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**FD (DoF) 11/16**

**15 November 2016**

**Dear Finance Director**

## **ISSUES AND USE OF PAYMENT CARDS**

### **Purpose**

1. The purpose of this FD letter is to provide updated guidance on the use of payment cards in the Northern Ireland public sector.

### **Background**

2. The term “payment card” is used to encompass credit cards, charge cards, debit cards and the Government Procurement Card (GPC). The guidance essentially covers any card which offers a credit facility and can be used to obtain goods/services without the immediate need for cash or raising an invoice. These can include:
  - GPC Purchasing Card
  - GPC Lodge Card
  - Travel and fuel cards
  - Prepayment cards
  - Declining balance cards
3. Following concerns by Public Accounts Committee (PAC) and the Northern Ireland Audit Office (NIAO) as far back as 2002, DFP (now DoF) issued

guidance on the use of payment cards. This was contained within DAO (DFP) 24/02.

4. While many of the principles/guidelines set out in the DAO remain relevant and appropriate the guidance has been reviewed to take account of a recent National Audit Office (NAO) study on the GPC.
5. Overall the GPC, and other types of payment cards, can offer a convenient method for making payments, and by careful use, may enable payments to be deferred without the payment of interest, for periods exceeding one month. GPC cards etc can be particularly cost effective in making several small value purchases in a single 'billing' period, as the bill can be settled with one payment. This can save on administrative costs, as often the resource spent processing individual payments separately can exceed the cost of the item being purchased. However, while there are a number of advantages in using such cards it is also important to recognise that there are certain risks associated with their use.
6. While concerns about the use of GPCs, and indeed other forms of payment cards, have been less prevalent in recent NIAO/PAC reports there is nonetheless the potential risk of misuse of such cards which could result in financial loss and reputational damage to departments etc.

### **The Government Procurement Card (GPC)**

7. The GPC is a charge card. There are currently two card providers contracted via a Framework managed by Crown Commercial Services (CCS) an executive office sponsored by the Cabinet Office. For central government departments, the cards are provided by Royal Bank of Scotland (RBS) and for Arm's Length Bodies (ALBs), the cards are provided by Barclaycard. RBS provide Mastercard products and Barclaycard provide VISA products. Both cards provide all the benefits and facilities that the more traditional/personal/corporate credit card provides, but importantly, can afford government more security and controls than the typical corporate or personal credit card. The GPC providers also offer a rebate based on the volume of

spend on each card. It is for these reasons that the use of the GPC is recommended for all public bodies. It is recognised that public bodies may currently use various types of payment card which are operating satisfactorily and which have satisfactory controls in place. It may not be necessary, or in terms of value for money desirable, to cancel use of these cards in preference to the GPC. However, if a public body decides not to use the GPC, the relevant Accounting Officer should be able to justify that decision.

### Controls

8. The GPC can offer users a number of controls that are not available with the normal payment card. Amongst the most important are:-
- Single transaction limit for individual cardholders.
  - Specified category of expenditure controls.
  - 'Blocking controls' to prevent purchases not relevant to the issuing organisation.
  - Setting of monthly expenditure limits.
  - Provision of additional information that organisations may require in hard and soft format, including exception reports.
  - Payment by Direct Debit.
  - The issue of a 'composite' monthly statement for all cards users to a 'neutral' individual within an organisation who has responsibility for the collection of receipts/vouchers and making prompt payment.

### Benefits

9. The GPC can also offer a range of benefits. The main ones are listed below:-

- Reduction in staff ordering costs.
  - Reduction in payment costs.
  - Bank issuers' free Corporate Liability Waiver to provide cover for employee abuse.
  - In event of a card being stolen liability to the organisation is limited.
  - Well developed reporting mechanisms to assist in accounting for VAT etc.
  - The issuing bank can arrange for the training of card users.
  - Disputed transactions may be credited for up to four months.
  - Rebate offered based on the value of transactions.
10. Departments, individual card holders and approvers all have a role to play in the governance and control of card use. As such departments should put in place an appropriate system of control to govern the use of cards. This should be set out in a policy document by the department/relevant organisation. Such a document should cover the following key points:-

### **Issue of Cards**

- Only the cardholder should use the card.
- The procedures for determining who within the organisation can be a card holder. This should include setting out the business need for use of the card.
- The issue and reissue of cards should be authorised/approved at a senior level. It is suggested that this should be the Finance Director.

