February 2021

TPP

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Use and Management of NSW Government Purchasing Cards

Preface

The Use and Management of NSW Government Purchasing Cards (the Policy) has been prepared to assist GSF agencies with managing the use and administration of purchasing cards (Pcards) and virtual cards (vCards).

The Policy sets out the responsibilities of both the Accountable Authority, for the establishment and operation of a Pcard program within a GSF agency, and government officers as Cardholders, for the effective use of Pcards.

Pcards fall under the definition of 'financial arrangement' in the *Government Sector Finance Act 2018* (GSF Act) as a 'borrowing', which is further prescribed through the Treasurer's Direction Financial Services (TD19-01). Underpinning the Pcard program is a State financial service agreement. Combined, these instruments provide a whole-of-government Pcard structure, product and service for use by GSF agencies.

The legislation, contractual instruments and associated policy provide GSF agencies with an appropriate means of procuring high volume, low cost goods and services, and achieving faster payment for business while supporting 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.

Updates included in this Policy reflect implementation of the GSF Act and the NSW Government's State-wide financial service arrangement for the provision of Pcards. Hence, there is an expectation for GSF agencies to embrace the use of new and evolving purchasing service facilities. More specifically, the key drivers of this Policy update include:
- the *Government Sector Finance Act 2018* (GSF Act) with regard to entering financial arrangements and the introduction of new terminology;
- Treasurer's Direction (TD) 19-01 Financial Services regarding the use of banking services;
- a whole-of-government Banking, Financial and Related Services Agreement (Master Agreement) to provide Pcard products and services by a single service provider for use by GSF agencies; and
- enhanced purchasing service facilities and capabilities, such as vCards, supporting business to business transactions.

This Policy has been developed for the effective use and management of Pcards across the NSW public sector and to assist GSF agencies to protect the integrity of their financial management.

Acknowledgement of Country

Treasury acknowledges that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and recognises their continued custodianship of Country - land, seas and skies. We acknowledge the diversity of First Nations cultures, histories and peoples, recognise their enduring connection to our State, and we pay our deepest respects to Elders past, present and emerging.

Michael Pratt AM
Secretary
NSW Treasury

February 2021

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Executive Summary

This Treasury Policy and Guidelines Paper, Use and Management of NSW Government Purchasing Cards (the Policy), is intended to provide a framework for the use and management of purchasing cards (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.

A Pcard is a purchasing card allocated to a Cardholder (i.e. a government officer) to use in transactions for the procurement of goods and services on behalf of a GSF agency. A Pcard has advanced commercial credit card features that facilitates and assists the GSF agency with management and control of expenditure.

The Policy extends to include GSF agencies' use of Virtual cards (vCard). A vCard is similar to a purchasing card but is not issued as a physical card, rather as a 16-digit number issued by the Card Issuer. A vCard is typically issued as a 'whole-of-agency' card for the purchase of goods or services from a single supplier and it can have multiple 'Cardholders'. The vCard is also known as transacting business-to-business (B2B). Both the Pcard and vCard are generally referred in the singular term, Pcard.

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.

The Policy seeks to align with and support a key principle of procurement activity to achieve best value for money in support of the delivery of government services. NSW Treasury has issued the Treasury Circular (TC) 21-01 outlining the NSW Government's commitment to supporting the use of Pcards for low value, high volume procurement of goods and services. The NSW Government has mandated the use of Pcard payments for all transactions up to $10,000 where viable[1] and the adoption of digital and contactless payment methods more broadly to displace cheque payments across the sector.

The Policy provides mandatory core requirements and operational guidance to support GSF agencies establish and maintain an effective, efficient and appropriate Pcard program. The Policy has been structured in two parts. Part A outlines the mandatory core requirements, that is, the responsibilities of the Accountable Authority and Cardholder(s). Part B provides guidance to support the effective operations of a GSF agency's Pcard program.

Part A – Mandatory Core Requirements

Core requirement 1: The Accountable Authority is ultimately responsible for the proper management and administration of Pcards within the GSF agency

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

These mandatory core requirements recognise the shared responsibility, specifically focusing on the Accountable Authority and individual Cardholder, to ensure that these payment mechanisms are used effectively and properly in the public interest. Associated with each mandatory core requirement are prescribed activities that establish a minimum framework for the effective establishment, management and use of Pcards.

Part B – Operational Guidance

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[1] For example, where the supplier is merchant card accepting and the purchasing officer has a Pcard or access to a Pcard or vCard.

NSW Treasury

To assist GSF agencies with developing an appropriate Pcard program, non-mandatory operational guidance is provided in Part B of the Policy. Reflecting a risk-based approach, the guidance is designed to support GSF agencies identify and manage risks associated with the administration of a Pcard program using internal controls.

The Accountable Authority may delegate any functions in the Policy to a government officer of a GSF agency under section 9.11 of the GSF Act. However, responsibility for meeting the mandatory core requirements in the Policy remain with the Accountable Authority.

