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**MONTENEGRO
GOOD LOCAL
GOVERNANCE**

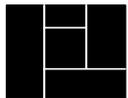
**LOCAL GOVERNMENT
TREASURY DIRECTIONS**



Prepared by

The Urban Institute

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Local Government Treasury Directions

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Attachments

1. Outline of Typical Payment Process

Based on Article 57, paragraph 1, item 13 of the Law on Local Self Government (Official Gazette of the RoM No. 42/03) and Article 66 and Article 67 of the Law on Local Government Finance (Official Gazette of the RoM No. 42/2003) the Mayor enacts

LOCAL GOVERNMENT TREASURY DIRECTIONS

I GENERAL PROVISIONS

Content

The Local Government Treasury Directions (hereinafter referred to as the Directions) shall closely regulate the arrangements governing local government budget execution, control of financial transactions, providing liquidity to the treasury consolidated account, managing the municipal debt, as well as the form and the content of the forms prescribed for the treasury general ledger.

Validity

The Directions are adopted and issued in accordance with Article 66 and Article 67 of the Law on Local Municipal Finance (hereinafter called the Law) for the purpose of carrying out of the intentions and purposes of the Law. The Mayor under his authority and considering the advice of the Secretary for Finance may issue additional orders, instructions, procedures, guidelines or directions on this matter.

Purpose

The purpose of the Directions is to ensure that best practice financial management is performed within the Local Governments in the Republic of Montenegro (hereinafter known as municipalities). Where, in the opinion of the Mayor, the result of strictly following these Directions would, in particular circumstances, not be in the best interests of the municipality, he has the right to direct in writing the procedures to be followed in those particular circumstances. Any such supplementary instructions must be copied to the Auditor authorised to perform the audit of municipalities.

Definitions

The terms used in these Directions shall have the following meanings:

Chief Finance Officer represents the **Budget Executor** in accordance with Article 3 of the Budget Law and means:

- (a) a Mayor;
- (b) a Secretary for Finance, i.e., the person with the authority specified or permitted by a Law to exercise a function of general approval or sanction of financial activities for a spending unit; or
- (c) a person authorized in writing by a person listed in a) or b) above to exercise a function of general approval or sanction of financial activities for a spending unit.

Secretary for Finance in accordance to these Directions shall also perform the function of **Authorizing Officer** to exercise a financial task of authorizing a proposal or request to spend municipal money and the payment of money from a municipal bank account. In the special circumstances, the Mayor may authorise the Treasurer to perform the function of an authorising officer.

Finance Officer in the spending organizations, in the sense of these Directions, is a person who is appointed or an authority to be personally and financially responsible for a financial task within the meaning of these Directions, and specifically:

- a) **Approving Officer** is Head of a spending organization or a person appointed by him to exercise a financial task of approving a proposal or request to spend municipal money.
- b) **Certifying Officer** is Chief Accountant, i.e., a person authorized by the head of the spending organization, within a spending organization to exercise a financial task of completing the forms and certifying to the correctness and validity of a proposal or request to spend municipal money, or the correctness and validity of the collection of municipal revenues.
- c) **Cashier** is a person authorised by the Secretary for Finance, i.e., to exercise a financial task of handling, collecting (in the event when of payment of municipal revenues in cash) and banking municipal revenues.

Financial task is an activity, task or procedure relating to:

- (a) the commitment or spending of municipal money;
- (b) the collection and receipt of municipal money; or
- (c) the management and control of municipal money.

Municipal Contract is a legal instrument, i.e, the agreement, signed by the Mayor, for the procurement of goods and services, under

which the municipality is obliged, or may become obliged, to make a payment of municipal money.

Loan guarantee is a guarantee of the due payment of the whole, or a part, of either or both of the principal of, and the interest payable on, a loan.

Notional payments and notional receipts mean transactions that do not involve actual payments or receipts, because the parties to the transaction are spending organizations of the municipality.

Purchase Order is a contract, in the form of a document issued under the Procurement Law (Official Gazette No.), and represents a written document, signed by the Mayor, to authorize a supplier to deliver merchandise or render a specified service for a stated contractual price. Approved purchase orders are entered into the treasury system as commitments.

Supplier is a natural person, company or firm delivering works or goods, including ancillary services, equipment, plant, supplies, or consulting services including artistic items, in accordance to the Procurement Law.

Special municipal money is municipal money forming extra-budgetary funds or other funds including donor funds for specific purposes, contained in budgets prepared, approved and executed or other moneys provided outside the Municipal budgets.

Spending organization is a spending unit or sub-unit as defined in the Budget Law.

Allocations are written authorizations from the Secretary of Finance allowing spending units to spend municipal money up to an approved limit.

Journal Transfer is a transaction to effect corrections and adjustments to financial records in the Local Government Treasury General Ledger (hereinafter called the General Ledger).

Distribution of Directions

6. Authorised Finance Officer shall be responsible for the distribution and safe custody of copies of the Directions within his spending organisation. One copy of the Directions shall be issued to each Head of the spending unit. The Directions are official documents and are the property of the municipality and not the officer to whom they are issued.

Care of Copies of Directions

7. It shall be the responsibility of Finance Officers to ensure that their individual copy of the Directions is maintained in a clean, useable condition at all times.

Amendments to Directions

8. Only the Mayor, considering recommendations of the Secretary for Finance, may amend the Directions. Amendments to the Directions shall be advised to spending organizations by written Instruction. Amendment to individual copies of the Directions shall be the responsibility of authorized finance officers holding those copies. The amendments shall come into force on the 8th day of their publication in the Official Gazette of the Republic of Montenegro – municipal regulations.

Appointments of Finance Officers

9. Secretary for Finance is by these Directions appointed the *Chief Finance Officer* of the municipality.
10. Head of the Spending Unit or the appropriate person appointed to manage the spending unit, by these Directions, is appointed the finance officer, specifically the approving officer of that spending unit.
11. Head of the spending unit appointed as an *Approving Officer* within a spending organization for the purposes of these Directions can also perform the duties of a *Certifying Officer*.
12. Secretary for Finance has the right to appoint individual Municipal Officials within the Local Municipal Treasury (hereinafter called: the Treasury) to undertake financial tasks that result in:
 - a). the spending of funds from the Treasury Consolidated Account and the withdrawal of municipal money from a treasury bank account operated for the purposes of municipality, in accordance to Article 66 of the Law; or
 - b). the handling and deposit of municipal money in case of cash payments of the municipal revenues into a municipal bank account and the increase of funds in the Treasury Consolidated Account.
13. Specimen signatures of each Municipal Official proposed or appointed as a Finance Officer must be lodged with the Secretary for Finance. The authorized Signature Letter transmitting specimen signatures shall be signed by the Head of the Spending Unit, sent to the Secretary for Finance and updated annually at the beginning of the fiscal year. The Head of Treasury shall be responsible for maintaining a register of authorized and appointed Finance Officers.

