GOVERNMENT OF BERMUDA
Ministry of Finance
Accountant General's Department

Financial Instructions

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Introduction

Financial Instructions ("FI") is a guide which sets out the principles of Government accounting, as well as the more important ways they are applied in the day-to-day operations of Government departments and offices. FI also outlines the essential features of financial management. FI are to be construed as instructions issued by the Minister of Finance per section 3(1) of the Public Treasury (Administration and Payments) Act 1969 (the "Act").

As all officers in Government departments, offices and public bodies are responsible for managing and using Government resources, it is essential that they have a clear understanding of the framework and underlying principles that govern the consumption of these resources. The detailed procedures to be observed will, of course, largely depend on the particular responsibilities of individual officers and departments/offices.

FI cannot override the requirements of specific governing legislation.

The Accountant General recognises that no rule of general application can be phrased to suit all circumstances and that there is no substitute for the exercise of sound judgement. However, in cases where FI are not applicable or require changes for specific situations, the Accountant General's Department must be consulted for approval and this approval must be obtained in writing (section 2.12).

Purpose

FI is a practical guide to assist all officers to gain a better understanding of public service financial management. It sets out the relevant accounting and administrative requirements; emphasizes the need for economy, efficiency and effectiveness; and promotes good practice and high standards of propriety.

FI should be read in combination with the Code of Practice for Project Management and Procurement (the "Code"). The Code sets out the requirements and procedures for the procurement of goods or services for the Government. FI should also be read in conjunction with the Conditions of Employment and Code of Conduct, Ministerial Code of Conduct, Bribery Act 2016, Good Governance Acts of 2011 and 2012, and the Act.

While each Government department is unique in terms of its objectives and daily operations, the FI are intended to ensure that financial transactions are appropriately recorded and controlled on a consistent basis.

FI form the minimum required standard for financial matters in Government departments, offices and Public Authorities, with additional specific procedures formulated and tailored to the needs of the Government operating unit.

FI emphasize the responsibilities of Accounting Officers, who must ensure that the financial systems which they are responsible for are operating in accordance with appropriate internal controls and governance frameworks. This responsibility cannot be delegated. Failure to comply with these instructions will result in penalties as detailed in FI section 2.10.

If a Public Authority elects not to use FI as-issued, any modifications must be documented in writing. If a Public Authority chooses not to utilize FI at all, they must have comprehensive written financial procedures in place. Those financial procedures must be reviewed by the appropriate authority (e.g. Board or Management Committee) annually and a copy provided to the Accountant General's Department and the department with responsibility for the Public Authority.

Any organization that receives funds from the Government must have a set of written financial procedures in place that provide for the control of financial transactions together with the governance and control of capital projects, which should be available for review by the funding department, and/or

provided upon request to the Accountant General and/or the sponsoring Department.

It is noted that certain Government departments or offices, by virtue of provisions within their empowering legislation, may be unable to comply with all aspects of FI in order to preclude influencing them operating according to their legislated mandate. The expectation is that these departments or offices inform the Accountant General's Department when they are unable to follow FI and what alternative process will be utilised. Examples include the Information Commissioner's Office and the Office of the Auditor General.

The value of FI cannot be realised unless they are read, understood and consistently applied by public officers. It is the responsibility of all public officers to understand the FI relevant to their function and ensure that the internal controls and governance frameworks, as outlined therein, are followed.

Any questions regarding FI should be directed to your Financial Comptroller or to the Accountant General's Department, Ministry of Finance – telephone: 279-2600.

1. Definitions and Interpretation

1.1 In FI, the words and phrases below have the following meanings:

"Accountant General" means the head of the Accountant General's Department**.**

"Accounting Officer" means the officer of a department or office whom the Minister of Finance regards as responsible for the custody and control of funds appropriated by the Legislature and for the collection of revenues due to that department or office. The Minister of Finance will appoint the Permanent Secretary, head of department, or public officer acting as such, as Accounting Officer.

"Act" means the Public Treasury (Administration and Payments) Act 1969.

"Capital Expenditure" is defined as the acquisition, construction or development of any tangible capital asset valued in excess of $3,000. Capital Expenditure is distinguished from current account expenditure for repair and maintenance. The cost incurred to enhance the service potential of a capital asset is betterment and therefore would be charged to capital expenditure. The cost incurred in the maintenance of the service potential of a capital asset is a repair (not a betterment) and therefore would be charged to current account expenditure. There are two types of capital expenditures:

- Capital acquisitions include vehicles and heavy equipment, plant machinery and equipment, vessels and boats, furniture and fixtures, office equipment, computer hardware and equipment and computer software; and
- Capital developments include land, buildings and infrastructure.

"**Code**" means the Code of Practice issued by the Director of Project Management and Procurement under section 32B(4) of the Act.

"Conflict of Interest" is an obligation, interest or other condition relating to a person that interferes with or appears to interfere with or otherwise impact the independent exercise of judgement in the Government's best interest by that person.

"Consultant" means any individual, local or foreign, self-employed or engaged from a company, who performs Government duties as directed. A consultant may act on behalf of or as an agent for the Government as required.

"contractor" means any Person bidding for a Government contract; and where the Person bidding is a company or partnership, any director, partner, officer, employee or associate acting on behalf of the company or partnership. A contractor may not act on behalf of or as an agent for the Government.

Government "department or office" means Government operations organised and segregated into heads. Each department or office will have an Accounting Officer.

"Financial Instructions" means all instructions issued by the Minister of Finance or by direction of the Minister of Finance under section 3(1) of the Act.

"goods" means an inherently useful tangible item required by the Government, from time to time, and supplied by a vendor or supplier under agreed terms.

"**Government**" means the Government of Bermuda and includes a public authority.

"Internal controls" means a system of controls, financial and otherwise, established with the objectives of carrying on the operation of a department in an orderly manner, safeguarding its assets and securing, to the fullest extent possible, the accuracy and reliability of its records.

"OPMP" means the Office of Project Management and Procurement.

"procurement" means the provision of any goods or services to the Government otherwise than by a public officer.

"public authority" is defined in section 3 of the Interpretation Act 1951.

"public officer" means the holder of any remunerated office in the public service and includes any person appointed to act in any such office.

"services" means the time, effort and expertise required by the Government, from time to time, and supplied by a provider under agreed terms, instead of a tangible product.

"tangible capital asset" means assets having physical substance that are:

- held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
- have useful lives extending beyond one year;
- are intended to be used on a continued basis; and
- are not for sale in the ordinary course of operations

"vendor" or **"supplier"** means any individual or entity, including a contractor, from whom goods or services are purchased by the Government.

2. Overview

2.1 Effective Date

These revised FI take effect from 30th June 2018, and revoke all previous instructions and circulars in so far as they are inconsistent.

2.2 Legal Authority

FI are to be construed as instructions issued by the Minister of Finance per section 3(1) of the Act, as amended, and are to be followed by all public officers. The Minister of Finance has responsibility for the supervision, control and direction of all matters relating to the financial affairs of the Government.

2.3 Application

FI apply to every person concerned in or responsible for the collection, receipt, custody, issue or payment of public monies, stores, stamps, investments, securities, negotiable instruments or any other property.

FI apply whether the property of the Government or in deposit with or entrusted to the Government or any public officer in an official capacity either alone or jointly with another public officer or any other person.

2.4 Duties

2.4.1 Responsibilities of Accounting Officers

The main responsibilities of Accounting Officers are as follows:

- The safeguarding of public funds and property under his or her control.
- The regularity and propriety of all the transactions in each appropriation account he or she is responsible for.
- Ensuring that all relevant financial considerations are taken into account and, where necessary, brought to the attention of the Accountant General where they concern the preparation and implementation of policy proposals relating to expenditure or income for which he or she is Accounting Officer.
- Economy and efficiency in the administration of the department. This includes ensuring that there are adequate financial management systems in place to support the proper administration of the department in an economic and efficient way.
- The adequacy of arrangements within the department/office to ensure the correctness of all payments under his/her control and the prompt and efficient recovery and bringing to account of all receipts connected with the department/office, or with any Public Authority for which the department is responsible.
- Ensuring that budget has been appropriated for the expenditures being made.
- Ensuring there is the desired quality of assurance on the adequacy, reliability and efficiency of the department's internal control system.
- Responsibilities in respect of grants to public authorities and outside agencies, particularly in regard to the conditions of the grant, the submission of accounts and being satisfied that the accounting systems and organisational arrangements of the grantee are adequate to ensure the proper administration of the money.
- Ensuring that there is a clear framework for control (including financial reporting) and accountability for public funds in bodies operating under the aegis of the department / office.

- Ensuring up to date FI and Code are readily available to all public officers.
- Ensuring department policies and procedures comply with FI.
- Ensuring department staff are aware of and comply with their responsibilities under FI.
- Ensuring compliance with all applicable legislation.

2.4.2 Responsibilities of Public Officers

It is the duty of all public officers with fiduciary duties to be thoroughly acquainted with FI

2.4.3 List of Accounting Officers

Head	Department / Office	Accounting Officer
01	Governor & Staff	ADC
02	Legislature	Clerk to the Legislature
03	Judicial Department	Registrar
04	Attorney General's Chambers	Permanent Secretary
05	Office of the Auditor General	Auditor General
06	Defence	Paymaster
07	Police	Commissioner or Deputy
09	Cabinet Office	Permanent Secretary
10	Ministry of Finance HQ	Financial Secretary
11	Accountant General	Accountant General
12	Customs	Collector
13	Post Office	Postmaster General
14	Department of Statistics	Director
16	Ministry of Education HQ	Permanent Secretary
17	Department of Education	Commissioner
18/19	Libraries & Archives	Head Librarian
20	Youth, Sport & Recreation	Director
21	Ministry of Health HQ	Permanent Secretary
22	Department of Health	Chief Medical Officer
23	Child & Family Services	Director
24	Hospitals	CEO
25	Department of Corrections	Commissioner
26	Department of Human Resources	Director
27	Immigration	Chief Immigration Officer
28	Social Insurance	Director
29	Registry General	Registrar General
30	Marine & Ports	Director
32	Planning	Director
34	Transport Control Department	Director
35	Public Transportation	Director
36	Ministry of Public Works HQ	Permanent Secretary
38	Office of the Tax Commissioner	Tax Commissioner
39	Registrar of Companies	Registrar
41	Bermuda College	President
43	Information Digital Technology Office	Director
45	Fire Services	Chief Fire Officer

Head	Department / Office	Accounting Officer
46	Telecommunications	CEO
48	Ministry of Transport and Reg Affairs HQ	Administrator
49	Land Valuation	Director
51	Department of Communication	Director
52	Community & Cultural Affairs	Director
53	Bermuda Housing Corporation	General Manager
55	Financial Assistance	Director
56	Human Rights Commission	Executive Officer
60	Workforce Development	Director
63	Parliamentary Registrar	Registrar
67	Information & Communication Technology	Director
68	Parks	Director
71	Ministry Social Development & Sports HQ	Permanent Secretary
74	Department of Court Services	Director
75	Department of Public Prosecutions	DPP
79	Environment & Natural Resources	Director
80	Office of Project Management and Procurement	Director
81	Public Lands & Buildings	Head of Section
82	Works and Engineering	Head of Section
83	Ministry of National Security HQ	Permanent Secretary
84	E-Government	Director
85	Ombudsman's Office	Ombudsman
87	Ministry of Legal Affairs HQ	Permanent Secretary
88	National Drug Control	Director
89	Energy	Director
91	Health Insurance	Director
92	Internal Audit	Director
93	Ministry of Home Affairs HQ	Permanent Secretary
95	Ministry of Economic Dev & Tourism HQ	Permanent Secretary
96	Sustainable Development	Permanent Secretary
97	Land Surveys & Registration	Permanent Secretary
98	Information Commissioner's Office	Information Commissioner
101	Privacy Commissioner's Office	Privacy Commissioner

2.5 Amendments

FI will be amended on a periodic basis to maintain applicability.

2.6 Interpretation

The Accountant General has the authority to resolve any questions on the interpretation of FI.

2.7 Delegation of Accounting Officers' Responsibility

Accounting Officers may delegate departmental financial accounting functions, but they will not be relieved of accountability and responsibility by such delegation. As such, if there is a loss in the department, the Accounting Officer is responsible for ensuring Government's funds are repaid.

Infractions of FI in an area under an Accounting Officer's purview can be noted in their personnel file and disciplinary action may be taken. The action to be taken will be based on:

- the level of severity

- the extent to which FI are followed and checked on a routine basis
- the timeliness of detection
- whether the loss is due to habitual non-compliance with sound internal controls
- the action taken by the Accounting Officer to inform the Accountant General and to mitigate the loss.

Any concerns identified by the Internal Audit Department, or the Office of the Auditor General, that remain unaddressed when a follow-up is performed may be noted as a deficiency in the Accounting Officer's Performance Appraisal, and disciplinary action may be taken as deemed appropriate.

Observations raised in Internal Audit reports are to be followed up by the Internal Audit Department, the Permanent Secretary and the Internal Audit Committee.

Observations raised by the Auditor General will be addressed by the relevant Accounting Officer in coordination with the Accountant General's Department. The Auditor General's observations, along with the responses provided, may be included in the published report of the Auditor General.

2.8 Financial Functions

All Accounting Officers, with the assistance of their Financial Comptroller, must ensure that the functions set out below are performed on an ongoing basis.

2.8.1 Accounting System

Ensure that any accounting system prescribed under the authority of the Accountant General is maintained.

2.8.2 Procurement of Goods and Services

The requirements and procedures ("Rules") for the procurement of goods or services for the Government are set out in the Code of Practice for Project Management and Procurement. By following those Rules, public officers will ensure that the Government's procurement activities achieve the best value for money in the expenditure of public funds while being fair, ethical and transparent.

2.8.3 Income Collection

Ensure timely collection of and supervise proper accounting for all Government revenue in accordance with FI Section **13**. They must also ensure that all revenue not collected is diligently pursued and also reported to the Accountant General on a timely basis. An aged accounts receivable listing must be maintained.

2.8.4 Account Classification

Promptly account for, under the proper account code of the Estimates or other approved classifications, all expenditures and revenues of Government.

2.8.5 Physical Security

Government money, securities, stamps, purchase order books, receipts, licences and any other valuable property, document, data or items must be kept in a locked, secure facility when not in use. Access to secure facilities is limited to the Accounting Officer and/or to persons authorised by the Accounting Officer. This must also be checked by the Accounting Officer on a regular basis to ensure no lapses in security.

2.8.6 Supervision

Under their authority, supervise all employees entrusted with the receipt and expenditure of Government money, and maintain and monitor the systems of internal control required in accordance with FI Section 4.

2.8.7 Payment Authorisation

Ensure that all payments are properly authorised in accordance with FI Section **9**. Payment authority will be evidenced as established in the authorised E1 approval routes as submitted by the department/office to the Accountant General. Approval authorities are to be reviewed at least semi-annually by the department. Any required amendments due to personnel changes, changes in responsibility, restructuring, etc. are to be provided to the Accountant General as soon as the department is aware.

2.8.8 Budgetary Control

Exercise budgetary control to ensure that revenues are collected and expenditures disbursed according to approved appropriations and limits. Monitor total expenditure and revenue of the department and to ensure that the expenditure approved by Parliament is not exceeded and that the estimated revenue is achieved. Public officers must monitor the budgets under their control monthly and evidence that review via submissions in the form prescribed by the Budget Office or Accountant General.

2.8.9 Reconciliation

Check all cash, stamps and forms under their control and reconcile them with the appropriate accounting records. Promptly bring to account as a receipt any cash or stamps in excess of the balances shown in the accounting records.

2.8.10 Access to Records

Produce for examination all cash, cheques, bank statements, stamps, securities, accounting records when required by the Accountant General, Internal Audit, or the Auditor General. Keys for lock boxes must remain on premise at all times for impromptu inspections. No notice of inspection is required.

2.8.11 Prompt Response to Enquiries

Reply within two weeks to enquiries addressed to them by Internal Audit, the Accountant General, or the Auditor General, providing the requested information in full. If a response cannot be provided within two weeks, Internal Audit, the Accountant General or the Auditor General must be notified to arrange a subsequent response date. Response time requirements may be shortened dependent on circumstance (but not so as to be unreasonable) and the expectation will be made clear at the time of the request.

2.9 ***Surcharge***

All public officers are responsible for the performance of financial duties entrusted to them and may be surcharged in this respect, under Section 29 of the Act.

The Minister of Finance, through the Financial Secretary, may surcharge a public officer if he or she:

(1) Failed to collect any moneys owing to the Government for the collection of which he is or was responsible; or

(2) Is or was responsible for any improper payment of public moneys or for any payment of moneys which is not duly vouched for; or

(3) Is or was responsible for any deficiency in, or for the destruction of, any public moneys, stamps, securities, stores or other Government property.

(4) Overspends/commits funds without obtaining the prior approval of the respective Minister and the Minister of Finance. Also see FI section 5.5.3.

(5) Failed to ensure that the internal controls necessary to protect the departments' assets are followed on an ongoing basis. (See FI Section 2.11)

2.10 Penalties for Non-Compliance

Where the Accountant General has determined that a public officer has not complied with FI, any or all of the following actions may be taken:

(1) Surcharge in accordance with FI Section 2.9.

(2) Disciplinary proceedings against the employee and/or the Accounting Officer.

(3) Accountability by the Accounting Officer to the Secretary to the Cabinet, and to the Head of Public Service.

(4) Withdrawal of financial approving authority given under FI Section 7.

(5) Assessment of recharge to department for time spent on non-compliance issues.

The penalty for non-compliance will be determined by the Permanent Secretary and recommended to the Accountant General. If the Accountant General is in agreement with the recommendation, the penalty will be applied. If there is not agreement, the matter shall be referred to the Financial Secretary, who will make a decision and whose decision will be final. If the offender is a Permanent Secretary, the Accountant General will make the recommendation to the Financial Secretary, whose decision will be final.

2.11 Responsibility to Implement Checks

Accounting Officers, working with their Financial Comptroller, will cause periodic (e.g. weekly, monthly) checks to be made to ensure that the prescribed internal controls are working. Any system defects or weaknesses discovered must be corrected and reported to the Accountant General immediately (See FI Section 4).

2.12 Departure from Financial Instructions

Departures from any provisions of FI are not permitted without the written approval of the Accountant General. Any request to depart must have a sound justification, or approval to depart from FI will not be granted. Examples of justifications may include but are not limited to staffing constraints, physical facility restrictions, etc. The request must also clearly identify how it will be ensured that Government is not being disadvantaged by the suggested course of action.

Note that Government procurement procedures are governed by the Code of Practice for Project Management and Procurement and that any variations to procurement process must be addressed as prescribed under the Code.

2.13 Except as otherwise specifically set out, the requirement that any document must be in writing is satisfied where (apart from the usual meaning of that expression) the text of it is created and transmitted or stored by electronic means, in legible form, and capable of being used for subsequent reference. Audit Does Not Absolve Responsibility

The responsibilities of the Auditor General in connection with public accounts do not absolve any public officer from his responsibility to comply with FI.

2.14 Requirement to Notify of Breaches of Financial Instructions

Public officers must immediately notify the Accountant General of any breaches of FI. Notification is required even if the breach does not result in financial loss to the Government. The Accountant General will maintain a record of all reported breaches.

3. Business Conduct

3.1 Purpose

Government is committed to a policy of fair dealing and integrity in the conduct of all aspects of its business and operations. This commitment is based on a fundamental belief in law, honesty and fairness. Government expects public officers to share its commitment to high legal, ethical and moral standards.

Please also refer to the Conditions of Employment and Code of Conduct.

3.2 Compliance With Laws and Regulations

Government and public officers must at all times comply with all applicable laws and regulations. Government will not condone the activities of any public officer who violates the law or participates in unethical business dealings. No activity is to be carried on which will not withstand the closest possible scrutiny.

Public officers must make best efforts to ensure that their conduct cannot be interpreted as being in contravention of laws and regulations. Whenever public officer is in doubt about the application or interpretation of any legal requirement, the officer should refer the matter to their Accounting Officer who, if necessary, will seek the advice of the Attorney General's Chambers.

3.3 Conflict of Interest

Public officers must perform their duties conscientiously, honestly and in accordance with the best interests of the Government.

Public officers must not use their position or the knowledge gained through it, for private or personal advantage, or in such a manner that a conflict or the appearance of a conflict arises between the Government's interest and their personal interest. A conflict of interest is created when an obligation, interest or other condition relating to a person that interferes with or appears to interfere with or otherwise impact the independent exercise of judgement in the Government's best interest by that person.

If a public officer feels that a course which he has pursued, is pursuing, or is contemplating pursuing, may involve him in a conflict of interest, he should immediately bring it to the attention of his superior.

3.4 Political Activity

Refer to the Conditions of Employment and Code of Conduct (Section 7) for guidance on participation in politics.

Government funds, goods or services must not be used as contributions to political parties and Government facilities must not be made available to candidates or campaigns unless authorised by the Secretary to the Cabinet.

3.5 Government Funds and Property

Public officers with access to Government funds or property in any form must follow the prescribed procedures for recording, handling and protecting funds or property as detailed in these FI and other departmental circulars and memoranda. Standard instructions are in place to help prevent loss, fraud and dishonesty. Where a public officer is aware that loss, fraud or dishonesty may have occurred, he should immediately advise his Accounting Officer and Financial Comptroller, so that the risk of further loss can be mitigated and an investigation promptly initiated. If it is suspected by the Accounting Officer or Financial Comptroller that Government has suffered a loss, they will notify the Accountant General and Internal Audit Department.

Where a public officer's position requires spending of Government funds or incurring any expenses to be reimbursed by the Government, it is the individual's responsibility to use sound judgement on the Government's behalf and to ensure that equitable, appropriate value is received for every expenditure. Government funds or property should only be used for Government purposes and must not be used for personal reasons.

3.6 Government Records

Accurate and reliable records are necessary to meet legal and financial obligations and to properly manage the affairs of Government. Records must reflect all business transactions in an accurate and timely manner. Undisclosed or unrecorded funds or assets or liabilities are not permissible, and Accounting Officers as well as other public officers responsible for accounting and record- keeping functions are expected to be diligent in enforcing all FI.

3.7 Dealing With Outside Persons and Organisations

Public officers must take care to separate personal dealings from Government positions when communicating on matters not involving Government business. Government identification, stationery, supplies and equipment must not be used for personal or political matters.

3.8 Prompt Communications

Every effort must be made to achieve complete, accurate and timely communications with applicants, suppliers, customers, Public Authorities and the public when dealing with matters relevant to them.

A prompt and courteous response must be made to all proper counterparty requests for information and to all complaints.

3.9 Privacy and Confidentiality

When handling financial and personal information, only such personal information as is necessary to Government's business should be collected, used and retained. Information should only be retained as long as it is needed or as required by law, and the physical security of such information should be protected.

Internal access to personal information should be limited to those with a legitimate business reason to seek the information. Personal information should only be used for the purposes for which it was originally obtained.

Public officers should also be aware of the requirements under the Public Access to Information Act 2010 and who is the Information Officer for their department/office.

4. Internal Controls

4.1 Definition and Purpose

Internal controls are defined as the whole system of controls, financial and otherwise, established with the objectives of carrying on the operation of a department in an orderly manner, safeguarding its assets and securing, to the fullest extent possible, the accuracy and reliability of its records. It is the responsibility of the Accounting Officer to ensure that internal controls are adhered to.

The concept of internal control goes beyond financial and accounting matters and the custody of Government assets. Internal control includes mechanisms designed to improve operational efficiency and to ensure adherence to all FI, Conditions of Employment and Code of Conduct, policies and procedures.

4.2 Responsibility of Accounting Officers

Accounting Officers are responsible for:

(1) maintaining adequate systems of internal control and ensuring they are adhered to.

(2) stewardship of the resources committed to their care. Stewardship requires that assets be properly safeguarded, managed and accounted for.

(3) seeking the advice of their Financial Comptroller or the Accountant General when reviewing and implementing financial or internal control systems.

4.3 Elements of Effective Systems of Internal Controls

An internal control structure must include all three of the following elements in order to provide reasonable assurance that internal control objectives are achieved: a control environment, an accounting system and control procedures.

4.3.1 Control Environment

The control environment reflects the overall attitude, awareness, commitment and actions of the organisation.

An effective control environment exhibits the following characteristics:

(1) An awareness of the importance of internal controls that is communicated to employees at all levels.

(2) A rational and well-defined organisational structure that clearly assigns responsibility and accountability to individual employees.

(3) Sound personnel policies and practices are in place.

(4) Continual and active monitoring of operations, and prompt investigation of discrepancies between actual performance and anticipated results.

Ongoing review of financial procedures to satisfy themselves that employees are conscientiously carrying out their duties in the internal control process and not merely rubber-stamping the work of subordinates.

4.3.2 Accounting System

An accounting system should be designed to achieve certain control objectives in order to provide reasonable assurance that financial information is accurate, timely and complete.

An accounting system should satisfy the following internal control objectives:

(1) **Existence and occurrence.** All of the assets and liabilities recorded in the accounting system must actually exist, and all of the reported transactions must

have actually occurred.

(2) **Completeness and validity.** All existing transactions must be recorded and all recorded transactions must be valid. The accounting controls must prevent the omission of transactions from the accounting records.

(3) **Valuation.** Recorded transactions must be properly valued at the various stages in the recording process (e.g. the adjustment of inventory values due to obsolescence).

(4) **Timing.** All transactions must be recorded in the proper financial period. Late recording of transactions may result in improper cut-off, which can cause financial information to be misleading and could lead to budget overspend.

(5) **Ownership rights and obligations.** All of the assets and liabilities recorded in the accounting system must be, in fact, assets and liabilities of the Government (e.g. rented equipment in the custody of a department would not be reported as an asset of the Government).

(6) **Classification.** Transactions must be described in sufficient detail and classified in the proper cost centre and object code. Erroneous classification of transactions can result in misleading financial information and could lead to budget overspend.

(7) **Presentation and disclosure.** All financial transactions must be properly described, presented and disclosed. The capture of appropriate support documentation at transaction level is critical in ensuring subsequent proper financial presentation and disclosure.

4.3.3 Control Procedures

Control procedures must be established to provide reasonable assurance that specific objectives will be achieved.

A department's effective control policies and procedures should include:

(1) **Authorisation.** Transactions must be authorised and executed in accordance with FI and the department's authorisation structure(s).

Segregation of Duties. No one person should be able to misappropriate assets or improperly record or account for transactions without detection. To prevent intentional or unintentional misstatements, distinct personnel within the department must be responsible for authorising transactions, recording transactions and maintaining custody of assets.

(2) **Recording.** Accounting records and documents must be properly designed and maintained.

(3) **Safeguarding.** Safeguarding measures should be adequate over access to, and use of, both assets and records. Safeguarding is achieved through both physical security and reconciliation of assets to records. Access to assets should be limited to designated authorised personnel.

(4) **Reconciliation.** Reconciliation includes independent checks on performance, proper verification of recorded amounts and procedures to prove that the above four control procedures are achieved. Records should be compared with related assets, documents, or control accounts periodically by person's independent from the individuals originally responsible for preparing the data (e.g. a Financial Comptroller's review of an accounts receivable aging prepared by an Accounts Receivable Administrator).

4.4 Documentation

All systems, procedures and controls in effect should be adequately documented. Initials or signature of the reviewer should evidence review or check of work and reports.

Proper documentation provides the following benefits:

(1) Adequate documentation for new (and existing) employees to follow on how a particular system or process should operate.

(2) Evidence that a particular review procedure has been performed,

(3) Sets a measurable standard for comparison of actual to expected performance (e.g. detailed job descriptions and systems documentation).

4.5 Internal Audit Department

Operates independently of the Accountant General's Department and Ministry of Finance, was established by the Internal Audit Act 2010 to provide an independent, objective assessment of the stewardship, performance and cost of Government policies, programs and operations, and to provide reasonable assurance that persons entrusted with public funds carry out their functions effectively, efficiently, economically, ethically, equitably and in accordance with the law.

The Director of Internal Audit, or a person authorised by the Director, is entitled to be given any information and explanations that they may request in the performance of their functions under their Act.

4.6 Notification of Irregularities or System Deficiencies

Whenever any matter arises which appears to involve an irregularity or system deficiency concerning Government money or property (or money or property held in trust by Government on behalf of a third party), the Accounting Officer concerned shall immediately notify the Accountant General and Internal Audit Department and report on what action was taken or will be taken.

Where there is a suspicion of misappropriation or fraud, and this has been substantiated by the Accountant General and/or Internal Audit, the Bermuda Police Service shall be notified, in the event that the BPS was not contacted prior to the notification of ACG and IA.

5. Budget Management

5.1 Budget Preparation

5.1.1 Detailed Form

The detailed form of Revenue, Expenditure and Capital Estimates shall be determined by the Financial Secretary within the directions given by the Minister of Finance.

Guidelines for preparation of budget data, issued by the Director of Budget, Ministry of Finance, must be followed.