Accountable Authorities are expected to ensure that an effective and appropriate Pcard program framework is established, implemented, reviewed and improved for the duration of the Pcard program's operation. GSF agencies should, on a regular basis, assess whether their systems, processes and procedures remain effective and consistent with the spirit of the Policy.

Definitions

The following lists relevant key terms and their definitions:

Accountable Authority for a GSF agency has the same meaning as in section 2.7(2) of the GSF Act.

Arrangement has the same meaning as in section 6.5 of the GSF Act.

Borrowings has the same meaning as in section 6.8 of the GSF Act.

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.

Cardholder means a government officer who has been issued with a Pcard.

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

Card Issuer Administration System means the software platform (online/web, tablet, mobile phone app) provided by the Card Issuer for the use, management and administration of Pcards. Access is subject to Mandatory User Security Requirements and to an individual's User Access Entitlements:
- Cardholder - provides for online card applications, card activations, card information, card maintenance and accessing online support and help.
- Program Administrator - provides for online approval of cards, card information, card maintenance, reporting and closure of cards.

Card Issuer Administration System User Security Requirements refers to:
- User identification (within the System)
- User password (within the System)
- User security questions
- User self-selected 6-digit Pcard PIN (only required for Cardholders).

Cluster refers to the administrative arrangements that bring together a group of different legal and administrative GSF agencies and allow similar and complementary government services to be coordinated more effectively within the broad policy area of a particular Cluster.[2] Clusters are not legal entities.

Controls see Internal Controls.

Core Requirements are the requirements stated in [(TC) 21-01](#) and in the Policy.

Credit see Borrowings.

EMS or ***Expense Management System*** means the software application that receipts the Card Issuer Administration System data for expense processing. EMS systems used by GSF agencies should be the preferred Whole of Government EMS service provider or, where not available, an EMS service provider selected from the approved panel as amended from time to time.

ERP or ***Enterprise Resource Planning*** System means the software application that underpins the financial system used by GSF agencies to manage their financial operations.

Financial arrangement has the same meaning as in section 6.7 of the GSF Act.

Financial arrangement approval has the same meaning as in section 6.23 of the GSF Act.

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[2] NSW Department of Premier and Cabinet, [NSW Public Sector Governance Framework](#) (February 2013).

Financial services have the same meaning as in section 6.6 of the GSF Act.

GSF Act means the [Government Sector Finance Act 2018](#) as amended from time to time and includes any instruments and regulations made under or in connection with this Act from time to time.

GSF agency has the same meaning as in section 2.4 of the GSF Act.

Government officer has the same meaning as in section 2.9 of the *GSF Act.* This includes persons who are the head of, or are employed in or by, a GSF agency and statutory officers.

Government Sector Finance Act 2018 see GSF Act.

Internal Controls refers to existing processes, policies, practices or other actions that act to minimise negative risks.

Master Agreement refers to the Banking, Financial and Related Services Agreement held between the Treasurer (on behalf of the State of NSW) and the Card Issuer.

Merchant refers to a person or persons whose occupation or business is the wholesale purchase and retail sale of commodities for profit.

Merchant Category Code (MCC) refers to a four-digit number (listed in ISO18245 Retail Financial Services – Merchant Category Code) used to enable classification of Merchants into specific categories based on the type of business, trade or services supplied.

MCC Blocks or *MCC Controls* refer to the Merchant category codes that are blocked for Pcard programs due to the high-risk nature of these merchant types.

New GSF agency means a GSF agency established during the reporting period and has the same meaning as in section 2.4 of the GSF Act.

Program Administrator (PA) refers to a person nominated by the Accountable Authority (approved by NSW Treasury) with responsibility for administration of Pcards as well as supporting the needs of Cardholders within their GSF agency (or nominated GSF agencies within a Shared Service Arrangement). The PA generally has additional user access entitlements for maintenance within the Card Issuer Administration System.

Backup Program Administrator (Backup Administrator) refers to a person nominated by the Accountable Authority with responsibility for undertaking certain administrative activities surrounding Pcards, as well as supporting the needs for Cardholders within their GSF Agency (or nominated GSF agencies under a Shared Service Arrangement). The Back-up Administrator has additional User Access Entitlements for maintenance within the Card Issuer Administration System.

Purchasing card (Pcard) refers to a credit card issued by the Card Issuer (generally a bank, building society or credit union) which is used by Cardholders (as government officers) to engage in transactions relating to the purchase of goods and services on behalf of the GSF agency. Pcards are also known as corporate cards, government cards and procurement cards.

System Access refers to access to the:
- Card Issuer Administration System (online/web version, tablet and mobile phone app); and/or
- Expense Management System (EMS).

