

**Audit, Finance & Risk Committee
19 February 2019**

Report for Agenda Item: 2

Department: Finance, Legal & 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:



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5/02/2019

Reviewed and Authorised by:



Stewart Burns
General Manager, Finance,
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5/02/2019

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 to 31 December 2018:
- 4 **Chief Executive's exercise of delegated powers:** No significant anomalies noted; all transactions were within delegated authority.
- 5 **Gift register:** The register was reviewed with no anomalies noted.
- 6 **Hospitality register:** The register was reviewed with no significant anomalies noted.
- 7 **Travel register:** The register was reviewed with no anomalies noted.
- 8 **Purchase card audit:** There were 367 purchases made totalling \$40,270 with an average spend of \$109.73 per transaction (previous report: \$121.65 per transaction). Refer to **Attachment A** for a summary of the purchase card audit. All expenditure on pcards for staff Christmas functions was within the approved budget of \$25 per person.
- 9 The Knowledge Management team implemented the full workflow process for pcards in early January 2019. The improved workflow process is working well.
- 10 As at 31 December 2018, 48 active cards were on issue with a combined card limit of \$95,002 (31 October 2018: 43 active cards with a combined card limit of \$82,002). 7 new cards were issued to staff members due to staff changes and/or business needs and 2 cards were deactivated as the staff members left QLDC. The monthly card limit was increased to the standard limit for one staff member in order to meet business needs.
- 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 Sensitive Expenditure Policy: The Sensitive Expenditure Policy was adopted by Council to the extent it applies to elected members on 31 January 2018. The following additional amendments were made to the version that was reviewed by the Audit, Finance and Risk Committee in December 2018:

- a. Para 1.6 – changes to approval of sensitive expenditure with an additional approver added to facilitate staff absences (as per underlined text):
 - i. sensitive expenditure incurred by elected members to be approved by the GM Finance, Legal & Regulatory or GM Corporate Services;
 - ii. sensitive expenditure incurred by the Mayor to be approved by the GM Finance, Legal & Regulatory or GM Corporate Services;
 - iii. sensitive expenditure incurred by the Chief Executive to be approved by the Mayor or chair of the Audit, Finance and Risk Committee;

13 New contracts: Refer to attachment B for a summary of contracts created in TechnologyOne during the period from 1 November to 31 December 2018.

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

	Oct – Dec18	Jul – Sep18	\$'000 Apr – Jun18	Jan – Mar18
Panel members	66	32	61	79
Non-panel members	367	603	458	262
Total	433	635	519	341

15 The majority of non-panel work for the December 2018 quarter related to the following projects and firms respectively:

- Lakeview development: Minter Ellison Rudd Watts \$36k, Meredith Connell \$34k; RCP \$42k; Beca Ltd \$43k; Mchale Group \$12k;
- Shotover bores water supply system: Fluent Infrastructure Solutions Ltd \$52k;
- Trade waste bylaw: ZQN7 Ltd \$10k;
- WW network consents: Meredith Connell \$14k; Ryder Environmental Ltd \$11k;
- Jack Reid Park upgrade of field: RCP \$16k;
- Frankton Jetty: Dart Engineering 2006 Ltd \$11k.

16 In 2018, the Property and Infrastructure Group engaged ArcBlue to develop its strategic procurement plan. The resultant framework includes the development of three panels (3 Waters Design, 3 Waters Contract Works and Specialist Support Services (organisation wide)). A Request for Proposal (RFP) for the 3 Waters

Design Panel was released to market in November 2018 and 6 organisations have been appointed. The design panel 'kick off' meeting is scheduled for 12 February 2019 and the first 'bundled' package of design work will be released to selected panel members in late February 2019. The 3 Waters Contract Works Panel RFP was released to market on 30 November 2018 and will be available to support delivery from March 2019; the first 'bundled' package of physical works is intended to be released to selected panel members in July 2019. The Specialist Support Services Panel RFP will be released to market in early 2019 and this panel is expected to be available to support delivery of the LTP from April 2019. In the interim, Specialist Support Service contracts are being procured based on the Procurement Policy and Guidelines.

