



ANNUAL AUDIT REPORT 2020-2021

(IN FULFILLING THE CONSTITUTIONAL RESPONSIBILITY)

ROYAL AUDIT AUTHORITY

"There shall be Royal Audit Authority to audit and report on the economy, efficiency, and effectiveness in the use of public resources."

(Article 25, The Constitution of The Kingdom of Bhutan)

VISION

A credible Supreme Audit Institution that promotes value for money and good governance in public operations and contributes towards achieving the societal aspirations of Gross National Happiness.

MISSION

RAA is an independent constitutional body which contributes to accountability, transparency and effective service delivery. In the service of Tsa-Wa-Sum (the King, Country and People), we audit without fear, favour or prejudice and provide timely, reliable and quality audit services to assist effective decision making in the public sector.

RAA CORE VALUES

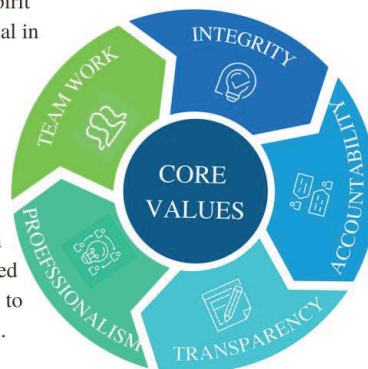
TEAM WORK: We believe in team spirit and diversity to unleash our full potential in achieving common goals through respect, trust and support.

PROFESSIONALISM: We perform quality audit services through dedicated and competent work force conforming to auditing standards and best practices.

TRANSPARENCY: We are transparent in all our dealings and actions, and promote culture of openness and submit ourselves to scrutiny.

INTEGRITY: We are independent, honest and incorruptible in our conduct & remain impartial and trustworthy.

ACCOUNTABILITY: We are accountable for our own actions in a similar way we propound accountability in audited agencies.



AUDIT JURISDICTION

- Ministries, Departments, Divisions, Units, Dzongkhags, Gewogs, Thromdes, autonomous bodies, foreign-assisted or special projects
- Zhung Dratshang, Rabdeys and all related institution.
- Judiciary and Judicial Bodies, Legislature and related institutions
- Constitutional bodies
- Defense and Security Services
- All corporations, Financial Institutions including the Central Bank and their subsidiaries.
- Political parties
- Any Entity or Activity upon command of the Druk Gyalpo
- All entities including non-governmental organizations, trusts, charities and civil societies fully or partly funded by the government; whose loans are approved or guaranteed by the government; and
- Any entity whether private or public engaged in extracting, processing, trading and mining of natural resources of the State.

Notwithstanding the provisions of any laws relating to the accounts and audit of any public authority, the Parliament, by resolution may direct that the accounts of such entities be audited by the Authority.

(Section 91 of Audit Act 2018)

ACRONYM

1. RAA: Royal Audit Authority
2. AAR: Annual Audit Report
3. AFS: Annual Financial Statements
4. FY: Financial Year
5. ISSAI: INTOSAI Standards of Supreme Audit Institutions
6. RGoB: Royal Government of Bhutan
7. GDP: Gross Domestic Product
8. NGO: Non-Governmental Organization
9. STCBL: State Trading Corporation of Bhutan Ltd.
10. FYP: Five Year Plan
11. NSB: National Statistics Bureau
12. LC: Letter of Credit
13. PLC: Project Letter of Credit
14. MoF: Ministry of Finance
15. RBHSL: Royal Bhutan Helicopter Services Ltd.
16. RLDC: Regional Livestock Development Centre
17. CWC: Central Water Commission
18. PHPA-I: Punatsangchu Hydropower Project Authority (I)
19. PHPA-II: Punatsangchu Hydropower Project Authority (II)
20. TCB: Tourism Council of Bhutan
21. FCBL: Food Corporation of Bhutan Ltd
22. FMCL: Farm Machinery Corporation Ltd.
23. DoA: Department of Agriculture
24. DAMC: Department of Agricultural Marketing and Cooperatives
25. CDCL: Construction Development Corporation Ltd.
26. BPCL: Bhutan Power Corporation Ltd.
27. SMCL: State Mining Corporation Ltd.
28. CBS: Centre for Bhutan Studies
29. NRDCL: Natural Resource Development Corporation Ltd.
30. TEDM: Timber Extraction and Distribution Modality
31. MoAF: Ministry of Agriculture and Forests
32. MoEA: Ministry of Economic Affairs
33. DHI: Druk Holding and Investment
34. ACC: Anti-Corruption Commission
35. SBD: Standard Bidding Document
36. QAP: Quality Assurance Plan



རྒྱལ་ཁབ་ལྷན་ཁྲིམ་ཞིབ་དབང་འཛིན།
ROYAL AUDIT AUTHORITY

Bhutan Integrity House

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



SUBMISSION OF ANNUAL AUDIT REPORT 2020-21

In line with **Article 25 (5)** of the Constitution of the Kingdom of Bhutan and **Section 111** of the Audit Act of Bhutan 2018, the Royal Audit Authority (RAA) is pleased to release its Annual Audit Report (AAR) 2020-21. The AAR is a consolidated summary of audit findings from 197 audit reports, including performance audit report issued from 01st January 2021 to 30th June 2021.

The AAR 2020-21 is submitted six months ahead of statutory requirement to provide timely inputs for decision making and appropriate policy interventions. The AAR covers audit reports issued during the last financial year thereby aligning with the period covered in the Annual Financial Statement (AFS) of the Royal Government of Bhutan (RGoB). Therefore, as a onetime transitional arrangement, the AAR 2020-21 covers audit reports issued for a period of six months i.e. January-June 2021 since the audit reports issued from July-December 2020 were already reported in Annual Audit Report 2020.

The AAR is issued in two volumes. Volume-I contains audited Annual Financial Statements of the Royal Government of Bhutan and summary of audit findings issued during the period. The Volume-II of the AAR contains the unresolved irregularities of audit reports issued between 01st January 2021 and 30th June 2021.

The AAR also highlights milestones and achievements of the RAA during the FY 2020-21 and the audited report of accounts and operations of the RAA for the year ended 30th June 2021. It is submitted as part of ensuring accountability of RAA for resources used in delivering audit mandates and strengthening its organizational systems and human resources.

(Tashi)

Auditor General of Bhutan

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
1.1. CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS	4
1.2. ANALYSIS OF ANNUAL FINANCIAL STATEMENTS	21
2. SUMMARY OF AUDIT FINDINGS.....	27
2.1 FRAUD AND CORRUPTION	27
2.1.1 TYPES OF FRAUD AND CORRUPTION	27
2.1.2 AGENCIES WITH FRAUD AND CORRUPTION CASES	30
2.2 NON-COMPLIANCE TO LAWS, RULES AND REGULATIONS	30
2.2.1 TYPES OF NON-COMPLIANCE TO LAWS, RULES AND REGULATIONS	31
2.2.2 AGENCIES WITH NON-COMPLIANCE TO LAWS, RULES AND REGULATIONS.....	34
2.3 SHORTFALLS, LAPSES AND DEFICIENCIES.....	34
2.3.1 TYPES OF SHORTFALLS, LAPSES AND DEFICIENCIES	35
2.3.2 AGENCIES WITH SHORTFALLS, LAPSES AND DEFICIENCIES	37
3. PERFORMANCE AUDIT REPORTS	38
4. OTHER MATTERS	40
5. CONCLUSION	41
6. RECOMMENDATIONS	43
7.1 ABOUT ROYAL AUDIT AUTHORITY	47
7.2 AUDITED REPORT OF ROYAL AUDIT AUTHORITY	49

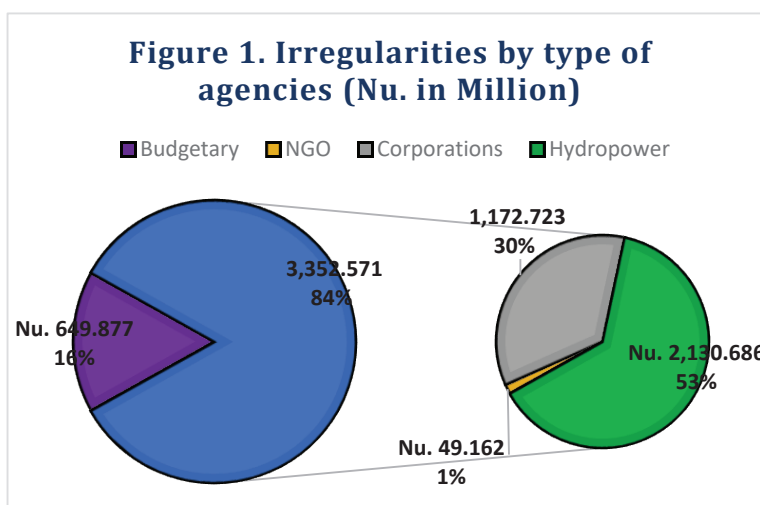
EXECUTIVE SUMMARY

The Annual Audit Report 2020-21 contains audited Annual Financial Statements (AFS) of the Royal Government of Bhutan (RGoB) and analysis of audit findings issued during the period. It also contains the performance of RAA for the financial year 2020-21. The summary of audit findings reported are from 197 audit reports issued between 1st January 2021 and 30th June 2021.

The approved budget of the RGoB for the FY 2020-21 was Nu. 69,151.122 million which was revised to Nu. 85,381.423 million. The sources of government funds comprised of 40.87% from domestic revenue, 16.96% from external grants, 16.32% from borrowings, 2.74% from recoveries and 23.10% from other receipts. The total expenditure recorded for the year amounted to Nu. 71,091.811 million resulting in underutilization of the revised budget by 16.74%. The total recurrent expenditure was Nu. 43,515.78 million and constituted 88.94% of the internal revenue for the FY 2020-21.

The government debt as of 30th June 2021 was Nu. 238,398.910 million of which Nu. 17,074.451 million (7.16%) accounted for internal debt and Nu. 221,324.473 million (92.84%) for external debt. The per capita debt as of financial year 2020-21 stood at Nu. 315,288.67. The total government debt has been rising steadily over the years and represented 129.06% of the Gross Domestic Product (GDP) in 2020-21.

During the period, the RAA issued 197 audit reports with irregularities amounting to Nu. 4,002.448 million of which 84% pertained to non-budgetary agencies. The hydropower constituted



irregularities aggregating to Nu. 2,130.686 million, corporations with Nu. 1,172.723 million and Non-Governmental Organizations (NGOs) with Nu. 49.162 million under non-budgetary agencies. The total financial implication

from irregularities observed in budgetary agencies amounted to Nu. 649.877 million corresponding to 16% as depicted in **Figure 1**.

The type of irregularities observed during the period showed that there were instances of fraud and corruption amounting to a total of Nu. 133.006 million of which State Trading Corporation of Bhutan Ltd. (STCBL) alone accounted for 92.60%. Non-compliance to Laws, Rules and Regulations had irregularities worth Nu. 2,325.336 million of which hydropower accounted for 71.39%. Irregularities relating to Shortfall, Lapses and Deficiencies were also observed with financial implications amounting to Nu. 1,544.106 million of which hydropower accounted for 28.92%.

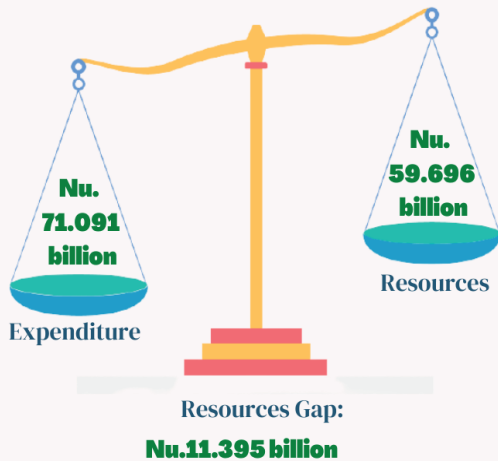
Observations reported during the period showed that in terms of financial implications, payments for works not executed and goods/services not delivered was the most common observation with irregularities aggregating to Nu. 1,116.898 million followed by excess payment due to incorrect rate analysis amounting to Nu. 542.995 million.

Irregularities of all categories occur generally due to inadequacies in the internal control systems across the agencies. It is either design or the operation of controls that is deficient and incapable of preventing, detecting or correcting errors or deviations as it occurs. Irregularities reported under fraud, corruption and embezzlement would have been deliberate perpetrations facilitated by weak internal control system. While agencies are expected to ensure minimum internal control frameworks for critical functions/operations, generally there is a lack of tone at the leadership to instill control consciousness based on which other elements of internal controls can take firm root. In the process, the agencies overlook ethical culture and leadership that underpin mechanism of delineating responsibility and enforcing accountability. Even when irregularities are reported through audit reports, the RAA's recommendations fail to enthuse agencies and authorities to initiate corrective actions leading to repeat irregularities as reported in successive audit reports.

Based on the nature of issues and its possible causes, the RAA has developed a total of five recommendations aimed at causing the agencies and authorities to initiate corrective actions to remedy the problems and enhance overall governance of the public financial management system. The agencies and authorities should be obliged to act upon each of these recommendations as applicable to ensure that deficiencies identified are remedied and performance of agencies are improved.

Government Financial Information at a Glance

Financial Year 2020-2021



“The Government shall ensure that the cost of recurrent expenditures is met from internal resources of the country.”

Article 14.6,
The Constitution of The Kingdom of Bhutan

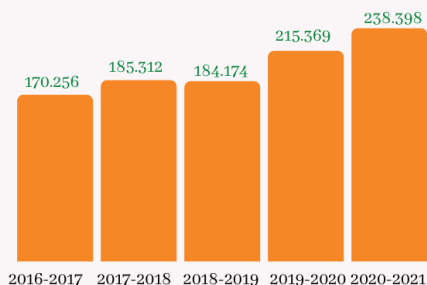
% of Current Expenditure to Internal Revenue



2016-2017 2017-2018 2018-2019 2019-2020 2020-2021

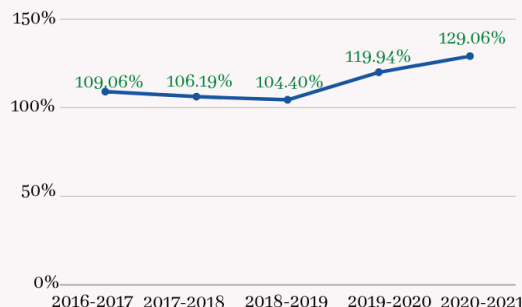
Internal resources were adequate to materialize the recurrent expenditures which fulfill the constitutional mandates.

