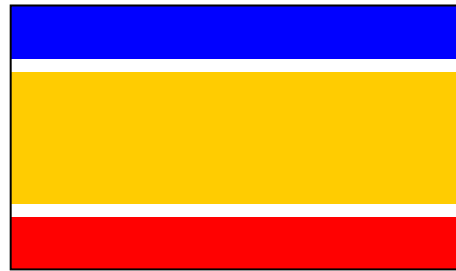


# UNITED CYPRUS REPUBLIC



## Federal Law on the Budget (2004)

Foundation Agreement  
Annex III, Attachment 8

*Short title.*

1. This Law may be cited as the Federal Law on the Budget.

*Interpretation.*

2. In this Law, unless otherwise provided herein:

"Budget" means the Law for the budgeting of revenues and determination of the expenditure limits of the Government for each financial year in which the assets and the liabilities of the Government are presented, to the extent practically possible, at the end of the foregoing financial year, the manner in which the assets are invested or kept and including details with respect to the outstanding obligations;

"Consolidated Fund" means the Consolidated Fund account of the Government;

"Constitution" means the Constitution of the United Cyprus Republic;

"Controlling Officer" means an officer, who in accordance with the annual Budget Law of the Government, exercises control of the expenditure voted, or is responsible for, the collection of public revenues and includes any officer to whom such power is assigned by the Controlling Officer;

"Cyprus" means the United Cyprus Republic;

"Department" means any federal Department provided for by the Constitution or any federal law or administrative decision of the Government;

"department" means any Division or Service in a Department as may be prescribed;

"Department Counter – Guarantee" means guarantees provided against the guarantees by a foreign financing source within the framework of guarantee programs allocated by any foreign financing source and guarantees provided against the guarantees by a foreign financing source with regard to projects to be realized within build-operate-transfer, build-operate, transfer of operational right and similar financing models to be limited with the Department Guarantees;

"Department Guarantees" means Department Reimbursement Guarantee, Department Investment Guarantee and Department Counter – Guarantee;

“Department Investment Guarantee” means guarantee provided for build-operate-transfer, build-operate, transfer of operational right and similar financing models in accordance with the provisions of the legislation and limited with these;

“Department Reimbursement Guarantee” means guarantee provided for reimbursement of foreign debts;

"Government" means the federal Government of the United Cyprus Republic;

"Independent Office" means any Independent Office established by the Constitution or federal law, compatible with the Constitution;

"loan" means an amount of money which is borrowed by the Government or for the repayment of which it undertakes responsibility as guarantor, and includes the transfer to the Government of all or any part of the contractual obligations incurred by virtue of an agreement between third parties;

“Macroeconomic Stability Council” shall mean the advisory Council consisting of the Member, the Ministers of Finance of the constituent states, as well as the Governor and the Deputy Governor of the Central Bank of Cyprus, or their respective representatives, as established by law enacted by the Federal Parliament with the purpose of defining a joint budgetary position and containing and managing new borrowing;

"Member" means the member of the Presidential Council responsible for the Department having responsibility for finance matters;

“Net indirect taxes” means (i) the sum of revenue collected, after refunds, from value-added tax, excise duties, any other taxes on commodities, and customs duties, minus (ii) all contributions due to the budget of the European Union;

"prescribed" means prescribed by a public instrument;

"Presidential Council" means the Presidential Council as defined in article 26 of the Constitution and includes, during the transitional period, the Council of Ministers as defined in article 41 of the Constitution,

"public instrument" includes Regulations, Rules or any other instrument made or issued under this Law;

"public monies" are all the revenues and amounts of money collected or received by or on behalf of the Government;

"public officer" has the meaning attributed to this term by the Federal Law on the Public Service;

"Publicly Accountable Person" means any public officer or any other person duly authorised by the Government to manage money, securities or goods belonging to the Government;

"public revenues" are all the monies received by the Government in any form and from any source;

"Specific Public Fund" means a Public Fund established by federal law for a specific purpose, other than the Consolidated Fund, funded by appropriations from the Consolidated Fund and from other monies for which special provision is made in the relevant law or from any other source;

