

GOVERNMENT OF BERMUDA



Financial Instructions

Accountant General's Department
Ministry of Finance
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Revised 1st November, 2013

Introduction

Financial Instructions (“FI”) have been established in order to improve and clarify the standards of financial control within Government consistent with international best practice and to provide for appropriate levels of Public Finance control and governance.

The foundations of that control framework have been designed to ensure that there is a primary focus on accountability, value for money, fairness, transparency, equal access and compliance to prescribed policies and procedures.

The Accountant General will continue to amend FI on such a basis as determined to keep it relevant and applicable.

FI cannot override the requirements of 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.

While each Government department is unique in terms of its objectives and daily operations, the FI are required to ensure that financial transactions are properly recorded and controlled on a consistent basis and that capital projects and significant expenditures for the purchase of goods and materials and the procurement of contract services have appropriate governance and control frameworks in place.

FI should form the minimum standard for financial controls in every department, ministry, or QUANGO* with additional specific procedures formulated at the departmental level or tailored to the respective needs of the QUANGO.

Financial Instructions 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**.

The value of FI cannot be realised unless they are read, understood and consistently applied by Government employees. It is the responsibility of all persons having a fiduciary duty for government funds/assets to understand the relevant FI and ensure that the internal controls and governance frameworks, as outlined therein, are followed.

Any questions relating to the application or interpretation of FI should be referred to the Accountant General’s Department.

With no bias intended and for simplicity, the pronoun ‘he’ has been used throughout FI rather than he/she or he or she.

* If a QUANGO chooses to use these FI, any modifications must be documented in writing. If a QUANGO chooses not to utilize these Financial Instructions, the

organization must have written financial procedures in place. These financial procedures must be reviewed and certified by the appropriate authority annually and subsequently provided to the Accountant General's Department and the department or agency that provides funding to the QUANGO.

Any organization that receives funds from the Bermuda Government must have a set of written financial procedures in place to 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.

1. Definitions

1.1 Government

Government or **the Government** refers to any or all of the departments/ministries as listed in FI Section 1.6.

1.2 Government Employees

Government employees or **employees** include civil servants, industrial employees, police officers, prison officers, fire officers, teachers and principals.

1.3 Accountant General

The **Accountant General** is the principal Accounting Officer of Government responsible for:

- Preparation of all accounting statements required by Parliament or the Minister of Finance;
- General supervision and review of all departmental financial accounting functions.

1.4 Accounting Officer

An **Accounting Officer** is the officer of a department/ministry whom the Minister of Finance regards as responsible for the custody and control of funds voted by the Legislature and the collection of revenue due to that department/ministry. The Minister of Finance will appoint the Permanent Secretary or Head of Department, or Government employee acting as such, as Accounting Officer.

1.4.1 **Responsible for ‘Signing Off’ on accounts**

The Accounting Officer is responsible for ‘signing off’ on the accounts under his responsibility during the time of that purview (even if he is no longer in the employ of the Bermuda Government).

1.4.2 **Disclosure of Relationships in the Workplace**

It is the duty of all Accounting Officers to disclose any direct personal relationships between themselves and any senior personnel who have financial and/or fiduciary responsibilities with signing or approving authority to the Accountant General, Internal Audit and the Auditor General.

Direct personal relationships are defined as persons within an immediate family (e.g, spouses, parent and children, in-laws), persons from the same household or persons in any legally binding relationship.

1.5 Department

Based on objectives and activities, Government operations are organised and segregated into 'heads'. For the purposes of FI, these heads are referred to as 'departments'. Even though certain heads are properly classified as a ministry, the term **department** is used for all heads to simplify reference.

1.6 Listing of Accounting Officers

Head	Department / Ministry Name	Accounting Officer
01	Governor & Staff	Deputy Governor
02	Legislature	Clerk to the Legislature
03	Judicial Department	Registrar
04	Attorney General's Chambers	Solicitor General
05	Office of the Auditor General	Auditor General
06	Defence	Administrator
07	Police	Commissioner
09	Cabinet Office	Secretary to the Cabinet
10	Ministry of Finance HQ	Financial Secretary
11	Accountant General	Accountant General
12	Customs	Collector
13	Post Office	Postmaster General
14	Department of Statistics	Chief Statistician
16	Ministry of Education HQ	Permanent Secretary
17	Department of Education	Chief Education Officer
18	Libraries	Chief Librarian
19	Archives	Archivist
20	Youth, Sport & Recreation	Director
21	Ministry of Health & Seniors HQ	Permanent Secretary
22	Department of Health	Chief Medical Officer
23	Child & Family Services	Director
24	Hospitals	Chief Executive
25	Department of Corrections	Commissioner
26	Department of Human Resources	Director
27	Immigration	Chief Immigration Officer
28	Social Insurance	Insurance Officer
29	Registry General	Registrar General
30	Marine & Ports	Director
31	Airport Operations	General Manager
32	Department of Planning	Director
33	Tourism	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
42	Rent Commissioner	Commissioner of Rents

Head	Department / Ministry Name	Accounting Officer
43	Information Technology Office	Director
45	Fire Services	Chief Fire Officer
46	Telecommunications	Director
48	Ministry of Tourism Dev. & Transport HQ	Administrator
49	Land Valuation	Land Valuation Officer
50	Ministry of Environment & Planning HQ	Permanent Secretary
51	Department of Communication & Information	Director
52	Community & Cultural Affairs	Director
53	Bermuda Housing Corporation	General Manager
55	Financial Assistance	Director
56	Human Affairs	Director
57	Civil Aviation	Director
60	Labour & Training	Director
63	Parliamentary Registrar	Director
67	E-Commerce	Director
68	Parks	Director
69	Conservations Services	Director
71	Ministry of Community & Cultural Development HQ	Permanent Secretary
72	Environmental Protection	Director
73	Maritime Administration	Director
74	Department of Court Services	Director
75	Department of Public Prosecutions	Minister
80	Office of Project Management and Procurement	Permanent Secretary
81	Public Lands & Buildings	Permanent Secretary
82	Works and Engineering	Permanent Secretary
83	Ministry of Public Safety HQ	Permanent Secretary
84	E-Government	Director
85	Ombudsman's Office	Ombudsman
87	Ministry of Legal Affairs HQ	Permanent Secretary
88	National Drug Control	Permanent Secretary
89	Energy	Director
91	Health Insurance	Director
92	Internal Audit	Director
93	Ministry of Home Affairs HQ	Permanent Secretary
94	Ministry of Economy, Trade and Industry HQ	Permanent Secretary
95	Ministry of Economic Development HQ	Permanent Secretary
96	Sustainable Development	Permanent Secretary
97	Land Surveys & Registration	Permanent Secretary