Responsibilities of Finance Officers

- 14.** All Finance Officers shall be aware of, and comply with, all orders, instructions, procedures, guidelines or circulars issued by the Secretary for Finance in regard to these Directions.
- 15.** In particular:
 - (a). all Finance Officers shall be aware of, and comply with these Directions, particularly with regard to any Direction which shall directly affect the performance of their activities; and
 - (b). ignorance of the content of Directions shall not be accepted as a defense where a Finance Officer causes any loss whatsoever to the municipality, or creates any error or inaccuracy in any record of any type.
- 16.** All Finance Officers shall be personally liable for the due performance of their financial tasks and may be held financially responsible for any losses, inaccuracies or errors during the performance of those financial tasks. Where a Finance Officer shall have delegated any duty to any staff member under his control, he cannot be relieved of, nor may he delegate, that personal and financial responsibility.

Delegation of Powers

- 17.** Secretary for Finance has the right to delegate to an official of his institution, by signed instrument, any of the powers or functions under these Directions. In exercising powers and functions under a delegation, the official must comply with any directions of the Secretary for Finance. The delegation of such powers does not remove the responsibility of the Secretary for Finance under these Directions.
- 18.** Head of the spending unit has the right to delegate to an official, by signed instrument, any of the powers or functions under these Directions. In exercising powers and functions under a delegation, the official must comply with any directions of the finance officer. The delegation of such powers does not remove the responsibility of the Head of the spending unit under these Directions.

II Budget Execution

Approval to spending the budget funds

19. The ultimate responsibility for municipal budget execution is on the Mayor in accordance to Article 52 of the Law. Secretary for Finance is budget executor authorised for spending the municipal budget funds in accordance to the payments schedules approved by the Mayor.
20. Upon the Budget enactment, Secretary for Finance shall advise budget users of the funds appropriated. (Appropriations)
21. No money shall be issued from the Treasury Consolidated Account without being justified in the annual municipal budget.
22. Municipal Budget funds shall be spent in accordance to the payments schedule (dynamics) determined by the Mayor pursuant to Article 49.2 of the Law. Secretary for Finance shall periodically issue allocations to spending units (monthly or quarterly) based on spending plans submitted by budget users, in accordance to the approved dynamics.
23. Funds allocations shall be issued as documented advices (forms) setting out the details and conditions of the release of funds, signed by the Mayor and Secretary for Finance, and recorded in the Treasury General Ledger.
24. Control of the release of municipal funds is performed by issuing approvals to spending, which include:
 - a. **Funds Allocation:** the Secretary for Finance authorizes Head of the Spending Unit to spend up to the amount detailed in the allocation advice. These allocations shall be issued on a monthly or quarterly basis, in accordance to the spending plans and depending on funds currently available for spending.
 - b. **Funds Reallocation:** under Article 51.1 of the Law a Mayor, or the person authorized by him (Secretary for Finance) may approve to the Head of the spending unit, if there is a need for it, to move funds for specific purposes (by increasing or decreasing the appropriated budget of the spending unit) provided the reallocation does not exceed 5 per cent in the total of the appropriation.

Spending units may, if approved by the Mayor, reallocate approved funds from one expenditure item to another up to the amount of 5% of the funds in the item that is being reduced.

Reallocation may also be used for transfer of funds from the current and permanent reserve of the municipal budget to the spending units in accordance to Article 50 of the Law.

In extraordinary circumstances, in the event that during the fiscal year there is increasing of planned outflows or decreasing of planned inflows, the Mayor has the right to increase the amount available to a Head of the Spending Unit by way of a proposal made to balance the budget. Budget balancing shall be done through budget amendments and additions, in a manner and in compliance with the procedure prescribed for its adoption.

Funds Allocation to Head of the Spending Unit

- 25.** The periodical allocation of funds authorizes the Head of the Spending Unit to spend money covered by appropriation as approved in the municipal Budget.
- 26.** Allocation of funds contains specific instructions to Head of the Spending Unit to:
 - (a). make payments up to the limit provided by the funds allocation under the Directions governing expenditure;
 - (b). make reference to the Allocation on all subsequent Payment Requests issued under its authority and to make sure that it is in accordance with the allocation; and
 - (c). pay particular attention to any other instruction issued by the Secretary for Finance for the purpose of these Directions.

Cessation of Authority of Funds Allocations

- 27.** All Funds Allocations shall cease on the last day of the fiscal year to which they relate or upon such earlier date notified to Head of the Spending Unit by the Secretary for Finance in writing.
- 28.** No Head of the Spending Unit has the right to deliberately incur or commit any unjustifiable expenditure under the authority of any funds allocation issued to him in anticipation of the cessation or cancellation of the authority in such allocation.

III Financial Control

Internal Controls

- 29.** Secretary for Finance shall be responsible for establishing a system of internal controls for the entire municipal organization and implemented by the Head of the Spending Units. The Secretary for Finance shall provide a report to the Mayor on the status of internal controls in the municipal organization annually.
- 30.** Article 44 of the Law on Budget requires that Head of the Spending Unit is responsible for the internal control of financial transactions within spending organizations under his jurisdictions. Head of the Spending Unit should organize the work of the departments responsible for execution of financial tasks.

Spending municipal money

- 31.** No moneys shall be spent from the Treasury Consolidated Account unless:
- (a). an *Approving Officer* has approved a proposal to spend municipal money or approved a payment request or expenditure of municipal money from available funds approved for the spending unit under his competence,
 - (b). a *Certifying Officer* has certified in writing that a proposal to spend municipal money or a payment request is correct and valid, and
 - (c). an *Authorizing Officer*, after verifying that a proposal to spend municipal money or a payment request has been properly certified and approved, has authorized the payment of money from an official bank account of the municipality.

Approval of Spending Proposals

- 32.** Head of the Spending Unit approves a proposal to spend municipal money (including a notional payment) and submits it to the Secretary for Finance.

Approval of Future Spending Proposals

- 33.** If any of the expenditure specified by a spending proposal is expenditure for which an appropriation of money is not authorized by the provisions of an existing law or a proposed law that is before the Assembly, Secretary for Finance cannot sanction the proposal unless the Mayor has given written authorization for the expenditure in accordance to Direction 24./c.

Regard for Public Procurement Law

34. Head of the Spending Unit performing duties in relation to the procurement of material goods or services shall adhere to provisions of the Law for Public Procurement, and any regulations, directions and procedures issued related to public procurement.

Entering into Contracts

35. Head of the Spending Unit must not consider entering into a contract, agreement or arrangement under which municipal money is, or may become, payable (including a notional payment) unless approval is issued by Mayor or Secretary for Finance that there are sufficient funds appropriated by the Budget for that specific purpose.
36. A contract which results in spending the municipal funds shall be entered by the Mayor.

Commitment of municipal money

37. Any spending proposal that will lead directly to the expenditure of municipal moneys must first be recorded as a commitment of available budget funds.
38. Commitment is represented by a form titled *Commitment Authority* in the form of a documented action, in a manner approved by the Mayor that specifically reserves a portion of a spending organization's available budget funds to meet obligations for the payment of municipal moneys. A *Commitment Authority* form must be certified and approved by the spending organization's appointed Finance Officers.
39. A Commitment Authority form must be completed in duplicate, the original shall be passed to the Secretary for Finance or the person authorised by him for authorization and recording in the Treasury General Ledger, the duplicate copy retained by the spending organization.
40. *Commitment Authority* is not required for regular or periodic payments, as municipal service salaries, allowances and other personal earnings, advances (in the moment of issuance), as well as other expenses determined by the Mayor.
41. Before certifying that a Commitment Authority is correct a *Certifying Officer* must be satisfied that:
- (a). there is written approval of the Head of the Spending Unit;

- (b). there is sufficient documentation supporting the spending proposal;
- (c). the correct Treasury General Ledger code representing the intended budget classification item prescribed by the Secretary for Finance, that provides for recording the commitment as reserved expenditure against the appropriate Budget item in the Treasury General Ledger; and
- (d). the Commitment Authority is recorded in the Commitment Authority Register and given a unique registration number.

