Appendix 14 review of payment authorisation process

Authors: Louise Harrison and Trudy Sollazzo, Ferndown Town Council, 9 April 2021.

1. The second interim IA report (15/02/21) highlighted the following issue:

   - Payment Authorisation -
     Email confirmation received from Councillors mandated to approve payments should be filed with those invoices approved to confirm authorisation of payment. (Audit Note: The Responsible Finance Officer is aware that a summary of invoices paid during the Covid 19 period will need to be authorised at the next face to face meeting of the Finance and General Purposes Committee).
     Councillor Authorisation -
     The recommendation made at the previous internal audit that all Council members should undertake their scrutiny role and take responsibility to check bank reconciliations, audit checks on payments on a rotational basis should be implemented.
   - Financial Regulation 5.2 documents states that a list of payments should be taken to FGPC for approval before payments are sent to the bank. It is confirmed by the Clerk that FGPC is noting expenditure after it has been sent to the bank. The Clerk and RFO are undertaking a review of the current system of authorising payments and will be making recommendations to the next FGPC meeting.

2. Current system of payment authorisation process:
   - the Finance Officer adds the invoices onto the account's software,
   - the Finance Officer provides the RFO with all physical invoices for signed approval,
   - once approved by the RFO the invoices along with approval sheet are emailed to members to review and authorise - currently there are sent to 3 members that agree to do this and Financial Regs require 2 members to approve them,
   - once members have approved invoices the payments are added onto Lloyds online banking by the Finance Officer
   - the RFO (or Office Manager in the absence of the RFO) then will go on Lloyds, authorising the payments.
   - FGPC are provided with a list of payments income and expenditure items at meetings, following the above payment authorisation process.

3. The RFO and Finance Officer have discussed the issues raised by the IA and researched payment and expenditure processes with other similar sized councils. As a result, it is recommended that one of the following payment authorisation processes and additional requests are approved by FGPC:

   Option 1
   - the Finance Officer adds the invoices onto the accounts software,
   - the Finance Officer provides the RFO with invoices for approval,

- the RFO approves invoices for payment,
- the Finance Officer prepares a payment schedule to the RFO,
- the RFO presents the list of authorised payments to the next FGPC or Full Council meeting (whichever is the earliest),
- once approved by resolution the RFO authorises payments online.

Note – this option will result in over one hundred invoices requiring authorisation at every meeting and delays in paying suppliers which could result in accounts being cancelled.

Option 2
- the Finance Officer adds the invoices onto the accounts software,
- the Finance Officer provides the RFO with invoices for approval,
- the RFO approves invoices for payment,
- the Finance Officer prepares a payment schedule to the RFO,
- the RFO presents the list of authorised payments to the next FGPC or Full Council meeting (whichever is the earliest),
- once approved by resolution members of FGPC log onto Lloyds online banking and approve payment OR Town Mayor and Chairman of all Committees log onto Lloyds online banking and approve payment.

Note – see above.

Option 3

- the Finance Officer adds the invoices onto the accounts software,
- the Finance Officer provides the RFO with invoices for approval,
- the RFO approves invoices for payment,
- the Finance Officer codes invoices and prepares a spread sheet which details the relevant information to match invoices for online bank payments,
- all invoices will be scanned and saved in an electronic folder on SharePoint together with the spread sheet that will be accessible to all Members that agree to go on the rota/bank mandate, to verify invoices against online bank payments,
- members are sent an email from the Finance Officer asking them to authorise payments on a weekly basis via a two-week rota (three members for two weeks, two to authorise and one reserve in case of emergency/holiday)
- once authorised members email the Finance Officer to confirm authorised
- at the next FGPC/FC meeting payments made are noted.

Note – this option will not involve presenting FGPC/FC with authorisation and will require changes to FGPCs TOR and Council's Financial Regulations (something along the lines of: "Although transactions are not brought in front of FGPC or Council directly, the totals are agreed as part of the budget and controls are in place so that the RFO shall code and authorise all payments which are then submitted for at least two councillors to authorise via Council's bank account. The

RFO will also prepare monthly reports as part of the accounts software close down procedure that shall ensure that the reconciliation is correct and regularly submit to FGPC or Council for approval"). Two further amendments should also be made to Financial Regulations - any reference to FGPC should be amended to read "council meeting" and an additional sentence is added "5.12 Council will aim to rotate the duties of members in these Regulations so that onerous duties are shared out as evenly as possible over time".

4. The IA has been consulted about all the above options and recommends option 3, which is supported by the RFO and Finance Officer.