

REPUBLIC OF SLOVENIA

PUBLIC FINANCE ACT

- Official Gazette of RS No. 79/1999 –

LJUBLJANA, 30. SEPTEMBER 1999

1. GENERAL PROVISIONS

Article 1

(Contents and Scope of the Act)

(1) This Act shall regulate the composition, preparation and implementation of the budget of the Republic of Slovenia (hereinafter: the central government budget) and the budgets of local self-governments (hereinafter: local government budgets), the management of state assets and local government assets, borrowing by the central and/or local governments, guarantees of central and/or local governments, debt management, accounting and budgetary control. The provisions laid down in this Act regarding the direct spending units of local government budgets shall also apply to the subdivisions of local governments that are legal entities, unless otherwise stipulated by this Act.

(2) This Act shall also stipulate the rules applicable to the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance; to public funds, public institutions and agencies, for drawing up and submitting financial plans, cash management, borrowing, issuing guarantees, accounting, submitting annual reports and budgetary control.

(3) This Act shall also regulate the borrowing and issuing of guarantees by public commercial institutions, public enterprises and other legal entities in which the central and/or local government has a decisive influence upon their management.

Article 2

(Budgetary Objectives and Principles of the Act)

(1) In preparing and implementing the budget, the aim must be macro-economic stability as well as sustainable and stable national economic development.

(2) The budget appropriations shall be used to finance the functions of central and local government bodies, the implementation of their tasks and for other purposes stipulated by the Constitution, laws or local government regulations, and shall be used to a degree necessary for implementing the said tasks and programmes.

(3) In preparing and implementing the budget, the principles of efficiency and economy must be adhered to.

(4) The budget shall state all the receipts belonging to the central and/or local governments and all outgoings of the central and/or local governments for individual purposes.

(5) All receipts and outgoings shall be stated in total (gross) amounts without offsetting.

(6) Save as otherwise provided by either this Act or the act regulating the implementation of the budget for an individual year and/or by a decision whereby the local government budget is adopted, all receipts shall serve to cover all outgoings.

(7) The budget must be balanced in respect of receipts and outgoings.

(8) The budget shall be adopted by the National Assembly of the Republic of Slovenia (hereinafter: the National Assembly) or by a local council for a period of one year which shall coincide with the calendar year.

(9) The budget shall be adopted before the start of the year to which it relates.

(10) During a current year, the central and/or local governments may have at their disposal those receipts that have been contributed to their budgets by the end of the current year. The outgoings from the budget in the current year shall be deemed to be those outgoings that have been paid from the budget by the end of the current year.

(11) The direct spending units may only enter into commitments and use budget appropriations debiting the budget of the current year for those purposes and up to that level provided by the budget, and if all conditions stipulated by the Constitution, laws and other regulations are met, unless otherwise provided by this Act.

(12) Any measure producing significant financial effects must be substantiated by means of a cost-benefit analysis pursuant to special regulations.

Article 3

(Definitions)

(1) For the purposes of this Act, individual terms shall have the following meaning:

1. The budget shall mean an act of the central and/or local governments whereby an estimate is given as to the volume of revenues and other receipts and the volume of expenditures and other outgoings of the central and/or local governments for one year;

2. The supplementary budget shall mean an act of the central and/or local governments whereby the budget is amended;

3. The financial plan shall mean an act of a direct and indirect spending unit of the budget, the Health Insurance Institute of Slovenia and Retirement and Disability Pension Insurance Institute of Slovenia, whereby an estimate is given as to the volume of revenues and other receipts and the volume of expenditures and other outgoings for one year;

4. The long-term development planning documents shall be the strategy of Slovenia's economic development, physical plans and development programmes;

5. The direct spending units shall mean the bodies and organisations of the central and/or local government;

6. The indirect spending units shall mean state funds, public institutions and agencies founded by the central and/or local government;

7. The recipients of budget appropriations shall mean natural persons or legal entities which, pursuant to an agreement entered into with a direct spending unit, or a decision or resolution made by a direct spending unit, receive budget appropriations;

8. The public sector shall mean direct and indirect spending units, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance; and public commercial institutions, public enterprises and other legal entities in which the central and/or local government has decisive influence upon the management;

9. Compulsory levies shall mean all tax revenues and non-tax revenues prescribed as generally compulsory pursuant to laws and other regulations (fees, charges and fines);

10. Receipts shall mean all revenues, received repayments of loans, proceeds from the sales of equity stakes and the funds arising from borrowing;

11. Donation shall mean any earmarked gratuitous revenue contributed by a domestic or foreign legal entity or natural person for a specific purpose (e.g. gift, aid, bequest, financial legacy);

12. Outgoings shall mean all expenditures, loans granted, funds intended to acquire equity stakes and repay the principal on loans;

13. Capital expenditure shall mean expenditure with regard to investments intended to increase or maintain fixed assets of the investor;

14. Investment transfers shall mean non-reimbursable expenditure intended for investments to be made by recipients of budget appropriations (investors);

15. State aid shall mean any expenditure or reduced receipts of the central and/or local government which represent a benefit for the recipient of aid, thus granting him advantage over his competitors, and which are intended to finance and co-finance the programmes in those institutional units that are involved in production of goods and services;

16. Verified investment project shall mean an investment project verified by a decree of the investor and devised on the basis of the prescribed investment documentation;

17. Valid investment project shall mean an investment project included in the development programmes plan:

18. Borrowing shall mean drawing loans or issuing securities to finance deficit and to repay principal on loans; and

19. Liquidity borrowing shall mean drawing short-term loans and/or issuing short-term securities to finance temporary deficits in money supply resulting from unbalanced movements in receipts and outgoings of the budget.

(2) The minister responsible for finance shall issue a list of direct and indirect spending units of the central government budget. The said list shall be amended or supplemented while budgets for individual years are being prepared.

Article 4

(Responsibility for the Implementation of the Budget)

(1) The Government of the Republic of Slovenia (hereinafter: the Government) shall, with regard to the implementation of the central government budget, be answerable to the National Assembly. Mayors shall, with regard to the implementation of local government budgets, be answerable to local councils. Reporting on the implementation of the budget to the National Assembly and/or local council must proceed according to the method stipulated by this Act.

(2) The ministry responsible for finance and/or the local body responsible for finance shall be obliged to monitor regularly the implementation of the budget and, should the need arise, to inform the Government and/or mayors accordingly.

Article 5

(Subject of the Act Regulating the Implementation of the Budget for an Individual Year)

(1) The volume of central government borrowing and guarantees, borrowing requirements of the public sector at the central government level in an individual year, other elements stipulated by this Act and special powers to be given to the Government and the ministry responsible for finance in implementing the budget for an individual year shall be laid down by the act on the implementation of the central government budget.

(2) The decree whereby the local government budget is adopted shall also determine the volume of local borrowing and guarantees as well as other elements stipulated by this Act and special powers to be given to the mayor in implementing the budget for an individual year.

Article 6

(Estimated Financial Effects of the Laws and Other Regulations)

(1) An explanation pertaining to a law or other regulation proposed for adoption by the Government, the National Assembly and/or the local council must contain an estimate of financial effects to be exercised on the budget. It must be evident from the said estimate whether the proposed law or regulation is intended to increase or reduce the budget receipts or outgoings. The estimate of financial effects must include:

1. Anticipated changes in receipts and outgoings for the period of the subsequent three years,
2. Proposals with regard to covering the increased outgoings,
3. Proposals with regard to substituting the reduced receipts, and
4. The opinion of the ministry responsible for finance and/or local government body responsible for finance.

(2) Laws and/or local decrees regulating the financing of special public requirements may determine the compulsory volume of the funds to be provided within the budget to finance the said expenditures, should the latter be in line with the development programmes plan.

Article 7

(Legal Basis of Budget Outgoings)

Budget appropriations shall be used for the purposes determined by the laws and/or local decrees and other regulations.

Article 8

(Financial Service of a Direct spending unit)

(1) Direct spending units shall set up services to prepare and implement the budget and perform other tasks related to the management of state assets for which direct spending units are responsible (hereinafter: financial services). A financial service of one direct spending unit may also perform tasks for other direct spending units.

(2) The minister responsible for finance shall prescribe common bases and criteria applicable to the working procedures of financial services, pursuant to which direct spending units may arrange the organisation and working procedures of financial services in more detail. The tasks and responsibilities of the financial service performing the tasks in relation to several spending agencies as well as other rights and obligations in the relationship between the financial service and the spending agencies must be clearly identified.

(3) Local governments shall set up financial services to prepare and implement the budget as well as to perform other tasks related to local government assets management pursuant to the provisions of the first and second paragraphs hereunder.

Article 9

(The Use of Financial Assets Kept at the Budget Accounts at the End of the Current Year)

The financial assets remaining at the budget accounts at the end of the current year shall, on the proposal of the ministry responsible for finance, be used to cover the expenditures of the coming year, unless otherwise provided by this Act.

2. COMPOSITION OF THE BUDGET AND FINANCIAL PLANS

Article 10

(Composition of the Budget and Financial Plans of Direct and Indirect spending units)

- (1) The budget shall comprise a general part, a special part and a development programmes plan.
- (2) The general part of the budget shall comprise the joint accounts of revenues and expenditures, the financial assets and liabilities account and the financing account.
- (3) The special part of the budget shall comprise financial plans of the direct spending units.
- (4) The development programmes plan shall comprise annual schedules of development programmes of direct spending units, stipulated in the long-term development planning documents, special laws or other regulations.
- (5) The general part and the special part of the budget shall disclose:
 1. Actual receipts and outgoings for the previous year and
 2. Estimated receipts and outgoings for the current year.
- (6) The general and the special part of the budget shall also disclose the planned receipts and outgoings for the subsequent year. The object of adoption by the National Assembly and/or the local council shall be only the plan of receipts and outgoings for the subsequent year.
- (7) The financial plan of an indirect spending unit, the Health Insurance Institute of Slovenia and Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, shall comprise a general part and a special part to be disclosed pursuant to the provision of the preceding paragraph and according to the method to be prescribed by the minister responsible for finance.

Article 11

(Accounts of Revenues and Expenditures, Financial Assets and Liabilities Account and Financing Account)

- (1) The accounts of revenues and expenditures shall state revenues involving the following items:
 1. Tax revenues, also including contributions;
 2. Non-tax revenues;
 3. Capital revenues;
 4. Grants received; and
 5. Transfers.
- (2) The accounts of revenues and expenditures shall state expenditures involving the following items:
 1. Current expenditures;

2. Current transfers;
3. Capital expenditure; and
4. Investment transfers.

(3) The financial assets and liabilities account shall state all revenues from repayments of loans and the sales of equity stakes as well as all expenditure intended to grant loans and acquire equity stakes.

