

Discretionary Expenditure

First Produced:	30/10/98	Authorisation:	Te Kāhui Manukura
Current Version:	12/05/2016	Officer Responsible:	Council endorsement
Past Revisions:	23/7/04, 19/5/06, 14/2/07, 09/12/2011		Chief Financial Officer
Review Cycle:	3 years		or Council Secretary
Applies From:	Immediately		

Major changes/additions since the last version was approved are indicated by a vertical line in the left hand margin.

1 Introduction

1.1 Purpose

To ensure that Ara can identify and manage discretionary spending where staff and or their guests are the main beneficiaries, in a transparent way, that provides guidance as to appropriate types, limits and levels of expenditure.

1.2 Scope and Application

- a This policy applies to discretionary expenditure where Ara staff, including the Chief Executive, are the sole beneficiaries or are among the principal beneficiaries and where the nature or apparent purpose of the expenditure is not immediately, directly or obviously work-related.
- b Policies on expenditure related to activities such as travel, accommodation and use of vehicles for work-related purposes are separate. This policy only applies to travel and accommodation, for example, if that travel or accommodation were part of a non-monetary recognition.

1.3 Formal Delegations

- a Sign off and approval of all discretionary expenditure must be by the direct line manager of the staff member who initiates the expenditure and be consistent with the manager's delegated financial authority.
- c Independent and senior approval of all discretionary expenditure is required and cannot be from any staff member who benefited from the expenditure.
- d The Chair of Council, the Deputy Chair of Council, Chair of the Council Audit Committee, the Chief Executive and the Chief Financial Officer has the delegated authority to review all expenditure on discretionary items.

1.4 Definitions

- a Discretionary expenditure benefiting staff: Any expenditure of Ara funds where individual staff members or groups of staff members receive an individual or personal benefit of a non-monetary kind.

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- b Pre-approved budget: An amount for discretionary expenditure negotiated with each Division each year and allocated in the budget for that year.
- c Catered functions: Functions involving food and/or drink, whether on campus or elsewhere, held solely or primarily for staff. This excludes light finger food provided when a meeting or gathering for work purposes extends over a normal meal time or break.
- e Non-monetary recognition: Rewards other than through salary or bonuses for performance of individual staff members or groups of staff members.
- f Gifts: Any item of monetary value paid for in whole or in part from Ara funds and given to a member of the staff.

<p>Related Ara Procedures(indicate if attached to policy or where they can be found)</p> <ul style="list-style-type: none"> • Code of Conduct for ICT Users 	<p>Related Ara Policies</p> <ul style="list-style-type: none"> • Financial Management • Corporate Travel • Protected Disclosures • Acceptable Use and Conduct for ICT Users
<p>Related Legislation or Other Documentation</p> <ul style="list-style-type: none"> • Further guidance on this issue can be obtained from the publication 'A Management Guide to Discretionary Expenditure' written by the Institute of Internal Auditors NZ Inc. 	<p>Good Practice Guidelines(indicate if attached to policy or where they can be found)</p> <ul style="list-style-type: none"> •
<p>References</p> <ul style="list-style-type: none"> • 	
<p>Notes</p>	

2 Principles

2.1 Principles of Reasonableness and Materiality to be applied in discretionary expenditure.

- a The tests of reasonableness¹ are:
 - i Does the expenditure support the purpose, values, and goals of the institution?
 - ii Could the institution confidently justify this expenditure to the taxpayer, stakeholders, or other interested parties?
 - iii Would publicity about the expenditure adversely affect the institution?
 - iv Does the frequency or significance of the activity warrant a specific policy?
- b Materiality can be determined either by the value or the implicit or explicit attractiveness of items to others. Both these aspects are significant and should be considered when making decisions. For example, while it may be no more expensive to hold a function in an exotic location, it may attract a negative reaction from stakeholders or taxpayers.
- c Staff are NOT approved to expend Ara funds on staff for items that can be expected to be considered as part of normal daily consumption e.g. regular coffee meetings, and

¹ as proposed by the Institute of Internal Auditors, the State Services Commission and the Auditor General.

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where the expenditure is NOT for a special occasion or acknowledgement of staff.
(See Section 3.4 Staff Welfare.)

- 2.2 Managing Discretionary Expenditure: To ensure transparency and institutional responsibility all discretionary expenditure will be managed and approved through the annual budgeting process and will be regularly monitored (See Associated Procedures Section 3.1).
- 2.3 The associated procedures include guidelines for “best practice” and or principles associated with an area of discretionary expenditure for ease of reading and to support compliance as follows:
 - a Standard of entertainment/catered functions (See Associated Procedures, Section 3.2)
 - b Non-monetary recognitions (See Associated Procedures, Section 3.3)
 - c Staff Welfare (See Associated Procedures, Section 3.4)
 - d Gifts (See Associated Procedures, Section 3.5)

3 Associated Procedures for Ara Corporate Policy on: Discretionary Expenditure

Contents:	3.1	Budgeting and Monitoring Discretionary Expenditure
	3.2	Catered Functions and Business Related Entertainment
	3.3	Non-Monetary Recognition
	3.4	Staff Welfare
	3.5	Gifts
	3.6	Use of Ara Cell Phones for Private Calls
	3.7	Monitoring

3.1 Budgeting and Monitoring Discretionary Expenditure

In order to be able to identify and manage discretionary expenditure all expenditure on discretionary items where Ara staff as individuals or as a group are the sole or principal beneficiaries.