"Taxation Council" means the advisory Council consisting of the Member and the Ministers of Finance of the constituent states, or their respective representatives, as established by law enacted by the Federal Parliament with the purpose of ensuring the efficient administration of federal taxes and their apportionment to constituent states, as well as the coordination of tax policies of the federal and constituent state governments;

"Treasury Officer" means the Director General of the Department of the Government having, for the time being, responsibility for finance matters and includes, when acting with the authority of the Director General, the Deputy Director General, as well as any member of such Department designated by the Director General to exercise any of his duties;

"Treasury Department" means the Director General of the Department of the Government having, for the time being, responsibility for finance matter, the Deputy Director General

and such members of such Department as shall be designated by the Director General from time to time to be members of the Treasury Department.

*Consolidated Fund of the Government*

**3.** (1) All revenues and monies, howsoever raised or received by the Government, shall, subject to the Constitution, be paid into and form one Fund to be known as the Consolidated Fund of the Government.

(2) Unless otherwise provided by federal law all monies and revenues must be deposited in the Consolidated Fund. Special Funds may be established by law, provided that the finance of such funds is secured by specific contributions.

*Direct Charges on the Consolidated Fund.*

**4.** (1) There shall be directly charged on the Consolidated Fund, in addition to any grant, remuneration or other monies charged by any provision of the Constitution or by law enacted by the Federal Parliament:

- a) all pensions and gratuities for which the Government is liable;
- b) the emoluments of each member of the Presidential Council, of the Judges of the Supreme Court of United Cyprus Republic, of the Attorney-General and of the Deputy Attorney-General of United Cyprus Republic, of the Auditor General and of the Deputy Auditor-General of United Cyprus Republic and of the members of the Senate and of the Chamber of Deputies;
- c) all federal debt charges for which the Government is liable after the establishment of the United Cyprus Republic; and
- d) any monies required to satisfy any judgment, decision or award against the Government by the Supreme Court of United Cyprus Republic and any other Federal Court or an International Court, whose jurisdiction United Cyprus Republic recognizes for the time being, as well as obligations derived by International Agreement.

(2) For the purposes of this section debt charges include interest, the repayment of amortisation of debt and all expenditure in connection with the raising of loans on the security of the Consolidated Fund and the service and redemption of debt created thereby.

*Preparation  
of Budget.*

5. (1) The Member shall, upon receipt of the estimates of each Department and of each Independent Office and Institution of the Government, cause to be prepared in respect of every financial year a comprehensive Budget for that year which, when approved by the Presidential Council, shall be laid before the Federal Parliament for approval and enactment into law.

(2) The Budget shall be prepared taking into account the principles laid down in the laws establishing the Macroeconomic Stability Council and the Taxation Council, as well as the guidelines and recommendations issued by the said Councils or agreements reached therein.

(3) The estimates of expenditure in the Budget shall show separately-

a) the total sums required to meet expenditure charged on the Consolidated Fund; and

b) The sums respectively required to meet other expenditure.

(4) The said Budget shall also show, so far as is practicable, the assets and liabilities of the Government at the end of the last completed financial year, the manner in which those assets are invested or held and particulars in respect of outstanding liabilities.

(5) To the said Budget shall be added, for information only, a projection for the Budget over the three financial years following the year to which the Budget applies.

(6) The expenditure to be met from the Consolidated Fund, but not charged thereon, shall be submitted to the Federal Parliament for adoption and if adopted shall be included in the Budget in respect of that financial year.

(7) The Budget is introduced to Federal Parliament three months before the financial year commences and is voted by it not later than such day.

*Transfer to  
constituent  
states*

6. (1) The Government shall confer upon the constituent states a share of net indirect taxes, of which eighty percent shall be apportioned to the Greek Cypriot constituent state and twenty percent to the Turkish Cypriot constituent state.

(2) This share shall be established in the Budget, but shall be no less than one-third of net indirect taxes.

(3) In addition, the federal government shall confer upon the constituent states two-fifths of the total value-added tax collected, of which eighty-five percent shall be apportioned to the Greek Cypriot constituent state and fifteen percent to the Turkish Cypriot constituent state.

