

Sensitive Expenditure Policy



1 Dunorling Street
PO Box 122, Alexandra 9340
New Zealand

03 440 0056

Info@codc.govt.nz
www.codc.govt.nz



Department:	Business Risk and Procurement
Document ID:	CentralDocs ID 434450
Approved by:	Council – 30 June 2021
Effective date:	30 June 2021
Next review:	30 June 2024

Purpose:

The purpose of this policy is to:

- Provide Central Otago District Council employees and Elected Members guidance surrounding sensitive expenditure and addressing conflicts of interest which may arise;
- Clearly define parameters for sensitive expenditure;
- Ensure sensitive expenditure is consistently assessed, authorised, and reviewed, ensuring Central Otago District Council is a responsible user of public money.

Scope:

This policy shall apply to all business, service or activity conducted by Council, Elected Members and all employees of Council, irrespective of where they are working.

Items of sensitive expenditure that are specifically provided for by employment agreements, such as personal use vehicles, are not covered by this policy.

Exceptions to the 'one-up' principle for Elected Members are expense claims for childcare allowance and travel to and from board meetings, as outlined in section 4 of the elected members' allowances and reimbursement policy. These expense claims are approved by the Governance Manager and Governance Support.

For the avoidance of any doubt, any reference to employees or staff in this policy shall include:

- the organisation's employees;
- volunteers;
- persons seconded to council;
- contractors.

Definitions:

Word or phrase	Definition
Sensitive Expenditure	<p>Sensitive expenditure is any spending by an organisation that could be seen to be giving private benefit to Elected Members and staff, additional to the business benefit to the organisation. Sensitive expenditure is discretionary expenditure and may be expenditure which is highly controversial or considered unusual for the Council's purpose and/or function.</p> <p>The circumstance in which the expenditure occurs, together with the materiality of the expenditure determines whether the expenditure is potentially sensitive.</p>
Credit card	<p>This has the usual meaning. For the purposes of this policy, this includes vehicle fleet fuel cards, purchase cards and equivalent cards used to obtain goods and services.</p>
Probity	<p>Uprightness, honesty, correct and ethical conduct.</p>
Conflict of interest	<p>A situation where an employee may be compromised when their personal interests or obligations conflict with the responsibilities of their job or position. It means that their independence, objectivity or impartiality can be called into question.</p>
One-up-principle	<p>Relating to financial delegations, this means that delegation holders cannot approve transactions involving themselves or from which they could be seen to benefit, instead they must be approved by their one-up manager. In the instance of the Chief Executive Officer, the Mayor will approve sensitive expenditure. In the instance of the Mayor, the Deputy Mayor and the Executive Manager – Corporate Services will approve sensitive expenditure. In the instance of the Deputy Mayor, the Chief Executive Officer will approve sensitive expenditure. The Mayor will approve Elected Members' sensitive expenditure. Exceptions to the 'one-up' principle for Elected Members are expense claims for childcare allowance and travel to and from board meetings, as outlined in section 4 of the elected members' allowances and reimbursement policy. These expense claims are approved by the Governance Manager and Governance Support.</p>

Policy:

Principles

There are principles that underpin decision making about sensitive expenditure. Expenditure decisions must:

- have a justifiable business purpose;
- preserve impartiality;
- be made with integrity;
- be moderate and conservative;
- be made transparently;
- be capable of withstanding public scrutiny;
- be in compliance with all applicable Council policies and legislative requirements;
- be made with proper authority, clearly identifiable and accurately recorded.

Additional Information



These principles must be applied together. None should be applied alone, and no principle should be treated as more important than any other. All principles are to be applied equally.

All sensitive expenditure must be approved in accordance with this policy, taking into account the principles outlined above. All sensitive expenditure decisions must follow the 'one up' rule.

Sensitive Expenditure must not be of a nature which could:

- compromise, or appear to have compromised judgement;
- place an employee under any obligation to a third party;
- appear to be a conflict of interest;
- damage relationships with others;
- indicate favouritism or preference.

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. All sensitive expenditure is subject to appropriate and robust authorisation and control processes, no matter the amount of money spent. Improper expenditure could harm the reputation of, and trust in, the organisation.

