

SENSITIVE EXPENDITURE POLICY



Approved by:	Council		
Sponsor:	General Manager Finance		
Department responsible:	Finance and Commercial		
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1. INTRODUCTION

- 1.1. The Sensitive Expenditure Policy provides a contextual and principles-based framework for Council's sensitive expenditure practices. It clearly identifies the parameters within which the Council shall authorise and incur expenditure of a potentially sensitive nature.
- 1.2. Prudent sensitive expenditure policies and processes are strongly endorsed by the Office of the Auditor General (OAG), and the principles and standards set out in this policy have been drawn from published material issued by the OAG.
- 1.3. This Policy should be read in conjunction with Council's **Sensitive Expenditure Guidelines**, Conflict of Interest Policy, Gifts and Hospitality Policy, and associated financial operating procedures.

2. PURPOSE

- 2.1. The purpose of this Policy is to provide DCC management and staff with a clear framework for reviewing, approving and managing sensitive expenditure, and addressing any potential conflicts of interest or impropriety that may arise.

3. SCOPE

- 3.1. This policy applies to:
 - 3.1.1. All employees of Dunedin City Council, including temporary employees and contractors.
 - 3.1.2. Any person who is involved in the operation of the Dunedin City Council, including volunteers and those people with honorary or unpaid staff status.
 - 3.1.3. Every business, service or activity of the Dunedin City Council.

4. DEFINITIONS

- 4.1. **"Conflict of interest"** is any situation in which private interest or personal considerations may affect a person's judgement and/or the ability to act prudently, without bias and in the best interest of the Council.

- 4.2. **"Credit cards"** has the normal meaning, and specifically includes vehicle fleet cards, purchase cards and equivalent cards used to obtain goods and services.
- 4.3. **"Probity"** is defined as uprightness, honesty, correct and ethical conduct.
- 4.4. **"Sensitive expenditure"** is any Council expenditure that provides, has the potential to provide, or has the perceived potential to provide a private benefit to a staff member or any third parties associated with that staff member, that is additional to the business benefit to the Council. It also includes expenditure by the Council that could be considered unusual for the Council's purpose and/or functions.¹

5. PRINCIPLES

- 5.1. All Council employees are required to act with probity – i.e. to be honest, upstanding, impartial, responsible and trustworthy, and to act in a way that maintains public confidence in the Council.
- 5.2. Staff must at all times appropriately manage any situation where actions taken in an official capacity could be seen to be influenced by private interests, or create an actual or perceived bias, conflict of interest or obligation to another party.
- 5.3. As the Council is dealing with 'public money', all expenditure shall be subject to the standards of probity and financial prudence expected of a public entity and be capable of withstanding public scrutiny as justified and cost-effective business expenditure.
- 5.4. All sensitive expenditure shall be subject to appropriate and robust authorisation and control processes.
- 5.5. The Council shall provide clear and specific guidance to managers and staff regarding appropriate sensitive expenditure practices, through an appropriately maintained policy framework and Sensitive Expenditure Guidelines.
- 5.6. All sensitive expenditure must be approved in accordance with this Policy and the 'one-up' rule.
- 5.7. All decisions to undertake sensitive expenditure shall reflect the following principles:
 - 1. A justifiable business purpose; and
 - 2. The preservation of impartiality and transparency; and
 - 3. The absence of conflicts of interest; and
 - 4. Absolute integrity and professionalism; and
 - 5. Appropriate and prudent in all respects, having regard to all circumstances.

These principles cannot be relied on individually to justify sensitive expenditure as each is considered by Council as equally important. All principles shall therefore be applied equally as a set to any sensitive expenditure activity.

- 5.8. Individual transactions and the total value of expenditure shall be considered when determining the nature and extent of sensitive expenditure. Even when sensitive expenditure decisions can be justified at the item level, the combined amount spent on a category of expenditure may be

¹ NZ Office of the Auditor General www.oag.govt.nz/2007/sensitive-expenditure

such that, when viewed in total, Council could be considered as inappropriate, extravagant or wasteful, and not in adherence with the principles outlined in this Policy.

- 5.9. Breaches of this Sensitive Expenditure Policy and any associated procedures may result in disciplinary action.

