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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



DNB/RULES/2018-19/ 555

9th April 2019

NOTIFICATION

Subject: Finance Committee (FC) and Terms of Reference (ToR)

Pursuant to the Government directives issued vide Cabinet letter no. C-3/10/63 dated 31st January 2019, the Ministry of Finance herewith notifies all Ministries, Dzongkhags and Autonomous Agencies (JDWNRH, Council for Religious Affairs, National Land Commission, National Environment Commission, Tourism Council of Bhutan, National Center for Hydrology and Metrology, Bhutan Council for School Examination and Assessment) to institute Finance Committee in respective agencies with immediate effect.

The purpose of the Finance Committee is to strengthen public financial management and promote financial thrift by enhancing efficiency and cost effectiveness in the use of public resources. All matters pertaining to budgeting and accounting thereof must be endorsed by the Finance Committee to implore due importance from the Ministry of Finance.

The FC shall function as per the Terms of Reference (TOR), a copy of which is attached to this notification.


(Namgay Tshering)
Finance Minister

CC:

1. The Cabinet Secretary, Gyalyong Tshogkhang, Thimphu for information.
2. The Secretaries, all Ministries, Thimphu for compliance.
3. The President, JDWNRH, Thimphu for compliance.
4. The Secretary, Council for Religious Affairs, Thimphu for compliance.
5. The Secretary, National Land Commission, Thimphu for information.
6. The Secretary, National Environment Commission, Thimphu for compliance.
7. The Secretary, BCSEA, Thimphu for compliance.
8. Dasho Dzongdag, all Dzongkhags for compliance.
9. The Director General, Tourism Council of Bhutan, Thimphu for compliance.
10. The Director, National Center for Hydrology and Metrology, Thimphu for compliance.



TERMS OF REFERENCE FOR FINANCE COMMITTEE

April 2019

**Ministry of Finance
Royal Government of Bhutan**

A handwritten signature in blue ink, consisting of stylized, cursive characters.

I. BACKGROUND

In obedience to Royal Address of the 111th National Day Celebration in Samtse for managing our available resources wisely, minimize waste and ensure that all our resources are directed at improving the well-being of the people, and in fulfilling our national vision, the Government, during the 10th Session of the Lhengye Zhungtshog held on 22nd January 2019 approved establishment of 'Finance Committee' (FC) at the agency level as conveyed vide Letter No. C-3/10/63 dated 31st January 2019. Accordingly, the MoF notified the budgetary bodies to establish FC through budget call circular for FY 2019-20.

For efficient and effective functioning of the Committee, the MoF hereby issues the Terms of Reference (TOR) for FC.

II. PURPOSE

The purpose of the Finance Committee (FC) is to oversee the public financial management of the agency and promote efficiency, effectiveness and financial thrift in the agency. The TOR shall serve as the guiding principle in fulfilling the mandates of the Committee.

III. SCOPE

The ToR shall apply to all Finance Committee instituted at the budgetary bodies.

IV. MEMBERSHIP

The following are the members of the Finance Committee:

For Ministries

1. Secretary,- Chairperson
2. Heads of Departments & Directorate,- Member
3. Head of Policy and Planning Division,- Member
4. Chief Finance Officer,- Member Secretary

For Dzongkhags

1. Dzongdag,- Chairperson
2. Dzongrab,- Member
3. Planning Officer,- Member
4. District Engineer,- Member



5. Finance Officer, -Member Secretary
6. Relevant Sector Head,- Invitee Member

For Thromdes

1. Executive Secretary,- Chairman
2. Chief Planning,-Member
3. Chief Engineer/Architect, -Member
4. Chief Education Officer,-Member
5. Chief Finance Officer,-Member Secretary

For Autonomous agencies

1. Head of Agency,- Chairperson
2. Department/Division Heads,- Member
3. Head of Policy and Planning Division,- Member
4. Finance Officer, -Member Secretary

V. MANDATES

a. Budget proposal:

The FC shall have the following mandates with respect to Budget Proposal;

1. Allocate budget ceiling to different department/division/sector within the ceiling determined by the Government;
2. Review cost estimates, drawings and designs and approve capital activity up to Nu. 50 million;
3. Prioritized activities based on the need and cost-benefit analysis;
4. Endorse Budget Proposal prepared by different departments/divisions/sectors of the respective agency. The Dzongkhag and Thromde FC will submit the endorsed budget proposals to Dzongkhag Tshogdu and Thromde Tshogde respectively for approval and submission to MoF;
5. Ensure to submit the Budget proposal to DNB within the prescribed deadline; and
6. Ensure that proposal for infrastructure investment costing more than Nu. 50 million are submitted to the Public Investment Committee for necessary approval.



b. Budget Execution:

The FC shall have the following mandates with respect to Budget Execution;

1. Approve Budget Utilization Plan and ensure compliance to it;
2. Ensure proper internal control system;
3. Ensure effective, efficient and transparent use of financial resources;
4. Take effective and appropriate steps to prevent any unauthorized, irregular and wasteful expenditure and losses;
5. Prevent spending in excess of the amount appropriated by the Parliament;
6. If the cost of the project overruns by more than 10% of the originally approved estimate or if the time of the project overruns by more than a year from its originally approved time schedule, the committee shall review and submit its recommendation to the PIC for approval;
7. Prevent any commitments of the agency to any liability for which money has not been appropriated;
8. Review and recommend request for supplementary incorporation of externally funded activities and any regular additional budget request;
9. Review and endorse budget re-appropriations and technical adjustments in line with the delegation of financial power as per FRR 2016;
10. Review and endorse quarterly financial progress report for submission to DNB,
11. Conduct midyear budget review in close collaboration with DNB and submit report and recommendation for any revision; and
12. Assist the portfolio Minister and the Ministry of Finance with half-yearly financial report.

VI. RESPONSIBILITY AND ACCOUNTABILITY

1. The Chairperson shall be responsible and accountable for the proper conduct of the FC meetings and endorsement of the decisions thereof;



2. The Members shall be responsible and accountable for all the decision taken in the FC meetings; and
3. The Member Secretary shall be responsible for coordination and recording of the FC proceedings and liaising with MoF for all necessary and follow actions.

VII. FREQUENCY OF MEETING

The committee shall meet at least once quarterly where Member Secretary will present budget utilization updates amongst other agendas as deemed appropriate. The Chairperson may, however, convene ad-hoc FC meetings as and when required.

VIII. QUORUM OF THE MEETING

The presence of not less than two thirds of the total number of members shall constitute a quorum for a sitting. In the absence of a quorum, official FC business shall not be conducted.

IX. RECORDS

All proceedings and conduct of the FC meeting shall be properly documented and recorded.

