

Audit, Finance & Risk Committee

5 December 2024

Report for Agenda Item | Rīpoata moto e Rāraki take [4]

Department: Assurance, Finance & Risk

Title | Taitara: 2024:25 September YTD Sensitive Expenditure Review

Purpose of the Report | Te Take mō te Pūroko

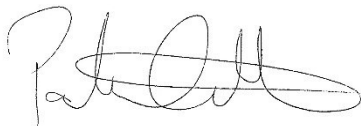
The purpose of this report is to describe the steps taken to assess sensitive expenditure against delegations and policy, and to report any anomalies, including transactions outside of delegated authority or information indicating theft, fraud or misuse of QLDC property.

Recommendation | Kā Tūtohuka

That Audit, Finance & Risk Committee:

1. **Note** the contents of this report;
2. **Provide** staff with feedback on what information in this report is useful or not to assist staff when producing the next report.

Prepared by:



Name: Paddy Cribb
Title: Finance Manager
11 November 2024

Reviewed and Authorised by:



Name: Katherine Harbrow
Title: GM Finance, Assurance & Risk
11 November 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

2024:25 September YTD Sensitive Expenditure Review:

4. The following assessments have been made for sensitive expenditure over the period from 1 July 2024 to 30 September 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. There has been follow up with some staff but no anomalies have been 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. We also reviewed the travel expenditure GL, to ensure that the travel register was complete, and noted a few entries that were not included on the register. Those staff have been contacted and reminded to complete the register at the time of booking their travel arrangements.

Purchase card audit:

8. For the period 1 July 2024 to 30 September 2024 there were 574 purchases made totalling \$62,630 with an average spend of \$109 per transaction (as per the 1 April 2024 to 30 June 2024 report there were 581 purchases at an average of \$125 per transaction). Refer to Attachment A for a full summary of the purchase card transactions.

9. As of 30 September 2024, a total of 61 active cards were on issue with a combined card limit of \$126,000. Since 1 July 2024 a total of 4 cards were deactivated, and 4 cards were issued. All new purchase cards require approval from the Chief Executive. The finance administrator who sets up new purchase cards, requires a financial delegation amendment form to be signed by the CEO before completing the necessary paperwork to set up a new Pcard in BNZ. This was in place for all newly issued cards.
10. **New contracts:** Refer to Attachment B for a summary of contracts created in TechnologyOne during the period from 1 July 2024 to 30 September 2024. Note this excludes contracts less than \$50,000.

Professional Services spend:

11. The total supplier spend from 1 July 2024 to 30 September 2024 is \$51.7m and the spend on professional services (including legal expenses) to 30 September 2024 is \$5.9m or 11.4%.

\$M	Sep24 YTD	FY24	FY23	FY22	FY21	FY20
Total supplier spend	\$51.7	\$284.1	\$295.8	\$265.5	\$194.9	\$148.3
Professional services expenses	\$5.9	\$26.7	\$27.3	\$28.4	\$31.2	\$29.1
% of total spend	11.4%	9.4%	9.2%	10.7%	16.1%	19.6%

12. \$5.9m is the spend across both Capex and Opex, with just under half of it being driven by capital projects \$2.7M (46.3%). Of the \$3.2m Opex spend, Planning & Development account for \$1.7M of this (54.4%).

#	Supplier	Total spend	Type
1	BECA LIMITED	\$ 1,625,461	Design
2	Solutions Team Limited	\$ 370,158	Building services
3	MEREDITH CONNELL BARRISTERS & SOLICITORS	\$ 364,326	Legal
4	WSP New Zealand Limited	\$ 291,120	Design
5	Lane Neave Queenstown	\$ 282,074	Legal
6	TEAM Projects Advisory LTD	\$ 269,094	Project Advisory
7	Stantec New Zealand	\$ 248,267	Design
8	SIMPSON GRIERSON	\$ 245,191	Legal
9	Wynn Williams	\$ 242,746	Legal
10	Boffa Miskell	\$ 160,984	Design

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

13. **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.

14. **Purchase order (PO) audit:** A total of 1,996 POs were raised during the quarter ended 30 September 2024. A total of 58 individual PO's were for greater than \$100K each. Of these a total of 11 PO's were greater than \$500K each – including TechnologyOne annual service fee and annual cleaning services fee. The appropriate financial delegation limits were applied to the approval of all purchase requisitions generated during the period from 1 July 2024 to 30 September 2024.

