



Sensitive expenditure

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

Setting the tone at the top

Policies, procedures, and other controls for sensitive expenditure should be embedded in the public organisation's philosophy, practices, and business processes, rather than be viewed or practised as a separate activity.

When they are embedded, everyone in the organisation becomes involved in the proper and prudent management of sensitive expenditure.

In our view, responsibility rests with those "at the top" – the leaders and senior managers – to make it clear to staff what is and is not acceptable sensitive expenditure for that organisation, and to model that behaviour to the highest standard.

What is "sensitive expenditure"?

Sensitive expenditure is spending by a public organisation that could be seen as giving some private benefit to an individual staff member that is additional to the business benefit to the entity of the spending.

Leaders and senior managers, from both corporate governance and management, need to ensure New Zealanders have trust and confidence in their public organisations.

A principles-based approach

Public organisations are responsible for taking a principles-based approach to sensitive expenditure. This approach provides more flexibility and is more enduring than prescriptive rules.



These principles are to be applied as a set. None should be applied alone, and none should be treated as more important than another.

The principles are that expenditure decisions:

- have a justifiable business purpose;
- preserve impartiality;
- are made with integrity;
- are moderate and conservative, having regard to the circumstances;
- are made transparently; and
- are appropriate in all respects.

For more information, see Part 2 of our good practice guide on controlling sensitive expenditure.

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Policies and procedures

Leaders and senior managers can make sensitive expenditure decisions that Parliament and the public respect by dealing with sensitive expenditure properly and prudently.

Policies and procedures relating to sensitive expenditure need to:

- make clear what types of expenditure are and are not permitted;
- outline clear approval processes that are specific about who approves what, including arrangements for when the usual approver is unavailable;
- set spending limits or boundaries, including explaining what is meant by “actual and reasonable” when these terms are used, and specifying dollar limits and defined boundaries, where practicable, of what is “reasonable”;
- allow a manager discretion to grant an exception (“management override”) to a policy or procedure only in exceptional circumstances;

- specify the monitoring and reporting regime and, where applicable, any internal audit checks that may be applied; and
- specify the process for amending the policies and procedures.

Approval of sensitive expenditure should be:

- given only when the person approving the expenditure is satisfied that a justified business purpose and other principles have been adequately met;
- given before the expenditure is incurred, wherever practical;
- made within any statutory limits on an entity’s delegations;
- made only when budgetary provision and delegated authority exist; and
- given by a person senior to the person who will benefit or who might be perceived to benefit from the sensitive expenditure, wherever possible. Where this is not possible, this fact should be recorded, and any such expenditure should be subject to some form of monitoring.

For more detailed information on preparing suitable policies and procedures for sensitive expenditure, please see Part 3 of our good practice guide on controlling sensitive expenditure.

Types of sensitive expenditure

Public organisations, and individuals making sensitive expenditure decisions, should consider the types of sensitive expenditure outlined in this section.

These types of sensitive expenditure are not an exclusive list or a set of rules. Rather, they list issues in the main types of sensitive expenditure as we see them.

Travel and accommodation expenditure

Expenditure on travel and accommodation, especially by leaders and senior managers, is one of the types of sensitive expenditure most often brought to our attention. The principles of a justified business purpose, and moderate and conservative expenditure, are particularly relevant.

Travel and accommodation expenditure should be economical and efficient, having regard to purpose, distance, time, urgency, and personal health, security, and safety considerations.

Public organisations should have travel policies and procedures that:

- cover both domestic and international travel;
- require at least all international travel to have prior written approval;
- include guidance on taking annual leave, staying away over weekends, stopovers, travelling with spouses, and class of travel; and
- outline the monitoring and reporting arrangements.

For more information and guidance about expenditure for travel and accommodation, including the types of travel and accommodation expenditure, please see Part 4 of our good practice guide.

Entertainment and hospitality expenditure

Entertainment and hospitality can cover a range of items from tea, coffee, and biscuits to catering, such as meals and alcohol. It also includes non-catering-related items, such as entry to a sporting or cultural event funded by the public organisation.

We expect entertainment and hospitality paid for by a public organisation to be:

- subject to policies that include clear guidance on whether alcohol will be paid for by the public organisation, and, if so, the circumstances and limits that apply;
- subject to policies that provide clear guidance about what is an acceptable level of expenditure, if any, on seasonal occasions such as a Christmas event;
- provided only when it is cost-effective and appropriate for the occasion; and
- pre-approved, with clear and appropriate limits on quantities and use of alcohol, if any, and is substantiated by appropriate documentation that includes receipts, names of parties entertained, and the reasons for the entertainment and hospitality.

Part 5 of our good practice guide has more on the issues and principles about entertainment and hospitality expenditure.

Goods and services expenditure

This relates to obtaining, disposing of, or using goods and services that are not covered by the terms and conditions of employment. For more information about the different types of good and services expenditure, please see Part 6 of our good practice guide on sensitive expenditure.

Staff support and welfare expenditure

Public organisations may provide for staff support and welfare in a range of ways. However, a public organisation also needs to bear in mind that payments for staff support or welfare that could be seen to meet what are ordinarily a staff member's personal and private expenses can amount to additional remuneration for the staff member.

For more detailed information and guidance, including the different types of staff support and welfare expenditure, please see Part 7 of our good practice guide on sensitive expenditure.

Other types of expenditure

For principles and guidance on expenditure for corporate boxes, donations, koha, communications technology, and gifts, please see Part 8 of our good practice guide.

There's more information and more good practice resources – including on this topic – on our website.

