

Policy Code # A-FN-105-001/AG-001

Chapter 9: Consolidated Banking System

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PURPOSE

1. This chapter outlines the Consolidated Banking System that has been established for NPP operations in Canada. Corps, Regimental and similar funds existing on 1 January 1973 have the option to hold funds outside the Canadian Forces Central Fund (CFCF). All other NPP Organizations shall hold their funds within CFCF.

DEFINITIONS

2. In this chapter, unless the context otherwise requires:
 - a. Consolidated Bank Account (CBA Ottawa) means the asset account maintained in the Canadian Forces Central Fund (CFCF) books of accounts which contains the holdings of all Non-Public Funds;
 - b. A Direct Electronic Fund Transfer (DEFT) is a payment that is made by CFMWS to payees. Example of payments include payment for travel claims, payroll, and other invoices;
 - c. An Electronic Fund Transfer (EFT) is a payment from a third party to CFMWS;
 - d. Entity Consolidated Bank Account (Entity CBA) means the asset account in the entity's books of accounts and reflects the amount on deposit in the CBA Ottawa and includes the monetary value of the entity's accounts receivable and accounts payable which are bought by the CFCF (with the exception of Receiver General receivables);
 - e. A Pre-Authorized Payment is a payment from a third party to CFMWS. Examples include CANEX Credit Plan payments, mess memberships, etc., made via pre-authorized debit, military and Non-Public Property (NPP) pay deductions;
 - f. A Pre-Authorized Supplier Payment is the payment process whereby a supplier has been pre-authorized to take money directly out of our bank account in lieu of us "*pushing*" the payment to the supplier;
 - g. Entity means any constituted activity that presents a complete set of financial statements. It includes messes, CANEX, CF Museums, Unit Funds, Base Funds and their subsidiaries;
 - h. Entity shares of the CBA are liability accounts held in the CFCF books of accounts;
 - i. Bank of Montreal (BMO) First Cash Concentrator Service (FCCS) process whereby deposits made at local BMO branches are deposited directly into the Main Bank Account in Ottawa;
 - j. Local Bank Account means the bank account at a local bank where all local deposits shall be made; and
 - k. Main Bank Account means the bank account held at the BMO Ottawa Main Branch, where all deposits are made and cheques or other disbursements are withdrawn.

ACCOUNTING RECORDS

3. In the CFCF books, each entity's share of the Consolidated Bank Account (CBA Ottawa) is

reflected as a current liability account. Within their own books of account, CANEX, Base Fund and their subsidiaries, messes and any other entity shall show their share of the CBA as an asset account. If the CANEX, Base Fund, or mess's share is in a deficit position, then the balance at the end of the month will be reported as a liability (bank overdraft) on the financial statements.

4. All cash deposits, pre-authorized payments, direct electronic fund transfers, electronic fund transfers and cheque disbursements shall be charged to the applicable general ledger (GL) control account and to the applicable entity share of the CBA in CFCF books of accounts and the entity's share of CBA and applicable GL account.
5. With the exception of Receiver General and other local receivables such as unearned revenue related receivables, the CFCF has assumed responsibility for the management and control of all Base/Wing/Unit Funds, CANEX, Specialty Interest activities and Messes' accounts receivable and accounts payable - the net balances of which are now incorporated as part of their respective Entity CBAs.

BANK OVERDRAFTS

6. An entity's Share of the CBA should not be allowed to reach an overdraft position. Through cash flow projections and financial statement review, the RAM must anticipate cash shortfalls and immediately advise the CFO and the Snr Manager PSP or Unit Commanding Officer (as applicable) when an entity's financial status is in jeopardy. In turn, based on the entity's particular circumstances, the RAM shall assist the Snr Manager PSP or Unit Commanding Officer with the development and implementation of corrective financial measures. In situations where a Base Fund subsidiary is in overdraft, Base Funds shall transfer sufficient funds to clear the overdraft at year-end (as at 31 March annually).

BANK RECONCILIATIONS

7. Local and BMO bank reconciliations are produced monthly by NAO and notices are sent to the NPPAMs advising them to review their bank reconciliations and address any outstanding transactions/issues as soon as possible. At year-end, the reconciliations must be completed as at the Balance Sheet date and prior to the preparation of the annual financial statement(s).
8. A copy of all bank reconciliations shall be sent to the RAM. Specific procedures are detailed in [Annex A](#) (Bank Reconciliation Procedures).