TC 21-01 refers to NSW Treasury Circular [(TC) 21-01 Banking and Payments Digital Reform](#) – Card Adoption and Cash and Cheque Reduction

TD19-01 refers to NSW Treasurer's Direction [(TD) 19-01 Financial Services](#)

Total Facility Borrowing Limit refers to a GSF agency's total credit or borrowing limit afforded under the Card Issuer's Agreement for the administration and provision of Pcards.

***Virtual card* (vCard)** refers to a credit card that is not issued as a physical card, rather a 16-digit number provided to the supplier for use in card-not-present transactions. The vCard card is not linked to a Cardholder but is established in the GSF agency's name (with one or many users). To protect the card security, typically one card is created for use with a single supplier (Merchant).

Waste means any uneconomical, inefficient or ineffective use of resources, authorised or unauthorised, which results in a serious and substantial loss of public funds or resources.

Part A: Purchasing Card Policy

The Policy applies to GSF agencies. The Policy is issued to assist GSF agencies to comply with their obligations under the GSF Act, TD19-01 Financial Services and Treasury Circular [(TC) 21-01 Banking and Payments Digital Reform](#) – Card Adoption and Cash and Cheque Reduction, and to implement appropriate internal controls across the Pcard program.

The Policy withdraws and replaces the previous TPP17-09 Use and Management of NSW Government Purchasing Cards. This Policy will take effect from Feb2021.

The Policy seeks to strengthen GSF agencies' financial management and to set in place internal controls surrounding the establishment, management, review and maintenance of the Pcard program. This Policy also seeks to reinforce the values and principles for government officers when exercising functions in connection with financial management under the GSF Act (see Section 3.7 of the GSF Act).

Once a GSF agency has an approved and established borrowing facility, Pcards are largely managed and used by the GSF agency and Cardholders. Similarly, vCard facilities and arrangements are at the request of the GSF agency. However, as vCards can have a number of configurations, they are independently negotiated between the GSF agency and the supplier, supported by the Card Issuer and NSW Treasury (if required).

Approvals for Use of Pcards
Under the GSF Act, the Treasurer has entered into a State Financial Services Agreement (Master Agreement) for Pcards. Under Part 6 of the GSF Act, and further prescribed through TD19-01 Financial Services, a GSF agency must use State financial service agreements (or otherwise seek an exemption).

GSF agency use of the Master Agreement supporting the Pcard program amounts to 'entering a financial arrangement' and GSF agencies are required to obtain the Treasurer's approval, termed 'financial borrowing approval' (in accordance with Section 6.22 of the GSF Act).

Forming part of this approval process, each GSF agency is required to seek the Treasurer's approval for establishing the total facility borrowing limit (or total credit limit) available to each GSF agency's Pcard program. This forms part of the 'facility establishment' process.

GSF Agency Amendments
New GSF agency arrangements or amendments to existing GSF agency arrangements regarding a GSF agency's facility approval or total facility borrowing limit also require approval of the Treasurer or (delegate). The first contact point is the GSF agency's Treasury Analyst.

Facility Establishment for Use of Pcards
Further, in line with the Master Agreement, GSF agencies must submit Pcard facility establishment forms to NSW Treasury. Treasury Secretary (or delegate) approval is required for the establishment of a GSF agency's Pcard facility. Subsequent amendments to a GSF agency's Pcard facility with regards to certain program administrative matters also require approval. This includes GSF agency naming changes, account billing changes, MCC block changes and primary program administrator changes.

Related Policies
The Policy supports Accountable Authorities in meeting their obligations under the GSF Act. Specifically, in relation to the Pcard program, under:
- Section 3.6 on *'policies and procedures for financial management of GSF agencies'*
- Section 5.5 on *'expenditure by accountable authorities and government officers must be authorised'*
- Section 6.22 on '*financial arrangements for GSF agencies'*
- Section 6.23 on '*financial arrangement approvals'*.

NSW Treasury

Related directions, policies, and circulars should be considered in conjunction with this Policy, including:

- *Government Sector Finance Act 2018*
- NSW Treasurer's Direction (TD) 19-01 Financial Services
- NSW Government Procurement laws
- NSW Government Procurement Policy Framework
- NSW Government Travel and Transport Policy
- NSW Treasury Circular (TC) 21-01 Banking and Payments Digital Reform – Card Adoption and Cash and Cheque Reduction
- Small Business Commissioner Faster Payment Terms Policy

The Policy should be read in conjunction with the NSW Government Procurement Policy Framework and other Procurement Board Directions (developed in line with the *Public Works and Procurement Act 1912*). Regardless of the purchasing service channel used, a GSF agency shall continue to address a number of specific directives such as Small and Medium Enterprise and Regional Procurement Policy (i.e. business or regional exemption) and compliance matters such as Authority to Procure and Supplier Payments. Also complementing the NSW Procurement policy suite is the Small Business Commissioner's Faster Payment Terms Policy.

