

# **FINANCIAL INTELLIGENCE AGENCY**



# **FINANCIAL INSTRUCTIONS**

**1 JANUARY 2009**

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## Introduction

Financial Instructions (FI) for the Financial Intelligence Agency (the “FIA”) have been drafted in order to clarify the standards of financial control within the FIA.

The FIA will continue to amend Financial Instructions on such a basis as it may determine to keep them relevant and applicable.

The FIA, as a Quango, chooses not to utilize the Government of Bermuda’s Financial Instructions, and have accordingly implemented these written financial procedures.

As the FIA is an organization that receives funds from the Bermuda Government it must have a set of written financial procedures in place, which should be available for review by the funding department, and/or provided upon request by the Accountant General.

# 1. Definitions

## **1.1 FIA**

**FIA** refers to the Financial Intelligence Agency

## **1.2 FIA Employees**

**FIA employees** or **employees** include all persons employed by the FIA along with any persons that may be seconded to work within the FIA.

## **1.3 Accounting Officer**

An **Accounting Officer** is an officer of the FIA that is responsible for the custody and control of funds provided to the FIA as voted by the Legislature or dispersed from the Confiscated Assets Fund. With respect to the FIA, the Director of the FIA and the Senior Legal Counsel act as the Accounting Officers.

## **1.4 Accountant**

**Accountant** refers to the firm of chartered accountants hired by the FIA to provide the following accounting services:

- (1) For each month post and review all expenses including payroll expenditure into FIA's QuickBooks system from cheque books, bank statements, credit card statements and underlying invoices/receipts;
- (2) Review bank reconciliations for all of the FIA's Bank accounts;
- (3) Preparation of quarterly payroll tax returns;
- (4) Produce annual management accounts, with relevant supporting schedules;
- (5) Prepare financial statements in accordance with generally accepted accounting principles in Bermuda and Canada, in preparation for an audit;
- (6) Implement changes to accounting software (QuickBooks) as a primary accounting ledger to comply with annual budget, including the chart of accounts; the fixed asset register; and the accounts payable module;
- (7) Ad hoc accounting related services, as required.

The Accountant may delegate the book keeping functions relating to items (i) and (iii) to a designated member of the FIA staff.

## **2. Financial Responsibilities**

### **2.1 Implementation**

Financial Instructions take effect from 1st January 2009.

### **2.2 Duties**

#### **2.2.1 Accounting Officers**

It is the duty of Accounting Officer to ensure that:

- (1) Up-to-date Financial Instructions are readily available for the information of all FIA employees,
- (2) Policies, procedures and staff comply with Financial Instructions on a continuous basis,
- (3) Staff are fully aware of their responsibilities under Financial Instructions,
- (4) They comply with all applicable legislation.

#### **2.2.2 FIA Employees**

It is the duty of all FIA employees to be thoroughly acquainted with Financial Instructions.

### **2.3 Amendments**

Amendments will be in the form of memorandum and will also be sent to FIA employees.

### **2.4 Interpretation**

Any questions arising from the interpretation of Financial Instructions will be determined by the Director of the FIA.

### **2.5 Financial Responsibilities**

All FIA employees having financial responsibilities must perform the duties as set out below:

#### **2.5.1 Accounting System**

Ensure that any accounting or internal control system prescribed under the authority of the FIA is maintained.

#### **2.5.2 Account Classification**

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

#### **2.5.3 Physical Security**

Ensure that proper controls are in place for the safe keeping of FIA cheques, licences and any other valuable property, document, data or item.

#### **2.5.4 Supervision**

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

#### **2.5.5 Payment Authorisation**

Ensure that all payments are properly authorised in accordance with FI Section 9.

#### **2.5.6 Budgetary Control**

Exercise budgetary control to ensure that expenditures are disbursed according to approved appropriations and limits. It is the responsibility of the Accounting Officer to monitor total expenditure of the FIA and to ensure that the expenditure approved by Parliament is not exceeded. The Accounting Officer must continually monitor the budgets under their control. Due regard must be paid to the level of service being achieved for the money expended in accordance with FI Section 6.

#### **2.5.7 Reconciliation**

Check all forms and invoices under their control and reconcile them with the appropriate accounting records.

#### **2.5.8 Access to Records**

Produce for examination all cheques, bank statements, accounting records and books when required by the Auditor General. No notice of inspection is required.

#### **2.5.9 Prompt Response to Enquiries**

Reply **within two weeks** to enquiries addressed to them by the Auditor General, providing full disclosure of requested information. If a response cannot be provided within two weeks, the Auditor General must be notified to arrange a response date.

