> The Debtors Policy has been reviewed and two amendments recommended.
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> Not applicable
6.	<i>Has the Child, Youth and Family Friendly Policy been considered?</i> No

FINANCIAL IMPLICATIONS

No financial implications arise from this report.

DEBTORS POLICY

The current Debtors Policy was adopted in 2015. The Policy establishes a framework that:

- Maximises the collection of monies from the sale of goods and services on credit.
- Provides fair equitable debt management.
- Maximises the Council's cash flow.
- Minimises the cost associated with collection of debt.
- Provides courteous, efficient and effective services to our debtors.

The policy does not include rates related debtors or their collection as this is addressed under the Local Government (Rating) Act 2002.

The Policy, including the delegations contained within it, provides a monitoring and audit process that assists in mitigating risk associated with providing goods and / or services on credit.

Council officers have undertaken a review and are recommending three amendments to the Policy. The first recommendation is that the value of the delegated authority to staff to write off bad debts is increased to \$1,000. Over the last three years, nine debts were within \$500.00 to \$1,000.00 in value. It is further recommended that the delegated authority to write-off bad debts with a value less than \$1,000.00 be extended to include the Chief Executive. Delegating authority to the Chief Executive provides an additional Council Officer to approve the writing-off of bad debts should the Director of Finance and Corporate Services be unavailable.

The final recommendation is that the monitoring of the Debtors Policy be reported to the Audit and Risk Committee, rather than the Finance and Policy Committee as was the previous policy. This will bring alignment with the Audit and Risk Committee's responsibility for monitoring risk management practices within the Council.

The amended Debtors Policy is attached as **Appendix 1**.

CONCLUSION

The Debtors Policy has been reviewed by Council Officers with two amendments recommended.



DEBTORS POLICY

Effective from 5 August 2015

Purpose

The purpose of this policy is to establish a framework that will:

- Maximise the collection of monies from the sale of goods and/or services on credit.
- Provide fair and equitable debt management.
- Maximise the Council's cash flow.
- Minimise the costs associated with the collection of debt.
- Provide courteous, efficient and effective services to our debtors.

Rate related debts and their collection are not included under this policy – refer Local Government (Rating) Act 2002.

Background

Council must raise sufficient levels of revenue for the purpose of governance, administration and the provision of services and facilities to the community.

To ensure the effective and efficient delivery of Council services to the community, good financial management requires the regular receipt and collection of funds from all individuals, organisations, businesses and other parties who are indebted to Council.

Council debtors are managed through the Pathways computer system.

Credit Terms

Attached to this Policy is a copy of the *Terms and Conditions of Supply of Goods/Services* which is printed on the reverse of Council statements.

Council's standard credit agreement with its debtors is that any goods and services provided within a particular month, and the invoice is raised during the same month, the debtor is expected to pay the invoice by the 20th of the following month.

Debt Management

Council's Finance and Corporate Services Directorate is responsible for debt management practices. This includes the issuing of monthly debtor statements, reviewing aged debtor reports, liaising with the Council division which issued the invoice, regular contact with the debtor as appropriate and liaising with Collection Agencies.

Overdue Accounts

If an invoice is not paid in full by the 20th of the month interest may be charged on the balance. Any interest will be charged at the rate of 2.5% above the overdraft rate of Council's banker. This rate is revised monthly by the Director of Finance and Corporate Services and will be printed on all remittance advices. Interest will be charged on a monthly basis, commencing the month that the invoice is due and shall be charged on a compounding basis.

Collection Process

Collection cycle is as follows:

1. Invoice statement dated and sent end of the month to debtors.
2. Payment in full expected by 20th of the following month.
3. Any unpaid portion of invoice incurs interest, commencing the month that the invoice was due.
4. Overdue invoices detailing the original debt plus interest is sent to debtors at the end of every month thereafter. Compounding interest will be charged.
5. Debts unpaid after three months are reviewed by the Council's Credit Controller and a decision made on recovery options.

Doubtful Debts

Aged debts will be provided for as a Doubtful Debt, after consultation with the Council Division who issued the invoice, after considering:

- The size and nature of the debt;
- The debtor's history

Any adjustment to the provision for Doubtful Debts will be made annually and will be charged to the Department who generated the invoice.

Bad Debts

Debts will be written off when all reasonable attempts at recovery have been taken. The following criteria will be considered in coming to that decision:

- The debtor is bankrupt.
- The debtor (company) is in liquidation and there is insufficient funds to meet our debt.
- The debtor is deceased and has no remaining assets.
- There is little or no likelihood of the debt being recovered.
- The costs associated with collecting the debt would be prohibitive.

All costs of collection and any recoveries beyond the initial invoice are retained by the Finance and Corporate Services Directorate.

Delegated Authority

The Chief Executive and the Director of Finance and Corporate Services are both individually authorised to write off debts of less than \$1,000 where:

- The Chief Executive or Director of Finance and Corporate Services is satisfied that no prospect of collection exists; or
- It is uneconomic to pursue the matter further

A register of write offs will be maintained and be available for Councillor inspection at any time.

A proposal to write-off a debt in excess of \$1,000 will be presented to Council for approval.

With regard to debt recovery, staff should seek the prior approval of Council for negotiating limits whenever practicable. In circumstances where such prior approval is not practical, Council has authorised staff to agree to the recovery of lesser costs or amounts when the cost of recovery is likely to outweigh the amount recovered.

In instances where bad debts have been written off the Director of Finance and Corporate Services will decide whether or not Council will continue to grant credit to the debtor.

Monitoring and Auditing

This policy will be monitored by the Director of Finance and Corporate Services, reporting to the Audit and Risk Committee where necessary.

Revision History:	Amended 31 August 2018
Reference Number:	A1185055
Effective Date:	5 August 2015
Review Period:	This policy will be reviewed every three (3) years, unless earlier review is required due to legislative changes, or is warranted by another reason requested by Council.
Supersedes:	Any previous Debtors Policy
New Review Date:	August 2021
Associated Documents/References:	Financial Delegations Manual Delegations Manual
Policy Owner:	Invercargill City Council



Appendix 1

Terms and Conditions of Supply of Goods/Services

- Title in goods will not pass to the Purchaser until payment has been made in full.
- Payment for goods or services supplied is due on the 20th of the month following delivery of the goods or the supply.
- If payment of the amount due is not made by the due date then without prejudice to its other rights and remedies Invercargill City Council; in its absolute discretion shall be entitled to:
 - (i) Charge interest on the outstanding balance at the rate of 2.5% above the overdraft rate of its Banker; and
 - (ii) The costs, including legal costs, of collection of the outstanding balance; and
 - (iii) Terminate the supply to you.

