

Report 2 of 2020

Examination of credit card
use and management:
City of Charles Sturt



Report of the Auditor-General

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use and management:
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Dear President and Speaker

Report of the Auditor-General: Report 2 of 2020 *Examination of credit card use and management: City of Charles Sturt*

As required by the *Public Finance and Audit Act 1987* (PFAA), I present to each of you Report 2 of 2020 *Examination of credit card use and management: City of Charles Sturt*. As required by the PFAA a copy of the report was also delivered to the City of Charles Sturt.

Content of the Report

In line with section 32(1)(a) of the PFAA the Auditor-General may examine the accounts of a publicly funded body and the efficiency and economy of its activities.

I have examined the credit card use and management of three publicly funded bodies (City of Charles Sturt, City of Playford and The Coorong District Council).

This report communicates my findings on the examination of credit card use and management by the City of Charles Sturt.

I concluded that the City of Charles Sturt did not always use and manage its credit cards efficiently and economically during the period I examined (1 July 2016 to 30 April 2018).

Acknowledgements

The audit team for this report was Andrew Corrigan, James Baker, Aaron Steicke and the Local Government Team.

I would like to record my appreciation for the cooperation and assistance provided by the City of Charles Sturt.

Yours sincerely

A handwritten signature in black ink, appearing to read "Richardson", with a long horizontal flourish extending to the right.

Andrew Richardson
Auditor-General

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1 Executive summary

1.1 Introduction

Councils have a broad role and undertake many functions to provide for their communities. Generally, a council has the power to do anything necessary and to spend its funds as it thinks fit in performing its official duties or achieving its objectives.

The law, however, requires a council to act responsibly when making decisions to spend public money and to seek to ensure its resources are used fairly, effectively and efficiently. In recent years, some councils' expenditure behaviours have been subject to public criticism and members of the public considered some expenditure to be unreasonable or wasting public money. This negatively impacts public trust in the South Australian local government sector.

A credit card can be an efficient and convenient tool to purchase or pay for goods and services with public money. Credit cards are used for a range of council expenditure, some of which is subject to increased public sensitivity because of its nature and it may:

- create a perception that someone received a private benefit in addition to the business benefit to the council
- be considered unusual for the council's purpose or function
- be considered to provide no benefit to the public.

In this Report we refer to these expenses as sensitive expenditure. While it can be efficient, using credit cards increases the risk of unauthorised and improper use or waste of public money. These risks must be managed effectively for a council to avoid probity issues, reputational harm and loss of public trust that the council is acting responsibly and for the public benefit. Losing public trust may negatively impact on the council's ability to perform its functions efficiently and effectively.

The examination objective was to determine whether the City of Charles Sturt (the Council) used and managed its credit cards efficiently and economically. The examination objective and scope are considered in the context of the *Public Finance and Audit Act 1987* (the PFAA), which provides for the examination of the degree of efficiency and economy with which public resources are used. Public resources include public money, assets, facilities and staff labour. We consider the proper¹ use of public money is directly linked to efficiency and

¹ The Macquarie dictionary defines proper as 'appropriate to the purpose or circumstances; conforming to established standards of behaviour or manners'.

economy by definition and in the context of the PFAA. This has been our longstanding view and was expressed, for example, in a 2001-02 report² where the then Auditor-General reported the following commentary from the report of the United Kingdom's Committee of Public Accounts *The Proper Conduct of Public Business*:

... any failure to respect and care for public money would be a most important cause of a decline in the efficiency of public business. But there is no reason why a proper concern for the sensible conduct of public business and care for the honest handling of public money should not be combined with effective programmes for promoting economy and efficiency.

For the purposes of this examination, credit cards are efficient and economic where they are used and managed effectively to pay for low-value and high-volume transactions that are for business purposes, while minimising the above-mentioned risks.

It is important a council has appropriate policies governing its expenditure and controls to reduce these risks.

We examined the Council's policies and procedures for using and managing credit cards and determined whether it used them to promote and support its efficiency.

We examined the Council's policies and procedures governing specific expense types and determined whether they provided adequate direction and guidance to Council staff to ensure the proper use of public money.

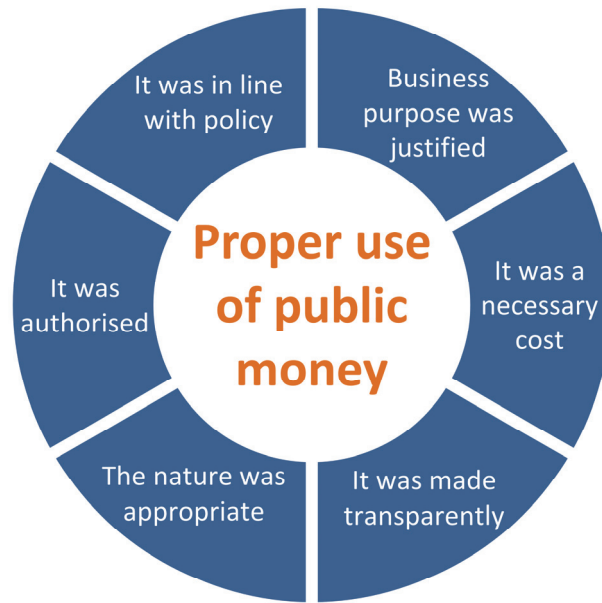
We also examined two key controls over credit card expenditure to ensure it was authorised and achieved the proper use of public money. We tested 33 selected credit card transactions³ to determine whether:

- two key control activities were being performed effectively, namely the selected transactions were authorised and independently reviewed
- the expenditure complied with policy or to identify gaps in policy
- the expenditure was consistent with the proper use of public money by assessing them against the expenditure principles provided in figure 1.1, which are further explained in section 3.3.2.

² Report of the Auditor-General for the year ended 30 June 2004 *Report Pursuant to Sections 32 and 36 of the Public Finance and Audit Act 1987: Matters Associated with the 2001-02 Proposal Concerning the Establishment of an Ambulance Station at McLaren Vale*, February 2005.

³ This selection of 33 transactions was not intended to be a representative sample of the Council's total expenditure.

Figure 1.1: Expenditure principles



We acknowledge that the nature of what we describe as sensitive expenditure means that assessing the appropriateness and effectiveness of some spending involves subjective judgement. We considered practices in local and state governments here and in other jurisdictions to inform our approach. A goal of our examination, which included two other councils in its scope,⁴ was to seek to ensure the best and clearest guidance is available to those spending public money to increase effectiveness and reduce risk in the long term.

The examination covered the period from 1 July 2016 to 30 April 2018 (22 months).

While we were conducting this examination, the Council introduced or revised some of its policies and procedures. We acknowledge this where relevant. We have not examined how they were applied. We reviewed them only enough to provide any observations we considered relevant.

The matters raised in this Report and the transactions we reviewed are now historical to the Council given its improved policies and practices since October 2018. However, there are important lessons about good expenditure behaviours when spending public money, no matter the payment mechanism, that can be learned and applied throughout the local government sector. We will encourage all public entities, both state and local, to read this Report and consider whether our findings and the Council's improvements can be used to improve their own practices.

⁴ Auditor-General's Report 3 of 2020 Examination of credit card use and management: City of Playford and Auditor-General's Report 4 of 2020 Examination of credit card use and management: The Coorong District Council.

1.2 Conclusion

We concluded that the Council did not always use and manage its credit cards efficiently and economically during the period we examined, 1 July 2016 to 30 April 2018 (22 months).

Overall, credit cards were used for their intended purpose in that they were used for low-value and high-volume transactions. During the examination, the Council actively responded to our inquiries and acted to improve its practices by reviewing existing policies and introducing new ones to govern its key expense types.

For the examination period 1 July 2016 to 30 April 2018 (22 months), while credit cards were issued to promote and support the Council's efficiency and frequently used by cardholders, we identified gaps in some important areas, including:

- policy direction and guidance to support some expenses paid with a credit card were not developed and implemented
- the credit card policy and some expenditure policies⁵ did not include expenditure principles to help financial delegates make expenditure decisions that clearly demonstrated the proper use of public money
- instances where, in our opinion, costs incurred were not a proper use of public money.

Our assessment of selected transactions⁶ against the expenditure principles corroborated our findings that the Council needed more policy direction and guidance.

In our opinion the following purchases are not a proper use of public money, other than in rare circumstances and where the business purpose is clearly justified:

- alcohol, unless for resale at official Council events
- coffee/lunch for offsite meetings between Council staff
- refreshments for celebratory events.

1.3 What we found

Credit card use supports efficiency (section 4)

Credit cards are issued to Council staff by request for identified business needs and operational requirements and are supported by appropriate financial delegations. In line with its credit card policy, the Council analysed its average monthly spend on individual credit cards for the period 1 July 2016 to 20 June 2017. As a result, the number of cards was reduced by four and the individual card limits on some cards were reduced as they were not being utilised.

Overall, credit cards were used for their intended purpose in that they were used for low-value and high-volume transactions, and most cardholders used their cards frequently.

⁵ The policies that were effective during the period we examined, 1 July 2016 to 30 April 2018.

⁶ This selection of transactions we tested was not intended to be a representative sample of the Council's total expenditure.

Credit card policy and procedures (section 5)

The Council's credit card policy, procedures and acknowledgment of credit card conditions form (a form signed by the cardholder) provide direction and guidance on the use and management of credit cards. We found the credit card policy and procedures could be further improved by:

- extending the purpose of the policy to cover issuing, using, controlling and managing credit cards
- including more detail on the requirements for monitoring, reporting and escalating policy breaches
- including the expenditure principles the cardholder is required to apply, and clearly evidence, to ensure the proper use of public money
- giving more direction to improve the independent review process and requiring the Chief Executive Officer's (CEO's) credit card transactions to be independently reviewed not just approved.

Specific controls over credit card expenditure (section 6)

Independent review

Overall, we found the independent review of credit card expenditure was effective for the transactions we reviewed but that some improvements could be made to the process.

Credit card transactions are reviewed by someone other than the cardholder. The CEO's transactions are reviewed by an Executive member who has not been issued with a credit card, although the policy does not require this review.

Four transactions we examined were reviewed by someone who was not independent of the transaction.

Expenditure principle – was the business purpose justified?

We were not satisfied that Council staff had adequately explained the business benefit to the Council, and the public benefit, for some expenditure transactions we reviewed. Most related to entertainment and hospitality.

The Council advised us that the independent reviewer considered these transactions appropriate because they were in line with the Council's values and practices. The Council's new hospitality, gifts and employee expenses policy, dated September 2019, provides further direction and guidance on allowable and non-allowable expenditure.

Expenditure principle – was the transaction made transparently?

Overall, we found that reconciliation records adequately supported the expenses we reviewed. There were instances where the reconciliation record could have referred to other records to better explain the expense, including the business purpose.

Expenditure principle – was it a necessary cost?

We were not satisfied that, for some transactions, the Council had demonstrated it was necessary to incur the expenditure in performing its functions and the benefit it provided to the public.

Credit card payments for business expenses (section 7)

The Council's travel policy, dated September 2014, was overdue for review when we started our examination in May 2018. We identified improvements that could be made to this policy.

We examined three travel related expenses and determined that the Council had clearly demonstrated the proper use of public money. We identified minor improvements needed in the records explaining the expenditure.

We were not satisfied that the business purposes of the hospitality and gift expenses we reviewed were always clear and, in our view, they were not always a necessary and/or appropriate use of public money.

The Council introduced its hospitality, gifts and employee expenses policy, dated September 2019, before we formally communicated our examination findings. It provides further direction and guidance on allowable and non-allowable expenditure for hospitality and gifts. We identified improvements that could be made to this policy.

Credit card payments for reward and recognition expenses (section 8)

The Council's recognition of service policy, dated May 2015, was overdue for review when we started our examination.

We were not satisfied that the recognition of service policy clearly aligned with the Council's business purpose. It is unclear how incurring the expenditure in line with this policy contributes to achieving the Council's objectives and performing its functions, the business benefit to the Council and how it encourages behaviours that support the Council's values.

We also considered that the extent and value of the recognition of service rewards were unnecessary and excessive.

The Council also introduced a recognition of achievement policy, dated September 2019. It outlines the ways the Council recognises employee and volunteer achievements and contributions to the community and the organisation.

We were not satisfied for all Council recognition programs that there was a clear link in this new policy to recognising a high standard of employee performance or alignment to business purpose. Further, the reason for the recognition was not, in our opinion, clearly aligned with the Council's business purpose.

We consider gifts to staff, other than in rare circumstances and where the business purpose is clearly justified, are not a necessary or appropriate use of public money given that employees are remunerated for performing their roles in line with their employment agreements.

The recognition of achievement policy and guideline also apply to the Council's volunteers. However, the recognition programs are specific to employees. The nature and extent of recognising volunteer contributions are unclear.

Credit card payments for elected members' benefits (section 9)

We examined five transactions related to expenditure incurred for the benefit of the elected members. They were for conference fees, overseas travel costs, refreshments (including alcohol) for council meetings and a gift to recognise an elected member's 10 years of service.

We consider it reasonable for a council to provide a light refreshments before council and committee meetings that are held after ordinary business hours. However, in our view, providing alcohol, which the Council offered as a light refreshment option after a council meeting, is not a proper use of public money.

In our view, the Mayor's Christmas dinner is a social function and its business benefit to the Council in fulfilling its objectives and functions was not clear. We concluded that the Mayor's Christmas dinner was an unnecessary and inappropriate use of public money. Continuing this expenditure practice exposes the Council to the risk of negative public and Parliamentary scrutiny of its use of ratepayer and taxpayer funds.

We do not consider it necessary or appropriate to provide gifts to elected members for service recognition given that they receive allowances, benefits and support to perform their official roles. We also do not consider that the public gains a benefit from the Council purchasing gifts for elected members.

1.4 What we recommended

We recommended that the Council should:

- extend its analysis of credit card and accounts payable expenditure to:
 - identify areas for further improvement in its use of credit cards
 - inform its procurement strategy (section 4.3.1)
- consider updating its credit card policy and procedures for the improvements we identified (section 5.3.1)
- reinforce to staff the importance of the independent reviewer's responsibility (section 6.3.1)
- update its credit card policy to require the CEO's credit card transactions to be independently reviewed (section 6.3.2)

- have its audit committee periodically (eg quarterly) review a report of the CEO's credit card transactions to ensure the expenditure is reasonable and for business purposes (section 6.3.2)
- review its expenditure policies to ensure they include:
 - the expenditure principles staff need to apply and clearly demonstrate at the time the expenditure is incurred
 - the nature and extent of information needed to adequately justify the business purpose of the expenditure. This may include having sensitive expenditure approved before it is incurred (sections 6.3.3 and 6.3.5)
- review its credit card policy and procedure for the recordkeeping requirements to ensure the reconciliation records adequately explain the expenditure, including the business purpose (section 6.3.4)
- consider updating its travel and hospitality, gifts and employee expenses policies for the improvements we identified (section 7.3.1 and 7.3.3)
- review internal policies and guidelines regularly and by the due date (sections 7.3.2 and 8.3.1)
- review its hospitality and gift expense transactions to ensure the new policy and procedures are implemented and operating effectively (section 7.3.3)
- consider streamlining its policies by having one policy on recognising achievement that covers all recognition programs (section 8.3.1)
- review its recognition of service policy, dated May 2015, to provide further direction and guidance on the proper use of public money to ensure:
 - the reason for the recognition is clearly aligned to the Council's business purpose
 - the expenditure is necessary and the amount spent represents prudent expenditure behaviour (section 8.3.2)
- review its recognition of achievement policy and guideline, dated September 2019, with specific focus on staff performance and the expenditure principles. The Council should consider keeping volunteer recognition separate by providing for it in its volunteer policy (section 8.3.3)
- to inform its decision on future practice, survey its community to understand the public's expectation of what sensitive expenditure may or may not be funded by public money, or coordinate with other councils to obtain this information (sections 8.3.3, 9.2.2 and 9.2.3)
- review its recognition of achievement transactions to ensure the new policy and guideline are implemented and operating effectively (section 8.3.3)
- revise its Council members' allowance and support policy to remove the provision of alcohol; establish expenditure limits for the provision of meals and consider whether the following expenditure is consistent with the expenditure principles:
 - the Mayor's Christmas dinner
 - the elected members' service recognition gifts (sections 9.2.1 to 9.2.3)

- in future, in our opinion, better explain the business purpose and business benefit to the Council before incurring sensitive expenditure (section 9.2.3)
- have its audit committee regularly scrutinise sensitive expenditure that results in benefits to the elected members to determine whether it is a proper use of public money (section 9.2.3).

1.5 Response to our recommendations

The Council accepted most of our recommendations and advised what action it would take. The Council's response is included in each section of the Report.

