

Audit, Finance & Risk Committee
3 March 2022

Report for Agenda Item | Rīpoata moto e Rāraki take 2

Department: Finance, Legal & Regulatory

Title | Taitara Sensitive Expenditure

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

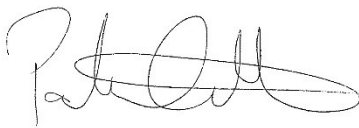
The purpose of this report is to describe the steps taken to assess sensitive expenditure against delegations and policy, and to report any anomalies, including transactions outside of delegated authority or information indicating theft, fraud or misuse of QLDC property.

RECOMMENDATION | NGĀ TŪTOHUNGA

That the Audit, Finance & Risk Committee:

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

Prepared by:



Paddy Cribb
Finance Manager

17/02/2022

Reviewed and Authorised by:



Stewart Burns
General Manager – Finance, Legal & Regulatory

17/02/2022

CONTEXT | HOROPAKI

- 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;
 - 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.
- 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 | TATĀRITANGA ME NGĀ TOHUTOHU

- 4 The following assessments have been made for sensitive expenditure over the period from 1 July 2021 to 31 December 2021.
- 5 **Chief Executive's 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 CE or acting CE.
- 6 **Gift and hospitality register:** The register was reviewed with no anomalies noted. All entries were accepted and approved in line with the Receiving Gifts and Hospitality Policy and handed into the EA of the CEO for distribution amongst staff if appropriate to do so. There was one instance where it wasn't appropriate to accept the gift and the giver did not want it back so it was agreed to be donated to the Happiness House.
- 7 **Travel register:** The register was reviewed and all travel entries were appropriately approved in line with the sensitive expenditure policy. Travel expenditure is also confirmed as part of this sensitive expenditure review through purchase orders and P-card testing. There were 27 entries on the travel register with the majority (15) to Wellington. Travel all related to training, conferences, forums, or hearing attendance.
- 8 **Purchase card audit:** There were 930 purchases made totalling \$111,117 with an average spend of \$119.48 per transaction (previous report: \$116.93 per transaction). There were two travel related expenses that required follow up to get the appropriate approval. Refer to attachment A for a full summary of the purchase card audit.
- 9 As at 31 December 2021, 53 active cards were on issue with a combined card limit of \$106,001 (30 June 2021: 52 active cards with a combined card limit of \$104,001). 5 new cards were issued to staff members due to staff changes and/or business needs, 4 cards

were deactivated as the staff members left QLDC and 1 card was cancelled and replaced due to being lost by the employee.

10 All new purchase cards require the sign off from the Chief Executive.

11 **New contracts:** Refer to attachment B for a summary of contracts created in TechnologyOne during the period from 1 July – 31 December 2021. Note this excludes contracts <\$50,000

12 **Professional Services spend:** Total supplier spend from 1 July 2021 to 31 December 2021 year to date is \$123.9m (2020:21 \$193.9m, 2019:20 \$148.3m, 2018:19 \$142.0m) and of that, total spend on Professional services (including legal) for the period is \$15.4m or 12.4%. (2020:21 \$31.2m or 16.1%, 2019:20 \$29.1m or 19.6%, 2018:19 \$28.2m or 19.9%)

\$15.8m is the spend across both Capex and Opex, with just under half being driven by capital projects \$7.6m (49%).

During this period there was 117 suppliers used coded as Professional Services and there were 32 professional services suppliers who have an individual spend greater than \$100k;

The 10 largest suppliers make up \$9.1m of the total spend or 58%

#	Supplier	Total spend	Type
1	Wynn Williams	\$2,741,382	Legal + use of experts
2	BECA LIMITED	\$2,017,672	Design
3	WSP New Zealand Limited	\$765,537	Design
4	SIMPSON GRIERSON	\$608,659	Legal
5	Stantec New Zealand	\$545,775	Design
6	MEREDITH CONNELL BARRISTERS & SOLICITORS	\$536,083	Legal
7	Solutions Team Limited	\$464,231	Building services
8	RESOURCE CO-ORDINATION PARTNERSHIP LTD	\$458,356	Project Management
9	GHD LIMITED	\$406,339	Design
10	THE PROPERTY GROUP LIMITED	\$342,800	Property consultant

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

13 **Employee benefits:** No anomalies noted as per report and register provided from HR; all employee benefits on the report were as per employment contracts. Employee benefits include free eye checks, subsidised health insurance and discounted gym memberships at QLDC facilities for eligible employees.

