

Financial Circular No. (2) for the year 2018

Regarding

Preparation of the General Final Account and Financial Position of the Government of Ajman for the Fiscal Year Ending on December 31, 2018.

Based on the provisions of Article (34) of the Financial Law of the Government of Ajman issued by Emiri Decree No. (11) of 2011 concerning the preparation of final accounts, the provisions of Chapter Four of the Executive Regulations of the Financial Law of the Government of Ajman issued by Emiri Resolution No. (12) of 2011, the requirements for preparing the draft subsidiary final accounts for the fiscal year 2018, and preparing the draft general final account and financial position of the Government of Ajman for the fiscal year ending on December 31, 2018, and in our commitment to ensure the issuance of the general final account and financial position of the Government of Ajman for the fiscal year ending on December 31, 2018 without delay according to the deadlines set forth in this circular, we hereby direct the following:

First

Scope of Application of the Circular

The scope of this circular applies to all departments, institutions, administrations, and entities affiliated with the Government of Ajman whose budgets are included, in whole or in part, within the annual general budget of the Government of Ajman, as well as independent entities and entities in which the Government of Ajman has a shareholding.

Second

Objectives of the General Final Account and Financial Position of the Government of Ajman

The general final account and financial position of the Government of Ajman aims to achieve the following:

- 1- Providing accurate and complete financial information for decision-makers about the true financial position of the Government of Ajman during the fiscal year ending on December 31, 2018, and using that information in planning and formulating general policies and strategies for the concerned government departments in light of the strategic plan of the Government of Ajman.
- 2- Monitoring and following up on the financial performance of the concerned government departments, identifying their financial situations, and taking the necessary corrective decisions and actions in a timely manner.

3- Controlling the implementation of the annual budget and ensuring that the budgets of government departments achieve their set objectives and programs, identifying deviations between estimated budgets and the actual implementation results of the concerned government departments' budgets, studying the reasons for these deviations, and working to avoid them in the future.

4- Showing the true financial position of the Emirate's government, indicating its rights from others and its obligations towards others at the end of the fiscal year to which the government's general budget pertains.

5- Measuring the optimal use of the government's general budget appropriations and the efficient collection of its approved revenues, by comparing each of the following:

- Actual expenditures during the ended year with their final approved estimates to identify overspending or unused appropriations.
- Actual revenues during the ended fiscal year with their final approved estimates to identify shortfalls or surpluses.
- Projects implemented during the year with their final approved estimates to identify overspending or unused appropriations.
- Capital additions implemented during the ended year with their final approved estimates to identify overspending or unused appropriations.
- Actual revenues during the ended year with actual expenditures during the same year to show the result of implementing the government's general budget, whether a surplus (in case accrued revenues exceed accrued expenditures) or a deficit (in case accrued revenues are less than accrued expenditures).

6- A statement of the changes that occurred to the government's general budget after its issuance and during its implementation, including additional appropriations and transfers, to understand the justifications and reasons for them.

7- The final account shows the higher authorities the performance of government departments and their ability to implement the programs and initiatives included in their budgets, to ensure the completion of the work and tasks assigned to them, what goals and desired results were achieved, and to identify the changes that hindered the implementation process.

8- Identifying frozen public funds in stagnant materials and items in government warehouses, as the general final account provides clarifications and information about their value, which gives decision-makers the opportunity to take necessary action regarding them.

Third

Preliminary Procedures for Preparing the Draft Subsidiary Final Account of the Government Department for the Fiscal Year Ending on December 31, 2018

All government departments must adhere to the precise implementation of these instructions and complete all preliminary work for preparing the subsidiary final statements no later than 15/01/2019, as detailed below:

1- The deadline for issuing the last purchase requisition and approving any pending purchase requisitions on the Mawared electronic system for the fiscal year 2018 is the end of the business day on 25/11/2018. Necessary action must be taken to cancel any unapproved purchase requisitions by no later than the end of the business day on (09/12/2018).

2- The last date to submit a request for any amendments to the approved budget for the fiscal year 2018 is the end of the business day on 06/12/2018, after ensuring that all transfers made during the fiscal year 2018 have been entered into the Mawared electronic system and recorded in the relevant registers and accounts.

3- The deadline for issuing the last purchase order for the fiscal year 2018 is the end of the business day on 13/12/2018. Necessary action must be taken to cancel any purchase orders on the system that have not completed their approval procedures, as well as any purchase requisitions that have not been converted into purchase orders, by no later than the end of the business day on 17/12/2018. It is imperative not to issue any purchase orders during 2018 for which materials are expected to be received and work executed during 2019, except for purchase orders related to projects, which are permitted to be issued until the end of the business day on 27/12/2018.