1.7 Listing of Internal Audit Department Contacts

Section	Position	Contact	Email Address
Internal Audit	Internal Audit	294 9750	internalaudit@gov.bm

1.8 **Listing of Accountant General Contacts**

Section	Position	Contact	Email Address
Benefits	Management Accountant or Supervisor	279-2651 or 279-2612	acgbenefits@gov.bm
Cashiers	Management Accountant or Supervisor	279-2640 or 295-5151 ext 1784	acgcashier@gov.bm
Compensation	Management Accountant or Supervisor	279-2651 or 279-2611	acgcompqry@gov.bm
Financial Reporting	Management Accountants	279-2624 or 279-2607	
GEHI	Management Accountant	279-2617	acggehiqry@gov.bm
Payments	Management Accountant or Supervisor	279-2625 or 279-2614	acgquery@gov.bm
Bank Reconciliations	Management Accountant or Supervisor	279-2616 or 295-5151 ext 3003	

*See the internal Accountant General web page for the latest and complete version of this listing.

1.9 **Vendor**

A vendor is any individual or entity from whom goods or services are purchased by the Government.

1.10 **Contractor**

A contractor is any individual or entity who is engaged to provide a specific task or to perform a specified scope of work through an approved contract. A contractor may not act on behalf of or act as an agent for the Government.

1.11 **Consultant**

A consultant is 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.

2. Financial Responsibilities

2.1 Implementation

This revised FI take effect from November 2013 and revoke all previous instructions and circulars in so far as they are inconsistent.

2.2 Legal Authority

Section 3(1) of the Public Treasury (Administration and Payments) Act 1969, as amended, assigns the responsibility for the financial administration of Government to the Minister of Finance who issues FI.

2.3 Application

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

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

2.4 Duties

2.4.1 Accounting Officers

It is the duty of Accounting Officers to ensure that:

- (1) up-to-date FI are readily available for the information of all Government employees,
- (2) departmental policies, procedures and staff comply with FI on a continuous basis,
- (3) departmental staff are fully aware of their responsibilities under FI,
- (4) they comply with all applicable legislation.

2.4.2 Government Employees

It is the duty of all Government employees with fiduciary duties to be thoroughly acquainted with Financial Instructions.

2.5 Amendments

Amendments will be in the form of memorandum and will also be posted on the internal Accountant General's web page.

2.6 Interpretation

Any questions arising from the interpretation of FI will be determined by the Accountant General.

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; in some cases this may be from the Accounting Officer's personal funds. Infractions of FI in an area under their purview can be noted in the Accounting Officer's personnel file and/or 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, 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, and the timeliness of detection.

Any concerns noted by the Internal Audit Department, or the Office of the Auditor General that remain un-addressed when a follow-up review is performed, may be noted as a deficiency in the Accounting Officer's Performance Appraisal which is included in the Accounting Officer's personnel file, and/or disciplinary action may be taken as 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. If the deficiency remains unaddressed it will be assumed that the accounting officer has accepted the risk. This will be referred to and addressed by the Permanent Secretary.

Observations raised by the Auditor General will be addressed by the Internal Audit Department and may be reported in the public domain.

2.8 Financial Responsibilities

All Accounting Officers must ensure that the duties set out below are performed on a routine basis.

2.8.1 Accounting System

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

2.8.2 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 aggressively pursued and also reported to the Accountant General on a timely basis. An aged accounts receivable listing must be maintained.

2.8.3 Account Classification

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

2.8.4 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.

2.8.5 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.

2.8.6 Payment Authorisation

Ensure that all payments are properly authorised in accordance with FI Section 9. Payment authority will be evidenced as established in the E1 approved routes as submitted to ACG Tech by the comptroller and Department Head/Accounting Officer. Signing authority to be reviewed quarterly by the Department/Ministry Comptroller and documentation of this review should be submitted to ACG Tech.

2.8.7 Budgetary Control

Exercise budgetary control to ensure that revenues are collected and expenditures disbursed according to approved appropriations and limits. It is the responsibility of the Accounting Officer to 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. Government employees must monitor the budgets under their control monthly, as evidence by initialled and dated monthly budget reports in accordance with FI Section 5.

2.8.8 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.

2.8.9 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.

2.8.10 Prompt Response to Enquiries

Reply **within two weeks** to enquiries addressed to them by Internal Audit, the Accountant General or the Auditor General, providing full

disclosure of requested information. 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.

2.9 Surcharge

All Government employees are personally responsible for the performance of financial duties entrusted to them and for inaccuracies in the accounts prepared under their authority, and may be surcharged in this respect, under Section 29(1) of the Public Treasury (Administration and Payments) Act, 1969.

A Government employee may be surcharged, on the direction of the Minister of Finance, if he:

- (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) Is responsible for exceeding appropriated estimate's limits.
- (5) Failed to ensure that the internal controls necessary to protect the departments' assets are followed on a routine basis. (See FI Section 2.11)

2.10 Penalties for Non-Compliance

Where the Accountant General has determined that a Government employee 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 Civil Service,
- (4) Withdrawal of financial signing authority given under FI Section 7,
- (5) Recharge department for time spent on non-compliance issues.

2.11 Responsibility to Implement Checks

Accounting Officers 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

Permission to depart from FI must be sought from the Accountant General in writing with the reason and the mitigating controls. Departure from these

instructions without the written permission of the Accountant General is not permitted.

2.13 Audit Does Not Absolve Responsibility

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

2.14 Notification of Breach of Financial Instructions

Government employees 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.

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 its employees to share its commitment to high legal, ethical and moral standards.

Further information on conduct is provided in Conditions of Employment and Code of Conduct.

3.2 **Compliance With Laws and Regulations**

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

Employees must ensure that their conduct cannot be interpreted as being in any way in contravention of laws and regulations. Whenever an employee is in doubt about the application or interpretation of any legal requirement, the employee should refer the matter to their Accounting Officer who, if necessary, should seek the advice of the Attorney General.

3.3 **Conflict of Interest**

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

Employees 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 distraction exists which would interfere with the independent exercise of judgement in the Government's best interest.

If an employee 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 make all facts known to his superior.

3.4 **Political Activity**

Refer to 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

Employees 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 imposed to help prevent fraud and dishonesty and where an employee is aware of any evidence that fraud or dishonesty may have occurred, he should immediately advise his Accounting Officer or the Accountant General, so that further investigation can be promptly initiated.

Where an employee'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 employees responsible for accounting and record-keeping functions are expected to be diligent in enforcing all FI.

3.7 Dealing With Outside Persons and Organisations

Employees 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, government authorities and the public when dealing with matters relevant to them.

