Procurement Cards: Pan-Government Policy

1. Introduction

1.1 Purpose

This document sets out the policy governing the use of Procurement Cards for all Central Government Departments, their Executive Agencies and Non Departmental Public Bodies. These are referred to as 'in-scope organisations'. This policy is of particular attention to those with a financial, commercial and procurement role.

Other public sector contracting authorities may wish to apply the approach set out in this policy.

It describes the roles and responsibilities for personnel that are required to govern and control their local Procurement Card programmes.

1.2 Overview

Procurement Cards are used by government as a method of prompt payment, not as a credit card, and can be used to pay for all goods and services, irrespective of value, subject to the restrictions set out at paragraph 4.2 below. They are also the recommended method of purchasing and paying for goods or services under twenty-thousand pounds (£20,000) with an overall monthly spending limit of one hundred-thousand pounds (£100,000). Monthly spend on Procurement Cards in excess of £100,000 should be permissible to meet business needs.

There are three types of Procurement Card: physical, lodge and virtual.

- Physical cards refers to the plastic card issued to a specific person within a department.
- Lodge cards are embedded into a supplier's system (e.g. a travel management company for booking travel without having to provide card details for each booking).
- Virtual cards are a randomly-generated card number associated with a physical Procurement Card which can be used once or multiple times, depending on your preferences.

For the avoidance of doubt, this policy applies to all three types. All card payments are categorised into Merchant Category Groups (MCG) with further breakdown into Merchant Category Codes (MCC). These codes identify the merchant by their business line. They provide a way to identify and categorise reportable transactions and can be used for

blocking purchases for specific companies or categories of businesses (e.g. gambling, gaming or pay-day loans).

There are many benefits to using Procurement Cards, such as reducing procurement process times, operational efficiencies and supporting the Government's prompt payment initiative for Small and Medium Enterprises, supporting and maintaining cash flow to suppliers. Increasing use of Procurement Cards can improve departments' efficiency and accelerate payment to their suppliers while still ensuring robust controls.

The official Government Procurement Card programme is offered under the Crown Commercial Service's (CCS) Payment Solutions Purchasing Card Solution framework. An additional benefit of using the Purchasing Card via this framework is a rebate based on a percentage of all transaction values retrospectively paid back to users on an annual basis.

Procurement Cards are to complement local purchasing and payment systems not to replace them. The cards will be used as defined by the departmental procurement acquisition model agreed by procurement and financial colleagues.

1.3 Policy and best practice

The policies and use of Procurement Cards outlined in this document should be incorporated into departments' existing Procurement Card programmes and when starting a new one. Where applicable, these policies should be made available to, and agreed by, all card users. The cardholders, upon receiving their card, should sign to confirm that they understand their responsibilities in relation to using the card.

2. Implementation

Before implementing a Procurement Card programme, consideration should be given to the overall strategy for use of the cards within the department. This is to ensure optimum use of the card programme when implemented. As a minimum departments must:

- Increase the use of Procurement Cards enabling the payment of suppliers to be more agile.

- Ensure that spending limits are increased (in line with Section 1.2) where appropriate and more categories of purchases on the cards are opened up to ensure a greater range of goods and services can be procured using them.

- Consider what is required from the Procurement Card programme (i.e. what goods and services could be purchased using a Procurement Card) and how it will be utilised across the department. This will enable clear specifications to be provided to potential Procurement Card providers. Points to consider include details of the procurement acquisition model, supplier spend analysis, the type(s) of Procurement Card required, integration with finance systems, reporting requirements, training and payment terms.

- Speak to CCS about your requirements. CCS can also advise on lessons learned from other Procurement Card implementations across the public sector.

- Involve key stakeholders including Purchasing, Finance, HR, Audit, IT and Communication teams in order to obtain buy-in for the programme and the skills necessary for its implementation.

