

# Sensitive expenditure

START COURSE

- Nau mai, haere mai
- What is sensitive expenditure?
- Taking a principles-based approach to expenditure decisions
- Policies and procedures for approving sensitive expenditure
- What to look out for
- Tatāringa tua
- Next steps



Lesson 1 of 7

# Nau mai, haere mai

☰ Nau mai, haere mai



☰ What is sensitive expenditure?



☰ Taking a principles-based approach to expenditure decisions



☰ Policies and procedures for approving sensitive expenditure



☰ What to look out for



🔍 Tatāringa tua



☰ Next steps



When you work for a public organisation, it is important to uphold the highest standard of integrity. That includes paying close attention to any spending by your organisation that could be seen to be giving a private benefit to you, your friends, or your whānau.

Work through the lessons in this module to find out more about sensitive expenditure and what you need to be mindful of when making expenditure decisions.

**By the end of this module you will be able to describe:**

- what sensitive expenditure is
- the principles that apply to sensitive expenditure

CONTINUE



Lesson 2 of 7

# What is sensitive expenditure?

≡ Nau mai, haere mai

≡ What is sensitive expenditure?

≡ Taking a principles-based approach to expenditure decisions

≡ Policies and procedures for approving sensitive expenditure

≡ What to look out for

🔍 Tatāringa tua

≡ Next steps



**Sensitive expenditure is described in the Controller and Auditor-General's sensitive expenditure guidance as:**

*"Any spending by an organisation that could be seen to be giving private benefit to staff, in addition to the business benefit to the organisation."*

When public organisations spend public money, that spending needs to meet expected standards to support maintaining trust and confidence in the public sector.

**Examples of sensitive expenditure include:**

- travelling expenses<sup>1</sup> - such as accommodation, transport and meals
- entertaining, gifts and hospitality for external guests/manuhiri
- staff support and well-being, such as staff gifts, staff functions and social club funding
- giving of donations
- selling a public organisation's surplus assets to staff, such as laptops
- loyalty rewards, including Air Points and other travel-related loyalty schemes
- private use of a public organisation's suppliers.



# expenditure

What is sensitive expenditure?



☰ Nau mai, haere mai

☰ What is sensitive expenditure?

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☰ Policies and procedures for approving sensitive expenditure

☰ What to look out for


☐ Tatāringa tua

☰ Next steps

## Parakitihī

*Drag and drop the expenditure types into the correct categories.*

**Entertaining guests**






## Parakitihī

Drag and drop the expenditure types into the correct categories.

**Disposing of laptops**

**Sensitive expenditure**

**Not sensitive expenditure**

☰ Nau mai, haere mai

☰ What is sensitive expenditure?

☰ Taking a principles-based approach to expenditure decisions

☰ Policies and procedures for approving sensitive expenditure

☰ What to look out for

🔍 Tatāringa tua

☰ Next steps

CONTINUE



Lesson 3 of 7

# Taking a principles-based approach to expenditure decisions

≡ Nau mai, haere mai

≡ What is sensitive expenditure?

≡ Taking a principles-based approach to expenditure decisions

≡ Policies and procedures for approving sensitive expenditure

≡ What to look out for

🔍 Tatāringa tua

≡ Next steps

All public organisation's spend public money. Public money is not the property of people in the organisation to do with as they please. Consequently, the expenditure should be:

- subject to the standards of probity and financial prudence expected of a public organisation; and
- able to withstand parliamentary and public scrutiny.



All public organisations are expected to have a general sensitive expenditure policy, as well as more specific policies for common types of sensitive expenditure, such as travel, hospitality, and gifts, that staff must comply with. However, when a type of expenditure is not clear you should take a principles-based approach to making sensitive expenditure decisions.



☰ Nau mai, haere mai

☰ What is sensitive expenditure?

☰ Taking a principles-based approach to expenditure decisions

☰ Policies and procedures for approving sensitive expenditure

☰ What to look out for

☐ Tatāringa tua

☰ Next steps

Sensitive expenditure decisions should:

- have a justifiable business purpose that is consistent with the public organisation's objectives
- preserve impartiality
- be made with integrity
- be moderate and conservative, having regard to circumstance
- be made transparently
- be made with proper authority.

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

*Click on the + sign beside each of the principles listed below to find out more.*

**Have a justifiable business purpose** +

A justifiable business purpose means a reason that would make clear sense, supported by evidence of the need for the spending and evidence that a range of options have been considered.

**Sensitive expenditure principles: Justifiable business purpose**





Lesson 4 of 7

# Policies and procedures for approving sensitive expenditure

- ≡ Nau mai, haere mai
- ≡ What is sensitive expenditure?
- ≡ Taking a principles-based approach to expenditure decisions
- ≡ Policies and procedures for approving sensitive expenditure
- ≡ What to look out for
- 🔍 Tatāringa tua
- ≡ Next steps



**Every public organisation should have a sensitive expenditure policy that includes:**

- clarity on what types of expenditure are and are not allowed
- clear approval processes
- spending limits or boundaries
- policy/procedure for managerial discretion in exceptional circumstances
- a monitoring and reporting regime
- requirements for reviewing the policies and procedures.

