

FMM 03.37 Trust Fund Accounts

37.1 Authority and Prescribed Requirements

- Public Finances (Management) Act (PFMA) Part III

37.2 Standards and other Supporting Documentation

- IPSAS 23 – Revenue from Non-Exchange Transactions – Governs recognition of funds received in trust.
- Volume 2D, Budget Book, Section IV Details of Trust Accounts
- Trust Instrument Template
- Financial Instruction 5/13, Illegal Transfer of Recurrent and Development Funding into Trust Account at End of Year, dated 17 November 2014
- Finance Instruction 05/2024, Renewal of Trust Accounts, date 9th July 2024
- IFMS Guide to Trust Accounts

37.3 Minimum Responsibilities

The Finance Minister has the authority to open or close Trust Accounts.

The Finance department head has oversight of the operations of trust accounts and may suspend the operation of a Trust Account where the provisions of this Part are not complied with and take over the responsibility for the Trust Account, or authorise the transfer of the surplus in that Trust Account to the CRF/GRFs.

The Department of Finance facilitates the establishment of trust accounts under ministerial authority. It also monitors compliance with PFMA and Finance Instructions on trust fund management and oversees financial reporting and reconciliation of trust fund accounts in IFMS.

Department heads of Trust Fund managing agencies is to ensure trust fund transactions comply with the fund's legal purpose, maintain accurate records of all receipts, payments, and balances and submit quarterly and annual trust fund financial reports to the Department of Finance. they are also required to close trust funds when no longer required and transfer remaining balances to the CRF/GRFs.

Heads of Finance are to ensure the recording of all trust fund transactions in IFMS using the appropriate codes, ensure disbursements from trust accounts align with approved purposes and perform monthly bank reconciliations for trust accounts.

Internal auditors are to review trust fund transactions for compliance with the PFMA and Trust Instrument and ensure trust fund is used for its intended purpose and are accurate and properly disclosed.

37.4 Mandated Policy

- 1. Provision can be made in Acts other than the Public Finance (Management) Act, 1995 for the establishment of trust, but all trust accounts require an instrument signed by the Finance Minister under the authority of the Public Finance (Management) Act, 1995.**
- 2. Where an agency has been issued with a trust instrument and this agency operates on IFMS, no activity or transactions can occur until the trust has also been established in IFMS with its trust bank account.**
- 3. Unspent trust funds must be returned to the CRF or other approved accounts (if specified such as returned to donor) when the trust is closed.**
- 4. Public money designated for the trust fund must not be held outside of approved trust accounts.**
- 5. Transfers of funds from CRF to Trust Fund are prohibited unless a special transfer is authorised by an Appropriation Act. Government contributions to donor-funded projects shall be transferred to the relevant Trust Account in compliance to the terms and conditions determined by the Finance department head.**
- 6. Moneys held in a bank account for the Trust Account at the end of a fiscal year shall not lapse at the end of that fiscal year.**
- 7. Trust funds of an entity is to disclose in the notes to the financial statements, the amount and nature of cash flows and cash balances resulting from transactions administered by the entity as an agent on behalf of others.**

- 8. Where such cash receipts and payments pass through a bank account controlled by the entity, they are treated as cash flows and balances of the entity itself and included in the totals shown on the face of the statement of cash receipts and payments. Paragraph 1.3.13(a) of Part 1 of this IPSAS Cash Basis of Accounting Standard permits such cash receipts and payments to be reported on a net basis.**
- 9. For any trust bank account not on IFMS, the departmental head must submit the bank statement and bank reconciliations within 10 days of the following month to the Department of Finance.**
- 10. 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.**
- 11. A Departmental Head of a Department responsible for a Trust Account -**
 - may authorise payment out of that Trust Account in accordance with the estimate of receipts and payments submitted under subsection (3) and agreed by the Finance Secretary; and
 - shall maintain such records pertaining to the Trust Account as are required by the Finance Secretary and shall submit to him within seven days after the end of each month, details of transactions on the account; and
 - shall, within one month of the commencement of each fiscal year, submit to the Finance Secretary, a statement of account for the preceding year.

37.4.1 Suspension of Trust Accounts

- 12. The Finance department head 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.

37.4.2 Control of Trust Expenditure

13.Section 19 of the PFMA prescribes that before the commencement of each fiscal year, the departmental head of the agency management of Trust Account shall submit to the Finance departmental head an estimate of receipts and payments expected to be made into and withdrawn from that Account during the fiscal year.

14.As part of the National Budget process and before the commencement of each fiscal year, the departmental head of the agency management of Trust Account shall submit to the Treasury departmental head an estimate of receipts and payments expected to be made into and withdrawn from that Account during the fiscal year.

15.The Department of Finance is required to maintain a register of all Trust Accounts established in the Trust Fund including the National Trust Fund and the Provincial Government and Local Level Government Trust Fund Environments.

37.4.3 Renewing of Trust Accounts

16.A Trust Account can only be renewed within the fiscal year that it expires.

37.4.4 Closing of Trust Accounts

17.The Finance Minister may direct that any Trust Account be closed. After all liabilities of the Account have been met, the balance shall be dealt with in accordance with any trust instrument governing dealings with the moneys on the failure or expiration of the trust. If there is no such instrument or if the trust instrument makes no provision for dealing with the trust moneys on the failure or expiration of the trust, the balance shall be paid to the respective CRF or GRFs.

37.4.5 Unclaimed Trust Fund Moneys

18.The process for accounting for unexpended balances after the expiration of a trust account will follow the terms of the Trust Instrument. If this document

is silent, then the enabling legislation for the trust will inform the distribution of unclaimed moneys. Where the enabling legislation is silent, then the provisions of Section 12(2) of the PFMA apply and the balance is paid into the CRF.

