

Title:	FINANCIAL MANAGEMENT – CORPORATE CREDIT CARDS
Objective:	To provide guidance for the use of Corporate Credit Cards
Legal:	Local Government Act 1995 Section 2.7 (2) (a) and (b), Section 6.5 (a) Local Government (Financial Management) Regulations 11 (1) (a)
Date Adopted:	2009

1.0 The use of Corporate Credit Cards shall only be approved if there is a demonstrated need and advantage to the Shire. These include:

- (i) Elimination or reducing time spent on paper based ordering and payments;
- (ii) Reduction of administrative costs;
- (iii) Reducing the number of payments per month;
- (iv) Provision of a useful resource in an emergency situation; and
- (v) Reducing the need to carry cash on the premises.

2.0 Applications for Corporate Credit Cards and Approval

All applications for a Corporate Credit Card shall be approved by the Chief Executive Officer.

In the case of the Chief Executive Officer, the Council shall approve the application and determine the conditions for use and maximum credit limit and credit limit for each individual transaction.

3.0 Register

A register shall be maintained by the Deputy Chief Executive Officer of all Credit Cards issued. The register shall include:

- (i) Date of approval by Chief Executive Officer;
- (ii) Name of card holder;
- (iii) Conditions of use of the card; and
- (iv) A review date for continuing use of the card, not exceeding 24 months.

4.0 Issuing of Corporate Credit Cards to Elected Members

4.1 The Local Government Act does not make provision for the issuing of credit cards to Elected Members. (A Local Government can only pay allowances or reimburse expenses to an Elected Member).

4.2 Elected Members shall not be issued with a Corporate Credit Card as there are no provisions within the Act which allow an Elected Member to incur a debt.

5.0 Policies and Procedures Governing the Use of Corporate Credit Cards

The following shall be complied with for controlling the use of Corporate Credit Cards:

General

- 5.1 An agreement shall be signed by the cardholder which sets out the cardholder's responsibilities and legal obligations when using the Credit Card;
- 5.2 A register by the Deputy Chief Executive Officer of all current cardholders should be kept which includes card number, expiry date of the Credit Card, credit limit and details of goods and services the cardholder has authority to purchase;
- 5.3 All new and existing cardholders shall be provided with a copy of the policies relating to the use of Credit Cards;
- 5.4 When an employee misplaces their Credit Card, they shall promptly report the matter to Deputy Chief Executive Officer who shall immediately cancel the card;
- 5.5 Credit Cards shall not be transferred to other users;
- 5.6 Use of the reward schemes, such as Fly Buys, will not be permitted for personal gain;
- 5.7 All surrendered Credit Cards shall be destroyed by the Deputy Chief Executive Officer in the presence of another employee;
- 5.8 In the event that a cardholder fails to comply with the policies requirements, the Chief Executive Officer shall withdraw the use of the Corporate Credit Card and take appropriate disciplinary action. All criminal/illegal acts of alleged misuse shall be reported to the Police and other relevant authorities; and
- 5.9 The use of Corporate Credit Cards for personal entertainment uses is prohibited.

6.0 Purchasing

- 6.1 Credit Cards shall only be used for purchasing goods and services on behalf of the Shire;
- 6.2 Personal expenditure is strictly prohibited;
- 6.3 A Credit Card shall not be used for cash withdrawals;
- 6.4 Maximum credit limit shall be based on the cardholder's need and approved by the Chief Executive Officer and the following will be used as a guide:

Maximum credit limit and transaction limit per card will be as follows:

Name	Credit Limit \$	Maximum Credit Limit per Transaction \$
Chief Executive Officer	5,000	5,000
Deputy Chief Executive Officer	5,000	5,000

6.5 Purchases by facsimile, telephone or over the internet shall be authorised by the person and all paperwork shall be kept and verified.

7.0 Payments

7.1 The cardholder shall provide appropriate and sufficient documentary evidence of all charges, as required, on a regular basis;

7.2 Time frames for all payment of accounts shall be monitored by Deputy Chief Executive Officer to ensure that credit charges are minimised and accounts are paid so as not incur a penalty or interest;

7.3 Cardholders cannot approve expenditure incurred on their own cards – these will be referred to the Chief Executive Officer for approval – the Chief Executive Officer shall refer any such instances to the Deputy Chief Executive Officer.

