Cash Management – Banking
C2.2: Bank Accounts

Statement of Intent

All public money and money held in trust is required to be deposited into an official bank account. This section provides the minimum control requirements for official bank accounts.

| Main FeaturesSection 38 of the Financial Management Act requires every Accountable Officer and every employee of an agency to comply with the Treasurer’s Directions.Official Bank Accounts* An official bank account is an account opened by the Treasurer at an authorised deposit‑taking institution (ADI) in accordance with the Financial Management Act.

Opening and Closing Official Bank Accounts* Official bank accounts are only to be opened by the Treasurer in accordance with the Financial Management Act.
* An agency is to provide written notification to the Department of Corporate and Information Services (DCIS) where an official bank account is to be opened or closed.

Management of Official Bank Accounts* An official bank account is not to be overdrawn unless an overdraft facility has been approved by the Treasurer in accordance with the Financial Management Act.
* Reconciliations of each official bank account are to be undertaken regularly and on a timely basis, and are to be appropriately evidenced by the preparer and independent reviewer.

For authoritative instruction and guidance, reference should be made to related Treasurer's Directions and associated commentary. |
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Authorities

Section 27 of the Financial Management Act

Section 38 of the Financial Management Act

Banking Act (Aust) 1959

References

Related Treasurer’s Directions:

F3.3 Framework – Legislative Structure: Delegations

C1.1 Cash Management – Introduction: Overview

C2.1 Cash Management – Banking: Central Banking Arrangements

C3.1 Cash Management – Transaction Management: Receipting

C3.2 Cash Management – Transaction Management: Payments

Financial Management Principles

What is an Official Bank Account?

| C2.2.1An official bank account is an account opened by the Treasurer at an authorised deposit‑taking institution in accordance with the **Financial Management Act**.  |
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1. Official bank accounts include the Public account which incorporates the Central Holding Authority and agency operating accounts.
2. All public money and money held in trust is required by the Financial Management Act (section 27) to be deposited into an official bank account at an authorised deposit-taking institution (ADI). An ADI is a corporation such as a bank, building society or credit union authorised under the Australian Government’s Banking Act.
3. All official bank accounts are managed by way of a central Banking Contract. Treasury is responsible for whole of government banking policy and DCIS manages the central Banking Contract and day-to-day operational banking functions. Treasurer’s Direction C2.1 provides instruction and guidance in relation to the central banking arrangements.
4. The central Banking Contract requires all official bank accounts to be domiciled with the Territory’s banking provider. In locations where the banking provider is not represented, the Treasurer can approve the creation of an official bank account with an alternative ADI (bank, building society or credit union).

Opening and Closing Official Bank Accounts

| C2.2.2Official bank accounts are only to be opened by the Treasurer in accordance with the **Financial Management Act.** |
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1. The Treasurer may open an official bank account in accordance with sections 27(1) and 27(2) of the Financial Management Act. In practice, certain persons are delegated to open official bank accounts. Treasurer’s Direction F3.3 provides instruction and guidance in relation to delegations by the Treasurer.
2. Where an official bank account is considered necessary, a written request should be submitted to DCIS to coordinate the appropriate approvals. This request will give details of the requirements, including the reason for the request, allowing an assessment of the need for an official bank account to be made.
3. Situations where the opening of an official bank account (rather than a new ledger account) may be considered necessary include:
	* the creation of a new agency or government business division;
	* collection of a new category of receipts involving significant transactions and/or amounts; or
	* improvements and efficiencies in associated administrative process would be achieved (for example, facilitating reconciliation of a category of receipts).

| C2.2.3Where an official bank account is opened, an agency is to:* appoint two or more signatories to the official bank account;
* provide specimen signatures of all signatories to the banking provider (or ADI) including proof of identity documentation to satisfy 100 point checklist requirements; and
* provide signatories with appropriate instructions and guidance to ensure the safeguarding of public money.
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1. The appointment of more than one signatory to an official bank account reduces risk and increases the level of control associated with the operation of the account. Therefore, an agency will need to assess the appropriate number of signatories required, taking into account risk factors and other practical considerations.
2. When appointing signatories, internal control issues, as well as the employee’s suitability to perform the duties and assume the responsibilities will also need to be considered by an agency. For instance:
	* appropriate segregation of duties requires that an employee who authorises purchases will not also be appointed as a signatory; and
	* only employees with an appropriate level of experience should be assigned as signatories.
3. All signatories should have a clear understanding of their role and responsibilities and should also be provided with appropriate instruction and guidance in the operation of the official bank account. For example, a signatory should only sign cheques in respect of authorised claims. Treasurer’s Direction C3.2 provides further instruction and guidance in relation to payments.

| C2.2.4An Agency is to provide written notification to DCIS where an official bank account is to be closed. |
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1. An official bank account will not be formally closed until all transactions on the account are finalised, including the clearance of all cheques drawn against the account. Any balance remaining in an official bank account at the time it is closed will be transferred to an official bank account nominated by the Agency.
2. As part of agency processes for closing an official bank account, unused cheque forms relating to a closed official bank account should be cancelled and retained for accountability purposes and as evidence of the transactions undertaken.

