

PART 16 – TRUST FUND AND TRUST ACCOUNTS

1. Trust Fund

- 1.1 **The Trust Fund** is part of the Public Account according to **Section 10 of the Act**. All public moneys are payable into either the **Trust Fund** or the **Consolidated Revenue Fund** depending on the nature of the receipt.
- 1.2 **The Trust Fund** consists of a number of trust accounts established under **Section 15 of the Act**. The aggregate of the balances in the individual trust accounts constitutes the **Trust Fund** balance. Public moneys are payable into the Trust Fund only if such payments are within the specific scope of any individual trust account; otherwise such moneys must be paid into the **Consolidated Revenue Fund**.

2. Categories of Trust Accounts

- 2.1 Trust Accounts have been established to account for the following types of transactions or funds:
- (i) *Moneys held in trust for third parties.*
 - (ii) *Revolving or working capital funds provided for certain Government, commercial or trading operations.*
 - (iii) *Suspense or other transitory transactions which are to be held in special accounts until they are transferred to the final accounts.*
- 2.2 The Trust Accounts have been divided into the following categories in the Trust Funds Account Code for accounting purposes. (for example, See Appendix 1)
- Category (a): Finance Operating Trust Accounts
 - Category (b): General Trust Accounts
 - (i) *with bank account*
 - (ii) *without bank account*
 - Category (c): Investment Trust Accounts
 - Category (d): Project Trust Accounts

The balances standing to the credit of the Category (c) trust accounts must be invested, whereas investment is discretionary in the case of Category (b).

2.3 Finance Operating Trust Accounts:

These are asset or clearance accounts and are of 2 types:

- (i) *With separate Bank accounts - the Waigani Public Account (WPA), Operating Accounts of Provinces, Drawing Accounts of self-accounting national departments are examples;*
- (ii) *Non-bank Accounts - Examples are the Permanent Advances, Other Advances, Bank Transfer to WPA, Cash in Transit, and Salaries Clearance Account. Assets represented by balances in these trust accounts are represented by a corresponding liability reflected in balances in the Consolidated Revenue Fund and the General Trust Fund Account.*

2.4 General Trust Accounts:

General Trust Fund Accounts may be categorised into 2 types: (i) those with separate bank accounts (Trust Accounts of Public Curator, Registrar of National Court, Public Solicitors, General Hospital Welfare, World Bank, ADB, Correctional Services, Stabex Entitlement, Police Messing, POM General Hospital Fees are examples of these trust accounts), and (ii) those without separate bank accounts and which operate through Waigani Public Account (Plant & Transport Trust, Vocabulary Stores Trust, Trust Account for each Provincial Government, Trust Account for Hospital Fees are examples of this type of trust).

The liability for balances in the first category (General Trust Fund Accounts with bank accounts) is represented by moneys held in separate bank accounts for these trust accounts. Similarly the liability for trust account balances in the second category (General Trust Fund Accounts operating through the Waigani Public Account) is represented by a corresponding balance held in the WPA.

2.5 Investment Trust Accounts:

Amounts paid into trust accounts such as Motor Vehicle Dealer's Deposits, Mineral Resource Stabilisation Fund, National Emergency Fund must be invested. The liability represented by account balances in these trust fund accounts is represented by cash balances held in the bank accounts under the category "Trust Investment Accounts".

3. Basis of Trust Accounts

- 3.1 Trust Accounts (other than Finance Operating Trust Accounts) are created either by trust instruments signed by the Minister for Finance and Treasury or specific provision in a law.

- 3.2 Where a trust account is created under a trust instrument, the terms of the trust will govern receipts, payments, investments and income from investments, in relation to that trust account.

4. Establishment of Trust Accounts

- 4.1 Section 15 of the Public Finances (Management) Act 1995 provides that Trust Accounts may be established as directed by the Minister or prescribed by any other law -

- * to receive moneys held by the State as trustee
- * to receive the proceeds of commercial or trading activities carried on by any arm, agent or instrumentality of the State.
- * for such other purpose as may be approved by the Minister.

- 4.2 According to Section 19 (2), & (3), Departmental Head responsible for a Trust Account shall ensure the proper management and operation of that Account. The Departmental Head before the commencement of each fiscal year submit to Secretary for Finance, in the prescribed form an estimate of receipts & payments expected to be made into and withdrawn from the Account.

- 4.3 As a general rule, Departments will not be allowed to open trust accounts where the normal appropriation and revenue accounts under the Consolidated Revenue Fund (with suitable memorandum records, where necessary) would suffice.

- 4.4 Where the need for opening a trust account is specifically felt, the implementing agency will address the Department of Finance giving the following details:

- (a) Special advantage in opening the trust account
- (b) Purposes for which the trust account will be used
- (c) Sources of revenue
- (d) Specific objects on which moneys from the Account will be spent
- (e) Persons (name and designation) authorised to operate the account.

- 4.5 If the Department of Finance is satisfied, a trust instrument will be drawn up in consultation with the originating Department and the State Solicitor and submitted to the Minister for Finance and Treasury for consideration and approval.

