

<b>Treasurer's Instruction No</b>	<b>401</b>
Title	<b>Establishment and operation of Bank Accounts</b>
Effective date	<b>1 July 2005</b>
Objective and Background	<b>Provides instructions on the establishment, operations and closure of bank accounts, including instruction in relation to overdrafts</b>
Last Reviewed Date	<b>31 July 2003</b>

*Black letter (or bold) items within these Instructions are mandatory and other plain font items are instructional or for the purpose of providing guidance only.*

- (1) **The Secretary shall advise agencies from time to time of the institution appointed as the Government's banker.**
- (2) **Section 11 of the Act precludes a Head of Agency from opening and maintaining a bank account without the approval of the Treasurer.**
- (3) **Every bank authority for the opening of a new bank account shall be forwarded to the Secretary for approval and the Secretary shall retain a copy of each such bank authority approved.**
- (4) **Every authority for the opening of a new bank account shall be in the name of the Agency or a recognised economic unit, such as a school or hospital, which forms part of the Agency. In no case shall an Agency request that an account be opened in the name of an officer of an Agency or any other entity separate to the Agency.**
- (5) **The Head of Agency shall advise the bank directly of persons authorised to change signatories on any Agency bank account.**
- (6) **Authorities for changes in signatories on established bank accounts shall be transmitted by Agencies direct to the bank at which the account is held.**
- (7) **Agencies must comply with the requirements of the Commonwealth *Cash Transactions Reports Act 1988*. Completed forms are to be submitted direct to the relevant bank.**
- (8) **The Head of Agency must maintain an up to date bank account register, or registers, which includes the following details in respect of each Agency bank account:**
  - (a) **The name of the account;**
  - (b) **The purpose of the account;**
  - (c) **Details of any overdraft facility approved by the Treasurer;**

- (d) **The Verifying Officer under the Commonwealth *Cash Transactions Reports Act 1988*;**
  - (e) **Signatories to the account including specimen signatures and the details of any conditions of appointment including any monetary limits; and**
  - (f) **Facsimile signature stamps or encoded facsimile signatures in use.**
- (9) Section 12 of the Act precludes an Agency bank account being overdrawn without the prior written approval of the Treasurer.**

Agency bank account management practices should minimise the risk of a bank account going into unintended overdraft. These practices include:

- strictly complying with the process by which Treasury reimburses Agency payments. Agencies are required to process EFT payments for payment on the next business day, and to subsequently advise Treasury by 7:00 am each day of the total of all payments to be made that day from their accounts. Reimbursement of agency bank accounts from the Treasurer's Account is then processed that day by Treasury;
  - ensuring that bank accounts have sufficient funds to cover direct debit transactions as they occur;
  - ensuring merchant fees and bank fees are not debited to clearing accounts;
  - minimising the number of Agency bank accounts;
  - ensuring timely processing of internal reimbursements files. The reimbursement should be processed through the Agency's FMIS on the same day the payment is processed, with the assumption that the payment date is at least the next business day in accordance with the TFRS mandatory data requirements;
  - minimising the number of payments that are likely to impact the Agency's bank account on the same day as the payments are processed. Such payments include:
    - cheques that are collected rather than mailed and therefore likely to be banked on the day of collection;
    - cheques manually drawn outside normal operations; and
    - EFT or direct entry transactions that are actioned on the same day as they are processed through the Agency FMIS or other payment system.
- (10) Where an agency requires an overdraft facility for a bank account, the Head of Agency shall write to the Secretary advising the reasons why the facility is required together with the proposed overdraft facility limit and seeking the Treasurer's approval.**
- (11) The Head of Agency shall ensure that all Agency bank accounts are reconciled with appropriate Agency records on a timely basis, and at least monthly.**
- (12) As part of the reconciliation process, the officer undertaking the reconciliation shall:**

- (a) ensure that the actual bank balance is reconciled to the Financial Management Information System (FMIS) cash balance;
  - (a) review the unpresented cheque listing for long outstanding cheques and stale cheques;
  - (b) identify and clear adjustments or reconciling items included in the previous period's reconciliation;
  - (c) include debits, credits or other adjustments made by the bank that are not recorded in the FMIS as a reconciliation item;
  - (d) confirm there is a satisfactory reason for deposits not credited to the bank statement;
  - (e) ensure that payments associated with previously dishonoured cheques have been received; and
  - (f) maintain an independently verified record of each reconciliation. The reconciliation is to be independently checked by an officer senior to the officer undertaking the reconciliation. The checking officer must sign the record of the bank reconciliation.
- (13) The Head of Agency must ensure that the officer undertaking the reconciliation, and the checking officer, both fully understand the bank reconciliation process.
- (14) In relation to the management of a bank account, the Head of Agency should ensure there are procedures in place:
- to determine those Agency bank accounts that should be reconciled more frequently than monthly. Accounts require more frequent reconciliation as the volume of transactions recorded through the account increase;
  - to ensure that all reasonable action is taken to establish the current address of the payee of all long outstanding cheques; and
  - to apply a stop payment to all cheques that remain outstanding 15 months after the date upon which the cheque is drawn and credit the rebanked amount to the appropriate Public Account Item.

#### **CLOSURE OF A BANK ACCOUNT**

- (15) An Agency bank account shall not be closed until all transactions on that account have been completed and all cheques drawn against the account have been cleared and debited to that account. Any balance standing to the credit of the account at the time it is closed must be transferred to another bank account which has been approved in accordance with this Instruction.
- (16) The Treasurer may direct a Head of Agency to close any Agency bank account and to transfer any balance remaining to another bank account specified by the Treasurer.