

## **Financial Circular No. ( ) for the year 2016 AD**

### **Regarding the Preparation of the Draft General Budget for the Government of Ajman for the Fiscal Year 2017 within the Approved Medium-Term Plan for the years (2016-2017-2018)**

#### **Introduction**

Based on our responsibility to oversee the implementation of the government's financial policies and plans, and to affirm the active role of all government entities in implementing these policies, which during the budget cycle (2016-2017-2018) will be based on the implementation of the following pillars:

1. Commitment to the principles and dimensions of the Ajman Government's Strategic Vision 2021.
2. Developing revenues and supporting the practical and organizational steps necessary to raise the efficiency of collecting revenues due to government entities.
3. Rationalizing expenditures and maximizing the use of available resources.

In implementation of the provisions of Article (11) of the Financial Law of the Government of Ajman, and Financial Circular No. (1) of 2015 regarding the preparation of the general budget for the Government of Ajman within the medium-term plan for the years (2016-2017-2018), and in our keenness to issue the annual general budget for the Government of Ajman for the year 2017 on schedule, we direct the following:

#### **First: Scope of the Circular:**

This circular applies to all departments, institutions, and administrations of the Government of Ajman whose budgets are included in the annual general budget of the Government of Ajman. It also applies to government entities that have legal personality and enjoy financial and administrative independence, and have an independent budget in accordance with the

local legislation issued for their establishment or reorganization, to the extent that the provisions of this circular do not conflict with the provisions of their financial regulations, if any.

## **Second: General Instructions and Rules:**

All government entities to which this circular applies must adhere to the following:

1. Update the approved financial plan for the years (2017-2018) "if any" according to the forms attached to this circular, provided that the value of these amendments does not exceed the approved spending ceilings within the medium-term financial plan (2016-2017-2018).
2. Amendments to the financial plan are limited to necessary developments in the approved strategic plans of the departments and after obtaining prior approvals from the Department of Finance before
3. Submitting the draft annual budget for the fiscal year 2017 AD according to the approved deadlines and forms.
4. Continue to use the "Planning and Performance Budgeting Methodology - Second Edition" in preparing the government's general budget within the medium-term plan for the years (2016-2017-2018). The departments, institutions, and government administrations referred to in the first item shall adhere to the same methodology when preparing their draft budgets.
5. Include in their draft budgets the functional classification of expenditures according to government sectors. This classification should include a redistribution of all expenditures according to government functions or the social and economic objectives that the government seeks to achieve, as explained in the attachments to this circular.

## **Third: Basis and Rules of Preparation**

### **❖ Revenues**

Based on the general framework of the policy for enhancing and developing public revenues, it is necessary to consider the implementation of the following when re-estimating revenues for the years (2017-2018):

- (1) The estimated revenues must include all types of revenues collected by the government entity or those due to it, without deducting any expenses or exemptions.
- (2) No government entity may allocate a specific revenue to cover a specific expense, nor may any government entity offset expenditures against its collected revenues.
- (3) Government entities must conduct a comprehensive review of their activities to develop and expand the application of the cost recovery principle whenever possible.
- (4) Attach a list of the amounts of revenues due to government entities from previous years, explaining the administrative and legal measures taken or to be taken in the future to collect these amounts.
- (5) Align the values of government fees and fines with the services provided, estimate any fees or fines in light of the legal procedures prescribed in this regard, and adhere to the legal provisions and rules regarding exemption from fees and fines.
- (6) Estimates of government revenues for the draft budget should be in light of what was achieved during the fiscal year 2016. However, these estimates may be reduced or increased if all or one of the following conditions are met:
  - a- Introduction, cancellation, or amendment of fees or fines that were implemented in the fiscal year 2016 or will be implemented during the next two years.
  - b- Development and introduction of quality services for which proposed government fees will be charged.
  - c- Change in government revenues available from projects and investments of a commercial nature.
  - d- Change in economic conditions and their potential impact on government services.

