

CAYMAN ISLANDS



**Public Management and Finance Act
(2020 Revision)**

FINANCIAL REGULATIONS

(2022 Revision)

Supplement 5 published with Legislation Gazette No. 3 of 18th January, 2022

PUBLISHING DETAILS

Revised under the authority of the *Law Revision Act (2020 Revision)*.

The Financial Regulations, 2004 made the 18th May, 2004, as amended by the Citation of Acts of Parliament Act, 2020 [Act 56 of 2020], and consolidated with —

Financial (Amendment) Regulations, 2005 made the 15th February, 2005
Financial (Amendment) Regulations, 2006 made the 27th June, 2006
Financial (Amendment) (No.2) Regulations, 2006 made the 11th April, 2006
Financial (Amendment) Regulations, 2007 made the 8th May, 2007
Financial (Amendment) Regulations, 2009 made the 13th October, 2009
Financial (Amendment) Regulations, 2013 made the 29th January, 2013
Financial (Amendment) Regulations, 2014 made the 15th July, 2014
Financial (Amendment) Regulations, 2017 made the 29th August, 2017
Financial (Amendment) Regulations, 2018 made the 30th January, 2018
Financial (Amendment) Regulations, 2021[SL 65 of 2021] made the 21st September, 2021.

Consolidated and revised this 31st day of December, 2021.

Note (not forming part of the Regulations): This revision replaces the 2021 Revision which should now be discarded.



CAYMAN ISLANDS



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(2020 Revision)

FINANCIAL REGULATIONS
(2022 Revision)

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Public Management and Finance Act
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PART 1 – PRELIMINARY

Citation

1. These regulations may be cited as the *Financial Regulations (2022 Revision)*.

Definitions

2. In these regulations —

“**Bank**” means the Cayman Islands Development Bank established under section 3 of the *Development Bank Act (2018 Revision)*;

“**Civil Aviation Authority**” means the Civil Aviation Authority of the Cayman Islands established under section 3 of the *Civil Aviation Authority Act (2015 Revision)*;

“**IRIS**” means the centralised accounting information system;

“**Ministry**” means the ministry responsible for finance;

“**Port Authority**” means the Port Authority of the Cayman Islands established by section 3 of the *Port Authority Act (1999 Revision)*;

“**prescribed entity**” means a ministry or portfolio, the Audit Office or the Ombudsman; and

“**PSIC**” means the Public Sector Investment Committee established by the Financial Secretary.

Application and interpretation

3. (1) These regulations apply to prescribed entities, the core government and the entire public sector.
- (2) Parts 2, 3, 8, 9 and 12 apply to statutory authorities and government companies.
- (3) These regulations apply to financial activity relating to any financial year commencing after the 30th June, 2004.
- (4) The decision of the Financial Secretary shall be final as to the correct interpretation of these regulations.

PART 2 - REPEALED (INFORMATION TO BE PROVIDED TO THE MINISTRY)

Repealed

4. **Repealed** by regulation 3 of the *Financial (Amendment) Regulations, 2017*.

Repealed

5. **Repealed** by regulation 3 of the *Financial (Amendment) Regulations, 2017*.

Repealed

6. **Repealed** by regulation 3 of the *Financial (Amendment) Regulations, 2017*.

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PART 3 - REPEALED (FINANCIAL STATEMENT FORMAT AND ACCOUNTING POLICIES)

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10. **Repealed** by regulation 3 of the *Financial (Amendment) Regulations, 2017*.



Repealed

11. **Repealed** by regulation 3 of the *Financial (Amendment) Regulations, 2017*.

Repealed

12. **Repealed** by regulation 3 of the *Financial (Amendment) Regulations, 2017*.

Repealed

13. **Repealed** by regulation 3 of the *Financial (Amendment) Regulations, 2017*.

PART 4 - CENTRALISED ACCOUNTING INFORMATION SYSTEM

Use of the IRIS

14. Unless exempted in writing by the Financial Secretary, prescribed entities shall use the IRIS to record their entity financial activity and the executive financial activity for which they are responsible.

