

**LAW FOR THE MANAGEMENT OF REVENUES AND EXPENDITURE
AND OF THE ACCOUNTING SYSTEM OF THE REPUBLIC
AND OTHER RELATED MATTERS**

PART ONE

INTRODUCTORY PROVISIONS

Summary title.

1. This Law shall be referred to as the Law for the Management of Revenues, Expenditure and of the Accounting System of the Republic, Law of 2002.

Interpretation.

2. In this Law, unless otherwise provided herein:

“other Public Fund” means a Public Fund established by law for a specific purpose, other than the Consolidated Fund, based on appropriations from the Consolidated Fund and from other monies for which special provision is made in the relevant law or from any other source.

“Independent Office” means any independent service of the Republic in accordance with the Constitution or legislation including any other office of the Republic which does not come under a Ministry.

“Accountant General” means the Accountant General of the Republic and includes the Assistant Accountant General and every member of the Treasury of the Republic designated by the Accountant General for this purpose to exercise specific duties.

“loan” means an amount of money which the Government borrows or for the repayment of which it undertakes responsibility as guarantor as a collateral 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, but not including development bonds, treasury bills, savings bonds, savings certificates, any other securities or borrowing by the Central Bank of Cyprus.

“public revenues” are all the receipts of the Republic in any form and from any source.

“public monies” are all the revenues and amounts of money collected or received by or on behalf of the Republic.

“Publicly Accountable Person” means any public servant or officer or any other authorised person of the Government, as the case may be, who manages money, securities or goods belonging to the Republic.

“Controlling Officer” means a public servant or officer who, in accordance with the annual Budget Law, exercises control of the expenditure votes or is responsible for the collection of public revenues and includes every employee or officer to whom such power is assigned by the controlling officer.

“to determine” means to determine with Regulations and “determined” is interpreted accordingly.

“Consolidated Fund” means the Consolidated Fund account of the Republic.

“Budget” means the Law for the budgeting of revenues and determination of the expenditure limits of the Republic for each financial year in which the assets and the liabilities of the Republic 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.

“Department” means any Department / Service or Office which comes under the competent Ministry.

“Minister” means the Minister of Finance.

PART TWO

BUDGET

Budgeting and Budget content.

3. (1) Each Ministry and Independent Office sends on the prescribed form and on the date determined by the Minister, the estimates of revenues and expenditure of the Ministry or the Independent Office, as the case may be, for the following financial year or if requested by the Minister, 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 Ministry, Department or Independent Office by Chapter and Article according to their origin and nature, as determined by the Minister based on the existing legislation and the bills of law tabled before the House of Representatives and in accordance with the general Government policy.

(b) In particular, the expenditure estimates should be calculated to the extent consistent with the efficacy of the purpose for which the estimate is made whereas provision is made for all essential services in accordance with the policy and the instructions of the Minister.

(3) Subject to the provisions of Article 167 of the Constitution and this Law, the method and the mode in drawing up the Budget are determined by the Minister.

PART THREE

IMPLEMENTATION OF THE BUDGET

Budget revenues.

4. 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 related to.

Collection of public revenues.

5. (1) The responsibility for the collection of public revenues is undertaken by Controlling Officers and performed in accordance with the then established procedures and methods.

(2) All Publicly Accountable persons shall issue an official receipt, whose type is specified by the Accountant General for each collection made and 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 determined by means of Regulations.

(4) If it is ascertained in the established manner that the collection of certain public revenues or loans is impossible, these can be declared non-recoverable and be written off in the established manner.

Budget expenditure.

6. (1) Budget expenditure are payments realised in the course of the financial year, to which the Budget refers to, 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 Section (1) is charged on allotments by Ministry, Department or Independent Office and within the limits of the approved appropriations.

Appropriations.

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

Allocation of appropriations.

8. No budgeted expenditure shall be signed by any Controlling Officer

unless the relevant allotment exists whereas the expenditure shall be made within the limits set for the budgeted votes of the relevant Budget or within the limits of the amount assigned by means of a departmental allotment.