Management of Official Bank Accounts

| C2.2.5 An official bank account is not to be overdrawn unless an overdraft facility has been approved by the Treasurer in accordance with the **Financial Management Act.** C2.2.6In situations where an overdraft facility has been approved by the Treasurer in relation to an official bank account, the specified overdraft limit is not to be exceeded. |
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1. An official bank account will not be overdrawn unless prior approval has been received from the Treasurer to establish an overdraft facility.
2. Agency operating/advance accounts form part of the public account, and are not to be overdrawn without notifying or seeking prior approval from the Department of Treasury and Finance. In this regard, accurate cash forecasting by Agencies will assist in avoiding official bank accounts being overdrawn
3. In rare situations, the Treasurer may approve an overdraft facility for an official bank account (section 27(4) of the Financial Management Act). Where an overdraft facility is required, an agency is to seek prior approval through DCIS in accordance with the requirements of the Financial Management Act. Interest may be charged on any overdraft balance.

| C2.2.7Reconciliations of each official bank account are to be:* undertaken regularly and on a timely basis;
* evidenced by the signature of the employee who undertook the reconciliation; and
* independently verified by a separate employee and evidenced by signature.
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1. For effective control, nominated official bank accounts will be reconciled on a regular basis by the Department of Corporate and Information Services. Agencies remain responsible for reconciling their respective advance accounts and their internally managed accounts. As a guide, an official bank account on which there are either high volumes or high value transactions should be reconciled at least monthly. Where there is a combination of high volume and high value transactions, it may be necessary to reconcile daily
2. Bank account statements will be reconciled to the cash at bank balances recorded in an Agency’s general ledger. A bank reconciliation is an essential internal control procedure that assists in identifying fraud or error and provides a mechanism to prove the accuracy of both the official bank account balance and the general ledger balance. Appendix A provides a guideline on the reconciliation process.
3. The employee who has undertaken the reconciliation will sign the bank reconciliation. Independent verification of the reconciliation will be performed by another employee and will also be evidenced by signature. This independent verification should also be performed on a timely basis and should be undertaken by an employee who is not involved in day-to-day responsibilities related to this official bank account.

Appendix A: Bank Reconciliation Guidelines

To verify the accuracy of both the cash at bank ledger account balance and the bank statement balance at a point of time, both records are compared to identify transactions and events that caused a variation between the two balances. In general, the reconciliation procedure is as follows.

1. Check Previous Reconciliation. Confirm that outstanding items and errors included in the last Bank Reconciliation Statement now appear on the bank statement for the current period. Any items still outstanding from the previous reconciliation and carried forward to the current Bank Reconciliation Statement should be explained and follow-up action noted.
2. Comparison of the Ledger and the Bank Statement. Compare the ledger entries for receipts with the deposit transactions on the bank statement, and the ledger entries for payments with the payment transactions on the bank statement. Entries that appear in both the cash at bank ledger account and the bank statement should be marked off. The remaining items, where the agency ledger and bank statement vary, may be due to:
	* outstanding or late deposits that appear in the cash at bank ledger account and not on the bank statement;
	* unpresented cheques or electronic funds transfers (EFT) that appear in the cash at bank ledger account and not on the bank statement;
	* items appearing only on the bank statement that do not appear in the cash at bank ledger account, for example, fees, charges and electronic deposits; or
	* errors made in entering items in the cash at bank ledger account and/or errors made by the banking provider (or ADI) on the bank statement.
3. Prepare Journals. Prepare journals for those transactions appearing only on the bank statement that are confirmed as legitimate transactions. When these items have been recorded in the cash at bank ledger account they can be marked off, since they are now common to both sets of records.
4. Prepare Adjusting Journals. Prepare adjusting journals for any errors identified in the cash at bank account. When these errors have been adjusted in the cash at bank ledger account, the entries should match the bank statement transactions and can also be marked off.
5. Banking Provider (or ADI) Errors. Errors appearing on the bank statement should be referred to DCIS for notification to the banking provider (or ADI). These items will appear on the Bank Reconciliation Statement. The errors should be corrected by the banking provider (or ADI) and should be recorded on the subsequent bank statement.
6. Prepare the Bank Reconciliation Statement. The remaining differences that are included on the Bank Reconciliation Statement are those items that appear in the cash at bank ledger but not on the bank statement, that is, outstanding deposits and unpresented cheques or EFTs. Errors made on the bank statement and any items still outstanding from the last Bank Reconciliation Statement also need to be included on the current reconciliation statement.