TE AROHA COLLEGE BOARD OF TRUSTEES
SENSITIVE EXPENDITURE POLICY

Section 1: Introduction, Statutory Mandate and Scope

1.1 Policy Statement and Purpose

The Te Aroha College Sensitive Expenditure Policy is established as a critical governance framework to ensure the rigorous stewardship of public funds entrusted to the school's administration. This policy mandates that all expenditure undertaken by or on behalf of Te Aroha College, particularly those transactions susceptible to external interpretation as conferring private benefit, must adhere to the highest standards of probity, financial prudence, and demonstrable public accountability. The central purpose of this document is to provide prescriptive guidelines and expectations that ensure all financial decisions withstand thorough audit and public scrutiny, thereby safeguarding the College's reputation and maintaining public trust in the administration of state resources.[1]

The policy is designed to uphold the fundamental principle that resources must be primarily directed toward advancing the College's core objectives: promoting student achievement and delivering the curriculum.[3] A failure in financial management, including the improper use of public funds or perceived fraud, directly impacts the availability of funds for curriculum delivery and educational outcomes.[3]

1.2 Governance Overview: The Board's Statutory Duty

The Te Aroha College Board of Trustees (BoT) operates as the governing body responsible for the management, organisation, and administration of the school.[5] This responsibility is derived from the **Education and Training Act 2020**, which establishes the functions and powers of Boards.[4]

The BoT's financial mandate is governed concurrently by the Education and Training Act 2020 and the **Public Finance Act 1989**.[5] Key financial duties include:

1. Allocating funds to reflect the priorities stipulated within the School Charter.[5]
2. Monitoring and controlling all school expenditure to ensure efficiency and compliance.[5]
3. Ensuring that annual financial accounts are prepared, audited, and published according to statutory requirements.[5]

All financial statements for the College must be prepared in accordance with Generally Accepted Accounting Practice (GAAP) in New Zealand. This specifically requires the application of the International Public Sector Accounting Standards (IPSAS) for Public Benefit Entities (PBE) Reduced Disclosure Regime (Tier 2).[8] Furthermore, the Board is required to publish its audited annual report on a publicly accessible website, ensuring the community can review what has been achieved and how finances have been managed.[8] The strict adherence to financial rules and the requirement for external audit provide assurance that the College is behaving in a publicly accountable manner.[7]

1.3 Scope and Application

This policy applies to all forms of expenditure incurred using the financial resources of Te Aroha College. This includes funds derived from the Ministry of Education operational grant, locally raised funds (e.g., fees, donations, fundraising proceeds), and funds held by any associated school trusts.

The scope of this policy extends to all individuals acting on behalf of the College:

- Members of the Board of Trustees.
- The Principal and all members of the Senior Leadership Team.
- Teaching staff, support staff, and administration personnel.
- Contractors, volunteers, and committee members authorized to incur expenditure.[2]

Section 2: Legislative and Audit Framework: Defining Sensitive Expenditure

2.1 Definition of Sensitive Expenditure (SE)

Sensitive expenditure (SE) is defined not just by the cost incurred, but by the potential perception it creates regarding the use of public resources. SE is characterized as any spending by a public organisation, such as Te Aroha College, that:

1. **Could be seen to be giving a private benefit** to an individual staff member, Board member, student, or their family or friends, where that benefit is additional to the legitimate business benefit gained by the College.[2]
2. **Has the potential to cause reputational harm** or erode public trust in the College or the wider public sector, regardless of the dollar value involved.[1]
3. Is highly unusual, controversial, or perceived as excessive when considered against the College's educational purpose and functions.[2]

Expenditure in common areas such as travel, hospitality, gifts, and Principal or Board expenditure is inherently sensitive and requires particular caution.[8] When auditors identify expenditure that confers some personal benefit, even if minor, the matter must be reported to the Board, and often requires concurrence from the Ministry of Education, in addition to addressing tax implications.[12]

