

**Law No. (4) of 2017**  
**Regarding**  
**The Financial System of the Government of Sharjah**

We, Sultan bin Muhammad Al Qasimi, Ruler of the Emirate of Sharjah,  
Having reviewed Law No. (2) of 1999 regarding the establishment of the Executive Council of the Emirate of Sharjah, its internal regulations, and its amendments,  
And Law No. (3) of 1999 regarding the establishment of the Consultative Council of the Emirate of Sharjah, its internal regulations, and its amendments,  
And Amiri Decree No. (1) of 1992 regarding the establishment of the Financial Audit Department and its amendments,  
And Amiri Decree No. (28) of 2007 regarding the establishment and organization of the Central Finance Department and its amendments,  
And Executive Council Resolution No. (4) of 2002 on the Procurement, Tenders, and Auctions Regulation for the departments, institutions, and bodies of the Government of Sharjah,  
And Executive Council Resolution No. (11) of 2007 issuing the Financial Regulation in the Emirate of Sharjah and its amendments,  
And based on the approval of the Executive Council and the Consultative Council of the Emirate of Sharjah, and as required by the public interest,  
We have issued the following Law:

**Chapter One**  
**Definitions**  
**Article (1)**

In the application of the provisions of this Law, the following words and phrases shall have the meanings assigned to each of them, unless the context otherwise requires:

The State:            The United Arab Emirates.

The Emirate:        The Emirate of Sharjah.

The Ruler:	The Ruler of the Emirate.
The Government:	The Government of the Emirate.
The Council:	The Executive Council of the Emirate.
The Department:	The Central Finance Department in the Emirate.
Government Entities:	Government departments, bodies, institutions, and the like, which aim to provide a public service and whose operating and capital budgets are financed from the public treasury of the Government, or are attached to it or independent, and do not operate on a commercial basis.
Independent Entities:	Financially and administratively independent government bodies and institutions that finance their operational and capital operations from their own resources and operate on a commercial basis.
Government Companies:	Legal entities wholly or partially owned by the Government, whose budget is financed from the public treasury, enjoy financial and administrative independence, contribute to the development of the national economy, and engage in economic or commercial activities.
The Head:	The head of the Government Entity or the chairman of its board of directors, or their representative who exercises these powers under laws and regulations related to that entity.
Fiscal Year:	The fiscal year of the Government is twelve months, beginning on the first of January of each year and ending on the 31st of December of the same year.
General Budget:	The estimated financial plan for the revenues and expenditures of Government Entities during the upcoming fiscal year, approved by law.

General Budget Reserve:	An account held by the Department and used in accordance with its specific regulations and instructions for the purpose of addressing imbalances, surpluses, and deficits in the general budget items.
Public Revenues:	Financial returns generated from the provision of services and the practice of various activities by Government Entities, which are collected in accordance with applicable legislation.
Public Expenditures:	Financial appropriations included in the general budget to meet the needs of Government Entities and Companies, enabling them to perform their duties and responsibilities, with the aim of contributing to economic and social development processes and achieving public benefit in light of government objectives and priorities.
Public Debt:	All outstanding debts owed by Government Entities, Independent Entities, Government Companies, and their subsidiaries, and guarantees provided by the Government, which the Government has explicitly agreed to assume.
Fiscal Policies:	The principles, procedures, and mechanisms followed by the Government to positively influence the economic and financial activity of the Emirate, by determining the volume of public spending, revenues, public debt, taxes, and fees, in order to achieve specific economic and social objectives.
Accounting Policies:	The set of rules, procedures, principles, and standards set by the Department that must be followed by Government Entities for processing accounting transactions and preparing financial statements.
Government Resources Management System:	The government financial system which includes all financial programs necessary for managing government financial resources.

