

FINANCE POLICY



Version Number: V9 _____

Effective Date: 27th June 2017

FINANCE POLICY

Table of Contents

1. POLICY OBJECTIVES	3
2. SCOPE.....	3
3. POLICY STATEMENTS.....	3
3.1 Recordkeeping.....	3
3.2 Chart of accounts	3
3.3 Financial Statements.....	3
3.4 Financial year	5
3.5 Funds of the Authority	5
3.5.1 Authorized and Paid-up Capital.....	5
3.5.2 The Operating Fund.....	5
3.5.3 Reserve Fund	6
3.5.4 Transfer of Net Surplus	6
3.6 Bank Accounts	6
3.7 Risk Management.....	7
3.8 Debit and Credit Cards	7
3.9 Internal Control	7
3.10 Inventory of Fixed Assets.....	8
3.11 Record retention.....	8
3.12 Grants and Loans	8
3.13 Workplan and Budget.....	9
3.14 Monitoring and Reporting on Performance	9
3.15 Audit and Annual Report.....	9
3.16 Petty cash.....	10
4. PROCEDURES.....	10
5. RESPONSIBILITY	10
6. REVIEW DATE	10
7. AMENDMENT HISTORY	11

FINANCE POLICY

1. POLICY OBJECTIVES

The objectives of this Finance Policy are to:

- 1) ensure that expenditures are properly planned, approved and controlled;
- 2) ensure that complete and accurate records are kept of the Authority's financial activities and status;
- 3) provide a framework for the Authority's financial decision making;
- 4) ensure that the Authority complies with statutory requirements and generally accepted accounting principles;
- 5) ensure regular and timely reporting of the Authority's financial performance and status; and
- 6) safeguard the Authority's assets and funds entrusted to it.

2. SCOPE

This policy applies to:

- a) all staff members of the Authority involved in the process of record keeping and who are responsible for ensuring that the Authority's financial data is accurate and reliable for optimal decision making; and
- b) all financial activities and related matters of the Authority except for those covered by the Authority's Procurement Policy; Overseas Travel and Subsistence Policy; and Conflict of Interest and Gifts and Hospitality Policy.

3. POLICY STATEMENTS

The Authority considers this policy a critical component of its financial management processes.

3.1 Recordkeeping

As set out in section 46 of the Regulatory Authority Act ("RAA") 2011, the Authority shall keep proper accounts and records of its transactions and affairs.

Accordingly, the Authority is to maintain such accounts and records in a manner to enable

- (a) its Financial Statements to be prepared in accordance with generally accepted accounting principles;
- (b) its Management and Board to make proper financial decisions;
- (c) regular and timely Management reports on its financial performance and status to be prepared for Management and the Board

3.2 Chart of accounts

The Authority shall keep an authorised chart of accounts which corresponds with the annual budget that is agreed by the Commissioners and Government.

3.3 Financial Statements

The Authority's financial statements are to be prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA

FINANCE POLICY

Canada”). For financial reporting purposes, the Authority is classified as an “other government organization” and has adopted the following accounting policies:

(a) Revenue recognition

Fees and other sources of revenues are recognized when earned. Fees received relating to future fiscal periods are recorded as unearned revenue.

(b) Expenses

Expenses are recognized when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration paid or payable.

(c) Cash

Cash includes all cash on deposit with financial institutions that can be withdrawn without prior notice or penalty.

(d) Tangible capital assets

Tangible assets are items that are capital in nature, cost \$1,000 or more and have a useful life of more than one year. Examples are computers, furniture, copiers, etc. The Authority’s policy is to expense in full all expenditure of less than a \$1,000 at the date of purchase.

Tangible capital assets are recorded at cost less accumulated amortization. The cost of a tangible capital asset consists of its purchase price and costs directly attributable to making the asset ready for its intended use.

Amortization is computed using the straight-line method over the estimated useful lives of the tangible capital assets as follows:

- Office equipment - 5 years
- Computers and Software - 3 years
- Furniture and fittings - 10 years
- Leasehold Improvements – 5 years
- Electronic Communications equipment – 5 years

The estimated useful life of an asset is the period over which the Authority expects to obtain economic benefits or service potential from the asset and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognized on a prospective basis.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Authority’s ability to provide services, or when the value of the future economic benefits associated with the tangible capital assets is less than their net book value. The net write-down is accounted for as an expense in the statement of operations.

(e) Foreign currencies

FINANCE POLICY

The Authority's functional and presentation currency is the Bermuda dollar. Transactions denominated in foreign currencies are translated into Bermuda dollars at the prevailing exchange rates on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the period-end date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of operations for the period.

(f) Use of estimates

The financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

3.4 Financial year

The financial year of the Authority shall consist of 12 months, and shall end on 31 March.

