



REGULATION NO. 2001/13
ON BUDGET AND FINANCIAL MANAGEMENT

The Special Representative of the Secretary-General (hereinafter: Transitional Administrator);

Pursuant to the authority given to the Transitional Administrator under United Nations Security Council resolution 1272 (1999) of 25 October 1999;

Taking into account United Nations Transitional Administration in East Timor (UNTAET) Regulation 1999/1 of 27 November 1999 on the Authority of the Transitional Administration in East Timor and Regulation 2000/1 on the establishment of the Central Fiscal Authority (CFA) of East Timor;

After consultation in the National Council (NC);

For the purpose of establishing a foundation law to regulate budget and financial procedures;

Promulgates the following:

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Part I **Definitions**

Section 1 **Definitions**

In this Regulation, unless the contrary intention appears:

“Agency” means an organizational unit of the Transitional Administration established under a Regulation that defines:

- (a) the Minister responsible for the *Agency*;
- (b) the regulations to be administered by the *Agency*; and
- (c) the major functions and tasks of the *Agency*;

“appropriation” means the identification in an *appropriations Regulation* of the maximum amount that may be made available for expenditure for a specified purpose of an *Agency* by means of an *expenditure authorization notice*;

“appropriations Regulation” means the law that contains *appropriations* for a *fiscal year*;

“Budget Committee” means a committee to be chaired by the *Head of the Central Fiscal Agency* and comprised of the heads of at least four members of cabinet to be nominated by the Deputy Transitional Administrator (Governance and Public Administration);

“Chief Financial Officer” means the person responsible for the preparation and implementation of the annual budget of an *Agency*;

“Consolidated Fund of East Timor” means the consolidated group of accounts and deposits of the Transitional Administration, as provided in Regulation 2000/1;

“designated services authority” means a *Program* of an *Agency* that operates as a separate authority and that is listed in Schedule 1 to this Regulation;

“earmarked receipts” means any receipts:

- (a) granted to the Transitional Authority subject to conditions on how they may be spent;
- (b) collected pursuant to taxing or other Regulations that stipulate conditions on how the receipts may be spent; or
- (c) derived by a *designated services authority* from the sale of assets or provision of goods and services for which the authority was established;

“expenditure authorization notice” means the notification to an *Agency* that it is authorized to make expenditures of that part of the *appropriation* specified in the notice;

“fiscal year” means the period from July 1 of a year to June 30 of the following year;

“government finances Regulation” means a regulation including the items described in Section 19;

“Head of the Central Fiscal Authority” means a person appointed to be the Head of the Central Fiscal Authority under Regulation No. 2000/1 or so designated by the Transitional Administrator;

“Head of an *Agency*” means a person appointed to be the Head of an *Agency* under Regulation or so designated by the *Transitional Administrator* by way of notification;

“local governments” means any regional or local government established by regulation in East Timor;

“National Council (NC)” means a council established under Regulation 2000/24 on the establishment of the National Council;

“official bank account” means an account described in Section 7;

“Program” means a major division of the activities of an *Agency* relating to service delivery to a specific group, outcome, or objective including the complete activities of an *Agency* where they constitute a single set of activities;

“public grant” means an amount provided to an individual, organization or legal person for an objective consistent with the objective of the *Agency* providing the grant;

“public money” has the meaning given in Section 4;

“Treasurer” means a person designated by the *Head of the Central Fiscal Authority* as the Head of the Treasury; and

“Treasury” means the Treasury under the Central Fiscal Authority, which assumes the functions described in Section 3.

Part II **Foundation provisions**

Section 2 **Establishment of a Treasury**

There shall be a *Treasury* established under the Central Fiscal Authority, responsible for the matters set out in Section 3.

Section 3 **Treasury responsibilities**

The *Treasury*, under the direction of the *Head of the Central Fiscal Authority*, shall be responsible for:

- (a) recording and reporting the receipts of the Transitional Administration;
- (b) the deposit of public money into *official bank accounts*;
- (c) implementing the budget of the Transitional Administration, as detailed in:
 - (i) the budget documentation, described in Section 17;
 - (ii) the *appropriations Regulation*, which provides *appropriations* from the *Consolidated Fund of East Timor* to *Agencies* in the current *fiscal year*;
and
 - (iii) the *government finances Regulation*, described in Section 19;
- (d) authorization by way of an *expenditure authorization notice* for an *Agency* to spend an amount that has been appropriated to that *Agency*;
- (e) recording and reporting actual expenditure compared with planned expenditure set out in *Agency* budgets;
- (f) issuing of financial administrative instructions to *Agencies* in order to establish proper accountability in the financial management of public funds in East Timor;
- (h) producing regular reports to the *Transitional Administrator* on the implementation of the Transitional Administration's budget; and
- (i) compilation of the annual accounts of the financial operations of the Transitional Administration including *appropriation* accounts and financial statements that incorporate all government fiscal operations.

Section 4
Public money

4.1 In this Regulation, public money means:

- (a) money or financial assets in the custody or under the control of the Transitional Administration, including money that is held for the benefit of a person other than the Transitional Administration; and
- (b) money or financial assets in the custody or under the control of any person acting for or on behalf of the Transitional Administration in respect of the custody or control of the money.

4.2 Receipts that become public money upon receipt include, but are not limited to:

- a) taxes imposed by the Transitional Administration;
- b) user fees imposed by the Transitional Administration or any department of the Transitional Administration;
- c) interest received by the Transitional Administration;
- d) dividends or other payments from companies owned by the Transitional Administration;
- e) proceeds received by the Transitional Administration from the sale of any property owned by the Transitional Administration;
- f) proceeds received by the Transitional Administration from leasing of any property owned by the Transitional Administration;
- g) proceeds received by the Transitional Administration from licensing or selling any rights controlled by the Transitional Administration, including radio spectrum rights, natural resource exploration or exploitation rights, and intellectual property rights;
- h) royalties received by the Transitional Administration;
- i) fines, regulatory charges, damages from civil actions, and insurance proceeds paid to the Transitional Administration; and
- j) grants and gifts received by the Transitional Administration.