Responsibility for maintaining ledgers

15. Each prescribed entity is responsible for entering all data into the IRIS, for making all entries and adjustments to all ledgers relating to its entity or any executive reporting entity for which it is responsible, and for ensuring that the information within those ledgers is accurate, complete and up to date.

Authorisation

16. (1) Access to the IRIS is to be restricted to employees authorised by the Chief Officer of the prescribed entity concerned.
- (2) The Chief Officer of a prescribed entity shall ensure that —
- (a) appropriate delegations and authorisations in relation to the IRIS are established;
 - (b) those delegations and authorisations are complied with; and
 - (c) authorised employees are capable of fulfilling their responsibilities.

Timely recording

17. (1) A transaction shall be recorded by a prescribed entity as soon as possible after the transaction has occurred, and in all cases no later than one week from the date of the transaction.
- (2) All end of period adjustments shall be made within two weeks of the end of each quarter.

PART 5 - BANK ACCOUNTS AND THE CENTRALISED CASH MANAGEMENT SYSTEM

Structure and operation of prescribed entity bank accounts

- 18.** (1) Unless exempted in writing by the Financial Secretary, a prescribed entity shall operate a bank account only as part of the centralised banking system operated by the Treasury at the Royal Bank of Canada.
- (2) Subject to the approval of the Financial Secretary, a prescribed entity may determine the main account and sub-account structure of its bank account.
- (3) A prescribed entity may open and close bank accounts, within its approved bank account structure.

Banking of entity transactions

- 19.** (1) A prescribed entity shall bank all receipts relating to entity transactions into its bank account.
- (2) A prescribed entity shall withdraw all payments relating to its entity transactions from its bank account.
- (3) No receipts from entity transactions may be used to make payments without first being banked in the bank account of a prescribed entity.

Internal control over bank accounts

- 20.** (1) The Chief Officer of a prescribed entity shall maintain adequate internal controls over the operation of the entity's bank accounts.
- (2) The Chief Officer of a prescribed entity shall ensure the prompt receipt and banking of money received.
- (3) All payments (whether by cheque, tape, electronic funds transfer or other means) out of an entity bank account of ten thousand dollars or more shall be authorised by two account signatories, each of whom shall be appointed by the Financial Secretary.
- (4) All payments (whether by cheque, tape, electronic funds transfer or other means) out of an entity bank account of less than ten thousand dollars shall be authorised by one account signatory, appointed by the Financial Secretary.
- (5) Cheques shall have the name of the relevant prescribed entity printed on them.
- (6) All entity bank accounts shall be reconciled at least monthly and such reconciliations shall be prepared by the Treasury or, if authorised by the Financial Secretary, prepared by the prescribed entity concerned and reviewed and approved by the Treasury.



Foreign currency entity bank accounts

- 21.** (1) Written approval from the Financial Secretary is required to operate a foreign currency entity bank account.
- (2) The operation of foreign currency bank accounts is subject to the same requirements as domestic bank accounts, including all internal control requirements.

Structure of the executive bank account

- 22.** (1) Executive bank accounts, including any subsidiary executive bank accounts shall be operated only as part of the centralised banking system operated by the Treasury at the Royal Bank of Canada.
- (2) The main account and sub-account structure of the executive bank account shall be determined by the Financial Secretary.
- (3) Executive bank accounts within the determined structure shall be opened and closed, only with the authority of the Financial Secretary.

Responsibility for managing executive cash flows

- 23.** (1) A prescribed entity, statutory authority or government company which, by way of annual budget statement or purchase agreement, has an obligation to manage executive assets, executive liabilities, executive revenues or executive expenses shall also be responsible for the management of the cash flows associated with those executive transactions.
- (2) An entity with responsibility for managing cash flows associated with executive financial transactions shall operate a subsidiary executive bank account under delegated authority from the Financial Secretary.
- (3) Separate executive bank accounts shall be maintained for executive receipts and executive payments.
- (4) An entity with responsibility for managing cash flows associated with executive financial transactions shall deposit all such receipts into, and make all such payments from, an executive bank account.
- (5) The Chief Officer of a prescribed entity, statutory authority or government company operating an executive bank account shall maintain adequate internal controls over the operation of executive bank accounts in the manner outlined in regulation 20.

