



OTAGO POLYTECHNIC COUNCIL POLICY		Number: CP0008.04
Title:	Sensitive Expenditure	
Baldrige Criteria:	Operations	
Chief Executive Approval:	Effective Date: 3 May 2019	Review Date: 1 March 2020
Previous Policy No:	n/a	Status: Current
Contact Authority:	Secretary to Council	

Purpose

To clearly identify the parameters within which Otago Polytechnic shall incur and authorise expenditure of a sensitive nature.

Otago Polytechnic spends public and private money, and all such spending must meet standards of probity that will enable it to withstand Parliamentary and public scrutiny.

Otago Polytechnic provides guidance to employees, contractors and council members by way of policies and expects that all expenditure is subject to proper authorisation and controls and that no individual will approve their own expenditure or expenditure they may have benefitted from.

Definitions

Sensitive expenditure is expenditure that provides, has the potential to provide, or is perceived to provide a private benefit to an employee, contractor or council member (or a party related to an employee, contractor or council member), that is additional to the business benefit to the Polytechnic of that expenditure. It also includes expenditure by the Polytechnic that could be considered unusual for the Polytechnic's purpose and/or functions.

Expenditure in this category has been broken down into four categories, as follows:

Category 1: Entertainment and hospitality related expenditure

Category 2: Travel and accommodation related expenditure

Category 3: Staff support and welfare related expenditure

Category 4: Goods and services related expenditure.

A **conflict of interest** refers to a situation in which private interests or personal considerations may affect an employee or council member's judgement and/or ability to act in the best interest of Otago Polytechnic.

Controls are the means to promote, direct, restrain, govern and check on various activities.

Credit Card has the normal meaning, but should also be read as applying to vehicle fleet cards, purchase cards and equivalent cards used to obtain goods and services before payment is made.

Probity is defined as uprightness, honesty, proper and ethical conduct.

Formal Leader refers to the staff member's line manager, or a manager higher in the financial delegation approval hierarchy.

Policy

1. **Standards** - The standards applying to sensitive expenditure decisions require that the expenditure decision:

- a. has a justifiable and dominant business purpose
- b. preserves impartiality
- c. is made with integrity
- d. is moderate and conservative, having regard to the circumstances
- e. is transparent; and
- f. is appropriate in all respects.

2. **Approvals** - Sensitive expenditure should be approved:

- a. where it meets the standards described in this policy
- b. before the expenditure is incurred wherever practical
- c. in accordance with delegated authority and;
- d. by the person "one-up" from the person or persons perceived to benefit from the expenditure.

3. **Claims** – claims relating to sensitive expenditure must:

- a. clearly state the business purpose
- b. be accompanied by original supporting documentation
- c. document the date, amount, description for items of minor expenditure where receipts are unavailable (amounts under \$50)
- d. be submitted promptly after the expenditure is incurred.



4. **Credit Card or Charge Card Expenditure** - Refer to policy *MP0352 Otago Polytechnic Purchasing and Credit Cards*.
 - 4.1. Using credit cards or charge cards is not a type of sensitive expenditure, but is a common method of payment for such expenditure.
 - 4.2. Any expenditure charged to credit cards must be for business use only. No personal purchases are permitted.
5. **Chief Executive and Council Chair expenditure**
 - 5.1. Expenditure incurred by the Chief Executive must follow the standards and principles outlined in this policy and be approved by the Council Chair.
 - 5.2. Expenditure incurred by the Council Chair must follow the standards and principles outlined in this policy and be approved by the Chair of the Finance & Audit Committee.

Expenditure categories

6. **Category 1: Entertainment and Hospitality expenditure**
 - 6.1. Entertainment is defined as business expenditure for the purposes of:
 - a. building relationships
 - b. representation of the organisation
 - c. reciprocity of hospitality
 - d. recognition of significant business achievement
 - e. hospitality.
 - 6.2. Entertainment and hospitality expenditure must :
 - a. be based within a pre-approved budget with a pre-agreed purpose unless linked to incidental governance processes
 - b. wherever possible be approved before the event from the person holding delegated authority and if the person with delegated authority could be a perceived beneficiary, then the one-up principle for sign-off must apply
 - c. not be extravagant and must be appropriate for the occasion.
 - 6.3. **Alcohol Purchases** - Subject to a few exceptions, Otago Polytechnic does not pay for alcoholic beverages. As a guideline, the circumstances where spending on alcoholic beverages may be appropriate are;
 - a. Where OP is hosting outside guests
 - b. Where the expenditure is an OP wide staff function that falls under policy *MP0359 Staff Functions*
 - c. Where it is an OP function that employees, contractors, council members or related parties have been invited to attend and which includes alcohol.
 - d. Using the \$100 per head annual team hospitality budget provided it is purchased with food
 - 6.4. **Gifts to external parties** - Otago Polytechnic gifts to external parties should be reasonable, appropriate to the occasion and recipient. They should be approved under the normal delegation rules contained in policies MP0303 Authorities and Delegations from the Chief Executive.
7. **Category 2: Travel and accommodation expenditure:** Refer to Otago Polytechnic's *MP0446 Travel on Otago Polytechnic Business* policy.
 - 7.1. **Air Points and other loyalty points programmes** - Employees, contractors or council members are entitled to receive any air points or other loyalty points earned while travelling. However:
 - a. any travel booked must be at the best and lowest cost to Otago Polytechnic ignoring any loyalty programme to which the employee, contractor or council member belongs;
 - b. evidence may be required to show that travel is at the best and lowest cost to Otago Polytechnic;
 - c. use of Otago Polytechnic's approved travel supplier for making bookings is required whenever possible;