A prompt and courteous response must be made to all proper 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.

3.10 Prohibitions and Restrictions

For ease of reference, a list of prohibitions and restrictions is included in this section to promote an understanding of these practices which are not to be undertaken in the normal course of your work within Government.

Surcharge – FI Section 2.9

Personal Use of Government Property or Personal Expenditure Incurred by Government Employees – FI Section 10.4

Cheque Cashing and Related Issues – FI Sections 13.4.4, 13.4.5, 13.4.6, 13.4.7 and 13.4.8

Advances and Cash Floats – FI Section 15.1

Use of Government Vehicles – FI Section 18.1.2

Bank Accounts – FI Section 20.2.3

Signatures – FI Section 21.7

4. Internal Control

4.1 **Definition and Purpose**

Internal control is defined as the whole system of controls, financial and otherwise, established by Accounting Officers in order to carry on the operation of a department in an orderly manner, safeguard its assets and secure, as far as possible, the accuracy and reliability of its records.

The concept of internal control goes beyond financial and accounting matters and the custody of Government assets. Internal control includes controls 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,
- (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 the Accountant General when reviewing/implementing financial or internal control systems.

4.3 **Required Elements**

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

4.3.1 **Control Environment**

The control environment should reflect the overall attitude, awareness, commitment and actions of the department.

Accounting Officers are responsible for ensuring that 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,
- (5) Continual review of financial procedures to satisfy themselves that employees are conscientiously carrying out their duties in the

internal control process and are 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 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 period of the financial year. Late recording of a transaction may result in improper cut-off, which may cause financial information to be misleading and could cause budget overspends.
- (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 should not be reported as an asset of the department).
- (6) **Classification.** Transactions must be described in sufficient detail and classified in the proper cost centre and object code.
- (7) **Presentation and disclosure.** All financial transactions must be properly described, presented and disclosed.

4.3.3 Control Procedures

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

Accounting Officers' control policies and procedures should include:

- (1) **Authorisation.** Transactions must be authorised and executed in accordance with FI.
- (2) **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, separate people within the department must be responsible for authorising transactions, recording transactions and maintaining custody of assets.

- (3) **Recording.** Accounting records and documents must be properly designed and maintained.
- (4) **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.
- (5) **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. an Accounting Officer's review of an accounts receivable ageing prepared by an Accounts Clerk).

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 as to 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

4.5.1 Mission

To assist the Government in the effective discharge of their responsibility by providing assurance and advisory services to the public sector regarding the design and operating effectiveness of departments' systems of internal control.

4.5.2 Role and Objectives

The role and objectives of internal audit include but are not limited to:

- (1) Determine compliance with those policies, procedures, laws, rules and regulation which have or could have a significant impact on operations or financial reporting.

- (2) Ensuring assets are adequately safeguarded and are used as intended;
- (3) Perform independent and objective appraisals and consultative services;
- (4) Evaluate the accuracy, reliability and completeness of management data across all departments;
- (5) Promote effective and efficient internal controls.

4.5.3 Authority

The Accountant General and the Director of the Internal Audit Department and their nominated staff and consultants have authority to:

- (1) enter all Government premises or land;
- (2) access all records, documents, correspondence, personnel, assets and any property relating to financial or other transactions of the Government;
- (3) obtain information and explanations, as they consider necessary, for the performance of their duties.

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 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 and the Auditor General shall be notified.

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 Government Employees

All Government employees must continually monitor the budgets under their control. Due regard must be paid to the level of service being achieved for the money expended. **Money must not be spent merely because it has been approved.**

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 / object code 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 as prescribed by the Ministry of Finance on the following:

- (1) Expenditure - total by department – including explanations of anticipated adjustments which may cause a revision to the approved original estimates.
- (2) Revenue - total 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 before the expenditure is actually incurred, for the approval of the Ministry of Finance.

5.5.3 **Supplementary Estimates (Overspending)**

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

All supplementary estimates must be approved by the Legislature before an over-expenditure of the Ministry and/or department's total approved estimates.

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

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

Accounting Officers are subject to penalties per F.I. 2.9 if an over-expenditure occurs without prior approval of the Legislature.

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 Other Balance Sheet Account accounts.

6. Value for Money

6.1 Definition

Accounting Officers must be concerned, not only with the regularity and lawfulness of accounts, but also with the **economy**, **efficiency** and **effectiveness** in the use of resources. These three terms are referred to as 'value for money' and are briefly defined below.

6.1.1 **Economy**

"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.

6.1.2 **Efficiency**

"Efficiency" is the use of financial, human and physical resources such that output is maximised for any given set of resource inputs, or input is minimised for any given quantity and quality of output provided.

6.1.3 **Effectiveness**

"Effectiveness" is the achievement of the objectives or other intended effects of programs, operations or activities.

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 Employees

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 departmental staff.

Accounting Officers must strive to encourage a working environment conducive to achieving optimum value for money. Government employees 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 personally 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

7.1 **Specimen Authorised Signature Card**

Accounting Officers may delegate financial signing authority by completion of a “Specimen Authorised Signature” card (See Exhibit 1). The card should also include dollar limits/levels of authority for the various functions in the department, and must be approved by the Accounting Officer and initialled as reviewed by the Department/Ministry Comptroller. (See suggested limits for contracts in FI Section 8.3)

7.2 **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 via:

acgtech@gov.bm

All additions and changes (e.g. job title changes) require a new Specimen Authorised Signature card to be duly completed and submitted with a written request. Only one card should be completed for each delegate.

7.3 **Approval**

Financial approval authority additions and changes must be approved in writing by the Accountant General. Documents must not be processed by a new financial approval authority unless written approval has been received from the Accountant General.

7.4 **Retention**

The Accountant General shall retain all Specimen Authorised Signature cards.

7.5 **Duty of Accounting Officers**

It is the duty of Accounting Officers to ensure that the financial signing authority listing is current and complete. Accounting Officers must review their delegation of financial signing authority at least quarterly.

7.6 **Delegation**

The following financial signing authorities can be delegated:

7.6.1 **Purchase Orders**

Electronic purchase orders 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.

7.6.2 Payment Vouchers

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

7.6.3 Weekly Payroll

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

7.6.4 Monthly Payroll

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

7.6.5 Revenue Receipts

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

7.7 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.

7.8 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 role and responsibility of the Accounting Officer to ensure that the department established authority levels are appropriate and any changes, additions or deletions are communicated to the Accountant General’s departments. The Accountant General will provide guidance, if required.

