

# SENSITIVE EXPENDITURE POLICY



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# CONTENTS

<b>1</b>	<b>Introduction.....</b>	<b>3</b>
1.1	Purpose.....	3
1.2	Applicability .....	3
1.3	Definition .....	3
<b>2</b>	<b>Principles .....</b>	<b>3</b>
2.1	Foundation Principles for Money and Assets .....	3
2.2	Key principles that Guide us:.....	3
<b>3</b>	<b>Employee’s Responsibilities .....</b>	<b>4</b>
3.1	Bottom Lines .....	4
<b>4</b>	<b>People Leader’s Responsibilities .....</b>	<b>4</b>
4.1	Bottom lines .....	4
<b>5</b>	<b>Compliance with the Sensitive Expenditure Policy .....</b>	<b>5</b>
<b>6</b>	<b>Non-Compliance .....</b>	<b>5</b>
6.1	Breach of Policy .....	5
6.2	Monitoring and Compliance.....	5
<b>7</b>	<b>Policy Review and Variation.....</b>	<b>6</b>
<b>8</b>	<b>Contact Person .....</b>	<b>6</b>
<b>9</b>	<b>Associated Documents.....</b>	<b>6</b>

# 1 INTRODUCTION

## 1.1 PURPOSE

This policy provides rules around sensitive expenditure, which by its nature creates financial and reputational risk for Hutt City Council (“Council”) and its Council Controlled Organisations (“CCO’s”).

It encourages common sense to sensitive expenditure that is fair, reasonable and able to withstand public scrutiny. Celebrating successes and being a fun place to work must be balanced with Council’s obligation and public expectations to safeguard its resources and ensure expenditure has robust authorisation and controls.

Further information and guidance is provided in the “Sensitive Expenditure Guidelines” which sits alongside this policy.

## 1.2 APPLICABILITY

This policy applies to elected members, employees: full-time, part-time, fixed term, casual, contractors and volunteers of Council and its CCO’s (the “Group”).

NB: For elected members, substitute the word ‘Elected Member’ for employee. For elected members these guidelines should be read together with the code of conduct for elected members and the annual Local Government Members’ Determinations issued by the Remuneration Authority.

## 1.3 DEFINITION

**Sensitive Expenditure** is spending by the Group that could be seen to give some benefit to an employee that is additional to the operational benefit to the Group of the expenditure. It also includes spending by the Group that could be considered unusual or unrelated to the Group’s purpose, function or core activities.

# 2 PRINCIPLES

## 2.1 FOUNDATION PRINCIPLES FOR MONEY AND ASSETS

- We take care of the Group’s assets to safeguard them for current and future generations;
- We are prudent and choose the best value for money for the Group and for the community;
- We make sure our revenue opportunities are optimised so that they have the fairest impact on the community;
- We actively seek partnerships to grow the amount of investment towards achieving our vision; and
- We are transparent and accountable for all decisions around money and assets, and our decisions are made with integrity.

## 2.2 KEY PRINCIPLES THAT GUIDE US:

The Group takes a principles-based approach when making sensitive expenditure decisions. There are principles that underpin decision-making about sensitive expenditure. Expenditure decisions should:

- **have a justifiable business purpose** that is consistent with the organisation’s goals and objectives. A justifiable business purpose means a reason that would make clear sense, supported by evidence of the need for the spending and evidence that a range of options have been considered;

- **preserve impartiality.** Impartiality means decisions based on objective criteria, rather than based on any sort of bias, preference, or improper reasoning;
- **be made with integrity.** Integrity is about exercising power in a way that is true to the values, purposes, and duties for which that power is entrusted to, or held by, someone. It is about consistently behaving in keeping with agreed or accepted moral and ethical principles;
- **be moderate and conservative.** When viewed from the standpoint of the public and given the circumstances of the spending. It includes considering whether the justifiable business purpose could be achieved at a lower cost;
- **be made transparently.** Transparency in this context means being open about the spending, and willing to explain any spending decisions or have them reviewed; and
- **be made with proper authority.** This means that the person approving the spending has the appropriate financial delegation to do so, for the type and amount of spending and follows correct procedures.

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

## 3 EMPLOYEE'S RESPONSIBILITIES

### 3.1 BOTTOM LINES

All employees are to ensure any purchases comply with the **principles** outlined in section 2 of this policy.

Prior to employees incurring any sensitive expenditure, pre-approval must be obtained.

