

9.3 Purchase Cards Policy

REPORT BY THE FINANCIAL OPERATIONS COORDINATOR
TO 21 SEPTEMBER 2022 ORDINARY MEETING
GOV400098, FIN300032, A0140316

RECOMMENDATION

That Council:

1. **receive the report by the Financial Operations Coordinator on the Purchase Cards Policy;**
2. **place the Purchase Cards Policy on public exhibition for a period of 28 days; and**
3. **adopt the Purchase Cards Policy for a further period of two years, if no submissions are received during the public exhibition period.**

Executive summary

In September 2021 the Office of Local Government released the document titled Guideline on the use and management of credit cards. Council's finance team have reviewed the guidelines and considered them against the existing Corporate Cards Procedure. We are recommending the following actions:

- Introduction of a Purchase Cards Policy; and
- Revision of our internal Purchase Cards Procedure and have it renamed to Corporate Cards Procedure.

Disclosure of Interest

Nil

Detailed report

The Local Government Act 1993 (section 8B) and the Local Government (General) Regulation 2021 (clause 209) require all councils to establish effective internal control mechanisms for financial management, expenditure and accounting records. The guidelines were issued under section 23A of the Local Government Act 1993; where section 3 states that a council must take any relevant guidelines issued under this section into consideration before exercising any of its functions.

Council's finance team have reviewed the guidelines against our existing Purchase Cards Procedure. A summary of notable changes are:

- Introduction of a Purchase Cards Policy. This policy incorporates the two types of purchase cards Council currently have, which are credit cards and fuel cards. The policy is a high level document that will demonstrate how Council will manage and control the use of cards.
- Update of credit card management internal procedures (Corporate Cards Procedure) to improve controls.
- Development of internal training module for all Corporate Card users to complete.

Please note on the 19th of July 2022 the Executive adopted the updated Corporate Card Procedure and the internal training module for all Corporate Card holders is currently being rolled out.

Community Plan implications

Theme	Good Government
Goal	An effective and efficient organisation
Strategy	Prudently manage risks association with all Council activities

Strategic implications

Council Strategies

Not Applicable

Council Policies

Procurement Policy
Code of Conduct
Fraud Control Policy

Legislation

The Local Government Act 1993 (section8B) and the Local Government (General) Regulation 2021 (clause 209).

Financial implications

Not Applicable

Associated Risks

This policy addresses Financial risks associated with fraud and improper use of Council assets by setting the standards and obligations of council officers with delegated authority to purchase goods and services using a purchase card.

TRISH ELSEGOOD
FINANCIAL OPERATIONS COORDINATOR

NEIL BUNGATE
ACTING CHIEF FINANCIAL OFFICER

18 August 2022

Attachments: 1. Draft Purchase Cards Policy.

APPROVED FOR SUBMISSION:

BRAD CAM
GENERAL MANAGER



POLICY Purchase Cards

*A prosperous
and progressive
community.*

ADOPTED		VERSION NO	VERSION 1
COUNCIL MEETING MIN	[xx/xx]	REVIEW DATE	[DATE TO REVIEW]
DATE:	[INSERT DATE]	FILE NUMBER	[INSERT FILE NO]

Policy statement

The use of a Purchase Card can be an efficient procurement method, saving the Council time and money. Additionally, some services and suppliers, such as booking flights, accommodation and online subscriptions mandate use of a credit card.

Purchase cards must be subject to appropriate controls in order to protect Council funds, maintain the integrity of governance processes and maintain public confidence in Council operations. The Council is obliged to maintain an effective system of internal control, in accordance with the Local Government (General) Regulation 2021 to address the significant risks of fraud and misuse of purchase cards.

Objective

The objective of this policy is to detail standard purchase card practices across Mid-Western Regional Council and to highlight the obligations of council officers with the delegated authority to purchase goods and services of any value or type on behalf of Council by way of a purchase card. Purchase card usage is a function that is high risk in terms of corruption and therefore it is subject to internal controls and processes.

Successful purchase card usage provides great flexibility and potentially increases efficiency of services, expediting lead times and reducing administrative burden.

Council currently has two types of purchase cards that are regulated by this Policy. These are:

- Corporate Card
- Fuel Card

Legislative requirements

- Local Government Act 1993 - Section 8B
- Local Government (General) regulation 2021 – Clause 209

Related policies, plans and procedures

Related policies and plans

- Code of Conduct
- Procurement Policy

POLICY: PURCHASE CARDS | VERSION 1, [INSERT DATE]

- Fraud Control Policy
- Corporate Cards Procedure
- Light Fleet Procedure

Corporate Card Policy Implementation

Eligibility

The provision of a corporate card is a facility offered by Council to officers occupying certain positions. These positions must have an existing financial delegation. The General Manager has delegated the oversight and management of corporate cards to the Chief Financial Officer. All requests for corporate cards must be approved by the Chief Financial Officer (CFO).

