



OmbudsmanSA

# Ombudsman SA

Investigation into alleged misuse of corporate credit cards by  
the City of Burnside | December 2020



OmbudsmanSA

Investigation of a matter referred to the Ombudsman pursuant to section 24(2)(a) of the *Independent Commissioner Against Corruption Act 2012* concerning the City of Burnside

Ombudsman ref: 2018/10785

ICAC ref: 2019/000332

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## Introduction

This investigation is about the use of corporate credit cards by employees at the City of Burnside (**the council**).

The matter was referred to my Office for investigation by the former Independent Commissioner Against Corruption (**the Commissioner**). The Commissioner's referral was based on a report to the Office for Public Integrity, which contained information that the Commissioner considered raised potential issues of misconduct and maladministration in public administration.

The reporter alleged that between 30 June 2015 and 30 June 2017, Executive Employees at the council incurred and authorised expenditure with council-issued corporate credit cards at cafes, restaurants and bars. It was also alleged that the credit card expenditure at cafes, restaurants and bars totalled approximately \$34,000 over that two year period.

The relevant information about credit card expenditure was originally the subject of an application under the *Freedom of Information Act 1991* and was later published on the council's public webpage.

My investigation focused on credit card expenditure by eight employees at the council between July 2015 and August 2017, which was depicted within the transaction records that were available on the council's webpage. I have reviewed approximately 466 credit card transactions from that period of time. My investigation was supplied with relevant transaction receipts, Meal Entertainment Expenditure Claim forms, and credit card transaction statements. I have also reviewed and considered the council's policies and protocols at the relevant time.

The credit card transactions that I have reviewed focussed on transactions for food, beverages, and alcohol. I also reviewed transactions for personal travel expenses, some of which had appeared to correlate to events where meals and alcohol were purchased, and some that did not appear associated with another transaction.

As my investigation progressed, it became apparent that the issues concerning credit card expenditure suggested a broad culture of charging food, beverages and alcohol to council credit cards as part of the council's normal business practice.

While credit card purchases were made by Executive Employees, it appeared that those benefitting from the purchases included council staff, elected members of the council, public officers who were external to the council, and private individuals. It also appeared that a number of purchases for travel expenses such as taxis or Uber had been paid by the council via corporate credit cards, without adequate justification.

It was concerning to me that there did not appear to be scrutiny of those purchases, nor a reflection of whether it was necessary to use council funds for such expenditure. It appeared that a culture of mispending may have been facilitated by a lack of adequate record keeping and internal policies to provide guidance as to what constituted appropriate expenditure.

I had turned my mind to whether to investigate individual misconduct, however the information presented before me suggested that the alleged conduct was best characterised as a general practice of misusing corporate credit cards by Executive Employees, which was not questioned during the council's transaction reconciliation and authorisation process.

My investigation has therefore focussed on whether the council committed maladministration in public administration. I have chosen not to focus on individual conduct.

My investigation sought an answer to the following question:

*Whether the City of Burnside committed maladministration in public administration by systemic misuse of corporate credit cards.*

I have concentrated on the propriety of the purchases, and whether the council's policies and protocols provided adequate checks and balances to safeguard the integrity of the council's corporate credit card system.

All of the transactions that I have considered in my investigation were provided to the council for comment. However, due to the sheer volume of purchases that have been considered by my investigation, the considerations within my report and figures contained herein reveal a snapshot of broader trends in expenditure.

I acknowledge that during the course of my investigation, the council reviewed its credit card policies and protocols, and has created new policies to address some of the issues that were raised by my investigation.

I also note that my investigation has focussed on a moment in time at the council, prior to many improvements in the council's credit card policy framework.

Despite this, I considered that it was in the public interest to pursue my investigation in light of the serious issues raised and apparent culture of misspending.

I have noted above that there was inadequate record keeping in relation to the credit card purchases that have been the subject of my investigation. I also considered this issue using my own initiative powers under section 13(2) of the *Ombudsman Act 1972*.

Hence, my investigation also sought an answer to the following question:

*Whether the City of Burnside acted in a manner that was wrong by failing to maintain accurate records in respect of credit card expenditure.*

I prepared a report that set out my provisional views. That report also proposed 13 recommendations. I provided a copy of that report to the following parties for their consideration and comment:

- the reporter
- Mayor Anne Monceaux
- the former Chief Executive Officer at the council, Mr Paul Deb
- the current Chief Executive Officer at the council, Mr Chris Cowley
- the Auditor-General.

I received a response from all parties, however not all of the parties wished to provide specific comment on my provisional report.

I have carefully considered all of the responses and addressed those responses as I consider necessary in the body of this report.

In responding to my provisional report, the reporter told me that when I referred to 'council' it was not entirely clear as to whether I was referring to the council's administration (employees of the council), the elected body, or both. To avoid confusion, I wish to clarify that my investigation relates to the action of the council administration, and the use of the term 'the council' refers to the council administration.

My investigation has formed the view that:

1. By failing to maintain accurate records of credit card transactions, the council acted in a manner that was wrong under section 25(1)(g) of the *Ombudsman Act 1972*.
2. The council committed maladministration in public administration for the purposes of section 5(4)(a)(i) of the *Independent Commissioner Against Corruption Act 2012* by:
  - its practice of not adhering to its own former credit card policy and former credit card protocol
  - its practice of incurring and authorising expenditure in the following manner:
    - purchases of food and alcohol for 'staff reward and recognition' and farewells for staff, none of which appeared consistent with the council's Reward and Recognition Protocol
    - purchases on food and alcohol for the benefit of employees and elected members, without clear justification
    - purchases on food and alcohol for meetings with external stakeholders where the expense had been incurred by the council without clear justification
    - purchases of coffee and other hot beverages for informal staff meetings and 'catch ups'
    - expenditure for staff planning days and workshops, including purchasing alcohol
    - expenditure at Adventure Rooms for a Team Building, Strategic Planning Day
    - purchases of food, beverages and personal travel in connection to Local Government events
    - purchases of food, beverages and personal travel expenses for external functions
    - expenditure on Uber and other personal travel expenses, without clear justificationwhich resulted in the substantial mismanagement of public resources.
3. The expenses incurred by the council as outlined in my second conclusion, were wrong under section 25(1)(g) of the *Ombudsman Act 1972*.

I have made thirteen recommendations that aim to strengthen the council's credit card policy framework, to ensure that the type of expenditure that has been reviewed by my investigation is not repeated in the future.

As stated above, my provisional recommendations were provided to each of the parties to this investigation for comment.

The reporter, Mayor Monceaux and Mr Cowley all expressed support for my 13 provisional recommendations. Mayor Monceaux and Mr Cowley also both expressed that they were committed to implementing my 13 recommendations in a timely manner.

One of my provisional recommendations was subsequently amended after receiving additional information from Mr Cowley. Mr Cowley has expressed commitment to implementing the amended recommendation.

The recommendations are listed at the end of this report.

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## Jurisdiction

This matter was referred to the Ombudsman by the Commissioner pursuant to section 24(2)(a) of the *Independent Commissioner Against Corruption Act 2012* (the **ICAC Act**), as raising potential issues of misconduct and maladministration in public administration within the meaning of that Act (the **referral**).

Section 14B of the *Ombudsman Act 1972* provides:

### 14B—Referral of matter by OPI or ICAC

- (1) If a matter is referred to the Ombudsman under the ICAC Act, the matter—
  - (a) will be taken to relate to administrative acts for the purposes of this Act; and
  - (b) must be dealt with under this Act as if a complaint had been made under this Act and—
    - (i) if the matter was the subject of a complaint or report under the ICAC Act—as if the person who made the complaint or report under that Act was the complainant under this Act; or
    - (ii) if the matter was assessed under that Act after being identified by the Commissioner acting on the Commissioner’s own initiative or by the Commissioner or the Office in the course of performing functions under any Act—as if the Commissioner was the complainant under this Act.
- (2) In this section—

**Commissioner** means the person holding or acting in the office of the Independent Commissioner Against Corruption under the ICAC Act;

**ICAC Act** means *Independent Commissioner Against Corruption Act 2012*;

**Office** means the Office for Public Integrity under the ICAC Act.

The terms of the referral focussed on the investigation of credit card transactions that were provided to the Office for Public Integrity, with a particular focus on expenditure for the benefit of council employees and elected members, and purchases at restaurants, cafes and bars. The referral also permitted me to review council transactions beyond the period referenced by the reporter, but remained limited to transactions incurred via a council credit card.

I decided to review the transactions detailed within the credit card statements from the eight Executive Employees, covering a date range between 29 June 2015 and 31 August 2017. The transactions reviewed by my investigation have focused on expenditure incurred at restaurants, cafes and bars, and has also included expenditure that appeared potentially connected to events or purchases at restaurants, cafes and bars. I have also reviewed some other ‘miscellaneous’ expenditure as part of the investigation.

The referral concerned the following issues:

1. Whether the council committed maladministration in public administration by undertaking a practice of generating and approving the credit card expenditure.
2. Whether individual council employees or elected members committed misconduct in public administration by generating and approving the credit card expenditure.

As stated above, I decided to focus my investigation on the first issue.

I also considered whether the council acted in a way that was unreasonable, unlawful or wrong within the meaning of section 25 of the Ombudsman Act. In doing so I utilised my powers to conduct an ‘own initiative’ investigation under section 13(2) of the Ombudsman Act.

Section 13(2) of the Ombudsman Act provides:

- (2) The Ombudsman may make such an investigation either on receipt of a complaint or on the Ombudsman's own initiative and, where a complaint is made, the Ombudsman may investigate an administrative act notwithstanding that, on the face of it, the complaint may not appear to relate to that administrative act.



## Investigation

The investigation involved:

- assessing the information reported to the Office for Public Integrity
- seeking and considering a number of responses from the council
- considering:
  - copies of credit card transaction statements for transactions between June 2015 and August 2017
  - copies of receipts, invoices or statutory declarations for credit card transactions between June 2015 and August 2017
  - copies of Cardholder Expenditure Summary Forms for transactions between June 2015 and August 2017
  - copies of Meal Entertainment Expenditure Claim forms accompanying credit card transactions between June 2015 and August 2017
  - copies of ProMaster summaries for credit card transactions between April 2017 and August 2017
  - information collated by the council about the recorded reasons for the credit card transactions between June 2015 and August 2017
  - information from the council related to credit card training sessions since May 2017
  - documents about the use and administration of ProMaster by the council
  - the council's ProMaster User Guide
  - the council's Corporate Credit Card Expenditure Authorisation Matrix, December 2015
  - the council's Corporate Credit Card Expenditure Authorisation Matrix, December 2016
  - the council's Corporate Credit Card Expenditure Authorisation Matrix, September 2017
  - the following council policies and protocols in place at the time the relevant credit card transactions were incurred:
    - Corporate Credit Card Policy, first edition August 2015
    - Corporate Credit Card Protocol, first edition
    - Internal Financial Control Framework, first edition, August 2015
    - Reward and Recognition Protocol, March 2008
    - Management of Alcohol and Other Drugs Protocol, October 2014
  - the following council policies and protocols that have been updated or created since the relevant credit card transactions were made:
    - Corporate Credit Card Policy, November 2017
    - Corporate Credit Card Protocol, July 2018
    - Internal Financial Control Framework, May 2018
    - Reward and Recognition Protocol, August 2019
    - Reward and Recognition Program Guidelines, August 2019
    - Elected Members' Allowances and Benefits Policy, November 2018
    - Entertainment and Hospitality Policy, first edition August 2019
    - Management of Alcohol and Other Drugs Protocol, May 2017
  - the *Local Government Act 1999*
  - the ICAC Act
  - the Ombudsman Act
- preparing a provisional report and seeking the views of the parties
- considering the responses to my provisional report made by the parties
- making additional enquiries with the council about my provisional recommendations, and seeking the council's comment on proposed amendments to my recommendations
- preparing this final report.

The standard of proof I have applied in my investigation and report is on the balance of probabilities. However, in determining whether that standard has been met, in accordance with the High Court's decision in *Briginshaw v Briginshaw* (1938) 60 CLR 336, I have considered the nature of the assertions made and the consequences if they were to be upheld. That decision recognises that greater care is needed in considering the evidence in some cases.<sup>1</sup> It is best summed up in the decision as follows:

The seriousness of an allegation made, the inherent unlikelihood of an occurrence of a given description, or the gravity of the consequences flowing from a particular finding, are considerations which must affect the answer to the question whether the issue has been proved.

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<sup>1</sup> This decision was applied more recently in *Neat Holdings Pty Ltd v Karajan Holdings Pty Ltd* (1992) 110 ALR 449 at pp449-450, per Mason CJ, Brennan, Deane and Gaudron JJ.

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## Summary of credit card policy and protocol, 2015 - 2017

1. The following is a summary of the council's corporate credit card policy framework that was in place at the time that the purchases considered by this investigation (**the relevant transactions**) took place.
2. It is acknowledged that since then, a number of changes to the council's policies and protocols have occurred, and hence this may not reflect the council's current practices.

### *Purpose and use of corporate credit cards*

3. Between 2015 and 2017, the use of corporate credit cards by the council was primarily governed by the Corporate Credit Card Policy (1<sup>st</sup> edition) and the Corporate Credit Card Protocol (1<sup>st</sup> edition). In responding to my provisional report, Mayor Monceaux explained to me that council policies are documents that are reviewed and approved by the elected members of the council, whereas council protocols are working documents that are created by the council administration and are not reviewed or approved by the elected members.
4. Both documents have been updated as part of standard policy and protocol review processes. Throughout the rest of my report I will refer to these documents as 'the former credit card policy' and 'the former credit card protocol'.
5. The former credit card policy explained that corporate credit cards are used to ensure that the council can transact business conveniently and effectively. Further, that the use of credit cards is specifically encouraged for low value, high volume transactions. The policy explained that this reduced the need for employees to use personal finances to conduct council business and allowed for control of business activity through financial reconciliation processes.

### *Authorisations for credit card usage*

6. At the relevant time, the process for authorising credit card usage was as summarised below.
7. Each employee who was issued a corporate credit card (**the cardholder**) had a delegated authorising officer (**the authorising officer**). The cardholder had a daily and monthly expenditure limit for their credit card. The expenditure limit was equal to or lower than the financial delegation of the cardholder.
8. The credit limit for any particular staff member (with the exception of the Chief Executive Officer) was endorsed by the staff member's line General Manager and approved by the Chief Executive Officer. The credit limit for the Chief Executive Officer was proposed by the Council Executive and approved by the elected members of the council.
9. Information about each employee who had a corporate credit card (their daily and monthly expenditure limits, and the name of their authorising officer) was contained within a document called the Corporate Credit Card Expenditure Authorisation Matrix.
10. Each credit limit was also documented in a Corporate Credit Card Cardholder Agreement (**the Cardholder Agreement**). That agreement was required to be signed by the cardholder, their authorising officer, their General Manager, the Chief Executive Officer, and the Chief Financial Officer.

- 11. The Cardholder Agreement required the cardholder to acknowledge a number of responsibilities, and also required the cardholder to confirm that they had read and agreed to comply with the former credit card policy and protocol.
- 12. The Cardholder Agreement provided as follows:

<b>CORPORATE CREDIT CARD CARDHOLDER AGREEMENT</b>	
Cardholder:.....	Card Number:.....
Position:.....	Card Expiry:.....
Team:.....	Department:.....
I acknowledge that I am solely responsible for the use and expenditure incurred on the above issued Corporate Credit Card ("the Card") and:	
<input type="checkbox"/> I have read and agree to comply with all of the requirements of the following: <ul style="list-style-type: none"> <li>- "Corporate Credit Card Policy"</li> <li>- "Corporate Credit Card Protocol"</li> <li>- "Commonwealth Bank Corporate Credit Card Terms and Conditions of Use".</li> </ul>	
<input type="checkbox"/> I acknowledge that my use of the card must be within the delegated credit limits given to me and for business use only.	
<input type="checkbox"/> I undertake to keep the card and PIN safe from unauthorised use at all times.	
<input type="checkbox"/> I agree to return the card immediately on cessation of my employment, or if requested by the CFO on transferring to another position within Council administration, or upon request from the CFO or delegate.	
<input type="checkbox"/> I undertake to notify the following parties if the Card has been lost or stolen: <ul style="list-style-type: none"> <li>- Commonwealth Bank Card Services (13 22 21) as soon as the loss is discovered,</li> <li>- My delegated expenditure authoriser as soon as is practically possible,</li> <li>- The CFO, or if the CFO is unavailable, any member of the Finance Team as soon as is practically possible.</li> </ul>	
<input type="checkbox"/> I understand that if I misuse the Card or breach the above compliance documents, it may result in forfeiture of the card and disciplinary action being taken, including termination of employment and commencement of legal proceedings.	
<input type="checkbox"/> I acknowledge that my monthly credit limit* is <input style="width: 40px;" type="text" value="\$"/> *Limits to be reviewed at least annually by the CFO or delegate.	
And that my maximum transaction limit* is <input style="width: 40px;" type="text" value="\$"/>	
..... Cardholder's signature	..... Delegated Authorising Officer's signature
..... Date	..... CFO's signature
..... Chief Executive's signature	..... General Manager's signature

- 13. The Finance Team was responsible for maintaining a register of all Cardholder Agreements and the Corporate Credit Card Expenditure Authorisation Matrix.

### *Transaction processes*

14. Cardholders were required to obtain and keep a taxation invoice or receipt for all corporate credit card transactions. The former credit card policy defined a taxation receipt as “a record of the purchase provided by the merchant that has a supplier Australian Business Number”.
15. If a receipt was lost, destroyed or not issued (for example in the case of a telephone purchase) the cardholder was required to request a copy of the taxation invoice or receipt from the supplier.
16. If a taxation invoice or receipt could not be obtained, the cardholder was required to provide a signed Statutory Declaration. The former credit card policy and protocol did not stipulate what was to be included within the Statutory Declaration.
17. In addition, for all transactions deemed to be for entertainment purposes, the cardholder was required to also complete a Meal Entertainment Expenditure Claim form. This was to enable correct identification of potential Fringe Benefits Tax liability.

### *Credit card reconciliation and accountability*

18. The following limitations were placed on using a council-issued corporate credit card:
  - corporate credit cards should not be used when there is an alternative form of procurement and payment available at the time of purchase
  - corporate credit cards should not be used to purchase Software without prior consultation with the current Manager Information Systems
  - corporate credit cards should not be used for personal expenses of any kind.
19. The council’s Finance Team received a bank statement each month for every corporate credit card held by a council employee.
20. After receipting and registering the statements, the Finance Team ensured that a copy of each statement was forwarded to the respective cardholder, together with a Cardholder Expenditure Summary form. That form listed all of the credit card transactions for the relevant month.
21. Every month all cardholders were required to ensure that each transaction on their credit card statement had a corresponding tax invoice, receipt or Statutory Declaration, and that the values across those documents were consistent.
22. The cardholder was then required to complete the Cardholder Expenditure Summary form, attaching copies of all vouchers, invoices, receipts and Statutory Declarations. The form included a declaration to be completed by the cardholder. It stated as follows:

<b>Cardholder:</b>	I certify that the above expenditure details are correct and that all expenditure was actually & necessarily incurred in the performance of my duties as an employee of the City of Burnside. I have complied with all requirements of the Cardholder Agreement form <sup>2</sup> I have signed.
<b>[Name of cardholder]</b>	Signature:.....

<sup>2</sup> Several of the completed forms contained slightly different wording, and referred to the form as the ‘Cardholder Agreement form’ while other completed forms referred to the form as the ‘Cardholder Expenditure Agreement form’.

23. The authorising officer would then check for accuracy within the credit card reconciliation documents and if there were no errors, approve the expenditure for payment and sign the following statement on the Cardholder Expenditure Summary form:

<b>Manager:</b>	I am satisfied that the purchases represented above were made in accordance with current Corporate Credit Card Policy & Protocols. <sup>3</sup> I have checked the supporting documentation.
<b>[Name of Manager]</b>	Signature:.....

24. The cardholder was to ensure that the completed Cardholder Expenditure Summary form was provided to the Finance Team within seven days of receiving it.
25. The Finance Team would then verify that there was a valid tax invoice, receipt or Statutory Declaration for each credit card transaction, there was an adequately detailed description for each purchase, the Cardholder Expenditure Summary form had been approved by the cardholder's authorising officer, that the amounts allocated on the general ledger reconciled with the credit card statement, and that credit card limits had not been exceeded.
26. Once the verification process was completed by the Finance Team, a member of the Finance Team posted journals to the expenditure accounts provided by the cardholder and arranged payment of the credit card.
27. The Cardholder Expenditure Summary form generally also included the following statements to be completed by the Finance Team<sup>4</sup>:

<b>Financial Accountant:</b>	I have checked the supporting documentation and journal is OK to process.
	Signature:.....
<b>Finance Section:</b>	I have processed the journal as per details below:
Journal No:.....	Processed on:..... /..... /.....
Signature:.....	

28. If a credit card statement revealed a disputed or unverified transaction, the cardholder was required to report this to their authorising officer, who would in turn report the unverified transaction to the Chief Financial Officer and request a copy of the transaction receipt from the vendor or merchant. The cardholder would also relinquish the corporate credit card to the Chief Financial Officer until the circumstances of the transaction were explained.
29. If the transaction could be verified as genuine council expenditure, a copy of the receipt or a Statutory Declaration (stating the transaction has been verified) would be completed by the cardholder and, upon completion, the credit card would be returned to the cardholder.

<sup>3</sup> Several of the completed forms contained slightly different wording and stated 'purchases represented above were made in accordance with current purchasing policy & procedures'.

<sup>4</sup> Several of the completed forms did not include this particular declaration from the Finance Team. It is unclear whether this information was contained on a portion of the document that was simply not provided, or if the template had been amended from time to time.

30. If the transaction was unable to be verified or remained disputed, the cardholder's authorising officer would report the matter to the appropriate line General Manager and Chief Financial Officer for resolution.
31. In responding to my investigation, the council's former Chief Executive Officer stated that credit card operations were also reviewed as part of external audits, with any management recommendations reviewed and reported through to the Audit Committee and the elected members of the council, where relevant.