Public Debt (in billion)



2016-2017 2017-2018 2018-2019 2019-2020 2020-2021

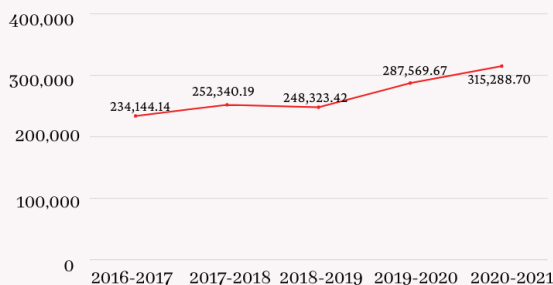
Debt to GDP Ratio



2016-2017 2017-2018 2018-2019 2019-2020 2020-2021

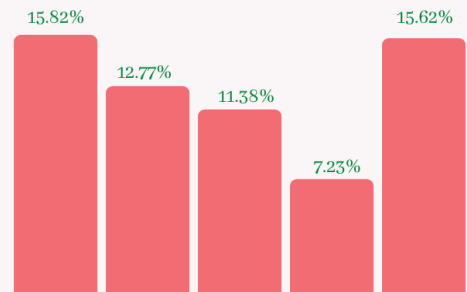
As of FY2020-21, the public debt stands at Nu. 238.399 billion which translates to 129.06% GDP.

Per Capita Debt (Nu. in million)



2016-2017 2017-2018 2018-2019 2019-2020 2020-2021

% of Debt Resericing



2016-2017 2017-2018 2018-2019 2019-2020 2020-2021

CHAPTER 1

1.1. CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS

The Royal Audit Authority (RAA) audited the Annual Financial Statements (AFS) of the Royal Government of Bhutan for the Fiscal Year (FY) 2020-21 as required under the Audit Act of Bhutan 2018 and the Public Finance Act of Bhutan 2007 (Amendment 2012). The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

The approved budget for the FY 2020-21 was Nu. 69,151.122 million which was revised to Nu. 85,381.423 million. The sources of government funds comprised of 40.87% from domestic revenue, 16.96% from external grants, 16.32% from borrowings, 2.74% from recoveries and 23.10% from other receipts. The RGoB resorted to internal borrowings amounting to Nu. 9,103.684 million to finance its expenses besides external borrowings of Nu. 5,211.993 million. Total grants received during the year amounted to Nu. 14,882.289 million constituting of Nu. 14,242.530 million in cash and Nu. 639.760 million in kind.

The fiscal deficit of the government has constantly increased over the past years from Nu. 545 million in the FY 2017-18 to Nu. 11,139 million in the FY 2020-21, which could be attributed to limited revenue growth and increased public spending. The proportion of current expenditure to internal revenue for FY 2020-21 was 88.94%

The total expenditure recorded for the year amounted to Nu.71,091.811 million resulting in overall underutilization of the revised budget by 16.74%. During the period, there was under-absorption of capital budget by 32.56%.

The government debt as of 30th June 2021 was Nu. 238,398.910 million of which Nu. 17,074.437 million accounted for internal debt and Nu.221,324.473 million for external debt. The major portion of the debt relates to borrowings for hydropower amounting to Nu. 162,359.048 million accounting for 73.40% of the total external debt in FY 2020-21.

The Auditor General's report on the AFS and audited financial statements are appended herewith.



རྒྱལ་ཁབ་ལྷན་ཁྲིམས་ཞིབ་དབང་འཛིན།
ROYAL AUDIT AUTHORITY
Bhutan Integrity House

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



AUDITOR GENERAL'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF THE ROYAL GOVERNMENT OF BHUTAN FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Opinion

The Royal Audit Authority (RAA) audited the accompanying Annual Financial Statements of the Royal Government of Bhutan (RGoB) for the financial year ended 30th June 2021 and summary of explanatory information, which comprise:

- i. Consolidated Receipts & Payments Statement and Schedules forming part of it;
- ii. Summary of Original and Revised Budget Estimates and Variations with Actual Outcome;
- iii. Government Consolidated Account Reconciliation Statement;
- iv. Statement of Outstanding Loans;
- v. Statement of Equity Portfolio of the Government;
- vi. Statement of the Operations of Refundable Deposits Account, Revolving & Trust Funds; and
- vii. Summary Statement of Arrears of Revenue.

The audit was conducted by the RAA as required under the Audit Act of Bhutan 2018, the Public Finance Act of Bhutan 2007 & Public Finance (Amendment) Act 2012, and the Financial Rules and Regulations 2016.

In RAA's opinion, the aforementioned Financial Statements together with Schedules attached thereto, including the Notes to Accounts have been prepared, in all material respects, in accordance with the Financial Rules and Regulations 2016.

Basis of Opinion

The RAA conducted its audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Ministry of Finance, and we have fulfilled our responsibilities in accordance with the requirements outlined in RAA's Oath of Good Conduct, Ethics and Secrecy of Auditors. We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

"Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder."
- His Majesty the King Jigme Khesar Namgyel Wangchuck

P.O. Box: 191 | Kawangjangsa | Thimphu | Bhutan | Tel: +975-2-322111/328729/328730/324961 | Fax: +975-2-323491
Website: www.bhutanaudit.gov.bt | Email: info@bhutanaudit.gov.bt and auditorgeneral@bhutanaudit.gov.bt

Emphasis of Matter

We draw attention to the following:

- **Difference between the Opening Cash and Closing Cash Balances of the Consolidated Receipts and Payments statement for the financial year**

The opening cash balance reported for 1st July 2020 was Nu. 216.458 million whereas the closing cash balance as on 30th June 2020 was Nu. 217.956. This has resulted in less carry forward of opening balance by Nu. 1.5 million. The difference in cash balance pertained to Royal Bhutanese Embassy, Delhi which still remained unrectified. As such, the RAA is of the opinion that reconciliation of accounts were not carried out properly by the concerned agency and the MoF.

- **Debt situation**

Comparative analysis of outstanding debt with the GDP for the past three years (FY 2018-19 to FY 2020-21) revealed constant increase in the debt to GDP ratio. The total public debt had increased by Nu.31,195.32 million (16.94%) at the end of FY 2019-20 and by Nu. 23,029.07 million (10.69%) at the end of FY 2020-21 compared to previous year. As a result, the debt to GDP ratio has increased from 100.57% in FY 2018-19 to 129.06% in FY 2020-21.

The details of change in debt to GDP ratio is exhibited below:

Financial Year	2018-19	2019-20	2020-21
Total outstanding debt (in million Nu.)	184,174.52	215,369.84	238,398.91
Non-hydro debt (in million Nu.)	42,136.39	56,010.34	76,039.86
Hydro debt (in million Nu.)	142,038.14	159,359.50	162,359.05
Hydro Debt to Total Debt (%)	77.12%	73.99%	68.10%
GDP (in million Nu.)	183,125.82	189,446.24	184,715.40
Debt to GDP (%)	100.57%	122.60%	129.06%
Change in Outstanding Debt Amount (in million Nu.)	-	31,195.32	23,029.07
Change in Outstanding Debt (%)	-	16.94%	10.69%

Government's fiscal deficit

The fiscal deficit of the government has constantly increased over the past years from Nu. 545 million in the FY 2017-18 to Nu. 11,139 million in the FY 2020-21, which could be attributed to limited revenue growth and increased public spending.

- **Proportion of recurrent expenditure to internal revenue**

The proportion of recurrent expenditure to internal revenue for FY 2020-21 was 88.94%.

Other Matter

As per the information made available by the MoF, there are 648 Letter of Credit (LC) Accounts and Project Letter of Credit (PLC) Accounts during the period under review. Of the total, the RAA had audited 73.61% of the total accounts (420 LC Accounts and 57 PLC Accounts) for the Financial Year ended 30th June 2021. For the remaining Accounts, the RAA had verified the year-end accounts generated from the ePEMS and relied on the controls instituted by the MoF.

Responsibility of the Ministry of Finance for the Financial Statements

The Ministry of Finance (MoF) is responsible for preparation of these financial statements in accordance with the Financial Rules & Regulations 2016 and for such internal control as MoF determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Government's financial reporting process.

RAA's Responsibility for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standard on Supreme Audit Institutions (ISSAIs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements. As part of audit in accordance with ISSAIs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MoF's internal control.

We communicate with the management, among others, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.



(Tashi)
Auditor General of Bhutan

Dated: 3/11/2021



དམངས་ཕྱི་ལས་ཁུངས།
དངུལ་ཕྱི་ལས་ཁུངས།
DEPARTMENT OF PUBLIC ACCOUNTS
MINISTRY OF FINANCE



14/09/2021

STATEMENT OF RESPONSIBILITY

The Annual Financial Statement (AFS) of the Royal Government of Bhutan (RGoB) for the Financial Year 2020-21 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 Bhutan 2007, Public Finance (Amendment) Act 2012 and the Financial Rules and Regulations 2016.

The financial statements are prepared based on the monthly accounts of the budgetary bodies recorded in the *electronic* Public Expenditure Management System (*e*-PEMS) and information received from other relevant agencies and organisations. The AFS presents the financial position of the RGoB as at 30th June 2021.

We accept the responsibility for the reliability and completeness of the financial statements.

(Namgay Tshering)
Finance Minister
Ministry of Finance


(Tshering Dorji)
Director
Department of Public Accounts

CONSOLIDATED RECEIPTS AND PAYMENTS STATEMENT FOR THE YEAR ENDED 30 JUNE 2021


Receipts	2020-21	2019-20	Payments	2020-21	2019-20
Opening Balance	480.903	(377.160)	Expenditure	71,091.811	57,572.284
i) Cash	216.458	84.403	i) Current	43,515.780	35,525.354
			Regular	31,889.862	33,023.266
			DGRK	11,625.918	2,502.088
ii) Bank	264.445	(461.563)	ii) Capital	27,576.031	22,046.930
			Regular	27,540.400	22,046.930
			DGRK	35.631	-
Internal Revenue	35,855.445	36,218.876	Repayment of Loans	3,737.329	1,787.586
i) Tax Revenue	20,661.765	22,792.988	i) Internal	12.270	11.403
ii) Non Tax Revenue	15,193.680	13,425.887	ii) External	3,725.060	1,776.183
External Grants	14,882.289	16,425.750	Lendings	1,659.188	146.535
i) Cash	14,242.530	15,387.554	i) To individuals	-	-
o/w Program Grant (GoI)	1,700.000	2,550.000	ii) To Corporations	1,659.188	146.535
ii) Kind	639.760	1,038.195			
Borrowings	14,315.677	5,303.270	Other payments	11,307.480	11,374.170
i) External	5,211.993	5,303.270			
o/w Program Borrowing	4,051.192	4,392.300	Increase in Advances/Suspense	17,630.015	13,371.578
ii) Internal	9,103.684	0.000			
Recovery of Loans	2,404.758	875.785	Closing Balance	665.023	482.400
Other Receipts	20,265.859	13,333.412	i) Cash	87.358	217.956
o/w NRF Receipts (DGRK)	8,787.577				
Decrease in advances/Suspense	17,885.915	12,954.620	ii) Bank	577.665	264.445
TOTAL RECEIPTS	106,090.846	84,734.552	TOTAL PAYMENTS	106,090.846	84,734.552

Note: To smoothen cash flow fluctuation and finance resource gap, series of T-Bills with maturities ranging from 30 to 180 days were issued and redeemed. T-Bills outstanding at the close of the FY is Nu.13,000.000 million (P-12,997.574 m & D-2.427 m) which is carried forward as domestic debt stock.

The external borrowing/Grants includes the amount transferred from the FC account to the BFA only and it does not include the balance in the FC account amounting to Nu. 210.447 million/ Nu. 56.952 million received from the creditors/development partners.


 (Director)
 Department of Public Accounts
 Ministry of Finance

 Director
 Department of Public Accounts
 Ministry of Finance
 Thimphu : Bhutan


 (Deputy Auditor General)
 Department of Sectoral Audit
 Royal Audit Authority

 Dy. Auditor General
 Dept. of Sectoral Audit
 Royal Audit Authority
 Thimphu

FINANCING AND VARIANCE BETWEEN BUDGET AND OUTCOMES FOR FY 2020-21

Particulars	Nu. in million			% Variance		
	Original Budget	Revised Budget	Actual Outcomes	Original Vs Revised	Revised Vs Actual	Original Vs Actual
TOTAL RESOURCES	53,822.073	72,271.456	59,696.113	34.28%	-17.40%	10.91%
DOMESTIC REVENUE	33,189.392	33,281.000	35,855.445	0.28%	7.74%	8.03%
Tax	20,569.603	20,569.603	20,661.765	0.00%	0.45%	0.45%
Non-Tax	12,619.789	12,711.397	15,193.680	0.73%	19.53%	20.40%
OTHER RECEIPTS	489.833	13,449.510	8,958.379	2645.73%	-33.39%	1728.86%
GRANTS	20,142.848	25,540.946	14,882.289	26.80%	-41.73%	-26.12%
Programme grants	3,036.644	4,480.248	1,700.000	47.54%	-62.06%	-44.02%
GoI	3,036.644	4,480.248	1,700.000	47.54%	-62.06%	-44.02%
Others	-	-	-	0.00%	0.00%	0.00%
Project-tied grants	17,106.204	21,060.698	13,182.289	23.12%	-37.41%	-22.94%
GoI	13,465.779	14,773.650	8,623.622	9.71%	-41.63%	-35.96%
Others	3,640.425	6,287.048	4,558.667	72.70%	-27.49%	25.22%
TOTAL EXPENDITURE	69,151.122	85,381.423	71,091.811	23.47%	-16.74%	2.81%
Current	32,900.000	44,490.629	43,515.780	35.23%	-2.19%	32.27%
Regular	32,900.000	32,788.982	31,889.862	-0.34%	-2.74%	-3.07%
*DGRK	-	11,701.647	11,625.918	0.00%	-0.65%	0.00%
Capital	36,251.122	40,890.794	27,576.031	12.80%	-32.56%	-23.93%
Regular	36,251.122	40,852.501	27,540.400	12.69%	-32.59%	-24.03%
*DGRK	-	38.293	35.631	0.00%	-6.95%	0.00%
Advance/Suspense (Net)	-	-	(255.901)	0.00%	0.00%	0.00%
OVERALL BALANCE	(15,329.049)	(13,109.967)	(11,139.797)	-14.48%	-15.03%	-27.33%
FINANCING	15,329.049	13,109.967	11,139.797	-14.48%	-15.03%	-27.33%
Net Lending	1,316.666	(402.299)	745.570	-130.55%	-285.33%	-43.37%
<i>i. Principal recoveries</i>	<i>2,531.065</i>	<i>2,412.600</i>	<i>2,404.758</i>	<i>-4.68%</i>	<i>-0.33%</i>	<i>-4.99%</i>
<i>Less: Lending</i>	<i>1,214.399</i>	<i>2,814.899</i>	<i>1,659.188</i>	<i>131.79%</i>	<i>-41.06%</i>	<i>36.63%</i>
Net External Borrowings	422.154	2,789.277	1,486.933	560.72%	-46.69%	252.23%
Borrowings	4,034.245	6,521.057	5,211.993	61.64%	-20.07%	29.19%
a) Project-tied	1,844.245	2,442.087	1,160.801	32.42%	-52.47%	-37.06%
b) Program	2,190.000	4,078.970	4,051.192	86.25%	-0.68%	84.99%
Less: Repayments	3,612.091	3,731.780	3,725.060	3.31%	-0.18%	3.13%
Net Internal borrowings	13,590.229	10,722.989	9,091.414	-21.10%	-15.22%	-33.10%
Surplus/Deficit						
<i>i. Internal borrowings</i>	<i>13,602.498</i>	<i>10,735.979</i>	<i>9,103.684</i>	<i>-21.07%</i>	<i>-15.20%</i>	<i>-33.07%</i>
<i>Less: Repayments</i>	<i>12.269</i>	<i>12.990</i>	<i>12.270</i>	<i>5.88%</i>	<i>-5.54%</i>	<i>0.01%</i>
<i>Less: Change in Balance</i>			<i>184.120</i>			



