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**Use and Management of
NSW Government Purchasing Cards**

Policy & Guidelines Paper

Preface

Use and Management of NSW Government Purchasing Cards (the Policy) has been prepared by NSW Treasury to assist Agencies with managing the use and administration of purchasing cards (PCards).

The Policy sets out the responsibilities of both the Agency Head and the Cardholder as to the establishment and operation of a PCard framework and processes within an Agency, and the use and management of PCards within this framework.

PCards fall under the definition of 'financial accommodation' in the *Public Authorities (Financial Arrangements) Act 1987* and support the effective and efficient delivery of government programs. It is essential that a robust PCard program ensures that the risks associated with PCard use across the NSW public sector are minimised.

This Policy has been developed to encourage effective use and management of PCards across the NSW public sector, and to assist Agencies to protect the integrity of their financial management.

In 2013 the NSW Treasury committed to the Financial Management Transformation (FMT) program aiming to improve financial governance across the NSW public sector. One pillar of the FMT program is the development of new financial legislation establishing a single framework for public sector financial management.

This Policy applies to all Agencies as at 1 April 2018, however, we note the intended introduction of the new FMT legislation in the near future. In this regard, while it is intended that the substance of the Policy will remain the same, the Policy will be reviewed to ensure consistency with the terminology used in the new FMT legislation when it is enacted.

This policy replaces and supersedes the following previous administrative requirements: Treasurer's Direction 205; TPP05-01 Credit Card Use Best Practice Guide; and Treasury Circular TC11-15 Use of Purchasing Cards and Electronic Payment Methods.

This Policy Use and Management of NSW Government Purchasing Cards (TPP17-09), is effective from 1 April 2018.

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Note

General inquiries concerning this document should be initially directed to: Director, Financial Management and Accounting Policy (Tel: 9228 5932).

This publication can be accessed from the Treasury's website <https://www.treasury.nsw.gov.au>.

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Executive Summary

A purchasing card (PCard) is a commercial credit card issued at the request of the relevant Agency by the banking services provider engaged by the Treasurer. It is issued to employees to use in transactions for the purchase of goods and services on behalf of the agency.

The NSW Government has implemented a Government PCard program to realise a range of benefits including:

- significant savings from the use of PCards over traditional high cost purchase-to-pay processes; and
- enhanced capability to track and monitor expenditure.

To ensure that these benefits are realised across the public sector, in 2015 the Department of Finance, Services and Innovation (DFSI) issued a circular noting the NSW Government's commitment to the use of PCards for low value, high volume procurement of goods and services. DFSI advised that 'agencies should be using PCards for all procurement related expenditure of \$5,000 or less unless there is a more cost effective electronic alternative'.¹

This Treasury Policy and Guidelines *Use and Management of NSW Government Purchasing Cards* (the Policy) is intended to provide a framework for the use and management of PCards to ensure that risks associated with the use and management of PCards are minimised and the effective and efficient delivery of government programs is supported through a well-managed PCard program. To support this purpose, the Policy has been structured in two (2) parts. Part 1 outlines two mandatory core requirements:

Core requirement 1: The Agency Head is ultimately responsible for the proper management and administration of PCards within the Agency.

Core requirement 2: Cardholders understand and are accountable for the responsible use of PCards.

These core requirements recognise the shared responsibility on the part of both the Agency Head and each Cardholder, to ensure that PCards are used properly and effectively in the public interest. Associated with each core requirement are prescribed activities that establish a minimum framework for the effective use and management of PCards.

Agency Heads are expected to ensure an effective and appropriate PCard program framework is developed for the use and management of PCards.

To assist with framework development, non-mandatory guidance is provided in Part 2 of the Policy. Reflecting a risk-based approach, the guidance is designed to support agencies to identify and manage the risks associated with the administration of a PCard program using internal controls.

This Policy withdraws and supersedes:

- Treasurer's Direction 205
- NSW Treasury Policy and Guidelines Paper TPP05-01 Credit Card Use Best Practice Guide
- Treasury Circular TC11-15 Use of Purchasing Cards and Electronic Payment Methods.

This policy, *Use and Management of NSW Government Purchasing Cards* is effective from 1 April 2018.

¹ [Department of Finance, Services and Innovation Circular DFSI-2015-02-Efficient Electronic Payment Methods](#)

Definitions

For the purposes of this Policy:

Agency has the same meaning given to the term “authority” in s. 4(1) of the *PFA Act*, which as at the date of issue of this Policy means:

- “(a) a Public Service agency under the *Government Sector Employment Act 2013*,
 (a1) the NSW Police Force,
 (b) the Teaching Service,
 (c) a statutory authority,² or
 (d) a person, group of persons or body prescribed for the purposes of this definition.”³

Agency Head has the same meaning given to the term “Head of an authority” in s. 4(1) of the *PFA Act*, which as at the date of issue of this Policy means:

- “(a) in relation to a Public Service agency under the *Government Sector Employment Act 2013* – the head of the agency under that Act,
 (a1) in relation to the NSW Police Force – the Commissioner of Police,
 (b) in relation to the Teaching Service – the Secretary of the Department of Education and Communities,
 (c) in relation to a statutory authority:
 (i) where the statutory authority is an individual or a corporation sole – the individual or corporation sole, or
 (ii) in any other case – the chief executive officer of the statutory authority or the person who exercises the functions of chief executive officer in relation to the statutory authority, or
 (d) in relation to a person, group of persons or body prescribed for the purposes of the definition of *authority* in this section – such persons as is prescribed for the purposes of this definition in relation to the person, group of persons or body.”⁴

Business Purpose means that the expenditure has been undertaken for a purpose that is in direct connection with, or as a direct consequence of, the Cardholder’s role responsibilities.