Payment of interest

- 24.** (1) All interest payable by the Royal Bank of Canada on amounts held within the centralised banking system shall be executive revenue and shall be paid into an executive bank account operated by the Treasury.

- (2) The Treasury shall pay a prescribed entity interest on balances held in entity bank accounts that are part of the centralised banking system.

Investment of cash balances

25. (1) A prescribed entity shall not invest idle cash balances other than on deposit with the Treasury as part of the centralised cash management system.
- (2) The Treasury shall pay a prescribed entity interest on deposits made with the Treasury by the entity as part of the centralised cash management system.

Notification of interest rates

26. The Treasury shall, from time to time, notify prescribed entities of the rates of interest payable by it on cash balances and deposits.

PART 6 - CAPITAL CHARGE

Payment and calculation of capital charge

27. (1) The capital charge payable by a prescribed entity under section 41(5) of the principal Act, is to be paid to the Ministry on the 31st July and the 31st January of each year.
- (2) The 31st July payment is to be calculated on the basis of the entity's net worth at the preceding 30th June.
- (3) The 31st January payment is to be calculated on the basis of the entity's net worth at the preceding 31st December.

Capital charge rate

28. The capital charge rate shall be set annually by the Minister of Finance and shall apply to all prescribed entities unless a prescribed entity has obtained permission from the Financial Secretary to use a different rate.

PART 7 - GENERAL FINANCIAL MANAGEMENT PRACTICES OF PRESCRIBED ENTITIES

System of internal controls

29. A Chief Officer of a prescribed entity shall ensure that an appropriate system of internal controls operates within the entity and that that system is adequate to safeguard the entity or executive resources for which the prescribed entity is responsible.



Compliance with borrowing prohibition

- 30.** A Chief Officer of a prescribed entity shall ensure that the prohibition on borrowing in the principal Act (including finance leases and operating bank overdrafts) is not breached in that Chief Officer's entity.

Responsibility for risk management

- 31.** (1) A Chief Officer of a prescribed entity is responsible for —
- (a) identifying risks to which that Chief Officer's entity is exposed;
 - (b) establishing strategies to mitigate or manage those risks; and
 - (c) ensuring those strategies are implemented.
- (2) All risks shall be managed in accordance with the policies established by the Cabinet on the advice of the Minister of Finance.
- (3) All insurance coverage shall be taken out through the Risk Management Office.

Foreign currency exposure

- 32.** (1) A prescribed entity shall not enter into any transactions in foreign currencies (other than in US Dollars) except with the written authorisation of the Financial Secretary.
- (2) Where a prescribed entity is authorised to enter into a foreign currency transaction other than in US dollars, the Chief Officer of that entity shall identify the foreign exchange transaction exposures of the entity and shall design policies to cover this exposure.
- (3) All policies and revisions thereto shall be approved by the Ministry.
- (4) A prescribed entity authorised to enter into a foreign currency transaction other than in US dollars shall only enter into foreign currency transactions on the spot market or, where the term of the exposure is known, by way of forward exchange contracts.

PART 8 - OUTPUT COSTING**Responsibility for output costing**

- 33.** The Chief Officer of a prescribed entity, statutory authority or government company is responsible for ensuring that the entity has a reliable and appropriate system for allocating entity input costs to the entity's outputs.

Basis of cost allocation

- 34.** (1) The cost of all resources consumed in the production of outputs shall be allocated to outputs.