The CFO or General Manager reserves the right to amend, alter or vary eligible positions from time to time. Cards are for the use of designated officers only and must not be given to another employee to use.

The Mayor is the only elected member who holds a corporate card.

Credit Limits

The CFO shall have the authority to determine the credit limits and transaction limits for individual card holders. These limits will not exceed a determined maximum amount or the cardholders financial delegation. This determination will be based on the purchasing requirements for the position and risk. Temporary credit limit increases can also be approved upon request where it is deemed operationally appropriate. A temporary credit limit increase can be approved by the CFO or General Manager.

Appropriate Use

Corporate cards must only be used for the payment of goods and services associated with Council business.

- Each individual credit limit must be strictly adhered to, each month, with no over expenditure, and purchases must not be split to avoid the transaction limit.
- Card holders must ensure funds are available within the budget prior to purchasing goods and services and the expenditure is justified.
- Cards will be blocked for cash advances.
- Cards shall not be used for private or personal expenditure.
- Cardholders will not be entitled to any rewards program or access to rewards that may be offered as part of the expenditure.
- Cardholders must not purchase tools or items that are stocked in Council's store.
- Cardholders must not pay fines with a corporate card, for example a parking fine or a speeding offence which was incurred whilst on Council business.

Formal Acknowledgement

Council officers issued with corporate cards are in a position of trust with regard to the use of public funds. Improper use of the card may render the cardholder liable to disciplinary action, legal action or criminal prosecution. All corporate cardholders are to acknowledge receipt of the corporate card and instructions for use. The acknowledgement will include a signed agreement to abide by the Council's Policy and Procedures and the card supplier guidelines and conditions of use.

Internal Control and Reconciliation Procedures

Council will put in place appropriate internal controls in a Corporate Cards Procedure to reduce the risk of fraud and misuse. These controls include:

- Identification procedures for new cardholders
- Maintaining a register of cardholders
- Requirements to provide documentation for all purchases
- Timely costing of transactions
- Supervisor approval of all transactions
- Review of policy compliance
- Procedures for lost, stolen and damaged cards and for cessation of employment

Review of Corporate Card Facility

Review of Councils corporate card facility will incorporate relevant legislation, documentation released from relevant state agencies and best practice guidelines. The standard review period will be on an Annual basis and will cover the following aspects:

- Any matters indicating the efficiency or effectiveness of the corporate card e.g. card not used;
- Credit Limits and Transaction Limits for individual card holders;
- Action taken in response to issues raised; and
- The results of action taken in response to issues raised in previous reports.
- Any inactive card not used for six months should be reviewed and discussed with cardholder and manager.

Training and Induction

Training Cardholders on their responsibilities is an important control that reduces the risk of credit card misuse. Training will be provided to Cardholders with the knowledge and

POLICY: PURCHASE CARDS | VERSION 1, [INSERT DATE]

skills to effectively deliver on their responsibilities and understand their accountability for corporate card use. Training will be provided before a cardholder takes custody of a corporate card.

Fuel Card Policy Implementation

Eligibility

Fuel cards issued are associated with a Council vehicle. Cards are issued to pool vehicles, some minor equipment such as mowers and vehicles with approved private use.

The custodian of that vehicle is responsible for the card. In the case of a pool car or shared use, the custodian is the driver at the time or if not in use the administration support allocated to the vehicle.

Appropriate Use

Fuel cards must only be used for the purchase of fuel for the identified plant and equipment associated with the card.

- Fuel cards shall not be used for private or personal expenditure
- Cardholders will not be entitled to any rewards program or access to rewards that may be offered as part of the expenditure
- Fuel card settings will only allow purchase of a fuel type appropriate to that vehicle. All other purchases will be blocked.

Internal Control and Reconciliation Procedures

Council will put in place appropriate internal controls in a Light Fleet Procedure to reduce the risk of fraud as misuse. These controls include:

- Custodian to ensure the fuel card is only used for fuel, oil or other fluids required for the associated vehicle only
- Custodian to provide the odometer reading of the vehicle when refuelling
- Expenditure review of monthly invoicing is performed by Fleet Administration
- Acknowledgement of the Light Fleet Procedure will be required
- Procedures for lost, stolen and damaged cards and for cessation of employment