

FINANCIAL MANAGEMENT MANUAL



ROYAL GOVERNMENT OF BHUTAN

MINISTRY OF FINANCE



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Foreword

One of the nine domains of Bhutan's Gross National Happiness is "Good Governance" which evaluates how the citizens perceive the government functions and public service delivery. In its efforts to promote good governance, the Royal Government of Bhutan (RGoB) attaches great importance to economy, efficiency, accountability and transparency in the management and utilization of public resources. In order to achieve these important objectives, it is vital that a coherent and consistent set of principles, rules and instructions is available to guide officials in undertaking their responsibilities.

The Financial Manual introduced in 1988 was revised in 2001 to form Financial Rules and Regulations 2001 (FRR 2001). The FRR 2001 comprised of Financial Management Manual (FMM), Budget Manual (BM), Finance and Accounting Manual (FAM), Revenue Manual (RM), Procurement Manual (PM), and Property Management Manual (PMM). Since then, there have been many new developments in the field of RGoB's public financial management which includes enactment of Public Finance Act in the year 2007 (PFA 2007) and its subsequent revision in the year 2012 mainly to incorporate the budget passing processes by the Parliament. In view of the foregoing, a revision to the FRR 2001 had become long overdue and the Ministry of Finance (MoF) entrusted respective departments to initiate revising the manuals falling within their areas of work. Accordingly, the responsibility of revision of BM, FAM, RM, PM and PMM were assigned to the Department of National Budget, Department of Public Accounts, Department of Revenue and Customs and the Department of National Properties respectively.

In order to coordinate and to facilitate comprehensive FRR revision, a core group was formed who had several rounds of consultations with all relevant stakeholders. The revised manuals were then further peer reviewed by an independent international consultant whose final report was endorsed by the 41st Policy and Planning Coordination Meeting (PPCM) of the MoF. The undersigned takes this opportunity to place on record the invaluable contributions made by all the stakeholders, the international consultant, the core group of MoF and express great appreciation to the World Bank for their generous financial assistance in undertaking the revision of FRR 2001.

Through the diligent and efficient application of the principles, rules and guidelines prescribed in these manuals, I have no doubt that the Royal Government's objectives of good governance and efficient public service delivery will be enhanced considerably leading closer to the realization of Gross National Happiness.

A handwritten signature in blue ink, appearing to read 'Namgay Dorji'.

(Namgay Dorji)
Finance Minister

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CHAPTER – I

1.1 INTRODUCTION

The Government in its role of providing essential services to the public, and of bringing about further socio-economic developments, has to mobilise adequate funds and ensure that they are spent for public purposes with economy, efficiency and effectiveness while ensuring transparency and accountability. It is incumbent upon all officials entrusted with responsibilities to deal with public funds to ensure that public resources are used for the intended purposes in accordance with appropriate rules and regulations. These rules and regulations are prescribed in the form of Manuals.

“The Financial Rules and Regulations 2016” consists of a main document, named the Financial Management Manual (FMM) and three technical documents, the Finance and Accounting Manual (FAM), the Budget Manual (BM) and the Property Management Manual (PMM). The revision of Procurement Rules and Regulations (PRR) and the Revenue Manual (RM) are being taken up separately. The FMM introduces the Financial Rules and Regulations 2016 and prescribes the financial management principles, framework and the financial management structure of the Government.

The delegation of financial powers at various levels in the Government also forms part of the FMM. The five supporting manuals provide detailed rules and procedures relating to various aspects of financial and resource management.

The Financial Rules and Regulations 2016 is intended to serve the following objectives:

- a. To meet the challenges posed by the increasing size and complexity of the public administration system;
- b. To make the systems appropriate for computerisation;
- c. To update the relevant parts of the Manual with the latest methods and



- discard those which are no longer relevant;
- d. To serve as a useful tool for enhancing good governance in financial transactions;
 - e. To serve as a reliable, professional and user friendly document which will further promote national execution of projects supported by various bilateral and multilateral development partners;
 - f. To ensure uniformity and standardisation amongst all government agencies in the matters of financial management and accounting.

1.2 COVERAGE OF THE MANUAL

The manual deal with the rules and procedures in respect of particular aspects of Financial Management as mentioned below:

1.2.1 BUDEGT MANUAL (BM)

The BM covers the budget process, including the timetable and the four phases of preparation, approval, execution and accountability;

1.2.2 FINANCE AND ACCOUNTING (FAM)

The FAM includes the finance and accounting system and procedures. This includes the fund release system, banking system, management, custody and accounting of Government funds and accounting of Government expenditure.

1.2.3 PROPERTY MANAGEMENT MANUAL (PMM)

The PMM covers the handling of Government properties, including registration, proper use, maintenance and disposal of such items.

1.3 APPLICATION AND COMPLIANCE

- 1.3.1 These rules and regulations shall apply to all Agencies of the Royal Government. These supersede the Financial Rules and Regulations 2001



1.3.2 Unless the context indicates otherwise, the singular shall include plural and the masculine shall include feminine.