Purchase orders (PO's) less than \$10K:

15. Work is routinely performed to determine whether either Contracts or POs are 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. For the quarter from 1 July 2024 to 30 September 2024 a total of 1,484 individual POs were raised for less than \$10K in value. In total these amounted to \$3,450,789, relating to 607 suppliers. For the year ended 30 June 2024 there were 4,946 POs raised for less than \$10K, totalling \$9,499,928, relating to 1,255 suppliers.
17. For the quarter ended 30 September 2024 there was 1 supplier with individual PO's less than \$10k that accumulated to over \$100k. The supplier had a contract in place. This instance complied with the mandatory requirements of the Procurement Policy.
18. **Internal controls:** There is a publicly excluded report on this agenda which reports the findings of a review of the Contracts Register (the Internal Audit Report, December 2024, presented by the Internal Assurance Lead). This work extended to a number of areas – including procurement, POs, and compliance with financial delegations. These findings have been reported to the Chief Executive.
19. Advice: The report is for noting.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

20. 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

21. This matter is of low significance and no consultation is necessary or required.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

22. 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 high residual risk rating.
23. 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

24. 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

25. 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.

26. 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

27. 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

28. 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

Attachment A: Purchase Card Audit Summary

Attachment A Purchase Card Audit Summary

Period	1 July to 30 September 2024	Report no:	33
Transactions			574
Audited transactions			30
Issues with audited transactions			0
Transactions with process/coding issues identified as part of monthly review			41

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:

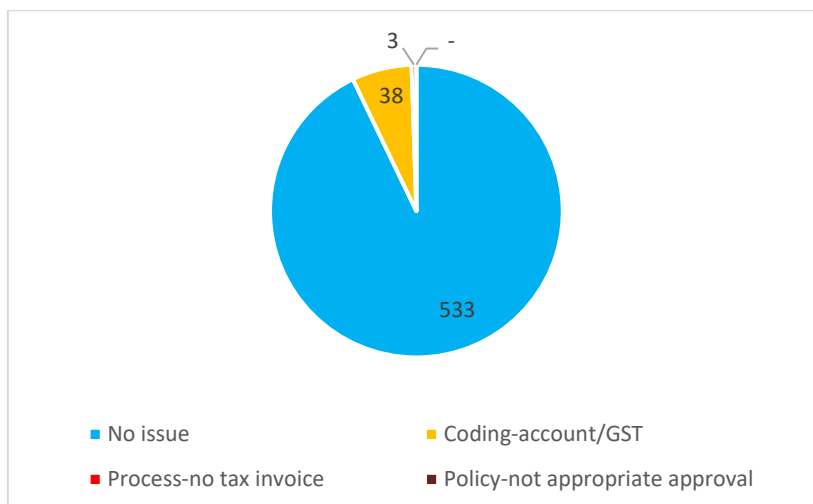
- a. GST issue; and/or
- b. account coding issue

Results

The following issues were noted:

- Forty 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.
- All transactions greater than \$50 had 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. We are yet to need to take this action yet but finance is keeping a record of regular avoidable coding errors.
- All 30 sensitive expenditure transactions that were tested as part of this Committee report had correct receipts and were for appropriate business expenses.

