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Controls over Bank Accounts

Objective

The objective is to ensure proper internal controls are in place where bank accounts are used.

Authority

The Financial Administration Act, 1993 (FAA) allows the Minister of Finance to “establish, maintain or close accounts in the name of the Crown with any financial institution on any terms that the minister considers appropriate” (section 21).

The FAA allows Treasury Board to direct any person receiving, managing or disbursing public money to keep any books, records or accounts that it considers necessary (clause 5(e)).

The FAA requires public moneys to be forwarded, deposited and otherwise dealt with in accordance with any orders and directives of Treasury Board (section 22).

The FAA allows Treasury Board to make orders and issue directives with respect to its duties under section 4 of the FAA (e.g., relating to the finances, the administrative policy and management practices, and the accounting policies and practices of the Government) (clause 5(a)).

The FAA allows the Provincial Comptroller to issue directives to ministries and public agencies detailing the manner in which Treasury Board orders and directives are to be complied with (subsection 10(2)).

Definitions

[Payments Canada](#) establishes, operates, and maintains systems for the clearing and settlement of payments among member financial institutions, and develops, implements and updates the rules and standards that govern the clearing and settlement of payments between members (e.g., timelines for returning cheques). These rules and standards facilitate the interaction of its systems with other national and international payment systems. The Bank of Canada and all chartered banks operating in Canada are required to be members of Payments Canada; other members include trust and loan companies, credit union centrals, life insurance companies as well as securities dealers and money market mutual funds that meet certain requirements.

Interac e-Transfer Autodeposit (Autodeposit) allows funds to be deposited directly into a bank account for e-transfers sent to a registered email address. When an e-transfer payment is sent to the

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registered email address the funds are automatically deposited into the bank account linked to the registered email address without the need for a security question or answer.

Financial Services Agreement (FSA) is the banking agreement between the Government and the principal financial institution (currently the Royal Bank of Canada). Ministries/agencies operating bank accounts under the FSA are required to comply with relevant terms and conditions.

Pre-authorized Debits (PAD) are withdrawals from a third party's account at a financial institution that are initiated by a company (in this case, the Government of Saskatchewan) that has the authority from the third party to do so. In common usage, they are sometimes referred to as pre-authorized payments (PAP).

Treasury Board Policy

- .01 Ministries and other agencies are responsible to ensure that adequate systems are in place to control funds in bank accounts.
- .02 Policies regarding the receipt and deposit of public moneys in [Section 3505 Receipt and Control of Public Money](#) are to be followed.
- .03 All disbursements are to be made by direct deposit to the payee's bank account or by cheque.
- .04 All disbursements are to be recorded at the time of issue in a manner prescribed by the Provincial Comptroller.
- .05 Unless otherwise specified in legislation, cheques drawn on a General Revenue Fund (GRF) bank account or on any other bank account where the Minister of Finance is responsible for the custody and disbursement of funds shall bear:
 - the signatures of the Provincial Comptroller and the Deputy Minister of Finance; or
 - the signatures of two persons authorized in writing by the Provincial Comptroller or delegate; or
 - the signatures of two persons authorized by an order of the Treasury Board.
- .06 The Provincial Comptroller may exempt the requirements for two signatures on other than the GRF accounts.

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- .07 The Provincial Comptroller or delegate may authorize the use of mechanical equipment capable of reproducing facsimiles of the signatures of authorized persons.
- Provincial Comptroller Directives** .08 Ministries are responsible to ensure there is adequate internal control over bank accounts.
- Segregation of Duties** .09 The functions of initiating, authorizing, recording transactions, custody of assets, and bank reconciliation must be segregated to ensure that no employee or group of employees has exclusive control over a financial transaction or group of transactions. For example, for accurate accounting records, recording duties must be separate from custodial duties, such as cash receipts, bank deposits, cheque printing, and cheque signing. For an independent verification of accounting records to bank account records, the official preparing the bank reconciliation must not have custodial duties or record transactions in the accounting records.
- .10 If these functions in paragraph .09 are not segregated, a ministry must have compensating controls in place.
- Deposits** .11 Monies are received by the Government in various forms (e.g., cash, cheque, credit or debit card receipts, e-transfer, pre-authorized debits/payments). To facilitate reconciliation and error detection, the bank limits the number of items deposited to 250 per batch. For internal controls over monies to be deposited electronically to a ministry bank account from a third party account (PADs), refer to paragraphs .50 to .55. For internal controls over the receipt and deposit of public moneys, see [Section 3505 Receipt and Control of Public Money](#).
- Payments** .12 The Government makes payments to payees by direct deposit to the payee’s bank account or by cheque. For internal controls over monies paid through electronic payments (e.g., direct deposit), refer to paragraphs .47 and .51 to .56 and for internal controls over cheques, see paragraphs .18 to .39.
- Online Access to Bank Information** .13 Ministries are responsible to maintain a list of individuals who are authorized to view balance and transaction information through online access. Changes required to this list must be approved by Corporate Services Heads. For accounts with the principal financial institution, any changes to the list should be