### **2.6 Responsibility to Implement Checks**

The Accountant will cause periodic (e.g. weekly, monthly) checks to be made on the accounts of the FIA. Any system defects or weaknesses discovered must be corrected and reported to the Accounting Officers immediately.

### **2.7 Audit Does Not Absolve Responsibility**

The responsibilities of the Auditor General in connection with public accounts do not absolve any FIA employee from their responsibility to comply with Financial Instructions.

### **2.8 Notification of Breach of Financial Instructions**

The Auditor General must be notified immediately of any breach of Financial Instructions, which comes to the attention of a FIA employee. Notification is required irrespective of whether the breach results in financial loss to the FIA.

## **3. Business Conduct**

### **3.1 Purpose**

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

Further information on conduct is provided in the FIA's Conditions of Employment and Code of Conduct.

### **3.2 Compliance With Laws and Regulations**

FIA and its employees must at all times comply with all applicable laws and regulations. FIA 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 Senior Legal Counsel.

### **3.3 Conflict of Interest**

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

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 an appearance of conflict arises between the FIA'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 FIA's best interest.

If an employee feels that a course which they have pursued, are pursuing or are contemplating pursuing, may involve them in a conflict of interest, they should immediately make all facts known to their superior.

### **3.4 Political Activity**

FIA funds, goods or services must not be used as contributions to political parties.

### **3.5 FIA Funds and Property**

Employees with access to FIA funds or property in any form must follow the prescribed procedures for recording, handling and protecting funds or property as detailed in these Financial Instructions and other internal FIA 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, they should immediately advise their Accounting Officer or the Auditor General, so that further investigation can be promptly initiated.

Where an employee's position requires spending of FIA funds or incurring any expenses to be reimbursed by the FIA, it is the individual's responsibility to use good judgment on the FIA's behalf and to ensure that good

value is received for every expenditure. FIA funds or property should only be used for FIA purposes and must not be used for personal reasons.

### **3.6 FIA Records**

Accurate and reliable records are necessary to meet legal and financial obligations and to properly manage the affairs of FIA. 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 Financial Instructions.

### **3.7 Dealing With Outside Persons and Organisations**

Employees must take care to separate their personal dealings from their FIA positions when communicating on matters not involving FIA business. FIA 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, 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 FIA'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.

## **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 FIA assets. Internal control includes controls designed to improve operational efficiency and to ensure adherence to all Financial Instructions, the FIA's 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 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 actually exist, and all of the reported transactions really occurred.
- (2) **Completeness and validity.** All existing transactions must be recorded and all recorded transactions must be valid. The accounting system must prevent the omission of transactions from the accounting records.
- (3) **Valuation.** Recorded transactions must be properly valued at the various stages in the recording process (e.g. the adjustment of inventory values due to obsolescence).
- (4) **Timing.** All transactions must be recorded in the proper financial year. Late recording of a transaction may result in improper cut-off, which may cause financial information to be misleading.
- (5) **Ownership rights and obligations.** All of the assets and liabilities recorded in the accounting system are, in fact, assets and liabilities of the FIA
- (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 Financial Instructions.
- (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 FIA 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 persons independent from the individuals originally responsible for preparing the data.

#### **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) valuable information 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.

#### **4.5 Notification of Irregularities or System Deficiencies**

Whenever any matter arises which appears to involve an irregularity or system deficiency concerning FIA money or property, the Accounting Officer concerned shall immediately notify the Auditor General and report on what action was taken or will be taken.

Where there is a suspicion of mis-appropriation or fraud, and this has been substantiated by the Auditor General, the Police shall be notified.

## **5. Budget Management**

### **5.1 Budget Preparation**

#### **5.1.1 Preparation**

Estimates of current expenditure and capital expenditure shall be prepared by each Accounting Officer and then collate the estimates for submission to the Minister of Justice.

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

#### **5.1.2 Approval**

Upon the approval of the estimates by Parliament and on the commencement of the financial year, the Director of the FIA shall issue a written request to the Minister of Justice seeking quarterly draw downs of the funding allocated for the FIA. The FIA will enter into a Memorandum of Understanding with the Ministry of Justice outlining the terms upon which the FIA is to receive funding. Funding for the FIA which is received by way of a grant from the Government of Bermuda is deposited into a current account maintained at HSBC in the name of the FIA.

### **5.2 Responsibility of Accounting Officers**

Accounting Officers must monitor the total expenditure of the FIA and ensure that the expenditure approved by Parliament is not exceeded except as so authorised by these Instructions.

### **5.3 Responsibility of FIA Employees**

All FIA 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**

The FIA will use the Quickbooks Financial Information Management 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.

