

LAW No. 13/2009
October 21

Budget and Financial Management

This law introduces the legal regime applicable to Budget and Financial Management in the legal system of East Timor for the first time after approval of the Republican Constitution.

The need to clearly define the relationship between the National Parliament and the Government with regards to the authority related to the budget and financial management necessitates this new Law, in recognition of a normative system that encompasses the budget initiative of the central administration, the powers of approval and authorization, enforcement and amendment systems, as well as principles and ways of materializing the various forms of public financial responsibility within the domain of Governmental Financial Management and Budget.

Hence, the National Parliament, pursuant to the provisions of item I of Article 95.0 of the Republican Constitution, declares that the following shall have the force of law:

TITLE I
PURPOSE AND SCOPE

Article 1
Purpose

This law sets forth the following:

- a) Common and general Government Budget provisions;
- b) The rules and procedures on organization, preparation, presentation and execution of the Government Budget and the respective budget oversight and responsibility;
- c) The rules and procedures concerning guarantees and loans granted to and by the Government;

- d) The rules related to the organization, preparation and presentation of the annual report on the Government accounts;
- e) The rules and procedures to be applied to Government financial management;

ARTICLE 2

SCOPE

1- This law applies to the Government Budget, which includes the budgets of services that do not have administrative and financial independence, the budgets of independent services and funds as well as their respective accounts.

2- Independent services and funds are those that fulfill, cumulatively, the following requirements:

- a) Do not have the nature or format of a company, foundation or public association, even if they are subject to the regime applicable to either by another statute;
- b) Have administrative and financial independence;
- c) Have their own revenue to cover their expenses, pursuant to the law.

3- This law applies to the budgets of local state-owned self-governing entities whose funding will be the subject of a specific legal statute.

TITLE II

BUDGET PRINCIPLES AND RULES

Article 3

Yearly Basis

- 1- The Government Budget is yearly.

- 2- The preparation of the budget referred to in the previous item must be included in the multi-annual plan to be determined pursuant to financial stability requirements.
- 3- The Government Budget may include programs, measures or projects or activities that may involve multi-annual charges that show the total expense forecast for each one and an indicative charge for at least the two following years.
- 4- For the purpose of this article, program means carrying out important activities related to the provision of a service for a specific purpose, outcome or group, including all activities that form a new group of activities.
- 5- For the purpose of this article, project means a set of time-limited operations which when carried out can be related to one or more category of expenses.
- 6- The fiscal year shall coincide with the calendar year.
- 7- All budget appropriations for a fiscal year shall lapse after December 31 of this fiscal year.

Article 4

Unit and Universality

The Government Budget is a single unit and encompasses all revenues and expenses of the Government services that do not have administrative and financial independence as well as independent services and funds.

Article 5

Impossibility of Set-off

- 1- All revenues are projected for the full amount for which they were evaluated without any deduction whatsoever for collection charges or of any other nature, except for any deduction provided for in the law.

- 2- All expenses are accounted for in their full amount, with no deduction whatsoever.

Article 6
No consignment

- 1- Revenues cannot be allocated to cover certain expenses.
- 2- The following are excluded from the provisions of the previous item: revenues corresponding to subsidies, donations or legacies from private individuals that at their own will must be allocated to cover some expenses as well as the revenues that due to any special reason must be allocated to certain expenses by express legal or contractual provision.

Article 7
Specifications

- 1- The Government Budget must specify in sufficient detail the revenues forecast therein, and the expenses established therein.
- 2- Budget credits that make possible allocations for a confidential use or for secret funds are null.
- 3- The Ministry of Finance Budget shall contain an appropriation for contingencies intended for unforeseeable and unpostponable expenses.

Article 8
Balance

The Government Budget must provide funds necessary to cover all the expenses.

Article 9
Inter-managerial Equity

The Government Budget is subordinated to the principle of equity in distributing benefits and costs among entities.

Article 10
Management Tools

Public administrative sector entities are subject to the Public Accounting Official Plan and may, in addition, make use of other instruments needed for good management and control of monies and other public assets, pursuant to the law.

Article 11
Publicity

The Government shall ensure publication of all documents necessary to ensure appropriate dissemination and transparency of the Government Budget and its execution, making use, whenever possible, to the most advanced means of communication existing at each time.