*Introduction of electronic reconciliation system in 2017*

32. In April 2017, the council transitioned to an electronic expense management system called ProMaster. The introduction of ProMaster allowed the monthly reconciliation process to be completed electronically.
33. I understand that this is the current reconciliation process that is undertaken by the council. The credit card transactions made between April 2017 and August 2017 were reconciled with this new system.
34. Upon receiving a monthly statement, the Finance Team now uploads a copy into ProMaster and electronically notifies the relevant cardholder.
35. The cardholder is required to review the credit card statement and upload the corresponding invoices, receipts, vouchers or Statutory Declarations for each transaction. It is my understanding that the cardholder is still required to also provide hard copies of these documents to the Finance Team. This process eliminates the need for cardholders to manually complete a Cardholder Expenditure Summary Form each month.
36. ProMaster prompts the user to enter all required information, including requiring the electronic completion of a Meal Entertainment Expenditure Claim form for all entertainment related expenses.
37. I understand that the transaction reconciliation process still requires some form of approval by the authorising officer prior to reconciliation by the Finance Team. All approvals and subsequent audits can also be conducted through ProMaster. However, as at the time of writing this report, there is no requirement under the ProMaster system to submit or sign any declaration as part of the credit card reconciliation process.

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## Enquiries as to policies or procedures that consider appropriateness of expenditure

38. The council's former credit card policy and former credit card protocol required that cardholders were not to use the credit cards for 'personal expenses'. However, neither document defined what constituted 'personal expenses'.
39. In addition, neither the former credit card policy, nor the former credit card protocol provided any indication of the process to follow if any expenditure was deemed to be inappropriate or inadequately linked to council business.
40. In fact, the policy and protocol did not appear to include any consideration of what may be deemed appropriate or inappropriate expenditure; the policy and protocol appear to have guided the cardholder to consider only whether the credit card was used for 'council business', rather than a 'personal expense'.
41. Noting that the allegations that were the subject of my investigation concerned expenditure on food and beverages (including alcohol), expenditure at functions, and incidental travel expenses, I made enquiries with the council as to whether it had any policies or procedures concerning expenditure on corporate travel, the purchase of alcohol, hospitality expenses, including catering for council events or meetings, or end of year functions.
42. I was advised by the council that there were no other policies or guidelines in operation during 2015 and 2017 which related specifically to travel, hospitality expenses, alcohol purchases, or end of year functions. However the council advised that, to the best of the former Chief Executive Officer's knowledge, expenses captured by such categories were managed, recorded and actioned in accordance with any Fringe Benefits Tax and Australian Tax Office requirements and obligations.
43. My investigation also noted that a number of transactions were explained as purchases for staff 'reward and recognition'. I was provided with a copy of the council's Reward and Recognition Protocol that was in existence at the time that the relevant credit card transactions were incurred. It was noted by the council's former Chief Executive Officer that the document had not been updated for a considerable amount of time; since 2008.
44. That protocol explained that the council is committed to ensuring that there is a formal process for appropriate reward and recognition of all staff. It included a description of reward and recognition of staff in the following circumstances:
  - recognition of staff who have exceeded performance expectations
  - recognition of an employment milestone for 10 and 15 years of service
  - recognition of an employment milestone for 20 years of service
  - employees resigning or retiring after 10 years of service
  - opportunities for council employees to meet the Executive Team for a morning tea, at or near their workplace, on an annual basis
  - quarterly new staff/birthday lunches, hosted by the Executive Team
  - self-funded departmental social events.



## Responses from the council about the credit card expenditure

45. The council originally published information about the relevant transactions on its webpage in September 2018. The published documents were accompanied by a statement from the council which included the following:

Council's adopted Procurement Framework promotes the use of credit cards for low value one-off purchases as an efficient means of sourcing goods and services.

Expenditure of this nature, managed in this way, is considered a reasonable and efficient practice for the day-to-day operations of any business.

Business meetings are often held over a meal with representatives from other councils, state government, MPs, and private industry. Lunches are held to recognise staff achievements or service awards, improving staff morale and thus in turn the service Council provides to the community. It is often more economical to hold meetings, seminars and training at external premises rather than calling for catering at a Council venue.

Further, there are associated costs relating to staff and Elected Members fulfilling their duties while undertaking Council business.

For the two-year period of June 2015 to July 2017, as detailed in the FOI, on average, \$755 per month was spent on such meetings for our entire organisation and Elected Member body.

No misuse of credit cards has been found against staff...

...

46. My investigation requested a number of responses from the council about the relevant transactions, as well as a general response about the allegations of misuse of corporate credit cards by Executive Employees at the council.
47. My investigation occurred during a period of transition in council administration. I received responses on behalf the council from the council's former Chief Executive Officer and the council's Acting Chief Executive Officer. The council's current Chief Executive Officer provided responses to my provisional report and subsequent enquiries.
48. In its first response to my investigation, the council stated:

- I am now [sic] aware of any concerns previously being raised with the Council in relation to the use of corporate credit cards. The Administration was made aware of some minor media coverage (against certain staff members) in September 2018 and responded to any questions or concerns received. The position of my office at the time made it unambiguous that there was no misuse of cards or deviation from Policy.

...

- I have reviewed the list of transactions...as provided by your office and, on consideration of records provided to me, continue to consider and maintain the position that corporate credit cards were used appropriately by the employees in question and that no breaches of controls or policy occurred; nor was there any misuse to warrant specific investigation.

- Acknowledging this and with a view to continuous improvement across all areas of our business I have sought to strengthen practices in this area in terms of staff education, awareness and practices to ensure we meet community expectation.

...

- I consider that all transactions comply with relevant internal policies and protocols and were incurred as part of the day to day activities of Council and its operations.
- Furthermore council's adopted Procurement Framework promotes the use of credit cards for low value one off purchases as an efficient means of sourcing goods and services. Expenditure of this nature, managed in this way, is considered reasonable and efficient practice for the day to day operations of any business.
- All purchases are made with consideration given to the practicalities and reality of day-to-day operations and our core business requirements, the provision of a safe and appropriate working environment for our staff, and these are balanced against community expectations regarding delivery of our services and programs.
- Council continues to ensure that we make purchases consciously knowing that we are utilising public monies and this is a priority consideration for all our staff.
- As part of continuous improvement Council will continue to ensure our processes and policies have regard to any feedback we receive from our community wherever possible.

...

49. In an additional response, the council stated:

During the period under investigation (June 2015 - June 2017), whilst Council had a Credit Card Policy and Protocol in place, there was no prescriptive guidance which dictated which expenses were allowed and what the individual limits were. I believe that this issue at the time was industry wide.

...

50. Responses have also directly addressed some of the expenditure that has been reviewed as part of the investigation, which is included where relevant throughout this report.

## Relevant law, policies and protocols

51. Section 5(4) of the ICAC Act relevantly provides:

- (4) *Maladministration in public administration*—
- (a) means—
- (i) conduct of a public officer, or a practice, policy or procedure of a public authority, that results in an irregular and unauthorised use of public money or substantial mismanagement of public resources; or
  - (ii) conduct of a public officer involving substantial mismanagement in or in relation to the performance of official functions; and
- (b) includes conduct resulting from impropriety, incompetence or negligence; and
- (c) is to be assessed having regard to relevant statutory provisions and administrative instructions and directions.

52. The former credit card policy relevantly provided:

### 5. Interpretation

5.1 For the purpose of this policy:

...

- “Delegated Authorising Officer” means the senior officer authorised to approve credit limits and transactions incurred on a subordinate employees’ corporate credit card.

...

- “Taxation Receipt” means a record of the purchase provided by the merchant that has a supplier Australian Business Number.

...

### 6. Objectives

- 6.1 Corporate credit cards are used by Council to transact its business in a more efficient manner and at the same time provide Council administration officers with a more convenient method to meet costs they incur on Council’s behalf.
- 6.2 Corporate credit cards should be recognised as a valuable tool for the efficient and effective operation of Council’s daily business and not as a benefit assigned to specific individuals.
- 6.3 The use of corporate credit cards is encouraged in undertaking relatively low value, high volume transactions in nature.
- 6.4 This maximises the most efficient method of transacting business for supplying products or services such as arranging transport, accommodation and registration for attendance at conferences. It also eliminates the need for overseas bank drafts for certain purchases.
- 6.5 It also allows for maintaining control of business activity through reconciliation processes in accordance with timings in Finance Department’s Reconciliation Matrix.
- 6.6. Corporate credit cards also reduce the need for staff members to use a personal credit card to conduct Council business.

...

## **7. Approvals and Delegations**

- 7.1 The Chief Executive has delegated authority to issue corporate credit cards to staff members.
- ...
- 7.4 On receipt of the card from the card provider, both the Chief Financial Officer and the staff member shall formally acknowledge receipt of the card.
- 7.5 The staff member shall also acknowledge they have read and understood the terms and conditions contained in this Policy and the Terms and Conditions of Use by the card provider.
- ...

### Expenditure Approval Delegations

- 7.10 Total monthly expenditure incurred on corporate credit cards shall be authorised according to the Expenditure Authorisation Matrix contained in the Corporate Credit Card Protocol accompanying this Policy.

## **8. Terms of Use**

- ...
- 8.4 Personal expenses of any kind are not to be incurred by a staff member on a corporate credit card.
- 8.5 If by unintentional causes, personal expenses are incurred, the staff member will be personally liable for those transactions.
- ...
- 8.7 All transactions are to be verified with a taxation receipt on completion. Primarily this is for statement verification and transaction checking and also for confirming input tax credits accumulated by Council for Goods and Services Tax reporting purposes.
- ...
- 8.10 A staff member found to have used a card in contravention to terms and conditions of use as prescribed by the card provider, or those stated in this Policy may be subject to disciplinary action.

## **9. Verification and Reconciliation**

- 9.1 All individual transactions listed on statements are to be reconciled with accumulated taxation receipts collected by the staff member.
- 9.2 If all transactions reconcile with the taxation receipts, the statement and attached reconciliation documentation shall be forwarded to the staff members' delegated authorising officer as stipulated at clause 7.10 of this Policy (Expenditure Authorisation Matrix).
- 9.3 The authoriser shall check the reconciliation document for accuracy and if there are no errors, the outstanding total expenditure amount shall be approved for payment.
- 9.4 The statement and reconciliation documentation shall be forwarded to the Finance team for payment of the outstanding total expenditure amount by the stipulated due date.
- 9.5 Finance Team will arrange for the outstanding monthly amount to be paid in full by the due date stipulated on the statement.

### Disputed or Unverified Transactions

- 9.6 Any listed transaction unable to be verified by a taxation receipt shall be reported to the staff members' delegated authorising officer, immediately [sic] the staff member becomes aware of the transaction.
- 9.7 The authoriser will also report the unreconciled item/s to the Chief Financial Officer and requested a search copy of the transaction from the card issuer immediately.
- ...

53. The former credit card protocol relevantly provided:

#### **1. Introduction**

- 1.1 1.1 [sic] This Protocol prescribes procedures for Council administration in relation to the purchase of goods and services via a corporate credit card, the management of corporate credit cards and conditions of use for staff members issued with a corporate credit card.
- 1.2 1.2 [sic] It also serves as the accompanying document supporting Council's Corporate Credit Card Policy.
- ...

#### **3. Interpretation**

For the purpose of this Protocol, the following definitions have been outlined:

...

**"Cardholder"** means an employee or staff member of Council responsible for and authorised to use a corporate credit card for incurring Council expenditure.

...

**"Chief Financial Officer" or "CFO"** [sic] means Council's most senior finance officer managing the finance function, regardless of alternative position titles, that may be applied to that officer from time to time.

...

**"Delegated Authorising Officer"** means the senior officer authorised to approve expenditure incurred on a designated staff member's corporate credit card.

...

**"Taxation Receipt"** means a record of the purchase provided by the merchant that states a supplier's Australian Business Number.

...

#### **5. Protocol**

##### **5.1 Application, Identification and Receipt**

...

- 5.1.7 Cardholders must also sign a 'Corporate Credit Cardholder Agreement' form before they are issued with a card. This form can be located via the 'Finance Forms' intranet link and a copy is attached to this Protocol (Appendix 1).
- ...

##### **5.2 Transaction and Use Conditions**

- 5.2.1 Corporate credit card use is determined by the conditions contained in the card issuer's terms and condition of use.
- ...
- 5.2.4 Cardholders are responsible for expenditure on their card and are required to adhere to the following conditions with regards to transactional use.

- 5.2.4.1 When a purchase is made, the cardholder will obtain a tax invoice or receipt.
- 5.2.4.2 For telephone or internet purchases, or where a receipt is lost or destroyed, the cardholder will request and obtain a copy of the tax invoice or receipt from the supplier or if this is not possible, provide a signed Statutory Declaration.
- 5.2.4.3 As stipulated by the Australian Taxation Office (ATO) in order for Council to claim a GST input tax credit for any purchase totalling \$82.50 or above (inc. GST), the cardholder must receive a tax invoice, supplying the vendor's name, ABN, date, details of the goods or services purchased and the amount of GST attached to the purchase.
- 5.2.4.4 For transactions deemed entertainment expenses a separate 'Meal Entertainment Expenditure Claim Form 1' must be completed to enable correct identification of potential FBT liability. This form can be found on Council's intranet site via the 'Finance Forms' link.

## 5.4 Transactions Reconciliation

- 5.4.2 It is the responsibility of the Finance Team to formally receipt the bank statements and register the statements in Council's electronic records management system.
- 5.4.3 A member of the Finance Team will then forward the statement to the cardholder, along with a 'Cardholder Expenditure Summary' form found on the Council's intranet site via the 'Forms' link. The cardholder will then;
  - 5.4.3.1 Check for each transaction on the statement, there is a corresponding tax invoice, receipt or Statutory Declaration as required.
  - 5.4.3.2 Check the statement amounts and the tax invoice or receipt amounts agree.
  - 5.4.3.3 Record the appropriate ledger account codes for each purchase on the Cardholder Expenditure Summary [sic].
  - 5.4.3.4 Print and attach all vouchers, receipts and documents to the Cardholder Expenditure Summary form.
  - 5.4.3.5 Sign the Cardholder Expenditure Summary form and have it approved by their delegated authorising officer.
  - 5.4.3.6 Return all documents (hard and electronic copies) to the Finance Team within 7 days of receipt of the Cardholder Expenditure Summary and bank statement in order for prompt processing of expenditure to nominated accounts.
  - 5.4.3.7 If all documents are not returned to [sic] Finance Team as per paragraph 5.4.3.6, the CFO will contact the cardholder for further resolution of the circumstances which precipitated in the delayed return of the documents.
- 5.4.4 Upon receipt of the documentation a member of the Finance Team will verify:
  - 5.4.4.1 For each transaction, there is a valid tax invoice, receipt or Statutory Declaration;

5.4.4.2 There is an adequately detailed description for each purchase;

5.4.4.3 Delegated credit limits have not been exceeded;

5.4.4.4 Amounts to be allocated to the general ledger reconcile with the total value shown on the statement

5.4.4.5 The completed Cardholder Expenditure Summary form has been approved by the appropriate delegated authorising officer.

...

## **5.5 Reporting Disputed or Unverified Transactions**

5.5.1 If a disputed or unverified transaction is discovered, it is the responsibility of the cardholder to initiate an investigation into the transaction's circumstances.

...

## **5.9 Policy and Protocol Consistency**

5.9.1 In order for a consistent, transparent and efficient approach to all aspects of corporate credit card administration and use, when reviewing conditions in this Protocol, this must be done in consultation with the Corporate Credit Card Policy this Protocol is subordinate to.

54. The council's Reward and Recognition Protocol relevantly provided:

### **5. Protocol**

#### **5.1 Rights and Responsibilities**

##### **5.1.1 Executive Team Responsibilities**

5.1.1.1 The Executive Team has the responsibility to ensure that appropriate protocols are in place to address Council's workplace responsibilities. As such, the Executive Team has a responsibility to ensure:

5.1.1.1.1 Compliance with this Protocol.

5.1.1.1.2 Creation of an environment of fair treatment in line with this Protocol.

##### **5.1.2 Managers and Team Leader Responsibilities**

5.1.2.1 Managers and Team Leaders have a responsibility to ensure:

5.1.2.1.1 Compliance with this Protocol.

5.1.2.1.2 Staff are recognised and participate in recognition events.

5.1.2.1.3 Creation of an environment of fair treatment in line with this Protocol.

5.1.2.1.4 This Protocol is promoted, and that its location is advised to staff and where to seek advice.

5.1.2.1.5 Staff understand this Protocol.

...

##### **5.1.4 Employee Responsibilities**

All employees are required to comply with this Protocol.

## 5.2 Reward and Recognition

5.2.1 The City of Burnside is committed to providing a workplace that develops, encourages and recognises exceptional performances by staff members.

### 5.2.1.1 Recognition of Performance

5.2.1.1.1 Executive Team to identify staff who have exceeded performance expectations and recognised [sic] with an invitation to attend appropriate Industry conferences, guest speaker lunches or special events, as a corporate expense.

5.2.1.1.1 [sic] Managers are encouraged to provide regular non budgetary recognition of staff who have achieved exceptional performance.

### 5.2.1.2 Recognition of Milestones

5.2.1.2.1 The length of staff service and contribution is valued and will be recognised and acknowledged as follows:

5.2.1.2.1.1 Staff reaching 10 and 15 years [sic] of service will be recognized by:

5.2.2.1.1.1.1 [sic] An invitation to lunch with the Executive Team and Mayor.

5.2.2.1.1.1.2 [sic] Publicised in Inside Burnside.

5.2.2.1.1.1.3 [sic] Certificate signed by the CEO and Mayor.

5.2.1.2.1.2 Staff reaching 20 years [sic] of service and at every 10 years increment thereafter, will be recognized by:

5.2.1.2.1.1.1 [sic] A gift to the value of \$200 for 20 years [sic] service and increased by an increment of \$100 per 10 years.

5.2.1.2.1.1.2 [sic] An invitation to lunch with the Executive Team and Mayor.

5.2.1.2.1.1.3 [sic] Publicised in Inside Burnside.

5.2.2.1.1.1.4 [sic] Certificate signed by the CEO and Mayor.

5.2.1.2.1.3 Staff resigning or retiring after 10 years[sic] of service will be provided with a morning or afternoon tea, on Council premises, to a maximum value of \$200 at the discretion of the relevant General Manager.

### 5.2.1.3 Executive Team Morning Tea

5.2.1.3.1 Opportunity for individual Departments to meet the Executive Team in a social environment.



5.2.1.3.1.1 Executive Team to provide a corporate morning tea to individual departments at or near their workplace on an annual basis.

5.2.1.4 Quarterly New Staff / Birthday Lunches

5.2.1.4.1 Considered an excellent induction tool, and an opportunity to meet the Executive Team and other staff in a social environment.

5.2.1.4.1.1 New staff and those staff celebrating a birthday during the period, are invited to a lunch hosted by the Executive Team and held on a quarterly basis.

5.2.1.4.1.2 All eligible staff members shall be encouraged to attend and cover will be arranged where appropriate.

5.2.1.5 Departmental Social Events

5.2.1.5.1 Social activities organised by individual departments and are to be self-funded by attendees and in accordance with the Code of Conduct for Employees, Staff and Associates Policy.

## Information obtained by my investigation - issues concerning record keeping and compliance with the former credit card policy and protocol

55. I have summarised the information obtained during my investigation and my considerations of that information in two sections; information concerning general record keeping in accordance with the council's former credit card policy and protocol, and consideration of credit card transactions.
56. I have started with an explanation of the issues faced by my investigation concerning general record keeping, as this information also highlights some of the challenges faced by me when investigating the relevant transactions.

### *Inadequate records and record keeping of transaction receipts and statements*

57. To investigate the allegations of misuse of credit cards, I requested that the council provide a copy of all receipts, transaction records, statements and Meal Entertainment Expenditure Claim forms concerning the relevant transactions.
58. It appears that the council adhered to this request as best as it could, however a number of receipts were missing, not itemised or simply not available.
59. My investigation counted at least 100 transactions under \$100 that did not include an itemised receipt of what was purchased; the majority of these transactions included an eftpos receipt for the transaction only, or I was provided with a Meal Entertainment Expenditure Claim form that had been completed by the employee, without an accompanying receipt.
60. Out of a total of \$35,440.30 of transactions that were reviewed by my investigation, \$5,756.17 worth of transactions did not include an itemised receipt. Nevertheless, I was generally able to make educated guesses as to what the transactions may have related to, based on vague descriptions within the Meal Entertainment Expenditure Claim forms and/or the name of the supplier.
61. From incidental information connected to those purchases (such as descriptions of purchases within Meal Entertainment Expenditure Claim forms, the locations and amounts purchased and similar or subsequent purchases by the same cardholder on the same date and location) it appeared many of the purchases that did not include an itemised receipt were either purchases of hot beverages such as coffee, or purchases of beverages at a bar.
62. However, an additional \$230.40 of transactions could not be characterised at all, as I did not have adequate information to ascertain what had been purchased or why, and the transactions were not accompanied by itemised receipts.
63. Some receipts were faded and were not legible, for example:



64. The above paragraphs highlight evidentiary issues that I experienced throughout the course of my investigation; it was at times difficult to discern *what* had been purchased with a council issued corporate credit card.

### *Issues with Statutory Declarations*

65. The council's former credit card policy and protocol stated that where an itemised receipt or invoice was unavailable, the transaction should instead be evidenced with a Statutory Declaration. I sighted a number of Statutory Declarations. None of those Statutory Declarations provided an explanation or description of what was purchased with the corporate credit card; the information was limited to a description of the relevant transaction amount and the date upon which the transaction occurred.
66. For example, the following standard statement was present within most of the Statutory Declarations that I sighted:

I used my City of Burnside Credit Card and have inadvertently misplaced the following receipt:	
Date	\$ Amount

67. In addition, despite the former credit card policy and protocol detailing that documentary evidence for credit card transactions were to be subject to a monthly authorisation and reconciliation process, one of the Statutory Declarations described five separate transactions over a period of approximately ten months, as follows:

I used my City of Burnside Credit Card and have inadvertently misplaced the following receipts:	
27/4/2017	\$14.40
6/7/2017	\$9.00
1/8/2017	\$213.90
15/11/2017	\$15.80
4/1/2018	\$9.40

68. That Statutory Declaration was not executed by the cardholder.
69. Only three of the above transactions fell within the transaction timeframe that was considered by my investigation. However the unexecuted document was provided as the relevant evidence of the purchases for council's records.
70. Two other Statutory Declarations that were provided to my investigation were executed on 30 November 2016. One Statutory Declaration was for two credit card purchases made in August 2016 for which the cardholder had misplaced the relevant receipts. The other Statutory Declaration was for a purchase made in July 2016. This suggests that the Statutory Declarations were completed a number of months after what should have been a monthly authorisation and reconciliation process under the former credit card policy and protocol.