14 **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 2021. Purchase requisitions were selected from transactions with travel and accommodation providers to ensure that appropriate approval was obtained. There was one instance of Councillor travel not approved by the GM of FLR or Corporate. However subsequent approval was obtained for this.

15 Advice: The report is for noting.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

16 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 RŪNANGA

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

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

18 This matter relates to the Regulatory/Legal/Compliance risk category. It is associated with RISK00024 Ineffective Control Processes to Prevent Theft/Fraud by Staff and Contractors within the QLDC Risk Register. This risk has been assessed as having a moderate inherent risk rating.

19 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 | NGĀ RITENGA Ā-PŪTEA

20 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 | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

21 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

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

23 This matter is not included in the Ten Year Plan/Annual Plan

- This is not included within the Ten Year Plan/Annual Plan as this is an internal review of assessing 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

LEGAL CONSIDERATIONS AND STATUTORY RESPONSIBILITIES | KA TURE WHAIWHAKAARO, ME KĀ TAKOHA KA WAETURE

24 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-KĀIKA

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

ATTACHMENTS | NGĀ TĀPIRIHANGA

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

Attachment A Purchase Card Audit Summary

Period	1 July – 31 December 2021	Report no:	31
Transactions			930
Audited transactions			60
Issues with audited transactions			2
Transactions with process/coding issues identified as part of monthly review			141

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 sample of 10 sensitive expenditure transactions per month were selected as all transactions are checked for accuracy of coding monthly and all account and/or GST coding errors are corrected as part of the month end process which is performed by the Assistant Financial Accountant.

Transactions were classified as having either:

- a. no issue
- b. use issue (private without being reimbursed)
- c. process issue
 - no tax invoice for purchases > \$50
 - not in accordance with policy

The monthly review of coding identifies:

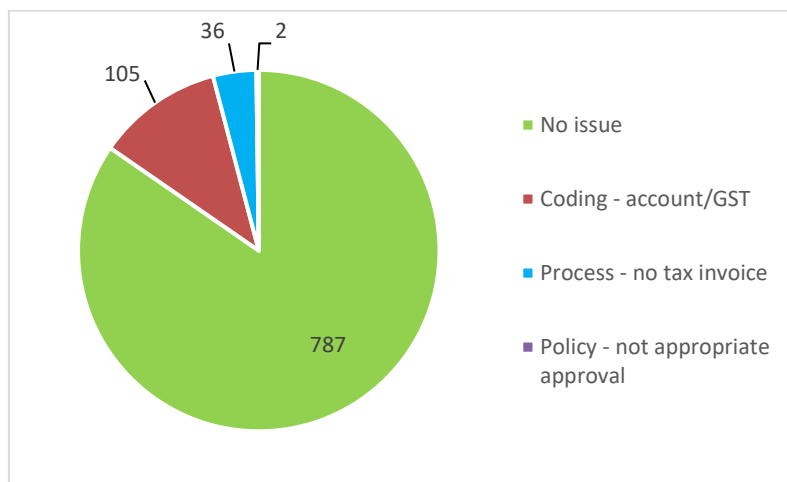
- a. GST issue; and/or
- b. account coding issue

Results

The following issues were noted:

- One hundred and five instances of an incorrect account and/or GST classification were noted during the monthly checks. These included coding GST on international supplier invoices and on gift voucher purchases.
- Thirty-six transactions did not have the appropriate supporting tax invoice.
- These errors were all corrected as part of the month-end process and are therefore not an area of concern. P-card holders are notified of those with relevant explanations to minimise future mistakes. For those with regular processing errors finance will assess whether there is a need to start temporarily blocking staff Pcards to reiterate the importance of complying with the Pcard policy.
- All 60 sensitive expenditure transactions that were tested as part of this Committee report had correct receipts and were for appropriate business expenses however there was accommodation booked for a Councillor that was not approved by either the GM of Finance or Corporate Services in line with the sensitive expenditure policy. This was subsequently approved by GM finance, legal and regulatory. There was an instance of a manager approving their own accommodation expense, this was subsequently approved by the directorate GM.