Unified Chart of Accounts:	A list of accounts (account items) used by Government Entities for recording accounts and accounting transactions and issuing financial statements. This chart includes classifications of assets, liabilities, equity, expenses, and revenues.
Trust Funds:	Funds deposited in the Government's bank accounts and held until the purpose for which they were held is fulfilled, and they are payable to the depositor or any other entitled party.
Treasury Single Account:	A central bank account used for managing cash flows and belonging to the Department, to which a group of bank accounts for Government Entities are linked. Disbursements are made from them, and their overdraft balances are funded daily from the central treasury account to reach a zero balance at the end of the business day, not exceeding the approved budget balances, and all their receipts are deposited into it immediately upon collection.
Financial Statements:	The statements prepared by the Department at the end of the fiscal year, presenting all the results of the operations of Government Entities, Government Companies, and Independent Entities in a consolidated financial statement, which includes: the financial position, financial performance, cash flows, changes in equity, and any various notes thereto.
Executive Regulation:	The regulation issued pursuant to the provisions of this Law.

## **Chapter Two**

### **Objectives of the Law**

#### **Article (2)**

This Law aims to achieve the following:

1. Establish the general framework to enhance the efficiency of financial resource management, including the preparation, approval, implementation, and management of the general budget.

2. Prepare and submit financial and operational reports and data on all financial transactions of the Government.
3. Manage and use available financial and material resources efficiently, economically, and effectively, in accordance with indicators for rationalizing and controlling government spending.
4. Define the powers, responsibilities, and required oversight for managing financial resources, assets, and government properties according to clear and transparent procedures.
5. Establish optimal financial and accounting procedures to be followed by Government Entities to regulate and unify accounting and financial treatments and report on them in a consolidated financial statement.
6. Establish a general framework for integrated governance and transparency rules and standards for managing the government financial system in accordance with the best international applications and practices.
7. Work on developing financial performance management as an integrated government system and improving the efficiency of the financial system in achieving positive rates of economic and social development in the Emirate and managing financial risks.
8. Achieve comprehensive integration between the framework and indicators of the Government's fiscal policy and the mechanisms for allocating available financial resources through medium-term government spending to achieve impactful and positive results for society.

### **Chapter Three**

### **Scope of Application of the Law**

#### **Article (3)**

1. The provisions of this Law shall apply to all Government Entities, regardless of their independent financial and administrative systems, and to Government Companies that finance their operational and capital operations from the general budget.
2. All provisions of this Law shall not apply to Independent Entities that operate on a commercial basis, and only certain provisions exclusively specified in this Law shall apply to them.

3. The Council may exempt any of the mentioned Government Entities and Companies from all or some of the provisions of this Law.

## **Chapter Four**

### **Obligations of Government Entities**

#### **Article (4)**

All Government Entities shall adhere to the following:

1. Prepare their draft annual budgets in accordance with the rules issued by the Department.
2. Use the approved appropriations in their budgets in accordance with the prescribed legislation and for the purposes for which they were allocated.
3. Link government spending to performance indicators relevant to their activities and operations.
4. Develop and diversify revenues within the framework of the legislation that regulates them.
5. Use the Government Resources Management System and its related technologies, the Unified Chart of Accounts, and the Treasury Single Account, and apply the rules, accounting policies, and procedures set by the Department to ensure efficiency in managing government financial resources.
6. Provide the data, information, financial reports, and documents requested by the Department during the fiscal year.
7. Prepare year-end financial statements in accordance with the accounting policies approved by the Department.
8. Prepare a guide for the delegation of financial and administrative powers in a manner consistent with the provisions of the applicable legislation.
9. Manage the fixed assets they own efficiently and effectively in accordance with the government asset management policy specified by the Executive Regulation and the government assets and properties policies guide.
10. Submit matters with a financial impact to the Department for study and opinion before presenting them to the Council, including any matters

related to the development of technical systems and their impact on the Government Resources Management System.

## **Chapter Five**

### **The General Budget**

#### **Article (5)**

The Department is committed to preparing the general budget for the upcoming fiscal year after studying and discussing it with Government Entities and Companies, and shall submit it to the Council no later than the end of December of each year.

#### **Article (6)**

The general budget shall be approved by law, including the objectives, mechanisms, and essence of the Government's fiscal policy and the performance indicators related to achieving developmental goals, including rationalizing and controlling spending and developing government revenues.

