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(བསྐྱར་བཅོེ)

Fund Release Guidelines
(Revised)

དངུལ་རྩིས་ལྷན་ཁག་།

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Ministry of Finance

July 2009

1. Introduction

Budgetary fund release constitutes authorizing transfer of public money from Government Consolidated Account to the Letter of Credit Accounts of the Budgetary Agencies (BA) for expenditure based on the approved budget. Article 14(3) of the Constitution of the Kingdom of Bhutan states that Public money shall not be drawn from the Consolidated Account except through appropriation in accordance with the law. The Financial Rules and Regulations (FRR) 2001 outlines the procedures for budgetary fund releases and the Department of Public Accounts (DPA) is responsible for releasing funds. Given that fund release is the last step in receiving public money for expenditure by the BAs, there has been increased public interest in the fund release systems. As such, the Ministry of Finance (MoF) has developed this simplified and Revised Fund Release Guidelines for ready reference.

2. Fund Release Procedures in Vogue

The fund release system is designed to scrutinise the readiness of the agencies to undertake the budgeted activities and to avoid lapse of released funds at the close of the fiscal year. As such, the FRR 2001 requires the submission of adequate supporting documents for processing fund releases. Over the years, fund release procedures have been reviewed and revised in line with major reforms in public financial management system.

The requirement to submit Combined Release Report (CRR) was done way with and the supporting documents were reduced to bare minimum in July 2007. Presently, current budget is released quarterly for central Agencies and Dzongkhags and half yearly for Gewogs without even having to make a request. Capital budget is released based on a request letter with supporting documents such as - technical sanction, work award orders, running bill numbers for constructions, RCSC/Agency approval for training, clearance from Municipalities and Department of Survey/Land records for acquisition of land and building. For swiftness in delivery of fund release orders, e-release system for central Agencies and fax-release for Dzongkhags and Gewogs has been introduced.

3. Revised Fund Release Procedures

The existing fund release procedure was reviewed during the Annual Financial Management Workshop held in April 2009. As per the feedbacks received from the workshop, the existing release procedure is flexible and meets the Agencies' requirements. However, as a step forward in simplifying fund release procedures, starting from July 2009, the MoF has done away with all the supporting documents for capital releases. Further, a time frame for releasing funds by the DPA has been set as required by PFA 2007 and a standard Fund Requisition Form (FRF) has been prescribed for the Agencies to make

fund release request. With the revised guidelines, fund release process is expected to further improve as the Agencies can easily e-mail or fax the FRF to the DPA. The e-release system and fax-releases will continue to be the modality for delivering fund release orders. The Revised Fund Release Procedure and the FRF is presented in **Annex I and II**.

4. Type of Budgetary Fund Releases

Budgetary fund releases consist of the following three types:

4.1. Current Regular Releases: Budget releases for recurrent expenditures which is made on a quarterly basis for Central agencies and Dzongkhags and half yearly for Gewogs. The only condition is the submission of monthly accounts of the last month of the previous quarter within the stipulated period. Such releases are completed by the 15th of the first month of every quarter i.e. July, October, January and April without having to request.

4.2. Current Ad-hoc Releases: Such releases are for bulk procurements normally centralized with some Ministries and Dzongkhags to maximize the economies of scale in procurement.

These are:

- a. School stationeries, textbooks and sports items budgeted with Dzongkhags. The Dzongkhag Education Officers place orders with Education Central Store, Phuentsholing.
- b. Hospital expendable materials, drugs & vaccines budgeted with the Ministry of Health. These are centrally procured and distributed to the various Health Centres in Dzongkhags.
- c. Animal Health Medicines and Veterinary Equipment budgeted with Dzongkhags. The District Livestock Officers place orders with Animal Husbandry Central Store, Phuntsholing.

Ad-hoc releases will be provided within 2 working days upon the submission of the Fund Requisition Form if the minimum conditions are fulfilled.

4.3. Capital Releases:

- a. *Construction:* Budget releases for new and ongoing construction.
- b. *Non-Construction:* Budget releases for procurement of equipment, furniture, computer, etc.

- c. *Ad-hoc Capital:* Ad-hoc capital releases are for training, acquisition of land and building, etc.

All capital releases (construction, non-construction and ad-hoc) will be provided within five working days upon the submission of the Fund Requisition Form without any supporting documents if the minimum conditions are fulfilled.

5. Minimum Conditions for Budgetary Fund Release

For timely releases of funds, following minimum conditions are to be fulfilled by the Agencies:

- a. *Sufficient Budget provision:* There should be sufficient budget provision against the activity for which fund release is requested. If the activity is new, budget incorporation process has to be completed before requesting for fund release.
- b. *Monthly Accounts:* Monthly Account has to be submitted to the DPA by the Agencies within 15 days after completion of the month.
- c. *Donor Fund Balance:* If the activity is donor funded, there should be donor fund balance with the RGoB.