All Council employees and Elected Members are required to act with probity and to act in a way that maintains public confidence in the Council. Council staff and Elected Members must

guard against actual or perceived conflicts of interest in regard to the use of Council resources. Decisions on sensitive expenditure are based on objective criteria and have no personal benefit for any employee or Elected Member.

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

Responsibilities

The Central Otago District Council must operate with a high level of integrity. The Elected Members, Chief Executive Officer and Executive Managers set the highest standard for what is and is not acceptable sensitive expenditure. The responsibility for this should flow top-down, throughout the organisation.

It is the responsibility of all Elected Members and staff to complete a [Gift and Hospitality form](#) in accordance with this policy, ensuring the form has been approved by the relevant people.

Controls and judgement

All expenditure must withstand internal and external scrutiny. In the absence of a specific rule for a given situation, the Mayor, Elected Members, Chief Executive Officer and the Executive Team are expected to exercise careful judgement by taking the principles in this policy into account within the particular context of the circumstance. In instances of higher risk, greater detail should be sought about the expenditure.

Transparency must be maintained in both sensitive expenditure and remuneration systems, and to avoid any trade-offs between the two.

Sensitive Expenditure Approval

Approval for all sensitive expenditure is subject to the principles which underpin decision making outlined above. Additional to this, approval is subject to the following:

- Expenditure has a justified and appropriate business purpose;
- is approved prior to the expenditure being incurred, whenever practical;
- is moderate, conservative, and cost effective;
- complies with all applicable Council obligations, principles, and standards;
- exhibits appropriate due diligence and probity;
- is subject to budget provision and within delegated and statutory limits;

- 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).

Those approving sensitive expenditure must ensure they do not benefit from that expenditure. The 'one up' rule must apply to the approval of any and all sensitive expenditure. This encompasses the following:

- Staff sensitive expenditure must be approved by the employee's relevant manager or member of the Executive Team, according to their financial delegation;
- The Executive Team members sensitive expenditure must be approved by the Chief Executive Officer.
- The Chief Executive Officers sensitive expenditure must be approved by the Mayor;
- The Mayor's sensitive expenditure must be approved by the Deputy Mayor and the Executive Manager – Corporate Services;
- The Deputy Mayor's sensitive expenditure must be approved by the Chief Executive Officer;
- The Mayor will approve Elected Members' sensitive expenditure.


Due to the nature of the Mayor and CEO's role, approval for sensitive expenditure (in particular travel and accommodation bookings) may be retrospective.

The Chief Executive Officer may, in exceptional circumstances, allow exemptions to this policy where necessary and justified, ensuring the transaction and authorisation is fully documented prior to expenditure.

Payment and Reimbursement

All sensitive expenditure shall be supported by appropriate documentation and supporting records including (GST) invoices and receipts. These documents must be original (such as GST tax invoices) or electronic copies which are retained in a way that preserves the integrity and completeness of the document. Detailed justification of the business activity undertaken must be provided and names of external parties or staff involved where applicable.

All reimbursement must be formally recorded on an [Expense Claim Form](#) for each individual staff member and approved by the relevant staff member ('one up' rule), as identified within this Policy. Where a claim relates to more than one person, it should be made by the most senior person and list the other individuals to whom the expenditure relates.

Additional Information	
	<p>Credit card statements are not adequate documentation to support reimbursement claims</p>

Claims relating to sensitive expenditure should:

- Clearly state the business purpose;
- be accompanied by supporting documentation, correctly coded; and
- be submitted promptly after the expenditure is incurred.

Sensitive expenditure will only be reimbursed if it is deemed to be reasonable, actual and has been incurred directly in relation to council's business, where possible having been approved in advance. Those approving sensitive expenditure must ensure that all transactions are reviewed and clearly evidence an appropriate business-related purpose.

Additional Information



Expense Claim forms should be approved no later than 30 business days after the occurrence, except in exceptional circumstances.

Credit Cards

The use of credit cards and purchasing cards is not strictly a form of sensitive expenditure, however this is often the medium for payment of sensitive expenditure items. Please refer to the [Credit Card Policy](#) for further information.

Travel

Council will pay for travel, meals, accommodation, and necessary incidental expenses for approved travel. All expenses incurred by employees, expected to be reimbursed as a result of undertaking travel on Council business is classified as sensitive expenditure and must be disclosed unless there is a very good justifiable reason not to. For further information on travel expenditure, please refer to the [Travel Policy](#).