Article 12
Public Money

- 1- For the purpose of this law, public money means:
 - a) money or values in the Government's possession;
 - b) money or values in the possession of an individual or entity acting on behalf of the Government, pursuant to the law.

- 2- Among others, the following revenues received are public monies:
 - a) Taxes;
 - b) Fees;
 - c) Interest;
 - d) Dividends or other payments from public companies where the Government holds a shareholder interest;
 - e) Earnings from the lease of real or personal property;
 - f) Earnings from licensing or sale of any rights controlled by the Government;
 - g) Royalties;

- h) Fines, regulatory fees, indemnifications earned in civil actions and insurance proceeds;
- i) Donations and offers.

Article 13

Receipt of Public Money

- 1- No employee of the Public Administration shall keep or maintain public money in his/her possession while waiting to transfer it to Government accounts, except pursuant to the law or whenever duly authorized in writing by a Government official responsible for the area of Finance.
- 2- All revenues are to be deposited in official bank accounts.
- 3- The entities that receive public money should immediately deposit it in full at an official bank account.

Article 14

Public Money Spending

- 1- No one should misuse the public money, dispose or use it in an inappropriate or unlawful manner.
- 2- The public money shall be spent only after the Treasury Department Director has issued Expense Authorization Notices notifying the respective Government Ministry or Department that it is authorized to make the expenses related to the budget appropriation specified in the Notice.
- 3- Payments using public money can only be made in accordance with Expense Authorization Notices defined in this law.

Article 15
Official Bank Accounts

1- The Minister of Finance is responsible for opening one or more official bank accounts for depositing public money and he/she may delegate this duty to the Treasury Department Director.

2- In the cases where public money is kept under custody, it will be treated as if it were in an official bank account up until it is actually received by the Government.

3- Any bank account opened according to item 1, must have the word "official" included in its name.

4- The opening of any account for the purpose of receiving, keeping under custody, paying or transferring public money must comply with the regime set forth in this article.

5- No Ministry, State Department or local government authority can open a bank account without having the respective approval communicated to the bank and to the requesting entity.

Article 16
Investment of Government Money

1- The Minister of Finance after having heard the Council of Ministers, can authorize the temporary investment of public money in short term financial instruments that pose no risk and that have their liquidity assured with the purpose of ensuring effective management of temporary Government surpluses.

2- The interest received from investments made in accordance with this article must be included in the East Timor Consolidated Fund.

Article 17

Accounts of Specifically Allocated Revenues

1- It is incumbent on the Minister of Finance to create separate accounts for specifically allocated revenues and he/she must ensure that the budget appropriations made from these accounts be used solely for the purpose they are intended for.

2- The Ministry of Finance can delegate to the Treasury Department Director the authority mentioned in the previous item.

3- Interest or any revenues generated by investment of the specifically allocated revenues are subject to the same rules that apply to the originally allocated revenues.

Article 18

Revenue Allocated to Independent Funds

Revenue allocated to independent funds must be used only for the purposes of the same.

Article 19

Salaries of Public Servants

1- The Ministry of Finance is responsible for making payment of salaries to all Government employees as well ensuring the withholding of the taxes due and making the deductions provided for by law.

2- In case there is no budget appropriation to pay salaries of Government employees during a certain period, the employees' obligation to perform their duties and the Government's obligation to pay their salaries shall be suspended during said period.

TITLE III

PUBLIC DEBT

Article 20

Guarantees and Loans granted to the Government

1- The Government shall in the yearly projections of public revenues and expenses submitted to the Parliament specify the amount it expects to obtain through loans and concessions during the fiscal year for funding of Government expenses.

2- The Government only issues the proof of debt in the cases in which it has actually received the amount or the assets that are the subject of the loan.

3- The Minister of Finance, after deliberation by the Council of Ministers, is the only authority able to grant or contract loans in the name of the Government; and

- a) Represents the Government in all agreements related to granting or taking out loans;
- b) Maintains the original documents and records of all agreements related to granting or taking out loans, including the guarantees and contingency obligations.

4- All revenues earned pursuant to this article are transferred to the East Timor Consolidated Fund and shall be a part of it and shall be made available to fund Government expenses pursuant to the Government Budget Law.