NSW Government's Procurement Policy Framework reinforces Pcard use as a method of payment by recommending that GSF agencies *'should pay invoices up to $10,000 as soon as possible by Pcard or equivalent electronic payment method'.*[3]

The NSW Government continues its commitment to the use of Pcards for low value, high volume procurement of goods and services. The NSW Government released **TC 21-01**: *Banking and Payments Digital Reform – Card Adoption and Cash and Cheque Reduction* for the use of Pcards and digital payment channels to replace traditional purchase-to-pay process where viable and increase the adoption of digital contactless payment methods. More broadly **TC 21-01** aims to continue to displace cheque payments across the sector. The policy mandate includes direction to ensure vCard adoption as a preferred card payment option for regular payments, for Pcards to be used for ad hoc transactions up to $10,000, and to replace cheque payments with digital and contactless payment channels where viable.

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[3] NSW Government Procurement Policy Framework, p95

Core Requirements

Core requirement 1: The Accountable Authority is ultimately responsible for the proper management and administration of Pcards within the GSF agency

1.1   The Accountable Authority must ensure that an internal approval process is established for government officers to obtain and use Pcards. This should be consistent with the requirements of the Card Issuer.

1.2   The GSF agency's internal approval process must ensure the following before a Pcard is provided to a government officer (the Cardholder):

- the government officer has the appropriate financial and operational delegations to incur expenditure on behalf of the GSF agency or has been formally authorised by someone who has appropriate financial and operational delegations

- the government officer has appropriate Pcard limits set (monthly spend limit, transaction limit, and ability for cash withdrawal determined and, if so, include the cash withdrawal monthly limit and cash withdrawal transaction limit)

- the GSF agency is not exceeding its total facility borrowing limit, budget limits or funding allocation by issuing the Pcard to that government officer.[4]

1.3   The Accountable Authority shall establish and implement a Pcard Policy appropriate to the scope of operations.[5] As a minimum, the Pcard Policy must address:

- roles and responsibilities relating to Pcard use, management and administration

- requirements for approval, issuance of Pcards and closure of accounts

- government officer criteria for eligibility to obtain a Pcard

- program credit limits, thresholds and restrictions

- restrictions on use of Pcards for supplier payment types

- Cardholder training requirements (such as procurement and EMS)

- requirements for transaction acquittal

- requirements for reconciliation and approval (taking into consideration segregation of duties)

- transaction dispute processes logged with Card Issuer

- best practice for security of Pcards

- reporting lost or stolen Pcards with Card Issuer

- infraction, issues management and account cancellation

- reporting fraud and corruption processes

- software management (including user access and security)[6]

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[4] Consistent with the arrangements under the GSF Act, TD19-01 Financial Services and the Master Agreement, new facilities and amendments to existing GSF agency facilities require Treasury Secretary or delegate approval (as an authorised representative/s of the Master Agreement).

[5] Where Pcard program administration occurs under a shared service arrangement, it is recommended a Service Level Agreement (SLA) or like instrument provides an outline of the governance and operational roles of the parties, clear delineation of responsibilities, procedural instruction appropriate to the arrangement and monitoring and review mechanisms of the program and of the SLA. Entering any such arrangement does not void responsibility of individual GSF agency's Accountable Authority under this Policy.

[6] Shall be consistent with the GSF agency's obligations under the NSW Cyber Security Policy.

- Cardholder security digital records management[7]

- processes for the review and continuous improvement of the GSF agency's Pcard Policy.

1.4   The Accountable Authority shall ensure there is an accessible and up-to-date record of all authorised Cardholders (a Register)[8] with approval records from the appropriate line manager authorising the card issuance and credit limit.

1.5   The Accountable Authority must maintain an accessible record of the GSF agency's Pcard program facility borrowing limit and aggregate credit limit of individual Pcards currently issued, and any virtual card program limits, together with the GSF agency's approved Total Facility Borrowing Limit. This may be combined with the Pcards Register.

1.6   The Accountable Authority must continually monitor the GSF agency's aggregate transactions used throughout the month against its Total Facility Borrowing Limit allocated to its Pcard program.[9] The Accountable Authority shall undertake appropriate actions to not exceed the GSF agency's total facility borrowing limit.

1.7   The Accountable Authority 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 GSF agency.

1.8   The Accountable Authority must ensure that the risks associated with the GSF agency's Pcard program are subject to a risk assessment to ensure identified risk treatments remain adequate or are properly remedied in a timely manner. This work shall be undertaken in consideration of the GSF agency's internal control environment and will accord with the GSF agency's risk management framework,[10] and fraud and corruption control framework.[11]

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 current government policy (see Related Policies).

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[12]
- the safety and security of their card, card details and other requirements (e.g. Card Issuers Administration System or ERP/EMS systems user security requirements)
- 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 single transaction limits)

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[7] Shall be consistent with the GSF agency's obligations under the DFS I2016-07 Privacy Governance Framework, DFSI 2015-01 NSW Government Information Classification, Labelling and Handling Guidelines, and NSW Government Recordkeeping.