3.5 Funds of the Authority

The funds of the Authority comprise the following:

1. The authorized and paid-up capital;
2. The Operating Fund;
3. The Reserve Fund; and
4. Such other special fund that the Authority may create with the express approval of the Minister of Finance

3.5.1 Authorized and Paid-up Capital

- (a) The authorized capital of the Authority shall be \$3.5 million, which shall be subscribed at such times and in such amounts as the Board, with the approval of the Minister of Finance, may require.
- (b) The Authority may increase the authorized capital, subject to the approval of the House of Assembly signified by resolution.

3.5.2 The Operating Fund

The Authority

- (a) shall pay into the Operating Fund:
 - such monies as may be appropriated by the Legislature;
 - any Regulatory Authority fee that the Authority collects;
 - other revenues that it may raise;
 - grants, contributions or endowments from any source; and
 - loans.
- (b) may, consistent with its approved budget, authorize payment to be made out of the Operating Fund such funds as are necessary to:
 - remunerate the Commissioners, the staff and other persons employed or
 - engaged by the Authority; and

FINANCE POLICY

- meet all other costs and expenditures properly incurred in exercising the functions of the Authority.

3.5.3 Reserve Fund

In any financial year in which the Authority

- (a) incurs a net surplus, the net surplus shall be transferred to the Reserve Fund in the manner specified in section 3.5.4 below.
- (b) incurs a loss, the Authority may recoup the loss from the Reserve Fund, and to the extent the Reserve Fund is sufficient.
- (c) incurs a loss and the Reserve Fund is not sufficient to meet the loss, the Authority, with the approval of all Ministers responsible for regulated industry sectors, may carry forward and recoup the losses from any future surplus, before payment is made to the Consolidated Fund.

3.5.4 Transfer of Net Surplus

At the conclusion of each financial year the Authority, before taking into account any unrealized gains or losses, shall determine the net surplus or net loss, after taking into account provision for bad debts and depreciation. The net surplus shall be transferred as follows:

- (a) 50% shall be transferred to the Government's Consolidated Fund;
- (b) 25% shall be transferred to paid-up capital of the Authority; and
- (c) 25% shall be transferred to the Reserve Fund.

3.6 Bank Accounts

a) Management Oversight

There must be proper management oversight over the management and control of the Authority's cash balances and transactions to safeguard the Authority's funds from risk of loss and minimize the risk of errors and fraud.

b) Banking Authority

The opening and closing of bank accounts and the signing mandate and operation of the accounts, electronically or physically must be authorized by Board Resolution.

c) Bank Reconciliations

Monthly reconciliation of all Authority's financial records to those of the bank are mandatory and all discrepancies are to be promptly resolved.

FINANCE POLICY

d) Investment of the Authority's Funds

The Authority shall maintain:

- (i) the Operating Fund in interest-bearing bank accounts within Bermuda; and
- (ii) the Reserve Fund in such of the following that the Board may authorize:
 - interest-bearing bank accounts;
 - certificates of deposit; and
 - Treasury bills issued by the Government of the United States of America.

3.7 Risk Management

(a) Risk Assessment

The Authority's risk exposure is to be evaluated annually and a report on the evaluation and proposed mitigation plans is to be promptly submitted to the Board for its consideration.

(b) Insurance

The Authority will maintain the following types of insurance coverages:

- (i) Employers Liability;
- (ii) Public Liability;
- (iii) Business Travel;
- (iv) Contents; and
- (v) Interruption of business.

3.8 Debit and Credit Cards

a) Debit Cards

No debit cards will be maintained by the Authority.

(b) Credit Cards

The Authority will maintain one business credit card that is to be issued in the name of the Chief Executive ("CE"), subject to the approval of the Board. The use of the credit card will be restricted to ad hoc business expenditure, travel, authorised entertainment and purchases of small value expenses or equipment. The credit card account will be limited to \$10,000.

No cash advances are permitted on the business credit card, nor may the business credit card be used for personal expenses.

The credit card is to be returned to the Authority and cancelled when the person in whose name the card is issued is requested to do so by the Commissioners or is no longer an employee of the Authority.

3.9 Internal Control

a) The Authority will maintain a system of internal controls sufficient to provide reasonable assurance that the following objectives are met:

- (i) Transactions are executed in accordance with management's general or specific authorization.

FINANCE POLICY

- (ii) Transactions are recorded as necessary to:
 - a. Make and keep books, records, and accounts in reasonable detail to accurately and fairly reflect the transactions of the Authority and the disposition of its assets; and
 - b. Permit preparation of financial statements in conformity with public sector accounting standards generally accepted in Bermuda and Canada as recommended by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada (“CPA Canada”).
- (iii) Adequate segregation of duties is maintained. The principal duties to segregate are transaction authorization, custody of assets, and recording or reporting of transactions.
- (iv) Assets are safeguarded from loss by intentional acts and unintentional errors.
- (v) Financial accounts are reconciled to supporting documentation at reasonable intervals and appropriate action is taken with respect to any differences.
- b) An independent review of the Authority’s internal controls must be conducted at least every two years.