### **❖ Expenditures**

In light of the contents of Ajman Vision 2021 and taking into account existing commitments, it is necessary to commit to excluding all programs and initiatives whose purpose has ended, while giving implementation priorities according to the following:

- a- Salaries, allowances, benefits, and the like (actual).
- b- Programs related to the entity's core operations.
- c- Completion of the implementation of programs and initiatives from previous years.
- d- Programs and initiatives according to their degree of importance.

This is with consideration to adhering to the following instructions:

1. Re-estimate the costs and completion rates of "all programs" approved and included in the medium-term financial plan for the years (2016-2017-2018) for the government department and the amendments made to them during the current year 2016 AD accurately, while adhering to the approved spending ceiling for the government department within the medium-term financial plan by rearranging the department's priorities for implementing programs and initiatives.
2. Ensure accuracy in calculating the costs of programs or initiatives and adhere to the timeline for their implementation. Note that the Department of Finance has the right, according to the unified financial system of the Government of Ajman, to cancel any program or project that is delayed for two months or whose implementation cost exceeds the approved budget estimate by 10%.
3. The financial estimates for all costs of quality, excellence, institutional performance, and strategic planning programs in the draft budgets of Ajman government departments and institutions must be consistent with the basic system of the Ajman Excellence Program and its issued guides. Entities should gradually reduce the costs of these programs annually.
4. Comparative financial data for three previous years and the current year, in addition to the next two years, shall be recorded as follows:
  - a- Years (2013-2014-2015) actual data.
  - b- Fiscal year 2016 actual data until the end of the last closed month, with the expected level of expenditure and income for the rest of the year to be re-estimated accurately.
  - c- Fiscal years (2017-2018) according to the financial plan and approved amendments.
5. Continue to include the main program "Administrative Support Services" within the program structure of each government entity. This program

consists of several sub-programs as detailed in the circular's appendices, so that these sub-programs include all costs of administrative and support services in the government department's draft budget. All government departments must, when preparing their draft budgets, work to rationalize the total expenditures on this program according to the instructions of the senior management in the government entities and in coordination with the Department of Finance in this regard.

6. For the purpose of estimating the financial values for implementing the costs of programs and initiatives, government entities can be guided by the following:

a- Salaries and the like, according to the approved salary scale in the Government of Ajman.

b- Service expenses and procurements, according to their prevailing prices in the fiscal year 2016.

c- Construction and infrastructure projects, by using accredited consulting firms, the technical section, or specialized departments within the government entity, if any, or through price quotations for some materials and equipment.

7. Programs implemented without direct financial costs through sponsorships received for activities are considered a major part of the government entities' budgets.

8. Government entities are obliged to record the cash flows for programs completed in previous years for which due amounts have not been paid in a payment statement for completed programs from previous years, indicating the year of appropriation in the budget. It is emphasized that these amounts must be accrued during the year 2016 AD on the electronic Mawared system. Accordingly, financial allocations must be included in the government department's draft budget for any contracts or purchase orders issued during 2016 AD that are expected to be received or executed in subsequent years. Note that any receipt of services or materials or execution of any work during 2017 resulting from contracts or purchase orders issued during 2016 will be charged and deducted from the 2017 fiscal year budget appropriations. Therefore, government departments must adhere to the timeline for program implementation to avoid overlapping financial periods.

9. Government entities are obliged not to enter into any commitments that result in additional financial burdens without obtaining prior approval from the Department of Finance, due to the legal procedures required for additional appropriation requests and the disruption they cause to implementation programs.

## **Fourth: Preparation and Submission of Draft Budget Data**

### **A - For departments, institutions, and administrations of the Government of Ajman whose budgets are included in the government's general budget:**

They are obliged to form a committee called the (Draft Budget Preparation Committee) by a decision of their Director-General, with a chairman and members who are specialists with expertise and competence in financial, administrative, and human resources affairs, in addition to strategic planning and core operations departments in the concerned government entity. This committee in the concerned government entity shall be responsible for preparing the draft budget in light of the approved financial plan and presenting it to the head of the concerned government entity after the approval of its Director-General. The Department of Finance must be provided with the decision to form this committee no later than **Sunday, May 29, 2016 AD**. The committee's work in completing the required data and forms will begin immediately upon its formation. All government entities must submit their draft budgets to the Department of Finance, complete with all tables, forms, and estimation bases mentioned in this circular, while adhering to the submission of their draft budget data to the Department of Finance as follows:

1. A copy of the approved or under-approval strategic plan no later than Sunday, June 12, 2016.
2. A copy of the organizational and functional structure of the government entity no later than Sunday, June 12, 2016.
3. A statement of requests for amendments to the approved programs within the medium-term financial plan for the years (2017-2018), with all details and data related to these amendments attached, no later than Sunday, August 14, 2016.