5.1.2 Preparation

Estimates of revenue, current expenditure and capital expenditure shall be prepared by each Accounting Officer jointly with the Director of Budget, who will collate the estimates for submission to the Minister of Finance.

Submissions must comply with guidelines issued by the Ministry of Finance.

5.1.3 Approval

Upon the approval of the estimates by Parliament and on the commencement of the financial year, the appropriate employees shall (subject to these FI and any directions by Government Ministers) be authorised to incur expenditure and collect revenue in accordance with these estimates.

5.2 Responsibility of Accounting Officers

Accounting Officers must monitor the total expenditure and revenue of the department and ensure that the expenditure approved by Parliament is not exceeded and the estimated revenue is achieved except as provided for by these Instructions.

5.3 Responsibility of Public Officers

All public officers must continually monitor the budgets under their control. Due regard must be paid to the level of service being achieved for the money expended. Monies must not be spent merely because they have been appropriated.

5.4 Budgetary Control

5.4.1 Control Systems

Departments shall use the Government E1 System to:

- maintain adequate accounting and budget control systems and records;
- closely monitor budgeted vs. actual revenue and expenditure;
- ensure that appropriation limits are not exceeded.

Department operations often do not proceed exactly as planned. Therefore, adequate control mechanisms must be in place to monitor and report performance and to ensure proper authorisation of any budget amendments.

5.4.2 Current Account Performance - Report to Accounting Officer

Revenue and expenditure must be compared to budget on a monthly basis and satisfactory explanations of all variances and corrective actions must be provided to the Accounting Officer:

Expenditure - total by department / object level, Revenue

- total by object level.

Variances from revenue and expenditure budgets must be communicated promptly to the appropriate levels of responsibility within the Department to ensure timely corrective

action.

Departmental budgets must be controlled at the cost centre level and not at the departmental level for revenue and expenditure.

It is not acceptable to overspend cost centres without first seeking Budget Office approval to vire budget provisions between cost centres.

5.4.3 Current Account Performance - Report to Financial Secretary

Revenue and expenditure performance must be reported to the Financial Secretary on a monthly basis in the format prescribed by the Budget Office or Accountant General as follows:

(1) Expenditure - by department and ministry – including explanations of anticipated adjustments which may cause a revision to the approved original estimates.

(2) Revenue - by object level – including explanations of anticipated variations to the estimated revenue to be achieved.

5.5 Budget Adjustments

Certain assumptions included in the original estimates may change within the budget year.

5.5.1 Frozen Funds

Frozen funds allow for the reduction of approved estimates.

Frozen funds will be authorized and approved by the Ministry of Finance as determined by the Financial Secretary.

Accounting Officers must seek the Ministry of Finance approval to restore frozen funds before commitment or expenditure of these funds.

5.5.2 Virement

Virements allow for the transfer of approved estimates and does not increase the total budget. A virement is a transfer of a specific budget amount from one or more approved estimates to another within the Ministry and/or department's total budget.

No virements are allowed between capital and current accounts. No current

account virements are allowed between Ministries.

Virements between grants, capital and inter-ministry require the approval of the respective Minister, along with the Minister of Finance.

Accounting Officers must submit all virement requests to the Ministry of Finance and Budget Office before the expenditure is actually incurred.

5.5.3 Supplementary Estimates (Overspending)

Supplementary Estimates allow for the addition of funds to the approved estimates. A supplementary estimate may be required when there is an unanticipated or increased cost and where there is no appropriation.

Accounting Officers must first attempt to identify offsetting savings in other areas of the ministerial and/or departmental budget before making a supplementary estimate request.

Accounting Officers must seek the written approval of their respective Minister and the Minister of Finance before commitment and prior to the over-expenditure.

For a supplementary estimate to be properly approved it must have the following:

1) Prior written approval of the respective Minister; and
2) Prior written approval of the Minister of Finance; and

3) Approval by the House of Assembly, preferably within the financial year that the over-expenditure occurs.

If an Accounting Officer overspends/commits funds without obtaining the prior approval of the respective Minister and the Minister of Finance, the Accounting Officer is subject to penalties per FI section 2.9.

5.5.4 Capital Carry Forwards

Capital carry forwards allow for any unspent balance at the end of a fiscal year on a capital project to be carried forward to the next fiscal year. Unspent balances must take into account payables and accruals in Other Balance Sheet Account accounts.

All carry forwards must be approved by the Minister of Finance.

Accounting Officers must submit justification for all carry forward requests to the Director of Budget.

5.6 Underspending

5.6.1 Current Account

At the end of a fiscal year, any unspent balance in a department shall lapse. Any unspent balance must take into account payables and accruals in Balance Sheet Account accounts.

6. Value for Money

6.1 Definition

Value for money is the desired result to be achieved for all expenditures, incorporating economy, efficiency and effectiveness (as defined below) in the use of resources:

- **Economy** is the acquisition of the appropriate quality and quantity of financial, human and physical resources at the appropriate times and at the lowest cost.
- **Efficiency** is the use of financial, human and physical resources such that output is maximized for any given set of resource inputs, or input is minimized for any given quantity and quality of output provided.
- **Effectiveness** is the achievement of the objectives or other intended effects of programs, operations or activities.

The Code of Practice for Project Management and Procurement is designed to achieve the best value for money in the expenditure of public fund while being fair, ethical and transparent. As such, the Code is to be followed for all Government procurements.

It is possible to have efficiently and economically run services, which may be ineffective in achieving the department's policy objectives. In order to assess effectiveness, it is necessary to determine and specify objectives. Performance against those objectives needs to be assessed on an ongoing basis so that appropriate and timely remedial action can be taken.

6.2 Responsibilities of Accounting Officers and Public Officers

Accounting Officers should always be mindful of the value for money aspects of the procedures and services their department is performing. However, the achievement of value for money relies heavily on the proper attitude of all public officers.

Accounting Officers must strive to encourage a working environment conducive to achieving optimum value for money. Public officers who incur expenditure must have regard to whether the maximum value for money is obtained, that Bermudian vendors are used where possible, and that they may be held responsible for extravagance or waste. Expenditure must be appropriate and necessary for the services being provided.

6.3 Role of Accountant General

The Accountant General will call attention to any significant cases where money was expended without due regard to economy or efficiency, or satisfactory procedures were not established to measure and report the effectiveness of programmes, where such procedures could appropriately and reasonably have been implemented.

7. Financial Approval Authority

It would be impractical for Accounting Officers to authorise every financial transaction, and so financial approval is also delegated to other responsible public officers. The majority of approvals take place at the transactional level and so will take place in E1. Accounting Officers, working with their Financial Comptrollers, should identify public officers who will approve transactions in E1 for the department. In the instance of purchase order approvals, dollar limits would also be identified for each approver. Establishment of/changes to E1 approvers is done using the prescribed form from the Accountant General's Financial Systems section. There also remain some manual documents requiring signature – for example payroll proofs – for which Accounting Officers should ensure their public officers are fully aware of their responsibilities in reviewing and signing on the Accounting Officer's behalf.

7.1 Additions, Changes and Deletions

Accounting Officers must immediately inform the Accountant General, in writing, of required additions, changes or deletions to financial approval authority.

Notification of additions, changes or deletions are to be e-mailed to the Accountant General on the prescribed form via: acgtech@gov.bm

7.2 Approval

Financial approval authority additions and changes must be confirmed by the Accountant General.

7.3 Duty of Accounting Officers

It is the duty of Accounting Officers to ensure that the financial approval authority listing is current and complete. Accounting Officers, with their Financial Comptrollers, must review their listing of financial approving authorities at least quarterly.

7.4 Delegation

The following financial approving authorities can be delegated:

7.4.1 Purchase Orders

System-generated purchase orders are to be expressly used to facilitate authorised purchases for the benefit of and/or the consumption of the Government during the normal course of business of the departments of the Government. Purchase Order approval routes containing public officers and their respective dollar limit approvals are to be submitted to the Accountant General by the Accounting Officer or Financial Comptroller. It is at the discretion of the department whether they utilise a single or multiple approval routes. All approval routes employed by the department are to be reviewed on a quarterly basis.

7.4.2 Payment Vouchers

Signing of payments certification stamp or copy stamp to approve an invoice for payment.

7.4.3 Weekly Payroll

Signing of weekly input sheets to certify as correct and to approve payment of weekly payroll.

7.4.4 Monthly Payroll

Signing of monthly payroll proof and register to certify as correct and to approve payment of monthly payroll.

7.4.5 Increment Reports

Reviewing the report, documenting any changes to certify the report as correct to authorise payment.

7.4.6 Revenue Receipts

The collection and handling of Government revenue, either by issuing manual revenue receipts or computerized receipts and the reconciliation of receipts issued to revenue collected.

7.5 Duty of Care

Accounting Officers have a duty of care to ensure that delegates who review and authorise documents are aware of their responsibility and are not merely rubber stamping approval.

7.6 Authority Levels

Authority levels are established and monitored internally by departments. Furthermore, the assigned authority levels are fixed to reflect security parameters and access abilities in E1. It is the responsibility of the Accounting Officer to ensure that the department-established authority levels are appropriate and any changes necessitated by arrivals, departures, changes in responsibility, etc. are to be communicated to the Financial Systems section as soon as is practicable. The Accountant General will provide guidance, if required.

8. Procurement of Goods and Services

The procurement of goods and services are governed by the Code of Practice for Procurement and Project Management. Purchases not executed in accordance with the provisions of the Code will not be eligible for payment. Please refer to the Code for purchasing guidance. The following is excerpted from the Code Introduction:

"

3 ***Application***

3.1 *This Code applies to all public officers concerned with obtaining goods or services for the Government. The Director is authorised under the Act to take steps the Director considers necessary to ensure that this Code is followed by all public officers. Public officers in the Ministry of Public Works are also required to comply with Management Procedure PFA 2000 – Purchase of Goods and Materials and Management Policy and Procedure PFA 2002 – Procurement of Contract Services.*

3.2 *Public officers must adhere to the following principles, which underpin the practice requirements of this Code:*

(a) *Maximizing economy, efficiency and effectiveness in procurement;*

(b) *Fostering and encouraging participation in procurements by contractors;*

(c) *Promoting competition among contractors for the supply of goods and services;*

(d) *Providing for fair, equal and equitable treatment of all contractors;*

(e) *Promoting the integrity of, and fairness and public confidence in, the procurement process;*

(f) *Achieving transparency in the procedures relating to procurement; and*

(g) *Employing sustainable procurement practices to achieve value for money by generating efficiency savings and good quality outcomes for the Government, and benefits to society and the economy, whilst minimizing damage to the environment.*

The Government aims to: (i) use its purchasing power to promote equality of opportunity with regard to disability, gender and race; (ii) facilitate the establishment of a more level playing field and diverse contractor base by ensuring that specified businesses have access to, and the opportunity to win Government contracts; and (iii) work with local contractors to support the local economy.

3.3 *This Code does not apply to:*

(a) *Employment contracts for permanent posts, interim appointments or relief staff appointments where the policies of the Department of Human Resources must be followed;*

(b) *Contracts relating solely to the disposal or acquisition of securities or of an interest in land and property;*

(c) *The engagement of legal counsel by the Attorney General or engagement of external counsel*

to provide specialized services with the approval of the Attorney General;

(d) *The engagement of experts for legal or potential legal proceedings, i.e. expert witnesses;*

(e) *Hiring/Rental of premises;*

(f) *Hiring of performance artists;*

(g) *Medical claims and other benefit payments made under the Government Employees Health Insurance plans;*

(h) *The appointment of pension fund asset managers by the Public Funds Investment Committee; and*

(i) *Advisors or consultants (political or expert) appointed under section 9 of the Ministerial Code of Conduct.*

3.4 *The Cabinet is the ultimate decision-making body in Government, and is responsible for setting national policy for public procurement. The Cabinet also approves the award of contracts with values above the prescribed threshold. All Ministers are bound by the collective decisions of the Cabinet and carry joint responsibility for all the Government's policies and decisions. Ministers are responsible for ensuring that the public authorities under their direction and control take the action that is necessary to implement decisions made by the Cabinet.*

3.5 *Where a mandate of the Cabinet supersedes the requirements of this Code, the responsible Permanent Secretary must inform the Secretary to the Cabinet of the mandate, and consult with the Director.*

Where the Director objects to the proposed course of action of the responsible Minister on grounds of propriety, regularity or value for money relating the proposed expenditure, he must record in writing his objection to the proposal and the reasons that support the objection. If the Minister rejects the advice and decides nonetheless to proceed, the Permanent Secretary must request a written instruction to take the action in question, bring the status of the matter to the attention of the Secretary to the Cabinet, and send the relevant documentation to the Auditor General. A similar procedure will apply with respect to the Parliamentary Standing Committee of the Public Accounts if the Permanent Secretary wants to ensure that the Committee will not hold him personally responsible for the action being taken.

"

8.1 Property Leases

Leasing of property/premises by Government departments is only permitted by the Government's Landlord – Public Lands & Buildings, MPW. All Government property leases shall be negotiated and authorised by Public Lands & Buildings, according to the documented process and governing legislation for the Department, not standard procurement rules.

9. Expenditure

9.1 ***Authority to Withdraw from the Consolidated Fund***

The Constitution of Bermuda requires that no money shall be withdrawn from the Consolidated Fund except by the written warrant of the Minister of Finance or by the Governor where the latter is discharging his responsibilities for defence, internal security or police. The Accountant General may then, subject to FI or a special direction of the Minister of Finance, pay out monies for authorised expenditure.

9.2 ***Advances from the Contingency Fund***

In accordance with Section 10(1) of the Act, the Minister of Finance may make advances from the Contingency Fund if he is satisfied that there is an urgent or unforeseen need for expenditure for which no other provision exists.

9.3 ***Delegation***

In accordance with FI Section **7,** Accounting Officers may delegate financial approving authority. For purposes of this Section, an "Authorised Officer" is defined as a public officer with financial approving authority to certify invoices for payment.

9.4 ***Responsibility of Authorised Officers***

Authorised Officers must certify the validity and correctness of every payment to be made by the Accountant General.

It is the Authorised Officer's responsibility to:

(1) ensure payment is made in accordance with FI.

(2) review supporting documentation prior to approval for payment.

(3) ensure that appropriate documentation is attached for all payments prior to submission to the Accountant General for payment as documented in FI Section **9.5.**

(4) ensure submission of provided approval routes/access in E1 for authorised personnel to ACG Financial Systems and that personnel are adequately trained on the payments process.

(5) exercise care to prevent duplicate payments by ensuring that invoices have not been previously presented for payment.

9.5 ***Supporting Documentation***

Payment batches scanned into the system to support payments must include all relevant supporting documentation such as original invoices, letters (memoranda) authorising payments in specific amounts (e.g. for grant payments), copy of contract extracts, petty cash receipts, pro-forma invoices, etc.

9.5.1 Required Information

Invoices or other supporting documents shall contain the following information:

(1) name and address of the supplier or payee.

(2) department name and address where goods or services were supplied.

(3) date of the invoice or other claim for payment, description of goods or services being charged or nature of payment.

(4) total amount payable.

(5) purchase order number authorising the sale.

For goods:

(6) quantities purchased.

(7) description of each item purchased.

(8) cost per unit and total amount charged.

For services:

(9) a description of the services provided.

(10) the rate of pay (by the hour, day, etc.).

(11) the number of hours/days.

(12) the dates of service.

Additionally, there must be clear indication that sections 7 and 32 of the Code of Practice for Project Management and Procurement have been followed, particularly the requirement for a Cabinet Conclusion for procurements/contracts in excess of $100,000. The department is not to submit a request for payment if a Cabinet Conclusion number is not present in those instances. Please refer to the Code for the specific procurement rules.

Equipment Leases - any leases to be entered into (for equipment) must be presented to the Financial Comptroller and Accountant General's Department for review of financial propriety/value for money prior to final approval/entering into the lease.

9.5.2 Invoices must not be combined when entering into E1

To help prevent duplicate payments, invoices must not be grouped, but must be entered individually into E1 using the invoice number as it appears on the supplier invoice. This will also improve invoice lookup and make it easier to reconcile accounts to suppliers' statements.

9.6 Non-Acceptable Invoices/Claims for Payment

The following documents are **not to be used in lieu of an original invoice** for processing payment to a supplier**:**

- Photocopies or faxes of invoices or duplicate invoices, unless a thorough investigation has been carried out to ensure that previous payment has not been made and the invoice is certified in accordance with FI Section **9.7**,
- Statements, unless they are issued with charge slips, or the supplier does not issue an invoice. A statement is defined as a listing of all transactions with a supplier for a particular month/period.

9.7 Payments on other than an Original Invoice

Where an original invoice has been lost, destroyed, or for any reason is no longer available, an Authorised Officer must confirm that no payment in respect of that transaction has been made. A copy invoice may then be authorised for payment, but must bear the following certification stamped in ink and duly completed:

I certify that this invoice is a copy and no previous payment has been made in respect thereof.
Authorised Officer:
Print Name:

9.8 Pro Forma Invoice

When a payment is required in circumstances where an original invoice is not applicable, the standard Government pro forma invoice must be used (e.g. refunds, grants) (see Exhibit 1).

Pro forma invoices must contain sufficient detail and documentation to support the payment amount. For example - full name and address of payee, details of the nature of the payment, cross reference to original supporting documentation.

9.9 Payments in Advance

Some local and overseas suppliers require partial payment in advance of the receipt of goods or services. All payments in advance must be properly controlled and monitored to ensure that goods or services are received.

Payments in advance should only be made when absolutely necessary. Consideration should be given to re-negotiation of payment terms once a satisfactory relationship is established with the supplier.

9.10 Segregation of Duties

A financial approving authority who approves a purchase order must not certify for payment an invoice relating thereto.

A financial approving authority must not approve a purchase order or certify an invoice for payment where he is the recipient of the goods or services expended (e.g. travel, conferences, etc.).

9.11 Notice of Payments in Excess of $250.000

The Accountant General requires at least seven days' notice of any forthcoming payment in excess of $250,000. Prompt notification assists in cash flow management and minimizes Government's borrowing costs.

9.12 Conditions for Payment

The Accountant General will make a payment from the Consolidated Fund to the supplier in respect of an invoice, provided it is satisfied that payment is:

- due
- a legal liability of Government
- duly authorised for payment in accordance with FI
- adhered to the Code of Practice for Procurement and Project Management

➢

9.13 ***Designation of Payee***

The Accountant General is authorised to make payments only to the supplier/recipient named on an invoice or the supplier's legal representative, or a person named under a provision of the law.

9.14 ***Making Payments***

The Accountant General requires that all payments be remitted via Electronic Funds Transfer (EFT) unless a valid business reason is provided for payment by cheque.

All new vendors will be set up to be paid by EFT unless a valid business case is submitted to support payments to be made by cheque.

Vendors will receive electronically, an automatically generated Email from acgpaysent@gov.bm when an EFT has been submitted to the vendor's bank account. The remittance advice will include details of invoice(s) being paid, the department(s) issuing payment and description of invoice items. The email address will be nominated by the vendor and only one email address can be utilized per vendor for remittance advices. If a vendor does not receive a remittance advice in connection with an EFT, they should contact the department they provided goods or services to and provide a valid email address, so the address can be updated in E1.

In the event of any payment queries persons can contact the Compliance & Disbursements section by email at: vendorquery@gov.bm

9.14.1 Cheque Issue and Collection

Cheques must not be issued to payees without appropriate identification (e.g. driver's licence).

When a cheque is being collected on behalf of a third party, a letter of authorisation must be presented to the Accountant General's department stating the effective date of authorisation.

The Accountant General's department must maintain a cheque collection register or log which requires the collector's signature and records other relevant collection information such as date, cheque number, etc. Cheques will be mailed directly to the payee rather than be collected unless a valid reason for collection is submitted.

9.14.2 Unclaimed Cheques

If a collected cheque remains unclaimed, the department must contact the payee. After one month, an unclaimed cheque should be returned to the Accountant General's Compliance & Disbursements section for cancellation.

9.15 ***Cancelling and Replacing Cheques***

A Cheque Replacement/Cancellation Request Form must be completed when a department requires a cheque to be replaced or cancelled. The completed form must be submitted to the Accountant General - Compliance & Disbursements section (see Exhibit 5).

9.16 ***Reconciliation to Supplier Statements***

Payments are made to suppliers by invoice. However, it is recommended that departments reconcile their accounting records to supplier statements, particularly for major suppliers. The reconciliation process helps to clear account differences and to ensure that the supplier and the department (customer) records are in agreement.

9.17 ***Rejection of Payments***

The Accountant General may reject any payment that does not comply with FI or the Code of Practice.

9.18 ***Use of Government Purchase Orders***

A Government Purchase Order ("PO") must be completed for all goods and services, giving full details of the requirements, including quantities, description and quoted or estimated price.

Exceptions are specified in FI Section 9.20.

The purchase order establishes and quantifies Government's commitment and is a legal agreement with the supplier. When completed correctly, it improves control over the purchasing and payment of goods and services.

9.18.1 Amendment of Purchase Order Information

Modifications and changes can be applied to a PO if the order has not been completed and approved. Once a purchase order is completed and approved, no additions, changes or deletions to quantity, description or price information are permitted. Any changes will then be required to be approved as per the PO approval requirements.

For additions, a new purchase order must be completed.

9.18 Purchase Orders – Budget Checking

Budget Checking is applied in E1.

9.18.1 Purchase Orders

a. Purchase Orders

- E1 budget checking is performed at the **whole** Purchase Order level, at the time when Purchase Order is created.
- Budget availability is checked at the GL account (**Business Unit .Object .Subsidiary**) for all **Expense** accounts objects (object 4000-7999).
- **Note:** Subledger is excluded from budget checking, i.e. budget checking will not be performed at the subledger level.
- When creating a Purchase Order that does not have sufficient budget amount, a **warning** will be displayed. At this time Departments are reminded that **before** Purchase Orders are created funding availability should be confirmed.
- Should the Purchasing Inputter ignore the warning and continue with the Purchase Order creation, then the whole Purchase Order will be placed on **Budget Hold**.
- When an order is placed on Budget Hold, the commitment will **not** be affected.
- The Budget Hold will **first have to be released** before the Purchase Order can go through the normal approval process.
- Once a Purchase Order is placed on Budget Hold there is no intention by Budget Office to release any Budget Hold items.
- In exceptional cases where the Budget Hold is required to be released, the department must contact Budget Office.

b. Prepaid Purchase Orders

- There is a change in the sequence of how you enter NEGATIVE and POSITIVE prepaid amounts.
- Negative amounts must be keyed in **BEFORE** positive amounts. This is important since each line is checked in sequential order.

NOTE: As long as the negative and positive amounts equal then the Purchase Order will NOT be placed on Budget Hold.

c. Revenue and Balance Sheet Accounts

- The object code range for Balance Sheet accounts is 1000- 3450 and for Revenue it is 8000-9996.
- Purchase Orders using these accounts are **not** affected by budget checking.
- PURCHASE ORDERS ENTERED USING THESE ACCOUNTS MUST **NOT** BE COMBINED WITH EXPENSE ACCOUNTS.
- If you combine Expense and Revenue/Balance Sheet accounts in one Purchase Order, then **budget checking WILL be performed** which will cause the Purchase Order to be put on **Budget Hold**.

d. Accounts within Business Units 75000 – 76999

- Budget checking will take place on capital account business units within 75000 -76999

9.18.2 Vouchers

a. Multi Voucher-Multi Supplier Vouchers

- There is no change to the current way of entering Multi Voucher-Multi Supplier.
- Budget checking will be performed at the point of submitting the voucher to the Workflow**.**
- Similar to the Purchase Orders, you should not combine Balance Sheet and Revenue and Expense accounts in one batch.

b. Attachment (for Multi Voucher-Multi Supplier Vouchers)

Changes have been made to the program to allow vouchers created through Multi Voucher-Multi Supplier to have only ONE attachment (at the first document number).

This pertains to the following departments:

• Defense	• Labour and Training
• Department of Border Control (Immigration)	• Parliamentary Registrar
• Office of Tax Commissioner	
• Statistics	

NOTE: Attaching documents for 2-way and 3-way vouchers remain the SAME as the current process, i.e. each document number should have an attachment (see FI section **9.20**).

9.18.3 Ministry of Public Works

a. Requisitions

- There is no budget checking at the time of entering Requisitions.
- Budget checking will only take place when Requisitions are converted to Purchase Orders.
- If there is a lack of budget availability during this conversion process, a warning will be displayed.
- If the conversion continues despite the warning, the Purchase Order generated will be placed on Budget Hold.

b. Accounts within business units 80000-80999

Accounts entered within these business units are currently excluded from budget checking until job cost account reconfiguration takes place.

9.18.4 Releasing of Budget Hold

There is no expectation that Budget Office will release any Purchase Orders placed on Budget Hold.

It is the department's responsibility to ensure budget adjustments (virements), if applicable, are provided to the Budget Office in a timely manner before proceeding with Purchase Order creation.

It is advisable that whenever an "Over Budget" warning is observed, not to proceed with Purchase Order creation/conversion.

Purchase Orders not released by Budget Office will be cancelled during each month-end close.

9.18.5 Applications to assist with Budget Checking

Departments are strongly advised to check budget availability against GL account before entering Purchase Orders. To view budget availability for the GL accounts either go to:

General Accounting Inquiries → Budget Availability or

GOB Custom Appl. & Reports → Financial Reporting → Budget Checking → Budget Availability

9.19 Payment Procedures: Purchase Order Applicable

9.19.1 Match Invoice to Purchase Order

Three-Way Voucher Match

Invoices received for inventory purchases or goods and services that will be capitalized must be matched via three-way voucher match. For services provided outside the scope of a contract and which has been receipted and for which an invoice has been provided the service must be matched via three-way voucher match.

A three-way voucher requires the following documentation:

- original purchase order
- purchase order receipt record for the items that were received
- supplier's invoice

Two-Way Voucher Match

All non-inventory and non-capital asset expenditures may be processed for payment using either a two-way or three-way voucher match. Two-way matching is encouraged, as it requires fewer steps, but retains the appropriate controls. The individual responsible for confirming that the goods/services were received must initial the invoice as having received the goods/services, or the certification stamp (9.20.3) can be used. Examples for two-way matching include:

- Credit Card Payments, Utilities, Subscriptions and Membership Fees, Licensing fees, Rent, Employee Expense Reimbursements, Grants, Insurance, and Petty-Cash Reimbursements.

A two-way voucher match requires the following documentation:

- original purchase order
- supplier's invoice

9.19.2 Record of Passing Original Invoice

Where applicable, receipt of the goods must be entered on the department's inventory in accordance with FI Section 16.

9.19.3 Certification Stamp

Although the functionality of the certification stamp below has essentially been replaced by E1 entry and approval activities, departments may still elect to utilise the stamp when approving invoices. This is entirely optional.

If used, the following matrix must be stamped in ink on the invoice and duly completed as the required checks are carried out:

<table>
<tr><th>INVOICE#/CONTRACT/REFERENCE</th><th>AMOUNT</th><th>INITIAL</th></tr>
<tr><td></td><td></td><td rowspan="2"><u>Goods/Services Received</u></td></tr>
<tr><td colspan="2">I certify that these goods or services are solely for Government Account, are properly charged indicated and will not cause any excess therein, and that all relevant FI have been complied with.

Signed:</td></tr>
<tr><td colspan="2">Authorised Officer</td><td rowspan="2"><u>Prices/Calculations Checked</u></td></tr>
<tr><td colspan="2">Print Name:</td></tr>
<tr><td colspan="2"></td><td><u>Discounts Verified</u></td></tr>
</table>

9.19.4 Initial

All three boxes under the 'INITIAL' heading must contain an initial as evidence of proper performance of certification procedures. Blank boxes are not permitted.

9.19.5 Discounts Verified

The eligibility to a discount and the rate of discount must be verified. The calculation of any discount must be checked.

9.19.6 Discounts Taken

Where available, supplier discounts must be taken. Departments must attempt to procure discounts and ensure that discount terms are followed. Public officers responsible for lost discounts may be surcharged in accordance with FI Section 2.9.

9.19.7 Classification

Particular care must be taken with the classification of expenditure. Expenditure must be coded accurately and must not be coded to an account just for budget reasons. Departments should ensure that sufficient and accurate information is entered on the system for the vendor to identify payments made. The information should at a minimum include invoice number and date and if relevant an account number. When in question, the Director of Budget or the Accountant General must be consulted.

9.20 Payment by Electronic Transfer

The preferred method of payment to (overseas) suppliers is electronic transfer.

9.20.1 All Payments to Be Made Electronically Wherever Possible

Payments should be made by electronic means if possible per FI section 9.14. Departments should not expect, nor request, next day payments – unless there is an extreme circumstance and proper notification and approval is obtained via the Accounting Officer and the Accountant General.