Card Issuer means the Government-nominated service provider for the administration and provision of Purchasing cards.

Cardholder means the Employee who has been issued with a Purchasing card.

² “Statutory authority” is also a defined term under s. 4(1). As at the date of issue of this Policy it is defined to mean:

- (a) a statutory body representing the Crown, or
 (b) a person, group of persons or body (whether or not being a statutory body representing the Crown) to which Division 3 of Part 3 of the *PFA Act* applies.

³ As at the date of issue of this Policy, no other person, group of persons or body has been prescribed for the purposes of the definition of “authority”.

⁴ As at the date of issue of this Policy, no other person, group of persons or body has been prescribed for the purposes of the definition of “authority”.

Employee has the same meaning given to the term “officer of an authority” in s. 4(1) of the *PFA Act*, which as at the date of issue of this Policy means:

- “(a) in relation to a Public Service agency under the Government Sector Employment Act 2013 – a Public service employee under that Act,
- (a1) in relation to the NSW Police Force – a member of the NSW Police Force,
- (c) in relation to the Teaching Service – an officer or temporary employee of that Service,
- (d) in relation to a statutory authority – a member of the statutory authority or a person appointed to or by or employed within the statutory authority, or
- (e) in relation to a person, group of persons or body prescribed for the purposes of the definition of authority in this section – such person as is prescribed for the purposes of this definition in relation to the persons, group of persons or body.”⁵

Financial accommodation, unless otherwise stated, is a reference to arrangements that have been approved by the Treasurer under the *PAFA Act*, which allows the Agency to obtain and use Purchasing cards.

Internal controls (also controls) refers to the systems, policies, procedures, and processes that are designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations
- reliability of financial reporting, and
- compliance with laws and regulations.

PAFA Act means the *Public Authorities (Financial Arrangements) Act 1987* as amended from time to time and includes any instruments and regulations made under or in connection with this Act from time to time.

PCards Register means the register referred to in clause 1.4 of core requirement 1.

PFA Act means the *Public Finance and Audit Act 1983* as amended from time to time and includes any instruments and regulations made under or in connection with this Act from time to time.

Program Administrator refers to the person nominated by the Agency Head with responsibility for administration of purchasing cards.

Purchasing card (PCard) refers to a credit card issued by a bank, building society or credit union which is used by Cardholders to engage in transactions relating to the purchase of goods and services on behalf of the Agency. Purchasing cards are also known as corporate cards, Government cards, and procurement cards.

Virtual card refers to a PCard that is not issued as a physical card, rather a 16 digit number (and CVV number) is provided to the Agency for use in card-not-present transactions. The Virtual card is not linked to a Cardholder, but is established in the Agency’s name. To protect the card security typically one card is used per merchant.

⁵ See clause 14, *Public Finance and Audit Regulation 2015* for persons prescribed for the purpose of the definition of “officer of an authority”.

Application of the Policy

The core requirements of this Policy are issued as a Treasurer's Direction to accounting officers and officers of an authority⁶ under s.9 of the *PFA Act*. The Policy applies to all Agencies except State Owned Corporations, a subsidiary of a State Owned Corporation and universities (including the Board of Trustees, Council or Senate of a university).

This Policy withdraws and supersedes:

- Treasurer's Direction 205
- NSW Treasury Policy and Guidelines Paper TPP05-01 Credit Card Use Best Practice Guide
- Treasury Circular TC11-15 Use of Purchasing Cards and Electronic Payment Methods.

In 2015, the Department of Finance, Services and Innovation released DFSI-2015-02- *Efficient Electronic Payment Methods* which superseded the content of Treasury Circular TC11-15 relating to the Government's commitment to increase take-up of electronic payment methods and reduce cheques. This Policy is intended to complement DFSI-2015-02- *Efficient Electronic Payment Methods* by providing a framework for the proper use and administration of PCards.

This Policy should be used in conjunction with the following instruments and it does not replace, alter or displace any requirements of the following instruments:

- Public Authorities (Financial Arrangements) Act 1987
- Public Finance and Audit Act 1983
- NSW Government Procurement laws⁷
- NSW Government Procurement Policy Framework⁸
- NSW Government Travel and Transport Policy⁹
- State Records Act 1998.

PAFA Act Approvals for Use of PCards

Under s. 8 of the *Public Authorities (Financial Arrangements) Act 1987* (PAFA Act), Agencies that are covered by the PAFA Act are required to obtain approval for the use of PCards as the use of these cards amounts to the 'obtaining of financial accommodation' for the purposes of the PAFA Act. The Treasurer's approval is required for the total credit limit of all PCards held by the Agency.

⁶ "Accounting officers" and "officers of an authority" are defined in s. 4(1), *PFA Act*.

⁷ <https://www.procurepoint.nsw.gov.au/policy-and-reform/nsw-procurement-laws>

⁸ <https://www.procurepoint.nsw.gov.au/policy-and-reform/nsw-government-procurement-policy-framework>

⁹ <https://www.procurepoint.nsw.gov.au/buying/travel-and-related-services/travel-policies>

1. Core Requirements

Core requirement 1: The Agency Head is ultimately responsible for the proper management and administration of PCards within the Agency

- 1.1 The Agency Head must ensure that an internal approval process is established for Employees to obtain and use PCards. This should be consistent with the requirements of the Card Issuer.
- 1.2 The Agency's internal approval process must ensure the following before a PCard is provided to an Employee (the Cardholder):
- the Employee has the appropriate financial and operational delegations to incur expenditure on behalf of the Agency or has been formally authorised by someone who has appropriate financial and operational delegations
 - appropriate credit limits have been set for the Employee
 - the Agency is not exceeding its budget limits or funding allocation by issuing the PCard to that Employee¹⁰.
- 1.3 The Agency Head is responsible for ensuring a PCard Policy is developed and implemented. As a minimum, the PCard Policy must address:
- criteria for eligibility to hold a PCard
 - roles and responsibilities relating to PCard use, management and administration
 - card security
 - expenditure limits
 - restrictions on use
 - training requirements
 - requirements for approval, acquittal and authorisation of expenditure and reconciliation of transactions including requirements for role segregation;
 - record management¹¹
 - circumstances prompting the cancellation or replacement of PCards
 - fraud and corruption
 - infraction/issues management
 - processes for the review and continuous improvement of the Agency's PCard Policy.