1.3.3 Government Corporations may adopt separate rules and regulations for the management of their finances, but the basic principles of this manual, which is to ensure the proper use of public funds, shall be taken into account. In the absence of separate financial rules and regulations, such bodies shall be governed by the provisions of these manuals.

1.4 EFFECTIVE DATE

1.4.1 The effective date for application of these Manuals shall be the dates prescribed by the Ministry of Finance (MoF).

1.5 INTERPRETATIONS, CLARIFICATIONS, REVIEW AND UPDATE

1.5.1 The Ministry of Finance, through the Financial Rules Committee, shall be the final authority for interpretation and clarification of the provisions in these rules.

1.5.2 The Financial Rules Committee with various representations shall, among other tasks, be responsible for reviewing and updating the Manuals.

1.5.3 Any revisions to the provisions of the Manuals felt necessary by the respective agency shall be referred to the Financial Rules Committee, which shall examine and deal with the revision.

1.5.4 The MoF shall announce revisions in the Manuals as follows:

- a. The changes compared to the previous version shall be highlighted.
- b. With every change, a new index and an overview of all the changes in the current Fiscal Year shall be made and distributed. Major changes shall be accompanied by training.



1.5.5 Financial powers which are not prescribed in these rules as well as those in excess of the ceilings in Appendix – I shall be referred to the Ministry of Finance.

1.6 FISCAL YEAR AND CURRENCY

1.6.1 Fiscal year of the Government shall commence on 1st of July and end on 30th of June, and shall consist of twelve monthly accounting periods.

1.6.2 All receipts and payments of the Government shall be accounted for in Ngultrums. Memorandum records in other currencies shall be maintained in required cases.

1.7 ABBREVIATIONS

1.7.1 The abbreviations used in the FMM are as follows:

- a. AFD Administration & Finance Division
- b. AFS Administration & Finance Section
- c. BM Budget Manual
- d. DDO Drawing & Disbursing Officer
- e. DNB Department of National Budget
- f. DNP Department of National Properties
- g. DPA Department of Public Accounts
- h. DRC Department of Revenue & Customs
- i. DT Dzongkhag Tshogdu
- j. FAM Finance & Accounting Manual
- k. FMM Financial Management Manual



l. FMS	Financial Management System
m. GNHC	Gross National Happiness Commission
n. GT	Gewog Tshogde
o. LZ	Lhengye Zhungtshog
p. MoF	Ministry of Finance
q. NA	National Assembly
r. PMM	Property Management Manual
s. PPD	Policy & Planning Division
t. PPS	Planning & Programming Section
u. PRR	Procurement Rules and Regulations
v. RAA	Royal Audit Authority
w. RGoB	Royal Government of Bhutan
x. RM	Revenue Manual
y. RMA	Royal Monetary Authority
z. TT	Thromde Tshogde

1.8 DEFINATIONS

1.8.1 The definitions of the terms used in this Manual are as follows:

- (1) **Accounting period:** The time period over which financial information is reported, normally either a year, quarter or a month.
- (2) **Accounting record:** Any document upon which accounting transactions are recorded or any other document issued or used in the preparation and processing of accounting transactions.



- (3) **Agency:** An entity of the Government whose source of funding is the Government.
- (4) **Autonomous body:** An agency, which is governed by the Constitution, Acts, a board of directors, a commission or a council and/or does not fall under any of the ministerial organisations.
- (5) **Cash accounting:** A method of accounting that records only actual receipts and payments in cash or cash equivalents.
- (6) **Cash flow:** The movement in the cash balances over a particular reporting period.
- (7) **Cash flow statement:** A financial report provided to show the movement in cash over a particular reporting period, showing how cash has been received and where it has been applied.
- (8) **Cash flow forecast:** An estimate made of likely future cash flows based on historical patterns of expenditures and receipts, knowledge of expected payments and collections, changes in Government policy and other factors.
- (9) **Corporation:** An organisation, which by virtue of legislation, administrative regulations or registration is recognised as legal entities.
- (10) **Double entry system:** A system of accounting, which captures and records two fold aspects (Debit and Credit) of each financial transaction.
- (11) **Government Corporation:** A corporation where the Government has a controlling interest and holds the majority of the shares or other forms of capital participation.

