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Establishment and Control of Special Purpose Funds and Trust Money

Objective

The objective is to specify requirements for the establishment and control of special purpose funds and trust money.

Authority

The Financial Administration Act, 1993, clauses 5(a) and 5(e), subsection 10(2) and section 22

Applicability

This policy applies to special purpose funds and trust money that are administered by ministries. See [Appendix C Public Money](#).

Treasury Board Policy

- .01 The use of special purpose funds and trust funds for the purpose of segregating moneys from the General Revenue Fund (GRF) may be considered where:
- the moneys are used for special purposes; and/or
 - the moneys are held in trust and are not assets of the Province.
- .02 All special purpose funds and trust funds are properly authorized (e.g., an Act of the Legislature, regulations) and moneys are used for authorized purposes.
- .03 Ministries, agencies, boards or commissions are responsible for the management of funds, which includes their proper establishment, classification, administration, financial management and termination.
- .04 Where legislation or regulations governing funds are drafted or amended, guidelines established by the Provincial Comptroller are to be followed.
- .05 Where it is desirable for a separate bank account to segregate the money from the GRF, the bank account is to be approved in accordance with Treasury Board policy. Refer to [Section 3605 Approval of Bank Accounts](#).
- .06 The requirements for the receipt and deposit of money contained in [Section 3500 Control of Public Money](#) and Treasury Board policies for the control and write-off of accounts receivable contained in [Section 3700 Control of Accounts Receivable](#) are to be followed.

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- .07 Disbursements made to meet expenses associated with normal fund operations are specified in guidelines, policies or regulations established by the ministry or agency within which the funds reside. All disbursements must be properly approved.
- .08 Records pertaining to the establishment and financial management of each fund are to be maintained.
- .09 New financial systems and any major changes to existing processes require the approval of the Provincial Comptroller prior to implementation as contained in [Section 4000 Financial Systems](#).
- .10 If a fund can no longer operate in the manner that was originally intended or for its specified purposes, then it is terminated. Fund surplus at termination is to be distributed in accordance with the Provincial Comptroller’s directive.

Provincial Comptroller Directives

- .11 Ministries must ensure that disbursements are for the purposes of the fund and authorized by designated persons responsible for the fund, supported by adequate documentation.

ICB Regulations

- .12 The following guidelines are provided to assist ministries in drafting new institutional collective benefit regulations or amending existing ones:

Definition of ICBs

Institutional collective benefit (ICB) accounts are operated for the benefit of residents of government-run institutions or facilities. ICB accounts are considered trust money. The Government recognizes an obligation with respect to the use and disposition of assets for those who benefit from the operation of the accounts, although no individual claim exists.

The source of the funds is normally associated with the transfer or withholding of assets from the GRF, by receiving revenues from the sale of products produced by residents using a combination of government materials, facilities and equipment, and/or by gifts to the account. The use of the funds is restricted to specific purposes, which normally includes the purchase of necessary supplies and materials for the activity and purchase of other assets for the group that benefits.

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Guideline Objectives

The objectives of the guidelines are as follows:

- Clearly define the purpose, sources of revenue and allowable expenditures of the account to discourage the establishment of “open ended” ICBs.
- Identify ICBs as distinct from conventional “trust” funds in order to eliminate confusion regarding their nature.
- Provide ministries with direction to either use fund money for the intended purposes of the fund or deposit them to the GRF.
- Establish consistent procedures for disposing of fund assets if funds are scaled down or terminated.
- Prevent conflict between, and minimize overlap of, regulations and the Treasury Board policy governing the funds.

Guidelines

The following topics are to be addressed in regulations establishing ICBs:

Legislative Authority

- Ensure legislative authority exists for the establishment of funds.
- Ensure the ICB complies with the Treasury Board policies and Provincial Comptroller’s directives governing special purpose funds and trust moneys.
- Define all purposes of the fund.
- Identify all sources of receipts that are to be deposited into the fund.
- Identify all allowable disbursements in addition to those falling within the stated purpose of the fund. Where the stated purpose of the fund is either not specific or silent concerning certain types of anticipated disbursements (e.g., those for capital equipment, fixed assets, forgivable advances, grants, honoraria, wages, etc.), a listing of such categories is included in the regulation.

Reporting

- Ensure the administrators provide the following information to the responsible permanent head at the end of each fiscal year:
 - a copy of the schedule that is sent to the Provincial Comptroller for inclusion in the Public Accounts; and

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- a proposal indicating how the fund balance is to be utilized during the new fiscal year.

Disposal of Surplus Assets

- Provide for disposal of surplus assets where the fund has assets in excess of the reasonable needs of the fund as follows:
 - Excess money or investments are deposited in the GRF as revenue of the Province at the discretion of the permanent head.
 - Excess assets revert to the control of the ministry for disposal or reassignment at the discretion of the permanent head.

Termination of ICBs

- If the fund can no longer operate in the manner originally intended or for its specified purposes, it is terminated. The fund may be terminated for any other reason with the approval of the permanent head. The Provincial Comptroller must be notified prior to termination.
- Where the ministry has other ICBs that are substantially identical to the fund being terminated, after discharging all liabilities, at the discretion of the permanent head, all or part of the cash, investments or fixed assets may be distributed to substantially identical funds in a manner the ministry or agency prescribes. Residual liquid assets are deposited to the GRF as revenue, at the permanent head's discretion.
- Where a reorganization requires that an ICB be scaled down or terminated and an identical fund be created from all or part of the proceeds, the following procedures apply:
 - All liabilities of the old fund are properly discharged.
 - The ministry or agency within which the new fund will reside ensures that proper legislative and regulatory authorities are in place to create the new fund.
 - All of the remaining assets of the fund are distributed as required by the reorganization or program alignment.
 - Procedures regarding transfer of assets in the [Accounting Manual, Section 1300 Tangible Capital](#)

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[Assets](#) are followed.

- Where the ICB is terminated but not relocated due to a reorganization or program realignment, and the ministry does not have one or more identical ICBs in operation, the following procedures apply:
 - All fund liabilities are discharged.
 - All remaining cash and investments are deposited to the GRF as revenue to the Province.
 - Control of the assets reverts to the ministry or agency responsible for disposal or reassignment.

References

[3400 Control of Special Purpose Funds and Trust Money](#)
[3410 Cash Management of Special Purpose Funds and Trust Money](#)
[3415 Financial Statements and Accounting for Special Purpose Funds and Trust Money](#)
[3420 Disposition of Unclaimed Trust Money](#)
[3500 Control of Public Money](#)
[3600 Control of Bank Accounts](#)
[3700 Control of Accounts Receivable](#)
[3800 Control of Tangible Capital Assets and Inventory](#)
[4000 Financial Systems](#)

[Accounting Manual, Section 1300 Tangible Capital Assets](#)

[Accounting Manual, Appendix A General Revenue Fund Year-end Procedures and Schedules](#)