The Council communicated it is committed to the transparent, effective and efficient use of public money to conduct its business. It acknowledges that credit cards provide an efficient and timely way to procure goods and services outside of formal procurement processes and require effective policy and management. The Council has published all of its credit card statements on its website for public information since July 2018.

During the examination the Council continued to improve its policies and practices, often informed by the examination process. It had already implemented some of the recommendations we made in this Report.

The Council stated that there are still some areas where there is a fundamental difference of opinion between the Council and the Auditor-General. In particular, the expenditure principles related to acknowledging service and reward and recognition.

The Council stated that the Auditor-General's view was that there was generally no public benefit or business purpose for staff or volunteers to be recognised financially for contributing or delivering exceptional services to the community. The Council stated that the best practice public sector guidelines, provide guidance on reward and recognition and the benefits of a high performing workplace to the community. The Council accepted that not all reward and recognition initiatives need to be financial and this is reflected in its current practices and the revised recognition, hospitality, gifts and employee expenses policy, dated September 2019.

The Council stated that the Auditor-General's assessment is in many instances an opinion and as such is subjective. The Council considers that this interpretation:

... is at times contrary to the Public Sectors Best Practice Guidelines in what is considered expenditure of a reasonable cost in certain circumstances to demonstrate the value we want to acknowledge in our staff where they have gone over and above to deliver value and service to the community. Many of the transactions examined by the AG were a "one off" reward and recognition transaction, provided at reasonable cost, and in circumstances where it was deemed appropriate and reasonable having regard to the actions or performance of the staff.

The Council also stated that it is focused on building a workforce that is passionate, engaged and appropriately recognised for the effective and efficient delivery of services and projects to the community while living its values in the way it works. This focus on recognising achievement is connected to its Community Plan 2016-2027 through its objectives to 'be bold and innovative in our practices, leadership and decision making', ensuring 'a collaborative, agile and high performing workplace'.

The Council stated that it understands and promotes the importance of interaction and collaboration across its workforce, understanding how this supports its commitment to attracting and retaining its people, and ensuring a performance-based workplace culture. It stated it is also cognisant of how hospitality, gifts, transport, accommodation and associated expenses can be perceived by its community. Therefore, the Council is of the opinion that its expenditure in these areas represents value to its community, is reasonable for the circumstances and is publicly defensible.

The Council also stated that when its people are recognised and rewarded for their efforts, they feel valued, motivated and encouraged to deliver above expectations, leading to both increased job satisfaction and employee engagement. The Council concluded that in turn it will see an engaged workforce focused on consistent delivery, streamlined and innovative productivity, lower absenteeism and higher retention rates, which have a positive financial impact on its organisation.

Our response

We acknowledge the importance of staff recognition in the workplace in section 8.2. We also acknowledge that volunteers are a highly valuable resource to the Council in delivering services to its community and the importance of recognising their contribution.

As stated in the South Australian Office for the Public Sector's *Reward and Recognition: Good practice guide for South Australian Public Sector managers* (SA recognition guide), publicly funded workplaces need to be highly aware of justifying the use of public money for any purpose. The SA recognition guide provides core principles to consider when developing and implementing recognition initiatives and highlights that it can be highly complex within the public sector. It also states that initiatives do not have to be costly and gives examples that have no budget implication.

We acknowledge that there is subjectiveness about some aspects of the proper use of public money. We performed our examination using researched criteria to inform our assessments and conclusions.

2 Background

2.1 Credit card overview

2.1.1 Benefits and costs of credit card use

A credit card can be an efficient and convenient tool to use when spending public money for high-volume and low-value goods and services. Credit card use, because of its convenience, can also increase the risk of unauthorised transactions (eg intentional/unintentional use for personal items, cash withdrawals) and the misuse and waste of public money. These risks must be managed effectively for a council to avoid probity issues, reputational harm and loss of public trust that the council is acting responsibly and for the public benefit.

Losing public trust may negatively impact on the council's ability to perform its functions efficiently and effectively. It may, for example:

- compromise the council's ability to attract new businesses to the area
- involve significant cost to restore and sustain public trust
- have a negative impact on the council's culture and staff morale.

It is imperative that a council, like other public sector entities, demonstrates proper and prudent expenditure behaviour when spending public money that meets legislative requirements, withstands Parliamentary and public scrutiny and maintains public trust in the council.

2.1.2 Relevant law

Councils in South Australia are established and governed by the LG Act. The LG Act has requirements for administration and financial accountability that establishes a governance and management framework. This framework integrates the roles and functions of a council, as a body corporate, Councillors, as members of a council's governing body, and the CEO, as the person responsible for the executive management of the council.

The framework is directed at ensuring the sustainability of councils and focuses on achieving their development objectives and their provision of services to the community. It obliges a council to provide assurance that its decisions and actions support this aim.

The LG Act establishes the powers and functions of a council and a CEO. Generally, a council has the power to do anything necessary to perform its duties or to achieve its objectives (section 36 of the LG Act).

Accordingly, section 137 of the LG Act allows a council to spend its funds as it thinks fit in the exercise, performance or discharge of its powers, functions and duties. In performing its role and functions, a council must observe principles provided in section 8 of the LG Act, which include:

- managing its operations and affairs in a manner that emphasises the importance of service to the community
- seeking to ensure that its resources are used fairly, effectively and efficiently

- achieving and maintaining standards of good public administration
- ensuring the sustainability of the council’s long-term financial position and performance.

These principles apply to this examination and are embedded in the following provisions of the LG Act:

- Section 49 of the LG Act requires a council to maintain procurement policies, practices and procedures to:
 - obtain value in the expenditure of public money
 - provide for ethical and fair treatment of participants
 - ensure probity, accountability and transparency in procurement operations.
- Section 124 of the LG Act requires a council to keep accounting records that correctly and adequately record and explain its revenues, expenses, assets and liabilities.
- Section 44 of the LG Act enables a council to delegate its powers or functions to a council employee. It also enables the council’s CEO to sub-delegate their delegated power. A council is required to maintain a separate record of all delegations under section 44 of the LG Act and review them at least once every financial year.

In our opinion, the governance and management framework established by the LG Act supports the principles of the proper use of public money.

Further commentary on this framework is provided in section 4 of the Auditor-General’s Report 10 of 2018 *Examination of the District Council of Coober Pedy*.

There are no specific legislative requirements or current sector-wide guidance on the use of credit cards in the South Australian local government sector. Councils are also individually elected bodies, responsible and accountable for their own decisions taken within the LG Act framework. Consequently, it is important that individual councils have their own expenditure policies and controls, which provide adequate direction and guidance to ensure the council can clearly demonstrate its proper use of public money. At the time of this Report, the Local Government Association of South Australia (LGASA) had commenced work on a draft credit card model policy for the local government sector. The LGASA was also consulting with councils on a suite of expenditure policies.

2.2 Charles Sturt Council overview

2.2.1 Introduction

The Council is responsible for managing its local area of 56.5 km² with a population of over 114 000.⁷ It provides a range of services, facilities and programs to its community which include:

- local roads, footpaths and drainage

⁷ The Council’s Strategic Plan 2016-2020.

- waste collection and recycling management
- library and information services
- recreation, sporting and cultural activities.

The Council reported operating surpluses of \$10.7 million and \$8.4 million in 2016-17 and 2017-18, respectively.⁸ Figures 2.1 and 2.2 show the Council’s sources of income and expenditure incurred to deliver services to its community in these years.

Figure 2.1: Sources of income and expenditure incurred in 2016-17⁹

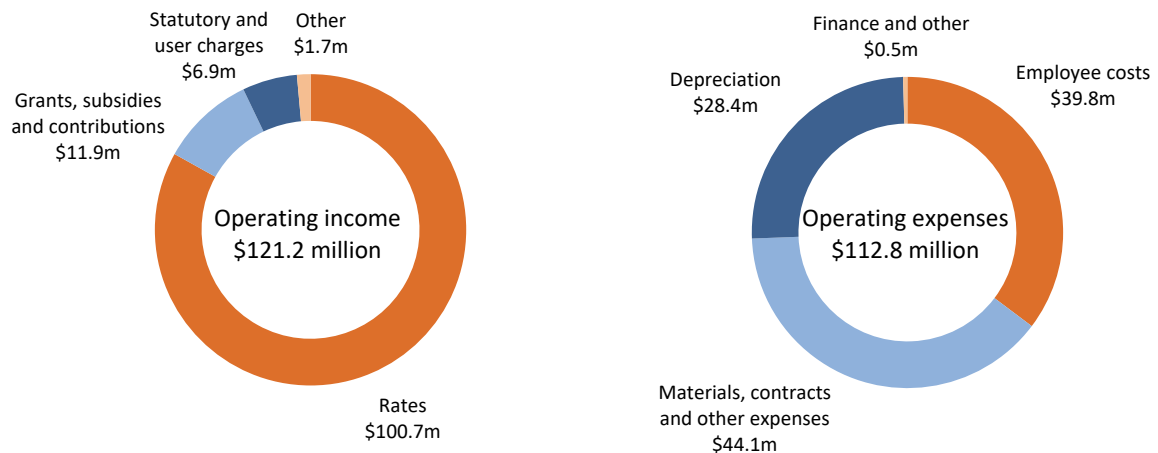
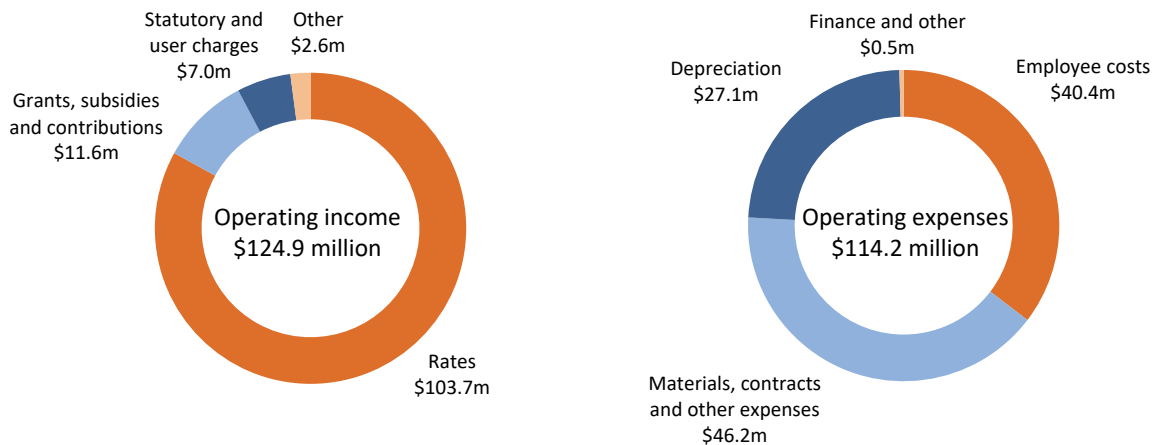


Figure 2.2: Sources of income and expenditure incurred in 2017-18¹⁰



2.2.2 Credit card use and expenditure

Figure 2.3 shows a summary of the Council’s credit card use and expenditure for the examination period (1 July 2016 to 30 April 2018, 22 months).

⁸ The operating result includes the receipt of financial assistance grants from the Commonwealth Government before 30 June and represents the future year grant allocation. For further information on the Council’s financial indicators refer to note 15 of the Council’s audited financial statements for the year ended 30 June 2018.

⁹ Data sourced from the Council’s audited financial statements for the year ended 30 June 2018.

¹⁰ *ibid.*

Figure 2.3: Council credit card use and expenditure



The total amount of \$900 000 charged on credit cards, over a 22-month period, is small when compared to the annual amount spent on material, contracts and other expenses of \$46 million p.a., being in the order of less than 1% of these expenses.

However, events in State and local government sectors in South Australia and other jurisdictions have shown that what public money is spent on (ie the nature of the expenditure), including through credit cards, is of significant interest to at least parts of the community. This is especially so if the public's perception is of improper expenditure. As an example, the City of Onkaparinga (Onkaparinga Council) was subject to significant public criticism for some of its expenditure behaviours in 2018.¹¹

These events and related reports show there is increased public sensitivity where the expenditure of public money:

- creates a perception that an employee or council member received a private benefit in addition to the business benefit to the council
- is considered unusual for the council's purpose or function
- is considered to provide no benefit to the public.

We identified expenditure types of a sensitive nature by reviewing reports prepared by universities and government organisations in Australia and New Zealand. Appendix 1 provides a list of these reports. We found the following expenditure categories are commonly considered more sensitive than other types of expenditure like training and materials:

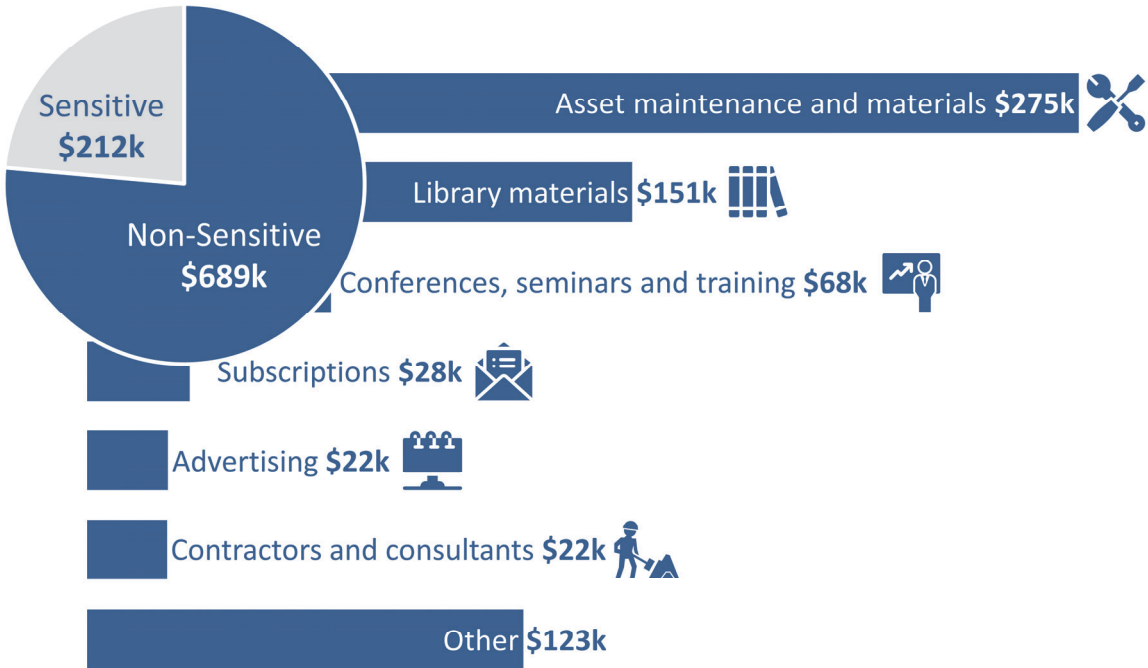
- travel and accommodation
- entertainment and hospitality
- gifts
- staff support, reward and recognition.

We analysed the Council's credit card expenditure data for the period 1 July 2016 to 30 April 2018 (22 months) to understand the nature of its expenditure, and divided the total population into categories based on the information (transaction description, expenditure type, amount) recorded in the Council's credit card system. We then separated what we have described as non-sensitive and sensitive types of spending.

¹¹ During our examination, the Onkaparinga Council was investigated by the SA Ombudsman over its credit card expenditure. Refer to the SA Ombudsman's report *Investigation into use of corporate credit cards by the City of Onkaparinga*, November 2019.

Figures 2.4 and 2.5 show the Council’s main credit card expenditure categories over the period examined.

Figure 2.4: Non-sensitive credit card expenditure



Source: data obtained by the Council and classified by us based on the expense description as determined by the relevant cardholder. We did not audit the accuracy of these descriptions.

Figure 2.5: Sensitive credit card expenditure



Source: data obtained by the Council and classified by us based on the expense description as determined by the relevant cardholder. We did not audit the accuracy of these descriptions.

This analysis shows that credit cards were mainly used for non-sensitive expenditure like materials and training. Sensitive spending is small when compared to the Council’s annual spend. As noted, however, there are risks associated with using credit cards. On this basis we considered it important to test some of the sensitive payments in this examination.

3 Audit mandate, objective and scope

3.1 Our mandate

The Auditor-General conducted this examination under section 32(1)(a) of the PFAA. This section allows the Auditor-General to examine the accounts of a publicly funded body and the efficiency, economy and cost-effectiveness of its activities.¹²

The PFAA provides for the examination of the degree of efficiency, economy and effectiveness with which public resources are used. Public resources include public money, assets, facilities and staff labour.

The Council is a publicly funded body under section 4 of the PFAA, which defines such a body to include a council constituted under the LG Act.

3.2 Our objective

The examination objective was to determine whether the Council used and managed its credit cards efficiently and economically.