¹⁰ Consistent with the existing arrangements under the *PAFA Act*, Agencies covered by that Act are required to seek the approval of the Treasurer to use PCards.

¹¹ Record management requirement must be consistent with the Agency's obligations under the *State Records Act 1998* and any approved Standards, together with any other obligations including those required by the Australian Taxation Office.

1.4 The Agency Head must ensure that there is an accessible and up-to-date record of all authorised Cardholders (the PCards Register) and the various administrative conditions that apply to each Cardholder including, as a minimum:

- Cardholder's full name
- confirmation that the Cardholder has signed a *Statement of Responsibility* (see Appendix A)
- the last four digits of the Cardholder's card number
- individual transaction limit and monthly limit
- administrative conditions attached to individual PCards/ Cardholders, e.g. review dates, cash withdrawal allowances (where applicable), any restrictions on use
- cancellation dates (where a Cardholder has changed roles or left the employ of the Agency or changed roles within the Agency).

There must also be an accessible record of the total limit for all the PCards currently issued to Employees, together with the Agency's total approved PCard limit under the *PAFA Act* (where relevant).

1.5 The Agency Head must ensure that a direct debit facility is implemented with the Card Issuer for the automatic payment of monthly purchasing card accounts in full to eliminate any late payment fees and interest charges. The payment of any interest charges on cash advances from such accounts or any interest levied on overdue accounts will be the responsibility of the Agency.

1.6 The Agency Head must ensure that the risks associated with PCard use and management are identified, assessed and managed consistent with the Agency's risk management framework.

This requirement should be read alongside any obligations the Agency may have in the *Internal Audit and Risk Management Policy for the NSW Public Sector* (TPP 15-03).

Core requirement 2: Cardholders understand and are accountable for the responsible use of PCards

- 2.1 Cardholders must use PCards for Business Purposes only and in a manner compliant with the conditions set out in the Department of Finance, Services and Innovation Circular *DFSI-2015-02-Efficient Electronic Payment Methods*¹².
- 2.2 In relation to using their PCards, Cardholders are responsible for:
- complying with the requirements of this Policy
 - complying with the terms and conditions of the Card Issuer
 - the safety and security of their card and account details
 - knowing the administrative conditions of their card and account, including relevant limits, thresholds and restrictions
 - ensuring that the credit limits are not exceeded (purchases must not be split to negate credit transaction limits)
 - obtaining and retaining all relevant documentation relating to transactions
 - the timely acquittal of transactions.
- 2.3 Cardholders must immediately notify the Program Administrator in the following circumstances:
- cessation of employment with the Agency
 - a change in the Cardholder's substantive role
 - a change in the nature of the Cardholder's responsibilities that no longer require the Cardholder to use a PCard (whether or not this includes a change in their substantive role)
 - a change to the delegation limits that are associated with the Cardholder's role
 - the Cardholder becomes aware that an unauthorised transaction has occurred
 - the loss or theft of the PCard
 - a prolonged leave of absence from performing their role¹³; or
 - the PCard has been cancelled.

In addition, Cardholders must immediately notify the Card Issuer of any loss or theft of the PCard regardless of whether it is a working day or weekend.

- 2.4 Cardholders must sign a *Statement of Responsibility* that acknowledges their acceptance of the terms and conditions of using PCards.¹⁴

Annexure A provides a template for a Cardholder's *Statement of Responsibility* which Agencies must use. Agencies may expand the *Statement of Responsibility* to suit the Agency's particular needs, but must retain all terms and conditions currently contained in the template.¹⁵ That is, any amendments to the template must not have the effect of reducing the obligations of the Cardholder as set out in the template.

¹² A copy of the DFSI Circular is available at <https://arp.nsw.gov.au/dfsi-2015-02-efficient-electronic-payment-methods>

¹³ The PCard Policy should advise Cardholders of any time period considered to be a prolonged absence. This would usually include any absence from the Agency or role/position for longer than 8 weeks.

¹⁴ A signature can be manual or electronic.

¹⁵ This may include use of an alternative appropriate name for the Statement (e.g., 'Cardholder's Agreement to Conditions of Use'). It is also noted that the Statement of Responsibility may be a manual form or in electronic format.

2. Guidance on the Use, Management and Administration of PCards

The use of PCards as a payment mechanism provides significant benefits to agencies, the Government, cardholders, tax payers and merchants of goods and services to the public sector. For agencies and cardholders, use of the PCard reduces the need to request invoices and removes petty cash transactions (in most instances) while providing a clear and concise audit trail and ensuring that creditors are promptly paid. For merchants, the use of PCards allows for payments to be received promptly and reduces the potential for unpaid or late invoices, as well as reducing administration.

The following guidance has been developed to support the correct use and administration of PCards to ensure that the benefits to agencies are realised and risks associated with PCard use and administration are minimised (**Guidance**). Using a risk management framework, the Guidance seeks to assist Agencies to develop and tailor their PCard framework to their size, complexity and risk profile, and provides Cardholders with information to help them understand their responsibilities.