(4) The financing account shall state debt repayments and borrowings in relation to both the financing of the surplus of expenditures over revenues in the accounts of revenues and expenditures, the surplus of outgoings over receipts in the financial assets and liabilities account and the financing of debt repayment in the financing account. The financing account shall also disclose any planned changes to the assets kept with the accounts of the budget during the budgetary year.

(5) The minister responsible for finance shall provide a detailed breakdown of the accounts of revenues and expenditures, the financial assets and liabilities account and the financing account in relation to both the central and local government budgets as well as to financial plans of direct and indirect spending units, the Health Insurance Institute of Slovenia and Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, in accordance with the principles of economic and functional classifications.

Article 12

(Development Programmes Plan)

(1) The development programmes plan shall disclose the planned outgoings of the budget for investments and state aid in the subsequent four years, which shall be broken down by:

1. Individual programme of direct spending units;
2. Year in which the outgoings for the programmes will burden the budget; and
3. Source of financing for full completion of programmes.

(2) Detailed contents of the development programmes plan with regard to both central and local government budgets shall be prescribed by the minister responsible for finance in cooperation with the minister responsible for development.

(3) The development programmes plan shall be amended on a yearly basis.

3. PREPARATION OF THE BUDGET AND FINANCIAL PLANS

3.1 Preparation of the Budget

Article 13

(Proposed Central and Local Government Budgets)

(1) The Government shall submit to the National Assembly the following:

1. Budget memorandum;
2. Proposed central government budget with explanation;
3. Planned sales of the central government's financial and physical assets for budgetary purposes for the subsequent year with explanation;
4. Proposed financial plans for the subsequent year with regard to the Health Insurance Institute of Slovenia and Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, public funds and agencies founded by the central government, together with explanations; and
5. Proposed laws required to implement the proposed central government budget.

(2) Mayors shall submit to local councils the following:

1. Proposed local government budgets with explanations;
2. Planned sales of the local government's financial and physical assets for budgetary purposes for the subsequent year with explanations;
3. Proposed financial plans for the subsequent year with regard to public funds and agencies founded by local government, together with explanations; and
4. Proposed rules of local government required to implement the proposed local government budgets.

(3) The job allocation schedules and the plans of capital purchases, together with their substantiation, shall be a constituent part of the explanation attached to proposed budgets.

Article 14

(Budget Memorandum)

(1) A budget memorandum shall be an act of the Government submitted to the National Assembly together with the proposed central government budget whereby the Government, taking into account both the economic conditions and the long-term development planning documents, shall present:

1. Assumptions concerning the economic development for the current and subsequent years and target development scenario for the subsequent three years;
2. Basic directions of the economic and public finance policies;
3. Estimated receipts and outgoings with regard to the central and local government budgets and the public finance accounts in their entirety;
4. Anticipated changes to the central and local government assets as well as those to the central government's, local governments' and public debt; and
5. A general overview of the commitments of the central government budget reaching maturity in the subsequent years, and the policy of the development programmes plan.

(2) The Government shall adopt the budget memorandum in April of the current year on the proposal of the minister responsible for finance and the minister responsible for development.

Article 15

(Instruction for Preparing the Proposed Central Government Budget)

(1) After the budget memorandum has been adopted, the minister responsible for finance shall submit to the direct spending units an instruction for preparing the proposed central government budget.

(2) The said instructions shall comprise the following:

1. Basic economic assumptions and guidelines for preparing the proposed central government budget;
2. An estimate regarding the accounts of revenues and expenditures, the financial assets and liabilities account and the financing account of the central government budget for the subsequent two years;
3. The proposed framework volume of the financial plan of each individual direct spending unit for the subsequent two years; and
4. Procedures and time schedules involved in the preparation of the central government budget and proposed financial plans of direct spending units.

Article 16

(Proposed Financial Plan of a Direct spending unit)

(1) On the basis of the instruction for preparing the proposed central government budget, the direct spending units shall draw up their proposed financial plans.

(2) The explanation pertaining to the proposed financial plan of a direct spending unit must comprise the following:

1. Presentation of objectives, strategies and programmes in individual fields;
2. Legal and other bases on which the planned strategies and programmes are based;
3. Adjustment of objectives, strategies and programmes to the long-term development planning documents and budget memorandum;
4. Guidelines and indices on which calculations and estimates with regard to the funds required are based;
5. Other clarifications facilitating an understanding of the proposed strategies and programmes; and
6. A report on the objectives attained and the results of strategies and programmes applied within a direct spending unit for the period of the first half of the current year.

Article 17

(Advising Local Governments and Indirect spending units)

(1) The minister responsible for finance shall advise local governments, the Health Insurance Institute of Slovenia, the Retirement and Disability Pension Insurance Institute of Slovenia, public funds and agencies on the basic economic assumptions and guidelines for preparing the central government budget, whilst the ministries responsible shall advise public institutions founded by the central government and/or financed from the central government budget accordingly.

(2) The local government body responsible for finance shall advise local funds and agencies on the basic economic assumptions and guidelines for preparing the local government budget, whilst the local government bodies responsible shall advise public institutions founded by the local government accordingly.

Article 18

(Preparation of a Proposed Local Government Budget)

(1) After the basic economic assumptions and guidelines for preparing the central government budget have been received, local government bodies responsible for finance shall submit to the direct spending units instructions for preparing the proposed local government budget. The said instructions shall comprise the following:

1. Basic economic assumptions and guidelines for preparing the proposed local government budget;
2. A description of the local government's planned policies;
3. An estimate regarding the accounts of revenues and expenditures, the financial assets and liabilities account and the financing account of the local government budget for the subsequent two years;
4. A framework proposal as to the volume of the financial plan of an individual direct spending unit for the subsequent two years; and
5. Procedures and time schedules involved in the preparation of the local government budget and proposed financial plans of direct spending units.

(2) On the basis of the instruction for preparing the proposed local government budget, direct spending units shall draft their proposed financial plans together with explanations drawn up pursuant to the second paragraph of Article 15 of this Act and shall submit them to the local government bodies responsible for finance.

Article 19

(Submitting Proposed Financial Plans of Direct spending units of the Central Government Budget)

(1) On the basis of the instruction for preparing the proposed central government budget, direct spending units shall draft proposed financial plans and submit them to the ministry responsible for finance.

(2) Notwithstanding the preceding paragraph, the proposed financial plans shall also be drafted and submitted by:

1. Ministries for administrative bodies and organisations within the ministries;
2. The Administrative Office of the Prime Minister for those government services for whose organisation the Secretary General is responsible;
3. The ministry responsible for administrative affairs for administrative units;
4. The Supreme Court of the Republic of Slovenia (hereinafter: the Supreme Court) for the courts pursuant to the courts act;
5. The Senate of the Republic of Slovenia for Misdemeanours (hereinafter: the Senate for Misdemeanours) for independent government bodies misdemeanours proceedings; and
6. The Public Prosecutor's Office of the Republic of Slovenia (hereinafter: the Public Prosecutor's Office) for public prosecutor's offices.

(3) The direct spending units under the preceding paragraph that are responsible for drafting and submitting the proposed financial plans shall be responsible for forwarding all the materials pursuant to this Act from the ministry responsible for finance to the central government bodies and organisations from within their responsibilities.

(4) A special law or a law regulating the implementation of the budget for an individual year may determine that financial plans of direct spending units from individual items of the

second paragraph of this Article may be defined as a joint financial plan of such direct spending units.

Article 20

(Adjustment of Proposals)

(1) The ministry responsible for finance shall review the proposed financial plans of direct spending units and propose the necessary adjustments with regard to the instruction for preparing the proposed central government budget.

(2) Should no agreement with direct spending units be reached, the ministry responsible for finance shall make a report to be submitted to the Government, which shall adopt a final decision. Should no agreement be reached between the Government and the direct spending units other than administrative bodies and organisations, the proposed budget shall be supplemented by the financial plan proposed by the Government, and the explanation shall be supplemented by the financial plan proposed by the direct spending unit in question.

Article 21

(Rules Regulating the Preparation of the Proposed Budget)

The Government shall lay down detailed rules regarding the following:

1. The contents of the development planning documents and the procedure to be used in their drafting, on the proposal of the minister responsible for development and the minister responsible for finance, and

2. The time schedule for preparing the central government budget, documents and bodies responsible for their drafting, on the proposal of the minister responsible for finance and the minister responsible for development.

3.2 Drafting of the Development Programmes Plan, Job Allocation Schedules and the Plan of Capital Purchases

Article 22

(Drafting of the Proposed Development Programmes Plan)

(1) Direct spending units shall submit their proposed development programmes plan to the body authorised for harmonising the proposed development programmes plan (hereinafter: the proposer) to be appointed by the Government and/or mayors.

(2) In harmonising the proposed development programmes plan, the following must be taken into account:

1. An individual programme or project of a direct spending unit must be in line with the long-term development planning documents and the budget memorandum;

2. An individual investment project or programme of a direct spending unit must be in line with the prescribed methodology for compiling investment documentation and must be approved at least at the pre-investment level; and

3. Criteria and the method of applying those criteria in selecting from among the competing programmes and projects.

(3) The proposed development programmes plan must be in line with the proposed financial plans of direct spending units.

(4) Should the proposed development programmes plan not be in line with the budget, the proposer shall be obliged to adjust it to the budget not later than 30 days after the entry into force of the budget.

Article 23

(Rules Regulating the Drafting of the Development Programmes Plan)

(1) The minister responsible for finance shall prescribe the method and deadlines for submitting the proposed schedules of development programmes of direct spending units as well as the methods and procedures of assuming and recording of obligations that burden the budget.

(2) The Government shall, on the proposal of the minister responsible for finance and the minister responsible for development, prescribe detailed rules regarding the following:

1. Conditions for including programmes and projects in the development programmes plan;
2. Criteria and the method of applying those criteria in selecting from among the competing projects and programmes; and
3. Uniform methodology for preparing the programmes of public procurement investment programmes.

(3) The mayor shall prescribe the method and deadlines for submitting the proposed schemes of development programmes of direct spending units. The provisions of items 1 and 2 of the preceding paragraph shall apply to the direct spending units of the central government and local government budgets, and the provisions of item 3 thereof also to the indirect spending units of the central government budget and direct and indirect spending units of local government budgets.

Article 24

(Drafting of the Proposed Job Allocation Schedules and their Adoption)

(1) The job allocation schedule shall mean an overview of systemised and manned posts and functions as well as occupied posts and functions of a direct spending unit for the two coming years.

