

## PART ONE - E&CCT RISK MANAGEMENT ASSESSMENT FORM

Risk #	Identified Risk	Likelihood	Significance	Staff/People	Existing Controls	Controls Assessment	Risk Response
	<b>INVESTMENTS</b>	refer to "Appendix A - Risk management policy" in the current Statement of Investment Policies and Objectives (SIPO)					Identified as higher risk presently.
1	Equity Crash or prolonged period of negative returns	Medium	Significant	Trustees/General Manager/Advisor	Reserving policy, asset allocation, diversification & monitored monthly.	Global financial news & monthly Mngmt Reports very transparent.	Readdress SIPO, investment strategy, cashflows, expenditure budgets, donation distributions, call special meeting, etc..
2	Global or local failure of financial markets	High	Significant	Trustees/General Manager/Advisor	Monthly reporting. Diversification of assets.	Global financial news & monthly Mngmt Reports very transparent.	Trustees have policy for individual Trustees to call a Special Meeting. Readdress SIPO, investment strategy etc as above.
3	Currency Fluctuations	High	Significant	Executive/Trustees General Manager/Advisor	Currency Policy & FX rates monitored & reviewed monthly.	Monitored monthly by Executive - permanent item on the agenda. Controls sound although current FX rates abnormal (mean reversion?).	Bonds 100% hedged, equities 50% hedged but fluctuating. Exposure to currency appreciation on approximately NZ\$65m to \$80m. Currency policy defined in SIPO.
4	Poor Fund Manager Performance	Medium	Medium	Fund Managers/ Financial Advisor/ Trustees	High proportion of investments in passive index funds. Annual Fund Manager Presentations. Performance reviewed monthly. Diversified amongst managers and assets.	Diversification of assets maintained close to benchmarks. Preference for passive over active assets. Performance over short and longer terms reported.	Monthly, quarterly and annual reviews. MCA recommendations. Change manager or change mandate. Take advice on alternative investments that arise.
5	Poor performance & advice from Financial Advisor	Low	Significant	Trustees/General Manager/ Financial Advisor	Peer reviewed every five years.	Actual v Benchmark performance monitored monthly.	Advise and monitor. Replace the financial advisor if necessary.
6	Fund Manager not adhering to fund mandate or not holding a satisfactory internal controls assurance report	Low	Medium	Fund Managers/ General Manager/ Financial Advisor	Mandates provided to fund managers at appointment. Monitored monthly by Financial Advisor, General Manager & Trustees. Annual checks on Internal Controls of Fund Managers to be reported when concern or annually to the May Audit & Risk Meeting	Mandates are very clear and applied as stated. Latest Internal Controls Assurance Reports for PIMCO, Elevation Capital & Forsyth Barr signed off at Sept Audit & Risk Meeting.	Advise and monitor. Replace the fund manager. Seek compensation from Fund Manager if losses occur. General Manager and/or Financial Advisor to advise the Board immediately of any concerns regarding internal controls.
7	Reporting errors in fund manager reports	Medium	Medium	Fund Managers/ General Manager/ Financial Advisor	Monitored monthly by Financial Advisor, General Manager & Trustees.	Reconciled each month by General Manager and MCA. Process works well.	Advise fund manager and monitor.
8	Nil donation reserves	Medium	Significant	Trustees	Monitored monthly by Trustees from Monthly Mngmt Report.	Donation reserves under pressure at times (i.e. reserves < 5%)	Cease donations or continue on the premise that investment markets will correct over the long term.
9	Incorrect accounting procedures	Low	Low	General Manager/ Trustees/ Auditor	Monitored monthly. Full fund manager reports provided to Trustees on a monthly basis.	Annual sign off by Auditor confirms all is in order.	Interim and full year reviews by Auditor. Correct methodology in creating GL entries.