- Identify a suitable number of key users. Key users should have a single transaction limit of £20,000 and an overall monthly spending limit of £100,000. Note: Monthly spend on Procurement Cards in excess of £100,000 is permissible in order to meet business needs.

- It is recognised that not all cardholders will require a transaction limit of £20,000 and an overall monthly spending limit of £100,000. Therefore it is necessary review existing card limits for non-key users and work with your card provider to ensure appropriate limits are set to appropriate levels in line with this policy and your 'local' card programme.

- Ensure an appropriate number of staff have the authority to use these cards and consider staff absences as part of your card programme.

- Consider in conjunction with the card provider, the configuration of the card programme to best reflect the department's hierarchy. This will ensure best use can be made of management information and to facilitate the publication of data to meet the transparency agenda.

- Consider with Finance the optimum payment process to ensure that suppliers can be paid in a timely manner. This is important as speed of payment will impact on the level of rebate the card provider will offer.

- Agree the most effective methodology for receipt of monthly cardholder statements. For sustainability and value for money purposes it is recommended that statements should be received electronically wherever possible.

- Consider and implement the most appropriate training requirements for cardholders and card administrators, including, where required, procedures for updating training following any lessons learnt or changes in guidance.

Departments must ensure that detailed internal processes and procedures are in place that covers the operation of any Procurement Card programme, in keeping with departmental finance and procurement policies and procedures. These should be reviewed regularly and approved by the departmental independent audit team.

3. Governance & Assurance

Departments must ensure that appropriate governance and assurance models are in place. Minimum requirements are as follows:

- Separation of duties – there must always be a separation of duties between authorisers, cardholders and administrators. For example, a cardholder should not be able to authorise or administer their own cards.

- Delegated Financial Authority (DFA) – cardholders must always have the required level of DFA to enable them to make purchases up to their agreed

limits. Internal processes need to be in place to ensure that signed DFAs are accessible for audit purposes.

- Processes in place to analyse the standard management information issued by card providers to allow in scope organisations to ensure their financial control policies are being adhered to.

- Independent regular review of (a sample of) cardholder transactions.

- Controls and audit procedures are in place and signed off by the independent departmental audit team to support assurance of the programme.

- Processes in place for identifying and rectifying statement anomalies, e.g. incorrect charges, goods not received etc., ensuring card providers respond within specified timescales.

- Processes in place in relation to lost or stolen cards, including notifying to card supplier at the earliest opportunity, detailed timely monitoring of statements, ordering replacement card.

- Management information to enable frequent timely monitoring for non-compliance to policy and off contract spend. Card misuse to be intrinsically tied to internal disciplinary procedures and applied.

- Processes in place to review and ensure that cards are withdrawn and cancelled as soon as cardholders no longer have a business need for having a card or leave the department, either for long-term absence or permanently.

4. Procurement Card Usage

4.1 Acceptable Usage

The department must apply the following rules for Procurement Card usage to its local policies, processes and procedures:

- Card programmes must be used in conjunction with the department's procurement acquisition model.

- Contracted suppliers must be used whenever possible to ensure items purchased are best value for money.

- Only the cardholder is authorised to place orders using their card.

- Allocate two spending limits to cards for both key and non-key users. This must be in line with point 1.2 of this policy.

  These are:

  - A 'single transaction limit' – this is the maximum value of spend for a single transaction; and

        o A 'monthly spend limit' – this is the maximum value of spend during each monthly cycle.

4.2 Prohibited Purchases & Restrictions

Departments must take steps to ensure all Procurement Cards are used in accordance with the following processes and procedures:

- Procurement Cards must never be used to make purchases contrary to departments' strategies and purchasing policies, although departments are encouraged to increase the use of Procurement Cards enabling the payment of suppliers to be more agile and to accelerate payment to businesses and open all relevant categories of spend to enable these cards to be used more widely.

- Departments can apply blocks to MCG and MCC. These blocks must not be overridden without business justification and prior written authorisation from the delegated authority.

