



# GOV AUDITS POLICY



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QBE INSURANCE (INTERNATIONAL) LTD  
A Member of the QBE Insurance Group - Incorporated in N.S.W., Australia. A.B.N. 11 000 000 948



international underwriting  
agencies ltd



# GOV AUDITS POLICY

In consideration of the payment of the Premium to QBE Insurance (International) Limited (“QBE”) and in reliance on the written proposal, declaration and any other underwriting information provided, which shall be deemed to be incorporated into and to be the basis of this Policy, QBE will indemnify the Insured as follows.

## YOUR COVER

The Policy covers Audits on Returns where the Audits first occur, and are notified to Us, during the Period of Insurance.

In consideration of the insured party being listed in the Insured Listing and the relevant Premium having been paid, We agree to pay for Professional Fees reasonably and properly incurred, up to the Limit of Liability as represented in the Insured Listings, in connection with assisting in responding to or defending an Audit of a Return lodged with a government agency.

The words ‘first occur, and are notified to Us’ means that, if during the Period of Insurance, You first become aware of an Audit and You notify Us during or within 30 days after the Period of Insurance, then We will acknowledge that a claim has been lodged with Us. On the other hand, if You first become aware of an Audit and You don’t notify Us during or within 30 days after the Period of Insurance, then there is no claim under this Policy.

In addition, if a claim occurs and was not notified to Us during the last Period of Insurance and the policyholder has renewed their Policy with Us and the specific client being audited has been re-listed as an insured party for a further 12 months, We will accept the claim and settle 75% of the Professional Fees being claimed.

Cover does not apply to anything which, prior to the insured party being listed on the Insured Listing, You or the insured party knew, or ought reasonably to have known, was likely to give rise to a claim under this Policy.

## INSURED PARTIES

Where Your clients participate in Your audit management service and You wish to be compensated by this Policy, Your clients need to be listed as an insured party on the Insured Listing and reported to Us on a monthly basis together with the relevant Premium.

Fees/Premium changes will be advised to You from time to time and displayed at [www.govaudits.co.nz](http://www.govaudits.co.nz)

Insured parties will be insured for a period of 12 months (i.e. Period of Insurance) from the month of their details appearing on the Insured Listing. At the end of 12 months, insurance ceases for each insured party and they need to further participate in Your audit management service to be re-listed again to ensure continuation of cover for a further 12 months.

It is important to note that this Policy does not cover the costs of responding to Audits of any insured party unless the Policy is current and the insured party is listed on the Insured Listing and We have received payment of the Premium.

## CONDUCT OF AN AUDIT

The insured party must assist You or any other professional You may engage on their behalf to provide any information and documentation reasonably required for the management and payment of claims under this Policy.

You must take all reasonable action, including the utilisation of relevant staff for the work to be undertaken and apply standard hourly rates, so that Professional Fees incurred are fair and reasonable for the type of Audit being managed.

We shall be entitled to obtain any information, report, document or advice relating to the Audit from You, the insured party or any government agency, subject however, to Your or the insured party’s right to refuse to agree on the grounds that to do so might prejudice Your or their interest in any litigation subsequent to the Audit or the information or documents are deemed sensitive information and are not relevant to assessing and administering a claim.

## DEFINITIONS

In this Policy, including any endorsements, unless specifically stated to the contrary:

1. **“Annual Audit Management Service Fee”** means:  
the annual fee or premium Your clients pay to acquire audit protection against Audits they are exposed to.



2. **“Audit”** means:

any form of inquiry, investigation, review or audit (including record keeping or record retention) in respect of a Return that is initiated by a government agency duly authorised to conduct this form of activity.

This definition does not include:

- (a) any form of activity involving a review relevant to maintaining industry status, licence, membership, any form of occupational health and safety type compliance, similar requirements, or
- (b) any form of activity involving a review of how the professional firm assisting the insured party undertakes its professional duties, or
- (c) any form of practice or procedural Audit of any of Your files or those of the insured party, or
- (d) any activity involving a government agency gathering information or data that is not part of an Audit, or
- (e) any activity involved in the familiarisation, education, training, application, implementation, process or operation of any amendments or changes to existing, or the introduction of new, government or industry regulation.