Invercargill City Council reserves the right (and it is our normal business practice) to seek credit information on credit customers and to provide information to credit reference and debt collection companies as to the fact that a credit application has been made and (in the case of debtors failing to meet their obligations) details of debtors and the debts.

TO: FINANCE AND POLICY COMMITTEE
FROM: MELISSA BROOK – MANAGER, STRATEGY AND POLICY
MEETING DATE: TUESDAY, 21 AUGUST 2018

FRAUD POLICY

SUMMARY

<p>The Fraud Policy has been reviewed by Council Officers and it is recommended that the responsibilities within the policy be amended to lie with the Chief Executive rather than the Director of Finance and Corporate Services as was in the previous policy. Aligning the responsibilities to the Chief Executive give a firm message that the Policy is of significant importance to the entire organisation and shows leadership from the top when addressing the risk of fraud.</p>
--

RECOMMENDATIONS

That the Fraud Policy attached in Appendix 1 be adopted as Council's policy.

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> Yes
2.	<i>Is a budget amendment required?</i> No
3.	<i>Is this matter significant in terms of Council's Policy on Significance?</i> No
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> The Fraud Policy has been reviewed and Council Officers recommend that the responsibilities within the Policy are delegated to the Chief Executive to ensure an organisation wide approach to the management of fraud risk.
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> Not applicable
6.	<i>Has the Child, Youth and Family Friendly Policy been considered?</i> No

FINANCIAL IMPLICATIONS

No financial implications arise from this report.

FRAUD POLICY

The current Fraud Policy was adopted in 2015. The Policy assists to ensure that any cases of fraud or corruption are dealt with appropriately in order to protect the Council and provide a consistent and transparent approach to all allegations of fraud.

The Policy contains the Council's direction on reporting and investigating suspected fraud or corruption.

Having a policy in place assists in protecting the integrity of our financial systems and assets from fraudulent conduct by employees, elected members or other contractors, and ensures that should it occur, it is detected and acted upon.

Council Officers have reviewed the Policy and recommend that the responsibilities within the Policy that were formerly delegated to the Director of Finance and Corporate Services are now delegated to the Chief Executive to ensure an organisation wide approach to the management of fraud risk. It is considered that this approach will provide a firm message that the Policy is important to the entire organisation and will demonstrate leadership from the top when managing the risk of fraud.

Council's Auditors, Audit New Zealand, have advised that the current policy contains most of the areas that they would expect, but recommended that the Fraud Policy be amended to include a process for undertaking regular review of transactions, activities, or locations that may be susceptible to fraud. Council Officers have considered this recommendation and consider that the Policy is not the most appropriate place for this process to be included. Council Officers have identified to Audit New Zealand that as part of our risk management framework we intend to implement a fraud and corruption control programme. The documentation for this programme is being developed, and this will require education and training prior to its implementation. This is considered a more appropriate place for the recommended process to be included.

Council Officers anticipate that the ongoing monitoring of our risk management framework's effectiveness and efficiency, including monitoring the fraud and corruption control programme, will be undertaken through the Audit and Risk Committee.

CONCLUSION

The Fraud Policy has been reviewed by Council Officers and it is recommended that it continue subject to amendment to the responsibilities within the Policy that were formerly delegated to the Director of Finance and Corporate Services being delegated to the Chief Executive to ensure an organisation wide approach to the management of fraud risk.



FRAUD POLICY

Effective from 05 August 2015

Purpose

The purpose of this Policy is to ensure that any cases of suspected fraud or corruption are dealt with appropriately in order to protect the Council and provide a consistent and transparent approach to all allegations of fraud.

Scope

This Policy applies to any actual, alleged or suspected fraud or corruption involving employees, elected representatives of the Invercargill City Council, and/or any other parties with a business relationship with Invercargill City Council.

Objectives

Protect the integrity of our financial systems and assets from fraudulent conduct by employees, elected members, contractors we have engaged to assist us and others and; ensure that conduct, when it occurs, is detected and acted upon.

Definitions

Corruption Corruption is the lack of integrity or honesty (especially susceptibility to bribery) or the use of a position of trust for dishonest gain.

Council Means Invercargill City Council.

Fraud Fraud as defined in this Policy is intended to include fraud as defined in the Audit Standards of the Institute of Chartered Accountants of New Zealand. Distinguishing between fraud and error:

- The term “fraud” refers to an intentional act by one or more employees, management or elected members involving the use of deception to obtain an unjust or illegal advantage. There may be collusion within the organisation in order to perpetrate the fraudulent activity.
- The term “error” refers to an unintentional misstatement of information, such as financial report information, including the omission of an amount of a disclosure.

Misuse of Resources

This term is used to describe employee behaviour, but is beyond what we would consider as fair and reasonable, and this behaviour, if proven, could reasonably be seen as serious misconduct:

- Claiming reimbursement for privately incurred expenses or doubtful business related expenses.
- Committing Council to pay for purchases which could be seen as borderline or as doubtful business expenses.

Fraud is the deliberate practice of deception in order to receive unfair, unjustified or unlawful gain and, for the purposes of this policy, includes forms of dishonesty. Within this definition, examples of fraud may include, but are not limited to:

- Unauthorised possession (theft) or use, or misappropriation of funds or other assets.
- Impropriety in handling or reporting of money or financial transactions.
- Forgery or alteration of any document or computer file/record belonging to the Council.
- Forgery or alteration of a cheque, bank draft or any other financial instrument.
- Bribery, corruption or coercion.
- Destruction, removal or inappropriate use/disclosure of records, data, materials, intellectual property or assets for gain.
- The offering, giving or acceptance of an inducement or reward, which may influence the actions taken by the Council, Officers or Elected Members.
- The failure to declare a conflict of interest in making decisions that have a financial or beneficial impact upon the Council Officer, Elected Member or their close associates.
- Dishonest use of a Council supplied credit card, taxi card, fuel card or purchasing card.
- Submitting false personal expense claims or false travel advance requests.
- Falsification of time records.
- Improper use of commercially sensitive client information or our own intellectual property for either your own or another person's pecuniary gain.
- Any similar or related inappropriate conduct.

