

23 Jun 2021

General Manager  
Wingecarribee Shire Council  
PO Box 141  
Moss Vale NSW 2577

Dear Ms Miscamble,

**Purchase Card Review**

In accordance with a request from the Interim General Manager dated 17 May 2021, we have been engaged to undertake a review of all senior management Purchase Card transactions over the past two years to assess compliance with Council's Purchase Card Guidelines.

Our review has been conducted with the assistance of the Council's Finance Team. We would like to commend the Acting DGM and Acting CFO and their team for their valuable assistance in providing the necessary information and documentation during the course of the review and responding to queries in a timely manner.

Our findings are based on the review of supporting documentation, explanations and authorisations recorded in the Payment Card system and do not take into consideration other forms of authorisation such as verbal and/or email approvals.

Our findings and recommendations arising from our review are attached pages 2-6.

We would be happy to respond to any questions in relation to this review.

Yours faithfully

Robert Finch  
*Finch Consulting*

## BACKGROUND

The utilisation of Purchase Cards by Council staff is governed by Purchase Card Guidelines updated in Jul 2020 and Procurement Policies and Guidelines adopted by Council. Purchase cards are made available to selected staff as an alternate payment option for low value and low risk purchases.

Purchase cards are allocated to Staff with credit limits set in accordance with Council's operational requirements and financial delegation authorised by Council's General Manager.

The latest Guidelines provide that purchase cards are only to be used for official Council business and may not be used for personal expenses, nor should they be used for accountable items, minor plant purchases, staff morning teas, birthdays and farewells. All cards are blocked from making cash advances. The previous guidelines were not as explicit in relation to staff benefits.

All transactions must be approved by a supervisor. It is the responsibility of the authorising officer to ensure that relevant policies and procedures are adhered to. Supervisors are also required to identify any inconsistent spending behaviour and to report these matters to the Chief Financial Officer.

The guidelines are silent on the use of cards for entertainment expenses or staff recognition awards.

Up until Sept 2020, Council operated a manual, paper-based documentation and authorisation system which lacked monitoring tools and prompt authorisation processes. This system was replaced with a digital platform which has significantly improved process efficiency and monitoring.

As at May 2021 Eighty Eight (88) Payment Cards were active. The digital platform reveals average total Payment Card expenditure of \$22,000 per month with Woolworths, Bunnings and Officeworks the largest suppliers in dollar value terms.

## REVIEW FINDINGS

We reviewed Payment Card transactions for the period April 2019 to May 2021 for all current and previous Managers. In some instances, we also considered questionable items purchased by staff below the level of Manager, but approved by a Manager.

Purchase Card processing is managed by the Council's Finance Department. Our review of both manual and digital systems revealed that records were well maintained and payment card transactions were supported by tax invoices and authorised by relevant supervisors.

However, we noted shortfalls in relation to policy compliance and transparent explanations for expenditure on the part of some Managers. Our findings are based solely on the documentation, explanations and authorisations recorded in the Payment Card system and do not take into consideration other forms of authorisation such as emails.

Questionable transaction have been grouped into the following categories:

1. Transactions that appear non-compliant with policy (Guidelines).
2. Transactions that may be considered accepted business practice, but appear non-compliant with policy or lack transparent explanation.

The above categories may also require a review of policy and guidelines.

In considering compliance with the Guidelines it was necessary to make assumptions in relation to whether the transactions satisfied the criteria of “official Council business” or could be construed as benefits for staff. For example, the restriction in the Guidelines on expenditure for “morning teas, birthdays and farewells” has been interpreted as extending to Xmas lunches, gifts cards, staff rewards and sustenance for offsite “staff meetings”. Our interpretation is also influenced by the fact that questionable expenditure was limited to a small minority of Managers, with the majority of Managers complying with the Guidelines.

We accept that some expenses could be considered as accepted business practice but appear restricted under the Guidelines. We have made recommendation in relation to a review of the Guidelines further in this report.

1. Transactions that appear non-compliant with policy:

Date	Description	Amount	Manager	Purpose/Reason	Comment
28/4/19	RMS EToll	\$80		E-Tag top up	E-Tag top ups Apr 19 to Nov 20 total \$480. Policy #1
12/8/19	Centennial Vineyards	\$108		Wine -Gifts for visiting Journalist	No accountability
21/8/19	Payment of Parking fine	\$264		No Adequate Explanation provided	The GM's Practice Note – Vehicle Management states that drivers will be liable for payment of all parking fines
2/12/19	Josh's Cafe	\$536		Executive Xmas Lunch	
6/12/19	Burrawong Hotel	\$391		Op Managers Xmas Lunch	
18/12/19	BWS	\$350		Gift Cards for Managers	
19/12/19	Centennial Vineyards	\$216		Wine - Promotional Giveaways	No accountability
2/6/20	Mundrakoon Estate	\$120		Wine Media/Influencer giveaways	No accountability, no tax invoice

*#1 The GM's Practice Note – Vehicle Management, provides that when travelling on Toll Roads in the performance of Council business, Council drivers are responsible for organising E-tags at Council's Civic Centre or Workshop office. Council will not provide E-Tags for private use. Toll Road usage fees will not be reimbursed for private trips.*



2. Transactions that may be considered accepted business practice, but appear non-compliant with policy or lack transparent explanation.