(4) Estimates of the sums corresponding to subsections (1) to (3) shall be included in the Budget. They shall be directly charged to the Consolidated Fund and paid in monthly instalments. After expiry of the financial year, the balance of the amounts paid compared to the actual transfers due shall be corrected in the execution of the Budget for the next financial year.

(5) The Budget shall include sums no less than five percent of net indirect taxes, required to meet expenditure for cooperative endeavours between the constituent states or between municipalities located in different constituent states.

*Expenditure from the Consolidated Fund.*

**7.** (1) No expenditure shall be met from the Consolidated Fund or other Public Funds except upon the authority of a warrant under the hand of the Member.

Provided that the Member shall not refuse to sign any such warrant for an expenditure provided for in the Budget.

(2) No such warrant shall be issued unless such expenditure has been adopted in the Budget for the financial year to which the warrant relates in the Budget.

*Carry over of previous Budget.*

**8.** If the Federal Parliament is unable to approve a Budget before the beginning of the fiscal year, the Budget of the previous year, adjusted by inflation minus 1%, shall be carried on to the next fiscal year, unless the Supreme Court of Cyprus, in the exercise of its deadlock resolving power, decides otherwise:

Provided that if, at any time, the Federal Parliament approves the Budget for the fiscal year in question, such approved Budget shall be deemed to be in force as from the 1st of January of that year, but without prejudice to anything previously done by virtue of this section. In such a case any amounts received or paid prior to the adoption of the Budget shall be considered as having been collected or paid under the corresponding Head and Subhead.

*Adoption of the Budget*

**9.** The Federal Parliament may approve or refuse its approval to any expenditure contained in the Budget or in any Supplementary Budget but may not vote an increased amount or

an alteration in its destination. Supplementary Budget may be submitted to the Federal Parliament twice a year at most.

*Supplementary Budget.*

**10.** If, in respect of any financial year, it is found that the amount adopted by the Federal Parliament for any purpose is insufficient or that a need has arisen for expenditure for a purpose for which no amount has been adopted, a Supplementary Budget showing the sums required shall be laid before the Federal Parliament for adoption and, if adopted by the Federal Parliament, shall be included in the Budget in respect of that financial year.

## **PART II BUDGET**

*Budgeting and Budget content.*

**11.** (1) Each Department and Independent Office of the United Cyprus Republic shall submit in the prescribed form, on or before the date determined by the Member, the estimates of revenues and expenditure, as the case may be, for the following financial year or if requested by Member, for the following financial years.

(2) The following basic rules are kept in the drawing up of the said estimates:

- (a) The Budget revenues and expenditure must be classified by each Department, each department or each Independent Office by Heads and Subheads according to their origin and nature, as determined by the Member based on the existing legislation and the bills of law tabled before Federal Parliament and in accordance with the general Government policy;
- (b) In particular, the expenditure estimates should be calculated on the basis of what is necessary to achieve the purpose for which the estimate is made and provision shall be made for all essential services in accordance with the policy and the instructions of the Member.

(3) The classification of estimates should facilitate the separation of the expenditure charged directly on the Consolidated Fund without prior enactment by the Federal Parliament from the expenditure required to be voted for by the Federal Parliament.

(4) Special Schedules, attached as Annexes to the Budget,

identify the posts created and abolished in the Budget for each Department or Independent Office, as well as the number and salary scales of these posts.

(5) A special Budget Schedule shows the officers in charge for the collection of the budgeted public revenues by Heads and Subheads and the officers in control of the approved budget line item of expenditures to be made by Heads and Subheads.

*Other Budgets.* **12.** The Budget of a Specific Public Fund is prepared in the same manner as the Budget and records the necessary appropriations and expenditure required for the attainment of the object of such Fund.

*Contingencies and reserve.* **13.** (1) Provision is made for any insufficiency of the budgeted appropriations under the Head: Contingencies and Reserve:

a) To complete the appropriations in the Budget of the various Departments or Independent Offices which, without extending the scope of their services, require additional funds; and

b) To meet any contingent, extraordinary and urgent expenses in the Budget of each Department or Independent Office.

(2) The transfer of allocations from the expenditure Head set out in sub-section (1) is made on the authority of the Member, determining the Heads and Subheads of the Budget which receive an increase of funds. The determination is notified to the Presidential Council and the Federal Parliament.

