

Cabinet Resolution No. (40) of 2021
Regarding the Executive Regulations of Federal Decree by Law No. (26) of
2019 Regarding Public Finance

The Cabinet:

- Having reviewed the Constitution;
- Federal Law No. (1) of 1972 Regarding the Competences of Ministries and the Powers of Ministers, as amended;
- Federal Decree by Law No. (26) of 2019 Regarding Public Finance;
- The Cabinet Resolution No. (37) of 2012 Regarding the Implementing Regulations of the Federal Decree by Law No. (8) of 2011 Regarding the Rules for Preparing the General Budget and the final Account;
- The Cabinet Resolution No. (17) of 2013 Regarding the Implementing Regulations of the Federal Decree by Law No. (1) of 2011 Regarding the Public Revenues;
- The Cabinet Resolution No. (4) of 2019 Regarding the Procurement and Warehouse Management Regulations in the Federal Government, as amended; and
- Upon the proposal of the Minister of Finance and the approval of the Cabinet,

Hereby resolves as follows:

Article (1)

Definitions

Definitions provided in the Federal Law No (26) of 2019 mentioned shall apply to this Resolution, otherwise, the following words and phrases shall have the meanings assigned to each of them, unless the context otherwise requires:

Cash Flow	: Ensuring the availability of sufficient liquidity in anticipation of
Hedging	exposure to variations and fluctuations in cash flows during subsequent financial periods.
Financial Circular	: The circular issued by the Minister to the Federal Entities specifying the rules, controls, procedures and accounting treatments for the

transactions and settlements necessary for the preparation of the draft final account of the Federal Entity and the consolidated final account for the current fiscal year, during the second week of the tenth month of each fiscal year.

Decree by Law : Federal Decree by Law No. (26) of 2019 Regarding Public Finance.

Article (2)

Powers of the Minister

1. The Minister may, if they ascertain that an exceptional or unexpected decline has occurred in the cash revenues expected to be collected in the current fiscal year, submit a memorandum to the Cabinet including an estimation of the percentage of decline and its source and a statement of its causes, along with a proposal for the percentage of reduction in the approved allocations in the current general budget in proportion to the expected percentage of decline, provided that it does not exceed (50%) fifty percent of the approved allocations in the general budget for the current fiscal year.
2. The Minister may, in the memorandum stipulated in Clause (1) of this Article, recommend the adoption of any of the following measures:
 - a. Possible injection of additional financial liquidity from the available funds in the cash reserve stipulated in Clause (1) of Article (71) of the Decree by Law or the special reserve stipulated in Article (27) of the Decree by Law.
 - b. Reduce the approved allocations for all and some Federal Entities, except for the allocations for inevitable employees.
 - c. Reduce the value of the amounts allocated in the current general budget for one or more projects or items, or rescheduling the payment dates of any of these amounts.
 - d. Reduce the upper ceilings of some expenditure categories approved in the general budget (financial allocations).
 - e. Cancel or postpone the implementation of one or more capital projects, and the consequent cancellation of the amounts allocated to them in the current general budget.
 - f. Issue any public debt instrument.

- g. Any other measures.
- 3. The Minister shall issue the necessary instructions to the Federal Entities whose allocations or financial appropriations have been affected, for the implementation of the Cabinet's decision approving any of the measures stipulated in Clause (2) of this Article, and the date of their implementation.

Article (3)

Cash Flow Hedging

1. The Minister shall monitor the financial position of the Government and the liquidity flows.
2. Cash flow hedging aims to achieve the following:
 - a. Mitigate the negative effects of variations and fluctuations through the existence of pre-established contingency plans to address them;
 - b. Ensure that the Government continues to implement the sustainable development plans approved in its strategic plans within the draft medium-term budget framework or the long-term strategic vision;
 - c. Ensure the government's continued ability to fulfil its financial obligations without resorting to loans; and
 - d. Develop long-term financial policies that contribute to the government ability to build the cash reserve stipulated in Article (71) of the Decree by Law.
3. The Minister shall submit to the Cabinet a semi-annual and annual report on cash flow hedging, including a description of the cash liquidity position for the future fiscal period and the formulation of the necessary plans to address any anticipated economic shocks or fluctuations, taking into account in particular the following:
 - a. Cash liquidity position during the current and future fiscal periods;
 - b. The cash liquidity requirements of Federal Entities in future fiscal periods;
 - c. The fiscal policies of local governments and their impact on the government's public flows;
 - d. The impact of global and regional economic fluctuations on the flow of public resources;