Section 5
Receipt of public money

5.1 An Agency or person employed by an Agency shall not receive *public money* or hold public money pending transfer to the Transitional Administration unless such Agency or person has been authorized to do so by:

- (a) the *Head of the Central Fiscal Authority* in writing; or
- (b) a Regulation.

5.2 All receipts of the Transitional Administration shall be deposited into an *official bank account*.

5.3 A person who receives *public money* (including money that becomes *public money* upon receipt) must deposit it into an *official bank account* promptly.

5.4 No person shall receive money or property while purporting to be acting in any official capacity or while conveying the impression that their actions are authorized by the Transitional Administration unless they are authorized by Regulation to receive money or property in that manner.

Section 6
Expenditure of public money

6.1 A person must not misapply *public money* or improperly dispose of, or improperly use, *public money*.

6.2 Expenditure of *public money* shall only occur after the *Treasurer* has issued an *expenditure authorization notice* notifying an *Agency* that it is authorized to make expenditures of that part of the *appropriation* specified in the notice.

6.3 Payments of *public money* may only be made in conformity with Section 32.5.

Section 7
Official bank accounts

7.1 The *Head of the Central Fiscal Authority* shall open and maintain one or more official bank accounts for *public money* and may delegate this responsibility to the *Treasurer*.

7.2 Where *public money* is held in trust for the Transitional Administration, it will be treated as if it is held in an official bank account until it is received by the Transitional Administration.

7.3 Any official bank account opened by the *Head of the Central Fiscal Authority* or the *Treasurer* pursuant to the powers granted by Section 7.1 must have a name that includes the word "Official".

7.4 An account for the receipt, custody, payment or transmission of *public money* must not be opened except in accordance with this Section.

Section 8
Investment of cash of the Transitional Administration

8.1 The *Head of the Central Fiscal Authority* may authorize the investment of *public money* in financial deposits of less than 1 year and the liquidation of such investments to implement the budget.

8.2 The *Head of the Central Fiscal Authority* may delegate to the *Treasurer* the power set out in Section 8.1.

8.3 All interest received on investments made pursuant to this Section shall be included in the *Consolidated Fund of East Timor*.

Section 9
Earmarked receipts accounts

9.1 The *Head of the Central Fiscal Authority* shall establish separate ledger accounts for *earmarked receipts* and shall ensure that *appropriations* from those accounts are only for the purposes for which the accounts are established.

9.2 The *Head of the Central Fiscal Authority* may delegate to the *Treasurer* the power set out in Section 9.1.

9.3 Rules attaching conditions to the expenditure of an appropriated *earmarked receipts* may be established by Regulation or may be designated by the *Head of the Central Fiscal Authority* where no Regulation establishes such rules.

9.4 Interest or other receipts derived from the investment of *earmarked receipts* shall be treated as further *earmarked receipts* subject to the same rules that apply to the original *earmarked receipts*.

Section 10
Earmarked receipts of designated services authorities

10.1 *Earmarked receipts* of a *designated services authority* shall be appropriated only for the purposes of that authority.

10.2 Receipts derived from the sale of assets or provision of goods and services by a *designated services authority* earned up to 12 months prior to the transfer of the operations and assets of the *designated services authority* to an *autonomous public authority* shall be considered *earmarked funds* that may only be appropriated for the purpose of capitalizing the *autonomous public authority*.

Section 11
Guarantees and borrowings by the Transitional Administration

11.1 An agreement for the borrowing of money by the Transitional Administration is of no effect unless the borrowing is authorized by a Regulation.

11.2 The Transitional Administration may only issue to a lender evidence of a debt to be repaid by the Transitional Administration where the Transitional Administration has received money or another asset equal to the market value of the evidence of the debt.

11.3 The Head of Central Fiscal Authority shall be the sole authorized agent for borrowing or lending of the Transitional Administration and shall:

- (a) represent the Transition Administration in all borrowing or lending arrangements; and
- (b) maintain original documents and registers of all borrowing and lending arrangements, including guarantees and contingent liabilities.

11.4 Where an *Agency* enters into a contract providing for payments to be made by the *Agency* after the end of the *fiscal year* in which the contract is made, the contract will be valid after the end of that *fiscal year* only to the extent amounts to be paid under the contract are the subject of an *appropriation*.

11.5 The *Head of the Central Fiscal Authority* may issue a guarantee or assurance which commits the Transitional Administration:

- (a) without further authorization, for an amount no greater than the appropriations to the Central Fiscal Authority that are not expended; and
- (b) where authorized by Regulation, for the amount specified in the Regulation.

11.6 No guarantee or assurance other than a guarantee or assurance validly made under Section 11.5 shall be binding on the Transitional Administration.

11.7 When the conditions for guarantees and assurances are invoked which require expenditures on the part of the Transitional Administration in order to meet the guarantee and assurance commitments, the expenditures shall be considered to be part of debt servicing expenditures.

Section 12 Loans by the Transitional Administration

12.1 An *appropriation* may be made for the purpose of making a loan to any enterprise or organization provided:

- (a) details of the principal of the loan and the entitlement of the Transitional Administration to interest or an amount in the nature of interest are provided in a *government finances Regulation* approved by the National Council;
- (b) evidence of indebtedness to the Transitional Administration (whether by way of bond, debenture, promissory note or other evidence) by the borrower provides the Transitional Administration with legally enforceable rights to require repayment of the loan prior to maturity in the event of default of any payment of interest or principal due under the loan; and
- (c) the Transitional Administrator is provided with full security for the loan or enjoys a security interest in all assets of the borrower in the event of default.

12.2 The terms of a loan by the Transitional Administration may only be changed:

- (a) by Regulation; or
- (b) by the *Head of the Central Fiscal Authority* if the *Head of the Central Fiscal Authority* has advice from an independent auditor that the debt or part of the debt cannot be recovered.

Section 13
Implementation of the public service payroll

13.1 The Central Fiscal Authority is responsible for:

- (a) making payments in respect of the responsibilities of an *Agency* arising from *appropriations* for wages of employees of the Transitional Administration; and
- (b) carrying out the responsibilities of the Transitional Administration as an employer for withholding taxes or other amounts from wages as required by tax or other Regulations.

13.2 The *Head of the Central Fiscal Authority* may establish by means of an administrative instruction the manner in which an employee can identify him or herself as a person entitled to receive a payment of wages.