(Director)
Department of Public Accounts
Ministry of Finance

Director
Department of Public Accounts
Ministry of Finance
Thimphu : Bhutan



(Deputy Auditor General)
Department of Sectoral Audit
Royal Audit Authority

Dy. Auditor General
Dept. of Sectoral Audit
Royal Audit Authority
Thimphu

**RECONCILIATION OF GOVERNMENT CONSOLIDATED FUND ACCOUNT FOR THE
FISCAL YEAR 2020-21**

SL. NO.	PARTICULARS	NU. IN MILLION
1	Opening balance as on July 1, 2020 (BoBL)	264.445
2	RECEIPTS DURING THE YEAR	123,010.745
	Budget Fund Account (DPA)	81,877.854
	Government Revenue Account (BoBL)	36,661.358
	Non-Revenue Account (BoBL)	4,471.533
3	LESS: PAYMENTS DURING THE YEAR	122,697.524
	Budget Fund Account (DPA)	38,093.743
	LC Withdrawals (BoBL)	83,797.868
	Government Revenue Account Refunds (BoBL)	805.913
4	Closing Balance as on 30 June 2021 (DPA)	577.665
5	RECONCILIATION:	
	Closing Balance as on 30 June 2021 (BoBL)	577.665
	Add: Fund-in-Transit (Cr.) as on 30/06/2021: BoBL	-
	Less: Fund-in-Transit (Dr.) as on 30/06/2021: BoBL	-
6	Closing Balance as on 30 June 2021 (BoBL)	577.665
7	Add:	
	a) Credits (Deposits) as per DPA but not in BoBL	-
	b) Debits (Payments) as per BoBL but not in DPA	-
8	Less:	
	a) Credit (Deposits) as per BoBL but not in DPA	-
	b) Debits (Payments) as per DPA but not in BoBL	-
9	Closing Bank Balance as on 30 June 2021 (DPA)	577.665

*** Note: The amount difference of Nu. 51.474 is mainly due to refund adjustment made by DRC which is not reflected in BFA.


(Director)
Department of Public Accounts
Ministry of Finance
 Director
 Department of Public Accounts
 Ministry of Finance
 Thimphu : Bhutan


(Deputy Auditor General)
Department of Sectorial Audit
Royal Audit Authority

Dy. Auditor General
 Dept. of Sectorial Audit
 Royal Audit Authority
 Thimphu

RECONCILIATION OF GOVERNMENT BUDGET FUND ACCOUNT FOR THE FY 2020-21

Sl.No.	Particulars	Nu. in million	Remarks
1	Closing Balance as per Bank Statement as of 30.06.2021	577.665	
2	Less/Add: Debits/Credits as per BoB but not in Cash Book	0.000	Annex - 1
3	Closing Balance as per Cash Book as of 30.06.2021	577.665	

Annexure - 1 : CREDITS AS PER BANK BUT NOT IN CASH BOOK

Sl.No.	Particulars	Nu. in million	Remarks
i	No adjustment figure for FY2020-21	0.000	

Source: DPA and BOBL



(Director)
Department of Public Accounts
Ministry of Finance

Director
Department of Public Accounts
Ministry of Finance
Thimphu : Bhutan



(Deputy Auditor General)
Department of Sectorial Audit
Royal Audit Authority

Dy. Auditor General
Dept. of Sectorial Audit
Royal Audit Authority
Thimphu

SUMMARY OF REVENUE COLLECTIONS FOR FY 2020-21

Code	Source of Revenue	2020-21	2019-20	% Change	% GDP
	Revenue	35,855.445	36,218.876	-1.00%	19.41%
A	Taxes	20,661.765	22,792.988	-9.35%	11.19%
1	Taxes on Income, Profits and Capital Gains	9,687.425	10,941.288	-11.46%	5.24%
1.1	Corporate Income Tax	7,241.533	7,511.681	-3.60%	3.92%
1.2	Business Income Tax	1,078.543	1,138.905	-5.30%	0.58%
1.3	Personal Income Tax	1,367.349	2,290.702	-40.31%	0.74%
2	Taxes on Property	138.915	27.239	409.99%	0.08%
2.1	Recurrent Taxes on immovable property (Dzongkhag Municipality)	8.976	4.930	82.07%	0.00%
2.2	Taxes on Capital Transactions	129.938	22.309	482.45%	0.07%
3	Taxes on Goods and Services	5,438.254	6,916.825	-21.38%	2.94%
3.1	Sales Tax	4,110.603	4,945.881	-16.89%	2.23%
3.2	Excise	341.859	802.989	-57.43%	0.19%
3.3	Green Tax	593.788	812.455	-26.91%	0.32%
3.4	Taxes on permission to use goods or perform activities	392.005	355.500	10.27%	0.21%
4	Taxes on International Trade and Transactions	555.082	467.997	18.61%	0.30%
4.1	Customs and Other Import Duties	555.082	467.997	18.61%	0.30%
5	Other Taxes	4,842.090	4,439.639	9.06%	2.62%
5.1	Passenger Service Charge	19.331	112.118	-82.76%	0.01%
5.2	Duties	-	19.588	-100.00%	0.00%
5.3	Royalty	4,822.758	4,307.934	11.95%	2.61%
B	Other Revenue	14,039.480	12,014.096	16.86%	7.60%
1	Property Income	14,025.289	12,046.187	16.43%	7.59%
1.1	Interest receipt from corporations	1,570.640	887.388	77.00%	0.85%
1.2	Dividend	3,039.052	4,605.708	-34.02%	1.65%
1.3	Withdrawals from income of quasi-corporations	9,376.581	6,515.193	43.92%	5.08%
1.4	Miscellaneous Rent	39.016	37.898	2.95%	0.02%
2	Social Contributions	14.192	(32.091)	-144.22%	0.01%
2.1	Health Contribution	14.192	(32.091)	-144.22%	0.01%
C	Current Revenue from Government Agencies	1,073.245	1,333.344	-19.51%	0.58%
1	Administrative Fees & Charges	764.414	974.040	-21.52%	0.41%
1.1	Economic Services	520.311	653.756	-20.41%	0.28%
1.2	Social Services	99.280	35.048	183.27%	0.05%
1.3	General Services	144.823	285.236	-49.23%	0.08%
2	Sale of Goods and Commodities	308.831	359.303	-14.05%	0.17%
2.1	Economic Services	39.912	37.934	5.21%	0.02%
2.2	General Services	0.635	0.783	-18.90%	0.00%
2.3	Miscellaneous Revenue	268.284	320.586	-16.31%	0.15%
D	Capital Revenue from Government Agencies	80.954	78.448	3.19%	0.04%
1	Capital Receipts	80.954	78.448	3.19%	0.04%
1.1	Economic Services	80.954	78.448	3.19%	0.04%
****GDP (Source-NSB)- August, 2021 update		184,715.40			


 (Director)
 Department of Public Accounts
 Ministry of Finance

Director
 Department of Public Accounts
 Ministry of Finance
 Thimphu : Bhutan


 (Deputy Auditor General)
 Department of Sectoral Audit
 Royal Audit Authority

Dy. Auditor General
 Dept. of Sectoral Audit
 Royal Audit Authority
 Thimphu

STATEMENT OF ARREARS FOR FY 2020-21

Account Code	Source of Revenue	Opening	Collection	Deposit during the year	Balance	Remarks
I	Revenue	0.733	36,661.358	36,661.358	0.057	
A	Taxes	0.179	21,186.213	21,186.213	0.000	
1	Taxes on Income, Profits and Capital Gains	0.000	10,138.633	10,138.633	0.000	
1.1	Corporate Income Tax (CIT)	0.000	7,286.175	7,286.175	0.000	
1.2	Business Income Tax (BIT)	0.000	1,089.124	1,089.124	0.000	
1.3	Personal Income Tax (PIT)	0.000	1,763.334	1,763.334	0.000	
2	Taxes on Property	0.000	139.655	139.655	0.000	
2.1	Recurrent Taxes on immovable property	0.000	8.977	8.977	0.000	
2.2	Taxes on Financial and Capital Transactions	0.000	130.677	130.677	0.000	
3	Taxes on Goods and Services	0.179	5,475.307	5,475.307	0.000	
3.1	Sales Tax	0.090	4,146.419	4,146.419	0.000	
3.2	Excise	0.000	341.859	341.859	0.000	
3.3	Green Tax	0.090	594.899	594.899	0.000	
3.4	Taxes on use of goods and on permission to use goods or perform activities	0.000	392.129	392.129	0.000	
4	Taxes on International Trade and Transactions	0.000	589.410	589.410	0.000	
4.1	Customs and Other Import Duties	0.000	589.410	589.410	0.000	
5	Other Taxes	0.000	4,843.209	4,843.209	0.000	
5.1	Payable solely by business	0.000	20.442	20.442	0.000	
5.2	Royalty	0.000	4,822.766	4,822.766	0.000	
B	Other Revenue	0.000	14,319.039	14,319.039	0.000	
1	Property Income	0.000	14,025.289	14,025.289	0.000	
1.1	Interest	0.000	1,570.640	1,570.640	0.000	
1.2	Dividend	0.000	3,039.052	3,039.052	0.000	
1.3	Withdrawals from income of quasi-corporations	0.000	9,376.581	9,376.581	0.000	
1.4	Miscellaneous Rent	0.000	39.016	39.016	0.000	
2	Social Contributions	0.000	293.750	293.750	0.000	
2.1	Health contribution	0.000	293.750	293.750	0.000	
C	Current Revenue from Government Agencies	0.553	1,074.676	1,074.676	0.057	
1	Administrative Fees & Charges	0.553	765.040	765.040	0.057	
1.1	Economic Services	0.553	520.564	520.564	0.057	
1.2	Social Services	0.000	99.280	99.280	0.000	
1.3	General Services	0.000	145.196	145.196	0.000	
2	Sale of Goods and Commodities	0.000	309.636	309.636	0.000	
2.1	Economic Services	0.000	39.912	39.912	0.000	
2.2	General Services	0.000	0.635	0.635	0.000	
2.3	Miscellaneous and Unidentified Revenue	0.000	269.089	269.089	0.000	
D	Capital Revenue from Government Agencies	0.000	81.430	81.430	0.000	
1	Capital Receipts	0.000	81.430	81.430	0.000	
1.1	Economic Services	0.000	81.430	81.430	0.000	

S/Jongkhar				
Sl. No	Particular	Amount	Remarks	Deposit Challan
1	Short deposit of Nu.1,79,475.44/- for FY 2019-20 under Samdrup JongkharRRCO of revenue head sales tax & green tax of BOD.		Deposited in the FY2020-21	DC562083611261
Phuentsholing				
Sl. No	Name of Unit	Amount	Remarks	Deposit Challan
1	RTIO	482,522.18	Collection made on 13 April-16 June2021, and Deposited made on 11-Aug-2021, fiscal year (2020-2021)	DC602182605113
2	Pending	57,495.00	Initiated	
3	BAFRA	12,560.00	Collection made on 28-30 June 2021, and Deposited made on 18-Aug-2021, fiscal year (2020-2021)	DC532182615550
4	Tshimalakha General Hospital	465.00	Collection made on 24-30 June2021, and Deposited made on 27-Jul-2021, fiscal year(2020-2021)	DC442183624037
TOTAL		553,042.18		


(Director)
Department of Public Accounts
Ministry of Finance

Director
Department of Public Accounts
Ministry of Finance
Thimphu : Bhutan


(Deputy Auditor General)
Department of Sectorial Audit
Royal Audit Authority

Dy. Auditor General
Dept. of Sectorial Audit
Royal Audit Authority
Thimphu

STATEMENT OF GOVERNMENT CURRENT DEPOSIT (CD) ACCOUNTS FOR THE FY 2020-21

Sl. No.	Operating Agency	Opening Balance	Receipts	Payments	Closing Balance
1	Gewog Total	27.637	15.121	15.397	27.361
2	Judiciary Total	1,394.484	31.296	1,315.495	110.285
3	Municipal Total	739.645	1,435.472	1,358.972	816.145
4	Others Total	1,557.543	3,931.482	4,175.149	1,313.875
5	Autonomous School Total	15.834	2.706	18.235	0.305
6	Central School Total	30.143	1.928	32.071	0.000
7	Endowment Fund Total	92.084	3.106	1.845	93.345
8	Trust Fund, Revolving Fund & Refundable Total*	8,335.416	33,890.972	33,193.613	9,032.775
	Grand Total	12,192.786	39,312.082	40,110.777	11,394.091



(Director)

Department of Public Accounts
Ministry of Finance

Director

Department of Public Accounts
Ministry of Finance
Thimphu : Bhutan



(Deputy Auditor General)

Department of Sectoral Audit
Royal Audit Authority

Dy. Auditor General
Dept. of Sectoral Audit
Royal Audit Authority
Thimphu

STATEMENT OF OTHER RECEIPTS AND PAYMENTS FOR THE FY 2020-21				
Sl. No:	PARTICULARS	(Nu. in millions)		
		RECEIPTS	PAYMENTS	NET
A	BUDGET FUND ACCOUNT	13,017.287	0.010	13,017.277
i	Bank Charges		0.010	(0.010)
ii	Prior year expenses	46.693		46.693
iii	Prior year advances	60.504		60.504
iv	Closing cash balances	217.762		217.762
v	Refundable External Grants	1.281		1.281
vi	Others *	227.573		227.573
vii	Others (LC/PLC) **	26.403		26.403
viii	Internal Funds***	313.303		313.303
ix	Recoupments from Refundable Deposits	3,336.190		3,336.190
x	National Resilience Fund	8,787.577		8,787.577
B	NON-REVENUE ACCOUNT	4,471.533	-	4,471.533
i	Deposits as per BOBL (daily GCA)	4,471.533	-	4,471.533
C	AGENCIES ACCOUNTS	2,777.039	11,307.470	(8,530.431)
i	Revenue Receipts & Remittances	1,177.222	1,177.222	-
ii	Others Recoveries & Remittances	1,419.660	1,420.865	(1.205)
iii	Miscellaneous Receipts & Payments	180.157	8,709.383	(8,529.226)
D	Redemption of T-Bill	-	-	-
TOTAL		20,265.859	11,307.480	8,958.379