(2) The job allocation schedule of a direct spending unit of the central government budget shall be adopted by the head of the said spending agency, whilst that of a direct spending unit of a local government budget shall be adopted by the mayor.

(3) Notwithstanding the provision of the preceding paragraph, the job allocation schedules for:

1. central government administrative bodies and organisations shall be adopted by the Government on the proposal of the Personnel Department of the Government of the Republic of Slovenia responsible for the drafting of the job allocation schedule for central government administrative bodies and organisations;
2. the courts shall be adopted by the Supreme Court;
3. the independent state bodies responsible for misdemeanours proceedings shall be adopted by the Senate for Misdemeanours; and
4. the public prosecutor's offices shall be adopted by the Public Prosecutor's Office.

(4) The direct spending units shall draw up the proposed job allocation schedules with explanations and submit them to the body responsible for compiling the joint job allocation schedule.

(5) The bodies responsible for the adoption and/or drafting of job allocation schedules shall be obliged to adjust the proposed job allocation schedules to the proposed budget.

(6) The bodies responsible shall adopt job allocation schedules adjusted to the budget within 30 days of the adoption of the budget.

(7) The minister responsible for finance and/or the mayor shall prescribe deadlines and the method of drafting and submitting the proposed job allocation schedules of direct spending units.

Article 25

(Drafting of the Proposed Plan of Capital Purchases and its Adoption)

(1) The plan of purchases and constructions (hereinafter: the plan of capital purchases) shall involve fixed assets necessary for the operation of direct spending units. Broken down by direct spending unit, the said plan shall set out acquisition of title against payment and lease of fixed assets, substantial maintenance and renewal of fixed assets, in turn broken down by:

1. Buildings and premises;
2. Vehicles;
3. Computer equipment and services;
4. Other equipment;
5. Land and natural resources; and
6. Other fixed assets.

(2) Direct spending units shall draft proposed plans of capital purchases with explanations and submit them to the body responsible for compiling the joint plan of capital purchases.

(3) The Government and/or mayors shall adopt their plan of capital purchases involving the planned projects of direct spending units on the proposal of such direct spending units. Proposed joint plans of capital purchases for the courts, independent state bodies for misdemeanours procedure, public prosecutor's offices and for the Attorney-General's Office shall be drafted by the ministry responsible for justice.

(4) The bodies responsible for the adoption, i.e. compiling the plans of capital purchases shall be obliged to adjust the proposed plans of capital purchases to the proposed budget.

(5) The Government shall adopt the plan of capital purchases adjusted to the budget within 30 days of the adoption of the budget.

(6) The minister responsible for finance and/or the mayor shall prescribe deadlines and the method for drafting and submitting the proposed plans of capital purchases of direct spending units.

3.3 Drafting of Financial Plans of Indirect spending units, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia

Article 26

(Drafting and Submitting the Financial Plans of Indirect spending units of the Central Government Budget, Health Insurance Institute of Slovenia and Disability and Pension Insurance Institute of Slovenia)

(1) The indirect spending units of the central government budget, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, shall be obliged to draft the proposed financial plans on the basis of the guidelines applied to the central government budget.

(2) The ministries responsible shall be obliged, according to the method and within the deadlines prescribed by the minister responsible for finance, to request the indirect spending units of the central government budget to submit the data necessary for the drafting of the financial plans of ministries. The minister responsible for finance may request the indirect spending units to submit the data relating to the financing of indirect spending units and necessary for the preparation of the proposed central government budget.

(3) The ministries responsible shall be obliged to submit the proposed financial plans of the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, public funds and agencies to the ministry responsible for finance. The latter shall submit them, together with the proposed central government budget, to the Government, which shall subsequently forward them to the National Assembly.

(3) The financial plans of indirect spending units of the central government budget shall be approved by a body responsible according to the procedure laid down in a special law or other regulation or the charter of an indirect spending unit. Should an indirect spending unit be predominantly funded by public finance, its financial plan shall be adopted within 60 days of the adoption of the central government budget.

Article 27

(Drafting and Submitting the Financial Plans of Indirect spending units of the Local Government Budget)

(1) The indirect spending units of local government budgets shall be obliged to draft the proposed financial plans on the basis of the guidelines applied to local government budgets.

(2) The indirect spending units of local government budgets shall be obliged, according to the method and within the deadlines prescribed by the mayors, to request the indirect spending units to submit the data necessary for the drafting of the financial plans of the indirect spending units. Mayors may request the indirect spending units to submit the data relating to the financing of indirect spending units and necessary for the preparation of the proposed local government budgets.

(3) The bodies responsible shall be obliged submit the proposed financial plans of public funds and agencies to the local government body responsible for finance. The latter shall submit them, together with the proposed local government budget, to the mayor, who shall subsequently forward them to the local council.

(4) The financial plans of indirect spending units of local government budgets shall be approved by the body responsible according to the procedure laid down in a special regulation or the charter of an indirect spending unit. Should a legal entity be predominantly funded by public finance, its financial plan shall be adopted within 30 days of the adoption of the local government budget.

4. ADOPTION OF THE BUDGET

4.1 Procedure for Adopting the Budget

Article 27

(Submission of the Proposed Budget to the National Assembly and/or Local Council)

(1) The minister responsible for finance shall submit the proposed central government budget for the coming year to the Government by 15 September of the current year. The Government shall be obliged to adopt the proposed budget and submit it, together with the budget memorandum, to the National Assembly before 1 October of the current year.

(2) Mayors shall submit proposed local government budgets for the coming year to the local councils within 30 days after the submission of the central government budget to the National Assembly.

(3) During the preparation of the proposed budget, should either the assumptions of the economic development, the guidelines of the economic and public finances policies, or the volume and composition of the budget be significantly altered, the Government shall, in adopting the proposed central government budget, also adopt amendments to the budget memorandum.

Article 29

(Adoption of the Budget)

(1) The National Assembly and/or local councils shall be obliged to adopt their budgets in such a period as to allow for the budget to enter into force on 1 January of the year to which it relates.

(2) Detailed procedures for adopting the budget shall be stipulated in the standing orders of the National Assembly and/or local council.

Article 30

(Restrictions in Adopting the Budget)

Proposals to increase outgoings from the budget must also involve proposals to either increase receipts or reduce other outgoings to the same amount, whereby the latter must not burden the budget reserve or general budget reserve.

Article 31

(Submission of Local Government Budgets)

Mayors shall submit local government budgets to the ministry responsible for finance within 30 days of their adoption.

4.2 Budget Appropriations in the Period of Temporary Financing

Article 32

(Budget Appropriations in the Period of Temporary Financing)

(1) Should a budget not be adopted prior to the year to which it relates, the financing of the state and local governments and the execution of their tasks and other statutory purposes (hereinafter: temporary financing) shall temporarily proceed on the basis of the budget for the preceding year and shall apply to the same programmes as in the preceding year. During the period of temporary financing, direct spending units shall not be allowed to increase the number of employees against the number as at 31 December of the preceding year.

(2) During the period of temporary financing, appropriations may be used in proportion to the level of funds spent in the same period of the preceding year.

(3) After the expiration of the period of temporary financing, the commitments paid in the above-mentioned period shall be included within the budget for the current year.

Article 33

(Decision-Making Regarding Temporary Financing)

(1) Decisions regarding temporary financing within the central government shall be adopted by the Government which shall inform the National Assembly accordingly.

(2) Decisions regarding temporary financing within local governments shall be adopted by mayors who shall notify accordingly the local council and the supervisory board. The decision on temporary financing shall be published in the local government's official journal.

(3) The period of temporary financing may only be set for three months. Should the budget not be passed within the additional three-month period of temporary financing, the temporary financing period may be extended on the proposal of the Government of the Republic of Slovenia by a special decision of the National Assembly of the Republic of Slovenia if this is necessary for the purpose of financing of state functions. The temporary financing of local government budgets may be extended on the proposal by mayors based on the local council's decision if this is necessary for the purpose of financing of the local government's functions.

5. IMPLEMENTATION OF THE BUDGET

5.1 Receipts of the Budget and the Planning of Budget Liquidity

Article 34

(Contributions to the Budget)

(1) Receipts of the budget shall be collected and paid pursuant to the law and other regulations, regardless of the volume determined in the budget for individual receipt types.

(2) Indirect spending units shall be obliged to ensure the full and timely collection of receipts of the budget from within their responsibilities and for their allocation to the budget.

(3) The provisions of the first and second paragraphs hereof shall also apply in periods of temporary financing.

Article 35

(Compulsory Levies Paid in Cash)

Compulsory contributions shall be made in cash unless otherwise stipulated by law.

Article 36

(Determining the Volume of Expenditures of Direct spending units in a Certain Period of Time)

(1) Direct spending units may only make payments up to the volume of expenditures determined for a quarter or other period by the Government and/or the mayors (hereinafter: quota).

(2) In determining the proposed quota for a direct spending unit, the minister responsible for finance and/or the local government body responsible for finance shall take into consideration the funds provided within the annual financial plan of the direct spending unit, its commitments, the quota proposed by the direct spending unit and the liquidity possibility of the budget. The ministry responsible for finance and/or the local government body responsible for finance must inform the direct spending unit of its quota no later than fifteen working days prior to the start of the period to which it relates.

(3) The minister responsible for finance shall stipulate the procedure and conditions for the central and local government budgets, which must be taken into account when determining the quotas referred to in the first and second paragraphs hereunder as well as the measures to be taken in the event of non-compliance with the prescribed quotas.

Article 37

(Budget Liquidity Planning)

(1) The ministry responsible for finance and/or the local government body responsible for finance shall plan the budget liquidity by forecasting the budget cash flow on the basis of the monthly plans of budget implementation to be drafted by the ministry responsible for finance and/or the local government body responsible for finance according to the method and within the deadlines prescribed by the minister responsible for finance.

(2) The monthly plan of budget implementation shall mean an overview of the planned revenues increased by the repayments of loans and the proceeds from the sales of equity stakes, and an overview of the planned expenditures increased by loans given and funds earmarked for the purchase of equity stakes and for repayment of principal on loans.

(3) The ceiling on the planned expenditures increased by the loans given and the funds earmarked for the purchase of equity stakes and for repayments of debt shall, in line with the liquidity possibilities of the budget, be fixed in advance by the minister responsible for finance.