- e. The impact of fluctuations and geopolitical events surrounding the state on the national economy;
 - f. Plans and programs necessary to address any anticipated economic challenges or fluctuations;
 - g. Possible Injection of additional financial liquidity from the available funds in the cash reserve stipulated in Clause (1) of Article (71) of the Decree by Law or the special reserve stipulated in Article (27) of the Decree by Law; and
4. In the event of strong indications of the possibility of an exceptional decline in public resources during the next fiscal year that cannot be covered by the cash reserve account or the special reserve stipulated in Paragraph (g) of Clause (3) of this Article, the Ministry shall determine the proposed reduction percentage in Public resources for that year before submitting the draft law for the General Budget for that year for approval, provided that this does not include the appropriations prescribed for inevitable employees.

Article (4)

Controls and Procedures for Concluding Contracts

Upon concluding contracts that entail financial obligations extending beyond the fiscal year into one or more future fiscal years, the Federal Entities shall abide by the following controls:

1. The contracts shall pertain to projects that have been approved within the Medium-Term Fiscal Framework (MTFF);
2. Contract appropriations shall be included in the Medium-Term Fiscal Framework (MTFF);
3. The Federal Entity shall adopt a clear implementation plan that specifies the total expected cost and the financial allocations required to be included in the draft law for the General Budget for each year of project implementation.
4. A financial allocations shall be available in the Federal Entity budget during the fiscal year in which the contract is concluded to cover the financial obligations resulting from it.
5. The Federal Entity shall include the necessary annual financial allocations to cover the obligations of each fiscal year separately until the completion of the contract's implementation, and these allocations shall be part of its annual budget approved in the General Budget Law.

6. The federal entity shall not use the listed financial allocations to cover contract implementation obligations for purposes other than those for which the allocations were designated.
7. The Federal Entities shall comply with the procedures set forth in the Cabinet Resolution No. (4) of 2019 Regarding the Procurement and Warehouse Management Regulations in the Federal Government, and its amendments.

Article (5)

Rules for Preparing the Draft Final Account

When preparing their draft final account for the completed fiscal year, Federal Entities shall comply with the following basic rules:

1. Submit to the Supreme Audit Institution all documents arising from changes or modifications in the final account data, and attach a copy of the correspondences and related documents to the Ministry;
2. Ensure accuracy in accounting classifications in accordance with the proper Chart of Accounts, and avoid misclassifications intended to conceal any budget overruns or justify transfers between line items;
3. Carry out transfers in a manner that precludes the improper reliance on manual adjustment entries in the general ledger system; and
4. Complete the annual closing procedures on or before the date specified for it in accordance with the Financial Circular, in accordance with the following:
 - a. Procurement.
 - b. Cash management system.
 - c. Receipt system.
 - d. Payment system.
 - e. Payroll system.
 - f. Reconciliation of advance accounts.
 - g. Financial transfers.
 - h. General ledger.
 - i. Closing of the value-added tax (VAT) input and output accounts into the net VAT

account, recording all non-recoverable taxes in the appropriate account, and ensuring that all recoverable VAT amounts from the Federal Tax Authority are posted to their respective accounts and that their balances reconcile with the VAT returns submitted by the Entity.

5. The deadlines specified in the Financial Circular for completing the closings shall be complied with. A Federal Entity may not extend these deadlines except upon a justified request and with the Ministry's approval, and shall bear full responsibility for any consequences resulting from its non-compliance.
6. The draft final account shall be prepared by the specified deadline in accordance with the Financial Circular, and shall include the following:
 - a. Acknowledgment and undertaking form regarding confirming the accuracy and comprehensiveness of the data contained in the preliminary draft final account in accordance with the form prepared by the Ministry.
 - b. The explanatory memorandum, which includes the following:
 - 1) General budget data at the level of groups and an explanation of the adjustments made during the fiscal year (transfers/additional allocations), in addition to the actual data achieved during the current fiscal year with an analysis of any differences in the implementation of the budget (excess expenditures/unutilized allocations). Projection of the extent to which the Federal Entity has achieved the approved activities and objectives for the fiscal year, and to compare all these data with the data of the previous fiscal year.
 - 2) Disclosure of any adjustment entries made during the fiscal year related to previous years, including their reasons, and the extent of their impact on the financial position of the Federal Entity.
 - 3) Disclosure of any endowments, subsidies or grants, whether in cash or in kind, received by the Federal Entities that are not included in their budget, and a statement of their source and how to dispose of them.
 - 4) Disclosure of any financial transactions that took place outside the Government financial system, such as bank accounts allocated for advances.
 - 5) Disclosure of open bank accounts, statement of the final balance position and

bank settlement.