Employees must ensure the sensitive expenditure is supported by documentation including evidence of:

- Pre-approval for the expenditure
- An invoice appropriately coded and approved by someone with appropriate level of financial delegation; and
- Details relating to the business nature of the expenditure

## 4 PEOPLE LEADER'S RESPONSIBILITIES

### 4.1 BOTTOM LINES

All people leaders are responsible for role modelling behaviour to the highest standard. It is the authoriser's responsibility to ensure compliance with this policy. General rule, if you approve the expenditure, you are accountable for that expenditure. Information can be made public when requested via the Local Government Official Information and Meetings Act 1987.

People leaders are to make it clear to employees what is and is not acceptable sensitive expenditure. Where expenditure is deemed to be unreasonable by the Group Chief Financial Officer, an explanation will be sought from the authoriser.

As a people leader you are empowered to recognise great performance, create a team culture and authorise expenditure required to achieve Council outcomes.

Use common sense, foundation principles and our Values to guide your judgement.

The authoriser is the person senior to the person/people who will or might be perceived to benefit from the sensitive expenditure ("one-up" principle).

The most senior staff member present is to meet the payment. In no circumstances should a staff member of less seniority authorise expenses in relation to an event, entertainment and/or catering.

People leaders should ensure that the expenditure:

- Was pre-approved before the expenditure was incurred;
- Is supported by appropriate documentation and coded correctly; and
- Contains sufficient details within the documentation to support the business nature of the expenditure.

Things to consider when thinking about sensitive expenditure:

- Is there a genuine business need for this expenditure;
- Does it take into account all health, safety and wellbeing considerations;
- What is the total cost to the ratepayer; and
- What is the expected benefit to Council for this expenditure and would others, particularly ratepayers, view there to be balance between the business and personal benefit.

All the Mayor's expenses are to be approved by the independent Chair of Audit and Risk Subcommittee.

For the elected members' expenses and allowances related process and rules please refer to the "Elected Members Expenses Policy". The key approval process for this, is that all expense claims from elected members are approved by the Head of Democratic Services, with more complex claims requiring Chief Executive approval.

## 5 COMPLIANCE WITH THE SENSITIVE EXPENDITURE POLICY

This policy and the associated Guidelines are required to be complied with whenever sensitive expenditure is undertaken unless there is compelling justification to depart from these and the reasons are recorded and approved by the Chief Executive to grant an exemption.

## 6 NON-COMPLIANCE

### 6.1 BREACH OF POLICY

Policy breaches are considered and treated as misconduct per the **Managing Misconduct Policy**.

For expenditure incurred outside of this policy, Council may:

- Seek reimbursement of costs directly from the employee; or
- Refuse to use Council funds to meet the purchase commitment arising from the transaction.

### 6.2 MONITORING AND COMPLIANCE

Regular internal reviews will be carried out by Risk and Assurance, in addition to oversight by Budget Managers and annual reviews by external auditors.

People managers are to implement means to monitor adherence to limits for their team/s social activities. Evidence of this monitoring may be requested by the Group CFO or auditors.

If you suspect/detect inappropriate expenditure, raise it with your people leader, People and Capability, Finance or Risk and Assurance.

Alternatively, use the online Wrongdoing and fraud reporting form to raise concerns about serious wrongdoing, fraud, corruption and substantial waste.

## 7 POLICY REVIEW AND VARIATION

This policy will be reviewed at least once three-yearly, with variations approved by the Council.

## 8 CONTACT PERSON

Please contact the Financial Accounting Manager with queries regarding this document.

## 9 ASSOCIATED DOCUMENTS

FIN-POL-024 Financial Delegation Policy	HR-POL-032 Long Service Celebrations Policy
HR-POL-013 Managing Misconduct Policy	LEG-POL-005 Protected Disclosures Policy
FIN-POL-012 Corporate Credit Card Policy	RAA-POL-002 Fraud Policy
FIN-POL-001 Procurement Policy	RAA-POL-004 Receiving of Gifts Policy
FIN-POL-13 Car Users Guide	RAA-POL-003 Conflicts of Interest Policy
TTM-POL-001 Koha Policy	
IS-POL-002 Information and Communications Technology - ICT Users	

*Controlling sensitive expenditure: Guidelines for public entities* – OAG good practice guide:  
<https://oag.parliament.nz/2020/sensitive-expenditure/docs/sensitive-expenditure.pdf>