5.2 Reallocation of Appropriations

Article 38

(Reallocation of Appropriations)

- (1) Budget appropriations may not be reallocated save under the conditions and according to the method stipulated in this Act and the act regulating the implementation of the budget for an individual year and/or a decree whereby a local government budget is adopted, by taking into account the structure of the proposed budget.
- (2) The Government and/or mayors shall report to the National Assembly and/or the respective local councils on budget reallocations every six months.
- (3) Notwithstanding the provisions of the first paragraph hereof, reallocation of appropriations among the accounts of revenues and expenditures, the financial assets and liabilities account and the financing account shall not be allowed.

Article 39

(Reallocation of Appropriations Earmarked for Repayments of Debt, Costs Relating to Borrowing and Guarantees)

- (1) Commitments relating to central and/or local government debt, costs relating to borrowing and guarantees shall be met irrespective of the appropriations earmarked for such purposes within a special part of the budget.
- (2) Notwithstanding the provision of the third paragraph of the preceding Article, the Government and/or mayors may reallocate the appropriations to meet the commitments referred to in the preceding paragraph from the accounts of revenues and expenditures.
- (3) The Government shall inform the National Assembly, and the mayors shall inform the local councils about the reallocation of appropriations referred to in the preceding paragraph within 30 days.

5.3 Temporary Suspension of Implementation of the Budget and the Supplementary Budget

Article 40

- (1) During the budgetary year should outgoings be increased or receipts reduced due to either the occurrence of new commitments or changed economic movements, the Government, on the proposal of the minister responsible for finance and/or the mayors on the proposal of the local government bodies responsible for finance, may suspend the implementation of individual outgoings (hereinafter: temporary suspension of implementation) for a period of up to 45 days. The measures involved in the temporary suspension of implementation may:
 1. Halt the entering into commitments;
 2. Propose the extension of contractual terms of payment and
 3. Halt the allocation of budget appropriations necessary to enter into commitments.
- (2) In addition to the measures mentioned in the preceding paragraph, the Government may also determine that direct spending units should obtain a prior consent of the ministry responsible for finance to enter into contracts.

(3) The ministry responsible for finance and/or the local government body responsible for finance shall draft the proposed volume and measures relating to the temporary suspension of implementation in cooperation with the direct spending units. The measures relating to the temporary suspension of implementation must equally apply to all the direct spending units.

(4) The decision referred to in the preceding paragraph must be reported by the Government to the National Assembly and by the mayors to the local councils immediately after its adoption.

(5) Should it be impossible to balance the budget during the carrying out of measures concerning the temporary suspension of implementation, the Government and/or the mayors shall be obliged to propose a supplementary budget not later than 15 days prior to the expiration of the period in which the temporary suspension of implementation is being carried out.

(6) By means of the supplementary budget to be adopted by the National Assembly and/or the local council on the proposal of the Government and/or the mayors, the receipts and the outgoings of the budget shall be rebalanced.

(7) During the period of adopting the supplementary budget the Government may temporarily suspend the implementation of individual outgoings on the proposal of the minister responsible for finance and/or the mayors.

5.4 Incorporation of Unplanned Receipts and Outgoings in the Budget

Article 41

(Incorporation of New Commitments in the Budget)

After the adoption of the budget, should a new act and/or decree be passed pursuant to which new commitments arise on the budget, the Government and/or the mayors shall incorporate the said commitments into the budget and determine the volume of expenditure for that purpose within the framework of the increased planned receipts and the volume of borrowing stipulated by the budget or by reallocating the appropriations within the framework of available savings.

Article 42

(General Budget Reserve)

(1) Within the budget, a part of the planned receipts shall not be allocated in advance but shall be retained as general budget reserve and shown in the budget separately.

(2) The funds of the general budget reserve shall be used for either the unplanned purposes for which no appropriations are allocated or for the purposes for which it may become obvious during the year that insufficient appropriations have been allocated since they could not be planned in advance. The funds of the general budget reserve shall not exceed 0.5% of revenues from the revenues and expenditures accounts.

(3) Decisions regarding the use of the general budget reserve shall be adopted by the Government on the proposal of the minister responsible for finance and/or mayors. The funds of the general budget reserve shall be allocated to the financial plans of direct spending units.

Article 43

(Earmarked Receipts and Outgoings of the Budget)

(1) Earmarked receipts of the budget shall be donations, earmarked receipts of the budget fund, revenues from own activities of direct spending units, proceeds from sales or exchange of central or local government's physical assets, and indemnities arising from insurance. Other types of earmarked receipts and outgoings of the budget may be stipulated in the act regulating the implementation of the central government budget and/or the decree whereby the local government budget is adopted.

(2) Should after the adoption of the budget any earmarked receipt be contributed requiring a proportional earmarked outgoing which is not shown in the budget at all or is not shown in the adequate level, the volume of outgoings of the financial plan of a direct spending unit and the budget shall be increased by the amount of the actual receipts.

(3) If contributions of earmarked receipts to the budget are lower than it is shown in the budget, the spending agencies may assume commitments and make payments for their commitments only in the amount of actual contributions and available funds.

(4) The minister responsible for finance shall determine in detail the method of entering the earmarked receipts and outgoings in the central and local government budgets. As regards the funds earned by performing own activities, the purposes and conditions of using them shall also be determined.

Article 44

(Carryover of Earmarked Appropriations)

(1) Earmarked appropriations which were not spent during the previous year, excluding the revenues earned by a direct spending unit by performing its own activities, shall be carried over to the budget for the current year.

(2) The volume of appropriations in the financial plan of the direct spending unit to which they relate and the budget shall be increased by the amount of the appropriations carried over.

Article 45

(Repayment of Donations)

Within the framework of their respective financial plans, direct spending units of the central government and local government budgets to which the donation was made shall provide funds for the repayment of the donation whose return is requested by the donor because the donation was not used in the manner and under the terms and conditions stipulated by such donor.

Article 46

(Past Commitments)

Direct spending units shall provide the funds to meet past commitments which had not been entered in the budget for the current year, within the framework of the budget appropriations for the current year.

Article 47

(Changes to Direct spending units during the Year)

(1) Should the sphere of work or authorities of a direct spending unit be changed during the year, the volume of appropriations set aside for its activities shall be increased or reduced accordingly. Decisions regarding the increase or reduction of appropriations shall be adopted by the Government or the mayors.

(2) Should a direct spending unit be dissolved during the year and should its tasks not be taken over by another direct spending unit, the funds not used shall be carried over to the general budget reserve.

5.5 Budget Reserve

Article 46

(Creation and Drawing on the Budget Reserve)

(1) The budget shall provide funds for the budget reserve which shall act as a budget fund.

(2) The budget reserve shall be used to finance expenditures covering the elimination of the consequences of emergency situations such as earthquake, floods, landslide, snowslide, snowdrifts, hurricane, hail, sleet, frost, drought, mass outbreak of contagious human, animal or vegetal diseases other natural or ecological disasters.

(3) Budget reserve funds shall be raised by allocating one part of overall annual budget receipts up to the amount determined by the budget, however not exceeding 1.5% of the said receipts. One part of the receipts shall be temporarily allocated to the budget reserve on a monthly basis and, subsequently, the same shall be done after the financial statement of the budget for the previous year has been made.

(4) Decisions regarding the use of the budget reserve funds in individual cases up to 2% of the budget reserve planned in the budget shall be adopted by the Government on the proposal of the minister responsible for finance. Reports on the use of budget reserve funds shall be made to the National Assembly and/or local councils according to the method stipulated by this Act. Decisions regarding the use of the budget reserve funds exceeding the said level shall be taken by the National Assembly and/or the local councils by means of a special law and/or decree.

Article 49

(Budget Reserve of the Local Government Budget)

(1) The local government budget shall provide funds for the budget reserve which shall act as a budget fund.

(2) The budget reserve shall be used to finance expenditures covering the elimination of the consequences of emergency situations such as earthquake, floods, landslide, snowslide, snowdrifts, hurricane, hail, sleet, frost, drought, mass outbreak of contagious human, animal or vegetal diseases other natural or ecological disasters.

(3) Budget reserve funds shall be raised by allocating one part of overall annual budget receipts up to the amount determined by the budget, however not exceeding 1.5% of the said receipts. One part of the receipts shall be temporarily allocated to the budget reserve on a

monthly basis and, subsequently, the same shall be done after the financial statement of the budget for the previous year has been made.

(4) Decisions regarding the use of the budget reserve funds in individual cases up to the amount determined by the decree by means of which a local government budget is passed shall be adopted by the mayors on the proposal of the local government's body responsible for finance. Reports on the use of budget reserve funds shall be made to the local council in writing. Decisions regarding the use of the budget reserve funds exceeding the said level shall be taken by the local councils by means of a special decree.

5.6 Entering into Commitments Burdening the Budget

Article 50

(Entering into Commitments Burdening the Budget for the Current Year)

Direct spending units shall enter into commitments on the basis of a written agreement unless otherwise stipulated by law. In the event of a task for which funds are provided by several direct spending units, only one single multilateral agreement may be made stipulating the direct spending unit to coordinate the tasks.

Article 51

(Entering into Commitments Burdening the Budgets for Subsequent Years)

(1) Direct spending units may enter into commitments by making agreements requiring payments to be effected during subsequent years, should the funds for that purpose already be planned within the budget for the current year.

(2) The act regulating the implementation of the budget for an individual year and/or the decree whereby a local government budget is adopted, shall lay down, for individual cases, the maximum amount of commitments falling due in subsequent years which may be assumed by a direct spending unit in the current year. The minister responsible for finance may also stipulate additional conditions for entering into commitments hereunder.

(3) Restrictions referred to in the preceding paragraphs shall not apply to commitments in relation to borrowing by the central and/or local governments and to debt management at the level of the central and/or local governments.

(4) Payments arising from the commitments entered into pursuant to this Article must be included within the budget for the year in which they fall due.

Article 52

(Meeting the Commitments)

(1) Commitments to be covered by the central and local government budgets shall be met within the terms laid down by the act on the implementation of the central government budget.

(2) Direct spending units shall use the appropriations to pay for the supplies of goods, construction works and services already performed. Any arrangement regarding advance payments shall only be possible exceptionally on the basis of an appropriate security and upon prior approval of the minister responsible for finance and/or the mayors. The method of

securing the advance payments to be made by the appropriations from the central and/or local government budgets shall be determined by the minister responsible for finance.

Article 53

(Awarding of Contracts)

(1) A contract for supplies, services or construction works to be covered by the budget may only be made pursuant to the regulations regarding public procurement.

(2) The funds involved in subsidies, loans and other forms of state aid shall be allocated on the basis of a previously concluded public invitation for tenders published in the *Uradni list RS* (Official Gazette of the Republic of Slovenia) under the terms and conditions and according to the procedure prescribed by the minister responsible for finance, unless otherwise provided by a special act. In laying down the terms and conditions and the allocation of state aid funds the minister of finance shall comply with the principles of the public procurement act.