13.3 Where an employee fails to identify him or herself in the manner set out in an administrative instruction authorized by Section 13.2 as an employee entitled to receive a payment of wages, the payment of wages is suspended until the employee identifies him or herself in that manner.

13.4 Where there is no *appropriation* for the payment of wages of employees of the Transitional Administrator during a period, the obligation of the employees to carry out duties under their contract of employment and the obligation of the Transitional Authority to pay wages to those employees is suspended for that period.

Section 14
Application of this Regulation to local governments

The provisions of this Regulation will apply to the budget and appropriation procedures of *local governments* unless specific rules establishing other procedures are set out in a Regulation establishing a *local government* or in another Regulation.

Part III
Preparation and contents of the annual budget and budget Regulations

Section 15
Preparation and submission of budget proposals

15.1 Subject to Section 15.2, each *Agency* shall appoint a *Chief Financial Officer* for the *Agency* approved by the *Head of the Central Fiscal Authority*.

15.2 Where an *Agency* has not appointed a *Chief Financial Officer*, the *Head of the Central Fiscal Authority* may nominate a *Treasury* officer to perform the functions of the *Chief Financial Officer* for the *Agency*.

15.3 A *Chief Financial Officer* appointed under Section 15.1 shall be accountable to the *Head of the Agency*.

15.4 The *Head of the Central Fiscal Authority* shall issue to the *Chief Financial Officer* of each *Agency* a budget circular which explains necessary procedures for *Chief Financial Officers* to prepare *Agency* budgets and requests for *appropriations*.

15.5 The *Chief Financial Officer* of each *Agency* shall be responsible for the preparation of the budget submissions of the *Agency* in accordance with the instructions contained in the budget circular and forward the completed requests to the *Head of the Central Fiscal Authority* by the time specified.

15.6 Budget officers of the Central Fiscal Authority shall, in consultation with the *Chief Financial Officer* of an *Agency*, confirm that the cost of expenditures for which *appropriations* have been requested, and other estimates, have been determined accurately and that the budget submission meets the requirements of the budget circular.

15.7 Budget officers of the Central Fiscal Authority and the *Chief Financial Officer* of an *Agency* shall seek to resolve disagreements and develop mutually acceptable budget submissions.

Section 16

Preparation of the budget and budget Regulations

The *Head of the Central Fiscal Authority* shall, after consideration of the appropriation requests submitted by *Agencies*, and after consultation with *Agencies*, prepare:

- (a) a proposed budget;
- (b) an *appropriations Regulation* containing details set out in Section 18; and
- (c) a *government finances Regulation* containing details set out in Section 19.

Section 17

Contents of the budget

17.1 The budget for a *fiscal year* shall include:

- (a) budget overview information;
- (b) a receipts and expenditure plan; and
- (c) assets and liabilities information.

17.2 The budget overview information will include:

- (a) an overview of the domestic and international macro-economic environment in which the budget was prepared and recommendations for short and medium term fiscal strategy;
- (b) the objectives and priorities of the budget including important receipt and expenditure estimates;

- (c) the budget deficit or surplus from a previous *fiscal year* expected to be carried forward to the *fiscal year* to which the *appropriations Regulation* applies;
- (d) details of how a budget deficit is to be financed; and
- (e) other information considered necessary by the *Head of the Central Fiscal Authority*.

17.3 The receipts and expenditure plan will include:

- (a) estimated total *receipts* of the Transitional Administration, expenditures and the resulting balances for the *fiscal year* and at least the two following *fiscal years*;
- (b) estimated *earmarked receipts* that will be received in the *fiscal year*;
- (c) *appropriations* for each *Agency* in the *fiscal year*;
- (d) *appropriations* of *earmarked receipts* in the *fiscal year*;
- (e) *appropriations* for *public grants*;
- (f) conditions attached to any *appropriation*;
- (g) *appropriations* for payments of interest or amounts in the nature of interest on debt owed by the Transitional Administration and for repayment of debt principal;
- (h) an *appropriation* not exceeding 5% of total expenditure for contingency expenditures;
- (i) the estimated number of permanent and temporary Transitional Administration employees to be paid from *appropriations* in the *fiscal year*;
- (j) estimates of anticipated expenditures in future *fiscal years* towards the cost of acquisitions that will commence in the current *fiscal year*;
- (k) details of all projected user fee receipts for the *fiscal year*;
- (l) estimated cost in terms of forgone receipts of substantial tax concessions explicitly included in tax Regulations, attributed to the *Agency* responsible for the spending programs related to the activity subject to the tax concession;
- (m) estimated cost in terms of receipts forgone as a result of the application of provisions, rules or orders that are not in tax Regulations which exempt persons or transactions from the application of tax Regulations, attributable to the *Agency* responsible for the administration or promulgation of the provisions rules or orders resulting in the exemption; and
- (n) other information considered necessary by the *Head of the Central Fiscal Authority*.

17.4 The assets and liabilities information will include:

- (a) details of the Transitional Administration's investment strategy for *public money* to be invested in the *fiscal year*;
- (b) details of any existing loans by the Transitional Administration and any loans the Transitional Administration intends to make during the *fiscal year*;
- (c) details of any changes made under Section 12 to loans in the previous *fiscal year*;
- (d) details of any existing borrowings by the Transitional Administration and any borrowings the Transitional Administration intends to make during the *fiscal year*;
- (e) a limit on total guarantees and borrowings of the Transitional Administration;
- (f) details of the estimated amount of contingent liabilities of the Transitional Administration that may rise to actual liabilities during the *fiscal year*; and
- (g) other information considered necessary by the *Head of the Central Fiscal Authority*.

17.5 Presentation of financial statistics such as receipts, expenditures and financing, in the annual budget documentation and the format of budget documentation shall be consistent with the Government Finance Statistics cash basis classification requirements as set out and published from time to time by the International Monetary Fund.