9.21 Internal Purchases – Between Government Departments

Purchases between government departments do not require government purchase orders. An interdepartmental journal form accompanied by all relevant supporting documentation signed/approved by appropriate level (Accounting Officer or Comptroller) is required to be submitted to the Accountant General. The invoice must include amounts, account codes (cost centre, object code) and sub-code, if applicable, and any narrative description of the transactions.

All interdepartmental journals are entered, approved and posted in E1 by the Accountant General. Interdepartmental journals must be signed by an authorized signatory from **both** departments unless other similar documentation is provided, such as an invoice, by the department issuing the bill.

10. Expenditure: Specific Areas

10.1 Overseas Travel and Subsistence

10.1.1 Introduction

The administrative procedures for overseas travel and subsistence are dealt with in Chapter 8 of the Conditions of Employment and Code of Conduct. The accounting requirements are detailed in this Section and should be referred to in conjunction with the Conditions of Employment and Code of Conduct.

The general policy is that Government will pay travel expenses incurred by employees in the performance of their duties, recognising that although employees are not asked to subsidies the cost to the government, they are not to indulge themselves at public expense.

All overseas travel must be approved by the Permanent Secretary responsible for the ministry. All requests should include the purpose, destination, and estimated costs of the trip.

10.1.2 Air Travel

Class of Service: Public officers graded PS47 and above who are travelling on official business may claim Premium Economy class airfares if the journey is five hours or longer on the same day of travel. If Premium Economy is not available, officers graded PS47 and above may claim economy class airfares. All other officers will be granted paid economy class airfares. Officers are prohibited from "cashing in" any air ticket and will be required, at the end of the business trip, to present the receipt portion of the ticket to the Head of Department.

Lowest Fare: All coach class airline tickets must be booked and expensed at the lowest available restricted airfare. The following criteria will be used to determine lowest available airfare:

- Flight departure or arrival is within two hours before or after the requested departure or arrival time
- One stop or connecting flights may be required if savings of $200 or more can be achieved
- Officers may not specify a preferred carrier
- Tickets booked less than eight (8) days must be approved by the Permanent Secretary. If the rationale for late bookings and fees is not justified, the officer will pay the difference in the costs of travel had the travel been booked 7 days advanced notice.

Upgrades: If counter upgrades are available on the day of travel, they will be borne at the officer's expense. This shall not prevent any officer from using their frequent flier miles to upgrade their class of travel.

Government Incentive Account: All air tickets booked shall use the government's business incentive account number for that respective airline.

Frequent Flier Programmes: Travelling officers may accrue frequent flier programme benefits in conjunction with the government incentive account as permitted by airline rules.

10.1.3 Lodging

Hotel Selection: Hotels prices must fall within lodging rate guidelines.

Room Type: A standard room in a business class hotel is permitted. Reimbursement for suites or luxury accommodation is prohibited.

Cancellation: All rooms shall be booked on flexible terms, and shall be guaranteed for late arrival. Officers must cancel the room reservation pursuant to the particular hotel's policies to avoid a no-show charge. No- show charges will not be reimbursed if this procedure is not followed.

Reimbursement: If the officer does not have a Government credit card, if sufficient time permits, and the hotel accepts fund transfers, accommodations may be pre-paid prior to travel. This is not the preferred approach, as hotels often have difficulty confirming receipt of incoming funds transfers. Otherwise the officer can be personally reimbursed for the hotel stay. Both the detailed hotel receipt and confirmation of payment are the required documents for lodging reimbursement.

10.1.4 Other Transportation

Rail: Officers travelling on official business may claim standard class rail fares. Officers may upgrade to business class travel at their own expense.

Taxi and Other Local Transportation: Cab fare to and from places of business, hotels, air fares or railroad stations in connection with a business activity is reimbursable.

Car Rentals: Use of rental cars is restricted for public officers unless there is a specific business need. If a rental car is required for travel, the Head of Department must pre-approve the rental of the vehicle, and the ACG office must be notified prior to the travel. Additionally, when a government officer rents a vehicle, all insurance coverage offered by the rental car company must be purchased to reduce the potential liability that Government would be exposed to as a result in the event of vehicle damage.

10.1.5 Per Diem

Subsistence allowances are not an entitlement or right but are provided and designed to meet the additional expenses, other than major travelling expenses, which an officer is obliged to incur over and above the expenses which he would normally incur in Bermuda. All Ministers should hold Government credit cards and are not eligible for subsistence. Any exceptions (i.e. if a Minister's credit card has not yet been issued or has been compromised) must be approved by the Secretary to the Cabinet.

The per diem rate for public officers is $100.00. Employees who do not have a government-issued credit card can obtain the per diem by completing the form 'Application for Advance Travel Payments and Per Diem Advance' (Exhibit 6).

- This will cover meals, local ground transportation and other incidental expenses, including gratuities. Costs associated with any other person or persons (spouse or other) accompanying the officer on business trips will not be met by the Government.
- If the $100 per diem is not sufficient based on the destination to which he is travelling, average costs for that location should be provided to the Accounting Officer, who can submit a higher per diem request if warranted.
- If an officer elects to share a room with another member of the government on the same business trip, the combined expense claimed by both officers cannot be more than the total cost of the room.
- Receipts are required for all expenses. Expense Reports (see Exhibit 7) are to be filed within 30 days of the return from travel, with a return of unspent funds. If expense reports are not received in the Accountant General's Office within 30 days after the travel date, the traveler may be held personally liable for any travel advances or credit card expenditures.

Expenses without Receipts:

On the rare occasion a receipt could not be obtained the following applies:

- No more than $20 – a memo detailing the item signed by the spending officer.
- Greater than $20 – a memo detailing the item, also signed by the responsible manager. If this occurs more than 3 times these expenses will have to be borne by the traveling officer.

NOTE: It is important that the department send information to ACG as early as possible prior to travel so that hotel and air be paid in advance to alleviate problems with reduced limits being placed on credit cards.

Employees must account for the amounts spent from their per diem, and any amounts not spent must be repaid to Government within 30 days of return from travel:

(1) Detailed accounting of actual expenses incurred must be submitted using the Government of Bermuda Travel Expense Claim Form (Exhibit 7) or a similar form.

(2) Personal expenses do not constitute business travel and are not reimbursable.

(3) Gratuities are payable at a standard rate, which is usually 15-19%. Gratuities deemed excessive by ACG will be borne by the officer.

The expense report/reconciliation must be reviewed, approved and signed off by the officer's supervisor. In the case of a Permanent Secretary, the Financial Comptroller can approve the expense report.

10.1.6 Personal Expenditure

Not all incidental expenses are reimbursable. The following expenses are considered personal and will not be reimbursed:

(1) Expenses without bona fide receipts. Bona fide receipts must show details of purchase – a summary receipt or credit card slip is not sufficient.

(2) Excessive private telephone calls.

(3) Other non-business expenses, e.g. sports, relaxation and entertainment facilities.

10.1.7 Departmental Responsibility

Departments are responsible for controlling employee expense claims by verifying that:

(1) the reasons for the claim are valid and prior authority for travel was obtained.

(2) the claim gives due regard to economy and the requirements of the employee's job.

(3) the claim complies with all FI and Conditions of Employment and Code of Conduct.

(4) the claim calculations are correct.

(5) the claim is complete.

10.1.8 Documentation

All claims for payment of travel expenses should have proper supporting documentation, such as detailed invoices or receipts.

Original receipts must be attached to the travel claim.

Credit card statements / receipts are not acceptable as sole support for any travel expense.

10.1.9 Use of Personal Credit Cards

Public officers may use personal credit cards to incur travel-related costs and claim reimbursement of these costs by submitting the prescribed expense claim form.

Where personal credit cards are used, the employee is responsible for making payment to the credit card company and for satisfying payment deadlines. Interest or fees charged by the credit card company are not reimbursable expenses.

10.1.10 Direct Billings

Expenses incurred by employees for air travel or accommodation may be billed directly to the officer's department. Receipt of service is to be verified by the traveler and an additional financial approving authority for payment vouchers. Billings must be supported by particulars of the trip.

Personal expenses must be clearly indicated.

Unused airline tickets or other vouchers processed through direct billings are to be forwarded to accounting personnel who should arrange for credit of the charge or refund of the payment.

10.1.11 Refundable Taxes

Where an overseas Government allows a foreign visitor refund of taxes paid and these taxes are claimed by a public officer, the portion relating to Government expenditure must be reimbursed to the Bermuda Government.

10.2 Entertainment Expenses

The Accounting Officer is responsible to ensure entertainment expenses are reasonable and that value for money is maintained when Government entertainment is required. If budgetary funds allow for departmental entertainment (Christmas Parties, etc.) the limit is $50 per person. Food/Beverages (non-alcoholic) plus applicable gratuities will be paid by the Accountant General via the standard procedures as outlined in FI Section 9.

A reasonable cost for alcoholic beverages will **only** be covered for official (ministerial) entertainment. Gratuities should be paid according to what is customary in the area. For example, 15-19% is acceptable in Bermuda. Gratuities deemed excessive by ACG will be borne by the officer.

Entertainment expenses do not cover personal lunches for staff and/or Department Heads.

10.3 Membership/Professional Fees

Annual fees for maintenance of professional qualifications or personal memberships, where they are a condition of employment, can be paid by Government. However, these same fees will not be paid by Government where they are not required as a condition of employment.

Departmental memberships with professional organisations as well as trade or professional magazine subscriptions are a bona fide Government expense.

10.4 Personal Use of Government Property or Personal Expenditure Incurred by Public Officers

Accounting Officers must ensure that Government funds or property are not used for personal gain or profit, e.g. use of computer hardware or software, photocopiers, long distance telephone calls, etc.

The personal use of Government property is prohibited except where allowed by directive or regulation, or with the express permission of the Accounting Officer.

A control system must be established to monitor record and reimburse Government for allowable personal expenditure on a timely basis.

At the discretion of the Accounting Officer, public officers may be charged a user fee in excess of the recovery of costs.

Individuals who use Government property for personal purposes are personally liable in the event of loss or damage.

10.5 Consultants

10.5.1 Application

This section applies to a consultant which is defined in FI section 1.11.

10.5.2 Approval

To retain any consultant, the Accounting Officer must obtain the approval of the Secretary to the Cabinet with a completed application form.

In an emergency, completed application forms may be circulated to the Secretary to the Cabinet, the Financial Secretary and the Director of Human Resources for approval.

10.5.3 Surcharge

Accounting Officers may be surcharged under FI Section 2.9 if consultants are retained without proper approval.

10.5.4 Standard Contract Format

After the appropriate approval is obtained, all contracts must be drafted in the standard format by the Department of Human Resources.

10.5.5 Registration

The contract must require consultants to register with the following:

(1) Tax Commissioner as required by the Payroll Tax Act 1995,

(2) Social Insurance as required by the Contributory Pension Act 1970.

Registration should be concurrent with the commencement of business activities and the consultant will be provided with instructions to complete the relevant returns.

For those consultants who are presently employed on a continuous basis, the contracting department must advise the consultant of the requirement to register whether they are Bermuda residents or not.

10.5.6 Health Insurance

Consultants are responsible for their own health insurance.

10.5.7 Other Terms and Conditions

Other terms and conditions will normally follow those of civil servants.

10.5.8 Distribution of Contract

After a contract is signed, the Department of Human Resource will distribute to:

- Department of Human Resource (original),
- Tax Commissioner,
- Department of Social Insurance,
- Accountant General,
- Consultant,
- Contracting department.

10.5.9 Amendment of Contract

The contracting department should forward any contract amendments to the Department of Human Resources.

10.5.10 Contract Payment

The contracting department is responsible for timely submission of contract payments to the Accountant General. The Accountant General will not make payment unless a signed copy of the contract is received.

10.5.11 Right to Withhold Final Contract Payment

The standard contract provides that the Government reserves the right to withhold the unpaid taxes and Social Insurance contributions outstanding from the final payment.

10.5.12 Responsibility of Financial Approving Authority

Before final payment of a contract is certified for payment, the financial approving authority must ensure that the consultant paid all required deductions by liaising with the Tax Commissioner's Office and the Social Insurance Department.

10.5.13 Approving Authority, Credit Cards and Travel

Consultants are not considered authorized signatories for Government accounts. If a department finds a temporary need, the Accountant General must be consulted for a decision. In addition, consultants are not allowed government credit cards. The departmental credit card can be utilised, at the Department Head/PS's discretion for purchases required by a consultant. Travel by consultants is allowed for Government business only where absolutely necessary. Training is not provided (paid) by Government for Consultants; this expenditure is considered a consultant's responsibility as a self-employed person.

10.6 Use of Government Credit Cards

10.6.1 Request in Writing

Departments must request credit card privileges in writing to the Accountant General. The written request must contain the following information:

- signature of the Accounting Officer
- departmental credit card limit
- cardholders within the department
- individual cardholder limits
- transaction limit, if any, for individual cardholders

10.6.2 Written Agreement

The Accountant General requires all cardholders to sign internal and bank applications/agreements for issuance and use of a Government credit card. The agreement states that the cardholder has read, understood and acknowledged responsibility to comply with FI. Contact ACG for credit card application and agreement documents.

10.6.3 Credit Card Expenditures

Government credit cards are intended primarily for business travel purposes. However, there are a number of other instances where credit cards are the only accepted form of tender. In cases where there is no alternative for payment other than credit card, it is not necessary to contact the Accountant General for permission for local use. These occasions include, but may not be limited to:

- Conference registrations
- Initial/renewal of subscriptions
- Initial/renewal of software licences
- Catalogue purchases

In these circumstances, the Accounting Officer must approve of the credit card use in writing.

If there is an emergency where the card must be used for a purchase that would ordinarily be paid via normal means, the cardholder/Accounting Officer must notify the Accountant General of the intended purchase and information regarding the need to use the card (vs. wire or other method) and attach a copy of that e-mail to the statement when the payment request is sent to the Accountant General Compliance & Disbursements section.

Local entertainment does not meet the standards above – for example purchasing lunch for visiting officials. If there is a need to make a local purchase of this nature, it must be pre- approved by the Accounting Officer and the Accountant General. Authorization may be obtained by sending an e-mail request stating:

- the purpose of the request
- the approximate amount requested
- why payment should be via credit card vs. purchase order

10.6.4 Personal Expenses

Use of Government credit cards for any personal expenses is strictly prohibited. If it is determined a card has been used for personal purposes, the Accountant General reserves the right to revoke card privileges.

10.6.5 Departmental Restrictions

Accounting Officers may wish to place further restrictions on the use of credit cards, e.g. transaction limit. The Accountant General must be notified of any card restrictions implemented by the department.

Effective January 2012, the Government can only accept incoming credit/debit card payments up to $99,999. Payments over that amounts must be made via cheque or online transfer.

10.6.6 Supporting Documentation

Detailed supporting documentation must be provided for every charge on the monthly statement. Typical supporting documentation would include an original invoice or receipt detailing goods or services purchased. Summary receipts are not acceptable.

The credit card charges will be the responsibility of the card holder if the documentation is not provided within 30 days of the charge. The cardholder may be held personally liable for any late payment, interest charges or other fees/penalties.

10.6.7 Bona Fide Expenses

Expenses charged must be for valid Government-related expenditures. Expenses without receipts, excessive private phone calls or any other non- business expenses must be paid by the cardholder personally.

10.6.8 Monitoring of Per Diem Expenses

Cardholders are responsible for ensuring close scrutiny and monitoring of amounts charged to the credit card to ensure a reasonable level of per diem expenses incurred, including accommodation. Daily expenditure should not normally exceed the current subsistence allowance. If the cardholder is aware that the per diem subsistence rate will be exceeded, approval should be sought prior to travel.

10.6.9 Cash Advances

If a cash advance is required it should be for small incidentals only. All expenditures must be documented. Where a cash advance is taken on the credit card, the cardholder must account for the cash. Total cash must equal bona fide travel receipts plus cash returned to the department, if any.

10.6.10 Travel Form

The Government of Bermuda Overseas Travel Expense Claim Form must be used to detail and summarise travel expenses (see Exhibit 7).

10.6.11 Compliance

All Conditions of Employment, Codes of Conduct and FI must be complied with in regard to appropriateness and accounting of expenditure.

10.6.12 Approval to Travel

The normal approvals for overseas travel are required, e.g. Cabinet Office or Head of Department approval to travel, as applicable.

10.6.13 Payments

The monthly credit card statement must be paid in full and on time to avoid any interest or other late payment charges. Under no circumstances should payment be delayed or late.

Payment of any interest, late payment or over credit limit charges incurred on the card will be the personal responsibility of the cardholder, not the department.

10.6.14 Payment Certification

The credit card statement must be certified for payment by a financial approving authority for payment vouchers other than the cardholder.

10.6.15 Responsibility of Cardholder

The cardholder is personally responsible for the security of the card and must notify the bank, the Accountant General, and the department immediately if the credit card is lost or stolen.

10.6.16 Withdrawal of Privileges/Surcharge

Credit card privileges will be withdrawn, and the employee may be surcharged under FI Section 2.9, if the card is not used in accordance with these Instructions.

10.6.17 Procedures for Instances of non-compliance with FI Credit Card Use

Where it has been deemed that a card holder has not followed FI and has used the card for personal use, local use, incurred unnecessary card fees and charges the following steps will be taken:

1. **First Warning**: A written letter and copy of the FI will be sent to the card holder and the department head. The letter will state the reason(s) deemed for non-compliance and the action required, and whether the card holder is required to make a repayment against charges.
2. **Final Warning:** If within six months a second instance occurs where FI have not been followed, a written letter will be sent to the card holder and department head, stating that FI have not been met despite the first warning. The letter will state that a further indiscretion will lead to the withdrawal of the card with immediate effect.
3. **Card Withdrawal.** If a third transgression takes place the card is withdrawn with immediate effect. The card holder will be required to ensure any card balance is paid in full. Notice that the card has been withdrawn is passed on to the relevant department and government heads.
4. **NOTE:** if infractions are found at the PS or Ministerial level, they will be brought to the attention of the Financial Secretary to address accordingly.

10.7 Grants and Contributions

10.7.1 Definition

Grants and contributions are transfers of money from Government to an individual or organisation where the Government does not receive any goods or services directly in return.

10.7.2 Compliance with Legislation

Departments making grant payments are required to comply with any relevant legislation.

10.7.3 Terms, Conditions and Criteria

Accounting Officers are responsible for establishing the terms, conditions and criteria for grant payments, (see detailed grant policies and procedures system in Exhibits 12 thru 14) which include the following:

- purpose of grant,
- demonstration of need,
- form of application and supporting documentation,
- eligibility of persons or organisations,
- conditions for grant payments, such as:
    1) reporting requirements for the use of grant money,
    2) maintaining adequate accounting records,
    3) providing assistance on evaluations or audits of grant projects,
    4) defining cost sharing arrangements,
    5) requiring repayment of unused funds,

6) complying with all applicable legislation,

- any formulae used to calculate the grant amount,
- payment arrangements,
- any limits on the grant amount,
- specification of measurable objectives and reporting of results,
- confirmation that the grant purpose is not also served by another Government Department
- other (e.g. termination, confidentiality, legal liability, insurance).

10.7.4 Grant Administration

A written agreement must be used for conditional grants. The agreement must define:

(1) the project or program,

(2) the Government's responsibility to provide funding,

(3) the recipient's responsibility to:

- use the funds for the purpose specified,
- provide status reports and financial information to confirm the measurable objectives achieved,
- provide assistance to any person assigned by Government to verify compliance,
- return grant funds, to Government, if any of the grant conditions are not satisfied.

Recipients of conditional grants must:

(1) maintain adequate accounting records for grant receipts,

(2) provide full access to and disclosure of all accounting records,

(3) ensure full compliance with legislation and all other terms and conditions,

(4) supply written performance reports on grant use.

The degree of assurance required will depend on the size of the grant and the nature of the grant recipient, and should balance the need to verify that funds were used for the purpose specified against the administrative burden that stringent audit requirements and detailed accounting records impose on the recipient.

10.7.5 Payments

Grant money should not be paid before the actual need. Any written agreement should include payment arrangements, which should be determined by Government's current cash flow requirements and the needs of the recipient. In particular, large grants should specify how and when the grant is to be paid. If payments are made by instalments, it may be appropriate to withhold a specified amount until the project or program is completed.

In instances where instalment payments have been withheld, any subsequent instalments will require supporting documentation on how any prior instalment payments have been applied to avoid payment of grant contributions based on an agreed schedule as opposed to agreed stages of completion.

All grant payments require certification for payment by a financial approving authority (for payment vouchers) in accordance with FI Sections **7** and **9**. If no original invoice is submitted, a pro forma invoice may be used.

10.7.6 Recovery of Payments

If grant overpayments, surpluses or material departures from conditions are identified, Accounting Officers must take immediate action to notify the recipient of the amount of the surplus and will recover excess payments by either:

- requiring the surplus to be repaid to the Department or Ministry at a stipulated time; or
- off-set it against releases under grants made in the same or later financial years.

10.7.7 Breach of Conditions of Grant

Where the Ministry / Department is satisfied that the recipient has failed to comply with the Conditions of any grant made by the Bermuda Government, the Department or Ministry may;

- decide not to make releases of current Grant Funds until satisfied that the recipient has taken steps to remedy the situation which caused the breach;
- request the recipient to transfer any Grant Assets acquired under any grants made by the Ministry, to the Ministry or to another person or a body we may nominate, and the recipient must do all things and execute all documents reasonably required by us to effect such transfer; request the recipient to take whatever action the Ministry considers reasonable to protect Grant Assets acquired under this or other grants made by the Ministry from theft or damage. This action may include the storage and delivery to the Ministry of the Grant Assets, or documents relating to them. The recipient must take such protective action as soon as possible after having been notified of the requirement.

11. Payroll Expenditure

11.1 Definitions

Payroll expenditure encompasses all remuneration paid to employees and pensioners, as a consequence of employment by Government. All remuneration is paid through the Government payroll system. Employees paid monthly receive a salary; employees paid weekly receive a wage.

Only public officers hired in accordance with established hiring procedures are entitled to receive payroll remuneration. Employees must always be remunerated through the payroll system, not the accounts payable system, in order to ensure that payroll deductions are accounted for properly.

Persons who are/should be classified as 'employees' must not be paid as contractors.

11.2 Responsibility of Accounting Officers

Accounting Officers are responsible for ensuring that:

(1) the payroll is correct and complete;

(2) proper payroll records are scanned and then filed to E1;

(3) all payments are properly made to bona fide employees;

(4) the payroll is properly authorised;

(5) designated employees have a working knowledge of the payroll process.

If the process is breached such that a bona fide employee is not paid (salary or properly requested advance), the Accounting Officer should make provisions to pay the employee as necessary. If the Accountant General is asked and able to provide emergency payment, there will be a surcharge to the Accounting Officer and any overtime incurred will be charged to the department – if the non-payment was not the responsibility of the ACG office.

11.3 Responsibility of Accountant General

The Accountant General shall:

(1) control the payment of all salaries, wages, pensions and other benefits,

(2) withhold all appropriate deductions,

(3) make all relevant payments on behalf of employees and the Government to the appropriate agency or other body.

11.4 Record Maintenance

11.4.1 The Accountant General

The Accountant General maintains all necessary payroll records concerning pay, superannuation, health insurance and all other deductions and allowances.

11.4.2 Departments

The Accounting Officer must ensure that personnel records are correct and have been actioned as instructed. Departments should confirm the accuracy of personal details with employees at least every two years.

Departments shall maintain:

(1) Records of vacation, sickness and other absences for every employee. A record must be maintained of all days that employees are not at work to ensure compliance with Conditions of Employment and Code of Conduct and proper monitoring of entitlements. For all salaried employees, staff absences for the previous month must be keyed into the Vacation Leave Tracking (VLT) system by relevant pay type before the 10th day of the following month. For all weekly employees, staff absences are entered in the Time Entry Input Sheet during the current pay period.

(2) A record of employee position IDs controlled by the Department of Human Resource for all employees. Every person in a post must have a unique position ID to permit salary/wage payments. The position ID must be obtained from the Department of Human Resource on appointment, transfer, etc. for **all** employees, including civil servants, industrial workers, police officers, fire officers, teachers, lecturers, prison officers and miscellaneous temporary employees.

(3) Detailed records for all employees, including the following:

- name and address,
- date of birth,
- date employment commenced,
- grade, pay and overtime rate,
- allowances and deductions,
- capital sum beneficiaries,
- details of dependents for superannuation and health insurance,
- details of service history within the department to ensure correct pension entitlement. (Neither the Accountant General nor the Department of Human Resource maintain such records for non- civil servant employees.)

11.5 Notification and Approval of Changes

The Accounting Officer for public servants must authorize the appropriate form and ensure that the appropriate information has been entered into E1. The details should be approved in the E1 workflow. The Accountant General and/or Department of Human Resources is then requested to approve and/or notified of all factors affecting the payment of an employee, in particular:

(1) appointments and terminations - where a large number of employees are appointed at the same time, special arrangements may be necessary to process all the information to enable timely payment;

(2) suspensions, acting appointments and transfers;

(3) unpaid leave;

(4) changes in remuneration including increments, pay awards, mileage, overtime, advances, etc.;

(5) information necessary to maintain records of service for superannuation, health insurance and other matters affecting Government employment;

(6) the correct position ID number and the Home Business Unit and object code to be charged.

Employees must notify their departmental payroll administrator of any changes in personal circumstances affecting their pay.

Upon termination, departments must ensure that any outstanding employee obligations (for salary advances, rent, vacation, etc.) are reimbursed prior to final payment.

11.6 Payroll Documentation

11.6.1 Format

All time sheets, clock cards and other pay documents shall be in a form approved by the Accountant General.

11.6.2 Certification

All time sheets, clock cards, payroll registers and other pay documents must be certified by a financial approving authority in accordance with FI Section **7**.

11.6.3 Time Sheets

Time sheets or clock cards must be used to record the hours worked by all weekly or part-time staff, unless the Accountant General approves otherwise in writing.

11.6.4 Overtime

All overtime hours for both weekly and monthly staff must be recorded and authorised by a financial approving authority.

11.7 Payroll Process

11.7.1 Weekly Pay Cycle

Weekly paid employees are paid one week in arrears. During a normal work week (i.e. Monday to Sunday with no public holidays) all information relating to the prior work week shall be submitted to the Accountant General before 5:00 p.m. on the following Monday.

During special weeks (i.e. with one or more public holidays) a revised timetable will be specified by the Accountant General.

11.7.2 Monthly Pay Cycle

Monthly paid employees are paid at the end of a month. Information affecting payment (e.g. new appointments, terminations, overtime, etc.) must be submitted to the Accountant General on or before the 10th day of the following month, e.g. January information must be submitted no later than February 10 for payment on February 28.

11.7.3 Monthly: Payroll Proof and Register

The Accountant General sends a monthly salaries' payroll proof to each department. The department is required to check the proof to ensure that all changes sent to the Accountant General have been actioned. The proof must be amended, if required, certified as correct by a financial approving authority and returned via email to the Accountant General within 24 hours of receipt.

After the payroll is finalised, a payroll register is produced and sent to each department. The department must reconcile the register to the proof. The register must be amended, if required, certified as correct by a financial approving authority and returned to the Accountant General within 24 hours of receipt. **No new work can be requested at this stage.**

The Accountant General is responsible for ensuring that all cheques and auto deposit advices (either via the employee's government email address or printed and submitted to department for collection) are released on or before the payment date, which is normally the last working day of the month.

11.7.4 Weekly: Input Document and Register

The Departmental Payroll administrator completes the Weekly Time Entry Input Sheet, ensuring that any necessary amendments are made and employees are paid for actual hours worked. The Departmental Payroll administrator then submits to the financial approving authority for review and approval. The financial approving authority will then email the Weekly Time Entry Input Sheet to the Accountant General for payroll processing.

The Weekly Time Entry Input Sheet must be amended, if required, certified as correct by both the preparer and a financial approving authority and returned to the Accountant General before 5:00 p.m. on Monday (or the first working day of the week following). No new work can be requested at this stage.

When the payroll is processed, a weekly payroll register is produced. The payroll register is released to the department with the payroll cheques. The department must reconcile the register to the input document to ensure that all information was keyed correctly.

The Accountant General is responsible for ensuring that all cheques and auto deposit advices (either via the employee's government email address or printed and submitted to department for collection) are released on or before the payment date.

11.8 Pay Increments

A report of all employees due for a pay increment is sent to departments monthly via email from compensation@gov.bm. The Accounting Officer - or his/her delegate - must review the report, document any changes and certify the report as correct to authorise payment in accordance with Conditions of Employment and Code of Conduct. The report must be returned to the Accountant General prior to the 10th day of the month when the increment is due.

11.9 Pay Increases

Departments must not award pay increases to employees who are not subject to union negotiated pay without the written approval of the Department of Human Resources and the Budget Office. Instructions to the Accountant General to pay such increases must be accompanied by the written approval.