Source: Department of Public Accounts, Budgetary Bodies & Bank of Bhutan



(Director)

Department of Public Accounts
Ministry of Finance

Director
Department of Public Accounts
Ministry of Finance
Thimphu : Bhutan



(Deputy Auditor General)

Department of Sectoral Audit
Royal Audit Authority


Dy. Auditor General
Dept. of Sectorial Audit
Royal Audit Authority
Thimphu

STATEMENT OF GOVERNMENT EQUITY PORTFOLIO FOR THE YEAR ENDED 30 JUNE 2021

Sl. No	Direct Shareholdings	Shareholding as on 01/07/2020				Shareholding as on 30/06/2021			
		No. of shares	Value (Nu)	% Holding	Face value	No. of shares	Value (Nu)	% Holding	Face value
	Corporations								
I	Manufacturing								
1	National Housing Development Corp Ltd ¹	2,727,961	52,105,335	100%	1,000.00	2,733,061	52,103,106	100%	1,000.00
2	Kuensel Corporation	255,000	25,500	51%	100.00	255,000	25,500	51%	100.00
3	Druk Holding & Investments Ltd ²	486,956,007	48,695,601	100%	100.00	488,706,447	48,870,645	100%	100.00
4	Bhutan Livestock Development Corp. Ltd. ³	4,738,460	473,846	100%	100.00	4,739,007	473,901	100%	100.00
5	Menjongsorig Pharmaceutical Corp. Ltd. ⁴	1,824,277	182,428	100%	100.00				
II	Trading								
6	Food Corporation of Bhutan *	15,000	190,544			15,000	190,544		
7	Bhutan Lottery Ltd	600,000	60,000	100%	100.00	600,000	60,000	100%	100.00
8	Bhutan Duty Free Ltd	1,155,441	115,544	100%	100.00	1,155,441	115,544	100%	100.00
III	Services								
9	Bhutan Postal Corporation	235,952	23,595	100%	100.00	235,952	23,595	100%	100.00
10	Bhutan Broadcasting Service Limited	1,308,351	130,835	100%	100.00	1,308,351	130,835	100%	100.00
11	Royal Bhutan Helicopter Services Ltd	6,070,474	607,047	100%	100.00	6,070,474	607,047	100%	100.00
12	Farm Machinery Corporation Ltd ⁵	483,220	48,322	100%	100.00	483,220	48,322	100%	100.00
13	Green Bhutan Corporation Ltd	418,562	41,856	100%	100.00	418,562	41,856	100%	100.00
14	Financial Institutions Training Institute Ltd.	40,001,000	400,010	30.77%	10.00	40,001,000	400,010	30.77%	10.00
15	Credit Information Bureau	1,100,000	11,000	44%	10.00	1,100,000	11,000	44%	10.00
IV	Financial Institutions								
16	Bhutan Development Bank Ltd **	60,031,700	600,317	96.62%	10.00	60,031,700	600,317	96.62%	10.00
17	National CSI Development Bank Ltd. ⁶	15,076,020	1,507,602	100%	100.00	21,283,040	2,128,304	100%	100.00
	TOTAL		55,666,464			820,901	56,304,937		

Note

- 1 Converted other reserve as equity amounting to Nu. 5.1 million
 - 2 Nu. 175,044 million received from GoI (The amount pertains to FY 2019-2020)
 - 3 Converted Nu. 54,737 as equity injection
 - 4 Menjongsorig Pharmaceutical Corp. Ltd has been transferred to DHI on March 2021
 - 5 Equity injection of Nu. 20 million on April 2021
 - 6 Opening balance of NCSIDBL is Nu. 1,507 billion and in this FY equity injection of Nu. 620,702 million
- ** Nu. 15 million is transferred to capital reserve by FCBL, therefore, the closing equity balance is Nu. 15 million
- ** Face value revaluation from Nu. 1000 to Nu. 10


 (Director)
 Department of Public Accounts
 Ministry of Finance

Director
 Department of Public Accounts
 Ministry of Finance
 Thimphu : Bhutan


 (Deputy Auditor General)
 Department of Sectoral Audit
 Royal Audit Authority

Dy. Auditor General
 Dept. of Sectorial Audit
 Royal Audit Authority
 Thimphu

STATEMENT OF GOVERNMENT EQUITY PORTFOLIO FOR THE YEAR ENDED 30TH JUNE 2021


Sl. No	Shareholdings through DHI Corporations	Shareholding as on 01/07/2020				Shareholding as on 30/06/2021						
		No. of shares	Value (Nu)	% Holding	Face value	Investment		Divestment/ Transfer		Value (Nu)	% Holding	
						Amount (Nu)	No. of shares	Amount (Nu)	No. of shares			
I	Manufacturing		40,136,948									
1	Penden Cement Authority Limited	13,710,740	91,405	40.33%	10	104,029				13,710,740	40.33%	40,300,977
2	Bhutan Board Products Limited	6,683,340	66,833	47.74%	10					6,683,340	47.74%	66,833
3	Bhutan Ferro Alloys Limited	3,859,460	38,595	25.73%	10					3,859,460	25.73%	38,595
4	Natural Resource Development Corp. 7	1,500,000	135,000	100%	100					2,159,583	100%	200,958
5	Dungam Cement Corporation	59,495,479	5,949,548	80%	100				659,583	59,495,479	80%	5,949,548
6	Dungam Polymers	7,851,904	78,519	51%	10					7,851,904	51%	78,519
7	Druk Green Power Corporation 8	32,246,108	32,246,108	100%	1,000	164,000				32,410,108	100%	32,410,108
8	Koufuku International Pvt. Ltd 9	400,000	54,130	100%	100	0,029				400,000	100%	54,159
9	Construction Development Corp. Ltd	1,116,862	1,116,862	100%	1,000					1,116,862	100%	1,116,862
10	Wood Craft Centre Limited 10	659,583	65,958	100%	100					-		0,000
11	State Mining Corporation Ltd	2,939,900	293,990	100%	100					2,939,900	100%	293,990
II	Trading		10,196									10,196
12	State Trading Corporation of Bhutan	9,176,050	10,196	50.98%	10					9,176,050	50.98%	10,196
III	Services		13,033,599									13,033,599
13	Druk Air Corporation	36,085,251	2,608,525	100%	100					36,085,251	100%	2,608,525
14	Bhutan Telecom Corporation	854,082	854,082	100%	1,000					854,082	100%	854,082
15	Bhutan Power Corporation	10,235,301	9,360,783	100%	1,000					10,235,301	100%	9,360,783
16	Thimphu TechPark Ltd	2,230,909	210,209	100%	100					2,230,909	100%	210,209
IV	Financial Institutions		3,872,061									3,512,240
17	Bhutan National Bank 11	48,983,952	1,738,930	12.4%	10	359,821				48,983,952	12.4%	1,550,342
18	Bank of Bhutan	24,000,000	240,000	80%	100	188,588				24,000,000	80%	240,000
19	Royal Insurance Corporation of Bhutan Ltd 12	25,780,417	1,893,130	18.41%	10	171,233				25,780,417	18.41%	1,721,898
	Additional Companies		252,400									392,178
20	Azista Bhutan Healthcare Limited (JV) 13	2,240,000	22,400	28%	10	7,350				2,240,000	28%	29,750
21	Druk Metallurgy Limited (JV) 14	1,800,000	230,000	40%	100	-50,000				1,800,000	40%	180,000
22	Menjong Sorig Pharmaceuticals Ltd 15									1,824,277	100%	182,428
	TOTAL		57,305,204			481,200			0,000			57,249,190

NOTE:

- Investment : The equity portfolio of DHI companies is prepared as per the Audited Financial Statement of DHI, 2020
- 7 Nu. 65.96 million WCCL merged with NRDCCL on 1st April 2021
- 8 Nu. 164million Grant received from GoI by DGPC for KHEEL on 30th April 2021
- 9 Nu. 29,000/- Transfer of assets to Koufuku on 1st July 2020
- 10 Nu. 65.96 million WCCL merged with NRDCCL on 1st April 2021
- 11 Nu. 188.59 million Fair Valuation loss as on 31st Dec 2020
- 12 Nu. 171.23 million Fair Valuation loss as on 31st Dec 2020
- 13 Nu. 7.35million Nu. 3.675m on 11th May 2021 and Nu. 3.675 m on 24th June 2021
- 14 Nu. 50 million Druk Metallurgy refunded the equity amount
- 15 Menjongorig Pharmaceutical Corp. Ltd has been transferred to DHI on March 2021


 (Director)
 Department of Public Accounts
 Ministry of Finance

Director
Department of Public Accounts
Ministry of Finance
Thimphu : Bhutan



 (Deputy Auditor General)
 Department of Sectoral Audit
 Dept. of Sectoral Audit
 Royal Audit Authority
 Thimphu

SUMMARY STATEMENT OF OUTSTANDING DEBT OF THE GOVERNMENT FOR THE PERIOD ENDED 30 June 2021

Sl. No.	LENDER AND PROJECTS	Loan Committed Agreement Currency	Opening Balance as on 01/07/2020 in Agreement Currency (Amount in millions)	WITHDRAWALS DURING THE FY				PAYMENTS DURING THE YEAR				Closing Balances as on 30/06/21 (Loan agreement currency)	Closing Balances in USD	Closing Balances in BTN	% of GDP	% of Total Public Debt	
				Principal (Disbursement)	Interest & Charges accrued during the FY		Total Liability incurred during the year	Principal S/Charges paid during the FY	Interest & S/Charges during the FY	Total Payment during the FY							
					Interest	Fees & Charges											
A	INTERNAL																
i	BNB/BOBT-Bills	BTN	1,986,721	49,563,914	168,392	-	49,732,306	34,473,451	172,075	34,645,526	17,074,451	\$229,804	17,074,437		9.24%	7.2%	
ii	Multiple Investors (Government Bond)	BTN	1,600,000	45,863,914	39,044	-	45,902,958	34,461,118	42,727	34,503,908	13,000,000	\$174,966	13,000,000				
iii	National Pension and Provident Fund	BTN	-	3,700,000	97,500	-	3,797,500	-	97,500	97,500	3,700,000	\$49,798	3,700,000				
iv	NPPF Loan(BHSL)	BTN	25,454	-	1,904	-	1,904	12,270	1,904	14,174	13,184	\$0,177	13,170				
v	NPPF Loan(BHSL)	BTN	361,267	-	29,944	-	29,944	29,944	29,944	29,944	361,27	\$4,862	361,267				
B	EXTERNAL																
B1	EXTERNAL: India																
B2	EXTERNAL: Other than India																
i	International Dev. Association (IDA)	XDR	295,185	235,560	25,267	2,419	27,687	5,617	2,419	8,036	255,210	\$364,260	27,064,548				
ii	Asian Development Bank (ADB)	USD	268,240	129,583	47,610	1,521	49,132	2,410	1,521	3,931	174,784	\$174,784	12,986,461				
iii	Asian Development Bank (ADB)	XDR	268,982	160,101	5,391	2,219	7,610	6,692	2,219	8,911	158,800	\$226,655	16,840,469				
iv	International Fund for Agriculture	XDR	42,490	26,416	1,356	0,270	1,626	1,195	0,270	1,465	26,577	\$37,933	2,818,445				
v	Government of Austria (GoA)	EUR	95,432	37,400	0,000	1,401	1,401	7,191	1,401	8,592	30,209	\$35,977	2,673,085				
vi	Japan International Cooperation Agency (JICA)	JPY	5,763,000	4,542,912	99,532	3,675	103,207	142,028	3,675	145,703	4,500,416	\$46,704	3,024,280				
vii	SAARC Development Fund	USD	13,000	13,000	0,000	0,348	0,348	0,722	0,348	1,070	12,278	\$12,278	912,239				
	GRAND TOTAL (External+ Domestic)																
	Note: Exchange rates used for conversion:	USD	74,300														
	Nu.	XDR	106,048														
	FY 2020-21 GDP estimate (Source-NSB):	Nu.	184,715,400														
	August 2021 MFCTC Update*																

Source: Department of Macroeconomics Affairs, Treasury Division, DPA for T-Bills

* GDP estimate for FY 2020-21 in the next update


(Director)
Department of Public Accounts
Ministry of Finance

Director
Department of Public Accounts
Ministry of Finance
Thimphu : Bhutan


(Deputy Auditor General)
Department of Sectoral Audit
Royal Audit Authority

Dy. Auditor General
Dept. of Sectoral Audit
Royal Audit Authority
Thimphu

1.2. ANALYSIS OF ANNUAL FINANCIAL STATEMENTS

An analysis on the financial performance of the RGoB for a period of five years was carried out to assess the trends from FY 2016-17 to FY 2020-21.

1.2.1 MAJOR CURRENT EXPENDITURES

The five major current expenditure from FY 2016-17 till FY 2020-21 is presented in **Table 1.1**.

Table 1.1: Major Current Expenditure over the past five FYs (Nu. in million)

OBJECT CLASS	2016-17	2017-18	2018-19	2019-20	2020-21	Total Amount	Overall
Pay and Allowances	8,569.88	8,759.56	10,548.75	14,990.43	15,517.11	58,385.72	36.85%
Current Grants	3,353.26	5,750.57	3,855.58	4,453.49	2,896.30	20,309.20	12.82%
Travel – In country	1,919.67	1,883.31	2,017.77	1,984.27	873.33	8,678.35	5.48%
Interest Payment - External	1,836.91	1,884.74	1,326.47	697.84	1,721.28	7,467.24	4.71%
Other Personnel Emoluments	753.94	918.35	1,002.78	1,222.62	1,287.51	5,185.20	3.27%
Total	24,129.59	27,494.67	27,768.66	35,525.35	43,515.78	158,434.05	63.13%

As highlighted in the **Table 1.1**, under current budgetary expenditure, the major share of expenditure is incurred towards pay and allowances, current grants and travel in-country, representing 36.85%, 12.82% and 5.48% respectively during the last five years. The average share of five major current expenditure to total current expenditure for last five FY stands at 63.13%.

Over the years, the significant increase can be observed in pay and allowances possibly due to revision of the pay for civil service in FY 2018-19. A decreasing trend was observed in the expenditure on travel in-country from FY 2019-20 possibly due to the impact from COVID-19 pandemic.

1.2.2 MAJOR CAPITAL EXPENDITURES

The five major capital expenditures from FY 2016-17 till FY 2020-21 presented in **Table 1.2**.