8. Purchase of Goods and Services

8.1 Objectives

A consistent approach to purchasing across the whole of Government is essential to achieve the following objectives:

- Value for money,
- Fairness, i.e. quotations and/or tenders will be treated equally,
- Conduct of business openly and without restrictive practice,
- A variety of suppliers are given the opportunity to quote,
- Compliance with FI,
- Ensure there is no other outstanding Government Debt that is not in repayment/resolved before contract commencement.

8.2 Procedures

To ensure this consistent approach, departments must comply with the procedures outlined below. The exception to this is the Ministry of Public Works who, because of the nature of their operations, adopt more rigorous and complex procedures. (Refer to the following Public Works internal publications: P.F.A. 2000 - Purchase of Goods & Materials and P.F.A. 2002 - Procurement of Contract Services.)

NOTE: For all Contracts, the office of the Tax Commissioner, the Department of Social Insurance, and the Accountant General's office should be contacted for clearance and/or information regarding Government indebtedness **before** the contract is awarded and this must be documented and kept with the contract. If debt exists, arrangements for repayment must be agreed and included in the contract (as appropriate for offset) before the contract is awarded.

8.2.1 **Goods and Services up to \$1,000**

- (1) Goods and services with an estimated value of up to \$1,000 may be obtained on the basis of a single quotation by telephone or in writing.
- (2) Alternative prices should be sought wherever possible and from as wide a range of suppliers, as is practicable.
- (3) The same supplier should not be used repeatedly without good reason, e.g. consistently better prices or quality, or a centrally tendered supply, such as photocopy paper.

8.2.2 **Goods and Services in Excess of \$1,000 up to \$5,000**

- (1) Goods and services with an estimated value in excess of \$1,000 and up to \$5,000 shall be obtained on the basis of **at least 3**

quotations. If 3 quotes are unobtainable because of limited suppliers in Bermuda this must be documented.

- (2) Employees shall ensure that, over the course of time, the range of suppliers requested to provide quotations is as wide as practicable.
- (3) Accounting Officers may be called upon to justify the quotation process.
- (4) The employee initiating the request shall clearly state all the relevant information necessary to secure an accurate price.
- (5) Responses need not be in writing but the Government employee initiating the request shall keep detailed records.

8.2.3 Goods and Services in Excess of \$5,000

- (1) Goods and services with an estimated value in excess of \$5,000 shall be obtained on the basis of at least 3 quotations.
- (2) The range of suppliers requested to provide quotations must be as wide as practicable.
- (3) Accounting Officers are responsible for ensuring that these procedures are followed and may be called upon to justify the tendering process.
- (4) The employee initiating the request shall clearly state all the relevant information necessary to secure an accurate price.
- (5) Quotations must be submitted in writing and retained in accordance with FI Section **22**.
- (6) A closing date/time for submission of quotations must be stated and strictly observed.
- (7) The lowest price must be accepted or reasons for not accepting the lowest price must be documented.
- (8) Unsuccessful suppliers should not be allowed to re-submit a lower quotation price - the first quotation must be accepted.
- (9) Successful and unsuccessful suppliers should be notified in writing.
- (10) Where possible, quotations for an annual supply should be sought to obtain quantity discounts.
- (11) When requesting quotations from foreign suppliers, ensure that total landed cost is used to compare to local quotations. Landed cost should include purchase price, exchange, freight, duty and all handling costs.

8.2.4 Purchasing Advice

The Purchasing & Supply Officer, Purchasing Section, Ministry of Public Works, is available to provide purchasing advice and assistance to departments.

8.3 Contracts / Agreements for Goods or Services in Excess of \$50,000

8.3.1 Documentation

A minimum of three recorded written quotations or tenders, using the Invitation to Tender or Request for Quotation, are to be considered before the acceptance of the supply of goods or services in excess of \$50,000. The recommended quotation or tender must be documented in a written agreement or contract.

Once a satisfactory contract is formulated, except for minor amendments, the contract could be used for many other types of supply.

Contracts totalling over \$50,000 (including those with multiple payments) must be approved by Cabinet before the agreement or contract is assigned. This includes contracts or agreements for the same/related goods or services (i.e. same vendor, purchased at the same time, for the same purpose) wherein the delivery and receipt of those same goods and services by Government are separated on different dates.

Note: Contracts included here are for goods and services in excess of a total of \$50,000 which are **not** relevant to or part of expenditure for **Capital Development** as defined in FI Section 12.1.2.

8.3.2 Contract Terms

Contract terms (e.g. payments, retention, etc.) should follow generally accepted industry standards, except as otherwise agreed by the Attorney General. Terms and conditions should be equitable to both parties and reflect best practice in economy and efficiency.

8.3.3 Contract Provided by the Supplier

A contract provided by the supplier must be vetted by the Attorney General prior to signing.

8.3.4 Contract Not Provided by the Supplier

If a contract is not provided by the supplier, a contract/agreement must be prepared that includes all terms and conditions. The contract must be vetted by the Attorney General prior to signing.

8.3.5 Contract Considerations

The following issues must be considered in drafting a contract:

- Tender for contract,
- Specify parties,
- Detail/quantify goods or services to be provided,
- Specify/quantify /document objectives and anticipated results that are measurable (e.g. final report by contractor upon completion of services and periodic progress reports),

- Specify penalties or recourse for non-compliance with contract terms,
- Specify terms of contract payments (preferably no advances),
- Specify duration of contract – commencement and completion dates,
- Document provision for termination of contract,
- Specify the documentation required to support progress billings,
- Document approval procedure for contract amendments, e.g. costs,
- Clarify insurance requirements and indemnities,
- Specify exclusive rights to results and any related documentation,
- Document any retention period and related conditions,
- Document any requirement for performance security,
- Request vetting by Attorney General,
- Develop standard contract form (to the extent possible),
- Ensure contract is signed by Accounting Officer or Acting Accounting Officer,
- Require financial reference from contractor,
- Require financial statements from contractor,
- Ensure proper cut-off in financial records at year end,
- Assign day-to-day responsibility for contract monitoring within the department,
- Consider value for money in accordance with FI Section 6.

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.

9.2 Advances from the Contingency Fund

In accordance with Section 10(1) of the Public Treasury (Administration and Payments) Act 1969, 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 signing authority. For purposes of this Section, an “Authorised Officer” is defined as a Government employee with financial signing 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) carefully 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 approved routes/access in E1 for authorised personnel to ACG Tech and that personnel are adequately trained on the payments process,
- (5) exercise care and implement proper controls 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 (i.e. for grant payments), copy of contracts, petty cash receipts, pro-forma invoices, etc.

9.5.1 Required Information

Invoices or other supporting documents shall contain the following information:

Goods or Services up to \$50,000

- (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,
- (4) description of goods or services being charged or nature of payment,
- (5) total amount payable.