#### **5.4.2 Current Account Variances - Report to Accounting Officer**

Expenditure must be compared to budget on at least a monthly basis and satisfactory explanations of the following variances must be provided to the Accounting Officer:

(1) Expenditure - total by cost centre – where actual for the year is expected to exceed the approved annual estimate by 10%,

Variances from expenditure budgets must be communicated promptly to the appropriate levels of responsibility within the FIA to ensure timely corrective action.

It is not acceptable to overspend cost centres without seeking the Minister of Justice's approval to vire budget provisions between cost centres.

#### **5.4.3 Current Account Variances - Report to Minister of Justice**

The following variances must be reported to the Minister of Justice immediately:

(1) Expenditure - where actual for the year is expected to exceed the approved annual estimate.

### **5.5 Overspending**

When the FIA is faced with unanticipated or increased costs, before committing to the increased expenditure, Accounting Officers must first attempt to identify offsetting savings in other areas of the departmental budget.

There may be circumstances when there is an urgent and unforeseen need for an expenditure that cannot be funded by offsetting savings in other areas. The approval of the Legislature must be obtained before committing to over-expenditure. The Minister of Finance will consider supporting Supplementary Estimates in the Legislature for over-expenditure, but only after he is convinced that offsetting savings cannot be achieved.

Except for a catastrophic event (e.g. spending required on an emergency basis in the event of a hurricane) approval of the Legislature must always be obtained in writing before making any commitment to overspend.

### **5.6 Underspending**

#### **5.6.1 Current Account**

At the end of a fiscal year, any unspent balance in the FIA shall be reported to the Minister of Justice for direction as to what action is to be taken. Any unspent balance must take into account payables and accruals.

#### **5.6.2 Capital Account**

At the end of a fiscal year, any unspent balance on a capital project may be carried forward to the next fiscal year and treated as though it had been appropriated to that year. Any unspent balance must take into account payables and accruals.

Carry forwards must be requested and justified by the FIA and should be in accord with the Capital Expenditure Plan approved by Cabinet and Approved Estimates authorised by the Legislature. The Minister of Finance must approve carry forwards in writing.

### **5.7 Virement**

Certain assumptions included in the original estimates may change within the budget year. Virement allows for the transfer of budget amounts to reflect such changes in circumstances.

Virement is a transfer of a specific budget amount from one or more approved estimates to another within the FIA's total budget. It does not increase the total budget. Virement is effected by a budget journal, which must be submitted for approval to the Minister of Justice.

Virements must be made in anticipation of changes which will occur during the budget year and before the expenditure is actually incurred.

## **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 efficient 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 the FIA is performing. However, the achievement of value for money relies heavily on the proper attitude of all FIA employees.

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

## **7. Financial Signing Authority**

### **7.1 Authorised Signature**

Accounting Officers along with 2 members of the Board of Directors of the FIA have financial signing authority with respect to the bank account of the FIA maintained at HSBC, Bermuda. The dollar limits/levels of authority for the various functions in the FIA must be approved by the Board of Directors of the FIA.

### **7.2 Additions, Changes and Deletions**

Accounting Officers must immediately inform the Board of Directors of the FIA in writing of required additions, changes or deletions to financial signing authority.

All additions and changes (e.g. job title changes) require approval by the Board of Directors by way of a written resolution of the Board and thereafter submitted to HSBC for prompt processing.

### **7.3 Delegation**

The following financial signing authorities cannot be delegated by the Accounting Officers:

#### **7.3.1 Authorising Purchases**

Authorising the purchase of goods or services for the FIA.

#### **7.3.2 Payment Approvals**

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

#### **7.3.4 Monthly Payroll**

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

### **7.4 General Restriction**

All financial signing authority signatures must be originals, with the printed name below the signature. Signature applied by a rubber stamp is not permitted.

## 8. Purchase of Goods and Services

### **8.1 Objectives**

A consistent approach to purchasing across the FIA 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 Financial Instructions.
- Ensure there is no other outstanding FIA debt that is not in repayment/resolved before contract commencement.

### **8.2 Procedures**

To ensure this consistent approach, the FIA must comply with the procedures outlined below.

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

- (1) Goods and services with an estimated value 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) Accounting Officers 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 Accounting Officer 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.

## **8.3 Contracts / Agreements for Goods or Services**

### **8.3.1 Documentation**

Quotations or tenders accepted for the supply of goods or services in excess of \$50,000 must be documented in a written agreement or contract.

Once a satisfactory contract is formatted, 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 submitted to the Board of Directors for approval before acceptance.