4. Data for the main program for government financial resources (Revenues Program), according to Form No. (M5) in the circular's appendix, no later than Sunday, September 18, 2016.
5. The departments will be notified of the approved amendments to the financial plan in light of the discussions with the Department of Finance, no later than Sunday, October 09, 2016.
6. A copy of the "Program Agreement" for the main programs, sub-programs, and their costs for the programs whose amendments have been approved "if any," no later than Sunday, October 16, 2016.
7. Costs of the approved main and sub-programs, in addition to financing, cash flow, and consolidated data, according to forms numbers (M3, M4, M6, M7) in the circular's appendix, no later than Sunday, October 23, 2016.

#### **B - For government institutions and bodies with financial and administrative independence**

Without prejudice to the deadlines stipulated in the laws of establishment of government institutions and bodies with financial and administrative independence and their internal regulations, they must submit their draft budget data for the fiscal year 2017 to the Department of Finance no later than Sunday, September 18, 2016.

#### **Fifth: Procedures for Presenting and Approving the Draft Budget**

1. The Department of Finance will present the update of the medium-term financial plan for the years (2017-2018) as well as the draft general budget of the government for the fiscal year 2017 to the Ruler's Representative for Administrative and Financial Affairs.
2. After the Ruler's Representative approves the update of the medium-term financial plan for the years (2017-2018) and the draft general budget of the government for the fiscal year 2017, he will present them, along with any accompanying reports, to the Chairman of the Executive Council to decide what he deems appropriate regarding them.
3. The Crown Prince and the Ruler's Representative for Administrative and Financial Affairs will present the draft general budget of the government for the fiscal year 2017 to His Highness the Ruler of the Emirate of Ajman

for his approval by a decree to be issued by His Highness before the end of November 2016 AD.

## **Sixth: General Provisions**

1. If any government entity fails to submit its draft budget data within the deadlines specified in this circular, the Department of Finance will prepare the draft budget for the concerned government entity according to the approved financial plan and the amendments made during 2016, and the concerned government entity may not object to the budget prepared by the Department of Finance.
2. In the event of a delay in the approval of the draft budget before the start of the fiscal year 2017, the Department of Finance will issue a circular to the concerned government departments with the instructions to be followed in this regard, which regulate spending for a temporary period and determine the priority of spending on a monthly basis, based on the provisions of the Unified Financial System.
3. The Department of Finance is responsible for interpreting the provisions of this circular, clarifying any ambiguity or vagueness in it, and responding to any inquiries from any government entity regarding the preparation of its draft budget, and providing all necessary clarifications to ensure the proper and full application of this circular.
4. The Department of Finance shall circulate this circular to all concerned entities for the implementation of its provisions, and it shall be effective from the date of its issuance.

Ahmed bin Humaid Al Nuaimi

Ruler's Representative for Administrative and Financial Affairs

Issued on: / / 2016 AD

### **Attachments:**

Attachment No. (1) Appendix to the Circular including guidelines for preparing the draft budget

Attachment No. (2) Statement of deadlines for submitting the requirements for preparing the 2017 draft budget to the Department of Finance

Attachment No. (3) Statement of request for amendment to the rest of the financial plan (2017-2018)