Representative For the purposes of this policy, a representative of Council includes:

- Employees.
- Elected Members.

- Any contractor or consultant who agrees to be covered by this Policy under the terms of their engagement.
- Temporary staff supplied through an agency.
- Seconded personnel.
- Volunteers.

Policy Statements

The following policy statements represent the Council policy in relation to internal fraud.

Protecting the integrity of our financial systems and assets from fraudulent conduct

- All employees acting in the role of authorising, certifying and cheque signing officers for financial transactions have a duty to properly carry out authorisation and approval procedures they are responsible for and to comply with any relevant delegations they operate under.
- Suspected internal fraud and suspected misuse of resources fall within the definition of serious wrongdoing contained under the Protected Disclosures Act 2000.
- All employees have a duty to disclose suspicious acts that may represent a suspected internal fraud or a suspected misuse of resources. While we would prefer that the employee making the disclosure identify themselves, Council will accept anonymous disclosures. Further information on initial disclosure steps if an employee suspects fraud or misuse of resources is outlined in a guidance statement set out below and within Council's Protected Disclosures Policy.
- Council will seek full recovery of amounts misappropriated by internal fraud from implicated employee(s) or persons.
- Fraud risk will be assessed as part of Council's risk management framework. This process will involve ongoing internal fraud risk assessment and the monitoring of the adequacy of relevant internal controls and alignment of related Council policies to the Fraud Policy.
- Council will provide regular advice and training to all employees on this policy.

Appropriate responses should any potential internal fraud or misuse of resource situations be suspected or detected

- Management will consider all allegations (anonymous or otherwise) in relation to suspected internal fraud or misuse of resources.
- Following receipt of a fraud allegation or upon suspicion that an internal fraud or misuse of resources may be occurring, or has taken place, management will make initial discreet enquiries to ascertain the substance of the allegation or suspicion. These enquiries should seek to minimise approaches for information being made to any employee.
- If the discreet enquiries reveal that misuse of resources is suspected then the relevant provisions of the Council's Human Resource Serious Misconduct policies shall apply.
- If the discreet enquiries indicate that an internal fraud is suspected to have occurred, or is still occurring the Chief Executive will develop an appropriate response based on the known circumstances.

- After the completion of discreet enquiries where an internal fraud is suspected the Chief Executive will then consider the completion of an internally controlled investigation of the suspected internal fraud.
- Appendix One below provides information on an internally controlled investigation process.
- If during the completion of the internal investigation or upon completion of any internally controlled fraud investigation, Council believes there is sufficient prima facie evidence that an employee is suspected of being implicated in an internal fraud, a complaint against that employee suspect will be laid with either the New Zealand Police or Serious Fraud Office.

Principles

All employees and representatives of Council must have, and be seen to have, the highest standards of honesty, propriety and integrity in discharging their obligations to the community.

- All employees and representatives of the Council are expected to take responsibility to ensure the public accountability of the organisation at all times.
- All suspected instances of fraud or corruption by Council employees, representatives or external parties will be investigated and reported to appropriate authorities and, where appropriate, referred to the New Zealand Police with a view to prosecution.
- Recovery of lost money or other property will be pursued wherever possible and practicable.

Reporting

- Any person reporting any suspected fraudulent act (the Informant) must do so to their immediate Manager who will inform the Chief Executive.
- The Chief Executive will request a written summary of the event, detailing the nature of the fraud, the person(s) involved and the amount of money, property or service fraudulently misused.
- If the Informant has reason to believe their Manager is implicated in the suspected fraud, the matter must be reported to the Chief Executive.
- If the department Director is suspected of fraud then it needs to be reported to the Chief Executive.
- If the Chief Executive's involvement is suspected, the matter must be reported to the Director of Finance and Corporate Services and the Mayor.
- If elected member involvement is suspected, the matter must be reported to the Chief Executive and the Director of Finance and Corporate Services.
- Persons reporting the activity/behaviour may remain anonymous if the allegation amounts to a protected disclosure under the Protected Disclosures Act 2000.

Investigation

The Chief Executive will decide within 48 hours of receiving the written summary whether to further investigate, and how any investigation will be undertaken. This may include seeking independent expert advice.

If the Chief Executive is involved in suspected fraud, the Informant will report to the Director of Finance and Corporate Services and the Mayor who will make the decision on any further investigation.

The Council will maintain a Fraud Register to record all suspected fraud notifications and the resultant outcome for each of these notifications. Details of the Register are covered in **(Appendix 2)** of this document.

The responsibilities of senior employees, in relation to key elements of this policy, are set out in **(Appendix 1)**.

Consequences of an Investigation

If there are reasonable grounds for suspecting that a fraud has taken place, the Chief Executive may contact the New Zealand Police and co-ordinate the investigation with them. Where necessary, appropriate action will be taken to secure and limit access to records.

The Chief Executive will report any actual or suspected fraud to the Mayor, Deputy Mayor and Council's external auditor.

If the investigation substantiates the allegation of fraud, the Human Resources Manager will advise on the appropriate disciplinary action up to and including, dismissal and the procedure to be followed. The person(s) involved may be suspended from employment with pay while the matter is being investigated.

At the conclusion of the investigation the events will be documented in a confidential report which will be provided to the Council, Audit and Risk Committee and external auditor as appropriate.

Recommendations may be made to enhance internal control procedures. Where instances of fraud or corruption are substantiated, any decisions to take no action, or to take action that is seen as inappropriate by either the Chief Executive or Human Resources Manager, will be referred to the relevant Manager/Director for authorisation.

Where the instance of fraud or corruption amounts to an illegal activity; it will be referred to the New Zealand Police.

Confidentiality

Council takes the significance of reporting fraud very seriously. All participants in a fraud or corruption investigation will be required to keep all the details and results of an investigation confidential. Maintaining confidentiality in relation to protected disclosure matters is critical to ensuring reprisals are not made against a disclosure.

Any member of staff or Council contacted by the media in regards to the investigation shall refer the media to the Chief Executive for comment.

