

**Audit, Finance & Risk Committee
13 June 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
30 May 2018

Reviewed and Authorised by:



Stewart Burns
General Manager, Regulatory & Finance
30 May 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 February to 30 April 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 355 purchases made totalling \$40,934 with an average spend of \$115.31 per transaction (previous report: \$113.90 per transaction). Refer to Attachment A for a summary of the purchase card audit. No significant issues were noted.
- 9 As at 30 April 2018, 41 active cards were on issue with a combined card limit of \$80,001 (31 January 2018: 38 active cards with a combined card limit of \$77,500). 7 new cards were issued to staff members due to staff changes and/or business needs; 3 cards were deactivated as the staff members left QLDC; 1 card was deactivated following a change in role; the transaction limit was reduced to \$1 for 1 cardholder whilst they are on parental leave.
- 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. 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.
- 11 **New contracts:** Refer to Attachment B for a summary of contracts created in TechnologyOne during the period from 1 February to 30 April 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			
	Jan–Mar18	Oct – Dec17	Jul – Sep17	Apr – Jun17
Panel members	79	113	55	41
Non-panel members	262	155	205	116
Total	341	268	260	157

- 13 The majority of non-panel work for the March 2018 quarter related to the following projects and firms respectively:
- Lakeview development: CBRE Ltd \$26k, Minter Ellison Rudd Watts \$22k, E3Scientific Ltd \$6k;
 - School travel programme 2017/18: Matthew Graham \$7k;
 - Programme reporting: RCP \$33k;
 - Shotover bores water supply system: Fluent Infrastructure Solutions Ltd \$26k;
 - Wanaka community pool: Natara Ltd \$25k; Rider Levett Bucknall Otago Ltd \$23k;
 - Wanaka lakefront development engineering design: Asset Management Services Ltd \$2k, Geosolve \$25k;
 - Frankton marina design: Asset Management Services Ltd \$6k; and
 - Ecological assessment for Glenorchy airstrip: E3Scientific Ltd \$24k.
- 14 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.
- 15 **Employee benefits:** No anomalies noted; all employee benefits were as per employment contracts and within budget.
- 16 **Purchase order audit:** The appropriate financial delegation limits were applied to the approval of all purchase requisitions generated during the period from 1 February to 30 April 2018. 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

- 17 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:
- 18 Option 1 The report is for noting, therefore no options are discussed.

Significance and Engagement

- 19 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

- 20 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.

- 21 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

- 22 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

- 23 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
- 24 The recommended option is consistent with the principles set out in the named policies.

Local Government Act 2002 Purpose Provisions

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

Consultation: Community Views and Preferences

- 26 Consultation is not required.

Legal Considerations and Statutory Responsibilities

- 27 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

Period	1 February– 30 April 2018	Report no:	19
Transactions			355
Audited transactions			45
Non-work related transactions			2
Transactions with process issues identified			2
Coding corrections – incorrect account and/or GST classification			40

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

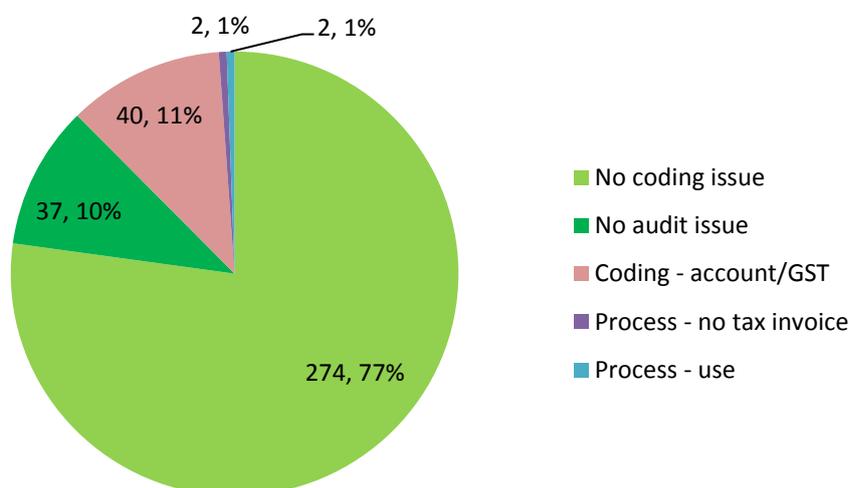
Results

No significant departures from policy were noted.

Forty 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. Pcardholders and approving managers are notified of the errors and further training is provided to pcardholders if errors occur on a regular basis.

Two transactions did not have an appropriate tax invoice attached for GST purposes. These have since been provided to Finance. Two instances of unintentional personal use occurred during the period. Staff members reimbursed QLDC in full in accordance with the required process for when this occurs.

Figure 1: Overview of Audit Results



CONTRACTS REGISTER

Period: 1 February - 30 April 2018

New contracts created in TechOne

Contract Create Date	Contract Number	Contract Description	Contractor	Approved Contract Value	Expected Start Date	Expected Finish Date
4/04/2018	000205	Shotover Delta Effluent Dispersal Field	Fulton Hogan Ltd	4,241,393.97	9/04/2018	30/08/2018
30/04/2018	000206	Thompson Street Sewer Renewal	Veolia Water	87,132.10	8/06/2018	30/09/2018
30/04/2018	000207	Kings Drive Water Main Renewal	Veolia Water	162,228.00	15/07/2018	31/10/2018
30/04/2018	000208	Project Pure Inlet Works Upgrade	Veolia Water	541,721.10	15/06/2018	31/01/2019