Personal liability of Controlling Officers.

9. Notwithstanding the civil or ethical responsibility of the officers, all authorisations of expenditure made in breach of Article 8 shall be deemed not to have been lawfully made according to Article 105 of the Penal Law and the officers in control of the expenditure votes to which such breach refers are made personally liable for this breach.

Expenditure payments.

10. (1) The issuance in the prescribed manner of a payment voucher is required for all expenditure made.

It is assumed that the Accountant General 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 State.

(3) The Controlling Officer and the competent officers for the payment of the vouchers are responsible for every payment made with a voucher issued in breach of this Law and Regulations.

Authorisation of the issue of advance warrants.

11. (1) Without prejudice to the provisions of Section (4), the Minister has the power, in the public interest, to authorise the issue of advance payments under such terms and conditions as may be determined by Regulations, to public corporations, other organisations and other Public Funds, whose amounts are recovered by way of the standard procedure of public financial management.

It is assumed that any advance payment, the total amount of which

exceeds two hundred thousand Cyprus pounds for the same purpose, may not be authorised unless previously approved by the Council of Ministers.

(2) Prior to the issue of any advance payment, the Minister may ask such particulars or impose such terms as he may deem fit with respect to the finances of the organisation or any other Public Fund and to whom the advance payment shall be issued and in particular the application for which the advance payment is dedicated.

(3) The authorisation provided in Section (1) is granted by means of an advance warrant issued by the Minister to the Accountant General of the Republic.

(4) Advance payments to employees 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 State as well as disputed appropriations of revenues and their likes are authorised by the Accountant General in the specified manner and type until they are settled.

(5) The Accountant General shall see to the compliance of the terms of issue of the advance payments and their collection.

(6) No advance payment must contravene the provisions of any other law or the relevant decisions of the Council of Ministers.

Deposits to the credit of the Public Sector.

12. Deposits of money made to the credit of the Public Sector by third parties for special purposes or temporary deposits made to facilitate the accounting procedures of the State 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 Accountant General of the Republic.

PART FOUR

REPORT

Preparation and content of the Report.

13.(1) Based on the data collected by the end of each financial year, the Accountant General shall draft a Report showing the results of the application of the Budget of government revenues and expenditure for the financial year and including the receipts and expenditure of the other Public Funds.

(2) The Report shall present with respect to the receipts, the total of receipts budgeted, collected or which are in arrears whereas with respect to expenditure it shall present the total amount by Ministry and Independent Office, of the appropriations approved and expended, of the outstanding obligations, and the unused appropriations as well as any other information whose inclusion in the Report is deemed necessary by the Minister.

(3) In this Report all revenues and expenditure are classified in the same manner as in the Budget.

Submission of the Report before the House of Representatives.

14. Subject to the provision of Article 81, Section (2) of the Constitution, the Report shall be submitted by the Minister of Finance before the House of Representatives.

PART FIVE

PUBLIC ADMINISTRATION ACCOUNTS

Preparation and distinctions of accounts.

15. (1) The accounts of the public sector are distinguished between those reflecting the implementation of the Budget and those reflecting the management of funds not included in the Budget.

(2) The accounts reflecting the management of funds not included in the Budget are shown in the Report as provided in Article 13.

*Bank accounts
35 of 1990
233 of 1991
74(I) of 1991*

16. The opening of accounts of the public sector with banks and the mode of payment of amounts out of these accounts, must be approved by the

66(I) of 1993
100(I) of 1994
99(I) of 1996
107(I) of 1997
97(I) of 1998
92(I) of 1999
148(I) of 1999
124(I) of 2000
147(I) of 2001.

Accountant General.