4- The date 17/12/2018 is the last date for concluding contracts that create financial obligations for the fiscal year 2018, provided that their actual implementation period does not exceed the end of the fiscal year 2018. Government departments are prohibited from concluding contracts that create financial obligations for the fiscal year 2019 without first obtaining approval from the Department of Finance.

5- Complete the preparation of monthly payroll statements and salary transfer procedures by 25/12/2018 at the latest.

6- The deadline for canceling the commitment for all purchase orders that have not been received or executed, fully or partially, by 31/12/2018 on the Mawared electronic system is the end of the business day on 07/01/2019, unless they are included in the 2019 budget under the same program.

7- Complete the comprehensive inventory of warehouses, workshops, and subsidiary and personal custodies by 16/12/2018 at the latest. The comprehensive inventory work should begin on any day after 03/12/2018, with the need to reconcile balances at the end of the fiscal year 2018 if there is any movement in inventory balances during the inventory period.

8- Complete the comprehensive inventory of government properties and any other assets by 16/12/2018 at the latest.

9- Bank guarantees and guarantee checks are to be inventoried at the end of the business day on 31/12/2018.

10- An inventory of receipt vouchers, payment vouchers, checks, and paper printouts of material value is to be conducted, stating the number printed, used, remaining balance, and the number of the last receipt used from each book still in use as of 31/12/2018.

11- Prepare necessary journal entries and inventory adjustments, if any, by the end of the business day on 03/01/2019 at the latest.

12- The receipts fund shall be closed on 31/12/2018 by 12:30 PM at the latest. All collected receipts must be deposited into the receipts account on the same day and recorded in the relevant registers and accounts of the concerned government department. Additionally, any other revenues due to the concerned department up to 31/12/2018 must be recorded, even if not collected, by no later than 07/01/2019.

13- The government entity must prepare a report showing the last financial documents processed at the end of the business day on Monday, 31/12/2018, as follows:

- Type and number of the document, amount, date, and description of the transaction, with a copy of the document itself attached. Examples of relevant documents include, but are not limited to, journal vouchers, payment and transfer vouchers, receipts, as well as warehouse and asset vouchers, purchase orders and requisitions, etc.
- Government entities shall send a copy of the said report to both the Department of Finance and the Financial Audit Authority on Wednesday, 02/01/2019.

14- The Department of Finance will send bank confirmation request letters for the fiscal year 2018 by 02/01/2019 at the latest.

Copies of the confirmations received from the banks will be provided to the concerned departments.

15- Complete the recording of all received materials pertaining to the fiscal year 2018 on the actual date of receipt in the registers and accounts by 06/01/2019 at the latest.

16- Complete bank reconciliations by 07/01/2019 at the latest.

17- Complete the recording of the last payment invoice for the fiscal year 2018 by 07/01/2019 at the latest.

18- Any invoice in the payment register with incomplete procedures shall be deleted by 10/01/2019 at the latest.

19- Any expenses accrued by the concerned department up to 31/12/2018 shall be recorded, and the payment register for all departments shall be closed by 10/01/2019 at the latest.

20- Complete all procedures for valuing investments that require valuation, and assets and liabilities in foreign currencies according to the unified financial system, by 07/01/2019 at the latest.

21- Complete all procedures related to the asset register and ensure its balances match the asset and accumulated depreciation accounts by 10/01/2019 at the latest.

22- Confirm the balances of accounts receivable exceeding AED 5,000, related parties, and government financing accounts as of 31/12/2018. This must be completed and any discrepancies settled by 08/01/2019 at the latest.

23- Balances of inter-departmental relations up to the end of the fiscal year 2018 are to be closed after reconciliation between the departments in the government financing account, including Value Added Tax, in coordination with the Department of Finance, by the end of day 08/01/2019 at the latest.

24- It must be ensured that all transactions for the fiscal year 2018 ending on 31/12/2018 are recorded in the Mawared electronic system or in the approved financial records of the government department by 14/01/2019 at the latest.

25- The preparation of the subsidiary tax return data for the fourth quarter must be completed and sent to the Department of Finance by 15/01/2019 at the latest, after ensuring the registration of all financial operations related to input or output tax, as well as the settlement of any dues between departments and the Department of Finance within the inter-departmental relations account.

26- The financial accounts, electronic systems, and all subsidiary programs, applications, and financial periods for the fiscal year 2018 will be closed at the end of the business day on 15/01/2019.