42. A Certifying Officer is responsible for maintaining a register for all commitment authorities raised by his spending organization. The Commitment Authority Register must include the following information for each payment proposal:

- (a). a sequential and unique registration number;
- (b). date of registration;
- (c). total amount of the commitment;
- (d). name of the intended payee or recipient;
- (e). purchase order or other reference number;
- (f). date the commitment was passed to Treasury;
- (g). date the commitment was processed by Treasury; and
- (h). date and registration numbers of Payment requests paid under the commitment.

43. Before an *Approving Officer* – Head of the Spending Unit approves a *Commitment Authority* he must be satisfied that:

- (a) the commitment is consistent with that proposal and has been duly completed and certified;
- (b) the proposal represents the best value for money, or is in consistence with the special terms determined by the Mayor;
- (c) there are sufficient allocated funds available in the appropriation item in the municipal budget to meet the proposed expenditure, after taking into account other expenditure and commitments to be met from the appropriation item.

Processing of Commitments by the Treasury

44. Properly completed certified and approved Commitment Authorities must be passed to the Municipal Treasury for authorization and recording in the Treasury General Ledger and subsequent payment approval issued by the Secretary for Finance.

IV Expenditure Control

Accounting and Internal Control

45. Head of the Spending Unit is responsible for the accounting and internal control of expenditure transactions within their jurisdiction. Each step of expenditure control is documented by the use of a properly completed *Budget Expenditure and Payment request* form, hereinafter called *Payment Request*, issued by the Mayor. This form must be used by spending organizations for all expenditure payments made from the Treasury Consolidated Account, unless otherwise directed by the Mayor.

46. The *Payment Request* form must be completed in duplicate. The original is passed to the Municipal Treasury for recording in the Treasury General Ledger and processing as a payment order to the servicing bank for payment. The copy is retained at the spending organization for reference and information only. The original documents, including any supporting documentation, shall be maintained as the official files of the Secretariat for Finance and are subject to audit. All attached documentation must be original.

47. The Mayor may issue additional Directions to take account of the use or adoption of future technologies or improved methodologies in relation to the form, process and manner of conducting financial tasks by spending organizations or the Local Government Treasury.

Receiving Report

48. Following receipt of goods or services a Finance Officer – Chief Accountant must verify or obtain verification in writing that the service has been performed or goods delivered in accordance with an approved Purchase Order, signed Municipal Contract, binding agreement or administrative order.

49. Any deviation from the number of items or conditions of the items listed on the Purchase Order, or Municipal Contract, should be noted in writing by the Chief Accountant. The information provided should contain enough data about the deviation to allow the vendor or supplier invoice to be adjusted for the value of the usable goods received or portion of service provided.

Certifying Payments by the spending organizations

50. Before certifying that a *Payment Request* may properly be paid, a *Certifying Officer* must be satisfied that:
- (a) the claimant has completed his part of the contract;
 - (b) original invoice or other supporting documentation has been lodged which spells out the nature of the claim on the Municipal Budget in sufficient detail to avoid the possibility of a double payment, or there is sufficient evidence to ensure that the Payment Request has not been previously paid;
 - (c) the supporting documentation clearly identifies the name of the claimant to be paid, to ensure that payment is only made to the person or organization rendering the service;
 - (d) all amounts and numerical calculations are correct;
 - (e) the correct accounting code representing the intended budget classification item prescribed by the Secretary for Finance to record the payment as expenditure against the appropriate Budget item in the Treasury General Ledger;
 - (f) there is an approved *Commitment Authority* covering the expenditure, either prior to or accompanying the Payment Request; and
 - (g) a unique registration number is issued and clearly written on the original and duplicate copy of the Payment Request.
51. A Certifying Officer is responsible for maintaining a register for all Payment Requests raised by his spending organization. The register must include the following information for each Payment Request:
- (a) a sequential and unique registration number;
 - (b) date of registration;
 - (c) total amount of the request for payment;
 - (d) name of the payee or recipient;
 - (e) invoice or other reference number;
 - (f) Commitment Authority number;
 - (g) date the Payment Request was passed to Treasury;
 - (h) date the Payment Request was paid by Treasury.

Approval of Payments by Spending Organizations

52. Before approving a Payment Request an *Approving Officer* (Head of the Spending Unit) must ensure that:
- (a). the expenditure has been approved and the request for payment duly completed and certified; and

- (b). sufficient budget funds are available against the nominated budget classification item for the spending organization to cover the payment.

53. *Head of the Spending Unit* must not approve payments in excess of the limit of Appropriation set in the annual budget for that spending organization or part of the spending organization, or in excess of the Budget Funds Allocation provided by the Secretary for Finance.

Authorization of Payment Requests by the Secretary for Finance

54. Before authorizing a request for the payment of municipal money from a municipal bank account Secretary for Finance must ensure that:

- (a). the request for payment has been duly completed, certified and approved by the Head of the Spending Unit from the requesting spending organization;
- (b) the request for payment has been successfully recorded in the Treasury General Ledger;
- (c). there are sufficient unspent and uncommitted budget funds available for the spending organization under the nominated budget item to cover the payment; and
- (d). there is sufficient cash in the municipal bank account to make the payment.

55. Secretary for Finance has the right to request that a spending organization provide supporting documentation for a request for payment where he considers that the control process has not been conducted according to these Directions.

56. Secretary for Finance has the right to reject or return unprocessed to a spending organization a request for payment that is factually or numerically incorrect.

Journal Transfers

57. A Journal Transfer is undertaken to perform corrections and change the balances on individual accounting records within the Treasury General Ledger. All Journal Transfers must be certified, approved and authorized by appointed Finance Officers.

58. Head of the Spending Unit, using the *Journal Transfer* form in accordance with instructions of the Secretary for Finance, may request changes including:

- a) adjustments correcting existing expenditure or revenue records; and
- b) the recording of notional payments and receipts.

These changes must result in a zero affect on the overall balance of the Treasury Consolidated Account.

59. Secretary for Finance may, in addition, authorize other changes including recording transactions which have occurred outside of the Treasury General Ledger.

Invoice Control

60. Authorized Department within the Secretariat of Finance must keep a register of invoices received for goods and services. The register should clearly show details of all invoices and the actions relating to these invoices, including disputed or cancelled invoices. Spending organization retain the copy of the original invoice.

Payments by Due Date

61. All invoices received by spending organizations for goods and services must be paid by the due date, for the purpose of improving management and making better use of a municipal budget funds in order to maintain municipal reputation as a reliable payer.
62. The standard due date is 30 calendar days from the receipt of an invoice. Due dates later than 30 days shall be permitted only where stipulated by the terms and conditions of a contract or by written approval by the Secretary for Finance or the instructions issued by the Mayor.