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provided to the Treasury Management Branch, Ministry of Finance.

Reconciliation

- .14 Ministries are to perform a daily review of bank transactions (e.g., cheques, other debits, transfers, deposits) to accounting records. This review requires matching cheques (number and dollar amount) processed by the bank to ministry accounting records of cheques issued. This requirement is to ensure validity and accuracy of items that have cleared through the bank and to notify the bank of items such as fraudulent cheques, stale dated cheques, and stop payments that should be rejected within required Payments Canada timelines. Ministries are to have processes in place to ensure timelines for returning items (e.g., fraudulent cheques) to the bank are met. See Schedule A Royal Bank of Canada – Financial Services Agreement for timelines for returning items to the bank.
- .15 In addition to online balance and transaction reporting, the following information is available from the principal financial institution:
- A report of cheques processed the previous business day can be scheduled to run daily. MICR data can be exported to an excel report for comparison to accounting records. For larger systems, automatic daily matching may be an option to implement where practical (contact the Manager, Banking and Cash Management, Treasury Management Branch, Ministry of Finance).
 - Bank Statements and cheque images can be viewed online (up to 7 years) for follow up.
 - Reports of cheques where stop payments have been issued are available.
- .16 Ministries are required to reconcile their bank accounts to their accounting records at least monthly. This is in addition to the requirements in paragraph .14. A reconciliation of bank to ministry accounting records is required to detect errors and omissions. The reconciliation is to be done immediately following the statement date in order to meet requirements under the Financial Services Agreement for notifying the bank of errors and omissions (e.g., deposit in the incorrect amount). See Schedule A.

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.17 The person responsible for reconciling the bank account is to be separate from depositing and paying functions. The ministry’s senior official or delegate is to ensure reconciliations are prepared on a timely basis, and provide approval, in writing.

Signing authority

.18 The authority to approve changes to signing authorities and authorized banking contacts on specified bank accounts is delegated to specific ministry Corporate Services Heads. The approval of the Assistant Provincial Comptroller, Provincial Comptroller’s Office (PCO) is to be obtained for accounts not delegated.

.19 Approval for changes to signing authorities on bank accounts is obtained using an [Application to Change Bank Account Signing Authorities](#) form.

For delegated accounts, the ministry Corporate Services Head is to review and approve the change in accordance with the delegation. Ministries are required to keep a record of their signers.

For bank accounts not delegated, the ministry Corporate Services Head is to submit the request to the Assistant Provincial Comptroller, PCO, for approval.

Internal Controls over Cheques

.20 Segregation of duties is required to ensure employees responsible for preparing cheques do not:

- sign cheques;
- initiate or authorize the purchase of goods and services;
- authorize the disbursement of funds; or
- reconcile the bank account.

.21 Ministries must ensure that signers are independent of the following:

- cash receipt, cash handling and deposit functions;
- cheque preparation function;
- cheque mailing function; and
- bank reconciliation preparation function.

Where a signer is not independent, ministries must ensure appropriate compensating controls are implemented.

