

Transaction Cards

Policy Objective

To provide the Chief Executive Officer (CEO) with a framework of principles to guide the use and management of Transaction Card facilities and which:

1. Ensures efficient and effective procurement and payment operations.
2. Minimises the risk of misuse, fraudulent or corrupt use.
3. Defines allowable and prohibited uses.
4. Defines management and oversight obligations.
5. Defines Cardholder duty of care and responsible use obligations.

Policy Scope

Transaction cards are recognised as an efficient and flexible method of paying for goods and services in the public sector. They offer a convenient and highly traceable payment option, particularly for low value, day-to-day transactions, and can substantially improve purchasing efficiency.

However, any transaction method holds the potential for misuse and the convenience and flexibility of transaction cards can be a vulnerability. Therefore, sound policies and protocols for use and control must be established to take advantage of the improved purchasing efficiency while minimising the opportunity and impact of misuse of funds.

This policy provides an in-principle framework to guide the CEO when fulfilling their statutory duties for establishing and implementing appropriate systems and procedures for incurring expenditure and making payments specific to Transaction Cards.

Policy Statement

1. Management Oversight and Reporting

1.1 Legislation

- (1) Section 6.5(a) of the *Local Government Act 1995* prescribes the Chief Executive Officer's (CEO) duty to ensure that proper accounts and records of the transactions and affairs of the Local Government are kept in accordance with regulations.
- (2) The *Local Government (Financial Management) Regulations 1996* prescribe:

- a. Regulation 5, the Chief Executive Officer's duties to ensure efficient systems and procedures are established for the proper authorisation of incurring of liabilities and the making of payments.
- b. Regulation 11(1)(a) and (2) requires the Local Government to develop procedures that ensure effective security for the authorisation and payment of accounts and for the authorised use of payment methods, including credit cards.

1.2 Determining When Transaction Card Facilities are Appropriate

- (1) Transaction Card facilities may be implemented and maintained where the card facility provides benefit to the Shire of Broome operations by ensuring:
 - a. goods and services can be obtained in a timely and efficient manner to meet the business needs of the Shire of Broome;
 - b. financial management and accounting standards are met; and
 - c. purchasing and payment functions are secure, efficient and effective.
- (2) Transaction Card facility providers will only be acceptable where, in the opinion of the Chief Executive Officer, they:
 - a. provide appropriate and sufficient statement, administration and acquittal controls that enable the Shire of Broome to sufficiently administer the facility; and
 - b. provide the Shire of Broome with protection and indemnification from fraudulent unauthorised transactions.

1.3 Management Oversight

The CEO shall determine and implement adequate systems and procedures to ensure:

- a. Assessment and selection of Transaction Card facilities that support the efficient and effective operations of the Shire of Broome;
- b. Authorisation and appointment of suitably eligible Cardholders;
- c. Cardholder duties and responsibilities are documented and Cardholders provided with training; and
- d. Monitoring and auditing of Transactional Card activities is regularly planned and reported.

1.4 Authority for Use

- a. Council authorises the CEO to be issued with a Corporate Credit card, if they choose to hold one. The maximum amount for the CEO will be \$5,000 per month.
- b. Council authorises the Executive Assistant to the CEO to be issued with a Corporate Credit card with a maximum amount per month of \$15,000. This Corporate Credit card primarily facilitates the Shire accessing State Government pricing for travel related expenditure through the Common Use Agreement.
- c. All other Transactions Cards shall be approved by the CEO or a Director;
- d. The maximum amount for any Transaction Card shall be \$5,000 per month.
- e. Monthly credit limits will be set to the lowest amount required by the Cardholder to conveniently execute their role.

- f. Limits on individual transactions may be set.

1.5 Reporting

The CEO will ensure that acquitted transaction statements for each Transaction Card facility are provided to Council as part of the monthly financial reporting regime.

1.6 Misuse, Misconduct and Fraudulent Use

The CEO or a Director retains the right to withdraw/suspend the authority to use a Transaction Card at anytime.

Any alleged misuse of Transaction Cards will be investigated and may be subject to disciplinary procedures.

Where there is reasonable suspicion of misconduct or fraudulent activity arising from Transaction Card facilities the matter will be reported to the appropriate regulatory agency, subject to the requirements of the *Public Sector Management Act 1994* and the *Corruption, Crime and Misconduct Act 2003*.

