



Summary

Inquiry into the University of Auckland's decision to purchase a house in Parnell

In November 2019, the University of Auckland purchased a house in Parnell in Auckland. The University said the house would be used for accommodation, business-related operations, and functions.

The house cost about \$5 million, and the University entered into a tenancy agreement with the incoming Vice-Chancellor from the start of her five-year term of employment.

We were interested in this matter, because it seemed an unusual purchase for the University to make. It raised questions about the University's use of public resources and how it manages sensitive expenditure. The focus of our work was on the University's actions and decision-making processes.

Overall, it was not clear that the University recognised, at any stage of the process, that the purchase involved sensitive expenditure or gave proper consideration to this when making decisions.

The University has not been able to show that this sensitive expenditure was appropriate in all respects. This is because the University has not been able to demonstrate that it has met key principles of managing sensitive expenditure well.

For example, the University has not been able to show a justifiable business purpose for purchasing the house. It is hard to accept that purchasing a house to provide accommodation for the incoming Vice-Chancellor, and to host an anticipated 14 events in two years, justifies the \$5 million expenditure.

The University was unable to show that the expenditure was moderate and conservative. It did not consider whether it could have effectively achieved the purposes it says it bought the house for – accommodation and hosting – for less cost.

The University did not follow its policy on sensitive expenditure nor its processes for approving capital expenditure.

Where sensitive expenditure is concerned, we expect all public organisations to consider each situation carefully to ensure that they can justify the expenditure. To do that, we encourage every public organisation to consider our good practice guide *Controlling sensitive expenditure: Guide for public organisations*. This guide sets out principles to help organisations to make good decisions on sensitive expenditure.



Sensitive expenditure – guidance for public organisations to consider

The most fundamental fact that applies to all spending by a public organisation is that it is spending public money. That means that it has to be able to withstand scrutiny from the public and from Parliament.

Our good practice guide identifies six principles that underpin decision-making about sensitive expenditure. These principles should be applied together. None should be applied alone, and no principle should be treated as more important than any other.

Sensitive expenditure decisions should:

- have a justifiable business purpose;
- preserve impartiality;
- be made with integrity;
- be moderate and conservative;
- be made transparently; and
- be made with proper authority.

When making sensitive expenditure decisions how does your organisation ensure that its decisions:

- make clear sense and reflect the need for the spending?
- show that they are based on objective criteria, rather than any sort of bias, preference, or improper reason?
- demonstrate that a range of options have been considered?
- demonstrate that your organisation considered whether the business purpose could have been achieved at a lower cost?

- assess each decision on its own merits, regardless of previous practice?
- have been made in accordance with appropriate financial delegations for the type and amount of spending?
- consistently align with agreed or accepted moral and ethical principles?
- have been made in a way that is open and shows a willingness to explain the decisions or have them reviewed?

The suggested questions above are not an exhaustive list, but are a useful starting point to help organisations make sensitive expenditure decisions that can withstand scrutiny. For more information about sensitive expenditure good practice, and our other good practice guidance, see oag.parliament.nz.