- Unless exceptional circumstances can be demonstrated to the policy holder, Procurement Cards should not be used in the following circumstances:

  - obtaining cash;
  - settling invoices raised outside of the departmental Requisition to Pay process;
  - making payments that fall under the Construction Industry Scheme (CIS):
  - payments to suppliers who have breached terms and conditions;
  - purchase of capital equipment;
  - direct debits; or
  - where fuel cards are expected to be used.

5. Card applications

Departments must have a clear policy for card allocation. Applications for cards must be accompanied by confirmation that budget holders approve the issue of the card within their delegated budget areas. The application should also confirm the MCC(s) the individual is authorised to use and proposed card transaction limit and monthly limit. Card applications must include a signature to confirm that the cardholder has read and accepted departmental policies and the consequences of misuse. Cardholders must sign a confirmation that the card has been received. Personal data forms part of the card provider's terms and conditions which is a mandatory legal requirement under the Financial Conduct Authority rules and must be signed by each cardholder and stored accordingly, these can be agreed electronically or by hand.

6. Implementation process and procedures

Departments must ensure that detailed internal processes and procedures are in place that covers the operation of any Procurement Card programme, in keeping with departmental finance and procurement policies and procedures. These should be reviewed regularly and approved by the departmental independent audit team.

7. Roles and responsibilities

Roles and responsibilities of those managing the programme should be defined from the outset in order to ensure separation of duties. Individuals participating in the scheme must be permanent or fixed term members of staff. Cards should not ordinarily be allocated to consultants or temporary/interim staff. The roles and responsibilities should cover as a minimum the following:

- Policy holder – responsible for the governance and compliance of the Procurement Card programme within the department. The policy holder is accountable for ensuring that appropriate controls, such as timely monitoring and reconciliations, are designed and implemented to ensure the risk of fraud and misuse is mitigated.

- Card administrator – responsible for managing the day to day administration of the Procurement Card within the business area. It is also recommended that card administrators are not permitted to hold a card.

- Cardholder – responsible for Procurement Card purchases in line with their delegated authority and departmental policy and acquisition model.

- Programme administrator(s) – an individual/team that is the first point of contact in relation to general programme administration and liaison with the card provider.

8. Management information

8.1 Requirements

Comprehensive management information should be available to all card programmes.

The standard management information issued by card providers will allow in scope organisations to ensure their financial control policies are being adhered to. Nominated customer administrators should be provided with a high level online statement and individual cardholders should receive a transaction level detailed statement. These should be routinely scrutinised to validate expenditure under each card. Administrators can use the online portal to interrogate/audit the cardholders transactions and run reports where appropriate.

Information required from a management information system must include but not be limited to:

- Online statements allowing transactions to be viewed in near real time.

- Transaction breakdown including date, value, MCG, and MCC. This management information must be made available electronically to departmental fraud prevention units/audit teams for detailed analysis.

8.2 Transparency

In support of the Transparency agenda, all central Government departments are to continue to publish Procurement Card transactional level data on their own departmental website, posting a link on data.gov.uk. Publishing such data will bring visibility to the use of Procurement Cards and is a proactive step to evidence control and compliance within a Procurement Card programme. All transactions of £500 and over will be published. The data to be published will be made available on a monthly basis by the card provider and will include transaction date, transaction reference, merchant name and the amount spent. Data will be published on a monthly basis in arrears.

8.3 Freedom of Information

Publishing data aims to reduce the number of Freedom of Information (FOI) requests received by Departments relating to the use of Procurement Cards and the subsequent resource required to respond to them. All information held by Government departments is within the scope of FOI, therefore departments must adhere to current FOI legislation when deciding if information is to be redacted. Cabinet Office guidance is available by accessing this link: http://www.cabinetoffice.gov.uk/content/freedom-information-foi

Policy Owner: Crown Commercial Service (Financial Services Strategic Category team)

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