(3) Transfer of funds from contingencies and reserves may be made to existing Head and Subheads only. Such transfers do not imply the creation of new Heads and Subheads in the case where there are not any.

### **PART III IMPLEMENTATION OF THE BUDGET**

*Budget revenues.* **14.** Budget revenues are sums of money collected in the course of the financial year to which the Budget refers irrespective of the period in which these are included.

*Collection of public* **15.** (1) The responsibility for the collection of public revenues lies with the Controlling Officers and is carried out in accordance with

revenues.

the accepted procedures and methods.

(2) All Publicly Accountable Persons shall issue, in respect of any collection of public revenues or monies, an official receipt, whose type is specified by the Treasury Officer. The collection shall not be deemed to have been made if the specified type of receipt has not been issued.

(3) The remaining particulars concerning the collection of public revenues and public monies, the relevant instructions, as well as the supervision and control of the Publicly Accountable Persons, shall, in the absence of a special statutory provision, be prescribed. Until prescribed, they will be made in accordance with a decision of the Presidential Council.

(4) If it is ascertained, in the established manner, that the collection of certain public revenues or loans is impossible, such revenues or loans may be declared to be non-recoverable and be written off in the accepted procedures and methods.

*Budget expenditure.*

**16.** (1) Budget expenditure are payments realized in the course of the financial year, to which the Budget refers, regardless of the year in which the payment obligation was incurred. The accounting arrangements of expenditure by means of adjustment vouchers shall be considered as Budget expenditure.

(2) The expenditure referred to in sub-section (1) is charged by Department or Independent Office and within the limits of the approved appropriations.

*Appropriations.*

**17.** The allocation of appropriations for the Budget is conducted pursuant to the annual Budget Law.

*Allocation of Appropriations.*

**18.** No budgeted expenditure shall be signed by any Controlling Officer unless the expenditure is within the limits set in the Budget.

*Personal liability of Controlling Officers.*

**19.** All authorizations of expenditures made in breach of section 18 shall be deemed not to have been lawfully made and the officers in control of the expenditure votes, to which such breach refers, are made personally liable for this breach.

*Officers expenditure payments.*

**20.** (1) The issuance in the prescribed manner of a payment voucher is required for all expenditure made. Until prescribed, such manner is decided by the Presidential Council:

Provided that the Treasury Officer may, in exceptional cases,

which refer to expenditure of a stable and permanent or recurrent nature, allow their payment in some other manner.

(2) For each payment made with a voucher, or in some other manner, the supporting documents must be furnished proving the claim made against the Government.

(3) The Controlling Officer and the competent officers for the payment of the vouchers are responsible for every payment made by a voucher issued in breach of this Law or any public instrument made thereunder.

*Authorisation  
for the issue  
of advance  
warrants.*

**21.** (1) Without prejudice to the provisions of sub-section (4), the Member has the power, in the public interest, to authorize the issue of advance payments, under such terms and conditions as may be prescribed, to Public Corporations, other Organisations and Specific Public Funds; such amounts shall be recovered in a manner to be decided by the Member:

Provided that any advance payment, the total amount of which exceeds 200.000 Cyprus Pounds, may not be authorized unless previously approved by the Presidential Council.

(2) Prior to the issue of any advance payment, the Member may ask such particulars or impose such terms as he may deem fit with respect to the finances of the relevant Public Corporation, Organisation or any other Specific Public Fund.

(3) The authorisation provided in sub-section (1) is granted by means of an advance warrant issued by the Member to the Treasury Officer.

(4) Advance payments to public officers for the purchase of motor vehicles or in order to meet accommodation expenses abroad and temporary charges for purposes of facilitating the accounting procedures of the Government, as well as disputed appropriations of revenues and their likes are authorized by the Treasury Officer in a manner and type to be decided by the Member.

(5) The Treasury Officer shall ensure the compliance with the terms of issue of the advance payments and their collection.

(6) No advance payment shall contravene the provisions of any federal law or relevant decisions of the Presidential Council.

