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ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



DNB/Cores/2022-23/120

29
July 23, 2022

Notification

Subject: Revised Terms of Reference for the Finance Committee

In order to ensure the effectiveness of the Finance Committee, the Ministry of Finance is pleased to issue the revised Terms of Reference (ToR) for immediate implementation by the budgetary bodies.

The revised ToR seeks to strengthen and reinforce the role of FCs towards enhancing the Public Financial Management in achieving the annual and FYP targets while ensuring accountability for the actions taken thereof.

The ToR shall apply to all the Ministries, Constitutional Bodies, Autonomous Agencies and Local Government with immediate effect. The ToR can be downloaded from www.mof.gov.bt.

Kesang Deki

(Kesang Deki)

Finance Secretary

Copy to:

1. The Cabinet Secretary, Gyalyong Tshogkhag, Thimphu for kind information
2. Chairperson, All Constitutional Bodies, for compliance
3. The Secretaries, All Ministries, Thimphu for compliance
4. Dasho Dzungdags, All 20 Dzongkhags for compliance
5. Thrompons, All Thromdes for compliance
6. Head of Autonomous Agencies, for compliance



**REVISED TERMS OF REFERENCE FOR THE FINANCE
COMMITTEE**

JULY 2022

**MINISTRY OF FINANCE
ROYAL GOVERNMENT OF BHUTAN**

Contents

Background	1
Purpose	1
Scope	1
Membership	1
General Mandates	2
LG specific Mandates	3
Responsibility and Accountability	4
Conduct of the Meeting	5
Terms of Reference	5



I. BACKGROUND

In obedience to Royal Address of the 111th National Day Celebration in Samtse for managing our available resources wisely, minimize waste and ensure that all our resources are directed at improving the well-being of the people, and in fulfilling our national vision, the Government, during the 10th Session of the Lhengye Zhungtshog held on 22nd January 2019 approved establishment of 'Finance Committee' (FC) at the agency level as conveyed vide Letter No. C-3/10/63 dated 31st January 2019. Accordingly, the MoF notified the budgetary bodies to establish FC through a budget call circular for FY 2019-20.

For efficient and effective functioning of the Committee, the MoF hereby issues the **Revised Terms of Reference (ToR) for FC.**

II. PURPOSE

The purpose of the Finance Committee (FC) is to oversee the public financial management of the agency and promote efficiency, effectiveness and financial thrift in the agency. The ToR shall serve as the guiding principle in fulfilling the mandates of the Committee.

III. SCOPE

The ToR shall apply to all Finance Committee instituted at the budgetary bodies.

IV. MEMBERSHIP

The following are the members of the Finance Committee;

Ministries

1. Secretary- Chairperson
2. Heads of the Departments- Member
3. Head of Policy and Planning Division- Member
4. Head of Finance Division- Member Secretary



Constitutional/Judiciary/Autonomous Agencies

1. Chairperson/Registrar General/Commissioner/Head of the Agencies- Chairperson
2. Heads of Departments/Division Heads- Member
3. Head of Policy and Planning Division- Member
4. Head of Finance Section- Member Secretary

Dzongkhags

1. Dzongdag- Chairperson
2. Dzongrab, Head of Planning Section, District Engineer and Economic Development Officer- Mandatory members
3. One member from the DT nominated by Thrizin
4. All relevant sector heads- Members
5. Head of Finance Section- Member Secretary
**including Drungpa wherever necessary.*

Thromdes

1. Executive Secretary- Chairperson
2. Head of Planning Section and all sector heads- Member
3. Head of Finance Section- Member Secretary

V. GENERAL MANDATES (both Central and LGs)

a. Budget Proposals

The FC shall have the following mandates with respect to Budget Proposal;

1. Review the budget proposal in line with the Budget Call Notification, and ensure its alignment with NKRA, AKRA, LGKRA and emerging government priorities for endorsement and onward submission to DNB, MoF within the deadline specified in the Budget Call Notification;
2. Ensure to propose all capital activities using the capital budget proposal writeup format;



