

**INTERNAL AUDIT/REVIEW OF SENSITIVE
EXPENDITURE FOR THE PERIOD
01 July 2017 – 31 December 2017**

1. SCOPE OF AUDIT/REVIEW

This audit/review was completed by analysing records of sensitive expenditure approved by staff in sensitive positions (those with over \$25K delegated financial authority as agreed with Audit NZ) during the last 6 months of the 2016/17 financial year. It was completed using information contained within the Electronic Purchase Order (EPO) system, claims for reimbursements through the payroll system and credit card purchases made on council credit cards.

The review looks at expenditure incurred within the categories identified in the current Sensitive Expenditure Policy updated in October 2017 being;

- Council Credit Cards
- Travel & Accommodation
- Meals/Food and Refreshments
- Entertainment & Hospitality
- Goods and Services Expenditure
- Staff Support & Welfare Expenditure
- Donations & Gifts
- Other (Miscellaneous)

2. OBSERVATIONS

2.1 Council Credit Cards

While permitted by the current policy, the Chief Executive and Mayor have not been issued with Council credit cards. The Council has only 3 credit cards issued to staff under the provisions of section 7 of the policy and the use of these cards is strictly controlled and monitored as required by the current policy. All credit card purchases are monitored and reviewed by the Group Accountant and their team to ensure that the use of credit cards is in accordance with the policy with full monthly breakdowns of credit card purchases prepared and reviewed.

During the 6 months covered by this audit/review a total of 230 transactions were made on council credit cards with 77 of these directly related purchases that fall within the definition of sensitive expenditure. The balance of 153 transactions consist of day to day business expenses such as road user charge payments, radio licenses, Facebook charges etc. which payment by credit card is the most effective way of payment.

No variations from the policy were identified.

2.2 Section 8 – Travel & Accommodation

145 case of expenditure were identified and reviewed for accommodation and travel. These consisted of 85 using the EPO system, 29 reimbursements through the payroll system and 31 were made using council credit cards and reviewed under that section.

Generally, all travel and accommodation is being booked through Customer Services with payment through the EPO system or council credit card and appears to meet the requirements of the policy.

Staff reimbursements to staff for travel & accommodation mostly related to reimbursements of taxis or shuttles and meals for staff and elected representatives while attending training courses or meetings in other towns and is generally unavoidable and acceptable. Only one reimbursement was identified where the record of prior approval was not identified. Subsequent enquiry identified that the approval had been obtained from the individual's group manager as well as the CEO.

2.3 Section 9 – Meals/Food & Refreshments

70 cases of expenditure were identified and reviewed for meals/food and refreshments. These consisted of 37 using the EPO system, 31 reimbursements through the payroll system and 2 were made using council credit cards and reviewed under that section.

By far the most common expenditures for in this category related to meals & refreshments for staff and elected representatives while attending training courses or Council business outside the district followed by light lunches and the like for day long workshops and training courses held in-house and are consistent with the policy.

5 expenditure claims were identified that did not demonstrate compliance with the policy were identified. Two were later confirmed as having the necessary prior approval and the remaining three were minor and were a result of a lack of understanding of the policy.

2.4 Section 10 – Entertainment and Hospitality

45 cases of expenditure were identified and reviewed for meals/food and refreshments. These consisted of 10 using the EPO system, 6 reimbursements through the payroll system and 29 made using council credit cards and reviewed under that section.

No variations from the policy were identified..

2.5 Section 11 - Goods and Services Expenditure

No expenditure falling into this category was identified.

2.6 Section 12 – Staff Support and Welfare Expenditure

48 cases of expenditure were identified and reviewed for staff support and welfare. These consisted of 32 using the EPO system, 4 reimbursements through the payroll system and 12 made using council credit cards and reviewed under that section.

No variations from the policy were identified.

2.7 Section 13 – Donations and Gifts

No expenditure falling into this category was identified.

3. SUMMARY

Generally sensitive purchases made using the electronic purchase order system or by credit card demonstrated good compliance with the policy. Descriptions on purchases have improved and compliance with the policy could be established on the information available.

Again, as in previous reports, reimbursements through the payroll system are continuing to provide inconsistencies with the current policy. The lack of information in support of and the type of claims by some staff continues to fail to meet the general principles and controls detailed in part one of the policy. The same issues are continuing to arise from the same people within the Council.

With the exception of this reoccurring concern, the recommendations from previous reports appear to have been implemented and the management of sensitive expenditure has improved.

Strong Recommendation 1 – Reimbursements for food/refreshments and meals.

As raised in earlier reports it is **strongly recommended** that the organisation again provide further education and guidance to some activity and line managers (3rd tier) on the policy as it relates to food/refreshments and meals to ensure that he expected levels of judgement are meet consistently.

Management Response

Agreed. Details provided to managers to discuss with staff concerned.

Strong Recommendation 2 – Reimbursements for food/refreshments and meals.

That individuals approving reimbursements through the payroll system, ensure where as far as reasonably practicable, prior approval is sought and recorded. Where prior approval is required and not obtained, reimbursements are not to be approved.

Management Response

Agreed. Requirement for prior approval to be reinforced with all managers approving reimbursements

Signed: Reviewed:
Risk Manager Date Group Manager Date
Corporate & Community