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

Goods or Services in Excess of \$50,000

Required information as above (i.e. up to \$50,000) **AND**;

9.5.2 Cabinet Conclusion or relevant Cabinet Conclusion reference number pertaining to the expenditure. Details of Goods and Services Provided

Invoices for **goods** should show (if applicable):

- (1) purchase order number authorising the sale,
- (2) quantities purchased,
- (3) description of each item purchased,
- (4) cost per unit and total amount charged.

Invoices for **services** should show (if applicable):

- (1) a description of the services provided,
- (2) the rate of pay (by the hour, day, etc.),
- (3) the number of hours/days,
- (4) the dates of service,
- (5) reference to a contract or agreement,
- (6) if the invoice is for delivery charges, then a copy of the waybill is required,
- (7) purchase order number, if applicable,

- (8) Invoices should be entered individually and show the individual invoice number

9.5.3 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. 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 Other than on 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 3).

Pro forma invoices must contain sufficient detail and documentation to support the payment amount, e.g. 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 overseas suppliers require payment in advance of 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 signing authority who approves a purchase order must not certify for payment an invoice relating thereto.

A financial signing 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 minimises Government 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 he is satisfied that payment is:

- due,
- a legal liability of Government,
- duly authorised for payment in accordance with FI.

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 are to be sent via Electronic Funds Transfer (EFT) unless a valid business reason is provided for a payment by cheque. The batch requesting this payment must include accurate ETF instructions.

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 for remittance advices. If a vendor does not receive a remittance advice with an EFT they should contact the department they have had dealings with and provide a valid email address, so this can be updated on the IT system.

In the event of any queries with payment issues persons can contact the Payments section by email at: acgquery@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 cheque is unclaimed, the department must contact the payee. After one month, an unclaimed cheque should be returned to the Accountant General's Payments 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 - Payments 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.

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.

9.19 Purchase Orders – Budget Checking

The Government of Bermuda enabled Budget Checking in E1 effective **April 22, 2013**.

9.19.1 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 from Budget Office to release any Budget Hold**.
- 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

9.19.2 **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/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**).

9.19.3 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.

9.19.4 Releasing of Budget Hold

At this point, there is NO expectation that Budget Office will release any Purchase Orders placed on Budget Hold.

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

Therefore it is advisable that whenever you receive an “Over Budget” warning NOT to proceed with Purchase Order creation/conversion.

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

9.19.5 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

9.20 Payment Procedures: Purchase Order Applicable

9.20.1 Match Invoice to Purchase Order

Three-Way Voucher Match

Invoices received for goods 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:

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

Three-way voucher matching avoids paying for items that have not been received, but, for which the supplier has billed.

Two-Way Voucher Match

Where applicable, expenditures rendered under the following categories are permitted for processing using a two-way voucher match:

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

A two-way voucher match requires the following documentation:

- The original purchase order
- The supplier's invoice

9.20.2 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.

9.20.3 Certification Stamp

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

INVOICE#/CONTRACT/REFERENCE	AMOUNT	INITIAL
<p>I certify that these goods or services are solely for Government Account, are properly charged against the votes indicated and will not cause any excess therein, and that all relevant FI have been complied with.</p> <p>Signed:</p> <p style="text-align: center;">Authorised Officer</p> <p>Print Name:</p>		<u>Goods/Services Received</u>
		<u>Prices/Calculations Checked</u>
		<u>Discounts Verified</u>

9.20.4 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.

9.20.5 Discounts Verified

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

9.20.6 Discounts Taken

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

9.20.7 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.

9.21 Payment by Electronic Transfer

The Accountant General may provide payment to (overseas) suppliers by electronic transfer.

9.21.1 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.

9.22 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. Such documentation 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. Transactions must be settled between departments via 'interdepartmental journal' which 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. Alternatively, an e-mail notifying acknowledgement and acceptance may be sent to Ms Demika Gibbons at dmgibbons@gov.bm.

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 subsidise 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: 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: Discounted rates have been negotiated with major hotel chains. Officers should use these hotels whenever possible. In the case of destinations where negotiated rates are not available, 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, hotels should be pre-paid prior to travel. Otherwise the officer shall be reimbursed for the hotel stay. Both the detailed hotel receipt and receipt for 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 Government employees 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 of the travel.

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.

The per diem is \$80.00. Employees who do not have a government issued credit card can obtain the per diem by filing 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 Bermuda Government.
- Lodging and travel (airfare) costs should be sent to the Accountant General's office at least two weeks prior to the FRIDAY BEFORE the travel date so these can be paid for (via wire, etc.) in advance (i.e. the amounts will not be paid from the subsistence/per diem).
- If the \$80 per diem is not sufficient based on the locale to which he is travelling, average meal costs for that location should be provided to the accounting officer who can request a higher per diem if necessary.
- 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 travel advance or credit card expenditures may be deducted from the traveller's next or subsequent pay cheque.

Expenses without Receipts:

In 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 employee.
- Greater than \$20 – a memo detailing the item which is also signed by the responsible manager. If this occurs more than 3 times these expenses will have to be borne by the employee and can be deducted from the employees pay or not reimbursed whichever is applicable.

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 refunded, 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 must be fully reimbursed.
- (3) Gratuities are payable at the standard rate, which is usually 15%. Gratuities above the standard rate are to be paid by the employee.

The expense report/reconciliation must be reviewed, approved and signed off by the supervisor/Accounting Officer.

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

Government employees 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 applicable department. Receipt of service is to be verified by the traveller and an additional financial signing 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 Government employee, 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 purchasing 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% is acceptable in Bermuda; gratuities over that amount should be borne by the employee.

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 Government Employees

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, employees 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 Resource as requested by the Secretary to the Cabinet in Circular 2/93, dated January 12, 1993.

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,
- Insurance Officer,
- 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 of Bermuda reserves the right to withhold the unpaid taxes and Social Insurance contributions outstanding from the final payment.

10.5.12 Responsibility of Financial Signing Authority

Before final payment of a contract is certified for payment, the financial signing 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 Signing Authority, Credit Cards and Travel

Consultants are not considered authorized signatories for any 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 Departmental 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 agreements for use of the credit card. The agreement states that the cardholder has read, understood and acknowledged responsibility to comply with FI (see Appendix 6).

10.6.3 Restricted to Overseas Travel and Pre-Approved Expenditures

Use of credit cards is restricted to expenditure incurred when travelling to and from overseas on official Government business. If there is an emergency where the card must be used for an overseas purchase (courses, books, etc.) the Department Head/Accounting Officer must notify the Accountant General (Payments Section) via e-mail (acgquery@gov.bm) 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 Payments Section.