### *Employee using a council-issued corporate credit card without authorisation to do so*

71. The Cardholder Agreement Form requires the cardholder to acknowledge that they are solely responsible for the use and expenditure incurred on the credit card. In addition, the former credit card protocol included steps necessary to apply for and be issued with a corporate credit card.

72. One of the purchases that was considered by me included a purchase for \$92.90. The relevant document evidencing that purchase was provided in the form of a Statutory Declaration by an employee who was not formally authorised to use that card. That Statutory Declaration stated:

On 4 October 2016 I used [...]’s City of Burnside Credit Card to pay for dinner for attendees of the DAP meeting to the amount of \$92.90 and I have inadvertently misplaced the receipt. The dinner for 7 people was purchased from Chicken Time at Linden Park.

*Authorisations for Credit Card Expenditure via email*

73. On two occasions, my investigation was provided with emails in lieu of a receipt, invoice or Statutory Declaration to evidence the relevant transactions.

74. Email correspondence from June 2017 stated:

[...]

[...] has misplaced a receipt for a purchase made using [their] corporate credit card and therefore requires an email of authorisation from you to approve the following purchase.

10 May 2017 \$13.50 Grass Roots Café - Coffee Meeting with Staff

75. The email was sent to the authorising officer for the cardholder. The responding email stated:

‘Approved.’

76. A second email was provided to my investigation as the relevant receipt for a purchase in July 2017. I was only provided with a portion of the email and it did not include the date of the email. The email stated:

[...]

[...] has misplaced a receipt for a purchase made using [their] corporate credit card and therefore requires an email of authorisation from you to approve the following purchase:

11 July 2017 \$4.50 Grass Roots Café - Coffee Meeting with Cr [...].

77. I was not provided with any other emails that suggest the expenditure above was approved via email or in some other manner.

*Incomplete Cardholder Expenditure Summary Forms*

78. I have explained earlier in this report that the reconciliation process under the former credit card policy and protocol required the signature of both the cardholder and authorising officer to confirm that the credit card transactions were appropriately reconciled and accompanied by a taxation invoice, receipt or Statutory Declaration. The form was then to be provided to the Finance Team to complete the reconciliation process.
79. My investigation was provided with two Cardholder Expenditure Summary forms where the words ‘unable to sign’ were recorded as the relevant signature for the cardholder for the transaction months of February and March 2017. The document was signed by the authorising officer.

- 
80. In addition, I was provided with 10 Cardholder Expenditure Summary forms that were signed by the cardholder and authorising officer, but were not signed by either the Financial Accountant or the Finance Section.
  81. There were an additional 14 other Cardholder Expenditure Summary forms that were signed by the cardholder, authorising officer and the Finance Section, but were not also signed by the Financial Accountant.

*Inadequate documentation to explain the reasons for purchases*

82. Following on from the information above, my investigation had difficulty at times discerning *why* purchases had been made with a council issued corporate credit card.
83. Again, it appears that the council undertook best endeavors to provide an explanation for each purchase that I have considered in my investigation. However many responses were limited in information; in almost all cases, the identity of persons who were dining with the cardholder, their connection to the council, or why the cardholder considered the purchase to be an appropriate use of council funds was left wholly unexplained. I was also unable to easily discern, on the information provided, why the credit card purchases were *necessary* for council business.
84. I acknowledge that my investigation did not interview each individual cardholder for an explanation; many of the employees were no longer employed at the council and doing so would be a time consuming process.
85. The former Chief Executive Officer noted that this may have prevented the council from providing my investigation with more detail, stating:

It is important to highlight that this information can only be deduced and submitted on the basis of historical information and records review, not from the individual employees at this point in time, given the strict confidentiality provisions relating to your request. That is, the context and reasons / justification give in the attachments is to the best possible extent known to me. I am unable to comment in any detail, on an individual's views as to why they may have considered, at the time, a transaction to be a necessary and reasonable expense.
86. While I acknowledge this position by the council, I consider that the council's record keeping practices, policies and procedures should be stringent enough to ensure that the information held by the council is sufficient to explain and provide justification for council spending, such that an external third party may be able to scrutinise the council's purchases with ratepayer monies. That information should be easily ascertainable from the documents themselves.
87. The justification for many of the purchases appears to have been limited to information available within Meal Entertainment Expenditure Claim forms that have been completed and submitted by the individual cardholder. That form provides little to no information about why the purchases were necessary, and why it was consistent with relevant council policies and protocols. The information within those forms also rarely explained who was present and who benefited from the purchases of food and beverages.
88. I acknowledge that the purpose of the Meal Entertainment Expenditure Claim forms was to ensure that the council could properly comply with its Fringe Benefits Tax liabilities, however this highlights a concerning absence of an accountability process or procedure that would require the cardholder to justify their credit card expenditure.

89. I also note that it appeared there were some inconsistent views held by various staff as to whether an elected member was considered to be an employee or non-employee for the purpose of completing that form. I provide excerpts from the following forms as an example of this observation. The information contained within those forms is also indicative of the general breadth of information that has been available to my investigation to explain or justify the purchases that I have investigated.
90. On 5 November 2015, an executive employee made a purchase of \$16.00 at Grimaldi's Restaurant. The Meal Entertainment Expense Claim form stated the following:

City of Burnside  
MEAL ENTERTAINMENT EXPENSE CLAIM  
(CATERING GOODS)  
Information required by Australian Taxation Office:

VENUE & DATE: Grimaldi's 5-11-15

OCCASION: CATCH UP WITH EM.

NO. OF **EMPLOYEES & ASSOCIATES** ATTENDING: 2  
*(Associates are defined as employee spouses, children and related companies, partnerships or trusts)*

NO. OF **NON-EMPLOYEES** ATTENDING: \_\_\_\_\_  
*(Elected members and suppliers which are classified 634 FBT not applicable)*

91. The form has been completed to state that two council employees were present at this meeting, yet the description of the meeting suggests that one employee and one non-employee (an elected member) was present.
92. In contrast, on 16 May 2016 an executive employee purchased beverages at Feathers Hotel. The Meal Entertainment Expense Claim form stated the following:

City of Burnside  
MEAL ENTERTAINMENT EXPENSE CLAIM  
(CATERING GOODS)  
Information required by Australian Taxation Office:

VENUE & DATE: Feathers Hotel 16/5

OCCASION: meeting with Cr [REDACTED]

NO. OF **EMPLOYEES & ASSOCIATES** ATTENDING: 1  
*(Associates are defined as employee spouses, children and related companies, partnerships or trusts)*

NO. OF **NON-EMPLOYEES** ATTENDING: 1  
*(Elected members and suppliers which are classified 634 FBT not applicable)*

93. The form has been completed in a manner that suggests that the council employee and the elected member were the only people present, and that the elected member has been considered as a 'non-employee'.
94. On 11 December 2015, an Executive Employee made a purchase of \$1,046.10 at Feather's Hotel. The Meal Entertainment Expense Claim Form stated the following:

City of Burnside  
MEAL ENTERTAINMENT EXPENSE CLAIM  
(CATERING GOODS)  
Information required by Australian Taxation Office:

VENUE & DATE: Feather's Hotel

OCCASION: EM - End of year function

NO. OF **EMPLOYEES & ASSOCIATES** ATTENDING: 30 31.  
*(Associates are defined as employee spouses, children and related companies, partnerships or trusts)*

NO. OF **NON-EMPLOYEES** ATTENDING: \_\_\_\_\_  
*(Elected members and suppliers which are classified 634 FBT not applicable)*

95. The form has been completed to state that 31 employees were present at the event, yet the description of the event suggests that the expenditure was for the benefit of both employees and elected members at the council.

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## Information obtained by my investigation - the relevant transactions

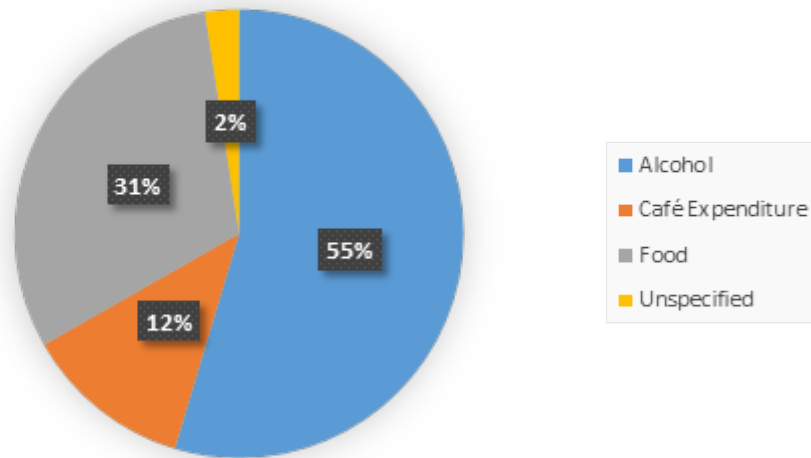
96. My investigation focused on credit card transactions by eight Executive Employees. The relevant transactions appeared related to expenditure on meals, alcohol, non-alcoholic beverages and travel incidental to hospitality and entertainment.
97. The terms of the referral from the Commissioner required me to consider whether the practice of generating and approving the credit card expenditure resulted in an irregular and unauthorised use of public money, or substantial mismanagement of public resources.
98. There is no specific test in the ICAC Act as to what is considered substantial mismanagement under the ICAC Act. Therefore I have based my conclusions on a number of considerations, including:
- the benefit (real or perceived) gained by the public from the expenditure
  - the public's expectations of government agencies
  - the appropriateness of the amount of the expenditure
  - whether the expenditure was reasonably necessary for the carrying out of the council's functions.
99. I reviewed approximately \$35,440.30<sup>5</sup> of credit card expenditure between 2015 and 2017. Of that amount:
- \$11,800.79 was spent on purchases of food
  - \$9,793.95 was spent on alcohol
  - \$4,390.13 was spent on unspecified restaurant expenditure
  - \$3,412.90 was spent on café expenditure
  - \$1,302.88 was spent on personal travel, such as petrol, tax, Uber and parking.
100. The 'unspecified restaurant expenditure' noted above is due to a number of transactions where purchases were made at restaurants and bars, however due to receipts either being missing or not itemised, it was not possible to accurately allocate that expenditure to the food and alcohol categories.
101. What has been particularly concerning was the significant purchases of alcohol with council funds.
102. The following three graphs depict the percentage of expenditure in three separate periods throughout my investigation. I acknowledge that it does not represent the entirety of the council's expenditure for those relevant months but rather, the total credit card transactions for July 2015, June 2016 and June 2017 that were reviewed by my investigation.
103. I chose the following three months as they represent the start, middle and end of the relevant period of time that I have investigated.

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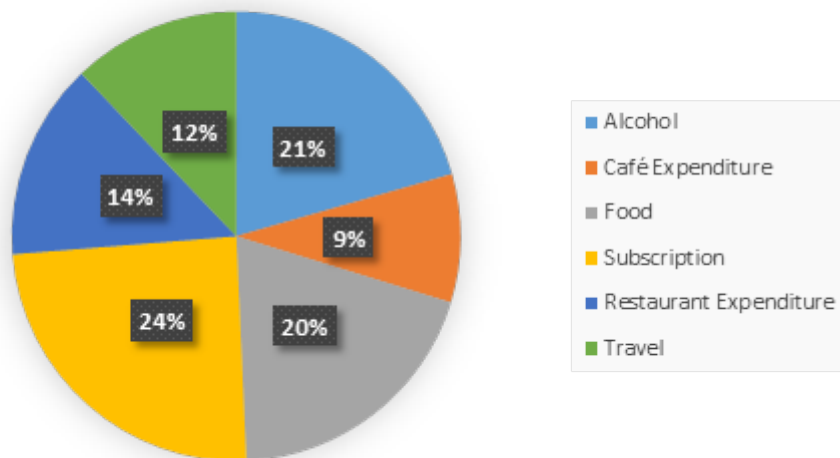
<sup>5</sup> I have referred to the above figures as approximate figures due to the unreliability of the records provided.



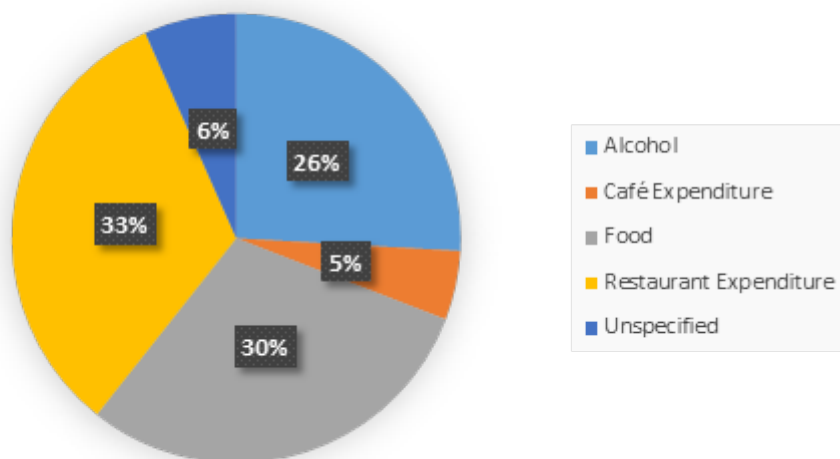
### Corporate Credit Card Expenditure - July 2015



### Corporate Credit Card Expenditure - June 2016



### Corporate Credit Card Expenditure - June 2017



104. I have also detailed types of expenditure within a number of tables below. The credit card transactions within the tables are not exhaustive; they summarise the types of transactions that I have considered in my investigation.

105. I have included my general considerations of the transactions after each of the tables.

*Expenditure on food and alcohol - 'staff reward and recognition'*

106. A number of the relevant transactions were justified by the council as being expenditure for staff 'reward and recognition'. The following purchases were made by four Executive Employees between August 2015 and April 2017.

Date/Time	Supplier	Explanation	Items Purchased	Cost
07/08/2015 4:21pm	Udaberri	Staff Reward and Recognition, total 4 employees in attendance	8 x Ardbeg	\$96.00
07/08/2015 4:48pm	Udaberri	Beverages/ Staff Reward and Recognition, total 4 employees in attendance	10 x Ardbeg	\$120.00
07/08/2015 5:28pm	Udaberri	Staff Reward and Recognition, total 4 employees in attendance	8 x Ardbeg	\$96.00
24/09/2015 3:29pm	Bread and Bone Wood	Reward and Recognition lunch with 10 employees	10 x Kransky; 2 x Brussels Sprouts 3 x (B) Otellia Sauvignon; 2 x (B) Save Our Souls Pinot Noir; ? x Fox Hat IPA Pint; 1 x (B) TarraWarra Shiraz	\$394.00
29/10/2015 5:21pm	Robin Hood Hotel	Awards and Recognition lunch/ Rewards and Recognition lunch with 10 employees	1 x Steak Sandwich; 1 x Chicken Burger; 2 x Squid Main; 1 x Curry of the Day; 2 x Caesar Salad; 2 x Add Chicken; 1 x Lamb Shoulder; 1 x Crab Risotto GF; 1 x Pork; 1 x Wedges 7 x Carlsberg Pint; 22 x Celebration Pint; 4 x Vodka Absol 30ml; 3 x Beefeater 30ml; 17 x Postmix Sml Mix; 2 x Shaw Smith GlS; 15 x Bombay 30ml	\$643.50
29/10/2015 5:53pm	Robin Hood Hotel	Awards and Recognition Lunch with 5 employees	3 x Bombay Sapphire 30ml; 3 x Postmix Sml Mix; 2 x Coopers Celebration Ale Pint	\$37.00
27/10/2016 5:11pm	Feathers Hotel	Staff Recognition lunch/ Lunch meeting, 4 employees including cardholder and authorising officer	1 x Kingfish Taco; 1 x Chicken Leek Rolls 2 x T/Adams P/Gris BTL; 1 x Niccolo BTL; 1 x Bulmers Apple PINT; 1 x Bulk P/Pony Amber PINT; 1 x Rockford Alicante GLS	\$176.30

10/04/2017 Time not shown	Cascada Cafe	[...] Recognition lunch/ Recognition lunch for [...] Team, 8 employees	1 x Smashed Avocado; 1 x Lamb Salad; 1 x 12" Lamb Yiros; 2 x Fish n Chips; 1 x Salmon Fillet; 1 x Chic Caesar Salad; 1 x Chicken Schnitzel  1 x Mug Flat White; 2 x Coke; 2 x 500ml Sparkling; 1 x Aranciatte Spark	\$202.90
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107. I have explained at paragraphs 43 and 44 above that the council has a Reward and Recognition Protocol. At the relevant time, the protocol allowed for meals and entertainment to be provided to employees in the following situations:
- an invitation to attend appropriate Industry conferences, guest speaker lunches or special events, as a corporate expense, in circumstances where staff have exceeded performance expectations
  - an invitation to lunch with the Executive Team and Mayor for employees who have reached a milestone of 10, 15 or 20 years of service
  - a morning or afternoon tea on council premises up to the value of \$200 for employees resigning or retiring after 10 years of service
  - opportunity for individual departments to meet the Executive Team via a corporate morning team at or near the department's workplace
  - a lunch hosted by the Executive Team on a quarterly basis for new employees or employees celebrating their birthday.
108. On the information I have been provided, the transactions above raise a number of concerns.
109. It is unclear if the cardholders also purchased alcohol and meals for themselves. In such circumstances, I am unable to discern who is receiving the benefit for the use of the credit card; the individual cardholder and/or also other employees.
110. Due to the limited information contained within the documents provided, I am unable to ascertain who was present when the above transactions were incurred, nor why it was considered appropriate that these transactions be charged on a council credit card as 'Reward and Recognition'.
111. There is also no suggestion that the council's policies and practices, at the time that the purchases were incurred, required the cardholders to justify their expenditure.
112. A number of transactions are for the purchase of alcohol. I consider that the use of a council credit card for the purchase of alcohol should only occur in very exceptional circumstances. I consider it highly inappropriate that the council would purchase alcohol for an employee for the purpose of the Reward and Recognition of another employee.
113. I also find the significant amounts spent on alcohol in one evening to be highly problematic. For example, on 7 August 2015, \$312.00 of alcohol was paid by the council for the benefit of four employees.
114. I note that the two purchases on 29 October 2015 consisted of \$414.50 on alcohol, yet the description of the event was a 'Reward and Recognition lunch'. It is not clear why a council issued credit card was used to purchase such a highly significant amount of alcohol for a staff lunch. Also, the information provided for these two transactions suggests that there was an initial purchase of food and alcohol for ten people. The second transaction consisted of additional alcohol purchased for only five people, approximately half an hour later.

115. I appreciate that there is a genuine utility in recognising and rewarding the performance of staff, and pursuing ways to boost and support staff morale. However, I do not consider that the above purchases would meet public expectations of appropriate recognition of staff performance. In particular, I consider it highly inappropriate for staff to be recognised or rewarded for their performance by purchases of alcohol.
116. On the information before me, I am also unable to ascertain how the above purchases of food and alcohol could conceivably comply with the council's Reward and Recognition Protocol.
117. While the information provided to my investigation does not confirm who may have been present and therefore rewarded by all of the above purchases, it would appear that overall the transactions for the purpose of 'Reward and Recognition' were to the benefit of a limited number of staff.
118. It is also very concerning that the above table suggests a significant amount of alcohol has been spent for a small number of employees for the purpose of 'Reward and Recognition'. This does not appear consistent with the broader objectives of the Reward and Recognition Protocol; that it is to be promoted and applied equally and fairly to all staff.
119. In responding to my provisional report, Mayor Monceaux pointed out that the Reward and Recognition Protocol did not require scrutiny or approval by the elected members of the council. Specifically, Mayor Monceaux stated:

...

I had not been aware of the existence of a Rewards and Recognition Protocol prior to reading your report. I was horrified to see that it had not been updated since 2008 and that purchases had been excessive and yet had been authorized. Council Protocols are seen by administration as operational documents and as such are not subject to review or approval by council elected members or the Mayor. I believe that such protocols should be approved by council [the elected members], to ensure that they are appropriate. Like the policies, they should be on the website. This would improve transparency and accountability...

*Credit card purchases to celebrate the farewell of one or more General Managers*

120. The following purchases were made by one Executive Employee. They appear to depict a number of purchases of food and alcohol in celebration of the farewell of a General Manager.