2.2 Core OAG Guiding Principals and Expectations

All decisions regarding sensitive expenditure must adopt a principles-based approach, guided by the requirements of the Office of the Auditor-General (OAG).[1] These principles must be applied collectively; no single principle may be prioritized over the others.[13] The leadership, comprising the Board and Principal, carries the primary responsibility for promoting and modelling ethical financial behaviours.[10]

1. **Justifiable Business Purpose (Educational Focus):** Expenditure must be directly consistent with the College's objectives articulated in its strategic and annual implementation plans.[2] There must be a clear and documented educational or business benefit for Te Aroha College, which must outweigh any personal advantage.[11]
2. **Probity and Financial Prudence:** Expenditure must demonstrate sound financial management, representing the best possible value for money. Public entities are expected to apply the highest standards of financial prudence in all financial transactions.[2]
3. **Impartiality:** Spending decisions must preserve the impartiality of the College and its representatives. Expenditure must be designed to avoid providing, or appearing to provide, an unreasonable personal benefit, thereby avoiding conflicts of interest or perceptions of bias.[2]
4. **Moderation and Conservatism:** Expenditure must be reasonable, modest, and conservative,

taking into account the context of a publicly funded rural coeducational school. Extravagance, luxury, or controversial spending is strictly prohibited.[2]

5. **Transparency:** All transactions must be fully documented, recorded, and accessible for internal review and external audit. Decisions must be made in a sound and defensible manner.[2]
6. **Withstand Scrutiny:** All sensitive expenditure decisions must be justifiable to an external audience, specifically meeting the 'taxpayer or parent test'—the Board must be confident that the spending could be publicly disclosed without adversely affecting the College's reputation or public perception.[2]

For governance effectiveness, the theoretical principles outlined above must be translated into an actionable, mandatory check-list for every expenditure request deemed sensitive. This process ensures that the focus remains on the necessary documentation of the educational benefit and adherence to prudence standards. This pre-emptive scrutiny is essential because historical audit reviews have highlighted that sensitive spending often occurs when the educational benefit of the expenditure (e.g., gifts, overseas travel) is poorly or inadequately defined.[12] Therefore, the policy mandates the use of a formal assessment framework before approval is sought.

Table 1: The Sensitive Expenditure Assessment Framework

OAG Principle	**Decision Test (Questions for the Approver)**	**Compliance Justification Focus**
Justifiable Business Purpose	Does this expenditure directly support the strategic goals, annual plan, or core educational needs of Te Aroha College?	Direct link to student achievement or core service delivery. [2]
Probity and Financial Prudence	Is this the most economical, necessary, and effective use of public funds? Have alternatives been fully considered?	Value for money assessment and budget allocation adherence. [2]
Withstand Public Scrutiny	Could the Board fully justify this expense to a parent, taxpayer, or in a public audit without adverse effect?	Anticipated public perception (the 'taxpayer test') and avoidance of reputational harm. [2]
Impartiality and Private Benefit	Does this expense provide, or appear to provide, any unreasonable or non-incidental private benefit to an individual?	Clear documentation that benefit is solely or overwhelmingly institutional. [10]
Moderation and	Is the nature and dollar value of the expenditure modest and	Avoidance of luxury, excess, or controversial spending. [2]

Conservatism	conservative, given the school's status as a publicly funded rural entity?	

Section 3: Policy Implementation and Mandatory Control Systems

3.1 The 'One-Over-One" Approval System

The cornerstone of Te Aroha College's internal control system for sensitive expenditure is the "one-over-one" principle.[2] This requires that all expenditure must be approved by an individual who holds a higher level of seniority or authority within the College's organisational structure than the person incurring the expense.[2]

Non-Delegability of Principal Expenses

Based on repeated audit findings across the school sector where principals have approved their own expenses or had them approved by subordinate staff [15], the policy establishes the following non-negotiable requirement:

- The Principal's expenditure, including all credit card use, travel, professional development, and hospitality, must be reviewed and approved solely by the **Board Chair** or a designated, independent member of the Board of Trustees.[8] This governance separation ensures objectivity and compliance with the one-over-one rule, recognizing that the Board Chair is explicitly senior to the Principal in the governance hierarchy.