Understanding the risks associated with the use and administration of PCards

Treasury's *Internal Audit and Risk Management Policy for the NSW Public Sector* (TPP15-03) requires that relevant agencies have an enterprise risk management framework that is consistent with AS/NZS ISO 31000 *Risk management – Principles and guidelines*.¹⁶

The PCard policy and associated procedures to manage risks specific to the use of PCards should be consistent with the agency's overall risk framework. There are, however, particular risks associated with the use and administration of PCards that will need to be identified and managed. Examples include:

- the risk of inappropriate use and waste¹⁷
- the potential for transactional and/or accounting error (e.g., duplication of payments)
- the application of inappropriate purchase method (e.g., directly purchasing an item or service on PCard without assessment of any contract terms rather than seeking to negotiate appropriate contract terms and conditions).

Risk is defined as the impact of uncertainty on objectives. In the context of PCards, this risk will largely relate to those aspects of the use and management of PCards which could affect the Agency's overall financial position and ongoing financial management. However, risks arising from the use and administration of PCards can also affect other objectives including those associated with procurement, service delivery or reputation.

¹⁶ Further guidance on developing a risk management framework is found in *Risk Management Toolkit for the NSW Public Sector* (TPP 12-03).

¹⁷ For the purpose of this policy waste is defined as "any uneconomical, inefficient or ineffective use of resources, authorised or unauthorised, which results in a loss of public funds or resources" as defined by Ombudsman NSW, http://www.ombo.nsw.gov.au/_data/assets/pdf_file/0005/3596/Guideline_B2_What-should-be-reported_web.pdf

One of the most significant risks associated with PCard administration and use that can adversely affect a number of objectives is fraud. The Independent Commission Against Corruption (ICAC) provides some examples of the potential fraud risks associated with Agency credit cards including:

- a Cardholder charging personal expenses to the Agency credit card
- a Cardholder and a client colluding to misuse an Agency credit card
- a Cardholder using the card's personal identification number to withdraw cash for their own or another's benefit
- a Cardholder falsifying, destroying or damaging receipts and other records
- one or more Employees colluding for improper benefit – for example, the Cardholder colluding with another Employee whose role is to check expenditure¹⁸.

While a number of risk types, together with specific examples of risks, associated with PCards have been provided here, it is important that Agencies engage in a structured assessment to ensure that they are able to identify and assess the particular risks in relation to the use and administration of PCards in their agency.

To identify these PCard specific risks it can be useful to consider key intersection points between the Agency, the Cardholder, the merchant and the Card Issuer.

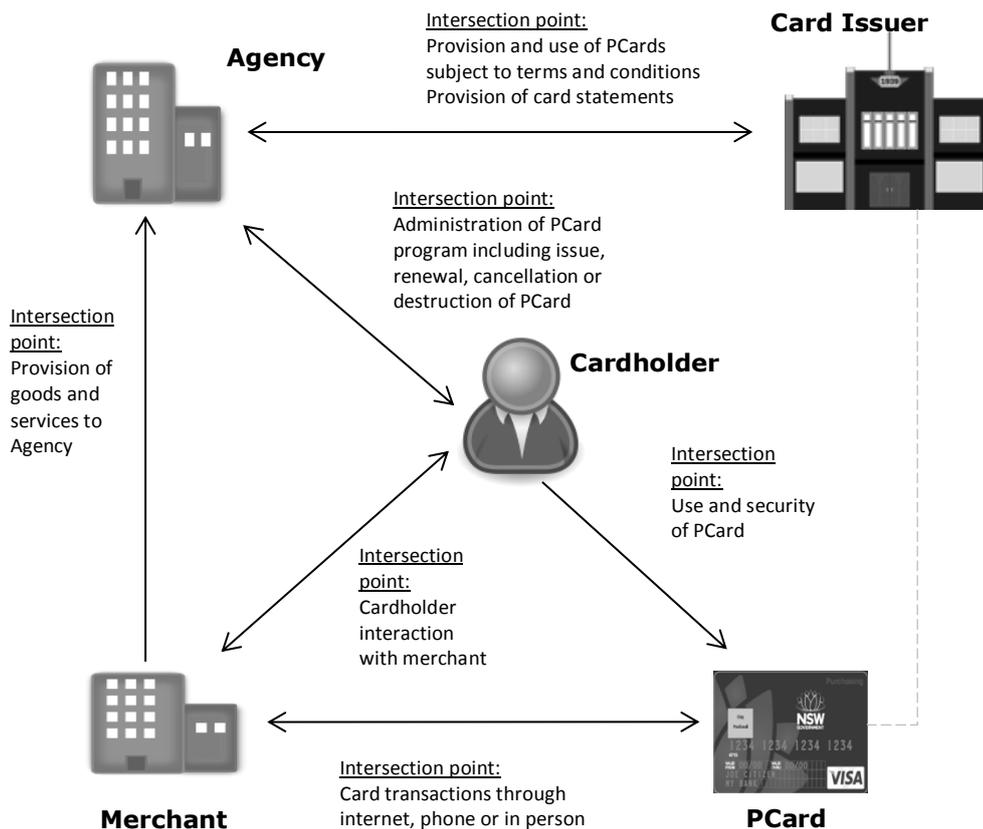


Figure 1: Key intersection points for PCard risks

¹⁸ <http://www.icac.nsw.gov.au/preventing-corruption/knowning-your-risks/credit-cards/4908>

Reviewing each intersection point can be useful when considering whether there are particular risks which might require specific or extra mitigation or controls not currently within the existing risk management framework. It can be helpful for this review to take place in consultation with key stakeholders involved with the various intersection points. It is important not to rely only on previous experience to identify risks associated with PCard use.

