



# **Fund Release Guidelines (Revised 2016)**

**Ministry of Finance  
Department of Public Accounts**

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## **1. Introduction**

Budgetary fund release constitutes authorizing transfer of public money from Government Consolidated Account to the Letter of Credit Accounts of the Budgetary Bodies (BB) for expenditure based on the approved budget. Article 14(3) of the Constitution of the Kingdom of Bhutan states that Public money shall not be drawn from the Consolidated Account except through appropriation in accordance with the law. The Financial Rules and Regulations (FRR) 2001 outlines the procedures for budgetary fund releases and the Department of Public Accounts (DPA) is responsible for releasing funds. Given that fund release is the last step in receiving public money for expenditure by the BBs, there has been increased public interest in the fund release systems. As such, the Ministry of Finance (MoF) has developed this simplified and Revised Fund Release Guidelines for ready reference.

## **2. Fund Release Procedures in Vogue**

The fund release system is designed to scrutinise the readiness of the agencies to undertake the budgeted activities and to avoid lapse of released funds at the close of the fiscal year. As such, the FRR 2001 requires the submission of adequate supporting documents for processing fund releases. Over the years, fund release procedures have been reviewed and revised in line with

major reforms in public financial management system. The requirement to submit Combined Release Report (CRR) was done away with and the supporting documents were reduced to bare minimum in July 2007. Presently, current budget is released quarterly based on forecasting made in the Budget Utilization Plan (BUP) for central Agencies and Dzongkhags and half yearly for Gewogs without even having to make a request. Capital budget is released based on Budget Utilization Plan (BUP) for Royal Government of Bhutan (RGoB) funded activities and RGoB contribution for co-financed projects.

### **3. Revised Fund Release Procedures**

The existing fund release procedure was reviewed during the Annual Financial Management Workshop held in April 2009 and December 2015-2016. As per the feedbacks received from the workshop and consultations made with accounts personnel's, the existing release procedure is flexible and meets the Agencies' requirements. However, as a step forward in simplifying fund release procedures, starting from July 2009, the MoF has done away with all the supporting documents for capital releases. Further, a time frame for releasing funds by the DPA has been set as required by PFA 2007.

Starting Fiscal Year 2013-2014, fund release process is fully made online, doing away with requirement of manual submission of fund release request through standard Fund Requisition Form (FRF) by the BB. Further, the guidelines has been revised in 2016. With the revision, resource saving, service delivery and Turnaround Time (TAT) is greatly enhanced. The Revised Fund Release Procedure and the TAT is presented in **Annex I and II**.

#### **4. Type of Budgetary Fund Releases**

Budgetary fund releases consist of the following three types:

**4.1 Current Regular Releases:** Budget releases for recurrent expenditures which is made on a quarterly basis for Central agencies and Dzongkhags and half yearly for Gewogs.

The only condition is the submission of monthly accounts of the last month of the previous quarter within the stipulated period and submission of BUP on quarterly basis. Such releases are completed by the 15<sup>th</sup> of the first month of every quarter i.e. July, October, January and April without having to request.

**4.2. Capital Releases:** The BUP for capital budget shall be prepared and submitted in alignment with the agency's annual work plan. While preparing the BUP, budgetary bodies shall ensure that all the required

formalities are completed and the projections are made under the specific months

All capital releases (construction and non-construction) shall be provided within one working day from the receipt date duly planned and forecasted as per the BUP.

- a. *Construction*: Budget releases for new and ongoing construction.
- b. *Non-Construction*: Budget releases for procurement of equipment, furniture, computer, etc.

## **5. Minimum Conditions for Budgetary Fund Release**

For timely releases of funds, following minimum conditions are to be fulfilled by the Agencies:

- a) *Sufficient Budget Provision*: There should be sufficient budget provision against the activity for which fund release is requested. If the activity is new, budget incorporation process has to be completed before requesting for fund release.
- b) *Monthly Accounts and Bank Reconciliation*: Timely closure of monthly accounts and BRS by the budgetary bodies within ten (10) working days after the completion of the month.

- c) *Donor Fund Balance*: If the activity is funded by the donor, there should be sufficient fund balance against that particular FIC.
- d) *Closing Cash Balances*: To facilitate the first quarterly release the closing cash balance of previous fiscal year should be surrendered and received by DPA.
- e) *Budget Utilization Plan (BUP)*: Submission of BUP is mandatory for all RGoB funded and RGoB co-financed activities. All subsequent releases shall be based on utilization of previous fund releases made.