Date	Supplier	Explanation	Items Purchased	Cost
14/03/2017 10:46pm	Robin Hood Hotel	Farwell drinks with staff [...]	1 x Asahi half stein 500ml	\$11.50
14/03/2017 10:37pm	Robin Hood Hotel	Farewell lunch charge for General Manager - Drinks	1 x Bendbrook Crackling Rose BTL; 1 x Hahn Super Dry Pint; 4 x Glenfiddich 15yo BTL 30ml NIP; 1 x Postmix Pint	\$102.50
14/03/2017 11:17pm	Robin Hood Hotel	Farewell lunch charge for General Manager - Drinks	4 x Glenfiddich 15yo BTL 30ml NIP; 1 x Bendbrook Crackling Rose BTL; 1 x Asahi half stein 500mls; 1 x Hahn Super Dry Pint	\$109.00

24/03/2017 2:59pm	Robin Hood Hotel	Farewell Lunch Charge for [...]	1 x Crab Patti; 1 x Lobster	\$34.00
24/03/2017 2:55pm	Robin Hood Hotel	Farewell lunch charge for General Manager - Drinks	4 x Bendbk Rose GLS; 2 x Longview SB Btl; 1 x Carlton Drt Pint; 2 x Cappuccino; 1 x Long Black	\$119.00
24/03/2017 3:35pm	Robin Hood Hotel	Farewell lunch charge for General Manager - Meals	1 x Beef Schnitzel; 2 x Squid Main; 1 x F.O.D	\$106.00

121. Due to the limited information provided to my investigation, it is unclear whether the above purchases are for the farewell of one or more council employees. It is also unclear who else may have been present or benefited from these purchases as this information is not provided.
122. The information provided to my investigation does not explain why it was considered justifiable to charge \$482.00 within ten days for the farewell of an undefined number of employees. I also query why it was necessary to host two separate farewell events, both paid for with ratepayer's money.
123. The Reward and Recognition Protocol suggests that a staff member who retires or resigns after 10 years of service will be provided with a morning or afternoon tea on council premises.
124. The information provided to my investigation does not clarify whether the intention behind any of these purchases was to recognise an employee who was either retiring or resigning after 10 years of service. However, I also note that none of the above purchases were made for the purpose of a morning or afternoon tea on council premises. Rather, it would appear that the purchases are intended to cover the purchases of a number of meals and alcoholic beverages for one or more employees.
125. It does not appear that any justification or scrutiny was undertaken of the above purchases. It is also concerning that the above transactions suggest that council funds were used for meal and alcohol expenses, at a location outside of the council premises, into the late evening.
126. It is perplexing why it was considered appropriate that the council should be responsible for payment of such purchases. It is even more perplexing that such purchases were not queried by either the employee's authorising officer or the Finance Team.
127. I do not consider that the above purchases would meet public scrutiny or expectations of appropriate expenditure by a Local Government council.

*Expenditure on meals and alcohol for the benefit of council employees and elected members*

128. The following list of credit card purchases denote various transactions for what appears to be purchases of food and beverages for the benefit of council employees and/or elected members. The transactions were made by five Executive Employees. The explanations for the purchases included descriptions of various functions, luncheons or meetings.

Date	Supplier	Explanation	Items Purchased	Cost
30/06/2015 5:26pm	The Bath Hotel	Staff meal and beverage	1 x Prosciutto Pizza 1 x GL Mojo	\$30.50
30/06/2015 5:34pm	The Bath Hotel	Staff beverages	Eftpos receipt provided in lieu of an itemised receipt	\$25.50
30/06/2015 10:56pm	Edinburgh Hotel	Drinks for management function, 4 employees in attendance	4 x Anvers Sh GLS; 4 x LLB Schooner; 2 x Lost Bouy SB GLS; 3 x Vale Ale Pint	\$95.50
25/07/2015 11:17pm	Norton Summit Scenic Hotel	Function, 6 employees in attendance	6 x lagavulin 16y o; 6 x NEAT	\$69.00
09/10/2015 4:56pm	Kings Head Hotel	Meeting with EPA, 3 employees in attendance	1 x Vintage Pint; 2 x Pikes PNT	\$27.50
05/11/2015 2:13pm	Grimaldis Restaurant	Catch up with EM, 2 employees	2 x GL Bastard Riesling	\$16.00
05/11/2015 2:44pm	Grimaldis Restaurant	Catch up with EM, 2 employees	2 x GL Bastard Riesling	\$16.00
25/11/2015 2:41pm	Grace Parisian Bar	Lunch meeting with 4 employees	1 x Sub-Lamb Ragout; 1 x Sliders Main; 1 x Grace Platter; 1 x Truffle Fries	\$82.00
02/12/2015 4:34pm	Robin Hood Hotel	Network lunch, two employees and an elected member listed as attending, however the description also stated that 3 employees attended	? x meat sampler; 1 x Bar Plate Small; 2 x Sharing Squid 6 x Asahi 500ml; 5 x Carlton Drt Pint; 6 x Bendbk Rose Gls; 1 x Super Dry Pint	\$266.50

11/12/2015 10:23pm	Feathers Hotel	Elected Members/ Leadership end of year function, 31 employees	31 x Set Menu Open (\$1,705.00)  8 x Trilogy Brut BTL; 5 x Rockford Alicante BTL; 6 x Post Mix GLS; 2 x Carl Draught Pint; 3 x A/Hills Apple SINGLE; 1 x S/Bow Sweet, SINGLE; 2 x ???; 2 x Crown Lager Stb SINGLE; 2 x Carl Draught JUG; 2 x Coop Light Stb SINGLE; 2 x M/Franklin Spk 750ml BTL; 1 x Lofty Valley Unwoode BTL; 2 x Stump Rump R/Blend BTL; 1 x J/Barry W/V Reis BTL; 1 x Jansz NV Cuvee BTL; 7 x Lemon Lime Bitt GLS; 2 x Rockford Alicante GLS; 1 x Trilogy Brut GLS; 1 x Penley Est C/Sav GLS; 1 x A/Hills Pear SINGLE (\$996.10)  1 x Room Hire (\$150.00)	\$1,046.10 <sup>6</sup>
14/12/2015 12:29pm	Chianti Classico	[...] Committee Members end of year function, 2 employees and 6 non-employees present	1 x Antipasto for 7; 2 x Tagliolini con Granchio; 1 x Frutti di Mare in Brodo; 1 x Arrosto d'Agnelio; 1 x Tagliata di Manzo; 1 x Cognilio al Forno; 1 x Carne Special; 1 x Patate Fritte; 1 x Insalata di Campo; 1 x Dolce Special; 1 x Affogato al Frangelico  1 x Torre dei Beati Cerasuolo d'Arbruzzo; 2 x Cappucino; 2 x Long Black; 3 x Mineral Water LARGE; 3 x Peroni Red; 1 x Golden Scrumpy Cider; 1 x Mildura Sun Light 6; 2 x LLB; 4 x Peroni Red	\$638.40
15/12/2015 5:12pm	Grimaldis Restaurant	Lunch meeting with Cr [...] / Lunch with Elected Member , 1 employee and 1 non- employee	1 x Avocado Salad; 1 x Chicken Salad; 1 x Pecan Pie  2 x BI Rockford Rose; 2 x Long Black; 2 x Flat White	\$140.70
18/12/2015 1:31pm	Eastside Pizza/Dominos	Catering Staff Christmas function / Staff end of year function	3 x L Class Hawaiian; 3 x L Class BBQ Chick & Bcn; 2 x L Class Margherita; 2 x L Class Supreme	\$135.35

<sup>6</sup> The cardholder's credit card transaction statement indicated that they had made a credit card purchase of \$1,046.10 for this event. That figure does not appear to align with the total figure stated on the transaction receipt. It is unknown on the information available what that credit card purchase was intended to contribute towards this event.

19/01/2016 12:17pm	Cinnamon Club Indian	Catch up / Meeting with [elected member] / [...] / elected member lunch meeting, 2 employees in attendance	1 x Ajawani Fish Entree; 1 x Goan Sauce Fish; 1 x Small Basmati Rice; 2 x Plain Naan; 1 x Mango Chutney; 1 x Dal Tadka; 1 x Bhindi Do Pyaaza;  1 x Cascade Light; 1 x Kingfisher; 1 x Woodstock Shiraz Cab Sauv Bottle	\$129.60
03/02/2016 2:09pm	Robin Hood Hotel	Meeting with [...] Manager, 2 employees	2 x Squid Main  2 x Langmeil Shz GLS; 3 x Rockfd Rose GLS; 1 x Mineral Water	\$72.00
01/03/2016 2:55pm	Marryatville Hotel	Luncheon with GM[...], 2 employees	1 x Thai Chilli Chicken Salad; 1 x Caesar Salad  3 x Pint Coop Ale; 3 x Pint Cider	\$90.60
09/03/2016 Time not stated	Shanghai Teahouse	Meeting with Elected Member, 1 employee and 1 non-employee	1 x Shallot Cake; 1 x Satay Chk Skewer; 1 x Bean Curd Skin Roll; 1 x Salt and Pepper Squid Tentacles; 1 x Dim Sims; 1 x Chive Dumpling  3 x Petuma Chard glass; 3 x St Hallett Garden of Eden Shiraz glass	\$93.80
08/04/2016 4:06pm	Naval Military and Air Force Club of South Australia	Meeting/lunch with Cr [...], 1 employee and 1 non-employee	1 x Club Daily Choice; 1 x Brioche Burger  2 x Laphroaig Single Malt 30ml; 8 x Club Shiraz Gls	\$115.71
28/04/2016 12:51pm	Cinnamon Club Indian	Lunch with [elected member] / [...] and [elected member] lunch meeting	1 x Mixed Veg; 1 x Mixed Seafood Curry; 1 x Navratan Veg Korma; 1 x Basmati Pulao Rice; 1 x Garlic Naan  4 x Kingfisher	\$107.20
02/05/2016 Time not stated	Murrayville Pizza	[...] end of season staff function	Description of items not provided on receipt	\$300.00
18/05/2016 1:48pm	The Colonist Tavern	[...] / GM[...]meeting, 2 employees	3 x Stone&Wd Alepint; 2 x Hills Cider Pint \$; 2 x Jamesons 30ml	\$59.70
23/05/2016 3:23pm	Cremorne Hotel	Meeting with [...] manager, 2 employees in attendance	1 x Meal Board; 1 x Arancini Bal  3 x James Squire 150 PT; 3 x Stella 500ml PT; 1 x Lane Uwood Ch GL	\$123.50



16/06/2016 2:31pm	Robin Hood Hotel	[...] team meeting, total 17 employees in attendance	4 x Pale Ale Snags; 1 x Hood Slider Trio; 2 x F.O.D; 1 x Caesar Salad add Chicken; 1 x Chicken Schnitzel; 1 x Beef Schnitzel add Parmigiana; 1 x Burger; 1 x Barramundi; 2 x Curry of the Day; 1 x Sandcrab	\$287.00 <sup>7</sup>
23/06/2016 3:42pm	Feathers Hotel	Meeting with Cr [...], 1 employee and 1 non-employee in attendance	1 x Moroccan Salad add Haloumi; 1 x S&P Squid;  1 x Hoppa Shiraz BTL; 1 x Skil Shz cab BTL; 4 x Skil Shz Cab GLS	\$163.00
08/07/2016 4:54pm	Republic Hotel	[...] team meeting/lunch, total 9 employees in attendance	1 x BBQ Lamb Ribs; 1 x Carbonara; 2 x Pork Belly; 1 x Porterhouse; 1 x Lamb Rump; 1 x Seafood Capellini; 1 x Pumpkin Rigatoni; 1 x Atlantic Salmon; 1 x Scotch Fillet; 3 x Garlic Bread; 2 x Chips  10 x Heineken; 2 x Coopers Pale Ale; 4 x Postmix Bulk Per; 1 x Johnny Q Shiraz; 1 Rockford Alicant; 1 x Hahn 3.5; 1 x L/L/B; 4 x Cappa 30ml; 1 x Flat White 30ml; 1 x Tea Glass; 1 x Short Black 30ml; 1 x Ketel 1 Vodka 30; 1 x Postmix Mix; 2 x Postmix Jug	\$503.00
14/07/2016 12:45pm	Chianti Classico	Meeting with General Manager [...], total 2 employees in attendance	2 x Entrée Special; 1 x Pesce Del Giorno; 1 x Arrosto d' Agnello; 1 x Sundry Food;  2 x SLB; 2 x Gls Abbazia di Novacella Kerner	\$177.90
02/09/2016 1:06pm	Dan Murphy's	Beverages for Social Club evening function	2 x Coopers Pale Ale Stubbies 24x375ml; 1 x James Squire Orchard Crush Apple 4x6x345ml; 1 x James Boags Premium Lager 4x6x375ml; 1 x Asahi Beer Super Dry Bottle 4x6x330ml; 2 x Nepenthe Sauvignon Blanc 750ml; 2 x Pepper Jack Shiraz; 1 x Coopers Sparkling Ale Stubb 6x375ml	\$317.54

<sup>7</sup> The total cost of food was \$346.00. It appears that there was a MasterCard purchase of \$32.00 and a VISA purchase of \$27.00 that was contributed towards the meal total. The amount paid by a council employee's credit card was \$287.00.

02/09/2016 1:30pm	Coles	Social Club Evening Function Catering	3 x Strawberries 250g; 2 x Arnott's Jatz Cracker; 2x Kettle Chips; 1 x Captain Crac 125g; 1 Coca Cola 2litre; 2 x Peckish Rice Cracker; 1 x White Finger Buns 4pack; 2 x Black Swan Dairy Dip; 1 x D/L Olives Mix; D/L Don Salami; Don Upper-cut Ham; 1 Natural Almonds 400g; 1 Rustic Baguette 300g; 1 Celery 300g; 1 x Pre-Pack Carrots; 1 x Farm Cheddar; 1 x Delre Dutch Smoked; 1 x King Island Dairy; 1 Arnott's Tim Tam 1; White Choc Chip 6pack; 1 x Fresh Iced Donuts 6pack; 1 x Red Seedless Grapes; 1 x Cherry Brst Tomatoes;  1 x Lemonade 2litre; 1 x Coca Cola Zero 2litre; 1 x Pure Ice 5kg  4 x plastic bags	\$129.85
02/09/2016 3:54pm	Maid & Magpie	Staff meeting/ Lunch/ Meeting with staff - discuss ERA water, 4 employees in attendance	3 x Coop Stout PINT; 8 x JS 50 Lashes PNT; 2 x Coop ST 750 PNT; 2 x Jim Barry the Ve; 1 x Signature 06	\$200.00
13/09/2016 3:30pm	Empress Restaurant	Meeting with staff, 2 employees	1 x Medium; 3 x Large; 4 x Special; 1 x Whitebait;  2 x Yum Cha Tea	\$58.60
20/09/2016 1:53pm	The Colonist Tavern	GM meeting with staff, total 3 employees in attendance	1 x Tapas Nachos; 1 x Tapas Pork Belly; 1 x Panfried Haloumi  1 x Post Mix PINT; 2 x Hop Thief PintSA; 4 x V Mora Temp Gls; 1 x LangmBellaRse150	\$102.90
27/09/2016 6:10pm	Parkside Hotel	Meeting with GM [...], 2 employees in attendance	1 x Kettle S&V; 1 x Steak Sandwich; 1 x Chicken Pizza  3 x Mountain G 425ml; 6 x Jamesons 30ml	\$116.50
09/11/2016 2:44pm	Feathers Hotel	Staff lunch meeting - 3 employees in attendance	Eftpos receipt provided in lieu of an itemised receipt	\$177.00
10/11/2016 2:58pm	Robin Hood Hotel	Staff lunch meeting, 3 employees in attendance	? x share platter  2 x Asahi Stein 500ml; 2 x O'Leary Post GLS	\$105.00

15/11/2016 Time not stated	The Spice Kitchen	Lunch meeting with [elected member], 1 employee and 1 non-employee	1 x p/moikee; 1 x b/l; 1 c/h; 1 x rice 4 x kingfisher	\$66.40
30/11/2016 4:20pm	V/Cellars	Christmas drinks at Cr [...] home, many leadership/exec employees present, many Crs present	1 x Moet	\$61.99
02/12/2016 2:55pm	Feathers Hotel	Meeting and lunch with Cr [...], 1 employee and 1 non-employee	1 Wagyu Rump; 1 x Lobster Bombs; 1 x Garlic Roll; 1 x Chips 2 x Jameson 700ml 30ml; 3 x Heineken PINT; 3 x Carl Draught PINT; 4 x Mothers Milk Shz GLS	\$160.00
02/12/2016 1:26pm	Kent Town Hotel	[...] staff Christmas function / End of Year function, 13 employees in attendance	Eftpos receipt provided in lieu of an itemised receipt	\$112.50
06/12/2016 5:16pm	Feathers Hotel	Executive meeting / Lunch, 4 employees in attendance	2 x Chips ? x Jameson 700ml 30ml; ? x J/Squire Pale PINT; 1 x T/Adams P/Gris GLS; 2 x Bulmers Apple PINT; 1 x J/Squire Pale PINT	\$117.20
13/12/2016 1:19pm	Belair Hotel	Lunch meeting / Meeting, 1 employee, 0 non-employees	1 x Dip Platter; 1 Extra Pita; 1 x DB Cheeseburger; 1 x Add Haloumi 1 x Paracombe Pinot	\$78.00
16/12/2016 Time not decipherable	Hispanic Mechanic	[...] staff end of year function/ Christmas lunch, 10 employees	1 x Blue Gin Carafe 6 GLS; 1 x Cantina; 1 x Day of the Dead; 1 x Orange Juice	\$58.00
07/02/2017 5:11pm	Robin Hood Hotel	EM meeting / Meeting with Cr [...], 1 employee and 1 non-employee	Shaw and Smith M3 Chardonnay BTL	\$65.00
15/02/2017 1:17pm	Marina Sunset Bar	Lunch meeting, 2 staff	1 x Spring Rolls; 1 x Chilli Squid 1 x Bird in Hand 750ml	\$80.00
17/03/2017 3:49pm	The Playford	Drinks x 2 post Lunch Event attended	2x gl DT Rabbit Hole	\$24.00

20/03/2017 6:42pm	Robin Hood Hotel	Refreshments - staff catch up, 7 employees	2 x Long black; 1 x Cappuccino; 1 x Café Latte; 1 x Peroni Nast 500ml; 1 Vodka Absol 30ml; 1 x Beefeater 30ml; 2 x Postmix SML Mix	\$43.00
23/03/2017 8:10pm	Seven Stars Hotel	Dinner with Elected Member x 1	1 x Curry of the Day; 1 x Calamari Fritti 1 x Vasse Felix Gl; 2 x Pewsey Vale Gl; 1 x Shaw & Smith Gl	\$71.00
29/03/2017 1:33pm	Unley on Clyde	[...] light lunch meeting - two people	2 x Unley Burger, 1 x Potato Bruschetta	\$50.00
28/04/2017 5:09pm	Feathers Hotel	Staff lunch - Discussion of matters affecting council/ Council debrief	3 x J/Squire Pale PINT; 2 x Bulmers Apple PINT; 1 x Rockford Alicante BTL; 5 x Hersey Chard GLS; 1 x Shaw & Smith S/Blanc BTL	\$188.30
19/05/2017 4:30pm	Louca's Seafood Grill	ERA Council business lunch	1 x Entrée Grilled Haloumi; 1 x Sheftalia; 1 x Entrée White Bait; 1 x Char Grilled Seafood Platter; 1 x Extra person 4 x Sparkling 880ml; 3 x Mythos; 1 x Bottle Skillogalee Reisling; 1 x Bottle Tappestry Vinvent; 2 x Greek Coffee; 2 x Skinos Mastiha; 4 x Amaro Montenegro	\$468.10
16/06/2017 Time not decipherable	Singapore house	Executive meeting lunch	Eftpos receipt provided in lieu of an itemised receipt	\$282.50
22/06/2017 Time not stated	The Colonist Tavern	Team meeting lunch	2 x Special 19; 1 x Special 12; 2 x Chicken Schnitzel; 2 x Truffled Mushroom; 1 x SaltPepper Squid; 1 x Dinner Roll 1 x Whippet Btl; 1 x Peppermint Tea Mug; 1 x Stone & Wd Ale Pint; 1 x Draught Pint	\$183.10

129. The Meal Entertainment Expenditure Claim forms that accompany the receipts for the above transactions do not provide a description of exactly who was present or who may have benefited from each of the transactions.
130. The above list of transactions is also not an exhaustive list of the transactions that I have considered that appear to be for the benefit of elected members or council employees. However, I consider that the above transactions suggest a general culture or practice of purchasing meals and alcohol for internal council meetings, luncheons, dinners and functions.
131. Accordingly, the information suggests that council employees and elected members have more broadly benefited from council credit card expenditure without this expenditure being justified or adequately documented. In addition, due to the monthly credit card reconciliation process, the transactions have been incurred and

subsequently authorised by several different council employees.<sup>8</sup> This suggests that there may have been a broader acceptance of such credit card expenditure within the council.

132. It is unclear why ordinary council business or meetings could not occur on council premises, where limited catering, tea and coffee could be provided if necessary. This should have been the default position.
133. I note that on 2 September 2016, there was a purchase of alcohol totaling \$317.54 and the purchase of snacks for \$129.85. The stated reason was for beverages and snacks for a Social Club evening function. It is unclear to me why the council should pay for an event held by a council Social Club. It would appear entirely appropriate to me that an internal Social Club that is run by a Local Government council would fund its own entertainment and hospitality. I note this appears to have been articulated within the council's own Reward and Recognition Protocol, which states:

#### 5.2.1.5 Departmental Social Events

5.2.1.5.1 Social activities organised by individual departments and are to be self-funded by attendees and in accordance with the Code of Conduct for Employees, Staff and Associates Policy.

134. There is another transaction on 2 September 2016 that I find concerning. There was a meeting at Maid and Magpie described as 'meeting with staff - discuss ERA water, four employees'. The transaction record shows that \$200.00 was spent on 16 alcoholic beverages. It is concerning that four employees thought it was appropriate to consume, on average, four alcoholic beverages each during a staff meeting.
135. I also highlight the purchase made on 25 July 2015 at Norton Scenic Summit. That was a transaction of \$69.00 on alcohol on a Saturday evening. The only details provided to my investigation was that the purchase was made within the context of a 'function' and that 6 employees were present or may have benefited from this purchase. The information does not provide any justification for the use of council funds to purchase alcohol on a weekend for six unidentified council employees, nor why such a purchase was necessary or appropriate as part of council business. It is concerning that I am unable to discern how such a purchase could have a real or perceived benefit to the public, rather than a personal indulgence.
136. In one instance, council funds were used to purchase a bottle of Moët for a Christmas function at the home of an elected member. It was recorded 'many leadership/exec employees present.' I am concerned that such a purchase appears to have little to no benefit to the council or ratepayers more broadly and appears to be purchased for the benefit of a select few within the council's executive team and elected body. I also note the possibility that the relevant cardholder, the cardholder's authorising officer and/or the Finance Team could have also been present and therefore potentially benefited from this purchase, which raises a potential concern about the transparency and accountability of such a transaction.
137. The preceding example is also but one instance where council funds appear to have been used to purchase meals and beverages for elected members of the council. During my investigation, I asked the council whether there were any policies and procedures that may justify the use of a corporate credit card to purchase meals and alcohol for elected members.