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	<div><b>DONATIONS</b></div> refer to Donations Policy						
10	Misappropriation of a Donation	Low	Significant	Staff/Trustees	Accountability audit process on all special donations and random selection of standards.	Controls work well. Some not abiding to Client Agreement by not placing donation as separate entry in Annual Accounts.	Trust to request return of all funds. If fraud involved liaise with organisation and police. Stand down period for organisation.
11	Fictitious Application	Low	Unlikely	Staff/Trustees	Requirements of the application e.g. annual accounts, tax status etc.	None to date. Introduction of web portal could attract such fictitious applications.	Red alert for people involved into DMS.
12	Funds not used for the intended purpose	Medium	Significant	Staff/Trustees	Emphasised in approval letter. Accountability audits.	Controls work very well. Some cases have occurred over	Trust to request the return of all, or part of, donation. Stand down period for
13	Funding inappropriate organisations	Low	Unlikely	Staff/Trustees	Staff recommendations & full Board decision. If declaration of interest Trustee unable to promote or vote.	Requirements of application form determines assessment of suitability.	Monitor applicants at database entry time and rely on the community knowledge of Trustees and staff.
14	Donation Policy is publicly criticised	Low	Medium	Staff/Trustees	Donation Policy. Register of complaints.	Donation Policy is not made available to the community. Therefore difficult to criticise.	Address at annual donation policy review.
15	Negative donation publicity	Low	Medium	Trustees	Donation Policy. Media person to provide donation publicity on regular basis.	No negative publicity to date.	If warranted, prepare and release a media statement from the Chair.
16	Unable to pay donations	Low	Very significant	Trust Manager /Trustees	Maintain adequate funds in self-managed cash portfolio. NZ Bonds hold available cash if required. Hold reserves.	Added pressure from demand to meet hedging losses. Managed to date but any large FX changes could be challenging.	Ensure sufficient liquid funds to meet obligations. Adjust donation budgets and review asset allocation. Sell overseas equities (gain on FX fall) to meet need of hedges.
17	Donations surpass the two year timeframe to be uplifted or spent	Medium	Low	Staff/Trustees	Monthly check by General Manager on unpaid donations. Reminder letters dispatched.	Well-managed and easily applied.	Advise applicant and write back the donation. Predominantly fund when project is likely to be commenced in the short term.
18	Trustees and/or staff influence the donation process inappropriately	Low	Significant	Staff/Trustees/Chair	Staff recommendations & full Board decision. If declaration of interest Trustee unable to promote or vote on the application	Unlikely that one Trustee or a staff member could sway the majority of the Board.	Ensure the declaration of interest policy is adhere to. Trustees and staff must be above promoting applications. Trustee & staff education/training.
19	Diminishing number of Applications	Low	Medium	Donations Manager/Trustees	Numbers published monthly in Mngmt Report and reported on by Donations Manager.	Numbers being maintained although fall off expected in weak economic conditions.	Proactive advertising. Seek community concerns. Regional promotion. Review advertising. On-line applications.
	<div><b>GOVERNANCE</b></div>						
20	Poor Governance	Low	Significant	Chair/Trustees	Trust Deed, Governance Charter & Code of Conduct	Sound policies in place which are reviewed annually.	Additional Training as required.