3.3 What we examined and how

We examined the Council's:

- credit cards to determine whether they were issued and used to promote and support its efficiency
- policies and procedures for the use and management of credit cards
- controls over credit card expenditure to ensure it was authorised and achieved the proper use of public money. This also included a review of policies governing certain expenses.

The examination covered the period from 1 July 2016 to 30 April 2018 (22 months).

3.3.1 Review of key controls and transactions

We tested 33 credit card transactions, with a total value of \$15 759, to determine whether:

- two key control activities were being performed effectively, namely that the selected transactions were authorised and that they were independently reviewed
- expenditure complied with policy or to identify gaps in policy
- expenditure was consistent with the proper use of public money.

¹² The *Public Finance and Audit (Miscellaneous) Amendment Act 2018* came into operation on 13 September 2018 and amended section 32 of the PFAA to replace cost-effectiveness with effectiveness.

For the purpose of this examination and to address the risks identified in section 2, we determined that the appropriate means of selecting these transactions was to select specific items from the total population of credit card expenditure incurred during the period we examined. Using the categories we defined in section 2.2.2, seven of the transactions we selected were non-sensitive and 26 were sensitive type spending. This selection of 33 transactions was not intended to be a representative sample of the Council's total expenditure.

Refer to Appendix 3 for a list of the credit card transactions we reviewed.

3.3.2 Proper use of public money

We consider the proper use of public money is directly linked to efficiency and economy by definition and in the context of the PFAA. This has been our longstanding view and was expressed, for example, in the Auditor-General's 2001-02 report on the examination of the McLaren Vale ambulance station,¹³ where the then Auditor-General reported:

Procedures/processes of government that are contrary to law are not either efficient or economic in that, on discovery, unnecessary cost is incurred in implementing corrective measures.

In this context, the following commentary from the Report of the United Kingdom Committee of Public Accounts The Proper Conduct of Public Business is, in my opinion, relevant:

*Some allege that the drive for economy and efficiency must be held back to some extent because of the need to take specific care with public money. Others argue that if economy and efficiency are to be forcibly pursued then traditional standards must be relaxed. We firmly reject both these claims. The first is often urged by those who do not want to accept the challenge of securing beneficial change. And the second is often put forward by those who do not want to be bothered to observe the right standards of public stewardship. Quite apart from the important moral and other aspects involved we consider that **any failure to respect and care for public money would be a most important cause of a decline in the efficiency of public business** [emphasis added]. But there is no reason why a proper concern for the sensible conduct of public business and care for the honest handling of public money should not be combined with effective programmes for promoting economy and efficiency.*

In our view, the proper use of public money encompasses the principles of lawfulness, integrity, transparency, accountability and acting for the public benefit.

¹³ Report of the Auditor-General for the year ended 30 June 2004 *Report Pursuant to Sections 32 and 36 of the Public Finance and Audit Act 1987: Matters Associated with the 2001-02 Proposal Concerning the Establishment of an Ambulance Station at McLaren Vale*, February 2005.

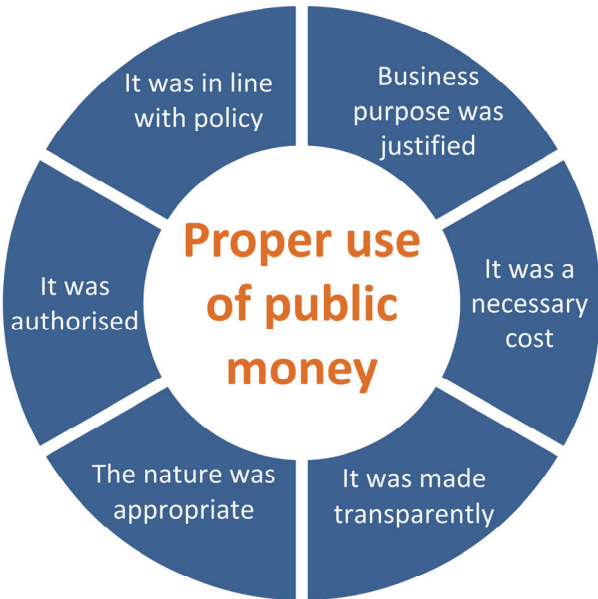
To assess whether credit card expenditure was a proper¹⁴ use of public money, we considered established standards of proper and prudent expenditure behaviour, including:

- the requirements of the LG Act (see section 2.1.2)
- Council policy
- generally accepted standards of proper and prudent expenditure practice and behaviour (see Appendix 2).

We determined that a financial delegate should carefully apply the following principles when exercising the power to spend public money:

- the **business purpose** of the expenditure was clearly justified at the time expenditure was incurred. Business purpose is where the expense is incurred for the Council to meet its objectives, deliver services to its community or perform its functions, is spent within an approved budget and provides a public benefit
- it was **necessary** for the Council to incur the cost in performing its functions and it achieved value for money
- the nature of the expenditure was **appropriate** for its intended purpose
- the expenditure decision was made **transparently** in that the transaction record was correct, adequate and explained the expense
- the expenditure was incurred in line with Council **policy** and was **authorised**. Where practical the approval of sensitive expenditure, in the absence of policy or in unusual circumstances, should be given when some key expenditure principles have been met and before the expenditure is incurred.

Figure 3.1: Expenditure principles



¹⁴ The Macquarie dictionary defines proper as ‘appropriate to the purpose or circumstances; conforming to established standards of behaviour or manners’.

In our view, these expenditure principles align with key aspects of the LG Act and represent good practice when spending public money. We would expect any council to embed these principles in their daily operations, expenditure policies and decision-making processes.

We discussed the expenditure principles with the Council's CEO at the start of our examination, who acknowledged that they were reasonable.

We assessed the Council's records of the 33 selected credit card transactions against these expenditure principles to determine whether the Council had demonstrated the proper use of public money.

We undertook significant work in analysing these transactions given the absence of Council policy during the period we examined. Our work involved gathering information from a number of SA Government agencies and local government councils on their expenditure policies to have a better understanding of expenditure practices across these sectors to form a fair and balanced view.

The examination included a detailed review of documentation and discussions with Council staff. Council staff went to considerable effort to respond promptly to our information requests and inquiries.

3.3.3 Procedural fairness process

Consistent with procedural fairness principles, on 28 November 2019 we provided the Council with a confidential copy of our draft report on the examination results and requested a written response. This followed discussions with the Council's CEO, the General Manager of Corporate Services and the Manager of Financial Services.

We were invited to and attended, in confidence, the council meeting held on 9 December 2019 to discuss the examination results with the elected members.

We received a formal response to the examination results from the Council on 20 December 2019. We have considered all comments provided during the procedural fairness process and, where necessary, we have addressed them in finalising this Report.

On 5 February 2020 we provided the Council with a confidential final draft copy of this Report, which included the Councils' formal responses and our conclusion in section 1.2.

3.4 What we did not review

We did not:

- examine the effectiveness of all the Council's controls over credit card transactions. The examination involved testing the effectiveness of specific controls to meet the examination objective
- confirm that the intended business purpose of the credit card expenditure was met

- examine the expenditure transactions that were processed through the Council's accounts payable system
- examine the budget preparation process to determine whether money was expended within an approved budget. Our examination was limited to confirming that the expenditure was included in the Council's budget at the cost-centre level
- examine the Council's compliance with tax reporting requirements, such as GST and FBT
- examine compliance with new or revised expenditure policies that were effective after the period we examined.

4 Credit card use supports efficiency

What we found

Credit cards are issued to Council staff by request for identified business needs and operational requirements and are supported by appropriate financial delegations.

In line with its credit card policy, in September 2017 the Council analysed its average monthly spend on individual credit cards for the period 1 July 2016 to 20 June 2017. As a result, the number of cards was reduced by four and the individual card limits on some cards were reduced as they were not being utilised.

Overall, credit cards were used for their intended purpose in that they were used for low-value and high-volume transactions, and most cardholders used their cards frequently.

What we recommended

The Council should extend its analysis of credit card and accounts payable expenditure to:

- identify areas for further improvement in the use of credit cards
- inform its procurement strategy.

4.1 Introduction

Credit cards can provide an efficient and convenient method to purchase or pay for goods and services. This payment method is efficient as it can save time and can reduce associated transaction and processing costs. It is an efficient tool when it is operating effectively to achieve its intended purpose. The Council uses credit cards to pay for low-value and high-volume transactions that are authorised and for Council's business purpose.

4.2 Examination approach

We assessed whether the Council issued and used credit cards to promote and support its efficiency. This involved analysing credit card data to determine:

- whether credit cards were issued to Council staff with a business need for one
- the frequency of credit card use by cardholders
- if credit cards were used for their intended purpose.

We also determined whether the Council regularly reviews credit card use and payments to support its efficiency.

4.3 Findings

4.3.1 Improvements in analysis of credit card use and expenditure

Recommendation

The Council should extend analysis of credit card and accounts payable expenditure to:

- identify areas for further improvement in the use of credit cards
- inform its procurement strategy.

Finding

Credit cards are issued to Council staff by request for identified business needs and operational requirements and are supported by appropriate financial delegations. Figure 4.1 shows the number of credit cards issued across the Council as at April 2018. It shows that more cards are issued to operational units, such as Field Services and Community Connections.

Figure 4.1: Distribution of credit cards across the Council



The Council's credit card policy requires the number of cards issued to be reviewed regularly to ensure it aligns with operational requirements. Where cards have not been used for at least three months they may be withdrawn.

In September 2017, the Council analysed its average monthly spend on individual credit cards for the period 1 July 2016 to 20 June 2017. As a result, the number of cards was reduced by four and the individual card limits on some cards were reduced as they were not being utilised.

We found that most cardholders used their cards frequently. We found 10 credit cards that were used, on average, two to four times a quarter and the credit card utilisation rate¹⁵ was less than 20%. We consider this indicates infrequent use and warranted further review by the Council. The Council determined that the operational requirement for these cards was still valid after considering the number of cards issued to the business unit and the operational need for the card.

Overall, credit cards were used for their intended purpose in that they were used for low-value and high-volume transactions and there were few instances of transaction splitting, which management actioned accordingly. Credit cards were not used to pay suppliers under existing contract arrangements.

We found that the Council's credit card expenditure review could be extended to identify the following to ensure its credit card use continues to support its efficiency:

- breaches in policies, credit card limits and transaction splitting
- key expenditure categories to better understand the use of credit cards
- transactions with suppliers outside the Council's existing contract arrangements
- suppliers where it may be more efficient and cost-effective to enter into contract arrangements.

The analysis should extend to accounts payable transactions to identify any low-value and high-volume transactions where it may be more efficient to use a credit card.

An analysis of all expenditure data could also provide useful information about the Council's spend culture to assist in a review of its procurement strategy.

4.3.2 Council response

The Council will continue to review its credit card management and practices to ensure continued improvements as they arise, and to inform its procurement strategy. The Council uses dashboard reporting to analyse expenditure and understand expenditure trends to determine new tendering opportunities.

¹⁵ The total expenditure incurred on the credit card for the examination period (22 months) as a proportion of the maximum allowable spend based on the individual's monthly credit card limit.

5 Credit card policy and procedures

What we found

The Council's credit card policy, procedures and acknowledgement of credit card conditions form provide direction and guidance on the use of credit cards. We found the policy and procedures could be further improved by:

- extending the purpose of the policy to cover issuing, using, controlling and managing credit cards
- including more detail on the requirements for monitoring, reporting and escalating policy breaches
- including a policy statement requiring that credit cards are only provided to employees with authority to spend Council money
- including the expenditure principles the cardholder is required to apply, and clearly evidence, to ensure the proper use of public money
- requiring the cardholder to record, on the reconciliation, the business purpose of sensitive expenditure transactions
- giving more direction to improve the independent review process and requiring the CEO's credit card transactions to be independently reviewed.

What we recommended

The Council should consider updating its credit card policy and procedures for the improvements we identified.

5.1 Introduction

Policies and procedures are important for maintaining good governance and effective practices. They are important because they:

- guide staff to make appropriate expenditure decisions and overcome problems efficiently
- provide instruction on the expected behaviours in undertaking council activity to ensure consistent practices across the council and without constant management involvement
- allow management to better control events in advance and reduce the risk of costly mistakes and/or inappropriate expenditure.

5.1.1 Relevant law

Section 49 of the LG Act requires a council to maintain procurement policies, practices and procedures to:

- obtain value in the expenditure of public money
- provide for ethical and fair treatment of participants
- ensure probity, accountability and transparency in procurement operations.

5.1.2 Council policy

The Council has a credit card policy and procedures for the use and management of credit cards. It is separate from the Council's procurement policy.

Credit card and corporate spending protocols were issued in April 2018. They provide guidance to financial delegates when authorising the use of Council money for expenditure on:

- refreshments (food and drinks) for meetings held after hours and over lunch, including team meetings, meetings involving travel and community gatherings
- flowers for staff
- taxi use for after-hours events
- urgent business and operational expenses.

These protocols did not apply for the period we examined.

5.2 Examination approach

We examined the Council's credit card policies and procedures, dated May 2015, September 2016 and November 2017, that applied during the period we examined (1 July 2016 to 30 April 2018). The policies and procedures dated 2017 were current during the examination process.

We assessed these policies and procedures to determine whether they:

- were current and regularly reviewed
- considered key elements of credit card use and management, including issuing cards, cardholder responsibilities, and monitoring and reviewing credit card expenditure
- provided guidance on expected expenditure behaviours.

In assessing the Council's policies and procedures we considered standards of policy and practices accepted by universities and government organisations in Australia and New Zealand. Appendix 1 lists some of the reports we considered to identify any gaps in or further possible improvements to Council policies.

We did not examine the Council's policy framework or any other policies that are not referred to in this Report.

5.3 Findings

5.3.1 Credit card policy and procedures could be further improved

Recommendation

The Council should consider updating its credit card policy and procedures for the improvements we identified.

Finding

Policy and procedures

The Council's credit card policy covers the use of credit cards by Council employees. The procedures provide direction and guidance on:

- cardholder and management responsibilities
- the specific use of credit cards and any restrictions that apply. For example, cards can only be used for official council purchases (including travel and accommodation, training courses and seminars) and cash advances are not allowed
- recordkeeping requirements to ensure adequate records are retained to explain the expenditure and comply with tax reporting requirements.

The cardholder is required to sign a form acknowledging these conditions.

We consider the credit card policy and procedures could be improved by:

- extending the purpose of the policy to cover issuing, using, controlling and managing credit cards
- removing duplication between the two documents and making a clear distinction between the policy requirements and the supporting procedure. For example, the procedure states that 'corporate cards may only be used for official council purchases'. We believe this is a statement of policy
- ensuring consistency between policy and related documents. For example, ensuring references to credit card limits in all documents are GST inclusive, as they are in the policy
- providing more detail on the requirements to monitor, report and escalate policy breaches
- including a policy statement that requires credit cards to be provided only to employees with authority to spend Council money
- including the expenditure principles the cardholder is required to apply, and clearly evidence, to ensure the proper use of public money
- including definitions of key terms, such as official council purchases and business purpose

- requiring the cardholder to record on the reconciliation the business purpose of sensitive expenditure transactions
- requiring approval to issue a credit card to the CEO
- requiring the CEO's credit card transactions to be independently reviewed
- requiring independent reviews to be undertaken by someone who did not benefit or cannot be perceived to have benefited from the expenditure
- including the purpose of approvals. For example, the manager approves credit card transactions but it is not clear what this approval means.

5.3.2 Council response

The Council will review its credit card policy and consider the improvement recommendations.

The Council advised that its current credit card procedures and conditions of use documents, which are separate to the policy, address many of the issues we raised. It will review the policy to ensure the credit card process is covered in more detail. Any change in process will take into account the risks and costs/benefits of compliance, including any administrative costs.

6 Specific controls over credit card expenditure

What we found

Independent review

Overall, we found that the independent review of credit card expenditure was effective for the transactions we reviewed but that some improvements could be made to the review process.

Credit card transactions are reviewed by someone other than the cardholder. The CEO's transactions are reviewed by an Executive member who has not been issued with a credit card.

Four transactions we examined were reviewed by someone who was not independent of the transaction. In our view, that person may have benefited, or could be perceived to have benefited, from the expenditure.

Expenditure principle – was the business purpose justified?

Of the 33 credit card transactions we examined, we were not satisfied that Council staff had adequately explained the business benefit to the Council, and the public benefit, by incurring the expenditure for 14 transactions. Most of them related to entertainment and hospitality expenses.

The Council advised that the 14 transactions were considered appropriate by the independent reviewer because they were in line with the Council's values and practices. The Council's new hospitality, gift and employee expenses policy, dated September 2019, provides further direction and guidance on allowable and non-allowable expenditure.

Expenditure principle – was the transaction made transparently?

Overall, we found that reconciliation records adequately supported expenses. There were instances where the reconciliation record could have referred to other relevant records to better explain the expense, including the business purpose.

Expenditure principle – was it a necessary cost?