- Cards used should be from contracted providers.
- Cardholders should not normally be allocated to temporary staff or contractors.
- Regular reviews of whether individual cards are still required for business need should be conducted.
- Cards should be withdrawn when there is no business need identified.
- The Finance Director should designate an officer to be responsible for the establishment and maintenance of a central record of all cards and users across the organisation.

### **Use Limitations**

- The process for considering which types of expenditure should be allowed or blocked for the organisation and for individual cards, e.g. restaurants, fuel, and where appropriate cash withdrawal.
- The setting of authorised expenditure limits for single transactions and monthly expenditure should be set. Limits should be set taking account of the card holders delegated levels.
- Cards should not be used for personal/private expenditure. Where cards are authorised for cash withdrawal this should be exceptional and all withdrawals should be fully explained/justified with supporting documentation.
- Where expenditure categories are blocked but it is considered appropriate to incur such expenditure a process should be set out advising what pre authorisation for such exceptional transactions should be obtained.
- The policy should state that transactions should not be split to avoid

breaching card limits.

- Purchases made via cards should be in line with Procurement Policy requirements.
- Expenditure incurred through a card must be subject to the same rules and same level of controls as apply to other methods of public spending.

### **Role and Responsibilities**

- Role and responsibilities of users, authorisers and central administration teams should be clearly defined.
- There should be appropriate separation of duties between card user and authorisers.
- All approved cardholders should be provided with a copy of the card use policy and should be asked to confirm they acknowledge receipt and understand their responsibilities. Cards should not be retained if users etc have not provided this acknowledgement. The acknowledgement should be retained.
- Card holders, authorisers and administrators should be given mandatory training.

### **Supporting Documentation and Approvals**

- All transactions on cards should be supported by appropriate vouchers/receipts. These should be retained for a suitable period.
- Cardholders must request receipts when ordering by phone.
- Cardholders must submit monthly reconciliations to authorisers.

- Monthly reconciliations between transaction logs and card statements should be completed and reviewed by the designated authoriser. The level and nature of reconciliations completed should be considered by management on a risk based approach.
- A clear audit trail should be maintained from order to invoice to payment.

### **Review of Card Use**

- Management information should be used at cardholder and business unit level to ensure card use remains appropriate.
- Internal Audit should ensure there is sufficient coverage of card use as part of the Internal Audit risk based planning process.

### **Sanctions**

- Sanctions for misuse, including the threat/use of disciplinary action, should be set out in the policy.
- Staff should be advised that any suspicion of misuse will be considered and, if appropriate, dealt with under the organisation's fraud response plan.
- Cards should be removed from holders where there is non adherence to the policy governing their use.

### **Policy**

11. The policy should also set out the process for dealing with lost or stolen cards and that cards should be kept safe at all times.

## DAO Withdrawal

12. DAO (DFP) 24/02 is now withdrawn.

## Action

13. Finance Directors should ensure that the issue and use of cards within their organisations is appropriately controlled and that the best practice contained within this FD letter is reflected in relevant policies and procedures.
14. This FD letter should be brought to the attention of relevant staff in your department, agencies and Arm's Length Bodies (ALBs).
15. General enquiries on this FD letter should be addressed to Leona Johnston, in the first instance phone: 028 91858183 or ext: 68183, email [leona.johnston@finance-ni.gov.uk](mailto:leona.johnston@finance-ni.gov.uk). Enquiries in relation to the Government Procurement Card (GPC) should be addressed to Gareth Rennix, CPD phone: 028 90816315 or ext: 76315, email [Gareth.Rennix@finance-ni.gov.uk](mailto:Gareth.Rennix@finance-ni.gov.uk).

**Yours sincerely**



**ALISON CALDWELL**

**cc: Michelle Anderson  
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