

TO: RISK & ASSURANCE
FROM: DAVE FOSTER – INTERIM DIRECTOR OF FINANCE
MEETING DATE: 6 MARCH 2019

IN COMMITTEE

Reason for Exclusion:

Section 7(2)(f)(i) Maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees of any local authority, or any persons to whom section 2(5) of this Act applies, in the course of their duty.

SENSITIVE EXPENDITURE 2018/19

SUMMARY

On 8 October 2018 the Committee considered the revised Sensitive Expenditure Policy which was ultimately adopted by Council on 6 November 2018. At that time the Committee was advised that expenditure would be reported to the Committee with the intention that the report would ultimately be made public.

A transactional list of Sensitive Expenditure items at the executive and Council level has been prepared for consideration.

RECOMMENDATIONS

It is recommended that:

The “Sensitive Expenditure Report” be received

AND

The Risk and Assurance Committee accepts the expenditure identified in the report as compliant with the Sensitive Expenditure Policy.

AND

The report be made publicly available subject to any changes to the format.

IMPLICATIONS

1.	<i>Has this been provided for in the Long Term Plan/Annual Plan?</i> Yes
2.	<i>Is a budget amendment required?</i> No
3.	<i>Is this matter significant in terms of Council’s Policy on Significance?</i>

	No
4.	<i>Implications in terms of other Council Strategic Documents or Council Policy?</i> No
5.	<i>Have the views of affected or interested persons been obtained and is any further public consultation required?</i> No
6.	<i>Has the Child, Youth and Family Friendly Policy been considered?</i> N/A

1. LEGISLATION

The *Local Government Act 2002* provides that Council should ensure that the expected conduct of elected members, is clear and understood by elected members and the community.

The Act provides that the Chief Executive has responsibility for maintaining the appropriate standards of integrity and conduct among the employees of Council.

2. RESPONSIBILITY

The Invercargill City Council (ICC) recently approved the Risk and Assurance Committees terms of reference. Those terms of reference include the delegation to the Risk and Assurance committee of the supervision of financial risk, internal controls and executive/elected representative expenditure.

The 2017/18 management report from Audit New Zealand (and prior year reports) have highlighted the need for the Invercargill City Council to ensure that correct processes are in place around the incurring of sensitive expenditure. It's is important that this is also supported by appropriate reporting and monitoring both at Officer and Governance level.

The Committee is required to report to ICC as required on its assessment of ICC's risk, control and compliance framework. Review of actual sensitive expenditure is one part of ensuring the effectiveness of the controls established by ICC.

3. POLICY

The Office of the Auditor General defines sensitive expenditure as follows

Sensitive expenditure is expenditure by a public entity that provides, has the potential to provide, or has the perceived potential to provide a private benefit to an individual staff member of a public entity that is additional to the business benefit to the entity of the expenditure. It also includes expenditure by a public entity that could be considered unusual for the entity's purpose and/or functions.

ICC Policy describes sensitive expenditure as:

expenditure is spending by the Council that could be seen to give some benefit to an elected member or employee, or could be considered unusual for the Council. Sensitive expenditure will have one or more the following attributes:

- Results in a perceived or real benefit to the individual.
- May be an unusual expenditure item for the Council.

- Does not directly align with the core business of the Council or has a poor link to the business purposes of the Council.
- Usually a discretionary expenditure item.
- Is likely to be difficult to justify to the public.
- May involve a perceived or real conflict of interest (legal or ethical).
- May be considered an extravagant or immoderate expenditure.

The report has identified expenditure that ICC staff consider falls within these definitions.

The sensitive expenditure policy provides the following guidance for assessing whether expenditure is appropriate:

Decisions to approve sensitive expenditure must:

- *ensure that the expenditure;*
 - *has a justifiable business purpose; and*
 - *is moderate and conservative, having regard to the circumstances*
- *preserve impartiality;*
- *be made with integrity;*
- *be documented and made transparently; and*
- *be appropriate in all respects.*

The Committee should consider at least these issue when considering the information contained within the report.

4. REPORT

The report provides the Risk & Assurance Committee with oversight onto areas of Council expenditure that could be considered sensitive. The report focuses on key areas of Council that may be subject to increased scrutiny, with these being:

- Director of Finance
- Director of Environmental and Planning
- Director of Works & Services
- Chief Executive
- Councillors
- Mayor

This presents sensitive expenditure for the period 1 November 2018 to 31 January 2019. The amount of each expenditure item is disclosed along with a description of the nature of the expenditure. (Appendix 1)

This report will be included in the Risk & Assurance agenda as a standing item moving forward.