- 4.6 Departmental Head responsible for a particular Trust Account will submit within seven (7) days after the end of each month, details of transactions of the Trust Account.

5. Banking Arrangements and maintenance of Account

- 5.1 Normally trust accounts, being part of the Public Accounts, will not be allowed special banking arrangements. Instead, receipts and payments will be accounted for by Provincial and District Treasuries or Department of Finance in Port Moresby.
- 5.2 However, in special cases (such as projects substantially financed by contributions from foreign countries or agencies and where the contributors require such a facility or where projects are likely to be converted into statutory authorities after a period), there is no objection to allowing a special banking facility.
- 5.3 Where a special bank account is to be opened for a trust account, the following requirements should be kept in view:
- (a) A bank account may be opened at the Bank of Papua New Guinea or any commercial bank, but no account should be opened without specific prior approval from the Department of Finance.
 - (b) Implementing agencies should ensure that a statement of cash account is submitted to the Public Account of the Department of Finance for each month not later than seven days after the end of the month, unless a different period is allowed under the trust instrument. The receipts and payments during the period and the closing balance should be accompanied by bank reconciliation statements. This is necessary for incorporation of the trust transactions in the monthly and quarterly Statement of Public Accounts compiled by the Department of Finance.

6. Payment into Trust Accounts

The following moneys will be paid into a trust account:

- (a) Moneys appropriated for the purpose of the trust account.
- (b) Sale proceeds of assets purchased from the trust account and other receipts which are allowed by the trust instrument to be credited to the trust account.
- (c) All moneys paid by any person for the purpose of the trust account specifically provided for in the trust instrument.

7. Payments out of Trust Account

Moneys may be paid out of the trust account only:

- (a) for the purposes of the trust account or as authorised by a law
- (b) if there is sufficient credit balance in the account, and
- (c) in accordance with the estimate of receipts and payments submitted by the departmental head for each fiscal year to the Secretary, Finance and as approved by the latter.

8. Trust Accounts Reconciliation

- 8.1 It is the responsibility of Departmental Heads to ensure that all Trust Accounts under their control are reconciled on a monthly basis with copies sent to Accounting Frameworks and Standard Division, Department of Finance no later than 14 days of the close of each month.
- 8.2 Failure to comply with the provisions of the Act and the conditions of the Trust Instrument may result in actions being taken as stated below.

9. Moneys at Credit of Trust Account not to Lapse

Moneys standing to the credit of a Trust Account at the end of a fiscal year shall not lapse at the end of that fiscal year and will be carried forward to the next year.

10. Management of Trust Accounts

As a general rule, where a trust account has been established to meet the specific needs of a Department, the Head of that Department is responsible to ensure proper management and operation of that account in accordance with **Section 19 of the Act**.

11. Suspension of Trust Accounts

The Secretary for Finance at his discretion under Section 19 (5) of the Act may;

- Suspend the operation of a Trust Account where the provisions of the Act are not complied with, or
- Take over the responsibility for the operation of that Account, or
- Close the operation of the Account where there has been no attempt made to reconcile the Account.

12. Transfer to Consolidated Revenue Fund

The Secretary for Finance in consultation with the Departmental Head responsible for the Trust Account may authorise the transfer of any surplus in that Trust Account to the Consolidated Revenue Fund.

13. Control of Trust Expenditure

13.1 Section 19 of the Public Finances (Management) Act, 1995

prescribes that before the commencement of each fiscal year, the Head of the respective implementing agency with the management of Trust Account shall submit to the Secretary, Finance an estimate of receipts and payments expected to be made into and withdrawn from that Account during the fiscal year. These estimates should be submitted in the form prescribed by the Secretary, Finance.

13.2 The provisions relating to Appropriation, Minister's Warrant, Warrant Authorities and Cash Fund Certificates, do not apply to Trust Account operations. However, the requirements of commitment control and all other requirements set out in this and other sections and parts of the Manual will fully apply to expenditure drawn from trust accounts.

These requirements relate to purchase of goods and services and stores procedures. To comply with this provision and requirements, the head of the implementing agency responsible for the management of each Trust Account should make suitable purchasing arrangements.

13.3 Heads of implementing agencies responsible for Trust Accounts should appoint agency officers to take decisions on expenditure from Trust Accounts and lay down the financial limits up to which requisitions for expenditure from trust accounts can be approved by agency officials. The financial limits will vary according to the purposes viz. capital purchase, capital works, maintenance and other expenditure activities. Where the amount of an individual transaction exceed the authorise limit of the agency official it should referred appropriate Section 32 officer for approval.

13.4 Financial Delegates entrusted with commitment control and other duties, and authorised to make payments and implement expenditure decisions taken by **Section 32 officers** in respect of expenditure from the **Consolidated Revenue Fund** may be entrusted with same or similar responsibilities in respect of expenditure from the Trust Account. Heads of agencies responsible for Trust Accounts should take a decision in this respect or make suitable alternative arrangements.