37.5 Non-Mandatory Guidance

37.5.1 Establishing a Trust Fund Account

- The agency submits a request to the Department of Finance, justifying the need for a trust fund.
- The Minister for Finance approves and issues a formal trust deed, outlining:
 - Purpose of the trust
 - Funding sources
 - Conditions for fund disbursement
 - Reporting requirements
 - Persons (name and designation) authorised to operate the account.
- The trust fund account is set up in IFMS with a unique identification code.

37.5.2 Categories of Trust Accounts

Trust Accounts have been established to account for the following types of transactions or funds:

- a) Moneys held in trust for third parties.
- b) Revolving or working capital funds provided for certain Government, commercial or trading operations.
- c) Suspense or other transitory transactions which are to be held in special accounts until they are transferred to the final accounts.

37.5.3 Managing Trust Fund Transactions

37.5.3.1 Payments into Trust Accounts

Trusts – Receipt Accounting in IFMS

- Trust Accounts receipting directly into IFMS (example Court Bail and Child Maintenance) – refer to Court Bail and Child Maintenance Section.

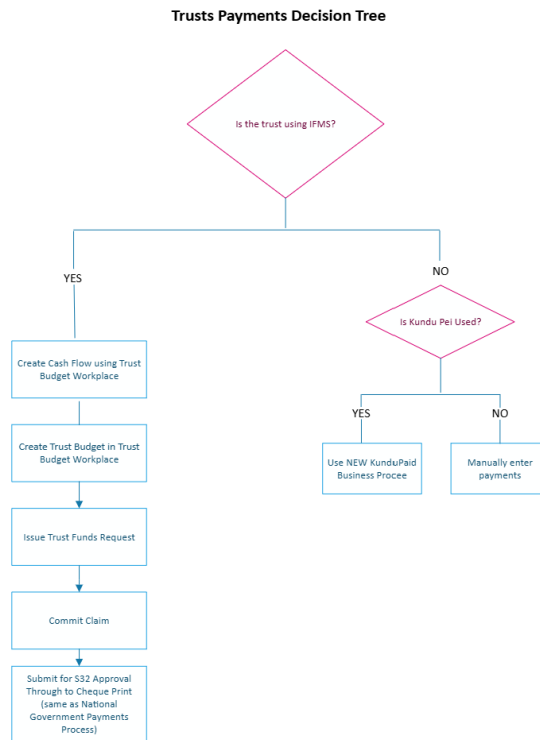
- Trust Account not receipting directly in IFMS (Includes all other trusts).
 - Administering agency to enter a general journal of all receipts at the end of each day, week or month.
 - Use assigned cash book appropriation and sub-appropriation code and relevant revenue economic item (refer to Chart of Accounts section). If donor fund, use relevant fund source code (refer to Chart of Accounts section)

Funds deposited into trust whether from Waigani Public Account or other sources	In trust books: DR Trust cash book (e.g. 30033-000-01-311701) CR Revenue Code (30033-000-01-191100)
Inter-bank transfer or receipting	DR Subsidiary trust cash book (30134-0F0-07-313398) CR Revenue (30134-0F0-07-191100)

37.5.3.2 Payments out of Trust Accounts

Moneys may be paid out of a Trust Account only –

- (a) For the purposes of the Account or as authorized by law; and
- (b) If a sufficient credit is available in the Account.



- Trust Accounts operating in IFMS (example Court Bail and Child Maintenance) – refer to Court Bail and Child Maintenance Section.
- Trust Accounts using Kundu Pei (examples FMIP and PCaB Trusts). Refer to IFMS Kundu Pei Payment Process section.
- Trust Accounts using IFMS Cheques:
 - Refer to IFMS National Accounts Payable Process - the same business process applies but using the Trust Workplace. See IFMS Trust Budget Support Guide.
 - Use the IFMS Trust Budget Maintenance Workplace in IFMS to create a trust budget for the year and to issue Trust Fund Request (TFR).
- Trust Account not operating in IFMS (Includes all other trusts).
 - Administering agency to enter a general journal of all payments at the end of each day, week or month.
 - Use assigned cash book appropriation and sub-appropriation code with relevant expenditure economic item (refer to Chart of Accounts section). If donor fund, use relevant fund source code (refer to Chart of Accounts section)

Funds transferred in from Waigani Public Account or other sources	In trust books: DR Trust cash book (e.g. 30033-000-01-311701) CR Revenue Code (30033-000-01-191100)
Expense paid from Trust	DR Expense Code (30033-000-01-227120) CR Trust cash book (30033-000-01-311701)

- Bank charges – Record bank charges using Economic Item 224120. Must be part of the cash flow and budget entries.

Bank charge	In trust books: DR Expenditure (e.g. 30134-000-00-224120) CR Trust cash book (30134-000-00-311727)
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- Inter-bank transfers – Record these as revenue for the subsidiary trust and expenditure for the parent trust.

Transfer from Main to Subsidiary Trust	In trust books: DR Expenditure (e.g. 30134-000-00-299100) CR Main Trust cash book (30134-000-00-311727) DR Subsidiary trust cash book (30134-0F0-07-313398) CR Revenue (30134-0F0-07-191100)
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37.5.4 Closing a Trust Fund Account

- If the trust fund has fulfilled its purpose, the managing agency must:
 - Submit a closure request to the Department of Finance.
 - Confirm that all bank statement reconciliations and financial reporting acquitting the trust is completed.
 - Transfer any remaining balance to the CRF or an approved alternative fund.
 - Submit final financial reports detailing all transactions before closure.
- The Department of Finance reviews and approves the closure.

Further Information	fcd@finance.gov.pg
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