*Deposits to*

**22.** Deposits of money made to the credit of the Public Sector by

*the credit of the Public Sector.*

third parties for special purposes or temporary deposits made to facilitate the accounting procedures of the Government and disputed appropriations of revenues are deposited to deposit accounts until they are settled. The setting up of such deposit accounts is always subject to the approval of the Treasury Officer.

*Appropriation of revenues for specific objects.*

**23.** (1) Subject to the provisions of section 4 of this Law, any amounts transferred or collected for the attainment of specific objects and/or the implementation of specific programmes, are deposited to the Consolidated Fund or any other Special Fund, as the case may be, to the credit of revenue appropriations in the Budget.

(2) The relevant expenditure for the attainment of the objects and/or the implementation of the programmes, for which the particular funds have been transferred or collected, shall be charged to the relevant Heads and Subheads of the Budget.

#### **PART IV FINANCIAL REPORT**

*Preparation and content of the financial Report.*

**24.** (1) Based on the data collected by the end of each financial year, the Treasury Officer shall prepare a Financial Report showing the results of the application of the Budget of Government revenues and expenditure for such financial year and including the receipts and expenditure of the other Public Funds.

(2) The Financial Report shall present with respect to the receipts, the total of receipts budgeted, the receipts collected or which are in arrear and, with respect to expenditure, the total amount expended, the outstanding obligations, and the unused appropriations by Department and Independent Office; the Financial Report shall, also, include any other information, the inclusion of which is deemed necessary by the Member.

*Submission of the financial Report before the Federal Parliament.*

**25.** The Financial Report shall be submitted by the Member to the Federal Parliament. Copies of this report are submitted to the Presidential Council as well.

#### **PART V FUNDS UNDER PUBLIC ADMINISTRATION**

*Preparation*

**26.** (1) The accounts of the Public Sector are classified into those

*and distinction, classification of accounts.* reflecting the implementation of the Budget and those not included in the Budget.

(2) The accounts not included in the Budget are shown in the Financial Report as provided in section 24.

*Bank accounts.* **27.** The opening of Government accounts with banks and the mode of payment of amounts out of these accounts must be approved by the Treasury Officer.

## **PART VI OFFICERS EXERCISING CONTROL ON BUDGETED APPROPRIATIONS AND PUBLIC EXPENDITURE.**

*Supervision of Controlling Officers and Publicly Accountable Persons.* **28.** All Controlling Officers and Publicly Accountable Persons are subject to the control and supervision of the Member or the Head of the relevant Independent Office:

Provided that with respect to the execution of its duties the staff of the Treasury Department shall be under the exclusive control and supervision of the Treasury Officer.

*Books of Publicly Accountable Persons.* **29.** (1) The method of keeping and control of the accounting books kept by Publicly Accountable Persons, as well as any monies and funds available, is decided from time to time by the Treasury Officer.

(2) All books kept by Publicly Accountable Persons are verified, balanced and reconciled every month or any other period of time that the Treasury Officer may decide, with the accounts of the Treasury Department which close at the end of each financial year ending on 31 December.

(3) The method of verification, balancing and reconciliation of the books with the accounts of the Treasury Department, the closing of the books and the remaining details are decided by the Treasury Officer.

*Deficits and responsibilities of the Publicly Accountable Persons.* **30.** (1) Notwithstanding the provisions of any other law in force, all deficits of public monies, securities, goods or other movables ascertained, shall be made good by the Publicly Accountable Person who had authorized or gave instructions as a result of which the deficit was created. All payments, which do not fall within the competence of the Publicly Accountable Person and are incurred in excess of the authority conferred to him, are considered as deficits.

(2) All deficits of goods or other movables are accounted to the Publicly Accountable Person in monetary terms on the basis of the current price at the time of charging. Such price shall be determined by the Member or Member of the competent Department or Head of any Independent Office, in consultation with the Treasury Officer.

(3) The involvement of foreign monies in the administration by the Publicly Accountable Person is prohibited.