Council Assets

Private use of Council assets

Any physical item owned, leased, or borrowed by Council is considered an asset for the purpose of this policy. This includes, but is not limited to, photocopiers, mobile devices, computer equipment, laptops, office furniture, uniforms, and stationery.

Private use of Council assets for personal purposes will only be permitted in limited circumstances and prior approval must be obtained from the employee's Executive Manager. The costs to Council of private use will be recovered unless it is impractical or uneconomic to separately identify those costs. The private use of Council owned cell phones is permitted, however employees must follow the [Personal Use of Smart Phone Procedure](#).

Private Vehicle Use

Pre-approval using the 'one up' rule must be obtained for a staff member to use a private vehicle for work purposes. Fleet vehicles must be used in the first instance.

In the instance that parking or traffic offences are incurred while using a private vehicle on business, the employee is responsible for the payment of these fines.

The rates of reimbursement for a private vehicle are in line with the allowable expense for using a private vehicle for business purposes recommended by the Inland Revenue Department.

Sale of assets to staff

Assets are not to be sold directly to Elected Members or employees. Staff disposing of the asset/s will not benefit from the disposal.

Please refer to the Fixed Asset and Disposal Policy for further information.

Private use of Council suppliers

Employees must not personally benefit from the purchasing power of the organisation or incur costs to the organisation as a result of purchasing in a private capacity. These situations risk creating the perception that staff are privately benefiting from this access, which would need to be managed.

Employees cannot use purchasing privileges on behalf of any third party, such as family members or friends. Staff should pay in full and must not use the organisation as a source of credit.

Professional memberships, registration fees and subscriptions

Individual professional memberships, registrations and subscriptions may be paid for by the Central Otago District Council where it is required by or clearly relevant to the staff member's duties.

Professional memberships must be:

- For the respective staff member only;
- Budgeted for and approved by the employee's Executive Manager or the Chief Executive Officer.

Professional memberships are for the benefit of the Council and are not intended to be a personal benefit to staff members. Where an employment contract includes provision for payment of professional memberships, the employment contract will take precedence over this policy.

Memberships must be cancelled or transferred to a replacement Council staff member should employment be terminated. Transferral of membership must be authorised by the employees Executive Manager. Any refund of fees as a result of cancellation of membership belongs to the Council and must be refunded as so.

Entertainment and Hospitality expenditure

Entertainment and hospitality expenditure is broad ranging, from providing catering at a small event, to organisation-funded hosting at a cultural event.

The five business purposes for entertainment and hospitality expenditure:


- Building relationships;
- Representing the organisation;
- Reciprocity of hospitality where this has a clear business purpose and is within normal bounds – acceptance of hospitality is expected to be consistent with the principles and guidance for provision of hospitality;
- Recognising significant business achievement;

- Building revenue.

Alcoholic drinks must not be charged to Central Otago District Council without pre-approval from the Chief Executive Officer. Exemptions to this rule may apply for the Mayor, Chief Executive Officer and the Tourism Central Otago Team - where there is an expectation to host business guests or supply gifts as a thank you or prize.

Entertainment related expenditure should be included in pre-approved budgets. Where entertainment related expenditure is considered unreasonable by the Executive Manager – Corporate Services, the Finance Manager, or their nominee, they will seek further explanation from the approvers of the payment, or the employees respective Executive Manager.

Where possible, payment is to be made with a Council credit card and should be accompanied with a detailed description, including all attendees. Café meetings with external guests may be paid for via the credit card after careful consideration that this is appropriate.

Additional Information	
	<p>The Council will not pay for entertainment related expenditure for spouses or other family members accompanying a staff member or Elected Member except for in certain circumstances, as approved using the one up principle.</p>

Under no circumstances can the gifts/koha given be exchanged with the Council for cash or be used as a substitute for legitimate payment or remuneration.

Staff Functions and Events

At the discretion of the Chief Executive Officer, Council-wide functions may be provided during work time.

In relation to an end of year function, the amount of monetary contribution will be confirmed by the Executive Team on an annual basis. The budget allocation per staff member must not be exceeded. Up to two alcoholic drinks, or equivalent, per person may be provided at the end of year function.