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- .22 There must be adequate internal control over electronic signatures and signature plates. Cheques are not to be signed in advance (i.e., before payee name and amount have been entered on the cheques).
- .23 All cheques are to be recorded when issued. The record must include the following information:
- the cheque number;
 - the date of issue;
 - the name of the payee; and
 - the amount of the cheque.
- .24 Internal controls on cheques include the following:
- Cheques must be sequentially numbered (blank cheques must be pre-numbered); and,
 - Cheques must be issued by authorized employees and the cheque numbers recorded (e.g., logged).
 - Blank cheques must be kept secure and stock reviewed periodically to ensure all blank cheques are accounted for.
 - Maximum-amount control is to be indicated on the face of the cheque, where practical.
- .25 Spoiled cheques must be plainly marked “VOID” with the signature portion spoiled (e.g., stamp the signature “CANCELLED”). File VOID cheques sequentially for easy reference.
- .26 All cheques are to be delivered by mail. The Provincial Comptroller may authorize an official of any ministry to distribute payroll cheques or other cheques in special circumstances. Refer to the [Accounting Manual, Appendix H Central System Processing](#) for internal control requirements for exceptional situations where cheques are returned to the ministry for distribution (i.e., referred to as special handling of cheques).
- Missing, Lost, Stolen or Destroyed Cheques Cheques** .27 When cheques are reported as missing, lost, stolen, or destroyed, before they can be replaced, ministries must ensure that they have not been cashed. Ministries must have processes to protect against losses from replaced cheques being subsequently cashed (e.g., daily cheque matching, indemnity from the payee).

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Ministries should ensure cheques that have been replaced are cancelled in the accounting system. If an attempt is made to cash the cancelled cheque, it would be identified in the daily cheque matching as an exception for return to the bank.

- .28 If a cheque is reported as missing, lost, stolen or destroyed, and it has not been cashed, a stop payment may be applied if warranted by the situation. If a fraud or theft is suspected, or the payee is not entitled to the payment, a stop should immediately be placed on the cheque. A stop payment on a cheque does not guarantee that the cheque will not be subsequently processed. Refer to Schedule A.

For stop payments on cheques issued from the Main GRF, Payroll, and the U.S. Dollar Accounts, a request is made to the Financial Systems Branch, PCO, Ministry of Finance, to apply a stop payment. The following information is required:

- the payee's name and address;
- the cheque number;
- the cheque amount; and
- the payment reference number if available.

Indemnity

- .29 If the amount of the replacement is over \$1,500, indemnity from the payee on an [Agreement of Indemnity](#) is required before a replacement cheque is issued. For cheques over \$5,000, an [affidavit \(missing cheques\)](#) signed by a Commissioner for Oaths for Saskatchewan/Notary Public is also required.
- .30 If the endorsement has been forged, an affidavit sworn before a Commissioner for Oaths for Saskatchewan/Notary Public is required in all cases before a replacement cheque is issued. The payee, by signing the [affidavit \(forged cheques\)](#), indicates that the cheque has not been received nor cashed by the payee and the payee does not know the person(s) who endorsed the cheque.
- .31 The Financial Systems Branch provides the Agreement of Indemnity and affidavit for cheques issued from GRF bank accounts.
- .32 Unless the replacement is for a forged cheque, the required documentation (i.e. Agreement of Indemnity and affidavit) is

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waived for replacements issued from the GRF bank accounts when the payment is for one of the following purposes:

- services to employees in the public service of Saskatchewan;
- pension and cost of living allowances to Government of Saskatchewan superannuates and their widows;
- wages and labour on any public works;
- monthly allowances paid to employees while taking educational courses;
- interest on fully registered Province of Saskatchewan bonds or debentures;
- payments to another government within Canada.

The Provincial Comptroller or delegate may waive the requirements for indemnity agreements and affidavits.

- .33 When an original cheque from the GRF bank accounts has been lost or stolen either in an office or in transit by a financial institution, the Financial Systems Branch may obtain from each of the financial institutions, a letter signed by the general manager or other executive as may be acceptable to the Provincial Comptroller or delegate, authorizing the manager of the Regina branch of said financial institution or the manager of the branch of the financial institution at which the cheque was first received for collection, to execute a letter of indemnity undertaking to protect against such loss as may occur through the issue of a duplicate cheque. The letter of authority of a bank and the letter of indemnity to be executed by a branch manager shall be in such form as may be approved by the Ministry of Justice or in a similar form. The receipt of this form as approved is sufficient for the Financial Systems Branch to issue a duplicate cheque. The procedures and forms that are referred to are to be adopted only as regards to cheques not exceeding, in each case, an amount agreed upon by the Provincial Comptroller or delegate and the financial institutions to be inserted into the letter of authority.
- .34 When cheques issued from the GRF bank accounts have been lost or stolen in or between offices of the Government, a duplicate cheque may be issued with the approval of the Provincial Comptroller or delegate. No affidavit or Agreement of Indemnity is required.
- Duplicate Payments** .35 Ministries are responsible to implement internal controls to prevent duplicate payments. If a duplicate payment is made,

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ministries are responsible to set up and collect the accounts receivable.