Board Member and Staff Expenses

- **Board Expenses:** Expenditure incurred by any Board member, including the Board Chair, must be approved by a majority resolution of the full Board, recorded in the minutes, or pre-approved by a designated Board member other than the claimant, ensuring accountability and preventing any form of self-approval.
- **Staff Expenses:** All other staff sensitive expenditure must be approved by the Principal or a formally delegated Senior Manager, operating within their defined financial delegation limits.

3.2 Formal Financial Delegations and Pre-Approval

The Board must maintain a current and formally approved Financial Delegation Register, reviewed at least annually.[5] All expenditure requests must adhere strictly to these defined limits.

Crucially, approval for sensitive expenditure must be sought and granted **in writing before** the expense is incurred, unless the expenditure involves small, unavoidable amounts such as low-value taxi fares, which must still be promptly reconciled.[2] This pre-approval requirement mitigates the risk of retrospective justification for spending that may later be deemed sensitive or imprudent.

3.3 Documentation and Record Keeping

To meet the principles of transparency and to withstand full audit and public scrutiny, robust documentation is mandatory.[2]

Mandatory Requirements for Approval Documentation:

- The business purpose, specifying the direct educational benefit to Te Aroha College, must be clearly articulated and recorded.
- The documentation must explicitly include the approver's confirmation that the expense has passed the Sensitive Expenditure Assessment Framework (Table 1) and can withstand the 'taxpayer test'.[8]
- All original receipts, invoices, and reconciliation documentation must be provided and retained.[8]
- A dedicated Gifts and Hospitality Register must be maintained to record all instances of gifts given or received above a defined nominal value (recommended minimum of $100, following best practice guidelines).[17]

Table 2: Financial Delegation and Approval Matrix for Sensitive Expenditure

Expenditure Category	**Incurring Individual**	**Required Approver (One-Over-One Control)**	**Mandatory Pre-requisite**
Staff General SE (Minor)	Staff Member/HOD	Principal (or delegated Senior Manager)	Prior written approval, business justification. [2]
Staff General SE (Major)	Staff Member/HOD	Principal	Prior written approval, detailed budget check.
Principal's Expenses (All)	Principal	Board Chair	Monthly reconciliation, prior written approval for major items. [8]
Principal's International Travel/PD	Principal	Full Board of Trustees (Resolution)	Educational benefit justification documented and approved. [16]
Board Member Expenses	Board Member	Board Chair (or designated neutral Board member)	Prior written approval by Chair, or Board resolution.
Gifts Given (Value >$100)	Any Staff	Principal/BoT Finance Committee	Entry in Gifts and Hospitality Register. [17]

Section 4: Detailed Guidelines for High-Risk Expenditure Categories

High-risk expenditure areas are defined as those which commonly attract audit attention or are most likely to result in the perception of private benefit.[11] The Ministry of Education's Financial Information for Schools Handbook (FISH) identifies travel, hospitality, and principal/board expenditure as common sensitive areas.[8]

4.1 Credit Cards and School Assets

The use of school credit cards, fuel cards, or debit cards requires rigorous management, as they are a frequent source of compliance failure.[8]

- Credit cards must be used exclusively by the named individual who possesses the appropriate financial authority. The card and associated PIN must be kept strictly secure.[8]

All credit card expenditure is subject to the 'one-over-one' approval rule. Monthly expenditure reconciliations must be reviewed and approved promptly. Specifically, payments made on the Principal's credit card must be authorised by the Board Chair

4.2 Travel and Accommodation Expenditure

All travel must be clearly justifiable as necessary for the business of the school, and the costs incurred must be reasonable and proportionate to the expected benefits.[16] Before any travel occurs, the Board or its delegate must confirm that the proposed costs are reasonable and justified by the anticipated educational benefits to the College.[16]