Section 18
Contents of the appropriations Regulation

The *appropriations Regulation* shall set out:

- (a) in the case of *appropriations* for an *Agency*:
 - (i) the purpose of the *appropriation*; and
 - (ii) the category of expenditure as prescribed in an administrative instruction issued by the *Head of the Central Fiscal Authority* and amended from time to time;
- (b) in the case of an *appropriation* for an *Agency* for a payment to an *autonomous public authority*, the amount (if any) appropriated for:
 - (i) capitalization of the *autonomous public authority*;
 - (ii) loans to the *autonomous public authority*; and
 - (iii) expenditures for the acquisition of assets or services from the *autonomous public authority*; and
- (c) in the case of an *appropriation* for payment related to a debt of the Transitional Administration, the amount (if any) appropriated for:
 - (i) payment of interest or an amount in the nature of interest on the loan; and
 - (ii) repayment of loan principal;

Section 19
Contents of the government finances Regulation

19.1 The *government finances Regulation* shall indicate the extent to which proposed appropriations are to be funded from:

- (a) *public money* currently in the *Consolidated Fund of East Timor*;
- (b) expected future receipts of grants irrevocably committed by foreign governments or international organizations; and
- (c) expected future receipts.

19.2 The *government finances Regulation appropriations Regulation* shall designate a maximum amount that the Transitional Administration may:

- (a) guarantee; and
- (b) borrow.

Section 20
Review of the proposed budget

20.1 The *Head of the Central Fiscal Authority* shall distribute to the head of each *Agency* the proposed *appropriations* for that *Agency*.

20.2 After consideration of proposed *appropriations* for an *Agency*, the *Head of the Agency* shall inform the *Head of the Central Fiscal Authority* in writing that the *Agency*:

- (a) has no objections to the proposed *appropriations*; or
- (b) objects to the proposed *appropriations*, indicating those aspects of the proposed *appropriations* to which the *Agency* objects.

20.3 The *Head of the Central Fiscal Authority* shall attempt to resolve with the *Heads of Agencies* any objections they have to the specified *appropriations* in the proposed *appropriations Regulation*.

20.4 The *Head of the Central Fiscal Authority* shall submit the proposed budget, *appropriations Regulation*, and *government finances Regulation* for consideration by the *Budget Committee*.

20.5 In the case that the *Head of the Central Fiscal Authority* is unable to resolve objections with a *Head of an Agency*, the *Head of the Agency* shall deliver to the *Head of the Central Fiscal Authority* details of the objections at least 48 hours prior to the meeting of the *Budget Committee* to consider the proposed *appropriations*.

20.6 The *Head of the Central Fiscal Authority* shall submit to the *Budget Committee* any submissions prepared pursuant to Section 20.5 and his or her responses to the objections.

20.7 The *Budget Committee* may request *Heads of Agencies* to provide further submissions or explanations during consideration of the proposed budget.

20.8 After consideration of any submissions or explanations provided pursuant to this Section, the *Budget Committee* shall prepare an agreed budget, proposed *appropriations Regulation*, and proposed *government finances Regulation* for consideration of the Cabinet.

20.9 The Cabinet shall forward to the Transitional Administrator the agreed budget, proposed *appropriations Regulation*, and proposed *government finances Regulation* along with a summary of Cabinet's views on the budget and proposed Regulations.

20.10 The *Head of the Central Fiscal Authority* shall present the agreed budget, proposed *appropriations Regulation*, and proposed *government finances Regulation* to the National Council before June 15 of the year preceding the *fiscal year* to which the Regulation applies.

Section 21
Special funds budget

The *Head of the Central Fiscal Authority* may prepare a special funds budget that contains details of:

- (a) monetary amounts provided by international organizations or foreign governments for the benefit of East Timor; and
- (b) estimates of any aid-in-kind provided by international organizations or foreign governments for the benefit of East Timor;

that do not form part of the *Consolidated Fund of East Timor*.

Section 22
Appropriations prior to adoption of an appropriations Regulation

22.1 If the *appropriations Regulation* in respect of a *fiscal year* is not enacted before the commencement of the *fiscal year*, the *Head of the Central Fiscal Authority* may make temporary *appropriations* necessary to the continuation of services of the Transitional Administration, provided that:

- (a) each *appropriation* made pursuant to this Section shall be for expenditures for no more than one month; and
- (b) any *appropriation* made under this Section does not exceed 1/12 of the *appropriation* for the same purpose in the *appropriations Regulation* of the previous *fiscal year*.

22.2 *Appropriations* made under Section 22.1 shall lapse when the *appropriations Regulation* becomes effective and all expenditure related to *appropriations* made under this Section from the beginning of the *fiscal year* until that time shall be treated as *appropriations* made under the *appropriations Regulation* for that *fiscal year*.

Part IV
Revised and supplementary budgets and appropriations Regulations

Section 23
Revised budget and appropriations Regulation

23.1 The Head of the CFA may prepare a revised budget and *appropriations Regulation* if:

- (a) it appears to the *Head of the Central Fiscal Authority* that receipts of the Transitional Administration or expenditures for the *fiscal year* will be less or greater than those anticipated in the annual *appropriations Regulation*; or
- (b) the Transitional Administration wishes to alter existing law or introduce or repeal laws that will have the effect of increasing or reducing receipts of the Transitional Administration for the *fiscal year*.

23.2 The procedure for adoption of a revised budget and *appropriations Regulation* shall be the same as that for an annual *appropriations Regulation* set out in Part III of the present Regulation, with the relevant provisions read:

- (a) without reference to the date by which the Regulation must be introduced to the National Council; and
- (b) where the law is meant to apply to only the remaining part of the *fiscal year*, with the law applying only to that part.

Section 24

New Regulations that include an appropriation

24.1 Where a Regulation is proposed to be enacted that requires additional expenditures in the current *fiscal year*, the Regulation shall provide an *appropriation* of the amount required to make the expenditures and indicate the extent to which proposed *appropriation* is to be funded from:

- (a) unappropriated *public money* currently in the *Consolidated Fund of East Timor*;
- (b) expected future receipts; or
- (c) currently appropriated *public money* that will become unappropriated following the cancellation of part of an existing appropriation.

24.2 Where an *appropriation* is to be funded from *public money* that will become unappropriated following the cancellation of part of an existing appropriation:

- (a) the Regulation requiring an *appropriation* shall specify the part of an existing appropriation to be cancelled; and
- (b) the new *appropriation* shall be valid only after the *cancellation* has occurred.