Notional Payments and Receipts

63. Mayor has the right to determine that a payment by a spending organization to another spending organization is a notional payment, and the corresponding receipt treated a notional receipt, because the transactions are performed among municipal budget users. The Mayor shall establish criteria and procedures to document these payments and receipts.
64. Notional payments and receipts are recorded as actual payments and receipts in the Treasury General Ledger although the transactions have not passed through a municipal bank account or have not led to an actual change to the balance of the Treasury Consolidated Account.

Annual Review of Outstanding Payment Requests

65. Spending organizations shall annually review all outstanding payment requests to determine those commitments against which payments will be made in the following fiscal year. Commitments that are to be carried over

into a following year must be advised to the municipal Treasury for adjusting the records in the Treasury General Ledger.

V Collection of Revenue

Responsibilities of the Secretary for Finance for Collection of Revenues

- 66.** The Secretary for Finance is responsible for the collection of municipal revenues.
- 67.** The Secretary for Finance shall keep, or cause to have kept, records of all revenues collected.

Receiver's Statement

- 68.** Department within the Secretariat for Finance responsible for revenue collection shall complete and maintain a summary report of all receipts in the form prescribed by the Secretary for Finance, herein referred to as a Receiver's Statement.
- 69.** Receiver's Statement shall include the following details:
- (a). Date;
 - (b). General Ledger Revenue code to be credited;
 - (c). Amount collected for each revenue code; and
 - (d). Total of revenue collected.
- 70.** The Receiver's Statement shall be signed and dated by the Receiver.

Depositing of revenues into the bank and submission of documents

- 71.** Revenues shall be deposited into the designated bank account (revenue deposit account or evidence account) according to the type of revenue – own source revenue or shared revenue. Evidence accounts are Zero Balance Accounts that are transferred by the bank to the Treasury Consolidated Account at set times Revenues may be directly deposited into the municipal treasury consolidated account (for transfers from the Republican Budget). In the event that the payment is made directly to the revenue deposit accounts the bank shall be obliged to perform transfer of all deposited funds to the Treasury Consolidated Account, in the manner prescribed by the Secretary for Finance. All cash received by the municipality shall be deposited into the designated revenue account at set times during the day.
- 72.** When depositing revenues that are under the authority of a municipality, the copy of the bank deposit slip shall be submitted to the local

government department authorised to collect municipal revenues for the purpose of its recording and as evidence that the payment has been performed.

73. Receiver of revenues shall keep the records of bank deposit slips or other documents evidencing the payment, which he shall reconcile with the daily submitted bank statement. When reconciled with the bank statement, the Receiver Statement shall be submitted to the Local Government Treasury.
74. Authorised Finance Officer within the Local Government Treasury shall make sure that the total amount of funds deposited into the treasury consolidated account is equal to the amount stated in the Receiver Statement.

Submission of Receiver's Statement to Treasury

75. Immediately after certification, the Receiver will submit his Receiver's Statement to a Finance Officer in the Municipal Treasury.
76. It shall be the responsibility of the receiving Municipal Treasury Finance Officer to contact any Receiver who fails to submit a Cash Statement on the scheduled day.
77. When a Receiver presents his Receiver's Statement, the receiving Local Treasury Finance Officer shall ensure that it has been certified by the authorised officer.
78. The receiving Municipal Treasury Finance Officer shall initial and date the Receiver's Statement before it is recorded in the Treasury General Ledger.

VII Cash Security

Responsibility for cash holdings

78. The Secretary for Finance is responsible for securing and safeguarding all cash, investments, assets and other municipal financial resources.
79. Each cash holding, shall at any one time, be in the sole charge of only one Finance Officer who shall be directly responsible for its safe custody, shall have sole access to it and shall have a separate facility for its safe storage.
80. Where a cash holding is normally stored in a strong room or a safe which has two or more independently operated locks, the keys shall be in the charge of at least two Finance Officers who shall be individually responsible for the safe custody of such keys at all times. They shall have joint access to the strong room or safe only and shall be subject to such detailed security instructions as shall be prescribed by the authorised Finance Officer in writing.

Misuse of cash

81. Finance Officer, having cash under his control, must not use such cash for any personal purpose or lend or borrow it.

VII Banking Relations and Operations

Municipal Bank Accounts

- 82.** All municipal bank accounts shall be opened as prescribed by Article 66 of the Law.
- 83.** All municipal revenues shall be deposited to the designated revenue deposit or evidence bank accounts operated on behalf of the municipality wherefrom transferred to the treasury consolidated account from which all payments of municipal money shall be paid out.

Opening of Municipal Sub-accounts and Accounts, which make constituting part of the Treasury Consolidated Account

- 84.** The Mayor shall enter into an agreement with the Bank for the supply of banking services on behalf of the municipality.
- 85.** The Mayor shall enter into an agreement with a bank resident in Montenegro. The process to provide such services is to be conducted in compliance with the Public Procurement Law. The Secretary for Finance may seek advice from the Central Bank on the suitability and reliability of proposed banks.
- 86.** A municipal bank account shall be opened with the written approval of the Secretary for Finance. The Secretary is also authorized to consolidate, close and manage the municipal bank accounts in the best interest of the municipality.
- 87.** The Secretary for Finance will issue the order for opening of a Municipal bank account, representing the Treasury Consolidated Account, entitled "Main Municipal Treasury Account". This bank account will be used for the deposit and payment of municipal money for all spending organizations. The Secretary for Finance has the right to issue orders to open additional municipal bank accounts and sub-accounts if he considers that such accounts are necessary for the efficient and effective conduct of programs and services.
- 88.** Where necessary the Secretary for Finance will advise Head of the Spending Unit by Instruction of changes to general banking policy and any special arrangements or agreements with banks for the supply of municipal banking services.
- 89.** If Head of the Spending Unit has a special need for a municipal bank account he shall forward a request in writing to the Secretary for Finance. The request shall include the following:

- (a). the purpose and type of the account;
- (b). the name of the nominated bank and branch where the account is to be held;
- (c). the name of the Finance Officer who will be responsible for the operation of the account, together with the names of the proposed signatories and specimen signatures;
- (d). the estimated average and maximum balance that will be held in the account, and the average value of amounts expected to be deposited or paid from the account; and
- (e). any other relevant details;
- (f). detailed justification and supporting documentation.

90. The Secretary for Finance will approve or reject a request for the opening of a municipal bank account in writing, and if approved provide instructions to open the account and on the operation of the account, including:

- (a). the name of the account must include the word “Municipal”;
- (b). confirmation that a minimum of two signatories will be required to open and operate the account;
- (c). the arrangements for the regular transfer of funds to the Treasury’s Main Municipal Bank Account if the new account is to be used for the purposes of collecting municipal money; and
- (d). any other special requirements or conditions that he considers necessary for the maintenance and operation of the account.

91. New municipal bank accounts will not be opened for any spending organization where suitable banking facilities already exist, which are considered by the Secretary for Finance sufficient for the purposes of that spending organization.

Deposits to Municipal Bank Account

92. Deposits to a bank to the credit of a municipal bank account (revenue deposit account or an evidence account) shall be made by the Finance Officer responsible for receiving of municipal moneys.