- Cancelled Cheques** .36 If a cheque is written from the GRF bank accounts and it is not required, it must be returned to the Financial Systems Branch with a memo stating “Cancel, No Replacement.”
- Cheques Written Off** .37 Ministries are to write off cheques that are outstanding for one year. Cheques drawn on a GRF bank account (including an imprest bank account) and written off are accounted for as GRF revenue. Cheques written off from trust or special purpose accounts are recorded as revenue to these accounts. The exception to this is for Provincial trust accounts, where cheques written off are deposited in the GRF bank account and recorded as GRF revenue in accordance with [Section 3420 Disposition of Unclaimed Trust Money](#).
- .38 All cheques are honoured indefinitely. The PCO keeps a permanent record of cheques written off from the GRF bank accounts in case the payee comes forward. Ministries must keep permanent records of cheques issued and written off on bank accounts under their control.
- .39 When a cheque that was previously written off to GRF revenue is reissued, it is charged to casual revenue.
- Online Banking** .40 Ministries are to obtain the Provincial Comptroller’s or delegate’s approval to use online banking for making payments from or collecting receipts in ministry bank accounts.
- The Assistant Provincial Comptroller, PCO, is delegated the authority to approve the use of online banking for making payments from or collecting receipts in ministry bank accounts.
- .41 Payment of funds using email (e-transfers) is not permitted. Receipt of funds using email (e-Transfer Autodeposit) may be permitted. Refer to paragraphs .48 and .49.
- .42 Before implementing a system that includes generation of electronic transactions (e.g., direct deposits, preauthorized debits/payments), the system must be adequately tested to ensure the file of transactions is produced correctly.

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**Employee Access to
Online Banking**

.43 The authority to approve changes to employee online banking access and permissions with respect to ministry bank accounts is delegated to ministry Corporate Services Head. Requests for access changes at the principal financial institution are made in writing to the Manager, Banking and Cash Management, Treasury Management Branch, Ministry of Finance.

.44 Ministries must ensure:

- adequate internal control over employees' access to online bank functions (e.g., segregation of duties);
- permissions are set up to ensure that employees approving transactions are separate from those setting up the transactions;
- any online banking approval rules are appropriate (e.g., approver transaction maximums must be set at appropriate levels); and
- access is promptly deleted where employees no longer have responsibilities with respect to online banking.

.45 Employees must not access online banking for a program from non-work computers and outside of business hours, unless authorized by the program Executive Director/Director.

.46 Employees are responsible to understand their security responsibilities. For online banking with the principal financial institution, see terms (e.g., safeguarding passwords and tokens) under the [Designated Certificate Holder Agreement for Business Customers](#) to which employees are required to agree before registering for a digital certificate upon initial sign in.

**Setting up Suppliers
-Direct Deposit**

.47 When a ministry is making a payment by direct deposit, the following must be collected, in writing, from the party involved:

- name and address;
- name and address of the financial institution and bank account number; and
- signature authorizing the deposit of payments to the stated bank account.

For payments through the central financial system, refer to the [Accounting Manual, Appendix H Central System Processing](#) for details, including the completion of a [Direct Deposit](#)

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[Payment Request Form.](#)

