

# **TREASURY SYSTEM LAW**

## **CHAPTER 1**

### **General Provisions**

#### **Article 1. Subject of the Law**

This law defines the treasury system of the Republic of Armenia (“the Treasury”) and regulates the relationships involved in the **Treasury’s activities** (“**Treasury relationships**”).

#### **Article 2. Purpose of the Law**

The purpose of this law is to ensure that **an** effective system exists for managing the financial assets and liabilities of the Republic of Armenia (“the State”) through the regulation of Treasury relationships.

#### **Article 3. The Treasury**

1. The Treasury comprises the Central Treasury and local treasury branches (“LTBs”) of the State agency authorised by the Government to be responsible for financial management (“the Authorised Agency”).
2. The Central Treasury is the combination of elements of the Authorised Agency’s head office. The Central Treasury is responsible for organising the realisation of the tasks prescribed in this Law. It is managed by the Chief Treasurer, who is a deputy head of the Authorised Agency.
3. LTBs are the individual local elements of the Treasury which ensure the performance of treasury functions in the territorial administrative units of Armenia. Each LTB is managed by its head.
4. The number, structure and location of LTBs shall be defined by the Authorised Agency.
5. The Central Treasury and each LTB shall have its Charter. Each shall also have a letterhead with their name and the State’s coat-of-arms on it. The Charters of the Central Treasury and the LTBs shall be approved by the head of the Authorised Agency.

6. The Treasury shall act on behalf of the Authorised Agency in the realisation of the tasks prescribed by this Law.

#### **Article 4. Powers of the Treasury**

In order to realise the tasks prescribed by this Law, the Treasury shall exercise the powers prescribed by its Charter and **the legislation** of Armenia.

#### **Article 5. Tasks of the Treasury**

The Treasury shall be responsible for the following:

- a) organising the management of the financial resources of the State and Communities, and the funding of their expenditures.
- b) organising the execution of State and Community budgets in the manner prescribed by legislation.
- c) ensuring **that there is a methodology for the standardised regulation of relationships involved in the execution** of State and Community budgets.
- d) organising the **financial receipts** managed by the State and Communities, as well as executing expenditures **funded by these receipts** from the **Treasury Single Account** of the Authorised Agency (“TSA”).
- e) ensuring the standardised regulation of **relationships involved** in the preparation, disclosure and consolidation of reports on the financial activities of **State and Community agencies**, as well as the establishment of accounting **rules** for the budget sector.
- f) implementing preliminary control of payments made on behalf of State and Community agencies in the course of the execution of State and Community budgets.
- g) managing the cashflow of the State and Communities.
- h) recording the extra-budgetary transactions of State agencies **and** Government institutions.
- i) receiving financial reports on transactions involving the resources of State and Community budgets, and evaluating the accuracy, consolidation and disclosure of the data in these reports.
- j) servicing external State debt.
- ja) managing internal State debt.

- jb) recording the monetisation of grants and facility credits provided to the State by foreign governments and international organizations, and coordinating and monitoring related functions.
- jc) administering obligations to the State originated by the Government.
- jd) other functions provided by this Law.

#### **Article 6. Chief Treasurer**

- 1. The person occupying the position of Chief Treasurer shall be a deputy to the head of the Authorised Agency.
- 2. In order to fulfill the tasks envisaged by this Law, the Chief Treasurer shall exercise the powers granted to him, in particular, **for organising** and managing the activities of the Central Treasury.

#### **Article 7. Employees of the Treasury**

- 1. The persons holding the positions defined in the staff list of the Central Treasury and the LTBs shall be deemed to be employees of the Treasury.
- 2. The employees of the Treasury shall be appointed or dismissed by the head of the Authorised Agency on the recommendation of the Chief Treasurer.

## **CHAPTER 2**

### **Relationships between the Treasury and Other Agencies**

#### **Article 8. Regulation of Relationships with Other Agencies**

- 1. For the purpose of regulating the relationships between the Treasury and other agencies in the course of the fulfillment of its tasks, a Chief Financial Officer shall be appointed or dismissed in each State and Community agency as defined in the departmental classification of budgetary expenditures.
- 2. The Chief Financial Officer shall manage the financial and accounting services of his or her agency, shall act under the direct supervision of the head of the agency and shall have the right to perform other tasks as duly authorised.

3. On the decision of the head of the State agency, another official may substitute for the Chief Financial Officer in his or her absence or inability to carry out his or her responsibilities.
4. The structure and tasks of the financial and accounting services of the State agencies and Government institutions of the treasury system shall be specified in an **order promulgated by the Authorised Agency**.