<sup>8</sup> However in the case of any expenditure that may have been incurred by the Chief Executive Officer, the authorising officer was the Mayor.

138. The council stated:

There are no additional specific individual policies or procedures in this regard to submit. However, I have enclosed the Elected Members Allowances and Benefits Policy which does include some reference to meals and refreshments at Section 6.5.5. It is acknowledged this does not encompass all scenarios in the transactions relevant to the period in question and that State legislation will prevail where necessary, as identified in the document.

139. The Elected Members Allowance and Benefits Policy that I was provided appeared to have been last reviewed in November 2018 and hence it was not clear whether it may have been updated since the transaction period that is the subject of my investigation. However in noting the provision referenced within the council's response, clause 6.5.5 of the Elected Members Allowance and Benefits Policy relates to the provision of meals and refreshments prior to and after formal council and committee meetings. It does not appear that this provision was intended to apply to the examples provided above, where meetings appear to have been held at a public establishment between an elected member of the council and an employee.

140. In addition, given that elected members receive an allowance to perform their official duties, I consider additional purchases of meals, beverages and alcohol for elected members to be a highly inappropriate use of public money.

141. At the time that the credit card transactions were originally published on the council's website in September 2018, the transactions were the subject of a question on Notice by (then) Councillor Monceaux during an ordinary council meeting on 25 September 2018. The minutes from that meeting include a question as to whether the elected members who were provided with meals paid for by the council in four specific transactions had included this meal on their formal Gift Register. The response that was minuted for this meeting suggests that the elected members had not declared the meals on their formal Gift Register.

142. I do not consider that a broad practice of using council credit cards for purchasing meals, beverages or alcohol for council employees or elected members would meet the public's expectations of appropriate credit card expenditure by Local Government.

143. Further, I consider that:

- the benefit (real or perceived) gained by the public for the expenditure is minimal
- the amounts spent on meals and alcohol is inappropriate
- such expenditure is not reasonably necessary for the carrying out of council functions.

*Meeting with an elected member, May 2016*

144. The following table details transactions made by one Executive Employee in one evening. The explanation for the purchases were that they were '[position title] meeting with elected member'.

Date	Supplier	Explanation	Items Purchased	Cost
16/05/2016 1:05pm	Feathers Hotel	[...] meeting with Elected Member, 1 employee and 1 non- employee	1 x House Made Dips 1 x Mount Franklin Spk 250ml BTL; 1 x Cappuccino Mug	\$22.90

16/05/2016 1:38pm	Feathers Hotel	[...] meeting with Elected Member, 1 employee and 1 non- employee	1 x Asahi Soukai 330ml SINGLE ; 1 x Cappuccino Mug	\$13.40
16/05/2016 2:08pm	Feathers Hotel	[...] meeting with Elected Member, 1 employee and 1 non- employee	2 x Skil Shz Cab GLS	\$18.00
16/05/21016 2:34pm	Feathers Hotel	[...] meeting with Elected Member, 1 employee and 1 non- employee	2 x Skil Shz Cab GLS	\$18.00
16/05/2016 2:48pm	Feather Hotel	[...] meeting with Elected Member, 1 employee and 1 non- employee	2 x Skil Shz Cab GLS	\$18.00

145. The date and time on the receipts of the above purchases suggest that consecutive purchases of alcohol for two people were made during the course of one afternoon.
146. I have stated at paragraph 112 above that I consider alcohol should only be purchased with council funds in very exceptional circumstances.
147. I do not consider it would be appropriate for there to be the consumption or purchase of alcohol for the purpose of a meeting between a council employee and an elected member, if they were discussing council business. There also does not appear to be a clear public benefit to be gained from the above purchases and, in my view, consumption of alcohol is not reasonably necessary for carrying out council business.
148. As stated above, such a meeting between an Executive Employee at the council and an elected member could perceivably occur on council premises, or at a nearby premises with any meal or beverage expenses incurred by the individuals, rather than the council ratepayer.
149. I do not consider the purchases would meet community expectations of an executive member of council staff or an elected member of the council.

*Meeting with an elected member, June 2016*

150. The table below details transactions made by one Executive Employee. The dates and times on each of the receipts suggest that all of the purchases were made within the one evening and subsequent early morning. The explanation for the purchases were '[position title] meeting with Elected Member'.

Date	Supplier	Explanation	Items Purchased	Cost
16/06/2016 9:22pm	Feathers Hotel	Meeting with Elected Member [...] meeting with Elected Member, 1 employee and 1 non- employee	Eftpos receipt provided in lieu of itemised receipt	\$43.30

16/06/21016 9:49pm	Feathers Hotel	Meeting with Elected Member [...] meeting with Elected Member, 1 employee and 1 non- employee	2 x Chivas Regal Extra 30ml ; 1 x T/Adams P/Gris GLS; 1 S&W P/Ale 330ml SINGLE	\$35.30
16/06/2016 10:14pm	Feathers Hotel	Meeting with Elected Member 16/6/16 and 17/6/16 / [...] meeting with Elected Member, 1 employee and 1 non- employee	1 S&W P/Ale 330ml SINGLE; 1 x Somersby Apple SINGLE; 1 x T/Adams P/Gris GLS; 2 x Chivas Regal Extra 30ml	\$43.30
16/06/2016 10:48pm	Feathers Hotel	Meeting with Elected Member [...] meeting with Elected Member, 1 employee and 1 non- employee	1 S&W P/Ale 330 ml SINGLE; 1 x T/Adams P/Gris, GLS; 2 x Chivas Regal Extra 30ml	\$35.30
16/06/2016 11:38pm	Feathers Hotel	Meeting with Elected Member [...] meeting with Elected Member, 1 employee and 1 non- employee	1 S&W P/Ale 330ml SINGLE; 1 x T/Adams P/Gris GLS; 2 x Chivas Regal Extra 30ml	\$35.30
17/06/2016 12:35am	Feathers Hotel	Meeting with Elected Member [...] meeting with Elected Member, 1 employee and 1 non- employee	2 x J/Daniel 700ml 30ml; 1 x S&W P/Ale 330ml SINLGE; 1 x T/Adams P/Gris, GLS; 1 x Somersby Apple SINGLE	\$40.10

151. As above, I do not consider it appropriate for a council credit card to be used for the purchase of alcohol, nor would it would be appropriate to consume alcohol for the purpose of a meeting between a council employee and an elected member if they were discussing council business. It also seems inappropriate to be engaged in a meeting to discuss council business until 12:35am.
152. I note that one of the purchases for \$43.30 did not include an itemised receipt that would reveal what items were purchased as part of that transaction. Excluding this transaction (as I cannot confirm exactly what was purchased) I do not consider that the purchase of \$189.30 on alcohol on a Thursday evening and early Friday morning, for the purpose of a meeting between an executive employee and an elected member, would hold up to public scrutiny.
153. I have difficulty accepting that the purchases were reasonably necessary for conducting council business.
154. Not only is it of concern that the council administration is funding such expenditure, but that elected members of the council are accepting it.



*Expenditure on food and alcohol for meetings with external stakeholders*

155. The following list of transactions appeared to be connected to meetings between at least one council employee and an external person.

Date	Supplier	Explanation	Items Purchased	Cost
26/06/2015 1:53pm	Café 160 Rose Park	Lunch meeting, 1 employee and 1 non-employee	1x Nicoise Salad; 1 x Warm Thai Beef Salad  5x Leeuwin Estate Chardonnay GI	\$86.30
30/06/2015 6:44pm	The Bath Hotel	Dinner meeting, 1 employee and 1 non-employee	1 x Margherita Pizza; 1 x Seafood Pizza  5 x GL Santa Christina; 1 x J Squire Hop Pint	\$90.40
09/07/2015 8:20pm	Seven Stars Hotel	Function/ Lunch Meeting, 2 employees and 2 non-employees	1 x Mt Adam Pinot GI; 1 x Running With GLs; 4 x Vasse Felix GLs; 1 x Barry Bros Glass	\$61.20
17/07/2015 5:04pm	River Torrens Cafe	[...] meeting with Mayor of [another council...], 1 employee and 3 non-employees in attendance	1 x 10 Oyster - Shallot; 2 x Bread - Ciabatta; 1 x Eggplant Parmigiana; 1 x Brodo; 1 x Fish of Day; 1 x Greens; 1 x Panna Cotta  1 x B Spark Santa Vitt; 2 x Shaw Smith S/B; 1 x Shaw/S M3 Chard; 1 x T-Earl Grey; 2 x Lemoncillo; 1 x Amaretto	\$369.20
23/07/2015 1:28pm	Britannia Hotel	Function, 1 employee and 1 non-employee	1 x Pub Combo; 1 x Nachos  1 x Penna Lane Riesl	\$73.80
29/07/2015 3:49pm	Chianti Classico	Meeting, 1 employee and 1 non-employee	1 x Dbl Shot Amaretto Saliza	\$29.80
31/07/2015 12:32pm - 1:38pm	Sean's Kitchen	Food and beverages /  [...] meeting with 4 non-employees	1 x Kinkawoo Mussels; 1 x Crab and Chse Melt; 2 x Mac and Cheese  1 x Antipodes Spk; 1 x B Shut Gate Sang	\$113.50
28/08/2015 5:21pm	Robin Hood Hotel	Meeting - beverages, 1 employee and 3 non-employees in attendance	1 x St Hilary GLS; 1 x Shaw Smith GLS; 1 x Bendbk Rose GLS; 1 x St Helga GLS	\$33.50
11/09/1015 2:43pm	Café 160 Rose Park	Lunch meeting, 1 employee and 1 non-employee	1 x Nicoise Salad; 1 x Pasta Special  2 x Laughing Jack Shiraz GL; 4 x Leeuwin Estate Chardonnay GL	\$96.80

22/09/2015 Time not stated	Shanghai Teahouse	Meeting/Lunch, 1 employee and 2 non-employees in attendance	Huangqiao Sesame Pancake; 1 x Stuffed Tofu / Fried; 1 x Scallop Dumpling; 1 x Red Bean Bun; 1 x Egg Custard Bun; 1 x Fried Rice / Veg  2 x Petaluma Chard Glass	\$52.80
29/09/2015 3:34pm	Insieme Ristorante	Lunch with [another council] (ERA Water), 2 employees and 3 non-employees	1 x Calamari; 1 Cappelante; 1 x Polpette; 2 x Risotto Special; 1 x Fish Special; 1 x Radicchio Pear Salad  1 x GI Varichon Sparklin; 1 x Moretti; 1 x Insoglio; 1 x Macchiato; 1 x Short Black	\$266.10
06/10/2015 Time not stated	Crown Plaza	Melbourne Cup lunch for 5 adults/ Business networking lunch for 1 employee and 4 non-employees	Invoice for Melbourne Cup Lunch for 5 adults	\$634.38
28/10/2015 8:19pm	Cargo Café and Bar	[...] + 1 associate	1 x Mac and Cheese; 1 x Squid Paella  1 x Toolern Chard Bottle	\$76.00
10/11/2015 Time not stated	Shanghai Teahouse	Business lunch, 1 employee and 2 non-employees	1 x Huangqiao Sesame Pancake; 1 x Satay Chk Skewer; 1 x Bean Curd Skin Roll / Deep Fried; 1 x Dim Sims; 1 x Chive Dumpling; 1 x Red Bean Bun; 1 x Egg Custard Bun; 1 x Dumpling / Veg  2 x Petaluma Chard / Glass	\$61.40
24/11/2015 Time note stated	Shanghai Teahouse	Luncheon meeting, 1 employee, 2 non-employees	1 x Pan Fried Radish Pastry; 1 x Dim Sims; 1 x Stuffed Tofu; 1 x ...; 1 x Red Bean Bun; 1 x Egg Custard Bun; 1 x Dumpling / Prawn/Chk; 1 Dumpling / Veg  4 x Petatuma Chard Glass	\$78.40
04/12/2015 4:20pm	Enzo's Ristorante	Network lunch / Lunch meeting with 1 employee and 2 non-employees	1 x Pane Alla Griglia; 2 x Funghi Talleggio; 1 x Calamari Fritti Ent; 2 x Granchi Diavola MC; 1 x Scottadito d'Agnello; 1 x Calamari Grill MC  2 x San Vitt Spark1 ltr; 1 x GI Prosecco Treviso; 5 x Peroni Rossa; 1 x Peroni Glass; 2 x Bt Zenato Valpolicel; 1 x Short Black; 1 x Macchiato; 1 x Long Black	\$425.50
18/03/2016 3:42pm	Osteria Oggi	Business lunch, 1 employee and 4 non-employees in attendance	Eftpos receipt provided in lieu of an itemised receipt	\$296.25
20/05/2016 5:21pm	Edinburgh Hotel	[...] meeting with lawyers, 1 employee and 2 non-employees	2 x Hendricks Gin; 4 x Ardborg 30ml	\$80.00

03/06/2016 Time not stated	Lion Hotel	Lunch meeting with CEO of [...], 1 employee and 1 non-employee in attendance	Statutory Declaration provided in lieu of a receipt which states: "I used my City of Burnside Credit Card and inadvertently misplaced the following receipt 3 June 2016 \$338.90"	\$338.90
20/06/2016 Time not stated	Blu Ginger Indian Restaurant	ALGA conference Meal, 1 employee and 1 non-employee in attendance	1 x Barrah Kebab; 1 x Fish Banana Leaf; 1 x Prawn Malabar; 1 x ...; 1 x Dhal Tadka; 1 x Basmati Rice; 1 x Chicken Biryani; 1 x Cheese Naan;  1 x Sparkling Water; 1 x Pure Blonde; 1 x Kingfisher	\$142.90
16/08/2016 3:00pm	Empress Restaurant	Business meeting, 1 employee and 1 non-employee	2 x Medium; 5 x Large; 1 x Special  1 x BK Wines Chardonnay; 2 x Yum Cha tea	\$90.50
01/11/2016 4:28pm	Pepe Cucina	Function with external party/  Lunch meeting - customers, 1 employee and 2 non-employees	1 x Beach Road Pinot Grigio	\$39.00
16/11/2016 1:27pm	Maylands Hotel	Lunch meeting with external people /  ERA [...] meeting, 1 employee and 1 non-employee in attendance	1 x Chick Parm; 2 x S&P Squid  3 x G/Merrill Chard Gls; 2 x Bacardi 700ml 30ml; 2 x Post Mix Sml; 2 x Post Mix Schm; 1 x Macchiato; 1 x Cappuccino	\$122.10
15/12/2016 2:54pm	Cork and cleaver	ERA [...] lunch meeting, 1 employee and 6 non-employees in attendance	Receipt does not itemise what was purchased; it provides the total amount for 'food'	\$561.50
05/04/2017 2:38pm	Belair Hotel	Business lunch meeting, 3 employees and 1 non-employee in attendance	1 Chicken Schnitzel; 1 x Salt N Pepper Squid; 1 x Gnocchi; 1 x Salmon Croquette  6 x Postmix Pint; 2 x Pirate Pale Pint	\$121.00
11/04/2017 2:32pm	Feathers Hotel	[...] light lunch charge, 4 people	1 x grazing platter; 1 x polenta chips  4 x gls beverage (not legible on receipt provided)	\$61.20
11/05/2018 12:57pm	The Gallery	1 Staff Lunch/Dinner Business Function,	Eftpos receipt provided in lieu of transaction receipt	\$49.00
11/05/2017 11:39am	The Gallery	Business Function, 2 staff alcohol	1 x Stone and Wood Pacific Ale Pint; 2 x Jamesons Irish Whiskey 30ml; 1 x Glenfiditch 12yo 30ml	\$38.00
11/05/2017 12:07pm	The Gallery	Business Function, 2 staff alcohol	1 x Stone and Wood Pacific Ale Pint; 2 x Jamesons Irish Whiskey 30ml; 1 x Glenfiditch 12yo 30ml	\$38.00

13/06/2017 2:29pm	Feathers Hotel	Business function / 1 staff, 3 guests lunch/dinner/ Alcohol	1 x Haloumi Burger; 1 x Gnocchi 4 x Koerner La...	\$76.00
15/06/2017 6:07pm	Uraidla Hotel	Business function, 1 staff, 1 guest alcohol	2 x Basket Range Wines P; 1 x Lobethal Bierhaus Pi; 1 x ... Soukai SGL; 1 x ... Range Wines P	\$51.50
28/06/2017 3:12pm	Pepe Cucina	Business lunch with [...] from local government	1 x Granchio; 1 x Special Risotto 1 x Mineral Water; 4 x Lucignano Fiorentini	\$121.50
30/06/2017 2:47pm	Enzo's Ristorante	Business lunch with externals to discuss recent legal advice and matters	1 x Anchovies Catalina; 1 x Olive Miste; 1 x Prosciutto E Burrata; 3 x Pasta Special Main 5 x Peroni Rossa; 1 x Bt Pipoli Greco; 1 x San Vitt Spark 1 ltr	\$212.00

156. The above transactions depict a significant number of food and alcohol purchases for meetings between a council employee and non-staff/external people. I do not consider that the information retained by the council adequately justified why it was necessary for City of Burnside rate payers to cover the expenses of the above transactions.
157. I appreciate that a council may be required to provide hospitality and entertainment to external stakeholders. I also accept that executive employees at a council may be required to meet with external stakeholders at times that fall outside ordinary business hours. However I consider that meetings with external stakeholders at restaurants, where the expense is to be covered by the council, should be an exceptional form of hospitality or entertainment, and should not be a standard practice in ordinary council business.
158. The above transactions suggest that it was standard practice for meetings with external stakeholders to be held at restaurants and charged to the Executive Employee's corporate credit card. It is not clear why such meetings could not have been held at council premises if it was related to council business.
159. While it may be appropriate for the council to provide some form of catering for meetings with external stakeholders that, for some reason, necessarily occurred over a lunch hour period or outside of ordinary business hours, the transactions above appear entirely excessive and do not suggest any form of restraint in the use of council funds to cover meals and alcohol for meetings with external stakeholders.
160. The descriptions within the Meal Entertainment Expenditure Claim forms do not specify who was present for each transaction. It is therefore unclear exactly who may have benefited from the purchases of meals and alcohol.
161. However some of the descriptions suggest that council funds were used to cover a meal and alcohol for public officers external to the council. I find this very concerning. Such a practice, in my opinion, is not consistent with public service principles.
162. The records held by the council do not justify why the above transactions may have been necessary for council business, nor is there an explanation of how the public and broader community may benefit from the above transactions.

163. A member of the public could rightly question the public value of the above transactions.
164. I also reiterate my views above about the purchase of alcohol with council funds. Noting that purchases of alcohol appear to have been determined to be part of the council conducting business meetings, I do not consider that it would be appropriate for a council employee to consume alcohol in the performance of their official functions.

*Purchases of hot beverages for informal staff meetings and 'catch-ups'*

165. At paragraph 99 above, I explained that from the transactions reviewed by my investigation, \$3,412.90 of council funds was spent on café expenditure. The majority of the expenditure was from an accumulation of individual transactions under \$10.00, many of which were justified as expenditure associated with 'catch-ups' or 'coffee meetings'.
166. A significant portion of these transaction did not include itemised receipts and were often evidenced by an eftpos receipt only. However, the descriptions provided with the Meal Entertainment Expenditure Claim forms and the location of the transactions suggested that the transactions were for café expenditure.
167. I also noticed transaction periods where employees appeared to arrange a high number of coffee meetings with council staff during particular months.
168. For example:
- between 3 May 2016 and 3 August 2016, one Executive Employee charged approximately \$415.50 to their credit card on café expenditure.<sup>9</sup> Of that amount, \$250.70 was spent on one-on-one staff meetings that were described as 'staff meeting', 'GM catch up', 'coffee catch up', 'catch up meeting'. The majority of those purchases were under \$10.00.
  - in December 2016, a different Executive Employee charged \$61.00 to their credit card on café expenditure. Each transaction was described as a 'coffee catch up' with various members of council staff, elected members, and external stakeholders from other councils.
169. This information demonstrates how a general practice of seemingly small transactions such as the purchase of one or more coffees, can over time add up to significant expenditure.
170. In circumstances where two employees may be arranging a meeting or a 'catch-up' it is not clear to me why they would not be in a position to arrange a meeting at council premises or alternatively simply pay for coffee and other café purchases from their own money.
171. I do not consider it would meet public expectations for the council to be paying for café expenditure and coffees for employees.
172. I also do not consider it would be appropriate for council funds to be spent on coffees or other café expenditure for elected members and other public officers.
173. In my view, this kind of expenditure is not reasonably necessary and, cumulatively, is significant.

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<sup>9</sup> NB some of the transactions for that period did not include enough information to discern whether there was additional café expenditure in that period of time.

174. During my investigation, I asked the council for any information providing guidance to council employees around purchases of coffee and hot beverages. The council stated:

There is no specific documentation relating to this matter. The existing Credit Card Policy and Protocol have relevance as needed in terms of approval and scrutinising processes. However, the Administration is in the process of considering suitable procedures and policies pertaining to 'Entertainment' in a broad sense and this item will be taken into consideration for inclusion.

...

In addition, the Audit committee, at the meeting held 15 April 2019, noted correspondence from ... (external partners) which confirmed that, inter alia, concerns around an entertainment policy had not been formally raised in any audits/ management letters to date...

### *Expenditure for staff planning days and workshops*

175. In 2016 and 2017 a number of credit card purchases were made for meals and alcohol connected to council employee planning days and workshops. The following purchases were made by three Executive Employees.