3. **“Insured Listing”** means:

the monthly listing compiled that details those clients whom have sought Your audit management service and are listed on the monthly listing as an individual, Loss Acquiring Qualifying Company, trust, a sole trader, business or operating entity or any other form of tax or duty payer. With respect to a business or operating entity, audit management service extends to all entities within a common majority ownership (50% or more) structure unless these related entities are separately listed. We will automatically cover any additional business or operating entities acquired during the Period of Insurance, however, the existing Limit of Liability will remain the same. Otherwise the acquired entities have to be listed and a separate Limit of Liability applied.

4. **“Insured Party”** means:

those parties whose Returns You wish to cover for audit management service under this Policy and are listed on the Insured Listing as an individual, individual with an investment portfolio or rental properties, Loss Acquiring Qualifying Company, trust, business or operating entity. With respect to a business or operating entity, cover extends to all entities within a common majority (50% or more) ownership structure unless the various entities wish to be separately listed.

5. **“Limit of Liability”** means:

the maximum amount payable for all claims that relate to the listed insured during the Period of Insurance regardless of the number of claims. The maximum amount is that amount declared in the Insured Listings.

6. **“Notification Date”** means:

the date when You or Your representative were first made aware of a potential Audit, either verbally or in writing.

7. **“Period of Insurance”** means:

the twelve (12) month period from the date the insured party is listed on the Insured Listing.

8. **“Policy Schedule”** means:

the schedule of insurance or any endorsement schedule We give You.

9. **“Premium”** means:

the prescribed amount and includes GST and any administration fee.

10. **“Professional Fees”** means:

reasonably incurred fees, costs and expenses of a practising accountant or any other professional You may need to engage such as a qualified advisor, solicitor, lawyer or other professional and disbursement costs. Professional Fees does not include Professional Fees to complete relevant Returns, questionnaires or documents required by a government agency that the insured party would ordinarily be required to complete and supply or costs, associated with the reconstruction or rewriting of the insured party's records required for the purpose of the Audit.

11. **“Return”** means:

any return legally required to be and actually lodged with a government agency.

12. **“Territorial Limits”** means:

New Zealand

13. **“We”, “Our”, or “Us”** means:

QBE Insurance (International) Limited

14. **“You” or “Your”** means:

the person(s), companies or firms named as the holder of the Policy on the current Policy Schedule.



## EXCLUSIONS

We shall not be liable to make any payment:

1. in respect of Returns lodged where the Insured Party is seeking a refund of tax or duty that involves further substantiation between the Insured Party and the relevant government agency. This exclusion doesn't apply where the relevant government agency submits the insured party to an official review or Audit
2. in respect of any Audit where a Return has been prepared, lodged or submitted dishonestly or fraudulently
3. in respect of any Audit where the culpable behaviour of the insured party is assessed by the government agency as a case of deliberate evasion or recklessness
4. for Professional Fees that are:
  - (a) associated with any criminal prosecution
  - (b) associated with any Return lodged outside the Territorial Limits, or
  - (c) for any Return lodged more than three months outside the lodgement date prescribed or the date prescribed in an authorised extension of time for lodgement, approved in writing by the relevant government agency.
5. for any amounts payable pursuant to an amended notice of assessment or adjustment including but not limited to any additional tax, duty, government impost or similar payments
6. for any fine or penalty imposed
7. in respect of a fraudulent claim
8. for a claim arising from any:
  - (a) circumstances known prior to You or the insured party with a Notification Date prior to the insured party being listed on the Insured Listing, or
  - (b) verbal or written notice of an impending Audit given to You or the insured party prior to the insured party being listed on the Insured Listing
9. in respect of any Audit of that part of a Return that includes a deduction, rebate or claim for tax or duty relief arising out of a mass marketed arrangement adopted for the principal purpose of obtaining that deduction, rebate or claim for tax relief, unless the mass marketed arrangement has received a prior product ruling from the relevant government agency.
10. for any costs incurred for any legal action taken against the insured party
11. for any costs incurred for any legal action instituted by the insured party
12. for any Audits of Returns where the insured party has entered into any form of administration or receivership, liquidation, insolvency, winding up or similar process or is deemed to be insolvent under New Zealand legislation.
13. for any actual or alleged liability whatsoever for any claim or claims in respect of loss or losses directly or indirectly arising out of, resulting from, or in consequence of asbestos in whatsoever form or quantity.