Table 1.2: Major Capital Expenditure over the past five FYs (Nu. in Million)

OBJECT CLASS	2016-17	2017-18	2018-19	2019-20	2020-21	Total	Overall
Exp. on Structure - Roads	6,283.23	7,317.33	3,688.79	4,317.76	6,874.30	28,481.41	23.62%
Exp. on Structure - Buildings	6,501.51	7,336.92	3,325.02	4,817.69	5,376.19	27,357.33	22.69%
Capital Grants	1,595.51	2,846.17	1,080.59	2,455.76	1,982.25	9,960.28	8.26%
Exp. on Structure - Others	1,902.76	1,386.30	813.31	1,367.64	2,362.95	7,832.96	6.50%
Training - Others	1,555.06	1,696.50	1,487.53	1,011.37	1,808.46	7,558.92	6.27%
Total Capital Expenditure	25,837.02	28,836.65	16,285.47	22,046.93	27,576.03	120,582.14	67.33%

As highlighted in the **Table 1.2**, the major capital expenditures comprised of expenditures on Structure- Roads, expenditure on structure-buildings and capital grants, representing 23.62%, 22.69% and 8.26% respectively over the five financial years. The average share of five major capital expenditures to total Capital expenditure for five FYs stands at 67.33%.

1.2.3 CURRENT EXPENDITURE VS INTERNAL REVENUE

The Article 14 (6) of the Constitution of the Kingdom of Bhutan requires the Government to meet the cost of current expenditures from internal resources. The proportion of current expenditure to internal revenue for past five financial years are presented in **Table 1.3**.

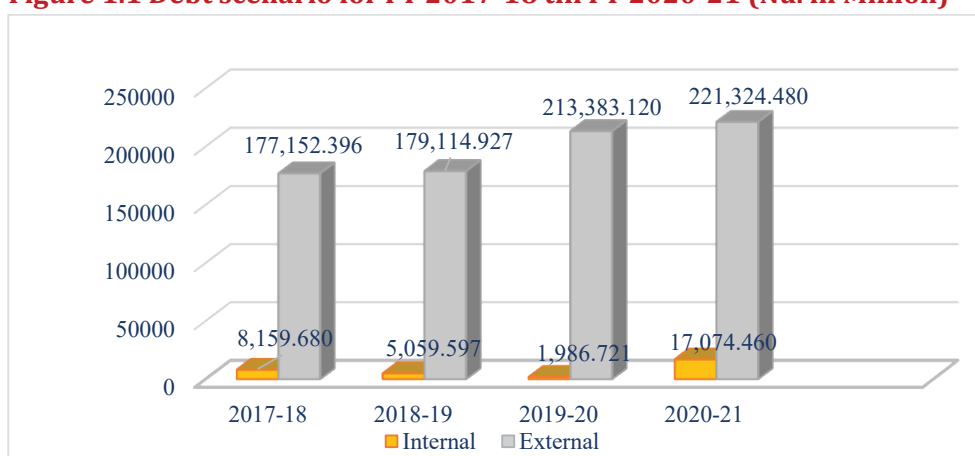
Table 1.3: Current Expenditure vis-a-vis Internal Revenue (Nu. in Million)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
Internal Revenue	29,713.60	36,871.37	34,707.67	36,218.88	35,855.45
Current Expenditure	24,129.59	27,494.71	27,768.66	33,023.26	31,889.86
% Current Exp. to Internal Revenue	81.21%	74.57%	80.01%	91.18%	88.94%

As evident from the **Table 1.3**, the government was able to meet the current expenditures from internal sources which in turn fulfills the constitutional mandates. The current expenditure accounted for 88.94% of the internal revenue in FY 2020-21.

1.2.4 DEBT SCENARIOS FOR PAST FIVE FINANCIAL YEARS:

Figure 1.1 Debt scenario for FY 2017-18 till FY 2020-21 (Nu. in Million)



The **Figure 1.1** represents the debt scenario of the country for the FY 2017-18 to FY2020-21. The outstanding external debts constituted a significant proportion of the total debt. The total outstanding debt at the beginning of the 12th Five Year Plan was Nu. 185,312.080 million, which increased to Nu.238,398.910 million in FY 2020-21.

1.2.5 PUBLIC DEBT SCENARIOS

I. Government Debt Stock accumulation at end of each Five-Year Plan and share to GDP

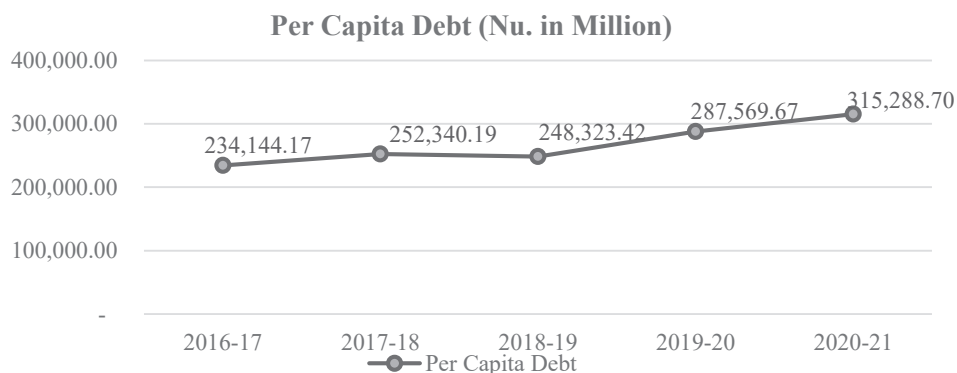
The outstanding public debt at the end of 9th FYP to 12th FYP (current) to corresponding GDP is provided in the **Table 1.4**.

Table 1.4: Five-Year-Plans Debt Increase and Debt to GDP Ratio (Nu. In Million)

Five Year Plan	Outstanding Debt	GDP	Debt to GDP Ratio %
9 th FYP	33,070.99	51,658.00 (2007-08)	64.00%
10 th FYP	101,310.19	102,149.10 (2012-13)	99.18%
11 th FYP	185,312.08	174,516.00 (2017-18)	106.19%
12 th FYP	238,398.91	184,715.40 (2020-21)	129.06%

As reflected in **Table 1.4**, the outstanding public debt had consistently increased over the successive FYPs from Nu. 33,070.99 million at the end of 9th FYP to Nu. 238,398.910 million during the 12th FYP (as of FY 2020-21). The debt to GDP ratio has also increased to 129.06% in FY 2020-21 from 64.00% in FY 2007-08. However, the major portion of the debt relates to borrowings for hydropower amounting to Nu. 162,359.048 million accounting for 73.40% of the total external debt in FY 2020-21.

II. Per Capita Public Debt



The per capita of public debt was calculated based on the projected population figure by the National Statistics Bureau (NSB). As exhibited in **Figure 1.2**, the per capita public debt of the country has increased over the period. In the FY 2020-21, the per capital debt has risen to Nu. 315,288.70.

1.2.6 BUDGET VIS-À-VIS EXPENDITURE VARIANCES

The variance of budget and expenditure over the past five FYs is presented in **Table 1.8**.

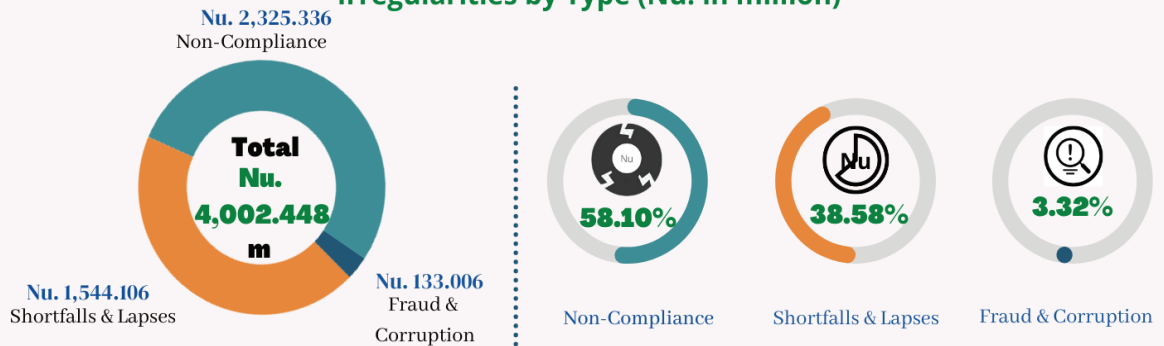
Table 1.5: Variation of Budget and Expenditure for past Financial Year (Nu. in Million)

Financial Year	Information	Revised Budget	Expenditure	
			Actual	Variance (%)
2016-17	Current	25,054.849	24,129.587	-3.69
	Capital	32,659.992	25,837.024	-20.89
Total		57,714.841	49,966.611	-13.43
2017-18	Current	28,551.257	27,494.710	-3.70
	Capital	34,092.354	28,836.647	-15.42
Total		62,643.611	56,331.357	-10.08
2018-19	Current	29,171.975	27,768.663	-4.81
	Capital	20,355.591	16,285.470	-20.00
Total		49,527.566	44,054.133	-11.05
2019-20	Current	34,681.222	33,023.266	-4.78
	Capital	31,510.374	22,046.930	-30.03
Total		66,191.596	55,070.196	-16.80
2020-21	Current	44,490.629	43,515.78	-2.19
	Capital	40,890.974	27,576.031	-32.56
Total		85,381.60	71,091.81	-16.74

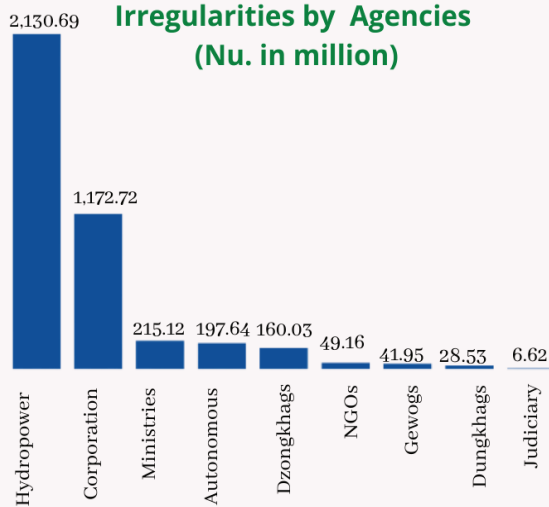
Over the past five Financial Years, there is consistent under-absorption of allocated budget with major underutilization observed in capital budget. As depicted in **Table 1.5** the capital budget was underutilized by 32.56% in FY 2020-21 and by 30.03% in FY 2019-20.

SUMMARY AND ANALYSIS OF AUDIT FINDING

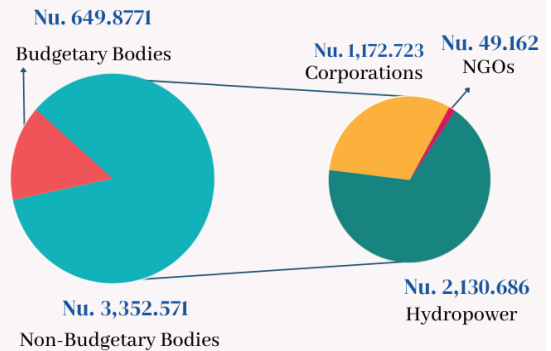
Irregularities by Type (Nu. in million)



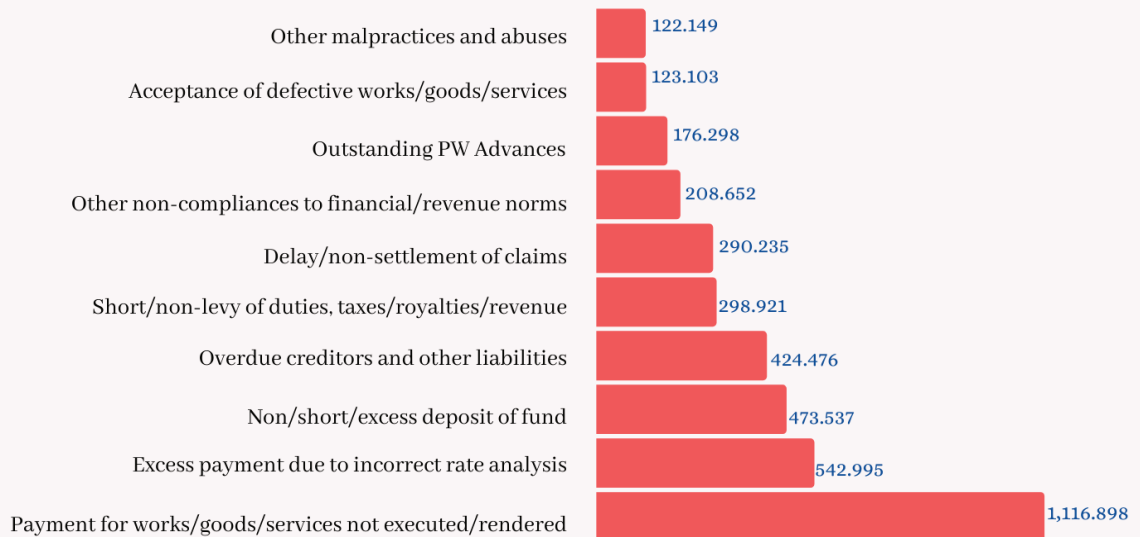
Irregularities by Agencies (Nu. in million)



Budgetary and Non-Budgetary Irregularities (Nu. in million)



Type of Irregularities (Nu. in million)

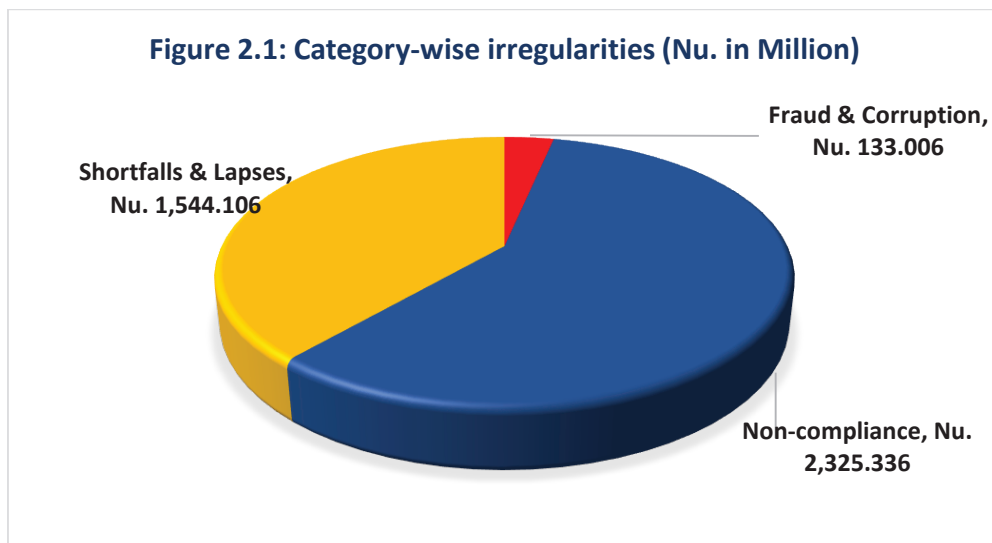


CHAPTER 2

2. SUMMARY OF AUDIT FINDINGS

The Annual Audit Report 2020-21 has been compiled from 197 audit reports issued from 1st January 2021 to 30th June 2021. The summary and analysis are inclusive of all findings issued during the period.