5- The Minister of Finance may issue any guarantee binding the Government without a second authorization, provided said guarantee is not higher than the unspent budget appropriations allocated to the Ministry of Finance, and in the case of a specified amount, when duly authorized by law.

6- The Government shall only be bound to similar guarantees, insurance or financial instruments, pursuant to item 8 of this article.

7- Government expenses arising from fulfillment of guarantees and insurance obligations are considered debt service expenses.

8- The Government must, in the yearly projection of public revenues and expenses submitted to the Parliament, specify the amount necessary to cover the operational

costs of all loans obtained under this law, whether by capital amortization or payment of interest or other fees payable in relation to the loan, during the financial year to which these projections refer.

9- The amortization of loans and interest as well as any amounts payable, provided they are not related to any guarantee or indemnification, must be paid with the funds from the East Timor Consolidated Fund, without any other allocation.

Article 21

Loans Granted by the Government

1- The Government may grant loans to legal entities and other Governments provided:

a) The details of the transaction, interest repayment, default and loan redemption conditions are duly provided for in the law;

b) Provisions governing default are provided for in the law and in the debt instrument that clearly allow the Government to demand payment in advance of the entirety of capital and interest in the case of non-payment or payment delay;

c) Government credit, whether capital or interest, is fully guaranteed in the case of non-payment.

2- The terms of the loan can only be changed:

a) By Law;

b) By the Government, according to a grounded opinion of an independent auditor justifying the non-existence of objective conditions for recovering the debt or part thereof.

TITLE IV
GENERAL GOVERNMENT BUDGET

CHAPTER I
CONTENT AND STRUCTURE

Article 22
Content of the General Government Budget

1- As concerns the period referenced, the General Government Budget contains the following:

- a) General Information on the budget;
- b) A plan containing the expense appropriations and revenues projections;
- c) Information on assets and liabilities.

2-The general information on the budget includes the following:

- a) An internal and external macroeconomic study;
- b) The short and medium-term tax strategy
- c) Budget objectives and priorities, including an estimate of revenues and expenses;
- d) The budget shortfall or surplus from the previous fiscal year which will be carried forward to the financial year to which the Government Budget Law refers;
- e) Detailed information on funding of the budget shortfall;
- f) Other information deemed necessary for transparency and clarifications of the General Government Budget Law.

3- The plan of the expense appropriations and revenue projections for the fiscal year comprises:

a) The total revenues projected by the Government as well as the expenses and resulting balances, including those in respect to the following two years;

- b) A projection of the allocated revenues to be received;

c) Budget appropriations for each service that does not have administrative and financial autonomy and for the independent services and funds;

d) Budget appropriations for designated revenues;

e) Budget appropriations for public subsidies;

f) Financial transfers to local state-owned self-governing entities;

g) Conditions related to any budget appropriation;

h) Budget appropriations for the payment of interest and reimbursement of the debt;

i) Budget appropriations that do not exceed 5% of total spending on contingency expenses;

j) The projected number of permanent and temporary Government employees to be paid with budget appropriations;

k) The estimates of future expenses in relation to the cost of acquisitions starting in the financial year;

l) Projections of revenues from fees;

m) Projected cost of previous non-received revenues from tax or customs benefits expressly provided for in the law allocated to the services that do not have and administrative and financial independence and to the independent services and funds by the expense programs related to the activity subject to the tax or customs benefits;

n) Projection of revenues not received as a result of enforcement of the provisions of the tax law that exempts individual or transactions from enforcement of the tax law, attributable to services that do not have administrative and financial independence and to the independent services and funds responsible for enforcement of the legal provisions applicable to this matter;

- o) Projection of revenues not received due to non-financial benefits regarding goods and services;
 - p) Other information deemed necessary by the Government;
- 4- The information on the assets and liabilities for the fiscal year shall include:
- a) The Government investment strategy;
 - b) Loans granted and to be granted by the Government;
 - c) Changes made to the loans, pursuant to article 20, in the previous fiscal year;
 - d) Loans granted or to be granted to the Government;
 - e) Determination of a total limit for the guarantees and loans taken out by the Government;
 - f) Projected amount of Government contingency liabilities that may be transferred to actual liabilities;
 - g) Other information considered relevant by the Government;