**PART VII  
ADMINISTRATION AND SUPERVISION OF ACCOUNTING  
PROCEDURES OF THE CONSOLIDATED FUND, OTHER  
SPECIAL PUBLIC FUNDS AND OF PUBLIC MONIES**

*Powers and  
duties of the  
Treasury  
Officer.*

**31.** (1) In the exercise of his powers and duties, the Treasury Officer shall administer and supervise, as he deems fit, the accounts of the Consolidated Fund, the accounts of other Specific Public Funds, of public monies, of the assets and liabilities of the same and the property of the Public Sector and verify, in his discretion, that-

- (a) the accounts are kept in a precise and appropriate manner;
- (b) full account is given as to the allocation of the public monies and that the methods and procedures applied are sufficient to ensure an effective control with respect to the confirmation of the collections and the proper allocation of the public revenues and monies;
- (c) all monies expended and charged on the Consolidated Fund were applied for purposes which have been lawfully provided for and were made within the limits authorized, in an economic manner and in accordance with the principles of rational financial management, otherwise the Treasury Officer shall terminate any irregular or irrelevant payment;
- (d) the necessary books and records are kept either by hand or by electronic or other media and that methods and procedures are applied which are sufficient to safeguard the control of Public Sector property;
- (e) the appropriate Regulations are issued and complied with, in respect of the necessary procedures aimed at

safeguarding the proper receipt, storing and dispensing of goods or other movables and other type of property of the Public Sector of any nature.

*Administration and supervision of accounts.*

**32.** The Treasury Officer has the authority, with the approval of the Member, to request from any natural or legal person receiving a grant or a guarantee or a loan out of the Consolidated Fund, to provide him with all the data required to ascertain the manner in which the amount of the grant, the guarantee or the loan has been used.

*Powers of the Treasury Officer in the exercise of his functions.*

**33.** (1) In the exercise of his duties and the performance of his functions, the Treasury Officer is entitled:

- (a) To have complete and unhindered access, at any reasonable time, to all accounts, books, duplicates, documents, cash, stamps, securities, goods or other movables of the public and office files related directly or indirectly with the public accounts and the places where such accounts, books, documents and all the above objects and assets are kept;
- (b) to ask the persons in charge and/or related in any manner and involved in public accounts, to deliver books, accounts, duplicates, files and, in general, documents and other computerized systems and office files to him and keep the said books, accounts, duplicates, files and, in general, the documents and office files for a reasonable time as it will be required and, in any case, for not more than six months;
- (c) to ensure that an investigation or search is carried out in relation to the financial management of any Department, Independent Office or other Specific Public Fund and to receive, without payment of fee, extracts from any book, record or other document from the said Department, Independent Office or Fund.

(2) Any person, who in any way hinders the exercise of the powers and the performance of the functions of the Treasury Officer and refuses or fails to comply with any request or application or claim formulated in accordance with the provisions of sub-section (1), shall be guilty of an offence and, in case of conviction, shall be liable to a fine not exceeding ten thousand Cyprus Pounds.

*Power of the Treasury Officer*

**34.** (1) The Treasury Officer has the power to request from any public officer such information in relation to the financial

*to request information.*

administration and to matters in relation to which he has or should reasonably have had knowledge on account of his office or service which the Treasury Officer deems necessary for the exercise of his powers and duties and the officer has a duty to comply with such request.

(2) Any public officer who refuses or fails to comply, without reasonable justification, with any request of the Treasury Officer in accordance with sub-section (1) shall be guilty of an offence and, in case of conviction, shall be liable to a fine not exceeding ten thousand Cyprus Pounds.

*Notification and denouncing of persons.*

**35.** (1) If in the exercise of his powers and the performance of his functions, the Treasury Officer ascertains or notices-

- a) any irregularities in the collection, keeping or allocation of monies or in the relevant accounts; or
- b) any irregularities concerning the receipt, keeping, issuance, purchase, sale, transfer or delivery of postage stamps, stamps, securities, goods or other movables or other assets or in the accounts concerning these; or
- c) any loss of, or damage to, property which has not been properly notified,

shall notify the Member or the competent authority, as the case may be, and the Auditor General of the above circumstances.

(2) If during an inspection of any accounts or of any other public property it is ascertained that a public officer has acted in such a way which creates reasonable suspicion as to the perpetration of an offence, the Treasury Officer shall report the said officer to the Head of the federal Police, the Member, or, as the case may be, the Member of the Presidential Council responsible for the relevant Department or Independent Office, and the Auditor General.