Attachment No. (4) Electronic copy of the budget preparation forms

## **Appendix No. 1**

### **Definitions and Guidelines**

#### **First: Definitions and Concepts**

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| <b>Main Program</b>  | It is a means to achieve a specific standard objective within a certain timeframe, having a desired value and measured by specific performance indicators. It leads to the achievement of strategic goals. It can be said that it is a set of activities practiced to achieve strategic goals in the medium and long term. |
| <b>Sub-program or Initiative</b>   | The (sub-program) or initiative represents a sequence of basic events to achieve specific standard objectives (main programs), to ensure the establishment of a performance budget based on the contribution of each element in the sub-program or initiative to achieving   |
| <b>Completion period of the sub-program or initiative</b>                | the intended goal, which is the basis for determining the budget.  |
|  | Start date and end date of the program.  |
| <b>Person responsible for implementing the sub-program or initiative</b> | The director of the concerned department or the head of the section responsible for the sub-program or initiative.   |
| <b>Type of sub-program</b>   | This refers to a core process, support process, or development initiative.   |
| <b>Associated program(s)/sub-program(s)</b>                              | The other program or sub-programs without which the concerned sub-program cannot be implemented.   |
| <b>Performance Pillar</b>  | This is the performance pillar in the Balanced Scorecard.  |
|  | It is classified as:   |
| <b>Sub-program Status</b>  | 1- Ongoing: for continuous operational   |

|   |  |
|---|--|
|   | <p>processes.</p> <p>2- New: for newly introduced programs.</p> <p>3- Completion: for programs started in previous periods and not yet finished.</p> <p>4- Carried over: for programs approved in a previous period but not yet started.</p>   |
| <b>Cost Classification in the Sub-program</b> | <p>The sub-program is classified according to cost into three categories as follows:</p> <p>This refers to the continuous processes carried out by the government entity, whether core or support, which have actual costs. Only mandatory costs are placed on them without any additions.</p>                                     |
| <b>1- Existing operational process</b>        | <p>This refers to either the introduction of a new process in the department that will be ongoing, or an addition to an existing process to develop it, with the condition of cost continuity. It includes things like (new appointments, additional expenses for process development).</p>  |
| <b>2- Complementary or new process</b>        | <p>This refers to a developmental activity for the department with a specific, non-continuous period, such as projects and studies.</p>  |
| <b>3- Development initiative</b>              | <p>The implementation priority for each classification of the sub-program is determined as follows:</p> <p>1- Existing processes (100)</p> <p>2- Complementary processes (from 1-80)</p> <p>3- Development initiative (from 1-80)</p> <p>4- Do not repeat the same evaluation value for all programs of the government entity.</p> |
| <b>Implementation Priority</b>                | <p>What is the reason behind implementing the program? What is its objective? What is the return from its implementation for the entity and the government?</p>  |
| <b>Justifications or Return</b>               | <p>The cost classification in the sub-program cost model indicates the direction of the cost to:</p> <p>1- Existing processes</p>  |
| <b>Cost Classification</b>                    |  |

- 2- Complementary processes
- 3- Development initiative

## **Second: Guidelines for Updating the Remainder of the Department's Financial Plan.**

| <b>Procedure</b>  | <b>Responsibility</b>  | <b>Deadline</b> |
|---|--|-----------------|
| Prepare a performance report on the implementation of the current year's budget and the approved programs in the financial plan for the years 2017, 2018, and submit it to the department's budget preparation committee.   | Budget Officer in the Government Department                    | June 15, 2016   |
| Verify the estimates of financial allocations for Sub-program the programs approved in the financial plan. Officer  |  | June 22, 2016   |
| Discuss with program officers the feasibility of implementing programs according to the planned timeline and any changes that have occurred or are expected in the implementation of programs over the course of the financial plan, such as (implementation delay, program postponement, insufficient financial allocations, different project completion rates, making additional appropriations during the year that have a financial impact on subsequent years... etc.). | Budget Preparation Committee in the Government Department      | June 30, 2016   |
| Calculate the financial impact of the amendments in the programs for the years 2017, 2018.  | Budget Preparation Committee, Budget Officer in the Department | July 14, 2016   |
| Recalculate salary costs according to the actual situation and its impact on the fiscal years 2017, 2018.   | Budget Officer in the Department                               | July 21, 2016   |
| Compile the financial impact of all amendments and present it to the budget committee.  | Budget Officer in the Department                               | July 25, 2016   |