[8] A Register may consist of retained Pcard applications in a single file; a separate register; and/or a function report provided online by the Card Issuer.

[9] And shall seek to adjust its Pcard program Total Facility Borrowing Limit to meet the ongoing needs of the agency.

[10] Shall be consistent with the GSF agency's obligations under Section 3.6 of the GSF Act, and TPP20-08 Internal Audit and Risk Management for the NSW Public Sector Policy.

[11] Shall be consistent with the GSF agency's obligations under TC18-02 NSW Fraud and Corruption Control Policy.

[12] Refer to Online Application Individual User Acknowledgement and Card Issuer Terms and Conditions.

- obtaining and retaining all relevant documentation for all transactions. All transactions over $30 (inclusive of GST) require official tax receipts
- the timely acquittal of transactions.

2.3   Cardholders must notify the Card Issuer in the following circumstances:
- on the loss or theft of the Pcard, immediately regardless of whether it is a working day or weekend
- on awareness that an unauthorised transaction has occurred, at time of occurrence or at end of month reconciliation (whichever is the earliest).

2.4   Cardholders must notify the Program Administrator (the next working day or as soon as practicable) in the following circumstances:
- cessation of employment with the GSF 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 operational or financial delegation limits that are associated with the Cardholder's role
- a prolonged leave of absence from performing their role[13]
- the Pcard has been suspended or cancelled
- the loss or theft of the Pcard
- on awareness that an unauthorised transaction has occurred, at time of occurrence or at end of month reconciliation (whichever is the earliest).

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[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 GSF agency or role/position for longer than eight weeks.

Part B: Operational Guidance

This Operational Guidance seeks to assist GSF 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.

The Pcard Program
A Pcard is a commercial credit card issued at the request of the relevant GSF 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 GSF agency.

The vCard Program
GSF agencies must adopt vCards as a payment facility where viable.[14] GSF agencies should provide employees with advice on their specific programs. The use of this payment facility may be whole-of-government use or GSF agency-specific use. For example:

- Whole-of-government: NSW Government Contract 1009 Virtual Travel Card Payment for air travel, accommodation and car hire bookings.
- GSF agency-specific: NSW Health Total Apparel Management System, a State-wide uniform online ordering system.

vCard agreements, in addition to the actual payment method, may offer other benefits to the buying GSF agency. This could include setting additional security on cards to be usable only for a single supplier, monthly spend limits per supplier, statement data matching (such as GSF agency or account codes), online statement and reconciliation tools.

Similar to Pcards, vCards also operate once a facility has been established. This policy refers to these facilities in the singular Pcard. It should be noted that a GSF agency's total facility borrowing limit approval includes both Pcard and vCard arrangements.

Understanding Pcard Program Risks
A GSF agency's Pcard Policy and associated procedures should seek to manage risks specific to the use of Pcards and should be consistent with the GSF 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 waste
- the potential for transaction and/or accounting errors (e.g. duplication of payments)
- the application of inappropriate purchase methods (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 that 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 and/or reputation.

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 Pcards including:

- a Cardholder charging personal expenses to the GSF agency Pcard
- a Cardholder and a client colluding to misuse a GSF agency Pcard

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[14] Refer to footnote 1 on p1

- 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 government officers colluding for improper benefit – for example, the Cardholder colluding with another government officer whose role is to check expenditure.[15]

While a number of risk types, together with specific examples of risks, associated with Pcards have been provided here, it is important that GSF agencies engage in a structured risk 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 GSF agency.

To identify these Pcard specific risks it can be useful to consider key intersection points between the GSF agency, the Cardholder, the merchant and the Card Issuer (see **Figure 1**).

