

Audit, Finance & Risk Committee

11 June 2024

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

Department: Assurance, Finance & Risk

Title | Taitara: 2023:24 March YTD Sensitive Expenditure Review

Purpose of the Report | Te Take mō te Pūroko

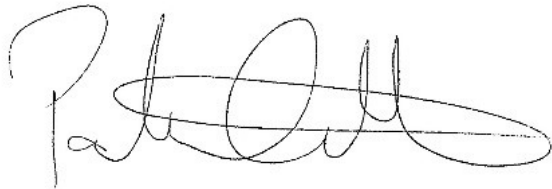
The purpose of this report is to describe the steps taken to assess sensitive expenditure against delegations and policy, and to report any anomalies, including transactions outside of delegated authority or information indicating theft, fraud or misuse of QLDC property.

Recommendation | Kā Tūtohuka

That Audit, Finance & Risk Committee:

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

Prepared by:



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Title: Finance Manager
30 May 2024

Reviewed and Authorised by:



Name: Stewart Burns
Title: GM Finance, Assurance & Risk
30 May 2024

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;
 - 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

2023:24 March YTD Sensitive Expenditure Review:

4. The following assessments have been made for sensitive expenditure over the period from 1 January 2024 to 31 March 2024, unless noted otherwise.
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, and no anomalies were noted.
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:** For the period 1 January 2024 to 31 March 2024 there were 674 purchases made totalling \$80,313 with an average spend of \$119 per transaction (December 2023 report: 647 purchases average \$104 per transaction). Refer to Attachment A for a full summary of the purchase card transactions.
9. As at 31 March 2024 (and also 31 December 2023), 61 active cards were on issue with a combined card limit of \$126,000. Since 1 July 2023, 5 cards were deactivated, and 6 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 January 2024 to 31 March 2024. Note this excludes contracts less than \$50,000.
11. **Professional Services spend:** Total supplier spend from 1 July 2023 to 31 March 2024 year to date is \$217.3m (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 March 2024 year to date is \$19.6M or 9.0%. (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%).
12. \$19.6m is the spend across both Capex and Opex, with just under half of it being driven by capital projects \$8.1M (41%). Of the \$11.5m Opex spend, Planning & Development account for \$6.9M of this (60%).

13. 10 largest suppliers (as per the following table) make up \$11.7M of the total professional services spend or 60%.

#	Supplier	Total spend	Type
1	Wynn Williams	\$2,486,579	Legal
2	BECA LIMITED	\$2,473,780	Design
3	Stantec New Zealand	\$1,572,415	Design
4	WSP New Zealand Limited	\$1,059,454	Design
5	Solutions Team Limited	\$829,187	Building Services
6	SIMPSON GRIERSON	\$784,689	Legal
7	TEAM Projects Advisory LTD	\$753,730	Project Advisory
8	MEREDITH CONNELL BARRISTERS & SOLICITORS	\$751,271	Legal
9	Boffa Miskell	\$565,404	Design
10	RESOURCE CO-ORDINATION PARTNERSHIP LTD	\$447,445	Project Advisory

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

14. **Employee benefits:** No anomalies noted as per report and register provided by HR. 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.
15. **Purchase order audit:** The appropriate financial delegation limits were applied to the approval of all purchase requisitions generated during the period from 1 January 2024 to 31 March 2024.
16. **Purchase orders (POs) less than \$10K:** At the 14 December 2023 Audit, Finance & Risk Committee (AFRC) meeting Finance was requested to complete a line-by-line review of the Purchase Orders (PO's) under \$10K reported within the September 2023 YTD Sensitive Expenditure paper. This review has been undertaken as part of the Finance Organisation Unit's second line assurance responsibilities.
17. The objective of the review was to determine whether either Contracts or PO's 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.
18. The review found for the 9 months ended March 2024 there were 3,755 PO's raised for less than \$10K, totalling \$7,383K, relating to 1,088 suppliers. Of this, 155 suppliers had total spends greater than \$10k when combining all those low value PO's (2,214 PO's totalling \$4,470,597). Refer to our conclusions in paragraph 17.
19. As part of the December 2023 quarters AFRC report, Finance noted that we would be performing further analysis of the supplier spends where multiple PO's were raised for >\$10k to determine whether the work performed was for separate work streams.

20. Finance identified 30 suppliers across QLDC as having similar PO's with a combined value of greater than \$10K. All of these were followed up by Finance. In some cases there were contracts in place, others were supported by light procurement plans to capture total costs with appropriate financial delegation approval, and there were other instances where the PO's were for separate work streams or the supplier was appointed from a panel (either a QLDC or All Of Government panel). These instances complied with the mandatory requirements of the Procurement Policy. In 5 other cases a contract or light procurement plan was required but was not in place, and a commitment has been made to ensuring the requirements of the Procurement Policy are complied with in future.
21. There is a publicly excluded report on this agenda which reports the findings a desktop audit (performed by the Internal Assurance Lead) of the direct appointment of suppliers. This has been reported to the Chief Executive.
22. Advice: The report is for noting.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

23. 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

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

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

25. 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.
26. 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

27. 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

28. 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

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

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

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

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