Article 23

Content of the Government Budget and Compulsory Expenses

- 1- The Budget must mention the entity responsible for the budget appropriation as well as the expense category.
- 2- Should the budget appropriation have as its purpose the payment to an independent fund, it must indicate the amount allocated to capitalization, the loans granted as well as the expenses related to procurement of goods or services.
- 3- Should the appropriation be intended for a payment related to a Government debt, the amount allocated to payment of interest or repayment of the loan must be indicated.
- 4- The Government budget must indicate the percentage of budget appropriations that will be funded by:

- a) Money from the East Timor Consolidated Fund;
- b) Future revenues from donations made by foreign governments or international organizations;
- c) Other duly projected revenues;

5- The Government must propose to the Parliament the maximum amount that the Government can guarantee and take out as a loan.

6- In the General Government Budget, the following appropriations must be compulsorily registered:

- a) The appropriations required for fulfillment of legal or contractual obligations;
- b) Appropriations intended for payment of charges resulting from court decisions;
- c) Other appropriations determined by the law.

7- The appropriations corresponding to compulsory and fixed amount expenses known on the date the Government Budget is submitted are (deemed) duly registered in said Budget.

CHAPTER II GOVERNMENT BUDGET LAW

Article 24 Formal Content and Structure

The Government Budget Law contains the Stated Purpose of the Budget and tables, which are approved and attached thereto.

Article 25 Purpose

The text of the Government Budget Law contains specifically:

- a) The approval of the budget tables;
- b) Approval of the authorization for transfer from the Oil Fund

- c) The approval of the funds whose management will be the responsibility of the Ministry of Finance;
- d) The approval of funds allocated to local government agencies;
- e) Other articles considered necessary.

Article 26

Specification of the budget for services without administrative and financial autonomy

Specification of expenses contained in the budget for services that do not have administrative and financial autonomy is made by grouping the expenses under titles divided into chapters and these chapters can be divided into one or more classification levels, as necessary for the proper specification of the expenses.

Article 27

Specification of the budget for autonomous services and funds

1- In the budget of the sub sectors for autonomous services and funds, including the budget for each one of these services and funds, the revenues and expenses are specified as follows:

- a) Aggregate revenues;
- b) Aggregate expenses.

Article 28

Budget Tables

The tables referred to in item a) of the previous article are the following:

- a) TABLE I, "Estimate of the Revenues to be Collected";
- b) TABLE II, "Appropriations of the General Government Budget";
- c) TABLE III, "Independent Organs that are partially funded by their own revenues within the General Government Budget";
- d) Other tables duly approved in the stated purpose can be added.

Article 29

Legislative Bill

The proposed Budget Law shall have the same structure and formal content as the Budget Law.

Article 30

Timeframes for Submission

1- The Government shall submit to the National Parliament by the 15th of October, the proposal for the Budget Law for the following fiscal year.

2- The deadline provided in the previous item shall not apply when the following circumstances occur:

- a) The acting Government has been dismissed;
- b) The new Government is invested in office;
- c) The end of the legislative term;

Article 31

1/12 Regime

1- Should the Budget not enter into force at the beginning of the financial year, the Government may resort to temporary budget appropriations so as to proceed with its activities, provided:

- a) Each budget appropriation is intended to cover an expense for a period not longer than one month;
- b) Any budget appropriation made pursuant to this article does not exceed one twelfth (1/12) of the budget appropriation for the same purpose provided for in the Budget Law for the previous year.

2-The budget appropriations made pursuant to this article shall lapse upon coming into force of the new budget law and all expenses related to those allocations shall be included in the Budget for the current fiscal year.

