



# Government Procurement

## Government Procurement Card: Pan-Government Policy

### 1. Introduction

#### 1.1 Purpose

This document sets out the minimum policy for central Government departments and their Arm's Length Bodies (ALBs) governing the use of the Government Procurement Card (GPC). It describes the roles and responsibilities for personnel that are required to govern and control their local GPC programme. **These policies will be shared with the National Audit Office (NAO) and must be followed by all departments using the GPC.**

#### 1.2 Overview

GPC is used by Government as a payment card, **not** a credit card, and is the preferred method of purchasing and paying for low value goods or services. There are many benefits to using GPCs, such as reducing procurement processes times and supports the Government's prompt payment initiative for Small and Medium Enterprises. The programme is offered by American Express, Barclaycard, JP Morgan and RBS through the Central Government GPC Framework.

GPC is categorised into 34 GPC 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, assuming account limits and other controls do not intervene.

The GPC is 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.

Recent developments in card technology have provided opportunities to use cards in areas outside of the standard GPC. A supplementary document will follow this policy note outlining best practice examples of how different card products can be used.

#### 1.3 Policy and best practice

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

## 2. Pre-implementation

Before embarking on a GPC programme, consideration must 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:

- Consider what is required from the card programme (i.e. what goods and services you wish to buy using GPC) and how it will be utilised at category level. This will enable clear specifications to be provided to potential tenderers at the time of the competition for supplier of the GPC to individual departments. Points to consider include details of the procurement acquisition model, supplier spend analysis, integration with finance systems, reporting requirements, training and payment terms.
- 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.
- Consider GPC products on the market, the suppliers of the products and the various types of GPC card products available. Liaise with other departments over lessons they have learned from similar programmes.
- 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 providers 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.
- Consider and implement the most appropriate training requirements for card holders and card administrators, including where required procedures for updating training following any lessons learnt or changes in guidance.

## 3. Governance and 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.
- 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 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. GPC purchasing rules

The department must apply the following rules within its local 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 card holder is authorised to place orders using their card.
- Departments should allocate each cardholder two spending limits for control purposes.
- A 'single transaction limit' – this is the maximum value of spend for a single transaction.
- A 'monthly spend limit' – this is the maximum value of spend during each monthly cycle.

**It is recommended that departments set all new cards with specific limits; e.g. not to exceed £1,000 (inclusive of VAT) for single transaction limits and £5,000 (inclusive of VAT) for monthly spend limits. Also, that a review is undertaken of existing cards, with the aim of attaching individual transaction and monthly limits on each.**

In exceptional circumstances, requests to vary transaction and monthly GPC spend limits may occur, these should be referred on a case by case basis, accompanied by a full business justification, to an appropriate and approved authoriser.

- A detailed record of each transaction made must be kept by the cardholder (a transaction log) in order to reconcile against monthly statements. The record should contain sufficient detail for the cardholder to demonstrate the propriety of each transaction.
- Transactions must not be split in order to avoid exceeding the single transaction limit.
- Cardholders may not benefit by gaining points on store loyalty cards, accepting sales vouchers or by any other means. This breaches policy on propriety and may be treated as a disciplinary offence in accordance with departmental policy.
- For audit purposes, cardholders must request sales receipt and goods received notes when ordering over the phone.
- Cardholders must undertake a full reconciliation of their transaction log, receipts and statement every month and submit these to their card administrator for further scrutiny and authorisation of statement payment. Cardholders should report any unrecognised transactions to the card administrator as soon as they are noticed.

### 4.1 Prohibited purchases and restrictions on use

Departments must take steps to ensure all cards are used in accordance with GPC processes and procedures:

- GPC must never be used to make purchases contrary to departments' strategies and purchasing policies. For example, cards cannot be used to purchase goods and services from an alternative supplier where a contract exists.
- Departments can apply blocks to Merchant Category Groups and Merchant Category Codes in order to control spend. These blocks must not be overridden without business justification and prior authorisation from the delegated authority, e.g. procurement category team.

Unless exceptional circumstances can be demonstrated, to the policy holder GPC 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 GPC terms and conditions

- purchase of capital equipment
- on payment gateways, e.g. PayPal whereby card details are stored with the gateway supplier
- direct debits – acceptable in exceptional circumstances only and with prior authorisation from the policy holder
- spend associated to T&S expenses. Where Corporate Cards or Fuel Cards are used, it is expected that a separate expenses policy and process will be in place governing the use of these cards.

## 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 merchant categories 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.

(NB: Acceptance of Personal data form terms and conditions are a mandatory legal requirement under the Financial Services Authority rules and must be signed by each cardholder and stored accordingly, these can be agreed electronically or by hand).

## 6. GPC implementation process and procedures

Departments must ensure that detailed internal processes and procedures are in place that covers the operation of the GPC 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:

- GPC policy holder – responsible for the governance and compliance of the GPC 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.
- GPC card administrator – responsible for managing the day to day administration of the GPC within the business area. It is also recommended that card administrators are not permitted to hold a card.
- GPC cardholder – responsible for GPC purchases in line with their delegated authority and departmental GPC policy and acquisition model.
- GPC programme administrator(s) – an individual/team that is the first point of contact in relation to GPC general programme administration and liaison with the card provider.

## 8. Management information

Comprehensive management information system should be available to all card programmes. Information required from a management information system should include:

- online statement verification allowing transactions to be viewed on a near real time basis
- electronic overview of cardholder's transactions
- spend break down by organisational hierarchy
- spend breakdown by merchant category code
- transaction detail to line level
- ability to allocate spend to multiple business units
- merchant category group and merchant category code blocking
- off-contract spend through analysis of transactional spend against off contract spend requests
- analysis of attempted irregular transactions
- alerts for potential fraudulent transactions.

This management information must be made available electronically to departmental fraud prevention units/ audit teams for detailed analysis.

### 8.1 Transparency

In support of the Transparency agenda, all central Government departments will publish GPC 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 payment cards and is a proactive step to evidence control and compliance within a payment 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.

### 8.2 Freedom of Information

Publishing data aims to reduce the number of Freedom of Information (FOI) requests received by Departments relating to the use of payment 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 the link below:

<http://www.cabinetoffice.gov.uk/content/freedom-information-foi>