*Placement of officers of the Treasury Department to other offices.*

**36.** (1) Aiming at the better and more efficient exercise of the powers and functions in accordance with the Constitution, this Law and any public instrument issued thereunder, the Treasury Officer, in consultation with the competent authority, has the power to place an officer of the Treasury Department at any other Department or Independent Office.

(2) The Department or Independent Office, where an officer has been placed as provided for in subsection (1) above, shall

provide the necessary facilities for this purpose.

*Charge and collection of accounting fees and expenses.*

**37.** With the approval of the Member the Treasury Officer has the power to charge and collect for the services provided by him with respect to any non-governmental accounts, reasonable fees and expenses, which shall be deposited to the Consolidated Fund.

## **PART VIII LOANS AND GUARANTEES**

*Borrowing by the Government.*

**38.** (1) With the exception of international loan agreements concluded by United Cyprus Republic, the conclusion of any other loan agreement by the Government for an amount which in any given case exceeds the total sum of two million Cyprus Pounds, is not binding on United Cyprus Republic unless it is ratified by the Federal Parliament.

(2) Upon ratification by the Federal Parliament of any agreement concerning the drawing of a loan, all obligations arising from this agreement for which United Cyprus Republic is liable, shall be reflected in the Budget in respect of each financial year and shall be charged directly on the Consolidated Fund in pursuance of the provisions of Section 4 of this Law.

*Loan agreements.*

**39.** The competent Government representative for the conclusion of loan agreements shall be the Member or, in general, any person specially authorized by him. Transfer of authority does not abrogate the liability of the Member.

*Loan Register.*

**40.** The Treasury Officer shall keep a monitoring Register of the loans granted which shall be reflected in the Financial Report as provided for by Section 24.

*Provision of guarantees.*

**41.** (1) Subject to the provisions of sub-section (1) of Section 38, the Member has the power to decide on the repayment of loans concluded, Department Guarantees, Department Reimbursement Guarantee, Department Investment Guarantee, Department Counter-Guarantee, as the case may be. The level of Department Guarantees for which the Member has authority is determined by the Presidential Council.

(2) The federal government may only extend guarantees for constituent state borrowing from such international organizations as the World Bank, the European Investment Bank, and the Council of Europe Development Bank, if required by such organizations.

(3) The Treasury Officer keeps a monitoring Register of the guarantees extended and presented in the Financial Report provided for in Section 24.

## **PART IX MISCELLANEOUS PROVISIONS**

*Submission of reports by Organizations.*

**42.** The Member may require any natural or legal person receiving a Government grant, loan or guarantee, to submit to him without delay and within a reasonable period of time an audited report of its accounts and a report reflecting the manner in which such grant, loan or guarantee has been applied. Copies of the reports are notified by the parties concerned to the Treasury Officer and to the Auditor General.

*Write-off of non-recoverable public monies and goods or other movables.*

**43.** (1) The Member has the power and is presumed to have had always the authority with respect to public monies and goods or other movables of the Public Sector, such as-

- a) to write-off losses or deficits of public money and the value of goods or other movables of the Public Sector which have been lost, are missing or have been declared non-usable or obsolete to an amount of 20.000 Cyprus Pounds in each case; and
- b) to abandon any claims for collection of non-recoverable amounts of public monies and other obligations owed to the public, loans or payments made in excess of the approved amounts up to 20.000 Cyprus Pounds in each case.

(2) In the case of any amounts other than those specified in paragraphs (a) and (b) of sub-section (1), the write-off or abandonment does not apply unless approved by the Presidential Council.

*Regulations.*

**44.** (1) The Presidential Council may issue Regulations published in the federal Official Gazette for the better carrying into effect of the provisions of this Law, and, in particular-

- a) for determining any matter which requires determination or is capable of being determined;
- b) for regulating the accounting system of United Cyprus

Republic and, in particular, the keeping of accounting books in respect of funds under public administration and, in general, of documents concerning the management of public revenues and expenditure, of public monies, goods or other movables and of any other public property of any nature;

- c) for regulating the submission of the reports in accordance with the provisions of this Law;
- d) for regulating the exercise of supervision and control over the Publicly Accountable Persons.