If there is a need to make a local purchase on a card, this must be pre-approved by the Department Head/Accounting Officer and the Accountant General. Documentation as to the authorization of such expense must accompany the invoice/payment documentation. This authorization may be obtained by sending an e-mail request stating:

- the purpose of the request,
- the approximate amount requested,
- why this payment should be via credit card vs. purchase order to the Management Accountant for payments at the Accountant General Department.

10.6.4 Personal Expenses

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

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 will only accept 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. Any late payment, interest charges or other fees/penalties are the responsibility of and must be paid by the cardholder. The Accountant General may automatically deduct these amounts from the paycheque of the cardholder.

10.6.7 Bona Fide Expenses

Expenses charged must be for costs associated with accommodation, meals, ground transportation and other incidental expenses. 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 signing 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 with non compliance of FI

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 addressed with 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 signing 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 Government employees 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 dependants 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 signing 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 signing 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 signing 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 signing 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 signing authority for review and approval. The financial signing 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 signing 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 defined as the acquisition, construction or development of any tangible capital asset valued in excess of \$3,000.

For the purposes of this section, tangible capital assets are defined in FI Section 17.

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 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.

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:

- (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 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 Permanent Secretary of Public Works is obligated to ensure that proper consultation with the Head of the client department and the Head

of the Project Management and Procurement Office in the Ministry of Finance is maintained throughout all phases of the project.

12.2 Tenders

Before the commencement of any capital project, either (i) the Permanent Secretary of Public Works or (ii) the Permanent Secretary or Head of Department of any other ministry within the Bermuda Government, outside of the Ministry of Public Works, which has been granted special permission from the Minister of Finance to engage in capital development, must obtain tenders on behalf of the appropriate Accounting Officer.

The tendering process must be in accordance with FI Section 8 or Public Works written procedures (per Public Works internal publications: P.F.A. 2000 - Purchase of Goods & Materials (see Appendix 7) and P.F.A. 2002 - Procurement of Contract Services (see Appendix 8)), for ALL capital projects conducted for and on behalf of the Government of Bermuda. Any decisions on capital projects managed and executed by ministries and departments outside of the Ministry of Public Works, as approved by Cabinet, are to be made by the Permanent Secretary or Head of Department of the respective Ministry in a manner that is consistent with the tendering processes outlined above as governed by the written procedures of FI Section 8 or Public Works written procedures.

All capital development should be the subject of a written contract with the successful tender.

12.3 Contract Register

Where a contract provides for interim or instalment payments, the Accounting Officer of Public Works or the Permanent Secretary or Head of Department regarded as the Accounting Officer of a Ministry other than Public Works as delegated by the Ministry of Finance shall keep a Contract Register showing the details of each contract and the progress payments to date.

12.4 Contract Payment Certificates

Contract payments must be made only on certificates issued by the appropriate Accounting Officer or private consulting engineer or architect engaged to supervise the contract (see Exhibits 10 and 11).

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.

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 payments authorised by a private consultant.

12.5 Change Orders

Variations and additions must be authorised in writing by the appropriate Accounting Officer and the Project Management and Procurement Office in the Ministry of Finance.

12.6 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.

12.6.1 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 and the Project Management and Procurement Office in the Ministry of Finance.

If a contract is delayed beyond approved dates, the Permanent Secretary for Public Works will determine any application of liquidated damages in consultation with the Attorney General.

12.6.2 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 Project Management and Procurement Office in the Ministry of Finance before commitment to the expenditure. The Accounting Officer must seek approval to adjust the annual estimate per FI Section 5. The Accountant General must also be notified for cash flow purposes.

12.6.3 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 Director of Budget.

12.6.4 Approved Capital Expenditure Plan

All projects within the approved Capital Expenditure Plan (CEP) are subject to detailed monitoring. The Accounting Officer must report to the

Director of Budget on a monthly basis on the performance of each project within the CEP.

At the beginning of each financial year, the Permanent Secretary for Public Works and/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 office.

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 Signing Authority

Official receipts may only be issued by a Financial Signing 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 Government employee 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 Government Employee

Payment offered to a Government employee 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 Government employee 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

Transactions that are suspicious by nature are to be reported by filling in the 'Unusual Activity Report' and forwarding same to the Management

Accountant in Charge of Accountant General Revenue Receipting section at the following address:

acgcashiers@gov.bm

As a general rule cash received over **\$9,999** per transaction should be reported using Exhibit 21, "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: For more information on these types of transactions go to the following web site:

www.namlc.bm

"Guidance Notes on the Prevention of Money Laundering" is also available on this web site.

13.4 Accepting Cheques

13.4.1 Payable to the Accountant General

Government employees 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

Government employees must not accept cheques containing the following errors:

- (1) incorrectly dated or signed,
- (2) damaged,
- (3) words differ from figures,
- (4) corrections/alterations not initialled 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 Post Dated Cheques

Post dated 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 departmental Comptroller, should contact the bank to implement the actual acceptance of the cards, and ensure controls are in place for the acceptance and use of debit/credit card machines.

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

Bermuda 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 Government employee 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 will be counted by the Accountant General's office and/or Internal Audit Department 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 ACG 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 Government employees 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

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.

13.10.2 Approval of Format

The Accountant General must approve the format of all accounts receivable invoices used by Government departments.

13.10.3 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.

13.10.4 Accounting System Requirements

All accounts receivable systems must be approved by the Accountant General

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.

13.10.5 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.

13.10.6 Accounting Records

Accounts receivables should be maintained through a subsidiary accounts receivable ledger.

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.

13.10.7 Segregation of Duties

Responsibility for accounts receivable should be assigned to specific departmental employees. To the extent possible, 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 departmental level because of limited accounting staff, 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 the 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

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 16),
- (3) Services to debtor should be discontinued.

The above procedures serve as the minimum requirement for departmental collection effort 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. No debts are to be written off without the 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 Accounts: 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 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 31st 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 Closing of Accounts package. All year end deadlines must be met since the Accountant General is required to meet strict audit and reporting deadlines.

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 reconciled balances.

14.4 **Cut-off Procedures**

Transactions most likely to be misstated are those recorded near the end of the accounting period. At March 31, it is important that accounting staff **ensure proper cut-off** of accounting transactions 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 receivables.

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 payables.

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 sent to the Financial Reporting section of the Accountant General's Department.

The Accountant General needs to be fully informed and a copy of any agreements and contractual terms sent to the same section.

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 signing 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 employee 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 employee not responsible for change floats should perform periodic unannounced float checks.