Agencies should also seek to keep up to date with new or emerging risks, especially those associated with the application of new technologies or during times of organisational change and should share their knowledge and experience with other Agencies in order to continually improve their management of these risks.

Each of the identified risks should be assessed in accordance with the Agency's risk management framework to prioritise them and ensure that they are appropriately managed.¹⁹

To address the risks associated with financial information generally, Agencies should have in place controls designed to provide reasonable assurance that financial information is complete and accurate.²⁰ Those controls will address some, but not all, of the risks associated with PCards. That means controls specific to PCards will need to be designed and implemented. This section provides guidance on controls designed specifically for the use and management of PCards.

Preventative Controls²¹

Preventative controls are those controls designed to prevent errors and irregularities from occurring. Some examples of preventative controls for PCards include:

Policies and Guidelines

Setting out an agency's expectations, clear and well communicated policies are fundamental to the establishment of a strong control environment. Under the core requirements the Agency Head is responsible for ensuring a PCard Policy is developed and implemented.

Guidelines and procedures establish and standardise behaviours and help employees and others to fulfil their policy obligations.

¹⁹ Further information on the assessment and treatment of risks can be found in the *Risk Management Toolkit for the NSW Public Sector* (TPP 12-03).

²⁰ Refer Treasury Policy and Guidelines Paper *Certifying the Effectiveness of Internal Controls over Financial Information* (TPP 17-06) for further guidance on internal controls over financial information.

²¹ The examples of controls are not intended to be exhaustive. Control activities should reflect the assessment of risks in the specific circumstances through a risk management process. Agencies should also refer to NSW Treasury policies, circulars and other guidance for specific requirements as they relate to internal controls.

Agencies should consider the appropriate level of guidance required to ensure that the policy expectations are understood and met by all employees and other stakeholders. This may include, for example:

- procedures on card issue, transfer, and cancellation. Action to address damaged, lost or stolen cards should also be clearly described
- procedures for routine review of issued cards to ensure that each Cardholder is still the appropriate recipient of a card
- procedures standardising the approval, acquittal and authorisation of transactions
- guidelines or minimum requirements for transacting via internet, phone or in person with a PCard, including any mandatory or prohibited methods of transacting e.g. the use of personal identification numbers (PINs) and the use of tap-and-go technology
- guidelines around the appropriate supporting documentation (including electronic documentation) to be retained in connection with the use of PCards, including information about actions to be taken where the appropriate supporting documentation is unavailable or has been misplaced, or for unusual transactions which might require more than the standard supporting documentation
- guidelines to support staff to appropriately address discrepancies and errors, including procedures for following-up issues with merchants and/or the Card Issuer.

Appointing a Program Administrator

It is good practice for Agencies to nominate an employee as the Program Administrator for the agency's PCard framework. A Program Administrator can greatly assist with centralising and managing the policies, processes and procedures related to PCards. The Program Administrator does not need to be a full time role/position, but the person appointed should have an appropriate level of seniority.

The responsibilities of Program Administrators may include:

- communicating the Agency's PCard Policy to Employees
- receiving completed and approved Cardholder applications
- recording and submitting applications to the Card Issuer
- issuing and cancelling PCards
- liaising with the Card Issuer about the administration of cards, including cancellations, limits and restrictions
- ensuring the *Statement of Responsibility* has been signed by Cardholders
- providing a point of contact between the Cardholder, merchant and the Card Issuer (e.g. for lost or stolen PCards)
- review and update of the Agency's PCard Policy
- ensuring that Cardholders and approvers have completed reconciliation processes in a timely manner.

Limits, Thresholds and Restrictions

Limits, thresholds and restrictions should be set for each cardholder. In setting these the agency should consider:

- the responsibilities of the role or position held by the Cardholder
- the level of current expenditure of the Cardholder
- the types of expenditures made by the Cardholder.

Agencies should also consider:

Credit Limits

Agencies can tailor the credit limits and expiry dates for individual cardholders. It is good practice for agencies to set and communicate the following for each cardholder:

- maximum limits for each monthly billing period
- maximum limits on the amount of any individual transaction.

Merchant Blocks

Banks require merchants to have identifying codes, based on the type of goods or services. Agencies can request the Card Issuer implement a merchant block to stop the PCard from being used with a particular merchant.²²

Access Time Restrictions

Agencies can request the Card Issuer to apply an access time restriction to PCards. For example, an agency may determine that the PCard is not to be used outside the hours of 9am to 5pm, to ensure that all transactions are work-related. Agencies should ensure that this type of restriction is appropriate for the type of work undertaken by its Employees.

Geographic Restrictions

Geographic restrictions are similar to *access time restrictions*, but provide geographic blocks on where PCards may be used. They can be used to prohibit international transactions.

Prohibiting 'Purchase Splitting'

'Purchase splitting' occurs where Cardholders split one transaction into several in order to avoid exceeding credit limits. This is also known as 'order-splitting' or 'stringing' arrangements. While these types of arrangements will usually be in breach of the terms of use of PCards, Agencies should also consider explicitly prohibiting 'purchase splitting' arrangements.

Prohibiting Account Deposits

The ability to deposit a Cardholder's own money, or the Agency's money, into a PCard account can offset the credit limit and the way in which credit limits operate. As such, Agencies are encouraged to ensure that processes are in place to restrict Cardholders from making deposits into their PCard account outside of exceptional circumstances. This restriction should be clearly defined in the Agency's PCard Policy, and appropriately communicated.