### **8.3.2 Contract Terms**

Contract terms (e.g. payments, retention, etc.) should follow generally accepted industry standards, except as otherwise agreed by the Senior Legal Counsel of the FIA. 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 Senior Legal Counsel of the FIA prior to signing.

### 8.3.5 Contract Considerations

The following issues must be considered in drafting a contract:

- Consider 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 Senior Legal Counsel of the FIA,
- Develop standard contract form (to the extent possible),
- Ensure contract is signed by 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 7.

## 9. Expenditure

For purposes of this Section, an “Authorised Officer” is defined as the FIA employee with financial signing authority to certify invoices for payment.

### **9.1 Responsibility of Authorised Officers**

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

It is the Authorised Officer’s responsibility to:

- (1) ensure payment is made in accordance with Financial Instructions,
- (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 for payment,
- (4) exercise care and implement proper controls to prevent duplicate payments by ensuring that invoices have not been previously presented for payment.

### **9.2 Supporting Documentation**

Payment submitted to the Accountant 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.

#### **9.2.1 Required Information**

Invoices or other supporting documents shall contain the following information:

- (1) name and address of the supplier or payee,
- (2) 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 Director of the FIA for review of financial propriety/value for money prior to final approval/entering into the lease.

#### **9.2.2 Details of Goods and Services Provided**

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

- (1) Accounting Officer's name authorising the purchase,
- (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 being charged,
- (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.

### **9.3 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 9.4,
- 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.

### **9.4 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 a certification stamped in ink noting the same and signed by the Accounting Officer.

### **9.5 Pro Forma Invoice**

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

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.

## **9.6 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.

## **9.7 Segregation of Duties**

A financial signing authority who authorises the purchase of goods must not certify for payment an invoice relating thereto.

A financial signing authority should not authorise the purchase of goods or certify an invoice for payment where he is the recipient of the goods or services expended (e.g. travel, conferences, etc.).

Given the diminutive size of the FIA it is recognised that it may not be practicable in all circumstances to segregate the above duties and there may be circumstances when segregation is not possible due to the absence from the office of one of the Accounting Officers.

## **9.8 Mode of Payment of Invoices**

The mode of payment of invoices preferred by the FIA is via electronic bank transfer. Cheques will only be drawn on the FIA bank account in circumstances where electronic bank transfer is not practicable.

### **9.8.1 Cheque Issue and Collection**

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

Whenever possible, cheques should be mailed directly to the payee rather than be collected.

## **9.9 Reconciliation to Supplier Statements**

Payments are made to suppliers by invoice. However, the FIA will reconcile its 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 FIA records are in agreement.

## **9.10 Rejection of Payments**

The Authorised Officer may reject any payment that does not comply with Financial Instructions.

## **9.11 Payment Procedures:**

### **9.11.1 Certification Stamp**

The FIA Authorisation Stamp must be stamped in ink on every invoice and duly completed as the required checks are carried out.

### **9.11.2 Signature**

Signature must be a financial signing authority for payment vouchers.

Signature must be an original. Rubber stamps are not permitted for signature.

### **9.11.3 Goods / Services Received**

The FIA employee who receives goods or services must certify that:

- (1) goods are of the correct specification and quality,
- (2) services were carried out to an acceptable standard and in accordance with a written contract or agreement.

Where payment is being made and no goods / services are received (e.g. refunds, grants, payments in advance of receipt of goods or services), 'N/A' and an initial should be written in the box.

### **9.11.4 Prices / Calculations Checked**

Prices charged must be checked against any applicable quotation, tender or contract. If there is no document to check prices against, the reasonableness of the charge must be assessed.

The arithmetic of all calculations and additions must be verified.

### **9.11.5 Discounts Verified**

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

### **9.11.6 Discounts Taken**

Where available, supplier discounts must be taken. Employees must attempt to procure discounts and ensure that discount terms are followed.

### **9.11.7 Classification**

Particular care must be taken with the classification of expenditure. Expenditure must be coded accurately and must not be coded to an account with an unused budget provision. When in question, the Director of the FIA must be consulted.

## **9.12 Payment by Electronic Transfer**

The Authorised Officers will provide payment to (overseas) suppliers by electronic transfer.

Wire transfer payments must:

- (1) be properly authorised,
- (2) must include a completed wire transfer settlement form .

This form includes: Bank name and address, account name and number, bank sort code, routing identifier (ABA#, SWIFT# or Sort Code), amount and currency.

### **9.12.1 All Payments to Be Made Electronically Wherever Possible**

Payments should be made by electronic means if possible, especially in the cases of overseas vendors and recurring monthly payments (such as lease payments).