1.7 Principles for Transaction Card Usage

1.7.1 Allowable Transactions

- (1) Transaction Card facilities may only be used where:
- a. The expenditure is directly arising from a Shire of Broome operational business activity for which there is an Annual Budget provision;
 - b. The expenditure is in accordance with legislation, the Shire of Broome Purchasing Policy, Employee Code of Conduct and any conditions or limitations applicable to the individual Cardholder.
 - c. The procurement of the required goods or services is impractical or inefficient if undertaken via a purchase order or is not able to be obtained other than by a Transaction Card;
 - d. Supplier surcharges (fees) on transactions are minimised and only allowable where the alternative method of obtaining the supply (i.e. by purchase order) is more onerous, not cost effective or there is no alternative mode of supply.
 - e. Entertainment / Hospitality expenditure may only occur with the express written permission of the CEO.
 - f. Official travel, accommodation and related expenses may only occur in accordance with Shire of Broome policies and procedures;
 - g. Accounts payable payments are made under the direction of the Manager Financial Services;
 - h. A sufficient record of each transaction is obtained and retained within the Shire's Finance System to meet record keeping retention requirements.
- (2) Allowable transactions include:
- a. In-person and over the counter retail purchases;
 - b. Telephone or facsimile purchasing;
 - c. Mail order purchasing and subscriptions;

- d. Internet purchasing.

1.7.2 Prohibited Transactions

- (1) The Shire of Broome prohibits the use of Transaction Card facilities for:
 - a. Cash advances;
 - b. Incurring expenses which are personal or private (i.e. any expenditure which is not an approved Local Government activity);
 - c. Incurring Capital expenditure;
 - d. Incurring expenditure for goods or services which are subject to a current supplier contract;
 - e. Incurring expenses which are not in accordance with legislation, the Shire of Broome Purchasing Policy, the Annual Budget and / or the conditions or limitations relevant to the individual Cardholder;
 - f. Splitting expenditure to avoid compliance with the Purchasing Policy or to negate limits or conditions applicable to the Cardholder; and
 - g. Incurring expenses for the primary purpose of obtaining personal advantage through the transaction (i.e. membership or loyalty rewards).
- (2) For clarity, Elected Members are prohibited from using Shire of Broome Transaction Cards as the *Local Government Act 1995* does not provide authority for an Elected Member to incur liabilities on behalf of the Local Government. The Act limits Local Governments to only paying Elected Member allowances and reimbursing Elected Member expenses.

1.7.3 Cardholder Duty of Care and Responsible Use Obligations

- (1) A Cardholder is required to:
 - a. Keep the Transaction Card and access information in a safe manner; protected from improper use or loss.
 - b. Only use the Transaction Card for allowable purposes and not for prohibited purposes.
 - c. Obtain, create and retain Local Government records that evidence transactions.
 - d. Acquit the reconciliation of Transaction Card usage in the required format and within required timeframes. The onus is on the cardholder to provide sufficient detail for each transaction to avoid any potential perception that a transaction may be of a personal nature.
 - e. Return the Transaction Card to the Shire of Broome before termination of employment, inclusive of reconciliation records.
 - f. Reimburse the Shire of Broome the full value of any unauthorised, prohibited or insufficiently reconciled expenditure.
- (2) Benefits obtained through use of a Transaction Card (i.e. membership or loyalty rewards) are the property of the Shire of Broome and may only be used for Shire of Broome business purposes. Such benefits must be relinquished by the Cardholder to the Shire of Broome. Under no circumstances may such benefits be retained as a personal benefit.

1.7.4 Transaction Evidence

- (1) A sufficient transaction record must include the following minimum information:
 - a. Invoice and / or receipt that includes; the date, company name, address, ABN, amount and any GST amount included;
 - b. Where an invoice and / or receipt cannot be obtained, the Cardholder must provide a Statutory Declaration, in accordance with the *Oaths, Affidavits and Statutory Declarations Act 2005*, detailing the nature of the expense and sufficient information to satisfy the requirements of subclause (a) above.
- (2) Where a Transaction Card is used to incur an expense for hospitality, the transaction record must include for the purposes of Fringe Benefits Tax calculations and probity:
 - a. the number of persons entertained;
 - b. the names of any employees in that number; and
 - c. the purpose of providing the entertainment or hospitality.

2. Definitions

Cardholder means an employee who has been authorised by the CEO to incur expenditure by means of a Transaction Card.

Transaction Card means a card facility (which may include; credit, store, parking, cab-charge and fuel cards) approved for use in lieu of cash transactions, to incur expenditure for goods and services for the purposes of the Shire of Broome business activities only in accordance with relevant Shire of Broome Policies.

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