Prohibiting Cash Withdrawals

In general it is expected that PCards will not be used for cash advances or cash withdrawals. For this reason, cards are generally issued with an existing block on cash withdrawals. Some Agencies may wish to allow for cash withdrawals by PCard in particular circumstances, such as work in rural and remote locations where credit card facilities are not as widely used. In those cases, the agency will need to specifically request removal of the block.

²² An alternative is to place a transaction limit for transactions with certain merchants. If a transaction exceeding that limit occurs, an alert is raised with the Agency and the transaction can then be reviewed. For example, a transaction limit of one cent will ensure that all transactions with a specific merchant are immediately brought to the attention of the Agency.

Segregation of Duties

Segregation of duties provides an important mechanism for agencies to better prevent and detect errors, fraud and misuse. PCard expenditure should be subject to independent approval to incur expenditure and authorisation of expenditure in accordance with the requirements of the *PFA Act*.

Administration of the PCard program should, where possible, be undertaken by someone who is not a cardholder. Where an Agency has limited resources, clearly documented alternative control activities – such as periodic review processes by appropriate Employees – should be implemented instead. In cases where the Program Administrator is also a cardholder, additional controls should be established around the maintenance and reconciliation of the Program Administrator's PCard.

Approvals and Authorisations

Under the core requirements, agencies are required to establish an internal approval process for the issuance and use of PCards. PCards should only be issued to individuals who are Employees.

While PCards are assigned to particular individuals, an agency's financial and operational delegations will generally refer to roles/positions rather than individuals. If a cardholder changes role/position, the continued use of the PCard by that individual, which is likely linked to their previous role/position, must be reviewed, as well as the ongoing appropriateness of any card limits, thresholds or restrictions. Agencies must also have processes in place to ensure that PCards are immediately cancelled upon the cessation of a cardholder's employment.

Safety and Security of PCards

PCards provide access to Agency funds. For this reason, the safety and security of the card and its details is paramount to ensuring that an Agency's resources are not misused or misappropriated.

There are various points of interaction between the cardholder, agency, merchant and Card Issuer where the PCard and/or card details may be mishandled. Areas of consideration include:

The Receipt and Issue of PCards

Agencies should ensure that there is a secure process for Cardholders to receive cards from the Card Issuer. Cardholders should sign and secure the PCard immediately upon receipt.

The Ongoing Security, Storage and Use of PCards

Agencies should make clear to Cardholders their expectations concerning the storage of PCards. In particular, Agencies should pay attention to the need for the Cardholder to use the PCard in remote or rural settings, and also to assess the risks associated with allowing a Cardholder to travel with a PCard.

While PCards generally have some inbuilt security features, physical security is extremely important and Cardholders should not:

- provide their card details to other people; or
- allow others to undertake transactions on their behalf using their card details.

Furthermore, agencies should ensure that cardholders are aware of emergency contact details, including those for the Program Administrator (where relevant) in the event they become aware that the details of the card have been compromised.

Notifying Card Issuer and Agency of Loss or Theft

Cardholders should be aware of the process for reporting lost or stolen cards to the Card Issuer and Program Administrator.

In those circumstances, the Cardholder must immediately notify the Card Issuer and the Agency. Notification is usually made through a 24 hour emergency number provided by the Card Issuer. The Cardholder should also contact the Agency's Program Administrator (or nominated representative) as soon as is practicable.

The Agency should provide all Cardholders with relevant Agency and Card Issuer contact information at the time of issuing the PCard.

'Card-Not-Present' Transactions

There can be additional risks associated with transactions where PCards are not physically presented, such as in telephone and internet transactions. Agencies should consider and address these specific risks in PCard procedures and training. One of the key risks is the physical separation between the Cardholder and the merchant making it difficult in some circumstances for the Cardholder to verify the identity of the merchant. For all 'card-not-present' transactions, Cardholders should ensure that the merchants they are dealing with are known and reputable.

Cardholders using the internet to pay for purchases should ensure that they are familiar with, and adhere to, their Agency's internet use and security policies and procedures. At a minimum, Cardholders should check that the merchant's secure site address starts with <https://> and NOT <http://>. Sites that start with <https://> have an added encrypted transaction layer.

Cardholders will need to ensure they obtain proper records of transactions conducted by mail, telephone or internet to support timely acquittal of transactions. Electronic receipts should be properly stored for ease of access at the time of acquittal.

Training and Induction

Training Cardholders on their responsibilities is an important control that reduces the risk of PCard misuse. Training should provide Cardholders with the knowledge and skills to effectively deliver on their responsibilities and understand their accountability for PCard use. The training should cover all areas of PCard policies and procedures.

Training on, and the Agency's expectations in relation to PCard use and management, should be provided to Cardholders at induction or when existing Employees become eligible for a PCard. In either case, training should be a prerequisite to any approval for the issue of a PCard to an Employee.

Ongoing Communications

An ongoing communications program is good practice as it allows Agencies to:

- reinforce the Agency's policies, processes and procedures, including those related to fraud and misconduct;
- remind Cardholders of their responsibilities, including timely reconciliation;
- update Cardholders and other Employees on changes to policies, processes, procedures or terms and conditions of use; and
- ensure awareness of various training and support facilities offered to Cardholders and other Employees.