Note that this Policy excludes loss, damage, destruction, death, injury, illness, liability, cost or expense of any nature directly or indirectly caused by, contributed to by, resulting from, arising out of or in connection with any of the following, regardless of any other cause or event contributing concurrently or in any other sequence to the loss:

14. War, invasion, acts of foreign enemies, hostilities or war-like operations (whether war be declared or not), civil war, rebellion, revolution, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power, or
15. Any act(s) of Terrorism

For the purpose of this exclusion, an act of terrorism includes any act, or preparation in respect of action, or threat of action designed to influence the government de jure or de facto of any nation or any political division thereof, or in pursuit of political, religious, ideological or similar purposes to intimidate the public or a section of the public of any nation by any person or group(s) of persons whether acting alone or on behalf of or in connection with any organisation(s) or government(s) de jure or de facto, and which:

- involves violence against one or more persons, or
- involves damage to property, or
- endangers life other than that of the person committing the action, or
- creates a risk to health or safety of the public or a section of the public, or
- is designed to interfere with or to disrupt an electronic system.



16. Radioactivity or the use, existence or escape of any nuclear fuel, nuclear material, or nuclear waste or action of nuclear fission or fusion.
17. Any actual or alleged liability whatsoever for any claim or claims in respect of loss or losses directly or indirectly arising out of, resulting from, or in consequence of asbestos in whatsoever form or quantity.

This Policy also excludes any loss, destruction, damage, death, injury, illness, liability, cost or expense of any nature directly or indirectly caused by, contributed to by, resulting from or arising out of or in connection with any action taken in controlling, preventing, suppressing, retaliating against, or responding to or in any way relating to 14, 15, 16 or 17 above.

## CONDITIONS

### 1. Changes to information previously advised

You must tell Us as soon as possible if circumstances occur, or if changes or alterations are intended or made which increase the risk of loss, damage or injury.

### 2. Changing Your Policy

If You want to make a change to this Policy, the change becomes effective when:

- We agree to it, and
- We give You a new Policy Schedule detailing the change.

### 3. GST

Where, upon receiving any indemnity payment under this Policy, You are liable to pay tax under section 5 (13) of the Goods and Services Act 1985 (or any statutory amendment or re-enactment of the section or Act) and/or under the equivalent legislation in any other jurisdiction specified in the Schedule, QBE will indemnify the Insured for the amount of that tax. The indemnity under this clause is payable by QBE in addition to the Limit of Indemnity.

### 4. Notices

Any notice We give You will be in writing, and it will be effective:

- if it is delivered to You personally, or
- if it is delivered or posted to Your address last known to Us.

It is important for You to tell Us of any change of address as soon as possible.

### 5. Our right of recovery

If You have agreed not to seek compensation from another person who is liable to compensate You for any loss, damage or liability which is covered by this Policy, We will not cover You under this Policy for that loss, damage or liability.

### 6. Termination

This Policy has been issued without any insured parties being listed or any Premiums having been paid. The Policy remains in force until such times as We terminate. We may terminate immediately if You or Your representatives:

- breach the duty of utmost good faith
- breach a provision of the Policy
- fail to maintain and subsequently correct after reasonable written warning from Us, proper records of those clients wishing to be insured parties
- fail to pay to Us the appropriate Premiums
- make a fraudulent claim under any policy of insurance
- take financial advantage of the insurance protection provided under this Policy by inflating Professional Fees either by unsupported hours or utilising proper staff resources
- engage in any act or omission which under the Policy You are required to notify Us of but which You do not notify Us of, or
- engage in any act or omission that under the terms of this Policy authorises Us to refuse to pay a claim either in whole or in part.