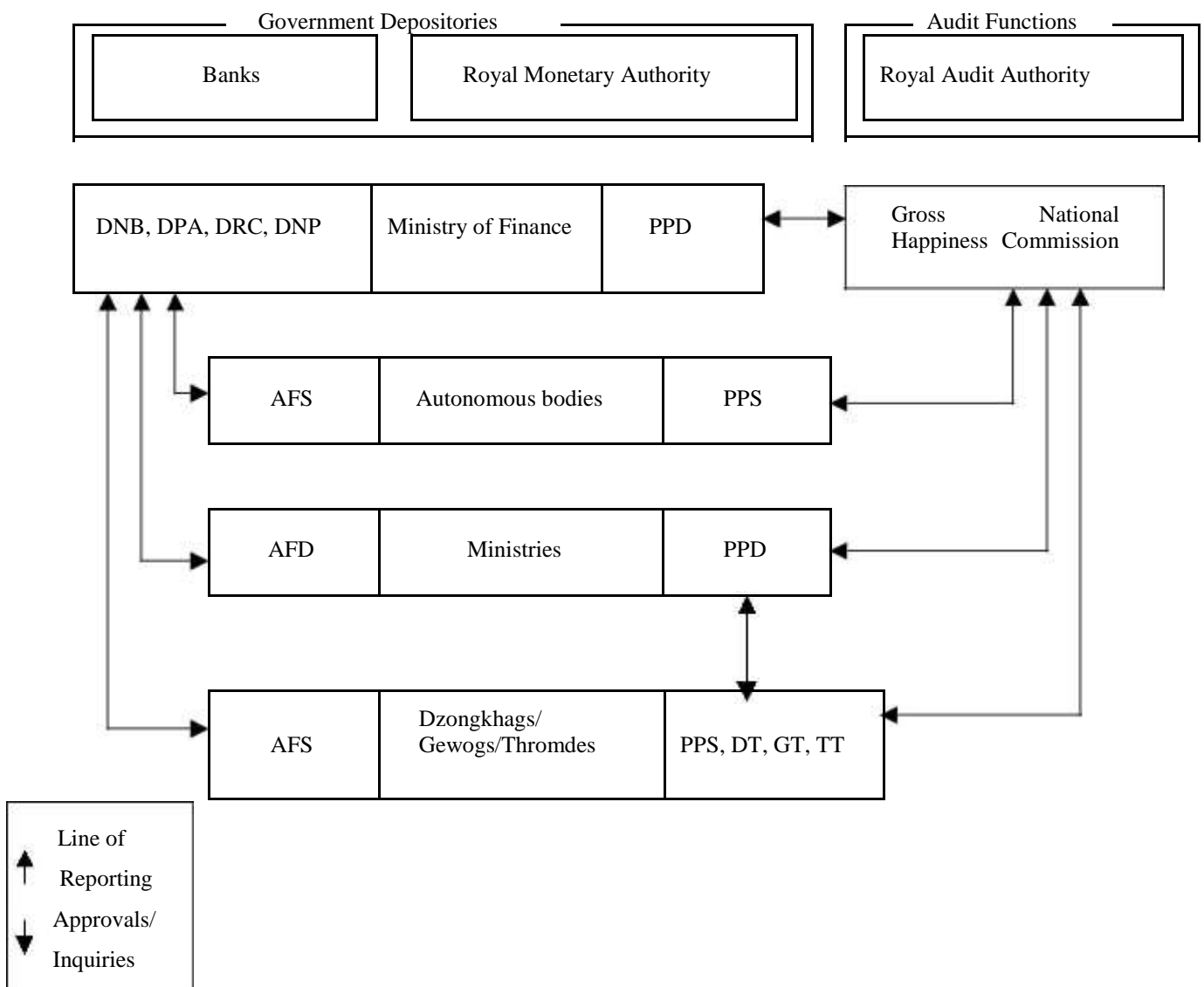


CHAPTER – II

2. STRUCTURE AND ORGANISATION FOR FINANCIAL MANAGEMENT SYSTEM

This chapter describes the structure, organisation and responsibilities within the Government concerning the financial arrangements. It starts with a schedule of the Agencies involved in the FMS.

2.1 AGENCIES LINKAGES IN THE FINANCIAL MANAGEMENT SYSTEM





- j. Advise government on budget policy matters and provide technical backstopping to the budgetary agencies;
- k. Facilitate professional development and management of budget officials.

2. DEPARTMENT OF REVENUE AND CUSTOMS (DRC)

2.2.5 The responsibilities of DRC in respect of finance and accounting include:

- a. Implementing tax policies of the Government;
- b. Assessment, collection and timely deposit of receipts;
- c. Monitoring the revenue flow as well as revenue growth of each Dzongkhag / Region;
- d. Ensuring correct classification of revenue receipts;
- e. Ensuring co-ordination among regional offices, collecting agencies, Banks, DRC;
- f. Constant reviewing and improving upon the system of assessment, collection and deposit of all taxes, fees and charges.

3. DEPARTMENT OF PUBLIC ACCOUNTS (DPA)

2.2.6 The responsibilities of the DPA in respect of finance and accounting include:

- a. Provide fund releases to the Agencies;
- b. Monitoring accounting of their transactions;
- c. Liquidity management of Government resources;
- d. Advising Government on policy matters relating to the financial and accounting affairs;
- e. Negotiation of loans/grants with bilateral and multilateral organisations;
- f. Servicing of government loans;
- g. Formalising government lending and recoveries;
- h. Recording and accounting of all aid and non-aid contributions and donations;
- i. Recording receipts of all cash and in-kind assistances;



- j. Facilitate external resource mobilisation from bilateral and multilateral organisations;
- k. Facilitate professional development and management of national accounts service personnel;
- l. Provide technical backstopping on matters related to government accounting.