Detective Controls²³

Detective controls are designed to identify and rectify errors and irregularities. Some examples of detective controls for Agencies include:

Reconciliations

The reconciliation of PCard transactions is an important detective control for Agencies. In the first instance, reconciliation will be undertaken by a Cardholder to compare expenditure from advice provided by the Card Issuer to their supporting documentation to ensure that transactions are accurate. This process should be completed as soon as possible and, if possible, within 30 days of advice from the Card Issuer as to expenditure, to allow any disputed transactions to be reported to the Card Issuer in a timely manner.²⁴

A review of the Cardholder's transactions should also be undertaken by the Cardholder's direct manager. The Cardholder's direct manager is usually the most appropriate person to conduct the review as they will be familiar with the relevant PCard Policy and Agency guidelines for PCard use, and have knowledge of the activities of the Cardholder. However, where the Agency determines that the direct manager is not the appropriate person to exercise the review, they should nominate another reviewer based on the following considerations:

- seniority of the reviewer relative to the Cardholder
- independence of the reviewer
- knowledge of the Cardholder's activities
- knowledge of the Agency's PCard Policy.

The reviewer will be responsible for forming a view on whether the expenditure undertaken is for Business Purposes and is consistent with the Cardholder's responsibilities and activities. The reviewer should assess whether:

- the expenditure incurred is appropriate for the purpose and reasonable
- the expenditure categorisations align with those allowed by the Agency
- the appropriate supporting documentation has been attached.

It is not appropriate for a Cardholder to also be the reviewer of their own expenses.

²³ The examples of controls are not intended to be exhaustive. Control activities should reflect the assessment of risks in the specific circumstances through a risk management process. Agencies should also refer to NSW Treasury policies, circulars and other guidance for specific requirements as they relate to internal controls.

²⁴ In the case of a Virtual card, a monthly statement will generally be issued.

In addition to these processes, the agency should ensure that there are processes for regular independent reviews of a sample of cardholder transactions.

There should be an audit trail to record the date of all reconciliations and reviews as well as to verify the identity of the cardholder and reviewer.

Procedures and controls should also be established over the maintenance of records of PCard reconciliations and other supporting documentation as relevant, and in accordance with the agency's record keeping obligations.

Detecting Fraud

Fraud by its nature is more difficult to prevent and detect than unintentional errors and irregularities. As fraud is an intentional act, perpetrators will often take actions to avoid detection. This includes circumventing existing controls. While any system of control cannot entirely eliminate the risk of fraud, it is therefore necessary to identify and assess fraud risks and design controls specifically to mitigate the risk of fraud.

Protecting an agency's resources from fraud and monitoring for suspicious activity of staff and/or third parties is not a simple task. While it may be appropriate for agencies with large amounts of assets and/or expenditure to engage sophisticated and integrated fraud prevention and detection systems, all Agencies will benefit from targeted monitoring for fraud risk. This may include monitoring for:

- unusual or unexpected levels of expenditure
- round number transaction amounts (e.g., \$50, \$100)
- transactions with unusual types of merchants
- the use of 'suspicious' words, as identified by the Agency, to identify exceptions
- transactions for non-business items and services
- multiple transactions for the same or similar items or for the same amount
- inconsistency between expense description and merchant code
- consistent late submission of supporting documentation or outstanding reconciliations; or
- transactions that have occurred on weekends, public holidays or while the Cardholder is on a leave of absence.

However, it should not be assumed that fraud has occurred if an instance listed above is identified. There may be legitimate reasons for any of these occurrences. Rather, the indicators should prompt further inquiry to ensure that they reflect appropriate use of the PCard.

For further information about managing fraud generally, Agencies should consult the NSW Audit Office publication *Fraud Control Improvement Kit: Meeting your Fraud Control Obligations*. The Kit provides Agencies with practical guidance to implement a fraud control framework.²⁵ Further information and guidance to prevent fraud and corruption is also available from the Independent Commission Against Corruption.²⁶

²⁵ <http://www.audit.nsw.gov.au/publications/better-practice-guides>

²⁶ <http://www.icac.nsw.gov.au/publications-and-resources/corruption-prevention>

Monitoring and Review of PCard Controls

Agencies should design and implement a program of reviews of PCard controls to ensure the controls remain effective and fit for purpose. This should include testing whether existing controls are operating effectively using techniques such as re-performance, observation or inspection of documentation. Regular reviews are also necessary to ensure the system of controls continues to effectively and efficiently mitigate PCard risks, because risks will not be static. Reviews can be a mix of:

- management and user reviews
- independent third-party reviews, e.g. internal or external audit.

Different processes will impose different costs and timeframes. For example, an internal audit could take weeks to complete while a review of PCards with overdue reconciliations could take a few hours each month. Accordingly, agencies will need to assess the value of employing different monitoring and review methods. A range of frequent, lower cost, risk based reviews in addition to less frequent major reviews may provide an appropriate level of assurance.

An adapted version of an example periodic monitoring and review frequency table (Table 1, below) designed by the Australian National Audit Office, provides some guidance on the different types of review and monitoring which Agencies should engage in, and the relevant timeframes.

Indicative frequency	Nature of monitoring and review
Ongoing	<ul style="list-style-type: none"> ➤ Recording of unusual events (e.g. record instances of reported personal use of PCards so any recurrence is noted, record merchants involved in disputed transactions). ➤ Assess and act on overdue reconciliations by Cardholders
6 – 12 months	<ul style="list-style-type: none"> ➤ Review PCard use against credit limits for possible adjustments. ➤ Review PCards not used for a significant period to establish if they are still required. ➤ Sample testing of transactions with higher risk of misuse (e.g. check whether transactions over \$4,000 properly established value for money and compliance with guidelines; check whether transactions with duplicated details are merchant error). ➤ Statistical analysis of utilisation patterns (e.g. identify opportunities for centralised procurement of some types of goods, assess average and unusual costs for accommodation by city). ➤ Reconcile the Agency's PCards Register with the Card Issuer
1-3 years	<ul style="list-style-type: none"> ➤ Internal audit review covering PCards as appropriate (e.g. processes for issue and return; whether reconciliation and review procedures are being followed). ➤ Review expenditure in areas where judgement plays an important role (e.g. travel and meals) in order to assess whether the expenditure is remaining within public expectations and practice in comparable agencies.