13.5 Section 19(4) of the Public Finance (Management) Act, 1995 prescribes that the Head of an implementing agency responsible for a Trust Account shall maintain such records pertaining to the Account as are prescribed, and submit them at the end of each fiscal year to the

Secretary for Finance. Heads of implementing agencies may delegate this responsibility and designate officers who shall maintain the prescribed records. However, the responsibility to submit records at the end of each fiscal year to Secretary, Finance cannot be delegated and the prescribed records should be submitted no later than 2 months after the expiry of each fiscal year.

14. Use of Finance Forms

14.1 Expenditure of moneys from Trust Accounts is to be processed on the prescribed Finance Forms such as Requisitions for Expenditure, ILPOC, and General Expenses (FF3, FF4, FF4A) and related forms, with the following modifications:

- a) The name of the Trust Account and Code should be indicated in place of the Vote Number.
- b) The column for Cash Fund Certificate Number will be left blank.
- c) The officer or officers authorised to draw money from a trust account in terms of a trust instrument or appropriate law (or an officer approved for the purpose by the Department of Finance, in other cases) will sign in the place meant for the Financial Delegate's signature.

14.2 Official receipts (FF132) are to be issued for moneys received to the credit of a trust account.

15. Paying Office Procedure

A Paying Office, before authorising a payment from a Trust Account, should satisfy itself that there is sufficient credit in the relevant trust account. Where a Trust Account ledger is maintained solely in a Paying Office, the Paying Office should refer to the ledger balance before authorising payment. If transactions relating to a Trust Account take place in more than one Paying Office, authorising officers should ascertain the balance in the Trust Account from the Trust Section of the Department of Finance by telephone or other expeditious means.

16. Investments

16.1 Investments are made from Trust Accounts by the Department of Finance if the terms of the trust provide for investment and in other cases, if there is surplus cash balance. Such investments are part of the **Trust Fund**.

16.2 Income from the investments will be credited to the appropriate Trust Account if so required under any law or a trust instrument. Otherwise, it will be paid into the **Consolidated Revenue Fund**.

17. Unclaimed Trust Fund Moneys

In accordance with **Section 20 of the Act**, all moneys standing to the credit of the **Trust Fund** that have remained unclaimed for not less than six years after they have become payable shall be paid to the **Consolidated Revenue Fund**. Generally, unclaimed moneys are held under the Unclaimed Moneys Fund Trust Account in terms of the **Unclaimed Moneys Act (Chapter 326)** and this trust account should be reviewed quarterly and action taken to transfer the unclaimed moneys to revenue.

18. Closing of Trust Accounts

18.1 Trust Accounts should be reviewed periodically and where they are not required for the purposes for which they were established, a report should be made to the Minister for Finance and Treasury under **Section 21 (1) of the Act**.

18.2 After obtaining the Minister's approval for closing of a Trust Account, the Department responsible for the Trust Account should take steps to meet all the liabilities as expeditiously as possible. The balance left in the account should be dealt with according to any direction in the trust instrument and if there is no direction, the balance should be proposed for transfer to Consolidated Revenue Fund.

19. Special Procedure for certain Trust Accounts

The procedure to be followed for the Customs Officers Overtime Trust Account is outlined in Appendix I.

APPENDIX I - CUSTOMS OFFICERS OVERTIME TRUST ACCOUNT (COOTA)

1. Overtime charges and 10 per cent administration fees collected from the airline companies or other customers should be paid into the nearest paying office to the credit of the above trust account (302-06).
2. Where a full-time driver is employed his overtime should also be included in the claim to the customers.

3. **Approval of Overtime:**

Collectors are authorised to approve overtime for Customs Officers who are required to work outside normal duty hours. The approval should be granted prior to overtime engagement, in writing in the form appended, and this form will be completed in duplicate.

4. **Overtime Claim:**

Overtime claims of Customs Officers with the Certificate of Hours worked should be submitted to the Paying Offices controlling the Customs Office with:

- a) the original overtime approval
- b) reference to official receipt number of payment received from customer

5. **Incidental Expenses:**

If there are expenses incidental to overtime, approval for meeting such expenses from COOTA should be obtained from the Commissioner of Customs.

The Commissioner will approve such expenses on FF4 forwarding the original to the controlling Paying Office.

6. **Paying Offices:**

- 6.1 Paying Offices should maintain subsidiary trust receipts and payments ledger and ensure that they are reconciled by the Collectors periodically.
- 6.2 They should forward copies of certified reconciliation statements monthly to the Expenditure and Cash Management Division of the Department of Finance.
- 6.3 If the claims are received after the close of the relevant year, payments should be made by Paying Offices only after obtaining prior approval from the Expenditure and Cash Management Division referred to above.

6.4 Payments shall be made by charging 460-05.

7. Surplus:

The Commissioner will arrange transfer of surplus in the trust account at the end of each year to 167-4 (Customs - Sundry Receipts) by a journal entry submitted to the Accounting Frameworks and Standards of the Department of Finance.