(3) The information about the allocated state aid funds from the second paragraph hereof shall be publicly available.

5.7 Payments from and Repayments to the Budget

Article 54

(Payments from the Budget)

(1) Each outgoing from the budget must be based on an authentic book-keeping document whereby the commitment to a payment is established.

(2) The legal basis and the amount of the commitment arising from the said authentic book-keeping document must be examined and confirmed in writing prior to the actual payment.

(3) The minister responsible for finance shall determine in detail the procedures regarding the methods of entering into commitments, reporting on the commitments entered into and the methods of payments to be made from the central and local government budgets.

Article 55

(Repayments to the Budget)

(1) Should it be subsequently established that no required grounds were provided for an individual payment from the budget to be effected, a direct spending unit shall be obliged to immediately require a repayment to the budget.

(2) Should the budget control establish that the appropriations were allocated contrary to the law or the adopted budget, the budget inspector shall issue a decree requiring the repayment of funds.

(3) Should the payment be returned in the same budgetary year as it was effected, the debit to the financial plan of the spending agency that was burdened by the payment will be reduced.

5.8 Budget Fund

Article 56

(Budget Fund)

(1) The budget fund shall be a record account within a budget account opened by the central and/or local government in order to separately keep certain budget receipts and outgoings and to achieve the purpose stipulated in a special act, international agreement or local government decree (hereinafter: act on the establishment of the budget fund).

(2) The act on the establishment of the budget fund shall stipulate:

1. The purpose of the budget fund;
2. The period of time for which the budget fund is established;
3. The ministry and/or the local government body responsible for managing the budget fund; and
4. The sources of financing of the budget fund.

Article 57

(Financing the Budget Fund and the Commitments Arising from the Budget Fund)

(1) The budget fund shall be financed from the following:

1. Appropriations provided within the budget for the current year;
2. Earmarked receipts of the budget which are defined as earmarked receipts of the budget fund; and
3. Receipts arising from the management of liquid assets of the budget fund.

(2) The commitments arising from the budget fund shall be met by the assets of the fund.

Article 58

(Budget Fund Manager)

(1) The budget fund manager shall be the responsible ministry and/or the responsible local government body.

(2) Upon liquidation of the budget fund, the rights and obligations of the budget fund shall be taken over by the budget fund manager.

Article 59

(Special Conditions on the Use of Budget Fund Resources)

(1) Payments burdening the budget fund may only be made up to the level of the resources available in the budget fund and commitments may be entered into within the framework of realistically planned receipts of the budget fund.

(2) At the end of the current year, any unused resources of the budget fund account shall be carried over to the subsequent year.

Article 60

(Liquidation of the Budget Fund)

(1) The budget fund shall be liquidated in the following cases:

1. Upon the expiration of the time period for which it was established or
2. If the purpose of establishing the budget fund has been attained or
3. If the budget fund has failed to meet the objective for which it was established or
4. If the budget fund resources are insufficient to serve its purpose.

(2) The responsible ministry or the responsible local government body shall submit to the government and/or mayor a modification of the act on the establishment of the budget fund according to the prescribed procedure within 30 days after the conditions for the liquidation of the budget fund have been met.

5.9 Single Treasury Account System

Article 61

(1) The central government budget shall be implemented through the accounts opened at the Bank of Slovenia by the minister responsible for finance, which shall constitute a treasury single account system. The treasury single account system shall also include the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance.

(2) The local government budget shall be implemented through the accounts opened at the Bank of Slovenia by the mayor in agreement with the ministry responsible for finance.

(3) Revenues arising from the management of liquid assets kept in accounts and the expenditures incurred by providing liquidity of the single treasury account system shall be the revenues and/or expenditures of either the central government budget, the Health Insurance Institute of Slovenia or the Retirement and Disability Pension Insurance Institute of Slovenia.

5.10 Reporting on the Achievement of Goals and Results and Implementation of the Budget and Financial Plans of Indirect spending units of Central Government Budget, Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia

Article 62

(Reporting on the Objectives Attained and Results)

(1) Direct spending units shall be obliged to draft reports on the objectives and results in the field within their responsibilities attained in the previous year by 28 February of the current year and submit them to the ministry responsible for finance, which shall submit them to the Government. The Government shall be obliged to submit the said reports together with the financial statement of the budget to the National Assembly.

(2) Indirect spending units of the central government budget, Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, shall draft reports on the objectives and results within their competence attained in the previous year by 28 February of the current year and submit them to the ministry responsible for indirect spending unit's the sphere of activity and to the ministry responsible for finance, which shall submit them to the Government. The

Government shall be obliged to submit their said reports together with the financial statement of the budget to the National Assembly.

(3) The mayors and indirect spending units of the local government budgets shall draft reports on the objectives and results within their competence attained in the previous year by 28 February of the current year and submit them to the local council together with the financial statement of the local government budget. Reports of public institutes established by local governments need not be submitted to the local council unless otherwise regulated by the local government.

(2) The minister responsible for finance shall prescribe a uniform methodology for the drafting of reports on the objectives attained and results.

Article 63

(Reporting on the Implementation of the Budget)

(1) In July of each year, the minister responsible for finance and/or the mayors shall make reports to the Government and/or the local councils on the implementation of the budget in the first half of the year. The said reports shall contain:

1. A report on realised receipts, outgoings, surplus or deficit, borrowing and estimated realisation by the end of the year;

2. Data on inclusion of new commitments in the budget, carryover of earmarked funds from the previous year's budget, the meeting of obligations from past years, reallocation of budget appropriations, changes to the direct spending units during the year, the use of budget fund resources, issued and paid guarantees and collected claims of recourse arising from guarantees;

3. Explanations of the major deviations from the adopted budget; and

4. Proposed measures required.

(2) The Government shall be obliged to submit the report referred to in the preceding paragraph to the National Assembly.

Article 64

(Reporting on the Realisation of Financial Plans of Indirect spending units of the Central government Budget, Health Insurance Institute of Slovenia and Retirement and Disability Pension Insurance Institute of Slovenia)

Indirect spending units of the central government budget, Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, shall submit reports to the ministry responsible for finance on their receipts and outgoings, account balances and investments of available liquid funds in the manner and within time limits determined by the minister responsible for finance.

5.11 Responsibilities of the Head of a Direct spending unit

Article 65

(Responsibility of the Head of a Direct spending unit)

(1) The head of a direct spending unit shall be responsible for entering into commitments, verifying commitments, issuing orders for payments to be covered by the budget of the body

headed by him/her, establishing the right to collect, and issuing orders for the collection of funds to be credited to the budget.

(2) The head of a direct spending unit shall assume responsibility for legal, economical, efficient and effective use of budget appropriations.

(3) The head of a direct spending unit may, by means of an authorisation, delegate individual powers referred to in the first paragraph hereunder to other persons. The person authorised to issue orders for payment shall be the issuer of orders.

Article 66

(Allocation of Responsibilities among Issuers of Orders, Accountants and Internal Controllers)

(1) The budget must be implemented according to the principle of allocation of responsibilities among issuers of orders, accountants and internal controllers.

(2) The functions of issuers of orders, accountants and internal controllers shall be incompatible.

6. MANAGEMENT OF THE ASSETS HELD BY THE CENTRAL AND LOCAL GOVERNMENTS

6.1 General Provision

Article 67

(Assets Held by the Central and Local Governments and their Management)

(1) For the purpose of this Act, the assets held by the central and local governments shall mean financial and physical assets owned by the central and local governments. Financial assets shall mean financial resources, accounts receivable and shares and equity stakes, and other holdings in legal entities (hereinafter: shares and equity stakes). Physical assets shall be composed OF movable and immovable property.

(2) For the purpose of performing public entity services and services of public interest, the central or local government may organise state or local government-held assets as public institutions, public commercial institutions, public enterprises, public funds and agencies.

6.2 Management of Financial Assets

Article 68

(Management of the Liquid Assets Kept in the Accounts Included in the Single Treasury Account System)

(1) Liquid assets kept in the accounts included in the single treasury account shall be managed by the minister responsible for finance. Liquid assets may be placed with the Bank of Slovenia and other banks while adhering to the principle of the placement's security, liquidity and profitability. Decisions regarding the form of the said placement and the method of selecting the bank shall be taken by the minister responsible for finance.

(2) Out of the liquid assets kept in the accounts of the central government budget, the minister responsible for finance may also grant liquidity loans to the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, to public funds and agencies founded by the central government, which shall only be possible under the terms and conditions laid down by the act regulating the implementation of the budget for an individual year and according to the rules determined by the minister responsible for finance.

Article 69

(Management of Liquid Assets of Local Government Budgets)

Liquid assets kept in the accounts shall be managed by the mayors. Liquid assets may be placed with the Bank of Slovenia, with other banks and in government securities while adhering to the principle of the placement's security, liquidity and profitability. Decisions regarding the form of the said placement shall be adopted by the mayors, who shall act in line with the regulation issued by the minister responsible for finance.

Article 70

(Offering Liquid Assets Kept by the Indirect spending units of the Central And/or Local Government Budgets)

The minister responsible for finance and/or the local government bodies responsible for finance may require that the indirect spending units of the central government budget and/or the indirect spending units of the local government budgets, prior to depositing their financial assets with banks or placing their liquid assets in securities, offer the said assets, should this be necessary in order to provide liquidity assets kept in the accounts included in the single treasury account system and/or to implement the local government budget.

Article 71

(Management of Public Institutions, Public Enterprises, Funds and Agencies and Exercise of Rights Arising from Share and Equity Stake Ownership in Legal Entities)

(1) The ministries responsible and/or the local government bodies responsible for finance shall, for the purpose of performing the activities of public entities and activities of public interest, unless otherwise stipulated by a special law, carry out the following tasks:

1. Coordinatin of working programmes and financial plans of public institutions, public enterprises, funds and agencies and financing of activities of legal entities in accordance with accepted programmes;
2. Supervision of the legal entities' operations;
3. Supervision of implementation of approved programmes of legal entities;
4. Supervision of the borrowing by legal entities; and
5. Assertion of various rights of holders of equity investments (e.g. participation in meetings of shareholders and representation in supervisory boards).

(3) Keeping central records of equity investments and stakes of the central government shall be the responsibility of the ministry responsible for finance and/or the local government bodies responsible for finance.

Article 72

(Reporting Liability of Legal Entities and Auditing of Financial Statements)

(1) Legal entities in which the central and/or local governments hold at least a 15% equity stake shall be obliged, no later than 180 days after the end of the business year and no later

than 30 days prior to the published convening of the general meeting of shareholders, to submit to the ministry responsible for finance and the responsible ministry and/or the local government body responsible for finance the materials for the general meeting of shareholders as well as the auditor's reports and the reports of supervisory boards for the last business year, should they not be included within the said materials.