27- Complete all procedures related to the subsidiary final statements by 15/01/2019 at the latest.

Fourth

Responsibility of the Government Department

Regarding the Preparation of the Draft Subsidiary Final Account and its Preparation Procedures

1- All government departments must implement the procedures stipulated in the Third section of this circular and complete all procedures related to the subsidiary final statements for the fiscal year ending 31/12/2018 by the end of the business day on 15/01/2019, according to the attached timetable No. (3).

2- These entities shall prepare their draft subsidiary final account in accordance with the Unified Financial System of the Government of Ajman and the provisions contained in this circular, and the following procedures:

- The financial accounts shall be closed in accordance with proper principles after ensuring that all financial transactions are recorded according to the accrual basis

used in the Government of Ajman, and after reconciling bank balances, accounts receivable, and government accounts, calculating all provisions and depreciations, and recording expenses and revenues related to the fiscal year 2018 on an accrual basis, by the end of the business day on 15/01/2019, according to the attached timetable No. (2).

- Each government entity is required to issue its draft subsidiary final account and send it to the Financial Audit Authority, with a copy to the Department of Finance, by 31/01/2019 at the latest.

3- Three copies of all required statements, reports, and documents for the purpose of closing the financial accounts, as specified in this circular, shall be prepared and approved as follows:

a- Financial statements with one year for comparison, in accordance with the forms and instructions approved by the Department of Finance, as follows:

- Statement of Financial Position, approved by the Director-General of the entity and the Chief Financial Officer.
- Statement of Financial Performance, approved by the Director-General of the entity and the Chief Financial Officer.
- Statement of Cash Flows, approved by the Chief Financial Officer.
- Statement of Changes in Net Assets/Equity, approved by the Chief Financial Officer.
- Statement of Comparison of Actual Amounts with Budgeted Amounts (Actual vs. Budget), approved by the Director-General of the entity and the Chief Financial Officer.
- Notes to the Financial Statements, approved by the Chief Financial Officer.

A hard copy shall be provided, and the approval shall be by signature in addition to the stamp of the government entity.

b- The Trial Balance, approved by the Chief Financial Officer in addition to the head of accounts. It shall be signed and stamped on all pages in accordance with applicable regulations, and attached with a PDF copy of the following attachments:

- Bank reconciliation statements.
- Confirmation letters from fellow entities and accounts receivable.
- Bank confirmation statements.
- Analysis sheet of accrued expenses and accrued revenues.
- Fixed asset and depreciation register.
- Asset movement schedule.
- Statement of investments (for departments with investments).

- Statement of projects under construction, specifying the percentage of completion as of December 31, 2018.
- Analysis of accounts receivable and their aging.
- Confirmation of the treasury account with the Department of Finance.
- Analysis of accounts payable and their aging.
- Detailed statement of employee provisions (leave, end-of-service, pending social insurance).
- Analysis of revenues by revenue item.
- Analysis of expenses by expense item on a monthly basis.

c- Performance reports and their attachments, approved by the Director-General of the government entity and the Chief Financial Officer. All pages must be signed and stamped. A general performance report and a cash performance report shall be prepared, compared with the final budget (approved budget + amendments) for 2018 (in PDF format), to include a general report clarifying the following:

- A summary of the reasons for deviations in revenue programs.
- A summary of the reasons for deviations in payment programs.
- A general summary of appointments, resignations, and terminations of service compared to the budget, according to the general budget statistics.

d- The Executive Summary, approved by the Director-General of the government entity (in PDF format), explaining the following:

- The most important achievements of the government entity with a financial impact, in terms of revenue development, expenditure rationalization, preservation of public funds, implementation of budget initiatives, and employee development.
- The most significant obstacles and problems facing the government entity in implementing its budget.

e- A letter from the legal advisor regarding cases concerning the department, to be in PDF format.

The report or reports of the Financial Audit Authority for the fiscal year 2018 (if any), and the actions taken in their regard, shall be attached to the draft subsidiary final account of the concerned government entity, in PDF format.

4- The government entity shall retain one copy of the draft subsidiary final account and its attachments, and a copy shall be sent to both the Financial Audit Authority and the Department of Finance, accompanied by an electronic copy of all the aforementioned attachments prepared in PDF format, by 31/01/2019.

5- The Financial Audit Authority shall audit all draft subsidiary final accounts and their attachments and provide the concerned entities and the Department of Finance with

the results of its audit of these accounts within (20 working days) from the date of receiving the draft subsidiary final statements from the government departments.