Once all appropriate documentation is received an Authorised Officer will then effect the payment.

## 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 6 of the FIA's Conditions of Employment and Code of Conduct. The accounting requirements are detailed in this Section and should be referred to in conjunction with the FIA's Conditions of Employment and Code of Conduct.

The general policy is that FIA 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 FIA, they are not to indulge themselves at public expense.

#### **10.1.2 Accountability**

All officers required to travel in the performance of their duties, must travel economy class unless flight time is in excess of six hours and is also approved by the Director of the FIA.

Subsistence allowances are **not an entitlement as of 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 per day. Employees who do not have a FIA issued credit card can obtain the per diem by filing the form 'Application for Advance Travel Payments and Per Diem Advance'

- This will cover meals, transportation and incidentals.
- Hotel and travel (airfare) costs should be sent to the Accounting Officer at least two weeks prior to the travel date so these can be paid for (via wire, or credit card etc.) in advance (i.e. the amounts will not be paid from the subsistence/per diem).
- If the \$80 per day is not sufficient based on the locale to which he/she 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 same department travelling together on the same business trip, each officer is only entitled to claim for 50% of the room rate.
- **RECEIPTS ARE REQUIRED FOR ALL EXPENSES.** Expense Reports are to be filed within 30 days of the return from travel, with a return of unspent funds. If expense reports are not received by the Accounting Officer within 30 days after the travel date, the travel advance may be deducted from the traveller's next pay cheque.
- Subsistence payments will be made in Bermuda dollars by direct deposit into the employee's account held at a local bank.
- Any surplus funds from the subsistence advance provided to the employee are to be reimbursed to the FIA in Bermuda dollars by direct deposit into the FIA's bank account.

**Use of rental cars is restricted** for FIA employees unless there is a specific business need and the car rental is pre-authorized by the Director of the FIA/Accounting Officer. In cases where a rental car is needed – **FULL INSURANCE COVERAGE** must be selected as provided by the rental company.

NOTE: It is important that the FIA employee send information to Accounting Officer 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 FIA Travel Expense Claim Form or a similar form,
- (2) Personal expenses must be fully reimbursed.
- (3) Gratuities are payable at the standard rate, 15%. Gratuities above this amount are to be paid by the employee.

The expense report/reconciliation must be approved/reviewed and signed off by the Director of the FIA/Accounting Officer.

### **10.1.3 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.

### **10.1.4 Accounting Officer Responsibility**

Accounting Officers 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 Financial Instructions and Conditions of Employment and Code of Conduct,
- (4) the claim calculations are correct,
- (5) the claim is complete.

### **10.1.5 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 are not acceptable as sole support for any travel expense.**

### **10.1.6 Use of Personal Credit Cards**

FIA 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.

#### **10.1.7 Direct Billings**

Expenses incurred by employees for air travel or accommodation may be billed directly to the FIA. 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.

#### **10.1.8 Refundable Taxes**

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

### **10.2 Entertainment Expenses**

The Accounting Officer is responsible to ensure entertainment expenses are reasonable and that value for money is maintained when FIA entertainment is required. Food/Beverages plus applicable gratuities will be paid by the Accounting Officer via the standard purchasing procedures as outlined in Section 9. 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.

### **10.3 Membership / Professional Fees**

Annual fees for maintenance of professional qualifications or personal memberships may be paid by FIA.

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

### **10.4 Personal Use of FIA Property or Personal Expenditure Incurred by FIA**

Accounting Officers must ensure that FIA 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 FIA property is prohibited except with the express permission of the Accounting Officer.

A control system must be established to monitor, record and reimburse FIA for allowable personal expenditure on a timely basis. All such reimbursements will be paid to the FIA in Bermuda dollars by direct deposit into the FIA's local bank account.

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

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

## **10.5 Use of Departmental Credit Cards**

### **10.5.1 Authorised Card Holders**

The following employees of the FIA will be assigned business credit cards:

- i.** Director;
- ii.** Senior Legal Counsel;
- iii.** Head of Analysis.

The transaction limit for each credit card is BM\$10,000.00. Any increase to this limit requires the approval by the Board of Directors of the FIA by way of written resolution.

### **10.5.2 Written Agreement**

The Accountant 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 Financial Instructions.

### **10.5.3 Approved Usage**

Use of credit cards is for official FIA business. As the FIA does not maintain a purchase order system for local purchases, use of the credit card for local purchases is permissible in circumstances where it is not possible for an invoice for future payment to be issued to the FIA. Such purchases should be pre-approved by the Director/Accounting Officer. Documentation as to the authorization of such expense must accompany the invoice/payment documentation. This authorization may be obtained by sending an email request

- stating the purpose of the request,
- the approximate amount requested,  
and why this payment should be via credit card

### **10.5.4 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 Board of Directors may revoke card privileges immediately.