Monitoring and Auditing

The Chief Executive will monitor and implement this policy. This policy is to be reviewed every three (3) years.

Revision History:	Reviewed 31 August 2018
Reference Number:	A1302278
Effective Date:	5 August 2015
Review Period:	This Policy will be reviewed every three (3) years, unless earlier review is required due to legislative changes, or is warranted by another reason requested by Council.
Supersedes:	Prevention of Fraud, Dishonesty and Corruption Policy
New Review Date:	August 2021
Associated Documents/References:	Credit Card Policy (A1185032) Sensitive Expenditure Policy (A773994) Protected Disclosure Policy (A1315173) Serious Misconduct Policy Internal Complaints Procedures
Policy Owner:	Chief Executive



Appendix 1

Management Responsibilities Matrix

Action	Primary Responsibility	Secondary Responsibility	Shared Responsibility
Establishing and maintenance of internal control procedures.	Chief Executive	Executive Leadership Team	
Ensuring that a requirement is placed on the Chief Executive to put appropriate controls in place.	Chief Executive	Director of Finance and Corporate Services	
External reporting of suspected fraud.	Chief Executive	Director of Finance and Corporate Services	All reporting agents under our Protected Disclosure procedures.
Approval for the development of fraud related procedure.	Chief Executive	Director of Finance and Corporate Services	Divisional Manager whose employee it is.
Approval of any engagement contract or letter employing an external forensic investigator.	Chief Executive	Director of Finance and Corporate Services	



Approval of alternate action if a fraud related procedure is not felt to be required.	Chief Executive	Director of Finance and Corporate Services	Divisional Manager whose employee it is.
Referral of suspected cases to Serious Fraud Office or New Zealand Police.	Chief Executive	Director of Finance and Corporate Services	Divisional Manager whose employee it is.
Maintenance of Fraud Register	Chief Executive	Director of Finance and Corporate Services	
Fraud risk monitoring.	Chief Executive	Director of Finance and Corporate Services	
Internal advice of the fraud policy or suspected situations for employees.	Chief Executive	Director of Finance and Corporate Services	
Internal training on fraud policy.	Chief Executive	Human Resources Manager	
Reporting of all instances of fraud to the external auditor.	Chief Executive	Director of Finance and Corporate Services	



Appendix 2

Fraud Register

- The Chief Executive will compile and maintain the Council's Fraud Register (the Register).
- The Register shall contain information on all suspected fraud notifications and how the Council handled these. It will record how the notification was resolved, the outcome by way of financial loss and details of amounts recovered and if any changes are required to existing management policies, procedures or systems.
- The Register will not contain any employee information of a private nature. Rather the Register's content will be at a high level focusing on how management dealt with this issue and what changes, if any, were required.
- Access to the Register will be restricted to the Chief Executive, Director of Finance and Corporate Services and the Audit Director appointed by Audit New Zealand.
- All information in the Register will be purged after a period of two years unless management action in respect of a recorded item remains incomplete.

TO: AUDIT AND RISK COMMITTEE
FROM: ANDREW CAMERON – POLICY ANALYST
MEETING DATE: 24 JULY 2018

CONFLICT OF INTEREST POLICY

SUMMARY

Conflicts of Interest pose significant risks to the financial management and reputation of Council. The Office of the Auditor General has made comments about these issues in other areas of the public service. The Auditor General's expectation is that the governing entity ensures that conflicts of interest are appropriately managed and that public expectations are met. Council has previously endorsed a Gifts Policy for Council employees.

The Executive Leadership Team has endorsed the adoption of a Conflicts of Interest Policy to provide guidance to staff. Prior to presentation of this policy to Council for endorsement to enable them to set the tone from the top the policy is being provided to the Committee for consideration as to whether Council should adopt the Policy for Councillors and staff.

Councillors and the Executive Leadership Team are currently completing a conflict of interest register. A conflicts of interest policy has been developed to support that register and provide guidance as to the type of conflicts which may arise. Conflicts of interest are not easily managed by a simple set of rules, because they can arise in all sorts of situations. Also, some situations are not clear-cut and may involve questions of degree. Therefore, public entities (and their members and officials) will often need to exercise prudent judgment on a case-by-case basis.

This paper sets out the issues and risks which may arise as a result of conflicts of interest and provides a draft of the proposed policy for discussion. The policies and associated forms address issues previously raised by Audit New Zealand.

RECOMMENDATIONS

That the report "Conflict of Interest Benefits Policy" be received.

And

That the draft Conflict of Interest Policy be approved;

And

That the draft Conflicts of Interest Policy be revised to include Councillors and presented to Council for approval;

And

That the Committee recommend that the draft Conflicts of Interest Policy be adopted by Invercargill City Council Controlled Organisations;

And

That an education programme be developed to support the implementation of the new policy prior to its release.

And

That following approval of the Conflicts of Interest Policy a review is undertaken to ensure consistency of message across existing Council documents.

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> No
2.	<i>Is a budget amendment required?</i> No
3.	<i>Is this matter significant in terms of Council's Policy on Significance?</i> No
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> N/A
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> It is proposed that there be an education programme with staff prior to the release of the policies.
6.	<i>Has the Child, Youth and Family Friendly Policy been considered?</i> Yes.

Appendices

- A. Draft Conflict of Interest Policy
- B. Managing Pecuniary and Non-Pecuniary Interests (for Councillors)
- C. Conflicts of Interest Flow Chart

1: LEGISLATIVE CONSIDERATIONS

The *Local Authorities (Member's Interests) Act 1968* covers the management of pecuniary interests. A person is disqualified from being a member of the local authority (or a committee) if they are concerned or interested in contracts with the authority under which the total payments made, or to be made, by or on behalf of the authority exceed \$25,000 in any financial year.

A member of the Council (or a committee) must not vote on, or take part in the discussion of, a matter before the Council in which they have a pecuniary interest (other than an interest in common with the public). Certain exceptions apply. When the matter is raised at the meeting, the member must declare that they have a pecuniary interest in it, and the minutes must record the fact of the disclosure and the abstention.

The *Companies Act 1993* applies to company directors. A director who is interested in a transaction or proposed transaction with the company must disclose the nature and value (or extent) of the interest (unless the transaction is between the director and the company and is in the ordinary course of business on usual terms and conditions). The disclosure must be made in the interests register, and to the board. Standing disclosures may be made.