Approval and Standards

- **Domestic Travel:** Staff must seek approval in writing from the Principal, detailing the trip's purpose, benefits, and budget. Domestic travel (transport and accommodation) is authorised on a one-up basis.[16]
- **International Travel:** Given its highly sensitive nature, all international travel must be explicitly approved by resolution of the full Board of Trustees.[9] The Board must be fully satisfied that the educational benefits significantly outweigh the cost, particularly considering the College's reliance on public funds.[12]
- **Transport:** Air travel must generally be restricted to economy class. Any deviation requires explicit approval from the BoT based on exceptional circumstances, such as extremely long-haul flights necessitating immediate duty upon arrival.[16]
- **Private Vehicles:** The use of private vehicles for official school business requires prior approval on a one-up basis.[16] Reimbursement for mileage must be calculated at the lower rate stipulated in the relevant employment agreement (e.g., Area School Teachers Collective Agreement - ASTCA) or the current Inland Revenue rate, ensuring financial prudence while meeting contractual obligations.[16] Crucially, travelling from an individual's normal residence to work is considered a personal expense and is ineligible for reimbursement.[16]
- **Loyalty Schemes:** Benefits, including loyalty scheme points, Airpoints, or similar rewards generated through school expenditure, must be used exclusively for the benefit of the College. These benefits must not provide an unreasonable personal benefit to any individual, thereby eliminating a common area of audit contention.[16]

Accommodation and Meals

- Accommodation costs incurred during official travel must be actual and reasonable.[18] Staff must choose modest, cost-effective arrangements.
- Meal allowances must be pre-confirmed with staff prior to travel. Where applicable, the Board will be guided by the rates of reimbursement set out in the relevant collective employment agreements, such as the ASTCA, or set an appropriate rate if the staff member is not covered by a collective agreement.[16]

Table 3: Travel Expense Reimbursement Reference Guide

Expense Type	Standard of Moderation	Reimbursement Basis	Compliance Reference
Domestic Air Travel	Economy Class only	Actual and reasonable cost (Receipt required)	Upgrades must be exceptional and approved by BoT. [16]
Private Vehicle Mileage	Cost-effective and pre-approved	Current IRD rate OR relevant Collective Agreement rate (whichever is lower/applicable)	Excludes home-to-work travel (personal). [16]
Accommodation	Actual and reasonable basis (Modest standard)	Actual cost (Receipt required)	Costs must be confirmed prior to travel commencing. [18]
Meal Allowance	Determined by employment agreement (e.g., ASTCA rate)	Per Diem or Actual and Reasonable Cost (Receipt required for actual)	Rate must be pre-confirmed with employee. [18]
Transport Fines (Parking/Traffic)	Not reimbursable	None	Driver is responsible for all incurred fines. [16]

4.3 Hospitality, Entertainment and Functions

Expenditure on hospitality and entertainment is subject to intense public scrutiny and must be kept moderate and conservative.[8]

- **External Hospitality:** Provision of hospitality (e.g., meals or refreshments) to external parties (e.g., consultants, Ministry officials, visiting delegates) must be directly related to furthering legitimate College business and must be modest in nature. Excessive or luxurious expenditure is strictly prohibited as it breaches the principle of prudence.[13]

- **Staff Functions:** Recognition events, team building, or farewells may be considered sensitive expenditure.[13] While these functions are appropriate for staff welfare, expenditure must be conservative and proportionate to the school's context. Public funds should not be the primary source for functions that are predominantly social in nature. The cost per attendee and the total event budget must be reviewed and approved by the Board or Finance Committee on an annual basis.

