

# **Financial Management Manual**



**Royal Government of Bhutan**

**Ministry of Finance**





## Foreword

In its efforts to promote good governance, the Royal Government of Bhutan 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 existing Financial Manual was first introduced in 1988. Since then, there have been many new developments in the Royal Government as well as in the fields of financial management. Consequently, a thorough revision to the existing manual had become essential. Towards this end, the Ministry of Finance undertook a series of exercises starting in 1998. The set of manuals, titled "Financial Rules and Regulations - 2001", is the outcome of these exercises.

The rules contained in these manuals have been structured in a more orderly manner, specifying clearly the roles and responsibilities of concerned officials at all levels. The Ministry of Finance consulted with various stakeholders in the framing of these rules. The revised materials were presented and comprehensively discussed in the Financial Manual Revision Steering Committee and the Financial Rules Committee that comprised of representatives of various government agencies.

The undersigned takes this opportunity to record the Royal Government's appreciation to the Government of the Netherlands for its generous financial assistance in this undertaking. Appreciation also goes to the numerous officials of the Royal Government who readily rendered their co-operation to the Ministry of Finance and contributed to the achievement of this important task despite their daily responsibilities.

Like all other acts, laws and rules, the achievement of the noble aspirations of the Royal Government sought for through these rules shall depend largely on their diligent and efficient application. It is the duty of every public servant to act according to the principles, rules and guidelines prescribed in these manuals. I am convinced that in doing so, we will be able to realize the Royal Government's objectives.

(Yeshey Zimba)  
Finance Minister  
1<sup>st</sup> July 2001





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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 2001” consists of a main document, named the Financial Management Manual (FMM) and six technical documents, the Finance and Accounting Manual (FAM), the Budget Manual (BM), the Aid & Debt Management Manual (ADMM), the Property Management Manual (PMM), the Procurement Manual (PM) and the Revenue Manual (RM). The FMM introduces the Financial Rules and Regulations 2001 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 six supporting manuals provide detailed rules and procedures relating to various aspects of financial and resource management.

The Financial Rules and Regulations 2001 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 Manuals**

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

1.

### **Budget Manual (BM)**

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

2.

### **Revenue Manual (RM)**

The 1993 version of this Manual includes the procedures concerning the collection and accounting of taxes, duties, fees and other revenue receipts.

3.

### **Finance and Accounting Manual (FAM)**

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

4.

### **Procurement Manual (PM)**

This Manual, in force since 1998, prescribes the rules and procedures for the procurement of goods and services including the engagement of contractors for execution of works.

5.

### **Aid and Debt Management Manual (ADMM)**

The ADMM prescribes the guidelines and procedures for processing of development assistance from external sources.

6.

### **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 Manual 1988.
- 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 1<sup>st</sup> of July and end on 30<sup>th</sup> 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. ADMM	Aid & Debt Management Manual
b. AFD	Administration & Finance Division
c. AFS	Administration & Finance Section
d. BM	Budget Manual
e. COM	Council of Ministers
f. DADM	Department of Aid & Debt Management
g. DBA	Department of Budget & Accounts
h. DDO	Drawing & Disbursing Officer
i. DNP	Department of National Properties
j. DRC	Department of Revenue & Customs
k. DYT	Dzongkhag Yargay Tshogchung
l. FAM	Finance & Accounting Manual
m. FMM	Financial Management Manual
n. FMS	Financial Management System
o. GYT	Geog Yargay Tshogchung
p. MoF	Ministry of Finance
q. NA	National Assembly
r. PCS	Planning Commission Secretariat
s. PM	Procurement Manual
t. PMM	Property Management Manual
u. PPD	Policy & Planning Division
v. PPS	Planning & Programming Section
w. RAA	Royal Audit Authority



- x. RGoB      Royal Government of Bhutan
- y. RM          Revenue Manual
- z. RMA        Royal Monetary Authority

## **1.8 Definitions**

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 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.