| Procedure  | Responsibility  | Deadline         |
|--|---|------------------|
| <p>If the financial impact of the amendments requires additional financial allocations, the budget committee will work to provide these allocations from the programs approved in the plan in coordination with the department's program officers, ensuring that the total costs of the programs do not exceed the annually approved financial allocations in the financial plan (2016-2017-2018).</p> | Budget Preparation Committee, Sub-program Officer     | August 4, 2016.  |
| <p>Approve the amendment request form for the financial plan from the Director-General of the Department and send it to the Department of Finance.</p>   | Budget Preparation Committee                          | August 14, 2016  |
| <p>Inform the departments of the amendments approved to the financial plan by the Department of Finance.</p>   | Department of Finance                                 | October 9        |
| <p>Prepare the financial budget forms for the approved programs and their monthly distributions, and the cash budget.</p>  | Budget Officer in the Department, Sub-program Officer | October 23, 2016 |

### **Third: Costs of the Main Program for Administrative Support Services.**

For the purposes of benchmarking and creating a comparable program structure among government entities that can be used to measure cost and efficiency, and to control spending on administrative services according to standards of quality, efficiency, and transparency, work continues on including the main program "Administrative Support Services" within the program structure of each government entity. The main program consists of several sub-programs, so that these programs include all costs of administrative and support services in the government department's draft budget. This program includes the following sub-programs:

| <b>No. Sub-program</b>  | <b>Description of the Sub-program</b>   |
|---|---|
| 1 Efficient and effective management of financial resources   | <ul style="list-style-type: none"> <li>* Preparation of financial statements and budgets</li> <li>* Management of salaries and payments/receipts</li> </ul>   |
| 2 Management of procurements and contracts according to best approved practices   | <ul style="list-style-type: none"> <li>* Management of goods procurement</li> <li>* Contract management</li> </ul>  |
| 3 Management and development of human resources   | <ul style="list-style-type: none"> <li>* Training and qualifying employees</li> <li>* Management of human resources services (recruitment, performance appraisal)</li> </ul>                        |
| 4 Ensuring the application of quality and institutional excellence standards, developing strategic plans, and measuring performance | <ul style="list-style-type: none"> <li>* Ensuring the quality of management and customer services</li> <li>* Preparation for Ajman Excellence Awards</li> </ul>                                     |
| 5 Ensuring effective internal and external communication  | <ul style="list-style-type: none"> <li>* Preparation of strategic and operational plans and performance measures</li> </ul>   |
| 6 Managing the entity through distinguished senior leadership   | <ul style="list-style-type: none"> <li>* Support for events, occasions, and other media</li> <li>* Director General's Office</li> <li>* Senior leadership in the entity / Internal Audit</li> </ul> |
| 7 Providing the best legal services through best practices  | <ul style="list-style-type: none"> <li>* Management of Legal Affairs</li> <li>* Development of internal technical systems</li> </ul>  |
| 8 Developing and providing the latest information technology services   | <ul style="list-style-type: none"> <li>* Providing necessary technical support</li> </ul>   |
| 9 Providing shared services to all organizational units efficiently and effectively   | <ul style="list-style-type: none"> <li>* Shared services (electricity and water, rent, telephone and internet.... etc.)</li> </ul>  |

| <b>No. Sub-program</b>                        | <b>Description of the Sub-program</b>                          |
|---|--|
| 10 Developing the department's infrastructure | * Specific to modernizing government buildings for departments |

## **Appendix No. 2**

### **Statement of Submission Deadlines for the Fiscal Year (2017) Draft Budget Requirements**

| <b>No. Statement</b> | <b>Final Date</b>  |
|----------------------|--|
| 1                    | Decision to form the annual draft budget preparation committee.  |
| 3                    | A copy of the approved or under-approval strategic plan of the government entity.  |
| 4                    | A copy of the organizational and functional structure of the government entity.  |
| 5                    | Statement of requests for amendments to the approved programs within the medium-term financial plan for the years.                           |
| 6                    | Data for the main program for government financial resources (Revenues Program).   |
| 7                    | Inform the departments of the amendments approved to the financial plan by the Department of Finance.  |
| 8                    | A copy of the "Program Agreement" for the main programs, sub-programs, and their costs for the programs whose amendments have been approved. |
| 9                    | Costs of the approved main and sub-programs "Financial Forms".   |