

**Audit, Finance & Risk Committee  
22 February 2018**

**Report for Agenda Item 2**

**Department: Finance & Regulatory**

**Sensitive Expenditure**

**Purpose**

The purpose of this report is to describe the steps taken to assess sensitive expenditure against delegations and policy, and to report any anomalies, including transactions outside of delegated authority or information indicating theft, fraud or misuse of QLDC property.

**Recommendation**

That the Audit, Finance & Risk Committee:

1. **Note** the contents of this report.

Prepared by:



Lyn Zeederberg  
Financial Controller  
8 February 2018

Reviewed and Authorised by:



Stewart Burns  
General Manager, Regulatory & Finance  
13 February 2018

## Background

- 1 The current sensitive expenditure policy took effect from November 2014. At the February 2015 Committee meeting, the Chair requested updates against the following sensitive expenditure categories:
  - Chief Executive's exercise of delegated powers;
  - Gift register;
  - Hospitality register;
  - Travel register;
  - Purchase card audit;
  - New contracts;
  - Infrastructure consultant spend; and
  - Employee benefits.
- 2 At the March 2016 Committee meeting, a request was made to perform a review of one-up approvals looking randomly at purchase orders and the authorisation levels.

## Comment

- 3 The following assessments have been made for sensitive expenditure over the period from 1 November 2017 to 31 January 2018:
- 4 **Chief Executive's exercise of delegated powers:** No anomalies noted; all transactions were within delegated authority.
- 5 **Gift register:** The register was reviewed with no significant anomalies noted.
- 6 **Hospitality register:** The register was reviewed with no significant anomalies noted.
- 7 **Travel register:** The travel register was reviewed and no significant anomalies were found.
- 8 **Purchase card audit:** There were 494 purchases made totalling \$56,265 with an average spend of \$113.90 per transaction (previous report: \$141.83 per transaction).
- 9 As at 31 January 2018, 38 active cards were on issue with a combined card limit of \$77,500 (31 October 2017: 38 active cards with a combined card limit of \$77,500). Two new cards were issued to staff members due to staff changes; two cards were deactivated as the staff members left QLDC; transaction limits were increased for three cardholders as required by the nature of their roles.
- 10 All new cardholders received individual training prior to obtaining their pcard. This included an overview of the Sensitive Expenditure Policy and other relevant policies. One item exceeding \$50 in the audit sample did not have a tax invoice attached. The staff member was requested to obtain a copy of the tax invoice. The relevant staff received further education as part of the follow up. Policies relating to sensitive expenditure will be included in the ongoing "The Way We Work" training series which is administered by Human Resources on a regular basis and

specifically when relevant policies are updated. Refer to Attachment A for further details regarding the purchase card audit.

11 **New contracts:** Refer to Attachment B for a summary of contracts created in TechnologyOne during the period from 1 November to 31 January 2018.

12 **Infrastructure consultant spend:** The value of infrastructure work undertaken during each quarter under the classifications “Engineering Consultants” and “Consultants” was as follows:

	\$'000			
	Oct–Dec17	Jul–Sep17	Apr–Jun17	Jan–Mar17
Panel members	113	55	41	78
Non-panel members	155	205	116	136
<b>Total</b>	<b>268</b>	<b>260</b>	<b>157</b>	<b>214</b>

The majority of non-panel work for the December 2017 quarter related to the following projects and firms respectively:

- Lakeview development: CBRE Ltd \$30k, Minter Ellison Rudd Watts \$13k;
- School travel programme 2017/18: Kirsty Barr \$10k, Matthew Graham \$2k;
- CCTV re-coding: Retic Manager Ltd \$19k;
- QLDC workplace strategy: Warren & Mahoney Architects Ltd \$11k;
- Programme reporting: RCP \$7k;
- Wanaka community pool: \$7k;
- Wanaka Lakefront development engineering design: Asset Management Services Ltd \$6k;
- Frankton Marina Design: Asset Management Services Ltd \$7k; and
- Ecological assessment for Glenorchy: E3Scientific Ltd \$26k.

The Property and Infrastructure Team are in the process of reviewing the structure and skills required on QLDC’s engineering panels. The required skills are being assessed against the projects in the draft 2018 Long Term Plan (“LTP”). The new panel(s) will be tendered and available to support delivery of the LTP from July 2018.

13 **Employee benefits:** No anomalies noted; all employee benefits were as per employment contracts and within budget.

14 **Purchase order audit:** A list was generated of purchase requisitions approved during the period from 1 November 2017 to 31 January 2018. All purchase requisitions were approved within the current financial delegation limits. A sample of 15 purchase requisitions was selected from transactions with travel and accommodation providers to ensure that appropriate one-up approval was obtained. All purchase requisitions were appropriately approved.

## **Options**

- 15 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002:
- 16 Option 1 The report is for noting, therefore no options are discussed.