## **6. Non-budgetary Releases**

It refers to release of fund that is not tagged to the budgeted activities. The following shall be construed as non-budgetary releases:

Different types of non-budgetary releases are as presented below:

- a. *Refundable Release*: Funds deposited by budgetary bodies as bid security, performance security and retention money etc. into the Government Refundable Deposit Account forms the refundable deposit money. With the online request facility, starting fiscal year 2016-2017, budgetary bodies

shall attach bank statement to facilitate timely RD releases. However, DPA will facilitate RD release on a case by case basis for deposits made in the past years before the implementation of system generated RD deposit invoices.

- b. *Non-Revenue Releases:* Non-revenue deposits are funds provided by one BB to another to carry out deposit works but being deposited temporarily in the Government Non-Revenue Account. With the online request facility, starting fiscal year 2016-2017, budgetary bodies shall attach bank statement to facilitate timely NR releases. However, DPA will facilitate NR releases on a case by case basis for deposits made prior to introduction of system generated NR deposit invoices. .
- c. *Uncashed Cheque:* It refers to releases made against cheques pertaining to the previous fiscal year which could not presented to the bank before the closure of the fiscal year. Such releases shall be made takin into consideration the availability of lapsed fund against that particular LC/PLC account.

## **7. Time lines for budgetary and non-budgetary fund releases**

As required by the PFA 2007 under Article 114, a reasonable time frame for release of funds has been set by

the DPA in the Revised Fund Release Guidelines as presented in **Annex I**.

## **8. Delays in Fund Releases**

In principle, there are no delays in fund releases. However, if budgetary bodies are experiencing delays, it is mainly due to non-fulfilment of the minimum conditions for fund releases as specified under point # 5 above. With the maximum time-frame for processing fund release set, delays in fund releases, if any will be permanently eliminated.

## **9. Risk of Uncontrolled Fund Releases**

While it is ideal for the BB to receive all funds released without any conditions, there are risks associated with it. The following are some of the risks:

- i. Expenditure on unbudgeted activities:* Most of the Agencies use the fund release as approval for expenditure and use it even for unbudgeted activities. This affects the implementation of the planned activities as there will be no funds left.
- ii. Huge lapse fund:* At the end of fiscal year, huge amount of fund is left unspent and there is tendency to withdraw large sums of cash which is



not in keeping with the financial rules and regulations.

*iii. Adverse effect on cash flow and GCA:* Due the reasons mentioned in (i) & (ii) above, the cash flow position will be adversely affected and will incur huge cost on Ways and Means Advance (WMA) and overdraft (OD) charges.

## **10. Monitoring and Reporting of Fund Releases**

Towards the end of each quarter, the DPA will closely monitor the budgetary fund releases. Any instances of over and under utilization of funds released shall be reviewed from Monthly Accounts and adjusted against the subsequent fund releases. To facilitate proper closure of books of accounts, all budgetary fund releases shall be completed by the 15<sup>th</sup> of June of every Fiscal Year.

## ***Annex I***

### **Revised Fund release Procedure**

*(With effect from 1<sup>st</sup> July 2015)*

Sl. No	Type of Fund Releases	Documents Required	Time frame for DPA for Processing Releases
<b>I Budgetary Releases:</b>			
1.	Current Regular Release	No documents. Release on quarterly basis without having to request	Current Release completed by 15 <sup>th</sup> of the first month of every quarter.
2.	Capital Releases (Construction & Non-Construction)	Month Closing & Completion of BRS, BUP	1 working day (Release completed within 1 working day from the receipt of the online release request)
<b>II Non-Budgetary Releases:</b>			
1.	Refundable & Non-Revenue Release	Online request letter with a copy of non-revenue deposit invoice confirmed by Bank.	2 working days (Release completed within 3 working days from the receipt of online release request. Complete and formalize validation with the BoB and deposits in the RD A/C.)
2.	Uncashed Cheques	Online request letter with original uncashed Cheques	2 working days (Release completed

		and explanations	within 3 working days from the receipt of the online request letter)
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*Note:*

*For timely budgetary releases, following minimum conditions are to be fulfilled by the Agencies:*

- i. Submission of Monthly Accounts within 15 days after completion of the month;*
- ii. Sufficient budget provision against the activity for which the release is requested;*
- iii. For donor funded activities, there should be donor fund balance with RGoB.*
- iv. Completion and timely submission of Budget Utilization Plan (BUP) on quarterly basis.*

*Any instances of delays in fund releases after fulfilling the minimum condition may be reported to the Director General, DPA for necessary action.*

*With the enhancement of PEMS system, there is no requirement to write manual letters to request for both budgetary and non-budgetary fund releases. Therefore, there is no need to fill up FRF for fund release from the DPA.*