93. Deposits made to municipal bank accounts as transfers through the banking system (donors funds), including moneys from banks outside the State, must be treated in a similar manner as revenue paid directly. In particular the Head of the Entity must ensure that:

- (a). the money is transferred to an official municipal bank account or to an approved municipal bank account nominated for that purpose by the Secretary for Finance;

- (b). he has evidence that the deposit was made, including written notification from the bank or has sighted the deposits on the bank account statement; and

Maintaining Municipal Bank Accounts

- 94. The Finance Officer responsible for the operation of a municipal bank account must obtain bank account statements daily and monthly, or for the period prescribed by the Secretary for Finance.
- 95. On the receipt of a bank statement the Finance Officer shall prepare a bank reconciliation statement, in a manner prescribed by the Secretary for Finance, for each municipal bank account under his responsibility. The reconciliation shall reconcile the bank account to accounting records, and identify and list individual transactional discrepancies between the bank account and those records. Identified discrepancies must be resolved by bank adjustment, a journal transfer in the Treasury General Ledger, or some other procedure approved by the Secretary for Finance as necessary.
- 96. Head of the Treasury shall be responsible for ensuring that municipal bank accounts are correctly maintained and that bank account balances always remain in credit. Secretary for Finance shall inform the Mayor of discrepancies or errors relating to municipal bank accounts that cannot be resolved within 30 days of occurrence.

Certificate of Balance of a Municipal Bank Account

- 97. An officer responsible for the operation of a municipal bank account will obtain a certificate of balances from the bank:
 - (a). monthly;
 - (b). at the end of each fiscal year; and
 - (c). when requested to do so by the Chief Finance Officer, a Mayor or External Auditor.

Closing of Municipal Bank Accounts

- 98. Where Secretary for Finance no longer has need for a Municipal Bank Account, he shall forward a written request to the bank to close the account.
- 99. The Secretary for Finance will periodically review existing municipal bank accounts and arrange for the closure of accounts that are considered unnecessary, invalid or inactive. The Secretary for Finance will issue orders to close bank accounts existing at the time of enactment of these

Directions if they are contrary to the procedure stipulated by the Law and these Directions.

Cash Management

100. The Secretary for Finance shall ensure the proper management of the municipal's cash resource.

101. Cash management will include, but will not be limited to:

- (a). ensuring prompt collection of revenues via banking system;
- (b) ensuring the availability of cash in the Municipal Bank Account when required to meet expenditure;
- (c) preparing a cash flow analysis of all its funds on a regular basis;
- (d) scheduling all disbursements and depositing all funds to ensure maximum cash availability.
- (e) ensuring the treasury and cash flow forecasting systems provide regular information concerning cash position and investment performance.
- (f) recommending to the Mayor an investment policy for the purpose of a Decision on investments enacted by the Mayor, in compliance with the investment policy established by Assembly.
- (g) maximizing its investment of idle cash on a continuous basis.
- (h) negotiating and obtaining the best possible return on all cash investments consistent with the investment policy.

VIII Salaries

102. For the purpose of these Directions, the term "salaries" shall mean gross salaries, allowances and other payments paid to officers and other employees of the municipality.

Entitlement to Salary

103. The entitlement to salaries by employees of the municipality shall be as prescribed by legislation, regulations or instructions.

Payment of Salaries

104. The regular periodic payment of salaries shall be made only by the Municipal Treasury under a centralized system in the manner prescribed by these Directions or any other instruction issued by the Secretary for Finance.

105. Payment of salaries will normally be made by a direct credit to the officer's bank account by the Municipal Treasury at the beginning of each month or as determined by the Secretary for Finance.

Nominal rolls

106 All Certifying Officers will submit to the Secretary for Finance Nominal Rolls, signed by the Head of the Spending Unit, of all officers employed in their organization and whose salaries are to be paid by municipality. The Nominal Roll will be prepared in such form and by such date as prescribed by the Secretary for Finance, but shall contain, as a minimum, the following details for each officer:

- (a) Name;
- (b) Staff Number or some other identification code;
- (c) Spending Organization
- (d) Position or Title;
- (e) Salary Scale and Coefficient;
- (f) Gross Salary;
- (g) Net Salary;
- (h) Taxes, sur-tax and contributions;
- (g) Allowances, if applicable; and
- (h) Incremental Date, if applicable.

107. Such Nominal Rolls will form the basis of the following year's Salary Budget, as updated for any incremental progression, any agreed new staff, and any agreed filling of vacant posts. The updating is the responsibility of the Chief Finance Officer – Secretary for Finance concerned.

Salary payrolls

108. The Secretary for Finance will arrange for the preparation of monthly salary payrolls in respect of all officers in such a format as he prescribes. This format must include a detailed pay slip for each officer and details of total pay for each spending organization. The pay slip must give full details of the officer's gross pay and allowances for the month, all deductions made from gross pay, the net pay finally due to the officer and any other detail that may be considered necessary.

109. As soon as possible, after processing by the Municipal Treasury, Head of the Spending Unit will receive a copy of the payroll together with the individual pay slips and shall ensure that individual pay slips are handed to each municipal officer.

Deductions from Gross Salaries

110. The Municipal Treasury shall make deductions from gross salaries in respect of tax and surtax and shall pay it to the relevant accounts on the due date.

111. The Municipal Treasury shall make such deductions from gross salaries in respect of Pension Fund and other funds contributions and shall pay these to the relevant fund on the due date.

IX Reporting and Audit

Financial reporting

- 112.** The Secretary for Finance will issue an instruction at the beginning of the financial year setting out what reports he requires from the Treasury General Ledger, or from spending organizations as necessary.
- 113.** An analysis of Receipts and Payments on the main bank account, together with a bank reconciliation statement, shall be forwarded to the Secretary for Finance on a weekly basis.
- 114.** The Minister of Finance closely regulates the manner of preparation, submission and the content of the financial reports which are to be provided to the Ministry of Finance.

Periodic Reports of the Secretary for Finance

- 115.** Throughout the fiscal year the Municipal Treasury will provide reports periodically for the Secretary for Finance, for its release to the Mayor, Assembly, and the public, including:
- (a). budget level reports to the Mayor showing monthly expenditure outflows and revenue inflows by budget spending units;
 - (b). budget level reports to Assembly on a quarterly or half-yearly basis showing overall progress of the budget execution process; and
 - (c). all such financial reports are to be publicly available by the most expeditious methods, including the internet.

Closure of the Annual General Ledger Accounts

- 116.** **If public institutions, as approved by the Secretary for Finance, in given circumstances, shall temporarily keep their accounts and collect their own source revenues into those accounts, they** shall submit monthly financial statements to the Secretary for Finance. Public companies shall submit annual financial statements to the Secretary for Finance no later than 31 March of the current year for the previous fiscal year.
- 117.** Following the closure of the annual General Ledger accounts and within the period set by the Secretary for Finance the Head of the Spending Unit will compare his accounting records (registers, copies of invoices, and other relevant data) with the records in the Treasury General Ledger and clarify any discrepancies with the Municipal Treasury.

118. Public companies and institutions established by the municipality shall submit for inspection their annual financial reports to the Secretary for Finance within 30 days from the day of adoption of their annual financial report.