(3) The minister responsible for finance and/or the mayors may, for those legal entities where the central and/or local governments hold at least a 15% stake, require an audit of its business operations at the cost of the entity audited.

Article 73

(Formation and Dissolution of Legal Entities in the |Public Sector and Acquisition and Sale of Equity Stakes in Companies)

(1) The decision on the formation and dissolution of legal entities which have been founded or co-founded by the central, i.e. local government shall be the responsibility of of the Government on the proposal of the responsible minister and/or the local council unless otherwise provided by a regional act or the local self-government act.

(2) The Government and/or the local council may, on the proposal of the responsible minister, decide to purchase shares or equity stake in a company if funds have been earmarked for this purpose in the budget and if this serves the national or local government interests.

(3) In the event that public interest in central government or local government ownership of shares and equity stakes in legal entities no longer exists, the Government and/or the local council may decide, on the proposal of the responsible minister or the minister responsible for finance, to sell the shares and equity stakes unless this is contrary to the provisions of a special act.

Article 74

(Proceeds from the Sale of Equity Investments and Stakes held by the Central and/or Local Governments)

Proceeds from the sale of equity investments and stakes shall only be used to repay debts in the financing account.

Article 75

(Collection of Claims of Recourse Arising from Guarantees)

Should either obligations arising from loan agreements or other obligations for which guarantees were issued by the central and/or local governments be met by the budget appropriations, a claim on the guarantee debtor shall be established for which the obligation was met. The minister responsible for finance and/or the local government body responsible for finance shall, immediately after the commitment was met, initiate the procedure for the collection of the claim of recourse to be paid by the debtor on the basis of the agreement on collateral.

Article 76

(Conversion of Claims)

(1) The central government may acquire equity stakes in companies either gratuitously, by means of the budget appropriations, or by paying up a stake in kind.

(2) The acquisition of equity stakes in companies by the central government by paying-up a material stake may be carried out either by:

1. Converting overdue taxes, contributions or other compulsory levies of a debtor to the state arising from the forced settlement procedures pursuant to the Forced Settlement, Bankruptcy and Liquidation Act;
2. Converting claims arising from loans given and guarantees paid; and
3. Paying-up stakes in kind in the form of immovable and movable property other than immovable property used to provide public services.

(3) Decisions regarding equity investments of the state in companies pursuant to the preceding paragraph shall be taken by the Government on the proposal of the ministry responsible in agreement with the ministry responsible for finance.

Article 77

(Write-off, Partial Write-off, Deferment, and Instalment Repayment of Outstanding Debt to the Central and/or Local Governments)

- (1) The minister responsible, in agreement with the minister responsible for finance, and/or the mayors may, upon the request of a debtor concerned and under proper security and interest rate in relation to a debt, either defer the repayment, allow repayment of the debt by instalment, or change the planned pace of debt repayment, should this result in enhanced possibilities of debt repayment by a debtor from which it could otherwise not be collected it in full. The minister responsible for finance shall prescribe the method of security and interest rate for the period of deferment of the outstanding debt to the central and/or local governments.
- (2) Should the debtor fail to pay an instalment in due time, the minister responsible for finance and/or the mayors may require immediate repayment of the entire debt so deferred.
- (3) Should the charges of the collection procedure be disproportionate to the amount of the claim, the minister responsible, in agreement with the minister responsible for finance, and/or the mayors may fully or partially write off the debt up to the level stipulated by the act regulating the implementation of the budget for an individual year and/or by the decree whereby the local government budget was adopted.
- (4) For the purpose of this Article, those debts to the central and/or local governments arising from compulsory levies shall not be considered as debt.

6.3 Management of Physical Assets

Article 78

(Acquisition of Physical Assets by the Central and Local Governments)

- (1) Physical assets may only be acquired by purchasing up to the level required to assure the performing of tasks by a direct spending unit of the central and/or local government budget and shall not involve any unnecessary inventories.
- (2) In the event of a gratuitous acquisition of physical assets, prior approval of the Government and/or the local government body responsible for finance or another body authorised by the local government's by-laws must be obtained should the said acquisition involve substantial costs and/or should the ownership involve such conditions which could incur commitments to the central and/or local government.

(3) The Government shall prescribe the principles and standards regarding the implementation of the provisions of the first and second paragraphs hereof, whereby the principles of economy, efficiency and effectiveness must be adhered to. The said principles and standards issued by the Government shall also apply to local governments.

Article 79

(Principles of Management of Physical Assets)

(1) Direct spending units shall manage the physical assets in their possession. For the purpose of this Act, the management of physical assets shall involve the use of assets, their maintenance and lease.

(2) The heads of direct spending units shall be obliged to manage the physical assets managed by the direct spending units with due care and to keep records of the said assets.

(3) Physical assets and natural persons must be insured if so stipulated by the law. Decisions regarding the insurance of physical assets in other events must be taken by the head of a direct spending unit, whereby account shall be taken of the cost-benefit analysis and the principles of economy, efficiency and effectiveness in the use of budget appropriations shall be adhered to. Any indemnity to cover losses incurred in those physical assets that have not been insured shall be paid from the budget.

(4) The minister responsible for finance shall prescribe common criteria for the implementation of the preceding paragraph with regard to both the central and local governments.

Article 80

(Proceeds from Sale and Exchange of Central Government's and/or Local Government's Physical Assets, Indemnities Arising from Insurance)

Proceeds from sale and exchange of central government's and/or local government's physical assets and indemnities arising from the insurance thereof shall only be used for the maintenance or purchase of physical assets by the central and/or local governments.

7. BORROWING, DEBT MANAGEMENT, GUARANTEES OF THE CENTRAL AND LOCAL GOVERNMENTS AND PUBLIC SECTOR BORROWING

7.1 Borrowing and Debt Management

Article 81

(Central Government Borrowing)

(1) The central government may borrow funds both locally and abroad and up to the level stipulated by law.

(2) During a period of temporary financing, the central government may borrow funds up to the level necessary to repay the principals of the public debt in the current budgetary year.

(3) Should it be impossible to balance the implementation of the budget due to uneven inflow of receipts, the central government may borrow liquidity funds, however not exceeding 5% of the last budget duly adopted.

Article 82

(Public Debt Management)

(1) By drawing loans and issuing securities, the state may raise funds necessary either to repay the public debt before falling due or to purchase its own securities, provided that:

1. Measures to establish economic stability are supported;
2. Expenses involving the public debt are reduced; or
3. The quality of borrowing is improved and no increase in the public debt is recorded.

(2) The central or local government may also make other transactions whereby exchange and interest risks related to the state and/or local government debt are reduced or excluded (derivative financial instruments).

Article 83

(Securities Market Interventions)

(1) The state may purchase and resell its own securities either within or outside the organised securities market.

(2) The funds for the purchase of securities referred to in the preceding paragraph shall be provided by the central government budget.

Article 84

(State Debt-Related Transactions)

(1) Decisions regarding transactions in relation to public borrowing, public debt management, and securities market interventions shall be adopted by the minister responsible for finance on the basis of the annual budget financing programme to be adopted by the Government.

(2) Transactions referred to in the preceding paragraph shall be entered into by the minister responsible for finance or another person authorised by the minister in writing.

(3) Decisions regarding liquidity borrowings shall be adopted and implemented by the minister responsible for finance or another person authorised in writing by the minister responsible for finance.

Article 85

(Special Conditions on Local Government Borrowing)

(1) Local governments may borrow funds on the basis of prior approval of the minister responsible for finance and under the terms and conditions laid down by the act regulating the financing of local governments. Borrowing transactions for which no prior approval has been given by the ministry responsible for finance shall be deemed null and void.

(2) Should it be impossible to balance the implementation of the budget due to uneven inflow of receipts, local governments may borrow liquidity funds, however not exceeding 5% of the last budget duly adopted. Unless otherwise stipulated in a special law, the income arising from the management of liquid assets shall be considered as budget revenues, whereas the expenses arising from the measures designed to ensure the liquidity of the budget shall be considered as budget expenditures.

(3) Local governments shall be obliged to report to the ministry responsible for finance on the borrowing and repayments of principal according to the methods and within the deadlines determined by the minister responsible for finance.

(4) During a period of temporary financing, a local government may borrow funds up to the level necessary to repay the principals of the local government debt in the current budgetary year.

7.2 Issuing of Guarantees

Article 86

(State and Local Government Guarantees)

(1) The central and/or local governments may issue guarantees up to the extent and according to the terms and conditions stipulated by law.

(2) Guarantee agreements on behalf of the central government shall be entered into by the minister responsible for finance or a person authorised in writing by the Government.

(3) Guarantee agreements on behalf of local governments may be entered into by the mayors or persons authorised in writing by the mayors.

7.3 Public Sector Borrowing and Guarantees

Article 87

(Borrowing and Issuing of Guarantees at the Central Government Level)

(1) Indirect spending units of the central government budget, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, public commercial institutions, public enterprises and legal entities in which the central government has a decisive influence on their management may only borrow funds and issue guarantees under the terms and conditions determined by the Government on the proposal of the minister responsible for finance.

(2) The total of borrowing and guarantees referred to in the preceding paragraph shall be laid down by the act regulating the implementation of the budget for an individual year.

(4) The Government shall, on the proposal of the minister responsible for finance, issue a list of legal entities referred to in the first and second paragraphs hereunder and prescribe the conditions and procedures which must be adhered to by the said legal entities and/or representatives or authorised persons in the bodies of the said legal entities when borrowing funds and issuing guarantees.

Article 88

(Borrowing and Issuing Guarantees by Public Sector Entities at the Local Government Level)

(1) Indirect spending units of local government budgets, public commercial institutions, public and enterprises may only borrow funds and issue guarantees if this is permitted by law and under the terms and conditions stipulated by the local councils.

(2) Legal entities in which local governments have a decisive influence on their management may borrow funds and issue guarantees under the terms and conditions stipulated by the local councils.

(3) The total of borrowing and guarantees referred to in the preceding paragraph shall be laid down by the decree whereby the local government budget is adopted.

(3) Local governments shall be obliged to make reports to the ministry responsible for finance on the borrowing and issuing of guarantees in respect of public sector entities pursuant to this Article according to the methods and deadlines determined by the minister responsible for finance.

8. ACCOUNTING

Article 89

(Accounting System)

(1) For the purpose of keeping of account books and the making up of annual reports for the central government budget, local government budgets, direct spending units and indirect spending units, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, the provisions of the Accounting Act shall be applied unless otherwise provided by this Act.