- d. if an employee elects to use air points or loyalty points for work purposes, no reimbursement for the equivalent cost or any other type of reimbursement shall be made.
- 7.2. **Private Travel linked with Business Travel** - may be allowed in conjunction with business travel provided there is no additional cost to Otago Polytechnic.
 - 7.2.1. Any such additional costs incurred must be reimbursed by the employee or council member;
 - 7.2.2. The fact that private travel in conjunction with business travel is planned must be disclosed at the time of pre-approval of the business travel.
- 7.3. **Travelling spouses, partners, or other family** - travel costs of accompanying family members should not be paid by Otago Polytechnic, unless the involvement of these parties contributes to the business purpose.
 - 7.3.1. In these circumstances expenditure must be pre-approved by the Chief Executive or by the relevant member of Executive Leadership Team; or by the Chair of Council for Council members and Chief Executive.
- 8. **Category 3: Staff Support and Welfare Related Expenditure, and Miscellaneous Expenditure:**
 - 8.1. Such expenditure can include club memberships, motor vehicles, telephone reimbursements, professional memberships and papers/periodicals.
 - 8.2. The following principles shall apply:
 - a. Eligibility for payments of a remunerative nature shall be clearly identified within the employee's employment agreement.
 - b. If an item of expenditure is not covered by the employee's employment agreement, eligibility shall be determined on a case by case basis. Approval shall be obtained and clearly documented before the expenditure is incurred.
 - c. Business Services and/or People and Culture must be contacted prior to the expenditure being approved to ensure any relevant tax implications are appropriately addressed.
 - 8.3. **Staff Recognition, Team Building and Retreats** - expenditure must:
 - a. be within the pre-approved budget
 - b. be approved wherever possible before the event from the person holding delegated authority and if the person with delegated authority could be a perceived beneficiary, then the one-up principle for sign-off must apply
 - c. not be extravagant and must be appropriate for the occasion. Good judgment in line with the principles of this policy is expected to be exercised.
 - d. as a general guide, if meals or functions are involved, not exceed \$50 per head. Associated accommodation costs should align to the travel policy limits. Any facilities hired for such events are expected to be moderate in nature.
 - 8.4. **Gifts given by OP to employees** The following limits apply:
 - a. gifts under \$100 require Head of School/College/Department or Director approval
 - b. gifts over \$100 require the relevant Executive Leadership Team member's approval
 - c. gifts over \$500 require Chief Executive approval
 - 8.4.1. For guidance on farewell gifts refer to policy *MP0359 Staff Functions*.
 - 8.5. **Sponsorship of staff** - Staff taking part in an event which is not directly related to their employment, such as a sporting event, may be sponsored by their school/college/department or service area through the provision of, or payment for, goods and services (for example, a t-shirt or entry fee).
 - 8.5.1. All such sponsorship should have a justified business purpose, which could include publicity for the event and its objectives or organisational recognition and development. The cost to the Otago Polytechnic should be moderate and conservative.
 - 8.5.2. If the event does not have a justified business purpose, the cost is deemed a gift and requires the approval specified in clause 8.4.

8.5.3. Sponsorship of staff is not classified under the entertainment classification in the delegation policy and requires specific approval as follows:

- a. sponsorship under \$200 requires Head of School/College/Department or Director approval
- b. sponsorship over \$200 requires the relevant Executive Leadership Team member's approval
- c. sponsorship over \$500 requires Chief Executive approval.

9. **Category 4: Goods and Services related Expenditure**

9.1. **Sale of Surplus Assets to Staff/Council Members** – refer to policy *MP0362 Asset Management (Operational - Acquisition and Disposal)* which contains the asset disposal process including the process for sales to employees, contractors or Council members (and their related parties).

9.1.1. If doubt exists then any sale to employees, contractors or council members or parties related to employees, contractors or council members should not be authorised.

9.2. **Communications Technology** – refer to policy *MP0311 Use of Phone Policy*

9.2.1. Communications technology such as cell-phones, telephones, email and other access to the internet is widely used in Otago Polytechnic. While some level of access for personal use is allowable, excessive use and cost is not permitted.

9.2.2. Where it is economically feasible, costs of personal use should be reimbursed. Monthly costs per person exceeding \$10 are scrutinised as part of standard authorisation procedures by the person's manager and reimbursement required.

9.3. **Private use of suppliers** - The Otago Polytechnic from time to time allows staff to obtain a discount on personal purchases from suppliers to the Polytechnic. Such discounts shall be arranged on a cash sale basis only.

Process for non-compliance

10. Where an instance of non-compliance with this policy is identified, action taken will depend on the specific circumstances and will be in accordance with the applicable terms and conditions of employment.

11. The first instance on non-compliance will be referred to the staff member's Formal Leader, any additional instances will be referred to the Director Business Services.

Referral Documents

Council - Code of Conduct
MP0303 Authorities and Delegations from the Chief Executive
MP0304 Specific Financial Authorities and Delegations
MP0352 Otago Polytechnic Purchasing and Credit Cards
MP0362 Asset Management (Operational - Acquisition and Disposal)
MP0359 Staff Functions
MP0446 Travel on Otago Polytechnic Business
MP0311 Use of Phone Policy

A Management Guide to Discretionary Expenditure, issued by the Institute of Internal Auditors NZ Inc, 1996.

Standards of Integrity & Conduct, issued by the State Services Commission, June 2007.

Controlling sensitive expenditure: Guidelines for public entities, issued by the Controller and Auditor-General, February 2007.

<http://www.oag.govt.nz/2007/sensitive-expenditure/>

Approved by Council

Date: 3 May 2019