We were not satisfied that, for 21 transactions, the Council had demonstrated it was necessary to incur the expenditure in performing its functions and the benefit it provided to the public.

What we recommended

Independent review

The Council should reinforce to staff the importance of the independent reviewer's responsibility.

The Council should update its credit card policy to require the CEO's credit card transactions to be independently reviewed.

The Council should consider having its audit committee periodically review a report of the CEO's credit card transactions to ensure the expenditure is reasonable and for business purposes.

Expenditure principles

The Council should review its expenditure policies to ensure they include:

- the expenditure principles staff need to apply and clearly demonstrate at the time expenditure is incurred. Consistent with the hospitality, gifts and employee expenses policy, the Council should establish, where possible, expenditure limits to ensure the proper use of public money across the organisation.
- the nature and extent of information needed to adequately justify the business purpose of the expenditure. This may include obtaining approval for sensitive expenditure before it is incurred.

The Council should review its credit card policy and procedures for the recordkeeping requirements to ensure reconciliation records adequately explain expenditure, including its business purpose.

6.1 Relevant law

Section 125 of the LG Act requires a council to implement and maintain appropriate policies, practices and procedures of internal control to:

- help the council to carry out its activities in an efficient and orderly manner to achieve its objectives
- ensure adherence to management policies
- safeguard the council's assets
- secure the accuracy and reliability of council records.

Section 124 of the LG Act requires a council to keep accounting records that correctly and adequately record and explain its revenues, expenses, assets and liabilities.

Section 4 of the LG Act defines accounting records as all records and documents relevant to any receipt or payment of money, including working papers and other documents necessary to explain the methods and calculations by which statements and accounts are made up.

Section 137 of the LG Act allows the council to spend its funds as it thinks fit in the exercise, performance or discharge of its powers, functions and duties.

Section 44 of the LG Act enables a council to delegate its powers or functions to a council employee. A delegation made to a council's CEO may be sub-delegated by the CEO. A council is required to maintain a separate record of all delegations under section 44 of the LG Act and review them at least once every financial year.

Section 101 of the LG Act enables the CEO to delegate (or sub-delegate) a power or function vested or conferred in or on the CEO under the LG Act.

Section 126 of the LG Act provides the functions of a council's audit committee which include:

... reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.

6.2 Examination approach

We assessed whether the Council had implemented specific controls over credit card expenditure to ensure it was authorised and enabled the proper use of public money. Our examination focused on the following controls:

- cardholders had financial authority to spend money consistent with the Council's approved instrument of delegations of authority
- cardholders reconciled their expenditure to documents that substantiated the purchase and this was done on time
- credit card reconciliations and transactions were independently reviewed
- correct and adequate records were maintained to explain the expenditure and demonstrate the proper use of public money.

We assessed 33 credit card transactions against the following expenditure principles to determine whether the Council had demonstrated the proper use of public money. We did this by reviewing the Council's records supporting the expenditure to determine whether:

- the **business purpose** of the expenditure was clearly justified at the time expenditure was incurred
- it was **necessary** for the Council to incur the cost in performing its functions and it achieved value for money
- the nature of the expenditure was **appropriate** for its intended purpose
- the expenditure decision was made **transparently** in that the transaction record was correct, adequate and explained the expense
- the expenditure was incurred in line with Council **policy** and was **authorised**. Where practical the approval of sensitive expenditure, in the absence of policy or in unusual circumstances, should be given when some key expenditure principles have been met and before the expenditure is incurred.

Refer to Appendix 3 for the credit card transactions we reviewed and a summary of our assessment of them against the expenditure principles.

We reviewed any policies covering specific expense types as part of testing the selected credit card transactions.

We also reviewed the Council's process in identifying instances of misuse to ensure they were resolved in line with the Council's policy and legislative requirements.

6.3 Findings

6.3.1 The independent review of credit card expenditure could be improved

Recommendation

The Council should reinforce to staff the importance of the independent reviewer's responsibility.

Finding

The independent review of credit card transactions is a strong control to detect credit card misuse and the improper use of public money. It is effective if the reviewer can exercise independent judgement. This means the reviewer is someone who:

- is not the cardholder
- is in a role senior to the cardholder so they have reasonable capacity to question transactions that appear inappropriate or unusual
- has reasonable knowledge of the cardholder's role and daily activities so they can identify transactions that are unusual to the cardholder's responsibilities and activities
- has a reasonable understanding of expenditure policies and procedures
- has not benefited or could not be perceived to have benefited from the expenditure.

The Council's credit card procedures required the cardholder's manager/supervisor to:

- check and approve all cardholder transactions
- ensure that expenses were Council-related
- ensure that all appropriate documentation was recorded in the Council's record management system
- investigate any unusual expenses prior to approval.

Our review of 33 credit card transactions selected found that:

- all transactions were reviewed by someone other than the cardholder
- the CEO's transactions were reviewed by another Executive member who was not senior to the CEO
- four transactions were reviewed by someone who was not independent of the transaction. In our view, that person may have benefited, or could be perceived to have benefited, from the expenditure.

We found that the independent review of credit card expenditure was effective but it could be improved by the independent reviewer ensuring the reconciliation records:

- clearly justify the business purpose at the time the expenditure was incurred
- support the decision that it was necessary and/or appropriate to spend Council funds.

6.3.2 Independent review of CEO's transactions could be improved

Recommendation

The Council should update its credit card policy to require the CEO's credit card transactions to be independently reviewed.

The Council should consider having its audit committee periodically (eg quarterly) review report of the CEO's credit card transactions to ensure the expenditure is reasonable and for business purposes.

Finding

The transactions we tested included expenditure incurred by the CEO. We found that in practice the CEO's transactions were reviewed by an Executive member who has not been issued with a credit card.

As said in section 6.3.1, the independent review is effective if the reviewer can exercise independent judgement. The Executive member meets most of the requirements discussed other than, in this case, being in a role senior to the cardholder.

We consider better practice would be to also report the CEO's credit card expenditure to the Council's audit committee for periodic review and to question any transactions that appear inappropriate or unusual. This increases financial transparency and independent scrutiny.

6.3.3 Business purpose was not always clearly justified at the time the expenditure was incurred

Recommendation

The Council's new hospitality, gift and employee expenses policy, dated September 2019, provides direction and guidance on allowable and non-allowable expenditure.

In section 7.3.3 we recommended further improvements to this policy to ensure Council staff demonstrate the business purpose of hospitality expenditure at the time it is incurred.

The Council should also review its expenditure policies to ensure they include:

- the expenditure principles staff need to apply and clearly demonstrate at the time the expenditure is incurred
- the nature and extent of information needed to adequately justify the business purpose of the expenditure. This may include having sensitive expenditure approved before it is incurred.

Finding

We reviewed the reconciliation records supporting the 33 credit card transactions we tested.

The reconciliation records of 12 transactions clearly justified the business purpose of the expenditure at the time it was incurred.

The reconciliation records initially provided for the remaining 21 transactions (67%), in our opinion, did not clearly justify the business purpose of the expenditure at the time it was incurred.

We made further inquiries with Council staff to ascertain the business purpose of the expenditure and identify records (including applicable expenditure policies) that were available at the time the expenditure was incurred to support the expense.

Of the 21 transactions:

- Council staff adequately explained the business purpose and provided relevant records to support the expenditure for seven transactions
- we were not satisfied they adequately explained the business benefit to the Council, and the public benefit, by incurring the expenditure for the remaining 14 transactions. On this basis, we concluded that for these transactions the Council had not clearly demonstrated that the expenditure was for business purposes.

We note that some of the 14 transactions were in line with Council policy and/or CEO approval. Most of them related to entertainment and hospitality. While they were considered appropriate by the independent reviewer because they were in line with the Council’s values and practices, in our opinion the Council had not adequately explained the business benefit to the Council, and the public benefit, by incurring the expenditure. The Council’s new hospitality, gifts and employee expenses policy, dated September 2019, provides direction and guidance on allowable and non-allowable expenditure. Further commentary on this is provided in section 7.

Further details of these findings are provided in Appendix 3.

6.3.4 Reconciliation records could be improved to explain the expense

Recommendation

The Council should review its credit card policy and procedure for the recordkeeping requirements to ensure reconciliation records adequately explain expenditure, including its business purpose.

Finding

Overall, we found that reconciliation records adequately supported expenses. There were instances where the reconciliation record could have referred to other records to better explain the expense, including the business purpose. For example, the record could refer to prior approvals of the expenditure’s purpose and relevant Council policy.

Where the business purpose is not clear from the supplier documentation, a written statement of the purpose should be included in the reconciliation record.

6.3.5 The Council did not always demonstrate the expenditure was necessary and/or an appropriate use of public money

Recommendation

The Council should update its policies for the expenditure principles staff need to apply. This includes clearly demonstrating when expenditure is incurred that it is both a necessary cost in performing the Council's functions and appropriate for its intended purpose. Consistent with the hospitality, gifts and employee expenses policy, the Council should establish, where possible, expenditure limits to enable the proper use of public money across the organisation.

Finding

Of the 33 credit card transactions we reviewed, we were not satisfied that, for 21 transactions, the Council had demonstrated that it was necessary to incur the expenditure in performing its functions and the benefit it provided to the public.

While some transactions were made in line with approved policy, we concluded that the Council incurred an additional cost for minimal or no benefit to either the Council and/or the public.

We also concluded that the public may consider 16 of the sensitive expenditure transactions we reviewed to be an inappropriate use of public money. Examples of this included purchasing alcohol and providing gifts to staff for reward and recognition events. Sections 7 to 9 provide further commentary on specific sensitive expenditure types, including our acknowledgement that this is our opinion and is a subjective assessment.

6.3.6 Council response

The Council will review its credit card policy to consider the recommendations, including providing a quarterly information report to the audit committee on the CEO's credit card transactions. The Council publishes all credit card transactions on its website each month for transparency and public information. The CEO's credit card transactions are reviewed by a general manager who does not have a credit card.

The Council responded that all the credit card transactions we examined were considered appropriate by an authorised Council officer, who independently approved the transaction. This was done in line with the Council's corporate values and practices, especially around the value of reward and recognition in fostering a constructive culture. The Council reviewed its hospitality, gifts and employee expenses policy in September 2019 to provide further direction and guidance on allowable and non-allowable expenditure.

7 Credit card payments for business expenses

What we found

Travel expenses

The Council's travel policy, dated September 2014, was overdue for review when we started our examination in May 2018.

The travel policy provides the requirements for staff travelling intrastate, interstate and overseas while conducting Council business. We identified improvements that could be made to it.

We examined three travel related expenses and determined that the Council had clearly demonstrated the proper use of public money. We identified minor improvements needed in the records explaining the expenditure.

Hospitality and gift expenses

We were not satisfied that the business purposes of the hospitality and gift expenses we reviewed were always clear and, in our view, they were not always a necessary and/or appropriate use of public money.

It is our view that the following purchases are not proper use of public money, other than in rare circumstances and where the business purpose is clearly justified:

- alcohol, unless for resale at official Council events
- coffee/lunch for offsite meetings between Council staff
- refreshments for celebratory events.

The Council introduced its hospitality, gifts and employee expenses policy, dated September 2019, before we formally communicated our examination findings. This policy specifies when it is appropriate to give a gift or provide hospitality for official purposes at the Council's expense. We identified improvements that could be made to the policy.

What we recommended

Travel expenses

The Council should review its internal policies and guidelines regularly and by the due date.

The Council should consider updating its travel policy for the improvements we identified.

Hospitality and gift expenses

The Council should consider updating its hospitality, gift and employee expenses policy for the improvements we identified.

The Council perform a review of its transactions to ensure the new policy and procedures have been implemented and operating effectively.

7.1 Introduction

Councils have a broad role and undertake many functions to provide for their communities, as outlined in section 7 of the LG Act. Councils interact with representatives of community member groups, businesses and other tiers of government to perform their functions and achieve their objectives. This involves spending public money on business expenses that can be justified and considered reasonable work-related expenses incurred by staff in performing their official duties.

Credit cards are used to pay for some business expenses, some of which we describe as sensitive expenditure. Business expenses such as travel, entertainment, hospitality and gifts incurred in conducting council business and funded by public money, have been subject to specific public scrutiny.

Credit card use, because of its convenience, can also increase the risk of unauthorised use, misuse and wasting public money. It is important the Council has policies governing this expenditure and controls to reduce these risks and sustain public trust.

7.1.1 Council policy

The Council's travel policy, dated September 2014, provides the requirements for staff travelling while conducting Council business. We note that this policy had not been reviewed since 2014 and the next review date was September 2016.

The Council established credit card and corporate spending protocols in April 2018 (the spending protocols). They provide guidance on the types of expenditure the Council considers an acceptable use of its funds. The protocols cover expenditure related to hospitality and gifts/benefits to staff; hospitality for community events; and business and operational expenses. They require Council staff when authorising the use of Council funds to consider whether it is, an expense:

- that the community should pay for; or
- that staff (either individually or collectively) should pay for.

7.2 Examination approach

The Council did not have expenditure policies covering entertainment, hospitality and gifts when we commenced our examination and during the period we examined.

While the spending protocols were introduced in April 2018 and did not apply during the period we examined, we assessed them to determine any areas for further improvement.

When we assessed 33 credit card transactions against the expenditure principles explained in section 3.3, we identified a need for the Council to improve its policy and guidance for the following business expense types:

- staff travel and other costs while travelling (eg meals, accommodation)
- entertainment and hospitality (including the provision and consumption of alcohol)
- gifts.

The Council advised us that it is committed to continuous improvement in the way it operates and, after we completed our examination work, indicated that it had introduced a new policy that formalised the spending protocols.

The Council introduced the hospitality, gifts and employee expenses policy, dated September 2019, before we formally communicated our examination findings. We reviewed this policy only to identify any further improvements. We did not assess whether Council staff complied with this new policy, as it applied after the period we examined and we had completed our examination work.

7.3 Findings

7.3.1 Policy guidance for travel expenses could be improved

Recommendation

The Council should consider updating its travel policy for the improvements we identified.

Finding

Credit cards were used to pay for expenses incurred by Council staff and elected members¹⁶ traveling overseas and interstate. These expenses included flight costs, meals, accommodation and incidentals.

The Council's travel policy, dated September 2014, provides the requirements for staff travelling intrastate, interstate and overseas while conducting Council business. It also considers the expenditure principles outlined in section 3.3.2, in that:

- arrangements are to ensure best value to the Council
- prior approvals for interstate travel are required
- it provides restrictions to ensure proper and prudent expenditure behaviour. For example, the policy sets the maximum amount for meals per day, lowest fares and air travel class. Mini-bar use and in-house movies are not funded by the Council

¹⁶ The Council members' allowance and support policy covers the elected members' travel requirements.

- notice of travel needs to be given at least 21 days, where possible, before the travel date to ensure airfares and accommodation are not unreasonably high
- it requires specific records to support and explain the travel arrangements and approval
- exceptions to the policy must be approved by a general manager or the CEO.

The travel policy, in our view, could be further improved by including:

- provision on the travel application form for the applicant to clearly explain the reason for the travel in terms of its business purpose, the expected benefits to the Council and the outcomes, and to confirm that it represents the most efficient and cost-effective way to achieve the Council's business outcomes (ie alternative arrangements such as tele/video conference meetings were considered)
- a definition of business purpose
- requirements for the approval of the CEO's travel purpose and arrangements
- international travel arrangements and the policy on airline club memberships
- intrastate travel arrangements given the policy's purpose
- further restrictions on expenditure by providing thresholds for accommodation, exclusions such as alcoholic beverages and non-reimbursable expenses (for example, flight and room upgrades, valet parking, expenses incurred for an accompanying family member or companion)
- requirements when employees undertake private travel while on official Council travel. For example, specifying the records, such as a travel diary, that clearly distinguish the official Council travel from the private travel.

We examined three travel related expenses and determined that the Council had clearly demonstrated the proper use of public money. We identified minor improvements needed in the records to explain the expenditure.

7.3.2 Timing of travel policy review could be improved

Recommendation

The Council should review its internal policies and guidelines regularly and by the due date.

Finding

The travel policy had a next review date of September 2016. The review of this policy was overdue when we started our examination in May 2018.

7.3.3 Policy guidance for hospitality, gifts and employee expenses could be improved

Recommendation

The Council should consider updating its hospitality, gifts and employee expenses policy for the improvements we identified.

The Council should review its transactions to ensure the new policy and procedures are implemented and operating effectively.

Finding

The Council's hospitality, gifts and employee expenses policy, dated September 2019, specifies when it is appropriate to give a gift or provide hospitality for official purposes at the Council's expense. Like the travel policy, this policy considers the expenditure principles in that:

- it provides guidance on appropriate hospitality events and the maximum level of expenditure
- the expense must directly, or be reasonably expected to, contribute to achieving Council objectives and represent value to the Council's community
- it provides restrictions. For example it excludes non-official entertainment and social functions. It also sets the maximum amount for hospitality for specific events and expenditure that will not be funded by public money, such as the provision of alcohol
- approvals are required prior to expenditure being incurred
- exceptions to the policy must be approved by the CEO, or in the case of the CEO by the General Manager Corporate Services
- it identifies and explains the allowable and non-allowable expenditure types.