Date	Supplier	Explanation	Items Purchased	Cost
12/08/2016 4:20pm	Robin Hood Hotel	[...] Management Team workshop/meeting, 3 employees in attendance	1 x Sharing Squid; 1 x Hood Slider Trio; 1 x Burger 1 x Asahi Handle 400ml; 1 Coke Diet 330ml; 1 x Bulmers Schnr; 3 x Mug Coffee 1 x F/Room Half Day	\$250.90
26/08/2016 1:10pm	Hotel Richmond	Staff meeting - planning day / [...]Team Planning Day, 6 employees in attendance	2 x Chicken Schnitzel; 1 Veal Schnitzel; 1 x the Double; 2 x Salt and P Squid 2 x Post Mix Pint; 1 x Larious Gin 30ml; 1 x Vale Ale Pint; 1 x Misty Lane Wh G; 1 x Hills Apple Cide	\$165.30
01/09/2016 3:10pm	Rising Sun	GM/Staff strategic planning meeting / Meeting with staff, 3 employees in attendance	6 x Happy Hour Pints; 1 x House Spirit; 4 x Pint Philsner; 3 x Pint Stout; 1 x Schooner Light; 1 x soft	\$124.40
23/09/2016 7:20pm	Arkaba Hotel	[...] Strategic Planning day, total 15 employees in attendance	18 x Squire Pale Pint; 3 x Smirnoff 30; 3 x Small Mix; 3 x LC Bright Ale Pt; 4 x Carlton DRT Pint; 4 x Cooper Pale Pnt; 1 x Gordons Gin; 1 x Tonic Water; 6 x Prancing Pony Ho; 1 x 250 Diet Coke; 5 x WPoint Chard Gls; 1 x Lemon Lime Bitte	\$424.70

12/04/2017 2:38pm	Robin Hood Hotel	Leadership meeting / Lunch / Planning day, 13 employees in attendance	1 x Pasta of the Day; 1 x King George - 2pc; 2 x Squid Main; 1 x Chickpea Tagine; 1 x Peri Peri Chick; 2 x Sandcrab Lingui; 1 x Chicken Schnitzel; Parmigiana; 1 x Curry of the Day; 1 x Caesar Salad add Chicken; 1 x Special; 1 x Haloumi Salad;  7 x Postmix Pint; 1 x Asahi Handle 400; 2 x L/L/B Pint; 2 x Jansz Spk Gls; 1 x Mineral water; 1 x O'Leary Post Gls; 1 x Tim Adams Gls	\$435.00
02/08/2017 Time not specified	Grass Roots	Catering for staff workshop	Catering x 16  Medium Coffee x 11	\$172.00
02/08/2017 2:05pm	Parkside Hotel	[...] planning day	1 x Burger; 1 x Chicken Sanga; 1 x Chicken Schnitzel; 1 x Duck Breast; 2 x Gnocchi; 3 x Lamb Shank; 1 x Rump Steak; 1 x Steak Sandwich  1 x Diet Coke 330ml	\$281.50

176. I accept that a strategic planning day or staff workshop is a valuable exercise for a government agency and thus would be considered to bring value to the broader community of ratepayers. I accept that it would be common practice for a strategic planning day or staff workshop to be potentially held offsite or for there to be catering for such an event. However, I do not consider that it was appropriate for the council to arrange pub meals or alcohol for council employees attending these events.
177. I consider a number of the above examples of purchases connected to staff planning days and workshops to be excessive.
178. I acknowledge that it is a generally accepted practice that a government or publicly funded agency may include a budget for catering for occasional staff events, meetings or planning sessions. I also accept that the council has work, health and safety obligations towards its employees, such as the provision of meals for extended workshops, meetings or sessions.
179. However, I do not accept that purchasing barista-made coffees for catering for a staff workshop, is in itself justifiable. It is not clear if there would have been tea or coffee facilities at whatever location the staff workshop was held at, or whether the purchase of an urn and other catering items occurred.
180. I also note that a number of the transactions above include purchases of alcohol. It is inconceivable to me that a public agency responsible for Local Government would consider it acceptable to consume alcohol during staff work and planning sessions, let alone use corporate credit cards to purchase alcohol for such circumstances. As stated above, I consider the practice of purchasing alcohol for council employees in relation to a business event, or during business hours to be highly inappropriate.
181. In responding to my provisional report, the reporter noted that:

There is the matter of potential claims for personal disability and workplace accident insurance to consider where excess alcohol consumption, purportedly in the course of council duties, is involved. Additionally, there is reason to be concerned about the general health of employees consistently drinking to excess, and the legality of driving after drinking alcohol...

182. I have not been provided with additional documents or explanation of why it was necessary for the council to incur \$124.10 for alcohol for three employees for the purpose of 'GM/staff strategic planning meeting', during business hours. I also have not been provided with additional documentation or explanation of why it was necessary for the council to incur \$424.70 for alcohol for 15 employees for a strategic planning day. The relevant invoice suggests that the transaction was made outside of council business hours.
183. I do not consider that it would be publicly accepted for council funds to be used to purchase barista coffee and alcohol for staff planning days and workshops.

*Expenditure at Adventure Rooms for Team Building, Strategic Planning Day*

184. Although the credit card purchase below does not relate to the purchase of meals or beverages, it was one of the transactions referred to my Office for consideration.
185. I considered it appropriate to comment on this purchase.

Date	Supplier	Explanation	Items Purchased	Cost
02/08/2016	Adventure Rooms Australia	Team Building, Strategic Planning Day - Team building for 12 employees	The Black Queen 6 v 6 Duel	\$336.00

186. I appreciate that to foster an effective and supportive workplace, it will be appropriate at times to dedicate time for team building exercises and strategic planning days. I also note that there may be incidental costs associated with such exercises, such as appropriate catering for lunch, activities that necessitate the hiring of an external function space, or hiring a professional trainer or presenter. I do not consider however that it would be appropriate for public officers to use council funds to engage in an Adventure Rooms activity.
187. The council has not documented why this particular expenditure was necessary or connected to council business.
188. I note that Adventure Rooms are reasonably expensive and the experience is relatively short, (usually no more than one hour). I find it hard to believe that the council couldn't have come up with some other team building exercise for less than \$336. Alternatively, if \$336 was going to be spent, that kind of money should be covering much more than an hour.
189. It is concerning that the council records do not provide adequate justification or consideration of more cost-effective options for a team building or strategic planning day.

*Purchases of beverages and personal travel in connection to Local Government events*

190. The following table describes transactions by several different cardholders, where the explanation provided, or the particular dates and times of the transactions, appear connected to Local Government Management events.
191. The purchases appear to depict a concerningly regular practice of purchasing alcohol for employees at Local Government events. Several purchases also suggest that



council credit cards were used for personal travel from Adelaide city to suburban locations.

Date	Supplier	Explanation	Items Purchased	Cost
04/03/2016 8:10pm	Edinburgh Hotel	LGMA Challenge Team, 10 employees in attendance	2 x Max Demon GLS; 5 x r/ford alic gls; 29 x Vale Ale Pint; 2 x Tanqueray 30ml; 1 x strongbow dry; 1 x spk water 300ml; 1 x Soft Schooner; 4 x Smirnoff Dbl Blk; 3 x JW black 30ml; 1 x dog point SB GLS	\$370.50
15/04/2016 6:43pm	Live Taxi Epay	Taxi - LGMA event	Pick up suburbs, drop off suburbs	\$44.96
16/04/2016 12:57am	La Rambla	LGMA Awards Event, refreshments - LGMA dinner, 7 employees	1 x Vodka 30ml; 1 x Laries 12yo 30ml; 2 x Estrella Damm; 2 x Black Cottage Sauv Blanc; 10 x cocktail	\$203.00
16/04/2016 1:20am	Live Taxi Epay	Taxi - LGMA event	Pick up home, drop off suburbs	\$19.65
08/04/2017 12:47am	Governor Hindmarsh	LGMA Function / Local Government Management Awards event, 19 employees in attendance	5 x Gin & Mix; 4 x Scotch & Mix; 1 x Pale Pint; 1 x Gov's Shiraz Btl; 1 x Gov's Sauv v Btl; 2 x Vodka & Mix; 3 x Laphroig 30ml; 2 x JagerBomb	\$233.10
08/04/2017 1:21am	Udaberri	LGMA Function, 6 employees attending	Eftpos receipt provided in lieu of an itemised receipt	\$40.00
08/04/2017 1:36am	Udaberri	LGMA Awards Night Beverages, 4 employees attending	3 x Objective Butters; 1 x Pirate Life Pale Ale	\$55.00
08/04/2017 01:44am	Live Taxi Epay	Taxi	Pick up City drop off Suburbs	\$16.94
08/04/2017 2:59am	McDonalds Hindley Street	LGMA Awards Night Food, 5 employees	2 x Bacon & Egg Muffin; 1 x Cheeseburger; 1 x McChicken; 1 x Med Fries; 1 x Dbl Qtr Pounder	\$27.20
08/04/2017 04:41am	Ingogo	Taxi	Pick up Adelaide at 04:11am, paid at [suburbs] at 04:41am	\$68.04

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192. In March 2016, an Executive Employee used their credit card for a transaction at the Edinburgh Hotel in the sum of \$370.50. The entirety of the purchase appears to have been spent on alcohol. It was recorded that the purchase was connected to a Local Government Management Team Challenge event, with 10 employees present. Such expenditure does not appear to serve a benefit to the public, nor is it clear how such a purchase may have been necessary for conducting council business.
  193. On 15 April 2016, an Executive Employee used their credit card to purchase a taxi fare for \$44.96. The description provided by the council was that this purchase was related to a Local Government Awards event. In the early hours of the following morning on 16 April 2016, a purchase of \$203.00 was made by the same employee on alcohol at La Rambla. The Meal Entertainment Expenditure Claim form stated that the purchase was also connected to a Local Government Awards event. The purchase was described as 'refreshments' with dinner for seven employees. There is no explanation of why it was either necessary or appropriate for the council to fund the consumption of alcohol for seven employees at almost 1am. It is unclear why there is no corresponding purchase of meals for that event. That same morning, the cardholder purchased another taxi fare. That taxi fare was described as a purchase related to the Local Government event.
  194. At a Local Government event in April 2017, six separate credit card transactions were made by several Executive Employees. The first purchase was for \$233.10 on alcohol. The explanation provided was for the LGMA (Local Government Management Awards) event, where there were 19 employees in attendance. There was no explanation of why the council funded alcohol for 19 of its employees at a Local Government event.
  195. There were two subsequent purchases later that evening at Udaberri. While one of the transactions was not accompanied by an itemised receipt, the other transaction was for \$55.00 on alcohol. The two transactions were made by two different Executive Employees. One of the Meal Entertainment Expenditure Claim forms indicated that there were now only six employees present when the purchase was made, the other form indicated that there were four employees present. Both transactions were stated to have been connected to the LGMA event.
  196. Late that evening/early morning, a purchase of \$27.20 was made at McDonalds, Hindley Street. The explanation provided on the Meal and Entertainment Form was that it was food for five employees, in connection to the LGMA awards night. That transaction occurred at 2:59am.
  197. The credit card of one Executive Employee was used for two transactions. Both transactions described a taxi picking up the cardholder in the city, and dropping them to a suburban location. One taxi fare occurred at 1:44am. The other occurred at 4:41am.
  198. The information provided by the council does not justify the above purchases. I have not been provided with an explanation of why each of the above purchases was a necessary council expense, nor how the expenditure provided a public benefit over and above the council employees who were the recipients of the alcohol or personal travel expenses described above.
  199. I consider it quite alarming that any cardholder would consider it appropriate to spend council funds in the manner described above. On its face, the expenditure is not at all consistent with the genuine conduct of council business, but instead appears to have been expenditure for purely social reasons.
  200. While I understand that an awards event may in itself be related to council business, I do not consider it appropriate for a council to fund employee's food and alcohol at such an event. Regardless, I note that the expenditure appeared to continue well after the duration of the event itself into the early hours of the morning. Overall, the transactions

give the impression that the council was simply funding 'a boozy night out' for a small number of senior employees. It is difficult to see how such expenditure could ever be justifiable.

*Purchases of beverages and personal travel in connection to other functions*

201. The table below describes several transactions which suggest that council credit cards were used to purchase alcohol and personal travel in connection to one or more 'end of year function' on 22 December 2015, and an IT Awards Night in June 2016.

Date	Supplier	Explanation	Items purchased	Cost
22/12/2015 3:48pm	Jolley's Boathouse	Leadership end of year function, total 18 employees	18 x 3/3/3 Menu @85.00 (\$1,530.00)  2 x Andre Delome; 2 x Shaw Smith M3 Chard; 2 x Shaw & Smith SB; 1 x Samuels Gorge; 3 x Heineken; 6 x 4 Pines Pale Ale; 2 x James Boag Premium; 8 x Soda Lime Bitters; 5 x Hills Cider; 3 x Rockford Alicante; 1 x Olivers Shiraz (\$863.50)  3 x Cappuccino; 1 x Latte; 2 x Macchiato; 2 x Flat White; 1 x Mocha (\$45.00)	\$1,038.50 <sup>10</sup>
22/12/2015 5:05pm	Intercontinental	End of year function with 4 employees	1 x Hills Pear; 1 x Cosmopolitan; 1 x Pint Crown; 2 x Pint ArtisanPils; 2 x GI Shaw Smith	\$95.00
22/12/2015 7:51pm	Suburban Taxi	Taxi from Adelaide to [suburb]	Taxi fare, pick up Adelaide destination suburbs	\$69.70
23/06/2016 5:20pm	Robin Hood Hotel	IT Awards Night, total 3 employees in attendance	3 x Asahi half stein 500ml	\$34.50
24/06/2016 1:21am	Chihuahua Peel Street	IT Awards Dinner, total 4 employees in attendance	4 x Tang. Gin	\$34.00
24/06/2016 2:01am	Ingogo	Taxi charge from Adelaide to [suburb]	Taxi fare, pick up Adelaide, paid at [suburb]	\$60.50
24/06/2016 9:08am	Independent [taxi]	Taxi charge from [suburb] to [suburb]	Taxi fare, pick up [suburb], destination [suburb]	\$24.09

202. The first transaction above was for \$1,038.50 at Jolley's Boathouse. The information provided to my investigation suggests that the transaction was justified as a transaction occurring as part of a Leadership end of year function. However, the transaction recorded on the cardholder's bank statement does not align with the total amount listed

<sup>10</sup> The total invoice amount was \$2,238.50 yet the credit card transaction was for \$1,038.50.

- on the receipt. It is unclear what the purpose of that transaction was as part of that event.
203. Nevertheless, it is apparent that the credit card transaction was towards an extravagant three course meal and significant quantities of alcohol for a small proportion of the council's staff. If the council's Leadership Team wished to celebrate the end of a calendar year in such a manner, I consider it would have been appropriate that the Leadership Team members fund that meal and alcohol themselves.
204. Later that same day, an Executive Employee used their corporate credit card to purchase \$95.00 worth of alcohol at the Intercontinental. The description of the transaction on the Meal Entertainment Expenditure Claim form was that it was connected to and end of year function, and that four employees were present. Approximately fifty minutes later, another Executive Employee purchased a taxi fare from Adelaide city to a suburban location, costing just under \$70.00.
205. The information above also suggests that on Wednesday, 23 June 2016 at 5:20pm, an Executive Employee used their corporate credit card at Robin Hood Hotel in Norwood. They purchased alcohol for \$34.50. This purchase was recorded to have been in connection to an IT Awards night, where three employees were in attendance when the purchase was made.
206. That same employee made three credit card purchases in the early hours on Thursday, 24 June 2016. At 1:21am, the employee used their corporate credit card to purchase alcohol at Chihuahua Peel Street, Adelaide. It was recorded to be a purchase connected to the IT Awards night. There were four employees in attendance when the purchase was made.
207. That same employee subsequently used their corporate credit card to purchase a taxi at 2:01am, travelling from Adelaide city to a suburban location. The credit card statement from the employee indicates that on the same date at 9:08am, the employee used their corporate credit card to purchase another taxi.
208. I am troubled by the above purchases that were paid for and approved by the council.
209. I do not consider that the use of council funds for the above purchases would meet public expectations of members of the council's leadership and executive group. As discussed above, I consider that in some cases the expenditure was patently extravagant.

#### *Uber and other personal travel expenses*

210. The transactions within the table below were incurred by four Executive Employees at the council.
211. The information provided to my investigation did not clearly explain what the personal travel expenses were incurred for, or why they were necessary for conducting council business. The table below provides the level of explanation that has been provided to my investigation.

Date	Supplier	Explanation	Items Purchased	Cost
24/09/2015 7:58pm	Independent [taxi]	Taxi fare from Adelaide to [suburb]	Taxi fare, pick up Adelaide, destination [suburb]	\$47.84

14/12/2015 Time not decipherable	Independent [taxi]	Taxi from suburbs to [suburb]	Taxi fare, suburbs to [suburb]	\$14.87
14/12/2015 12:57pm	Live Taxi Epay	Taxi from suburbs to city	Taxi fare, pick up suburbs, drop off city	\$17.32
17/05/2016 12:20pm	Independent [taxi]	Taxi to CBD	Pick up office, destination Adelaide	\$21.76
17/05/2016 Time not decipherable	Suburban Taxi	[...] Management Team - Taxi from CBD	Description on receipt not decipherable; receipt is faded	\$22.20
20/05/2016 2:01pm	Uber	Taxi fare from [suburb] to [suburb]	Travel fare from suburb at 1:51pm to suburb at 2:01pm	\$22.77
27/05/2016 Time not decipherable	Independent [Taxi]	Taxi back to work from Press Club	Receipt not decipherable; receipt is faded	\$21.31
24/06/2016 11:42am	Uber	Taxi	Fare description not present within the document provided	\$20.34
25/06/2016 Time not provided	Uber	No description provided	Statutory declaration signed 27/09/2016 stated: 'I used by [sic] City of Burnside Credit Card and inadvertently misplaced the following receipts 25 June 2016 \$18.76 25 June 2016 \$24.00	\$18.76
25/06/2016 Time not provided	Uber	No description provided	Statutory declaration signed 27/09/2016 stated: 'I used by [sic] City of Burnside Credit Card and inadvertently misplaced the following receipts 25 June 2016 \$18.76 25 June 2016 \$24.00	\$24.00
25/06/2016 5:09pm	Uber	Taxi	Travel fare from suburb at 4:33pm to suburb at 5:01pm	\$30.42
26/06/2016 1:14am	Uber	Taxi	Travel fare from suburb at 12:48am to suburb at 1:13am	\$29.63
20/08/2016 04:53pm	Uber	Travel expenses	Travel fare from suburb at 4:25pm to North Adelaide at 4:25pm	\$51.46
21/08/2016 12:38am	Uber	Travel expenses	Travel fare from North Adelaide at 12:05am to suburb at 12:37am	\$53.84
29/08/2016 9:58am	Uber	Travel expenses	Travel fare from Adelaide city at 9:43am to Burnside Community Centre at 09:57am	\$28.17
29/08/2016 5:46pm	Uber	Travel expenses	Travel fare from Burnside Community Centre at 5:18pm to Adelaide city at 5:45pm	\$34.10

09/12/2016 12:45	Independent [taxi]	Taxi	Pick up suburb, destination Adelaide	\$20.42
06/01/2017 4:49pm	Uber	Taxi service	Travel fare from suburb at 4:30pm to suburb at 4:49pm	\$18.35
15/02/2017 3:25pm	Taxi e-pay	Car parking	Taxi fare, pick up suburbs drop off suburbs	\$18.99
15/02/2017 4:30pm	Ingogo	Travel expenses	Taxi fare, pick up Adelaide to Drop off suburb	\$24.42
10/03/2017 6:01pm	Uber	Uber transport charge - [...] meeting	Travel fare from suburb (address for Enzo's Restaurant) at 5:40pm to suburb at 06:01pm	\$30.02
25/05/2017 12:39	Independent [taxi]	Taxi to city	Taxi fare, pick up suburb destination Adelaide	\$17.41

212. The information obtained from the council, described above, does not inform me of why the above purchases of taxi and Uber transportation were necessary or appropriate for the council to conduct business. It is also not apparent from the above descriptions how those purchases would provide a benefit to council ratepayers or the general public.

213. I also note that on Saturday, 25 June 2016 one Executive Employee at the council made three Uber transactions with their corporate credit card. For two of those transactions, the employee was unable to provide relevant documentation from Uber about the transactions and instead completed a Statutory Declaration, which was signed in September 2016 that stated:

'I used by [sic] City of Burnside Credit Card and inadvertently misplaced the following receipts  
25 June 2016 \$18.76  
25 June 2016 \$24.00.

214. The documents provided by the council did not provide any explanation of why Uber fares on a Saturday were relevant or necessary to conduct council business. I also note that the Statutory Declaration was executed months after the relevant transactions. The explanation provided in council records for the third Uber fare on Saturday 25 June 2016 was:

Taxi

215. The same Executive Employee used their corporate credit card to purchase an Uber fare on Sunday, 26 June 2016 at 1:14am. The explanation for that transaction within council records was:

Taxi

216. I do not consider that the council appropriately recorded any rationale for credit card expenditure of over \$100.00 on Uber fares on a weekend.

217. The above transactions also indicate that on 20 August 2016, an Executive Employee at the council purchased an Uber from a residential location to North Adelaide. That Uber fare cost approximately \$50.00. At 12:00am the following morning, the same employee requested an Uber from North Adelaide to the residential address. Those two dates fall on a Saturday and a Sunday.