*Commencement and expiration of financial year.* **45.** For the purposes of this Law, the financial year shall begin on January 1st and end on December 31st of each year.

*Effect on the Annual Budget Laws.* **46.** This Law shall apply on every matter regulated by it, and in relation to any Budget Law, notwithstanding the fact that such Budget Law has expired, unless the relevant Annual Budget Law provides, either expressly or impliedly, otherwise.

*Affirmation of confidentiality by Treasury officers. Schedule.* **47.** All officers of the Treasury Department shall, prior to the assumption of their duties, give and sign before the Member an affirmation of confidentiality as specified in the Schedule.

## **PART X TRANSITIONAL PROVISIONS**

*Directives by Member.* **48.** Until Regulations in respect of any matter that needs to be prescribed by Regulations are issued, the Member may regulate such matters by issuing Directives, which will take effect upon publication to the federal Official Gazette.

*Authority of the Presidential Council to allow payments until the first Budget is published.* **49.** Notwithstanding the absence of a Budget and until the first Budget of the Government is published in the federal Official Gazette, any payments, which under the provisions of this Law cannot be made in the absence of a provision in the Budget, can be made under the authority of the Presidential Council, if necessary for the establishment and smooth functioning of the federal Government. Any authorisation or payment shall be signed and countersigned by two officers duly authorised by the Presidential Council.

*Compilation  
of the first  
Budget.*

**50.** (1) Within a period of two months after the entry into force of the Foundation Agreement, the competent member of the Presidential Council having responsibility for finance matters shall compile the first Budget of Cyprus, which shall refer to the period up to 31<sup>st</sup> December 2004.

(2) The Budget shall be placed for approval before the transitional Federal Parliament referred to in Article 39 of the Constitution or before the Federal Parliament.

(3) If the Budget is not wholly approved by the Federal Parliament or the Transitional Federal Parliament within a period of forty five days as from the submission of the Budget to it, the matter will be referred to the Supreme Court of Cyprus by the Presidential Council for decision in the matter.

(4) If within the aforesaid period of forty five days the transitional Federal Parliament or Federal Parliament approves the Budget in part only or with amendments and the Presidential Council is of the opinion that such result entails inefficiency in the running of the federal Government, it will be entitled to refer the matter to the Supreme Court of United Cyprus Republic, which will have power to restore in whole or in part the provisions which had been originally included in the Budget that was placed before the transitional Federal Parliament or Federal Parliament.

(5) Upon approval of the first Budget as per sub-sections (2) or (3) or, if the matter is referred to the Supreme Court of Cyprus, upon the decision of the Court as per sub-section (4), the Budget shall be published in the federal Official Gazette.

*Budget  
published  
under section  
50 shall be the  
first Annual  
Budget Law of  
the Government*

**51.** The Budget published as per section 50 shall be considered to be the first Annual Budget Law of the Government.

*Application of provisions of sections 49 and 50, mutatis mutandis, in respect of the Second Annual Budget.*

**52.** The provisions of sections 49 and 50 shall apply mutatis mutandis in respect of the second Annual Budget of the Government, which shall begin on the 1<sup>st</sup> of January 2005 and end on the 31<sup>st</sup> December 2005.

*Transitional arrangements for provisions of section 6*

**53.** (1) Until 31 December 2004, the provisions of Section 6, to the exclusion of subsection 5, shall not apply. Instead, the constituent states shall collect indirect taxes and shall promptly and regularly confer upon the Government all sums required to meet anticipated expenditure, in amounts corresponding only to payments due and according to proportions decided by the Presidential Council. Any transfer not corresponding to an actual payment shall be returned to the constituent states according to the aforesaid proportions.

(2) The provisions of Section 6, to the exclusion of subsection 5, shall expire on 31 December 2006, after which revised arrangements for the transfer of indirect taxes shall replace them in this Law.

**SCHEDULE  
(SECTION 46)**

**Affirmation of confidentiality**

I,.....affirm that I shall not reveal or make known anything that is brought to my knowledge on account of my employment with the Treasury Department unless for reasons referring to the duly exercise of my functions or after an express order given by the Member.

.....

Date  
officer

.....

The affirming public