

CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS OF GOVERNMENT FOR THE YEAR 2005-06

2.1 Summary of the Auditors' Report on the Annual Financial Statements

The Audit Act of Bhutan 2006 and the Financial Rules and Regulations 2001 require the Royal Audit Authority to certify the Annual Financial Statements of the budgetary operations of the Government.

Accordingly the RAA audited the consolidated Annual Financial Statements of the Royal Government of Bhutan for the Financial Year 2005-2006 in accordance with the General Auditing Rules and Regulations (GARR) 1989 and the Generally Accepted Auditing Standards.

The Royal Audit Authority is pleased to report that in its opinion, the Annual Financial Statements depicted a true and fair view of the budgetary operations of the government.

The RAA noted that the original approved budget appropriation of Nu. 15,111.441 million for the financial year 2005-06 was revised upward to Nu. 18,634.976 million with estimated resource gap of Nu.1,694.721 million. The actual expenditure amounted to Nu.16,723.472 million with a deficit of Nu.103.257 million.

Significant recommendations made by the RAA in the current and previous year's audit reports on the Annual Financial Statements included the following:

- ✍ More detailed reporting of the debt position of the Government in terms of debt absorption and repayment capacity including the consolidated repayment schedules covering a five year period;
- ✍ Simplification of Annual Financial Statements presentation and exploring possibility of adoption of accrual based accounting;
- ✍ Devising appropriate contingent liability plan in the light of guarantees provided for loans and borrowings of Corporations;
- ✍ Monitoring fund flow and cash positions to minimize the negative closing bank balances in the Consolidated Fund Account of the Government; and
- ✍ Measures to be initiated to improve the BAS to ensure timely preparation and submission of audited accounts.