

**Audit, Finance & Risk Committee
8 June 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

- 2 That the Audit, Finance & Risk Committee:
 1. **Note** the contents of this report.

Prepared by:



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Financial Controller

25/05/2017

Reviewed and Authorised by:



Mike Theelen
Chief Executive

25/05/2017

Background

- 3 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.

- 4 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

- 5 The following assessments have been made for sensitive expenditure over the period from 1 February 2017 to 30 April 2017:
- 6 **Chief Executive's exercise of delegated powers:** No anomalies noted; all transactions were within delegated authority.
- 7 **Gift register:** The register was reviewed with no significant anomalies noted.
- 8 **Hospitality register:** The register was reviewed with no significant anomalies noted.
- 9 **Travel register:** The travel register was reviewed and no significant anomalies were found.
- 10 **Purchase card audit:** There were 391 purchases made totalling approximately \$44,333 with an average spend of \$113.39 per transaction (previous report: \$104.01 per transaction).
- 11 As at 30 April 2017, 33 active cards were on issue with a combined card limit of \$68,000 (31 January 2017: 32 active cards with a combined card limit of \$69,500). 2 new cards were issued to staff members due to a staff change and role change; 1 card was deactivated as it was no longer required due to a change in role. The card was returned to Finance.
- 12 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 instances of non-compliance with policy were noted where approval by the General Manager was not evident. 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 an upcoming "The Way We Work" training series which is administered by Human Resources once all relevant policies have been fully reviewed and updated (if required). Refer to attachment A for further details regarding the purchase card audit.
- 13 **New contracts:** Refer to attachment B for a summary of contracts created in TechnologyOne during the period from 1 February to 30 April 2017.
- 14 **Infrastructure consultant spend:** The value of infrastructure work undertaken during each quarter under the classifications "Engineering Consultants" and "Consultants" was as follows:

	\$'000			
	Jan – Mar17	Oct – Dec16	Jul – Sep16	Apr – Jun16
Panel members	78	80	90	82
Non-panel members	136	102	125	154
Total	214	182	215	236

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

- Eastern Access Road: Airey Consultants Ltd \$29k;
- Cardrona Wastewater/Water Supply: Harrison Grierson Consultants Ltd \$28k;
- Wastewater condition data: Reticmanager Ltd \$22k;
- Wastewater master plan: Beca Ltd \$14k; and
- School travel programme 2016/17: Kirsty Barr \$12k.

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

17 **Purchase order audit:** A list was generated of purchase requisitions approved during the period from 1 February to 30 April 2017. All purchase requisitions were approved within the current financial delegation limits. A random sample of 15 purchase requisitions was selected from transactions with accommodation providers to ensure that appropriate one-up approval was obtained. Two instances of non-compliance were noted. The relevant managers have been reminded of the requirement for one-up approval when approving purchase orders for accommodation.

Options

18 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:

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

Significance and Engagement

20 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

21 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.

- 22 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

- 23 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

- 24 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

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

Local Government Act 2002 Purpose Provisions

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

Consultation: Community Views and Preferences

- 27 Consultation is not required.

Legal Considerations and Statutory Responsibilities

- 28 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

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Period	1 February– 30 April 2017	Report no:	15
Transactions			391
Audited transactions			45
Non-work related transactions			0
Transactions with process issues identified			4
Coding corrections – incorrect account and/or GST classification			52

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:

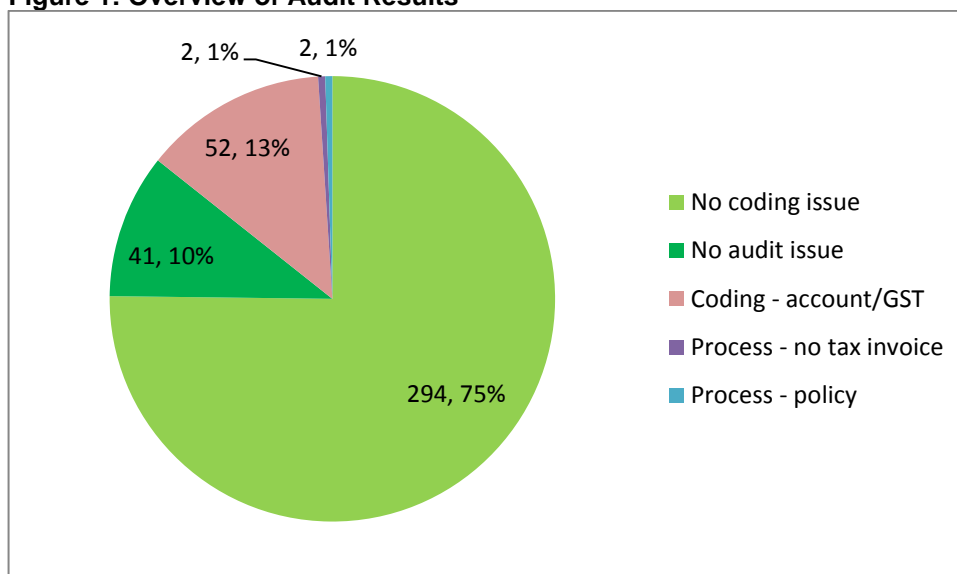
- a. GST issue; and/or
- b. account coding issue

Results

No significant departures from policy were noted.

Fifty two instances of an incorrect account and/or GST classification were noted during the monthly checks. 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 February - 30 April 2017****New contracts created in TechOne**

Contract Create Date	Contract Number	Contract Description	Contractor	Approved Contract Value	Expected Start Date	Expected Finish Date
2/03/2017	000156	C-17-012 QEC Cricket Oval Upgrade	T.I.C. Projects Ltd	604,908.25	20/02/2017	1/04/2017
14/03/2017	000158	C-17-005 QLDC Resealing Contract 16/17	Fulton Hogan Ltd	1,929,000.00	13/03/2017	30/06/2017
23/03/2017	000162	C-17-021 Dangerous Tree Removal 16/17	Asplundh Tree Expert Ltd	261,452.71	1/03/2017	31/08/2017
24/03/2017	000163	C-16-025 Anderson Road Water Main Extension	Veolia Water	525,000.00	13/03/2017	30/06/2017
24/03/2017	000164	C-17-011 Camphill Road Pavement Rehabilitation	The Roding Company Ltd	365,000.00	13/03/2017	30/06/2017
29/03/2017	000165	Lower Shotover Cemetery Spence Road Entrance	Southroads	88,807.08	14/03/2017	1/06/2017