

**Audit, Finance & Risk Committee**

6 July 2023

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

**Department: Assurance, Finance & Risk**

**Title | Taitara : Sensitive Expenditure.**

**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.

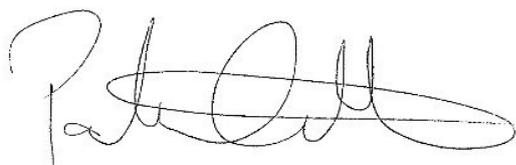
**Recommendation | Kā Tūtohuka**

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That Audit, Finance & Risk Committee:

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

**Prepared by:**



**Name:** Paddy Cribb  
**Title:** Finance Manager

14 June 2023

**Reviewed and Authorised by:**



**Name:** Stewart Burns  
**Title:** General Manager – Assurance, Finance  
and Risk

14 June 2023

### Context | Horopaki

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1. The current sensitive expenditure policy took effect from January 2019. At the February 2015 Audit, Finance & Risk (AFR) 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 AFR 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 AFR 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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The following assessments have been made for sensitive expenditure over the period from 1 July 2022 to 30 April 2023.

4. **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.
5. **Gift and hospitality register:** The register was reviewed with no anomalies noted. There were eleven gifts received under \$150, and eleven over \$150, of which three were distributed amongst staff and eight had written approval by the CE for the gift or hospitality to be accepted.
6. **Travel register:** The register was reviewed to ensure all travel entries were appropriately approved in line with the sensitive expenditure policy. All travel was domestic. No exceptions were noted.
7. **Purchase card audit:** There were 1,765 purchases made totalling \$212,282 with an average spend of \$120 per transaction (December 2022 report: 1,022 purchases average \$121 per transaction). Refer to Attachment A for a full summary of the purchase card transactions.
8. As of 30 April 2023, 57 active cards were on issue with a combined card limit of \$117,000 (31 December 2022: 53 active cards with a combined card limit of \$109,000). Since December, four new cards were issued for the filling of existing roles. These four cards replaced cards held by

earlier employees which were cancelled prior to 31 December 2022. All new purchase cards were signed off from the Chief Executive.

9. **New contracts:** Refer to Attachment B for a summary of contracts created in TechnologyOne during the period from 1 January - 30 April 2023. Note this excludes contracts less than \$50,000.
10. **Professional Services spend:** Total supplier spend from 1 July 2022 to 30 April 2023 year to date is \$231.5m (2021:22 \$265.5m, 2020:21 \$194.9m, 2019:20 \$148.3m, 2018:19 \$142.0m) and of that, total spend on professional services (including legal) for the year is \$22.1m or 10.0%. (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%)

\$22.1m is the spend across both Capex and Opex, with just under half of it being driven by capital projects \$9.8m (45%). Of the \$12.3m opex spend Planning & Development account for \$8.9m of this (73%).

During this period there were 104 suppliers used coded as professional services and of these there were 42 professional services suppliers who have an individual spend greater than \$100k;

The 10 largest suppliers make up \$12.8m of the total spend or 58%

| #  | Supplier                               | Type              | Total Spend |
|----|--|-------------------|-------------|
| 1  | Wynn Williams                          | Legal             | \$3,524,732 |
| 2  | Beca Limited                           | Design            | \$2,216,898 |
| 3  | Stantec New Zealand                    | Design            | \$1,634,082 |
| 4  | SIMPSON GRIERSON                       | Legal             | \$1,203,663 |
| 5  | WSP New Zealand Limited                | Design            | \$903,813   |
| 6  | Solutions Team Limited                 | Building Services | \$737,915   |
| 7  | GHD Limited                            | Design            | \$700,427   |
| 8  | Meredith Connell                       | Legal             | \$685,388   |
| 9  | Resource Co-Ordination Partnership Ltd | Design            | \$629,798   |
| 10 | TEAM Projects Advisory LTD             | Project Advisory  | \$586,729   |

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

11. **Employee benefits:** No anomalies noted as per report and register provided from HR; Employee benefits include free eye checks, influenza vaccinations, subsidised health insurance and discounted gym memberships at QLDC facilities for eligible employees, and a fifth week of annual leave for five years of service to QLDC.
12. **Purchase order audit:** The appropriate financial delegation limits were applied to the approval of all purchase requisitions generated during the period from 1 January to 30 April 2023.

13. **Purchase orders less than \$10k:** During the period 1 January – 30 April 2023 there were 1,460 purchase orders raised for less than \$10k, totalling \$2,592k. Of this, 500 suppliers had total spend less than \$10k when combining all those low value PO's.

14. Advice: The report is for noting.

#### Consultation Process | Hātepe Matapaki

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

15. 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

16. 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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17. 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.

18. 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 | Kā Riteka ā-Pūtea

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19. 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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20. 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

21. 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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22. 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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23. 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 |