- 6) Disclosure of the efforts and procedures of the Federal Entity to follow up and settle the asset and liability account balances and their development.
 - 7) Disclosure of the efforts of any exchange or non-exchange operations that took place between the concerned Federal Entity and other Federal Entities that directly affect their revenues or expenditures.
 - 8) Disclosure of the tax status including its compliance with filing tax returns to the Federal Tax Authority by their due dates, its receipt of tax refunds due to it, and disclosure of any late payment penalties incurred and the amount of non-recoverable taxes.
 - 9) The following common financial evidence measurement indicators and analysis of the reasons for the deviations, if any:
 - a. Accuracy of revenue financial planning indicator.
 - b. Accuracy of expenditure financial planning indicator.
 - c. Budget preparation accuracy indicator.
 - 10) Trial balance as on December 31 of the relevant fiscal year.
 - 11) Final account forms (electronic copy only) as stipulated in the Financial Circular.
 - 12) Statement of financial performance - for independent Federal Entities only.
 - 13) Statement of financial position - for independent Federal Entities only.
 - 14) Cash flow statement - for independent Federal Entities only.
7. As for the independent Federal Entities that apply the accrual basis in recording their financial and accounting operations, they shall restate their data to present them on the modified cash basis (the statement of financial performance, the statement of financial position). This procedure shall be in force until the Government officially announces its shift to applying accrual-based accounting.
8. Send its draft final accounts that complete the attachments set forth in Clause (5) of this Article, and performance measurement indicators to Supreme Audit Institution, and a copy of them to the Ministry no later than the date specified in the Financial Circular, with attaching a CD that includes an electronic copy of the final account and all its attachments in the form appropriate electronic form in accordance with the nature of the report.

9. The Supreme Audit Institution shall exercise its control over the draft final accounts and all their attachments, including the restated data into the modified cash basis, issue a report thereon and send it to the Federal Entities and the ministry, within the period specified in the annual Financial Circular.
10. Implement the necessary modifications to its final accounts drafts based on the audit and recommendations of the Supreme Audit Institution , if any, and sending them to the Supreme Audit Institution and the Ministry within the period specified by the Financial Circular.
11. Reply to the reports of the Supreme Audit Institution - if any - within five working days from the date of receipt, provided that a copy of it shall be submitted to the Ministry on the same date.
12. The independent Federal Entities that are not covered by the General Budget Law shall coordinate directly with the Supreme Audit Institution regarding the submission of their draft final accounts, in accordance with the date specified in the Financial Circular.
13. Insure that the General Ledger period is adjusted in accordance with the transaction date during the two accounting periods of December of the fiscal year for which the draft final account is prepared and January of the subsequent fiscal year.
14. Apply the principle of annual budgeting, and refrain from charging the current fiscal year's budget with expenditures related to prior or future fiscal years.
15. Refrain from overspending budget line items and from submitting a final account that includes entries contrary to their nature.
16. The Federal Entity, that has joined the phased implementation project for the transition to accrual-basis accounting shall prepare dual final reports (Dual Reporting) as follows:
 - a. A draft final account in accordance with the provisions of this article shall be submitted to the Supreme Audit Institution, with a copy to the Ministry for the purposes of preparing the consolidated final account. This procedure shall remain in effect until the Minister issues a Circular announcing the government's full transition to accrual-based accounting.
 - b. Financial statements and reports shall be prepared in accordance with the instructions issued by the Ministry, provided that the data and reports are submitted for review to

ensure their quality and compliance with the accounting standards approved by the Government in this regard.

17. Upon the Minister's approval of the decision for the Federal Government to adopt accrual-based accounting, the Ministry shall issue the decisions that Federal Entities shall be required to comply with for the preparation of financial reports and data in accordance with the accounting standards adopted by the Federal Government.

Article (6)

Rules for Preparing the Consolidated Draft Final Account

1. The Ministry shall prepare the draft Federal Law on the consolidated final account based on the draft final accounts submitted by the Federal Entities submitted to them and the reports issued by the Supreme Audit Institution, before the expiry of the period specified in the financial Circular. The Draft Law shall include the following electronically prepared documents:
 - a. A draft federal law approving the consolidated final account for the relevant fiscal year.
 - b. Consolidated financial performance summary statement.
 - c. Consolidated financial position summary statement.
 - d. Liquidity summary statement.
 - e. The explanatory memorandum, which includes the following:
 - 1) Key observations on the data of the final accounts of the Federal Authorities based on the preliminary reports of the Supreme Audit Institution, with necessary clarifications where modifications have been made to the draft final accounts of Federal Entities (overspending/deficits) .
 - 2) Financial statements of ministries, federal government entities and independent entities.
 - 3) The general budget of the Federation and its modifications, including the following:
 - a. Present revenues and expenses at the group level.
 - b. Present the current assets and liability accounts (consolidated financial position) and a schedule of reclassification of balances in accounts that are

inconsistent with their nature.