The financial implication of the audit findings observed during the period amounted to Nu. 4,002.448 million of which Nu. 133.006 million was categorized under Fraud and Corruption, Nu. 2,325.336 million under Non-compliances and Nu. 1,544.106 million under Shortfalls and Lapses, representing 3.32%, 58.10% and 38.58% respectively as depicted in **Figure 2.1**.



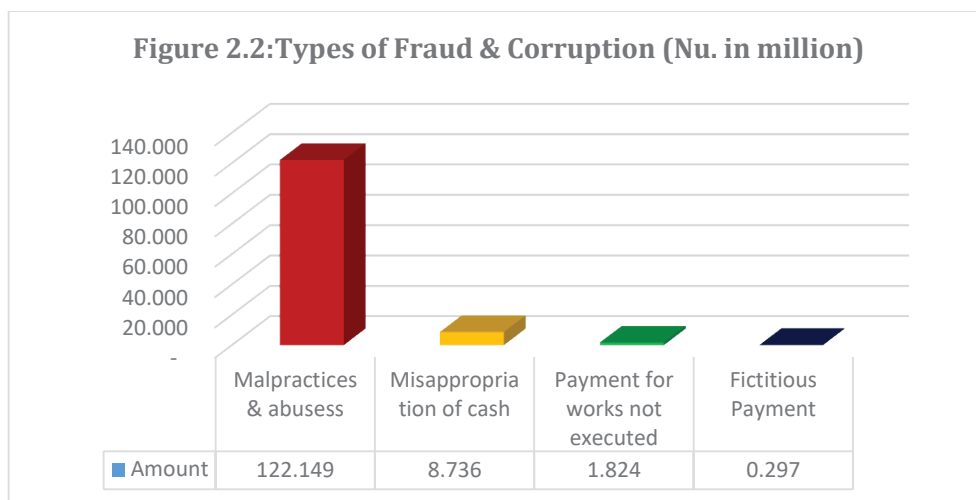
2.1 FRAUD AND CORRUPTION

Of the total irregularities, fraud and corruption accounted for 3.32% aggregating to Nu. 133.006 million. These cases were irregularities perpetrated with willful intent of deriving undue benefits, monetary or otherwise which had prima facie evidence of fraud or deceptions. The cases requiring further investigations were forwarded to Anti-Corruption Commission.

2.1.1 TYPES OF FRAUD AND CORRUPTION

The cases of fraud and corruption reported were categorized under four sub-categories. The cases under malpractices and abuses accounted for Nu. 122.149 million, representing 91.84%. Misappropriation of cash accounted for Nu. 8.736 million and payment for works not executed or goods not delivered accounted

to Nu. 1.824 million, representing 6.56% and 1.37% respectively of the total irregularities reported under this category as depicted in **Figure 2.2**.



A. Malpractices and Abuses

The cases related to malpractices and abuses were fraudulent acts committed through unlawful means and abuse of authorities by officials. These cases included:

- i) STCBL had made sales of vehicles on credit amounting to Nu. 101.762 million without approval from the Chief Executive Officer (CEO) in contravention to the Credit Management Manual. The RAA questioned the legality of the sales executed and credit extended without due process of assessing the credit worthiness of the clients as there were instances of defaults in repayment.
- ii) There were also a case of sanctioning credit for purchase of vehicles amounting to Nu. 20.129 million by the STCBL without the approval of CEO. The RAA noted that down payment were not collected, and full credit was extended without any collateral. The bank guarantee was also not renewed and no legal action was initiated for default in payment of installments by the client even after lapse of 26 months.
- iii) Salary increment amounting to Nu. 0.165 million was paid to two employees of STCBL in contravention to the company's service rules and eligibility criteria of vacancy announcement. The RAA could not rule out the possibility of favoritism extended to the employees.

- iv) The Gewog Administration, Bjabcho had made payments of Nu. 0.039 million against petty purchases where invoice numbers did not match with the details reflected in the disbursement voucher raising questions on the authenticity of the payment.

B. Misappropriation of cash

The cases of misappropriation included unauthorized use of cash by officials entrusted with the custody of public monies. Instances of misappropriation of cash included:

- i) The Accountant of Dungkha Administration, Gelephu had misappropriated cash of Nu. 6.464 million from the LC accounts of Dungkha and Gewog. The accounts of both agencies were operated single-handedly. The absence of proper check and controls provided opportunity for perpetrating the fraud.
- ii) The Accountant of Royal Bhutan Helicopter Services Ltd. (RBHSL) had misused a sum of Nu. 1.161 million. It was noted that the cash collected from debtors was not deposited into the company's account.
- iii) The sales executive of the Regional Office, STCBL Thimphu had misused sales revenue amounting to Nu. 1.111 million from the total collection made from the clients.

C. Payment for goods and works not delivered

The issues reported under this category relate to payments made for goods and works not delivered where RAA suspected collusion and granting of undue favours to the parties. Those instances included:

- i) The Dzongkhag Administration, Dagana had made excess payment due to less execution of work amounting to Nu. 1.517 million in the construction of municipal cum town hall at Daga Town.
- ii) The Gewog Administration, Shaba had also made payment amounting to Nu. 0.268 million for works not executed at site in the renovation of irrigation channel at Zhengo Thangyul.

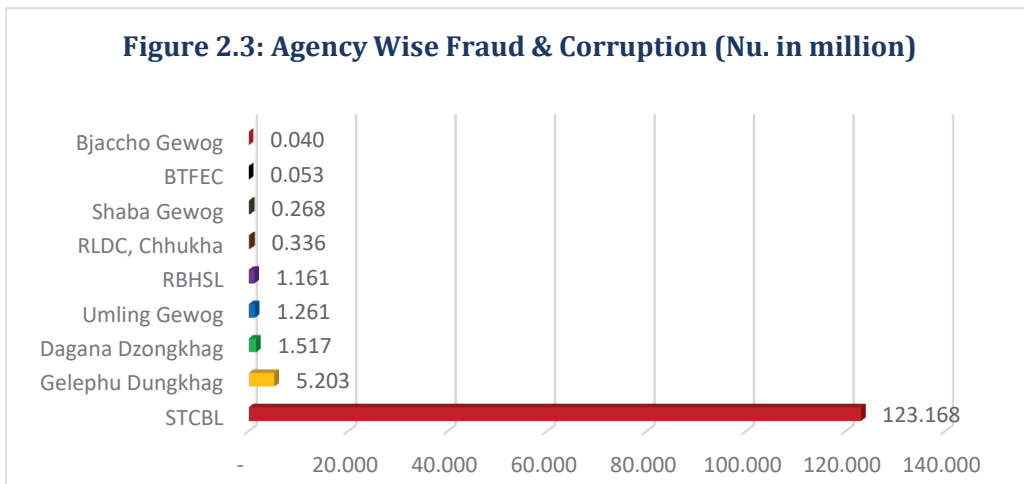
D. Fictitious Payment

The issue reported under this category included an instance where agency had made payment without authenticating the legitimacy of the bills submitted as discussed below:

- i) The Regional Livestock Development Centre (RLDC), Tsimasham had made fictitious payment of hotel charges amounting to Nu. 0.297 million on account of hotel charges. The officials had claimed for extended period of night halts which could not be corroborated from the documents made available.

2.1.2 AGENCIES WITH FRAUD AND CORRUPTION CASES

Of the total irregularities, fraud and corruption accounted for 3.32% of total irregularities. Budgetary agencies had audit observations aggregating to Nu.8.625 million while non-budgetary agencies had audit observations aggregating to Nu.124.381 million. Agency-wise fraud and corruption, provided in **Figure 2.3** show that State Trading Corporation of Bhutan Limited had the highest amount of irregularities amounting to Nu.123.168 million followed by Dungkhag Administration, Gelephu amounting to Nu.5.203 million, representing 93.42% and 3.95% respectively.

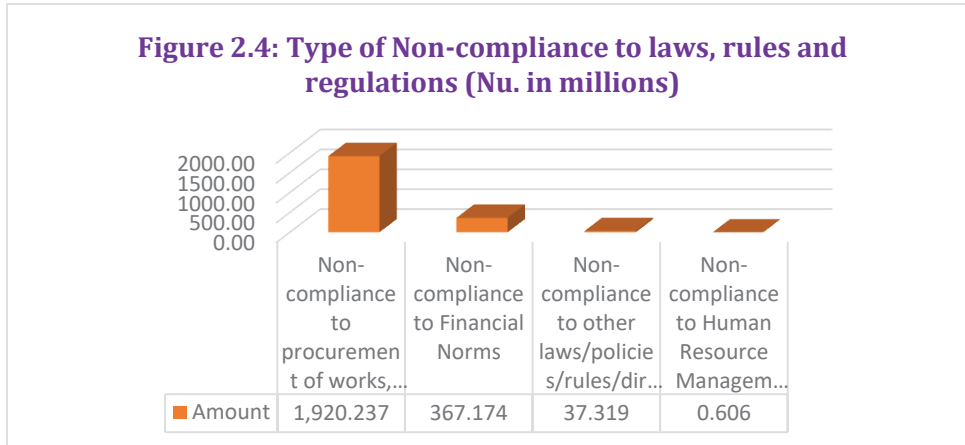


2.2 NON-COMPLIANCE TO LAWS, RULES AND REGULATIONS

This category includes those irregularities arising from deviation from authorities like acts, rules and regulations, policies, SoPs etc. governing the operations of agencies. The issues of non-compliances were reported based on the materiality with potential to undermine the rule of law, which is one of the tenets of good governance. The cases reported under non-compliances amounted to Nu. 2,325.336 million, representing 58.10% of the total irregularities.

2.2.1 TYPES OF NON-COMPLIANCE TO LAWS, RULES AND REGULATIONS

The cases of non-compliance were categorized under four sub-categories. The cases under this category comprises of non-compliance to procurement norms accounted for Nu. 1,920.237 representing 82.58%. Non-compliance to financial norms, other regulations and human resource management norms amounted to Nu. 367.173 million, Nu.37.319 million and Nu.0.606 million respectively as depicted in **Figure 2.4**.



A. Non-compliance to procurement norms

The cases under this included violations of procurement norms in the management of public procurement for works, goods and services. A total financial implication amounting to Nu. 1,920.237 million was observed under this category from which significant issues are highlighted as under:

- i) PHPA-I had not adjusted secured advance amounting Nu.762.761 million provided to contractor in the construction of the dam. The amount represents the unadjusted balance from Nu. 894.901 million against which materials worth Nu. 132.139 million only was utilized and adjusted.
- ii) The PHPA-I had not received supplies amounting to Nu. 333.349 million even after time extension of 1279 days. The lapses pertained to supply, transportation, insurance, erection and commissioning of Generator Transformer Units and associated auxiliaries.
- iii) The PHPA-I had made payment aggregating to Nu. 18.430 million in the contract for supply, installation, erection and commissioning of Generating Units with Associated Auxiliaries although the work was not completed.

- iv) The GEF-UNDP funded Project on Enhancing Sustainability and Climate Resilience of Forest and Agricultural Landscape and Livelihoods in Bhutan - NAPA III' implemented by GNHC (PMU), had made excess payment due to less execution of work at site amounting to Nu.0.925 million.
- v) Erroneous computation of labour charges on account of indirect charges in PHPA-I resulted in excess payment amounting to Nu.324.260 million. The PHPA-I had applied net wages instead of basic wages while computing the hourly rate of labour component deviated and extra items of work in contravention to the CWC guidelines resulting in overestimation of labour hourly rate by 8.83%.
- vi) The PHPA-I had allowed price variation on the contract amount without adjusting the 10% advance which has benefitted the contractor to the extent of Nu. 180.637 million for supplies and Nu. 26.843 million for Erection and Commission Charges aggregating to a sum of Nu.207.481 million.
- vii) There was incorrect computation of rebound wastages in PHPA-I resulting into excess payment of Nu.9.528 million. The rates allowed to the contractor was higher than the applicable rate.

B. Non-compliances to financial norms

The cases under this included non-adherence to principles and processes of financial management. Irregularities amounting to Nu. 367.174 million were reported under this category. Significant issues are highlighted as under:

- i) There was unreconciled amount of Nu. 60.847 million on account of non-revenue release obtained by the Dzongkhag Administration, Zhemgang. The information as per PEMS showed the amount as balance which could not be identified.
- ii) Kuensel Corporation Ltd. had trade receivables of Nu.58.765 million lying outstanding for more than a year in contravention to the Credit Management Policy of the Corporation.
- iii) STCBL had unidentified deposits of Nu.43.312 million on account of sundry debtors. The management was not able to reconcile the receivables and the deposits made by the clients.

- iv) Tourism Council of Bhutan (TCB) had unadjusted advances of Nu.77.063 million against various Dzongkhags and Gewogs. The advances were released for development of tourism products.
- v) Department of Agriculture (DOA) had unadjusted advances of Nu.46.570 million against Dzongkhags, Research Centres, Food Corporation of Bhutan Ltd (FCBL) and Farm Machinery Corporation Ltd (FMCL). The advances were released for National Organic Flagship Programme, National Food Security Reserve and the Economic Contingency Plan.
- vi) Department of Agricultural Marketing and Cooperatives (DAMC) had unadjusted advances of Nu.36.678 million against FMCL and FCBL. The advances were released for School and Hospital Feeding Programme.
- vii) Dzongkhag Administration, Haa had unadjusted advances of Nu.11.340 million lying against contractors for various construction activities.

C. Non-compliance to other policies, laws, regulations

The cases under this included non-compliance to other policies, SOPs, contract agreements, laws and regulations with potential to impact on the service delivery of the agencies. Irregularities amounting to Nu. 37.319 million were reported under this category. Significant issues are highlighted as under:

- i) STCBL had provided credit schemes to customers amounting to Nu. 34.647 million without obtaining bank guarantees as required in the credit policy. Besides there was also a lack of clarity in assessing the credit worthiness of the clients.
- ii) Construction Development Corporation Ltd. (CDCL) had carried out sale of assets Nu. 1.790 million without following the company's Equipment Management Manual for sale of assets.

