

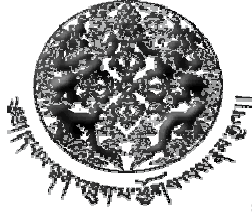
The consolidated Annual Financial Statements of the Royal Government of Bhutan for the Financial Year ended 30<sup>th</sup> June 2008 was audited by RAA as required under the Audit Act of Bhutan 2006 and the Public Finance Act of Bhutan 2007. The audit was conducted in accordance with the General Auditing Rules and Regulations (GARR) 1989 and the Generally Accepted Auditing Standards (GAAS). Based on the examination of the accounts and records and information and explanation provided, the RAA is pleased to report that the Annual Financial Statements, in its opinion, fairly depicted the budgetary operations of the Royal Government for the year ended 30<sup>th</sup> June 2008.

The certifications of the Letter of Credit (LC) accounts are carried out at the individual agency level. While it is not practicable to complete the certification of all the individual accounts within a period of less than a year, the Royal Audit Authority had introduced a system of risk based audit planning where high risk areas as per the assessments and the major agencies are accorded priority during the period. The recommendations and observations made at the agency level are considered depending upon the materiality while certifying the consolidated statements.

The approved budget for the Fiscal Year 2007-2008 was Nu. 24,287.520 million with a resource gap of Nu. 1,770.084 million. Towards the end of the fiscal year, the approved budget was revised to Nu. 27,014.825 million with the resource gap of Nu. 2,826.030 million. The actual outcome at the end of the fiscal year was Nu. 20,919.770 million with a budget deficit of Nu. 915.656 million. The actual outcome was lower by 10% of the approved budget and 19% of the revised budget.

The total realised resources of Nu. 18,316.908 million against a reported expenditure of Nu. 17,913.359 million has resulted in a fiscal surplus of Nu. 403.549 million. On the other hand, the repayment of principal loans of Nu. 2,076.784 million exceeded the receipt of project tied borrowings of Nu. 757.579 million resulting into budget deficit of Nu. 915.656 million. The recurrent expenditure amounted to Nu. 9,725.719 million as against the domestic revenue of Nu. 12,345.984 million. The outstanding debt as on that period ended amounted to Nu. 30,356.912 million equivalent to USD 706.852 million. The ratio of total debt to Gross domestic product is about 56%.

The Department of Public Accounts had also complied with most of the recommendations made by the RAA over the years. The certificate of the Auditor General and the Financial Statements are appended hereunder:



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**ROYAL AUDIT AUTHORITY**

*Bhutan Integrity House*

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources

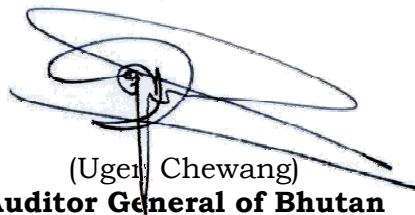


RAA(GGD-CERT-AFS)2009/13380

April 14, 2009.

**The certificate of the Auditor General on the Annual Financial Statements of the Royal Government of Bhutan for the Financial Year 2007-2008**

1. The Royal Audit Authority audited the Annual Financial Statements of the Royal Government of Bhutan for the Financial Year 2007 – 2008, attached hereto, as required under the Audit Act of Bhutan 2006.
2. The Annual Financial Statements as prescribed under Section 23 Sub-section J of the Public Finance Act of Bhutan, 2007 and Chapter XI, Section 11.1.1.4 of the FRR 2001 are the responsibility of the Ministry of Finance. The RAA's responsibility is to express an opinion on these financial statements based on the audit conducted by it.
3. The RAA has conducted the audit in accordance with the General Auditing Rules & Regulations (GARR) 1989 and in conformity with the generally accepted auditing standards. These standards require that the RAA plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes determining on a 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 explanation provided to the auditors, the RAA reports that in its opinion the Annual Financial Statements together with schedules and notes fairly present the budgetary operations of the Royal Government of Bhutan for the year ended 30<sup>th</sup> June 2008 and the position of the debts and equity portfolio of the Government as on that date.