11.10 Advances

Advances of salary for employees taking approved leave with pay, duty leave or courses, in accordance with Conditions of Employment and Code of Conduct, who are not present on payday for the month requested, are permitted and will be processed by ACG Compensation, on the condition that a written request approved by the Accounting Officer is provided and submitted to the Accountant General on or before the 28th of the month prior to the month when the advance is expected.

11.11 Interim (Early) Payments

All advances or late new appointments received on or before the 28th of the prior month will be paid on the 10th of the month. Any instructions received after the 28th will be included in the normal monthly payroll. All advance payments will be paid as an auto deposit into the employees' bank account. There will be only one payment made between monthly payrolls.

11.12 Returned Cheques

When the employee or his authorised agent is not present to collect the employee's payroll cheque, it must be returned to the department and entered in a register to await collection. After one month, the cheque should be returned to the Accountant General.

11.13 Auto Deposits

All payroll and pension payments made by the Accountant General's Department will be processed as auto deposits into the employee's or pensioner's bank account.

12. Capital Expenditure

12.1 Definitions

Capital expenditure is distinguished from current account expenditure for repair and maintenance. The cost incurred to enhance the service potential of a capital asset is a betterment and represents capital expenditure. The cost incurred in the maintenance of the service potential of a capital asset is a repair, not a betterment, and represents current account expenditure.

Capital expenditure is both a significant economic resource managed by the Government and a key component in the delivery of many Government programmes.

There are two types of capital expenditure in Government:

(1) Capital acquisitions include vehicles and heavy equipment, plant machinery and equipment, vessels and boats, furniture and fixtures, office equipment, computer hardware and equipment and computer software;

(2) Capital developments include land, buildings and infrastructure.

12.1.1 Capital Acquisitions

The accounting responsibility for capital acquisition expenditure falls exclusively on the Permanent Secretary or Head of Department as being the Accounting Officer for that Department. The accounting responsibility may only be delegated to another officer on the express written authority of the Minister of Finance.

12.1.2 Capital Development

The accounting responsibility for capital development expenditure rests with the Permanent Secretary of Public Works, who is ordinarily the Accounting Officer for all projects falling within the ambit of the Capital Development Estimates. The exception of the assigned accounting responsibility includes capital development projects for which the Minister of Finance delegates the responsibility for expenditure to a Ministry other than Public Works wherein the applicable Permanent Secretary or Head of Department shall be regarded as the Accounting Officer for such projects. The accounting responsibility may only be delegated to another officer on the express written authority of the Minister of Finance.

Accounting responsibility is entirely distinct from project management. Accounting responsibility includes ensuring that approved invoices are paid, reconciling supplier accounts, ensuring that all expenditures and revenues (if applicable) are recorded and appropriately classified, and ensuring that Government ownership interest is recorded in the Government accounting system.

The Office of Project Management and Procurement (“OPMP”) is responsible for oversight of all capital projects. Please refer to the Code of Practice for Project Management and Procurement.

12.2 Contracting for Capital Projects

All contracting procedures for capital projects are governed by the Code of Practice for Project Management and Procurement. Please refer to the code for guidance.

12.3 Contract Payment Certificates

Contract payments must be made only on certificates for payment issued by the appropriate Accounting Officer or private consulting engineer/architect engaged to supervise the contract. In the case of an Accounting Officer who is not from the Ministry of Public Works, the application for payment must be certified by a project manager/engineer/architect.

Each certificate shall show:

- name of contractor,
- total contract sum and description of contract,
- any additional expenditure approved to date (change orders),
- total amount previously certified,
- total amount now certified for payment,
- the retention amount.
- any other information prescribed by the OPMP.

The appropriate Accounting Officer or private consulting architect/engineer engaged to supervise the contract shall be responsible for ensuring that all payments to contractors comply with the terms of the contract and can be supported by work completed. Where there is doubt, the Accounting Officer shall be responsible for seeking the appropriate legal and technical advice.

An Authorised Officer must countersign payment applications certified by a private consultant.

12.4 Change Orders

Contract amendments, including any change in value, scope or nature of the goods, services or property must be authorised in writing by the appropriate Accounting Officer and the OPMP.

12.5 Budgetary Control

All capital expenditure is subject to control at the following levels:

(1) by contract;

(2) by Annual Estimates;

(3) by Total Authorised Figure (TAF) which may cross financial years;

(4) by Approved Capital Expenditure Plan.

12.5.1 Contract

When it appears that the total cost of a capital contract is likely to exceed the original contract price by 10%, the variation must be reported to the Accounting Officer, the OPMP and Budget Office.

If there is a specific breach of contract (for example, if a completion date is not met) and the contract provides for liquidated damages, the Accounting Officer will consult with the OPMP and Attorney General's Chambers on the applicability of liquidated damages. This consultation also applies to any other perceived breaches of contract.

12.5.2 Annual Estimates

When the total cost of a capital expenditure project appears likely to exceed the Annual Estimate for the scheme, the anticipated cost overrun must be reported to the Accounting Officer and the OPMP before commitment to the expenditure. The Accounting Officer must seek approval from the Budget Office to adjust the annual estimate per FI Section 5. The Accountant General must also be notified for cash flow purposes.

12.5.3 Total Authorised Figure (TAF)

Before the total cost of a capital development project is anticipated to exceed the TAF, the anticipated excess must be reported to the Accounting Officer and the Budget Office.

12.5.4 Approved Capital Expenditure Plan

All projects within the approved Capital Expenditure Plan (CEP) are subject to detailed monitoring. The Accounting Officer must report the performance of each project within the CEP to the Director of Budget on a monthly basis.

At the beginning of each financial year, the Permanent Secretary for Public Works or Accounting Officer will provide a schedule detailing the estimated cash flows for each project over $1,000,000 to the Accountant General. The revised cash flows must then be submitted on a monthly monitoring statement to the Accountant General.

The Accounting Officer must submit a Certificate of Completion to the Ministry of Finance and the Accountant General for all capital development projects.

13. Revenue

13.1 Responsibility of Accounting Officers

13.1.1 Revenue Process

Accounting Officers must establish, maintain and monitor the following revenue process:

(1) identify the sources and amounts of revenue authorised by legislation so the department will claim all money to which it is entitled,

(2) recommend the appropriate fee or charge through a regular review (minimum - quarterly review) of revenue and costs,

(3) claim and collect revenue when it arises and use the correct charges or rates and provide official government receipts,

(4) receive and deposit revenue in accordance with FI Section **13.8**,

(5) account for revenue timely, completely and accurately, and

(6) safeguard public money.

13.1.2 Internal Control over Cash Receipts

Accounting Officers are responsible for establishing, implementing and maintaining adequate internal controls over cash receipts, including segregation of duties, accounting controls, and the use of appropriate safekeeping devices.

13.1.3 Segregation of Duties

Where practical, a central cash and mail receiving section should be established within each department to separate the cash receiving function from the accounting function. This section would be responsible for the preparation of a daily record of receipts and the prompt endorsement of cheques and drafts.

If segregation of duties is impractical at the departmental level because of limited accounting staff, then it must be enforced at the ministry level.

13.2 Claiming Revenue

13.2.1 Introduction

The most common methods of claiming revenue are discussed below. The information is presented to provide general guidance for controlling and ensuring completeness of revenue. These FI should not be considered all-inclusive since each department's revenue is unique.

Accounting Officers must:

(1) issue manuals, guidelines and other instructions communicating departmental policies and procedures in revenue matters,

(2) provide direction and assistance to employees for processing, control and reporting procedures in revenue matters

(3) ensure that employees handling cash are bonded in the blanket insurance policy.

13.2.2 Exchange for Goods or Services

Revenue can often be claimed when goods or services are provided and normally should be collected at that time. When payment is not collected at that time, an invoice should be raised in accordance with FI Section **13.10.3**.

Revenue should be claimed and collected at the time:

(1) a document is registered,

(2) a licence or permit is issued,

(3) an application for a service is received,

(4) when goods are sold.

Proper controls must be maintained to ensure that all revenue is collected. It is difficult to formulate controls to apply in all instances, but the following should be considered.

In respect of permits and licences:

(1) numbered permits and licences,

(2) a record of permits and licences received from printer and sent to issuers,

(3) periodic returns from issuers accounting for continuity of numbers,

(4) reconciliation of permits and licences issued with revenue collected and remitted,

(5) periodic inventory of permits and licences on hand.

In respect of other services:

(1) assignment of consecutive numbers to each service as performed (e.g. document registration number),

(2) numbered work orders or other forms.

In respect of the sale of goods:

(1) restricted access to goods,

(2) assignment of custodial responsibility,

(3) numbered requisitions,

(4) use of inventory records to record all purchases and sales,

(5) periodic inventory counts and comparison with balances per inventory records,

(6) numbered sales invoices.

13.2.3 Self-Assessment

Payers may be required to provide information to use as a basis for collecting revenue. The applicable rate is used to compute the amount of revenue to be remitted.

Departments should ensure that information received is valid and correct. Methods to verify the accuracy of self-assessment include:

(1) periodic audits on individuals or companies being assessed,

(2) use of information supplied by other Government agencies or regulatory bodies,

(3) checking clerical accuracy of reports,

(4) comparison of actual amount paid with amount calculated as due,

(5) investigation of substantial variations between periods, and

(6) check-off of returns received against a list of those required to file returns.

13.3 Collecting Revenue

13.3.1 Notice to the Public

The following information must be prominently displayed at every Government receipting location:

(1) A numbered official receipt or ticket should be obtained for any sum paid to the Bermuda Government.

(2) Cheques should be made payable to the Accountant General, have two telephone numbers and an address (no P.O. Boxes). Exceptions are made for corporations (e.g. Bermuda Electric Light Company, Bermuda Telephone Company, etc.). If in question, please contact the Accountant General's Department.

These notices are available from the Accountant General (see Exhibit 20).

13.3.2 Use of Government Receipt Books

The Accountant General will maintain a supply of official, numbered, counterfoil receipt books and a permanent stock record showing details of the delivery of the books from the printer and issues made to departments.

Official Government receipt books issued by the Accountant General must be used to record the receipt of all moneys, except as approved by FI Section **13.3.3**.

13.3.3 Approval to Use Alternative Receipt Format

Approval to use an alternative receipting format must be requested in writing to the Accountant General, stating reasons for alternative format. An alternative format must not be implemented unless prior written approval is received from the Accountant General.

All cash collection must be controlled through the use of a cash register, numbered receipts, or other documents that provide a permanent record of money collected.

13.3.4 Financial Approving Authority

Official receipts may only be issued by a Financial approving Authority, approved in writing by the Accountant General, as required under FI Section 7**.**

13.3.5 Control of Receipt Books

Accounting Officers are responsible for the use and control of all Government receipt books. Accounting Officers must maintain a permanent record showing details of:

(1) receipt books issued to them by the Accountant General,

(2) the date on which the book is brought into use,

(3) the public officer to whom the book is issued,

(4) date on which the books are completed.

Completed receipt books should be kept safe and secure by the respective departments for a period of no less than seven (7) years.

13.3.6 Cash Received by Unauthorised Public Officer

Payment offered to a public officer not authorised (see FI section **7**) to issue revenue receipts must not be accepted on behalf of the Government. Payer must be directed to a public officer authorised to issue revenue receipts.

13.3.7 Use of Receipted Public Money

The use of public money between its receipt and banking is not permitted. Any amounts received by and deposited for the Government are to remain intact until deposited and all supporting documentation is to be systematically filed and safeguarded.

13.3.8 Suspicious Activity

All public officers responsible for receiving cash/payments in connection with their responsibilities should receive training in identification and prevention of money laundering activities. Contact the Accountant General's Department if you require training.

Transactions that are suspicious by nature are to be reported by filling in the 'Unusual Activity Report' and forwarding same to the Accountant General's Treasury Manager at email address: acgcashier@gov.bm.

Some examples of suspicious activity include:

- persons making regular payments on multiple accounts not belonging to payee
- large cash payment on behalf of third persons
- scheduled payments missed then paid in full using cash
- credit/debit card in third party name
- payment in excess of due amount requesting it to be applied to next invoice

As a general rule cash received over **$9,999** per transaction should be reported using Exhibit 7, Unusual Activity Report. Please do not notify the person originating the transaction that you are planning to file the Unusual Activity Report. The department is to complete the form; it is not to be given to the customer to complete.

Note: Guidance on this area has been formulated by the Bermuda Monetary Authority and Financial Intelligence Agency. Additional guidance on this topic can be found using the links below:

https://www.fia.bm/

http://www.bma.bm/document-centre/policy-and-guidance/AMLATF/Guidance%20Notes%20for%20AML-ATF%20Regulated%20Financial%20Institutions%20on%20AML%20and%20ATF%202016%20(BMA)%20Notice%202016.pdf (chapter 7 & 9)

www.gov.bm/department/office-national-anti-money-laundering-committee;

13.4 Accepting Cheques

13.4.1 Payable to the Accountant General

Public officers authorised to issue revenue receipts are permitted to accept cheques or bank drafts only if they are payable to the **Accountant General**. Any other payee description must not be accepted or receipted without the permission of the Accountant General.

Anyone accepting cheques MUST review at least one (preferably two) form(s) of current identification (driver's license, passport, national ID, etc.) Ensure the address on the ID matches that on the cheque. Form of ID reviewed MUST BE INDICATED on the cheque beside the address.

Anyone receiving cheques by mail MUST verify that adequate supporting documents detailing the purpose for payment is included.

13.4.2 Common Cheque Errors

Public officers must not accept cheques containing the following errors:

(1) incorrectly dated or signed,

(2) damaged,

(3) words differ from figures,

(4) corrections/alterations not initialed by the drawer,

(5) not payable to the Accountant General.

13.4.3 Immediate Endorsement

The back of all cheques and bank drafts should be immediately endorsed with the following stamp: "For Deposit Only to the credit of the Accountant General". The stamp should also identify the receipting department.

13.4.4 No Cashing of Personal Cheques

The cashing of personal cheques in exchange for public money is not permitted.

13.4.5 No Change Given for Cheques

No cash is permitted to be given in change when a payment is made by cheque.

13.4.6 Postdated Cheques

Postdated cheques must not be accepted without the prior authority of the Accountant General.

13.4.7 Third Party Cheques

Third party cheques must not be accepted without the prior authority of the Accountant General.

13.4.8 Refusal of Cheque Payment

A cheque payment shall be refused if the payer's name is recorded on the Accountant General's current invalid cheque list.

13.5 Accepting Foreign Currency

13.5.1 Bermuda or United States Dollars

Cash and cheques may be accepted in Bermuda or United States Dollars. All United States Dollar cheques MUST be deposited into the appropriate USD Accountant General's account to avoid foreign exchange losses.

13.5.2 Other Foreign Currencies

To avoid foreign currency exchange losses, cash and cheques in currencies other than Bermuda or United States Dollars MUST not be accepted without the written approval of the Accountant General. When approved, the foreign currency or cheque must be deposited with the Accountant General and not banked directly. The Bermuda Dollar amount to be receipted must be obtained from the Accountant General. Cheques drawn on some foreign banks are subject to collection charges levied by the paying bank and/or the recipient bank. Departments MUST ensure that collection charges are paid by the customer by levying such charges along with the original fee for goods or services.

13.5.3 Electronic Transfers

Consideration should be given to accepting customer payments by electronic transfer in accordance with FI Section 13.13, in order to reduce collection time, effort and cost.

A copy of the online bank transaction listing and other supporting documentation must accompany the receipt in E1.

13.6 Accepting Credit or Debit Cards

13.6.1 Approval

Accounting Officers cannot enter into a debit or credit card agreement without the written approval of the Accountant General. Once this approval has been obtained, the Accounting Officer, in conjunction with the Financial Comptroller, will work with the Accountant General to obtain a credit card machine(s), identify an appropriate Government bank account where receipts will be credited, and ensure controls are in place for the acceptance and use of a credit card machine.

13.6.2 Adherence to Agreement

The procedure stipulated in the agreement between the Government and the company issuing the card, must be strictly adhered to.

13.6.3 Procedures for accepting Credit or Debit Cards

Anyone accepting credit or debit cards MUST review at least one (preferably two) form(s) of current identification (driver's license, passport, national ID, etc.). Ensure the name and signature on the ID matches that on the credit or debit cards.

13.6.4 Credit and Debit Cards Transaction Limit

Government only accepts credit and debit payments up to $99,999 per transaction. Payments over that amount must be made via cheque or online transfer.

13.6.5 Accounting for Credit and Debit Card Transactions

A separate journal must be prepared for debit and credit card transactions unless other specific arrangements have been made with the Accountant General's office. The journal must indicate the type of debit or credit card as there are different commission rates. The commissions must be calculated and deducted from the gross deposit and clearly indicated on the journal entry.

13.7 Cash Short/Over

13.7.1 Reconciliation Process

When collections do not agree to receipt records, differences (both shortages and overages) must be investigated. A detailed record of all differences for each cashier must be maintained.

13.7.2 Cash Short

When daily cash collected and counted is less than total receipts recorded, the public officer responsible must notify his Comptroller of the discrepancy and then personally reimburse the shortage amount so that daily receipts reconcile to the deposit.

If the cash shortage amount is subsequently resolved, the responsible employee should be refunded through the accounts payable process.

13.7.3 Irregular Cash Shortages

Any cash shortage suspected to be a result of irregular circumstances, such as theft, must be reported to the Accountant General immediately. Any cash shortage not reimbursed by the responsible employee must be reported to the Accountant General immediately.

13.7.4 Cash Over

When daily cash collected and counted is greater than total receipts recorded, if the difference is not resolved, the excess amount must be deposited with daily cash.

13.7.5 Accounting

Cash over amounts must be credited to cost centre xxxxx and object code 6530 on the daily revenue journal (where xxxxx is the appropriate department cost centre).

Cash short amounts not reimbursed immediately must be debited to cost centre xxxxx and object code 6531. Cash short amounts reimbursed immediately need not be recorded on the daily revenue journal but must be included on the detailed record for the cashier.

13.8 Depositing Revenue

13.8.1 Receipts Deposited Intact

Receipts must be deposited intact; that is, total cash and cheques collected for deposit must be reconciled to receipts.

13.8.2 Receipts Deposited Daily

Departments must deposit cash and cheque receipts within 24 hours of receipt. This limit must be strictly enforced to minimise the risk to employees and to reduce the risk from loss or theft.

Where the Accounting Officer identifies the necessity to withhold cash and/or cheque receipts beyond 24 hours in order to accommodate the ongoing needs of the department, the Accounting Officer must seek and receive approval from the Accountant General. The request to the Accountant General must specify:

- the reason(s) for the need to withhold the deposits;
- the expected duration of withholding the deposit that must not exceed 5 business days;
- the controls and resources in place to ensure safeguarding the funds while withheld as per FI Sections 13.9.2 and 13.9.3;

- the plan, controls and resources in place to ensure reconciliations by the Department of cash and/or cheques withheld are executed timely, accurately and signed by the appropriate authority;

13.8.3 Deposits into Accountant General's Bank Account

Funds deposited by the respective departments into the Accountant General's general bank account must be accompanied by the relevant supporting documentation (receipts, invoice, form, etc.). The appropriate codes must be clearly written on the same. Receipts are not to be posted to expense accounts.

13.8.4 Direct Deposits

With the written approval of the Accountant General, departments may make direct deposits to their respective bank accounts. For security reasons, departments should use the most conveniently situated bank.
Bank deposits should be made using deposit slips and bags provided by the applicable banks. The top detachable portion of the bank bag is to be attached to the copy of the deposit slip retained by the department. Departments are responsible for properly completing and keeping these as part of the records of the department. The department name, bank account number, contact names and telephone numbers are to be clearly written on the deposit slip to facilitate follow up of any deposit discrepancies. A copy of the bank deposit slip and other relevant supporting documentation must accompany the receipt in E1.

13.8.5 Daily Banking by Accountant General

All Government receipts deposited with the Accountant General will be banked daily, or more frequently, as considered appropriate, as per FI Section 13.8.2.

13.8.6 Accounting Records

All receipts MUST be entered into the financial reporting system within 2 working days of receipt and approved and posted within 7 working days.

13.8.7 Cash Drawers/Change Floats

Cash used in the cashiering/receipting process may be counted by the Accountant General or Internal Audit on a spot check basis. Those responsible for cash should be prepared to allow the designated Accountant General or Internal Audit staff access to the funds, but should ensure two parties review the count procedures at all times. After the count has been completed, a cash count sheet must be signed by the responsible party and the Accountant General or Internal Audit staff member indicating that the funds have been returned intact.

13.9 Physical Security

13.9.1 Cash and Receipt Books

Cash and receipt books must be kept in a secure place at all times. Since cash receipt books provide supporting documentation for collections, access to receipt books must be strictly controlled at all times. Issue and receipt of receipt books must be logged. Receipt books should not be transported via inter-departmental mail service.

13.9.2 Overnight Custody

Amounts received may not be deposited on the same day or funds may be received after banking hours and the night deposit service may not be practical or available. When this occurs, departments should store funds in secure, fireproof facilities where access and custody are controlled and restricted.

The type of facility will depend on the amount of cash on hand and the facilities available to a department, e.g. a locked cash box located in an inconspicuous place, a small, one-combination safe or multiple- combination vaults protected by special alarm systems.

13.9.3 Controlled Access

Accounting Officers must control access to cash and receipt books by designating public officers to be responsible for ensuring limited access to keys and safe combinations, as required under FI Section **21**.

13.9.4 Security Pick-Up

Deposits must be given to security couriers only after they present appropriate identification. Departmental cashiers must be acquainted with the courier identification and verify the authorised signatures. Security Couriers and departmental cashiers must sign a release form indicating, the name of the security officer, bag numbers, date and time.

The accounting officer must keep the completed release forms in a secure place for at least seven years.

The Accountant General must verify that the security couriers maintain an up to date insurance policy that covers the safe guarding of the deposits.

13.10 Accounts Receivable

13.10.1 Definition

All accounts receivable invoicing, receipting and customer accounts, are to be generated by/housed in the Government accounting system. If a department's line of business is specialised such that E1 cannot practicably be used as the primary accounts receivable tool, the Accountant General must approve the system and methodology to be employed by a department, prior to its use. The information from the non-Government system must be recorded in E1 either in detail or at a summary level.

Accounts receivable include:

(1) claims against customers arising from the provision of goods or services,

(2) claims arising from Government legislation (e.g. taxpayers land tax),

(3) miscellaneous claims, such as recharges or any other valid claims arising as part of the department's operations.

(4)

13.10.2 Customer Accounts

Where revenue is due to Government, an invoice must be sent to the customer within **seven days** of the provision of goods/services, unless a specific agreement or legislation determines the period in which an invoice is to be raised. Progress billings should be submitted when services are rendered over a period of time.

Billed amounts are due from the customer upon receipt of invoice. Extension of this payment term is not permitted except where legislated or when approved by the Accountant General.

13.10.3 Non-E1 Accounts Receivable System Requirements

All accounts receivable systems should include:

(1) a billing for all services or goods supplied,

(2) an accounts receivable record showing the amounts due, inclusive of an ageing analysis,

(3) an accounts receivable control account showing the total receivables, and

(4) prompt and vigorous action to collect all claims.

All departments having accounts receivable should maintain proper accounting records and files to document the history of the account. Each department should ensure that adequate controls are incorporated into their accounts receivable system, particularly in respect to:

(1) billing procedures,

(2) accounting records,

(3) segregation of duties,

(4) balancing and reporting, and

(5) collection activity.

13.10.4 Billing Procedures

Billing should be by means of invoices maintained under effective numerical control.

The following information should be included on billings:

- name and address of issuing department with contact name and number for queries,
- name and address of debtor,
- date of billing,
- a clear indication of the amount owing,
- an explanation of the billing, including relevant information and dates,
- a notation that payment is due upon receipt,
- a notation that payment should be drawn in favour of the Accountant General, and
- if a credit is issued, documentation should be maintained to support the credit amount.

Appropriate controls are essential to ensure that:

(1) a billing is issued,

(2) each billing is complete and covers all the goods or services supplied, and

(3) the billing is computed at the correct rates.

13.10.5 Accounting Records

Accounts receivables are maintained through a subsidiary accounts receivable ledger (subledger).

All transactions must be entered into the financial reporting system within 2 working days of occurrence, and approved and posted within 7 working days.

Subsidiary accounts receivable ledgers, showing the balance outstanding from each debtor at any point in time, are to be maintained electronically. This system should maintain:

(1) the identity and address of the debtor, which should be readily discernible,

(2) all transactions posted to individual receivable accounts and should be referenced to the source of posting,

(3) a history of each account and should be available showing all charges, receipts and adjusting transactions, as well as the balance outstanding,

(4) accounts receivable control accounts and should be established to record the total individual accounts receivable,

(5) a separate control accounts for each type of receivables for departments with different types of receivables. A separate document type should be used for each type of accounts receivable.

(6) the total of the subsidiary records and should be balanced at least quarterly to the control accounts,

(7) any differences between the subsidiary records and the control accounts must be investigated and cleared quarterly.

13.10.6 Segregation of Duties

Responsibility for accounts receivable should be assigned to specific public officers to ensure adequate internal control. This segregation is automatically performed by the Government's accounting system through the assignment of roles. Where a department is unable to utilise E1 and has been authorised by the Accountant General to employ another system, the following duties should be segregated:

(1) maintenance of subsidiary records,

(2) maintenance of control accounts,

(3) billing of invoices

(4) receipt of payments from debtors,

(5) approving and posting

(6) deposit of funds received, and collection activities.

If segregation of duties is impractical at the department level because of staffing constraints, then it must be enforced at the ministry level.

13.11 Overdue Accounts

13.11.1 Responsibility

All departments are responsible for developing and implementing effective collection procedures for their accounts receivable in accordance with FI. Every effort should be made to maximise Government cash flows by minimising the incidence of uncollectible accounts.

13.11.2 Approval to Use Alternative Procedures

Any exceptions to these collection procedures must be approved in writing by the Accountant General.

13.11.3 Ageing and Follow-Up

An aged analysis of accounts receivable should be generated monthly (government accounting system) and reviewed by the 10th working day of the following month.

Departments using other approved accounting systems for accounts receivable must record all debt over 90 days in Enterprise One with the appropriate supporting documentation.

There should be an on-going system of review of accounts receivable to ensure that all unpaid accounts are vigorously pursued for collection prior to referral to the Accountant General's Debt Collection Section.

13.11.4 Procedures for Follow Up

(1) The following action must be taken by the revenue generating department (source department) no later than 30 days after payment due date:

1. The debtor must be personally contacted to be reminded of the outstanding debt and to determine if there are any unresolved issues relating to the debt,

2. Written notification (e.g. statement/reminder) must be sent to the debtor. The notification must contain details of the debt and the following sentence: “Failure to receive payment immediately could result in legal proceedings to recover the debt without further notice.” (see Exhibit 8),

3. Services to debtor should be discontinued.

The above procedures serve as the minimum requirement for departmental collection efforts and must be documented.

13.11.5 Referral to the Accountant General after Ninety Days

Except where otherwise legislated, all departments should appoint a designated debt collection officer within their departments. The person is responsible for managing the collection of debts and reports to the Accountant General’s Debt Collection Management Accountant

The designated debt collection officer must continue to liaise with debtors, for collection of debts outstanding above 90 days. The designated debt collection officer(s) together with the Accountant General’s debt collection officer will be responsible for initiating legal actions geared towards collection of debt outstanding over 90 days.

The Accountant General’s Department can assign aged accounts receivables to a debt collection agency under mutually agreed upon terms and conditions. The debt collection agreement between the Accountant General’s Department and the debt collection agency must be in writing, approved by the Attorney General’s Chambers and signed by the Accountant General and debt collection agency approved representatives.

13.11.6 Approval for Write-Offs

If it is not possible to recover the debt by legal process, the Accountant General will request approval from the Minister of Finance to write off the debt. Under the Act, no recoverable public monies are to be written off without the prior written approval of the Minister of Finance.

13.12 Invalid Cheques

When the bank returns a cheque to the Accountant General, due to insufficient funds to cover the cheque amount in a customer’s bank account, the cheque is considered invalid. The Accountant General will record and forward the invalid cheque to the department for collection.

13.12.1 Responsibility of Accounting Officer

It is the responsibility of the Accounting Officer to take immediate action by written and verbal communication with the customer to recover the invalid cheque amount and all added bank charges.

13.12.2 Referral to Accountant General

Where it is not possible to collect payment on an invalid cheque within 15 days, the cheque must be returned to the Accountant General who will initiate means for the recovery of the debt.

13.12.3 Second Receipt Must Not be Issued

Where payment is collected on an invalid cheque, a second receipt must not be issued. The original invalid cheque can be given to the customer in return for payment. Only cash or a manager’s cheque may be accepted from the customer as settlement for an invalid cheque.

13.12.4 Invalid Cheque List

The Accountant General maintains a list of payers whose cheques should not be accepted because they have presented invalid cheques. The Accountant General updates and circulates the list monthly to all departments. Within each department, the list must be distributed to the appropriate staff.