ROLES AND RESPONSIBILITIES OF THE FINANCE DIVISION

9. The National and Base Accounting Offices are directly responsible for the administration, processing, and controlling of all financial transactions. [Annex B](#) (Finance Division Roles and Responsibilities) provides general details. Details on bank specific issues such as Cheque Requirements, Signing Authorities, Bank Service Charges, Internal Transfers, dishonoured personal cheques, pre-authorized payments, corrections and stop payments on cheques are provided at [Annex C](#) (Bank Specific Issues).
10. No service charges are to be assessed to bases by local BMO branches either for transfers of funds to the BMO, Ottawa Main Branch or for normal day-to-day transactions. Units shall investigate and have such charges reversed. Other banks however, may levy such charges as part of the locally negotiated banking arrangement. For bases/units that CFMWS does the bank reconciliations for, service fees are automatically charged against the CFCF, for other organizations such as ships and reserve force units that perform their own bank reconciliations, a transfer voucher must be submitted to request reimbursement for bank service charges.
11. Any bank charges that are directly caused by CFMWS and staff systems will be absorbed centrally by the CFCF as arranged between Central Office, the Manager of the BMO, Main

Branch, and local bank managers. The CFCF will also reimburse entities for the rental or purchase of Bank or Credit Union night depository bags. These costs are to be charged to CFCF/RAM Bank Charges. Non-sufficient fund (NSF) cheque fees are to be paid by the base accounting office and recovered from the individual concerned by NAO.

CFCF INTEREST RATE AND INVESTMENT POLICIES

CFCF INTEREST RATE POLICY - INTERNAL NPP ENTITIES

12. The CFCF offers very competitive interest rates and investment opportunities. Each entity (base/unit/regimental fund, messes, and museums) that deposits with the CFCF CBA will decide annually how the interest payable to them on their entity CBA will be determined. Upon receipt of annual call letter, each entity must decide what interest option will be utilized and this option will remain in place for the following fiscal year. Base Fund includes all subsidiary entities, including SIAs, with any subsidiary's negative balances (overdraft) reducing the total amount upon which interest is determined for Base Fund. Each Mess is a separate entity and chooses its own interest option.

Note: In circumstances of extreme global market volatility the normal selection of interest return by NPP entities and external trusts will be put in abeyance until market conditions return to normal.

13. Base Fund Committees may approve the crediting of CBA interest earned on Base Fund Entities' proportionate share of share of CBA (Entity CBA) directly to the entities rather than be retained by Base Fund. To help ensure the continued viability of Base Funds, this practice should be reviewed on an annual basis and, if circumstances dictate, the decision to disburse interest revenues to entities rescinded.
14. Upon receipt of annual call letter, each RAM shall solicit their base/wing entity managers, consolidate their options and then forward to NAO. Ships and reserve units can indicate their option by advising either NAO directly or advising the local RAM.
15. Internal NPP operations shall not hold external investments without specific authority from CFO. Where CFO authority has been granted to hold external investments, a register must be maintained to support the entries for the investment purchase and redemption. The register will list all investments held and will include information such as description, (bond, Guaranteed Investment Certificate (GIC), etc.), issuing organization (name of bank, trust company, etc.) certificate number, purchase and maturity date, interest rate, interest payment dates etc. The interest is to be accrued monthly.

CFCF EXTERNAL TRUST INVESTMENTS

16. The CFCF has extended the opportunity for Regimental Funds, and other such organizations that have ties to the CFCF, to invest with the CFCF as an External Trust Investment Account. If a fund utilizes the CFCF for their investment management then the fund would be established as a trust account (or series of trust accounts to facilitate managing various related funds such as the kit shop) within the CFCF. While the investment management would be part of the overall CFCF investment portfolio, a fund can choose from the rate of return options provided by CFO.
17. Prior to a Regimental Fund or other such organizations who have ties to the CFCF being approved as an investment with CFCF, the request will be brought forward to the CFO. Correspondence will be between the CFO and the designated authority for the fund for the initial request and renewals.
18. Once the designated authority for the fund has agreed in writing of their intentions, to the CFO, the funds can be deposited at the unit level. Funds can be withdrawn (or deposited) at any time without penalty or other charges.

19. The Director of Accounting shall be advised of all CFCF External Trust Investment accounts held at unit level. There will be no management fees, service charges, or other costs to the fund for managing the funds. Funds held in this account are for investment purposes only, if this account becomes an operating entity (acceptance and disbursement of funds on a recurring basis), then the operating unit will share in the CBA investment revenue received in accordance with investment option elected.

[Annex A](#) - Bank Reconciliation Procedures

[Annex B](#) - Finance Division Roles and Responsibilities

[Annex C](#) - Bank Specific Issues