## **Article 9. Duties of Chief Financial Officers**

1. Each Chief Financial Officer shall ensure that his or her **State agency** has in place:
  - a) a system for cashflow management and internal control.
  - b) an internal audit system which is in compliance with the internal audit regulations promulgated by the Authorised Agency. The internal audit system shall, *inter alia*, **evaluate** the execution of the requirements of financial legislation and regulation in respect of State agencies and Government institutions covered by the system, detect and adjust any non-complying accounting entries.
  - c) a procurement system which is in conformity with the legislation on procurement.
2. Each Chief Financial Officer shall be responsible for the effective and transparent use of financial resources at the disposal of his or her **State agency**. He or she shall take such measures as are authorised by **legislation to:**
  - a) ensure that his or her State agency collects revenues as authorised by legislation.
  - b) prevent unforeseen expenditures and the waste of resources.
  - c) ensure that the State agency manages its fixed assets and financial liabilities, and in particular records, maintains and operates its fixed assets.
  - d) ensure that the resources allocated by the budget to Government institutions are appropriated in accordance with the budget classification.
3. Each Chief Financial Officer shall :
  - a) before allocating resources to any State agency or Government institution for which he or she has responsibility, verify that it continues to have in place a system for managing financial resources and for internal audit.
  - b) ensure the compliance of his or her State agency with this Law and other legislation and regulation.

- c) in the event of being unable to avoid excess expenditures or under-collection of revenues by his or her State agency, submit the relevant reports to the Authorised Agency.
- d) ensure that accounting entries for the financial transactions of his or her State agency are made in the prescribed manner.
- e) ensure the preparation of the financial statements of his or her State agency in the manner prescribed by the Authorised Agency, and their presentation to the National Assembly, the President of State, the Government, the Audit Chamber of the National Assembly and the Authorised Agency.
- f) submit financial statements as prescribed by the Authorised Agency, including information on forecast and actual revenues and expenditures and forecasts for the reporting period.

#### **Article 10. Chief Accountant of Government Institutions**

1. The head of any Government institution **under the supervision of a State Agency** shall appoint a Chief Accountant of the institution subject to the approval of the Chief Financial Officer of the supervising State Agency.
2. The powers and responsibilities assigned to the Chief Financial Officer under this Law shall apply to the Chief Accountant in respect of his or her Government institution.

In the absence of the Chief Accountant or in the event of his or her inability to perform his or her duties, the head of the Government institution shall appoint another official to substitute for the Chief Accountant.

## **CHAPTER 3**

### **Implementation of the Treasury's Tasks**

#### **Article 11. Ensuring the Management of State and Community Financial Resources**

In order to manage **State and Community** financial resources, **the Treasury shall ensure:**

- 1) the management of the funding of State and Community expenditure.
- 2) the management of the State budget deficit and surplus.

- 3) the implementation of **activities** designed to coordinate monetary and fiscal policies within the framework of the agreement between the Authorised Agency and the CBA.
- 4) the preparation of daily, weekly, monthly and quarterly cash flow management programmes.
- 5) the preparation of reports on the execution of cash flow management programmes and the implementation of adjustments to the programmes for the following period.

#### **Article 12. Accounting for State and Community Assets and Liabilities:**

In order to record the assets and liabilities of the State and Communities, the Treasury shall ensure:

- 1) within the scope of **budget** execution, the receipt, summary and analysis of reports submitted by State and Community agencies on:

~~✓~~ commitments entered into by them during the execution of State and Community budgets

~~✓~~ programmes funded by foreign credits

~~✓~~ State and Community budget arrears

~~✓~~ the execution of State and Community budgets

**and the submission of the results of these reports by the Authorised Agency in the prescribed manner.**

- 2) the receipt, summary and analysis of reports submitted by State Agencies on Government institution:

~~✓~~ asset and liability balances

~~✓~~ cashflow

~~✓~~ creation and management of extra-budgetary funds

and the submission of the results of these reports by the Authorised Agency in the prescribed manner.

#### **Article 13. Execution of State and Community Budgets**

1. The Authorised Agency shall ensure that the execution of State and Community budgets is organised via the Treasury as provided for by legislation.

#### **Article 14. Treasury Single Account**

1. The TSA shall be opened at the Central Bank of Armenia (“CBA”) in the name of the Central Treasury and maintained in conformity with this Law and other legal instruments. The TSA shall be denominated in Armenian Dram.
2. All funds belonging to the State and Communities shall be deposited in the TSA.
3. Government institutions may not maintain bank accounts at commercial banks.
4. All payments by the State and Communities shall be made from the TSA in the manner prescribed by the Authorised Agency.
5. The TSA shall include sub-accounts maintained by the Authorised Agency in respect of the following items:
  - a) State budget resources
  - b) loan and grant resources from foreign governments and international organisations
  - c) deposits of State Agencies.
6. The TSA shall also include sub-accounts, maintained by the Central Treasury but managed by State Agencies, in respect of the items listed below:

~~extra-budgetary resources~~

~~Community resources~~

~~resources of the State Fund of Social Insurance~~

~~other deposits of State Agencies.~~

#### **Article 15. Treasury Foreign Exchange Accounts**

Treasury foreign exchange accounts of the Authorised Agency shall also be opened in the name of the Central Treasury at the CBA and maintained as provided for by this Law and other legal instruments.