#### **Article (7)**

Those concerned with the general budget in the Government must observe the following principles when preparing and implementing it:

1. Include all estimated revenues to be collected and all estimated expenditures expected to be incurred by all Government Entities during the fiscal year, including supplementary or independent budgets issued by law or any other legislation related to Government Entities that have their own financial system.
2. Apply performance budgeting by linking the budget of Government Entities to a set of strategic objectives and financial indicators during preparation, study, analysis, and implementation.
3. Adhere to the principle of annual budgeting and comply with the allocations listed in the draft budget in the details on which they were based.
4. The surplus in the budget shall not be carried over to the next year.
5. Use budget appropriations for their intended purposes, and no expenditure may be committed without the availability of its financial appropriation.

6. The existence of a surplus in the allocations of one budget item does not necessarily mean it can be used for purposes other than those for which the allocations were made.

7. Allocate the estimated government revenues for the fiscal year to cover all estimated public expenditures for the same fiscal year, in accordance with the Government's objectives and priorities, and it is not permissible to allocate a specific revenue to cover a specific expense.

8. It is not permissible to make financial transfers from allocations for which a special decision has been issued by the Council.

9. Comply with the standards for controlling and rationalizing government spending, as determined by the Executive Regulation, to achieve efficiency in the use of financial resources.

### **Article (8)**

During the first half of each fiscal year, the Head of the Department shall issue a circular to all Government Entities, Companies, and concerned Independent Entities regarding the preparation of the draft general budget for the next fiscal year, specifying the methodology, mechanism, instructions, and procedures to be observed and complied with when preparing the annual budget proposals.

### **Article (9)**

Government Entities, Companies, and Independent Entities shall adhere to the deadlines set by the Department for submitting their annual budget proposals. If any entity is late in submitting its proposals by the specified deadline, the Department shall undertake the study and preparation of its budget according to the approved rules and principles determined by the Executive Regulation of this Law.

### **Article (10)**

All Government Entities shall prepare the budget for their new capital projects and determine their financing needs for ongoing projects during the upcoming fiscal year in accordance with the rules set annually by the Department.

### **Article (11)**

Government support shall be granted and approved annually by the Ruler or the Council.

## **Article (12)**

If the general budget is not approved before the beginning of the fiscal year, the Department shall authorize spending from the general budget according to the applicable spending rules, and shall issue the necessary instructions for that purpose.

## **Article (13)**

Independent Entities shall adhere to the following:

1. Submit their operational and capital budgets in accordance with the general budget policy determined by the Department, by the deadlines that are implemented annually.
2. Submit the consolidated financial statements, approved by the external auditor for the ended fiscal year, no later than the end of the first half of the subsequent fiscal year.
3. Submit quarterly financial performance reports for the entity to the Department by the deadlines set by the Department, along with any additional data or reports requested by the Department.
4. Link the entity's electronic financial system to the Government Resources Management System in the Department to activate the management of the Government's financial data and reports.

## **Article (14)**

1. Government Entities shall not submit requests for additional appropriations except in cases of necessity, and such requests must be supported by reasons, justifications, and supporting data.
2. The Head of the Department may approve additional and newly created financial allocations in accordance with the powers delegated to him by the Ruler or the Council.
3. Subject to paragraphs (1) and (2) of this Article, Government Entities shall not contract, issue any tenders, or implement any projects not included in their budgets.

## **Article (15)**

The surplus or deficit in the general budget shall be addressed as decided by the Council, based on the Department's proposal for financing means and tools.

## **Chapter Six**

### **Public Debt**

#### **Article (16)**

The Department shall have the sole authority to borrow on behalf of the Government and shall be the sole source of guarantees on its behalf, based on the approval of the Ruler or the Council.

All Government Entities, Companies, and Independent Entities must obtain the Department's approval before undertaking any procedures for external or internal borrowing or financing, by any financing tool or means outside the Government's general budget.