6- Within 10 working days of receiving the audit results on all subsidiary final statements from the Financial Audit Authority, the government departments shall study and settle the observations of the Financial Audit Authority, in addition to any observations the Department of Finance deems necessary to correct. They must also clarify the reason for anything that was not settled and send the response to the report to both the Financial Audit Authority and the Department of Finance, accompanied by the amended and duly approved subsidiary final financial statements.

Fifth

Procedures for Preparing the General Final Account and Financial Position of the Government of Ajman and their Approval Procedures

1- The Department of Finance shall prepare the draft general final account and financial position of the Government of Ajman for the fiscal year ending on 31/12/2018 after receiving the complete amended subsidiary final financial statements from the government departments, in accordance with the provisions of the Unified Financial System of the Government of Ajman. This must be completed and sent to the Financial Audit Authority, including detailed data, reports, and the draft decree for the final account, within (10 working days) from the date of receiving all the amended and duly approved subsidiary final financial statements.

2- The Financial Audit Authority must review the draft general final account and financial position of the Government of Ajman and provide the Department of Finance with its final report, including its opinion, within (10 working days) from the date of receiving the draft general final account and financial position of the Government of Ajman from the Department of Finance. If it fails to submit its final report including its opinion within this period, the draft general final account will be considered accepted by it, and the general final account and financial position will be deemed to fairly represent the financial position of the Government of Ajman as of 31/12/2018, and its financial performance, cash flows, and changes in net assets for the fiscal year ending on that date.

3- After the Department of Finance receives the report with the observations and opinion of the Financial Audit Authority on the draft general final account and financial position of the Government of Ajman, or after the expiry of the specified period above without any observations being made, the Department of Finance shall prepare the draft general final account and financial position of the Government of Ajman in its final form within (10 working days) from the date of receiving the report with the observations and opinion of the Financial Audit Authority or the expiry of the specified period above without any observations being made.

4- The Department of Finance shall prepare the detailed financial report of the Government of Ajman for the fiscal year ending 31/12/2018, attaching the draft general final account and financial position of the Government of Ajman for the fiscal year ending 31/12/2018, and the detailed report of the Department of Finance concerning the draft general final account of the Government of Ajman. It will present it to the Representative of the Ruler for Administrative and Financial Affairs for approval within (3 working days) from the date of completing the preparation of the draft general final account and financial position of the Government of Ajman in its final form.

5- After the approval of the Representative of the Ruler for Administrative and Financial Affairs on the draft general final account and financial position of the Government of Ajman for the fiscal year ending 31/12/2018, the Department of Finance shall, within (5 working days), present a report on the draft general final account and financial position of the Government of Ajman for the fiscal year ending 31/12/2018 to the Executive Council for its review and to provide any observations thereon within (22 working days) from the date the report is sent to the Executive Council.

6- After receiving the recommendations of the Executive Council or after the expiry of (22 working days) from the date the Department of Finance's report is sent to the Executive Council, the Department of Finance will study the recommendations of the Executive Council (if any), take necessary action regarding them, and then submit the draft decree for the approval of the general final account and financial position of the Government of Ajman for the fiscal year ending December 31, 2018, to His Highness the Ruler of the Emirate for his approval and issuance.

7- The results of the implementation of the government's general budget for the fiscal year ending 31/12/2018 shall be closed to the General Reserve account of the Government of Ajman at the Department of Finance within (5 working days) of receiving the decree approving the general final account.

Sixth

Independent Entities or Entities in which the Government has a Shareholding

The Department of Finance will coordinate with independent entities or those in which the government has a shareholding to obtain their approved final financial statements for the fiscal year 2018, in light of the deadlines specified in the legislation governing those entities.

Seventh

Concluding Provisions

1- All government departments must provide the Department of Finance and the Financial Audit Authority with photocopies of the decisions forming the annual inventory committees, and the dates and locations for conducting the inventory, no

later than Sunday, 23/11/2018. Subsequently, certified copies of all inventory reports, minutes, and inventory adjustments must be sent no later than Sunday, 06/01/2019.

2- The end of the business day on Monday, 31/12/2018, is considered the last working day of the fiscal year 2018.

3- All departments and entities to which this circular applies must adhere to the deadlines contained herein, comply with the instructions of the Department of Finance, and provide all data, reports, and documents required by either the Financial Audit Authority or the Department of Finance within the specified deadlines. The Department of Finance will follow up on the implementation of this circular, communicate it to the relevant entities for application, and it shall be effective from the date of its issuance.

Ahmed bin Humaid Al Nuaimi

Representative of the Ruler for Administrative and Financial Affairs

Issued on: 21/10/2018