(Ugen Chewang)  
**Auditor General of Bhutan**



དབུལ་རྩིས་ལྷན་ཁག་།  
**Royal Government of Bhutan**  
**Ministry of Finance**  
**Thimphu**



29<sup>th</sup> December 2008

**STATEMENT OF RESPONSIBILITY**

The Annual Financial Statements for the Royal Government of Bhutan for the Financial Year July 2007-2008 have been prepared by the Department of Public Accounts (DPA), Ministry of Finance (MoF) in accordance with the provisions of the Public Finance Act of the Kingdom of Bhutan 2007 (PFA-2007) and the Financial Rules and Regulations 2001 (FRR-2001).

We further state that, the financial statements are prepared based on the information recorded in the computerised system of Central Budgeting and Accounting System (CBA) as per the monthly accounts statements submitted by the spending agencies and the information received from other relevant agencies and organisations. It reflects the financial position of the Royal Government as at 30<sup>th</sup> June 2008 and its operations for the financial year ended on that date.

We accept the responsibility for the reliability and completeness of these financial statements, the information they contain and their compliance with the PFA-2007 and the FRR-2001.

(Wangdi Norbu)  
Finance Minister  
Ministry of Finance

(Nim Dorji)  
Director  
Department of Public Accounts

**Table 2: THE CONSOLIDATED RECEIPTS & PAYMENTS STATEMENT FOR THE FISCAL YEAR  
2007-2008**

(Nu. in million)

Sl.No.	RECEIPTS	AMOUNT	Sl.No.	PAYMENTS	AMOUNT
<b>1</b>	<b>Opening Balances :</b>	<b>549.856</b>	<b>1</b>	<b>Expenditure :</b>	<b>19,693.029</b>
	i) Cash	48.392		i) Current	9,725.719
	ii) Bank	501.464		ii) Capital	9,967.310
<b>2</b>	<b>Internal Revenue :</b>	<b>12,345.984</b>	<b>2</b>	<b>Repayment of Loans :</b>	<b>2,076.784</b>
	i) Tax Revenue	5,238.357		i) Internal	175.302
	ii) Non Tax Revenue	7,107.627		ii) External	1,901.482
<b>3</b>	<b>External Grants :</b>	<b>5,935.421</b>	<b>3</b>	<b>Lendings:</b>	<b>39.892</b>
	i) Cash	4,992.509		i) To Individuals	-
	ii) Kind	942.912		ii) To Corporations	39.892
<b>4</b>	<b>Borrowings:</b>	<b>757.579</b>	<b>4</b>	<b>Other Payments:</b>	<b>-</b>
	i) Internal	-			
	ii) External	757.579			
<b>5</b>	<b>Recovery of Loans:</b>	<b>1,845.283</b>	<b>5</b>	<b>Increase in Adv./Susp.</b>	<b>4,673.122</b>
<b>6</b>	<b>Other Receipts:</b>	<b>35.503</b>	<b>6</b>	<b>Closing Balances:</b>	<b>(365.800)</b>
				i) Cash	36.923
<b>7</b>	<b>Decrease in Adv./Susp.</b>	<b>4,647.401</b>		ii) Bank	(402.723)
	<b>TOTAL</b>	<b>26,117.027</b>		<b>TOTAL</b>	<b>26,117.027</b>

Source: DPA, DRC, BoB, Spending Agencies

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**Table 1: SUMMARY OF VARIATION BETWEEN APPROVED AND REVISED BUDGET ESTIMATES AND ACTUAL OUTCOMES FOR THE FISCAL YEAR 2007-2008**