**Sensitive expenditure should be approved only when:**

- the person approving the expenditure is satisfied that it is for a justifiable business purpose that is consistent with the public organisation's objectives, and all of the principles have been adequately met
- approval is given before the expenditure is incurred, unless it is for small amounts (for example, taxi fares) and





☰ Nau mai, haere mai

☰ What is sensitive expenditure?

☰ Taking a principles-based approach to expenditure decisions

☰ Policies and procedures for approving sensitive expenditure

☰ What to look out for

🔍 Tatāringa tua

☰ Next steps

### Sensitive expenditure should be incurred only when:

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- Approval is given before the expenditure is incurred, (unless it is for small amounts (for example, taxi fares) and allowed in the organisation's policies), by the appropriate financial delegation holder
- The expenditure will be within budget
- The person approving the expenditure is satisfied that it is for a justifiable business purpose that is consistent with the public organisation's objectives.
- Approval is given by a person who is senior to the person who will benefit from the sensitive expenditure.
- All of the above

SUBMIT

CONTINUE



Lesson 5 of 7

# What to look out for

- ≡ Nau mai, haere mai
- ≡ What is sensitive expenditure?
- ≡ Taking a principles-based approach to expenditure decisions
- ≡ Policies and procedures for approving sensitive expenditure
- ≡ **What to look out for**
- ? Tatāringa tua
- ≡ Next steps



“Public organisations’ sensitive expenditure decisions have featured in a number of my Office’s reports over recent years, as well as in the many queries my Office receives. What is considered sensitive expenditure changes over time. Although your organisation’s sensitive expenditure policies should be able to guide you, there will be times you will need to apply good judgement and consideration of the principles. Appropriately identifying and managing sensitive expenditure is a critical skill expected of all public officials.”

- John Ryan, Controller and Auditor-General

## Recurring issues

- A level of expenditure that is, or could be regarded as, extravagant for the public sector.
- Expenditure incurred without justifiable and adequately documented business purpose that has a clear link to the organisation's objectives.
- Expenditure that is not adequately substantiated by invoices, receipts, or other relevant documentation to support claims or payments.
- Expenditure that is made before the appropriate financial delegation holder has approved it.
- Expenditure that is made without proper scrutiny to ensure that it complies with an organisation's policy and procedures.



- ≡ Nau mai, haere mai
- ≡ What is sensitive expenditure?
- ≡ Taking a principles-based approach to expenditure decisions
- ≡ Policies and procedures for approving sensitive expenditure
- ≡ What to look out for
- Tatāringa tua**
- ≡ Next steps

Lesson 6 of 7

# Tatāringa tua

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Check your understanding of the module by completing this five questions quiz.

You need to get at least four questions correct to pass the module.

You have unlimited attempts at each question.

[START QUIZ >](#)



- ☰ Nau mai, haere mai
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- ☰  Tatāringa tua**
- ☰ Next steps

**Question**

01/05

Sandra works in the IT department of a public organisation. Part of her role is to organise the cyclical renewal/refresh of IT hardware (for example, laptops and smart phones). This involves identifying which equipment needs to be withdrawn from service and allocating new items to relevant staff.

Sandra proposes that the “retired” assets are offered to the IT team first, and then anything that is left is disposed of securely.

**Should the organisation agree to this proposal?**

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- Yes – This is a good way to acknowledge the long hours worked recently by the IT team
- No – Staff should never be able to buy “retired” assets in any circumstances.
- No – When disposing of assets, public organisations should maximise the return to the organisation, including to staff, and be able to justify that amount (for example, market value).

SUBMIT



Lesson 7 of 7

## Next steps

- ☰ Nau mai, haere mai
- ☰ What is sensitive expenditure?
- ☰ Taking a principles-based approach to expenditure decisions
- ☰ Policies and procedures for approving sensitive expenditure
- ☰ What to look out for
- 🔍 Tatāringa tua
- ☰ Next steps

### Become familiar with your organisation's sensitive expenditure policies

Read the Auditor-General's good practice guidance – *Controlling sensitive expenditure: Guide for public organisations*

You can find it at <https://oag.parliament.nz/2020/sensitive-expenditure>

### Further resources



Te Kawa Mataaho Public Service Commission (2018), Acting in the spirit of service: Chief Executive Gifts, Benefits and Expenses, Wellington, available at [public.service.govt.nz](http://public.service.govt.nz).

Additional resources, including a summary of the guidance and slides with presenter notes, are on the [Controller and Auditor-General's website](#).

Tino pai! Well done, you've reached the end of this module.