4. DEPARTMENT OF NATIONAL PROPERTIES (DNP)

2.2.7 The responsibilities of DNP shall include:

- a. Maintenance of an updated central inventory of land, buildings and other non-consumable properties of the Government;
- b. Economic disposal of obsolete and surplus properties;
- c. Assessment of buildings/land hired by the government and certification on reasonableness of rent;
- d. Preparation and submission of an annual report on land, buildings and other non-consumable properties of the Government;
- e. Fix land compensation rates of the whole country for acquisition purposes;
- f. Conduct research in procurements of the Government, explore ways to introduce more efficient procurement methods and where necessary standardise goods and services;
- g. Undertake central procurement of widely used goods, either by itself or through other specialised agencies of the government, and, where relevant, procure directly from manufacturers.

B. MINISTRIES, DEPARTMENTS, DZONGKHAGS AND AUTONOMOUS BODIES, THROMDES AND GEWOGS

2.2.8 The line Ministries, Departments, Dzongkhags and Autonomous Agencies, shall be primarily responsible for:

- a. Management, custody and administration of funds and properties in accordance with the prescribed rules and regulations with maximum economy, efficiency and effectiveness in the best interests of the Government;



- b. Installation and implementation of adequate system of internal control within the agencies including the sub-ordinate units to prevent misuse, misappropriation and wastage of Government funds and properties and to introduce accountability at every level;
- c. Introduce subsidiary rules, orders and practices within the agencies for the harmonious and efficient administration of their activities and achievement of the purposes provided that they are not in contradiction to the rules prescribed in these manuals;
- d. Formulation of their Master plan, 5-year plan, rolling and annual budget proposals;
- e. Proper execution of their functions in accordance with the approved budget allocations and the rules and regulations prescribed in the respective Manuals;
- f. Administration of taxes in the cases of Gewogs and Thromdes.

The mechanism of managing the finances of the Agencies shall be broadly along the following lines:

1. FOR MINISTRIES AND DEPARTMENTS

- 2.2.9 The financial affairs shall be managed through their respective Administration and Finance Divisions (AFD) in their respective Ministries.
- 2.2.10 The budgets shall be allocated to each Department, and as such the responsibility for administration of budget of the departments shall vest with the Heads of Departments.
- 2.2.11 A Head of Department may administer the budget of the Department through Heads of Offices without disowning his own responsibility. The Heads of Offices shall be responsible to the Head of Department for administering budgets assigned to them. They shall be responsible for the management of financial affairs of their units and be accountable for the same.
- 2.2.12 The budget of the Secretariat of a Ministry shall be controlled by the Head of the Secretariat.
- 2.2.13 The roles and responsibilities of the Head of AFD in the management of finances shall include the following:



- a. Administration of budget for the Secretariat and the Department headquarters including preparation of financial reports as the Drawing and Disbursing officer for these units;
- b. Rendering assistance, guidance to the constituent units of the Departments in matters of financial practices and monitoring their finance and accounting performances;
- c. Consolidating financial reports of the Departments and submitting those to the Heads of Departments and the DPA;
- d. Advising the Heads of Secretariats and Departments with regard to financial rules and budget balances.

2. FOR AUTONOMOUS BODIES

2.2.14 The financial affairs shall be managed through their Administration and Finance Sections (AFS)/Administration and Finance Divisions (AFD).

3. FOR DZONGKHAGS, GEOWGS AND THROMDES

2.2.15 The financial affairs shall be managed through their Administration and Finance Sections (AFS).

2.2.16 The responsibilities shall be as laid out in the Local Government Act.

C. ROYAL AUDIT AUTHORITY (RAA)

2.2.17 The responsibilities of the RAA in respect of finance and accounting include:

- a. The examination, audit and settling, in accordance with laws, rules and regulations, all accounts pertaining to:
 - i. The revenue and receipts, and expenditure or uses of funds and property owned by the Government or its instrumentalities;
 - ii. The corporations including their subsidiaries in which the Government has an ownership interest;
 - iii. Entities subsidised by the Government or are funded by donations, grants or loans arranged through the Government.
- b. Ascertaining that Agency heads and officials at different levels discharge their responsibilities properly and effectively;



- c. Promulgation of auditing rules and regulations, including those that facilitate the keeping and enhancing the information value of Government accounts, and for the prevention of irregular, unnecessary, excessive or extravagant expenditure or uses of funds or properties;
- d. Certifying the consolidated Annual Financial Statements of the Government prepared by the MoF;
- e. Issuing an Annual Audit Report covering the financial position and operations of the Government Agencies and other organisations and recommending measures to improve their efficiency and effectiveness.

D. GROSS NATIONAL HAPPINESS COMMISSION (GNHC)

2.2.18 The responsibilities of GNHCS in respect of finance and accounting shall include, among others, the following:

- a. Preparation of long term socio-economic perspectives (5 Year Plans);
- b. Mid Term Reviews of Plan Programme Executions;

E. ROYAL MONETARY AUTHORITY (RMA)

2.2.19 The responsibilities of the RMA and its agents in respect of finance and accounting, inter alia, include:

- a. Issuance of currency notes and coins in Bhutan and regulation of money supply and its international exchange;
- b. Promotion of monetary stability;
- c. Supervision and regulation of banks and other financial institutions subject to the Financial Institutions Act of 1992;
- d. Promotion of credit and exchange conditions and sound financial structure consistent with a balanced growth in the economy;
- e. Acting as the depository and manager of the official external assets of Bhutan
- f. Acting as a banker, fiscal agent and advisor to the Government on monetary and financial matters as well as depository of Government funds.