### **10.5.5 FIA Restrictions**

Accounting Officers may wish to place further restrictions on the use of credit cards, e.g. transaction limit.

### **10.5.6 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 14 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 may automatically deduct these amounts from the paycheque of the cardholder.

### **10.5.7 Bona Fide Expenses**

Expenses charged must be for costs associated with FIA business, 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.

### **10.5.8 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.

### **10.5.9 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. Very minor items, of no more than \$25.00, will be accepted without a receipt, if documented.

### **10.5.10 Travel Form**

The FIA's Bermuda Overseas Travel Expense Claim Form must be used to detail and summarise travel expenses.

### **10.5.11 Compliance**

All Conditions of Employment and Code of Conduct and Financial Instructions must be complied with in regard to appropriateness and accounting of expenditure.

### **10.5.12 Approval To Travel**

Approval from the Director of the FIA for overseas travel is required.

### **10.5.13 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.

### **10.5.14 Payment Certification**

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

### **10.5.15 Responsibility of Cardholder**

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

### **10.5.16 Withdrawal of Privileges / Surcharge**

Credit card privileges will be withdrawn, and the employee may be surcharged under FI 3.9, if the card is not used in accordance with these Instructions.

# 11. Payroll Expenditure

## **11.1 Definitions**

Payroll expenditure encompasses all remuneration paid to employees, as a consequence of employment by FIA. All remuneration is paid through the FIA payroll system. Employees paid monthly receive a salary.

Only FIA 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.

## **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 maintained,
- (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 provision to pay the employee as necessary.

## **11.3 Responsibility of Accountant**

The Accountant shall:

- (1) control the payment of all salaries, and other benefits,
- (2) withhold all appropriate deductions,
- (3) make all relevant payments on behalf of employees and the FIA to the appropriate agency or other body.

## **11.4 Record Maintenance**

### **11.4.1 The Accountant**

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

### **11.4.2 Accounting Officers**

The Accounting Officer must ensure that personal records are correct and should confirm the accuracy of personal details with employees at least every two years.

The FIA 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.
- (2) a record of employee position IDs controlled by the Department of Human Resource of the Government of Bermuda for all employees. **Every person in a post must have a unique position ID to permit superannuation payment.** The position ID must be obtained from the Department of Human Resource on appointment, transfer, etc. for **all** employees
- (3) detailed records for all employees, including the following:
  - name and address,
  - date of birth,
  - date of employment,
  - 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.

### **11.5 Notification of Changes**

The Accounting Officer must promptly notify the Accountant on the appropriate form, duly completed and authorised, 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, secondments, acting appointments and transfers,
- (3) unpaid leave,
- (4) changes in remuneration including increments, pay awards, overtime, advances, etc.
- (5) information necessary to maintain records of service for superannuation, health insurance and other matters affecting FIA employment,
- (6) the correct position ID number and the cost centre to be charged.

Employees must notify the Accounting Officer of any changes in personal circumstances affecting their pay. Upon termination, the Accounting Officers must ensure that any outstanding employee obligations (for salary advances, vacation, etc.) are reimbursed prior to final payment.

## **11.6 Payroll Documentation**

### **11.6.1 Overtime**

All overtime hours must be recorded and authorised by a financial signing authority.

## **11.7 Payroll Process**

### **11.7.1 Monthly Pay Cycle**

Monthly paid employees are paid on the 25<sup>th</sup> day of each month. Information affecting payment

(e.g. new appointments, terminations, overtime, etc.) must be received by the Accountant on or before the 10th day of the following month, e.g. January information must be received no later than February 10 for payment on February 25.

### **11.7.2 Monthly: Payroll Proof and Register**

The Accountant sends a monthly salaries payroll proof to an Accounting Officer. The Accounting Officer must check the proof to ensure that all changes sent to the Accountant have been actioned. The proof must be amended if required, certified as correct by a financial signing authority and returned to the Accountant.

The Accountant will produce final payroll advices for each employee which will then be provided to a financial signing authority who is responsible for ensuring that all cheques and advices are released on or before the payment date, which is the 25<sup>th</sup> day of the month.

## **11.8 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, are permitted provided that a written request is received and authorised by the Director of the FIA at least 2 weeks before payment is to be made.