Preparation of the Annual Statement of Final Accounts of the Municipal Budget

119. The Treasurer, pursuant to Article 55 of the Law, shall produce the Final Annual Statement of Accounts of the Municipal Budget and submit it in the form of a draft to the Secretary for Finance and the Mayor. The Mayor adopts Final Annual Statement of Ledger Accounts and submits it in the form of proposal to the Assembly by the end of May each year, in accordance to Article 56 of the Law.

120. The Minister of Finance shall issue separate directions and instructions regarding the detail and format of final statements for contribution to and consolidation of a whole-of-government Annual Statement of Accounts.

Availability of records for audit

121. Proposed Final Annual Statement of Accounts of the Municipal Budget shall be forwarded to the External Auditor who will prepare report that becomes consisting part of the Final Annual Statement of Accounts of the Municipal Budget. It is the responsibility of the Secretary for Finance to ensure keeping such records as prescribed by the Law and closely regulated by the Minister of Finance, including documents, registers, paper reports and electronic media, relating to financial tasks and activities, and to make such records available for inspection by the Assistant Minister (Internal Audit) and the External Auditor on request.

XIII Borrowing, Lending and Investments of Municipal Money

Statutory Requirements

- 122.** Municipality may take loans, short term borrowings and issue guarantees with the previous approval of the Government of the Republic of Montenegro. Total repayment of the principal and interests in the specific year, must not exceed 10% of revenues realized in the year that precedes the year of borrowing.
- 123.** A Mayor shall decide on the form of loan arrangements and securities, and the type of instruments for insuring the repayment of loan previously approved by the Government.
- 124.** Under Article 63 of the Law a Mayor shall enter into a contract in regard to any loans, short-term borrowings and issuing guaranties.
- 125.** All debt payments for which the municipality is liable shall be paid from the Treasury Consolidated Account. All receipts to municipality from lent funds shall be deposited to the Treasury Consolidated Account.

Authorization for Borrowing and Lending

- 126.** Under the provisions of a Law or resolution of Assembly, the municipality has the right to borrow money. Mayor shall issue written instructions to the Secretary for Finance as to the conditions required for securing or disbursing of loans.
- 127.** Acting on these instructions the appropriate officer will, in co-ordination with the banking sector, conduct negotiations with potential lenders to draw up a draft loan proposal. The Mayor will examine this draft loan proposal and co-ordinate any necessary re-drafting. The final draft proposal will form the basis of the loan agreement that will be presented for approval to the Government.
- 128.** The loan agreement shall include the relationship between the creditor and the municipality.
- 129.** Short-term loans for the purposes of liquidity, under Article 61 of the Law, must not be issued for a term greater than 12 months and must be matured and repaid by the end of the fiscal year. Any balance of short term liquidity loans remaining unpaid at the end of the fiscal year must be shown in the Final Accounts of the Municipal Budget for that year and

included in the debt repayment appropriation and debt limit set by the annual Municipal Budget for the following year.

130. A municipality may take long term loans only for the purposes of financing capital expenditures, in accordance to Article 62 of the Law.

Recording of Loans

131. The Secretary for Finance will ensure that current municipal debt and short term and long term borrowings are recorded.

132. Full details of the loan agreement including amortization schedules, interest payments, service fees and other such items from the loan contract shall be entered into the debt management system within the treasury information system.

Monitoring of Loans

133. All payments to or by municipality on the servicing of loans shall be recorded in the debt management system at monthly periods throughout the life of the loan.

134. At least each quarter a report on the position of the municipal debt shall be provided to the Mayor.

135. Any late or unserviceable repayments must be reported to the Mayor immediately who shall take appropriate action to ensure that the due payment is made.

Budgeting for Municipal Debt

136. The forecasting facility that can be established within the debt management system shall be used to assist in the projection of revenue and expenditure estimates for preparation of the following year's recurrent budget.

137. A municipal Budget shall provide estimated appropriations for repayment of incurred debt, as well as the sources for financing the deficit of the budget.

Refinancing, Maturity of Loan and Writing –off a Debt

138. The Secretary for Finance shall ensure that:

- (a). on rescheduling of a loan, amendment of records or data files to include new schedules and loan details will be made; and
- (b). on maturity of loan or in the event where there may be the case of writing off a loan, amendment to records or data files will be made to record the termination of the loan in question.

Loan Guarantees

- 139.** A loan guarantee is an agreement where the municipality gives a written promise to a bank or similar institution which has lent money to an organization (the borrower) established by the municipality, that, in the event of default by the borrower the municipality will meet any shortfall.
- 140.** A loan guarantee shall not be given without compliance with Article 62 of the Law. The Mayor shall use its authority to give loan guarantees judiciously and limit the total of outstanding loan guarantees by the municipality to 1% its annual debt service limit at any one time.
- 141.** All payments by the municipality to honour defaulted loan guarantees must be paid from the Treasury Consolidated Account.
- 142.** Provision shall be made within the municipal debt appropriation of the budget for current expenditure for the allocation of funds to meet any guarantees that require to be honoured.

Investment of Municipal Money

- 143.** Under Article 59 of the Law the Mayor shall make the decision to invest municipal idle funds in accordance with the investment policy approved by Assembly.
- 144.** Any expenses of investing municipal money shall be debited against treasury consolidated account and any interest received shall increase balance in the treasury consolidated account and credited against a revenue item for that purpose. Any expenses of investing special municipal money should be paid from those funds and any interest earned credited to those funds.
- 145.** An investment of special municipal money must not be inconsistent with the terms of any agreement that applies to the money concerned.

146. Upon realization of an investment of an amount debited from a special municipal money and any proceeds from the investment must be credited to the special municipal money account opened for that purpose.

147. A Mayor has the right to authorize re-investment of the proceeds from the investment.

XIV Financial Records

Maintenance and Completion of Financial Records

- 148.** A Treasurer must ensure that all accounting documents and records are in constant good order, kept up to date and comply with the Law.
- 149.** Finance Officers are required to use accounting forms as prescribed by these Directions.
- 150.** Accounting forms are supplied by the Secretary for Finance and can be reordered as required.
- 151.** The Secretary for Finance shall periodically review accounting forms and make amendments in regard to design, style or format as required.
- 152.** All entries in accounting books, registers or reports, or on accounting forms, shall be printed, typed or written in blue or black ink.
- 153.** All incorrect entries shall be ruled through neatly, the correct entry inserted neatly above and the correction initialed by the responsible officer. Erasure, writing over the figures or the use of correcting fluid is not permitted.
- 154.** Audited figures and other audit entries in accounting books, registers or reports, or on accounting forms, shall not be altered except by the Assistant Minister (Internal Audit) or the External Auditor.

Disposal and Destruction of Financial Records

- 155.** Generally all financial records and documents are to be kept until the Assistant Minister (Internal Audit) and the External Auditor have completed their audits or the periods determined by the Secretary for Finance.

Retention periods for specific types of financial records are:

- (a). Financial records or documents containing signatures of finance officers or involving actions that led directly to the spending of municipal moneys, including those on accounting forms issued by the Ministry of Finance for the purpose of conducting financial tasks, shall be kept for a minimum of 7 years;
- (b). Receiver's Statements, registers and manual records shall be kept for a minimum of 7 years;

- (c). Printed daily or weekly financial reports shall be kept for a minimum of 1 year;
- (d). Printed monthly and quarterly financial reports shall be kept for a minimum of 2 years;
- (e). Printed final annual Treasury General Ledger reports and other final accounts shall be kept indefinitely; and
- (f). Final annual electronic records of financial databases shall be kept indefinitely.