Figure 1: Overview of Results



CONTRACTS REGISTER**Period: 1 July 2021 - 31 December 2021****New contracts created in TechOne**

Contract Create Date	TechOne Contract Number	Contract Description	Contractor	Approved Contract Value	Expected Start Date	Expected Finish Date
15/07/2021	000448	C-21-068 Project Management Services - Team Projects	TEAM Projects Advisory Ltd	\$ 288,750	15/07/2021	14/07/2022
16/07/2021	000450	CT 16-007 Roothing Maintenance 21/22	Downer New Zealand Ltd	\$ 7,297,349	1/07/2021	30/06/2022
16/07/2021	000455	C-21-157 Ballantyne Road Shared Footpath 21/22	Downer New Zealand Ltd	\$ 298,856	24/06/2021	30/06/2022
16/07/2021	000456	C-21-026 Glenorchy Guardrail 21/22	Downer New Zealand Ltd	\$ 280,000	14/07/2021	30/06/2022
16/07/2021	000457	C-21-027 Glenda Drive Improvements 21/22	Downer New Zealand Ltd	\$ 346,611	5/07/2021	30/06/2022
6/08/2021	000461	O-20-003 AB Lime sludge disposal contract 21/22	AB Lime Limited	\$ 1,575,000	1/07/2021	30/06/2022
6/08/2021	000462	CT 15-002 3 Waters District Wide Contract 21/22	Veolia Water	\$ 8,375,592	1/07/2021	30/06/2022
12/08/2021	000466	CT 17-015 Tracks and Trails Maintenance Contract 2021/22	Asplundh Tree Expert Ltd	\$ 481,634	1/07/2021	30/06/2022
12/08/2021	000467	Canon Print Contract 21/22	Canon New Zealand	\$ 80,000	1/07/2021	30/06/2022
16/08/2021	000476	CT 16-007 Maintenance Renewals 21/22	Downer New Zealand Ltd	\$ 3,936,000	1/07/2021	30/06/2022
19/08/2021	000479	O-19-035 Street Lighting Maintenance 21/22	McKay Ltd	\$ 670,309	1/07/2019	31/03/2027
20/08/2021	000480	C21-005 WTPA - Lakeview and Ancillary Delivery Works	Whakatipu Transport Programme Alliance	\$ 42,377,700		
23/08/2021	000481	C-21-005 WTPA QTC Street Upgrades	Whakatipu Transport Programme Alliance	\$ 55,668,005	23/12/2020	23/12/2023
23/08/2021	000482	C-21-005 WTPA QTC Arterial Stage 1	Whakatipu Transport Programme Alliance	\$ 68,815,945	18/01/2021	30/05/2025
28/09/2021	000484	C-20-214 Luggate WS Upgrades Design & MSQA	AECOM New Zealand Ltd	\$ 351,979	14/06/2021	
28/09/2021	000485	C-21-040 Hawea WWTP Upgrade 21/22	Apex Water	\$ 2,750,000	28/09/2021	1/07/2022
12/10/2021	000486	Project Pure WWTP Stage 2: Engineer to Contract	TEAM Projects Advisory Ltd	\$ 95,920	12/10/2021	1/09/2023
14/10/2021	000487	C-21-069 Road Safety Education Programme	Exponential Performance Coaching	\$ 119,327	6/09/2021	30/06/2023
9/11/2021	000488	Western Wanaka Level of Service (WS): Engineer to Contract	TEAM Projects Advisory Ltd	\$ 51,920	1/10/2021	30/11/2021
17/11/2021	000490	C-21-202 3 Waters Survey Project	Elliot Sinclair & Partners Ltd	\$ 120,000	19/11/2021	24/06/2022
10/12/2021	000492	C-21-066 QLDC Rural Roads - Arborist Physical Works	Recreational Services Ltd	\$ 201,158	10/12/2021	30/06/2022
15/12/2021	000493	Cardrona Valley WWTP	Meredith Connell Barristers & Solicitors	\$ 10,955,100	1/04/2020	17/12/2021
21/12/2021	000494	Purchase of Mt Iron Reserve Land	Lane Neave Queenstown	\$ 8,000,000	21/12/2021	N/A

Professional Services Spend ELT update

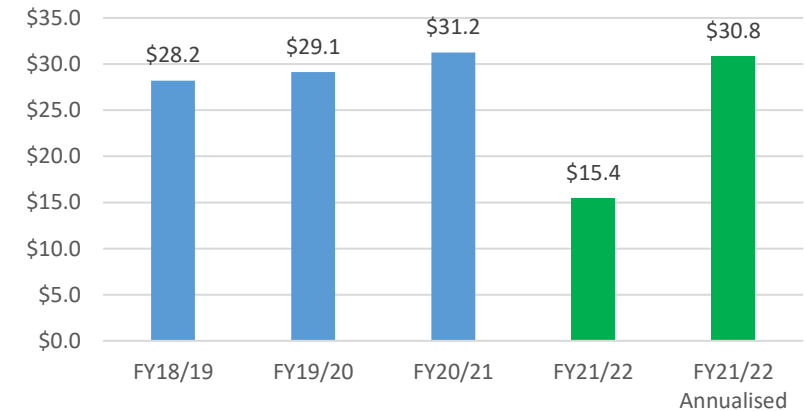
Quarter 2 FY 2022 31 December 2021
Emily Carter & Paddy Cribb