APPLICATION OF FUNDS	BUDGET ESTIMATES		ACTUAL OUTCOME	% VARIATION		SOURCE OF FUNDS	BUDGET ESTIMATES		ACTUAL OUTCOME	% VARIATION			
	APPROVED	REVISED		APPD./ REV.	APPD./ ACT.		APPROVED	REVISED		APPD./ REV.	APPD./ ACT.		
												REVL/ ACT.	REVL/ ACT.
I. EXPENDITURE:	22,239.317	24,824.216	19,693.029	11.6	(11.4)	(20.7)	I. DOMESTIC REVENUE	13,130.209	11,607.980	12,345.984	(11.6)	(6.0)	6.4
i. Current	11,620.883	10,611.661	9,725.719	(8.7)	(16.3)	(8.3)	i. Tax	5,762.225	4,843.484	5,238.357	(15.9)	(9.1)	8.2
ii. Capital	10,618.434	14,212.555	9,967.310	33.8	(6.1)	(29.9)	ii. Non-Tax	7,367.984	6,764.496	7,107.627	(8.2)	(3.5)	5.1
II. REPAYMENTS:	2,008.203	2,130.716	2,076.784	6.1	3.4	(2.5)	II. RECOVERY OF LOANS	1,693.717	1,832.270	1,845.283	8.2	8.9	0.7
i. Internal	175.302	175.302	175.302	-	-	-	III. GRANTS	6,090.986	9,015.436	5,935.421	48.0	(2.6)	(34.2)
ii. External	1,832.901	1,955.414	1,901.482	6.7	3.7	(2.8)	i. In Cash	5,258.662	7,919.865	4,992.509	50.6	(5.1)	(37.0)
III. LENDING	40,000	59,893	39,892	49.7	(0.3)	(33.4)	ii. In Kind	832.324	1,095.571	942.912	31.6	(13.9)	(96.6)
IV. ADV./SUSP. (Net)	-	-	25.721	-	-	-	IV. BORROWINGS	1,580.238	1,666.431	757.579	5.5	(52.1)	(54.5)
V. OTHER PAYMENTS	-	-	-	-	-	-	i. Internal	-	-	-	-	-	-
							ii. External	1,580.238	1,666.431	757.579	5.5	(52.1)	(54.5)
VI. SURPLUS	-	-	-	-	-	-	V. OTHER RECEIPTS	22.286	66.678	35.503	199.2	59.3	(46.8)
							VI. DEFICIT	1,770.084	2,826.030	915.656	59.7	(48.3)	(67.6)
<b>TOTAL</b>	<b>24,287.520</b>	<b>27,014.825</b>	<b>21,835.426</b>	<b>11.2</b>	<b>(10.1)</b>	<b>(19.2)</b>	<b>TOTAL</b>	<b>24,287.520</b>	<b>27,014.825</b>	<b>21,835.426</b>	<b>11.2</b>	<b>(10.1)</b>	<b>(19.2)</b>

**Source:** Department of National Budget (DNB), Department of Public Accounts (DPA), Gross National Happiness Commission (GHNC), and Department of Revenue and Customs (DRC).

**Note:** (i) Approved budget estimates is as reported to National Assembly session of June 2007.

(ii) Revised budget estimates is as on 30 June 2008.