### ***Significance and Engagement***

- 17 This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy because it is not considered to adversely affect the level of service or the manner or extent to which the Council delivers its services as no anomalies have been identified.

### ***Risk***

- 18 This matter relates to the operational risk OR014b Theft/fraud or misuse of Council property (assets, data, funds etc.), as documented in the Council's risk register. The risk is classed as low. This matter relates to this risk because implementing and monitoring controls regarding sensitive expenditure is important in maintaining transparency and public confidence in the use of public money.
- 19 The report is for noting only, however by noting this report the committee gives the public confidence that the controls used to treat the risk are effective in the reporting period.

## **Financial Implications**

- 20 As the assignment of delegated powers and the assessment of sensitive expenditure is an administrative matter, there are no budget or cost implications arising from this report. No anomalies have been identified and it is not proposed to make any significant changes to any internal practices or procedures.

## **Council Policies, Strategies and Bylaws**

- 21 The following Council policies, strategies and bylaws were considered:
- Receiving Gifts & Hospitality Policy
  - Sensitive Expenditure Policy
  - Staff Recognition for Significant Events Guideline
  - Purchasing Card Policy
  - Procurement Policy
  - Financial Delegations Register
- 22 The recommended option is consistent with the principles set out in the named policies.

## **Local Government Act 2002 Purpose Provisions**

- 23 The recommended option is consistent with the Council's plans and policies.

## **Consultation: Community Views and Preferences**

24 Consultation is not required.

## **Legal Considerations and Statutory Responsibilities**

25 This report achieves the purpose of the Local Government Act 2002 by ensuring that transactions occur in a manner that is accountable.

## **Attachments**

- A Purchase Card Audit Summary
- B Contracts Register

**Purchase Card Audit Summary**

<b>Period</b>	<b>1 November 2017 – 31 January 2018</b>	<b>Report no:</b>	<b>18</b>
Transactions			494
Audited transactions			45
Non-work related transactions			0
Transactions with process issues identified			1
Coding corrections – incorrect account and/or GST classification			76

**Preamble**

The audit process checked individual transaction details, specifically receipt information and user comments, including if products or services purchased were work related and in compliance with relevant policies. A random sample of 15 transactions per month was selected as all transactions are checked for accuracy of coding on a monthly basis. All account and/or GST coding errors are corrected as part of the month end process which is performed by the Finance team.

Transactions were classified as having either:

- a. no issue
- b. use issue
  - private
- c. process issue
  - no tax invoice for purchases > \$50
  - not in accordance with policy

The monthly review of coding identifies:

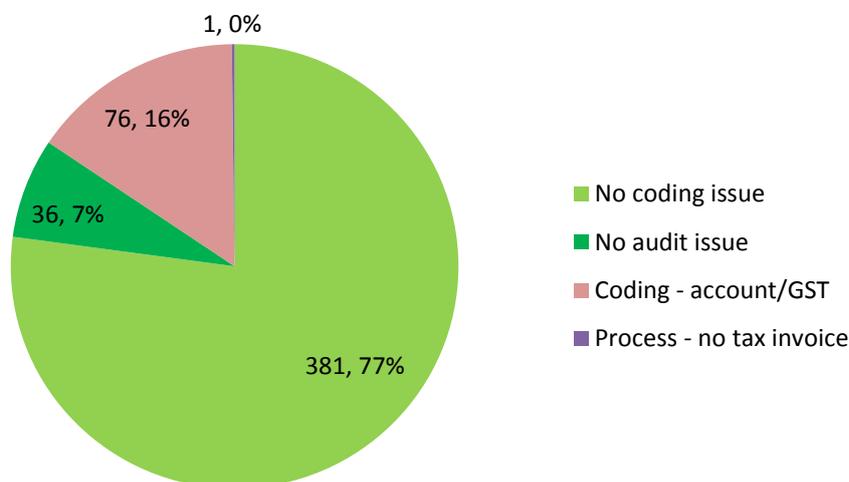
- a. GST issue; and/or
- b. account coding issue

**Results**

No significant departures from policy were noted.

Seventy six instances of an incorrect account and/or GST classification were noted during the monthly checks. These errors were corrected as part of the month end process. The error trend is higher than prior periods with twenty nine errors relating to GST where purchases with zero GST were processed with 15% GST. Pcardholders and approving managers are notified of the errors and further training is provided to pcardholders if errors occur on a regular basis.

**Figure 1: Overview of Audit Results**



**CONTRACTS REGISTER**

**Period: 1 November 2017 - 31 January 2018**

**New contracts created in TechOne**

<b>Contract Create Date</b>	<b>Contract Number</b>	<b>Contract Description</b>	<b>Contractor</b>	<b>Approved Contract Value</b>	<b>Expected Start Date</b>	<b>Expected Finish Date</b>
15/11/2017	000204	CT 17-015 Tracks and Trails	Asplundh Tree Expert Ltd	1,366,911.95	1/10/2017	30/09/2022