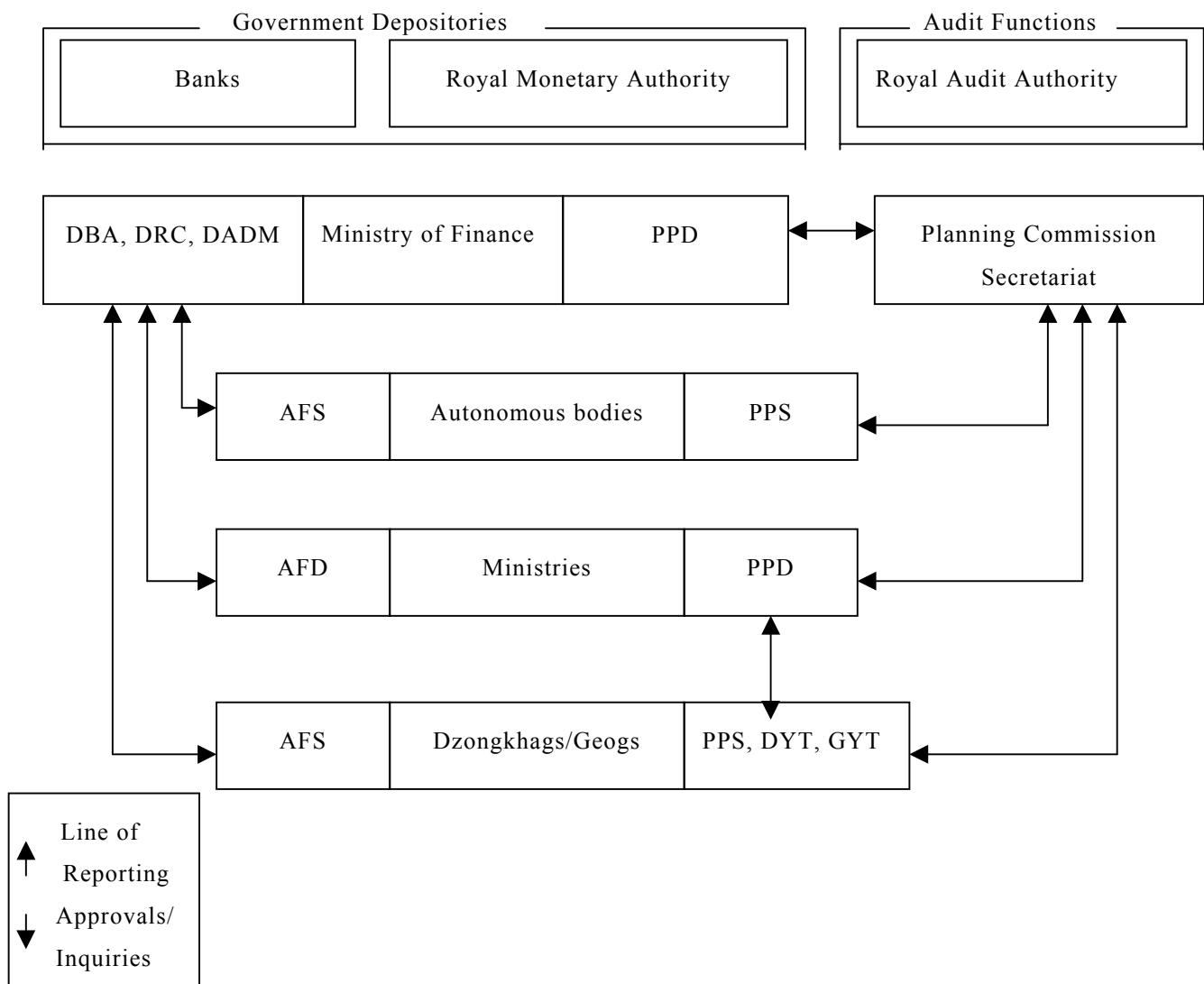


## Chapter II

### 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 Agency linkages in the Financial Management System





## 2.2

## Organisation of Financial and Accounting Responsibilities

### A. Ministry of Finance

#### 2.2.1

The Ministry of Finance shall be the lead agency for financial management services and economic advice to the Government. Its primary role shall be to determine the Government's fiscal policies, and therefore shall have the responsibility to assess the Government's budgetary position both at macro and micro levels.

