



Government of **Western Australia**
Department of **Local Government and Communities**

Local Government Operational Guidelines

Number 11 – September 2006

Use of Corporate Credit Cards

1. Introduction

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.

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

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

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 Chief Executive Officer (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

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

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

- 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

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?

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 (GST)

The Australian Taxation Office (ATO) 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>

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.

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.

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)

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.

These guidelines are also available on the Department's website at www.dlgc.wa.gov.au



About the Guideline series

This document and others in the series are intended as a guide to good practice and should not be taken as a compliance requirement. The content is based on Department officer knowledge, understanding, observation of, and appropriate consultation on contemporary good practice in local government. Guidelines may also involve the Department's views on the intent and interpretation of relevant legislation.

All guidelines are subject to review, amendment and re-publishing as required. Therefore, comments on any aspect of the guideline are welcome. Advice of methods of improvement in the area of the guideline topic that can be reported to other local governments will be especially beneficial.

For more information about this and other guidelines, contact the Local Government Regulation and Support Branch at:

Department of Local Government and Communities

Gordon Stephenson House, 140 William Street, Perth WA 6000

GPO Box R1250, Perth WA 6844

Telephone: (08) 6551 8700 Fax: (08) 6552 1555

Freecall (Country only): 1800 620 511

Email: info@dlgc.wa.gov.au Website: www.dlgc.wa.gov.au

Translating and Interpreting Service (TIS) – Tel: 13 14 50