Figure 1 - NSW Pcard Program Intersection Points
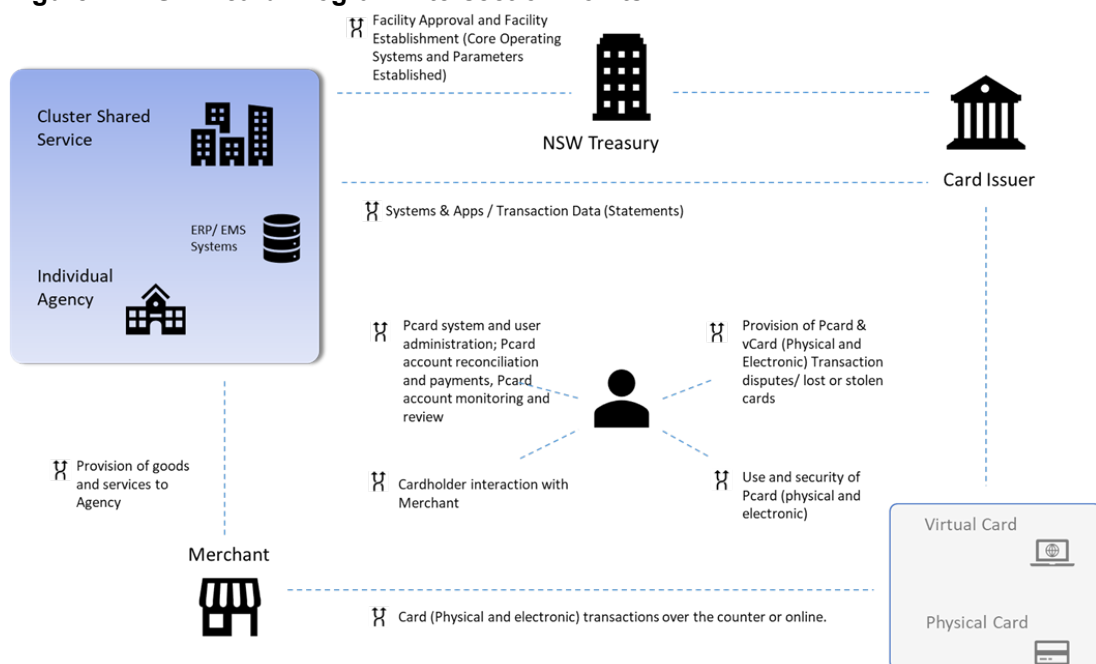
Reviewing each intersection point can be useful when considering whether there are particular risks that might require specific or extra mitigation or controls not currently within the existing risk management framework.[16] It can be helpful for this review to take place in consultation with key stakeholders involved with the various intersection points. It is important not to rely only on previous experience to identify risks associated with Pcard use.

GSF 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 GSF agencies in order to continually improve their management of these risks. GSF agencies may refer to various audit reports of the Audit Office of NSW[17] and other jurisdictions[18] that have undertaken audit or assurance work relating to the use of credit cards to familiarise themselves with areas of concern that require GSF agency improvement.

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[15] Refer to Corruption Prevention Advice Topics: Credit Cards.

[16] Further guidance on developing a risk management framework is found in TPP12-03 Risk Management Toolkit for the NSW Public Sector.

[17] Audit Office of NSW reports such as Central Agencies 2019, Internal Controls and Governance 2018, and Local Government 2018.

[18] Australian National Audit Office reports such as Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2019, and Defence's Management of Credit and Other Transaction Cards (May 2016)

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

To address the risks associated with financial information generally, GSF agencies should have in place controls designed to provide reasonable assurance that financial information is complete and accurate.[19] Those controls will address some, but not all, of the risks associated with Pcards. This means controls specific to Pcards will need to be designed and implemented.

The following section provides guidance on controls designed specifically for the use and management of Pcards.

Preventative Controls[20]
Preventative controls are those designed to prevent errors and irregularities from occurring. Some examples of preventative controls for Pcards include:

Policies and Guidelines
Setting out a GSF agency's expectations in clear and well communicated policies is fundamental to the establishment of a strong control environment. Under the Core Requirements (of the Policy), the Accountable Authority is responsible for ensuring a Pcard Policy is developed and implemented. Procedures and guidelines establish and standardise behaviours and help government officers and others to fulfil their obligations.
GSF agencies should consider the appropriate level of guidance required to ensure that the policy expectations are understood and met by all government officers and other stakeholders. This may include, for example, procedures or guidance on:

- card issue, transfer, and cancellation. Action to address damaged, lost or stolen cards should also be clearly described

- routine review of issued cards, specifically to verify that Pcards are issued to staff with an identified business requirement (to purchase goods or services on behalf of the GSF agency) and to ensure that each Cardholder is still the appropriate recipient of a card

- managerial review of Pcard use, independent periodic monitoring and review of Pcard use, management and overall performance of the program across the GSF agency

- the applicable billing cycle and standardising the approval, acquittal and authorisation of transactions

- transacting via internet, phone or in person with a Pcard, including any mandatory or prohibited methods of transacting

- allowable uses of the Pcard and on retention of appropriate supporting documentation (including electronic documentation) to be retained in connection with the use of Pcards. This should include information about actions to be taken where the appropriate supporting documentation is unavailable or has been misplaced, or for unusual transactions that might require more than standard supporting documentation

- supporting staff to address unrecognised transactions, discrepancies, errors or inadvertent misuse and procedures for following-up issues with merchants and/or the Card Issuer

- secure storage and security of cards

- user access to, and security requirements on, administration systems and applications supporting the Pcard program

- confidentiality and security surrounding the use of Pcard and related data, specifically accessing, retaining and sharing of card and cardholder details or other transaction details.

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[19] Refer to Treasury Policy and Guidelines Paper TPP17-06 Certifying the Effectiveness of Internal Controls over Financial Information for further guidance on internal controls over financial information.

