

Chapter II Certification of the Annual Financial Statement for the Financial Year 2002-2003

The Finance & Accounting Manual Chapter XI 11.1.1.2 and Part C of the Financial Management Manual of the Finance Rules and Regulations 2001 required the Royal Audit Authority to certify the Annual Financial Statement prepared by the Ministry of Finance.

The RAA had reviewed the consolidated Annual Financial Statement of the Royal Government of Bhutan for the Financial Year 2002-2003. in accordance with the generally accepted accounting principles and General Auditing Rules and Regulations.

The audit had not detected any material mis-statement and fundamental errors in incorporating the figures in the financial statement. Considering the evolving stage of the preparation process, the auditors were happy to report that the Financial Statement reflected a true and fair view of the budgetary operations of the government subject to some inadvertent minor lapses.

The copy of the certificate with the detailed findings of the auditors, clarification of the Ministry of Finance and RAA's further comments are brought out as **Annexure-A**.

The RAA had made the following recommendations to the Ministry of Finance:

1. To strengthen their internal control system after enacting a National Finance Act or the National Budget Act spelling out with proper mechanism to ensure strict and uniform budgeting discipline;
2. An **exclusive division** under the Department of Budget and Accounts with adequate manpower and exposure to be immediately **established** in order to **speed** up the process of the submission for certification of Annual Financial Statement on time as spelt out in the FRR 2001.
3. The exclusive division should be **headed by an Accountant General or Chief Finance & Accounts Officer possessing professional qualification**.
4. The traditional habit of capturing data after the Fiscal Year should then be replaced with daily punching of information so that at the end of Fiscal Year, the Annual Financial Statement is ready for the purpose of certification audit by the RAA;
5. All figures reflected in the statement needed to be backed up by supporting documents;
6. A sustainable ratio of Total Debt Service (TDS) to amount of internal revenue generated be adopted. The Government should prescribe a limit or a ceiling in terms of percentage of TDS to internal revenue;
7. The financial statement must reflect debt position with external and internal sources or status as on 30th June every year other than actual amount lent, borrowed or repaid;
8. Institution of a consistent and framed method of reporting the loan disbursement for the year so that loan disbursement for the year reported in the Financial Statement tallies with that of source document of DADM;

9. Explore ways & means to expand government revenue base including credible measures to strengthen and broaden tax base;
10. Highlight revenue figures pending collection including amount that pertained to the previous years;
11. Consider the possibility to present the financial position in the form of Balance Sheet and Memorandum accounts extended further by Notes to the Accounts may be explored in future.