The hospitality, gifts and employee expenses policy, in our view, could be further improved by including:

- a requirement that any hospitality expenditure only be incurred for the Council's official functions and business purpose and that it demonstrates the efficient and cost-effective use of public money. For example, when:
 - building relationships with external parties to further the Council's objectives
 - representing the Council in an official capacity
 - building revenue
 - developing the organisation through training/planning sessions, while being cost-effective
 - it is reasonable in terms of cost and community expectations
- definitions for business purpose, Council business and official functions

- a requirement that the request for approval clearly explains the business purpose of the expenditure, who is attending the function/meeting, the expected benefits and outcome to the Council and a breakdown of the budgeted costs
- reporting requirements to comply with tax requirements (eg FBT).

7.3.4 Hospitality expenses are not always a proper use of public money

Comment

The Council's new hospitality, gifts and employee expenses policy, dated September 2019, provides direction and guidance on allowable and non-allowable expenditure.

Finding

Our analysis of credit card transaction data found that credit cards were used to pay for various operating activities, which sometimes included entertainment and hospitality for staff, elected members and external parties. The transactions we examined included lunches (including alcohol) for team building activities and celebrating individual and team achievements, coffee or lunch for meetings, refreshments for elected members attending council meetings, refreshments for staff farewells, and catering for volunteer training, community events and programs.

We were not satisfied that the business purposes of these transactions were always clear and, in our view, they were not always a necessary and/or appropriate use of public money. We believe that this was partly a result of a lack of policy guidance on this type of expenditure at the time it was incurred.

It is our view that the following purchases are not a proper use of public money, other than in rare circumstances and where the business purpose is clearly justified:

- alcohol, unless for resale at official Council events
- coffee/lunch for offsite meetings between Council staff
- refreshments for celebratory events (eg birthday, farewells, Christmas).

Appendix 3 provides details of the transactions we concluded were not a proper use of public money.

As noted, the Council now has policy guidance that provides further direction and guidance on allowable and non-allowable expenditure for hospitality and recognising achievements.¹⁷ The new policy guidance no longer allows some of the expenditure we examined.

7.3.5 Gifts to staff are not always a proper use of public money

Comment

The Council's new hospitality, gifts and employee expenses policy, dated October 2019, only allows gifts to staff for bereavement.

¹⁷ Refer to section 8 of this Report for further commentary on recognising staff achievements.

Finding

It is reasonable that a council would occasionally purchase gifts for a business purpose. For example, it is customary to give a gift to an international delegate or prizes for a community event/competition.

The key risks in providing a gift are that:¹⁸

- the amount or nature of the gift is excessive and/or inappropriate for the reason it is being given
- it is given with a perceived or actual expectation of a favour in return
- it is given in substitution for legitimate payment or remuneration.

The Council did not have a gift policy during the period we examined. As noted, it now has this policy guidance.

Our analysis of credit card transaction data found that credit cards were used to pay for gifts to elected members and staff. The transactions we examined included gifts and gift vouchers to employees and elected members for celebratory events (such as farewells and births), bereavement and years of service recognition.

The Council's new hospitality, gifts and employee expenses policy, dated October 2019, only allows flowers/charity donations to be given to employees for the death of an immediate family member. Gifts to employees to recognise service and achievements are covered in a separate policy that is discussed further in section 8.

7.3.6 Council's response

The Council reviewed and updated its internal policies for credit card use, recognition, and hospitality, gifts and employee expenses before the examination was finalised.

The Council will further review these policies to consider the recommendations we made.

The Council is considering undertaking an internal audit of its internal policies and their application across the organisation.

The Council will assess all the recommendations we made with regard to the associated risk, cost/benefit, practicality and administrative cost.

¹⁸ New Zealand Controller and Auditor-General, Good practice guide, *Controlling sensitive expenditure: Guidelines for public entities*, February 2007.

8 Credit card payments for reward and recognition expenses

What we found

Recognition of service

The Council's recognition of service policy, dated May 2015, was overdue for review when we started our examination.

We were not satisfied that the recognition of service policy clearly aligned with the Council's business purpose. It is unclear how incurring the expenditure in line with this policy contributes to achieving the Council's objectives and performing its functions, the business benefit to the Council and how it encourages behaviours that support the Council's values.

We also considered that the extent and value of the recognition of service rewards specified were unnecessary and excessive.

Recognition of achievement

The Council introduced a recognition of achievement policy, dated September 2019. It outlines the ways the Council recognises employee and volunteer achievements and contributions to the community and the organisation.

We were not satisfied for all Council recognition programs that there was a clear link in this new policy to recognising a high standard of employee performance or alignment to business purpose. Further, the reason for the recognition was not, in our opinion, clearly aligned with the Council's business purpose.

We consider gifts to staff, other than in rare circumstances and where the business purpose is clearly justified, are not a necessary or appropriate use of public money given that employees are remunerated for performing their roles in line with their employment agreements.

The recognition of achievement policy and guideline also apply to the Council's volunteers. However, the recognition programs are specific to employees. The nature and extent of recognising volunteer contributions are unclear.

What we recommended

Recognition of service

The Council should review its internal policies and guidelines regularly and by the due date.

The Council should consider streamlining its policies by having one policy on recognising achievement that covers all recognition programs.

The Council should review its recognition of service policy to provide further direction and guidance on the proper expenditure of public money to ensure:

- the reason for the recognition is clearly aligned to the Council's business purpose
- the expenditure is necessary and the amount spent demonstrates prudent expenditure behaviour.

Recognition of achievement

The Council should review its recognition of achievement policy and guideline, dated September 2019, with specific focus on staff performance and the expenditure principles. The Council should consider keeping volunteer recognition separate by providing for it in its volunteer policy.

In doing so, to inform any decisions on future practice, the Council should survey its community to understand the public's expectation of what sensitive expenditure may or may not be funded by public money, or coordinate with other councils to gain this information.

The Council should review its recognition of achievement transactions to ensure the new policy and guideline are implemented and operating effectively. We expect the Council will consider the policy improvements we identified against its current priorities and risks to determine the time frame it considers reasonable to review its policy and review relevant transactions.

8.1 Introduction

8.1.1 Relevant law

Section 99 of the LG Act describes the functions of a council's CEO, which include:

- managing the council's daily operations and affairs to achieve its strategic objectives
- giving effect to the human resource management principles prescribed under section 107 of the LG Act and applying proper management practices.

Section 107 of the LG Act requires a CEO to implement sound human resource management principles to ensure, for example, that employees are given reasonable access to training and development, treated fairly and consistently and given regular reports on their performance.

8.1.2 Council policy

Recognition of service

The recognition of service policy, dated May 2015, applied for the period we examined

(1 July 2016 to 30 April 2018). It recognises long-serving employees whose continuous service exceeds 25 years.

We note that this policy had not been reviewed since 2015 despite having a next review date of May 2017.

Recognition of achievement

Before we formally communicated our examination findings, the Council introduced the recognition of achievement policy, dated September 2019, and guideline, dated May 2019. This policy outlines the ways the Council recognises employee and volunteer achievements and contributions to the community and the organisation.

The Council promotes the importance of interaction and collaboration amongst both employees and volunteers, which supports its commitment to attracting and retaining people and maintaining a constructive workplace culture. The Council also recognises that expenditure must represent value to its community, be reasonable for the circumstances and be publicly defensible.

8.1.3 Relevant credit card expenditure

Of the 33 transactions we examined, two payments related to expenditure incurred in line with the recognition of service policy dated May 2015. They involved a gift to an employee for their 25-year work anniversary and the annual 25-year club lunch expense.

We also examined four payments that related to staff recognition where there was no specific policy during the period we examined and when the expenditure was incurred. These transactions included gift vouchers to employees for work performance, prizes for a team building activity and a Christmas lunch for a group of volunteers.

8.2 Examination approach

We examined the Council's recognition of service policy dated May 2015 which:

- was current at the time of conducting our examination
- applied during the period we examined (1 July 2016 to 30 April 2018).

When we assessed the six credit card transactions against the expenditure principles explained in section 3.3.2, we identified a need for the Council to review its staff recognition practices.

In September 2019, before we formally communicated our examination findings, the Council introduced the recognition of achievement policy and guideline.

In completing our examination, we reviewed this policy and guideline only to determine whether the matters we initially identified were addressed. We did not assess whether Council staff complied with the new policy, as it applied after the period examined and the examination work was completed.

Principles relevant to employee recognition

We acknowledge the importance of staff recognition in workplaces. We also acknowledge that publicly funded workplaces need to be highly aware of justifying the use of public money for any purpose. For our examination we considered the principles outlined in:

- the SA recognition guide
- the SA Ombudsman's report on the investigation of HomeStart Finance dated 10 March 2017.

Like the Council, the SA Government strives to be a high performing sector that attracts, develops and retains a highly talented workforce, encourages innovation and continuous improvement, and focuses on improving public value.

The SA recognition guide supports recognising employee performance achievements and positive behaviours. The guide states:

Employees who feel valued, encouraged and appreciated for the work that they do are more likely to be engaged, contribute effectively, work innovatively and perform highly in their roles.

Ultimately, comprehensive recognition ensures the attraction and retention of a quality workforce that is adaptable to change and dedicated to achieving results.

The guide outlines core principles to consider when developing and implementing recognition strategies and programs. While this guide is not applicable to the local government sector, these core principles can apply to any entity, like the Council, that is funded by public money and that strives to be a high performing organisation. The core principles are also consistent with the expenditure principles outlined in section 3.3.

The guide also notes that best practice research highlights that reward and recognition within the public sector can be highly complex. It suggests that a reward and recognition program does not have to be costly and gives examples that have no budget implication. It also highlights the following:

The belief that remuneration (eg distributing cash bonuses or gift cards) is the best way to provide incentive to employees has often been popular with management. However, this approach is not always the best and only way to reward employees.

In the Public Sector, we are funded by the public purse and we need to look at innovative and alternative methods of reward.

Always remember that funding for recognition activities will be coming from the public purse. Consider how the administration of your reward will appear to taxpayers and whether it can be easily justified. To help you gain perspective on the possible implications of your chosen activity, consider how you would feel if it was to be published in the media.

The SA Ombudsman reported that:

... it is widely accepted that public officers should not expect to receive anything other than their salary. In my view, public officers are also expected to avoid any perceptions of receiving anything more than their salary ...

... Whilst rewarding and recognising staff for their achievements, and creating a positive work environment are appropriate, I do not consider it is appropriate to do this with alcohol or gifts, particularly when suitable boundaries on when such gifts may be awarded are not in place.

We assessed the Council's recognition of staff policy and guidelines against the following principles to determine whether they promoted the proper use of public money.

Aligned with business purpose

The reason for recognising performance is aligned with business purposes where it contributes to achieving the Council's objectives. It also encourages behaviours that support the Council's values.

Necessary and appropriate

The expenditure is necessary for the Council to achieve its objectives.

The nature of the reward is appropriate and relevant to the performance or behaviour that is being recognised.

The value of the reward is modest or has no additional cost to the Council.

It is important that the reward can be easily justified and reflects proper and prudent expenditure of public money.

Fair and transparent

The recognition programs are fair and apply to all employees. The recognition strategy is most effective when implemented at the time of the performance achievement. This reinforces the positive behaviours, provides motivation and encourages high standards of performance.

It is important the standards of performance being recognised are clearly defined and documented, recognised in line with policy and applied consistently across the Council to enhance fairness.

8.3 Findings

8.3.1 Timing of policy review could be improved

Recommendation

The Council should review its internal policies and guidelines regularly and by the due date.

A policy and the related guidelines should be reviewed at the same time.

The Council should consider streamlining its policies by having one policy on recognising achievement that covers all recognition programs.

Finding

The recognition of service policy had a next review date of May 2017. The review was overdue when we started our examination in May 2018.

We also noted that there is a difference of five months between the review dates of the recognition of achievement policy and its guideline. In our view when policies are reviewed the related guidelines should be reviewed at the same time to ensure practices and documented procedures are consistent with and support policy requirements.

The recognition of achievement policy establishes recognition of service as one way the Council recognises its employees and refers to other related policies, including the recognition of service policy mentioned above.

8.3.2 Review of recognition of service policy needed to ensure proper use of public money

Recommendation

The Council should review its recognition of service policy, dated May 2015, to provide further direction and guidance on the proper use of public money to ensure:

- the reason for the recognition is clearly aligned to the Council's business purpose
- the expenditure is necessary and the amount spent represents prudent expenditure behaviour.

Finding

We acknowledge and support the importance of councils recognising employees who are dedicated to their work and make long-term contributions to achieving the council's objectives and providing services to its community.

Consistent with the SA recognition guide, we also acknowledge that establishing reward and recognition can be highly complex in entities that manage and spend public money. In our view, it is important that a council carefully considers the expenditure principles when developing and implementing any recognition programs.

The Council officially recognises long-serving employees whose continuous service exceeds 25 years under its recognition of service policy as follows:

- the employee receives a gift of their choice to the value of \$575. The gift is presented to the employee by the Mayor, the CEO or a General Manager
- the employee becomes a member of the 25-year club. 25-year club members are invited to attend an annual lunch with the Executive

- for each subsequent five years of service, the employee receives a dinner or gift voucher¹⁹ to the value of \$250.

The credit card transactions we tested included a \$750 payment for the annual 25-year club lunch. This amount was a deposit and the total cost of the lunch was \$2945.

We also reviewed a \$415 payment for a gift to an employee for their 25-year work anniversary.²⁰

8.3.2.1 Policy intent is not clearly aligned with business purpose

The purpose of the expenditure was consistent with the Council's recognition of service policy. This policy does not clearly explain how reaching the required number of years of continuous service is aligned with the Council's business purpose. It is unclear how incurring this expenditure (ie gifts and an annual lunch) contributes to achieving the Council's objectives or performing its functions, the business benefit to the Council and how it encourages behaviours that support the Council's values.

Reaching the required number of years of continuous service is a significant personal service achievement. It does not necessarily align with achieving, and therefore warrant recognising, high performance.

In our view, it is important that any recognition program that recognises an individual's significant achievements are clearly aligned to business purpose and high performance.

In our view, the Council had not clearly demonstrated the proper use of public money by incurring the expenditure for the annual lunch. This was because, in our opinion, the Council had not clearly justified the business benefit of this annual expenditure to recognise a significant personal service achievement.

8.3.2.2 The extent and value of the loyalty of service reward was considered unnecessary and excessive

When spending public money, it is important that the value of the reward can be easily justified and is demonstrably reasonable for the performance being recognised.

A core principle in recognising employees is that it is immediate. An employee achieves this milestone once and it is timely to recognise this achievement on, or close to, the employee's 25-year anniversary.

In our view, it is not necessary for the Council to incur all these costs in recognising an individual's 25 years of continuous service. The extent of the loyalty of service reward, in our opinion, is excessive. The Council should review the frequency of the years of service being rewarded (ie every subsequent five years after 25 years, an annual lunch) and identify alternative rewards that have little or no cost to the ratepayer.

¹⁹ Vouchers are bought from restaurants and stores within the Council area.

²⁰ The employee also received a \$160 gift voucher. The total gift value was \$575 in line with the policy.

In our view, paying for an annual lunch was not a proper use of public money. In our opinion it was not necessary for the Council to incur this cost in addition to a gift to recognise an individual's 25 years of continuous service milestone.

8.3.3 Policy guidance for staff recognition could be improved

Recommendation

The Council should review its recognition of achievement policy and guideline to ensure:

- all recognition programs are aligned with its organisational objectives and values and are consistent with the policy's principles
- staff are recognised for a significant standard of performance to achieve the Council's objectives and deliver services to the community. The standards of significant performance for each recognition programs should be clearly defined
- adequate records are maintained to explain the reason for the recognition and how it is for the Council's business purpose
- the nature of all rewards is appropriate and relevant to the performance or behaviour being recognised
- it is necessary to incur the cost and the value of all rewards is modest or at no additional cost to the Council and is relevant to the performance or behaviour being recognised
- the total cost of all recognition programs is modest and withstands public and Parliamentary scrutiny.

The Council should consider doing the following in reviewing its policy:

- to inform its decision on future practice, survey its community to understand the public's expectation of what sensitive expenditure may or may not be funded by public money, or coordinate with other councils to obtain this information
- research the expected benefits to the Council and its community of any proposed monetary recognition practices
- consider keeping volunteer recognition separate by providing for it in the Council's volunteer policy.