Consultancy Cost as % of Supplier Spend

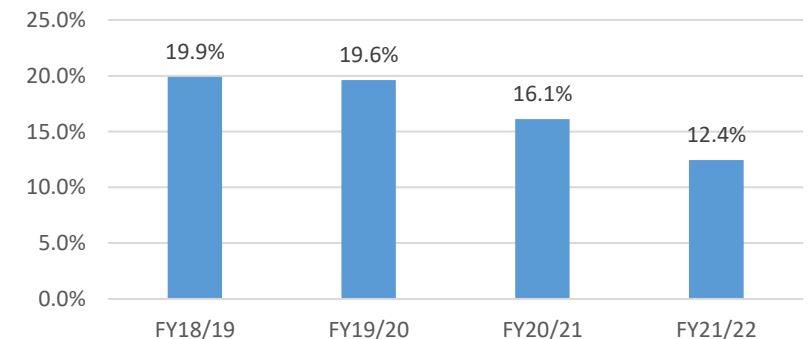
TREND: DECREASING

- > FY22 Consultant spend for the first 6 months of FY22 is at \$15.4m
- > As a percentage of total supplier spend however, Consultant costs have been steadily decreasing.
 - > Reducing from 19.9% in FY19, to 19.6% FY20 and 16.1% in FY21 and now 12.4% for FY22 YTD.
- > \$15.4M is the spend across both Capex and Opex
 - > Just over half being driven by Opex \$7.8m (51%) and of this \$2.3m relates to weather tightness (Wynn Williams, GHD Ltd, Hadley Consultants, Lane Neave and Simpson Grierson).

Professional Services Spend - \$m



Professional Services Spend %



Overtime report - HR

Oct-21					
Directorate	Total Oct Hours	Total Oct Over/Under Hours FTE	Actual FTE	Over/Under Hours FTE v FTE	Annualised FTE
Community Services	159.72	2.00	135.53	1.5%	0.50
Corporate Services	363.38	4.54	78.50	5.8%	1.14
Finance, Legal & Regulatory	597.46	7.47	50.88	14.7%	1.87
Planning & Development	319.63	4.00	92.04	4.3%	1.00
Property & Infrastructure	630.81	7.89	53.88	14.6%	1.97
TOTAL	2071	25.90	410.82	6.3%	6.47