Figure 1: Overview of Results



Attachment B: Contracts Register

CONTRACTS REGISTER

Period: 1 July 2024 - 30 September 2024

New contracts created in TechOne >\$50,000

Contract Number	Supplier	Contract Description	Procurement Method	Contract Value	Expected Start Date	Expected Finish Date
1771	DOWNER EDI WORKS	CT 16-007 Roading Maintenance 24/25	Open RFX	11,028,003.87	1/07/2024	30/06/2025
1756	VEOLIA WATER (FORMERLY UNITED WATER)	CT 15-002 3 Waters Districtwide Contract 24/25	Open RFX	10,797,000.00	1/07/2024	30/06/2025
1794	FULTON HOGAN LTD	C-22-022 Kingston Water Treatment Plant & Bulk Supply Main	Open RFX	9,690,164.60	19/08/2024	7/10/2025
1711	Waste Management NZ Limited	O-19-001 Solid Waste Services 24/25	Open RFX	9,592,000.00	1/07/2024	30/06/2025
1710	SCOPE RESOURCES LTD	CT306 Landfill 24/25	Direct Appointment Off Panel	7,700,000.00	1/07/2024	30/06/2025
1714	Te Tapu O Tane Limited	C-23-033 Coronet Revegetation	Open RFX	4,617,991.77	1/07/2024	
1724	Downer New Zealand Limited	C-23-078 QLDC Resealing 23-25 (Year 2 24/25)	Open RFX	4,100,000.00	1/07/2024	30/06/2025
1702	AB Lime Limited	O-20-003 AB Lime Sludge Disposal Contract 24/25	Direct Appointment Off Panel	1,875,777.75	1/07/2024	30/06/2025
1704	Apex Water	C-22-002 Cardrona Valley WWTP 24/25	Open RFX	1,096,214.00	1/07/2023	30/06/2024
1778	FULTON HOGAN LTD	C-24-074 Glenorchy Marina Carpark	Open RFX	967,145.83	29/07/2024	
1789	FULTON HOGAN LTD	Wanaka Lakefront Stage 5 Construction	Open RFX	905,981.80	21/06/2024	
1721	McKay Ltd	O-19-035 Street Lighting Maintenance 24/25	Open RFX	662,589.63	1/07/2019	31/03/2027
1701	S J ALLEN WAKATIPU 2000 LTD	C-17-010 Cartage of Sludge to Kings Bend 24/25	Direct Appointment Off Panel	515,000.00	1/07/2024	30/06/2025
1802	DELTA UTILITY SERVICES LTD	Upper Clutha WWCS: Power Supply Design & Build - DELTA	Request for Quote - Informal	501,137.50	23/09/2024	
1700	Orikan New Zealand Limited	O-17-002 Parking Machine Maintenance 24/25	Direct Appointment Off Panel	292,700.00	1/07/2024	30/06/2025
1801	Kingston Station Limited	Kingston WWTP Land Compensation	Direct Appointment Off Panel	250,039.00	18/09/2024	18/12/2025
1777	COOK BROTHERS CONSTRUCTION	Proposed Workroom Fitout Frankton Library	Request for Quote - Formal	194,132.68	27/06/2024	2/08/2024
1740	ARA Group NZ Ltd TA ARA Group NZ Ltd	PT Minor Infrastructure – Tranche 3 Bus shelters	Request for Quote - Formal	183,790.00	24/05/2024	24/07/2024
1773	Southern Civil Consulting Ltd.	C-25-006 Southern Civil Parks	RFX All of Government Panel	97,000.00		
1772	Greenspace Consulting Limited	C-25-009 Greenspace Consulting Parks Contracts Support Advi	Request for Quote - Informal	54,000.00	1/07/2024	

Attachment C: Professional Services Spend

Professional Services Spend Audit, Finance & Risk Committee update

Quarter 1 FY 2025 30 September 2024

Paddy Cribb

Professional Services spend \$5.9M

This represents 11% of total expenditure.

Opex \$3.2M / 54%

- 54% or \$1.7M of the total operational professional services spend is within P&D (\$0.1M weathertightness legal fees, recoverable costs of \$1.4M, and \$0.2M District Planning appeals and hearings costs)
- 19% INF, 8% CMTY, 7% Strategy, 6% Legal, 5% Corporate