Article 32
Special Funds

- 1- The Minister of Finance may, when authorized by law, establish special funds that are not part of the Consolidated Fund.
- 2- The revenues, earnings and proceeds of these funds shall not be transferred at the end of the year to the Consolidated Fund and must be retained by the funds in order to serve the purposes for which they were established.
- 3- The Minister of Finance shall be responsible for management and monitoring of the funds established according to this article.
- 4- Any legislative instrument prepared according to this article must:
 - a) Indicate the purposes for which the fund was established;
 - b) Identify the entity responsible for its operation.
- 5- All expenses made through the funds require authorization from the Minister of Finance addressed to the entity responsible.
- 6- The authorization referenced in the previous item can only be issued if projections of earnings and expenses of the special fund for this financial year, prepared according to the directions issued and approved by the Minister of Finance, are presented to the Parliament.
- 7- Should a special fund lack funds and no legal provision exists for placing more money in this fund, or if it is in the public interest to close this special fund, then the Minister of Finance may dissolve the fund.
- 8- The amount remaining or other resources belonging to the dissolved fund shall be transferred to the Consolidated Fund.
- 9- In the case of the special funds under protection of the members of the Government, the Minister of Finance can only dissolve the funds after prior consultation with the responsible member of the Government.

Article 33

Funds of Development Partners and International Organizations

1- The member of the Government responsible for the finance area can prepare a budget for the special funds that are not part of the East Timor Consolidated Fund containing the following requirements:

- a) Monetary allowances granted by international organizations or foreign governments for the benefit of the East Timor;
- b) Estimates of any aid granted in-kind by international organizations or foreign governments for the benefit of East Timor;

CHAPTER III

BUDGET ALTERATIONS

Article 34

Amendments to the Government Budget

1- The Government may present amendments to the Government Budget in force whenever circumstances require.

2- The structure and content of laws concerning budget changes comply with the provisions of chapter I and II, the terms of which are applicable thereto with the necessary amendments;

Article 35

Budget Amendment Law

1-Should the budget amendment law determine an increase in expenses for the current financial year, this law shall provide a budget appropriation sufficient to cover the respective expenses, as well as indicate the percentage of this budget appropriation that will be funded by:

- a) Unallocated public money that is currently in the East Timor Consolidated Fund;
- b) Future projected revenues;

c) Allocated public money that due to cancellation of part of an existing budget appropriation may become unallocated allowances.

2- In the cases provided for in item c) of the previous item:

- a) The part of the budget appropriation to be cancelled must be specified;
- b) The new budget appropriation shall only be valid after cancellation has already taken place.

Article 36

Bank fees and charges

All bank fees and charges imposed on the Government accounts or investments must be paid with budget appropriations from the Ministry of Finance.

Article 37

Contingency Expenses

In case of urgent and unforeseeable requirements, the Minister of Finance can alter part of a budget appropriation intended for contingency expenses to a Program of a Government Ministry or Department.

Article 38

Amendments to the Budget for the services that do not have administrative and financial autonomy

1- It is incumbent on the Government to amend the budget for services that do not have administrative and financial autonomy from a Government Ministry or Department, provided that the transfer amount does not exceed 20% of the budget appropriation from which said amount is transferred.

2- The transfer from the budget appropriations allocated to services referenced in the previous item does not require authorization from the Minister of Finance.

3- Transfer from funds included in the capital development budget category to any other budget category is forbidden.

4- Transfers from funds included in the salaries and compensation budget category to any other are forbidden.

5- It is incumbent on the Government to make transfers of budget appropriations of those services that do not have administrative and financial independence among the different chapters, that is, among Directors of one same Ministry.

TITLE V BUDGET EXECUTION

Article 39 Expense Authorization Notice

1- The Treasury Director must issue an Expense Authorization Notice, subject to the availability of funds, to authorize Government Ministries or Departments to spend or commit themselves to spend the budget appropriations or part thereof.

2- Expense Authorization Notices must specify the period of time during which the authorization is valid.

3- No amount shall be disbursed from the East Timor Consolidated Fund to pay expenses that are not authorized by an Expense Authorization Notice.

4- Any Expense Authorization Notice authorizing the spending of public money that has not been projected as an expense in a budget appropriation shall not be valid.

5- The procedure to be followed for payments authorized by an Expense Authorization Notice shall be ordered by the Treasury Director and informed to the Government Ministries and Departments.

Article 40 Revocation and Amendment of an Expense Authorization Notice

The Treasury Director may at any point in time revoke an Expense Notice Authorization with the approval of the Minister of Finance in the cases where he/she concludes that the revocation or amendment:

- a) Is desirable in the interest of prudent financial management;
- b) Is appropriate in order to ensure the continuation of spending throughout the financial year.