[20] 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. GSF agencies should also refer to NSW Treasury policies, circulars and other guidance for specific requirements as they relate to internal controls.

NSW Treasury

Nominating a Program Administrator
Primary Program Administrator (PA) and back-up Program Administrator roles act as a central point of contact for Cardholders, Merchant, Card Issuer and NSW Treasury. PA's undertake certain functions within the Card Issuer's Administration System not accessible to other GSF agency staff including Cardholders.

The responsibilities of Program Administrators may include:

- supporting the development, review, implementation and communication of the GSF Agency's Pcard Policy
- receiving completed and approved Cardholder applications and submitting applications to the Card Issuer
- ensuring that Cardholders and approvers have completed reconciliation processes in a timely manner
- liaising with the Card Issuer about the administration of cards, including issuance, changing of limits, thresholds and restrictions, and cancellations
- liaising with the Card Issuer regarding the Card Issuer's Administration System.

Pcard Limits, Thresholds and Restrictions
Limits, thresholds and restrictions should be set for each Cardholder. In setting these the GSF agency should consider:

- the responsibilities of the role or position held by the Cardholder

- the level of current expenditure of the Cardholder (subject to total facility borrowing limit of GSF agency)

- the types of expenditures made by the Cardholder.

GSF agencies should also consider:

Spending Limits
GSF agencies can tailor the spending limits for individual cardholders. It is good practice for GSF 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.

Cash Withdrawals
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 GSF 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 or when travelling overseas. In those cases, the GSF agency will need to manage the cash limits in accordance with internal approval structures. In these instances, it is good practice for GSF agencies to set and communicate the following for each Cardholder:
- maximum transaction limits for cash withdrawals
- maximum monthly limits for cash withdrawal.

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, GSF agencies should also consider explicitly prohibiting 'purchase splitting' arrangements.

Merchant Blocks
Banks require suppliers or merchants to have identifying codes based on the type of goods or services they sell. NSW Treasury, in consultation with the Card Issuer, have applied blocks to some merchants based on these identifying codes across the NSW Government Pcard program. This prevents GSF agencies from using Pcards to transact with these suppliers or

merchants. GSF agencies, at the time of facility establishment (or later through a variation), can apply to NSW Treasury for an exemption on a standard merchant block being applied to the agency's Pcard program.

Segregation of Duties

Segregation of duties provides an important mechanism for GSF 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 GSF Act.

Administration of the Pcard program should, where possible, be undertaken by someone who is not a Cardholder. Where a GSF agency has limited resources, clearly documented alternative control activities (such as periodic review processes by appropriate government officers) should be implemented instead. In cases where the PA is also a Cardholder, additional controls should be established around the maintenance and reconciliation of the PA's Pcard.

Approvals and Authorisations

Under the core requirements, GSF 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 government officers.

While Pcards are assigned to particular individuals, a GSF 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. GSF 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 GSF agency funds. For this reason, the safety and security of the card and its details are paramount to ensuring that an GSF agency's resources are not misused or misappropriated. There are various points of interaction between the Cardholder, GSF agency, Merchant and Card Issuer where the Pcard and/or card details may be mishandled. For vCards, depending on the configuration of the arrangement, government officers may need to keep secure user access identification and/or passwords.

Ongoing Security, Storage and Use of Pcards

GSF agencies should make clear to Cardholders their expectations concerning the storage of Pcards or vCard details. In particular, GSF agencies should assess the risks associated with allowing a Pcard holder to use their Pcard when travelling overseas.

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, GSF agencies should ensure that Cardholders are aware of card issuer and agency emergency contact details, including those for the PA, in the event they become aware that the details of the card have been compromised.

Notifying Card Issuer and GSF Agency of Loss or Theft

Cardholders should be aware of the process for reporting lost or stolen cards. The Cardholder must immediately notify the Card Issuer (available 24 hours, 7 days per week) and the GSF agency. The GSF agency should provide all Cardholders with relevant GSF 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. GSF 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 GSF 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.

Security of Systems, Data and Information

Cardholders, PAs and other stakeholders manage and maintain the Pcard program through an integrated web of systems and applications. GSF agencies should regularly consider the impact of cyber security risks[21] to the Pcard program and risks related to accessing, storing and sharing Pcard related data and information[22] (including Cardholder personal details, credit card numbers, transaction data).

PAs or other Pcard systems users with privileged or administration user system access (such as reporting or capability to manipulate or export data relating to card details, Cardholder details, merchant details, account or billing details or other transaction data) should receive an appropriate level of training and only hold a level of access commensurate with the role they are undertaking with that access removed when they no longer need to have access.

Practices for training and continual user awareness surrounding the use of the Pcards systems may be beneficial to controlling risks associated with systems use. Also, cyclic reviews of user access, automated updates to user access passwords or codes, and/or two-factor authentication are all examples on the types of controls that could be used.