The Council should review its recognition of achievement transactions to ensure the new policy and guideline is implemented and operating effectively. We expect the Council will consider the policy improvements identified against its current priorities and risks to determine the time frame it considers reasonable to review its policy and review relevant transactions.

8.3.3.1 Some recognition programs are not clearly aligned with business purpose and policy intent

Finding

The recognition of achievement policy, dated September 2019, applies to all Council employees and volunteers. It was introduced after we completed our examination work and

was not in place when the expenditure transactions we tested were incurred.

We note that the new policy and related guideline include the following principles:

- any expenditure must represent value to the Council's community, be reasonable for the circumstances and be publicly defensible. The guideline provides maximum expenditure limits
- recognising employee and volunteer performance to encourage behaviours that support the Council's values
- recognition will be fair, consistent, transparent, clearly stated and easily accessible for all employees and leaders
- achievement will be recognised as soon practicable
- recognition is largely orientated towards appreciating and valuing employee contributions and efforts rather than providing financial rewards.

Some recognition programs, in our view, are not clearly aligned with the Council's business purpose and policy intent of recognising significant achievements and performance. In our opinion, the standard of performance being recognised should be higher than satisfactory given staff are already remunerated for performing their roles.

We were not satisfied that for all Council recognition programs there was a clear link to recognising a high standard of employee performance or alignment to business purpose. Further, the reason for the recognition was not, in our opinion, clearly aligned with the Council's business purpose. The following are examples of this.

Employee farewells

The Council funds farewell celebrations for its employees to recognise their achievements and efforts while working within the organisation. We note the policy limits the amount of public money spent to \$50 per event.

In our opinion there was not a clear business benefit obtained by the Council in funding these farewell events. Further, in our view, these events are not consistent with the principles provided in the recognition of achievement guideline, which states that:

Recognition is a key part of our "Living Blue" culture and allows us to attract, motivate, reward and, ultimately, retain employees who strive for excellence.

Recognition of achievement will be attributed as soon as practicable following the achievement.

We consider that costs incurred for farewell events are an unnecessary and inappropriate use of public money.

Christmas social functions

The recognition of achievement guideline provides that the Council funds a Christmas event, held after hours, for all staff to thank them for their efforts and what they have contributed

to the community throughout the year. This is in addition to recognising the significant achievements and performance of an individual or a team.

The guideline sets the cost of the Christmas event, which includes catered food, drinks (including alcohol) and music/entertainment, at a maximum of \$50 per person.

We were not satisfied that the recognition of achievement guideline clearly identifies the significant performance and achievements being recognised by sponsoring an annual social event.

In our opinion, the business benefit to the Council from funding a Christmas event is not clear. We consider that costs incurred for music/entertainment and alcohol are an unnecessary and inappropriate use of public money.

The SA recognition guide states that recognition is most effective when it is specific and provided immediately after the performance achievement.

In our opinion these strategies are not consistent with the principles of reward and recognition but relate more to supporting staff wellbeing and morale. Such events would typically be organised and funded by an entity's social club, and are activities separate from the entity and not funded by public money.

The Council may decide to contribute to a social club event (either financially or by allowing the use of Council facilities). Generally, it is our view that it is not necessary or appropriate to use public money to fund social events.

Where the Council makes a financial contribution to a social event or gift to an employee, it also exposes the Council to the risk of negative public and Parliamentary scrutiny of its use of ratepayer and taxpayer funds. It is imperative that it can clearly demonstrate that it has observed the expenditure principles outlined in section 3.3.2 and, without any doubt, its expenditure decision can withstand public and Parliamentary scrutiny.

Community expectations

In recent years, some councils' expenditure behaviours have been subject to public criticism because the nature of some expenditure (ie what public money is spent on) was not considered reasonable by the public. It is publicly known that the Onkaparinga Council has been subject to significant public criticism over its expenditure behaviours. While we have not examined the Onkaparinga Council's expenditure, we have sought to understand how it responded to the public criticism.

To inform its decision on future practice, the Onkaparinga Council surveyed its community to understand the public's expectation of what sensitive expenditure may or may not be funded by public money. The Onkaparinga Council considered the survey results when it developed its new hospitality expenditure guidelines.

In a council agenda paper, a public document, the Onkaparinga Council highlighted any expenditure where community sentiment did not align with its business practice. It also explained why some business practices were important and would continue, but that it would aim to minimise any associated costs (eg catering).

We consider that the Onkaparinga Council took appropriate action to seek, understand and consider its community's expectations on expenditure behaviours. It was then better informed to respond and develop its policies. We did not review the Onkaparinga Council's revised expenditure policies and guidelines in our examination.

8.3.3.2 Gifts to staff were not always necessary or appropriate

Finding

The Council's recognition policies provide for gifts to staff for:

- recognising an individual or a team for 'over and above' performance and achievements. The value of the gift is up to \$40 per individual per year
- retirement, where a gift is selected from a range of Council specific gifts up to the value of \$50
- achieving 25 years of continuous service. The employee receives a gift of their choice to the value of \$575
- every five years of service after achieving 25 years of continuous service. The employee receives a dinner or gift voucher to the value of \$250²¹

Where a gift is not listed in a policy or guideline, it is not permitted unless approval has been given by the CEO.

The SA Ombudsman's March 2017 report on the investigation of HomeStart Finance reported that:

... it is widely accepted that public officers should not expect to receive anything other than their salary. In my view, public officers are also expected to avoid any perceptions of receiving anything more than their salary ...

... Whilst rewarding and recognising staff for their achievements, and creating a positive work environment are appropriate, I do not consider it is appropriate to do this with alcohol or gifts ...

Consistent with the SA Ombudsman's view, it is our view that remuneration derived from positions held by Council staff should be considered sufficient and appropriate monetary compensation for performing their duties. This is informed by the low tolerance of taxpayers and ratepayers to this type of public expenditure we have noted in the past. Accordingly, we consider gifts, other than in rare circumstances and where the business purpose is clearly justified, are not a necessary or appropriate use of public money.

²¹ Vouchers are bought from restaurants and stores within the Council area.

For the transactions we reviewed, in our view payments for the following gifts were not a proper use of public money:

- the 25 years of service gift
- gift vouchers to employees for work performance
- gift vouchers as prizes for team building activities.

We consider it was unnecessary for the Council to incur these costs and it was inappropriate to reward an employee with a gift. The expenditure decisions were not transparent as the records did not adequately explain the standard of work performance being recognised.

Further, the SA recognition guide outlines key considerations when providing reward and recognition, which include:

Keep the Code of Ethics in mind to ensure that your reward or recognition can be upheld, in particular, against the Professional Conduct Standards (eg the use of government/public resources, conflicts of interest and acceptance of gifts and benefits).

8.3.3.3 Recognising volunteers

Finding

The recognition of achievement policy and guideline also apply to the Council's volunteers. However, recognition programs are specific to employees. The nature and extent of recognising volunteer contributions is unclear.

We note that the Council's volunteer policy, dated March 2018, covers the management of volunteers. The Council's Volunteer Service Development Officer is responsible for the corporate recognition of volunteers. The staff who coordinate volunteers organise volunteer recognition and years of service celebrations. The policy does not provide any further guidance and direction on the recognition programs for volunteers.

The Council's website describes the ways it recognises volunteers:

- reference made in the Council's annual report
- volunteer newsletters
- celebrating national volunteer week
- certificates for length of service.

The transactions we reviewed included the cost of a Christmas lunch for 44 volunteers. This is not specifically listed on the Council's website as a potential recognition option.

The Council has 330 volunteers. They are a highly valuable resource in delivering services to the community. We acknowledge the importance of the Council recognising volunteer contributions. We also consider it is important that any recognition programs are consistent with the principles outlined in section 8.2.

In the absence of policy guidance on volunteer recognition programs, it is unclear:

- how the Council considers it acceptable to recognise volunteers
- how recognition programs are applied consistently across the Council to ensure it is fair and available to all volunteers
- how the Council ensures the total recognition program cost is necessary and appropriate.

8.3.4 Council response

The Council reviewed and updated its internal policies for credit card use, recognition, and hospitality, gifts and employee expenses before the examination was finalised. It will further review these policies to consider our recommendations.

The leadership team was provided with guidance on ensuring a prudent approach to reward and recognition and that it is fully transparent and accountable. This approach is further supported by all credit card transactions being published on the Council's website for public information.

The Council is considering undertaking an internal audit of its internal policies and the way they are managed and applied across the organisation. This will include reviewing recognition of achievement transactions to ensure they align with Council policy. The outcomes of this review would be presented to the audit committee and the elected body.

The Council is committed to creating and driving a performance-based culture that is focused on accountability and delivery. In doing so, the Council understands and values the importance of recognising the achievements of its workforce. This recognition is largely orientated towards appreciating and valuing staff contributions and efforts rather than providing financial rewards. The Council is focused on building a workforce that is passionate, engaged and appropriately recognised for effective and efficient delivery of services and projects to the community while living the values in the way they work.

The SA recognition guide provides guidance on reward and recognition and the benefits of a high performing workplace to the community. The Council recognises that not all rewards need to be financial and that this is reflected in its current practices and the revised recognition and hospitality, gifts and employee expenses policies.

The Council considered our assessment and interpretation was often contrary to the Public Sector's best practice guidelines in what would be considered a reasonable cost in certain circumstances to demonstrate the value it wants to acknowledge in staff who 'go over and above to deliver value and benefit to the community'. The Council stated that many of the transactions we examined were one-off reward and recognition transactions. These transactions were approved by officers with authorised delegations, having been deemed appropriate and reasonable for the circumstances of the transaction.

9 Credit card payments for elected members' benefits

What we found

We examined five transactions related to expenditure incurred for the benefit of the elected members. They were for conference fees, overseas travel costs, refreshments (including alcohol) for council meetings and a gift to recognise an elected member's 10 years of service.

We consider it reasonable for a council to provide light refreshments before council and committee meetings that are held after ordinary business hours. However, in our view, providing alcohol, which the Council offered as a light refreshment option after a council meeting, is not a proper use of public money.

In our view, the Mayor's Christmas dinner is a social function and its business benefit to the Council in fulfilling its objectives and functions was not clear. We concluded that the Mayor's Christmas dinner was an unnecessary and inappropriate use of public money. Continuing this expenditure practice exposes the Council to the risk of negative public and Parliamentary scrutiny of its use of ratepayer and taxpayer funds.

We do not consider it necessary or appropriate to provide gifts to elected members for service recognition given that they receive allowances, benefits and support to perform their official roles. We also do not consider that the public gains a benefit from the Council purchasing gifts for elected members.

What we recommended

The Council should revise its Council members' allowance and support policy to remove the provision of alcohol.

Consistent with the Council's hospitality, gifts and employee expenses policy, the Council should establish expenditure limits for the provision of meals and update the Council members' allowance and support policy accordingly.

The Council should consider whether the following expenditure is consistent with the expenditure principles:

- the Mayor's Christmas dinner
- the elected members' service recognition gifts.

In doing so, to inform its decision on future practice, the Council should survey its community to understand the public's expectation of what sensitive expenditure may or may not be funded by public money, or coordinate with other councils to obtain this information.

In future, the Council should, in our opinion, better explain the business purpose and business benefit to the Council before incurring expenditure.

The Council's audit committee should regularly scrutinise sensitive expenditure that results in benefits to elected members to determine whether it is a proper use of public money.

9.1 Introduction

9.1.1 Relevant law

Section 77 of the LG Act provides for a council member to be reimbursed for expenses incurred in performing or discharging their official functions and duties. The expenses are of a kind prescribed and approved by the council (either specifically or under a policy that lapses at a general election of the council).

Section 78 of the LG Act enables a council to provide facilities and other forms of support to its elected members to help them perform or discharge their official functions and duties. The provision of facilities and services is at the council's discretion, subject to complying with the following requirements under section 78(2):

- (a) The council must specifically resolve that the provision of the facilities or services is necessary or expedient to the performance or discharge of official functions or duties*
- (b) Facilities and services must be available to members on a uniform basis ...*
- (c) Any property provided to a member remains the council's.*

Section 79 of the LG Act requires a council's CEO to keep a register of allowances and benefits for each elected member. This includes details of other benefits paid or payable to, or provided for the benefit of, the elected member.

The LG Act does not define the term 'benefit'. LGASA's model policy on council members' allowances and benefits refers to the ordinary meaning of 'benefit', which is something that is helpful or favourable. It also states:

It is common for the Council to incur costs or pay for expenses (or provide a non-monetary benefit) for Council Members in the course of, or related to the performance of, the Council Member's role, functions or duties. Where the Council pays up-front for expenses that would otherwise be reimbursed, or provides Council Members with facilities or services that can be quantified for each Council Member, these are provided to Members for their "benefit" ...

... It is a 'catch all' term (in addition to the terms 'allowances', 'reimbursement', 'facilities' and 'support') that constitutes expenditure by or on persons in public office made as a result of being a public official. Monies expended are public monies and there is a public interest element of accountability about recording where public monies are allocated and expended.

9.1.2 Council policy

The Council members' allowance and support policy, dated March 2015 and March 2017, provides for the council members' allowances, support and expenses under section 77 of the LG Act.²²

During our examination this policy lapsed due to the general election held in November 2018. On 10 December 2018 the Council adopted a new Council members' allowance and support policy.

In addition, the Council's Recognition of Service Policy Council Members, Freeman, Freedom and Keys to the City, dated May 2017, covers service recognition for council members.

9.1.3 Relevant credit card expenditure

Of the 33 transactions we examined, five related to expenditure incurred for the benefit of the elected members. They were for conference fees, overseas travel costs, refreshments (including alcohol) for council meetings and a gift to recognise an elected member's 10 years of service.

9.2 Findings

9.2.1 Expenditure for alcohol not a proper use of public money

Recommendation

The Council should revise its council members' allowance and support policy to remove the provision of alcohol.

Consistent with the Council's hospitality, gifts and employee expenses policy, the Council should establish expenditure limits for the provision of meals and update the Council members' allowance and support policy accordingly.

Finding

The transactions we tested included expenditure for refreshments provided to elected members attending council meetings. The Council did not have a specific policy for this expenditure when we commenced our examination and during the period we examined.

Council staff advised that:

- the expenditure on alcohol was to restock the Civic Centre bar
- light refreshments are served to elected members before and after council meetings each fortnight. This provides sustenance before the meeting, which frequently commences from 6pm, and an opportunity for elected members to interact for a short time after each meeting

²² These policies applied during the period we examined.

- the Civic Centre bar also provides refreshments for official Council functions held at the Civic Centre and drinks are provided to community members in attendance at events.

The Council's new Council members' allowance and support policy, dated December 2018, provides for elected members meals and refreshments:

Council members and employees are to be provided with a meal and drinks when attending after hours Council and Committee Meetings, briefings and workshops or any other meeting that the Mayor or CEO considers it appropriate and necessary.

Light supper, beer, wine and softdrink will be provided to the elected members after each council meeting.

We consider it reasonable for a council to provide light refreshments before council and committee meetings held after ordinary business hours. However, in our view, the provision of alcohol after a council meeting is not a proper use of public money. This is because the business purpose of this expenditure is not justified. We do not consider providing alcohol for this purpose is necessary for the Council to meet its objectives, perform its functions and deliver services to its community, or that it is for the public benefit.

While not the Council's practice, we also consider that providing alcohol before a council meeting is not a proper use of public money. Consistent with the SA Ombudsman's view,²³ we consider that it is inappropriate for an elected member or council employee to consume alcohol when performing their official functions or duties.

9.2.2 Expenditure for the Mayor's Christmas dinner not a proper use of public money

Recommendation

The Council should consider whether expenditure for the Mayor's Christmas dinner is consistent with the expenditure principles.

In doing so, to inform its decision on future practice, the Council should survey its community to understand the public's expectation of what sensitive expenditure may or may not be funded by public money, or coordinate with other councils to obtain this information.

In future, the Council should, in our opinion, better explain the business purpose and business benefit to the Council before incurring expenditure.

The Council's audit committee should regularly scrutinise sensitive expenditure that results in benefits to the elected members to determine whether it is a proper use of public money.

²³ SA Ombudsman's report, *Department of Planning, Transport and Infrastructure – Determination of an FOI internal review and expenditure*, 11 June 2019.

Finding

Council staff advised us that:

- the following people are invited to the dinner:
 - elected members and their partners
 - the leadership team and their partners
 - Freeman, Freedom and Keys to the City representatives
 - retiring council members
- the purpose of the expenditure, including the cost of the dinner, is to support the teamwork between the elected members and leadership team
- the event enables the honorary position of the Freeman of the City to be acknowledged.

We note that the Council's Recognition of Service Policy Council Members, Freeman, Freedom and Keys to the City specifies that Freeman and Freedom of the City representatives will be recognised at a Civic Ceremony (a special meeting of Council) followed by a Civic Reception in honour of the recipients.