- 17 The Planning and Development Group has engaged Morrison Low to assist in the review of consultants. An initial report on options did not meet the requirements and a second proposal is being prepared for consideration.
- 18 The Legal Services Group issued an RFP for a legal services panel via GETS and received a number of responses which are currently being evaluated following the closing date of 20 December 2018. The new panel is expected to be in place by the end of March 2019.
- 19 **Employee benefits:** No anomalies noted; all employee benefits were as per employment contracts and within budget.
- 20 **Purchase order audit:** The appropriate financial delegation limits were applied to the approval of all purchase requisitions generated during the period from 1 November to 31 December 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. One purchase requisition did not meet the one-up approval requirement for an accommodation booking. The manager in question has been reminded of the policy and email approval was subsequently obtained from the relevant general manager.

Options

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

Significance and Engagement

- 22 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

- 23 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.

24 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

25 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

26 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

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

Local Government Act 2002 Purpose Provisions

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

Consultation: Community Views and Preferences

29 Consultation is not required.

Legal Considerations and Statutory Responsibilities

30 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

Period	1 November – 31 December 2018	Report no:	22
Transactions			367
Audited transactions			30
Non-work related transactions			0
Transactions with process issues identified			4
Coding corrections – incorrect account and/or GST classification			25

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:

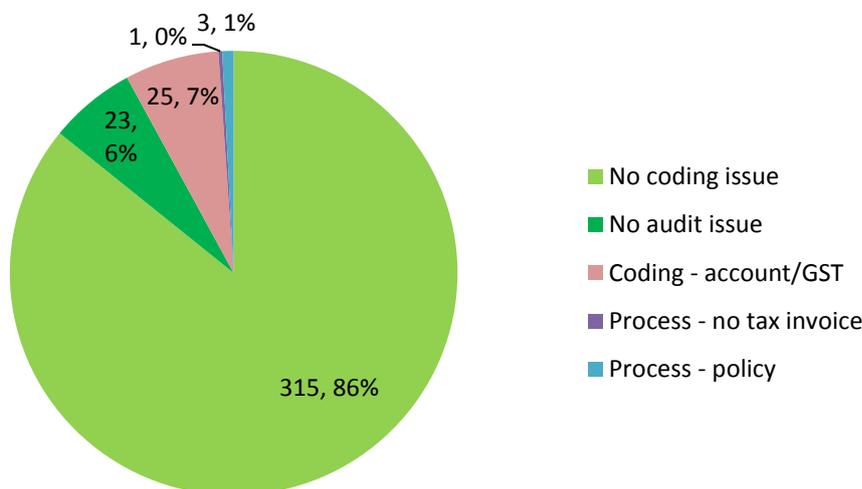
- a. GST issue; and/or
- b. account coding issue

Results

The following issues were noted:

- Twenty-five 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 with relevant explanations to minimise future errors.
- One transaction in the audit sample did not have an appropriate tax invoice attached for GST purposes. This has subsequently been provided to Finance
- Three transactions were in contravention of policy as no evidence of general manager approval was provided as part of the audit trail. The appropriate approval has subsequently been provided to Finance.

Figure 1: Overview of Audit Results



ATTACHMENT B: CONTRACTS REGISTER

Period: 1 November - 31 December 2018

New contracts created in TechOne

Contract Create Date	Contract Number	Contract Description	Contractor	Approved Contract Value	Expected Start Date	Expected Finish Date
22/11/2018	000248	C-18-025 LED Luminaire Replacement Programme 18/19	McKay Ltd	1,318,775.00	7/09/2018	7/09/2019
7/12/2018	000249	Luggate Wastewater Connection to Project Pure	Fulton Hogan Ltd	3,020,938.20	14/01/2019	12/07/2019