Date	Description	Amount	Manager	Purpose/Reason	Comment
23/4/2019	Gumnut Patisserie	\$64		Catering for staff meeting	Further explanation required
15/5/19	SH Taxis	\$120		Blogger Transport to Sydney Airport	
20/5/19	Gumnut Patisserie + Others	\$22		"Industry Meeting"	Attendees not named. 27 similar transactions over 2 years with similar explanation.
1/7/19	Farm Club Australia	\$1260		Accommodation	Recipients not named
9/7/19	Coles	\$86		Catering for staff meeting	Further explanation required
10/7/19	Craigburn Resort	\$40		Sustenance "Industry meeting"	Recipients not named
27/7/20	Bundanoon Hotel	\$417		Accommodation Industry familiarisation	Recipients not named
1/8/19	Dominos	\$113		Lunch for Team working on site at Mt Gib	Policy Review
13/8/18	Peppertree Grill	\$284		Team meeting Infrastructure Staff	Policy Review
15/8/19	Fruit Box	\$60		Purchase for staff member due to illness	Staff member not named
4/11/19	Flowers on A	\$80		For staff – due to passing of family member	Staff member not named
18/12/19	BWS	\$350		Managers gift Cards	Policy Review
23/12/19	Flowers on A	\$70		Staff – birth of first child	Staff member not named
23/12/19 to 6/1/20	RSL Club + others	\$1,192		Lunch/Dinner for EOC Staff (5 Days)	May be appropriate in emergency situations – Requires Policy Review
28/1/20	Berida Hotel	\$450		Accommodation "Industry/Media familiarisation"	Media connection not explained
2/3/20	Country Road	\$399		Shirts (uniform)	
4/3/20	Tank Stream Hotel			Accommodation industry meeting	Purpose not explained
23/06/20	Flowers on A	\$80		For staff – birth of first child	Staff member not named
3/7/20	Georges - Catering	\$207		Recognition of Teams Merrigang St Construction	Policy Review

30/07/20	Fruit Box	\$75	██████	Fruit box for staff member	Staff member not named
3/8/20	Homeaway	\$875	██████	Accommodation "Industry/Media familiarisation"	Recipients not named – invoice states 2 nights ██████
3/11/20	Coles	\$355	██████	Staff Gift Vouchers Melbourne Cup Day	Policy Review
21/10/20	Bunnings	\$1000	███	Gift Cards - Retirement Gift G Ford	Policy Review
20/10/20	The Pines Pastoral	\$500	██████	"Media Famil"	Media connection not disclosed

We also noted low value transactions below Manager level for morning teas, movie vouchers and gift cards.

Payment Cards are used by Managers for payment of dinners for Councillors at the Moss Vale Hotel, following Council meetings and also End-of-Year functions at other locations. There appears to be no policy that clarifies any limits on this type of expenditure to ensure probity. For example we noted one case of a payment for a lobster dinner for \$89.

Users are barred from making cash withdrawals with Payment Cards, however we noted the purchase of an Auspost prepaid debit card, commonly known as "Cash Cards", for provision of a farewell gift. Prepaid debit cards are considered equivalent to cash and should be addressed in the Guidelines.

Auspost prepaid debit cards were also acquired for the Mayors Relief Fund during the 2019 Bushfire season and provided to residents impacted by the bushfires. We believe that this was an appropriate and expedient use of a Payment Card given the circumstances. We confirm that Council maintained appropriate records to account for the distribution of these debit cards.

We also noted that some Managers appear to have linked their Payment Card to their personal PayPal account. Council should consider the appropriateness and risks associated with this action.

It is apparent from our review that some Managers have taken advantage of the weaknesses in the Guidelines or have failed to transact business in a transparent and accountable manner.

As a result of our findings, we make the following recommendations.

## RECOMMENDATIONS

1. Council should review the existing Guidelines or Procurement policies with a view to clarifying Payment Card expenses that may be incurred in relation to:
  - a) Staff gifts and rewards.
  - b) Promotional Giveaways.
  - c) Special events, such as Melbourne Cup day.
  - d) Accommodation and sustenance for tourism industry or media familiarisation.
  - e) Uniforms.
  - f) Entertainment Expenses.
  - g) Linking cards to third party payments systems such as Paypal.
2. Authorising Supervisors should be directed to ensure full compliance with the Guidelines and the recording of adequate and transparent explanations in relation to the official business undertaken.
3. Council should consider the adoption of an Entertainment & Sustenance Expense policy that also incorporates Southern Highlands promotional activity and Councillor dinners and year end functions.