In our view, the Mayor's Christmas dinner is a social function and its business benefit to the Council in fulfilling its objectives and functions was not clear. The Council incurred additional cost with no additional business benefit to the Council. In our view, the Mayor's Christmas dinner was an unnecessary and inappropriate use of public money. Continuing this expenditure practice exposes the Council to the risk of negative public and Parliamentary scrutiny on its use of ratepayer and taxpayer funds.

9.2.3 Gifts not always necessary or appropriate

Recommendation

The Council should consider whether expenditure for elected member service recognition gifts is consistent with its expenditure principles.

In doing so, to inform its decision on future practice, the Council should survey its community to understand the public's expectation of what sensitive expenditure may or may not be funded by public money, or coordinate with other councils to obtain this information.

Finding

The Council's Recognition of Service Policy Council Members, Freeman, Freedom and Keys to the City provides for the service recognition of council members. This recognition is in addition to the formal recognition program operated by the LGASA across the local government sector.

The policy recognises Council members after 10, 20 and 25 years of accumulated service. The member receives a gift up to a specific value depending on the years of accumulated service being recognised (ranging from \$150 to \$750).

Consistent with our views in section 8.3.2, we do not consider it necessary or appropriate to provide gifts to elected members for service recognition given that they receive allowances, benefits and support in performing their official roles. We also do not consider that the public gains a benefit from the Council purchasing gifts for elected members.

9.2.4 Council's response

The Council members' allowance and support policy was reviewed in 2019. The Council will consider our recommendations on the Mayor's Christmas dinner, the availability of limited alcohol after Council meetings and recognition of service gifts.

Regarding the expenditure limits for the provision of meals, the Council responded that while there is no weekly expenditure limit, there is a yearly budget that sets a financial limit for the costs of providing meals. This approach enables different meals to be provided each week, by using local businesses, while still maintaining an overall expenditure limit. The amount budgeted for the provision of pre-Council/Committee meals is not considered inappropriate by the Council given that most elected members travel direct from work or other engagements to Council meetings that often conclude after 9pm. Further, the meal period is regularly used for workshops and presentations and as such would be classified as a working dinner.

The Council sees the annual Mayor's Christmas dinner as an appropriate event that brings together the elected members, senior staff, Freeman of the City and their partners. It is used as an occasion for speeches to recognise the efforts over the year and to give thanks over a meal for their contribution to the community – either the immediate contribution over the past year or, in the case of Freeman, for the years of value provided to the community. The event is held within the Council's boundaries and expenses are contained to moderate levels.

Appendix 1 – Sensitive expenditure categories

We identified expenditure types of a sensitive nature by analysing the following reports prepared by universities and government organisations in Australia and New Zealand. We considered these to determine the common categories of sensitive expenditure that we applied to this examination.

Report	Sensitive expenditure categories identified
New Zealand Controller and Auditor-General, Good practice guide: Controlling sensitive expenditure: Guidelines for public entities, February 2007 ²⁴	<ul style="list-style-type: none"> Travel and accommodation Entertainment and hospitality Goods and services – sale of surplus assets, loyalty reward scheme benefits, private use of entity assets Staff support and welfare – clothing, care of dependants, social club activities, farewells and retirements, staff sponsorship Other – gifts, donations, corporate boxes, communications technology
ACT Audit Office, Auditor-General’s report, Report No.6/2016 Management and administration of credit cards by ACT government entities, June 2016	<ul style="list-style-type: none"> Examples of sensitive expenses include hospitality (flowers, gifts, alcohol) and communications equipment (mobile phones, pocket PCs, phone cards)
Frankston City Council (VIC), CEO and Directors’ expense reimbursement policy, August 2017	<ul style="list-style-type: none"> Communications equipment – mobile/smart phone, laptop/ipad/computer Meals and refreshments Training and education – events, conferences, formal study Memberships Travel Expenses not reimbursed include fines, donations/tips, gifts, hotel mini-bar, in-room movies, alcohol, personal items (eg snacks, confectionery)
Victoria Government, Health and Human Service Guidelines for CEO and Executive Business Expense policy, September 2017	<ul style="list-style-type: none"> Travel and accommodation Meals and hospitality Alcohol Fines and penalties Loyalty programs/Award-based memberships
Tasmanian Audit Office, Report of the Auditor-General No. 4 of 2017-18: Use of credit cards by councils’ general managers and elected members, November 2017	<ul style="list-style-type: none"> Entertainment Travel Gifts – staff, elected members and community members Personal transactions Fines Fuel Online payment methods (eg PayPal)

²⁴ Appendix 1 of the guidelines provides a list of reports covering aspects of sensitive expenditure.

Report	Sensitive expenditure categories identified
University of New South Wales, Business expense policy and procedure, November 2017	Travel and accommodation Entertainment (provision of food and drinks), gifts and awards Information technology equipment Other – donations, sponsorships, fines, clothing, subscriptions and memberships, coffee, personal items (snacks, confectionery)
The City of Unley, Internal Audit, Use of Purchase Cards, July 2018	Entertainment – provision of food or drink (including alcohol) Gifts, rewards and recognition Personal transactions Fines Online payment methods (eg PayPal)
Victoria University of Wellington (NZ), Sensitive Expenditure Policy	Alcohol Professional and club memberships Fines Gifts and tipping Information technology and equipment Tea and coffee Staff café meetings Travel Staff events including recognition of performance, farewells, Christmas and year end functions Events and hospitality

Appendix 2 – Expenditure principles

We assessed whether credit card expenditure was a proper use of public money against generally accepted standards of proper and prudent expenditure practice and behaviour. These standards were determined by analysing the following reports prepared by universities and government organisations in Australia and New Zealand. We found many organisations adopt a principle-based approach to ensure proper use of public money when making expenditure decisions, which is summarised below.









Report	Expenditure principles
<p>New Zealand Controller and Auditor-General, Good practice guide: Controlling sensitive expenditure: Guidelines for public entities, February 2007</p>	<p><i>The expenditure should be:</i></p> <ul style="list-style-type: none"> • <i>subject to the standards of probity and financial prudence that are to be expected of a public entity; and</i> • <i>able to withstand Parliamentary and public scrutiny.</i> <p><i>Those standards apply the principles that expenditure decisions:</i></p> <ul style="list-style-type: none"> • <i>have a justifiable business purpose</i> • <i>preserve impartiality</i> • <i>are made with integrity</i> • <i>are moderate and conservative, having regard to the circumstances</i> • <i>are made transparently</i> • <i>are appropriate in all respects.</i>
<p>NSW Government Department of Trade and Investment (NSW), Hospitality and entertainment policy, April 2014</p>	<p><i>Any expenditure by staff on official hospitality and/or entertainment must be in accordance with the following principles. The expense must:</i></p> <ol style="list-style-type: none"> <i>i. be for official purposes only</i> <i>ii. be properly documented</i> <i>iii. generate direct benefits ... must result in, or be reasonable expected to contribute to, achieving the department's objectives ... and should not be used merely for social occasions</i> <i>iv. be reasonable for the circumstances, and publicly defensible</i> <i>v. be approved by a Manager with appropriate delegation in writing ... Where possible, approval should be obtained prior to incurring the expenditure ...</i>

Report	Expenditure principles
Noosa Council (QLD), Council policy on entertainment and hospitality expenditure, August 2014	<p><i>Entertainment and hospitality expenditure will be considered appropriate if it meets the following criteria:</i></p> <ul style="list-style-type: none"> • <i>is considered reasonable and cost effective;</i> • <i>it can be supported by a specific approved budget allocation;</i> • <i>it is able to withstand public scrutiny;</i> • <i>it is for official purposes; and</i> • <i>it complies with legal, financial, audit and ethical requirements.</i>
ACT Audit Office, Auditor-General’s report, Report No.6/2016 Management and administration of credit cards by ACT government entities, June 2016	<p><i>Key principles and considerations with hospitality are whether the:</i></p> <ul style="list-style-type: none"> • <i>people attending the event are predominantly from organisations other than those within the public sector;</i> • <i>primary purpose is for the government entity to establish or maintain a business relationship with external people and organisations; and</i> • <i>hospitality event is designed to progress government priorities and outcomes.</i>
Frankston City Council (VIC), CEO and Directors’ expense reimbursement policy, August 2017	<p><i>The CEO and Directors are entitled to be reimbursed for reasonable out-of-pocket expenses incurred as a result of performing their Council duties and functions.</i></p> <p><i>Reimbursements can only be paid ... in relation to expenses actually and necessarily incurred in performing their Council duties and functions.</i></p> <p><i>... the CEO and Directors will maintain a conservative approach to the expenditure of public funds.</i></p>
Victoria Government, Health and Human Service Guidelines for CEO and Executive Business Expense policy, September 2017	<p><i>Health services should consider these principles when developing or updating their business expenditure policies and procedures:</i></p> <ul style="list-style-type: none"> • <i>Accountability ... seek to ensure value for money is achieved ... and subject themselves to appropriate scrutiny from relevant bodies by keeping an audit trail of documentation;</i> • <i>Impartiality ... expenses should be based on merit and without bias and should be applied consistently and with fairness;</i> • <i>Integrity ... should use public funds responsibly and ensure business expenses incurred support the objectives of the organisation in order to earn and sustain public trust.</i>




Report	Expenditure principles
	<p><i>Business expenses must be all of the following factors:</i></p> <ol style="list-style-type: none"> 1. <i>be for the benefit of the health service;</i> 2. <i>be modest, appropriate and reasonable;</i> 3. <i>ensure value for money; and</i> 4. <i>be supported by the appropriate approvals and supporting documentation.</i>
<p>Tasmanian Audit Office, Report of the Auditor-General No. 4 of 2017-18: Use of credit cards by councils' general managers and elected members, November 2017</p>	<p><i>Cardholders, in the public sector, are also required to assess whether a transaction represents responsible use of public [sic public] funds at the time that the expenditure is incurred by confirming that the:</i></p> <ul style="list-style-type: none"> • <i>amount spent is within the public entity's approved budget</i> • <i>expenditure is necessary to exercise the public entity's powers or carry out its functions</i> • <i>expenditure represents value for money...</i> <p><i>A contemporary credit card policy should incorporate the following controls ...</i></p> <p><i>... restricting credit card use to purchases consistent with the responsible expenditure of public funds, including ...</i></p> <ul style="list-style-type: none"> • <i>prohibiting entertainment or if entertainment is allowed, establishing strong controls</i> • <i>specifying limits for overnight accommodation, meals and incidental expenses, including whether alcoholic beverages are allowable</i> • <i>prohibiting the use of credit cards to purchase gifts or providing guidance on what is an acceptable gift and maximum value</i> • <i>restricting payments of travel expenses to staff and elected members only</i> • <i>prohibiting minibar purchase, in-room movies and other similar expenses of private nature</i> • <i>prohibiting personal transactions ... and payment of fines.</i> <p><i>... requiring cardholders to provide an adequate description of transactions where their nature and use is not evident from the tax invoice.</i></p>
<p>University of New South Wales, Credit card policy, November 2017</p>	<p><i>All expenses must be for a legitimate University purpose, meaning they are reasonable and appropriate in the circumstances, and publicly defensible.</i></p>








Report	Expenditure principles
University of New South Wales, Business expense policy, November 2017	<p><i>The expenditure must not be or perceived to be excessive and must meet the following characteristics:</i></p> <ul style="list-style-type: none"> • <i>necessary to perform a valid business purpose fulfilling the mission of the University;</i> • <i>reasonable in that the expense is not extreme or excessive, and reflects a prudent decision to incur the expense;</i> • <i>appropriate in that the expense is suitable and fitting in the context of the valid business purpose; and</i> • <i>allowable according to the terms of any federal regulation, sponsored contract or University policy.</i>
The Barossa Council, Hospitality policy, December 2017	<p><i>Hospitality expenditure must only be incurred where it has first been identified that providing the hospitality will facilitate the conduct of official council business and, if so, then the expenditure must be:</i></p> <ul style="list-style-type: none"> • <i>reasonable in terms of cost and frequency, having regard to accepted community practice and expectations of the Barossa as a premium winemaking region;</i> • <i>open, transparent and available for scrutiny by both internal and external audit processes; and</i> • <i>applied in accordance with Council's Procurement Policy and delegated authorities which are made in accordance within the adopted budget.</i>
Victoria University of Wellington (NZ), Sensitive Expenditure Policy	<p><i>The University expects all staff involved in arranging, making or approving sensitive expenditure:</i></p> <ol style="list-style-type: none"> <i>i. to do so only for University purposes;</i> <i>ii. to exercise prudence and professionalism;</i> <i>iii. not derive personal financial gain;</i> <i>iv. to act impartially;</i> <i>v. to ensure the expenditure is moderate and conservative in the context of the given situation;</i> <i>vi. to have read and adhered to relevant University policy.</i>






Appendix 3 – Credit card transactions – summary of findings








	Date	Expense category	Expense description	Supplier	Expense amount (\$)	Council policy	Finding
1	2016 13 July	Seminars and conferences	Councillor attendance at conference	Wise Connections	1450.00	Council Members' Training and Development	<p> The Council clearly demonstrated proper use of public money.</p> <p> We identified a minor improvement needed to the reconciliation records to support the business purpose (eg the reconciliation record referenced to the relevant Council approval) and ensure compliance with the policy and Council's approval to ensure the transaction was correctly recorded.</p>
2	15 July	Catering and sustenance	Mayor Accommodation and meals	Marina Bay Sands Singapore	1733.49	Council Members' Training and Development	<p> The Council clearly demonstrated proper use of public money.</p> <p> We identified a minor improvement needed to the reconciliation records to support the business purpose.</p>
3	18 Aug	Communications	Home internet	Ilnet	50.00	Contract	<p> The Council clearly demonstrated proper use of public money.</p>
4	31 Aug	Printing and stationery	Stationery required for Nursery	Officeworks	509.22	Procurement	<p> The Council clearly demonstrated proper use of public money.</p> <p> We identified a minor improvement needed to the reconciliation records to support the business purpose.</p>
5	16 Nov	Foreign language library materials	Vietnamese DVDs	Vnn Mall	963.85	Procurement	<p> The Council clearly demonstrated proper use of public money.</p>






	Date	Expense category	Expense description	Supplier	Expense amount (\$)	Council policy	Finding
6	17 Nov	Staff amenities	Staff member flowers for bereavement (Grandpa)	Tynte Street Flowers	71.50	No policy	 The Council did not clearly demonstrate proper use of public money. This was because, in our opinion, it was not necessary to incur the cost in performing the Council's functions.
7	18 Nov	Loose tools	Restock Civic Centre refreshments	Dan Murphys	807.35	No policy	 The Council did not clearly demonstrate proper use of public money. This was because, in our opinion, the expenditure's business purpose was not clearly justified and it was not always necessary to incur the cost of purchasing alcohol in performing the Council's functions.  We acknowledge that the Civic Centre is used to host civic events, which may include attendance by members of the public and invited dignitaries. In our opinion, the purchase of alcohol is not a proper use of public money, other than in rare circumstances and where the business purpose is clearly justified, unless it is for resale at official Council events.
8	7 Dec	Volunteer expenses	Volunteer Christmas lunch Port River Cruises	Adelaide Cruises	800.00	Volunteer	 The Council demonstrated the proper use of public money.  We identified a need to improve the policy to provide further guidance to minimise the cost of volunteer recognition programs and ensure they are fair and equitable to all volunteers.
9	15 Dec	Travel and accommodation	Flight trip to Melbourne re: Waverly Oval discussion	Qantas Airways	1256.20	Travel	 The Council clearly demonstrated proper use of public money.  We identified a need to improve policy and records to support the CEO's travel.