156. The disposal or destruction of financial records and documents may not take place without the written permission of the Mayor.

157. Head of the Spending Unit shall destroy or dispose of financial records and documents in accordance with written authorization of the Mayor.

158. The Treasurer shall maintain a register of all financial records and documents disposed of or destroyed. The register shall include:

- (a). date of disposal or destruction of financial records and documents;
- (b). description of financial records and documents;
- (c). method of disposal or destruction;
- (d). reference details of the authorities required;
- (e). names of Finance Officers delegated to conduct the disposal or destruction of financial records; and
- (f). any other relevant information.

XII Security of data

Electronically stored data

- 159.** Secretary for Finance is responsible for insuring proper security and restricted access for any information held in the treasury financial information system and its privacy while in use.
- 160.** Head of the Spending Unit is responsible for insuring proper security and privacy for any information held on personal computers, servers or other electronic media, within his spending organizations or accessible through any computer network.
- 161.** Provision of a regular system of backing up data held in the Treasury Information System, so that all data can be restored if necessary, shall ensure storing of data that could be lost due to unforeseen circumstances.
- 162.** Employees in the Secretariat for Finance each have restricted access to certain information held in the treasury financial information system, which can be provided using specific passwords connected to the individual functions within the system. Secretary for Finance have access to all the data held in the treasury system. Data change or corrections may only be performed by authorized personnel with requirement to have it documented. The formal evidence of a performed change must be signed by the person who introduced the change and his direct supervisor. All changes must be approved by the Secretary for Finance.

XIII Advances of Municipal Money

The purpose for issuing advances

- 163.** In special circumstances, in order to conduct financial tasks the Head of the Spending Unit may be issued a sum of money in the form of an advance provided from a municipal bank account.
- 164.** Advances are issued for a specific purpose (such as travel expenses) and must be accounted for in full within the period allowed or when the purpose has been fulfilled, whichever is the sooner.

Municipal Treasury Register of Advances

- 165.** It is the responsibility of the Treasurer to provide for the maintenance of a suitable Register in which shall be recorded full details of all Advances issued by the Treasury.
- 166.** The Finance Officer – cashier responsible for Advances issued to spending units will maintain an Advance Register and shall record in it advanced amount, all payments made from the Advance and the receipt of all replenishments of the advance. Whenever the Advance is used or replenished the Advance Register will be balanced with the relevant documentation showing how the Advance was spent.

Application for Advance

- 167.** An application for an Advance must be made in writing to the Secretary for Finance by the Head of the Spending Unit. The application must clearly state the purpose and manner of operation of the proposed Advance.
- 168.** Cash obtained in the form of an Advance shall be kept in the cashier and it will be the responsibility of an authorized finance officer.
- 169.** An advance will not be authorized where the officer or other person concerned has a previous outstanding advance unrepaid.
- 170.** Wherever possible, all applications for Advances should be submitted at least one week before needed.

Transfer of Advances

171. An Advance may be transferred between officers when there is a transfer of duties provided that the purpose of the Advance remains unaltered.

Expenditure receipts, invoices and vouchers supporting advances

172. An officer issued with an advance shall obtain receipts, invoices or similar vouchers to support all expenditure from the Advance, wherever possible. Where it is not possible to obtain a receipt, invoice or voucher, the officer shall personally certify the purpose for which the money was expended and why he could not obtain supporting documentation.

173. All supporting documentation will be presented to the Treasurer when an Advance is replenished or retired.

Advance holder as a Finance Officer

174. An Advance holder shall be considered to be a Finance Officer and, accordingly, shall act pursuant to these Treasury Directions and any other instructions or Directions issued with regard to the control of expenditure and the disbursement of municipal moneys.

175. An Advance holder must ensure that the Advance is used only for the purpose for which it was issued. The use of an Advance for any other purpose whatsoever will be considered as a disciplinary offence.

176. Advance holders will take all due precaution against the loss or theft of cash held on Advance.

XIV Donor Funded Development Projects

Contract with Donors

- 177.** The Mayor, in accordance with the official policy for donors, is obliged to:
- (a). maintain an open dialogue with donors on plans and goals;
 - (b). ensure transparency in contracting and program execution;
 - (c). establish clear rules and targets that can be easily monitored;
 - (d). ensure that donor funds are targeted at development projects; and
 - (e). provide regular updates on progress in performing for which the donor funds have been approved

Request for Donor Funded Development Projects

178. Requests for Donor Funds will be made to the Secretary for Finance, who will retain a copy for himself and forward the original to the Mayor. The Mayor will consult with the Secretary for Finance to determine the likely source of funding and forward the request to the appropriate donor.

179. Head of the Spending Unit shall not make a direct approach to any potential donor for development aid funds, although this does not prevent them from having general discussions with aid donors on the possibility of aid funding for specific projects.

180. Head of the Spending Unit shall not permit any expenditure to be incurred on any prospective development project, despite the submission of a request for funds, until such time as he receives an allocation for development project approved by the Secretary for Finance.

181. All requests for donor funding must be accompanied by an itemised Recurrent Consequences Summary showing:

- (a). the effect on the Recurrent section of the annual Budget for the next five years; and
- (b). all revenue expected to be generated by the project over the next five years and its disposition.

Receipt of Donor Funds

182. All funds received from donors in respect of Donor Funded Projects will be paid into the main Municipal bank account or such other account as may be designated, in writing, by the Secretary for Finance.

Donor Funded Development Project Reference

- 183.** As soon as funds are received from the aid donor, or a written confirmation has been received that funds are available for a project, the Secretary for Finance will issue a unique Donor Funded Project Expenditure Reference.
- 184.** Treasury will maintain a register of all Donor Funded Project Expenditure Reference numbers. This reference will reflect the spending organisation and aid donor. Treasurer will advise all interested parties of the project's number.
- 185.** Treasury will maintain a separate Treasury General Ledger item for each development project.

Development Project Allocation Warrant

- 186.** Upon receipt of funds from the donor, the Secretary for Finance will issue a development project allocation to the Head of the Spending Unit who is to be responsible for the progress, control and monitoring of the new development project.
- 187.** The development project allocation authorizes the head of the Spending Unit to commit and expend moneys to meet the costs of the development project, up to the limit set out on the allocation.
- 188.** Special reports on funds allocated for the development project will be forwarded to the External Auditor.

Limitation and Validity of the allocations for development projects

- 189.** Development Project Allocations shall not be issued for an amount in excess of the total funds that have been approved and made available by the donor, or have been made available by some other means, for the development project. Where such funds are to be released by the donor in instalments the Secretary for Finance shall use his discretion as to whether the Development Project Allocation shall be issued in a similar manner.
- 190.** Development Project Allocations remain valid throughout the life of the development project or until such time as additional funds are approved for the project by issue of further allocations. The warrants **shall not cease** at the end of the financial year in which they were issued.

Payments

- 191.** All payments and all other matters in respect of expenditure incurred on a capital development project shall, in all ways, follow the Directions for recurrent expenditure detailed in Chapter III of these Directions.