Team gatherings and functions such as Christmas lunches are to be self-funded. Activity Christmas lunches/events are permitted during work hours and may be no longer than two hours. Any additional time after this must be made up or taken as annual leave.

Team Building Events and Activities

From time to time, team building events may occur offsite, typically these should be limited and approved by the Executive Manager. Any other events are expected to be held onsite. All events must be supported by an appropriate business reason or purpose.

Costs of these events are to be met from the activity managers or participating members' cost centre. Costs must be made within approved budgets and take into account any expenditure which may be considered sensitive.

Internal Events

In the event that meetings, forums, training or conferences are hosted internally, external catering may be provided where:

- Approval has been gained by the respective budget holder;
- The meeting extends over the lunch time period;
- Costs are reasonable;
- External parties are in attendance.

Catering is generally only provided for meetings with external participants who are official representatives of their organisations. However, there may be times when it is appropriate and more cost effective and timesaving to provide food for meetings or training days where only Council staff are present. Typically, when the meeting is longer than three hours or spans a mealtime.

Recognising achievements/rewards and recognition, farewells and long service retirements

Some occasions may be deemed appropriate for managers to provide a tangible recognition for achievements relating to the business. Achievements such as, but not limited to, staff farewells and general achievements may be recognised through expenditure on a gift, function, or other such item. This expenditure must not be extravagant or inappropriate and must adhere to the principles outlined above. Departments may provide a morning or afternoon tea for a staff member who is leaving, recognising their valuable contribution to Council. Employees from other activities may also be invited, as appropriate.

It is not expected that formal farewell functions paid for by the Council will be held for staff with less than five years of service.

Expenditure on recognising achievements must be pre-approved by the employees Executive Manager and must be supported by clear documentation outlining the justification for the expenditure. This monetary contribution must not fund the purchase of alcohol.

Gifts

Giving Gifts

Gifts are often provided, both internally and externally, for a number of reasons - such as a thank you for a speech or presentation, or when giving gifts is customary.

The giving of gifts up to \$100 requires the approval of the relevant Executive Manager. Any gift over this amount requires the approval of the Chief Executive Officer for staff issue, and by the Mayor for Elected Members.

The giving of gifts must be modest, appropriate, and conservative, having a justified business purpose and which would not be seen by others as an inducement or a reward.

Staff Welfare

On occasion it is appropriate to recognise staff at key life events. Flowers or a small gift to mark a key life event such as a birth, bereavement or illness of a staff member or close relative may be sent, up to the value of \$100. Special events such as milestone birthdays are not considered appropriate.

Receiving Gifts

It is important that receiving a gift does not affect an organisation or an individual's decision-making, as this could be perceived as acting without impartiality or integrity. Where an employee has any doubts about the appropriateness of accepting a gift, they must discuss it with their Executive Manager.

Approvers must consider the following:

- The reasons for the gift being given and whether there may be an explicit or implicit expectation of favour in return;
- The value or importance the recipient would place on the gift and whether they are likely to be influenced by receiving it;
- Whether the value of the gift is both appropriate and reasonable for the circumstances in which it is being given;

- The frequency of the gift or benefit. Even a small gift or benefit given repeatedly may be inappropriate;
- Whether the receipt of the gift is likely to receive adverse publicity or that the intention could be misconstrued.


Council staff are permitted to accept gifts if they are infrequent and/or inexpensive and are openly distributed by suppliers and clients. Infrequent is defined as no more than three times in any 12 months period and inexpensive as having a monetary value of less than \$50. These items are not normally required to be declared. However, items of a sensitive nature or perceived higher value should be declared to the staff member's manager and reported and recorded in the gift register.

The acceptance and retention, of any gift with an estimated monetary value exceeding \$50 by council staff must have the express approval of the recipient's respective Executive Manager, or the Chief Executive Officer. This must be recorded in Central Otago District Council's Gift Register.

Gifts intended for more than one individual must be recorded on the Gift Register and the Chief Executive Officer will determine how they should be used or distributed among all staff.

Prizes received from a free competition entry obtained while carrying out an organisation's business are also considered to be receiving a gift for the purposes of this policy, these must be recorded in the Gift Register.