CHAPTER - III

FINANCIAL MANAGEMENT

3.1 BASIC PRINCIPLES

- 3.1.1 The Government's financial management shall be based on the principles of "Economy, Efficiency, Effectiveness, Equity, Sustainability, Transparency and Accountability".
- 3.1.2 All financial authorities of Agencies shall be exercised by officers and other employees according to their respective positions.
- 3.1.3 The officers and other employees shall serve the Royal Government with the highest degree of responsibility, integrity, honesty, loyalty and efficiency.
- 3.1.4 Vigilance shall be observed at all levels in the same manner that a person of ordinary prudence would exercise when undertaking his own personal financial affairs.
- 3.1.5 All relevant laws, rules and regulations shall be faithfully adhered to.
- 3.1.6 In addition to the receipts from internal sources, all financial and nonfinancial receipts from external sources shall be considered as part of the Government's total resources.
- 3.1.7 Government resources shall be utilised solely for Government purposes under proper authority.
- 3.1.8 All receipts and payments shall be supported with the necessary documents.
- 3.1.9 All Government money shall be promptly banked into the designated bank accounts.
- 3.1.10 No Government money shall be transferred to non-official accounts except for making legitimate payments.
- 3.1.11 No money shall be paid out of Government account except in pursuance of an approved appropriation.



- 3.1.12 No agency shall enter into a commitment to be discharged against a future period budget appropriation.
- 3.1.13 Receipts of Revenue shall not be retained to meet departmental or any other type of expenditure.
- 3.1.14 If a loss of Government money or property occurs, the official in custody of the money or property shall be responsible if he/she has not taken reasonable steps to prevent the loss.

3.2 FINANCIAL MANAGEMENT TOOLS

3.2.1 The following shall be the tools of financial management:

- a. Cash flow management;
- b. Procurement management;
- c. Asset management;
- d. Debt or liabilities management;
- e. Budgeting.

1. CASH FLOW MANAGEMENT

3.2.2 The objective of cash flow management shall be to effectively plan and monitor the use of cash. The following aspects shall be taken into consideration to achieve this objective:

- a. Planning the timing of cash outflows and inflows so that a solvent cash position is maintained;
- b. Establishing appropriate levels of cash reserves for contingencies;
- c. Depositing revenues and other receipts into the Government bank account promptly;
- d. Making payments only as they fall due and avoiding unnecessary advance payments.



2. PROCUREMENT

3.2.3 Purchasing procedures shall be aimed at promoting an open and effective purchasing policy, and effective and efficient use of Government money.

The principles involved in the purchasing process shall be to:

- a. Achieve economy and efficiency in the procurement of goods and services or the contracting of works;
- b. Ensure suppliers and contractors get fair and equal access to the award of contracts for the supply of goods, services or works;
- c. Ensure transparency in public procurement;
- d. Achieve regularity and uniformity in the procurement of goods and services.

3. PHYSICAL ASSETS MANAGEMENT

3.2.4 The objective of asset management shall be to ensure proper upkeep of ownership records and economic use of the assets for the genuine purposes of the Government. The following aspects shall be taken into consideration to achieve this objective:

- a. Assignment of responsibility for maintenance of updated inventories of assets and ensuring their economic use for the genuine purposes of the Government at all levels of operation;
- b. Availability of a central inventory of all non-consumable assets of the Government;
- c. Establishment of Government ownership and confirmation on physical existence of assets at regular intervals;
- d. A proper system for disposal of obsolete, uneconomical or unnecessary assets.



4. DEBT OR LIABILITIES MANAGEMENT

3.2.5 The liabilities shall consist of Public debt, which shall include domestic and foreign loans, supplier credits, and Government securities.

3.2.6 Management of public debt shall be centrally undertaken by the DPA. Some of the aspects of liabilities management, in terms of accounting and cash flow management shall be:

- a. Determining new borrowing requirements;
- b. Scheduling loan repayments, and distinguishing between interest and repayments of principal;
- c. Managing Government securities and other obligations in accordance with Government regulations. This shall include raising, converting, redeeming and servicing these liabilities as required.

5. BUDGETING

3.2.7 The fundamental guidelines for budgeting shall be the plan as stated and announced in the 5 Year Plans.

3.2.8 The budget and the budgeting system shall encompass the following aspects:

- a. There shall be a clear link between receipts, expenditure and objectives;
- b. The budget shall be comprehensive with all receipts and expenditures, including all expected aid funds and in-kind assistance;
- c. Reasonable provisions shall be included to meet unforeseen calamities, such as seasonal problems or epidemics.
- d. The process shall be based on clear roles and responsibilities of all agencies involved;
- e. The system shall allow responses to changing circumstances;
- f. The system shall facilitate exercising effective control over expenditures;
- g. The budget shall be continuously managed and monitored;



3.3 SYSTEM OF ACCOUNTING

A. KEY BASIS OF ACCOUNTING SYSTEM

3.3.1 The key aspects of the accounting system shall be:

- a. Double entry book-keeping
- b. Cash basis of accounting, i.e, recording accounting transactions per cash flow. Value of goods or services received and applied in kind shall also be accounted for. Liabilities shall not be accounted for under the cash based accounting system. Supplementary memorandum records shall however be maintained for financial commitments and debts of the Government.

