

# Internet Banking Policy for Nedging with Naughton Parish Council

## Background

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

## Current position:

**January 2024** The Parish Council closed the Barclays Bank Accounts in October 2023. Two new accounts have been opened with Lloyds Bank (One Treasurers Account and One Savings Account) with internet banking facilities set up for the day-to-day payment of invoices and receipt of income. The Clerk has a monthly reconciliation spreadsheet and provides quarterly reconciliations supported by bank statements to full Council. Payments by cheque will be made when necessary, following the existing controls and approvals, but the Council will continue to make online payments as the default position.

## Policy

1. Wherever possible, payments will be made using online banking and should be initiated as per the procedures set out below, as soon as possible after being agreed by two Councillors.
2. Payment for items made by internet banking transfer must have evidence retained showing which members approved release of the payment. The payment details are forwarded to Councillors and two authorisations are given via emails. An 'On-Line Banking' sheet/schedule is signed for each payment that has been approved, at the following meeting.
3. All orders for payment will be verified for accuracy by the Parish Clerk and included on the payment schedule.
4. The schedule of all payments shall be prepared by the Parish Clerk and presented to each meeting of the Council. The approved schedule will be signed by the Clerk as Responsible Financial Officer and two Councillors.

5. Where a councillor is to be reimbursed for expenditure, they should not be an authoriser (in the case of internet payments), or a signatory (in the case of cheque payments).
6. Where internet banking arrangements are made with any bank, the Clerk shall be appointed as the Administrator. The Clerk 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.
7. The Council, and those signatories using computers for the Council's internet banking, shall ensure that anti-virus, anti-spy ware 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.
8. A One Time Password or OTP is a security code designed to be used for a single login attempt to minimize the risk of fraudulent login attempts. It is always used as a second authentication and the second step for two-factor authentication for any online transaction after you have entered your login and password credentials.
9. 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.