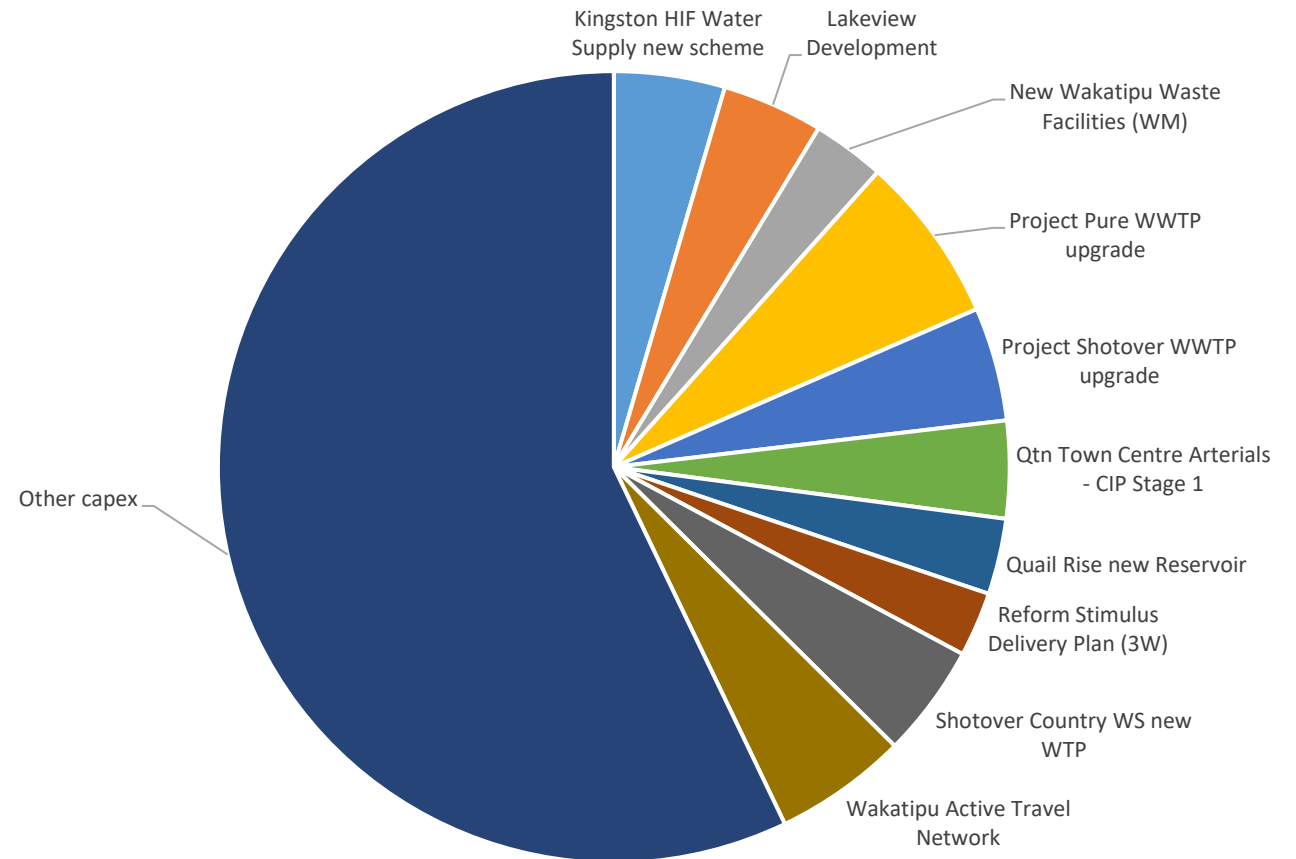
Nov-21					
Directorate	Total Nov Hours	Total Nov Over/Under Hours FTE	Actual FTE	Over/Under Hours FTE v FTE	Annualised FTE
Community Services	296.29	3.71	141.51	2.6%	0.93
Corporate Services	194.41	2.43	79.48	3.1%	0.61
Finance, Legal & Regulatory	165	2.06	51.88	4.0%	0.52
Planning & Development	105.33	1.32	92.21	1.4%	0.33
Property & Infrastructure	493.53	6.17	56.58	10.9%	1.54
TOTAL	1254.56	15.69	421.65	3.7%	3.92

Dec-21					
Directorate	Total Dec Hours	Total Dec Over/Under Hours FTE	Actual FTE	Over/Under Hours FTE v FTE	Annualised FTE
Community Services	322.85	4.04	140.40	2.9%	1.01
Corporate Services	276.58	3.46	79.31	4.4%	0.86
Finance, Legal & Regulatory	125.1	1.56	54.88	2.8%	0.39
Planning & Development	60.05	0.75	91.21	0.8%	0.19
Property & Infrastructure	291.23	3.64	56.58	6.4%	0.91
TOTAL	1075.81	13.45	422.37	3.2%	3.36

CAPEX Spend by Project

TOTAL: \$7.6M (49% of total spend)

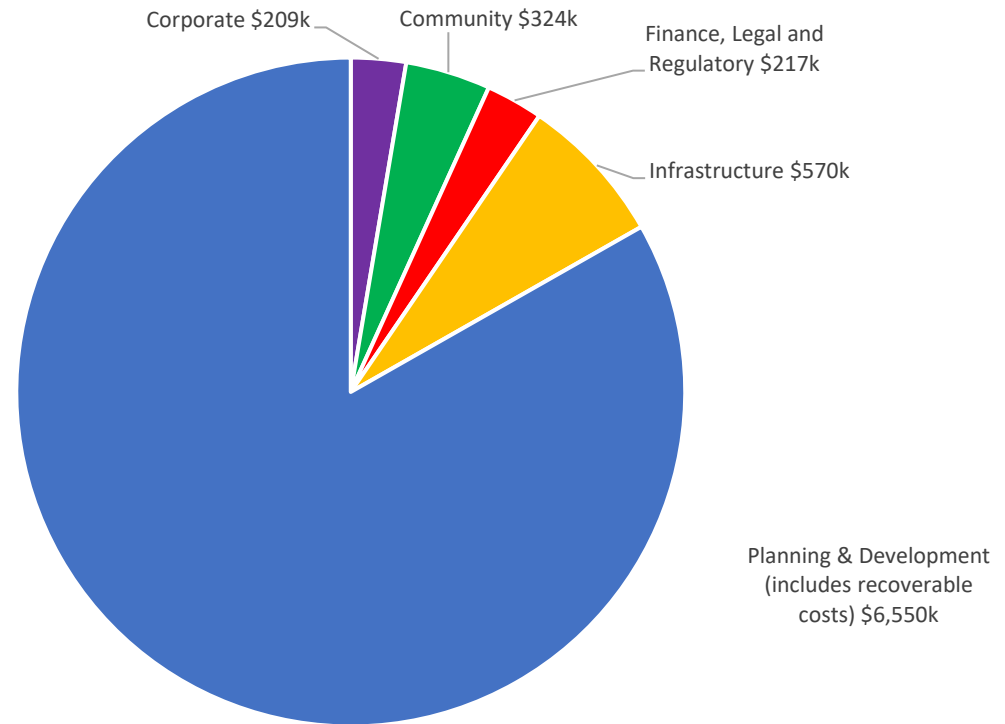
- > \$3.3M (43%) driven by ten largest projects (*see pie chart*)
- > Other CAPEX represents \$4.4M (57%), spread across 112 projects
- > In total, there are 122 projects with an average spend of \$63k