## **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 \$5,000.

For the purposes of this Section, tangible capital assets are defined as assets having physical substance that are:

- A. held for use in the production or supply of goods and services;
- B. have useful lives extending beyond an accounting period and are intended to be used continuously;  
and
- C. not intended for sale in the ordinary course of operations.

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 FIA and a key component in the delivery of many FIA programmes.

There is one type of capital expenditure that is applicable to the FIA, that being Capital acquisitions:

(1) Capital acquisitions are vehicles, plant and equipment,

#### **12.1.1 Capital Acquisitions**

The accounting responsibility for capital acquisitions rests with the Accounting Officers. Responsibility may only be delegated to another FIA employee on the express written authority of the Director of the FIA.

### **12.2 Tenders**

Before the commencement of any capital project, the Director of the FIA must obtain tenders on behalf of the appropriate Accounting Officer.

The tendering process must be in accordance with FI Section 8

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

### **12.3 Contract Register**

Where a contract provides for interim or installment payments, the Accounting Officer 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.

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 private consultant.

### **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.

#### **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 Director of Budget.

If a contract is delayed beyond approved dates, the Director of the FIA will determine any application of liquidated damages in consultation with the Senior Legal Counsel.

#### **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 Director of the FIA. The Accountant must also be notified for cash flow purposes.

#### **12.6.3 Total Authorised Figure (TAF)**

When the total cost of a capital development project is anticipated to exceed the TAF, the excess must be reported to the Accounting Officer and a supplementary estimate request must be promptly submitted to the Ministry of Finance with an explanation of the excess.

## 13. Revenue

**As the FIA is a non-revenue generating agency no controls are needed to address the same. Should the statutory mandate of the FIA be amended so that it is in a position to generate revenue it will, at that time develop controls with respect to the same.**

## **14. Balance Sheet Accounts: Assets and Liabilities**

### **14.1 Responsibility of Accounting Officers**

Accounting Officers must ensure that balance sheet accounts are kept up to date in accordance with the following Financial Instructions.

### **14.2 Year End: Certification and Reconciliation**

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

- (1) certify that balances on the accounts are correct,
- (2) provide a reconciliation of balances to supporting documentation.

In February of each fiscal year, the Accountant will issue a Closing of Accounts package. All year end deadlines must be met since the Accountant 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.

The FIA 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 cutoff** of accounting transactions so that transactions are recorded in the proper period and performance reports provide accurate financial information.

#### **14.4.1 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.

## **15. Capital Assets**

### **15.1 Fixed Assets**

Assets or groups of assets that will be used over one year and are valued over \$1,000.00 will be considered a fixed asset and will be capitalized as such in the books and records of FIA. 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 FIA assets.

### **15.2 Responsibility of Accounting Officer**

#### **15.2.1 Capital Assets Register**

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

#### **15.2.2 Items to be Included in Register**

Items to be included are furniture, equipment (including computer hardware and software), plant, machinery and all items of a durable nature. 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.

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

- Computer Towers
- Monitors
- Laptops/Notebooks
- Multi use – Large Printers
- 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 (eg Intelligence Unit,)

#### **15.2.3 Verification of Register**

Accounting Officers should implement checks, at intervals not exceeding six months, to ensure that the register is up to date and all items listed are in use in the FIA and in good condition. Equipment used at home or off-site must be authorised in writing and clearly noted on the register. The register should be 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.

#### **15.2.4 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 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.

### **15.3 Disposal**

Where the Accounting Officer wishes to dispose of surplus or obsolete capital assets, the Purchasing Officer of the Ministry of Public Works should be informed to determine whether such capital assets could be used by Government departments. This may be at an agreed value.

Where the Accounting Officer wishes to dispose of surplus or obsolete property which is not required by a Government department, he should use his best efforts to dispose of the property in the most cost effective manner.

#### **15.3.11 Sale of Property to FIA Employees**

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

#### **15.3.2 Record of Disposals / Sales**

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

### **15.4 Leases**

The decision to lease vs purchase a machine should be based on a review by the Accountant as to the best use of budget and resources.

#### **15.4.1 Policy**

All proposed lease contracts must be submitted to the Director and the Senior Legal Counsel for review. No lease contract will be deemed valid unless authorized by the Director and the Senior Legal Counsel.

- 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 Director.
- End of term options are to be clearly articulated in the lease contract. (It is FIA's policy that capital leases should automatically transfer title & ownership to the FIA at the end of the leasing period.).

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 Director/Senior Legal Counsel.

- E.g. 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

### **15.4.3 Disposals**

The Accountant should be notified by the relevant department when lease contracts have expired or leased assets have been discarded or traded-in. The Accountant must be notified so that the assets are properly reflected in the financial records.