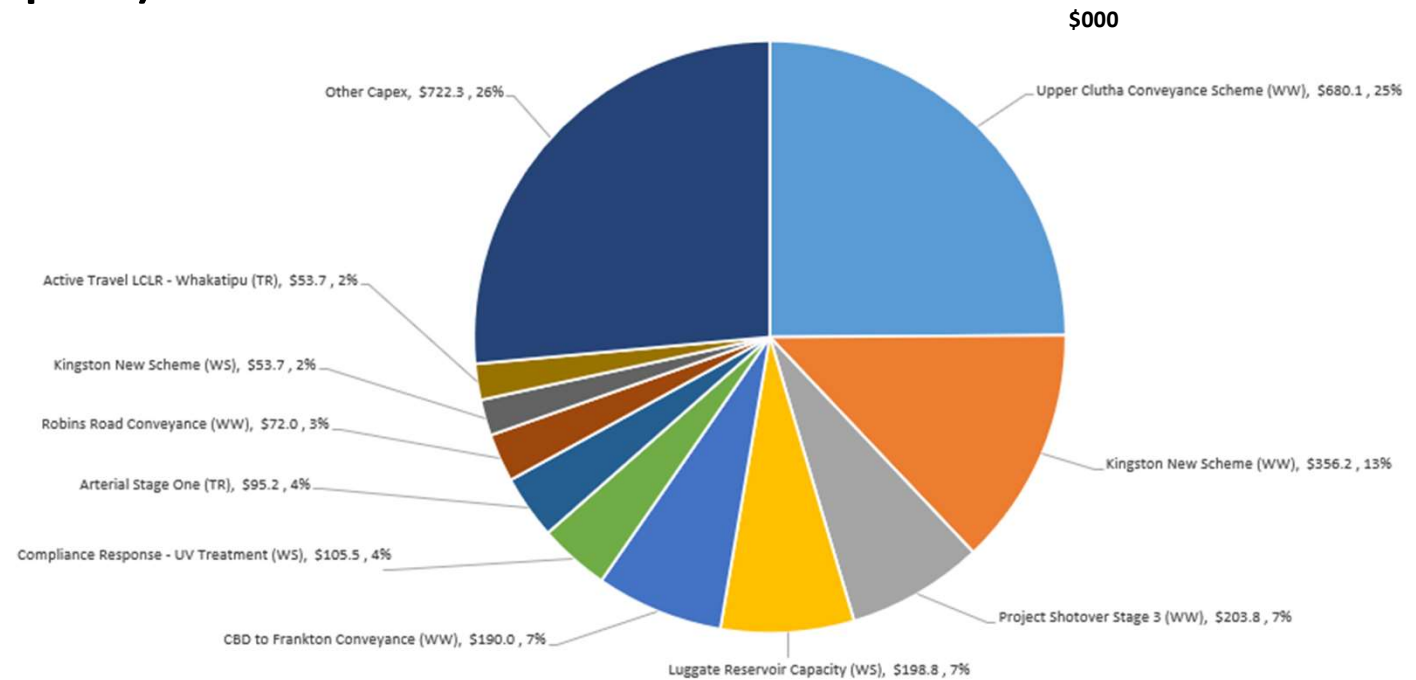
Capex \$2.7M / 46%

- \$2.0M (74%) driven by ten largest capex projects
- The remaining \$0.7M relates to 64 other projects

CAPEX Spend by Project

TOTAL: \$2.7M (46% of total spend)

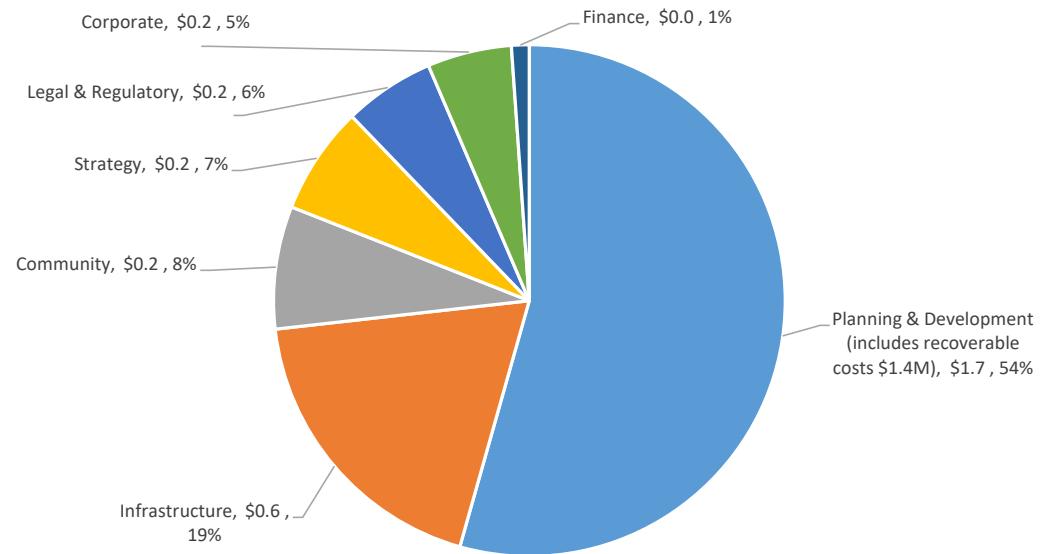
- > \$2.0M (74%) driven by ten largest projects (see pie chart)
- > Other CAPEX represents \$0.7M (26%), spread across 64 projects
- > In total, there are 74 projects with an average spend of \$37k September YTD.