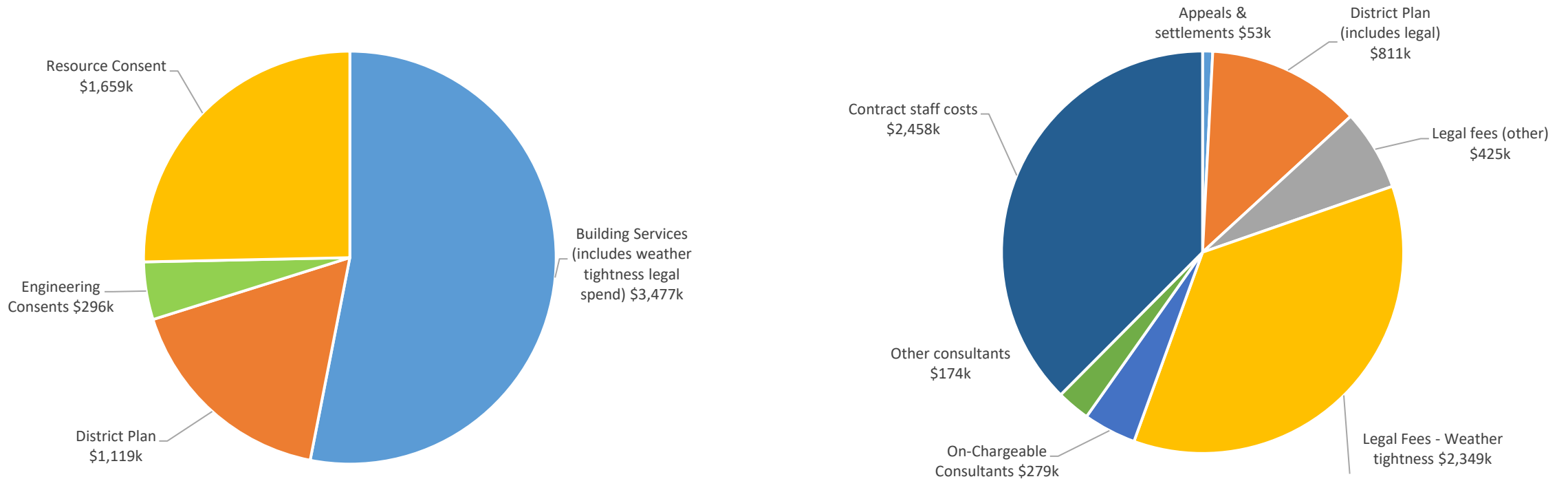
OPEX Spend

TOTAL: \$7.8M (51% of total spend)

> \$6.6M (83%) driven Planning and Development, refer to the next slide for a detailed breakdown



Planning & Development Spend: \$6.6M



10 largest suppliers

#	Supplier	Total spend	Type
1	Wynn Williams	\$2,291,286	Weather tightness
		\$475,577	Other legal
2	BECA LIMITED	\$2,017,672	Design
3	WSP New Zealand Limited	\$765,537	Design
4	SIMPSON GRIERSON	\$608,659	Legal
5	Stantec New Zealand	\$545,775	Design
6	MEREDITH CONNELL BARRISTERS & SOLICITORS	\$536,083	Legal
7	Solutions Team Limited	\$464,231	Building services
8	RESOURCE CO-ORDINATION PARTNERSHIP LTD	\$458,356	Project Management
9	GHD LIMITED	\$406,339	Design
10	THE PROPERTY GROUP LIMITED	\$342,800	Property consultant