Article 41

Overdue amounts in the Expense Authorization Notice

1- In the cases where an amount specified in an Expense Authorization Notice has not been fully spent at the time its validity expires, the most senior person responsible for the Government Ministry or Department may request the Minister of Finance the amendment of the same for another period in the amount that has not been spent.

2- The most senior person for the Government Ministry or Department may request from the Minister of Finance an increase in the amount specified in the Expense Authorization Notice if the allocated funds have not yet been spent.

TITLE VI

BUDGET CONTROL, REPORTS AND FINANCIAL RESPONSIBILITY

CHAPTER I

JURISDICTIONAL CONTROL

Article 42

Opinion by the Superior Administrative, Tax and Audit Court

1-The Government remits the audited accounts to the Superior Administrative, Tax and Audit Court or while this court has not been established, to the instance provided for in article 164 of the Constitution.

2- The instance provided for in the previous item shall send the audited accounts to the National Parliament within 30 days.

3- The appropriate court can appoint an independent auditor for the purpose of examining the audited accounts.

4- Should an independent auditor be appointed according to the previous item, a copy of the respective report shall be sent to the National Parliament.

5- The audited accounts shall be sent to the appropriate court within six months after the end of the fiscal year to which they refer.

6- The appropriate court shall examine the Government accounts and issue an opinion on the lawfulness of the public expenses, pursuant to item 3 of Article 129 of the Constitution.

7- The opinion referred to in the previous item is sent to the National Parliament up to ten months after the end of the fiscal year they refer to.

CHAPTER II

PREPARATION OF REPORTS, ACCOUNTING AND AUDITING

Article 43

Budget and Accounting Records

1- The Minister of Finance shall establish classification systems for budget and accounting records that facilitate control of Government spending and allow analysis of expenses per organization, function and economic category, according to the classification requirements of the cash basis of the Statistics pertaining to the Government Finance as prescribed by the International Monetary Fund.

2- The Treasury shall maintain accounting records pertaining to:

- a) Government Revenues;
- b) Appropriations;
- c) Adjustments to the budget appropriations pursuant to this law;
- d) Budget Appropriations made available to Ministries for meeting expenses through the Expense Authorization Notice;
- e) Actual expenses incurred;
- f) Overdue liabilities

Article 44
Reports on the Progress of the Budget

1-The Government submits to the National Parliament reports on the progress of the budget in the first three, six and nine months of each fiscal year.

2- The timeframe for delivery of the reports referenced in the previous item is two months after the end of the period covered by the reports.

3- The reports on the progress of the budget required in the previous items must include a report of revenues and expenses containing the information described in item 4 of the next item as well as information on the assets and liabilities including the information described in item 5 of the next item.

4- Should reports on the progress of the budget not contain all the information referenced in the previous item, then they must justify the reason for lacking it.

Article 45
Final Report on the Budget

1-The Government shall submit to the National Parliament the following:

- a) Within three months after the end of the fiscal year, an interim report on the budget execution concerning the previous fiscal year;
- b) Within nine months after the end of the fiscal year, the set of financial statements compiled by the Treasury, compatible with international accounting standards, which have been audited.

2- The interim execution report referenced in the previous item shall include a statement of revenues and expenses.

3- The yearly audited accounts include the following information:

- a) An overview of the most important revenues and expenses;

- b) Details on the way the budget shortfall was funded or how the budget surplus was invested;
- c) Other information deemed necessary.

4- The report on revenues and expenses shall contain information on the following:

- a) Actual revenues compared to the revenues projected in the budget;
- b) Actual specifically allocated revenues received during the fiscal year;
- c) Actual expenses incurred based on the budget appropriation of specifically allocated revenues;
- d) The number of permanent or temporary government employees paid with budget appropriations in the fiscal year under way;
- e) Payment of interest on a debt incurred by the Government and reimbursement of the debt;
- f) Expenses concerning each category of budget appropriation compared to:
 - i) the budget appropriation for that category;
 - ii) the expenses in that category in the previous fiscal year;
 - iii) details of additional budget appropriations made under a rectified budget.
- g) Details of all beneficiaries of public subsidies granted in the fiscal year and the amount received by them;
- h) Details of the expenses for contingencies;
- i) Details of all adjustments made to budget appropriations made pursuant to this law;
- j) Revenues derived from fees and taxes;
- k) Other information deemed necessary.