PART SIX
OFFICERS EXERCISING CONTROL ON BUDGETED VOTES
AND PUBLICLY ACCOUNTABLE PERSONS

*Supervision of
Controlling Officers
and Publicly
Accountable
persons.*

17. All Controlling Officers and Publicly Accountable persons with respect to the execution of their duties and responsibilities as Controlling Officers and publicly accountable persons act according to the provisions of the Budget Law and subject to general and special instructions issued by the respective Minister, who undertakes all the necessary measures for the strict compliance with the Budget Law.

*Books of Publicly
Accountable
persons.*

18. (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 determined by the Accountant General from time to time.

(2) All books kept by Publicly Accountable persons are verified, balanced and reconciled every month or any other period of time that the Accountant General may determine and close at the end of each financial year ending on 31 December.

(3) The method of verification, balancing, reconciliation and the closing of the books, and also the remaining details, is determined by the Accountant General.

*Deficits and
responsibilities of
the Publicly
Accountable
persons.*

19. (1) Notwithstanding the provisions of any other law in force, all deficits of public monies, securities or materials ascertained with the established procedure shall be complemented by the Publicly Accountable person authorising or giving instructions for the establishment of this deficit.

(2) All deficits of materials are charged to the Publicly Accountable person responsible for the money based on their current price at the time of charging. This price is determined by the competent Minister or Head of the Independent Office in consultation with the Accountant General.

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

(4) Publicly Accountable persons are obliged to comply with the relevant provisions of the Regulations referring to the dispatch and receipt of public money, securities and materials.

(5) 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.

PART SEVEN

ADMINISTRATION AND SUPERVISION OF ACCOUNTING PROCEDURES OF THE CONSOLIDATED FUND, OTHER PUBLIC FUNDS AND OF PUBLIC MONIES

*Powers and duties of
the Accountant
General.*

20. In the exercise of his powers and duties, the Accountant General shall administer and supervise, as he shall deem fit, the accounts of the Consolidated Fund, the accounts of other Public Funds, of public monies, of the assets and liabilities of the same and the property of the public sector and verify, at 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 are applied for purposes which have been lawfully provided for whereas the expenses shall be made within the limits authorised, in an economic manner and in accordance with the principles of rational financial management. In the contrary case the Accountant General 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 property of the public sector,
- (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 material and other type of property of the public sector of any nature.

Administration and supervision of accounts.

21.(1) The Accountant General administers and supervises, as he may deem fit any other accounts of local government authorities, public corporate bodies as well as other organisations, institutions and funds for the keeping of which a special statutory provision is made or when such supervision is requested by the above organisation, institution or fund and is approved by the Minister.

(2) The Accountant General has the authority, under the approval of the Minister, to request from any individual or legal entity 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 loan has been disposed.

(3) Any person, who in any way hinders the exercise of the powers and the performance of the functions of the Accountant General and refuses or fails to comply with any request or application or claim formulated in accordance with the provisions of Section (1), is guilty of an offence and in case of his / her conviction is liable to a financial penalty up to £2.000 or to

an imprisonment penalty up to one year or to both penalties.

*Powers of the
Accountant General
in the exercise of its
functions.*

22. (1) In the exercise of his duties and the performance of his functions, the Accountant General is entitled: -

- (a) to have complete and unhindered access at any reasonable time to all accounts, books, duplicates, documents, cash, stamps, securities, material of the public office files related directly or indirectly with the accounts of the public sector 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 the accounts of the public sector, to deliver books, accounts, duplicates, files and in general documents and other computerised 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 at all instances not for more than 6 months.
- (c) to see to the conduct of an investigation or search with respect to the financial management at any public office of the Republic and receive, without paying any fees, extracts from any book, record or other document of the said office.

(2) Any person, who in any way hinders the exercise of the powers and the performance of the functions of the Accountant General and refuses or fails to comply with any request or application or claim formulated in accordance with the provisions of Section (1), is guilty of an offence and in case of his / her conviction is liable to a financial penalty up to £2.000 or to an imprisonment penalty up to one year or to both penalties.