The financial management services shall include mobilisation and judicious application of resources, management of the equity portfolio and debts of the Government, proper custody, use and maintenance of Government properties, clear and transparent accounting of all public receipts and expenditures and reporting on them.

These roles of the Ministry of Finance shall be executed through the discharge of specific responsibilities and tasks by its departments and line agencies, as outlined below:

#### 1.

### Department of Budget and Accounts (DBA)

#### 2.2.2

The responsibilities of the DBA in respect of finance and accounting include:

- a. Translating the 5 Year Plans into annual budgets;
- b. Preparation of 2 year rolling budgets for advance planning of resource mobilisation and utilisation;
- c. Making budgetary releases to the Agencies;
- d. Monitoring accounting of their transactions;
- e. Processing and sanction of annual and supplementary budgets;
- f. Liquidity management of Government resources;
- g. Advising Government on policy matters relating to the financial and accounting affairs;
- h. Monitoring overall budget performance for the Government;



- i. Recording and accounting of all aid and non-aid contributions and donations.

## **2. Department of Revenue and Customs (DRC)**

2.2.3 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 Aid and Debt Management (DADM)**

2.2.4 The responsibilities of DADM in respect of finance and accounting include:

- a. External resource mobilisation and aid co-ordination;
- b. Negotiation of loans and grants with lenders/development partners;
- c. Recording receipt of all cash and in-kind assistance;
- d. Facilitating smooth implementation of projects through close liaison with project management and lenders/development partners;
- e. Reviewing and evaluating terms and conditions of external assistance;
- f. Formalising Government lending and recoveries;
- g. Servicing of Government loans;
- h. Studying the impact of the external assistance on the economy.



4.

#### **Department of National Properties (DNP)**

- 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.

#### **B. Ministries, Departments, Dzongkhags, Autonomous Bodies**

2.2.5

The line Ministries, Departments, Dzongkhags and Autonomous Agencies, collectively called 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;

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



**1. For Ministries and Departments:**

- 2.2.6 The financial affairs shall be managed through their respective Administration and Finance Divisions (AFD) in their respective Ministries.
- 2.2.7 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.
- 2.2.8 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.
- 2.2.9 The budget of the Secretariat of a Ministry shall be controlled by the Head of the Secretariat.
- 2.2.10 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 DBA;
  - d. Advising the Heads of Secretariats and Departments with regard to financial rules and budget balances.

**2. For Dzongkhags and Autonomous bodies:**

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



2.2.12 The responsibilities of the AFS shall be as those of the AFDs in the Ministries.

**C. Royal Audit Authority (RAA)**

2.2.13 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. Planning Commission Secretariat(PCS)**

2.2.14 The responsibilities of PCS 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)**

2.2.15 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, 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 non-financial 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 DADM and the DBA. 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 the 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. Essential characteristics of the accounting system**

3.3.7 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 of fraud 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**

**3.3.8** 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**

3.3.9

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;

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.

3.3.10

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**

3.3.11 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 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**

3.3.12 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;

3.3.13 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.

3.3.14 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 Agencies, Departments or Dzongkhags 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:
- Nature of power delegated;
  - Position of the sub-ordinate to whom delegated; and
  - 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 or budget re-appropriations within the same programme for amounts not exceeding Nu.3.0 million per occasion.
- 4.2.3 The Finance Secretary shall be the Approving Authority in respect of all requests for supplementary budget appropriations or budget re-appropriations within the same programme for any amount up to Nu.1.5 million. The whole or any part of it may be delegated to the Director, DBA.
- 4.2.4 Notwithstanding anything stated in rules 4.2.2 and 4.2.3, the Ministry of Finance shall exercise the powers to incorporate all external assistance during the course of a year, provided that the concerned projects have been approved by the Government.
- 4.2.5 The Ministry of Finance shall exercise full powers for approving and arranging disbursements in connection with lending, repayment of Government debt principal and interests, and extension of current and capital grants.