3.10 Inventory of Fixed Assets

- a) The Authority is to maintain a Fixed Asset Register (“FAR”) to record the details of all fixed asset purchases to enable it to:
 - (i) keep track of details of each fixed asset, ensuring control and preventing misappropriation of assets;
 - (ii) keep track of the correct value of fixed assets, which allows for computation of depreciation and insurance purposes; and
 - (iii) generate accurate, complete, and customized reports that suits the needs of management;
- b) Physical inventory taking shall be conducted annually and any discrepancies between the physical counts and the Fixed Asset Register promptly resolved.

3.11 Record retention

The Authority’s accounts and records of its transactions and affairs are to be retained for a period of at least 7 years. The Authority will not dispose of records before the end of the retention period.

3.12 Grants and Loans

The Authority, may subject, to the approval of the Board and the consent of the Minister of Finance, enter loan agreements provided such action is undertaken in accordance with the relevant provisions of the RAA 2011.

FINANCE POLICY

3.13 Workplan and Budget

The Authority shall prepare an annual budget, in accordance with the relevant provisions of the RAA 2011. The Authority is required to adhere to the Workplan and budget. No expenditure shall be made that would cause the budget to be exceeded without the prior approval of the Board.

3.14 Monitoring and Reporting on Performance

Regular reports that, among other things, monitor the Authority's financial performance against budget and status of its approved Work Plan must be submitted to the Board, at least quarterly or such other frequency that the Board may request.

3.15 Audit and Annual Report

3.15.1 Audit

- a) The accounts of the Authority shall be audited by the Office of the Auditor General ("OAG") or such other auditor as may be appointed annually by the OAG. The Board has responsibilities to act in an objective independent capacity as a liaison between the auditors and management during the audit process.
- b) The Authority will provide free access to all relevant information, as requested by the auditors.
- c) The audit process shall be guided and directed by the Chief Financial Officer ("CFO") or such other person as the Board may appoint.
- d) The CE shall provide the unaudited financial statements for the year to the Board for review and approval prior to submission to the auditors.
- e) Within three months of the end of its financial year, the Authority shall submit to the auditor its financial statements for the year and shall meet any reasonable request from the auditor for information relevant to the audit.

3.15.2 Annual Report

- a) The Annual Report is to include a report on the operations of the Authority during the preceding financial year, including a discussion of:
 - the major activities undertaken;
 - any significant deviations from the work plan adopted by the Authority pursuant to section 43 of the RAA 2011; and
 - the results achieved.
- b) The CE shall provide the Annual Report for the year to the Board for review and approval prior to submission to each Minister responsible for a regulated industry sector.
- c) The Authority, within 30 days of receiving the auditor's report, shall prepare and transmit to each Minister responsible for a regulated industry sector the Annual Report and a copy of the annual financial statements of the Authority certified by the auditor.

FINANCE POLICY

3.16 Petty Cash

A petty cash fund provides a systematic method for paying and recording out-of-pocket cash payments too small to be made by cheque. The Authority shall maintain an imprest system of petty cash that is replenished as needed.

4. PROCEDURES

Written procedures that describe how the finance functions are to be carried out must be implemented by Management and must comply with the Finance Policies and good internal control practises.

5. RESPONSIBILITY

The CFO is responsible for administering this Policy. The Policy shall be reviewed annually by the CFO and all recommended changes and updates must be submitted to the CE for review and approval for submission to the Board for its review and approval.

It is the responsibility of the CE to review operations and activities on a periodic basis and is responsible to implement this Policy. The CE delegates this oversight responsibility to the CFO. The CFO has the day-to-day operations responsibility for ensuring that the Authority complies with this Policy.

6. REVIEW DATE

This policy will be regularly reviewed.

FINANCE POLICY

7. AMENDMENT HISTORY

<i>Date Policy was Issued</i>	<i>Date of Review</i>	<i>Version</i>	<i>Reason for Review</i>	<i>Lead Reviewer</i>	<i>Approved by</i>	<i>Date Approved</i>
Feb 24, 2015	Feb 24, 2015	Version 2	Updating the policy	Paull Davis		
	May 28, 2015	Version 3	Updating the policy	Paull Davis		
	Jun 12, 2015	Version 4	Updating the policy	Paull Davis		
	Jul 22, 2015	Version 5	Updating the policy	Paull Davis		
	Aug 20, 2015	Version 6	Updating the policy	Paull Davis		
	Oct 29, 2015	Version 7	Updating the policy	Paull Davis		
	Jan 27, 2016	Version 8	Updating the policy	Paull Davis	Board of Commissioners	Jan 27, 2016
	June 22, 2017	Version 9	Annual Review	Paull Davis	Board of Commissioners	June 27, 2017