	Date	Expense category	Expense description	Supplier	Expense amount (\$)	Council policy	Finding
10	6 Mar 2017	Meal entertainment	25-year club lunch	The Grange Hotel	750.00	Recognition of service	 <p>The Council did not clearly demonstrate proper use of public money. This was because, in our opinion, it was not necessary to incur the cost in performing the Council's functions. While the expenditure was made in line with policy, it did not clearly justify the expenditure's business purpose.</p>
11	22 Mar	Meal entertainment	Team building lunch – attended by 20 people	Stamford Plaza Adelaide	540.00 (included \$86.50 on alcohol)	No policy	 <p>In our opinion, the purchase of alcohol for staff was not proper use of public money. In our opinion, an annual lunch to recognise 25+ years of service is excessive and not a proper use of public money.</p>
12	30 Mar	Corporate training	Team building day prizes	Westfield Westlakes	91.80	No policy	 <p>The Council did not clearly demonstrate proper use of public money. This was because, in our opinion, it was unnecessary to incur the cost in performing the Council's functions.</p>  <p>In our opinion, the purchase of gift vouchers to paid staff was not a proper use of public money.</p>




	Date	Expense category	Expense description	Supplier	Expense amount (\$)	Council policy	Finding
13	1 May	Timber products	Plywood and Pine	Bunnings	737.04	Procurement	<p> The Council clearly demonstrated proper use of public money.</p> <p> We identified a minor need to improve the reconciliation records to explain the expenditure's business purpose at the time expenditure was incurred.</p>
14	4 May	Meal entertainment	Alcohol for staff bbq	Dan Murphys	233.88	No policy	<p> The Council did not clearly demonstrate proper use of public money. This was because the expenditure's purpose was not clearly justified at the time it was incurred, the expenditure decision was not transparent as the records did not adequately explain the expense, and it was not necessary and appropriate to incur the cost in performing the Council's functions.</p> <p> In our opinion, the purchase of alcohol for staff was not a proper use of public money.</p> <p> The Council did not clearly demonstrate proper use of public money. This was because, in our opinion, the expenditure's purpose was not justified at the time it was incurred, it was not necessary and appropriate to incur the cost in performing the Council's functions and the expense and the expenditure decision was not transparent as the records did not adequately explain the expense.</p> <p> In our opinion, the purchase of a gift to paid staff was not a proper use of public money.</p>
15	5 May	Staff amenities	Gift staff member	Novotel Barossa Valley	305.00	No policy	<p> In our opinion, the purchase of alcohol for staff was not a proper use of public money.</p> <p> The Council did not clearly demonstrate proper use of public money. This was because, in our opinion, the expenditure's purpose was not justified at the time it was incurred, it was not necessary and appropriate to incur the cost in performing the Council's functions and the expense and the expenditure decision was not transparent as the records did not adequately explain the expense.</p> <p> In our opinion, the purchase of a gift to paid staff was not a proper use of public money.</p>

	Date	Expense category	Expense description	Supplier	Expense amount (\$)	Council policy	Finding
16	4 July	Catering and sustenance	Budget completion lunch for 8 people	The Brompton Hotel	262.80	No policy	 <p>The Council did not clearly demonstrate proper use of public money. This was because, in our opinion, the expenditure's business purpose was not clearly justified at the time it was incurred, it was not necessary or appropriate to incur the cost in performing the Council's functions and the expenditure decisions was not transparent as the records did not adequately explain the expenditure's business purpose.</p>
17	18 July	Meal entertainment	Drinks for EOFY function	Dan Murphys	796.52	No policy	 <p>In our opinion, the purchase of alcohol for staff was not a proper use of public money.</p>  <p>The Council did not clearly demonstrate proper use of public money. This was because, in our opinion, the expenditure's business purpose was not clearly justified at the time it was incurred, it was not necessary nor appropriate to incur the cost in performing the Council's functions and the expenditure decision was not transparent as the records did not adequately explain the expenditure's business purpose.</p>
18	24 July	Catering and sustenance	Coffee catchup with new staff member	Queen Street Café	18.80	No policy	 <p>In our opinion, the purchase of alcohol for staff was not a proper use of public money.</p>  <p>The Council did not clearly demonstrate proper use of public money. This was because, in our opinion, it was unnecessary to incur the cost in performing the Council's functions.</p>

	Date	Expense category	Expense description	Supplier	Expense amount (\$)	Council policy	Finding
19	25 Jul	Staff amenities	Field Services reward and recognition (10 x \$20 gift vouchers)	Coles	200.00	No policy	 <p>The Council did not clearly demonstrate proper use of public money. This was because it was unclear whether it was necessary and appropriate to incur the cost in performing the Council's functions.</p>  <p>In our opinion, the purchase of gift vouchers to paid staff was not a proper use of public money.</p>
20	14 Aug	Catering and sustenance	Morning tea for staff member farewell	Drake Supermarkets	250.00	No policy	 <p>The Council did not clearly demonstrate proper use of public money. This was because, in our opinion, the expenditure's business purpose was not clearly justified at the time the expenditure was incurred and it was unclear whether it was necessary and appropriate to incur the cost in performing the Council's functions.</p>  <p>In our opinion, refreshments for staff farewells is not a proper use of public money.</p>  <p>The Council clearly demonstrated proper use of public money.</p>
21	7 Sep	Contractors	Crash repairs for third party damage for CEO's car	Cece Crash repairs	675.27	Motor Vehicle	 <p>The Council did not clearly demonstrate proper use of public money. This was because, in our opinion, the business purpose was not clearly justified and it was not necessary to incur the cost in performing the Council's functions.</p>
22	7 Nov	Sponsorship and donations	Donation to Motor Neuron for bereavement (staff member's brother). In lieu of bereavement flowers.	Motor Neurone Australia	80.00	No policy	 <p>The Council did not clearly demonstrate proper use of public money. This was because, in our opinion, the business purpose was not clearly justified and it was not necessary to incur the cost in performing the Council's functions.</p>

	Date	Expense category	Expense description	Supplier	Expense amount (\$)	Council policy	Finding
23	16 Nov	Corporate training	Anticorruption Conference accommodation and dinner	The Westin Sydney	920.01	Travel	 <p>The Council clearly demonstrated proper use of public money.</p>
24	17 Nov	Catering and sustenance	Lunch following a training morning including Council volunteers and staff	Liquid Espresso	288.00	Volunteer	 <p>The Council did not clearly demonstrate proper use of public money. This was because, in our opinion, the expenditure's business purpose was not clearly justified at the time it was incurred, the records did not correctly explain the expense and it was unclear whether it was necessary to incur the total cost in performing the Council's functions.</p>
25	23 Nov	Donations and contributions	Coles Myer Gift Card – Councillor 10 years' service recognition	Coles	100.00	Recognition of service – Council members, Freeman, Freedom and Keys to the City	 <p>The Council did not clearly demonstrate proper use of public money. This is because, in our opinion, it was not necessary or appropriate to incur the cost in performing the Council's functions.</p>  <p>In our opinion, the purchase of gifts to elected members was not a proper use of public money.</p>
26	27 Nov	Catering and sustenance	Food for Hag meal	Coles	256.06	Procurement	 <p>The Council clearly demonstrated proper use of public money.</p>  <p>We identified an issue with an employee receiving a private benefit by using their personal reward card when making the purchase.</p>

	Date	Expense category	Expense description	Supplier	Expense amount (\$)	Council policy	Finding
27	30 Nov	Meal entertainment	Haigh's chocolates as gifts for Mayor's Xmas dinner	Haigh's Retail Pty Ltd	249.05	No policy	 In our opinion, the purchase of a celebratory gift to elected members, freemen, leadership team and partners was not a proper use of public money.
28	1 Dec	Catering and sustenance	Birthday chocolates for staff (Robert Menz)	Robert Menz	202.40	No policy	 In our opinion, the purchase of a celebratory gift to paid staff was not a proper use of public money.
29	7 Dec	Staff amenities	Baby flowers for staff member	Megs Flowers Pty Ltd	109.85	No policy	 In our opinion, the purchase of a celebratory gift to paid staff was not a proper use of public money.
30	13 Dec	Catering and sustenance	Pre council meeting dinner elected members and leadership	NN Quan	204.50	Council Members' Allowance and Support	 The Council demonstrated proper use of public money.  We identified a need for the Council to establish expenditure limits for the provision of meals before council meetings.
31	16 Dec	Catering and sustenance	Lunch with staff member for rare circumstance	NN Quan	41.00		 The Council demonstrated proper use of public money. This was because, in our opinion, Council staff adequately explained the business purpose and that in this rare circumstance it was necessary and appropriate to incur the cost in performing the Council's functions.

	Date	Expense category	Expense description	Supplier	Expense amount (\$)	Council policy	Finding
32	22 Jan 2018	Catering and sustenance	The Cupcake Lady, including adding CCS Logo cupcake toppers (at an additional cost of \$100) ²⁵	The Cupcake Lady	390.00	No policy	 <p>The Council did not clearly demonstrate proper use of public money. This was because, in our opinion, the expenditure's business purpose was not clearly justified at the time it was incurred, the expenditure decision was not transparent as the records did not adequately explain the expenditure's business purpose and it was not clear whether it was necessary to incur the cost in performing the Council's functions.</p>
33	23 Jan	Staff amenities	25-year anniversary work gift	BCF Marion	415.05	Recognition of service	 <p>While the expenditure was incurred in line with the Council's policy, the Council did not clearly demonstrate proper use of public money. This was because, in our opinion, it was not necessary or appropriate to incur the cost in performing the Council's functions.</p>
							 <p>In our opinion, the purchase of a celebratory gift to paid staff was not a proper use of public money.</p>

²⁵ The cupcakes were for the Woodville Town Hall launch attended by Council staff.

Appendix 4 – Credit card expenditure – examples

The following examples show how we assessed credit card transactions against the expenditure principles and formed our conclusion. These transactions were selected for illustrative purposes only and are not considered more important or significant than the other transactions we examined (see Appendix 3).

1 Example 1 – Alcohol for staff BBQ lunch

1.1 Transaction details

Credit card transaction				
Expense category	Supplier	Expense description	Date	Amount (\$)
Meal entertainment	Dan Murphys	Alcohol for staff BBQ	4/5/17	\$233.80

1.2 Transaction reconciliation records

The credit card transaction was supported by a tax invoice for \$233.80. The tax invoice recorded that the expenditure was for alcohol.

The Council’s credit card system recorded the purpose of the expenditure as alcohol for staff BBQ.

1.3 Discussions with Council staff

We asked Council staff to explain the business purpose of the expenditure and to provide any further documents to support the transaction.

Council staff advised that:

- 62 field services staff attended the function (BBQ lunch) and the total cost was \$506.95, which covered food and beverages (about \$8 per person: \$4.40 for food and \$3.77 for alcohol)
- the BBQ lunch was held to celebrate team achievements for the second quarter of the financial year
- the field services budget provides for end of financial year and end of year functions and team building
- there was no documented policy for recognising staff achievements
- the program contributes to the corporate goals of a constructive organisational culture and supports the corporate values of achievement, encouragement and enjoyment. These functions can significantly enhance teamwork, coordination and staff satisfaction, which ultimately improves productivity and customer service.

1.4 What we found

Our assessment of the transaction was based on a review of the Council's records that supported and explained the expenditure and discussions with Council staff.

We found that:

- the expenditure was not supported by an approved policy for staff recognition and providing hospitality
- the reconciliation records, in our opinion, did not clearly justify the business purpose of the expenditure at the time it was incurred
- the expenditure was approved by a financial delegate and independently reviewed by an officer senior to the cardholder
- the expense description was not accurate because it reported that the function was to celebrate the second quarter of the financial year achievements (ie the quarter that occurs between October and December), but the payment was made in May.

We were not satisfied that the Council had clearly demonstrated that the reason for recognising the team achievements was for high performance and was aligned with its business purpose. In our opinion, the payment of alcohol for employees was an unnecessary and inappropriate use of public money.

Our analysis of credit card transaction data found that expenditure for food and beverages (including alcohol) for team building days and celebrating achievements (based on the transaction description recorded in the credit card system) occurs across the field services division.

We acknowledge the importance of staff recognition in workplaces. We also acknowledge that publicly funded workplaces need to be highly aware of justifying the use of public money for any purpose. The SA recognition guide states that best practice research has highlighted that reward and recognition within publicly funded workplaces can be highly complex.

There are other ways publicly funded workplaces can recognise special efforts, achievements or contributions that demonstrate management's gratitude but do not incur additional costs.

1.5 What we concluded

We concluded that the Council had not clearly demonstrated that the expenditure was for business purposes.

We concluded that the Council did not have adequate policies and procedures to govern the reward and recognition of staff at the time of the transaction.

We concluded that the records did not adequately explain the business purpose to support that it was necessary and appropriate to incur the expenditure.

We concluded that it was unnecessary and inappropriate to use public funds to purchase alcohol.

On this basis, we concluded that the Council had not clearly demonstrated that the expenditure for the BBQ lunch was a proper use of public money. In our opinion, the purchase of alcohol for staff was not a proper use of public money.

1.6 Council response

The Council stated that the barbeque was to acknowledge and thank field staff for their hard work over the previous months to complete major project work. A total of 62 staff attended the lunch and \$233.80 was spent on alcohol. That equated to \$3.77 per person, or one drink per person. It stated that the BBQ was managed in line with the Council’s fitness for work policy and the Council considered it was a reasonable expense under the circumstances.

The Council also stated that the Auditor-General’s subjective view is that no alcohol should be supplied at all, however the Council believes that when acknowledging and rewarding staff consideration needs to be given to what the staff place value on. It stated that field staff at their works depot have indicated that they value a ‘beer with their work colleagues’. Therefore, one alcoholic drink per person was deemed by the Council to be reasonable.

2 Example 2 – Travel expenditure

2.1 Transaction details

Credit card transaction

Expense category	Supplier	Expense description	Date	Amount (\$)
Travel and accommodation	Qantas airways	Flights trip to Melbourne re: oval discussions	15/12/16	1 256.20

2.2 Transaction reconciliation records

The credit card transaction was supported by the tax invoice and the expense description recorded the purpose of the expenditure as flights for a trip to Melbourne for oval discussions. The tax invoice recorded that two people travelled – the CEO and a General Manager.

2.3 Discussions with Council staff

We asked Council staff to explain the business purpose of the expenditure and to provide any further documents to support the transaction.

Council staff advised that:

- the purpose of the trip was for the CEO and General Manager to meet with representatives of the developer and occupant of the oval about the shared use arrangements. This was for the Council to be better informed on developing and implementing a proposed shared use arrangement
- the trip was only for business purpose and expenses were for travel for the meetings, conducting a site visit and associated sustenance
- staff travelled and returned on the same day
- a travel approval form was not completed. However, the CEO clearly understood the business purpose of the expenditure, requested the travel arrangements and independently reviewed the credit card transactions. The CEO clearly understood the business in the absence of a travel approval form.

2.4 What we found

Our assessment of the transaction was based on a review of the Council's records that supported and explained the expenditure and discussions with Council staff.

Council staff provided additional documents that explained the purpose of the travel expenditure and a detailed itinerary outlining the scheduled meetings and site visit.

We found that the Council's records:

- adequately explained the business purpose of the expenditure
- demonstrated that it was necessary and appropriate to incur the expenditure.

We found that the CEO performed the independent review of the credit card transaction. In our opinion, this review was not effective as the CEO was not independent of the transaction and benefited, or could be perceived to have benefited, from the expenditure.

2.5 What we concluded

We concluded that:

- the Council had clearly demonstrated that the travel expenditure was for business purposes
- the transaction was supported by correct and adequate records explaining the business purpose of the expenditure
- the expenditure was authorised.

On this basis, we concluded that the Council had clearly demonstrated the proper use of public money.

Appendix 5 – Abbreviations used in this Report

Term	Description
Accounting records	As defined in section 4(1) of the LG Act – all records and documents relevant to any receipt or payment of money and includes the working papers and other documents necessary to explain the methods and calculations by which statements and accounts are made up
Business expense	Reasonable work-related expenses incurred by staff in performing their official duties ²⁶
Business purpose	Where the expense is incurred for the Council to meet its objectives and deliver services to its community, is spent within an approved budget and provides a public benefit
CEO	Chief Executive Officer
Credit/Purchase card	Some Councils refer to it as a purchase card. In this Report we use the term credit card
Hospitality	The provision of food, beverage, accommodation, transportation and other amenities at the entity's expense to people not employed by the entity ²⁷
LG Act	<i>Local Government Act 1999</i>
LGASA	Local Government Association of South Australia
Official travel	Travel undertaken for the purpose of transacting and advancing the agency's business, which must only be undertaken where there is a demonstrated need ²⁸
Onkaparinga Council	City of Onkaparinga
Proper and prudent expenditure behaviour	Identifying and managing conflicts of interest, being fair, honest and transparent and careful to avoid undesired consequences and being accountable for complying with organisational controls over expenditure ²⁹
PFAA	<i>Public Finance and Audit Act 1987</i>
Public money	Both ratepayer and taxpayer (government grant funding)
Reconciliation process	Where cardholders reconcile their credit card expenditure, recorded on the credit card statement, to documents that support the purchase (eg tax invoices)

²⁶ Victoria State Government Health and Human Services 2017, *Guidelines for CEO and Executive Business Expense Policy*, September.

²⁷ *ibid.*

²⁸ Australian Government's Australian Digital Health Agency 2016, *Travel, Allowances and Expenses Policy*, V1.1, 12 September.

²⁹ New Zealand Controller and Auditor-General, *Good practice guide, Controlling sensitive expenditure: Guidelines for public entities*, February 2007.

Term	Description
SA recognition guide	South Australian Office for the Public Sector, <i>Reward and Recognition: Good practice guide for South Australian Public Sector managers</i>
Sensitive expenditure	Expenditure by a council that could be reasonably considered to give some private benefit to an individual staff member or elected member that is additional to the business benefit to the council of the expenditure. It also includes expenditure by a council that could be considered unusual for its purpose and/or functions ³⁰
The Council	City of Charles Sturt

³⁰ *ibid.*

