

## 2009/2010 Financial Guideline 03

### Electronic Banking

#### Introduction

We are regularly asked by schools if it is a good idea to use electronic or internet banking for all school financial transactions. Most schools still use cheques as the preferred method for settling all payments and wages to employees. The use of cheques has become more and more expensive and it is a fact that the banking system intends to eliminate the use of cheques by 2012. Banking charges associated with electronic banking are considerably cheaper than cheques. Accordingly, we would encourage all schools to move in this direction as soon as possible.

#### The Articles of Management

Article 15 (e) of the Articles of Management for Voluntary Secondary Schools was formally amended by the Council of the Joint Managerial Body (JMB) at its meeting held on Friday, September 28, 2007 to include electronic banking as an acceptable means of payment.

Article 15 (e) prior to amendment states:

**“All payments shall be made by order of the board by cheques drawn on the bank and signed by the Principal and by one other person approved by the board.”**

Post amendment, Article 15 (e) now states:

**“All payments shall be made by order of the board either electronically or by cheques drawn on the bank. All electronic transactions shall be independently authorized by the Principal and by one other person approved by the board. All cheques shall be signed by the Principal and by one other person approved by the board.”**

**All of the articles in the Articles of Management for Voluntary Secondary Schools, including Article 15 (e) as amended apply to all Catholic schools in the second level voluntary sector.**

The following information outlines the steps a voluntary secondary school should follow when using electronic banking for payments:

1. Approval must first be obtained from the Board of Management for the use of electronic banking by the school. This approval should be included and approved in the minutes of the board meeting.
2. Electronic banking software is available from all of the major banks. Schools should contact their local bank to purchase the software and arrange for training.
3. The electronic banking software will need to be loaded onto the computers of the Accounts Secretary, the Principal and another approved bank signatory per the bank mandate
4. An electronic payment is subject to the same rules as a cheque payment and therefore must be approved by the Principal and another signatory as per the bank mandate that has been approved by the board.
5. In line with good financial practice, the person preparing the payment should not be one of the approvers on the payment. **It is not permissible for the Accounts Secretary to approve electronic payments and he/she should not be an authorized approver.**
6. The Accounts Secretary can access the electronic banking system to set up and prepare payments only.
7. It is possible for a bank signatory to approve payments from their own computer at a location remote from the school.
8. Access to approval of electronic payments must be password protected. **It is not permissible for a bank approver/signatory to tell anyone else this password.**
9. Additions and amendments to suppliers/employees being paid on the electronic banking system must be approved by the Principal and another bank signatory.
10. Compliance with the above steps ensures compliance with the Articles of Management. It is the responsibility of the Principal to ensure that the bank is aware of these controls and that the electronic banking system implemented complies fully with these controls.

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