The scope of public debt regulation shall include all debts of Government Entities, Companies, and Independent Entities, guarantees provided by the Government, and the debts of Government Companies and their subsidiaries, for which the Department shall maintain a list.

The Department shall manage the public debt by:

- a. Reviewing the lending policy and issuance of government guarantees in accordance with the laws in force in the State and the Emirate.
- b. Managing the risks associated with public debt and ensuring sufficient liquidity to service the Government's debts.
- c. Preparing the public debt strategy and ensuring its implementation.
- d. Negotiating and concluding loan agreements, agreements related to financial derivatives transactions, and other documents.
- e. Preparing annual and semi-annual reports on the management of the Government's public debt.
- f. Preparing the annual issuance program in light of the estimated deficit amount and the expectations of total financing needs for the fiscal year.
- g. Establishing controls related to the repayment of the principal of the public debt and the profits or interest accruing thereon, within or outside the Emirate.
- h. Issuing instructions related to the regulation of public debt.
- i. Any other competencies assigned to it by the Ruler or the Council.

## **Chapter Seven**

### **Bank Accounts**

#### **Article (17)**

The Department may open bank accounts in the name of the Government and enter into agreements with banks for the collection, payment, and transfer of public funds inside or outside the Emirate, and for the payment and collection of profits or interest and any other banking transactions for the Government.

#### **Article (18)**

The opening of bank accounts in the name of Government Entities shall be with the approval of the Department, and they shall be managed and disbursed from by those entities in accordance with the regulations and instructions determined by the Department.

#### **Article (19)**

1. No Government Entity or any authorized person may deposit collected public funds in any but the approved bank accounts.
2. No Government Entity or any authorized person may withdraw public funds from the approved bank accounts except in accordance with the provisions of this Law and its Executive Regulation.
3. All trust funds collected in accordance with the legislation governing them shall be deposited in the Government's bank accounts until they are disbursed to their rightful recipients.

## **Chapter Eight**

### **Public Revenues**

#### **Article (20)**

No type of public revenue may be created or amended except with the approval of the Ruler or the Council. The Executive Regulation shall determine the mechanism for creating and amending such revenues.

#### **Article (21)**

Government Entities shall estimate their expected revenues, accompanied by a statement of the bases on which the estimate was made, and submit them to the Department for study and discussion, and then for inclusion in the Government's general budget revenues.

Government Entities whose revenues include amounts due to other parties shall submit their estimated revenue budgets after deducting those dues.

### **Article (22)**

The Department, in coordination with Government and Independent Entities, shall study the economic, social, and financial impact before issuing a law, an Amiri decree, or a decision from the Council to impose or amend taxes, fees, goods, materials, services, and works, or to grant exemptions from them.

### **Article (23)**

Pursuant to the provisions of this Law, the Department shall prepare a "Government Services Pricing Guide," which shall serve as the basis for pricing the services provided by Government Entities.

### **Article (24)**

Government Entities must not retain or dispose of any public revenues or receipts collected and must deposit them directly into the Department's accounts in accordance with the controls specified by the Executive Regulation.

## **Chapter Nine** **Public Expenditures**

### **Article (25)**

1. Public expenditures allocated to a Government Entity must be linked to its specified main objectives, programs, and activities.
2. Government Entities must adhere to the application of the procedures, powers, and provisions stipulated in this Law, its Executive Regulation, and other applicable legislation regarding the use and spending of public funds.

### **Article (26)**

Obligations incurred by a Government Entity shall be settled in accordance with the procedures and powers specified by the applicable legislation.

### **Article (27)**

The Department, or the entity delegated by it, is responsible for settling the obligations incurred by various Government Entities in accordance with the procedures and powers specified by the applicable legislation.

### **Article (28)**

Government Entities must adhere to the procedures for organizing and preparing the necessary payment documents in accordance with the conditions and requirements specified by the Executive Regulation.

### **Article (29)**

The Department or Government Entities may deduct from any payments or dues to any beneficiary who has outstanding financial obligations due to them, provided that the beneficiary is notified in writing.