- Interac e-Transfer Autodeposit** .48 The Assistant Provincial Comptroller may approve the receipt of funds using email (e-Transfer Autodeposit).
- .49 Ministries are to ensure that the following internal controls are in place for situations where e-transfers are not autodeposited:
- communicate with clients that only e-transfers with Autodeposit can be accepted;
 - set up e-transfer notification emails to be sent to a group mailbox account that is accessed by more than one person;
 - establish an auto-forward rule for the group mailbox emails to be forwarded to other individuals who are separate from the deposit process;
 - restrict access to the group mailbox, including the auto-forward rule, to authorized individuals;
 - reconcile the e-transfer notification emails to the amounts deposited into the bank account on a daily basis;
 - maintain a listing of e-transfers not auto deposited;
 - communicate with clients that their e-transfers could not be deposited and that amounts are still outstanding; and
 - reconcile accounts receivable and review outstanding balances on a monthly basis.
- Setting up Clients -Pre-authorized Debits** .50 Ministries may have paper and/or electronic PAD agreements with another party that must include:.
- date and signature;
 - a statement giving the authority to debit the account specified by the payor;
 - name and address of the financial institution and bank account number;
 - the amount (fixed or variable with at least 10 days of notice prior to withdrawal) and frequency;
 - PAD category;
 - information for cancellation of agreement;
 - name and contact information of the payor;
 - name and contact information of the payee; and
 - recourse/reimbursement statement.

Further information may need to be collected depending on the circumstances. Information is to be collected and authorized on a standard form in accordance with Payments Canada rules. See [Rule H1 Pre-authorized Debits for more information.](#)

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**Internal Controls over
Bank Account Information**

- .51 Ministries must ensure that:
- access to setting up and changing bank account information is to be restricted to authorized individuals;
 - employees who set up bank account information for suppliers/clients should not be able to initiate or authorize payments, handle cash, record transactions in the financial records or prepare the bank reconciliation;
 - supplier/client information and changes (e.g., bank account information) must be independently reviewed for accuracy and validity.
- .52 A confirmation must be sent to the payee/client regarding bank account details and changes to bank account details. For direct deposits to be paid using the central financial system, the Financial Systems Branch sends the confirmation letter.

**Internal Controls over
Electronic Transactions**

- .53 Ministries are to ensure that internal procedures and processes are in place to meet internal control objectives, including the following:
- All electronic transactions are in the correct amount.
 - All electronic transactions are processed to/from the correct bank account.
- .54 Internal controls over electronic transactions must ensure:
- the transaction has been authorized by the payee/client and the bank account information is complete and accurate;
 - the transaction details provided to the financial institution have been entered correctly into the banking software;
 - access to the banking software to add, change, or delete transactions is to be restricted and authorized (there must be a separation between those setting up an electronic transaction and those approving the transaction);
 - program financial systems are updated promptly and accurately when users create, modify or delete transactions on the online banking site; and
 - program procedures for online banking are up to date.
- .55 Sufficient internal control is required to provide assurance that data is authorized and all authorized data is delivered to the financial institution on a timely basis to ensure monies are received/withdrawn as intended.

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- A unique identification number assigned to each electronic transmission to the financial institution is a control feature as it provides an audit trail.
- There must be adequate processes for the adequate review of individual transactions before they are transmitted to the financial institution.
- Ministries are to follow up where there are differences identified after comparison of the dollar amount and number of transactions sent to the financial institution with the dollar amount and number of transactions received by the financial institution.
- Ministries must ensure that bank confirmations of transmissions are received promptly and any lag times investigated.
- Ministries must ensure arrangements with the financial institution provide timely reporting and control over the delivery of reports from the financial institution.
- Ministries must follow up on any failed or rejected items (e.g., closed bank account) on a timely basis.
- Ministries must have adequate procedures and arrangements with the financial institution to recall (cancel) transactions.
- Ministries must ensure transaction details (i.e., name, date of transfer, amount and bank account information) are communicated by the financial institution to confirm the transactions.
- The transmission has been authorized and delivery of the information to the financial institution is secure.
- All transactions transmitted to the financial institution reconcile to transactions processed by the financial institution.
- Ministries must maintain an audit trail of their reconciliation of transaction.

Deposit Advice

.56

A deposit advice is provided to the payee that includes the following details:

- the date and amount of the deposit;
- the account number to which the funds were deposited;
- the name of the financial institution where the funds were deposited; and
- a description of the payment.