- 4.2.6 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.
- 4.2.7 The Head of Department and the Head of Office of a disbursing unit shall be self-controlling officers for their personal emoluments only.





## Appendix - I

### Schedule of Delegation of Powers

Sl. No.	Power Delegated	Nature Of Power	Head of Ministry	Head of Secretariat	Head of Autonomous Agency	Head of Department	Head of Dzongkhag	Remarks
1.	PERSONNEL & OTHER PERSONNEL EMOLUMENTS							
	a. Payment of emoluments	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	b. Payment of emoluments before the last working day of the month	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	c. Sanction of cash handling allowance	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	d. Encashment of leave	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	e. Sanction of arrears emoluments	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	f. Payment of salary advance	O	F.P.	F.P.	F.P.	F.P.	F.P.	Subject to liquidation within the same Financial Year.
2.	SANCTION OF HONORARIUM	E.O.	Up to Nu.10,000 at a time – max. Nu.100,000 per annum.	Nil	Nil	Nil	Up to Ceiling Prescribed for Discretionary grants.	
3.	MEDICAL BENEFITS							
	Travel & medical expense							
	i. Within Bhutan	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	ii. Within India	E.O.	Nil	Nil	Nil	Nil	Nil	As per clearance of the Medical Referral Committee
4.	TRAVEL							
	a. Official tours							
	i. Within Bhutan & India	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	ii. Other countries	E.O.	F.P.	F.P.	F.P.	Nil	Nil	



Sl. No.	Power Delegated	Nature Of Power	Head of Ministry	Head of Secretariat	Head of Autonomous Agency	Head of Department	Head of Dzongkhag	Remarks
	b. Seminars/Conferences							
	i. Within Bhutan & India	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	ii. Other countries	E.O.	F.P.	F.P.	F.P.	Nil	Nil	
	c. Leave travel claims	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	d. Transfer benefits (TG/Transport)	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	e. Travel by ineligible modes	E.O.	F.P.	F.P.	F.P.	Nil	Nil	
<b>5.</b>	<b>UTILITIES</b>	O	F.P.	F.P.	F.P.	F.P.	F.P.	
<b>6.</b>	<b>RENTAL OF PROPERTIES</b>							
	a. Hiring of buildings for official purposes	E.O.	F.P.	F.P.	F.P.	Nil	F.P.	
	b. Hiring machinery/equipment	O	F.P.	F.P.	F.P.	F.P.	F.P.	
<b>7.</b>	<b>SUPPLIES &amp; MATERIALS</b>	O	F.P.	F.P.	F.P.	F.P.	F.P.	
<b>8.</b>	<b>MAINTENANCE OF PROPERTY</b>							
	a. Insurance	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	b. Repairs	O	F.P.	F.P.	F.P.	F.P.	F.P.	
<b>9.</b>	<b>MAINTENANCE OF VEHICLES</b>							
	a. POL for official vehicles	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	b. Repair of vehicles/equipment							
	i. Within Bhutan	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	ii. Outside Bhutan	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	c. Purchase of spare parts	O	F.P.	F.P.	F.P.	F.P.	F.P.	
<b>10.</b>	<b>OPERATING EXPENSES</b>	O	F.P.	F.P.	F.P.	F.P.	F.P.	