2: POLICY

What is the Problem/Risk to be Addressed?

A conflict of interest arises where a member or official's duties or responsibilities to a public entity could be affected by some other interest or duty that the member or official may have. The other interest or duty might exist because of:

- the member's own financial affairs;
- a relationship or other role that the member or official has; or
- something the member or official has said or done.

The Office of the Auditor General also includes circumstances that include or appear to include bias or predetermination in its definition of "conflicts of interest".

Is a Policy the Most Appropriate Method of Addressing the Perceived Problem?

A policy approved by the Council is seen as the most appropriate method of managing these problems. As these issues are rarely clear cut the policies rely significantly on the tone from the top to ensure that they are effective. The leadership role of Councillors is to set a suitable tone from the top that shapes the culture and demonstrates the desired values and ethics of the organisation. This is achieved through establishing and approving policies, making decisions, and the approach and behaviour that the Councillors take to their work.

In order to be effective the policy will require an implementation programme that will include an education programme based on a risk assessment of specific roles and responsibilities within the Council.

3: CURRENT POLICY STATEMENTS

CONFLICTS OF INTEREST

CODE OF CONDUCT – ELECTED MEMBERS

The Code of Conduct provides significant information as to the roles and responsibilities of Elected Representatives.

STANDING ORDERS

Council Standing Orders deal with financial and non financial conflicts in clause 19.7 and 19.8 at p37.

CODE OF CONDUCT – STAFF

- ... Staff should always act with personal integrity, go beyond doing our job well, and be alert to any risk that an action might lead to conflicts of interest or integrity.
- Working with family members or partners can be an area where there is potential for conflicts of interest to arise, or where special care needs to be taken to avoid any appearance of conflict...
- ... If you are associated with any organisation that has dealings with Council, or are participating in an event where these issues may arise, you should inform your manager of your level of involvement, to ensure that no conflict exists between your participation and your current level of duties.

4: INCONSISTENCY

Approving the draft conflicts policy will not require any change to the general approach to conflicts of interest set out in existing documents.

5: RISKS

A conflict of interest, if not well managed, might lead to misconduct. But labelling a situation as a “conflict of interest” does not mean that corruption or some other abuse of a public office has occurred. To say that a conflict of interest exists, and that it needs to be managed, is not an indication of a lack of trust or faith in the member or official concerned. Usually, there is no suggestion that the member or official has taken advantage of the situation for their personal benefit or been influenced by improper personal motives (not that they are likely to do so). The member or official, and their colleagues, will often sincerely believe that they will never behave improperly. But the reasonable perception of an outside observer of the possibility for improper conduct can be just as significant when considering how to manage the situation.

Implementation of the policy will reduce the risk that Council is perceived to be not dealing with members of the public in an impartial manner. It will also address the risks related to fraud and corruption.

There is a risk that the proposed policy will not achieve the desired outcome of transparency in relation to gifts. This risk will be realised if Council does not:

1. Set an appropriate tone from the top;
2. Ensure that all staff are properly educated in relation to the policy;
3. Ensure compliance with the policy by monitoring and enforcing its requirements.

6: FINANCIAL IMPLICATIONS

No financial implications result from this report.

7: WHERE TO FROM HERE?

The effectiveness of the draft policies in addressing the perceived risks will be monitored and further alternatives may be considered based on that assessment.

8: CONCLUSION

The policies seek to provide guidance to staff and the public about how Council will deal with conflicts of interest gifts. They set out what actions can be taken depending on the nature of the conflict and size of the gift.

The policies reduce the risks to Council's finances and reputation as they clearly establish Council's approach regarding conflicts of interest and gifts in an open and transparent manner.



Conflicts of Interest Policy

July 2018

Purpose

The overarching purpose of this policy is to maintain a high level of public confidence in the integrity of Council. To clearly outline actual, perceived or potential conflicts of interest and the process employees should follow to manage these conflicts.

Scope

This policy applies to all employees of the Invercargill City Council as well as any volunteers or people engaged or contracted under a contract for services (contractors) for the Council.

Definitions

For the purposes of this policy, unless otherwise stated, the following definitions shall apply:

Gifts, Benefits and Hospitality Defined in the Gifts and Benefits Policy and include, but are not limited to, goods, services, vouchers, tickets, discounts or cash received by an employee during the course of, or as a result of, their position within the council.

Conflict of Interest A conflict between performance of a public duty and a private or personal interest. A 'personal interest' includes the private, professional or business interests of a person, or of the individuals or groups with whom they have a close association, such as, but not limited to, relatives or friends.

Personal interests may be pecuniary (financial) or non-pecuniary (non-financial). A conflict of interest may be:

- Actual: a conflict between a person's official duties and responsibilities in serving the public interest, and their personal interest;
- Perceived: occurs when a reasonable person, knowing the facts, would consider that a conflict of interest may exist, whether or not this is the case;
- Potential: occurs where a person has a personal interest that could conflict with their official duties in the future.

Pecuniary	A pecuniary interest refers to an actual or potential financial gain or loss for the person, their family or close associates.
Non-pecuniary	A non-pecuniary interest refers to an interest that is not financial or monetary but arises from such things as personal relationships, beliefs or involvement in social, cultural, religious or sporting activities.

Principles that guide us

Employees must:

- Declare and manage all actual, perceived or potential conflicts of interest.
- Declare all personal relationships and interests that could be perceived as:
 - Creating a personal or family gain
 - Providing an advantage to any third party organisation (e.g. community group of business association) they are involved with.
- Manage their interests so that they are visibly impartial.
- Make transparent decisions on behalf of the council.
- Think about how a situation might seem to others, even though they know their intentions are good.
- If in doubt, declare.

Ethics and Overarching Framework

A conflict of interest may affect a person's judgement as to what is in the public interest, or may lead to a bias in their decision making. It is not always possible to avoid a conflict of interest. A conflict of interest is not necessarily unethical or wrong.

It is important that any actual, perceived or potential conflict of interest is identified, disclosed and effectively managed (including avoided if possible). Management of conflicts of interest must be fair, transparent, accountable and free from bias.

Employees are able to seek independent advice about how a conflict will be managed; and are encouraged to report any actual, perceived or potential conflict of interest that they observe.