- c. Present the statutory debit and credit accounts.
 - d. Present the outcome of the execution of the Federation General Budget of the Union.
 - e. Present the intermediary accounts and elimination schedule for inter-entity transactions.
 - f. Analyze the General Reserve Account.
 - g. Clarify the scope of coverage of the consolidated final account of the Federal Entities and the basis of financial statement consolidation, in addition to the components of the consolidated final account.
2. If a Federal Entity fails to submit its final account after the deadline specified in the financial Circular, a separate clause will not be allocated for it in the Draft Law approving the consolidated final account. Furthermore, no modifications from that entity will be accepted after the deadline.
 3. A Draft Law approving the consolidated final account for each Federal Entity shall be prepared in accordance with the accounting basis applied by that entity.
 4. If Federal Entities applying the accrual-basis fail to restate their data to the modified cash basis and complete the final account forms in accordance with the established principles, the Ministry shall attach their data as an annex without incorporating them into the consolidated final-account schedules.
 5. The Ministry shall receive the Supreme Audit Institution's report on the Draft Law approving the consolidated final account for the relevant fiscal year by the deadline specified in the Financial Circular.
 6. The Ministry shall submit the Draft Law approving the consolidated final account for the relevant fiscal year, along with its responses to the preliminary report of the Supreme Audit Institution to the Cabinet by the deadline specified in the Financial Circular stipulated in Article (66) of the Decree by Law.

Article (7)

Disposal of Documents, Records, and Files

1. Federal Entities may dispose of documents, records and files after the lapse of ten years from the date of the issuance of the law approving the consolidated final account. If the Concerned Entity determines that they are no longer needed, and in accordance with the provisions of the Federal Law No. (7) of 2008 Regarding the National Archives, and its executive regulation.
2. Documents, records and files may not be disposed of under any circumstances, even after the expiry of the aforementioned period, if they are the subject of an investigation or an administrative or judicial dispute.

Article (8)

Closure of Accounts of a Federal Entity that has been Merged or Dissolved

Upon the issuance of a decision to restructure, dissolve, or merge a Federal Entity with another, the Ministry shall invite the concerned entities to a coordination meeting with the aim of achieving the following:

1. Formation of a joint committee of the concerned entities to manage operations.
2. Preparation of a plan to implement the decision, especially with regard to the mechanisms for implementing the budget of each concerned entity for the remaining period of the fiscal year, and the provisions for preparing the final account for each of the concerned Federal Entity.
3. This includes the preparation by the acquiring Federal Entity of a consolidated final account that incorporates the closure of the accounts of the dissolved or merged entity, taking into account any applicable decisions or binding instructions. Adoption of the "accounting treatment of fixed assets and appropriations" if the Federal Entity applies accrual-based accounting.
4. Agreement on the mechanism for disposing of bank balances.
5. Agreeing on a plan to close the accounts of the Federal Entity that has been merged or dissolved.
6. Submission of a memorandum to the Supreme Audit Institution outlining the agreements

reached.

Article (9)

Trust Funds

1. The Federal Entities shall provide the Ministry, upon request, with detailed statements listing the trust funds in their custody, specifying their nature and the names of the beneficiaries the date of establishment, the name and number of the bank account in which they are deposited, and any other information as determined by the Ministry.
2. Instructions concerning the management and governance of trust funds and the mechanisms of disbursement thereof shall be issued by a decision of the Minister.

Article (10)

Executive Resolutions

The Minister shall issue the Resolutions necessary for the implementation of the provisions of this Resolution.

Article (11)

Repeals

The referred Cabinet Resolution No. (20) of 2019 shall be repealed. Any provision that contradicts or conflicts with the provisions of this resolution shall be repealed.

Article (12)

Resolution Publication and Enforcement

This Resolution shall be published in the Official Gazette and shall enter into force from the day following the date of its publication.

Mohamed bin Rashid Al Maktoum

Prime Minister

Issued by Us:

On: Ramadan 16, 1442 H

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