#### **Article 16. State Agency Reports**

1. Each State agency shall submit an annual report on its financial and economic performance (“the Annual Report”) to the Treasury, as prescribed by the Authorised Agency. In addition, the Annual Report shall include, inter alia, the following essential components:

- a) a brief description of the financial and economic activities of the State agency, in particular:

~~its objectives~~

~~the tasks through which the objectives are intended to be achieved~~

~~the programmes which are intended to realise the tasks, their description, and the proposed quantitative and qualitative targets for each programme component~~

~~its financial (budgetary and extra-budgetary) resources~~

~~its human resources~~

- b) the State agency’s annual budget execution report, as per the budget expenditure functional and economic classification. This report shall incorporate the following:

~~its annual budget allocation~~

~~amendments made to its budget allocation approved by the National Assembly~~

~~reallocations made within the authority of the Government or State agency~~

~~its adjusted budget allocation~~

~~cumulative receipts and payments~~

~~variances from its adjusted budget allocation~~

~~a brief description of the reasons for variations~~

- c) the State agency’s summary balance sheet as of the last day of the reporting period
- d) a report on changes in receivables during the financial year according to the functional and economic classification of budget expenditures

- e) a report on changes in financial assets other than receivables during the financial year
  - f) a report on changes in liabilities other than payables during the financial year
  - g) a report on changes in payables during the financial year according to the functional and economic classification of budget expenditures
  - h) a report on the changes in non-financial assets during the financial year.
2. The Chief Accountant of each Government institution shall prepare monthly reports, as prescribed by the Authorised Agency, and submit them to the Chief Financial Officer of the responsible State agency. These reports shall include the following:
- a) a report on the revenues and expenditures of the Government institution for the previous month according to **the functional and economic classification of budget expenditures**
  - b) projections of expected revenues and expenditures for the remainder of the financial year
  - c) a summary of the actions by means of which the planned revenues and expenditures would be realised.

The Chief Financial Officer shall consolidate the reports received from Government institutions and submit them to the Authorised Agency as the latter requires.

In addition to the reports received from Government institutions, the Chief Financial Officer shall also be responsible for consolidating reports on the execution of programmes and activities undertaken by the State agency, and for submitting these reports to the Authorised Agency.

Together with the reports themselves, the Chief Financial Officer shall submit detailed analyses of them, including discussion of the reasons for any variances.

## **Article 17. Preliminary Control of State and Community Budgets**

1. The Treasury shall undertake preliminary control of State and Community budgets on a basis determined by the Government.
2. For the purposes of preliminary control, before debiting the treasury accounts belonging to Government institutions, the Treasury shall evaluate the compliance of the financial operations of those institutions with the requirements of the legislation regulating the budget execution process. In the event of non-compliance, the debiting shall be temporarily halted. Then:

- a) the Chief Treasurer shall notify the head of the Authorised Agency who shall issue instructions for further action if the Government institution has failed to remedy the non-compliance
- b) in the case of an institution established by a Community, the head of the relevant LTB shall notify the head of the Community of the non-compliance, and the latter shall be responsible for remedying it.

#### **Article 18. Reports by the Treasury**

The Treasury shall evaluate the accuracy of the information provided by State agencies, consolidate the reports submitted by them, and ensure disclosure of the consolidated reports by the Authorised Agency in the prescribed manner.

#### **Article 19. Servicing of External State Debt**

The Treasury shall be responsible for programming the servicing of external State debt, and for servicing this debt in compliance with the annual State budget law and the terms of relevant agreements.

#### **Article 20. Management of Internal State Debt**

In order to manage **effectively** the **cashflow** and financial resources of State and Community budgets, the Treasury shall develop and implement programmes for the effective management of internal State debt, and shall also ensure the servicing of transactions related to internal State debt.

#### **Article 21. Servicing of Obligations to the State**

The Treasury shall ensure that the obligations to the State **originated by** the Government are serviced in the manner prescribed by the Authorised Agency.

## **CHAPTER 4**

### **Effective Date**

#### **Article 22. Effective Date**

The law comes into effect on January 1<sup>st</sup>, 2002.