6. Policy

Types of Sensitive Expenditure

- 6.1. Sensitive expenditure includes, but is not limited to:

- a) travel and accommodation expenditure
- b) entertainment and hospitality expenditure, including:
 - meals and alcohol
 - functions and events
- c) staff support and welfare expenditure, including:
 - personal care
 - private use of Council assets
 - farewells and retirements
 - recognition of performance, professional membership and development
- d) miscellaneous expenditure, including:
 - gifts and donations
 - koha
 - sponsorship

- 6.2. Credit/purchase card expenditure is not, in of itself considered by Council to be sensitive expenditure. The use of purchase cards is subject to the **DCC Purchase Card Policy**. All transactions must strictly adhere to the Policy and all associated process control measures

- 6.3. Sensitive Expenditure must not replace legitimate payment or remuneration and must not be inappropriate or excessive. Please refer to the **Gifts and Hospitality Policy**, the **Koha Policy** and the **Sensitive Expenditure Guidelines** for further information.

Staff Sensitive Expenditure Approval

- 6.4. Approval for all sensitive expenditure is subject to the following criteria:

- a) has a justified and appropriate business purpose; and
- b) is approved prior to the expenditure being incurred, whenever practical; and
- c) is moderate, conservative and cost effective; and
- d) complies with all applicable Council obligations, principles and standards
- e) exhibits appropriate due diligence and probity; and
- f) is subject to budget provision and within delegated and statutory limits; and
- g) does not pose any potential, perceived or real conflict of interest to the staff member(s) involved, including direct or indirect benefits for any third parties associated with the staff member(s).

- 6.5. All sensitive expenditure must be approved by an appropriate senior staff member (minimum 'one up' rule applies), as follows:

- a) Staff sensitive expenditure must be approved by the relevant Line Manager or member of the Senior Leadership Team (SLT) with appropriate financial delegation.
- b) Senior Leadership Team (SLT) sensitive expenditure must be approved by the relevant member of the Executive Leadership Team (ELT).
- c) ELT sensitive expenditure must be approved by the Chief Executive Officer.
- d) Overseas staff travel, accommodation and associated expenses must be pre-approved by the relevant member of ELT (travel to Australia) and the Chief Executive Officer (all other international travel).

6.6. The giving of koha is subject to specific approval criteria – please refer to the **DCC Koha Policy**.

CEO and Mayor Sensitive Expenditure Approval

6.7. Sensitive expenditure by the Chief Executive Officer and Mayor must be approved as follows:

- a) The Chief Executive Officer's sensitive expenditure must be approved by the Mayor.
- b) The Mayor's sensitive expenditure must be approved by the Chair of the Audit and Risk Subcommittee.
- c) Where the Mayor and Chief Executive attend an event together the expenditure must be approved by the Chair of the Audit and Risk Subcommittee.
- d) Due to the nature of the Mayor and CEO's role, approval for sensitive expenditure (in particular travel and accommodation bookings) may be retrospective.

6.7 Those approving sensitive expenditure must ensure they do not benefit from that expenditure. For example, in those instances where both staff and managers are attending the same event on behalf of Council, any associated expenditure must be approved by a relevant Line or Senior Manager not in attendance, in accordance with the 'one up' rule.

Sensitive Expenditure Payment and Reimbursement

- 6.8 All sensitive expenditure shall be supported by appropriate documentation including (GST) invoices and receipts, detailed narration of business activity undertaken, and names of those staff and external parties involved, as required.
- 6.9 All reimbursement should be formally recorded on a **DCC Reimbursement Claim Form** and approved by the relevant senior staff member ('one up' rule), as identified within this Policy.
- 6.10 Those approving sensitive expenditure must ensure that all transactions are reviewed, clearly evidence an appropriate business-related purpose, and that ledger coding is correct prior to processing.

Monitoring and Reporting

- 6.11 Council shall undertake appropriate monitoring and reporting of sensitive expenditure to ensure compliance with the **DCC Sensitive Expenditure Policy** and associated **Sensitive Expenditure Guidelines**.
- 6.12 This includes regular and ongoing business (Department) review of all sensitive expenditure, the maintenance of appropriate delegated financial authority and business activity controls, as well as centralised (Finance Department) reporting and monitoring of compliance.
- 6.13 For further detail on Council's Sensitive Expenditure obligations and processes please refer to the **Sensitive Expenditure Guidelines**.

Relevant Legislation / Guidance	NZ Office of the Auditor General. <i>Controlling sensitive expenditure: Guidelines for public entities</i> (2007)
Associated Documents:	Asset Disposal and Write–Off Policy Conflict of Interest Policy Fraud, Bribery and Corruption Prevention Policy Fraud, Bribery and Corruption Prevention Procedure Gifts and Hospitality Policy Koha Policy Sensitive Expenditure Guidelines Staff Delegations and General Procedures Manual Purchase Card Policy Protected Disclosure/Whistleblower Policy Procurement and Contract Management Policy Code of Conduct ICT Acceptable Use Policy