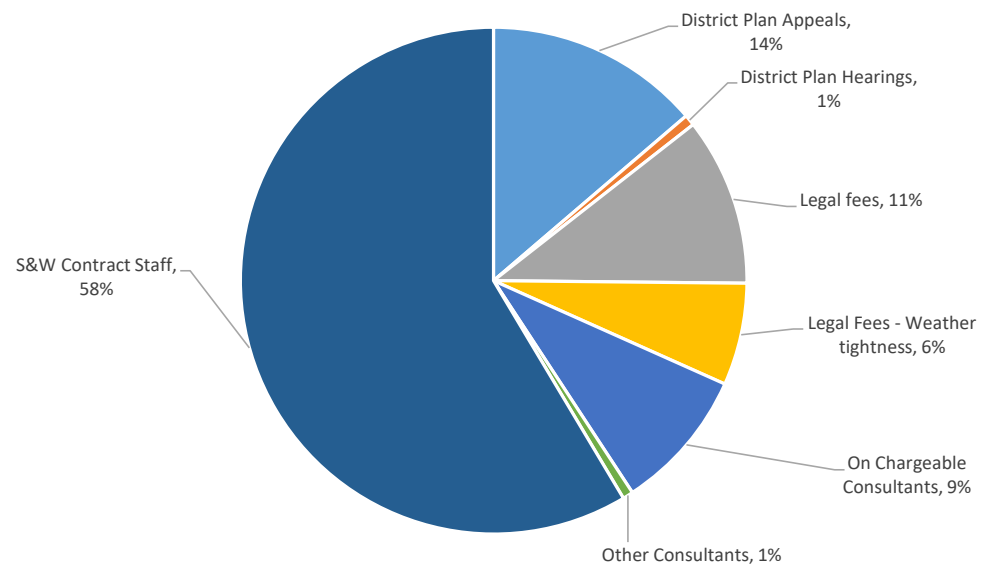
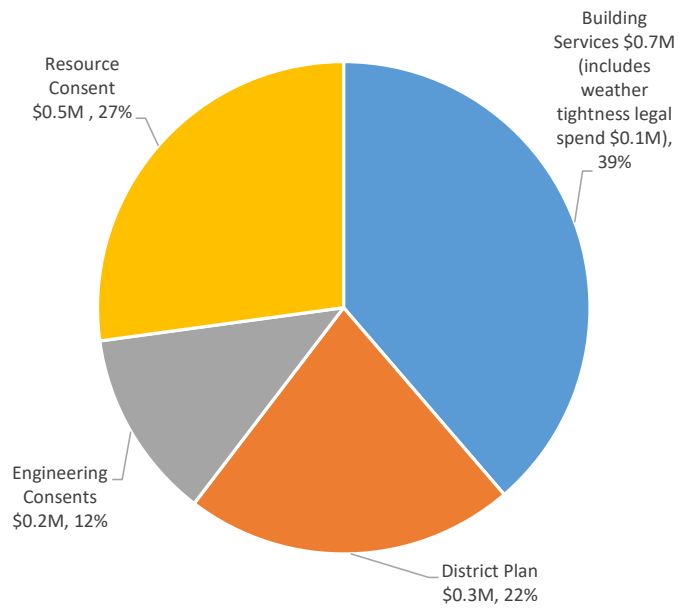
OPEX Spend

TOTAL: \$3.2M (54% of total spend)

> \$1.7M (54%) driven by Planning and Development, refer to the next slide for a detailed breakdown



Planning & Development Spend: \$1.7M



10 largest suppliers

#	Supplier	Total spend	Type
1	BECA Limited	\$1,625,461	Design
2	Solutions Team Limited	\$370,158	Building Services
3	Meredith Connell Barristers & Solicitors	\$364,326	Legal
4	WSP New Zealand Limited	\$291,120	Design
5	Lane Neave Queenstown	\$282,074	Legal
6	TEAM Projects Advisory Ltd	\$269,094	Project Advisory
7	Stantec New Zealand	\$248,267	Design
8	Simpson Grierson	\$245,191	Legal
9	Wynn Williams	\$112,794	Weather Tightness
		\$129,952	Other Legal
10	Boffa Miskell	\$160,984	Design