### **Article (30)**

Salaries, wages, benefits, pensions, and any bonuses or compensations for employees of Government Entities or those contracted with them shall be paid in accordance with the legislation in force in the Emirate.

### **Article (31)**

The legislation in force in the Emirate regarding procurements, tenders, auctions, and warehouses shall apply to the works and procedures for purchasing goods and materials, providing services and works, and storing them in warehouses.

## **Chapter Ten**

### **Consolidated Financial Statements**

### **Article (32)**

The Department shall be committed to the following:

1. Preparing the consolidated financial statements of the Government in their final form, which include the accounts of Independent Entities and the accounts of Government Companies that finance their operational and capital operations from the general budget, similar to other Government Entities, after making the necessary adjustments in accordance with the approved accounting rules, standards, and policies.
2. Presenting the consolidated financial statements to the Financial Audit Department no later than the thirty-first of March of each year for its review and the preparation of the final report on the audit results. The

Department shall also provide the Financial Audit Department with any amendments it makes after that date.

3. Submitting the consolidated financial statements of the Government for the previous fiscal year to the Council for its review and approval no later than the thirtieth of June of each year.

## **Chapter Eleven**

### **Statute of Limitations for Financial Rights**

#### **Article (33)**

1. No claim shall be heard against the Government or any of the Government Entities or Companies financed from the public treasury of the Government for any debts or dues that are not claimed by their owners before the lapse of five years from the date they became due, unless there is a legitimate excuse preventing the claim.
2. The period mentioned in item (1) of this article shall be interrupted by a claim, whether administrative or judicial, and the interruption shall result in the commencement of a new period.

#### **Article (34)**

No claim shall be heard against natural or private legal persons for any debts or dues owed to Government Entities and Companies that are not claimed before the end of the tenth year following the fiscal year in which those debts and dues became due, without prejudice to the responsibility of the employee who neglects to follow up on the claim.

#### **Article (35)**

The Council may, based on a proposal from the Head of the Entity or the board of directors of the Government Company, exempt natural or legal persons from all or part of the debts and dues owed to the Government, according to the circumstances it assesses in each case.

## **Chapter Twelve**

### **General Provisions**

#### **Article (36)**

1. Aid, grants, contributions, donations, gifts, and sponsorships may not be granted by Government Entities to any party except within the limits of the amounts approved for this purpose in the general budget.

2. No Government Entity or any of its officials or employees may accept any donations or subsidies of any value without obtaining the approval of the Council, unless otherwise stipulated in its establishment or organizational legislation.

### **Article (37)**

Financial appropriations provided to Government Entities and Companies for the implementation of infrastructure projects or other capital projects on behalf of the Government shall be subject to the financial control procedures determined by the Department regarding the cost of these assets during the implementation period, and may not be used for any purpose other than that for which they were allocated.

### **Article (38)**

Government Companies that receive their financing needs, represented by equity, loans, and grants from the Government's general budget, must provide the Department with the data, documents, and periodic reports it requests by the deadlines it sets.

### **Article (39)**

Subject to the legislation in force:

1. Government Entities, Companies, and Independent Entities shall retain financial and administrative documents and records in their various forms—audible, readable, and visual—with financial impact, for a period of not less than fifteen years from the end of the calendar year in which the consolidated financial statements for the fiscal year to which these documents pertain are approved. Financial and administrative records and the like shall also be retained, and they may not be destroyed or disposed of.
2. The Executive Regulation shall specify the provisions and procedures to be applied in destroying documents or transferring records and documents that are worthy of permanent preservation.

### **Article (40)**

Based on a proposal from the Department, the Council shall issue the Executive Regulation by a decision.

### **Article (41)**

This Law shall come into force from the date of its issuance, and the concerned authorities shall implement it, each within its own jurisdiction. Any provision that contradicts its provisions is hereby repealed. This Law shall be published in the Official Gazette.

Issued by us on:

Tuesday: 21 Rajab 1438 H

Corresponding to: 18 April 2017 AD

Sultan bin Muhammad Al Qasimi  
Ruler of the Emirate of Sharjah