218. Several transactions show taxi fares to and from certain locations. There was no explanation of why a taxi fare was required or what the taxi fare was connected to in relation to council business.
219. I do not consider that the above transactions were adequately documented within council records. There is no explanation of why the personal travel expenses were incurred or how they may be justifiably connected to council business.
220. As part of my investigation, I asked the council if it had any policies concerning the use of personal travel services. I was advised that in the period of time relevant to my investigation, there was no policy concerning such expenditure.
221. During the council meeting on 25 September 2018, (then) Councillor Monceaux asked the following Question on Notice to the council in relation to the credit card expenditure:

5. Why are Credit cards used for Vehicle Services?

222. The minutes from that meeting show the council's response to have been:

*It is an approved purchase mechanism under Council's procurement framework and it [sic] considered an efficient tool for one off purchases for vehicles provided to employees through their employment package arrangements or fleet vehicles if required.*

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## Whether the City of Burnside acted in a manner that was wrong by failing to maintain accurate records in respect of credit card expenditure

223. I have noted above that my investigation was significantly hindered by the limited documentation provided by the council to explain or justify the purchases that I have reviewed.
224. An important part of good governance is transparency and accountability. If the council does not have adequate documentation to justify its spending, it is not possible for the council to be adequately accountable for that spending.
225. The council's former credit card policy and protocol required the cardholder to ensure that invoices and receipts are retained for each credit card transaction. If an invoice or receipt is unable to be produced, the cardholder is to complete a Statutory Declaration in lieu of the receipt.
226. I am of the view that for accurate and transparent record keeping, the information must include a full description of the purpose and reasons for the purchases. That information should be easily ascertainable from the council's records.
227. I consider that the council's descriptions of purchases for meals, beverages and personal transport was inadequate. The council has been unable to clearly explain why such purchases were necessary other than to comment that it was in the course of council business. The information from the council also does not demonstrate clearly who was present or who benefited from these expenses.
228. Further, in a number of instances I was unable to gain a clear picture of what was purchased due to incomplete information, including missing receipts, and eftpos transaction receipts attached instead of an itemised taxation invoice. This is clearly inconsistent with the council's former credit card policy and protocol, which required transaction receipts or invoices stating the vendor's ABN.
229. In addition, it is of great concern that Statutory Declarations, that act as an insurance for purchases where an invoice or receipt is unable to be produced by the relevant cardholder, in many instances contained little information, were at times completed many months after the event, or not even properly executed.
230. Further still, the example described above where the cardholder provided an email about the credit card transaction, in lieu of either a Statutory Declaration, receipt or invoice, was clearly not envisaged by the council's former credit card policy or protocol.
231. I am also alarmed by the number of Cardholder Expenditure Summary forms that were not signed by all relevant parties within the credit card reconciliation process described in the former credit card policy and protocol.
232. This information suggests an abandonment from the record keeping and reconciliation practices required by the former credit card policy and protocol. This appears to have occurred at many levels; by the cardholder, their authorising officer, and the Finance Team.
233. In my view, the council failed to:
- ensure (at multiple levels) that credit card transactions were accompanied by an appropriate receipt, invoice or Statutory Declaration
  - provide accurate and informative descriptions of credit card purchases
  - complete Cardholder Expenditure Summary forms in a manner consistent with the former credit card policy and protocol.



234. I consider that this demonstrates a failure to maintain accurate records of credit card expenditure, as required by the council's own policy and protocol that was in place at the relevant time.
235. I am of the view that such a failure is wrong for the purposes of section 25(1)(g) of the Ombudsman Act.

## **Opinion**

236. In light of the above, I am of the view that by failing to maintain accurate records of credit card transactions, the council acted in a manner that was wrong under section 25(1)(g) of the Ombudsman Act.

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## Whether the City of Burnside committed maladministration in public administration by systemic misuse of corporate credit cards

237. In order for the council to have committed maladministration in public administration, the credit card expenditure must have been incurred in accordance with a practice of the council that resulted in either:
- irregular and unauthorised use of public money; or
  - the substantial mismanagement of public resources.
238. Throughout this report, I have considered various categories of expenditure that relate to the purchase of meals and beverages by Executive Employees.
239. The information before me does not suggest that the credit card transactions were either irregular or unauthorised; the transactions were authorised as part of a process wherein three public officers were afforded an opportunity to review and consider the appropriateness of the transactions.
240. In turning to whether the council's practices detailed above may have resulted in the substantial mismanagement of public resources, I note that there is no specific test in the ICAC Act as to what is considered substantial mismanagement.
241. I have therefore based my conclusion on a number of considerations. As noted above at paragraph 98, in terms of the appropriateness of the transactions that were incurred and authorised by the council, my considerations have included:
- the benefit (real or perceived) gained by the public from the expenditure
  - the public's expectations of government agencies
  - the appropriateness of the amount of the expenditure
  - whether the expenditure was reasonably necessary for the carrying out of the council's functions.
242. However, I turn first to the issue of the council's record keeping and reconciliation process, and adherence to the former credit card policy and protocol.
243. At the outset I comment that the council's policies as they existed between June 2015 and August 2017 were inadequate.
244. The council's former credit card policy and protocol provided little-to-no guidance on what constituted an appropriate credit card transaction. The council's former credit card policy and protocol also does not appear to have included any reference to either the cardholder or person authorising expenditure turning their mind to the appropriateness of, or providing justification for, the expenditure.
245. The former credit card policy framework stipulated the maximum expenditure that could be incurred by a single employee each day and each month, and allowed any expenditure not directly for the cardholder's personal use, or for the purpose of purchasing software. There appeared to be little to no oversight or scrutiny of the individual transactions.
246. As noted above, the council's former credit card policy and protocol provided a three step process to authorise and accurately reconcile expenditure on a monthly basis. Transactions were required to be reviewed by the cardholder, their authorising officer and the Finance Team.
247. It does not appear that this occurred in many instances.

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248. The council's former credit card policy and protocol required a receipt, invoice or Statutory Declaration to provide evidence of the transaction. Each month, it was the role of the cardholder, authorising officer and Finance Officer to ensure that the evidence for each transaction was accurate and available prior to authorising the credit card expenditure.
249. The following examples suggest that the reconciliation process was not followed:
- the presence of a Statutory Declaration that was not executed
  - instances where one Statutory Declaration (which was not executed) was used to evidence credit card purchases occurring over an 8 month period of time
  - authorisations for credit card expenditure via email
  - Cardholder Expenditure Summary forms that had not been signed by the Finance Team.
250. I have also noted that there were a considerable amount of transactions that were not evidenced by an itemised receipt containing an ABN for the relevant merchant. This appears inconsistent with the definition of a taxation receipt contained within the former credit card policy and protocol.
251. In addition to the above, my investigation noted an instance where a council employee had completed a Statutory Declaration that they had used an Executive Employee's credit card to purchase meals. This was clearly inconsistent with the former credit card policy and protocol, which stipulated that the credit cards are to be used only by the employee with authorisation to do so. This was also stipulated within the Cardholder Agreement that is signed by employees upon being issued with a corporate credit card. Yet, it does not appear that this transaction was queried or followed up with the relevant employee.
252. I note that the former credit card protocol was somewhat ambiguous as to whom bears responsibility for any inconsistencies in transaction receipts, noting that it is the responsibility of the cardholder to initiate an investigation into the circumstances of the transaction, but that the delegated authorising officer would then request a copy of the transaction receipt from the vendor/merchant and may seek the assistance of the Finance Team. It is unclear who the responsibility for resolving the issue ultimately rested with.
253. While I consider that the council's policies and protocols at the relevant time were not adequate, I also consider that there appeared to be an overall practice wherein a number of transaction and record keeping errors occurred over the period of time investigated, which is suggestive of a broader practice of disordered record keeping and reconciliation.
254. I turn now to the transactions that I have described above. I have explained earlier in this report that I have considered approximately 466 transactions by Executive Employees at the council. I have provided the council with an opportunity to produce relevant documents and provide an explanation for each of the transactions.
255. I have considered all of the expenditure outlined in this report in forming my views, and highlighted particularly egregious examples of expenditure as necessary.
256. I have noted examples that depict the following trends in expenditure:
- purchases of food and alcohol for 'staff reward and recognition' and farewells for staff, none of which appeared consistent with the council's Reward and Recognition Protocol
  - purchases of food and alcohol for the benefit of employees and elected members, without clear justification

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- purchases of food and alcohol for meetings with external stakeholders where the expense had been incurred by the council without clear justification
  - purchases of coffee and other hot beverages for informal staff meetings and 'catch ups', many of which were small purchases that accumulated to thousands of dollars over a two year period
  - expenditure for staff planning days and workshops, including purchasing alcohol and barista coffee at the council's expense
  - expenditure at Adventure Rooms for a Team Building, Strategic Planning Day for twelve people
  - purchases of food, beverages and personal travel in connection to Local Government events
  - purchases of food, beverages and personal travel expenses for external functions
  - expenditure on Uber and other personal travel expenses, without clear justification.
257. I have explained why I consider that the above types of expenditure is inappropriate and would not meet public expectations of a council.
258. While I note that it would appear the council may have justified the expenditure as a normal part of 'council business', I also note the significant difference between a purchase that may be made 'in the course of council business' and a purchase that is 'necessary for council business'. I consider that council spending should seek to exemplify the latter description, whereas it appears that the transactions above exemplify the former description. I also think it would be very difficult to argue that some of those transactions even occurred in the course of council business.
259. I do not consider that the transactions described in this report suggest that there was a benefit to have been gained by the public for those transactions. The transactions, in my view, demonstrate an overall pattern of a lack of restraint and accountability in the use of corporate credit cards. Such expenditure, without adequate records to justify the expenditure, could easily place the council at risk of being perceived to use council's funds for personal use. That is clearly not intended under the council's former credit card policy or protocol. I also do not consider that such practice would meet public expectations.
260. The above transactions have led to a highly significant amount of money being spent by the council to the benefit of its own employees and elected members, without adequate justification. It suggests an overall trend for the period between 2015 and 2017 of a disregard for the public monies being spent.
261. I do not consider expenditure on meals and alcohol to be a standard part of doing council business.
262. What has been concerning for my investigation is an apparent disregard for any consideration of whether the expenditure was appropriate or necessary as part of council business. My investigation was not provided with justification for the purchases, or evidence that the purchases were questioned or scrutinised by any of the public officers who either incurred, benefited from, authorised or reconciled the transactions.
263. In summing up, I am concerned that, at the time the purchases were made, the council's policies and protocols were inadequate and did not stipulate what may constitute an appropriate use of corporate credit cards. Arguably, the council's former policies contributed to the systemic use of the council's credit cards, accruing expenditure which was often inappropriate with an apparent disregard for the

appropriateness of the expenditure by the cardholder, nor was there any oversight of the expenditure to confirm whether its use was appropriate.

264. I consider that the council's policies at the time that the relevant transactions were incurred did not appropriately require the cardholder or other authorising officers to consider the appropriateness of the transactions. However, I also consider that the information above demonstrates that Executive Employees at the council engaged in a practice of transaction reconciliation that was not consistent with the council's former credit card policy and protocol, to the extent that the limited checks and balances that were in place were not meaningfully followed.
265. In addition, the above categories of expenditure that I have considered in my investigation suggest that Executive Employees at the council engaged in a practice of incurring and authorising credit card expenditure that would not meet the four limbs of the test set out at paragraphs 98 and 241 of this report.
266. I consider that this report highlights extensive practices that have resulted in substantial mismanagement of public resources by the council, as defined within section 5(4)(a)(i) of the ICAC Act.
267. I consider that such expenditure does not meet public expectations of a council, nor was the expenditure necessary or appropriate for the reasons stated as justification of that expenditure. In such circumstances, I am of the provisional view that incurring the above expenses was wrong under section 25(1)(g) of the Ombudsman Act.

## Opinion

268. In light of the above, I am of the view that the council committed maladministration in public administration for the purposes of section 5(4)(a)(i) of the ICAC Act by:
- its practice of not adhering to its own former corporate credit card policy and former credit card protocol
  - its practice of incurring and authorising expenditure in the following manner:
    - purchases of food and alcohol for 'staff reward and recognition' and farewells for staff, none of which appeared consistent with the council's Reward and Recognition Protocol
    - purchases of food and alcohol for the benefit of employees and elected members, without clear justification
    - purchases of food and alcohol for meetings with external stakeholders where the expense had been incurred by the council without clear justification
    - purchases of coffee and other hot beverages for informal staff meetings and 'catch ups'
    - expenditure for staff planning days and workshops, including purchasing alcohol
    - expenditure at Adventure Rooms for a Team Building, Strategic Planning Day
    - purchases of food, beverages and personal travel in connection to Local Government events
    - purchases of food, beverages and personal travel expenses for external functions
    - expenditure on Uber and other personal travel expenses, without clear justification
- which resulted in the substantial mismanagement of public resources.
269. In addition, I am of the view that incurring the above expenses was wrong under section 25(1)(g) of the Ombudsman Act.

## Summary

My final view is that:

1. By failing to maintain accurate records of credit card transactions, the council acted in a manner that was wrong under section 25(1) of the *Ombudsman Act 1972*.
2. The council committed maladministration in public administration for the purposes of section 5(4)(a)(i) of the *Independent Commissioner Against Corruption Act 2012* by:
  - its practice of not adhering to its own former corporate credit card policy and former credit card protocol
  - its practice of incurring and authorising expenditure in the following manner:
    - purchases of food and alcohol for ‘staff reward and recognition’ and farewells for staff, none of which appeared consistent with the council’s Reward and Recognition Protocol
    - purchases of food and alcohol for the benefit of employees and elected members, without clear justification
    - purchases of food and alcohol for meetings with external stakeholders where the expense had been incurred by the council without clear justification
    - purchases of coffee and other hot beverages for informal staff meetings and ‘catch ups’
    - expenditure for staff planning days and workshops, including purchasing alcohol
    - expenditure at Adventure Rooms for a Team Building, Strategic Planning Day
    - purchases of food, beverages and personal travel in connection to Local Government events
    - purchases of food, beverages and personal travel expenses for external functions
    - expenditure on Uber and other personal travel expenses, without clear justification

which resulted in the substantial mismanagement of public resources.
3. The expenses incurred by the council for:
  - purchases of food and alcohol for ‘staff reward and recognition’ and farewells for staff, none of which appeared consistent with the council’s Reward and Recognition Protocol
  - purchases of food and alcohol for the benefit of employees and elected members, without clear justification
  - purchases of food and alcohol for meetings with external stakeholders where the expense had been incurred by the council without clear justification
  - purchases of coffee and other hot beverages for informal staff meetings and ‘catch ups’
  - expenditure for staff planning days and workshops, including purchasing alcohol
  - expenditure at Adventure Rooms for a Team Building, Strategic Planning Day
  - purchases of food, beverages and personal travel in connection to Local Government events
  - purchases of food, beverages and personal travel expenses for external functions
  - expenditure on Uber and other personal travel expenses, without clear justification

was wrong under section 25(1)(g) of the *Ombudsman Act 1972*.

## Recommendations - overview

Section 25(2) of the Ombudsman Act allows me to make recommendations to a relevant agency in circumstances where I have concluded that the agency has made an administrative error for the purposes of section 25(1) of the Ombudsman Act.

The purpose of my recommendations includes achieving improvements in public administration to ensure that the errors identified in my investigation are remedied and do not occur again.

In making recommendations, I consider any actions undertaken by the relevant government department or agency to address the issues raised by my investigation.

In my report, I have previously referred to changes to the council's credit card policy and protocol since the relevant transactions in 2015 to 2017. As part of my investigation, I requested a response from the council about the changes that have been enacted to address the issues in my investigation around credit card expenditure.

The council advised:

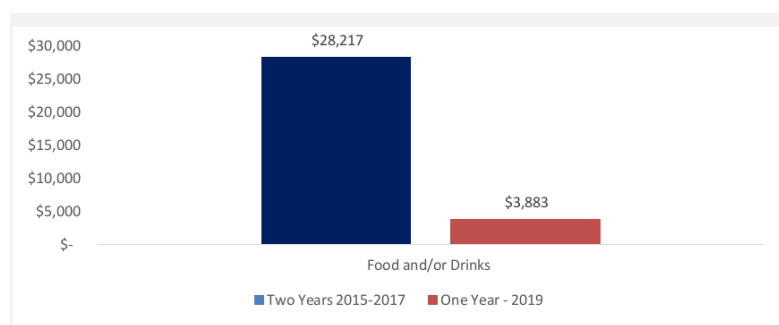
After the Local Government Association (LGA) introduced the Entertainment Policy in September 2018, the Council Administration commenced a comprehensive process of consulting on Council's own Entertainment and Hospitality Policy which was based on the principles of the LGA Model Policy. This Policy was adopted in August 2019 and I believe has been instrumental in guiding staff on hospitality related expenditure including the specific expenditure limits allowed.

Since then, Council Administration has undertaken a number of initiatives to further strengthen the processes around credit card expenditure...

...

Council is committed to high levels of governance and transparency and have [sic] dedicated resources to ensure the internal controls around credit card expenditure are strengthened and maintained.

To reiterate this point, I would like to illustrate below the change in credit card spend patterns between the two-year period being investigated and the 2019 calendar year (one year only) by comparing the food and/or drinks category. I believe the significant reduction in spend is a testament to the work done by the Council Administration in providing clearer guidance to staff and strengthening internal controls.



The council also advised me of the following initiatives that have occurred since 30 July 2019:

- implementation of an online credit card register that is published monthly on the council's external website
- a public platform for making more of the council's financial transactions available easily online

- far more rigour around credit card spending with detailed reviews undertaken each month and the public registers made available on the council website
- development of dashboard reports which provide the Executive and Management Teams with information on credit card expenditure
- monthly credit card transactions reviewed by three levels of council administration, being the Finance Officer, the Group Manager Finance and Governance, and the General Manager Corporate and Development
- monthly credit card reports available on 'Power BI' which allows council management and the Executive Team to obtain information on credit card expenditure
- regular audits undertaken by the Finance Team based on sample transactions
- provision of ongoing training for council employees on credit card usage
- an Annual Review undertaken by the Group Manager, Finance and Governance
- regular reminders sent out to employees on timeliness of coding their transactions within ProMaster
- updating the following policies/protocols:
  - Elected Members' Allowances and Benefits Policy
  - Reward and Recognition Protocol
  - Internal Financial Controls Framework
  - Corporate Credit Card Protocol
  - Corporate Credit Card Policy
- the introduction of the Entertainment and Hospitality Policy.

The council advised me that the credit card policy was to be updated in February 2020 and stated the following:

...Some suggestions for improvements...will however be included in the final version that is tabled at Council:

- a prescribed template to be included for the Statutory Declarations which include the requirement to 'state details of what has been purchased and why purchases were necessary/relate to council business'
- a statement to explicitly mention that any expenses related to reward and recognition are to be aligned to the Reward and Recognition protocol
- a statement that explicitly requires the cardholder and person authorising expenditure to 'turn their mind to the appropriateness/providing justification for the expenditure'
- a statement that explicitly requires the cardholder to justify how purchases related to council business.

In responding to my provisional report, Mayor Monceaux also provided the following explanation:

I also wish to make some comments about actions I took immediately upon my election as Mayor of the City of Burnside in November 2018. I did as follow [sic]:

- a) ceased immediately the provision of alcohol to elected members and staff after each Council meeting (twice per month)
- b) reduced the excessive cost of meals provided to elected members prior to council meetings and ceased the provision of expensive suppers after each meeting (twice per month)
- c) paid the cost of the elected member Christmas dinner myself; 'under my watch' it has not been paid for by ratepayers
- d) re-assessed and restricted the provision of alcoholic beverages provided at council and community events



- e) initiated the development of an Entertainment and Hospitality Policy that was written by senior staff and amended and endorsed by council
- f) discussed with the former CEO, Mr Deb the large number of Corporate Credit Cards, their usage and the Protocol and Policy, because of previous adverse publicity. I was informed that the council was now using an electronic system, Promaster, to ensure accountable usage and appropriate authorisation.

I believe that the above actions reduced alcohol and food consumption and excessive costs that are referred to in the graph on page 68 of your Provisional Report. I was not aware at the time of my election, of all the details of the excessive use of Corporate Credit Cards for the purchase of coffees, meals and other inappropriate expenditure.

I commend the council (both the council administration and elected members, through the leadership of Mayor Monceaux) for the above initiatives to strengthen its accountability and transparency mechanisms for credit card use and expenditure by council employees.

I have reviewed the current policies and protocols that have been relevant to my investigation. This next part of my report is dedicated to summarising the concerns that still remain for me in relation to the council's current policies and protocols, which I consider could be further strengthened to safeguard against the types of expenditure that has been the subject of my investigation. This has informed the recommendations that I have made.

While it is acknowledged that there appears to have been a general shift in the consideration of what constitutes 'appropriate expenditure' for credit card usage, the longevity of such a system and practice needs to be supported by appropriate policies and protocols that clearly explain what is or is not appropriate. The policies and protocols should, as much as possible, not leave room for ambiguity, different interpretations or scope for broad reaching expenditure. My considerations and recommendations below have been framed with this in mind.

I am pleased that in responding to my provisional report and recommendations, Mr Cowley stated the following:

Your views certainly align with my expectations regarding the use of Council credit cards and expenditure by staff.

I am supportive of the 13 recommendations in your provisional report and intend to implement them as soon as possible.

Mayor Monceaux also stated the following:

..I support entirely the 13 Recommendations you have made in your Provisional Report, and by working with the current CEO, I make a commitment to ensure all these recommendations are implemented.

...

I am gravely concerned that for a number of years certain staff...felt it appropriate to use ratepayer funds in inappropriate ways as you have indicated in your report. ....

...

My additional concerns relate to so-called 'business activities' and locations and costs of 'staff training' sessions. I am strongly in support of your recommendations addressing these and the changes you recommend to the Entertainment and Hospitality Policy and Corporate Credit Card policy and protocol.

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While the current CEO, Mr Chris Cowley and I are aware of this previous misconduct<sup>11</sup> and maladministration, we have worked responsibly and diligently to improve the processes and change the entitlement issues that have existed in the past. We will ensure that funds will only be expended when they serve the public and are absolutely necessary for council business (with a formal definition of what 'business' means). As you state, policies and protocols should not be ambiguous allowing for different interpretations or scope for broad reaching expenditure. Policies and Protocols will be updated according to your recommendations.

...

The reporter also provided the following comments:

I support your recommendations in respect to improvements of council policy and documentation. However, the CEO and senior staff should have a responsibility to define acceptable use of credit cards and entertainment costs i.e. expenditure that the average person would deem to be acceptable. The pattern of expenditure evident in the credit card statements and described in your report appears to be pilfering and/or theft. It should not be necessary to forbid this in council policies.

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<sup>11</sup> NB my investigation has not considered employee misconduct.

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## My Recommendations

I understand that the credit card policy and protocol are intended to be read together. To avoid confusion for council staff it would be of benefit if any ambiguity or inconsistency could be removed.

