

**Audit, Finance & Risk Committee**

7 March 2024

**Report for Agenda Item | Rīpoata moto e Rāraki take [3]**

**Department: Assurance, Finance & Risk**

**Title | Taitara: 2023:24 December YTD Sensitive Expenditure Review**

**Purpose of the Report | Te Take mō te Pūroko**

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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 Queenstown Lakes District Council (QLDC) property.

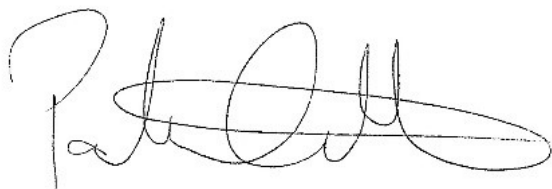
**Recommendation | Kā Tūtohuka**

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That Audit, Finance & Risk Committee:

1. **Note** the contents of this report.

**Prepared by:**



**Name:** Paddy Cribb  
**Title:** Finance Manager  
**31 January 2024**

**Reviewed and Authorised by:**



**Name:** Stewart Burns  
**Title:** GM Finance, Assurance & Risk  
**31 January 2024**

**Context | Horopaki**

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1. The current sensitive expenditure policy took effect from January 2019. At the February 2015 Committee meeting, the Chair requested updates against the following sensitive expenditure categories:
  - Chief Executive's exercise of delegated powers;
  - Gift and Hospitality register;
  - Travel register;
  - Purchase card audit;
  - New contracts;
  - Professional Services 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.
3. At the June 2021 Committee meeting, it was agreed that a more detailed review of professional services spend would be completed going forward which replaced the previous review of infrastructure consultant spend through purchase orders.

### Analysis and Advice | Tatāritaka me kā Tohutohu

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#### **2023:24 December YTD Sensitive Expenditure Review:**

4. The following assessments have been made for sensitive expenditure over the period from 1 July 2023 to 31 December 2023.
5. **Exercise of delegated powers:** All transactions were within delegated authority. This review included the signing and sealing register for all entries with financial delegation authority from the Chief Executive or acting Chief Executive.
6. **Gift and hospitality register:** The register was reviewed with no anomalies noted. There were two gifts worth less than \$50, thirteen greater than \$50 and less than \$150, and three greater than \$150.
7. **Travel register:** The register was reviewed to ensure all travel entries were appropriately approved in line with the sensitive expenditure policy. No exceptions were noted.
8. **Purchase card audit:** There were 1,173 purchases made totalling \$138,171 with an average spend of \$118 per transaction (September 2023 report: 526 purchases average \$135 per transaction). Refer to Attachment A for a full summary of the purchase card transactions.
9. As at 31 December 2023, 61 active cards were on issue with a combined card limit of \$125,000 (30 September 2023: 60 active cards with a combined card limit of \$123,000). Since 1 July 2023, 1 card was deactivated and 7 cards were issued. All new purchase cards require the sign off from the Chief Executive.
10. **New contracts:** Refer to Attachment B for a summary of contracts created in TechnologyOne during the period from 1 July to 31 December 2023. Note this excludes contracts <\$50,000.
11. **Professional Services spend:** Total supplier spend from 1 July 2023 to 31 December 2023 year to date is \$140.6m (for the full years previous 2022:23 \$295.8m, 2021:22 \$265.5m, 2020:21 \$194.9m, 2019:20 \$148.3m, 2018:19 \$142.0m). Of the total supplier spend, the spend on Professional Services (including legal) for the December 2023 year to date is \$14.1m or 10.1%. (2022:23 \$27.3m or 9.2%, 2021:22 \$28.4m or 10.7%, 2020:21 \$31.2m or 16.1%, 2019:20 \$29.1m or 19.6%, 2018:19 \$28.2m or 19.9%).

\$14.1m is the spend across both Capex and Opex, with just under half of it being driven by capital projects \$5.9m (42%). Of the \$8.2m Opex spend, Planning & Development account for \$4.9m of this (60%). The 10 largest suppliers make up \$8.2m of the total spend or 58%

During this period there were 100 suppliers used coded as Professional Services and of these there were 30 professional services suppliers who have an individual spend greater than \$100k.