We may terminate by giving 90 days notice if We no longer wish to underwrite this type of insurance.

If We terminate, We will give You a notice in writing to Your address last known to Us.



**WHAT YOU MUST DO WHEN YOU HAVE A GOV AUDITS POLICY**

You must:

- use Your best endeavours and give due consideration to compliance with the various legislation, procedures or guidelines issued by the relevant government authority or agency
- fully comply with all legal requirements in respect of the proper maintenance of records, books and other documents common for Your profession
- use Your best endeavours to properly respond to any Audit being undertaken against any insured party
- ensure that You and the Insured Party assist Us to settle any claim in a timely manner, and
- tell Us of any other insurance You have that may also cover claims under this Policy.

**CLAIMS CONDITIONS**

**1. Notification**

You must:

- (a) give written notice that an Audit is to be conducted by a government agency within one month of being advised. The written notice must be the completed claims advice form and include a copy of the notice from the government agency that clearly identifies the type of Audit to be conducted, or
- (b) where an Audit has commenced in the absence of any notification document being issued by the government agency, for e.g. upon a visit by an officer of a relevant authority, provide Us with a letter signed by You verifying that an Audit has in fact commenced, including details of the date of the first visit by the officer of the government agency, together with the officer’s full name, title and telephone contact details.

Address for Notification

International Underwriting Agencies Ltd  
PO Box 7238  
Wellesley Street  
Auckland

Ph: (09) 914 6440

Email: [iua@iua.co.nz](mailto:iua@iua.co.nz)

**2. Claims Submissions**

You must submit claims documentation for assessment by Us as follows:

- (a) a completed claims advice form
- (b) where the government agency has issued a document notifying or informing the Insured Party of the commencement of an Audit, a copy of that document
- (c) a Tax Invoice in the name of:

QBE Insurance (International) Limited  
PO Box 44  
Auckland

and provide a copy

- (d) where You engage other professionals, they must invoice You and You include their fees in Your Tax Invoice and have them provide details as outlined in (e) below
- (e) where over \$1,000, a detailed breakdown of the Professional Fees incurred identifying partners and employees involved; work undertaken; the number of hours involved; the hourly rate; the total of disbursement costs and the total of Professional Fees incurred (typically this information is contained in standard ‘work in progress’ reports)
- (f) proof of lodgement dates that relevant Returns were lodged with the government agency
- (g) final written confirmation from the relevant government authority or agency advising that the Audit has been finalised.



### 3. Claims Payments

When We pay a claim We will make any payment to You.

Most Audits are completed within a short period, thus the final payment is submitted as part of the initial claim. Where the Audit continues over an extended period, We will make progress payments, however, You will be required to acknowledge, in writing, that should the claim be ultimately rejected because of the application of an 'Exclusion' You must repay Us any amounts already paid.

#### What We do

We may take over and conduct the defence or settlement of any claim or issue legal proceedings for damages. If We do this We will do it in Your name. We have full discretion in the conduct of any legal proceedings and in the settlement of any claim. You must co-operate by giving Us any statements, documents or assistance We require. This may include giving evidence in any legal proceedings.

#### What can affect a claim

We may refuse to pay a claim if You are in breach of Your Duty of Disclosure or any of the conditions of this Policy, including any endorsements noted on or attached to the Policy Schedule. We pay only once for loss or damage from the same event covered by this Policy. We may be entitled to refuse to pay or to reduce the amount of a claim if:

- it is in any way fraudulent, or
- any fraudulent means or devices are used by You or anyone acting on Your behalf to obtain any benefits under this Policy,
- Professional Fees incurred where the amount of any amended assessment issued by a relevant government agency is greater than 25%. Large amended assessments tend to indicate that there has not been complete disclosure at time of lodgement or Audit and that additional Professional Fees have been incurred to manage the issue.