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	<b>ADMINISTRATION</b>						
21	Trustee or staff Fraud (Refer to additional comments under Part Two - Fraud Section)	Low	Significant	General Manager	Two authorised signatories required for all payments. Funds only transferred from one account to another. Protected Disclosure Policy (Appendix 7 of Gov Charter)	Controls work very well. All cashflows and creditor payments reported monthly. Almost impossible for a Trustee to commit fraud.	Remain vigilant and maintain present controls. Report matter Police
22	Acting outside the Trust Deed	Low	Significant	General Manager /Trustees	All senior staff and Trustees are issued with a Trust Deed. Discussed at training.	Recent Trustees review suggests a refresher course.	Refresher on Trust Deed
23	Trust is negligent as a good "employer"	Low	Significant	General Manager /Trustees	Employment Contracts. Salaries reviewed annually in accordance with national trends. Senior roles assessed by Hay Group periodically.	Staff appraisals and accessibility to General Manager to discuss concerns.	Address employee concerns immediately. Attend relevant employment courses.
24	Trust fails to comply to OSH requirements	Low	Significant	General Manager	Annual Building Health check. Work not dangerous by nature.	Earthquake status of building currently under assessment.	Rectify.
25	Business Continuity - Premises affected by Fire, Flood, Earthquake, Burglary, Terrorism etc	Very Low	Very significant	Staff / Trustees	Contents Insurance etc. Risk Prevention Strategy for the computer system. Pandemic Influenza Contingency Plan	Degree of cover sufficient - broker (Aon) assessment.	Salvage records where possible. Relocate to alternative premises. Staff have the ability to work from home. Reassess insurance premiums annually. Apply Business Continuity Plan.
26	Unexpected loss of staff member, pandemic etc.	Medium	Very significant	All staff	Insurance cover on the two senior roles upon death. Ensures temporary appointment. Pandemic policy.	Timeframe set for resignations e.g. Trust Manager 3 months, other staff 1 month.	If urgent replacement required use employment agency. Apply Business Continuity Plan.
27	Inappropriate Expenditure	Low	Low	General Manager	Budget sign off by Board. Budgets set at realistic levels. Budget not adjusted during year.	Over last decade expenditure has always been under budget.	Tighter controls on expenditure. Difficult to cover for "unplanned" expenses e.g. rise in GST, increase in insurance, etc.
28	Loss of records/archives	Low	Very significant	All staff	Security Alarm/Fire alarm	E&CCT lead tenant for security.	Majority of records held in computer files.

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29	Inappropriate financial reporting	Low	Significant	Audit & Risk/ Auditor	Auditor sign off & assistance.	E&CCT Annual Accounts rated highly by BDO head office IFRS expert over recent years.	Comparison with Annual reports from the other Community Trusts. Maintain annual review by IFRS expert.
30	Inappropriate marketing	Low	Significant	Donations Manager/ Tracta/ Trustees	Marketing approved by Trustees.	Promotional Strategy review completed in March 2012.	Review the strategy
31	Loss through unauthorised expenditure/budget overrun	Low	Very significant	General Manager	Dual authorisation. Expenses reported against budgets.	To date there has not been a budget overrun on expenses.	No action required.
32	Long term unavailability of staff	Medium	Significant	All remaining staff	Sharing of roles when staff on leave. Working manuals where appropriate. Use the services of an Employment Agency.	With small staff and specialist roles this is difficult to prepare for.	Knowledge of each other's work & work collaboratively. Trialled for periods of up to 11 weeks. 1-3 months notice on contracts. Immediate training required. Staff working manuals developed. Staff back-up determined. Insurance cover exists on managers in case of sudden death.
33	Professional gaps of Trustees.	Low	Medium	Chair	Policies developed. Addressed with DIA by the Chair during appointment round. Ability to co-opt.	E&CCT has been well-served with the professional expertise required over the past. On-going policies established.	Request of Minister at appointments. Training. Seek independent advice. Maintain review process of policies. Annual Planning Reviews.
34	Staff incompetence	Low	Medium	General Manager /Trustees	Annual staff appraisals	A very competent staff.	Train, terminate, replace.
35	Inappropriate Trustee behaviour	Low	Significant	Chair	Code of Conduct Policy. Non-acceptance by fellow Trustees.	Occurs rarely - difficult to address.	Signed "Code of Conduct" by each Trustee on appointment. Encourage a screening process of new appointments (DIA?)
36	Fraud (separate section given to fraud)	Low	Significant	General Manager/Fund Managers/Trustees	Multiple checks & controls.	No evidence to date.	Minimise opportunity & minimise exposure. Audited accounts, custodial responsibility by fund managers. Internal control systems.
37	Health & Safety of Employees	Low	Medium	General Manager	Annual Building Health check. Work not dangerous by nature.	Earthquake status of building currently under assessment.	Evacuation plans. Address problems as notified.
38	Non-Statutory Compliance	Low	Significant	General Manager/Audit & Risk	Listed in Trust Deed. Annual letter to DIA & Minister.	General Manager reports annually to Trustees.	Maintain General Manager's annual report. In addition DIA do monitor.
39	Legislation Compliance	Low	Significant	Audit & Risk Committee/ Trustees	Various Acts.		Trust Deed & Community Trusts Act 1999, Trustees Act, OSH Act, Financial Reporting Act, Employment Act, etc.
40	IRD/DIA or Government interference	Low	Medium	Trustees/Tax Advisor	Chairs Group Meeting with DIA/Minister. Minimal contact with IRD. All records held for min of 7 years.	DIA represents the Minister. Relationship with CTs respectful.	Community Trusts Act. Maintain protocols around applicants' tax status and governance policies. Lobby DIA/Minister.