- (2) Direct costs that relate to a specific output shall be allocated directly to the output to which they relate.
- (3) Personnel costs shall be allocated on the basis of the proportion of a person's time spent producing the output.
- (4) Time spent on overhead (non-output) activities, shall be treated as an indirect cost.
- (5) Indirect costs that relate to a single cost centre shall be allocated to that cost centre.
- (6) Indirect costs that relate to a number of cost centres shall be allocated to cost centres on the basis of the following methods -

Expense	Allocation Method
Audit fees	<i>Pro rata</i> basis
Building occupancy costs (including rent)	Amount of space occupied by cost centre
Communications (for example, phone, fax, mail)	Usage of services by cost centre
Computer systems	Number of terminals or personal computers used by cost centre
Depreciation	Use of assets concerned by cost centre
Insurance	Same manner as other costs for the insured asset type (for example, refer building costs, vehicle costs)
Utilities (for example, electricity and water)	Amount of space occupied by cost centre

- (7) The indirect costs of a cost centre shall be allocated to the cost centre's outputs on the basis of the proportion of the cost centre's direct costs allocated to that output.

Variation of allocation methods

35. Entities may use alternative allocation policies provided that the alternative policy provides more accurate costs and has the prior approval of the Accountant General.

PART 9 – REPEALED (PROCUREMENT)

Repealed

36. **Repealed** by regulation 3 of the *Financial (Amendment) Regulations, 2018*.



Repealed

37. Repealed by regulation 3 of the *Financial (Amendment) Regulations, 2018*.

Repealed

38. Repealed by regulation 3 of the *Financial (Amendment) Regulations, 2018*.

Repealed

39. Repealed by regulation 3 of the *Financial (Amendment) Regulations, 2018*.

Repealed

40. Repealed by regulation 3 of the *Financial (Amendment) Regulations, 2018*.

Repealed

41. Repealed by regulation 3 of the *Financial (Amendment) Regulations, 2018*.

PART 9A – SALE OF ASSETS

Requirement to tender for the sale of assets

41A. A prescribed entity, statutory authority or government company shall offer for public tender the sale of any asset with a book value of fifty thousand dollars or more.

PART 10 - TRUST ASSETS

Managing trust assets

42. An entity with an agreement and delegation from the Chief Officer of finance to provide management services in relation to trust assets shall recognise such activity as an output, and record any fee charged for the management of trust assets as output revenue.

Accounting for trust assets

- 43.** (1) Trust assets shall be accounted for separately from an entity's own assets and trust money shall be held in a trust bank account, separate from the entity bank account and from the executive bank account.
- (2) Where an entity manages more than one type of trust money, such trust money may be held in one bank account, but separate records of the movements in each type of trust money shall be kept.

PART 11 - FINANCIAL RECORD KEEPING

Records to be retained

44. (1) A prescribed entity, statutory authority or government company is required to retain records pertaining to output reporting, entity financial transactions and executive financial transactions (including revenue, expenses, assets and liabilities) in such a manner that such records can be readily produced for operational and audit purposes.
- (2) A prescribed entity shall comply with any Government record keeping requirements established by the Director of the National Archive and notified in writing to Chief Officers.

PART 12 - PROCUREMENT PROJECT AND CAPITAL PROJECT APPRAISAL

Role of the PSIC

45. (1) The PSIC shall be responsible for —
- (a) receiving, from Chief Officers or Chief Executive Officers, the business case and appendices for procurement projects and capital projects, in accordance with prescribed thresholds;
 - (b) assessing the viability of procurement projects and capital projects;
 - (c) reporting on the overall viability of procurement projects and capital projects and making recommendations to the Cabinet as to whether or not such projects should proceed; and
 - (d) providing the Financial Secretary with an annual report on its activities for the financial year.
- (2) For the purposes of paragraph (1), “capital project” and “procurement project” have the meaning assigned by section 2 of the Procurement Act, 2016.

Information required

46. A Chief Officer is required to submit the following documentation to the PSIC using the formats for the Project Profile and Project Report set out in the Schedule —
- (a) in relation to projects between three hundred thousand dollars and one million dollars, Project Profile; and
 - (b) in relation to projects over one million dollars, Project Profile and Project Report.