13.13 ***Receipts by Electronic Payments***

Government can accept payment by electronic payment methods in either Bermuda or United States Dollars. In order to better identify incoming electronic payments, specific accounts have been established for many revenue receipting departments.

Departments should ensure that the payer clearly identifies the department and nature of the payment when sending an electronic payment and also covers any bank charges for the electronic payment method used. The departments are responsible for recording the transactions in the accounting systems.

14. Balance Sheet: Assets and Liabilities

A number of asset and liability accounts in the Consolidated Fund Balance Sheet are the responsibility of departments, including Accounts Receivable, Inventory and Accounts Payable as well as various other deposits, funds and reserves. Other balance sheet accounts should be used for funds received for restricted purposes. Revenues and expenditures should not flow through balance sheet accounts. If the balance sheet account is used for holding funds, balances remaining at year end must be transferred into the proper revenue or expenditure object account(s).

14.1 Responsibility of Accounting Officers

Accounting Officers must ensure that balance sheet accounts of their respective Department Balance Sheets are kept up to date in accordance with the following FI.

14.2 Year End: Certification and Reconciliation

At March 31 of each fiscal year, Accounting Officers must:

(1) certify that balances on the accounts in their respective Department are correct,

(2) provide a reconciliation of those balances to supporting documentation.

In February of each fiscal year, the Accountant General will issue a Year End Instructions package. All year end deadlines must be met since the Accountant General is required to meet strict reporting deadlines on behalf of the Government.

14.3 Quarterly Reconciliation

Balance sheet reconciliations must not be left until the year-end. Balances must be reconciled to supporting documentation **at least quarterly** to ensure that transactions have been correctly posted and balances are valid.

Departments must retain documentation to support reconciling items.

14.4 Cut-off Procedures

Transactions most likely to be misstated are those recorded near the end of an accounting period. At each month end, but at March 31 in particular, it is important that accounting personnel ensure proper cut-off so that transactions are recorded in the proper period and performance reports provide accurate financial information.

14.4.1 Revenue/Receivables /Receipts

It is the date when goods and services are provided that determines the year of account. Where goods or services were provided on or before March 31 of any given year but cash was not received at March 31, the outstanding amounts must be reported as receivable.

14.4.2 Expenditure/Payables /Payments

It is the date of delivery or receipt of goods and services that determines the year of account. Where goods or services were received or delivered on or before March 31 of any given year but payment was not made at March 31, the outstanding amounts must be reported as payable.

14.5 Other Balance Sheet Accounts

Other balance sheet accounts are accounts that are set up for a specific project/activity that is not being funded by Government or for accounts set up for a restricted purpose. The terms of the project need to be clearly stated and approved by the Financial Comptroller of the relevant ministry or with the Accountant General before agreement with third parties. The terms of the project also need to be clearly stated and agreed to in advance by the participants.

The terms should specifically deal with the following:

- The responsibilities of the third parties and of the Bermuda Government. • What happens to excess/short funds at the end of the project.
- The project duration (specify dates or conditions as applicable). • Identify resources needed and who is responsible for such.
- Reporting structure for project (needs to be clearly defined).
- Termination clause – the Department/Government should have the option to easily terminate the agreement without prejudice, especially if conditions with third parties are not met.

The department also needs to ensure the following:

- The project should be handled in such a way that there is no loss or liability to the department or to the Bermuda Government.
- Where the excess funds are to be recorded (Cost Centre/Object Code) needs to be decided upon at inception. Excess funds can be applied to a similar project within government. If this is not defined it is permissible to have excess funds applied to the public debt.
- The project should be handled in such a way that the disposition of excess funds is not onerous to the Bermuda Government (i.e. departments should avoid having to reimburse numerous persons for excess funds).
- The project should be defined in such a way that the duration is not open- ended.

Where an 'Other Balance Sheet' account is set up for donated funds, the nature of the fund and any restrictions needs to be communicated to the Accountant General's Department at inception. The Accountant General needs to be fully informed and a copy of any agreements and contractual terms should be provided.

15. Advances and Cash Floats

15.1 ***General Restriction***

Government employees are not permitted to advance, lend, exchange, improperly or personally use public money.

15.2 ***Accountable Advances***

The Accountant General may advance a sum considered appropriate to cover expenditure for which vouchers cannot be presented immediately.

15.2.1 Supporting Documentation

Where an accountable advance is made, it must be accounted for by properly receipted vouchers and any balance settled within one week of the end of the activity for which the advance was made.

15.2.2 Further Advances

The same employee shall not receive a further advance before the first advance is accounted for to the satisfaction of the Accountant General.

15.2.3 Year End Accounting

All advances must be accounted for at the end of each financial year.

15.3 ***Petty Cash Floats***

The Accountant General shall provide appropriate petty cash floats upon receipt of written request from a department. Petty cash floats are to be expressly used to facilitate authorised purchases for the benefit of and/or the consumption of the Bermuda Government during the normal course of the administrative and operating functions of the departments of the Bermuda Government.

15.3.1 Supporting Documentation

A payment voucher certified by a financial approving authority must support all disbursements from petty cash and the procedures shall apply as detailed in FI Section **9**.

15.3.2 Replenishment

Petty cash floats must be replenished **at least quarterly** by submitting paid receipts and a pro forma invoice to the Accountant General.

15.3.3 Reconciliation

When petty cash is replenished, petty cash on hand plus petty cash vouchers must be reconciled to total petty cash float. Shortages must be investigated.

15.3.4 No Revenue to be Paid into Floats

No Government revenue is to be paid into a petty cash float. Revenue must be banked in accordance with FI Section 13.

15.3.5 $50 Maximum Payment

Payments from petty cash floats shall not exceed $50 per item.

Where the Accounting Officer identifies the necessity to facilitate regular or ongoing payments from petty cash float in excess of the $50 limit in order to accommodate the ongoing needs of the department, the Accounting Officer must seek and receive approval from the Accountant General. The request to the Accountant General must specify:

- the reason(s) for the need to make larger payments;
- the impact of not being able to facilitate the payments;
- the duration needed by the department for the large payments;
- the controls in place to ensure authorisation and reconciliations of cash payments are timely and accurate.

15.3.6 Verification

An officer not responsible for petty cash floats should perform periodic unannounced float checks.

15.4 Change Floats

All revenue collection points should have an adequate change float. The Accountant General shall provide appropriate change floats upon receipt of written request from the Accounting Officer.

15.4.1 Restricted Use

Cash floats must not be used for any purpose other than providing change during the collection of Government revenue.

15.4.2 Daily Reconciliation

Cash floats must be counted and reconciled daily. See FI Section 13.7 for Cash Short/Over.

15.4.3 Verification

An officer not responsible for change floats should perform periodic unannounced float checks.

15.5 Reconciliation Request

An officer responsible for a petty cash or change float shall, on the request of the Accountant General, provide a reconciliation of total cash on hand to non- deposited receipts and cash float. No prior notification is required to be given by the Accountant General.

15.6 Year End Accounting

At March 31, all floats must be reconciled and certified by the Accounting Officer, with the assistance of the Financial Comptroller, in accordance with the year end instructions issued by the Accountant General.

15.7 Cash on Hand

Cash on hand may be counted by the Accountant General or Internal Audit on a spot check basis. Those responsible for cash should be prepared to allow the designated Accountant General or Internal Audit staff access to the funds, but should ensure two parties review the count procedures at all times. After the count has been completed, a cash count sheet must be signed by the responsible party and the Accountant General or Internal Audit staff member indicating that the funds have been returned intact.

16. Inventories (Stock)

16.1 Inventory - Definition

Inventory takes many different forms, depending upon the nature of the operations of the department.

Inventory is defined as assets:

A. held for sale in the ordinary course of business;

B. in the process of production for such sale; and

C. in the form of materials or supplies to be consumed in the production process or in the rendering of services.

For the Bermuda Government, inventory also includes materials or supplies to be consumed for the provision of repairs, maintenance or production.

16.1.1 Elements of Cost

Cost of inventory, referred to as "laid-down" cost, comprise all costs of purchase and other costs in bringing the inventories to their present location and condition. The costs of purchase of inventory includes invoice cost (purchase price), import (customs) duties and transport (freight), handling and other direct costs. Trade discounts, rebates and similar items are deducted in determining the costs of purchase.

16.1.2 Policy

Inventory is principally recorded at their historical costs. The lower dollar limit threshold for Inventory is $100. Costs below this limit are to be considered expense items but there are exceptions including:

- Revenue Stamps – all revenue stamps are to be recorded as inventory

Inventory is not a tangible capital asset as defined per FI Section 17.1 and therefore is not a depreciable asset. There is no depreciation expense to be recorded on inventory items.

16.1.3 Methods of Cost Determination

Several conventions for determining the costs applicable to the items in an inventory have been developed. The method of cost determination used by Government is the weighted average method.

Under weighted average the cost of an item is determined from the weighted average of the cost of similar items at the beginning of the period and of the cost of all similar items acquired during the period. The average may be calculated on an annual, monthly or other periodic basis, or as each additional shipment is received, depending upon the circumstances of the department.

16.1.4 Write Downs Due to Damage or Obsolescence

The historically recorded costs of inventory may not accurately reflect the current value to the Government if inventory items are damaged or if they have become obsolete. 98% (2017) of Government's inventories are held for consumption, use in maintenance and repairs, and use in production. Not held for sale. As a result, the concept of net realizable value ordinarily associated with inventory is rarely applicable in the Government setting.

Obsolete or damaged stock used in the process of production for sale; and in the form of materials or supplies to be consumed in the production process or in the rendering of services, must be specifically identified and the value deducted from the total inventory listing. Examples of stock to be deducted are:

- old, outdated items that cannot be used in current maintenance or operational activities,
- items that will never be used,
- items that are no longer functional or useful (i.e. corroded, damaged).

Obsolete or damaged stock which is held for sale, must be valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price less the estimated costs of completion and/or sale. This can be done per unit or for similar items as a group.

If the circumstances that previously caused inventories to be written down or written off no longer exist or if there is clear evidence of an increase in value, the amount of the write down can be reversed so that the new carrying amount is the lower of cost and the new net realizable value. The reversal is limited to the amount of the original write down.

The amount of any write down or reversal will be recognised as an expense in the period the write down or reversal occurs.

Additionally, to the extent that it is determined that the (i) damage to the inventory renders it unusable or (ii) obsolescence of the inventory makes it impractical or unfeasible to utilise for its intended purpose, the inventory items should be physically and financially disposed of in accordance with FI Section 16.2.

16.2 Inventory Records

16.2.1 Form

Inventory records in a form approved by the Accountant General shall be maintained for those items purchased and defined by FI Section **16.1**.

16.2.2 Details

Inventory records must, as a minimum, show details of purchases, issues and adjustments as well as the quantity on hand, unit cost, extended cost and total cost.

16.2.3 System

All inventory is to be housed in the Government accounting system. If a department's line of business is specialised such that E1 cannot practicably be used as the primary inventory measurement, receiving and issuing tool, the Accountant General must approve the system and methodology to be employed by a department, prior to its use. The information from the non-Government system must be recorded in E1 either in detail or at a summary level.

16.3 Responsibility of Accounting Officer

16.3.1 Care and Custody

Accounting Officers are responsible for the care and custody of the stock in their department.

16.3.2 Periodic Inspection

Accounting Officers, with the assistance of the Financial Comptroller, shall arrange for premises to be inspected and stock to be cycle counted at least quarterly. The results of the cycle count(s) will be recorded in the Government accounting system. If maintained outside of E1, a permanent record of the results of every stock taking must be retained.

16.3.3 Nomination of Public Officer in Charge

An officer in charge of stock shall be nominated as such in writing by the Accounting Officer and shall be responsible for the duties under FI Sections **16.4** and **16.5**.

16.3.4 Notification of Public Officer in Charge

The names of officers with responsibility for stock shall be provided in writing to the Accountant General.

16.4 Responsibility of Officer in Charge: General

The officer in charge of stock shall be responsible for the following duties:

16.4.1 Receipts

Receiving and checking the quantity and quality of stock received from suppliers.

16.4.2 Storage

Proper care and storage of stock according to its nature, with particular attention to safety.

16.4.3 Issues

Checking and packing of issues on receipt of the prescribed authorising voucher. This voucher will be in a form to be agreed between the Accounting Officer and the Accountant General.

Ensure that old stock is issued before new stock.

16.4.4 Stock Levels

Stock levels should be maintained within minimum and maximum levels. These levels should be the minimum necessary to maintain availability of the item commensurate with delivery periods by suppliers and taking into consideration supplier discounts for volume purchases. A higher level of stock may only be held with the prior approval of the Accountant General.

16.4.5 Physical Balances

Periodic verification of physical balances and their agreement with stock records, with significant discrepancies reported to the Accounting Officer and the Accountant General.

16.4.6 Surplus, Damaged or Obsolete Stock

Identification of surplus, damaged or obsolete stock, with details reported to the Accounting Officer.

Ensure that surplus or obsolete stock is disposed of in accordance with FI Section **16.6**.

16.4.7 Organisation

Ensure that the stock room is clean, ventilated and in good repair.

16.4.8 Arrangement of Stores

Stock items should be arranged in an organised manner and conveniently stacked or binned at all times.

Racks or bins should be marked with all relevant information, e.g. size, grade, origin or similar details, so as to aid identification.

Obsolete, defective and slow-moving stock should be segregated or at least readily identifiable.

16.4.9 Security

Ensure adequate security and restricted access to the stock room and stock records.

16.4.10 Stock Room Visits

Ensure visitation to the stock room at least once daily and be present when stock room is open.

16.4.11 No Delegation of Responsibility

The officer in charge of stock must not delegate his duties, except as so authorised by the Accounting Officer in writing (e.g. to cover annual leave and illness).

16.4.12 No Loans from Stock

No item may be issued on loan from stock.

16.4.13 Fire Precautions

All stock rooms must have adequate firefighting equipment maintained in serviceable condition.

16.5 Responsibility of Officer in Charge: Year End

16.5.1 Stocktaking Objectives

The employee in charge must ensure that the following year end stocktaking objectives are met:

(1) compliance with all FI and Year End Instructions,

(2) stock quantities are properly stated,

(3) stock cut-off is performed satisfactorily,

(4) stock is appropriately valued at cost, with all “laid-down” costs readily identifiable,

(5) appropriate net realizable values are used in making any required write-downs,

(6) basis of stock valuation is consistent with that of prior periods,

(7) slow-moving, damaged or obsolete stock is appropriately identified and valued,

(8) stock summaries are arithmetically accurate,

(9) special situations are identified, e.g. stock pledged as collateral or stored off-site by third party or held on-site for third party,

(10) stock area is physically secure.

16.5.2 Planning and Control of Stocktaking

Stocktaking requires good planning, control and organisation if it is to be done properly.

16.5.3 Segregation of Duties

Staff responsible for the custody of stock, or for maintaining the detailed stock records or the control account should not do the counting unless an independent person makes a check.

16.5.4 Written Instructions

For each stocktaking written instructions should be issued to:

(1) all staff dealing with the organisation and conduct of all phases of the stocktaking,

(2) each team of counters, setting out their specific responsibilities.

Written instructions help to ensure that everyone knows and understands their task and appreciates its importance.

Written instructions should be reviewed and approved by a responsible official before being issued.

16.5.5 Supervision

Supervisors, to whom the stock counters may refer for guidance, should be appointed for each area.

Each supervisor should make test counts and review all of his area to ensure that all stock has been counted and the counts recorded.

16.5.6 Counting Stock

Each team of stock takers should consist of one person able to identify the items of stock and make the count, and a second person to record the results of the count and to check its accuracy by making a second count.

Arrangements should be made for marking the stock items as they are counted and for each area to be inspected as it is completed to make sure that all stock has been so marked and that no stock has been counted twice.

16.5.7 Stocktaking Sheets

Should be the standard E1 cycle count form and show all essential information.

Should be completed in ink.

Should be initialed or signed by the persons taking and checking the stock.

Issue and return of all sheets must be controlled (e.g. by pre-numbering and accounting for all numbers) by persons independent of storekeepers and stock counters.

Sheets should be dated and preserved as a detailed record of stock at the date of the count.

16.5.8 Cut-Off

There must be adequate cut-off procedures to ensure that the purchases, issues and adjustments records are closed at the point which coincides exactly with the stocktaking or closing of the stock records.

If possible, stores area should be closed during stocktaking so that there is no movement of inventory during the count.

Movements of stock or materials during stocktaking, where the stores area is not entirely closed down, must be controlled to prevent items being omitted from the count or counted more than once.

16.5.9 Stock Held for Third Parties

Consignment or other stock held for third parties should be properly identified.

Normally, it should be physically counted in the same way as your own stock, as part of the control over such stock, but arrangements must be made to exclude such items from the final stock sheets.

16.5.10 Stock Held by Third Parties

Stock held by third parties should be properly identified.

Normally, it should be physically counted in the same way as stores area stock, as part of the control over such stock, and arrangements must be made to **include** such items in the final stock sheets.

16.5.11 Comparison with Physical Inventory Records

The variance analysis report should be generated detailing quantity discrepancies between system and count and dollar value of variances.

Quantity discrepancies between records and count should be documented

Significant differences must be brought to the attention of the Accounting Officer and Financial Comptroller.

Once a cycle count is finalised, E1 will process adjustments required to the general ledger for all discrepancies.

16.5.12 Comparison with Accounting Records

Physical counts must be compared with the general ledger inventory balance, which should be adjusted immediately for all discrepancies.

Significant differences must be brought to the attention of the Accounting Officer and Financial Comptroller.

Once a cycle count is finalised, E1 will process adjustments required to the general ledger for all discrepancies.

16.5.13 Physical Security

Stores area should be secure during stocktaking, with controlled access only.

16.6 Disposals

During the fiscal year, in instances wherein there has been identified inventory items to be disposed of due to damaged, surplus or obsolescence, the Accounting Officer must be informed of the items and the nature of the reasons for disposition.

16.6.1 Record of Disposals

All relevant documentation pertaining to the purchase of the inventory and any subsequent write downs (or reversal of write downs) if any, are to be maintained by the Accounting Officer. Financial records in E1 are to be reconciled to the final carrying value prior to write off by the Accounting Officer.

All records of all disposals of inventory items are to be appropriately filed with the department and made available for review for during the year- end audit procedures by the Accountant General's Department and the Office of the Auditor General.

16.7 The Accountant General

The Accounting Officer, in consultation with the Financial Comptroller, shall arrange for a periodic test examination of stock and shall ensure that all stock is checked in full at least once in every year.

17. Tangible Capital Assets

17.1 Tangible Capital Assets - Definition

Tangible capital assets are defined as assets having physical substance that are:

A. held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;

B. have useful lives extending beyond one year;

C. are intended to be used on a continued basis; and

D. are not for sale in the ordinary course of operations.

Tangible capital assets or fixed assets will be capitalized in the books and records of government. As such, these assets must be monitored and controlled to ensure they are properly recorded and accounted for. Each category is noted below and the policies and procedures surrounding them are included therein. The Accounting Officer is responsible for the security and safety of all Government assets.

All capital additions and betterments exceeding the thresholds below per sections 17.5 through 17.15 must be reported to the Accountant General's Department on the quarterly capital return submissions. Disposals of capital assets must also be reported on the quarterly returns. All returns must be certified by the Accounting Officer and Financial Comptroller of the submitting department.

17.1.1 Elements of Cost

Tangible capital assets should be recorded at cost.

The cost is the gross amount of consideration given up to acquire, construct, develop or better a tangible capital asset, and includes all costs directly attributable to acquisition, construction, development or betterment of the tangible capital asset, including installing the asset at the location and in the condition necessary for its intended use.

The cost of a tangible capital asset includes the purchase price of the asset and other acquisition costs such as installation costs, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs and duties. The cost of a constructed asset would normally include direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity. The activities necessary to prepare a tangible capital asset for its intended use encompass more than the physical construction of the tangible capital asset. They include the technical and administrative work prior to the commencement of and during construction.

In instances wherein the cost of the capital asset is not defined or identifiable, the capital asset should be recorded at fair value. Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value of contributed tangible capital assets may be estimated using market or appraisal values. In unusual circumstances, where an estimate of fair value cannot be made, the tangible capital asset would be recognised at a nominal value.

17.1.2 Useful Life

Useful life the estimate of either the period over which a tangible capital asset is expected to be used by a government, or the number of production or similar units that can be obtained from the tangible capital asset by government. The life of a tangible capital asset may extend beyond the useful life of a tangible capital asset to government. The life of a tangible capital asset, other than land, is finite, and is normally the shortest of the physical, technological, commercial and legal life.

17.1.3 Betterments

Costs of betterments are considered to be part of the cost of a tangible capital asset and would be added to the recorded cost of the related asset.

A betterment is a cost incurred to enhance the service potential of a tangible capital asset. In general, for tangible capital assets other than complex network systems, service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity, where associated operating costs are lowered, the useful life of the property is extended or the quality of the output is improved.

Betterments must be clearly identified separate of maintenance and repairs of tangible capital assets. Maintenance and repairs typically keep a capital asset operational or repair it back to its functional state without extending its useful life. The maintenance and repairs costs must be expensed in the current period or period in which they are incurred.

17.1.4 Write Downs Due to Damage or Obsolescence

When conditions indicate that a tangible capital asset no longer contributes to government's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset should be reduced to reflect the decline in the asset's value.

The net write-downs of tangible capital assets should be accounted for as expenses in the statement of operations.

A write down should not be reversed. Government would write down the cost of a tangible capital asset when it can demonstrate that the reduction in future economic benefits is expected to be permanent.

17.1.5 Tangible Capital Assets Donated to Government

Government may receive contributions of tangible capital assets from an individual or organisation where the Government is not obligated nor expected to remit, pay or discharge any goods or services directly in return.

Where the Accounting Officer of the receiving department has been informed of the intention of an individual or organisation to transfer, donate or gift a capital asset to Government, the Accounting Officer must seek and receive written approval from the Ministry of Finance, the Accountant General and the Attorney General's Chambers.

Accounting Officers, in conjunction with the Attorney General's Chambers, are responsible for establishing the terms, conditions and criteria for accepting the capital asset, which include but are not limited to the following:

- identification of the recipient of capital asset grant,
- identification of capital assets to be transferred,
- date of transfer of rights and obligations,
- date of transfer of ownership and control,
- purpose of capital asset,
- the cost of the contributed asset, which is considered equal to its fair value at the date of contribution,
- any other terms, conditions and /or covenants of accepting the capital asset,
- completion and proper authorization of any and all legal documentation pertaining to accepting the capital asset.

The Accounting Officer must provide to the Accountant General within of 30 days of acceptance of the capital asset, the terms, conditions and all authorised documentation pertaining to the capital asset.

17.2 Disposal

Disposals of capital assets may occur by transfer, sale, destruction, loss, theft, abandonment, obsolescence, termination of useful life or gift (grant).

17.2.1 Transfer of Capital Assets to Other Government Departments

Where the Accounting Officer wishes to transfer surplus or obsolete capital assets to another department, the Accountant General must be informed and the Accounting Officer must notify all departments of the availability of the property. If the asset is requested by another department, the transferring office will arrange transfer of the asset at the recorded net book value at the time of transfer and notify the Accountant General that the transfer is complete.

17.2.2 Sale of Capital Assets

Where the Accounting Officer wishes to sell surplus or obsolete property which is not required by another Government department, and he is of the opinion that the disposal value is in excess of $1,000, he must both:

(1) advertise in the local press and invite submission of tenders by the public, and

(2) obtain at least three separate written tenders (in the instances where fewer than three tenders are received, documentation is to be provided to the Accountant General to clarify the circumstances as to why).

Where the estimated value of the property is $1,000 or less, the best offer made for the goods may be accepted. The Accounting Officer must notify the Accountant General of

the sale of the asset to update the capital asset records.

17.2.3 Destruction, Loss, Theft or Abandonment of Capital Assets

Where the Accounting Officer identifies capital assets that have been destroyed, lost, stolen or abandoned, the Accounting Officer must notify the Accountant General of the circumstances of the loss, theft or abandonment of the asset.

Where the Accounting Officer identifies circumstances which indicate that the destruction, loss or abandonment was unintentional, the Accounting Officer must document the circumstances and extent of the financial loss in a memorandum addressed to the Accountant General and a copy provided to the Auditor General.

Where the Accounting Officer identifies any misappropriation of assets due to theft and/or intentional destruction, loss or abandonment or any other fraudulent means, the Accounting Officer will immediately contact the Accountant General and Internal Audit, the Bermuda Police Service and the Office of the Auditor General as per FI Section 4.6. The Accounting Officer must document the circumstances and extent of the financial loss in a memorandum addressed to the Accountant General, Internal Audit and the Office of the Auditor General. The Accounting Officer will then proceed under the advisement of the Bermuda Police Service and the Accountant General with any punitive or criminal proceedings as a result of the intentional act.

17.2.4 Obsolescence and Termination of Useful Life of Capital Assets

Where the Accounting Officer identifies capital assets that have been deemed obsolete the Accounting Officer must notify the Accountant General of the circumstances of the condition of the asset and the intention to dispose of the asset.

When a capital asset has reached the end of its useful life and can no longer be used the Accountant General should be notified and steps taken to dispose of the asset and reflect this in the accounting records.

17.2.5 Gifting (Grant) of Capital Assets

Capital grants and contributions are transfers of capital assets from Government to an individual or organisation where the Government does not receive any goods or services directly in return.

Where the Accounting Officer has been informed of the intention of the Minister to transfer, donate or gift a capital asset to an individual or organisation by way of a capital grant, the Accounting Officer must seek and receive approval from Cabinet and the Ministry of Finance.

Accounting Officers are responsible for establishing the terms, conditions and criteria for capital asset grants, which include but are not limited to the following:

- identification of the recipient of capital asset grant,
- identification of capital assets to be transferred,
- date of transfer of rights and obligations,
- date of transfer of ownership and control,
- purpose of capital asset grant,
- any consideration the Government is expected to receive,
- total uncapitalized cost of the capital asset and/or,
- net book value of capitalized cost of the capital asset,
- any other terms, conditions and /or covenants of capital asset grant,

- completion and proper authorization of any and all legal documentation pertaining to the capital grant.

The Accounting Officer must notify the Accountant General, within 30 days of the approval of the capital grant by Cabinet and the Ministry of Finance, of the terms, conditions and all authorised documentation pertaining to the capital asset grant.

17.2.6 Sale of Property to Public Officers

Public officers must not, because of their official position, obtain special savings, discounts or financial advantage on goods to be sold.

17.2.7 Record of Disposals/Sales

Accounting Officers or the Permanent Secretary of Public Works must maintain a record of all disposals/sales, including tenders received.

17.3 Responsibility of Accounting Officer

17.3.1 Capital Assets Register

The register of capitalized assets for Government financial reporting purposes is maintained in the Government accounting system, based on information provided by departments to the Accountant General on quarterly basis. Only items exceeding the dollar thresholds specified below in sections 17.5 through 17.15 are recorded in E1 as capital assets, and many of those in bulk vs. by individual unit/serial no. etc.

Accounting Officers are also required to maintain an up-to-date register of all Government property at the department level, excluding land.

17.3.2 Items to be Included in Department Register

Items to be included are furniture and fixtures, office equipment, vehicles and heavy equipment, vessels and boats, computer hardware, computer software, plant, machinery and equipment, infrastructure and buildings. Items with a purchase cost in excess of $250 are to be listed, as well as items of a lesser value that are of a desirable or saleable nature. In the event of uncertainty, the advice of the Accountant General can be sought.

For computer components the following should be included in the Fixed Assets Register:

- Computer Towers
- Monitors
- Laptops/Notebooks
- Multi use – Large Printers (Cheque Writers)

Specific to ITO:

- Servers
- Routing Hubs
- Entirely New Software for use on the Network (Not upgrades)

The registers should include:

- Relevant Serial Numbers of each piece of equipment
- For Laptops – Assigned to Position.
- Location (e.g. Accountant General Department - Payments)

- Item Description
- Asset Number

17.3.3 Verification of Register

Accounting Officers should implement checks, at intervals not exceeding six months, to ensure that the department register is up to date and all items listed are in use in the department and in good condition. Equipment used at home or off-site must be authorised in writing and clearly noted on the register. However, it is recommended that the register should be verified and updated with all movements of fixed assets.

The register should clearly state additions, disposals, and other changes.

17.3.4 Depreciation in General

Assets are depreciated from the date the asset is put into service or the date of acquisition – whichever is more appropriate. Each asset type except Land must be depreciated over the estimated useful life of the asset. The estimated useful life is stated in the policy for each type of asset. If there are any questions please contact the Accountant General.

17.4 Land

17.4.1 Land Register

The Permanent Secretary responsible for Public Lands & Buildings shall maintain a register of all land held by the Government recording the precise location, the legal interest and details of any covenants. The register shall record the principal terms of any leases held or granted and the details of rents receivable or payable.