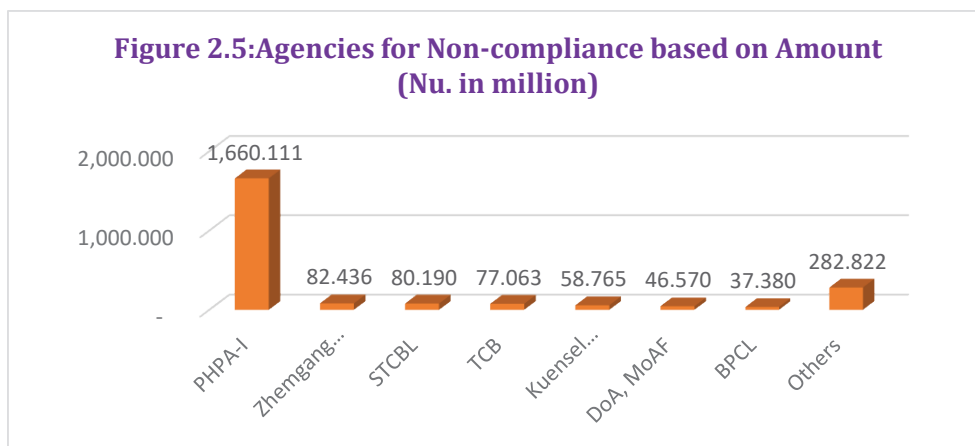
D. Non-compliance to Human Resource Management Norms

The cases under this included non-compliance to the human resource management policies, rules, regulations and guidelines having potential to disrupt the smooth functioning of an agency. Irregularities amounting to Nu. 0.606 million were reported under this category. Significant issues are highlighted under:

- i) Bhutan Power Corporation Ltd. (BPCL) Corporate Office, Thimphu did not enforce obligation for secondment on resignation of an employee resulting in loss of Nu. 0.275 million. The employee had resigned without serving double the duration of secondment as required but the retirement benefits were paid in full.
- ii) Ugyen Wangchuk Institute for Conservation and Environmental Research (UWICER), Bumthang granted promotion to an official with ongoing disciplinary/administrative action. The sanction of promotion, in spite of disciplinary action staining the clean service record, had resulted in excess payment of Nu. 0.081 million.

2.2.2 AGENCIES WITH NON-COMPLIANCE TO LAWS, RULES AND REGULATIONS

The PHPA-I had irregularities amounting to Nu.1,660.111 million representing 71.39% of the total irregularities under Non-compliance to Laws, Rules and Regulations. As depicted in **Figure 2.5**, other agencies under this category included Dzongkhag Administration, Zhemgang (Nu. 82.436 million), STCBL (Nu. 80.190 million), TCB (Nu. 77.063 million) and Kuensel Corporation Ltd. (Nu. 58.765 million), representing 3.55%, 3.45%, 3.31% and 2.53% respectively.



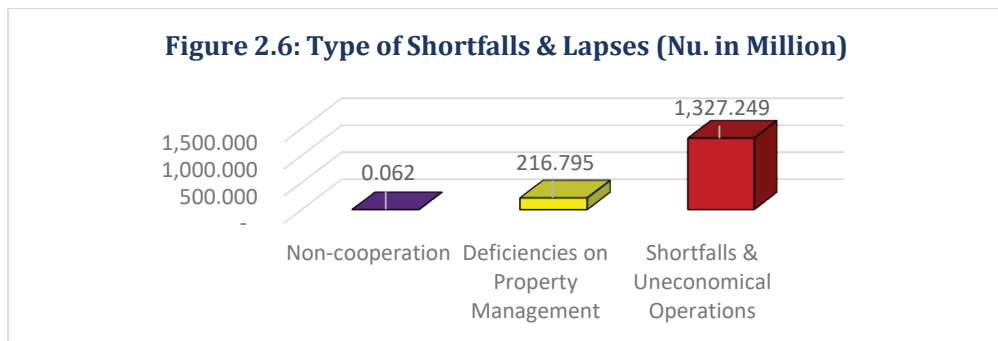
2.3 SHORTFALLS, LAPSES AND DEFICIENCIES

This category includes those irregularities arising from improper property management, uneconomical operations and non-cooperation. The issues of

shortfalls, lapses and deficiencies were reported based on the materiality with potential to undermine the economic and efficient functioning of agencies. The cases reported under shortfalls, lapses and deficiencies amounted to Nu. 1,544.106 million, representing 38.58% of the total irregularities.

2.3.1 TYPES OF SHORTFALLS, LAPSES AND DEFICIENCIES

The cases of shortfalls, lapses and deficiencies were categorized under three sub-categories. The cases under this category comprises of shortfalls and uneconomical operations for Nu. 1,327.249 million representing 88.84%. Deficiencies on property management and non-cooperation amounted to Nu.216.795 million and Nu.0.062 million respectively as depicted in **Figure 2.6**.



A. Shortfalls and uneconomical operations

The cases under this included irregularities due to lack of prudence and due-diligence exercised by officials, inefficient processes, financial impropriety, etc. leading to uneconomical operations. Irregularities amounting to Nu. 1,327.249 million were reported under this category. Significant issues are highlighted as under:

- i) The PHPA-I had not claimed refund of Nu.51.211 million from BPCL. The balance amount had remained unclaimed even after completion of works and bills adjusted.
- ii) PHPA-I had not recovered cost of furniture amounting Nu.16.364 million issued to officials residing in furnished accommodations. Although the decision to recover the cost of furniture was made at the highest level, the Project Management was yet to take any action.
- iii) TCB had not collected cost of booth space amounting to Nu.1.765 million from tour operators. The amount pertained to the space fee for events held between 1st July 2017 and 30th June 2020.

- iv) State Mining Corporation Ltd. (SMCL) had not realized Nu.417.469 million from Dungsam Cement Corporation Limited on account of sale of coal and gypsum.
- v) FCBL had not realized receivables of Nu. 4.823 million pertaining to supplies made to farm shops, individuals and poultry farms.
- vi) PHPA-I had not deducted applicable tax of Nu. 298.501 million from contractors for the package MEM-1 in the design, supply and erection of generating units.
- vii) Gakiling Gewog, Haa had not availed rebate on procurement of HDPE pipes amounting to Nu. 0.134 million in the construction of irrigation channel in various sites.
- viii) STCBL not received installments amounting Nu.279.431 million under the Deferred Instalments Payment Policy from customers since 2007. The lapses occurred due to inadequate follow-up mechanism on credit facilities granted to customers.
- ix) STCBL had unclaimed dividends of Nu.2.804 million due to incomplete information on personal details and addresses of shareholders.

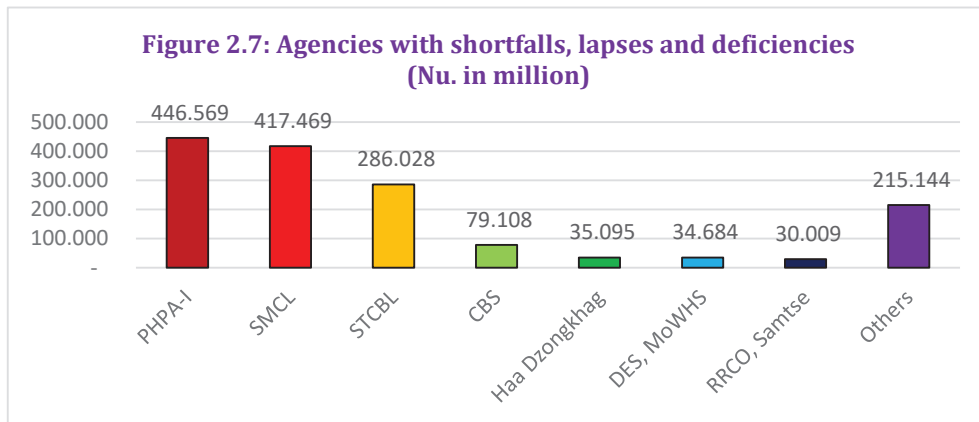
B. Deficiencies on property management

The cases under this included irregularities pertaining to improper practices in acquisition, custody, operation, maintenance and disposal of property. Irregularities amounting to Nu. 216.795 million were reported under this category. Significant cases are highlighted as under;

- i) Centre for Bhutan Studies and Gross National Happiness Research had incurred Nu.59.193 million for installation of under floor heating system which was rendered not-functional.
- ii) Dzongkhag Administration, Trashigang had accepted defective works and items other than specified worth Nu. 34.074 million. The lapses had occurred in the improvement of urban water supply of Trashigang town.
- iii) Dzongkhag Administration, Haa had incurred wasteful expenditure (not pliable) amounting to Nu. 12.162 million in the construction of farm road from Celela to Sertena.

2.3.2 AGENCIES WITH SHORTFALLS, LAPSES AND DEFICIENCIES

A graphical representation provided in **Figure 2.7** shows the agencies with financial implication in this category. Amongst budgetary agencies, the Centre for Bhutan Studies and Dzongkhag Administration, Haa had highest amount of irregularities amounting to Nu.79.108 million and Nu.35.095 million respectively. PHPA-I, SMCL and STCBL had the highest irregularities under this category with Nu. 446.569 million, Nu. 417.469 million and Nu.286.028 million respectively.



CHAPTER 3

3. PERFORMANCE AUDIT REPORTS

The RAA issued performance audit report on the operations of Natural Resource Development Corporation Ltd (NRDCL) during the period. The report shall be submitted separately to the Parliament as required under the Audit Act of Bhutan 2018.

The audit was conducted with the following objectives:

1. To assess the adequacy of existing legal and institutional framework of NRDCL in delivering its mandate; and
2. To review NRDCL's efficiency and effectiveness in fulfilling its primary mandates to make natural resources available, accessible and affordable to the general public.

The audit reviewed the legal and institutional framework, mandates, operational performance and financial performance to make natural resources available, accessible and affordable to the general public. The audit covered the period from 1st January 2013 to 31st December 2020.

Despite notable achievements like making sand available throughout the year, enhanced production capacity through investments in logging machineries, production-based payment system and digitalization of its services, there were also lapses and deficiencies. Significant lapses and deficiencies include:

- I. There were inconsistencies in the mandates as inferred from Charter, Executive Orders and Objectives of Article of Incorporation that may potentially impede performance and delivery of legitimate mandates;
- II. The RAA noted inconsistency in applying Section 366 (6) of FNCRR 2017 in regard to surface collections and dredging activities.
- III. Timber Extraction and Distribution Modality (TEDM) is not consistent with the primary mandates.
- IV. The investment decision based on the government's Executive Order 2010 have had adverse impact on the profitability of the company through 2011-2019.
- V. NRDCL is not seen capacitated to play its role in the overall Sustainable Resource Management in the country.
- VI. Inadequacies in terms of process, and methods of fixing prices as well as system of functioning of the committee;
- VII. Investment in stone crushing units resulted in accumulated loss of Nu. 244.011 million.

Based on the review and issues discussed in the report, the RAA provided the following recommendations:

- I. DHI in consultation with MoAF should pursue the government to review and reinforce the mandates of NRDCL
- II. The NRDCL should ensure reinforcing clear coordination mechanisms in consultation with MoAF and MoEA
- III. The MoAF should develop comprehensive guidelines for functioning of NRPC
- IV. The NRDCL should institute robust cost control measures to enhance profitability
- V. The NRDCL should optimise the utilisation and management of machineries and equipment
- VI. The NRDCL should institute a system of operationalising its CSP through annual plans
- VII. The NRDCL should reinforce its credit management system and ensure robust credit follow-up mechanism
- VIII. The NRDCL should enhance research and development activities for marketing its products
- IX. The NRDCL should strengthen its HR development initiatives and performance management system
- X. The NRDCL should study the allocation of budget for maintenance of roads
- XI. The NRDCL should immediately formalise and use the ERP system effectively.

CHAPTER 4

4. OTHER MATTERS

4.1. AUDIT ISSUES UNDER ARBITRATION

During the year 2020-21, there were 16 cases involving audit observations amounting to Nu. 179.053 million under arbitration

4.2 AUDIT ISSUES REMAINING UNRESOLVED AFTER COURT VERDICTS

As on 30th June 2021, 112 audit issues from 22 audit reports have remained unresolved even after the issue of verdict by the Royal Court of Justice.

4.3 AUDIT ISSUES FORWARDED TO ACC

In line with Section 34(7) of the Audit Act of Bhutan 2018, the RAA forwarded 10 audit findings to the Anti-Corruption Commission (ACC) that indicated existence of fraud and corruption during the period.

4.4 ISSUES RECEIVED FROM ACC

During the year 2020-21, the RAA received 15 issues from the ACC for verification.

CHAPTER 5

5. CONCLUSION

The RAA had issued unmodified (clean) opinion on the Annual Financial Statement of the Royal Government of Bhutan for the Financial Year 2020-21. However, the RAA has drawn attention through Emphasis of Matter related to trend of internal revenue, current expenditure and public debt in developing strategies for sustaining internal revenues, managing current expenditure and regulating public debt.

Most of the irregularities in the public financial management at the agency level occur mainly due to inadequacies in the internal control system in which either the design or operation of the internal controls are rendered incapable of preventing, detecting or correcting the errors and deviations. The areas of construction and procurement continue to be more vulnerable to irregularities and lapses. Some of the common factors contributing to irregularities include the following:

- Inadequate system of responsibility, accountability and sanctions within public sector is shown to inhibit performance and ethical conduct of public officials. A lack of strong culture of performance and accountability drives complacencies, underperformance and violation of integrity as evident from persisting and repeat offences and irregularities surfacing each year;
- A lack of performance and ethical culture in the agencies are also fueled by lack of effective leadership and tone at the top. The current structure of responsibility in the civil service and the public service customarily does not lead to answerability of leadership when agencies or projects undertaken underperform or fail.
- Lack of monitoring and supervision has been observed as one of the contributing factors in repeated problems and mismanagement such as time and cost overruns, rush of expenditure towards end of financial year, unjustified appropriation, non-surrender of fund balance, non-adjustment of advances, payment without receiving goods/works/services and non-reconciliation of accounts.
- Non-compliance to laws, rules and regulations despite there being adequate legal and policy frameworks including laws, rules and regulations. While most such cases could be because of the concerned officials not taking the required efforts to grasp the relevant laws, rules

and regulations, there are also indications of intentional override of laws, rules and regulations.

- Lack of coordination among the public agencies lead to confining responsibilities and pursuing incoherent approach to shared development priorities that are of cross cutting nature, potentially resulting in duplications and added costs apart from derailing the progress of the nation.
- Lack of proper documentation to authenticate the activities of agencies giving rise to irregularities.

The RAA as an oversight body seeks to contribute to bring improvement of the Public Financial Management System (PFMS) through its audit and report. The irregularities reported in this report is a pointer to the state of performance of the public sector and its compliance to the authorities governing the PFMS of the country. The improvement in governance in PFMS can only be made if agencies act on the recommendations provided through the individual audit reports. The recommendations contained in this report are meant for influencing policy decisions of the government in considering policy measures to improve governance and public financial management of the country.