15.5 Reconciliation Request

An employee 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 31st, all floats must be reconciled and certified by the Accounting Officer in accordance with the “closing of accounts” instructions issued by the Accountant General.

15.7 Cash on Hand

Cash on hand may be counted by the Accountant General and/or Internal Audit Department on a spot check basis. Those responsible for cash should be prepared to allow the designated Accountant General or Internal Audit Department staff immediate access to the funds. Two parties should review the count procedures at all times. After the count has been completed, a document must be signed by the responsible party and the ACG 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.

For the purposes of this Section, inventory is defined (IAS¹ 2.6) 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 in 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 (IAS 2.10). 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 (IAS 2.11).

16.1.2 Policy

Inventory is principally recorded at their historical costs. The lower dollar limit threshold for Inventory is \$100 per unit. 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

¹ International Accounting Standards

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 recoverable values if the inventory items are damaged or if they have become wholly or partially obsolete. When it has been determined that the inventory has been damaged or is obsolete, the carrying cost of inventory will be measured at the lower of cost or net realisable value (IAS 2.28). Net Realisable 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.

Assessments of the net realisable value of inventory will be performed either (i) immediately as circumstances are identified during the year or, (ii) at a minimum, on an annual basis commensurate with the fiscal year end of March 31st. If the circumstances that previously caused inventories to be written down no longer exist or if there is clear evidence of an increase in net realisable value, the amount of the write down is reversed so that the new carrying amount is the lower of cost and the new net realisable value. Note: the reversal is limited to the amount of the original write down (IAS 2.33).

The amount of any write down of inventories to net realisable value and all losses of inventories will be recognised as an expense in the period the write down or loss occurs.

The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs (IAS 2.34).

To the extent that it is determined that the extent of 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 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

Inventory records may be maintained on a computerised or manual system as agreed between the Accounting Officer and the Accountant General.

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 shall arrange for premises to be inspected and stock to be test-counted by a designated employee during unscheduled visits **at least quarterly**. A permanent record of the results of every stocktaking must be retained.

16.3.3 Nomination of Employee in Charge

An employee 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 Employee in Charge

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

16.4 Responsibility of Employee in Charge: General

The employee 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 employee 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 fire fighting equipment maintained in serviceable condition.

16.5 Responsibility of Employee 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,
- (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 realisable 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 in a standard form and designed to show all essential information.

Should be completed in ink.

Should be initialled 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

Where available via inventory software, a variance analysis report should be generated detailing quantity discrepancies between system and count and dollar value of variances.

Where manual cards/records are maintained, quantity discrepancies between records and count should be documented

Significant differences should be the subject of an **immediate** special inquiry by management and must be brought to the attention of the Accountant General.

Management must determine 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.

Differences should be the subject of an **immediate** special inquiry by management and must be brought to the attention of the Accountant General.

Management must determine adjustments required to general ledger for all discrepancies and provide adequate explanations.

16.5.13 Physical Security

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

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

17. Tangible Capital Assets

17.1 Tangible Capital Assets - Definition

Tangible capital assets are defined (PS² 3150.05) 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.

17.1.1 Elements of Cost

Tangible capital assets should be recorded at cost (PS 3150.09).

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 (PS 3150.05(b)).

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 (PS 3150.10).

In instances wherein the cost of the capital asset is not defined or identifiable, the capital asset should be recorded at Fair Value. Fair

² Public Sector Accounting Board Standard

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 (PS 3150.14).

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 (PS 3150.05(g)).

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 (PS 3150.19).

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 (PS 3150.31).

The net write-downs of tangible capital assets should be accounted for as expenses in the statement of operations (PS 3150.32).

A write down should not be reversed (PS 3150.32).

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 (PS 3150.34).

17.1.5 Donated Tangible Capital Assets (To Government)

The Bermuda 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 the individual or organisation to transfer, donate or gift a capital asset to the Government, the Accounting Officer and the Head of the Department must seek and receive approval from the Ministry of Finance, the Accountant General and the Attorney General's Chambers.

Accounting Officers, in conjunction with the Attorney General's Chamber, 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 (PS 3150.14).
- 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 Accounting Offices 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 which will be co-signed by the Head of the Department, 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/or 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 uncapitalised cost of the capital asset and/or,
- net book value of capitalised 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 Government Employees

Government employees 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

Accounting Officers are responsible for maintaining an up-to-date register of all Government property excluding land.

17.3.2 Items to be Included in 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 should 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 three months, to ensure that the 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 monthly and updated with all movements of fixed assets.

The register should clearly state additions, disposals, and other changes showing a total value for the fixed assets.

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 Financial Reporting Section of the Accountant General.

17.4 Land

17.4.1 Land Register

The Permanent Secretary for the Estate Surveyors 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 for the Estate Surveyors 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/or betterments of \$10,000 or greater are to be capitalized. All additions to and/or purchases of buildings for government 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 motorised 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 motorised or non-motorised 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 capitalise 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 motorised 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 capitalised 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 capitalised.

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 capitalised.

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 Leases

The decision to lease vs. purchase a machine should be based on a review by the 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 for a two-day review period for approval. No lease contract will be deemed valid unless authorized by the Accountant General.

- 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 the department receive the final approved contract the Head of Department must approve the contract.
- After all of the above conditions have been met, the Accountant General's Department will approve and set-up 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 FI Sections **12.1.1** and **12.1.2**) incurred during any year wherein the completion of the acquisition, construction or development of the capital assets extends over a period of time and/or beyond the financial reporting deadlines of the Government (March 31st).

Costs incurred in the acquisition, construction or development of the capital assets under construction (as defined in FI Section **17.1.1**) are to be compiled and recorded by the respective personnel responsible as defined in FI Sections **12.1.1** and **12.1.2**. The accumulated costs are capitalised as Assets Under Construction but are not depreciable. Capitalisation of costs ceases when no construction or development is taking place or when a tangible capital is ready for use in producing goods and services. A tangible capital asset is normally ready for productive use when the acquisition, construction or development is substantially complete (PS 3150.17)

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 (PS 3150.18).

A portion or portions of the tangible capital asset, during its acquisition, construction or development and prior to its completion, must be capitalised if **ALL** of the following can be clearly and definitively shown and documented:

- the item meets the definition of a tangible capital asset per FI 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 Officer of (i) Public Works and/or (ii) the respective Ministry/Department have authorised the capitalisation of the identified portion or portions of the tangible capital asset.

18. Vehicles

18.1 Use of Government Vehicles

18.1.1 Supervision

To ensure efficient use of Government vehicles, Accounting Officers must designate an employee responsible for supervising the use of Government vehicles under his control.