17.4.2 Title Deeds

The Permanent Secretary responsible for Public Lands & Buildings shall have custody of all title deeds and shall be responsible for their security.

17.5 Buildings

17.5.1 Policy

Buildings are principally recorded at their historical costs. The lower dollar limit threshold for buildings is $10,000 per unit. Usually costs below this limit are expense items but there are exceptions if they meet the criteria of extending the useful life of the asset. Maintenance and repairs to these assets are charged to expenditures during the periods within which they are incurred.

The straight line method of depreciation is used for this category of capital asset.

The range of the depreciation for buildings assets is from 2 to 40 years.

17.5.2 Additions / Betterments

Additions to or betterments of building assets must be clearly identified separate of maintenance and repairs to government buildings. Additions and betterments typically extend the useful life of the asset beyond its original useful life or enhances its usefulness. Additions and betterments of $10,000 or greater are to be capitalized. All additions, betterments and purchases of buildings must be communicated to the Accountant General to ensure that it is recorded in the financial records.

17.5.3 Disposals

The Ministry of Public Works is responsible for the sale and/or disposal of all government buildings. The Accountant General must be notified of any disposals/demolitions of buildings or any part thereof so that they can be removed from the financial records.

17.5.4 Leasehold Improvements

Leasehold improvements are building improvements on property leased by the Bermuda Government where such work is deemed to increase the useful life of the respective asset or increase its value based upon the assessment of the Technical Officers of the Ministry of Public Works.

Where technical advice is deemed necessary, the Financial Comptroller should consult the Buildings Manager of the Ministry of Public Works for guidance and assistance.

17.5.5 Leasehold Improvements - Policy

The lower dollar limit threshold for leasehold improvements is works which exceed $10,000 in value per single structure job

The straight-line method of depreciation is used for this category of capital asset.

The depreciation range for leasehold improvements is the remaining term of the leased premises.

17.5.6 Leasehold Improvements - Additions

Leasehold improvements must be clearly identified with specific details of the operating lease to which they apply. The Purchasing Officer of Public Works must be informed of the leasehold improvements of these if they are to be maintained by them. All leasehold improvement expenditures for Government must be communicated in a timely manner to the Accountant General's Department to ensure that it is recorded in the financial records.

17.5.7 Leasehold Improvements - Disposals

Where the accounting officer wishes to dispose or transfer capital assets, the Purchasing Officer of Public Works must be informed and he will notify other departments of the availability of the property. The Accountant General's Department must also be notified in writing within 30 days of any disposals or transfers of these assets so they can be properly reflected in Government's financial records.

17.6 Vehicles and Heavy Equipment

Vehicles are motorized or rolling items which are capable of being licensed through the Transport Control Department (TCD) and are intended for Government transportation purposes. Vehicles can consist of items with two or more wheels.

Heavy equipment consists of motorized or non-motorized rolling stock.

17.6.1 Policy

The acquisition of vehicles and heavy equipment is recorded at cost or purchase values. The lower dollar limit thresholds for vehicles and heavy equipment are:

Two or Three Wheeled Vehicles

- $3,000 per unit

Four or More Wheeled Vehicles

- No Threshold (it is Government's policy to capitalize ALL vehicles with four or more wheels including used vehicles)

Heavy Equipment

- $10,000 per unit

The straight line method of depreciation is used for these categories of capital assets.

Depreciation is to be as follows:

- $3,000 to $99,000 per unit 5 years*
- $100,000 and above per unit 7 years*
- *or the remaining useful life of the asset, whichever is less.

17.6.2 Purchases / Acquisitions

Purchases or acquisitions of vehicles and heavy equipment must be clearly identified with specific details of the asset such as make, model, colour and registration numbers in the case of a vehicle. All purchases or acquisitions of new vehicles and/or heavy equipment for government must be communicated to the Accountant General to ensure that it is recorded in the financial records. The Ministry of Public Works must also be informed of any activity regarding vehicles and heavy equipment for their records.

17.6.3 Betterments

Betterments of vehicles and heavy equipment that extend the useful life of vehicles and heavy equipment must be capitalized and depreciated as above. Work that does not extend the life or usefulness of the asset is to be expensed.

Betterments of $5,000 per unit or greater are to be capitalized.

The Accountant General must be notified in writing within 30 days of betterments of vehicles and equipment that need to be capitalized so they can be properly reflected in Government's financial records.

17.6.4 Disposals

Where the Accounting Officer wishes to dispose of vehicles and heavy equipment, see FI Section **17**.**2** for the conditions and respective procedures of disposals. In addition, the Purchasing Officer of Public Works must be informed and he will notify other departments of the availability of the asset where the transfer of the asset to another Government department is considered. TCD must be notified of activity regarding vehicles and heavy equipment. The Accountant General must also be notified in writing within 30 days of any disposals or transfers of these assets so they can be properly reflected in Government's financial records.

17.7 Infrastructure

Infrastructure assets are capital assets that are normally stationary and usually have a longer useful life than most other capital assets. Examples include streets, bridges, water and sewage systems, drainage systems, docks, buoys, etc. Infrastructure assets do not include buildings, driveways, parking lots or any examples given above that are incidental to property or access to property. However, it does include large stationary equipment that otherwise meets the dollar threshold and is not capitalized elsewhere.

17.7.1 Policy

Infrastructure assets are to be recorded at their historical costs. The lower dollar limit threshold for infrastructure assets is $50,000 per unit. Usually costs below this limit are expense items; however, there are exceptions if they extend the useful life of the asset.

The straight-line method of depreciation is used for this category of capital asset.

Depreciation is to be as follows:

- $50,000 to $199,999 10 years*
- $200,000 and above 40 years*
- or the remaining useful life of the asset, whichever is less.

17.7.2 Additions

Purchases or acquisitions of infrastructure assets must be clearly identified with specific details such as: Cost, location, condition, estimated remaining useful life, etc. The Accountant General must be notified in writing within 30 days of any purchase or acquisition of these assets so they can be properly reflected in Government's financial records.

17.7.3 Betterments

Betterments such as road resurfacing that extends the useful life of an infrastructure asset are to be capitalized and depreciated as above. Work that does not extend the life or usefulness of the asset is to be expensed.

Betterments over $10,000 are to be capitalized.

The Accountant General must be notified in writing within 30 days of improvements of these assets that need to be capitalized so they can be properly reflected in Government's financial records.

17.7.4 Disposals

Where the Accounting Officer wishes to dispose of infrastructure, see FI Section **17.2** for the conditions and respective procedures of disposals. In addition, the Purchasing Officer of Public Works and the Director of Marine & Ports must be informed if it is an asset under their purview. The Accountant General must also be notified in writing within 30 days of any disposals or transfers of these assets so they can be properly reflected in Government's financial records.

17.8 Plant, Machinery & Equipment

Plant, Machinery and Equipment are the structures in which work is organized to meet the need for production on a large scale usually with power-driven machinery.

Plant includes the equipment, machinery, tools, instruments, fixtures and structure containing them, necessary for an industrial and manufacturing operation, e.g., asphalt plant, recycling plant, reverse osmosis plants, diesel generators, and incinerators.

Equipment under this category refers to equipment that is not transported under its own power, that is, non-rolling stock.

17.8.1 Policy

The acquisition of plant, machinery and equipment is recorded at cost or purchase values. The lower dollar limit threshold for plant, machinery and equipment is $50,000 for any individual item.

The straight line method of depreciation is used for this category of capital assets.

The useful life for this category is 10-30 years. Examples of assets included are:

Asphalt Plant	Estimated useful life: 20 years
Recycling Plant	Estimated useful life: 25 years
Reverse Osmosis Plant	Estimated useful life: 10-30 years

17.8.2 Additions

Purchases or acquisitions of plant, machinery and equipment assets must be clearly identified with specific details such as: Cost, location, condition, estimated remaining useful life, etc. The Accountant General must be notified in writing within 30 days of any purchase or acquisition of these assets so they can be properly reflected in Government's financial records.

17.8.3 Betterments

Betterments of plant, machinery and equipment that extend the useful life of plant, machinery and equipment must be capitalized and depreciated as above. Work that does not extend the life or usefulness of the asset is to be expensed.

Betterments over $10,000 are to be capitalized.

The Accountant General must be notified in writing within 30 days of betterments of plant, machinery and equipment that need to be capitalized so they can be properly reflected in Government's financial records.

17.8.4 Disposals

Where the Accounting Officer wishes to dispose of plant, machinery and equipment, see FI Section **17.2** for the conditions and respective procedures of disposals. In addition, the Purchasing Officer of Public Works and the Director of Marine & Ports must be informed if it is an asset under their purview. The Accountant General must also be notified in writing within 30 days of any disposals or transfers of these assets so they can be properly reflected in Government's financial records.

17.9 Vessels and Boats

Vessels and boats are motorized crafts that travel on or under water which are capable of being registered at the Department of Marine and Ports. Examples include boats and ferries.

17.9.1 Policy

The acquisition of vessels and boats is recorded at cost or purchase values. The lower dollar limit threshold for vessels and boats is $10,000 per unit.

The straight line method of depreciation is used for this category of capital assets.

Depreciation is to be as follows:

- $10,000 to $99,999 5 years*
- $100,000 and above 10 years*
- *or the remaining useful life of the asset, whichever is less.

17.9.2 Additions

Purchases or acquisitions of vessels and boats must be clearly identified with specific details of the asset such as make, model, colour and registration numbers. All purchases or acquisitions of new vessels and boats for government must be communicated to the Accountant General to ensure that it is recorded in the financial records. The Department of Marine & Ports must also be informed of any activity regarding vessels and boats for their records.

17.9.3 Betterments

Betterments of vessels and boats that extend the useful life of vessels and boats must be capitalized and depreciated as above. Work that does not extend the life or usefulness of the asset is to be expensed.

Betterments of $5,000 or greater are to be capitalized.

The Accountant General must be notified in writing within 30 days of betterments of vessels and boats that need to be capitalized so they can be properly reflected in Government's financial records.

17.9.4 Disposals

Where the Accounting Officer wishes to dispose of vessels and boats, see FI Section 17.2 for the conditions and respective procedures of disposals. In addition, the Purchasing Officer of Public Works must be informed and he will notify other departments of the availability of the asset where the transfer of the asset to another Government department is considered. The Department of Marine and Ports must be notified of activity regarding vessels and boats. The Accountant General must also be notified in writing within 30 days of any disposals or transfers of these assets so that they can be properly reflected in Government's financial records.

17.10 Furniture & Fixtures

Furniture and Fixtures are items that are not permanently fixed to a structure, but are non-electrical, movable objects required for use or ornament in an office, house, school or critical environment. Examples include desks, chairs, cabinet filing and storage, board room tables, safes, vaults and record storage systems.

17.10.1 Policy

The acquisition of furniture and fixtures is recorded at cost or purchase value. The lower dollar limit threshold for furniture and fixtures is $3,000 per unit. Purchases of furniture and fixtures which are less than the per unit threshold can be grouped together and capitalized as a single unit if they are physically connected and the total cost equals or exceeds the $3,000 threshold. An example would be a workstation consisting of a desk, cabinet and bookshelf which are connected to each other.

The straight-line method of depreciation is used for this category of capital asset.

Furniture and fixtures is depreciated over 7 years or the remaining useful life of the asset, whichever is less.

17.10.2 Additions

Purchases or acquisitions of furniture and fixtures must be clearly identified with specific details of the asset. The Purchasing Officer of Public Works must be informed of the purchase/acquisition of these if they are to be maintained by them. All purchases or acquisitions of furniture and fixtures for Government must be communicated in a timely manner to the Accountant General's Department to ensure that it is recorded in the Government's financial records.

17.10.3 Betterments

Betterments of furniture and fixtures that extend the useful life of furniture and fixtures must be capitalized and depreciated as above. Work that does not extend the life or usefulness of the asset is to be expensed.

Betterments of $3,000 or greater are to be capitalized.

The Accountant General must be notified in writing within 30 days of betterments of furniture and fixtures that need to be capitalized so they can be properly reflected in Government's financial records.

17.10.4 Disposals

Where the Accounting Officer wishes to dispose of furniture and fixtures, see FI Section **17.2** for the conditions and respective procedures of disposals. In addition, the Purchasing Officer of Public Works must be informed and he will notify other departments of the availability of the asset where the transfer of the asset to another Government department is considered. The Accountant General's Department must also be notified in writing within 30 days of any disposals or transfers of these assets so that they can be properly reflected in Governments financial records.

17.11 Office Equipment

Office Equipment are assets that are electrical or motorized that are required for use in an office, e.g., copiers (not leased), fax machines, microfilm reader, projector, shredder, teleconferencing equipment, laminators, telephone systems, video equipment, security equipment (alarm systems, surveillance cameras), microwave, refrigerator, stove/oven.

17.11.1 Policy

The acquisition of office equipment is recorded at cost or purchase value. The lower dollar limit threshold for Office Equipment is $3,000.

The straight-line method of depreciation is used for this category of capital asset.

Office equipment is depreciated over 5 years or expected useful life (whichever is shorter).

17.11.2 Additions

Purchases or acquisitions of office equipment must be clearly identified with specific details of the asset. The Purchasing Officer of Public Works must be informed of the purchase/acquisition of these if they are to be maintained by them. All purchases or acquisitions of office equipment for Government must be communicated in a timely manner to the Accountant General's Department to ensure that it is recorded in the Government's financial records.

17.11.3 Disposals

Where the Accounting Officer wishes to dispose of office equipment, see FI Section **17.2** for the conditions and respective procedures of disposals. In addition, the Purchasing Officer of Public Works must be informed and he will notify other departments of the availability of the asset where the transfer of the asset to another Government department is considered. The Accountant General's Department must also be notified in writing within 30 days of any disposals or transfers of these assets so that they can be properly reflected in Governments financial records.

17.12 Computer Hardware & Equipment

Computer hardware and equipment are all equipment involved in the operation of a computer system. This include the mechanical, magnetic, electronic and electrical components, e.g., desktop computers, laptops, servers, network devices, printers, scanner, plotters, etc.

17.12.1 Policy

The acquisition of computer hardware and equipment is recorded at cost or purchase value. The lower dollar limit threshold for computer hardware and equipment is $3,000

It is Government's policy to capitalize all laptops and desktop computers and all IPads including those with a purchase price below $3,000.

The straight-line method of depreciation is used for this category of capital asset.

Depreciation is to be as follows:

- $3,000 to $99,999 3 years*
- $100,000 and above 7 years*
- or the remaining useful life of the asset, whichever is less.

17.12.2 Additions

Purchases or acquisitions of computer hardware and equipment must be clearly identified with specific details of the asset. The Purchasing Officer of Public Works must be informed of the purchase/acquisition of these if they are to be maintained by them. All purchases or acquisitions of computer hardware and equipment for Government must be communicated within 30 days to the Accountant General's Department to ensure that it is recorded in the Government's financial records.

17.12.3 Betterments

Betterments of computer hardware and equipment that extend the useful life of computer hardware and equipment must be capitalized and depreciated as above. Work that does not extend the life or usefulness of the asset is to be expensed.

Betterments of $3,000 or greater are to be capitalized.

The Accountant General must be notified in writing within 30 days of betterments of computer hardware and equipment that need to be capitalized so they can be properly reflected in Government's financial records.

17.12.4 Disposals

Where the Accounting Officer wishes to dispose of computer hardware and equipment, see FI Section 17.2 for the conditions and respective procedures of disposals. In addition,, the Purchasing Officer of Public Works must be informed and he will notify other departments of the availability of the asset where the transfer of the asset to another Government department is considered. The Accountant General's Department must also be notified in writing within 30 days of any disposals or transfers of these assets so that they can be properly reflected in Governments financial records.

17.13 Computer Software

Computer software consists of programs used to direct the operation of a computer. Software is not hardware, but is used with hardware, e.g., application programs, operation systems, data communications software, database management and accounting/financial systems.

17.13.1 Policy

The acquisition of computer software is recorded at cost or purchase value. Computer software has a threshold of $20,000.

The straight-line method of depreciation is used for this category of capital asset.

Computer software is depreciated over 10 years or the remaining useful life of the asset, whichever is less.

17.13.2 Additions

Purchases or acquisitions of computer software must be clearly identified with specific details of the asset. The Director of ITO must be informed of the purchase/acquisition of these if they are to be maintained by them. All purchases or acquisitions of computer software for Government must be communicated in a timely manner to the Accountant General's Department to ensure that it is recorded in the Government's financial records.

17.13.3 Betterments (Upgrades)

Betterments (upgrades) of computer software that enhances the service potential or extends the useful life of the computer software must be capitalized and depreciated as above. Work that does not enhance the service potential or extend the life or usefulness of the asset is to be expensed.

Betterments of $5,000 or greater are to be capitalized.

Computer upgrades which consist of (i) purchasing an updated (next generation) version of a pre-existing operating system for which the Government already owns, (ii) renewing the pre-existing owner's licence and (iii) an enhancement of the operating system with no fundamental change in the nature of the operating system ARE NOT to be capitalized.

Computer upgrades which involve (i) changing the supplier/programmer of the pre-existing operating system, (ii) purchasing a new owner's license and (iii) a significant change in the nature, procedures and deliverables of the operating system ARE to be capitalized.

17.13.4 Disposals

Where the Accounting Officer wishes to dispose of computer software, see FI Section 17.2 for the conditions of and respective procedures of disposals. In addition, the Director of ITO must be informed and he will notify other departments of the availability of the asset where the transfer of the asset to another Government department is considered. The Accountant General's Department must also be notified in writing within 30 days of any disposals or transfers of these assets so that they can be properly reflected in Governments financial records.

17.14 Equipment Leases

The decision to lease vs. purchase a machine should be based on a review by the Financial Comptroller and Accountant General as to the best use of budget and resources.

17.14.1 Policy

All proposed lease contracts must be submitted to the Accountant General and OPMP for approval. No lease contract will be deemed valid unless authorized by both.

- The purchase price of the equipment is to be identified in the lease.
- Lease contracts must not be longer than 36 months, unless expressly authorized by the Accountant General.
- End of term options are to be clearly articulated in the lease contract. (It is Government's policy that capital leases should automatically transfer title and ownership to the Bermuda Government at the end of the leasing period.).
- Lease contract monthly payments are to be made through standing order facilities.
- As a general rule, photocopiers and other equipment should be held for at least 48 months. They should not automatically be replaced at the end of the lease period. Exceptions to this rule must be approved by the Accountant General.

Procedures to be followed by department prior to entering into a lease agreement:

- The department must obtain at least three separate written quotations from distinct vendors.
- The department must review all quotations, which may require a representative from the department to attend demo/presentation sessions.
- The Head of Department must select the best option that is consistent with the department needs.
- The department must send all three quotations to the Accountant General for approval, with the preferred option clearly identified.
- The department must notify the selected vendor and request a final contract, which must include/have the following:
    - The lease term which should not exceed thirty-six (36) months
    - The start date of the lease
    - The expiry date of the lease
    - Description and other specifications of the lease equipment (i.e. photocopier)
    - The location of the equipment
    - The department name
    - A maintenance agreement

- The purchase price of the equipment
- The monthly rental
- The interest rate to be charged
- An amortization schedule
- The total accumulated price over the term of the lease
- The vendor representative's signature

- Once a department receives the final approved contract the Head of Department must approve the contract.

- After all of the above conditions have been met, the Accountant General' will approve and set-up the standing order with the bank.

The vendor must sign a Service Level Agreement that includes the following:

- Any additional service costs not included in the lease. These must be clearly identified with cost and replacement time. Any "additional" charges, beyond those established in the lease, will only be paid if identified in writing and agreed upon by the department.
  - For example: items not included in service:
    - Drums costing $590.00 good for 200,000 copies
    - Fuser costing $490.00 good for 300,000 copies

- Response time. Length of time it will take a technician to arrive at the department if there is a problem,

- Number of technicians,

- Ability to supplement down machines with a "Loaner fleet", • Details of

spare parts inventory.

17.14.2 Additions

The Accountant General should be notified in advance of any potential lease contract arrangements. Up front advice can be provided to departments regarding the leasing of copiers, printers, fax machines and other equipment by the Financial Reporting Assistant at the Accountant General.

17.14.3 Disposals

The Accountant General should be notified by the relevant department when lease contracts have expired or leased assets have been discarded or traded in so that the assets are properly reflected in the financial records.

17.15 Assets Under Construction (Work In Progress)

17.15.1 Policy

Assets under construction or work in progress are capital acquisition or capital development expenditures (see section 12.1) incurred during any year wherein the completion of the acquisition, construction or development of the capital assets extends beyond the financial reporting deadlines of the Government (March 31).

Costs incurred in the acquisition, construction or development of the capital assets under construction (as defined in section 17.1.1) are to be compiled and recorded as outlined in section 12.1. The accumulated costs are capitalized as Assets Under Construction but are not depreciable. Capitalization of costs ceases when no further

construction or development is taking place or when a tangible capital is ready for use in producing goods or services. A tangible capital asset is normally ready for productive use when the acquisition, construction or development is substantially complete.

Determining when a tangible capital asset, or a portion thereof, is ready for productive use requires consideration of the circumstances in which it is to be operated. Normally it would be predetermined by Government by reference to factors such as productive capacity, occupancy level or the passage of time.

A portion or portions of the tangible capital asset, during its acquisition, construction or development and prior to its completion, must be capitalized if ALL of the following can be clearly and definitively shown and documented:

- the item meets the definition of a tangible capital asset per section 17.1;
- any portion or portions of the tangible capital asset which is/are actually in use;
- all costs associated with getting the tangible capital asset to its useable state/stage can be definitively allocated to the portion or portions in use;
- the Accounting Officers responsible for (i) the Ministry of Public Works and (as applicable in the case of capital development) (ii) the client department have authorised the capitalization of the identified portion or portions of the tangible capital asset.

18. Vehicles

18.1 ***Use of Government Vehicles***

The use of Government vehicles is governed by the Orders policy issued by the Department of Works & Engineering, MPW, regarding GP cars and the Use of Private Vehicles (exhibit 6). Under the Orders, official motorcars, motorcycles or auxiliary cycles to be used for private purposes or for home to office journeys, without written authorization. The Secretary to the Cabinet, the Head of the Civil Service, Assistant Cabinet Secretaries and Permanent Secretaries who are allocated cars are exempt from the order.

18.2 Use of Private Vehicles

18.2.1 Mileage Allowance

Officers authorized by their Head of Department to use their own vehicles for Government business shall be paid a mileage allowance. The current rates are set out in the Collective Bargaining Agreement. Mileage allowance must be claimed using the Local Travel Expense Claim Form (use of private vehicle) (Exhibit 5).

18.2.2 Claim Processing and Payment

It is the responsibility of each Accounting Officer to ensure an adequate means of reporting and verifying the claims submitted. Claims are to be submitted monthly by the respective deadlines. Claims must be submitted within two months of the date of the trip. Claims submitted after this two-month deadline will be disallowed unless there is a valid reason for the delay.

18.2.3 Record of Private Vehicle Use

Every private vehicle used for Government purposes must be provided with an official logbook to record the date and time of journeys, driver, mileage readings and purpose of journey (see Exhibit 5). Issues of Government fuel for private vehicles are not permitted.

18.2.4 Responsibility of Accounting Officer

In accordance with Conditions of Employment and Code of Conduct, Accounting Officers are responsible for certifying that the calculations and entitlements are correct.

19. Insurance and Risk Management

19.1 Role of Accountant General

19.1.1 Administration of Risk Management Policy

Government's risk management policy is administered by the Accountant General in conjunction with all other Government departments (see Appendix 1).

19.1.2 Insurance

The Accountant General, in consultation with Accounting Officers and risk management consultants, shall recommend to the Minister of Finance and implement such scheme of insurance for Government as is considered appropriate and adequate.

The Accountant General shall maintain a register showing the detail of all insured risks and policies of the Government. The exception is Government's property and contents insurance, which shall be managed by the Permanent Secretary responsible for Public Lands & Buildings.

Departments and Public Authorities shall not enter into any insurance arrangements without the prior approval of the Accountant General.

19.2 Responsibility of Accounting Officer

19.2.1 Protection of Assets

Accounting Officers must ensure that all Government assets within their control are adequately protected.

19.2.2 Notification of Additions

Accounting Officers must immediately notify the Accountant General of all new risks, properties, vehicles and other assets which may require insurance and of any matter affecting insurance arrangements generally.

19.2.3 Notification of Loss/Liability

Accounting Officers must immediately notify the Accountant General and, where appropriate, the Attorney General of any loss, liability or damage, or any event likely to lead to a claim by the Government against its insurers, or by any third party against the Government, whether insured or otherwise. In the case of loss, liability or damage to Government buildings/property, the department of Public Lands & Buildings must be notified.

19.2.4 Risk Identification and Control

Accounting Officers must co-operate with, and where necessary, participate in Government's risk management and risk analysis activities as administered by the Accountant General.

19.2.5 Vehicles

Accounting Officers must ensure that there is adequate vehicle insurance for both Government vehicles and private vehicles used for Government business. The Accounting Officer may contact the Accountant General with any questions regarding Government coverage.

19.3 Role of Financial Secretary

The Financial Secretary shall, as frequently as he considers necessary, but at a minimum every two years, review Government's risk exposures, risk management policy and procedures in consultation with the Accountant General.

20. Banking and Treasury Management

20.1 Government Cash Flow

20.1.1 Management

The Accountant General manages the day-to-day cash flow of Government revenue, expenditure, and borrowing, with the objective of maximising interest on deposits and minimising interest and bank charges.

20.1.2 Reporting to Accountant General

Accounting Officers must promptly respond to requests from the Accountant General on matters affecting Government's cash flows.

20.1.3 Reporting to Financial Secretary

The Accountant General must report the cash flow position monthly to the Financial Secretary.

20.2 Bank Accounts

20.2.1 Operation

The Accountant General may operate such banking accounts in the name of the Government of Bermuda as appropriate for the efficient operation of Government business. All bank accounts require dual signatories and must include a signatory from the Accountant General, as the Accountant General directs.

No bank account may be opened without the prior written approval of the Accountant General.

20.2.2 Title

Every bank account must bear, as part of its designated title, the words "Government of Bermuda" and the full title shall be subject to the approval of the Accountant General.

20.2.3 No Advances or Overdrafts without Permission

No bank account may be overdrawn or cash advance obtained without the prior permission of the Accountant General. A public officer will be surcharged in accordance with FI section 2.9 for any charges resulting from failure to comply with this Instruction.

20.2.4 Cheque Registers

For all chequing accounts, a register of cheques held in stock must be maintained. The cheque register must show details of cheques received and issued. Registers must also be kept showing details of used, spoiled and cancelled cheques.

20.2.5 Reconciliations

Government bank accounts are reconciled by the Accountant General, unless a department is authorised in writing by the Accountant General to perform its own bank reconciliations. Departments will ensure that all bank transactions are recorded in the Government accounting system on a timely basis, and in the financial month which they occurred. Correcting entries may be created and processed by the Accountant General during the reconciliation process, with the agreement of the Financial Comptroller.

20.2.6 Cancellation of Stale Dated Cheques

Cheques written for the Bermuda Government are valid for a period of 6 months from the date of issuance. All unclaimed cheques outstanding for more than 6 months will automatically be cancelled by the Accountant General's Department.

20.3 Banking Signatories

Government of Bermuda online banking transactions and printed cheques require two authorised signatories. Authorised banking signatories consist of specific ACG department and Ministry of Finance personnel only. The ACG department will advise the banks of the authorised signatories and provide specimen signatures to the banks, updating the listing from time to time as required.

20.4 Online Banking

20.4.1 Authorization

Access to online banking facilities is provided to certain public officers in order to allow for:

(1) the transfer or authorization to transfer funds from one government- owned account to another

(2) the payment or authorization for payment from a government- owned account to vendors, employees, and/or pensioners

(3) the review of historical transactions

(4) adding, deleting, and monitoring of online users

20.4.2 Access

Online access to banking resources will be granted upon submission of a completed and appropriately authorized ***Online Banking New/Change User form***, available from the ACG department. The form must be approved by the Accounting Officer or Financial Comptroller.

The form should be submitted to the Accountant General's Financial Systems section via: acgtech@gov.bm

20.4.3 Responsibility/ Accountability for Bank Issued Security Token

(1) Authorized users of online accounts are responsible for the security of their personal bank tokens (if provided) and their account passwords.

(2) Tokens must never be transferred or loaned, and passwords must not be shared or disclosed.

(3) Loss of tokens must be reported immediately to the Accountant General.

(4) Data accessed and downloaded from online financial institutions is deemed Private and Confidential, and usage of this information should be in accordance with FI section 3.9.

(5) The Accounting Officer, working with their Financial Comptroller, is responsible communicating terminations, suspensions, or modifications to a user's online account, and the return of their token (if required), to the Accountant General.

(6) Once notified, the Accountant General is responsible for ensuring that online banking access is removed or modified as applicable.