Risk #	Identified Fraud Risk	Likelihood	Significance	Staff/People	Existing Controls	Controls Assessment	Risk Response
41	New Chairman and New General manager	Low	Not significant	Trustees/All Staff	Appointment of a new Chair and new General manager exposes the Trust to a lack of institutional knowledge if both leave unexpectedly	Cover and knowledge of ECCT can be provided by experienced Trustees and Staff	No action required.
42	Negative publicity	Low	Significant	Chair/Trustees	Concerns & complaints register. Brand Research 2001. Effectiveness Survey 2005.	The two research documents were both very positive and recorded high satisfaction.	Draft of Grievance Policy prepared.
	<b>IT</b>						
43	General Computer system failure	Medium	Significant	Donations Manager/TKP	Internal back ups stored off-site.	Current procedure provides adequate comfort.	Reconsider the current procedures. Apply Business Continuity Plan.
44	Te Kete Putea (DMS & FMIS failure or budget overruns)	Medium	Significant	Donations Manager & providers	TKP back ups off-site. Help Desk. Governance role with Chairs Group. Directors appointed.	The inevitable budget over run. Enabling support under pressure - Helpdesk training for portal.	TKP Help Desk & Enabling. Also involved closely will be the four elected Directors and the appointed Management Group. Apply Business Continuity Plan.

## PART TWO - E&CCT FRAUD RISK ASSESSMENT FORM

### FINANCIAL REPORTING

#### Income

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

#### Expenses

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

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

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<b>FIXED ASSETS</b>							
58	Theft by employees	Low	Significant	All staff	Majority of assets highly visible and required daily. Asset register.	Asset Register checked annually. Trustees to be advised when assets removed from register.	Inform the Police. Dismissal.
59	Theft by others	Low	Significant	Cleaner and Security on nightly basis, other visitors, burglars.	Portable laptops (2) taken home most evenings. Safe and filing cabinets locked	Asset Register check annually. Security alarm sound and monitored.	Inform the Police. Readdress security measures - continue to ensure the premises are locked each evening.
<b>DONATIONS</b>							
60	Fictitious applications by staff	Low	Significant	Staff	Deposit slip, financials, legal & tax status etc. Staff recommendation part of process. Sign off by Donations Manager & Trustees	Applications only submitted to the Board once all information is received	Staff dismissal.
61	Collusion between a staff member and a Trustee	Low	Significant	Staff & Trustee	Sign off of application by Trustees at Trust Meeting and two authorised signatories at payment time.	Meeting outcomes checked by three staff members and payment approval by two.	Dismissal of staff member and enforced retirement of Trustee.
62	Collusion between two staff members	Low	Significant	Two staff members	Sign off of application by Trustees at Trust Meeting and two authorised signatories at payment time.	Meeting outcomes checked by three staff members and payment approval by two.	Dismissal of staff members involved.

#### **CHANGES SINCE LAST REVIEW**

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

#### **DATE OF CHANGE**

Reference to Credit Card usage by Management

13th November 2014

Last Board Review - Audit & Risk Committee Meeting:

27th November 2014

Last updated and approved by Board:

27th July 2014

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