4.4 Gifts, Koha and Donations

The exchange of gifts and the provision of koha are sensitive areas where perception of undue influence or private benefit is high.[8]

- **Gifts Given:** Gifts provided by the College to staff or external parties must have a clear, documented business purpose (e.g., recognition of service or collaboration). They must be modest in value and must be approved in advance. The Board must be cautious about both the purpose and the value of any gift.[8] Gifts exceeding $100 must be entered into the Gifts and Hospitality Register and require approval from the Principal or BoT Finance Committee.[17]
- **Koha:** The giving of Koha (a cultural gift or monetary contribution) to Māori or Pacific individuals or groups is permissible when it aligns with cultural protocol and is for a justifiable purpose related to College business (e.g., advisory services, ceremonial duties).[13] Koha must still be tracked, justified in writing, and managed with moderation.
- **Gifts Received:** Staff and Board members must politely decline offers of gifts, benefits, or hospitality that could raise a reasonable perception of actual bias, preferential treatment, or a conflict of interest.[19] Offers exceeding a nominal value (e.g., $50) must be immediately reported to the Principal or Board Chair and documented in the Gifts Register. The default position of a public entity should be to decline offers of gifts that provide a personal benefit.[20]

Section 5: Breach, Review and Accountability

5.1 Consequences of Non-Compliance

The Board of Trustees and the Principal have an overriding obligation to actively promote ethical financial behaviour throughout the College.[10] Any expenditure that is inconsistent with the purpose of the funding, breaches this policy, or is deemed an inappropriate use of public money will be treated with severity.

If expenditure is found to be inappropriate, the external auditor is required to draw attention to the matter in the audit report and report the matter directly to the Board.[12] Failure to adhere to the controls and guidelines set out in this policy, particularly where a material breach or conflict of interest is identified, may result in disciplinary action.[17] Depending on the severity, this may include internal disciplinary processes, termination of employment, or referral to the appropriate external authorities (e.g., police, Serious Fraud Office) for fraud or misappropriation of funds.[17]

5.2 Policy Review and Audit

The Board of Trustees is required to review this Sensitive Expenditure Policy at least once every three years. Review cycles may be shortened if significant legislative changes occur or if internal audit findings necessitate policy adjustment.[9]

Internal control monitoring is a continuous process. The Principal and the BoT Finance Committee must ensure that monthly reporting includes a specific focus on areas of sensitive expenditure, particularly those relating to the Principal and Board, to monitor trends and identify potential risks early.[5] This ongoing vigilance supports the Board's statutory duty of care and financial health.[3]

Section 6: Appendix: Statutory and Regulatory References

This policy has been developed in adherence to the following New Zealand legislation, statutory instruments, and authoritative guidance documents:

Legislation/Instrument	Relevance to Sensitive Expenditure and Governance
Education and Training Act 2020	Defines the objectives, functions, and powers of the School Board of Trustees (BoT) and sets out requirements for financial reporting, including specific disclosures in the annual report.[4]
Public Finance Act 1989	Establishes general financial governance, accountability, and auditing requirements applicable to public sector entities, including school Boards.[5]
Crown Entities Act 2004	Referenced in the Education and Training Act 2020 (Section 134(5)), setting the standard for the Statement of Responsibility required for the annual financial statements, reflecting wider public sector duties.[14]
Financial Information for Schools Handbook (FISH)	Ministry of Education guidance providing best practice for financial governance, management, and reporting specific to schools, including guidelines on handling sensitive expenditure, travel, and audit requirements.[3]
Office of the Auditor-General (OAG) Guidance on Controlling Sensitive Expenditure	Provides the mandatory principles (justifiability, prudence, moderation, transparency, scrutiny) and standards of probity that all public organisations must follow.[1]
International Public Sector Accounting Standards (IPSAS) PBE Tier 2 Reporting Framework	The required accounting framework for preparing the College's annual financial statements, mandating high levels of disclosure and financial reporting standards.[8]
Relevant Collective Agreements (e.g., Area School Teachers Collective Agreement - ASTCA)	Dictates mandatory rates and standards for certain expenses and allowances (e.g., mileage, accommodation, meals) for covered employees, defining the minimum threshold for employee reimbursement.[16]

This policy will be reviewed annually to ensure compliance with current legislation.

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