10 largest suppliers per significant project or department

	Amount
BECA LIMITED	\$ 2,017,672
CBD to Frankton Waste Water Reticulation	\$ 179,018
Glenorchy Reservoir upgrade	\$ 64,310
Lakeview - Thompson St Upgrade	\$ 62,950
Lakeview Development - Other Inf	\$ 293,537
Lakeview Storm Water upgrade	\$ 92,838
Marine Parade WWPS upgrades	\$ 149,027
New Wakatipu Waste Facilities (WM)	\$ 91,266
Project Pure WWTP upgrade	\$ 481,180
Project Shotover WWTP upgrade	\$ 276,143
Recreation Ground new WW Pump Station	\$ 68,111
Wakatipu Active Travel Network	\$ 88,173
GHD LIMITED	\$ 406,339
Beacon Point new Reservoir	\$ 78,420
Qtn Town Centre Arterials - CIP Stage 1	\$ 45,400
Quail Rise new Reservoir	\$ 146,685
Western Wanaka Level of Service (WS)	\$ 63,657

	Amount
MEREDITH CONNELL BARRISTERS & SOLICITORS	\$ 536,083
Cardrona new Wastewater Scheme	\$ 48,872
Cardrona new Water Supply Scheme	\$ 60,270
GL - Resource Consent	\$ 52,470
North Wanaka new WW conveyance scheme	\$ 53,137
Qtn Arterial - Balance of Route (TR)	\$ 23,109
RESOURCE CO-ORDINATION PARTNERSHIP LTD	\$ 458,356
BP Roundabout - Kawarau Bridge Retic(WS)	\$ 23,010
Glenorchy Reservoir upgrade	\$ 27,030
Lakeview Development	\$ 52,970
Lakeview Storm Water upgrade	\$ 27,390
New Wakatipu Waste Facilities (WM)	\$ 40,899
Recycle centre plant upgrade	\$ 25,380
Shotover Country WS new WTP	\$ 109,678
Wanaka Lakefront Development Plan	\$ 21,135

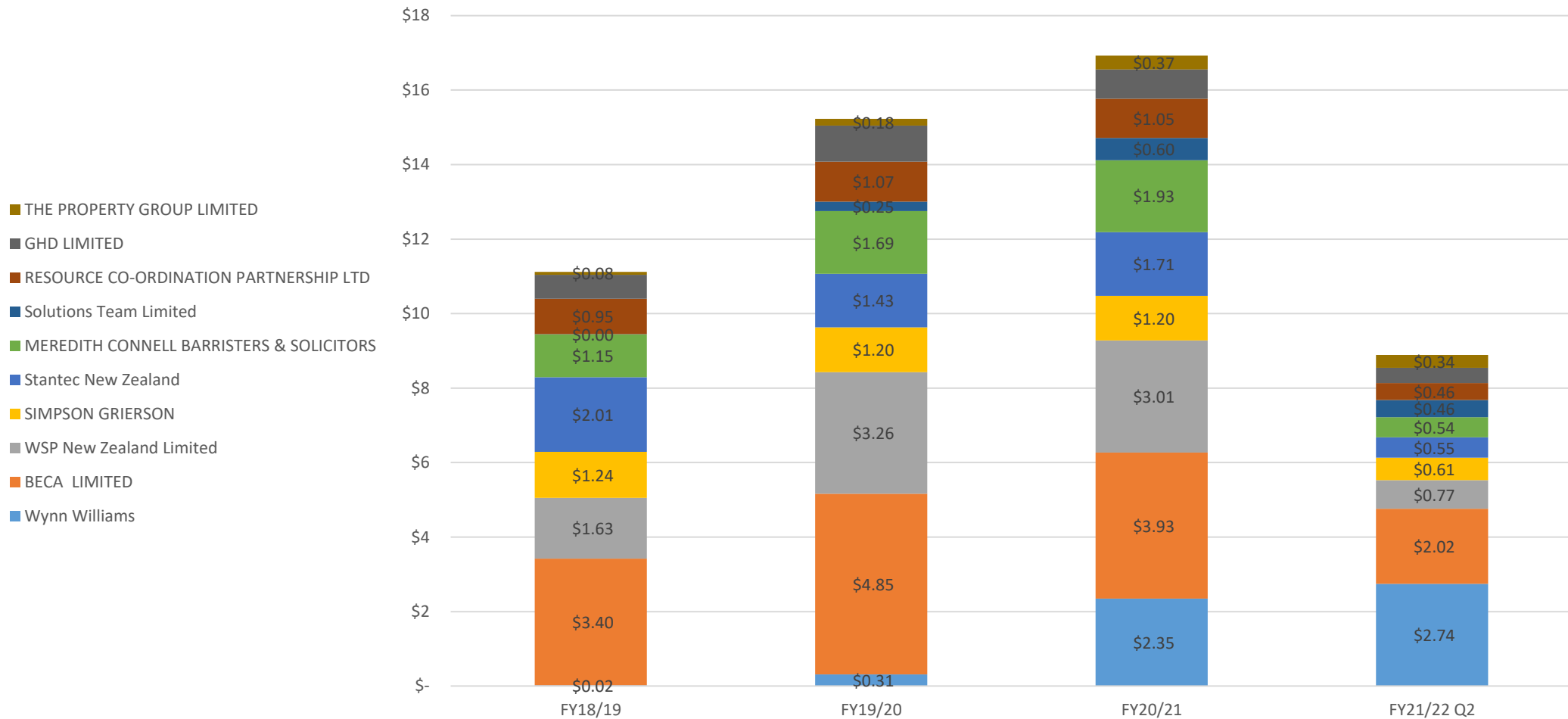
10 largest suppliers per significant project or department (cont.)