Part V

Rules about appropriations

Section 25

Appropriations not used at the end of the fiscal year

All *appropriations* for a fiscal year shall lapse after 30 June of that fiscal year.

Section 26

Bank fees and charges

All bank fees and charges imposed in respect of accounts or investments of the Transitional Administration shall be paid from *appropriations* for the Central Fiscal Authority.

Section 27
Contingent expenditures

27.1 Subject to Section 27.2, in the event of urgent and unforeseen requirements, the *Head of the Central Fiscal Authority* may change the purpose of part of a contingent expenditure *appropriation* to a purpose of a *Program* of an *Agency*.

27.2 The part of the contingent expenditure *appropriation* that may be changed under Section 27.1 is:

- (a) an amount not exceeding U.S. \$ 50,000, or
- (b) where the *Transitional Administrator* has, on the recommendation of the *Head of the Central Fiscal Authority*, approved the transfer in writing, an amount in excess of U.S. \$ 50,000.

Section 28
Adjustments to appropriations of an Agency

Where requested by the *Head of an Agency*, the *Head of the Central Fiscal Authority* may authorize the transfer of amounts between *appropriations* for that *Agency* provided the transferred amount does not exceed 10% of the *appropriation* from which the amount is being transferred, as that *appropriation* is set out in an *appropriations Regulation*.

Section 29
Adjustment of appropriations on change of Agency responsibility

Where an *appropriation* relates to a function of an *Agency* that is transferred to a different *Agency*, the *Head of the Central Fiscal Authority* may transfer an *appropriation* or part of an *appropriation* from the first *Agency* to the second *Agency*, as appropriate.

Section 30
Adjustment of appropriations for supplies from other Agencies

Where an *Agency* acquires assets or services from another *Agency*, the amount charged for the acquisition shall be treated as an expenditure by the acquiring *Agency* and an additional *appropriation* to the providing *Agency*.

Section 31
Adjustment of appropriations upon repayment of amounts to which the Transitional Administration had no right

Where the *Transitional Administration* is required to repay an amount that was included in *public money* upon receipt but to which the *Transitional Administration* had no beneficial right, an *appropriation* shall be created for the *Central Fiscal Authority* for the amount to be repaid.

Part VI
Expenditure of appropriated public money

Section 32
Expenditure authorization notices

32.1 The *Treasurer* shall, from time to time, and subject to availability of funds, issue an *expenditure authorization notice* to authorize *Agencies* to spend or to commit to spend *appropriations* or part of *appropriations*.

32.2 *Expenditure authorization notices* shall specify the time period for which the authorization is valid.

32.3 No money shall be released from the *Consolidated Fund of East Timor* for expenditure that is not authorized by an *expenditure authorization notice*.

32.4 An *expenditure authorization notice* is not valid to the extent that it purports to authorize the expenditure of *public money* that has not been made available for expenditure in an *appropriation*.

32.5 The process to be complied with for the making of payments authorized by an *expenditure authorization notice* shall be determined by the *Treasurer* and communicated to *Agencies* by means of Financial Administration Instructions prepared by the *Treasurer*.

Section 33
Revocation and amendment of expenditure authorization notices

The *Treasurer* may at any time revoke or amend an *expenditure authorization notice* with the approval of the *Head of the Central Fiscal Authority* where the *Head of the Central Fiscal Authority* concludes the revocation or amendment:

- (a) is desirable in the interests of prudent fiscal management; or
- (b) is appropriate to ensure the continuation of expenditures throughout the fiscal year.

Section 34
Lapsed amounts in expenditure authorization notices

34.1 Where an amount specified in an *expenditure authorization notice* has not been fully expended at the time the validity of the *expenditure authorization notice* expires, the *Head of an Agency* may request the *Head of the Central Fiscal Authority* to amend an *expenditure authorization notice* for another period by the amount not expended.

34.2 The *Head of the Agency* may seek a direction from the Cabinet that the *Head of the Central Fiscal Authority* increase the amount specified in an *expenditure authorization notice* to the extent that *appropriated* funds to which the *expenditure authorization notice* relates have not been expended.

Section 35
Refunds of expenditures

Where the Transitional Administration receives a repayment of an amount that was paid under the authority of an *appropriation* to an *Agency*, an *appropriation* equal to the amount repaid shall be created for the *Agency* for the same purpose as the original appropriation.

Part VII
Reporting, accounting and audit

Section 36
Publication of the budget and appropriation law

Immediately following approval of the annual budget and *appropriation* law by the National Council, the Head of the CFA shall publish the budget and explanatory documents in a comprehensive and publicly understandable form.

Section 37
Budgeting and accounting records

37.1 The Head of Central Fiscal Authority shall establish classification systems for budget and accounting records purposes that:

- (a) facilitate the control of spending by the Transitional Administration; and
- (b) permit analysis of expenditure by organization, function, and economic category according to Government Finance Statistics cash basis classification requirements as set out from time to time by the International Monetary Fund.

37.2 Treasury shall maintain, as a minimum, accounting records of:

- (a) receipts of the Transitional Administration;
- (b) *appropriations*;
- (c) adjustments to *appropriations* under Section 28, Section 29, Section 30 and Section 31;
- (d) *appropriations* made available to *Agencies* for expenditure by means of *expenditure authorization notices*;
- (e) actual expenditures made; and
- (f) outstanding liabilities.

37.3 The *Chief Financial Officer* of an *Agency* shall record transactions and maintain accounting records in accordance with *Treasury* administrative instructions and provide copies of the accounting records to *Treasury* when requested.

Section 38
Progress reports on the budget

38.1 The *Head of the Central Fiscal Authority* shall submit to the *Transitional Administrator* and the National Council and publish progress reports on the budget covering:

- (a) the first 3 months of each financial year;
- (b) the first 6 months of each financial year; and
- (c) the first 9 months of each financial year.

within two months after the end of the period covered in the reports.

38.2 Progress reports required under Section 38.1 shall include a revenue and expenditure report containing the information set out in Section 39.4 to the extent possible and assets and liabilities information containing the information set out in Section 39.5 to the extent possible.

38.3 Where progress reports do not contain all the information required by Section 39.4 and Section 39.5, the reports shall indicate the extent to which they do not contain all the information required and explain the reason they do not contain the missing information.