(2) The minister responsible for finance shall determine the accounting procedures, chart of accounts, bookkeeping and reporting methods for the central government budget, local government budgets, direct spending units and indirect spending units, the Health Insurance Institute of Slovenia and Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, according to the Slovene Accounting Standards and pursuant to the Accounting Act.

Article 90

(Exceptions to the Disclosure of Receipts and Outgoings)

(1) The minister responsible for finance shall prescribe special conditions on disclosing receipts and outgoings of the budget.

(2) In the event of liquidity borrowing, the financing account at the end of the year shall only disclose the difference between the liquidity borrowing funds received and those paid during the current year.

(3) Any changes arising in the management of the central and local government debt, debt-equity swaps and write-offs of debts shall only be disclosed in the balance sheet.

Article 91

(Responsibilities of the Accounting Service)

The accounting service in respect of the central government budget, local government budgets, direct spending units and indirect spending units, the Health Insurance Institute of Slovenia and Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, shall involve payments, updating, collecting and recording of data, compiling of statutory financial reports, accounting supervision, supervision of the settling of claims and meeting of obligations and the filing of original bookkeeping documents unless otherwise provided by a special law.

Article 91

(Chartered Accountant)

(1) Heads of direct and indirect spending units responsible for accounting, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, shall appoint chartered accountants. Should the said heads be responsible for accounting for several direct or indirect spending units, they shall appoint chartered accountants for individual direct or indirect spending units.

(2) The mayors shall appoint one or more chartered accountants to keep the books and make annual reports in relation to both the local government budgets and the direct spending units of the local government budgets.

(3) A chartered accountant may temporarily hold back a payment, should it be in contravention of this Act, the act regulating the implementation of the budget for an individual year or the decree whereby the local government budget is adopted.

Article 93

(Drawing up of the Consolidated Balance Sheet of the Central and Local Governments)

(1) The consolidated balance sheet of the central and local governments shall be the act of the Government whereby the consolidated balance of assets held by the central and the local governments as at 31 December of the current year are presented.

(2) The direct spending units of the central government budget shall draw up balance sheets and submit them to the minister responsible for finance not later than by 30 April of the following year.

(3) The direct spending units of local government budgets shall draw up balance sheets and submit them to the local government bodies responsible for finance not later than by 30 March of the following year; the local government bodies responsible for finance shall submit them to the ministry responsible for finance no later than 30 April of the following year. The local government balance sheets shall also include balance sheets of both the indirect spending units of the local government budgets and the subdivisions of local governments referred to in the fifth paragraph hereof.

(4) The indirect spending units of the central government budget, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, shall draw up balance sheets and submit them to the minister responsible for finance not later than 30 April of the following year.

(5) The indirect spending units of the local government budgets and the subdivisions of local governments shall draw up balance sheets and submit them to the local government bodies responsible for finance not later than by 30 March of the following year.

(6) On the basis of the balance sheets referred to in the second, third, fourth and fifth paragraphs hereof, the ministry responsible for finance shall draw up a consolidated balance sheet of the central and local governments and shall submit it to the Government for approval no later than by 31 May of the following year.

Article 94

(Submission of the Consolidated Balance Sheet of the Central and Local Governments)

The Government shall, every two years and together with the financial statement of the central government budget, also submit to the National Assembly the consolidated balance sheet of the central and local governments.

Article 95

(Instructions by the Minister responsible for Finance)

(1) The minister responsible for finance shall issue detailed instructions regarding the end of the year for both the central and local government budgets not later than by 30 September of the current year.

(2) The minister responsible for finance shall issue detailed instructions regarding the following:

1. Drawing up and submission of financial statements;
2. Drawing up and submission of balance sheets; and
3. Conditions to be met with regard to the use of information technology in bookkeeping.

9. FINANCIAL STATEMENT OF THE BUDGET

Article 96

(Contents of the Financial Statement of the Budget)

(1) The financial statement of the budget (hereinafter: the financial statement) shall be the act of the central and/or local governments comprising both the planned and implemented revenues and other receipts as well as expenditures and other outgoings of the central and/or local governments for the past year.

(2) In drawing up the financial statement, the breakdown prescribed for preparing the budget shall be taken into consideration. The financial statement shall also incorporate an explanation pertaining to the financial statement, a constituent part of which shall be the data from the balance sheet and the clarifications of deviations.

(3) The minister responsible for finance shall determine the detailed contents and structure of the financial statement for both the central and local government budgets.

Article 97

(Drafting and Adopting of the Financial Statement of the Central Government Budget)

(1) Direct spending units shall draw up financial statements of their financial plans and annual reports for the past year and submit them to the ministry responsible for finance not later than by 28 February of the current year.

(2) The ministry responsible for finance shall draw up the proposed financial statement of the central government budget and submit it to the Court of Auditors not later than by 31 March of the current year.

(3) The ministry responsible for finance shall submit the proposed financial statement of the central government budget together with the final report of the Court of Auditors to the Government within 30 days of the submission of the final report by the Court of Auditors.

(4) The Government shall determine the proposed financial statement of the central government and submit it together with the final report of the Court of Auditors to the National Assembly for adoption not later than by 1 October of the current year.

Article 98

(Drafting and Adopting of the Financial Statement of the Local Government Budget)

(1) Direct spending units shall draw up financial statements of their financial plans and annual reports for the past year and submit them to the mayors not later than by 28 February of the current year.

(2) The mayors shall draw up the proposed financial statements of local government budgets for the past year and submit them to the ministry responsible for finance not later than by 31 March of the current year.

(3) The mayors shall submit the proposed financial statements of local government budgets to the local councils for adoption.

(4) The mayors shall inform the ministry responsible for finance about the financial statements of local government budgets not later than 30 days after their adoption.

Article 99

(Submission of Annual Reports from Indirect spending units, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia)

(1) Indirect spending units, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, shall be obliged to draw up annual reports pursuant to the provisions of the Accounting Act.

(2) Indirect spending units of the central government budget, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, shall be obliged to submit annual reports for the past year together with explanations to the ministry responsible not later than by 28 February of the current year. Annual reports of funds and agencies established by the Government and the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, shall also be submitted by the Government to the National Assembly.

(3) Indirect spending units of local government budgets shall be obliged to submit annual reports for the past year together with explanations to the mayors not later than by 28 February of the current year. The mayors shall also submit annual reports of funds and agencies established by the local governments to the local councils.

10. BUDGETARY CONTROL

10.1 Financial Control of Direct Spending Units of the Central and Local Government Budgets

Article 100

(Financial Control)

(1) Financial control of direct spending units of the central government shall be a system internal controls and internal audit. The direct spending units referred to in the second paragraph of Article 19 of this Act shall set up adequate forms of internal control for all central government bodies and organisations from within their responsibilities.

(2) Internal control shall be organised as a system of procedures and responsibilities of the staff of direct spending units.

(3) Internal audit shall be a subsequent accounting-financial audit as well as an audit of effectiveness, efficiency and performance.

(4) The system of internal controls and internal audit may be supplemented by organising an internal audit service operating within the direct spending units of the central government budget.

(5) The minister responsible for finance shall determine common criteria for the organisation and procedures involved in internal control, on the basis of which the direct spending units referred to in the second paragraph of Article 19 may determine detailed organisation and procedures intended to exercise internal control.

(4) Local governments shall set up adequate forms of internal control in accordance with the detailed instructions laid down by the minister responsible for finance.

10.2 Financial Control by the Body Responsible for Budget Control

Article 101

(Responsibilities of the Body in Charge of Budget Control)

(1) The body in charge of the control of the central government budget shall be the ministry responsible for finance.

(2) The ministry responsible for finance shall have the following competencies:

1. to oversee the budget expenditures;
2. to carry out the subsequent accounting/financial audit and the audit of effectiveness, efficiency and performance of joint projects of various direct spending units of the central government budget; and
3. lay down the common guidelines relating to the performance of the internal audit of direct spending units of the central and local government budgets.

(3) The minister responsible for finance shall give detailed instructions for the implementation of the second and third items of the preceding paragraph.

(4) The auditors' findings and opinion provided by the ministry responsible for finance for the purpose of the audit from the second item of the second paragraph hereof shall be discussed by the direct spending units. In the event of a negative auditors' opinion the Government shall be notified accordingly.

10.3 Budgetary Inspectorate and Internal Audit

Article 102

(Supervisory Responsibilities of the Ministry Responsible for Finance)

(1) Control over the implementation of this Act and the regulations covering financial, material and accounting operations of direct and indirect spending units of the central government budget, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, as well as over the lawfulness and appropriate use of budget appropriations and the management of state assets shall be performed by the ministry responsible for finance. The office for budgetary control shall be established as a body within the ministry responsible for finance.

(2) Should it not be otherwise stipulated by this Act, the provisions of the Administration Act and the General Administrative Procedure Act shall apply to budget inspectors and the implementation of budgetary control.

(3) Budget inspectors shall be obliged to pass the professional exam every three years.

Article 103

(Exercise of Control)

(1) Direct and indirect spending units of the central government budget, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, shall be obliged to allow budget inspectors to conduct their supervision and allow them access to all the required data, documents, reports in relation to such supervision as well as to ensure electronic processing of the said data.

(2) Should it be necessary for the purpose of the control referred to in the preceding Article, the said supervision shall also involve the use of the central government budget appropriations paid to local governments and other recipients of budget appropriations.

(3) In performing their tasks, budget inspectors shall be bound to safeguard state, military, official and business secrecy.

Article 104

(Special Powers)

(1) Should it be established by a budget inspector in conducting the said supervision that a law, other regulation or act has been violated, he shall order a remedial action to be taken designed to eliminate the established deviations in a certain time period.

(2) Should it be established during the exercise of budget control that funds are being used in contravention of the law or the budget, a budget inspector may, by issuing a decision, halt such payments from the budget and/or require that the funds be repaid to the budget.

(3) Appeals against the decision issued by a budget inspector may be filed within 10 working days of the service of such decision. An appeal against the decision whereby payments from the budget are temporarily suspended shall not stay its execution.

(4) Budget inspectors may propose to the direct and indirect spending units, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia amendments and modifications to their operations.

Article 105

(Body Responsible for Making Decisions Concerning Appeals)

At the second instance, decisions concerning appeals against decisions issued by the ministry responsible for finance at the first instance shall be made by the Government.

Article 106

(Notification)

The ministry responsible for finance shall report on the conducted supervision, findings and related decisions to the Government and the Court of Auditors, while the Government shall report to the National Assembly on a half-yearly basis.