20.4.4 Non-Compliance

Disclosure of personal login details is forbidden. The Government's IT Policies, specifically on Information Security and Internet and e-mail Usage, are to be followed. The policies can be reviewed at http://itoshare/Policies/Home.aspx .

20.5 Electronic Payment Systems

The installation of electronic payment systems (e.g. ATMs) on Government property must be approved by the Accountant General and the Accounting Officer for Public Lands & Buildings.

21. Security

21.1 Responsibility of Accounting Officer

Accounting Officers must assess the adequacy of available safekeeping facilities on hand for all areas of security risk. When an employee leaves Government employment, all the items that have been provided to the employee should be returned to the Accounting Officer and a receipt identifying those items returned should be signed by both parties and maintained in the employee file. This should include ensuring all computer access is removed by ITO and access cards returned.

21.2 Property

Accounting Officers are responsible for maintaining proper security for all buildings, other Government property and cash under their control. They must consult the Government Security Officer at the Police Department if in doubt about a security issue.

21.3 Keys

Keys to safes, locked drawers and cabinets containing cash, stamps, valuable documents or items should be secured at all times. Loss of keys must be reported to the Accounting Officer immediately.

21.4 Combination Locks

Combination locks should be changed at least once a year, or whenever there is a change of employees, or when cash shortages occur or irregularities are suspected. Combinations must be kept strictly confidential. If unauthorised persons learn the combination, it should be changed immediately.

21.5 Access Cards

The person to whom they are issued must only use electronic access cards. Cards must never be transferred to others. Loss of a card must be reported immediately.

21.6 Information Security

The Government's IT Policies apply to the use of E1. Specifically, the policies on Information Security and Internet and e-mail Usage, are to be followed. The policies can be reviewed at http://itoshare/Policies/Home.aspx . Additionally note the following summary Security Policy excerpt:

(1) You and you alone are responsible for your account. Never, ever give your password to anyone.

(2) If you use your personal device (e.g. phone, home PC, iPad, etc.) to access Bermuda Government applications it must be password protected.

(3) If you use your personal device (e.g. phone, home PC, iPad, etc.) to access Bermuda Government applications it must have up to date antivirus software and security updates installed. Please note: you must have permission from your Department Head to use your own device.

(4) Never copy Bermuda Government data to removable media or devices or Cloud without express, preauthorized permission from the Application owner.

(5) Never try to access systems or data that you are not authorized to access.

(6) Report any security risks or breaches that you come across to ITOHelpdesk.

(7) Do not use the same password for your government account that you use for any other accounts.

21.7 Signatures

Use of an Accounting Officer's electronic signature by anyone other than that Accounting Officer is prohibited.

21.8 Employee Vetting

All employees who are responsible for handling monies, accounts, purchase orders or have duties related to Government's finances (including receipting payment and authorization of these procedures) must be security vetted through the Police Department and the civil court. Any person found to have been convicted of, or responsible for, any crime related to theft, fraud, embezzlement, etc., is not allowed to hold a post that is responsible for, or related to, handling Government monies, accounts, funds or accounting. Each department is responsible for ensuring their employees are appropriately bonded/vetted as applicable.

21.9 Employees Leaving the Service

Upon resignation or removal from service, employees are required to certify that all keys, access cards, combinations, credit cards, property (cell phones, computers, pagers, blackberries, etc.) files and other accesses have been returned to the Government. In addition, any monies owing from courses taken, travel expenses, or other benefits granted for which the Government has not recouped its value (example: contracts for payment of training expenses and training not completed, or time required to be given back to Government not spent) or otherwise, the employee should sign documentation indicating approval for the Accountant General to deduct those amounts from the final pay, or a payment arrangement should be agreed and signed if the final paycheque will not cover the amounts owing.

The Accountant General requires a minimum of 30 days' notice to prepare a final cheque.

** **NOTE**: Some departments may have specified procedures e.g. in the Police Department, the final paycheque is not issued until uniform, equipment and outstanding bills or travel expenses are paid. Other departments may develop specific policies/procedures as needed in this area as well.

21.10 Consecutive Leave

Accounting Officers and other officers with fiduciary responsibilities should take at least five consecutive working days annual leave in any given year.

22. Retention of Documents

22.1 ***Retention Periods Defined***

Retention periods for hard copies are defined as:

- A - Active - the document must be retained in the originating department for the specified number of years,
- D - Dormant - the document must be retained in a dormant area, either in the originating department or the Government Records Centre (Archives) for the specified number of years.

(Example: A-2, D-5 means the document must be retained for a total of 7 years: 2 years in the department and 5 years in the Government Records Centre.)

Electronic copies of files are to be retained, where possible, for the same total period as the respective hard copy files by either the originating department or the Accountant General. The retention periods for electronic copies are defined as:

- E – Electronic – the document must be retained in the originating department for the specified number of years.

22.2 ***Retained by Originating Department***

The following records must be retained by the originating department for 6 fiscal years- A-2, D-4, E-6:

- Receipt details,
- Accounts receivable invoices,
- Inventory records,
- Payroll time sheets, clock cards,
- Quotation documentation per FI Section **9**.

22.3 ***Retained by Accountant General***

The following records must be retained by the Accountant General:

(1) 6 fiscal years - A-2, D-4, E-6:

- Departmental receipts,
- Bank deposit slips,
- Bank statements/cheques,
- Bank reconciliations,
- Journal vouchers,
- Paid supplier invoices,
- General ledger detail,
- Fund accounts and supporting documentation.

(2) 7 fiscal years - A-2, D-5, E-7:

- Salary/wage pay records.

22.4 Personnel Records

Personnel records must be maintained at a departmental level to ensure that employee pension entitlements are calculated correctly: A-3 years after retirement or separation, D-70 years of age or 1 year after death.

The Accountant General and Department of Human Resource **do not** maintain personnel file records for non-civil servant employees.

Departments must not destroy the official personnel file of any former employee. All dormant personnel files should be transferred to the Government Records Centre, arranged in alphabetical order and indexed on transfer lists provided by the Archives Department.

22.5 Other Financial Documents

In the absence of specific statutory provision or instruction relating to the retention of documents, all other financial documents are to be retained at the discretion of the Accounting Officer.

23.5.1 Pending Matters

In instances where there may be a legal, statutory or legislated obligation to retain documentation beyond the normal retention periods due to outstanding or unresolved matters, the retention period for electronic files is 20 years. These would include, but are not limited to, files and information directly related to:

- pending legal disputes,
- matters before arbitration or mediation,
- matters under investigation by a sanctioned investigative body,
- pending new or amended legislation.

23.6 Archiving Documents: General Requirements

All manual financial records and documents must be in ink. Pencil is not permitted.

Archived documents must be reasonably accessible. It is imperative that departments maintain an organised referencing system to facilitate retrieval of information, if required.

23.7 Retention for Audit

All documentation required supporting transactions or balances should be maintained for audit purposes, e.g. inventory count sheets, receivables listings, etc. It is recommended that such items be maintained for the same period as other financial records, that is, six years.

23. Supplementary Information and Sample Forms

Expenditure: Payment Processing Forms

(Exhibit 1) Pro Forma Invoice – Section 9.8

(Exhibit 2) Cheque Cancellation / Replacement Request – Section 9.15

(Exhibit 3) Application for Advance Travel Payments and Per Diem Advance – Section 10.1.5

(Exhibit 4) Overseas Travel Expense Claim Form – Section 10.1.5 & 10.6.10

(Exhibit 5) Local Travel Expense Claim Form (use of private vehicle) – Section 18.2.1 & 18.2.3

(Exhibit 6) Government policy on use of GP cars and private vehicles – Section 18

Revenue Forms

(Exhibit 7) Unusual Activity Report– Section 13.3.8

(Exhibit 8) Overdue Accounts: Sample Warning Letter– Section 13.11.4

Grants Forms

(Exhibit 9) Quarterly Performance Reporting– Section 10.7

(Exhibit 10) Annual Report– Section 10.7

(Exhibit 11) Grant Application Cover Sheet – Section 10.7

Appendices

(Appendix 1) Government Risk Management Policy Statement

(Appendix 2) Example General Terms and Conditions Relating to Grants

(Appendix 3) Grant Management System

24. MAJOR CHANGES TO FI

Introduction – redrafted pg.2

November 2016 Amendments – sections 2, 5, 8, 9 consolidated

Throughout – added references to authority of Code of Practice Project Management and Procurement

Throughout – "employee" changed to "public officer" and "officer"

1. Definitions and Interpretation – renamed and redrafted pg.4

2. Overview – renamed and reorganized pg.6

2.4 Duties – additional detail on the responsibilities of Accounting Officers pg.6

2.10 Penalties for Non-Compliance – clarified responsibility for determination of penalties pg.11

2.12 Departure from Financial Instructions – clarified and expanded to include reference to the Code pg.11

3.10 Prohibitions and Restrictions – section removed pg.13

4.5 Internal Audit Department – section reduced pg.16

7 Financial Approval Authority – updated and redrafted pg.21

8 Procurement of Goods and Services – renamed and redrafted to include the Code pg.23

8.1 Property Leases – new section clarifying the process pg.24

9.5 Supporting Documentation – redrafted to include the Code pg.26

9.19 Payment Procedures: Purchase Order Applicable – added Two-way voucher match pg.32

– use of certification stamp made optional

10.6.3 Credit Card Expenditures – redrafted to reflect updated usage pg.40

12.1.2 Capital Development – expanded to clarify responsibilities

12.2 Contracting for Capital Projects – renamed from "Tenders", added reference to the Code pg.50

16.1 Inventories – redrafted to reflect the nature of Government inventory and corresponding policy pg.70

18 Vehicles – redrafted to reflect official Government Policy pg.93

File name: Financial Instructions 2018 Final

Exhibit 1

GOVERNMENT OF BERMUDA

PRO FORMA INVOICE

DATE:-

PAYEE:-
ADDRESS:-

Trader #:

Being payment for:-	**AMOUNT**
Prepared by: **TOTAL**	**$0.00**

INVOICE/CONTRACT/REFERENCE		**AMOUNT**	**INITIAL**
			Goods/Services Received
I certify that these goods or services are solely for Government Accounts, are proper charges against the votes indicated and will not cause any excess therein, and that all relevant Financial Instructions have been complied with. Signed:			Prices/Calculations Checked
AUTHORISED SIGNATURE			Discounts Verified
Print Name			

Exhibit 2

Government of Bermuda

Cheque Replacement / Wire Replacement / Cancellation Request

To: Accountant General – Compliance & Disbursements Section

From:_____(Name of Dept.) Head No._____

Original Payment Details:

Payee: _____

Address: _____

_____

_____

Cheque/Wire No:_____ Date:_____ Amount: _____

Payment Voucher No (PV): _____

Currency: (Circle one) BD$ US$ CD$

GBP Type: (Circle one) General Payroll

Pension

Bank: (Circle one) HSBC BNY BNTB CLARIEN

Request: (Circle all required) Cancellation Replacement

Reason for Cancellation/Replacement: _____

_____

Is Stop Payment Required? (Circle one) Yes No

Cheque is: (Circle one) Attached Not attached

Prepared by: _____

Job Title: _____

Authorised by: _____

Job Title: _____

Date: _____ Phone No: _____

Print Name: _____

For Accountant General's Use Only:

Stop Payment Notice: Date Placed:_____Date Confirmed: _____

Replacement Payment: Number:_____Date: _____

Unpresented Cheque File Amended: Signature: _____Date: _____

Original Batch No:_____ Payment Batch No:_____

Notes

1. A separate request must be submitted for each payment to be replaced/cancelled.
2. In the event that the original cheque is not available, i.e. the cheque is misplaced, lost or stolen, a stop payment should be placed on the cheque.
3. No replacement cheque will be issued until it is verified that the original cheque has not been presented for payment.
4. Replacement vouchers must be generated by Accountant General's Department.

Government of Bermuda

Exhibit 3

Application for Advance Travel Payments and Per Diem Advance

Applicant Name _____

Ministry/Department _____

Travel Period _____

Reason for Travel ☐ Government Business ☐ Recruitment ☐ Other

Narrative _____

_____

Cost Summary

Expense Type	**Details**	**Amount**
Air Travel		
Hotel		
Per Diem		
Course or Conference		
Other		
	Total	
	Less Purchased by PO	
	Amount Claimed	

Applicant/Claimant: I certify that the above claim is correct and that payment will not be claimed from any other source in respect of the period absence described. I understand that the *Overseas Travel Expense Claim Form* must be provided to the Accountant General Department within 30 days of return and accompanied by receipts for all expenditure. I also agree that failure to file this claim may result in the per diem advanced being deducted from my salary in the next pay period.

Signed _____ Date _____

Head of Department: I certify that the above claim applies to the duty period specified and it is a proper charge against Government Funds.

Signed _____ Date _____

Print Name _____ Title _____

Government of Bermuda

Application for Advance Travel Payments and Per Diem Advance

Please attach estimates, quotes and booking forms to verify all costs to be incurred.
Per Diem: $100.00 unless pre-approved by the Accounting Officer
Per diem advances will not be issued where the traveler holds a Government credit card, unless authorised by the Head of the Public Service.

Training Course/Conference

Purpose	
Title	
Vendor	
Location	
PO #	

Staff Recruitment

Post # _____ Title _____
Interview dates

Hotel (Banking Info)

Hotel Name _____

Bank Name & Address _____

Account Number _____

ABA#/Swift#/Sort Code _____

E-mail

Contact email address _____

Ministers Approval: _____ _____
Print name Signature

Exhibit 3

Government of Bermuda

Exhibit 4

Overseas Travel Expense Claim Form

All Financial Instructions must be complied with.
This form must be completed within 30 days upon return from travel.
Supporting receipts must accompany itemised claim amounts on back.

Department: _____ Date: _____

Claimant Name: _____ Position: _____

Purpose of Travel: _____

_____

Summary of Travel Expenses (see pg. 2 for details)

Transportation	$0.00
Meals	$0.00
Hotel	$0.00
Other	$0.00
TOTAL	$0.00
Less: Paid by Govt credit card	
Less: Travel Advance	
Due to (from) Claimant	**$0.00**

Use Sheet (Detail of Expenses) which will automatically fill the

Trader #: _____ **G/L Date:** _____

Invoice Date	*Invoice #	Cheque Remark	Cost Centre	Object	Sub	Amount
					Total	**$0.00**

* If funds advanced, please use original batch number

INVOICE/CONTRACT/REFERENCE	AMOUNT	INITIAL
	$0.00	Entitlements Verified
I certify that these goods or services are solely for Government Accounts, are proper charges against the votes indicated and will not cause any excess therein, and that all relevent Financial Instructions have been complied with.		Extensions & Calculations Checked
Signed:		
Authorized Officer (other than Claimant)		
Print Name		

I certify that this is a true statement of disbursements made and/or allowances to which I am entitled as a result of travel on Government business as detailed above and that I have not been and will not be reimbursed for them by any other party.

Signature of Claimant

Note: In the event that monies must be paid back to the Government, a copy of an interdepartmental receipt (5A) form must be attached to this form before forwarding it to the Accountant General Department for filing.

Details of Expenses:

Date	Payee/Details or Explanation	Transport	Meals	Accommodation	Other	Totals
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
						$0.00
TOTAL - Carry to Front Page Summary		$0.00	$0.00	$0.00	$0.00	$0.00

Check $0.00

Exhibit 5

GOVERNMENT OF BERMUDA

Department: _____ **No.:** _____ **Date:** _____

Week/Month: _____ **Name:** _____ **EE #:** _____ **Post:** _____

	DATE	TIME		FROM	TO	PURPOSE OF JOURNEY	KILOMETER (Km)		MILES/Km CLAIMED
		Start	Finish				Start	Finish	
1									0
2									0
3									0
4									0
5									0
6									0
7									0
8									0
9									0
10									0
11									0
12									0
13									0
14									0
15									0
16									0
17									0
18									0
19									0
20									0
						CAR/CYCLE NO.	TOTAL		0

I CERTIFY THAT THE ABOVE JOURNEYS WERE MADE IN THE COURSE OF MY DUTIES

(Claimant)

TOTAL MILEAGE FOR FISCAL YR	
Miles (Km) claimed this month	
Miles (Km) claimed before this	
Total Claimed this Financial Year	

TOTAL MILES/KILOMERS CLAIMED 0 at $0.00 (rate per in-force CBA)

TOTAL PAYMENT $0.00

CERTIFIED CORRECT

(Head of Department or Financial Comptroller)

COST CENTRE & OBJECT CODE

EXHIBIT 6

ORDERS

FOR GP CARS AND USE OF PRIVATE VEHICLES

1. An officer, including Assistant Cabinet Secretaries and Permanent Secretaries who are required to travel for the performance of their duties may be authorized, at the discretion of the Secretary to the Cabinet (for Assistant Cabinet Secretaries and Permanent Secretaries) or Permanent Secretaries (for all other officers) to use for the purpose –

   (a) depending on availability, an official motorcar, motorcycle or auxiliary cycle (if any) allocated to the department; or

   (b) his private car, motorcycle or auxiliary cycle; or

   (c) public transportation.

2. An official motorcar, motorcycle or auxiliary cycle shall not be allocated to the permanent use of an officer without the prior approval of the Secretary to the Cabinet or Permanent Secretary.

3. Accounting Officers shall ensure that adequate processes are in place to ensure compliance with Financial Instructions.

4. Permanent Secretaries shall be responsible for ensuring that any official cars provided are used economically and for official purposes only

5. Permanent Secretaries shall make periodic checks to ensure that the vehicles are properly used and adequately cleaned and maintained.

6. Heads of Departments shall ensure that adequate records are maintained of all fuel issued to official cars, and that mileages per gallon of fuel obtained in official cars are periodically checked against the scale published by the manufacturer and the experience of operating similar cars.

7. On no account are official motorcars, motorcycles or auxiliary cycles to be used for private purposes or for home to office journeys, without written authorization. The Secretary to the Cabinet, the Head of the Civil Service, Assistant Cabinet Secretaries and Permanent Secretaries who are allocated cars are exempt from this order.

8. Wherever practicable, the use of an official car for a journey or, in the case of regular official travellers a class or programme of journeys, shall be subject to approval beforehand by the Permanent Secretaries concerned or by an officer deputized by him for the purpose.

   The maximum official use shall be made of spare seats by pooling the requirements of officers travelling on official business over a common route.

9. Drivers of official motorcars, motorcycles or auxiliary cycles are responsible for seeing that they are properly garaged or otherwise secure and immobilized before being left unattended.

10. In the event of an accident involving an official car or other official vehicle the driver shall make a full report immediately to the Permanent Secretary or by an officer deputized by him for the purpose, giving details of all witnesses to the accident.

11. Should an officer, while responsible for the care of any government motorcar, motorcycle or auxiliary cycle, receive a parking ticket, that officer shall in the first instance, notify their immediate supervisor as soon as practicable to ensure the said ticket is addressed. The officer may be financially responsible for any fine or clamp removal fee.

12. With the exception of cars allocated to a Minister, unofficial passengers (including babies) shall not be carried in official vehicles.

13. All drivers of Government vehicles shall comply with "Financial Instructions", "Work Instruction: Use of Government Vehicles" and "Policy for Reporting and Handling of Vehicle Accidents".

14. An officer who is authorized to use his private transportation for official travelling shall be entitled to be paid a mileage allowance for every mile necessarily travelled on official business provided that –

    (a) the journey or class or programme of journeys undertaken shall have been approved beforehand by the Head of Department;

    (b) an allowance shall not be paid for mileage travelled between an officer's home and his normal duty station.

    (c) the process complies with Financial Instructions (including section18.2)

15. An allowance additional to that payable under Order 14 shall not be paid in respect of any official passenger carried by an officer using his private car on official duty.

16. All private vehicles used on official travelling shall be covered by comprehensive insurance against damage to or loss of the vehicle, accident to the insured, bodily injury to or death of third parties, including passengers, and damage to the property of third parties which includes cover for business use.

17. A Permanent Secretary who proposes to authorize an officer to use his private motorcar, motorcycle or auxiliary cycle on official business shall ask the officer to provide written or other documentation confirming that his insurance cover extends to such use and, if necessary, instruct him to ask the insurers to endorse his insurance policy as follows:

    Personnel employed by or in any Government Department using their private vehicles on official business may receive a mileage allowance for the journey.

    When the vehicle is being so used we undertake that, subject otherwise to its terms and conditions, the policy covering the vehicle shall be deemed to include such use, and the receipt of the said allowance shall not be deemed to constitute use for hire or reward.

    A copy of this insurance policy should be retained by the Head of the Department.

18. An officer who uses his private car on official business shall arrange with his insurers to indemnify the Crown in the event of a claim being made against the Crown as the insured's employer to the same extent as the officer is insured under the policy, on the understanding that the insurers are allowed to retain control of the claim.

19. Officers in receipt of car mileage allowances shall keep a daily record of their journeys on duty, showing the dates, places visited, and actual mileage. If an officer is required to travel to a place of business directly from his home then the mileage recorded shall be from his home, deducting the home to normal duty station mileage.

    Similarly, if an officer is required to travel to a place of business at the end of the working day returning directly to his home then the mileage recorded shall be as at his home, deducting the normal duty station to home mileage.

20. Permanent Secretaries shall be responsible for certifying whether claims for car mileage allowances are properly payable and whether the journeys on which they are based were necessarily undertaken in the public interest.

    Heads of Departments shall be responsible to sign off on official forms submitted by the officer using their private vehicle for official business before any remuneration is made for this mileage.

21. An officer may be required to provide his own transportation in order to undertake the duties of the office to which he is appointed.

22. An officer who is required to use transportation to conduct official business, whether his own or an allocated official vehicle, shall be required to hold a valid driver's licence at all times.

PUBLIC TRANSPORT:

23. Claims for the reimbursement of expenses necessarily incurred in travelling on official duty by public transportation may be approved by the Head of Department concerned at his discretion, provided that:

    no such claim shall be admitted for journeys not approved in advance or for journeys between an officer's home and his duty station; and,

    any claim for reimbursement of taxi fares shall be admissible only in exceptional circumstances where the saving of official time is important and no other transport arrangement can be made.

24. Claims for payment of local travelling allowance shall be submitted monthly to the Accountant General, within seven days of the end of the month in which the expenditure was incurred, together with a certificate from the head of department concerned.

    There shall be a time-frame placed on the forms detailing the latest claims can be submitted – provided this has not been set in another document somewhere.

TRANSPORT AND EQUIPMENT

25. Official premises, property, transport, equipment and supplies shall on no account be used other than for official purposes.

26. The driving of Government vehicles and the operation of Government plant and equipment is strictly prohibited except under the circumstances detailed in this Order.

    An accident to a vehicle or piece of equipment when being driven or operated by an unauthorized officer may result in that officer being financially responsible for any damage that occurs, and for third party claims.

    An officer may be authorized to drive Government vehicles or operate Government plant or equipment only if –

    (a) he holds a valid driving licence for that vehicle or equipment, where this is necessary; and

    (b) he is appointed for the purpose; or

    (c) he has been specially authorized by the head of his department; or

    (d) there is an emergency, such as the sudden absence or incapacity of the official driver or operator, or an essential but unexpected journey or task to be undertaken for which no official driver or operator is available, and the officer has no opportunity to obtain the authority required under (c) above, in which case he shall report the circumstances in writing immediately on completion of the journey or task to the officer who would normally authorize the journey or task in question.

PURCHASING, MAINTENANCE AND REPLACEMENT POLICY

27. The Ministry responsible for the Government's vehicle fleet shall be responsible for the purchase and replacement of all Government-owned vehicles and will decide on the model of motorcars for each Ministry and all features, including air conditioning, radios/cd players and electrical devices.

28. Any additions to the Departments vehicle fleet must be accompanied by supporting rationale by the Head of that Department with sign off by the respective Permanent Secretary indicating support of the same – this application shall then be reviewed by the GP Vehicle Committee.

    Should the application be approved, Order 27 above shall apply.

29. The Ministry responsible for the Government's vehicle fleet shall be responsible for providing the maintenance and repair of all Government owned vehicles.

30 A small number of loaner vehicles are available and are allocated on a priority basis by the Quarry Depot but are not generally available to cover routine servicing and maintenance. The person responsible for the Government vehicle must ensure that it is available for service at the allotted time irrespective of whether a loaner vehicle is available or not.

OFFICIAL VISITS

31. For official visits, the Secretary to the Cabinet shall liaise with the Protocol Office, who shall in turn advise the Permanent Secretary responsible for the Government's vehicle fleet to arrange official transportation.

32. Official visits could include but not limited to:

    1) Heads of States
    2) Governors
    3) Premiers/Prime Ministers
    4) Attorney Generals
    5) Ministers of State
    6) Senators
    7) Congressmen

33. The Permanent Secretary responsible for the Government vehicle fleet shall make the necessary arrangements to have the vehicles dedicated for this purpose, collected, cleaned and ready prior to the arrival of the official visitor.

34. The vehicles shall be collected from the Minister/ Permanent Secretary from the Cabinet Office grounds one (1) day prior to the arrival of the official visitor.

35. Vehicles are to be returned to the Cabinet Grounds, or at a place requested by the Minister, as soon as practicable after the official visit has concluded.

36. The Permanent Secretary responsible for the Government vehicle fleet shall as much as practicable make available to the Minister/Permanent Secretary, a replacement vehicle from the pool of vehicles under the remit of the Ministry.

INSURANCE COVERAGE FOR USE OF GOVERNMENT VEHICLES

37. Only persons employed by the Department/Ministry authorized to use the government motorcar, motorcycle or auxiliary cycle in the charge of his/her official duties shall be covered under the Government insurance policy provided that:

    (a) they have a valid driving license to operate the said vehicle

    (b) they are not disqualified from operating and holding a driving license

38. Part-time employees or consultants, whilst undertaking official Government business, are considered employees and may be permitted to operate a Government vehicle provided:

    (a) they comply with Order 37 a) and b) above; and,

    (b) they have permission from the Head of Department.

    (c) The insurance company is notified of their details in advance.

39. Government vehicles valued at $100,000.00 and below are generally insured for Third Party only. Therefore, any damage to the Government vehicle itself shall not be covered if it falls below this value. The cost of repairs to Government vehicles valued at $100,000.00 and below which are not covered by any Third Party's insurance will be borne by the driver's department.

40. In the event the damage to the Government vehicle was the fault of the Third Party, his/her insurer shall be notified immediately in order for the repairs to be settled by the Third Party's insurer. In all instances, the Police shall be called to the scene to ensure a report of the incident is recorded.

41. **Unofficial passengers transported in Government vehicles, including family members, shall not be covered under the Government insurance during the operation of the said vehicle.**

QUANGOS

42. Quangos, Boards (Cedarbridge/Berkeley) or Municipalities shall be responsible to implement an official vehicle policy in consultation with the respective Permanent Secretary.

    This policy document may be used as a guide in the preparation of such a document. However, the motor insurer must be consulted to confirm coverage under their respective insurance policies.

Bermuda Government
Internal Unusual Activity Report

See Financial Instructions Section 13.3.8

Exhibit 7 – PAGE 1
ACG Ref:
Department Ref:
Date (DD/MMM/YY)

Tick appropriate box:

☐ Confirmation of Telephone Report ☐ Initial Report ☐ Supplemental Report ☐ Corrected Report

Reporting Entity Information (Regulated Institution or Other)

Name of person(s) making the report		
Name of Department		
Address of Department		
	Telephone number	Fax number
Amount and Type of Revenue:		

Particulars of Individual Initiating Transaction

Name (full name of person, business or company)		
Address		
		Date of birth (DD/MMM/YY)
Occupation	Employer	
Telephone number - business	Telephone number – residence	
Form(s) of identification produced by individual (Give details such as license # or passport #)		
Individual's relationship with Department		
Is Individual employed by Government? YES/NO (If 'Yes' give details)		
Other information (Particulars of the transaction - Supplier Number, Receipt Number, etc.):		

Notes: 1. Please complete a separate form in respect of each unusual person, company or business.
2. If you have any questions regarding the completion of this form please telephone (441) 279-2600.

Unusual Activity Report

Reason for Report:

Signed by (name of person compiling report)	Contact Name (Reporting Officer where applicable)
Telephone number / Fax number	Telephone number / Fax number

Management Accountant – Cashiers
Accountant General
P.O. Box HM 1193
Hamilton HM EX
Bermuda

Deliver or mail to address shown at left together with *COPIES* of any supporting documents.

Urgent information may be telephoned to (441) 279-2600 or faxed to (441) 296-2911 but this form and *COPIES* of relevant documents should be forwarded to the ACG as soon as possible.

Exhibit 8 – Overdue Accounts Sample
Warning Letter

Government of Bermuda

DEPARTMENT NAME

Name of Building
30 Name of Street
Hamilton HM 12, Bermuda

P.O. Box HM XXXX
Hamilton HM EX
Bermuda

Tel: (441) 295 - 5151
Fax: (441) 292 - 1111

Today's Date

Delinquent Customer Name
Customer Address
Parish, Postal Code

Dear Sir,

Despite several reminders, including personal contact, the following debt has not been settled:

Invoice No. / Reference	Amount Due	Date	Nature of Debt

Failure to receive payment within seven days will result in legal proceedings to recover the debt without further notice.