Further, users should be trained on the appropriate classification, labelling and handling of information along with Information Protection Principles when dealing with GSF agency financial data and personal information. GSF agencies should provide details on how users can ensure the proper handling and protection of data and information to ensure the basic obligations to protect information the GSF agency collects on its own activities and about individuals.

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 GSF agency's expectations in relation to, Pcard use and management, should be provided to Cardholders at induction or before being issued a Pcard.

Ongoing Communications

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

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[21] Shall be consistent with the GSF agencies obligations under the NSW Cyber Security Policy.

[22] Shall be consistent with the GSF agencies obligations under DFSI 2015-01 NSW Government Information Classification, Labelling and Handling Guidelines, and NSW Governments Privacy Governance Framework, specifically Information Protection Principles.

- reinforce the GSF 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 government officers on changes to policies, processes, procedures or terms and conditions of use

- ensure awareness of various training and support facilities offered to Cardholders and other government officers.

Detective Controls[23]

Detective controls are designed to identify and rectify errors and irregularities. Some examples of detective controls for GSF agencies are outlined below:

Expenditure Acquittals and Reviews

Acquittal and review of Pcard transactions are important detective controls for GSF agencies. In the first instance, acquittals 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 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 GSF agency guidelines for Pcard use and have knowledge of the activities of the Cardholder. However, where the GSF 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 GSF agency's Pcard Policy.

The reviewer will be responsible for forming a view on whether the expenditure incurred was for business purposes and was consistent with the Cardholder's responsibilities and activities. The reviewer should assess whether:

- the expenditure incurred was appropriate for the purpose and reasonable

- the expenditure categorisations align with those allowed by the GSF agency

- the appropriate supporting documentation has been attached.

In addition to these processes, the GSF 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 GSF agency's record keeping obligations.

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[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. GSF 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 vCard, a monthly statement will generally be issued.

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 necessary to identify and assess fraud risks and design controls specifically to mitigate the risk of fraud.[25]

Protecting a GSF 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 GSF agencies with large amounts of assets and/or expenditure to engage sophisticated and integrated fraud prevention and detection systems, all GSF agencies will benefit from targeted monitoring for fraud risk. This may include monitoring for:

- unusual or unexpected levels of expenditure
- transactions with unusual types of Merchants
- the use of 'suspicious' words, as identified by the GSF 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
- 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, GSF agencies should consult the NSW Audit Office publication *Fraud Control Improvement Kit: Meeting your Fraud Control Obligations*. The Kit provides GSF agencies with practical guidance to implement a fraud control framework. Further information and guidance to prevent fraud and corruption is also available from ICAC.

Monitoring and Review of Pcard Controls

GSF agencies should design and implement a Pcard program monitoring and review schedule that is conducted at least every six-months. This schedule should provide a systematic and continuing assessment of internal controls of the Pcard program to ensure that identified and implemented 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 with individual self-assessments or like reports being provided to line or senior management for review may include:

- user reviewed or guided self-assessment (based on a checklist or other tool that identifies key controls to be verified)

- line management or PA reviews (based on a defined set of controls to be verified. This may include data mining and analytics or guided assessment)

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

GSF 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.

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[25] Treasury Circular TC18-02 requires all NSW Public Sector agencies to develop, implement and maintain a fraud and corruption control framework to prevent, detect and manage fraud and corruption.

NSW Treasury

An adapted version of an example periodic monitoring and review frequency table (Table 1, below) designed by the Australian National Audit Office,[26] provides some guidance on the different types of review and monitoring that GSF agencies should engage in, and the relevant timeframes.

Table 1: Periodic monitoring and review timetable

Indicative frequency	Nature of monitoring and review
Ongoing	• 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	• 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 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 Individual Pcard Application / Statement of Responsibility / Card Statements Issued (and/or other Register) with the Card Issuer Card Management Reports
1-3 years	➢ 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 GSF agencies.

Internal Reporting
GSF agencies should utilise the Card Issuers Administration System to ensure that they are aware of each card issued to Cardholders within the GSF 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
A GSF 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 GSF agencies to ensure timeliness and support a consistent format for processes associated with Pcard expenditure, for example, automated

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[26] Australian National Audit Office 2013, *Controls over Credit Card Use: Report No. 35 2012-13*, Australian National Audit Office, Canberra, viewed 21 June 2017

statements can be sent to Cardholders or an Expense Management System (EMS) can be utilised for transaction management and acquittal processes.

GSF 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

For queries relating to this Policy:
Financial Management Policy Team
NSW Treasury
Email: Finpol@treasury.nsw.gov.au

For queries relating to the whole-of-government Purchasing card structure, product and service, including the use and operation of card programs:
Banking and Financial Services Division
NSW Treasury
Email: PcardSupport@treasury.nsw.gov.au