The Conflict of Interest Procedure in Appendix A specifies how and to whom disclosures or reports must be made, the roles and responsibilities of various persons, steps or processes that may be used to avoid or manage a conflict of interest, and how a conflict of interest is to be recorded and reported.

Specific guidance about these matters is provided for roles or areas where there is a high risk that a conflict of interest may arise. These roles or areas have been identified, but not limited to, as Human Resources, procurement/purchasing, regulatory functions such as Building Services and Resource Management.

An Employee Must Consider the Following:

Dealing with the council in a personal capacity

Applying for a building consent is an example of dealing with the Council in a personal capacity.

In this and similar situations, does the employee have an advantage members of the public do not have? This could include accessing files or information, or preferential treatment.

All employees should receive the same treatment as any member of the public.

Supplying to the Invercargill City Council

Any employee who has a partner or family member, whom owns a business that supplies goods or services to the council, may have or could be perceived as having influence over contracts or procurement at the council.

Relationship declarations must be made and removal from any decision making involving the business.

Forwarding council job vacancies to family

From time to time, employees will forward job vacancies to family members. Before passing this on, the employee must consider:

- If they are part of the recruitment panel.
- If the is role being offered to external applicants

If the role is being offered to external applicants, the employee can pass the vacancy on to family members, however if family members apply, they must remove themselves from the recruitment process.

What you need to know

<p>If an employee coaches their son's sports team. Do they need to declare an interest?</p>	<ul style="list-style-type: none"> • That in itself doesn't create a conflict. However, if the employee were to put in an application for community grant funding from the Council for the team, that might create a conflict depending on the employee's role. • In this case, the employee would need to declare the conflict by completing a Conflict of Interest Declaration Form which can be found in Appendix B, and stand aside from the grant application.
<p>Can employees apply for a Council grant from the Council?</p>	<ul style="list-style-type: none"> • Council grants are open to everyone, but a conflict would arise if the employee had any involvement in deciding who gets the funding. • It would be advisable to ask for some guidance on managing the perception of the employee gaining an advantage over applicants who don't work for council. • In order to protect employees' reputation of impartiality and that of council, it is advisable to complete a Conflict of Interest Declaration Form.

<p>How long does a conflict of interest declaration last for?</p>	<ul style="list-style-type: none"> • Employees should revisit their interest declaration whenever their situation changes. This may include: <ul style="list-style-type: none"> ○ A role change or new responsibilities (either within council or with the conflicting party) ○ Being no longer associated with the conflicting party ○ Conclusion of any personal council involvement (e.g. a consent applied for that has been issued) • An employee should review any interest annually to ensure that they are protected from the risk of any actual or perceived conflict of interest. It is also employees' obligations to inform future managers of interest disclosure and how it is being managed.
<p>Managing political interests. Being politically active and involved in social campaigns.</p>	<ul style="list-style-type: none"> • Declare interest and participation on the Conflict of Interest Declaration Form. • The employee should consider the perceptions others may have of their ability to be impartial, so discuss their involvement with their manager. • Ensure that any personal views or views of the group cannot be perceived as being the view of the council. • Ensure that when speaking to or on behalf of any group that there is no perception that it is on behalf of council.

Council bottom line expectations

Employees must declare:

- If they have a domestic relationship or other relationship which could cause an actual, perceived or potential conflict of interest, may not be in a direct reporting situation with that person.

Council employees should not make any decisions which may lead to, or could be perceived as leading to, personal or family gain, or favouring a particular group of organization.

Breaches of this policy and above expectations will be viewed very seriously and treated as misconduct under Council's Code of Conduct and Discipline and Procedural Fairness Policy.

Authorised By: _____

CV Hadley
Chief Executive

DATE OF APPROVAL:

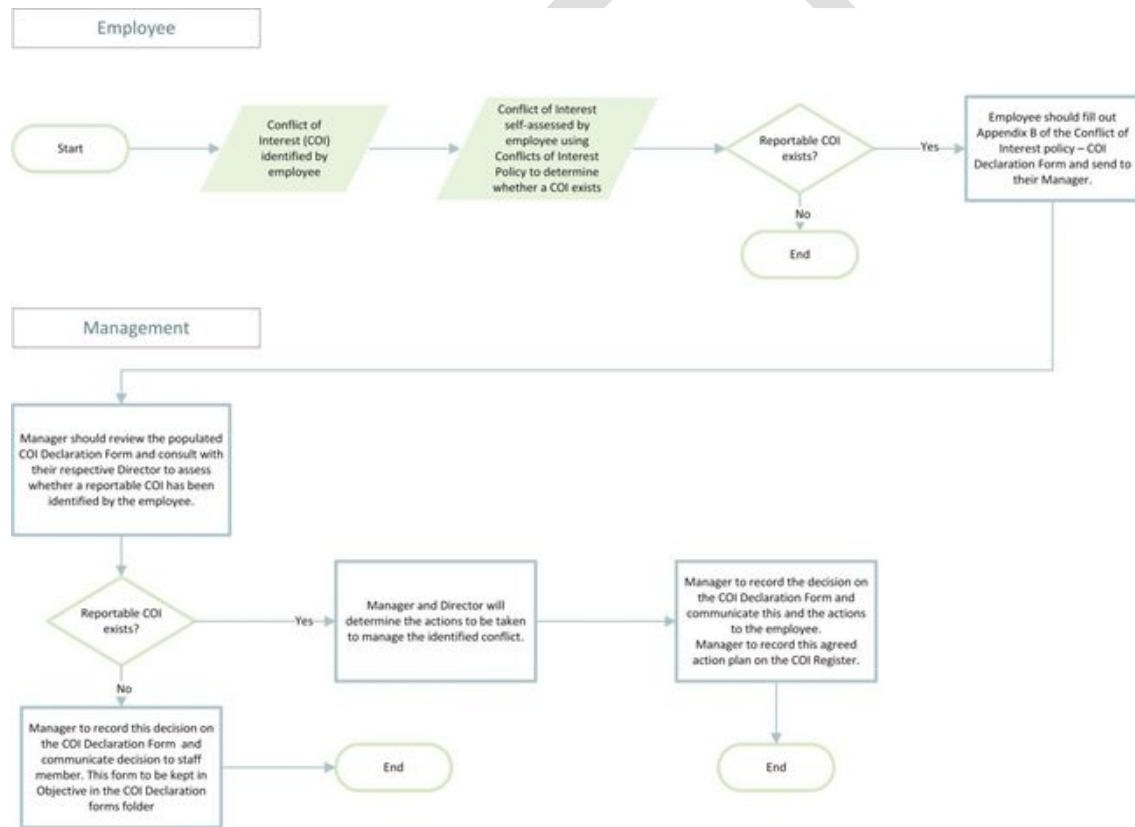
Revision History:	Nil
Effective Date:	1 July 2018
Review Period:	This policy will be reviewed every two years.
New Review Date:	1 July 2020
Associated Documents / References:	Conflict of Interest Procedures Conflict of Interest Guidelines Staff Recognition Guidelines
Relevant Legislation	The Local Authorities (Member's Interests) Act 1968 S 40(1) (e) of the Local Government Act 2002 Companies Act 1993 s139 and following amendments.
Supersedes:	Nil
Policy Owner:	Human Resources

