Internet Banking Policy

Thurston Parish Council

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Review Period: Annually
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Review Period: Every two years or following legislative changes.

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Background

This policy is based on the advice issued by the National Association of Local Council (NALC) relating to parish council's use of online banking and the implications for the way in which the Parish Council operates with regards to the authorization of payments.

Legislation

The Legislative Reform (Payments by Parish Councils, 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 legal requirement enables the Parish Council to take an overall approach to how it controls its money as well as taking advantage of modern technology including internet banking.

Internal Controls

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

At all times the advice of NALC in relation to dual authorization 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 several bank accounts with Lloyds Bank (three Current Accounts, one Deposit Account and one Fixed Term Account - five in total) and Unity Trust (one Current and one Deposit Account – two in total) with internet banking facilities set up for the day-to-day payment of invoices and receipt of income on the four current accounts. The council also has a 95fixed day term deposit account with Redwood Bank.

The Clerk provides monthly reconciliations supported by bank statements to full Council on the Council's main Current and Deposit Accounts and relevant Committees for the Recreation Ground Trust Account and the Library Account, the latter two being operated by the Parish Council.

Payments are made from the Lloyds Accounts by the Council's preferred method of payment which is by direct transfer using online payments as the default position.

The Council will have a minimum of five Councillors as authorised signatories at any one time.

Policy

1. Payments will be made using online banking and should be initiated as per the procedures set out below within one week of being agreed at a council meeting.
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 shall be appointed as the Administrator. The Clerk will operate a 'create and submit only' authorisation and will be able to transfer funds between accounts held at the same bank. The Clerk 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 five Councillors as Signatories who will be authorised to 'approve only' transactions on those accounts.
5. Access to internet banking accounts will be directly to the banks log-in page and not through a 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 for change signed by the Clerk and a Signatory.
9. A programme of regular checks of standing data with suppliers will be followed.

Procedure

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

1. All orders for payment will be verified for accuracy by the Parish Clerk and included on the payment schedule.
2. The schedule of all payments shall be prepared by the Parish Clerk and presented to each meeting of the Council together with any supporting invoices or other documentation for approval. The approved schedule will be signed by the Clerk as Responsible Financial Officer and Chair of the meeting.
3. The Parish Clerk will initiate payment.
4. Two of the five authorised Councillors will confirm the payments online (from the list of authorised Councillors held by Lloyds Bank). Councillors are expected to authorise payment requests within two days of the payment being initiated by the Parish Clerk.
5. Where a councillor is to be reimbursed for expenditure, they should not be an authoriser.

Inter Account Transfers

Transfers between the Council's Accounts held with Lloyds Bank will continue to be subject to the Council's own Financial Regulation 6.8iv "Fund transfers within the councils banking arrangements up to the sum of £50,000, provided that a list of such payments shall be submitted to the next appropriate meeting of council."