5- The information on assets and liabilities shall contain the following:

- a) Details of the investment of public money made during the fiscal year;
- b) Details of any changes made pursuant to item 2 of Article 21 for loans of the previous fiscal year;
- c) Details of any loans granted by the Government during the fiscal year;
- d) Details of any loans taken out by the Government during the fiscal year;
- e) Details of the difference between the amount of the guarantees and loans projected by the Government during the fiscal year and the guarantees actually granted and the loans actually taken out;

- f) Details of the difference between the amount projected for the Government contingency liabilities and the amount of the contingency liabilities that truly existed;
- g) The accounting of the assets at the end of the fiscal year;
- h) Other information deemed necessary.

CHAPTER III RESPONSIBILITY

Article 46 Responsibility for Budget Execution

1- The holders of political offices are politically, financially, civilly and criminally liable for actions and omissions they perform in discharging their duty to execute the budget, pursuant to the Constitution and other laws applicable that typify the criminal and financial violations as well as the respective penalties, whether intentional or not.

2- Each holder of a political office is responsible for the effective, efficient and ethical use of the budget appropriations allocated to him/her.

3- The employees and agents are responsible in the disciplinary, civil and criminal spheres for their actions and omissions resulting in the violation of the rules governing the budget execution, pursuant to the Constitution and the applicable laws.

Article 47 Financial Responsibility

Without prejudice to the forms of ascertaining the responsibility peculiar to the remaining types of responsibility to which the previous item refers, financial responsibility is ascertained by the Superior Administrative, Tax and Audit Court, pursuant to the respective laws.

Article 48

Remittance of the opinion to the Higher Administrative, Tax and Audit Court

For the purpose of ascertaining any financial or criminal responsibilities arising from execution of the Government Budget, the Full Session of the National Parliament may decide to send the opinion of the Superior Administrative, Tax and Audit Court on the Final Report on the Budget Execution to the appropriate authorities.

TITLE VII

PROVISIONS REGARDING THE INDEPENDENT FUNDS

Article 49

Capitalization of the Independent Funds

A budget appropriation to capitalize an independent fund may be established when said fund is converted into a public company, in the following cases:

- a) When the independent fund issues shares or any other evidence of participation in the shareholding capital of a public company to the government;
- b) When the law that creates the independent fund provides that the Government is entitled to receive the entire capital and accrued reserves of said fund after its liquidation;
- c) When the law that creates the independent fund specifies its purpose and determines that the fund apply its capital and returns solely to this end and forbids the issuance of new shares to shareholders other than the Government.

Article 50

Acquisitions from Independent Funds

A budget appropriation may be made for the purchase of goods and services from an independent fund in the cases where the amount to be paid does not exceed the market value of these goods and services.

Article 51

Loans contracted by the independent funds

The provisions of article 20 of this law shall apply to a loan granted by the Government to an independent fund.

Article 52

Accounting Practices

- 1- The financial year of an independent fund must coincide with the calendar year.
- 2- The independent funds must keep their accounts and financial records according to the International Accounting Standards, duly recording and explaining their transactions and financial situation and must keep these records so as to:
 - a) permit preparation of financial statements required by this law;
 - b) permit that these financial statements be appropriately and duly audited in accordance with this law.
- 3- The Government, through the Minister of Finance, may allow the use of cash-based provisional accounting standards for the financial accounts and records pertaining to the first financial year of an independent fund.
- 4- Independent funds must keep their financial accounts and records for at least seven years after completion of the transactions related to them.
- 5- The independent funds must make their records available for inspection and oversight purposes.

Article 53

Reports

The independent funds shall report according to chapter II of Title VI, with the necessary amendments.

TITLE VIII
FINAL PROVISIONS

Article 54
Revocation

Regulation UNTAET 2001/13 dated July 20 on the Budget and Financial Management is hereby revoked.

Article 55
Coming into Force

This law shall take force on the day following its publication.

Approved on September 25, 2009.

Fernando La Sama de Araújo

Enacted on October 15, 2009

This law should be published.

The President of the Republic

Dr. José Manuel Ramos Horta