B. FEATURES OF ACCOUNTING SYSTEM

3.3.2 The essential features of the accounting system shall be as follows:

- a. The accounting system of the Government shall be based, with primary focus, on ensuring due control over and reporting against appropriations.
- b. The accounting system shall be a means of recording, collecting, aggregating and reporting on financial transactions.
- c. The purpose of the accounting system shall be to portray the financial effects of transactions.
- d. All transactions shall be classified in a manner, which shall facilitate aggregation of financial information, by administrative entities at any level, functions/sub-functions or sectors/sub-sectors, financing source and object of expenditure.
- e. All revenues and expenditures shall be shown on gross basis.

C. ESSENTAIL CHARACTERISTICS OF THE ACCOUNTING SYSTEM

3.3.3 The following qualities shall be essential to the system of accounting operated at all levels in the Government structure:

1. ACCURACY

The information in the accounts and supporting subsidiary records shall be



accurate, representing the actual substance of the past events, without undue errors and omissions. This shall include correct and consistent classification of transactions and recognition of revenue and expenditure in the correct time period.

2. COMPLETENESS

The information in the accounts and subsidiary accounting records shall be the true and complete representation of all transactions that took place during the accounting period.

3. PREVENTION OF RISK AND CORRUPTION

The accounting system shall include controls to prevent the risk of fraud and corruption.

4. RELEVANCE

The financial information shall be relevant and understandable to the users of the information. Relevance in this context shall not be understood to mean exclusion of certain transactions.

D. ACCOUNTING RECORDS

3.3.4 Accounting records shall include any account, register, deed or any other document or record relating to financial transactions of the Government or their substantiation compiled or stored in written, printed, microfilmed or electronic form. Accounting records shall encompass the following aspects:

1. COMPILATION

All accounting records shall be compiled in a clear and legible way in indelible ink, print or electronic form.

2. CORRECTION

Erasures, correcting fluids or chemicals shall not be used for correction of entries in any accounting records.

3. MAINTENANCE

a. Under no circumstances shall pages be pasted together or removed from any books of accounts.



- b. Any electronic records shall be backed up on a regular basis (preferably daily and at least weekly). All back-ups shall be stored in a secure location with an inventory. Periodic full backups shall be made and stored at a secure off-site location.

4. RETENTION AND DISPOSAL

- a. There shall be a minimum period for retention of different types of accounting records;
- b. Disposal of accounting records at the end of the period of retention shall be undertaken in a prescribed manner and a record of the disposed off accounting records shall be maintained.

E. INTERNAL CONTROL

3.3.5 All Agencies shall be responsible to establish proper working systems and procedures including transparent and well defined controls and checks within the respective Agencies for achieving, as far as practicable, the financial management and accountability objectives of the Government. This shall include ensuring that the:

- a. Functions are carried out in the prescribed, orderly and proper way;
- b. Assets are managed properly and efficiently;
- c. Accounting principles and procedures are adhered to;
- d. Frauds and errors are prevented and/or detected at the earliest;
- e. Accounting records are complete and accurate;
- f. Accounting information are prepared and submitted timely;

3.3.6 While the accounting procedures shall address most of the above objectives in the prescribed rules, the Heads of Agencies shall be responsible for ensuring that a proper system of Internal Control exists in their respective Agencies.

3.3.7 A system of Internal Control in an Agency shall, among others, ensure that different stages of a transaction process are handled by different persons. In particular, the verifying officer, the sanctioning authority and disbursement officers shall preferably be different persons.



F. BANKING

3.3.8 The banking system for management of Government accounts shall be arranged in accordance with the following guidelines:

- a. The RMA shall be the authorised depository of the Government and hold the “Government Consolidated Fund Account” which shall represent aggregated result of all receipts and payments of the Government.
- b. The MoF, in consultation with the RMA shall appoint agent banks to carry out day to day financial functions of the Agencies and pass on the effects to the RMA.
- c. Withdrawal of Government funds shall be made through individual lines of credit valid till the end of a fiscal year.

G. REPORTING

3.3.9 Financial reports shall communicate the following information:

- a. Budget position of the Government/Agency;
- b. Financial performance of the Government/Agency;
- c. Financial position of the Government/Agency;

3.3.10 Financial reports are expected to be used by the following broad groups:

- a. The Government as provider of resources;
- b. The Agencies as the authorities for collection and utilisation of resources;
- c. The public as the recipient of goods and services;
- d. Development partners;
- e. International statutory monetary agencies.

3.3.11 Standard and uniform formats for the preparation of financial reports shall be used. Timing for submission of financial reports shall be defined.



CHAPTER - IV

FINANCIAL POWERS

4.1 GENERAL

4.1.1 In order to facilitate expeditious implementation of the policies and programmes of the Government and delineation of responsibilities thereof, powers for issue of financial sanctions and/or incurring expenditure shall be provided for all different levels of authority as in Appendix I. These powers may be revised from time to time.

