

**Audit, Finance & Risk Committee
4 October 2018**

Report for Agenda Item 2

Department: Finance & Regulatory

Sensitive Expenditure

Purpose

- 1 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:



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Financial Controller

24/09/2018

Reviewed and Authorised by:



Stewart Burns
GM Finance, Legal &
Regulatory

24/09/2018

Background

- 2 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.
- 3 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

- 4 The following assessments have been made for sensitive expenditure over the period from 1 May to 31 August 2018:
- 5 **Chief Executive's exercise of delegated powers:** No significant anomalies noted; all transactions were within delegated authority.
- 6 **Gift register:** The register was reviewed with no significant anomalies noted.
- 7 **Hospitality register:** One entry required written approval from the CEO however verbal approval was obtained instead. No other departures from policy were noted.
- 8 **Travel register:** Six entries on the travel register did not indicate the name of the approving manager. Relevant staff have been reminded that manager names be recorded in order to demonstrate compliance with the Sensitive Expenditure policy. All entries related to travel for an appropriate business purpose so the anomalies were only procedural in nature.
- 9 **Purchase card audit:** There were 638 purchases made totalling \$74,915 with an average spend of \$117.42 per transaction (previous report: \$115.31 per transaction). Refer to attachment A for a summary of the purchase card audit. No significant issues were noted.
- 10 As at 31 August 2018, 46 active cards were on issue with a combined card limit of \$88,002 (30 April 2018: 41 active cards with a combined card limit of \$80,001). 9 new cards were issued to staff members due to staff changes and/or business needs; 1 card was deactivated following a change in role; 2 cards were deactivated as the staff members left QLDC; 1 card was deactivated following a change in business requirement; the transaction limit was reduced to \$1 for one cardholder whilst they are on parental leave.

- 11 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.
- 12 The Sensitive Expenditure Policy has been revised and has been reviewed by the HR Steering Committee. The revised policy will be submitted to the Executive Leadership Team for approval during October 2018. Amendments are mainly around the process for approval of sensitive expenditure items for the CE and Mayor.
- 13 **New contracts:** Refer to attachment B for a summary of contracts created in TechnologyOne during the period from 1 May to 31 August 2018.
- 14 **Infrastructure consultant spend:** The value of infrastructure work undertaken during each quarter under the classifications “Engineering Consultants” and “Consultants” was as follows:

	\$'000			
	Apr – Jun18	Jan – Mar18	Oct – Dec17	Jul – Sep17
Panel members	61	79	113	55
Non-panel members	458	262	155	205
Total	519	341	268	260

- 15 The majority of non-panel work for the June 2018 quarter related to the following projects and firms respectively:
- Lakeview development: Minter Ellison Rudd Watts \$49k, BDO Christchurch Ltd \$23k; CBRE \$68k;
 - Programme reporting: RCP \$36k;
 - Project Connect commercial case: KPMG \$35k;
 - Shotover bores water supply system: Fluent Infrastructure Solutions Ltd \$67k;
 - Wanaka pool & recreation centre: RCP \$38k;
 - Wanaka lakefront development engineering design: Geosolve \$6k;
 - Geotechnical assessments on Glenorchy road: Geosolve \$28k; and
 - Ecological assessment for Glenorchy airstrip: E3Scientific Ltd \$17k.
- 16 The Property and Infrastructure Group has engaged ArcBlue as its strategic procurement partner. ArcBlue are working with the Property and Infrastructure Group on the development of three panels (Design, General Engineering and Capital Works). A Request for Interest (ROI)/Request for Proposal (RFP) will be released to market in October and the panel will be available to support delivery of the Ten Year Plan from late 2018. In the interim, design and physical works contracts are being released to the open market.
- 17 **Employee benefits:** No anomalies noted; all employee benefits were as per employment contracts and within budget.

18 **Purchase order audit:** The appropriate financial delegation limits were applied to the approval of all purchase requisitions generated during the period from 1 May to 31 August 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

19 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:

20 Option 1 The report is for noting, therefore no options are discussed.

Significance and Engagement

21 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

22 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.

23 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

24 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

25 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

26 The recommended option is consistent with the principles set out in the named policies.

Local Government Act 2002 Purpose Provisions

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

Consultation: Community Views and Preferences

28 Consultation is not required.

Legal Considerations and Statutory Responsibilities

29 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

Attachment A
Purchase Card Audit Summary

Period	1 May– 31 August 2018	Report no:	20
Transactions			638
Audited transactions			60
Non-work related transactions			0
Transactions with process issues identified			6
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

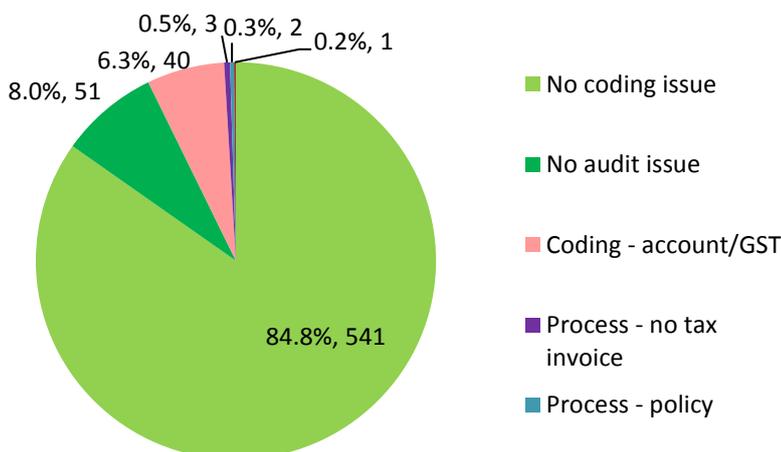
Results

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.

Three transactions did not have an appropriate tax invoice attached for GST purposes. Pcardholders have been requested to provide these to Finance. One transaction was charged incorrectly due to a transposition error. The impact is \$18 so no further action is being taken. Two instances of unintentional self-approval occurred during the period. The Knowledge Management team will be implementing the full workflow process for pcards during the 2018/19 financial year which will prevent pcardholders from approving their own transactions in the system.

Figure 1: Overview of Audit Results



CONTRACTS REGISTER

Period: 1 May - 31 August 2018

New contracts created in TechOne

Contract Create Date	Contract Number	Contract Description	Contractor	Approved Contract Value	Expected Start Date	Expected Finish Date
16/05/2018	000209	C18-010 - Threepwood Stormwater Improvements	Civil Construction	586,569.48	16/05/2018	17/08/2018
16/05/2018	000210	CT 18-005 Open Spaces Management and Maintenance	Recreational Services Ltd	1,666,336.65	1/04/2018	30/06/2022
14/06/2018	000211	Coronet Forest Harvest	PF Olsen Ltd	275,176.00	1/05/2018	30/06/2020
9/07/2018	000212	Project Management Services 18/19 AP Pipeline Projects	Resource Co-ordination Partnership Ltd	350,000.00	1/07/2018	30/06/2019
1/08/2018	000232	C18 - 003 Queenstown Gardens Commemorative Playspace	John Fillmore Contracting Ltd	551,311.99	9/07/2018	22/10/2018
13/08/2018	000235	C-17-010 Cartage of Sludge to kings Bend	SJ Allen Wakatipu 2000 Ltd	350,000.00	1/07/2018	30/06/2019
21/08/2018	000241	CT 18-005 Open Spaces Management and Maintenance	Recreational Services Ltd	2,749,488.86	1/04/2018	30/06/2022