6. Non-budgetary Releases

There are also non-budgetary releases as presented below:

- a. *Refundable Deposit Release:* Funds deposited by budgetary agencies as bid security, performance security and retention money etc. into the Government Refundable Deposit Account forms the refundable deposit money. While requesting for such fund releases, the Agency is required to submit a copy of the deposit invoice. Such release shall be processed within 7 working days.
- b. *Non-Revenue Releases:* Non-revenue deposits are funds provided by one Budgetary Agency to another to carry out deposit works but being deposited temporarily in the Government Non-Revenue Account. While requesting for such releases, Agencies are required to submit a copy of the deposit invoice. Such releases shall be processed within 7 working days.
- c. *Unencashed Cheque:* The release shall be made on submission of original unencashed cheques of the previous year along with explanations and the corresponding amount should have got lapsed in that particular LC/PLC Account. Such release shall be processed within 5 working days.

7. Time lines for budgetary and non-budgetary fund releases

As required by the PFA 2007 under Article 114, a reasonable time frame for release of funds by the DPA has been set in the Revised Fund Release Guidelines as presented in **Annex I**.

8. Delays in Fund Releases

In principle, there are no delays in fund releases. However, if the Agencies are experiencing delays, it is mainly due to non-fulfilment of the minimum conditions for fund releases such as lack of donor-fund balance with the RGoB, non-submission of monthly accounts and Agencies requesting releases from incorrect budget heads. Sometimes, delivery of request letter/release orders by post may also add to the delays in fund releases. With the use of the standard Fund Requisition Forms that could be e-mailed or faxed to the DPA and with the maximum time-frame for processing fund release set, delays in fund releases, if any will be permanently eliminated.

9. Risk of Uncontrolled Fund Releases

While it is ideal for the Budgetary Agencies to receive all funds released without any conditions, there are risks associated with it. The following are some of the risks:

- i. Expenditure on unbudgeted activities:* Most of the Agencies use the fund release as approval for expenditure and use it even for unbudgeted activities. This affects the implementation of the planned activities as there will be no funds left.
- ii. Huge lapse fund:* At the end of fiscal year, huge amount of fund is left unspent and there is tendency to withdraw large sums of cash which is not in keeping with the financial rules and regulations.
- iii. Adverse affect on cash flow and GCA:* Due the reasons mentioned in (i) & (ii) above, the cash flow position will be adversely affected and will incur huge cost on overdraft charges.

10. Monitoring and Reporting of Fund Releases

Towards the end of each quarter, the DPA will closely monitor the budgetary fund releases. Any instances of over and under utilization of funds released shall be reviewed from Monthly Accounts and adjusted against the subsequent fund releases. To facilitate proper closure of books of accounts, all budgetary fund releases shall be completed by the 15th of June of every Fiscal Year. A quarterly fund release status report will be prepared by the DPA on a regular basis and an Annual Fund Release Report will be annexed to the Budget Report.

Annex I

Revised Fund release Procedure
(With effect from 1st July 2009)

Sl. No.	Type of Fund Releases	Documents Required	Time frame for DPA for Processing Releases
I Budgetary Releases:			
1.	Current Regular Release	No documents. Release on quarterly basis without having to request	Current Release completed by 15 th of the first month of every quarter.
2.	Current Ad-hoc Releases	Fund Requisition Form to be submitted without any supporting documents	2 working days (Release completed within 2 days from the receipt of the FRF)
3.	Capital Releases (Construction & Non-Construction)	Fund Requisition Form to be submitted without any supporting documents	5 working days (Release completed within 5 days from the receipt of the FRF)
II Non-Budgetary Releases:			
1.	Refundable & Non-Revenue Release	Request letter with a copy of non-revenue deposit invoice confirmed by Bank.	7 working days (Release completed within 7 days from the receipt of request letter)
2.	Unencashed Cheques	Request letter with original unencashed Cheques and explanations	5 working days (Release completed within 5 days from the receipt of the request letter)

Note:

For timely budgetary releases, following minimum conditions are to be fulfilled by the Agencies:

- i. Submission of Monthly Accounts within 15 days after completion of the month;*
- ii. Sufficient budget provision against the activity for which the release is requested;*
- iii. For donor funded activities, there should be donor fund balance with RGoB.*

Any instances of delays in fund releases after fulfilling the minimum condition may be reported to the Director, DPA for necessary action

(Agency's Letter Head)
Fund Requisition Form (FRF)

Annex II

Ref. No.

Date:/...../.....

The Director
 Department of Public Accounts
 Ministry of Finance
 Thimphu

Subject: **Request for release of fund**

Sir,

Kindly arrange to release fund to our LC/PLC account No.for the following activities from the approved budget of Fiscal Year..... ..:

Sl.	Budget line & Activity	FIC	Approved budget (Nu.)	Release request (Nu.)	Remarks
1.					
2.					
3.					
4.					
10.					
TOTAL					

Yours sincerely,

Name: _____

Name : _____

Signature: _____

Signature: _____

(Head of Accounts Section)

(Head of Agency)