Section 39
Final report on the budget

39.1 The *Head of the Central Fiscal Authority* shall submit to the *Transitional Administrator* and the National Council and publish:

- (a) no later than September 30, a final budget reconciliation report on the budget for previous *fiscal year*; and
- (b) no later than December 31, a set of financial statements compiled by the Treasury consistent with international accounting standards that have been audited as required by Section 40.

39.2 The final budget reconciliation report referred to in Section 39.1 shall include:

- (a) budget overview information;
- (b) a receipts and expenditure report; and
- (c) assets and liabilities information.

39.3 The budget overview information will include:

- (a) an overview of important actual receipts and expenditures;
- (b) details of how a budget deficit was financed or how a surplus was invested; and
- (c) other information considered necessary by the *Head of the Central Fiscal Authority*.

39.4 The receipts and expenditure report will include:

- (a) actual *receipts* of the Transitional Administration compared with projected *receipts* of the Transitional Administration in the budget;
- (b) actual *earmarked receipts* received during the *fiscal year*;
- (c) actual expenditures from *earmarked receipts* appropriations;
- (d) actual number of permanent and temporary Transitional Administration employees paid from *appropriations* in the *fiscal year*;
- (e) actual payments of interest or amounts in the nature of interest on debt owed by the Transitional Administration and for repayment of debt principal;
- (f) actual expenditures in respect of each *appropriation* category compared with:
 - (i) the budget *appropriation* for that category;
 - (ii) the actual expenditure for that category in the previous *fiscal year*; and
 - (iii) details of additional appropriations under Section 24;
- (g) details of all recipients of *public grants* made in the *fiscal year* and the amount they received;
- (h) details of expenditures for the contingency expenditure *appropriations* described in Section 27;
- (i) details of all adjustments to *appropriations* made pursuant to Section 28 and Section 29;
- (j) details of adjustments to *appropriations* under Section 30 and Section 31;
- (k) actual user fee receipts for the *fiscal year*; and
- (l) other information considered necessary by the *Head of the Central Fiscal Authority*.

39.5 The assets and liabilities information will include:

- (a) details of investments of *public money* made during the *fiscal year*;
- (b) details of any changes made under Section 12.2 to loans in the previous *fiscal year*;
- (c) details of any loans made by the Transitional Administration during the *fiscal year*;
- (d) details of any borrowings by the Transitional Administration during the *fiscal year*;
- (e) details of differences in the amount of guarantees planned to be made and loans to be incurred by the Transitional Administration during the *fiscal year* and guarantees actually made and loans actually incurred;
- (f) details of difference between the estimated amount of contingent liabilities of the Transitional Administration that were expected to give rise to actual liabilities during the *fiscal year* and the amount of contingent liabilities that actually gave rise to liabilities;
- (g) a full accounting of assets held by the Transitional Administration at the end of the *fiscal year*; and
- (h) other information considered necessary by the *Head of the Central Fiscal Authority*.

Section 40
Independent audit

40.1 An independent auditor, appointed in accordance with the Section 7 of Regulation 2000/1, shall prepare and submit to the *Transitional Administrator* a report on the financial statements for the previous fiscal year.

40.2 The Transitional Administrator shall present the report of the independent auditor to the National Council within the earlier of:

- (a) 30 days after it is presented to the Transitional Administrator; or
- (b) 30 days after the reconvening of the National Council if it is not sitting at the time the report is provided to the Transitional Administrator.

40.3 The independent auditor shall have unrestricted access to all information and explanations that, in the independent auditor's judgement, are necessary for the purposes of the audit.

40.4 The independent auditor shall submit his report by December 31 following the end of the *fiscal year* to which the annual report relates.

40.5 Copies of all reports prepared by an independent auditor referred to in Section 40.1, including the report described in that Section, shall be circulated to the National Council and shall be made publicly available.

Part VIII
Autonomous public authorities

Section 41
Definitions

In this Part:

“autonomous public authority” means a legal person established or acquired by the Transitional Administration where:

- (a) the authority is independent of the Transitional Administration; and
- (b) the Transitional Administration has 100% of the ownership interests in the authority.

“Director” of an *autonomous public authority* means a member of the governing body of the Authority; and

“Responsible Minister” means a Minister designated in a Regulation establishing an *autonomous public authority* as the Minister responsible for receiving reports from the Authority as required under this Regulation and where no Minister is designated in this manner, the *Head of the Central Fiscal Agency*.

Section 42
Precedence of Regulations

Where a provision of this Regulation differs from a provision of a Regulation establishing an *Autonomous Public Authority* that is a Banking and Payments Authority, the provisions of the Regulation establishing a Banking and Payments Authority shall apply.

Section 43
Capitalization of autonomous public authorities

An *appropriation* may be made for payment to an *autonomous public authority* as capitalization of the *autonomous public authority* where:

- (a) the *autonomous public authority* issues to the Transitional Administration shares or other similar equity evidence of capital contribution in the Autonomous Agency;
- (b) the rules establishing the *autonomous public authority* provide that the Transitional Administration is entitled to receive all capital and accumulated reserves of the *autonomous public authority* upon winding up of the *autonomous public authority*;
- (c) the rules establishing the *autonomous public authority* set out the purpose of the authority and require the authority to apply its capital and income exclusively for that purpose;
- (d) the rules establishing the *autonomous public authority* do not prevent the application of Part VIII to officers of the *autonomous public authority*;
- (e) the rules establishing the *autonomous public authority* prohibit the issue of new shares or equity interests to owners other than the Transitional Administration; and
- (f) the rules referred to in paragraphs (c) and (d) can only be changed by Regulation.

Section 44
Acquisitions from autonomous public authorities

An *appropriation* may be made to purchase goods or services from an *autonomous public authority* where the amount to be paid does not exceed the market value of the goods or services.

Section 45
Loans to autonomous public authorities

Section 12 applies to a loan to an *autonomous public authority*.

Section 46
Accounting practices

46.1 Unless another period is approved by the *Head of the Central Fiscal Authority*, the financial year of an *autonomous public authority* shall be the *fiscal year*.