Table 21: THE CONSOLIDATED STATEMENT OF OUTSTANDING DEBT OF THE GOVERNMENT FOR THE PERIOD ENDED JUNE 30, 2008													
(Amounts in Agreement Currencies)													
AGENCY	Loan Committed			W I T H D R A W A L S			REPAYMENTS DURING THE YEAR			Closing Balances as on 30/06/08	Closing Balances in USD		
	Curr.	Nu.	Amount	Opening balances as on 01/07/07	Principal	Interest & Charges accrued during the		Principal	Interest & S/Charges			Total	
						Interest	Fees & Charges						
						Interest	Fees & Charges			Total			
<b>A INTERNAL</b>													
i Ways & Means Accounts (BoB)	Nu.	-	-	1,577.721	-	86.775	-	86.775	175.302	86.775	262.077	1,402.419	32.652
ii Long-term loan for RGoB Equity in Drukair	Nu.	-	-	1,577.721	-	86.775	-	86.775	175.302	86.775	262.077	1,402.419	32.652
<b>B EXTERNAL: GOI</b>													
i Chukha Hydro Power Corporation	Rs.	33,139,972	98,638	18,369,926	619,718	1,500,825	-	2,120,543	1,669,391	1,500,825	3,170,216	17,320,253	403,265
ii Kurichu Hydro Power Corporation	Rs.	2,240,000	2,240,000	1,680,000	-	201,694	-	201,694	186,667	201,694	388,361	1,493,333	34,769
iii Tala Hydro Power Project Authority	Rs.	16,742,094	16,742,094	16,602,376	139,718	1,295,863	-	1,435,581	1,395,174	1,295,863	2,691,037	15,346,920	357,321
iv Punatsangchhu Hydro Power Project - I	Rs.	14,059,240	14,059,240	-	480,000	-	-	480,000	-	-	-	480,000	11,176
<b>C EXTERNAL: OTHER THAN GOI</b>													
i International Dev. Assistance (IDA)	Nu.	71,652	71,652	11,108,752	757,579	131,636	0.004	889,215	232,091	131,636	363,727	11,634,240	270,934
ii Asian Development Bank (ADB)	XDR	121,524	70,430	52,603	6,137	0.430	0.004	6,571	0.520	0.434	0.954	58,220	91,614
iii Kuwait Fund for Arab Eco.Dev.(KFAED)	KD	1,494	0.187	70,430	5,077	0.799	-	5,876	1,250	0.799	2,049	74,257	116,850
iv International Fund for Agri.Dev.(IFAD)	XDR	27,031	15,785	15,785	0.766	0.146	-	0.004	0.125	0.004	0.129	0.062	0.234
v Government of Austria (GoA)	Euro	48,396	47,539	47,539	-	0.880	-	0.880	0.857	0.880	1.737	46,682	29,613
vi Government of Denmark (GoD)	Euro	13,009	12,004	12,004	0.354	-	-	0.354	1.301	-	1.301	11,057	7,014
<b>Grand Total</b>													
Note: Exchange rates used for conversion:	Nu.			31,056,399	1,377,297	1,719,236	-	3,096,533	2,076,784	1,719,236	3,796,020	30,356,912	706,852
	USD =			XDR =	KD =	EURO							
	1,000		42,9500	0.6355	0.2648	1.5764							

Table 23: STATEMENT OF GOVERNMENT EQUITY PORTFOLIO AS ON JUNE 30, 2008														
Sl. No	Corporations	Shareholding as on 01/07/2007					Investment			Divestment		Amount (Nu. in million)		
		No. of shares	Value (Nu)	% Holding	Face value	No. of shares	Amount (Nu)	No. of share	Amount (Nu)	No. of shares	Value (Nu)	% Holding		
<b>I</b>	<b>Manufacturing &amp; DHI</b>	39,398,473	16,149,159	4.00%	1000	-	270,000	163,771	16,377	39,034,702	16,381,976			
1	Army Welfare Project (AWP)	25,000	25,000	100%	1000					25,000	25,000	100%		
2	Bhutan Agro Industries Limited (BAIL)	290,636	29,064	100%	100					290,636	29,064	100%		
3	Wood Craft Centre Limited (WCC)	-	33,430	100%	100					-	33,430	100%		
4	Kuensel Corporation *	255,000	25,500	100%	100					255,000	25,500	51%		
5	Druk Holding & Investment Limited**	38,827,837	16,036,165			NA	270,000	163,771	16,377	38,464,066	16,268,982	100%		
<b>II</b>	<b>Trading</b>	15,000	15,000	100%	1000					15,000	15,000	100%		
1	Food Corporation of Bhutan	15,000	15,000	100%	1000					15,000	15,000	100%		
<b>III</b>	<b>Services</b>	1,544,303	154,430							1,544,303	154,430			
1	Bhutan Postal Corporation	235,952	23,595	100%	100					235,952	23,595	100%		
2	Bhutan Broadcasting Service Corpn. Ltd.	1,308,351	130,835	100%	100					1,308,351	130,835	100%		
<b>IV</b>	<b>Financial Institutions</b>	87,000	87,000	87%	1000					87,000	87,000	87%		
1	Bhutan Development Finance Corporation	87,000	87,000	87%	1000					87,000	87,000	87%		
	<b>TOTAL</b>	<b>41,044,776</b>	<b>16,405,589</b>			-	<b>270,000</b>	<b>163,771</b>	<b>16,377</b>	<b>40,681,005</b>	<b>16,638,407</b>			
*	Face value of the share was reduced from Nu. 1000 to Nu. 100 per share													
**	Detail of individual companies as per Table 24.													