#	Supplier	Total spend	Type
1	Wynn Williams	\$1,583,001	Legal
2	Beca Limited	\$1,581,838	Design
3	Stantec New Zealand	\$1,059,419	Design
4	WSP New Zealand Limited	\$804,353	Design
5	SIMPSON GRIERSON	\$659,385	Legal
6	Solutions Team Limited	\$620,226	Building Services
7	Meredith Connell	\$497,557	Legal
8	LANE NEAVE QUEENSTOWN	\$488,354	Legal
9	TEAM Projects Advisory LTD	\$465,700	Project Advisory
10	Boffa Miskell	\$457,335	Design

Refer to Attachment C Professional Services Spend Summary for further details.

12. **Employee benefits:** No anomalies noted as per report and register provided by People & Capability. Employee benefits include free eye checks, influenza vaccinations, subsidised health insurance and discounted gym memberships at QLDC facilities for eligible employees, and a 5th week of annual leave for 5 years of service to QLDC.
13. **Purchase order audit:** The appropriate financial delegation limits were applied to the approval of all purchase requisitions generated during the period from 1 July to 31 December 2023.
14. **Purchase orders less than \$10k:** Following the 14 December 2023 Audit, Finance & Risk Committee meeting and at the request of Councillor Gladding, Finance has completed a line-by-line review of the POs under \$10k which were reported within the September 2023 YTD Sensitive Expenditure paper. This review also includes for the POs under \$10k for the quarter 01 October to 31 December 2023.
15. The objective of the review was to determine whether either contracts or POs were being split into component parts and procured using a lower Financial threshold, to avoid the mandatory requirement for a procurement plan where the whole of life cost exceeds \$10k.
16. Overall, the review indicated that there was no systemic non-compliance with the requirements of the Procurement Policy. The review found there were 2,648 purchase orders (POs) raised for less than \$10k, totalling \$5,417k, relating to 922 suppliers. Of this, 103 suppliers had total spends greater than \$10k when combining all those low value POs. Of these 103 suppliers, 30 suppliers

had certain POs with a combined value of greater than \$10k. Finance is following up with the work performed by the 30 suppliers to determine if they were for discrete work instructions.

17. For example, these purchase orders were raised for the same product/service although were for:
  - Different geographical locations;
  - Were raised for separate tranches.
18. As an outcome from this review Finance is working with the Procurement team to determine how to further refine the definition of separate work instructions in relation to the ≤\$10k rule and then provide further guidance to staff.
19. As part of this review there is also being undertaken to determine if any POs combined that exceed \$10k have a procurement plan in place where needed. Finance will continue to monitor and report on PO's raised quarterly as part of the Audit, Finance & Risk reporting.
20. The review is part of QLDC's second line assurance activities (Risk and Compliance management). In addition to this review, QLDC's Internal Assurance Lead is undertaking a desktop audit of the direct appointment of suppliers, which will be reported to the Chief Executive in February 2024 and the Audit, Finance & Risk Committee at the appropriate time. The audit of direct appointment of suppliers is part of QLDC's third line assurance programme.
21. Advice: The report is for noting.

#### Consultation Process | Hātepe Matapaki

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#### Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

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 significant anomalies have been identified.

#### Māori Consultation | Iwi Rūnaka

23. Not required as the matter is of low significance as noted above.

#### Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

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24. This matter relates to the Regulatory/Legal/Compliance risk category. It is associated with RISK10029 Ineffective compliance management practices within the QLDC Risk Register. This risk has been assessed as having a moderate residual risk rating.

25. The approval of the recommended option will allow Council to retain the risk at its current level. This will be achieved 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 | Kā Riteka ā-Pūtea

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26. 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 significant anomalies have been identified and it is not proposed to make any significant changes to any internal practices or procedures.

#### Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

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27. 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

28. The report is for noting and is consistent with the principles set out in the named policies.

#### Legal Considerations and Statutory Responsibilities | Ka Ture Whaiwhakaaro me kā Takohaka Waeture

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29. The report is for noting and is consistent with the Council's plans and policies.

#### Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kiaka

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30. This report achieves the purpose of the Local Government Act 2002 by ensuring that transactions occur in a manner that is accountable.

#### Attachments | Kā Tāpirihaka

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A	Purchase Card Audit Summary
B	Contracts Register
C	Professional Services Spend Summary