3. Ensure that all on-going donor funded programmes and activities as well as all spill-over activities (both RGoB and donor funded) are captured in the proposal to minimize administrative burden at all levels.

b. Budget Execution

The FC shall have the following mandates with respect to Budget Execution;

1. Ensure proper internal control system;
2. Ensure effective, efficient and transparent use of financial resources;
3. Take effective and appropriate steps to prevent any unauthorized, irregular and wasteful expenditure and losses;
4. Apportion annual current grant to the respective departments/divisions/sectors as per the current grant guidelines for the Central Agencies;
5. Ensure compliance to Public Finance Act 2007, Financial Rules and Regulations, Procurement Rules and Regulations, budget notification and circulars/guidelines/SoPs issued by MoF from time to time and government policies;
6. Review and reprioritize any additional budget required for completion of a particular project/activity/program during the FY within the overall approved budget;
7. Ensure to secure a budget prior to implementation of any new activities;
8. Ensure timely update of plan and progress of capital activities in Budget Monitoring Tool (BMT);
9. Conduct mid-year budget review in close collaboration with DNB and submit reports through BMT.

VI. LG SPECIFIC MANDATES

1. Review and submit the budget proposals to Dzongkhag Tshogdu and Thromde Tshogde for approval and submission to MoF;
2. Apportion approved annual grant based on the Annual Grant Guidelines issued by MoF from time to time;



3. Ensure that the capital budget proposal writeup format is followed while apportioning the annual capital grant.

VII. RESPONSIBILITY AND ACCOUNTABILITY

1. The Committee shall meet at least once quarterly to undertake periodic financial review and ensure close monitoring of activities. The Chairperson shall however, convene ad hoc FC meetings as and when required;
2. The Chairperson shall be responsible and accountable for the proper conduct of the FC meetings and endorsement of the decisions thereof;
3. The Members shall be responsible and accountable for all the decisions taken in the FC meetings;
4. The Member Secretary shall have the following responsibilities;
 - 4.1. Coordination and recording of the FC proceedings and liaising with MoF for all necessary meetings as and when required;
 - 4.2. Carry out preliminary works (explore budget savings/realignment details etc) on the agenda items prior to the FC meetings in order to ensure smooth decision making;
 - 4.3. For FC decisions pertaining to the field offices under the Cluster Finance Services, the MS shall facilitate and coordinate the dissemination of any budget related information to the head of cluster finance service;
 - 4.4. Present quarterly financial and physical progress report and Mid Year Review to FC for endorsement before updating in BMT for submission to DNB;
 - 4.5. Ensure to submit the Budget proposal and quarterly progress update to DNB within the prescribed deadline;
 - 4.6. Unless otherwise agreed, notice of the subsequent FC meeting shall be informed no less than one week to all the FC members confirming the venue, time and date along with agenda items to be discussed and with supporting documents;



- 4.7. Shall create awareness on financial information (PFA, FRR etc..) and review budget position every month.

VIII. CONDUCT OF THE MEETING

1. The Committee Member who has a conflict of interest shall not participate in the deliberations on the particular matter and will excuse himself/herself from the discussions in respect of those interests during the period of discussion of the matter;
2. The presence of no less than two thirds of the total number of members shall constitute a quorum for a sitting;
3. An approval or resolution of the Finance Committee may be passed by a simple majority of those present and entitled to vote at the meeting;
 - a. The Finance Committee shall adopt the resolutions unanimously;
 - b. Where unanimous decisions cannot be reached, the resolutions shall be adopted by a simple majority of the members present and in the event that voting is equally divided, the Chairperson of the meeting shall have a casting vote ; and
 - c. Any concern or dissenting view raised by any Committee member shall be discussed and recorded in the minutes of the meeting;
4. In absence of any FC members, his or her officiating will attend the FC meeting;
5. All proceedings and conduct of the FC meeting shall be properly documented and recorded.

IX. TERMS OF REFERENCE

The Terms of Reference of the Finance Committee will be reviewed as and when required.

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