

October 4, 2021

The Royal Audit Authority (RAA) in a notification issued on 1st July 2021 announced its intention to audit the discretionary grant given to ministers (Nu 200,000 per year), MPs (Nu 150,000 per year) and Dzongdas (Nu 75,000 per year).

With this audit Ministers, MPs and Dzongdas for the first time will have to show bills and statements for how they spend this annual grant and they will no longer be allowed to treat it as a part of their income. If they cannot show proper documents and statements on how the grant was spent, then the RAA will recover the amount from them.

The RAA notification says that with the adoption of the Pay Revision (Amendment) Act of 2020, the Discretionary Allowance has been changed to Discretionary Grant. It says as per the Audit Act of Bhutan 2018; any form of grant is subject to audit by the RAA.

It says accordingly all expenses from the discretionary grant commencing July 2021 shall be audited by the RAA.

"Therefore, while the mode of expenses (where, how and when) will remain at the discretion of the individual public servants, they are required to maintain proper documents for all expenses made from the discretionary grant," it says.

The notification says that where documents are not available, they are required to at least maintain the expenditure statements, and so henceforth any expenses from the grant without supporting documents will remain recoverable into the Audit Recoveries Account.

Ironically, in mid 2019 the Pay Revision Act of Bhutan 2019 had converted the Discretionary Grant of the Ministers and MPs into Discretionary Allowance. This was communicated through an August 2019 notification.

This meant that it became taxable like any other allowance which caused an uproar among MPs who pointed to past MPs who did not have to pay tax on the grant.

So in the Pay Revision (Amendment) Act of 2020 the MPs voted to change this allowance back into a grant to avoid paying tax on it.

However, after they did so then the RAA stepped in to announce it can be audited. The allowance would not have been audited as it was being taxed and so was equal to the income of the MPs.

It has been noted that there are cases where the grant is not even fully utilized for soleras or other activities and it is treated as personal income, especially since it goes into the savings accounts of those officials getting it.

RAA also pointed out the practice of people taking the entire grant at the begging of the budget year, and so when there is a transfer or separation in the middle of the financial year then the outgoing official takes the entire grant and there is nothing left for the incoming officials.

It asked agencies to look into such cases and discourage payment of an entire year's grant in one lump sum.

The notification of the RAA is leading to differences of opinion with the Ministry of Finance and the MPs.

The Finance Minister Namgay Tshering said that he does not want to say the RAA is wrong or right as it is a Constitutional Body.

However, he said that as per the definition of the Pay Revision Act of Bhutan 2019 the discretionary grant is discretionary and up to the discretion of that person.

Lyonpo said the grant was never audited before.

Lyonpo said that the 150,000 grant for MPs is used while going to constituency visits which is twice a year.

He said that due to constraints on the current budget and problems with TA/DA the Speaker has devised a mechanism where MPs will get paid TA/DA only for 21 to 22 days a year and rest of the time will be on their expense.

On the bills, the minister said that anyone can produce bills and so it may not serve what the RAA wants.

Lyonpo said that in the case of Dzongdas, they are the representative of His Majesty and the CEOs of the Dzongkhags and so they must have a budget to entertain guests.

The minister said that there is prudence on the allotment of the grants and the MoF has advised budgetary agencies to give it on a pro-rata basis.

However, the same August 2019 notification from the Finance Minister says that upon request, the full discretionary amount per annum can be considered by respective agencies.

A source said that this provision was put in after pressure was put by MPs who wanted the entire amount at the beginning of the year.

The Economic and Finance Committee Chair of the National Assembly MP Kinley Wangchuk whose committee had introduced the Pay Revision (Amendment) Act of 2020 said that the RAA's notification has not been formally received by him or formally brought up but he did hear about it.

He said he has not had a chance to meet the committee. He said the NA will have to first have a plenary session where this matter will be discussed and then they will sit with the RAA and reach a certain understanding on the grant.

The MP said that this 150,000 annual grant is mostly used by MPs in fulfilling social obligations and while making constituency visits and even amounts more than that is spent.

He said this is an issue of interpretation of the Pay Revision Act and also the Audit Act.

The MP opined that most MPs would support the view that auditing of the grant is not required as it was not done in the past right from the beginning in 2008.

Apart from the RAA notification on the grant, the RAA is also not satisfied with the Hospitality and Entertainment budget (HE) guidelines drawn up by the Ministry of Finance which set a ceiling of Nu 1.5 mn per minister.

As per the RAA's observations the HE should not include soelras, semsos, nyedras, tips etc as these should be covered by the discretionary grant.

HE are subject to audits where bills and statements have to be produced.

A source said that the HE budget in the true sense is for a minister to entertain a counterpart like throwing a dinner or buying gifts and not for other things.

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