

COPDOCK and WASHBROOK PARISH COUNCIL

INTERNET BANKING POLICY

Background

This Policy is based on the advice issued by the National Association of Local Councils (NALC) relating to parish councils' use of online banking and the implications for the way in which a parish council operates with regards to the authorisation of payments.

Banking arrangements have changed significantly in recent years, with more transactions being carried out online. As a result of this, the use of cheques is becoming rare. Many businesses prefer to receive payment by electronic means and are now discouraging the payment of invoices by cheques.

Legislation

The Legislative Reform (Payments for Parish Council, Community Councils and Charter Trustees) Order 2014 (SI2014/580) came into effect on 12th March 2014. This Legislative Reform Order repeals the statutory requirement (Local Government Act 1972 section 150(5)) which states that "every cheque or other order for the payment of money shall be signed by two members of the council".

The removal of this particular legal requirement enables parish councils to take an overall approach to how it controls its money as well as taking advantage of modern technology including internet banking.

Internal Controls

Copdock and Washbrook Parish Council must ensure that it maintains robust controls on payments as an integrated part of its overall financial control system and proposed an Internet Banking Policy as part of its governance.

At all times the advice of NALC in relation to dual authorisation will be followed: "Councils must not relinquish the "two member signatories" control over cheques and other orders for payment until they have put in place safe and efficient arrangements in accordance with the guidance noted from the NALC Finance and Audit Advisor "the overriding requirement resulting from the abolition of S150(5) is that each and every local council seeking to depart from the two signature rule must implement and maintain robust controls on expenditure as an integrated part of their overall financial control system". It is not a requirement that two people authorize electronic payments, however it is a general principle that more than one person should be involved in any payment, whether that is before, at or after the point at which the payment is made. Councils must consider the appropriate systems, procedures and controls available by banking providers.

Banking Position

The Parish Council has a bank account with Unity Trust Bank with internet banking facilities set up for the day-to-day payment of invoices and receipt of income.

The Clerk provides monthly reconciliations supported by bank statements to full Council.

Payments are made by either direct debit or online banking transfers.

The Council will have a minimum of three councillors as authorized signatories at any one time.

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Minute number 2354/2324

The Policy

1. Wherever possible, payments will be made using online banking and should be initiated as per the procedures set out below.
2. Payment for items made by internet banking transfer must have evidence retained showing which members approved release of the payment.
3. Where internet banking arrangements are made with any bank, the Clerk/RFO shall be appointed as the Administrator. The Clerk/RFO will operate a 'create and submit only' authorisation and will be able to transfer funds between accounts held at the same bank. The Clerk/RFO will be the only authorised person enabled to set up a beneficiary or a payment.
4. The Bank Mandate approved by the Council shall identify a minimum of three Councillors as signatories who will be authorised to 'approve only' transactions.
5. Access to internet banking accounts will be directly to the banks log-in page and not through an internet search engine or e-mail link. Remembered or saved password facilities must not be used on any computer used for Council banking work. Breach of this requirement will be treated as a very serious matter.
6. The Council, and those signatories using computers for the Council's internet banking, shall ensure that anti-virus, anti-spyware and firewall software with automatic updates, together with a high level of security, is used. Signatories may request reimbursement for the installation and annual update of such software on their personal computers.
7. No employee or Councillor shall disclose any PIN or password, relevant to the working of the Council or its bank accounts, to any person not authorised in writing by the Council.
8. New beneficiary details and changes to beneficiary details used for internet banking must be supported by hard copy or email notification for checking and supported by hard copy authority change signed by the Clerk/RFO and a signatory.
9. A program of regular checks of standing data with suppliers will be followed.

Procedure

The actual process of operating the online account will be subject to the rules and security authorisation process of the agreed bank:

1. All orders for payment will be verified for accuracy by the Clerk/RFO and included on the payment schedule.
2. The schedule of payments shall be prepared by the Clerk/RFO and presented to each meeting of the Council together with any supporting invoices or other documentation for approval. The schedule of the payments and supporting invoices or other documentation will be initialed by the Clerk/RFO and two bank signatories.
3. The Clerk/RFO will initiate payment.
4. Two authorised Councillors (from the list of signatories held by Unity Trust Bank) will authorise the online payments.
5. Where a Councillor is to be reimbursed for expenditure, they should not be an authorised (in the case of internet payments), or a signatory (in the case of cheque payments).