DRAFT



Appendix A

Conflict of Interests Procedure





Appendix B

Conflict of Interests (COI) Declaration Form

Section One: To be completed by the employee disclosing conflict of interest

Details of employee reporting the conflict	
Name	
Position	
Department	
Details of Conflict of Interest Disclosure:	
DRAFT	
Date conflict occurred	
Date conflict identified	
Date conflict reported	
Conflict characterised by	<input type="checkbox"/> Relationship with another employee <input type="checkbox"/> Relationship with family or friends <input type="checkbox"/> Relationship with external parties <input type="checkbox"/> Financial Interest <input type="checkbox"/> Outside work activities(paid/unpaid) <input type="checkbox"/> Conflict of duty e.g. member of another public or private organisation <input type="checkbox"/> Other (please specify)
This conflict is expected to last	<input type="checkbox"/> 0-12 months <input type="checkbox"/> >12 months

Section Two: To be completed by Management

Assessment of Conflict	
<input type="checkbox"/> DOES NOT constitute a conflict of interest, I authorise the employee to continue the activity - <i>go to section 3</i> <input type="checkbox"/> DOES constitute an actual, potential or perceived conflict of interest - if ticked, provide a detailed action plan below	

It is the responsibility of the manager in receipt of the disclosure to identify and, where necessary, create an action plan to manage the disclosing person's conflict. The action plan should be made in consultation with the disclosing person.

Management action plan:	
I have reviewed this policy and the disclosure made by the employee and request the employee takes the following action to eliminate/manage the conflict of interest	
I will ensure that this action plan is reviewed	<input type="checkbox"/> N/A as the conflict is of a short duration <input type="checkbox"/> Within 3 months <input type="checkbox"/> Within 6 months <input type="checkbox"/> Within 12 months <input type="checkbox"/> Other - Please specify:

Section Three - To be completed by employee

To the best of my knowledge and belief, any actual, perceived or potential conflicts between any duties at Council and my private and or business interests have been fully disclosed in this form in accordance with the Conflicts of Interest policy. I acknowledge, and agree to comply with, any action plan created in the form for removing or managing an actual, perceived or potential conflict of interest.

Council Employee signature	
Date	

Section Four: Management declaration

The actions described in the above plan have been put in place to effectively manage any actual, potential or perceived conflict of interest disclosed. The action plan ensures that the Council's interests and reputation is adequately protected.

Manager	
Date	

FLOWCHART – MANAGING PECUNIARY AND NON-PECUNIARY



INTERESTS (FOR COUNCILLORS)

This flowchart provides councillors with guidance when making decisions about private interest that may conflict with their public duty.

This flowchart should be used in conjunction with the following authoritative sources of information on these matters:

- the *Local Government Act* (2002)
- the *Local Authorities (Members' Interests) Act* (1968) ('the Act')
- the *Local Government Official Information and Meetings Act* (1987)
- the *Crimes Act* (1961)
- the ICC *Code of Conduct* for councillors.

If a councillor is uncertain about a specific matter or decision, they should seek further guidance from the:

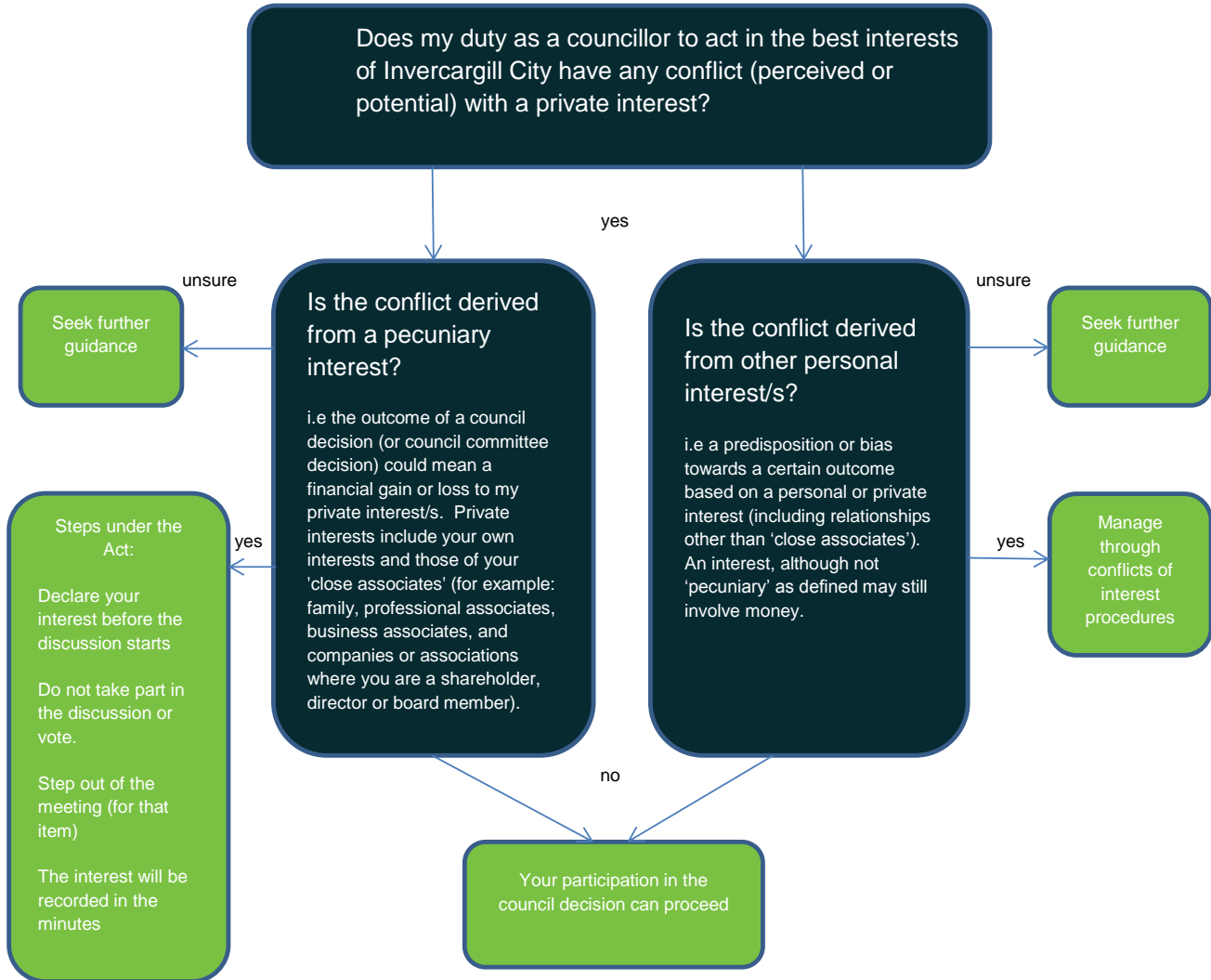
- Mayor;
- Chief Executive; and/or
- ????

