

<b>Treasurer's Instruction No</b>	<b>107</b>
Title	<b>Agency Operating Accounts</b>
Effective date	<b>30 June 2004</b>
Objective and Background	<b>Provides instructions on the establishment, operation and closure of accounts within the Special Deposits and Trust Fund, including instruction in relation to overdrafts</b>
Last Reviewed Date	<b>30 June 2004</b>

*This Instruction was previously known as Treasurer's Instruction No 207 – Accounts in the Special Deposits and Trust Fund.*

*Black letter (or bold) items within these Instructions are mandatory and other plain font items are instructional or for the purpose of providing guidance only.*

## **OPENING AN ACCOUNT**

- (1) A request to open an Account within the Special Deposits and Trust Fund (SDTF Account) must be forwarded to the Secretary for submission to the Treasurer for approval. The request shall advise:**
  - (a) the purpose for which the SDTF Account will be used;**
  - (b) why this purpose cannot be accommodated within the Agency's existing SDTF Account structure; and**
  - (c) any special terms and conditions that should attach to the SDTF Account.**
- (2) The Secretary will retain a copy of each approval given by the Treasurer.**

Agency financial operations are conducted through individual accounts in the Special Deposits and Trust Fund. Section 13 of the *Public Account Act 1986* provides the Treasurer with the authority to create accounts within the Special Deposits and Trust Fund for approved purposes and to determine any terms and conditions that attach to the operation of the account.

Accounts within the SDTF are classified as follows:

- *Department Operating Account* records all agency transactions, other than those transacted through one of the following types of account.
- *Business Unit Account* records transactions undertaken by an Agency relating to an activity undertaken in a quasi-commercial environment.
- *Legislative Account* is established when an Act requires that a specific account be established for a particular purpose and is named in the legislation. A separate account is not specifically required where an Act refers to an account in the Special Deposits and Trust Fund.
- *Trust Account* records transactions relating to a designated trust held on behalf of a third party that are not available to the agency to spend for its own purposes. A

designated trust account does not include Commonwealth grants, even though the funds may be required to be spent on a specific purpose.

- *Whole-of-Government Account* records transactions relating to activities undertaken by an agency on behalf of the Government as a whole. For example, the Superannuation Provision Account.

**(3) All agency cash transactions must be recorded through the Department Operating Account unless:**

- (a) there is a legislative requirement to use a separate SDTF Account; or**
- (b) the activity relates to a “true trust” activity.**

Accounts will not be opened merely to identify or “ring fence” a particular activity. Application should only be made to open a new Account where there is a legal requirement to establish an Account.

### **OPERATING A SDTF ACCOUNT**

**(4) The Head of Agency must ensure that a SDTF Account is operated in accordance with the purpose and the terms and conditions approved by the Treasurer.**

**(5) Revenues can only be retained in a SDTF Account with the approval of the Treasurer.**

Retained revenue will generally include:

- revenue paid into a Business Unit Account;
- proceeds from the sale of assets (section 8, *Public Account Act 1986*);
- approved carried forward funds (section 8A, *Public Account Act 1986*); and
- such other amounts as approved by the Treasurer (section 8, *Public Account Act 1986*).

**(6) All revenue, other than retained revenue, must be transferred to the Consolidated Fund on a daily basis, at such other times as agreed by Treasury or in accordance with relevant legislative requirements.**

**(7) A SDTF Account must not be overdrawn without the prior written approval of the Treasurer.**

**(8) Where the Treasurer has approved an overdraft, the SDTF Account to which the overdraft relates may only be overdrawn up to the overdraft limit approved by the Treasurer.**

**(9) In the event that a SDTF Account balance is in overdraft without the approval of the Treasurer:**

- (a) penalty interest will be charged on the overdraft balance. The penalty interest rate will be one and a half times the Government Banker’s overdraft rate;**

- (b) the Agency must implement processes and procedures to eliminate the unauthorised overdraft balance; and**
- (c) the agency must seek approval from the Treasurer for a temporary overdraft facility, stating reasons for the overdraft, actions taken to eliminate the overdraft and the period that the SDTF Account is expected to remain in overdraft.**

Expenditure sourced from the Consolidated Fund is automatically reimbursed by journal on the day the expenditure is incurred. Agency practices can also minimise the risk of a SDTF Account going into unintended overdraft. These practices include:

- advising Treasury daily of the total of agency expenditure via the TFRS interface to enable Treasury to reimburse the agency for that amount of expenditure by EFT. Similarly, cash receipts should be totalled and advised via the TFRS interface, and then transferred by EFT daily to the Treasurer's Bank Account;
- Processing a payroll costing journal on the day that the payroll accounting entries are processed (ie either on the Monday or the Tuesday before the pay day); and
- negotiating arrangements between the respective agencies to preclude either agency's SDTF Account from being overdrawn, where an agency incurs expenditure and it intends to recover the funds from another Agency.

**(10) Interest will not be paid on funds in a SDTF Account unless approved by the Treasurer.**

Interest is not generally paid on credit balances held in accounts within the SDTF. A written request for the payment of interest should be made to the Secretary seeking the Treasurer's approval and fully explaining why the particular circumstances require the payment of interest as a condition of the operation of a SDTF Account.

Generally, interest will be paid only on activities where there are legislative or other circumstances requiring the payment of interest on particular funds held within the SDTF.

### **CLOSING A SDTF ACCOUNT**

**(11) The Head of Agency must annually review the Agency's SDTF Accounts to ensure that all Accounts are still required. If an Account is no longer required, the Head of Agency must request the Treasurer's approval to close the Account.**