Yours sincerely,

Govt Department Representative

cc: Accountant General - Debt Collection Section

Ministry of _____

Form 1- Quarterly Performance Reporting

■ Section 1 - Strategic and Collaborative Planning

1.1 Name of Organization:

1.2 Role of Organization:

1.3 What is your client base? Which segment of the society do you service?

1.4 What are your priorities, goals and objectives?

1.5 What are the services/programmes that are designed to deliver on these priorities, goals and objectives?

Section 2 - Quality Assurance

2.1 What systems are in place to ensure proper supervision of client service activities

2.2 What type of staff and Management training is there?

▪ Section 3 - Effective Management and Administration

3.1 What type of personnel and Management Systems are in place *(please attach org. chart if applicable)?*

3.2 What type of systems are in place for proper fiscal and budgetary administration *(please attach any relevant information)*

3.3 Have you complied with all provisions of the Charities Act 2014 Part 5 with respect to filing and if not what has not been accomplished?

Ministry of _____

Form 2 - Annual Report

1.0 Name of Organization:

1.1 Location of Organization:
(Apartment #/ Building Name
Street # and Street Name
Parish
Postal Code)

1.2 Role of Organization:

1.3 Who are your clients and how are clients generated?

1.4 Outline the number and type of Clients and their profiles (# of Clients, Type of Client, Client Profile)

1.5 What is the Program design?

1.6 For what period of time are clients usually serviced?

1.7 Who are the key stakeholders of your organization (e.g. Police, Court Services, Financial Assistance, Youth and Sport, Children of Bermuda, etc…)

1.8 What are the output measures or Key Performance Indicators for the organization?

1.9 What has been the outcome against your output measures for the past 12 months (Output measure/Outcome/results)?

1.10 What are the Evaluation methods used for your client?

1.11 What is the referral process for your clients before and after they enter or leave your organization?

Ministry of _____

Application for Grant

- Section 1 – Organization's details

1.1 Name of Organization

1.2 Name of Project

1.3 Contact Name

Full Postal Address

Telephone number

Fax

Email

1.4 Legal constitution of organization
(e.g. registered charity, limited company, etc…)

1.5 Summarize your organizations:

(a) Overall aims and objectives

(b) Description of organization (attach business plan, mission statement, target group, size of clientele, types of programs, list of directors and board members)

1.6 How has your organization identified these targets?

1.7 Purpose of Grant

• Section 2 – Grant Details

2.1	Period for which grant is being requested?	/20__ To /20__
2.2	Total amount requested (attach detailed budget for program and organization)	$.
2.3	Total amount received in current year (attach detailed budget)	$.
2.4	Total amount received last year	$.

2.5 What arrangements is the organization making towards meeting its costs beyond the Ministry of Health and Family Services Grant?

• Section 3 – Certification

On behalf of (insert organization's name)

We apply for a grant of (insert applied for amount

In respect of expenditure to be incurred in the financial year ending _____ for the programs specified in Section 1.6

We certify that to the best of our knowledge and belief that the statements made by us in this application are true and that the information provided is correct

Signature

Name in BLOCK LETTERS

POSITION

GOVERNMENT OF BERMUDA
RISK MANAGEMENT POLICY STATEMENT

Appendix 1

The Government of Bermuda operates to a published policy for the management of risk. This policy makes Heads of Departments accountable for the implementation of agreed risk management standards and practices.

The Government of Bermuda seeks to provide the most cost-effective and efficient administration and services to the citizens of Bermuda To support this objective, Government needs to preserve and protect Government resources and particularly its employees, physical assets and technological capability from the consequences of fortuitous loss events. Government also has a responsibility to protect the environment of Bermuda.

Risk management is the systematic, positive identification and treatment of risks which represent a threat to the resources and effective operation of Government, both as related to existing activities and also to new and discontinued operations.

Government regards Risk Management as an integral part of the total management process and all Department Heads and nominated Managers are required to:

* implement risk management standards and practices in the areas for which they are accountable.

* ensure that these are fully communicated to all employees and other parties for whom Government is or may be responsible.

The.....Department is responsible for developing risk management standards for Government in consultation with Heads of Department and nominated Management and for providing such assistance as is necessary to enable them to fulfill their responsibilities.

_____ _____

Title Date

GOVERNMENT OF BERMUDA
RISK MANAGEMENT OPERATING STRUCTURE

Cabinet has delegated responsibility for the direction and development of risk management strategy to the Accountant General's Department.

Heads of Departments and nominated Management are accountable for implementing the Risk Management Policy, which will include the development of structures, reports and systems appropriate to the size, activities and potential risk exposures of each Department or Operating Unit, in order to more effectively manage risk and support the agreed strategy. It is therefore essential that each Department and Operating Unit take a pro-active role in the identification and control of risk within their area of activity and ensure that :

* all of their employees achieve and maintain the necessary level of risk awareness.

* all desirable and cost-effective risk improvements which improve the risk profile of Government are implemented.

GOVERNMENT OF BERMUDA
RISK MANAGEMENT POLICY

The risk management policy shall be administered by the Accountant General's office, with the support and assistance of the designated risk management consultant in conjunction with all Government Ministries and Departments, and shall include:

1. Risk Analysis - Identification and measurement of the consequences of all potential threats which could involve Government in either

   * significant financial, physical or environmental loss and/or

   * death and/or injury to employees or third parties

   as a result of fortuitous events must be a continuing process.

   Risk Analysis must be an integral component of the total management process for each Department and Operating Unit, aimed at assessing the potential loss to Government arising out of either single events or an accumulation of events from the same cause.

2. Risk Avoidance - As a result of the Risk Analysis process, the risk of fortuitous loss and the probability of such a loss may be considered disproportionate to the financial or non-financial benefits to be derived from an existing or proposed activity.

   In such circumstances the viability of continuing with or embarking upon such activities must be carefully considered against the background of the potential consequences of a significant loss, particularly if the potential loss is considered to be equal to or in excess of the financial or non-financial benefit derived from that area of activity.

3 Risk Reduction (Loss Prevention) - It is the policy of Government that it is preferable to attempt to prevent or reduce losses before considering other techniques of risk handling. Should it be determined that a given risk is to be retained (or transferred) and not avoided, it shall be the policy of Government to utilize loss prevention techniques whenever possible, consistent with the costs involved.

   The reduction of risk of loss depends primarily upon careful review of all operations, equipment, facilities, and programmes to identify potential hazards and to eliminate or reduce them to their practical minimum. This review will be a constant process for all activities, operations, and projects and will require participation on the part of all management and supervisory personnel;

4. Risk Retention - It shall be the policy of Government to retain risk ("self insure") where feasible. The following are Risk Retention Guidelines:

Risks(s) shall retained when:

A. The potential annual loss is small enough to be conveniently treated as a normal operating expense;

B. The probability (frequency and / or severity) of loss is sufficiently determinable that the loss can be quantified and budgeted;

C. The costs of insurance are disproportionately high when compared to the cost of retention;

D. Where the probability of a loss is remote and insurance cover is either unavailable or unaffordable. If, however risk measurement indicates an unacceptably high level of potential severity, then risk avoidance should be considered.

Government will create and maintain an adequate vehicle for the financial management of retained risk;

5. Risk Transfer - Contractual Agreements - It shall be the policy of Government that the opportunity to transfer risk(s) shall be given primary consideration In all contractual relationships, Government shall transfer to others all risks of loss from chance events appropriate to the transactions and relationship of the contracting parties. It shall be Government policy to consider, prior to contractually transferring risk(s) to another party, the party's ability to assume the risk(s). Contractual transfer of risk shall be supported by insurance of the indemnitor and evidence of such insurance shall be required;

6. Risk Transfer - Insurance - Government shall purchase insurance under the following circumstances:

A. When required by law or contract;

B. When the potential for loss is too great to feasibly retain;

C. When the fluctuation in the cost of otherwise handling the risk(s) is unacceptable and insurance is available on an economically acceptable basis;

D. When insurance can more practically or more economically provide ancillary services required;

7. Joint Transfer and Retention - Government will, where possible, utilise the most cost-effective combination of risk financing techniques as related to each category of risk exposure. This is likely to involve purchase of insurance (risk transfer) where appropriate, combined with application of varying methods of risk retention e.g. use of single and aggregate loss deductibles, self-funding, first loss limits and such other methods of risk retention as may be deemed appropriate in the circumstances. The joint approach will be used when relatively low risk(s) of loss can be prudently retained, or where the prohibitively high cost of primary insurance coverage justifies combining risk transfer and risk retention.

GOVERNMENT OF BERMUDA
RISK MANAGEMENT PROCEDURES

1. Government's risk management resources, channeled through the Accountant General's office, will provide the following services directly or through contracted services:

   A. Loss prevention, loss control and safety management,

   B. Evaluation of insurance needs and self insurance (retention) abilities;

   C. Risk management and analysis consulting services for all Government departments and activities;

   D. Management of all commercial insurance and self insurance programmes, including claims administration functions;

2. Questions of law and trial legal services shall be the responsibility of the office of the Attorney General.

3. All new endeavours of Government, whether by statute or by managerial or ministerial direction (including proposals to establish new programmes, abandon existing programmes or significantly modify existing programmes), shall require risk evaluation. For minor programme revisions such evaluation can be performed by department management with risk management resources available for consultation if necessary. For major changes, additions, or deletions a "Risk Opinion" should be requested from the Accountant General's offices;

4. All levels of management shall cooperate with and, where necessary, participate in Government's safety/loss prevention training, data collection, claims management, and risk analysis activities as administered by the Accountant General's office, and its supporting risk management resource;

5. The Accountant General's office, in conjunction with the risk management resource employed, will administer the risk management programme of Government and recommend those risks to be assumed, retained, insured, or transferred,

6. An annual report will be made to the Financial Secretary on the risk management programme, including loss prevention and safety programmes, status of self insured programmes, premium and loss record of insured exposures, and other pertinent information.

EXAMPLE OF GENERAL TERMS AND CONDITIONS RELATING TO GRANTS

The Department of Financial Assistance reserves the right to modify these "General Terms and Conditions relating to Grants" at any time prior to their inclusion as part of the Letter of Offer.

General Terms and Conditions
Version I, Date of Effect 1 September 2003

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1 INTRODUCTION

1.1 Interpretation

a. In the Grant Conditions, unless a contrary intention appears:
   - words in the singular include the plural and words in the plural include the singular and a reference to one gender includes the other gender;
   - headings are for convenient reference only;
   - The words "us", "we" and "our" are used to refer to the Department of Financial Assistance of the Ministry of Health and Family Services ;
   - The words "you" and "your" are used to refer to the organization or individual to whom the grant is being made, and includes employees, agents and contractors unless the context implies otherwise.

b. In the event of any inconsistency between these Grant Conditions and any other condition then these Grant Conditions take precedence.

1.2 Definitions

a. In the Grant Conditions:

"the Act" means the Charities Act 1978.

"Acceptance of Grant Offer" means the letter in which you accept the Grant from us.

"Approved Activity" means an activity described in detail in terms of its Objective and other matters in the Letter of Offer.

"Approved Budget" means the budget approved for one activity or a number of activities as specified in the Letter of Offer.

"books of account" means all records that relate to financial transactions, whether manual or computerised, and includes, for example, documentation of purchases and payments.

"breach" is non-compliance with any Grant Condition.

"disposal" of something means the transfer, assignment, leasing or sub-leasing, mortgaging or giving of security over the thing.

"Financial Report" means the report you are required to provide us, and includes the financial statements and the notes to the financial.

"Financial Statements" consist of the Statement of Financial Position (formally known as the Balance Sheet), the Statement of Financial Performance (formally known as the income and expenditure or profit and loss statement) and the statement of cash flows.

"Grant" means a grant made by us to you for an Approved Programme subject to the Grant Conditions.

"Grant Asset" means any item of real or personal property purchased or constructed with Grant Funds for an Approved Programme.

"Grant Conditions" means these Grant Conditions and any other conditions applied by the Letter of Offer to a particular activity or activities, including any amendment or addition to the Grant Conditions.

"Grantee" means the organization or individual to whom the Grant is made.

"Grant Funds" means the monies granted to you subject to the Grant Conditions. Unless otherwise specified in the Grant Conditions, Grant Funds do not include income generated by the activity or interest accrued during the period of the grant.

"Letter of Offer" means the letter, including all attachments, in which we offer the Grant to you.

"Objective" means the objective of the Grant specified in the Letter of Offer and General Terms and Conditions

2 THE GRANT

2.1 Purpose of Grant

a. The recipient may use the Grant to perform an Approved Activity, and for no other purpose.
b. In particular, the recipient must not use the Grant
   - to make a loan or gift; or
   - to pay sitting fees to Directors and members of their organization.
c. Unless we have given prior written approval, you must not use the Grant for any overseas travel.

2.2 Variations

a. The recipient must apply in writing to the Ministry if they wish to vary:
   - the Objective of an Approved Activity;
   - the amount of the Grant; or
   - the Grant Conditions.
b. The Minister may approve or decline the variation.
c. If we seek to vary the amount of the Grant, the Grant budget, the Objective or other Grant Conditions, we will consult with the recipient, and consider any objections from the recipient, before deciding whether to proceed with the variation.

3 GRANT FUNDS

3.1 Grant Budget

a. The recipient must perform the Approved Programme within the limits imposed by the Approved Grant Budget.
b. Unless we give prior written approval for a different use, all income generated (including interest derived from the deposit of Grant Funds) while carrying out the Approved Activity must be used towards the Objective of the Approved Activity.

3.2 Releases at the Minister's Discretion

a. While the Ministry of Health and Family Services will try to meet any agreed timetable for the release of funds, we may cease or suspend payment of all or part of the Grant Funds at any time, including projected payments under a multi-year grant. Such action may be taken for a number of reasons, including but not limited to budget cuts and changes in our funding policies and priorities.
b. Unless the Ministry decides otherwise, the Ministry will not release Grant Funds while the recipient is in breach of the Grant Conditions or in breach of conditions of other grants made by the Government of Bermuda or its' Quangos.
c. If the Ministry determines that previously released Grant Funds have not been expended, we may suspend or reduce future releases to the recipient by the amount of the unexpended funds.
d. Where operational Grant Funds, as defined in the Approved Budget, remain unspent at the end of any financial year within the term of a multi-year funding agreement, the Recipient may reduce future releases to you by the amount of the unspent funds.

3.3 Minister's directions

The Minister may, after consultation with a Grant Recipient, give to that Recipient such general directions as to the policy to be followed in the performance of its functions with respect to that grant as appear to the Minister to be necessary in the public interest.

3.4 Deposit of Grant Funds

a. It is the recipient's responsibility to ensure that all Grant Funds released to them are deposited into a financial institution account or accounts in the recipient's name. The recipient must provide such details of the account, as we reasonably require from time to time.
b. The recipient's accounting system must be structured to enable income and expenditure or receipts and payments for each Approved Activity to be identified and reported in accordance with Grant Condition 5.2

3.5 Surplus Funds

a. Where the Ministry determines that Grant Funds are surplus to the requirements of the completed Approved Activity, the Ministry will notify the recipient of the amount of the surplus and will:
    - require the surplus to be repaid to the Ministry at a stipulated time; or
    - Off-set it against releases under grants made in the same or later financial years.

4 ADMINISTRATIVE REQUIREMENTS

4.1 Notification of Change to Grantee's Profile

a. The recipient must inform the Ministry whenever there is a change in the structure, management or operations that could reasonably be expected to have an adverse effect on the recipient's ability to comply with the Grant Conditions.

4.2 Staff and Office Bearers

a. The recipient must not employ, engage or elect any person who would have a role in the management or financial administration of their organization if:
   - the person is a bankrupt; or
   - the person has suffered final judgment for a debt and the judgment has not been satisfied; or
   - within the last five years the person has been
     - convicted of an offence or offences involving dishonesty; or
     - released from prison after having been imprisoned for the offence or offences; or
     - the person is otherwise prohibited from being a member or director or employee or responsible officer of your organization under any applicable legislation.

b. Where a person falls within category 4.2.a of the Grant Conditions while employed or engaged by the recipient, or after being elected as an officer of your organization, the recipient will be in breach of this Grant Condition if the recipient does not:
   - transfer the person to a position which does not have a role in the management or financial administration of your organization; or
   - terminate the employment or engagement of the person or remove the person from office, as the case may be.

c. If the recipient's advise us that such termination action would be harsh, unjust or, we will take the recipient's view into account in deciding what action to take as a result of the breach.

4.3 Requirement for the Awarding of Contracts

a. In the awarding of contracts to supply goods or services for Approved Activities the recipient must fulfill the following requirements:
   - where possible Bermudian organisations must be offered the opportunity to participate in tendering or quoting for any contract for the supply of goods or services;
   - contract specifications must not discriminate against Bermudian suppliers;
   - all intending suppliers must be asked how they would provide meaningful employment and training opportunities for Bermudian people, indicating the nature of the employment and the number of Bermudian people to be provided with employment or training opportunities; and
   - contract specifications must not bias or predetermine the outcome, by placing unreasonable restrictions or qualifications on the prospective tenders.

4.4 Requirements for Procurement of Services and Assets Other Than Land

a. Where the approved budget provides for the acquisition of assets other than land, the recipient must be able to demonstrate that they have obtained value for money through fair and open competition for the provision of the assets or services.

NOTE
Value for money is the basis for identifying the acquisition that meets your needs in the most cost-effective manner after all costs and benefits have been taken into account. Value for money may be demonstrated by providing evidence that you have received competitive quotes or gone to public tender to select the supplier.

b. The Ministry will release Grant Funds for the purchase of the asset or service only when the recipient has provided a written statement to our satisfaction detailing:
   - how you will be obtaining value for money for the provision of services; and
   - any relationship or interest (whether direct or indirect) you have with the preferred supplier or subcontractor, including the Ministry's staff.
   - If purchasing second-hand motor vehicles, the recipient must provide to the Ministry a certification by a qualified mechanic of its roadworthiness or mechanical capability for the intended purpose.

c. Grant Condition 4.4.b does not apply to:
   - the engagement of an auditor nominated by law to audit the recipient 's financial statements; or
   - the acquisition of services from water, electrical, telephonic or other government authorities; or
   - there is no other competitor in the region.

4.5 Grant Assets

a. The recipient must not use Grant Assets for any purpose other than an Approved Activity.
b. The recipient must obtain the Ministry's written approval:
   - before disposing of any Grant Asset having a current market value over $5,000; and
   - before using the proceeds from such disposal.
c. The recipient must create and maintain a register of Grant Assets where the purchase or construction price of the Asset is over $2,000.

5 MONITORING AND ACQUITTANCE

5.1 Monitoring of Records and Assets

a. The Ministry may from time to time during normal business hours and at such other times as are agreed: a.
   - enter the recipient's premises and places of business;
   - inspect and copy the recipient's books of account, financial records, and any other financial and non-financial records relating to a Grant made by the Ministry; and
   - inspect any assets acquired with funds provided by the Ministry.

b. The recipient must, as required by the Ministry for the purpose of inspecting such assets or copying such accounts or records:
   - make available all information, documentation and data, in any medium required by the Ministry
     - at the recipient's registered office or,
     - with the Ministry's consent, at your principal place of business or other place;
   - provide any assistance the Ministry requires, in particular, make personnel available who will provide access to
     - the recipient computer records; and
     - copies of documentation, including computer discs or other forms of electronic data.

5.2 Periodic Financial Reporting

a. The recipient must provide the Ministry with periodic financial information as specified in the Letter of Offer, and prepared as set out in the Grant Conditions
b. The recipient may prepare financial information on an accrual or a cash basis.
c. Financial information must include:
   - Statement of Financial Performance or a receipts and payments statement for the year-to-date compared with the Approved Grant Budget. All bank interest and income generated by the activity must be included.
   - A Balance sheet for the organization;
   - A schedule of Grant Assets purchased during the year compared with the approved budget; and
   - In cases where the financial statement has been prepared on a cash basis, total debtors and creditors

5.3 Activity Performance Reporting

a. The recipient will provide us with an program performance report for all activities as specified in the Letter of Offer, or such other periods as agreed to in writing by the Ministry
b. The report must identify the activity and include in relation to each activity:
   - description of actual performance against the agreed output measures;
   - whether the activity has been completed.

5.4 Acquittance Requirements -Financial Reporting

a. Where the recipient receive total grant funds not exceeding $100,000 from the Ministry in a financial year, the following applies:
   - where the provision of periodic financial information is a Grant Condition, the annual final statement that is provided on completion of the program will be sufficient for acquittance purposes.
b. Where the recipient receive total grant funds exceeding $100,000 from us in a financial year, the recipient will provide the following documentation to the Ministry by the period specified in the Letter of Offer:
   - Financial information prepared and signed as detailed in Grant Condition 5.2 (Periodic Financial Reporting).
   - The recipient's Financial Report disclosing, in the Statement of Financial Position, the balance(s) of Grant Funds unexpended, repayable or paid in advance (as current liabilities).

5.5 Reviews

a. The Ministry may from time to time:
   - review the recipient ‘s financial and operational performance in relation to a Grant and other grants from the Ministry; and
   - exercise the Ministry’s powers to monitor the recipient‘s records and assets for the purpose of any review.

6 BREACH OF CONDITIONS

6.1 Powers and Remedies Relating to Breaches of Conditions

a. Where the Minister is satisfied that you have failed to comply with a Condition of any grant made by us, we may
   - decide not to make releases of current Grant Funds until we are satisfied that you have taken steps to remedy the situation which caused the breach;
   - ask you to transfer any Grant Assets acquired under any grants made by the Ministry, to the Ministry or to another person or a body we may nominate, and the recipient must do all things and execute all documents reasonably required by us to effect such transfer;
   - ask the recipient to take whatever action the Minister considers reasonable to protect Grant Assets acquired under this or other grants made by the Ministry from theft or damage. This action may include the storage and delivery to the Ministry of the Grant Assets, or documents relating to them. The recipient must take such protective action as soon as possible after we have notified you of the requirement;

b. Where we determine that the recipient cannot manage the Grant, we may
   - vary the budgeting requirements,
   - vary the periodic financial reporting requirements,
   - vary the activity performance reporting requirements,

NOTE

- Indicators of a lack of capacity to manage the Grant would include, for example, failure to deal with incidents of misappropriation of funds and fraud within your organization, insolvency, and extremely low or deteriorating compliance with specified performance measures.
- If the Minister is satisfied that you will be able to perform the Approved Activity, but will not be able to perform it as scheduled before the term of the Grant expires, the Ministry may reduce the amount of Grant Funds available for release to you until you are in a position to use them.
- Where a failure to perform the activity is due to circumstances beyond your control, the Minister will take this into account in deciding what action to take as a result of the breach.
- These powers, rights and remedies are in addition to any other powers, rights and remedies which we may have to ensure compliance with the Grant Conditions and the achievement of the objectives of the Approved Activity.

6.2 Waiver

a. Failure by us to take action following a breach of a Grant Condition does not mean that we waive our rights in respect of that breach or any other breach of the Grant Conditions.

Grant Management System

A number of institutions throughout Bermuda are provided with funding from the Government to deliver specific objectives to the greater Bermuda population. There is a need for a proper Governance system that speaks to Performance Standards and Reporting.

1 Performance Standards

It is the Government's intent that the standards' design will ensure that information is accurately and objectively reported to the government.
The Performance Standards specify the major areas that grant recipients must address. Listed below each standard are specific indicators that service providers must adequately address to successfully meet the standards.
The intent of the Performance Standards is to create a uniform grant reporting system that provides the Government with information necessary to ensure the most effective and economical delivery of approved services. Uniform standards allow program staff and members to spend more time on client-related issues and less time fulfilling grant reporting requirements.

1.1 Performance Standard One: Strategic and Collaborative Planning

The organization consults with the Government on a periodic basis. The organization delivers services that are responsive to client needs, consistent with the P*urpose of the Government Funding* and the organization's mission.

1.1.1 Indicators:

The organization:

- Identifies its role and defines its target client population(s);
- Periodically (*i.e.*, 12 – 18 months or as circumstances dictate) undertakes a comprehensive reassessment of the needs of its target client population in consultation with clients and the Ministry of Health and Family Services;
- Defines client service priorities, goals and objectives;
- Delivers services designed to meet client priorities, goals and objectives and states desired outcomes that are consistent with the organization's role under the *Purpose of the Government Grant*;
- Evaluates the effectiveness over time of client services in relationship to stated goals and objectives;
- Adjusts service delivery plans in response to changing and/or emerging needs or unexpected results.

1.2 Performance Standard Two: Quality Assurance

The organization develops and maintains the capability to ensure high quality client services.

1.2.1 Indicators:

The organization:

- Achieves client-defined objectives consistent with applicable rules and standards governing professional responsibility;

- Ensures effective supervision of client service activities;
- Provide appropriate staff and management training opportunities and access to essential tools and technical expertise;
- Perform a periodic evaluation of staff and management to ensure quality client services;
- Recruits and provides appropriate support for a high quality, diverse and client-sensitive staff;
- Adopts internal systems and standards for the timely, efficient and effective practices.

1.3 Performance Standard Three: Effective Management and Administration

The organization has management and administrative systems that enable staff and the organization to carry out work consistent with these standards.

1.3.1 Indicators:

The organization:

- has personnel and organizational management systems;
- develops and maintains internal communication and technology coordination;
- employs effective fiscal administration and record keeping;
- develops good external relations and communications capabilities;
- complies with applicable grant and contract provisions.

1.4 Performance Standard Four: Governance

The organization's board actively supports the mission and activities of the organization, and effectively exercises its oversight responsibility. The board ensures that the organization works in partnership with the Ministry of Health and family Services

1.4.1 Indicators:

The organization ensures:

- Board members are knowledgeable and committed to the terms under which the Grant was provided, the mission of the organization and the role of the organization in Bermuda;
- the Board actively and appropriately engages in program governance and oversight;
- governance structure serves the organization's mission and ensures the highest and best use of the organization's resources;
- the board is knowledgeable about the program's activities.

2 Reporting

To ensure that the Grant recipients are fulfilling their obligations as outlined in the initial provision of the grants it is imperative that certain reports be received on a regular basis. These reports are designed to give information to both the Government and other key stakeholders. The reports will be delivered to the Officer assigned to the board by the Government as well as the Accountant General.

2.1 Initial Grant Request

These reports are ordinarily due along with the grant request by July of the preceding year.

- Proposed Annual Budget for the upcoming financial year
- Official Application for grant funding
- Business Plan and any additional information that will assist the Ministry in reaching a decision
- Audited Financial Statements for previous year in accordance with Generally Accepted Accounting Standards.
- For previous grant awardees - Annual Program report to the Ministry (See Appendix 2)
- List of all members of the Board and sub-committees, Posts, relevant contact information and term of office

2.2 Monthly

Grant funding is given by Government to achieve mutually agreed to purposes and objectives. As such the Government is extremely interested as to how funds are being used to meet the public agenda as well as how the programs are being managed. These reports are due fifteen (15) days after the end of each month.

- Monthly reports to the Minister on any items of urgency that the Board is aware of or a report that there are no matters of urgency that the Board is aware of.

2.3 Quarterly

These reports are due thirty (30) days after the end of the quarter

- Quarterly Performance Standard/Statistics established in conjunction with Government where requested
- Quarterly Performance Report (*See Appendices*)
- Quarterly Financial Statements of the program and the organization as a whole.

2.4 Annually

This report is due sixty (60) days after the end the year.

- Annual report on how the Recipient has used the funding in pursuit of the Program objectives
- End of year un-audited Financial Statements in accordance with Generally Accepted Accounting Principles.
- Audited Financial Statements will be submitted in accordance with the applicable legislation and no later than 120 days after the applicable year end.

2.5 Compliance with Legislation

Every Board that operates under the Charities Act will comply with it in full. In particular, full compliance with the Charities Act 1978 Section 8 is expected, which states *inter alia*:

a) Every registered charitable organization shall maintain accounts containing a statement of all moneys received for charitable purposes and the expenditure thereof and containing such other information as may be prescribed.
b) The treasurer or other person having supervision of the accounts of any registered charitable organization shall submit a true copy of such accounts to the Registrar within six months of the end of each financial year.
c) … the accounts of any charitable organization for the preceding financial year shall be audited by a person approved by the Minister and the treasurer or other person having the supervision of the accounts of that charitable organization shall comply with any such requirement.
d) Any neglect or failure of any registered charitable organization to comply with any provision of this section or with any requirement made there under shall be an additional ground upon which the Commissioners may proceed to cancel the registration of that organization under section 5.
e) Any accounts submitted to the Registrar pursuant to subsection (2) and any written report on or any written results of any audit required pursuant to subsection (3) shall be available for inspection by members of the public during normal working hours.