	Amount
<u>SIMPSON GRIERSON</u>	\$ 608,659
District Plan Appeals and hearings	\$ 546,117
GL - Resource Consent	\$ 39,162
LTP 3 Waters Programme Procurement	\$ 24,564
<u>Solutions Team Limited</u>	\$ 464,231
Building Services	\$ 464,231
<u>Stantec New Zealand</u>	\$ 545,775
Ballantyne Road Reseal	\$ 43,760
LTP 3 Waters Programme Procurement	\$ 110,515
Reform Stimulus Delivery Plan (3W)	\$ 85,933
Wakatipu - Road to Zero MIP LCLR (TR)	\$ 90,384

	Amount
<u>THE PROPERTY GROUP LIMITED</u>	\$ 342,800
Property department	\$ 87,945
Resource Consent	\$ 116,830
Qtn Town Centre Arterials - CIP Stage 1	\$ 43,937
<u>WSP New Zealand Limited</u>	\$ 765,537
Glenorchy WS new WTP and building	\$ 40,595
Reform Stimulus Delivery Plan (3W)	\$ 71,988
Wakatipu Active Travel Network	\$ 286,087
Wanaka Lakefront Development Plan	\$ 27,831
<u>Wynn Williams</u>	\$ 2,741,382
Building Services	\$ 2,291,286
Engineering Consents	\$ 91,254
Resource Consent	\$ 156,278

10 largest suppliers

10 largest suppliers year on year
\$'000,000



Prior years comparison spend

Creditor Name	2020:21 Amount	Type
BECA LIMITED	3,925,811	Design
WSP New Zealand Limited	3,006,167	Design
Wynn Williams	2,320,820	Legal
MEREDITH CONNELL BARRISTERS & SOLICITORS	1,925,913	Legal
Stantec New Zealand	1,710,434	Design
SIMPSON GRIERSON	1,195,073	Legal
JACOBS NEW ZEALAND LIMITED	1,157,265	Design
Candor3 Limited	1,088,295	Design
RESOURCE CO-ORDINATION PARTNERSHIP LTD	1,036,099	Project Management
GHD LIMITED	785,539	Design
Total	18,151,416	

Creditor Name	2018:19 Amount	Type
BECA LIMITED	3,399,547	Design
Stantec New Zealand	2,005,927	Design
WSP New Zealand Limited	1,629,062	Design
SIMPSON GRIERSON	1,237,237	Legal
MEREDITH CONNELL BARRISTERS & SOLICITORS	1,151,029	Legal
Professional Building Consultants Limited	994,563	Building services
DSC Group Limited	979,279	Building services
RESOURCE CO-ORDINATION PARTNERSHIP LTD	954,090	Project management
HARRISON GRIERSON CONSULTANTS LTD	953,121	Design
FLUENT INFRASTRUCTURE SOLUTIONS LTD	777,107	Design
Total	14,080,962	

Creditor Name	2019:20 Amount	Type
BECA LIMITED	4,853,378	Design
WSP New Zealand Limited	3,264,184	Design
JACOBS NEW ZEALAND LIMITED	1,807,330	Design
MEREDITH CONNELL BARRISTERS & SOLICITORS	1,686,750	Legal
Stantec New Zealand	1,432,807	Design
SIMPSON GRIERSON	1,203,190	Legal
RESOURCE CO-ORDINATION PARTNERSHIP LTD	1,069,766	Project management
GHD LIMITED	972,902	Design
Professional Building Consultants Limited	684,635	Building services
WT PARTNERSHIP	528,975	Cost management
Total	17,503,918	