4.1.2 The powers delegated to the Heads of Ministries, Secretariats, Autonomous Bodies, Departments or Dzongkhags, Gewogs and Thromdes shall be exercised by the persons who are declared as such by the Government.

4.1.3 To enhance efficiency and expedite decision making, certain powers may be delegated to subordinate officers, through written orders, which shall clearly specify the following aspects:

- a. Nature of power delegated;
- b. Position of the sub-ordinate to whom delegated; and
- c. Ceiling in Ngultrum.

4.1.4 The financial powers shall be classified into the following categories:

- | | | |
|------|---|-----------------------|
| O | = | Ordinary powers |
| E.O. | = | Extra-Ordinary powers |
| F.P. | = | Full powers |

Only the Ordinary powers can be delegated to subordinate officers.

4.1.5 Subordinate officers officiating in the vacant post of a higher rank may exercise the Extra-Ordinary powers prescribed for the higher post only under a specific order/approval issued by an authority competent to appoint persons in the higher post.



- 4.1.6 Powers delegated to subordinate officers shall not be delegated further by the subordinate officers without first obtaining a written approval from the original authority.
- 4.1.7 The total financial implication of a case shall be considered as a whole for determining the level of officer that can exercise the powers to sanction or approve it.
- 4.1.8 Exercise of financial powers shall be subject to availability of adequate budget provisions and adherence to relevant rules and regulations in force. For example, the powers delegated for Government Hospitality/Entertainment shall be exercised only up to the budget provision for the same in accordance with the rules for incurring such expenditure.

4.2 SPECIFIC FINANCIAL POWERS

- 4.2.1 The Ministry of Finance shall exercise powers to disallow any or some objects of expenditure from re-appropriation.
- 4.2.2 The Finance Minister shall be the Approving Authority in respect of all requests for supplementary budget appropriations as provided for in the Public Finance Act.
- 4.2.3 The Ministry of Finance may authorise additional budget through technical adjustments but remaining within the total approved budget. The Finance Secretary shall be the approving authority for technical adjustment up to Nu. 10 million. The whole or any part of it may be delegated to the Director, DNB.
- 4.2.4 The Minister of Finance shall approve and arrange disbursements in connection with lending, repayment of Government debt principal and interests, and extension of current and capital grants subject to concurrence of Lhengye Zhungtshog..
- 4.2.5 Except for medical claims, the Head of Ministry, the Head of Secretariat and the Head of Autonomous body shall be self-controlling officers in respect of their personal claims.
- 4.2.6 The Head of Department and the Head of Office of a disbursing unit shall be self-controlling officers for their personal emoluments only.



APPENDIX 1

REVISED DELEGATION OF FINANCIAL POWER 2016

Sl. No	Types of Power	Nature of Power	Head of Ministry /Chief Justice of Bhutan/Speaker/ Chairperson	Head of Secretariat / Constitutiona I Bodies/Autonomous Agency	Head of Department/ Directorate/ Embassy/ Mission/ Consulate	Drangpon	Dzongkhag Tshogdu/ Thromde Tshogde	Dzongdag/ Thrompon	Gewog Tshogde	Gup	Remarks
1	PERSONNEL & OTHER PERSONNEL EMOLUMENTS										
	a. Payment of emoluments	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
	b. Sanction of cash handling allowance	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
	c. Encashment of leave	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
	d. Sanction of arrears emoluments	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
	e. Payment of salary advance	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
2	SANCTION OF HONORARIUM	E.O	Out of Discretionary Grant of Nu. 0.200 m p.a.	N.A	N.A	N.A	N.A	Out of Discretionary Grant of Nu. 0.050 m p.a. *	N.A	N.A	* Not applicable to Thrompon
3	MEDICAL BENEFITS										
	Travel & medical expenses										
	i. Within Bhutan	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	Nil	



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	ii. Within India	E.O	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	As per the clearance of Medical Referral Committee.
4	TRAVEL										
	a. Official Tours										
	i. Within Bhutan & India	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
	ii. Other Countries	E.O	F.P	F.P	Nil	Nil	N.A	Nil	N.A	Nil	
	b. Seminars/Conferences										
	i. Within Bhutan & India	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
	ii. Other countries	E.O	F.P	F.P	Nil	Nil	N.A	Nil	N.A	Nil	
	c. Leave travel concession	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
	d. Transfer benefits	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
	e. Travel by ineligible modes	E.O	F.P	F.P	Nil	Nil	N.A	Nil	N.A	Nil	
5	UTILITIES	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
6	RENTAL OF PROPERTIES										
	a. Hiring of buildings	E.O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	Nil	
	b. Hiring of machinery/equipment	O	F.P	F.P	F.P	Nil	N.A	F.P	N.A	Nil	



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7	SUPPLIES & MATERIALS	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
8	MAINTENANCE OF PROPERTY										
	Insurance & repairs	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
9	MAINTENANCE OF VEHICLES										
	a. POL	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	FP	
	b. Repairs										
	i. Within Bhutan	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
	ii. Outside Bhutan	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
	c. Purchase of spare parts	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
10	OPERATING EXPENSES	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	



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11	HOSPITALITY & ENTERTAINMENT										
	Entertainment of official guest including gifts	E.O	F.P*	Up to Nu. 0.160 m per annum**	Up to Nu. 0.080 m per annum **	Up to Nu. 0.030 m per annum **	N.A	Up to Nu. 0.080 m per annum **	N.A	Up to Nu. 0.010 m per annum ***	* To be drawn from the central pool of MoF ** With no supplementary budget, *** Gewog shall meet from Retained Revenue, 1. Field Offices like RRCO, OAAG, Regional Ref.Hospital etc. should remain within Nu.0.030 m per year.



