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Contact us

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This guide contains material that has been prepared to assist Commonwealth entities and companies to apply the principles and requirements of the Public Governance, Performance and Accountability Act 2013 and associated rules, and any applicable policies. In this guide the: mandatory principles or requirements are set out as things entities and officials ‘must’ do; and actions, or practices, that entities and officials are expected to take into account to give effect to those and principles and/or requirements are set out as things entities and officials ‘should consider’ doing.
The banking of cash by Commonwealth entities

**Audience**

This guide is relevant to non-corporate Commonwealth entities (NCEs) and corporate Commonwealth entities (CCEs), within the meaning of these terms in the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

**Key points**

This Guide:

- provides the context and background of the Government’s cash management requirements and sets out the supporting legislative framework;
- assists in understanding and implementing policies and law associated with the banking of cash by Commonwealth entities;
- explains:
  - transactional and central banking;
  - the cash management roles of Commonwealth entities;
  - the Central Budget Management System (CBMS), and
  - the relationship between appropriations and cash;
- takes effect on 1 July 2014.

**Resources**

This guide is available on the Department of Finance (Finance) website at [www.finance.gov.au](http://www.finance.gov.au).

NCEs must consult *Estimates Memorandum 2014-27 – The banking of cash by non-corporate Commonwealth entities*, for instructions on administrative processes for requesting cash, for managing cash collected and for conducting banking business. The Estimates Memorandum is available from the Knowledge Management menu in CBMS.

Questions about matters covered in this guide may be emailed to Finance at banking.policy@finance.gov.au, directed to the Banking Policy team.

**Legislative Framework**

**Transactional banking**

1. Transactional banking is undertaken by all Commonwealth entities, both NCEs and CCEs. It involves using the range of banking services and payment methods used by NCEs and CCEs to transact their ordinary business. Transactional bank accounts in Australia are maintained with an Authorised Deposit-Taking Institution (ADI) or the Reserve Bank of Australia (RBA).

2. The authority for Commonwealth entities to enter into an agreement with a bank to conduct banking business is provided in section 53 of the PGPA Act. The Minister for Finance delegates the power in section 53 to the accountable authority of Commonwealth entities.

3. NCEs maintain transactional bank accounts in Australia and, with specific approval from the Finance Minister, may maintain transactional bank accounts overseas. Such accounts are not to be operated by NCEs to primarily earn interest or investment returns.
Central banking

4. Central banking is a Government function managed by Finance. Central banking includes managing the daily consolidation of Commonwealth cash in the Official Public Account (OPA) and transferring cash from the OPA to Commonwealth entity bank accounts.

5. The OPA is the Commonwealth's primary central bank account. The OPA is one account of a set of bank accounts that are referred to as the Official Public Account Group of Accounts and which are maintained with the RBA.

6. It is a requirement that the Commonwealth's central bank account be maintained with the RBA. This requirement is set out in subsection 53(3) of the PGPA Act. The Commonwealth’s central bank account is called the 'Official Public Account' (OPA).

The banking of 'relevant money'

7. Under section 55 of the PGPA Act, Ministers or officials of Commonwealth entities are obligated to bank relevant money promptly and in accordance with any rules made under this section. Sections 19, 20 and 21 of the PGPA Rule support the operation of section 55 of the PGPA Act by setting out when relevant money is required to be banked and when it is not required to be banked.

8. For further information about the banking of ‘relevant money', please consult Resource Management Guide 300 – Banking of relevant money received by Ministers and officials, which is available on the Finance website.

Cash management roles

Commonwealth entities

9. All Commonwealth entities manage cash to make payments and cash collected as receipts. Bank accounts are used to manage payments and receipts.

10. CCEs, on their own account, are able to hold money and enter into an agreement with a bank.

11. NCEs manage cash for and on behalf of the Commonwealth. NCEs manage cash in accordance with Government policies and related requirements.

12. The following entities have central cash management roles, as described:

   Australian Office of Financial Management

   The Australian Office of Financial Management (AOFM), in the Treasury portfolio, is responsible for ensuring that the Government’s cash needs are met. The AOFM is required by Ministerial direction to maintain a cash balance in the OPA Group of Accounts. It achieves this by managing Government debt and investment. The AOFM issues Treasury Bonds and Notes to fund the Government’s cash needs and invests cash in short-term investments, such as term deposits at the RBA.

   Finance

   Finance transfers amounts from the OPA at the request of Commonwealth entities to their transactional bank accounts to meet their cash requirements. Finance also monitors the implementation of related Government policies.
Treasury

The Department of the Treasury (Treasury) agrees an overdraft facility with the RBA for the OPA Group of Accounts. The facility is used on exceptional occasions when an unforeseen large mismatch of cash flows exhausts cash reserves.

Reserve Bank of Australia

In Australia, the Government separates responsibility for debt management and monetary policy. While debt is managed in the Treasury portfolio, the RBA manages monetary policy.

The RBA oversees the Australian payments system, which encompasses a wide variety of individual payment methods. These methods include electronic funds transfer between bank accounts, payment cards, cheques and high-value corporate payments.

Interbank cash transfers of the Commonwealth

13. Since the OPA is maintained with the RBA, in instances where a Commonwealth entity maintains a bank account with another ADI, cash transfers between that ADI's ESA and the RBA's ESA represent interbank transfers.

14. Interbank payment obligations in Australia are settled using RITS. RITS payments are settled on a real-time gross settlement (RTGS) basis.

Central Budget Management System

15. The Central Budget Management System (CBMS) is used to manage the flow of financial information between Finance and Commonwealth entities to facilitate cash and appropriation management, the preparation of budget documentation and financial reporting.

16. Cash is made available to a Commonwealth entity by the entity submitting a request to Finance within CBMS, for cash against a specific appropriation. Finance transfers money from the OPA to the entity's bank account.

Appropriations and cash

17. An appropriation is an entitlement in an Act for the Government to spend money. The requirement for the Government to be appropriated before spending money comes from the Australian Constitution in section 83.

18. Money spent by the Government is appropriated from the Consolidated Revenue Fund (CRF). The CRF is a notional concept, established in section 81 of the Australian Constitution, to represent all Commonwealth money. The CRF includes, for example, all money that is held in bank accounts operated by NCEs, (in Australia and overseas), money held in the OPA Group of Accounts, money kept on the premises of an NCE, and any money received by Ministers and officials.
19. When an appropriation is provided, it is expressed in terms of expenditure for specific purposes. Appropriations are managed by NCEs to make payments for specific purposes on behalf of the Government and to pay for their own operating expenses.

20. Records of appropriations are maintained in CBMS by the relevant NCE and Finance.
   - Money used against an appropriation is transferred out of the OPA and to the relevant entity's bank account.

21. Records of money collected by an NCE are also maintained in CBMS.
   - Money collected by an NCE is transferred by the NCE from its bank account to the OPA. Transferring money this way facilitates the consolidation of Commonwealth cash.