## **15.5 Other Equipment**

### **15.5.1 Policy**

FIA's other assets/ equipment include building systems, leasehold improvements and light equipment.

The straight-line method of depreciation is used over the useful lives of these capital assets. The depreciation range for building systems is 2 to 7 years; leasehold improvements is the remaining term of the leased premises and light equipment 5 years for up to \$100,000. The depreciation period is 10 years for light equipment costing in excess of \$100,000.

Capitalized building improvements are defined as works which exceed \$10,000 in value per single structure job where such work is deemed to increase the useful life of the respective asset.

### **15.5.2 Additions**

Purchases or acquisitions of other assets/equipment must be clearly identified with specific details of the asset. All purchases or acquisitions of other assets/equipment for FIA must be communicated to the Accountant to ensure that it is recorded in the financial records.

### **15.5.3 Disposals**

Where the accounting officer wishes to dispose or transfer capital assets, the Purchasing Officer of Works & Engineering should be informed and he will notify Government departments of the availability of the property. The Accountant must also be notified of any disposals or transfers of these assets so that they can be properly reflected in FIA's financial records.

## **16. Insurance**

### **16.1 Role of the FIA**

#### **16.1.2 Insurance**

The FIA shall implement a scheme of insurance as is considered appropriate and adequate.

The Accounting Officers shall maintain a register showing the detail of all insured risks and policies of the FIA.

### **16.2 Responsibility of Accounting Officer**

#### **16.2.1 Protection of Assets**

Accounting Officers must ensure that all FIA assets within their control are adequately protected.

#### **16.2.2 Notification of Additions**

Accounting Officers must immediately notify the Accountant of all new risks and assets which may require insurance and of any matter affecting insurance arrangements generally.

#### **16.2.3 Notification of Loss / Liability**

Accounting Officers must immediately notify the Accountant and, where appropriate, the Senior Legal Counsel, of any loss, liability or damage, or any event likely to lead to a claim by the FIA against its insurers, or by any third party against the FIA, whether insured or otherwise.

## **17. Banking and Treasury Management**

### **17.1 Bank Accounts**

#### **17.1.1 Operation**

The FIA may operate such banking accounts in the name of the FIA as appropriate for the efficient operation of FIA business. All bank accounts must have a signatory from the Board of Directors of the FIA as they directs. No bank account may be opened without the prior written approval of the Board of Directors of the FIA.

#### **17.1.2 Title**

Every bank account must bear, as part of its designated title, the words “Financial Intelligence Agency” and the full title shall be subject to the approval of the Board of Directors of the FIA..

#### **17.1.3 No Advances or Overdrafts Without Permission**

No bank account may be overdrawn or cash advance obtained without the **prior permission** of the Board of Directors of the FIA.. A FIA employee will be surcharged in accordance with FI 3.9 for any charges resulting from failure to comply with this Instruction.

#### **17.1.4 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.

#### **17.1.5 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 FIA’s accounts.

### **17.2 Cheque Signatories**

#### **17.2.1 Authorised Signatories**

The FIA’s authorised signaturories policy is as follows:

- Any one (1) of the Director or the Senior Legal Counsel of the Agency for any amount up to and including BD\$ 15,000; and
- Any one (1) of the members of the Board of Directors of the FIA, in addition to any one (1) of the Director or the Senior Legal Counsel of the Agency signing jointly for amounts over BD\$ 15,000.

#### **17.2.2 Approval of Authorised Cheque Signatories**

The Board of Directors must approve every appointment as an authorised account signatory and must be provided with specimen signatures.

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

**18 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.

## **19. Retention of Documents**

### **19.1 Retained by FIA**

The following records must be retained by the FIA for 6 fiscal years-

- Inventory records,
- Overtime time sheets,
- Quotation documentation per FI Section 8
- Bank deposit slips,
- Bank statements / cheques,
- Bank reconciliations,
- Journal vouchers,
- Paid supplier invoices,
- General ledger detail,
- Fund accounts and supporting documentation,
- Salary / wage pay records.

### **19.2 Personnel Records**

Personnel records must be maintained to ensure that employee pension entitlements are calculated correctly for: 3 years after retirement or separation, 70 years of age or 1 year after death.

The FIA must not destroy the official personnel file of any former employee. All dormant personnel files should be transferred to the FIA Records Centre, arranged in alphabetical order.

### **19.3 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.

### **19.4 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 FIA maintains an organised referencing system to facilitate retrieval of information, if required.

### **19.5 Retention For Audit**

All documentation required to support transactions or balances should be maintained for audit purposes. It is recommended that such items be maintained for the same period as other financial records, that is, six years.