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12	WRITE-OFF										
	a Write off of losses										
	i. Due to natural calamity	E.O	F.P	Up to Nu. 1.000 m	Up to Nu. 0.500 m	Up to Nu. 0.100 m	N.A	Up to Nu. 0.500 m	N.A.	Nil	Per incidence
	ii. Due to theft	E.O	Up to Nu. 0.500 m	Up to Nu. 0.200 m	Up to Nu. 0.100 m	Up to Nu. 0.050 m	N.A	Up to Nu. 0.100 m	N.A	Nil	Per incidence
	iii. In transit, handling and storage	E.O	Up to Nu. 0.500 m	Up to Nu. 0.200 m	Up to Nu. 0.100 m	Up to Nu. 0.050 m	N.A	Up to Nu. 0.100 m	N.A	Nil	Per incidence
	b. Unserviceable and obsolete stores	E.O	F.P	F.P	Nil	Nil	N.A	Nil	N.A	Nil	Per occasion
	c. Irrecoverable advances	E.O	F.P	Up to Nu. 0.100 m	Nil	Nil	N.A	Nil	N.A	Nil	Per occasion
13	RETIREMENT BENEFITS										
	a. Sanction of post service benefits	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
	b. Recovery of dues from retirements	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
14	PURCHASES										
	a. Land & Buildings										



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	i. Within Bhutan- rural area	E.O	Nil	Nil	Nil	Nil	N.A	Nil	N.A	Nil	With prior approval of MoF, processed through National Land Commission .
	ii. Within Bhutan- urban area	E.O	Nil	Nil	Nil	Nil	N.A	Nil	N.A	Nil	With prior approval of MoF processed through Ministry of Works and Human Settlement.
	b. Tools/plants/equipment/mac hineries	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
	c. Vehicles	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P.	Based on MoF clearance.
	d. Furniture/office equipment/computer & peripherals	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	



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15	LEASES										
	a. Private land and property	E.O	F.P	Nil	Nil	Nil	N.A	Nil	N.A	Nil	
	b. Government land and property	E.O	F.P	Nil	Nil	Nil	N.A	Nil	N.A	Nil	
16	ADVANCES										
	a. Advances for approved purposes	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
17	CONSTRUCTIONS										
	a. Administrative approval and financial sanction	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	Technical Sanction shall be issued by competent Technical Authority.
	b. Award of work	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
18	HIRING OF VEHICLE	O	F.P	F.P	F.P	F.P	N.A	F.P	N.A	F.P	
19	TIME BARRED CLAIMS/ADJUSTMENTS	O	F.P	2 year	1 year	1 year	N.A	1 year	N.A	1 year	



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20	REAPPRORIATION										
	a. From one object code to another existing budgeted object code under same activity	E.O	F.P	F.P	F.P	F.P	F.P	Up to Nu. 1.000 m	F.P	Up to Nu. 0.200 m	Permitted from current to capital expenditure & not vice versa.
	b. From one activity to another existing activity in the same programme/sub-programme	E.O	F.P	F.P	F.P	F.P	N.A	FP	F.P	Up to Nu. 0.100 m	- do -
	c. From one sub-programme to another existing sub-programme in the same programme	E.O	F.P	F.P	F.P	N.A	N.A	FP	F.P	Up to Nu. 0.100 m	- do -
	d. From one programme to another existing programme	E.O	F.P	Up to Nu. 3.000 m	NA	N.A	F.P	Nil	F.P	Nil	- do -
	e. From sub-AU to another existing Sub-AU in the same Dzongkhag	E.O	N.A	N.A	N.A	N.A	F.P *	N.A	N.A	N.A	Based on the concurrence of other Gewog. * Not applicable to Thromde Tshogde



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21	TECHNICAL ADJUSTMENTS										
	a. Incorporation of new activity/code	E.O	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	MoF
	b. Transfer from reserve	E.O	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	MoF

Abbreviations: **O:** Ordinary, i.e. which can be delegated, **E.O:** Extra Ordinary, i.e. which cannot be delegated, **N.A:** Not Applicable, **F.P:** Full Power, **Nil:** Power not Delegated

Note:

1. Powers beyond the specified levels shall be referred to the Ministry of Finance,
2. Royal University of Bhutan shall continue to exercise powers delegated to the Head of Secretariat,
3. Chief of Police shall exercise powers delegated to the Head of Autonomous Agency,
4. Only heads of Autonomous Agencies at EX-1 level shall receive hospitality and entertainment budget of Nu 0.160 m per annum,
5. All the powers delegated above shall be exercised within their budget allocation.