Timing

47. All completed Project Profiles and Project Reports are to be submitted to the PSIC at least two weeks in advance of its monthly meeting.

Role of the PSIC

48. The PSIC shall submit recommendations on the viability of capital projects to the Cabinet, through the Minister of Finance.

Definition of “capital project” for the purposes of Part 12

49. In this Part —

“**capital project**” means any item that will be capitalised on the balance sheet in accordance with generally accepted accounting practice and the Public Finance Manual under section 54(k) of the principal Act, and includes the construction or purchase of physical assets and the purchase or development of computer hardware or software.

PART 13 - WEIGHTINGS OF STATUTORY AUTHORITY AND GOVERNMENT COMPANY DEBT TO BE INCLUDED IN CORE GOVERNMENT NET DEBT CALCULATION

Calculation of core government net debt

50. The following weightings are to be used to calculate the portion of Government guaranteed statutory authority and government company debt to be included in the calculation of core government net debt in accordance with the Framework for Fiscal Responsibility in schedule 6, Annex B of the principal Act, namely, in the case of statutory authorities and government companies —
- (a) that require an unpredictable level of budgetary support from the Cabinet (namely, Cayman Airways Limited, the National Housing Development Trust, the Tourism Attractions Board and the Cayman Turtle Farm (1983) Ltd.), eighty per cent;
 - (b) that are financially stable and require a predictable level of budgetary support from the Cabinet (namely, the Cayman Islands Development Bank), fifty per cent; and
 - (c) that have not required budgetary support from the Cabinet during the period of three years immediately preceding the date of the calculation (namely, the University College of the Cayman Islands, the Civil Aviation Authority, the Cayman Islands Airport Authority, the Port Authority and the Water Authority), twenty per cent.

SCHEDULE

Repealed

¹**Repealed** by R. 5 of the *Financial (Amendment) Regulations, 2021*[SL65 of 2021].

**Publication in consolidated and revised form authorised by the Cabinet this 11th
day of January, 2022.**

Kim Bullings
Clerk of the Cabinet



ENDNOTES

Table of Legislation history:

SL #	Law/Act #	Legislation	Commencement	Gazette
65/2021		Financial (Amendment) Regulations, 2021	29-Sep-2021	LG53/2021/s1
		Financial Regulations (2021 Revision)	29-Jan-2021	LG9/2021/s5
	56/2020	Citation of Acts of Parliament Act, 2020	3-Dec-2020	LG89/2020/s1
18/2018		Financial (Amendment) Regulations, 2018	10-May-2018	GE38/2018/s1
		Financial Regulations (2018 Revision)	16-Mar-2018	GE22/2018/s17
76/2017		Financial (Amendment) Regulations, 2017	8-Sep-2017	GE76/2017/s2
37/2014		Financial (Amendment) Regulations, 2014	25-Jul-2014	GE55/2014/s1
		Financial Regulations (2013 Revision)	21-Oct-2013	G21/2013/s9
10/2013		Financial (Amendment) Regulations, 2013	25-Feb-2013	G4/2013/s1
		Financial Regulations (2010 Revision)	22-Nov-2010	G24/2010/s6
40/2009		Financial (Amendment) Regulations, 2009	6-Nov-2009	G23/2009/s3
		Financial Regulations (2008 Revision)	21-Jul-2008	G15/2008/s5
4b/2007		Financial (Amendment) Regulations, 2007	25-Jun-2007	G13/2007/s1
10/2006		Financial (Amendment) (No.2) Regulations, 2006	29-Oct-2007	G22/2007/s1
		Financial Regulations (2007 Revision)	20-Aug-2007	G17/2007/s3
9/2006		Financial (Amendment) Regulations, 2006	24-Jul-2006	G15/2006/s16
		Financial Regulations (2005 Revision)	5-Sep-2005	G18/2005/s3
8/2005		Financial (Amendment) Regulations, 2005	21-Mar-2005	G6/2005/s4
1/2004		Financial Regulations, 2004	24-May-2004	GE17/2004/s1





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