*Power of the
Accountant General
to request
information.*

23. (1) The Accountant General has the power to request from any public officer or servant such information in respect of the financial administration

and on matters on which he / she was obliged to have or reasonably have had knowledge on account of his / her position or office which information the Accountant General deems necessary in the exercise of his powers and functions whereas the said public officer or servant must comply with such request.

(2) Any public servant or officer refusing or failing to comply, without reasonable justification, with any request of the Accountant General formulated in pursuance of Section (1) is guilty of an offence and in case of his / her conviction is liable to a financial penalty up to £1.000 or to an imprisonment penalty up to six months or to both penalties.

Notification and denouncing of persons.

24. (1) If in the exercise of his powers and the performance of his functions, the Accountant General ascertains or notices: -

- (a) any irregularities in the collection, keeping or allocation of monies or in the accounts referring to this, or
- (b) any irregularities during the receipt, keeping, issuance, purchase, sale, transfer or delivery of postage stamps, stamps, securities, materials 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 Minister of Finance and the competent Minister 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 is ascertained that an officer or public servant has acted in such a way which creates reasonable suspicion as to the perpetration of an offence, the Accountant General shall denounce the said officer to the Chief

of Police and shall notify this event to the competent Minister, the Minister of Finance and the Auditor General.

Placement of employees of the Treasury to other Offices.

25. (1) Aiming at the better and more effective exercise of the powers and functions in accordance with the Constitution, this Law and the Regulations, the Accountant General in consultation with the competent Authority, has the power to place an officer of the Treasury of the Republic at any Ministry, Department or Independent Office or at any authority office or organisation as provided for in Article 21, Section (1).

(2) The Ministry, Department or Independent Office or office of an authority or organisation, where an officer has been placed as provided in Section (1) above, is obliged to provide the necessary facilities for this purpose.

Charge and collection of accounting fees and expenses.

26. Under the approval of the Minister, the Accountant General, has the authority to charge and collect for the services provided by him with respect to any non-governmental accounts, any such reasonable fees and expenses which shall be deposited to the Consolidated Fund.

Affirmation of confidentiality by Treasury officers. Schedule.

27. All officers of the Treasury of the Republic, shall, prior to the resumption of their duties, give and sign before the Accountant General an affirmation of confidentiality specified in the Schedule.

PART EIGHT

LOANS AND GUARANTEES

Borrowing by the Public Sector.

28. (1) With the exception of international loan agreements concluded subject to the provisions of Article 169 of the Constitution, the conclusion of any other loan agreement by the Government within the meaning of Article 2 for an amount which in any case exceeds the total sum of two million Cyprus pounds is not binding on the Republic of Cyprus unless and only if ratified by the House of Representatives.

(2) Upon ratification by the House of Representatives of any agreement concerning the taking out of a loan, all obligation arising from this agreement for which the Republic is liable, shall be reflected in the Budget of the Republic with respect to each financial year and shall be charged on the account of the Consolidated Fund of the Republic in pursuance of the provisions of Article 166 of the Constitution.

(3) The provisions of Section (1) do not apply to commercial credits whose repayment term does not exceed six months.

(4) The lawful government representative for the conclusion of loan agreements shall be the Minister or in general any other person or a person specially authorised by him.

Loan register.

29. The Accountant General shall keep a monitoring register whether by hand or with any electronic or other means of the loans granted which shall be reflected in the Report as provided for by Article 13.

Provision of Guarantees.

30. (1) Subject to the provisions of Article 28, Section (1), the Minister has the power to decide on the repayment of loans concluded or credits extended, as the case may be, to public corporate bodies or to other organisations in which the Republic has an interest whether as shareholder or as guarantor of the funds of this corporation or organisation or to exercise control in the administration thereof as well as to any other individual or legal entity to whom the extension of a guarantee promotes, in the Minister's opinion, the economy of the Republic or the public interest in general. The level of guarantees for which the Minister has authority is determined from time to time by the Council of Ministers.

(2) The Accountant General keeps a monitoring register whether by hand or with electronic or other means, of the guarantees extended and presented in the Report provided for in Article 13.