Table 1: Periodic monitoring and review timetable²⁷

²⁷ Australian National Audit Office 2013, *Controls over Credit Card Use: Report No. 35 2012-13*, Australian National Audit Office, Canberra, viewed 21 June 2017
<https://www.anao.gov.au/sites/g/files/net3241/f/201213%20Audit%20Report%20No%2035.pdf>

Internal Reporting

Agencies should utilise the PCards Register to ensure that they are aware of each card issued to cardholders within the agency, including the relevant administrative conditions attached to each card. Managers should receive regular reports on PCard usage within their areas, including inactive accounts (where relevant), to allow for review and any updates to be made to the PCard Register.

Internal Audit

An Agency's internal audit function has a key role to play in ensuring the integrity of the systems, policies, processes and procedures in place, and should include an audit on PCard controls as part of a regular pattern of review (See Table 1, above).

Other Controls**Automated Controls**

Automated systems can greatly assist Agencies to ensure timeliness and support a consistent format for processes associated with PCard expenditure, for example, automated statements can be sent to Cardholders or an Expense Management System (EMS) can be utilised for transaction management and acquittal processes.

Agencies should remain vigilant, however, to ensure that processes are being properly utilised and that they have clear control objectives and provide an audit trail that can be readily monitored and reviewed.

Useful contacts

Treasury Banking Team
Phone: (02) 9228 3873, 9228 4112 or 9228 4150
cashmanagement@treasury.nsw.gov.au

Westpac Card Services
The High Valued Client (HVC) Team
Phone: (02) 9374 7800
Email: hvc@westpac.com.au

Appendix A Cardholder Statement of Responsibility

[Agency] has approved the issue of a NSW Government purchasing card (PCard) to you (the Cardholder).

As a Cardholder you are required to read and comply with the following *Statement of Responsibility* which outlines your responsibilities with respect to the use and management of your PCard whilst employed by [Agency].

I, [insert name], understand and agree to the following terms and conditions:

Safety and Security

- 1.1 I have received and signed my PCard which is only to be used by me.
- 1.2 I understand that I am the only authorised user of this PCard.
- 1.3 I am personally responsible for the security and safe-keeping of my PCard and the relevant card account details, including my Personal Identification Number (PIN) and card number.
- 1.4 If my card is stolen or lost, I will immediately report it to [Card Issuer] and [insert agency's nominated Program Administrator or relevant contact].

Official Business Use

- 2.1 I will only use the PCard for Business Purposes in accordance with the guidelines detailed in [relevant agency policy documents] and as per the [Card Issuer]'s conditions of use. "Business Purposes" means that the expenditure has been undertaken for a purpose that is in direct connection with, or as a direct consequence of, my role/position responsibilities within [Agency].
- 2.2 I will comply with [Agency]'s policies, processes and procedures for authorised expenditure.
- 2.3 I understand that all expenditure charged to my PCard is subject to examination and approval by a delegated Employee of [Agency].
- 2.4 I understand the relevant expenditure categories which are authorised for PCard expenditure.
- 2.5 I will collect and retain the required documentation to support all transactions made with the PCard. Where the required documentation to support a transaction has not been retained, I will [insert relevant Agency procedure OR complete a declaration] detailing the nature of the expense and confirming that the expense was for Business Purposes only.
- 2.6 I understand that [I must not make cash withdrawals or seek cash advances using the PCard/I must have prior written approval to make cash withdrawals or seek cash advances using the PCard].
- 2.7 I will not exceed my credit limit on the PCard unless I have obtained prior documented approval.
- 2.8 I will not split transactions on the PCard to avoid exceeding transaction limits.
- 2.9 I will not make deposits into the PCard account.

Disciplinary Sanctions

- 3.1 I understand that if I use the PCard for purposes other than Business Purposes, or in a manner which is inconsistent with the conditions of use, I may have my PCard withdrawn, and/or suspended or cancelled.

- 3.2 I understand that if I use the PCard for purposes other than Business Purposes, or otherwise engage in inappropriate use of the PCard, I may be subject to [insert relevant Agency policy or procedure].
- 3.3 I understand that in the event of loss or theft through negligence or non-compliance with the conditions of use, I may be responsible for any liability incurred.

Termination or Suspension of Employment

- 4.1 I agree to notify and return my PCard to [Agency's Program Administrator] in the following circumstances:
- if I leave my employment of my own accord.
 - if I have my employment terminated.
 - if I am suspended pending an investigation into my conduct (whether related to PCard use or not).
 - if I intend to go on extended leave for more than [#] weeks.
 - if I am reassigned to a role or position where a PCard is not deemed necessary to the performance of my duties.

Privacy

- 5.1 I am aware that my personal information has been collected and will be held by [Agency] on an ongoing basis to meet the various requirements in relation to the administration of PCards. I understand that [Agency] may need to disclose my personal information to any party that is legally entitled to access the information.
- 5.2 I am aware that any personal information related to the administration of PCards will be collected, retained, protected and disposed of by [Agency] under the provisions of the *Privacy and Personal Information Act 1998*, and in line with [Agency]'s privacy management plan.

Acceptance of Conditions:

I acknowledge that I have read and understand the conditions of use as detailed above and will comply with the requirements as stated.

Name of Cardholder:
Role/Position:
Signature of Cardholder:
Date:
Name of Witness:²⁸
Role/Position:
Signature of Witness:
Date:

²⁸ Not required in cases where a user-authenticated electronic signature of the Cardholder has been obtained.