

CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2004-2005

2.1 Summary of Report

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

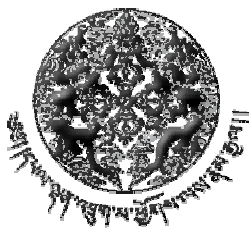
Accordingly the RAA audited the consolidated Annual Financial Statements of the Royal Government of Bhutan for the Financial Year 2004-2005 in accordance with the generally accepted auditing standards and General Auditing Rules and Regulations.

The Royal Audit Authority is pleased to report that the Annual Financial Statements depicted a true and fair view of the budgetary operations of the government. The Annual Financial Statements of the Government are attached.

The original approved budget appropriation of Nu. 13,939.499 million was revised upward to Nu. 17,014.742 million with estimated resource gap of Nu. 1,069.07 million. The actual expenditure amounted to Nu. 13,858.572 million. The difference in the revised budget and the actual outcome is attributable to the non-receipt of the anticipated external loans and grants projected in the revised outlay.

Significant recommendations 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; and
- ✚ Measures to be initiated to improve the BAS to ensure timely preparation and submission of audited accounts.



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ROYAL AUDIT AUTHORITY

(A Clean Public Service - Nation's Pride)



RAA(PPD-CERT-AFS)2006/9752

April 13, 2006

The certificate of the Auditor General on the Annual Financial Statements of the Royal Government of Bhutan for the Financial Year 2004-2005

1. The Royal Audit Authority audited the Annual Financial Statements of the Royal Government of Bhutan for the Financial Year 2004-2005 attached hereto, under my direction in accordance with the provision under Chapter XI, Section 11.1.1.2 of the Financial Rules and Regulations (FRR) 2001 and the General Auditing Rules and Regulations (GARR), 1989.
2. The Annual Financial Statements as prescribed under Chapter XI, Section 11.1.1.4 are the responsibility of the Ministry of Finance. The RAA's responsibility is to express an opinion on these financial statements based on audit conducted by it.
3. The RAA has conducted the audit in accordance with the generally accepted auditing standards and the General Auditing Rules and Regulations. These standards require that the RAA plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes determining on the test basis, evidence supporting the amounts and disclosures in the financial statements. The RAA believes that its audit provides a reasonable basis for its opinion.
4. Based on the examination of accounts and records made available and information and explanations provided to the auditors, the RAA reports that in its opinion the Annual Financial Statements fairly present the budgetary operations of the Royal Government for the year ended 30th June 2005 and the position of debts and equity portfolio of the Government as on that date.
5. The RAA noted that the Annual Financial Statements do not include the Statement of Operations on Refundable Deposit Accounts, Revolving and Trust Fund as specified under the Financial Rules and Regulations, 2001.

(Ugen Chewang)
Auditor General of Bhutan