Particularly sensitive or high value gifts will be distributed at the end of year function via a raffle or agreed distribution process.

Additional Information	
	Cash gifts are unacceptable in any circumstance

Receiving hospitality

Invitations for hospitality and/or invitations to events or functions may arise in some instances. It is important that receiving hospitality does not impact an organisations, or an individual's decision-making as this could be perceived as acting without impartiality or integrity. The decision as to whether to accept the invitation requires consideration of whether attendance would:

- Benefit a business relationship of Central Otago District Council;
- Be consistent with the principles of this policy;

- Could be perceived as a means of influencing a council decision-making process;
- There is a cost involved that could be considered an inappropriate gift.

The invitation and its acceptance, or otherwise, must be recorded in the Gift Register.

Attendance at functions or events such as sports or cultural events or functions that involve significant work time for the employee and/or expenses for the host of over \$100, may be accepted subject to notification and the approval of the Chief Executive Officer. In cases of doubt as to whether to accept an invitation to an event, consultation should be sought from the relevant Executive Manager.

Employees may, with the approval of their Executive Manager, accept speaking or teaching commitments at conferences or similar gatherings where some or all of the costs of attending are paid, and the event is clearly relevant to their work.

Where a staff member seeks or is offered cash for employment or activities outside of Council, and where that activity is substantively similar to their role or could affect their ability to carry out their duties, it could constitute a conflict of interest. The staff member should discuss this with their Executive Manager before accepting any such employment or activity.

Koha

Koha is a gift, token, or contribution. The giving of koha acts to seal a relationship and is part of the protocol of reciprocation. An occasion which a koha may be suitable for could include:

- tangihanga;
- attendance at an event/meeting;
- for use on or for a marae; and
- kaumātua support for pōwhiri, mihi whakatau meetings, or other events.

Council requires donations and koha to:

- be in the form of money;
- be paid to external person(s) or non-profit community groups who provide support, or undertake a one-off activity and expect non-payment for such activity or support in return;
- not be given in lieu of salary or as a payment for service(s) provided;
- not be given by the Council to Council employees.

The amount of koha given on behalf of Council should reflect the occasion and be approved by the relevant Executive Manager or Chief Executive Officer for staff issue and by the Mayor for Elected Members to issue. Council must give due regard to standards of probity and

financial prudence while being mindful of the cultural imperative of giving adequate or reasonably generous koha. The employee should provide the following information:

- brief explanation of the reason for the koha payment;
- the date of the event;
- details of who the payment will be made to;
- details of the amount of the proposed koha payment;
- details of the account to be charged.

Depending on the size of the cash donation, Finance may require 48 hours' notice to ensure there is sufficient cash available.

Procurement

Employees undertaking procurement processes and tendering functions must not accept gifts of any kind while engaged in these functions. Employees having significant advisory input into procurement and tendering decisions where they have provided or are likely to provide advice must not accept gifts while engaged, or immediately before or after, undertaking these functions.

Reporting and Monitoring

Appropriate monitoring of sensitive expenditure shall be undertaken by Finance, to ensure compliance with this policy and associated documents.

The Gift and Hospitality Register is reviewed quarterly by the Chief Executive Officer and the Executive Manager – Corporate Services to identify any trends, patterns or risks which may cause concern or require preventative actions. At the close of the financial year, the Chief Executive Officer shall sign off the Gift and Hospitality Register and a new register will be started for the new financial year.

The Gift and Hospitality Register will be presented to the Audit and Risk committee annually.

Breaches of Policy

Non-compliance with this policy may result in disciplinary action up to and including dismissal.

For contractors and consultants, non-compliance may result in the immediate termination of the contract for service.

Relevant legislation:

- Local Authorities (Members' Interests) Act 1968
- Local Government Act 2002 (s.100 and 101)
- Public Audit Act 2001

Related documents:

- Asset Disposal Policy
- Credit Card Policy
- Fraud, Bribery and Corruption Policy
- Fraud, Bribery and Corruption Process
- House Rules
- Register of Staff Delegations
- Risk Management Policy
- Staff Interest Policy
- Travel Policy
- Procurement Policy
- NZ Office of the Auditor General. Controlling sensitive expenditure: Guide for public organisations 2020