Sl. No.	Power Delegated	Nature of power	Head of Ministry	Head of Secretariat	Head of Autonomous Agency	Head of Department	Head of Dzongkhag	Remarks
<b>11.</b>	<b>GOVT. HOSPITALITY/ENTERTAINMENT</b>							
	a. Entertainment of official guests	E.O.	F.P.*	Up to Nu.0.20 ** m/ Year	Up to Nu.0.20 ** m/ Year	Up to Nu.0.10 ** m/ Year	Up to Nu.0.10 ** m/ Year	* To be drawn from the central pool of MoF. **With no suppl. budget
	b. Official gifts	E.O.	Up to Nu.15,000 per occasion	Up to Nu.10,000 per occasion	Up to Nu.10,000 per occasion	Up to Nu.5,000 per occasion	Up to Nu.5,000 per occasion	To be managed out of the budget for item 11. a above
<b>12.</b>	<b>WRITE-OFF</b>							
	a. Write off of losses							
	i. Due to theft/natural calamity	E.O.	Up to Nu.100,000	Up to Nu.50,000	Up to Nu.50,000	Up to Nu.20,000	Up to Nu.10,000	Per incidence
	ii. In transit, handling and storage	E.O.	Up to Nu.100,000	Up to Nu.50,000	Up to Nu.50,000	Up to Nu.20,000	Up to Nu.20,000	Per incidence
	b. Unserviceable and obsolete stores	E.O.	Up to Nu.200,000	Up to Nu.100,000	Up to Nu.100,000	Up to Nu.20,000	Up to Nu.50,000	Per occasion
	c. Irrecoverable advances	E.O.	F.P.	Nil	Nil	Nil	Nil	
<b>13.</b>	<b>RETIREMENT BENEFITS</b>							
	a. Sanction of post service benefits	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	b. Recovery of dues from retirement benefits	O	F.P.	F.P.	F.P.	F.P.	F.P.	
<b>14.</b>	<b>PURCHASES</b>							
	a. Land & buildings (within Bhutan)	E.O.	F.P.	Nil	Nil	Nil	Nil	
	b. Tools/plants/equipment	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	c. Vehicles	O	F.P.	F.P.	F.P.	F.P.	F.P.	
	d. Furniture/office equipment	O	F.P.	F.P.	F.P.	F.P.	F.P.	



Sl. No.	Power Delegated	Nature of power	Head of Ministry	Head of Secretariat	Head of Autonomous Agency	Head of Department	Head of Dzongkhag	Remarks
15.	<b>LEASES</b>							
	a. Private land	E.O.	F.P.	Nil	Nil	Nil	Nil	
	b. Govt. land & property	E.O.	F.P.	Nil	Nil	Nil	Nil	
16.	<b>ADVANCES/LOANS</b>							
	a. Advances for approved purposes	O	F.P.	F.P.	F.P.	F.P.	F.P.	
17.	<b>CONSTRUCTIONS</b>							
	a. Administrative approval & financial sanction	O	F.P.	F.P.	F.P.	F.P.	F.P.	Technical Sanctions shall be issued by a competent technical authority.
	b. Award of work	O	F.P.	F.P.	F.P.	F.P.	F.P.	
18.	<b>HIRING OF VEHICLE</b>	O	F.P.	F.P.	F.P.	F.P.	F.P.	
19.	<b>TIME BARRED CLAIMS/ADJUSTMENTS</b>	O	2 years	1 year	1 year	Nil	1 year	
20.	<b>REAPPROPRIATION</b>							
	a. From one object code to another object code in same activity	E.O.	Up to Nu.100,000 per occasion	Up to Nu.50,000 per occasion	Up to Nu.50,000 per occasion	Up to Nu.20,000 per occasion	Up to Nu.30,000 per occasion	Permitted from current to capital expenditure and not vice versa.
	b. From one activity to another activity in the same programme/sub-programme	E.O.	Up to Nu.100,000 per occasion	Up to Nu.50,000 per occasion	Up to Nu.50,000 per occasion	Up to Nu.20,000 per occasion	Up to Nu.30,000 per occasion	-do-
	c. From one sub-programme to another sub-programme in the same programme	E.O.	Up to Nu.200,000 per occasion	Up to Nu.75,000 per occasion	Up to Nu.75,000 per occasion	Up to Nu.20,000 per occasion	Up to Nu.50,000 per occasion	-do-
	d. From one programme to another programme	E.O.	Nil	Nil	Nil	Nil	Nil	