Further specific guidance on pecuniary interest is available in [Guidance for members of local authorities about the Local Authorities \(Members' interests\) Act 1968](#) and [Guidance for members of local authorities about the law on conflicts of interest](#)

FLOWCHART – MANAGING PECUNIARY AND NON-PECUNIARY

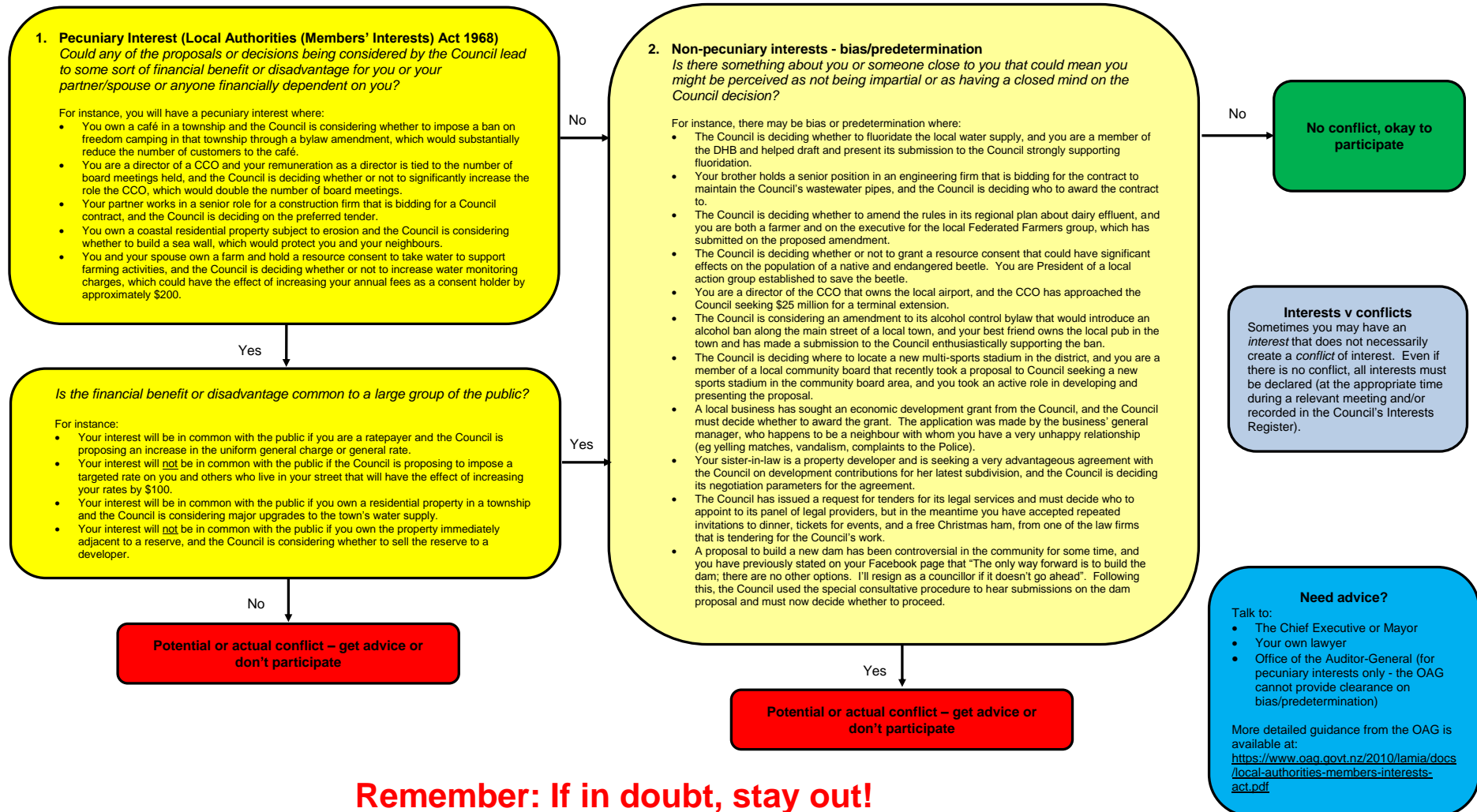


INTERESTS (FOR COUNCILLORS)



CONFLICTS OF INTEREST

Before you participate in any Council decision, check you don't have a pecuniary interest and that there is no bias or predetermination.



Remember: If in doubt, stay out!

Disclaimer: This document provides general guidance only and should not be relied on as legal advice. The scenarios provided are just examples and not an exhaustive list of all possible situations. If you need advice on a specific situation, please see the "Need Advice" box.