10 largest suppliers per significant project or department

	Amount
Beca Limited	\$1,625,461
Upper Clutha Conveyance Scheme (WW)	\$675,380
Kingston New Scheme (WW)	\$319,061
CBD to Frankton Conveyance (WW)	\$181,749
Project Shotover Stage 3 (WW)	\$149,555
DP Rev Cnslt	\$65,238
Robins Road Conveyance (WW)	\$46,146
Whakatipu Priority Growth Areas (IN)	\$45,773
Other	\$142,559
Solutions Team Limited	\$370,158
S&W Contract St	\$370,158

	Amount
Meredith Connell	\$364,326
Legal fees (Opex)	\$345,891
Other	\$18,435
WSP New Zealand Limited	\$291,120
Transport Opex Non Contract	\$82,056
Active Travel LCLR - Whakatipu (TR)	\$48,165
Build&GrndMaint	\$37,500
Arthurs Point to CBD Active Travel (TR)	\$36,976
Other	\$86,423
Lane Neave Queentown	\$282,074
Luggate Reservoir Capacity (WS)	\$198,024
Other	\$84,050

10 largest suppliers per significant project or department

	Amount
Team Projects Advisory Limited	\$269,094
Compliance Response - UV Treatment (WS)	\$74,548
Staff train	\$53,343
Project Shotover Stage 3 (WW)	\$53,250
Kingston New Scheme (WW)	\$36,563
Other	\$51,390
Stantec New Zealand	\$248,267
Transport Asset Data Improvements	\$72,332
Parking Management Plans (TR)	\$22,736
Wanaka Lakefront Development Plan Stg 5	\$21,853
Other	\$131,346

	Amount
Simpson Grierson	\$245,191
District Plan Appeals	\$124,508
Legal fees (Opex)	\$119,735
Other	\$948
Wynn Williams	\$242,746
Legal Fees – Weather Tightness	\$112,794
Property legal fees	\$24,856
Other	\$105,096
Boffa Miskell	\$160,984
Spatial Plan	\$87,907
Resource consent on-chargeable consultants	\$34,984
Other	\$38,093

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	2022:23 Amount	Type
Wynn Williams	\$3,946,707	Legal
BECA LIMITED	\$2,920,152	Design
WSP New Zealand Limited	\$1,777,247	Design
Stantec New Zealand	\$1,729,640	Design
SIMPSON GRIERSON	\$1,285,103	Legal
Solutions Team Limited	\$1,019,426	Building Services
GHD Limited	\$787,827	Design
Meredith Connell	\$765,892	Legal
Resource Co-Ordination Partnership Ltd	\$750,483	Project Advisory
TEAM Projects Advisory LTD	\$787,107	Project Advisory
Total	\$15,769,584	

Creditor Name	2021:22 Amount	Type
Wynn Williams	\$4,568,836	Legal
BECA LIMITED	\$3,182,999	Design
WSP New Zealand Limited	\$1,427,802	Design
SIMPSON GRIERSON	\$1,234,426	Legal
MEREDITH CONNELL BARRISTERS & SOLICITORS	\$947,530	Legal
Stantec New Zealand	\$916,055	Design
Solutions Team Limited	\$809,946	Building Services
LANE NEAVE QUEENSTOWN	\$808,075	Legal
GHD LIMITED	\$799,982	Design
RESOURCE CO-ORDINATION PARTNERSHIP LTD	\$793,833	Project management
Total	\$15,489,584	

Creditor Name	2023:24 Amount	Type
BECA LIMITED	\$4,188,788	Design
Wynn Williams	\$3,389,571	Legal
Stantec New Zealand	\$2,202,341	Design
WSP New Zealand Limited	\$1,398,026	Design
MEREDITH CONNELL BARRISTERS & SOLICITORS	\$1,165,895	Legal
SIMPSON GRIERSON	\$1,069,905	Legal
Solutions Team Limited	\$1,051,141	Building services
TEAM Projects Advisory LTD	\$1,007,516	Project Advisory
Boffa Miskell	\$814,048	Design
RESOURCE CO-ORDINATION PARTNERSHIP LTD	\$637,485	Project Advisory
Total	\$16,924,716	