During my investigation, I noted a discrepancy between the descriptions of council employees responsible for verifying and reconciling credit card transactions within the two documents. From reviewing the current version of these documents, it appears that this discrepancy remains.

The current credit card policy defines the council employee who is issued with a corporate credit card as the 'Accountholder' but appears to sometimes be more generally referred to in the policy as the 'staff member'. This also differs from the description provided within the credit card protocol and Cardholder Agreement, where that person is described as the 'cardholder'.

I have noticed that while the credit card policy defines the 'Delegated Authorising Officer', it appears that reference to this position within the policy includes reference to the 'authoriser'. The credit card protocol also appears to make reference to the 'Delegated Authorising Officer' as the 'approver'.

The credit card policy refers to the 'Finance Team' as the third tier responsible for verifying and reconciling credit card transactions. However, the credit card protocol refers to the role undertaken by 'a member of the Finance Team' and 'a Finance Officer'.

To avoid ambiguity, I recommend that the terms used to describe the council employees responsible for credit card verification and reconciliation be unified descriptions across all documents.

The credit card policy and protocol work on the basis that there is a three-step process to review and authorise credit card expenditure. My investigation showed that this system did not work effectively. It is of concern to me that in reviewing the descriptions of the responsibilities placed on an individual in this three-step process, particularly in relation to disputed or unverified transactions, there appears to be some inconsistency between the policy and the protocol. This could easily create confusion as to what is required of the cardholder, authorising officer, and Finance Team.

For example, the credit card policy requires a cardholder to take actions to address disputed or unverified transactions by:

- requesting a relevant tax invoice or receipt from the merchant, or completing a Statutory Declaration where a receipt or invoice is unavailable; or
- following up or disputing any transactions on ProMaster that are not identified as being for a genuine purpose or cannot be verified with a taxation receipt or invoice.

The cardholder is also required to action a complaint and submit an online form to the Finance Officer.

The credit card policy indicates that in the event of a disputed or unverified transaction that remains unresolved, the cardholder will need to seek further assistance and negotiation with the card issuing bank representative. The policy, as currently written, also requires 'the banking representative' to 'assist in resolving disputed transactions involving duplicated charges, charges for goods not receipted, or credit refunds not processed after an agreed refund with the merchant'. This appears to place ultimate responsibility of an undisputed transaction onto an undefined 'banking representative', who may not be an employee of the council.

The credit card protocol also requires the cardholder to seek a transaction invoice or receipt, or prepare a Statutory Declaration. However the protocol states that if a transaction is found to be unverifiable or documentation requested from the vendor or merchant is unavailable, 'the cardholder must report this to their delegated authorising officer per the Corporate Credit Card Policy'. Yet, it is not clear that this step is included within the credit card policy. The credit card protocol places responsibility onto the delegated authorising officer to inform the General Manager of Finance and Governance of the disputed transaction, which also appears to differ from the responsibilities stated within the credit card policy.

In the circumstances, I make the following recommendation under section 25(2) of the Ombudsman Act:

### **Recommendation 1**

That the council reviews and updates its Corporate Credit Card Policy and Corporate Credit Card Protocol to ensure that the following are consistently described in both documents:

- the description of the staff member who is issued with a corporate credit card, their authorising officer, and relevant Finance Team member
- the roles and responsibilities for the staff member issued with a corporate credit card, their authorising officer, and relevant Finance Team member.

During my investigation, I noticed that the former credit card policy and protocol required the cardholder, authorising officer, and Finance Team to ensure that all transactions were reconciled with taxation receipts. The cardholder and authorising officer were also required to ensure that the relevant credit card limit was not exceeded.

At paragraphs 22 to 27 of this report, I have explained the declarations that were completed by each of those staff members, during the relevant transaction period, in verifying and reconciling the transactions each month. In my provisional report, I noted that the declarations did not appear to expressly reflect the responsibilities that were placed on the employees within the former credit card policy and protocol.

In my provisional report, I also reflected that given my considerations about the current inconsistencies between the credit card policy and protocol, I had proposed the following provisional recommendation:

#### *Recommendation 2*

*That the council reviews its current Cardholder Expenditure Summary form to ensure that the description of the monthly agreement of required action by the cardholder, authorising officer and the Finance Team matches the responsibilities within the corporate credit card policy and protocol, and update if necessary.*

My Officer subsequently made additional enquiries with the council to confirm whether there was still a requirement to sign or submit any declaration as part of the monthly credit card reconciliation process via ProMaster.

The council advised that there is no current requirement under the ProMaster system to submit or sign any declaration as part of the credit card reconciliation process. The only declaration currently is the Cardholder Agreement which is required to be signed by the cardholder and the authorising officer when a corporate credit card is received.

I subsequently explained in a letter to Mr Cowley that as ProMaster does not require a monthly declaration to be completed by either the cardholder, authorising officer or finance

team, this suggested to me that there was an absence of a regular accountability mechanism to ensure that public funds have been appropriately incurred and/or approved.

I noted that the cardholder is required to complete a declaration upon being issued a corporate credit card, which is also signed by the cardholder's authorising officer. However, I do not consider this to be sufficient to ensure that persons incurring and/or approving expenditure of public funds continue to turn their minds to the appropriateness of their credit card expenditure, and whether their actions comply with the council's Corporate Credit Card Policy and Corporate Credit Card Protocol.

I proposed a revised recommendation that would address my concerns. The revised recommendation was put to Mr Cowley for his further comment. Mr Cowley expressed his commitment to implementing my revised recommendation by 31 December 2020.

Accordingly, I make the following recommendation under section 25(2) of the Ombudsman Act:

### Recommendation 2

That the council incorporates a requirement within the monthly credit card reconciliation process for the following people to complete a declaration that they have complied with the requirements stipulated within the Corporate Credit Card Policy and Corporate Credit Card Protocol:

- the cardholder
- the authorising officer
- the relevant members of the finance team.

As Mr Cowley provided a detailed explanation of how the council intended to implement this recommendation, I consider it appropriate to provide Mr Cowley's response below:

I acknowledge that ProMaster currently does not require a monthly declaration to be completed by either the cardholder, authorising officer or finance team.

Although, the cardholder is required to complete a declaration upon being issued a corporate credit card, and this is also signed by the cardholder's authorising officer, I appreciate that it is not a regular reminder of the responsibilities of the cardholder or authorising officer.

To that end, I am comfortable with your revised Recommendation 2...

Council has contacted the ProMaster Helpdesk and has established that the expense screen cannot be changed. As such, it is not possible to include a monthly declaration. There is however, an option to use a 'privacy statement' feature. Upon login, the cardholder and authorising officer, enter a unique Username and Password. A dialogue box can then provide a declaration statement, requesting the user to agree or disagree. If the cardholder or authorising officer agrees, they go through to the ProMaster home page. If they disagree, they will be logged out. With this option available to Council we have already investigated and identified the actions required to implement this recommendation:

- Council will include a system requirement within ProMaster for each cardholder and/or authorising officer to declare the following:

***"I have complied with the Credit Card Policy and Corporate Credit Card Protocol and acknowledge my responsibilities as a cardholder/ authoriser. I confirm that that these public funds have been appropriately incurred and/or approved."***

The cardholder and/or authorising officer will need to make this declaration, every time they access the ProMaster system. Only after this declaration, will access to submit and approve credit card transactions in ProMaster be permitted. This will provide the accountability mechanism required, but for each ProMaster login rather than monthly.

- Council will also implement a monthly declaration for finance team members, acknowledging that they have complied with their responsibilities in line with the Credit Card Policy and Corporate Credit Card Protocol.

I thank Mr Cowley for undertaking to implement my recommendation in a timely manner.

As stated above, in responding to my investigation the council advised that amendments to its Corporate Credit Card Policy would include:

- a statement to explicitly mention that any expenses related to reward and recognition are to be aligned to the Reward and Recognition Protocol
- a statement that explicitly requires the cardholder and person authorising expenditure to 'turn their mind to the appropriateness/providing justification for the expenditure'
- a statement that explicitly requires the cardholder to justify how purchases related to council business.

Having reviewed the council's current Corporate Credit Card Policy, I note that clause 8.9 requires a cardholder to turn their mind to the appropriateness of the expenditure. However, it does not appear that a similar requirement is placed on the authorising officer.

I consider it appropriate that when authorising or approving the credit card expenditure of another employee, the authorising officer should also be required to turn their mind to the appropriateness of the expenditure.

It appears that the current Corporate Credit Card Policy also does not explicitly require a cardholder or authorising officer to give consideration to the Reward and Recognition Protocol, or a requirement to justify how purchases relate to council business. It is unclear whether the council may have updated other policies or documents to include these requirements.

In light of the above, I recommend under section 25(2) of the Ombudsman Act:

### **Recommendation 3**

That the council includes provisions within its Corporate Credit Card Policy and/or Corporate Credit Card Protocol requiring the cardholder to:

- declare that the credit card expenditure has been incurred in accordance with the council's policies and protocols
- declare that the credit card expenditure was necessary for conducting council business.

### **Recommendation 4**

That the council includes a provision within its Corporate Credit Card Policy and/or Corporate Credit Card Protocol to ensure that when authorising the credit card expenditure of another employee, the authorising officer be required to turn their mind to the appropriateness of the credit card expenditure.

The Corporate Credit Card Policy currently requires that all transactions contain either a receipt, invoice or a Statutory Declaration for all purchases.

The Corporate Credit Card Protocol, on the other hand, suggests that Statutory Declarations are only required when an invoice or receipt is not available for purchases over \$25.00; transactions under \$25.00 are to be evidenced by an email sent from the cardholder to the delegated authorising officer, who will then approve the transaction.

This appears inconsistent to other provisions within the Corporate Credit Card Protocol for 'reporting disputed or unverified transactions' which does not refer to email authorisations being used in lieu of a Statutory Declaration for purchases under \$25.00.

This could also create a potentially dangerous loophole for employees who do not retain receipts and who then may arguably not be required to complete a Statutory Declaration to evidence the purchase.

One of the issues that particularly frustrated my investigation was the absence of proper evidence to accompany a significant number of smaller purchases under \$25.00. In light of this, I recommend under section 25(2) of the Ombudsman Act:

#### **Recommendation 5**

That the council removes the requirement within its Corporate Credit Card Protocol to only provide a Statutory Declaration for purchases over \$25.00 in circumstances where an invoice or receipt is not available, and also removes the ability for purchases under \$25.00 (that do not have a receipt or invoice) to be evidenced via an email chain of authorisation between the cardholder and the delegated authorising officer.

In addition to the above, I note that the Entertainment and Hospitality Policy was created in 2019. I consider it would be prudent that the creation of any new policy should necessarily require an amendment of any connected or relevant policies to ensure consistency with other policies and protocols.

In particular, it is of critical importance that anyone issued with a corporate credit card, or anyone who is reviewing the policies and protocols relevant to credit card use, is directed to the Entertainment and Hospitality Policy. Presently, neither the Corporate Credit Card Policy nor Protocol mention the Entertainment and Hospitality Policy.<sup>12</sup>

In addition, the current Cardholder Agreement form does not currently require a new cardholder to agree to review and abide by the Entertainment and Hospitality Policy. I consider reference to this policy within the Cardholder Agreement to be an appropriate requirement to ensure that cardholders give consideration to what may or may not be appropriate expenditure whilst using their credit card.

In the circumstances, I make the following recommendations under section 25(2) of the *Ombudsman Act 1972*:

#### **Recommendation 6**

That the council update its Corporate Credit Card Policy and Corporate Credit Card Protocol to ensure that it makes reference, where appropriate, to the council's Entertainment and Hospitality Policy.

<sup>12</sup> The Corporate Credit Card Policy lists a 'related document' to be the 'Entertainment Policy', which does not accurately describe the council's Entertainment and Hospital Policy, hence it is unclear if this references a different document.

### Recommendation 7

That the council update its Credit Card Cardholder Agreement form to ensure that cardholders have reviewed the requirements within the council's Entertainment and Hospitality Policy, and that the Corporate Credit Cardholder Agreement form be amended to reflect that the cardholder agrees to comply with the Entertainment and Hospitality Policy in using a council-issued corporate credit card.

Further in relation to the issue of inconsistencies, clause 6.2.6 of the Entertainment and Hospitality Policy states that expenditure should not provide a personal benefit to staff members or their family or friends (e.g. Christmas functions, birthday celebrations or work social). Yet, Appendix Two to the Corporate Credit Card Protocol includes a 'Meal entertainment table' that refers to circumstances where employees should or should not complete a Fringe Benefits Tax or Meal Entertainment Expenditure form, and includes the following:

- a social function (e.g. a staff Christmas party),
- in an in-house dining facility (at a social function or not at a social function),
- morning and afternoon teas and light lunches,
- at a social function or business lunch.

It appears that the Corporate Credit Card Protocol is not consistent with the Entertainment and Hospitality Policy. In light of this, I recommend:

### Recommendation 8

That the council reviews Appendix Two (for Fringe Benefits Tax) within the Corporate Credit Card Protocol and the Entertainment and Hospitality Policy to ensure any examples provided are consistent within the two documents.

Another issue raised in my investigation was the issue concerning the use of Statutory Declarations. I was concerned that Statutory Declarations were, in at least one instance, not properly executed, nor did Statutory Declarations provide adequate information about the credit card expenditure. I would consider at the very least that the Statutory Declaration should reveal the same level of detail and information that would be gleaned from a receipt or invoice.

The council has updated its Credit Card Policy to include a template for a Statutory Declaration. This is commendable and goes a long way to address the issue. However, I consider that the instructions contained in the template could still allow a cardholder to supply vague and insufficient information, while still complying with the template.

I note that the council had previously advised my investigation that the Statutory Declaration template would include a requirement to 'state details of what has been purchased and why purchases were necessary/relate to council business'.

The template currently contains a blank space which requests that the cardholder 'insert merchant name and details of purchase', however it does not appear to require the cardholder to also explain why the purchases were necessary or relate to council business.

I note that a cardholder could, for example, fill this space with 'Cibo - coffees'. Such a description would technically meet the requirements as detailed in the template, but would not provide any itemised or detailed information about how or why such a purchase related to council business. The lack of itemised receipts and limited information was a recurring issue



throughout my investigation which, in my opinion, inhibits the ability to properly scrutinise expenditure.

In the circumstances, I recommend under section 25(2) of the Ombudsman Act:

### **Recommendation 9**

That the Statutory Declaration template annexed to the council's Corporate Credit Card Policy be amended to specify that each purchase must be itemised and adequately explained as to why it is necessary for council business.

Much of my investigation has concerned expenditure suggesting a practice of the council spending money in ways which are not adequately linked to council business.

It is noted that the Entertainment and Hospitality Policy has the following safeguards:

- that any expenditure by council employees on official hospitality or entertainment must be approved by a manager with appropriate delegations in accordance with the council's Procurement Policy
- that any hospitality related expenditure be approved prior to an event being organised- if not approved prior, the purchaser could be held personally liable for the costs incurred
- that any departure from the Entertainment and Hospitality Policy can be authorised by the Chief Executive Officer on a case by case basis.

I commend the council on these provisions which I believe will help to prevent excessive transactions which are not accounted for. However, I remain concerned that the Entertainment and Hospitality Policy takes a very liberal approach as to what may or may not be appropriate expenditure in relation to entertainment and hospitality.

I am concerned by the definition of 'business activities' as provided in the council's Entertainment and Hospitality Policy. Clause 6.2.4 states:

6.2.4 The following are the type of hospitality events which Council generally undertakes as part of its business activities (some of which may be role specific):

- 6.2.4.1 Meetings with clients / service providers / external stakeholders;
- 6.2.4.2 Council/Committee meetings and workshops;
- 6.2.4.3 Advocacy and or strategic relationship building;
- 6.2.4.4 Work meetings (Team / Programs);
- 6.2.4.5 Corporate events;
- 6.2.4.6 Recognition of Service / Volunteer services;
- 6.2.4.7 Reward and Recognition;
- 6.2.4.8 Wellness Program;
- 6.2.4.9 Employee training sessions coordinated by the People and Innovation Team;
- 6.2.4.10 Structured and approved team building activities/ team planning meetings;
- 6.2.4.11 Civic events;
- 6.2.4.12 Community engagement; and
- 6.2.4.13 Aged Care Services.

I consider this to be an overly broad definition. It is concerning to me that such a definition would appear to encompass almost all of the types of expenditure that I have considered in my investigation.

In particular, I query if the council should be expending funds for entertainment and hospitality in the following circumstances:

- Work meetings (Team / Programs)
- Recognition of Service / Volunteer Services
- Reward and Recognition
- Wellness program
- Structure and approved team building activities / team planning meetings

I note that in relation to recognition of service, the current Reward and Recognition Protocol does not include hospitality as a reward for recognition of service. The current Reward and Recognition Protocol allows a meal to be provided by the Chief Executive Officer as a form of recognition, but I query whether the inclusion of this item without specific reference to this one exception could create confusion as to what is appropriate hospitality for Reward and Recognition.

Examples of what may or may not be appropriate entertainment and hospitality are provided in Appendix One to the Entertainment and Hospitality Policy. Here, the broad definition of what may constitute business activities becomes particularly problematic.

In relation to 'travel expenses', the information within the policy about 'travel expenses' appears to be reasonable. However, Appendix One describes in more detail what may be funded as 'travel expenses'. Essentially, travel expenses, according to Appendix One, can be any accommodation, transport, meals and expenses incidental to travel that is related to any of the business activities listed within clause 6.2.4. This is an extremely (and concerningly) broad definition and it does not appear necessary for travel expenses to be incurred in most of the activities that are listed in clause 6.2.4. It also appears that such a liberal definition of what may constitute work related travel is what has arguably led to the considerable purchases on Uber, taxis and other incidental travel connected to social outings or 'work-related' functions in the relevant transactions considered by my investigation.

In my view, this would not prevent the type of expenditure in connection to travel that I have highlighted in my investigation, but rather, provides scope for such activities to be condoned under the current policy.

In addition, Appendix One suggests that lunches, morning and afternoon teas, tea and coffee and hospitality expenditure for suppliers are all acceptable as long as the expenditure is connected to the 'business activities' listed within 6.2.4. Again, this definition of when such expenditure may be acceptable is extremely broad. This statement also appears inconsistent with clause 6.2.5.2 which does not permit hospitality expenditure for regular meetings, including meetings held in coffee shops.

I make the following recommendation:

#### **Recommendation 10**

That the council reconsiders its definition of 'business activities' within the Entertainment and Hospitality Policy.

Appendix One also suggests that larger scale staff functions (such as a Christmas function) are included as acceptable hospitality related expenditure, yet this is contradictory to clause 6.2.6 which indicates that expenditure should not provide a personal benefit to staff members and that this includes Christmas functions.

On the topic of alcohol, clause 6.3 provides expenditure limits for light refreshments (defined as non-alcoholic beverages earlier in the policy) and breakfast, lunch and dinner. The policy

is silent as to whether an alcoholic beverage may be purchased with a meal provided the total does not exceed the expenditure limits.

Clause 6.4 refers to the supply of alcohol, however this clause specifically relates to the provision of alcohol at a civic, corporate or community event, stating only that the service of alcohol is to comply with the relevant Liquor Licence Requirements. This requirement is imposed on the venue rather than the council.

The Entertainment and Hospitality Policy does not appear to envisage any situation where alcohol may be purchased at a restaurant or bar for consumption by council members or employees, and therefore provides no limits or restrictions for this type of expenditure.

I recommend under section 25(2) of the Ombudsman Act:

### **Recommendation 11**

That the council amend its Entertainment and Hospitality Policy to address the inconsistencies regarding Christmas functions and to include explicit provisions regarding the purchase and consumption of alcohol.

In my investigation, money spent for the purposes of 'coffee meetings' accounted for a significant portion of the investigated expenditure. The council, in responding to my investigation, had indicated that it would be addressing this issue.

Clause 6.2.5.2 of the Entertainment and Hospitality Policy states that regular coffee meetings are not authorised, but then states that annual coffee meetings can be permitted if prior approval is sought from the relevant line manager. I query whether this provision is sufficient to avoid repetition of the type of problematic expenditure I have highlighted in this report. I note that in my investigation there was at least one example of an employee undertaking a number of coffee catch ups within one month for what appeared to be 'annual catch-ups'.

I consider that where there is a discretion for cardholders to make purchases for the purposes of 'coffee meetings', there will always be a potential for that discretion to be abused, resulting in a large number of small purchases amounting to significant expenditure over time.

Further, I do not consider that beverages purchased at a coffee meeting should be paid for by rate payers. Where it is necessary or desirable to hold a meeting at a café, it is appropriate that the attendees purchase beverages with their own money.

I make the following recommendation under section 25(2) of the Ombudsman Act:

### **Recommendation 12**

That the council amends its Entertainment and Hospitality Policy to delete any references to coffee meetings being appropriate expenditure.

The above matters suggest that it may be of benefit to the council to review its policies and protocols more broadly to ensure that they remain consistent and up to date with one another. I note in particular that in responding to my investigation, the council suggested that its Reward and Recognition Protocol was not updated or reviewed for ten years.

With that in mind, I recommend under section 25(2) of the Ombudsman Act:

### **Recommendation 13**

That the council has a stringent procedure to ensure that all policies and protocols are reviewed and updated regularly.

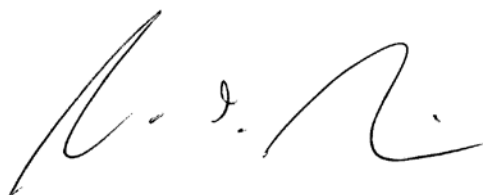
### **Further action**

In accordance with section 25(4) of the Ombudsman Act, the Principal Officer of the council should report to the Ombudsman by 2 March 2021 on what steps have been taken to give effect to the recommendations above; including:

- details of the actions that have been commenced or completed; and
- relevant dates of the actions taken to implement the recommendation.

In the event that no action has been taken, reason(s) for the inaction should be provided to the Ombudsman.

A copy of this report has been supplied to the Minister for Planning and Local Government, as required by section 25(3) of the *Ombudsman Act 1972*.



Wayne Lines  
**SA OMBUDSMAN**

18 December 2020