

**Audit, Finance & Risk Committee
13 December 2017**

Report for Agenda Item 4

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:



Lyn Zeederberg
Financial Controller

29/11/2017

Reviewed and Authorised by:



Stewart Burns
Chief Financial Officer

29/11/2017

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 September 2017 to 31 October 2017:
- 5 **Chief Executive's exercise of delegated powers:** No anomalies noted; all transactions were within delegated authority.
- 6 **Gift register:** The register was reviewed with no anomalies noted.
- 7 **Hospitality register:** The register was reviewed with no significant anomalies noted.
- 8 **Travel register:** The travel register was reviewed and no significant anomalies were found.
- 9 **Purchase card audit:** There were 286 purchases made totalling \$40,563 with an average spend of \$141.83 per transaction (previous report: \$113.08 per transaction).
- 10 As at 31 October 2017, 38 active cards were on issue with a combined card limit of \$77,500 (31 August 2017: 36 active cards with a combined card limit of \$75,500). 3 new cards were issued to staff members due to staff and role changes; 1 card was deactivated as the staff member left QLDC.
- 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. Two items in the audit sample did not have a tax invoice attached. Staff were requested to obtain copies of these tax invoices. 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.

12 **New contracts:** Refer to attachment B for a summary of contracts created in TechnologyOne during the period from 1 September to 31 October 2017.

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

	\$'000			
	Jul – Sep17	Apr – Jun17	Jan – Mar17	Oct – Dec16
Panel members	55	41	78	80
Non-panel members	205	116	136	102
Total	260	157	214	182

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

- Lakeview development: CBRE Ltd \$63k, RCP \$23k, Colliers \$13k, WT Partnership \$7k, Minter Ellison Rudd Watts \$1k;
- Eastern Access Road: Coffey Services (NZ) Ltd \$31k;
- Cardona WW & WS strategic review: Fluent Infrastructure \$12k;
- Wanaka Lakefront development engineering design: Asset Management Services Ltd \$9k;
- Additional ERP modules: TechnologyOne \$8k; and
- Hanley Downs Wastewater: Beca Ltd \$6k.

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

15 **Purchase order audit:** A list was generated of purchase requisitions approved during the period from 1 September to 31 October 2017. All purchase requisitions were approved within the current financial delegation limits. A random sample of 15 purchase requisitions was selected from transactions with travel and accommodation providers to ensure that appropriate one-up approval was obtained. One instance was noted in relation to approval of accommodation costs for the Chief Executive. These costs were valid for business purposes. The relevant employees have been reminded of the requirement for General Manager approval when approving purchase orders for travel and accommodation relating to the Chief Executive and Mayor.

Options

16 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:

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

Significance and Engagement

- 18 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

- 19 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.
- 20 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

- 21 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

- 22 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

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

Local Government Act 2002 Purpose Provisions

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

Consultation: Community Views and Preferences

- 25 Consultation is not required.

Legal Considerations and Statutory Responsibilities

- 26 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 September – 31 October 2017	Report no:	17
Transactions			296*
Audited transactions			30
Non-work related transactions			0
Transactions with process issues identified			2
Coding corrections – incorrect account and/or GST classification			32

* 286 unique transactions with 296 lines as some transactions related to multiple cost centres for coding

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:

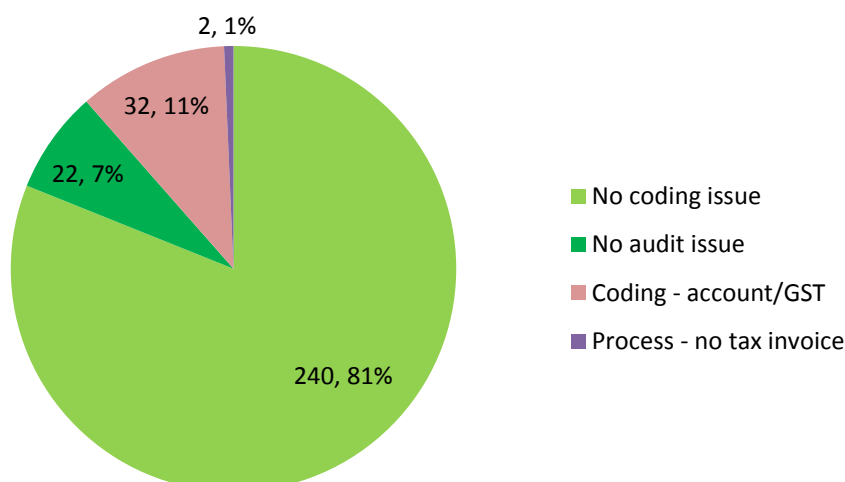
- a. GST issue; and/or
- b. account coding issue

Results

No significant departures from policy were noted.

Thirty two 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. The error trend is consistent with prior periods and is considered acceptable.

Figure 1: Overview of Audit Results



CONTRACTS REGISTER

Period: 1 September - 31 October 2017

New contracts created in TechOne

Contract Create Date	Contract Number	Contract Description	Contractor	Approved Contract Value	Expected Start Date	Expected Finish Date
11/09/2017	000200	C17-016 Management and Maintenance Services for High Profile Sites	Delta Utility Services Ltd	924,579.52	1/08/2017	30/06/2018
9/10/2017	000201	C-16-018 Andrews Rd Safety Improvements	Fulton Hogan Ltd	384,263.08	1/10/2017	8/12/2017
11/10/2017	000202	C-17-029 Mount Aspiring Road Widening – DOC Roys Peak Track	The Roding Company Ltd	503,270.88	25/09/2017	15/11/2017