46.2 Subject to Section 46.3, an *autonomous public authority* must keep accounts and financial records in accordance International Accounting Standards that properly record and explain its transactions and financial position and must keep those records in a way that:

- (a) enables the preparation of the financial statements required by this Regulation; and
- (b) allows those financial statements to be conveniently and properly audited in accordance with this Regulation.

46.3 The *Head of the Central Fiscal Authority* may permit interim cash-basis accounting standards for accounts and financial records for the first *fiscal year* of an *autonomous public authority*.

46.4 An *autonomous public authority* must retain its accounts and financial records for at least 7 years after completion of the transactions to which they relate.

46.5 An *autonomous public authority* must make the records available at all reasonable times for inspection by any *director* of the *autonomous public authority*.

Section 47
Interim reports

47.1 The *Head of the Central Fiscal Authority* may prescribe by administrative instruction the form and classifications to be applied in interim and final reports of an *autonomous public authority*.

47.2 Each *autonomous public authority* shall prepare for the periods set out in Section 47.3 an interim report that must include:

- (a) a report of operations; and
- (b) financial statements, including a balance sheet, profit and loss statement, and related statements that present a true and fair view of the financial status of the *autonomous public authority*.

47.3 Interim reports required under Section 47.2 shall cover:

- (a) the first 3 months of each financial year;
- (b) the first 6 months of each financial year; and
- (c) the first 9 months of each financial year.

47.4 An interim report required under Section 47.2 shall be provided to the *Responsible Minister* within two months after the end of the period covered in the report.

47.5 The *Head of the Central Fiscal Authority* may, on application by the *Responsible Minister*, grant an extension to the period set out in Section 47.4.

47.6 The *Responsible Minister* must present to the National Council an interim report of an *autonomous public authority* within the earlier of:

- (a) 30 days after it is presented to the *Responsible Minister*; or
- (b) 30 days after the reconvening of the National Council if it is not sitting at the time the interim report is provided to the *Responsible Minister*.

Section 48 Annual reports

48.1 Each *autonomous public authority* shall prepare an annual report that must include:

- (a) a report of operations;
- (b) details of any transactions described in Section 50 carried out by the *autonomous public authority* in the *fiscal year*; and
- (c) independently audited financial statements for the fiscal year, including a balance sheet, profit and loss statement, and related statements, that present a true and fair view of the financial status of the *autonomous public authority*.

48.2 The annual report required under Section 48.1 shall be provided to the *Responsible Minister* within three months after the end of the financial year of an *autonomous public authority*.

48.3 The *Head of the Central Fiscal Authority* may, on application by the *Responsible Minister*, grant an extension to the period set out in Section 48.2.

48.4 The *Responsible Minister* must present to the National Council an annual report of an *autonomous public authority* within the earlier of:

- (a) 30 days after the annual report is presented to the *Responsible Minister*; or
- (b) immediately after the reconvening of the National Council if the National Council is not sitting 30 days after the annual report is presented to the *Responsible Minister*.

Section 49 Independent audit

The accounts, records and financial statements of each *autonomous public authority* shall be audited by an independent auditor approved by the Transitional Administrator upon the recommendation of the *Head of the Central Fiscal Authority*.

Section 50
Responsible Minister to be notified of significant events

If an *autonomous public authority* proposes to do any of the following things, the *Directors* of the *autonomous public authority* must immediately give the *Responsible Minister* and the *Head of the Central Fiscal Authority* written particulars of the proposal to:

- (a) form a company or participate in the formation of a company;
- (b) participate in a partnership, trust, unincorporated joint venture or similar arrangement;
- (c) acquire or dispose of a shareholding in a company;
- (d) acquire or dispose of a business;
- (e) significantly modify a business;
- (f) commence or cease a business activity; or
- (g) make a significant change in the nature or extent of its interest in a partnership, trust, unincorporated joint venture or similar arrangement.

Section 51
Keeping Responsible Minister and Head of the Central Fiscal Authority informed

51.1 The *Directors* of an *autonomous public authority* must provide the *Responsible Minister* or the *Head of the Central Fiscal Authority* with such reports, documents and information in relation to those operations as the *Responsible Minister* or *Head of the Central Fiscal Authority* requests.

51.2 Reports, documents and information requested under Section 51.1 must be provided as soon as possible, irrespective of whether the information is considered sensitive or commercial in confidence.

Part IX
Accountability and sanctions

Section 52
Responsibility for budget implementation

52.1 The *Heads of Agencies* shall be responsible for the management and control of the procedures and requirements established by this Regulation and shall be responsible for effective, efficient and ethical use of the appropriated funds for the appropriate purposes.

52.2 The *Head of the Central Fiscal Authority* shall be responsible for the organization and management of the budget implementation procedures, and shall also be responsible for the oversight of the *Treasury* on matters prescribed in this Regulation.

Section 53
Civil penalties

53.1 An officer or employee of an *Agency* or an *autonomous public authority* must exercise his or her powers and discharge his or her duties with the degree of care and diligence that a reasonable person would exercise if that person were an officer or employee of the *Central Fiscal Authority* or an *autonomous public authority* in similar circumstances.

53.2 An officer or employee of an *Agency* or an *autonomous public authority* who makes a business judgment is taken to meet the requirements of Section 53.1 if the officer or employee:

- (a) makes the judgment in good faith and for a proper purpose;
- (b) does not have a material personal interest in the subject matter of the judgment;
- (c) informs him or herself about the subject matter of the judgment to the extent that a reasonable person in his or her circumstances would do; and
- (d) reasonably believes that the judgment is in the best interest of the Transitional Administration, provided a reasonable person in his or her circumstances would hold the same belief.

53.3 An officer or employee of an *Agency* or an *autonomous public authority* must not improperly use his or her position to:

- (a) gain an advantage for himself or herself or someone else; or
- (b) cause a detriment to an *Agency* or an *autonomous public authority*.

53.4 A person who obtains information because they are, or have been, an officer or an employee of an *Agency* or an *autonomous public authority* must not improperly use the information to:

- (a) gain an advantage for himself or herself or someone else; or
- (b) cause a detriment to an *Agency* or an *autonomous public authority*.