- a MUST be debited to the discretionary expenditure account codes for the relevant Division’s cost centre
- b An amount for discretionary expenditure is negotiated with each major area such as a Division annually and allocated in the budget for that year.
- c Compliance with this policy is monitored by periodic audits of discretionary expenditure and of general expenditure debited to other cost centres.

3.2 Catered Functions and Business Related Entertainment

- a On all occasions when expenditure related to functions attended primarily by Ara staff (e.g. functions for the purpose of recognition of staff achievements or teambuilding), the ‘host’ must ensure that:
 - i Expenditure is made against the pre-approved budget;
 - ii Details are recorded – date, type, cost, recipients, occasion or purpose;
 - iii A note of any non-Ara people in attendance is included on documentation;

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- iv Expenditure on food exceeds expenditure on alcohol and that food and alcohol purchases are itemised for audit purposes on the bill and/or receipt;
 - v Extravagance and ostentatious consumption or behaviour is avoided.
- b The standard of the entertainment may depend on the nature of the occasion. Naturally no strict standards can be applied and individuals should be mindful of public and stakeholder perception when judging the appropriateness of the expenditure.
 - c For business related entertainment attended primarily by external people, the most senior staff member present should pay the account on behalf of Ara, using the appropriate cost code and (where possible) business credit card.
 - d Guidance on an appropriate level of expenditure for a function should be obtained from the staff person's line manager.

3.3 Non-Monetary Recognition

Non-monetary recognition can take many forms. Common examples at Ara include cards and flowers, vouchers for Visions Restaurant, book tokens, a bottle of wine or box of chocolates.

Prior approval for this type of expenditure must be obtained from the person's designated manager or, in their absence, from the Chief Financial Officer.

On all occasions when expenditure of this nature occurs, staff must ensure that:

- a Expenditure is made against the pre-approved budget
- b Details are recorded - date, type, cost, recipient, reason
- c Extravagance in cost or frequency and any actual or perceivable favouritism is to be avoided.

3.4 Staff Welfare

- a This includes marking occasions such as a welcome or farewell, expressing congratulations or sympathy, often in the form of cards, flowers, tokens, or small presents. The CEO, or delegate, attends to such expressions on behalf of the Institute when that is appropriate.
- b Any expenditure within a Division, over and above the recognition by the whole Institute referred to above, must be debited to the discretionary expenditure cost centre. Prior approval for this type of expenditure must be obtained from the Divisional Director or in their absence, the Chief Financial Officer.
- c It is the expectation of Ara that farewell gifts will be funded by contributions from colleagues. Managers may spend up to a maximum of \$50 from their division budget as a contribution towards a gift. Retirement/farewell functions will be funded from a central budget up to \$8.00/head covering all refreshment costs for up to 50 people.
- d On all occasions when expenditure of this nature occurs, staff must ensure that:
 - i Expenditure is made against the pre-approved budget
 - ii Cost is sometimes subsidised by contributions from colleagues
 - iii Details are recorded – date, recipient, type, cost, occasion or event
 - iv The expenditure is demonstrably reasonable and appropriate to the event

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- v Inconsistency is avoided; that is, if for example the death of one staff member's parent is marked with a card and flowers, that practice should be observed consistently.

3.5 Gifts Received

- a Gifts cover a wide range of activities or items from seats at major sporting or cultural events to minor items of personal stationery. This policy covers not only gifts paid for by Ara, but also includes gifts given to staff members in their capacity as agents of Ara by third parties (that is, by suppliers, contractors, consultants).
- b Any gifts received by a staff member that could be seen as an attempt to influence a decision or as a reward for making a particular decision are to be avoided.
- c Any gift with a value in excess of \$100 given by a third party to a member of the Ara staff should be referred to the CFO and then reported to the Council Secretary for noting in the central register.

3.6 Use of Ara Cell Phones for Private Calls

Please also refer to *Code of Conduct for ICT Users (CPP Section 1.05a)*.

Staff required to be away from their normal place of work may use their institution owned cell phone to call family on a reasonable use basis within New Zealand. Any staff requiring similar facilities when traveling overseas should consult their manager before departure.

3.7 Monitoring

- a The Chair of Council, the Deputy Chair of Council, Chair of the Audit Committee, the Chief Executive and the Chief Financial Officer has the delegated authority to review all expenditure on discretionary items. Reviewing discretionary expenditure is also part of the internal audit process. Any breach of this policy, if not satisfactorily explained, will be presented to the CEO for further action.
- b Any staff member who believes there has been discretionary expenditure of an inappropriate or extravagant nature should report this expenditure to the Chief Financial Officer for further investigation. The provisions of the Protected Disclosures Act apply (refer Ara policy).