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References

[3020 Suspense Accounts and Conditional Receipts](#)
[3105 Imprest Bank Accounts](#)
[3300 Holding Money in the GRF](#)
[3305 Holding Money in the GRF through Consolidated Offset Balance Concentration \(COBC\)](#)
[3310 Holding Money in the GRF \(Other MIDAS Entities\)](#)
[3315 Terms and Conditions for Moneys Held in the GRF](#)
[3400 Control of Special Purpose Funds and Trust Money](#)
[3405 Establishment and Control of Special Purpose Funds and Trust Money](#)
[3410 Cash Management of Special Purpose Funds and Trust Money](#)
[3500 Control of Public Money](#)
[3505 Receipt and Control of Public Money](#)
[3530 Electronic Funds Transfer Receipts](#)
[3700 Control of Accounts Receivable](#)

[Accounting Manual, Appendix H Central System Processing](#)

Payments Canada:

[Rule 4A Returned and Redirected Items](#)
[ACH Direct Payments and Deposits Rules of Operation](#)
[Businesses: Issuing or Receiving Cheques](#)
[Rule H1 Preauthorized Debits](#)
[Business Guide to the Power of Pre-Authorized Debit](#)

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Schedule A

Royal Bank of Canada- Financial Services Agreement

Cheques

- .01 The Royal Bank of Canada (RBC) is currently the Government's principal financial institution. Terms and conditions related to accounts held at RBC are negotiated and contained in the banking "Financial Services Agreement" (FSA). Ministries/agencies operating these accounts are required to comply with relevant sections of the FSA, including the following requirements.
- .02 Pursuant to the FSA, RBC will process on a daily basis, in accordance with its normal procedures subject to this Agreement, all cheques which conform to the cheque standards of Payments Canada and which are MICR encoded as to bank transit and account number presented to RBC which are drawn by the Province and payable on Account at RBC.
- .03 RBC will make provisional settlement of all items payable at it at the close of the same business day they are received by RBC in accordance with Payments Canada Rules. Those items will be debited to the designated provincial account.
- .04 If a ministry does not wish to make payment on an item, written notice must be received by RBC no later than 12:00 p.m., local time, on the business day following the business day on which such item is received by RBC. RBC will credit the amount of such items to the designated provincial account and return such items through the clearing provided such items are being returned in accordance with Payments Canada Rules, including, for example, for the following reasons:
- counterfeit;
 - forged or unauthorized;
 - payment stopped;
 - stale dated;
 - body and figures differ (if difference is over \$20).
- .05 For example, if a cheque appears in a RBC account as cashed on a Tuesday, RBC does not consider the ministry/agency to have received the cheque until the following morning (i.e., Wednesday). The ministry/agency responsible for the bank

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account would then have until 12:00 P.M. on Thursday to notify RBC to return an item for reasons as outlined above.

- .06 Refer to Payments Canada [Rule 4A Returned and Redirected Items](#) for detailed requirements, including the following:
- An item being returned for reason of incorrect amount-encoding, duplicate payment or for material alteration may be returned by the Province up to and including 90 calendar days, following the business day on which the item is received by RBC.
 - An item being returned by the Province for reason of forged endorsement or intended payee(s) not paid may be returned up to and including six years, following the business day on which the item is received by RBC. An item being returned by the Province for reason of forged endorsement must be supported by a statutory declaration signed by the payee that the endorsement is a forgery.

Stop Payments

- .07 Ministries must follow up on all stop payment instructions, and ensure the payee has been notified that a stop payment instruction has been given.
- .08 RBC will process all stop payment instructions in accordance with Payments Canada Rules, but RBC does not guarantee a cheque or debit will be stopped even if a stop payment instruction has been processed. Daily cheque matching is required to ensure that the deadline can be met for returning through the clearing an item where a stop is in place. If a stop payment cheque has been processed after 6 months of the date of issue, it should be returned through the clearing as stale dated.

Bank Statements

- .09 Ministries are responsible verifying the completeness and correctness of bank statements (i.e., typically electronic statements and cancelled cheque images). If a statement is not received or cannot be accessed within 10 days of the applicable statement date, the Province must notify RBC within 5 days.

Ministries must notify the branch where the account is maintained of any errors in or omissions from the bank statement within 45 days of the statement date. At the end of

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the 45th day following the statement date, the statement is deemed correct, provided the following will not apply:

- where the ministry has notified RBC or errors or omissions as above;
- amounts credited in error; or
- other amounts that RBC may debit pursuant to the FSA.