11. PENALTY PROVISIONS

Article 107

(Major Infringements)

A fine ranging from SIT 500,000 to SIT 1,500,000 shall be applied for the following offences:

1. Should a responsible person of a direct spending unit enter into commitments or make payments from the budget for the purposes which were not planned in the budget (tenth paragraph of Article 2);

2. Should a responsible person of a direct spending unit, in contravention of this Act, enter into a commitment or make payments from the budget in an amount exceeding the appropriations set aside in the budget (tenth paragraph of Article 2); and

3. Should a responsible person of an indirect spending unit, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, borrow funds or issue guarantees without complying with the conditions laid down by the Government and/or a local council (first paragraph of Article 84 and first paragraph of Article 85).

Article 108

(Minor Infringements)

A fine ranging from SIT 100,000 to SIT 500,000 shall be applied for the following offences:

1. Should a responsible person of a direct spending unit of the central and/or local government budgets fail to draw up the investment programme according to the prescribed methodology for the drafting of investment programmes (second paragraph of Article 22);

2. Should a responsible person of a direct spending unit of the central and/or local government budgets fail to ensure the full and timely collection of receipts of the budget from within their responsibilities and for their allocation to the budget (second paragraph of Article 34);

3. Should a responsible person of a direct spending unit of the central and/or local government budgets, in making an agreement, fail to take into consideration the prescribed terms of payment (first paragraph of Article 52), or agree on prepayments without obtaining the approval of the minister responsible for finance and/or the mayor (second paragraph of Article 52);

4. Should a responsible person of a direct spending unit of the central and/or local government budgets open accounts without prior approval of the minister responsible for finance (the first paragraph of Article 61);

5. Should a responsible person of a direct and indirect spending unit of the central and/or local government budgets, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, fail to submit the balance sheet in due time (second, third, fourth and fifth paragraphs of Article 93);

6. Should a responsible person of a direct spending unit of the central and/or local government budgets fail to organize financial supervision (Article 100);

7. Should a responsible person of a direct spending unit of the central and/or local government budgets fail to submit an annual report to the bodies responsible in due time (first paragraph of Article 97 and/or first paragraph of Article 98);

8. Should a responsible person of an indirect spending unit of the central and/or local government budget, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, fail to submit their annual report to the bodies responsible in due time (Article 99);

9. Should a responsible person of a direct or indirect spending unit of the central government budget, the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, fail to submit to the budget inspector the data, documents and reports required for the purpose of the audit (the first paragraph of Article 103); and

11. Should a responsible person of a local government fail to open an account with the Bank of Slovenia in due time (Article 109).

11. TRANSITIONAL AND FINAL PROVISIONS

Article 109

(Opening of Local Government Accounts with the Bank of Slovenia)

Local governments shall be obliged to open their accounts with the Bank of Slovenia within two years of the entry into force of this Act.

Article 110

(Transitional Period prior to the Establishment of the Treasury Single Account)

During the period prior to the establishment of the single treasury account:

1. The liquid assets kept in the central government budget accounts shall be managed by the minister responsible for finance;

2. The direct spending units of the central government budget may only open and close accounts with the approval of the minister responsible for finance. On the proposal of the minister responsible for finance, the direct spending units' accounts shall be closed *ex officio*;

3. Prior to depositing their financial assets with the banks or placing the liquid assets in securities, the Health Insurance Institute of Slovenia and the Retirement and Disability

Pension Insurance Institute of Slovenia, both in the area of compulsory insurance, shall be obliged, on the request of the ministry responsible for finance, to offer the said assets to the ministry responsible for finance in the form of short-term borrowing of the state, should this be necessary in order to provide liquidity assets for the implementation of the central government budget; and

4. The accounting system shall be responsible for making payments through the existing accounts.

Article 111

(Deadlines for the Issuing of Regulations)

(1) The Government shall issue the regulations referred to in Articles 21, 23, 78, and 87 of this Act not later than 60 days after the entry into force of this Act.

(2) The minister responsible for finance shall issue regulations referred to in Articles 3, 8, 10, 11, 12, 23, 36, 37, 43, 52, 53, 54, 62, 64, 68, 77, 79, 85, 88, 90, the second paragraph of Article 89, Articles 95, 97, 100 and 101 of this Act not later than within 120 days of the entry into force of this Act.

(3) The minister responsible for finance shall issue, in cooperation with the minister responsible for development, the regulation referred to in Article 23 not later than within 120 days of the entry into force of this Act.

Article 112

(Termination of Acts in Effect)

(1) On the day of entry into force of this Act, the following acts shall cease to be effective:

1. Financing of Public Spending Act (Official Gazette of the RS, Nos. 48/90, 34/91 - I, 30/92, 52/92 - Decision of the Constitutional Court of the RS, 7/93, and 43/93 - Decision of the Constitutional Court of the RS);

2. Articles 3, 4, 5, 7, 8, 10, 11, 12, 13, and 14 of the Local Government Financing Act (Official Gazette of the RS, nos. 80/94, 45/97 - Decision of the Constitutional Court of the RS, and 67/97 - Decision of the Constitutional Court nos. 56/98 and 61/99 - Decision of the Constitutional Court of the RS);

3. Structure of Certain Investments of Individual Public Institutions, Funds and Insurance Organisations Act (Official Gazette of the RS, No. 71/93).

4. Temporary Prohibition of the Privatisation of Legal Entities and Assets Owned by the Republic of Slovenia Act (Official Gazette of the RS, nos. 20/95 and 37/95);

5. Implementation of the Budget of the Republic of Slovenia Act (Official Gazette of the RS nos. 5/96, 76/97, 87/97, 34/98, 91/98 and 63/99) and implementing regulations issued on its basis, except

- The Regulation on the Procedures of Budget Outgoings (Official Gazette of the RS nos. 91/98 and 9/99 / amendment);

- The Regulation on the Determining of Quarterly Quotas and Monthly Liquidity Plans of Spending Units of the Central Government Budget of the Republic of Slovenia (Official Gazette of the RS, no. 55/99);

- Decree on the Economic Classification of Public Revenues and Expenses, Loans Granted and Repaid and Borrowing and Debt Repayment (Official Gazette of the RS, nos 75/98, 16/99 and 48/99);

- Decree on the Recording and Disclosure of Public Revenues and Other Receipts and Outgoings, and Other Expenses, Assets and Liabilities (Official Gazette of the RS, nos 1/98, 16/99 and 48/99);
- Instructions on Donations Representing Budget Revenues of the Republic of Slovenia (Official Gazette of the RS, no. 51/98);
- Instructions on the Application of Proceeds from Sale and Exchange of Movable and Immovable Property Owned by the Republic of Slovenia and Indemnities Arising from Insurance (Official Gazette of the RS, no. 51/98);
- Instructions on the Application of Funds of the Budget of the Republic of Slovenia for the Purchase of Equipment of Minor Value (Official Gazette of the RS, no. 6/99);
- Instructions on the Financial Operations of Administrative Units and Administrations, Offices and Inspectorates Having the Status of Administrative Bodies and Organisations within the Ministries and Having their Branches at Local Levels (Official Gazette of the RS, Nos. 65/97 and 20/98);
- Instructions on the Financial Operations of the Bodies Conducting Misdemeanour Proceedings (Official Gazette of the RS, No. 65/97);
- Instructions on the Implementation of Article 35 of the Implementation of the Budget of the Republic of Slovenia Act (Official Gazette of the RS, no. 56/98);
- Instructions on the Method of Entry of Data Required for the Monitoring of Budget Implementation in Orders for Payment of Slovenia (Official Gazette of the RS, no. 2/99);
- Instruction on the Settlement of Joint Liabilities of Spending Agencies of the Central Government Budget (Official Gazette of the RS, no. 55/99);
- Decree on the Obligation of Reporting by the Health Insurance Institute of Slovenia and the Retirement and Disability Pension Insurance Institute of Slovenia on their Revenues and Expenses, Loans Granted and Repaid, Changes in Accounts Receivable and Investments as well as Borrowing and Debt Repayments (Official Gazette of the RS, no. 16/99);
- Decree on the Uniform Methodology for the Preparation of Investment-Type Public Procurement Programmes (Official Gazette of the RS, nos. 82/98, 86/98 and 43/99);
- Decree on the Method of Granting Subsidies, Grants and Other Transfers from the Budget of the Republic of Slovenia (Official Gazette of the RS, no. 5/98);
- Instructions on the Type and Method of Communication of Data on the Balance and Changes in Debt and Issued Guarantees by Entities under the Public Law pursuant to Article 48.a of the Implementation of the Budget of the Republic of Slovenia Act (Official Gazette of the RS, nos. 52/98 and 65/98);
- Decree on the Procedures of Borrowing and Entering Into Commitments by Legal Entities Owned by the Republic of Slovenia (Official Gazette of the RS, nos. 52/98 and 67/98);
- Decree on the Disposal, Lease or Exchange of Movable and Immovable Property Owned by the Republic of Slovenia (Official Gazette of the RS, nos. 52/98 and 61/99);
- Decree on the Method of Selling of Accounts Receivable of the Republic of Slovenia in Forced Settlement or Bankruptcy Proceedings (Official Gazette of the RS, no. 60/99);
- Decision on the Uniform Positions for the Obtaining of the Consent to the Enhanced Work Efficiency in Public Institutions (Official Gazette of the RS, no. 2/99) and
- Decree on the Use of Fleet Cars by State Administration Bodies (Official Gazette of the RS, no. 60/99).

(2) The Implementation of the Budget of the Republic of Slovenia Act shall remain in force until 31 December 1999 when it shall be superseded by this Act, with the exception of the provisions of the third sentence of the first paragraph of Article 85 of the Implementation of the Budget of the Republic of Slovenia Act (Official Gazette of the RS, nos. 5/96, 78/97, 87/97, 34/98 and 91/98) and Article 43 of the Act on the Amendments and Modifications of

the Implementation of the Budget of the Republic of Slovenia Act (Official Gazette of the RS, no. 91/98), which shall remain in force until 31 January 2000.

Article 113

(Effective Date of the Act)

(1) This Act shall enter into force fifteen days after its publication in the Official Gazette of the Republic of Slovenia.

(2) The provisions relating to the development programmes plan shall first be applied during the preparation of the central and local government budgets for the year 2001.

(3) The direct spending units of the central and local government budgets shall be obliged to set up appropriate forms of internal control and audit by 1 January 2001.

No. 411/01/99/56/4

Ljubljana, 16 September 1999

Chairman
of the National Assembly
of the Republic of Slovenia
Janez Podobnik, M.D., s.