Use of Corporate Credit Cards

Local Government Operational Guidelines - Number 11 of 2014



Department of Local Government
and Regional Development
Government of Western Australia

www.dlgrd.wa.gov.au

Use of Corporate Credit Cards

1. Introduction

1. Corporate credit cards can deliver significant benefits to local governments through improved administrative practices and more effective cash management. However, they can also expose a local government to significant risks if not properly controlled.

2. The risks associated with credit cards can be minimised by implementing policies to control their use.

3. It is important to have a communication strategy that informs new employees and reminds existing employees of the policies governing the use of credit cards.

2. Legislation

4. The following provisions of the *Local Government Act 1995* (the Act) and associated regulations impact on the use and control of corporate credit cards:

- Section 2.7(2)(a) and (b) of the Act requires the council to oversee the allocation of the local government's finances and resources and to determine the policies of the local government.
- Section 6.5(a) of the Act requires the CEO to ensure that proper accounts and records of the transactions and affairs of the local government are kept in accordance with regulations.
- *Local Government (Financial Management) Regulation 11(1)(a)* requires local governments to develop procedures for the authorisation and payment of accounts to ensure that there is effective security and appropriate authorisations in place for the use of credit cards.

3. Advantages of Corporate Credit Cards

5. When used correctly, a credit card can –

- eliminate or reduce time spent on paper based ordering and payments;
- reduce administrative costs;

- reduce the number of payments made per month;
- provide a useful resource in remote and emergency situations;
- reduce the need to carry cash on the premises; and
- provide an effective audit trail of expenditures.

4. Policies and Procedures Governing the Use of Corporate Credit Cards

6. The following issues should be considered when developing policies and procedures for controlling the use of credit cards –

General

- an agreement should be signed by the cardholder and the local government which sets out the cardholder's responsibilities and legal obligations when using the credit card;
- a register of all current cardholders should be kept which includes, card number, expiry date of the credit card, credit limit and details of goods and services the cardholder has authority to purchase;
- all new and existing cardholders should be provided with a copy of the policies relating to the use of credit cards;
- what the cardholder should do in the event their employment ceases, an extended period of leave is taken or they are moved to a position which does not require the use of a credit card;
- what the cardholder should do if they lose or misplace their credit card;
- credit cards should not be transferred to other users;
- how reward schemes, such as Fly Buys will be treated;
- the arrangements for destruction of all surrendered credit cards; and
- what action is to be taken in the event that a cardholder fails to comply with the policies.

Purchasing

- a credit cards should only be used for purchasing goods and services on behalf of the local government;
- personal expenditure should be prohibited;
- a credit card should not be used for cash withdrawals;
- maximum credit limits should be based on the cardholder's need; and
- how purchases by facsimile, telephone or over the Internet are to be dealt with.

Payments

- time frames for payment of accounts should be monitored to ensure that credit charges are minimised;
- establish strict guidelines for expenditure on entertainment; and
- cardholders cannot approve expenditure incurred on their own credit cards.

5. Issuing of Corporate Credit Cards to Elected Members

7. The Act does not make provision for the issuing of credit cards to elected members. A local government **can only** pay allowances or reimburse expenses to an elected member. There are no provisions within the Act which allow an elected member to incur a debt, as would be the case with a credit card.

6. Who Should Approve Corporate Credit Card Applications?

8. The CEO should approve an application by a local government employee for a corporate credit card. In the case of the CEO, the council should approve the application.

7. Taxation Considerations

Goods and Services Tax

9. The Australian Taxation Office has a ruling available relating to GST and entitlements to input tax credits without a tax invoice (GSTR 2000/26). A copy of this ruling is available from the ATO's website at; <http://law.ato.gov.au/atolaw/view.htm>
10. This ruling provides an opportunity for corporate credit card statements to be used to claim input tax credits without holding a Tax Invoice. This is only allowed when the corporate credit card provider, the user of the corporate credit card (and their organisation) have met certain conditions.
11. For details on whether a corporate credit card statement can be used in place of a tax invoice, local governments will need to contact their credit card providers directly. If there are any doubts as to the documentation required to claim input tax credits then a tax invoice should be obtained for all purchases.
12. Card users should ask suppliers to record an adequate description of goods/services on the tax invoice to ensure appropriate levels of accountability.

Australian Business Number (ABN)

13. It is important to remember that if a supplier does not have an ABN and Pay As You Go tax has not been withheld on the credit card statement, the local government is still liable to pay the corporate credit card provider the full amount and also the ATO, 48.5% of the purchase price.