Scope of application of Law 44 of 1974.

31. From the day of entry into force of this Law, the Law on the Removal of

Doubts on the Authority on the Republic to grant Guarantees for Loans or Credits to Third Parties of 1974 shall remain in effect, apply and adjusted, to the extent necessary, to the provisions of this Law.

PART NINE
MISCELLANEOUS PROVISIONS

Submission of Reports by organisations.

32. The Minister may require of every public corporation or any other individual 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 legal parties concerned to the Accountant General and to the Auditor General.

Write-off non-recoverable public monies and materials.

33. (1) The Minister has the power and is presumed that he always had authority with respect to public money and materials of the public sector such as:-

(a) to write-off losses or deficits of public money, securities and the value of materials of the public which have been lost, are missing or have been declared non-usable or old up to an amount of £20.000 in each case and

(b) to abandon any claims for collection of non-recoverable amounts of public money and other obligations owed to the public, loans or payments made in excess of the approved amounts in accordance with the Regulations up to £20.000 in each case.

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

Procurement and provision of goods, works and services,

34. (1) The manner of the procurement of goods, works and services is

execution of contracts and sale or rental of goods. 101(I) of 2003 23(I) of 2004

governed by the provisions of The Award of Public Contracts Law (Supplies, Works and Services) and the Regulations enacted under this Law.

(2) The manner and the procedures for the execution of contracts, provision and use of goods, works and services and the sale or rental will be governed by the Regulations enacted under this Law.

Penal clauses in contracts. Cap. 149 101(I) of 2003 23(I) of 2004

34A. Notwithstanding the provisions of Article 74, Section (1) of The Public Contracts Law and subject to the following reservations, regarding a contract which was set up under the procedures according to The Award of Public Contracts Law (Supplies, Works and Services) and which includes a term with regards to the amount which shall be paid in the case of its violation or any other clause in the form of penalty in the case of its violation by any contracting party, this term or according to each case, this penal clause is legally strong and completely enforceable, if the restriction which is provided in this Section with regards to the maximum amount of the compensation claim is not applied.

It is assumed that any penal clause, except from the payment of increased interest charge, which is included in a contract in the case of overdue settlement of a financial liability, is void and not enforceable.

101(I) of 2003 23(I) of 2004.

The term "contract" in this Article has the meaning which is ascribed in this term by The Award of Public Contracts Law (Supplies, Works and Services).

Regulations.

35. (1) The Council of Ministers may enact Regulations published in the Official Gazette of the Republic for the better application of the provisions of this Law and in particular:-

(a) to determine any matter which requires specification or is capable of being determined.

(b) to regulate the accounting system of the Government and in

particular the keeping of accounting books of funds under public administration and in general of documents concerning the management of public revenues and expenditure, of public monies, materials and of any other public property of any nature.

(c) to regulate the submission of the reports in accordance with the provisions of this Law or their performance.

(d) to regulate the exercise of supervision and control over the Publicly Accountable Persons.

(2) Until the enactment of Regulations under this Article, the existing Financial Instructions and Stores Regulations applicable on the date of entry into effect of this Law shall continue to apply and be effective insofar as they are not opposed to the provisions of this Law.

Commencement and expiration of financial year.

36. For 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.

37. This Law shall be effective and apply diachronically on every matter regulated by it, unless and to any extent the relevant Budget Law provides otherwise with respect to any financial year.

Repeal of Laws 21 of 1960.

38. (1) The Financial Year (Date of Commencement) Law of 1960 is repealed.

*98 of 1985
63 of 1986.*

(2) The Exercise of Specific Fiscal Powers of the House of Representatives Laws of 1985 and 1986 are repealed.

168 of 1985.

(3) The Advance Warrants Law of 1985 is repealed.

SCHEDULE
(SECTION 27)

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 of the Republic unless for reasons referring to the duly exercise of my functions or after an express order given by the Accountant General.

.....
Date

.....
the affirming Public Officer