Records of the Secretariat of Finance

- 192.** The Secretary for Finance will ensure that such General Ledger other accounts and records are maintained as considered necessary to register accurately the receipt of all aid donor funds and in such a manner as to identify each sum received against a particular development project, including other donor relevant data.
- 193.** The Treasurer will issue, at least monthly, regular statements in respect of all development projects. Such statements will include the following:
- (a). total aid donor funds received;
 - (b). total expenditure incurred to date; and
 - (c). balance of donor aid funds not yet expended.

Copies of the statement will be forwarded to the Mayor and the Head of the executing spending organization and any other person that the Secretary for Finance decides.

- 194.** The executing spending organization will use the reports described in Direction 191 as a basis for any detailed reports on the manner of use of donor funds, as required by the aid donor at any time.

Completion of the Donor Funded Development Project

- 195.** When a development project has been completed the Secretary for Finance will be informed in writing by the Head of the Spending Unit concerned. The Secretary for Finance will make a full and final check to ensure that there are no outstanding commitments for which payment has not been made. If there are such outstanding payments the Secretary for Finance shall ensure that a payment is subsequently made.
- 196.** Once both the spending organization and Municipal Treasury records confirm that all payments have been made, a report shall be submitted in writing by the Treasurer to the Secretary for Finance and the Mayor showing any balance under or over expended on the development project.
- 197.** The Secretary for Finance shall discuss with the Head of the Spending Unit the circumstances for the under or over expenditure and advise the Mayor about it. Particular attention shall be paid to the following:
- (a). the reasons why the under or over expenditure occurred;
 - (b). the possible response of the donor to the under or over expenditure; and
 - (c). whether such under or over expenditure is of a major or insignificant nature.

198. Following the above discussions, and where the under or over expenditure is regarded as of an insignificant nature, the Secretary for Finance will recommend to the Mayor approval for the balance to be transferred to or from the Treasury Consolidated Account.

199. Where any under or over expenditure is of a major nature, the Mayor shall directly approach that donor and request:

(a). that further aid funds be supplied to meet the over expenditure; or

(b). instructions as to what to do with the under expended sum.

Where it is appropriate, the Mayor may suggest the balance be transferred to another suitable development project already included in the Budget. This shall be supported by a request for Donor Funded Development Project signed by the Mayor in accordance with the Direction 196.

200. Where a donor refuses further funds for a project or there is insignificant overspending, the spending organisation responsible for the project must make available recurrent funds to meet the overspending. This will be done from an existing allocation.

Obligation imposed by Donors

201. Head of the Spending Unit will comply with all obligations of the contract signed or laid down by donors.

XVIII Miscellaneous

Disposal of Property Found on Municipal Premises

202. Where municipal authority has disposed of property found on Municipal property by sale or has received money in return for disposing the property, the proceeds of the disposal must be paid into the Treasury Consolidated Account. Any costs incurred by a spending organization in conducting the disposal of found property shall be paid out of the Treasury Consolidated Account:

Breach of Directions

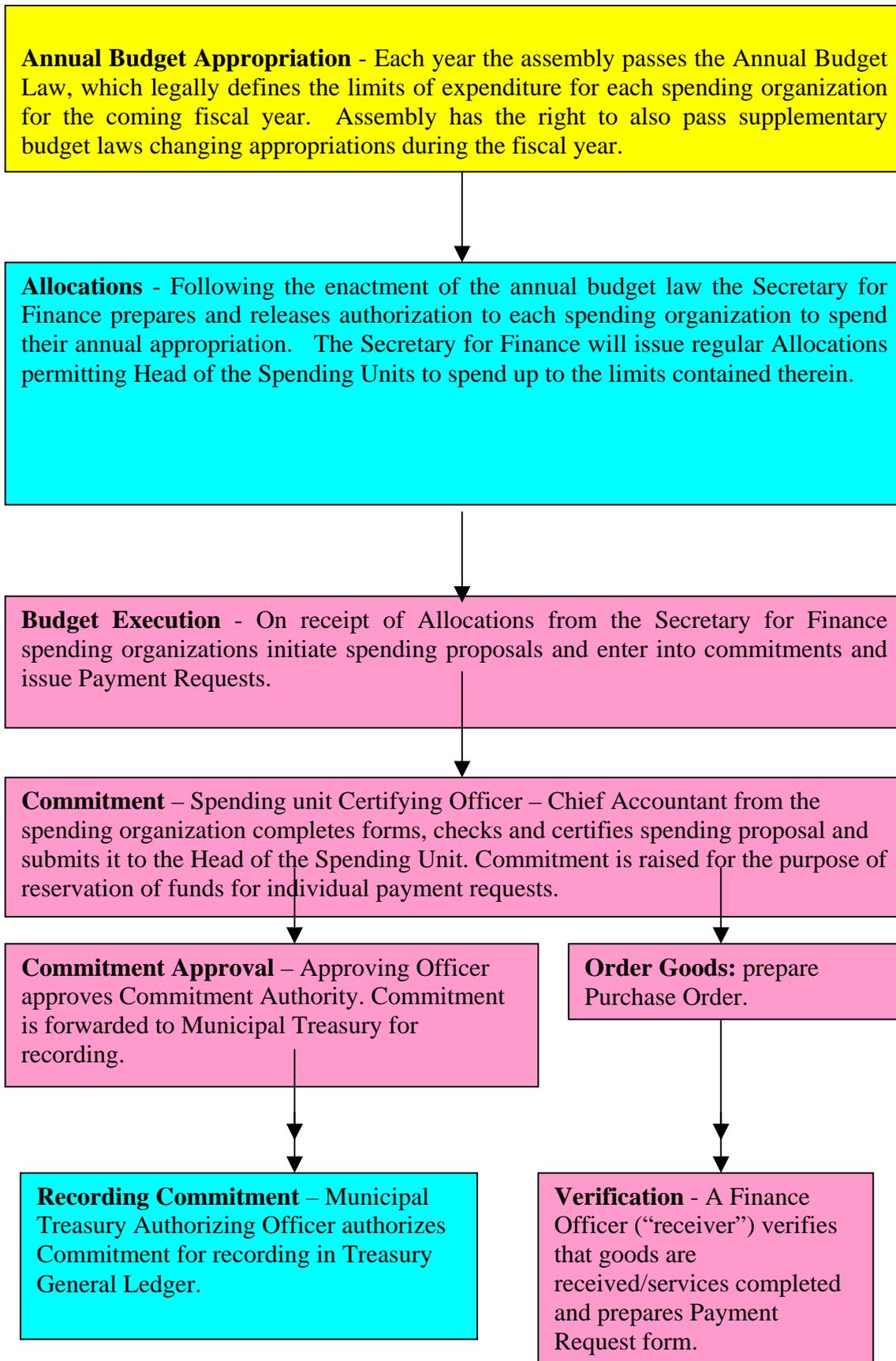
203. Any breach of these Directions by an individual in circumstances, other than those covered by Chapter IX of these Directions, shall be considered a disciplinary offence. The Secretary for Finance may refer such breaches to the Cabinet at his discretion.

Enactment of Directions

204. These Directions shall come into force on the day of publication in the Municipal Gazette.

ATTACHMENT

Budget Execution and Expenditure Process



Budget Execution and Expenditure Process (see Diagram 1 below) - continued