18.1.2 No Private Use

Government vehicles must not be used for personal purposes at any time or for travel between home and place of work, except where provided in an employee's terms of employment or specifically authorized and documented by the Accounting Officer

18.1.3 Record of Government Vehicle Use

Every Government vehicle must be provided with an official log book to record the date and time of journeys, driver, mileage readings and purpose of journey. Issues of Government fuel must be recorded (see Exhibit 9).

18.1.4 Ministers Use Differs From Civil Servants

Ministers are exempt from this policy as they may be called upon at any time for Government business, so the Government vehicle is available at his disposal.

18.2 Use of Private Vehicles

18.2.1 Mileage Allowance

When a Government employee is authorised to use a privately owned vehicle for travel on Government business, the reimbursement shall be \$1.01 per mile (\$0.63 per kilometre) for motor cars or \$0.32 per mile (\$0.20 per kilometre) for motor cycles per the Conditions of Employment and Code of Conduct. The amount allowed is subject to change annually and must be claimed using the Local Travel Expense Claim Form (use of private vehicle) (Exhibit 8).

18.2.2 Claim Processing and Payment

In accordance with Conditions of Employment and Code of Conduct, claims for payment must be submitted monthly to the Accountant General, within seven days of the end of the month in which the travel occurred. Claims not submitted within three months 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 8). Issues of Government fuel 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 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.

Departments 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 (through the Assistant 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.

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 inquire with the Accountant General regarding Government coverage.

19.3 Role of Financial Secretary

The Financial Secretary shall, as frequently as he considers necessary, review Government's risk exposures and the operation of the 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 for cash flow information.

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 have 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 Government employee 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

Within thirty days of each accounting month end, Accounting Officers shall produce a detailed reconciliation of the balance shown on the bank statement to the balance shown in Government's accounts.

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 Cheque Signatories

20.3.1 Two Authorised Signatories

Government of Bermuda cheques must bear two authorised signatures.

20.3.2 Approval of Authorised Cheque Signatories

The Accountant General must approve every appointment as an authorised cheque signatory and must be provided with specimen signatures.

20.3.3 Notification of Banks

The Accountant General will notify the banks of employees currently authorised to sign cheques and provide their specimen signatures.

20.4 Access to Online Banking

20.4.1 Authorization

Access to online banking facilities is provided to certain government employees 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 Granting Access

Online access to government funds and associated banking resources will be granted upon submission of a completed and appropriately authorized ***Online Banking New/Change User form***.

The form should be submitted to the Technical Support section of the Accountant General's Department (ACG Tech)

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 ACG Tech.
- (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 Financial Comptroller/Management Accountant/Manager is responsible for the communication to ACG Tech of required terminations, suspensions, or modifications to a user's online account, and the return of their token (if required).
- (6) The Financial Comptroller/Management Accountant/Manager is responsible for the communication to the authorised personnel at the banking institution of required termination of the Bermuda Government employee to ensure their access has been discontinued. Correspondence from the banking institution (letter or e-mail) should be forwarded to ACG Tech and the Accounting Officer in the department.

20.4.4 **Non-Compliance**

Disclosure of personal login details may result in disciplinary action accordance with FI Sections 2.09 and 2.10.

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 Chief Surveyor of Public Works.

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

In accordance with the Information Technology Department Policy Statement - Computer Security Instructions (Appendices 2 and 3), Accounting Officers shall ensure that proper security and privacy is maintained for all financial and personnel information stored on Government computers, ensuring that:

- (1) Employee access to information, as authorised by the Accounting Officer, is appropriate,
- (2) Passwords are kept confidential and are changed at regular intervals,
- (3) Computer data is backed up regularly, stored off-site or in a fire-proof cabinet or safe,

- (4) Appropriate use is made of security features within computer software,
- (5) Employees are adequately trained to use the software,
- (6) Adequate contingency plans exist in the case of computer failure,
- (7) Remote access to all Government data is approved, monitored and controlled,
- (8) Adequate safeguards are in effect to prevent and detect computer viruses.

21.7 Signatures

Employee use of an Accounting Officer's electronic signature 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

In accordance with best practice in internal controls, all Accounting Officers and other officers with fiduciary responsibilities must 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.

22.5.1 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.

22.6 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.

22.7 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

(Exhibit 1) Specimen Authorised Signature Card– Section 7.1

Expenditure: Payment Processing Forms

~~(Exhibit 2) Purchase Order—Section 9.18.5 – NO LONGER APPLICABLE~~

(Exhibit 3) Pro Forma Invoice– Section 9.8

~~(Exhibit 4) Payments Batch Header—Section 9.22 – NO LONGER APPLICABLE~~

(Exhibit 5) Cheque Cancellation/ Replacement Request– Section 9.15

(Exhibit 6) Application for Advance Travel Payments and Per Diem Advance– Section 10.1.5

(Exhibit 7) Overseas Travel Expense Claim Form– Section 10.1.5 & 10.6.10

(Exhibit 8) Local Travel Expense Claim Form (use of private vehicle) – Section 18.2.1 & 18.2.3

(Exhibit 9) Official Log Book for Local Travel – Section 18.1.3

(Exhibit 10) Payment Certificate for Contract Services– Section 12.4

(Exhibit 11) Payment Certificate for Professional Services –Section 12.4

~~(Exhibit 22) Wire Transfer Settlement Form—Section 9.23 – NO LONGER APPLICABLE~~

~~Electronic Payment Vendor Set-Up - NO LONGER APPLICABLE~~

Grants Forms

(Exhibit 12) Quarterly Performance Reporting– Section 10.7.3

(Exhibit 13) Annual Report– Section 10.7.3

(Exhibit 14) Grant Application Cover Sheet – Section 10.7.3

Revenue Forms

(Exhibit 16) Overdue Accounts: Sample Warning Letter– Section 13.11.4

~~(Exhibit 17) Overdue Accounts: Debtor Information Record – Section 13.11.5 – NO LONGER APPLICABLE~~

(Exhibit 20) Notice to the Public– Section 13.3.1

(Exhibit 21) Unusual Activity Report– Section 13.3.8

Appendices

- (Appendix 1) Government Risk Management Policy Statement
- (Appendix 2) ITO Policy Statement - Computer Security Instructions
- (Appendix 3) ITO Policy Statement - Information Sharing & Data Protection
- (Appendix 4) General Terms and Conditions Relating to Grants
- (Appendix 5) Grant Management System
- (Appendix 6) Credit Card Agreement
- (Appendix 7) P.F.A 2000 – Purchase of Goods & Materials
- (Appendix 8) P.F.A. 2002 – Procurement of Contract Services

These forms are available on the Accountant General's Web page:

<http://internal/Pages/default.aspx>

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