53.5 A person who is found by a court of competent jurisdiction to have contravened any of Sections 53.1, 53.2, 53.3, or 53.4 may be ordered by the court to pay a civil penalty of up to U.S. \$250,000 if the contravention:

- (a) materially prejudices the interests of the Transitional Authority or an *autonomous public authority*,
- (b) materially prejudices the ability of the Transitional Authority or an *Agency* to pay creditors of the Transitional Administration or the *autonomous public authority*, or
- (c) is serious.

53.6 A court of competent jurisdiction may order a person to compensate the Transitional Administration or an *autonomous public authority* for any damage suffered by the Transitional Authority or the *autonomous public authority* if:

- (a) the person contravened any of Sections 53.1, 53.2, 53.3, or 53.4; and
- (b) the damage resulted from the contravention.

53.7 A civil penalty ordered under Section 53.5 or a compensation amount ordered under Section 53.6 is a civil debt payable to the Transitional Administration or an *autonomous public authority* and may be enforced as if the order were judgment debt arising from civil proceedings against the person to recover a debt due by the person.

Section 54

Offence for actions for improper purpose

An officer or employee of an *Agency* or an *autonomous public authority* who as the result of recklessness or intentional dishonesty fails to exercise his or her powers and to discharge his or her duties for a proper purpose consistent with the person's responsibilities to the *Agency* or *autonomous public authority* is guilty of an offence and is liable to imprisonment for maximum of 5 years.

Section 55

Offence for improper use of position

An officer or employee of an *Agency* or an *autonomous public authority* who:

- (a) uses his or her position dishonestly with the intention of directly or indirectly gaining an advantage for himself or herself, or someone else, or causing a detriment to the Transitional Administration or an *autonomous public authority*; or
- (b) uses his or her position recklessly without regard to whether his or her conduct may directly or indirectly gain an advantage for himself or herself, or someone else, or cause a detriment to the Transitional Administration or an *autonomous public authority*;

is guilty of an offence and is liable to imprisonment for maximum of 5 years.

Section 56

Offence for misuse of information

An officer or employee of an *Agency* or an *autonomous public authority* who obtains information because they are, or have been, an officer or an employee of an *Agency* or an *autonomous public authority* and who uses the information dishonestly to:

- (a) gain an advantage for himself or herself or someone else; or
- (b) cause a detriment to the Transitional Administration or an *autonomous public authority*;

is guilty of an offence and is liable to imprisonment for maximum of 5 years.

Section 57

Receipt of public money by Agency or Agency employee

A person who receives *public money* contrary to Section 5.1 with the intention of:

- (a) gaining an advantage for himself or herself or someone else; or
- (b) causing a detriment to the Transitional Administration or an *autonomous public authority*;

is guilty of an offence and is liable to imprisonment for maximum of 7 years.

Section 58

Receipt of public money by another person

A person who receives *public money* contrary to Section 5.1 with the intention of:

- (a) gaining an advantage for himself or herself or someone else; or
- (b) causing a detriment to the Transitional Administration or an *autonomous public authority*;

is guilty of an offence and is liable to imprisonment for maximum of 7 years.

Section 59

Deposit of public money into a non-official bank account

A person who recklessly or with the intent to gain an advantage for himself or herself or someone else at the detriment of the Transitional Administration deposits money into an account other than an official bank account as required by Section 5.2 is guilty of an offence and is liable to imprisonment for maximum of 7 years.

Section 60

Failure to deposit public money into an official bank account promptly

A person who recklessly or with the intent to gain an advantage for himself or herself or someone else at the detriment of the Transitional Administration fails to deposit money into an account promptly as required by Section 5.3 guilty of an offence and is liable to imprisonment for maximum of 2 years.

Section 61

Purporting to act in an official capacity

A person who receives *public money* contrary to Section 5.4 is guilty of an offence and is liable to imprisonment for maximum of 12 years.

Section 62

Improper application, disposal or use of public money

A person who recklessly or with the intent to gain an advantage for himself or herself or someone else at the detriment of the Transitional Administration improperly applies, disposes of, or uses *public money* contrary to Section 6.1 is guilty of an offence and is liable to imprisonment for maximum of 7 years.

Section 63

Expenditure of public money not authorized by an expenditure authorization notice

A person who recklessly or with the intent to gain an advantage for himself or herself or someone else at the detriment of the Transitional Administration facilitates the expenditure of *public money* not authorized by an *expenditure authorization notice* contrary to Section 6.2 is guilty of an offence and is liable to imprisonment for maximum of 2 years.

Section 64

Offence of non-compliance with accounting practices

If a requirement of Section 46 is contravened, each officer or employee of the *autonomous public authority* who:

- (a) caused the contravention; or
- (b) failed to take all reasonable steps to comply with the requirement, or secure compliance with the requirement;

is guilty of an offence and is liable to imprisonment for maximum of 6 months.

Section 65

Offence of failure to keep informed

If a requirement of Section 51 is contravened, each director of the *autonomous public authority* who:

- (a) caused the contravention; or
- (b) failed to take all reasonable steps to comply with the requirement, or secure compliance with the requirement of that Section;

is guilty of an offence and is liable to imprisonment for maximum of 3 months.

Part X
Transitional provisions

Section 66
Initial accounting of assets

The account of assets of the Transitional Administration referred to in Section 39.5(g) **may** be based on estimates derived from surveys or other methods for accurate records such as asset registers if available.

Section 67
Designation of *Agencies* and *Programs*

Pending the establishment of *Agencies* by Regulation, the Transitional Administrator may designate bodies within the Transitional Administration as constituting *Agencies* or *Programs* for the purpose of this Regulation.

Section 68
Transition from Regulation 2000/20

Upon the entry into force of this Regulation, Regulation 2000/20 shall cease to be of further effect and all transactions entered into on the basis of Regulation 2000/20 shall continue under the authority of this Regulation.

Part XI
Entry into force

Section 69
Entry into force

The present Regulation, with the exception of Section 11 Guarantees and borrowings by the Transitional Administration, shall enter into force on upon signature.

Section 11 shall enter into force on a date to be set by the Transitional Administrator.

Sergio Vieira de Mello
Transitional Administrator

Schedule 1
Designated services authorities

The following *Programs* are *designated services authorities*:

the Dili Harbour Authority;
the Dili Airport Authority; and
the Power Authority.