

## **Authorisation of Payments from PCC Bank Accounts**

The Charity Commission's publication CC8 Internal Financial Controls ([www.charity-commission.gov.uk/publications/cc8.aspx](http://www.charity-commission.gov.uk/publications/cc8.aspx)) includes the basic principle:

“Segregation of duties - A key feature of internal financial controls is to ensure that no single individual has sole responsibility for any single transaction from authorisation to completion and review. It is important where the trustees administer the charity personally, more likely in smaller charities, that there is sufficient segregation of duties amongst them, so that no one trustee is overburdened or exercises sole responsibility. There may be resource constraints which can make it difficult in smaller charities to achieve a full segregation of duties. However, trustees or management can take action to compensate for these difficulties. These actions include trustees or managers reviewing reports of transactions or carrying out checks on internal controls independently of the person who normally undertakes the work.”

### **Cheque Signatories**

The same document gives guidance on cheque signatories as follows:

“Some governing documents require two signatories on cheques. Where practicable bank mandates should require two signatures, one of which being that of a trustee. Clearly, arrangements have to be practical and proportionate. Some charities may allow for small-value cheques to be signed by only one individual. In larger charities signatories may be senior employees although in such cases clear authority limits should apply.”

The Church of England Parish Resources website includes a document, “Treasurer's Guide 1: Introduction to Financial Management” ([www.pariahresources.org.uk/wp-content/uploads/tg1-financial-management.pdf](http://www.pariahresources.org.uk/wp-content/uploads/tg1-financial-management.pdf)), which gives the following guidance:

“Cheque payments - all bank accounts should require two signatures on cheques and other instructions. Cheques should never be signed in blank, therefore it is practical to have at least four signatories. A PCC resolution is necessary if you need to change bank signatories. There is no requirement for the Incumbent or any other member of the clergy to be a signatory, although they may be. The list of signatories should be reviewed regularly, for example after each Annual Parish meeting.”

The key point to remember is that the other signatories should all be suitably responsible people who are independent from the person preparing the payments (usually the Treasurer), because otherwise you might effectively have a single signatory (Treasurer advises; other signatory agrees because his/her loyalty to or friendship with the Treasurer overrides the duty to be satisfied that the payment is correct). Unless required by the bank, signatories do not necessarily have to be PCC members, although the choice of the signatories should be a matter for the PCC. In any church, however, people do have friendships/relationships with each other, so if the other signatories are not PCC members then the Treasurer is vulnerable to questions about whether or not payments were proper, because they were signed off by himself and his friend. If the other signatories are all PCC members, however, then they all have a legal duty to look after the interests of the PCC, which should override any personal interests, and that protects the Treasurer from such questions/accusations.

### **Internet Banking Authorities**

Again, the basic principle is covered by the Charity Commissioner's CC8 publication (above):

“A key feature of internal financial controls is to ensure that no single individual has sole responsibility for any single transaction from authorisation to completion and review.”

Regarding Internet Banking, the document goes on:

“Banks have developed software that allows charities to provide for more than one person to authorise payments. Such dual-authority options (for example a facility for Unity Trust Bank's customers via Unity e-Payment) require two users to complete a BACS transaction. Charities should ask their own banking provider for details of their own similar dual-authority options.”

The Co-operative Bank and CAF Bank also provide mostly-free internet banking with the ability for the manual cheque signatories to opt (by ticking the right box on the right hard-copy form) for the charity's internet banking to be dual-authority.

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