CHAPTER 6

6. RECOMMENDATIONS

6.1 GOVERNMENT SHOULD REINFORCE THE SYSTEM OF ACCOUNTABILITY AND SANCTIONS FOR PUBLIC AGENCIES AND INDIVIDUALS TO DRIVE ETHICAL BEHAVIORS AND PERFORMANCE

Most of the irregularities pointed out in the AAR 2020-21 stem mainly from inadequacies in the design and operation of internal control system across public agencies. The irregularities could be prevented, detected or corrected, if agencies complied with the minimum internal control framework. The extent to which it is implemented should be driven by the criticality of specific functions, operations or process in respect of its significance in terms of financial impacts, business objectives, and compliance requirement. Generally, the lax internal control systems are fueled by lack of tone at the top and ethical culture to drive desirable behaviors in performance of responsibilities of individuals. This leads to setting in vicious cycle of weak internal control system, diffused responsibility and accountability, and repeat offenses/irregularities.

The basic framework of internal control must be rendered across agencies to internalize control consciousness and drive desirable behaviors. The leadership of agencies must not only ensure putting in place the basic controls but also review the effectiveness of its operations on a continued basis. This can be achieved by according due importance to internal audit functions, which essentially promotes good governance, ensures control effectiveness and risk management.

In stimulating good governance and accountability, there is a need for system of holding individuals accountable for any irregularities arising from dereliction of responsibilities by individuals at various positions. The sanctions must be prescribed based on the severity of the cases and enforced strictly. It must also encourage individuals to embrace highest level of professionalism and innovations in performance of their responsibilities.

6.2 GOVERNMENT SHOULD REVIEW THE NEED FOR A POLICY TO BRING CONSULTANTS UNDER THE AMBIT OF PUBLIC ACCOUNTABILITY

Government spends substantial public resources in engaging private consultants for a range of services that are of an advisory or professional nature typically involved in providing expert or strategic advices. The PRR specifies engagement of consultants where the work involves the application of multi-disciplinary expertise and requires the support of an organization with requisite

competence. For construction works, the consultants are usually engaged in drawing, design, estimation and supervision of the projects.

The RAA noted that the issues in some of the construction arise from deficiencies in the drawing, designs and estimates prepared by the consultants. The deliverables under the contract is limited to outputs specified in the Terms of Reference and generally do not extend to ensuring results from their outputs. For instance, the consultants cannot be held responsible for any quality compromises resulting from the faulty drawings and designs prepared by them. The obligations of the consultants would have been already discharged before efficacy of consultants' works are realized. This is also applicable for other services requiring shelving of their reports and recommendations if not done properly. Therefore, the consultants remain shielded from accountability to achieve ultimate results. The efficiency and effectiveness of the expenditure incurred is therefore not ensured.

In order to oblige the consultants to commit to the quality of services delivered, there is a need for a policy to bring consultants under purview of public accountability.

6.3 GOVERNMENT SHOULD REINFORCE QUALITY MANAGEMENT SYSTEM IN CONSTRUCTION PROJECTS UNDERTAKEN BY AGENCIES

The Standard Bidding Document (SBD) provides for inclusion of clause requiring the contractor to prepare Quality Assurance Plan (QAP) specifying the work methodology, quality control test and intervals for such tests in accordance with the work specifications for each item of works. The QAP is to be monitored by project manager to ensure its compliances on a regular basis.

Despite such requirements, the issues in constructions still persist and have become a concern across the agencies. When the government spends substantial resources in development of infrastructure, the expenditure would not be rendered efficient if quality is compromised. The issues of quality will have impending effects on economic development, service delivery as well on the quality of life of citizens. The issues basically arise from inability of the agencies to enforce quality assurance and control functions to ensure the quality of construction. A lax enforcement of quality management functions leads to numerous cases of compromised quality impeding value for money in spending public resources. Further, lack of robust quality management mechanism enhances susceptibility to unethical practices as it provides rent extraction opportunities for the parties and go undetected once it is completed.

Therefore, there is a need for the government to reinforce the quality management system by obliging the procuring agencies to comply with the

Quality Management systems for both quality assurance and quality control of the construction projects.

6.4 GOVERNMENT SHOULD REVIEW COMMUNITY CONTRACT PROTOCOL

The Community Contracting Protocol was issued to address the issue of lack of contractors participating in contract works in remote areas and to cut down delays caused in implementing development works in these areas. It was also intended to help the local contractors in the communities to build their own skills and competencies in various trades, particularly in construction of small-scale development infrastructures such as renovation of farm roads, irrigation channels, rural water supply schemes, etc. The protocol is also expected to promote sense of ownership of the infrastructure by direct involvement of the community.

Numerous objectives are pursued through this protocol, and it has benefitted the community in terms of providing opportunities for the community to participate, build experiences, skills and competences in executing the construction works. However, there have been numerous issues relating to quality of constructions that were awarded to local contractors. In most of the cases, the works are awarded at abnormally low price in comparison to the estimates due to which the required quality is not achieved. In provision of public infrastructure, quality in public infrastructure should be the primary objective in order to ensure that the performance of infrastructure addresses the need.

Considering the lapses in community contract works, the government should review the community contract protocols to ensure quality in works executed by community contractors.

6.5 GOVERNMENT SHOULD EXERCISE CAUTION IN REGULATING ITS CURRENT EXPENDITURE, SUSTAINING GROWTH OF INTERNAL REVENUES AND IN EXERCISING PRUDENCE IN RAISING DEBTS

The internal revenue had registered 24.09% increase in FY 2017-18 over previous year and had remained almost constant since then. The annual growth rate of internal revenue has not been able to keep pace with that of current expenditure for the FYs 2018-19, 2019-20 and 2020-21. Both the internal revenue and current expenditure may have been affected by the Covid-19 pandemic. Through the FY 2019-20 till FY 2020-21 there has been a steep rise in current expenditure without corresponding increase in internal revenue.

Even during FY 2018-19 which was prior to Covid-19 pandemic, the internal revenue showed a decline of 5.87% over the previous financial year.

Since the country is graduating from the list of LDCs in 2023, financial sustainability could be an impending challenge if government does not have strategies on exploring additional internal revenue sources. Besides, the Constitutional requirement to meet current expenditure from its internal resources may be another challenge if internal revenue is not able to match the increasing current expenditure.

Further, while the proportion of government's debt stock to GDP is within the limit set in the Public Debt Policy, the trend has been rising annually.

Thus, there is a need for government to exercise caution in regulating its current expenditure, sustaining growth of internal revenues and exercising prudence in raising debts.

CHAPTER 7

7.1 ABOUT ROYAL AUDIT AUTHORITY

Performance Highlights 2020-2021



513

Audits Conducted



431

Reports Issued



480

Financial
Audit



29

Compliance
Audit



4

Performance
Audit



407

Financial
Audit



22

Compliance
Audit



2

Performance
Audit



1026

**Follow-Up on
Audit Reports**

887

Financial Audit
Reports

139

Compliance Audit
Reports



Nu. 121.983 m

Audit Recoveries



44

**Statutory Audits
(Corporations and
Financial Institutions)**

18093

**Audit Clearance
Certificate Issued**



Service
Regularization/Conversion,
Secondment & Contract
Extension **6801**

Election **108**

Interviews **1104**

Studies/Training **1777**

Post retirement
Benefits **1946**

Promotion **6357**

48

**Outsourced
Audits**

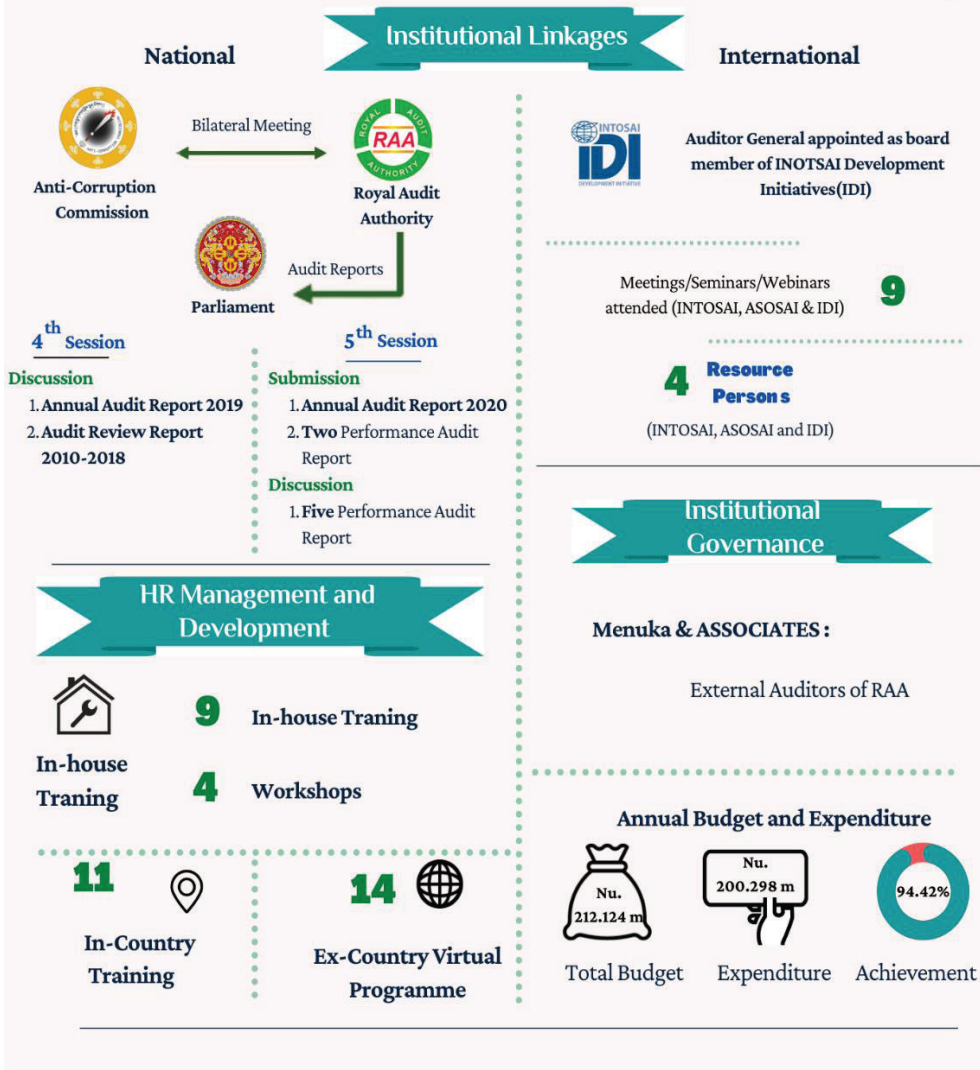
NGOs, CSOs and ROs



Key Achievements

— Financial Year 2020-2021 —

- ✓ Strategic Plan 2020-2025
- ✓ HR Strategy 2021
- ✓ ICT Strategy 2021 - Leveraging ICT for effective Auditing and Reporting
- ✓ SAI PMF Assessment Report 2021
- ✓ Performance Management System of RAA
- ✓ Competency-Based Framework for Audit Officers
- ✓ Consolidated Audit of Royal Bhutan Police


Institutional Governance

Menuka & ASSOCIATES :

External Auditors of RAA

Annual Budget and Expenditure



Nu.
212.124 m

Total Budget



Nu.
200.298 m

Expenditure



94.42%

Achievement

HR Management and Development



9 In-house Training

In-house Training

4 Workshops

11 

In-Country Training

14 

Ex-Country Virtual Programme

7.2 AUDITED REPORT OF ROYAL AUDIT AUTHORITY



ལྷ་མི་བུ་གཞེ་རི་ལྷོན་ཨེ་ཤེ་སྐྱེ་བའི་
Menuka Chhetri & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

AUDITORS' REPORT OF THE ROYAL AUDIT AUTHORITY FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2021

Opinion

We have audited the accompanying financial statement of Royal Audit Authority (RAA) which comprise Receipts and Payments Statement (LC Account No. LC-110.01) and schedule forming part of financial statement for the year ended 30th June, 2021.

In our opinion, the financial statements are prepared, in all material respects, in accordance with the Financial Rules and Regulations 2016.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statement* section of our report. We are independent of the RAA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

We have audited the accounts of RAA maintained at the Head Office, Thimphu and Regional Office at Bumthang and relied on the returns received from other three Regional Offices at Phuentsholing, Samdrup Jongkhar, Tsirang and training center at Tsirang which have been found to be adequate for the purposes of consolidation and preparation of financial statement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for preparation of the financial statements in accordance with the Financial Rules and Regulations 2016 and for such internal control inline as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the RAA's financial reporting process.

ROOM NO.6, 5TH FLOOR, MKTS BUILDING, OPPOSITE CLOCK TOWER, EMAIL, menukachh67@gmail.com
Mobile no. 17886983175/0213/ 17814147, Fixed Line No. 02 330339



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RAA's internal control.

We communicated with the management, among others, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

For Menuka Chhetri & ASSOCAITES
Chartered Accountant
Firm Registration No. 331825E
Address: MKTS Building, 5th floor
Opposite Clock Tower, Norzin Lam, Thimphu


Menuka Chhetri
Managing Partner
Membership No: 534365



Place: Thimphu
Date: 26 | 10 | 2021

ROYAL AUDIT AUTHORITY
Receipts and Payment Statement
For the year ended 30th June 2021
LC-110.01

(Amt in Nu.)

Sl. No	Group/ Board Head of Account	RECEIPTS				PAYMENTS				TOTAL				
		T/Phu (HO)	P/ting	S/fongkhar	Bumthang	Tsirang	Bumthang	S/fongkhar	Tsirang	TOTAL	TOTAL			
1	Opening Balance													
	a. Cash		1,514.00	1,215.00	41,008.00									
	b. Bank		-	-	-									
2	Release:													
	a. Budgetary	108,448,000.00	18,322,867.00	16,929,000.00	22,997,000.00	36,559,000.00								
	b. Non- Revenue													
	c. Refundable Deposit				3,024,443.00									
	d. Un-cashed Cheque													
3	Grants in-Kind													
4	Borrowing in-Kind													
5	Revenue Receipts/ Remittance:	3,846,641.00	590,991.00	705,911.00	429,605.00	771,532.00								6,344,680.00
6	Other Recoveries/ Remittance:	5,132,766.00	745,996.00	786,780.00	820,865.00	1,243,556.00								8,727,963.00
	a. GPF: Employee Contribution	657,700.00	108,400.00	106,800.00	118,800.00	176,300.00								1,168,000.00
	b. Govt. Insurance Scheme													
	c. Other Insurance Premium													
	d. Loan from Financial Institution													
	e. Other	271,225.00	41,600.00	45,000.00	50,100.00	67,300.00								475,225.00
7	Personal Advance:	955,519.00	55,000.00	1,416,000.00	2,024,961.00	4,059,450.00								8,351,359.00
8	Miscellaneous Receipts/Payment													
	a. Non-Revenue A/c Deposit													
	b. Refundable Deposit A/c Deposit				140,000.00									
	c. Payment to DPA								1,514.00					
	d. Others									1,215.00				
9	Suspense:													
	a. Stock													

