



**Guidelines for Scrutiny of the Books of Accounts
of the Registered Political Parties
2015**

ELECTION COMMISSION OF BHUTAN

Publisher: **Election Commission of Bhutan,**
Post Box 2008,
Thimphu: Bhutan.

E-mail: **cec@election-bhutan.org.bt**
Visit us at: **www.election-bhutan.org.bt**
Phone: **(00975) 2 334 851/2**
Fax: **(00975) 2 334763**

Copyright: **© ECB, 2015**

Anybody wishing to use the name, cover, photo, cover design, material part or whole thereof in any form in any book or magazine may do so with due acknowledgement.

Date of Publication: August 2015

Printed at: **Tshangpa Dung Dok Lhek Dhen Zay Cha**
Printing press

Table of Contents

1. Introduction.....	5
2. Monitoring Responsibility	6
3. Annual Account.....	7
4. Source of Income	7
5. Disclosure / Declaration of Contribution.....	8
6. Prohibition on loans and Restrictions of Private or Anonymous Donations	9
7. Documentation of Income and Expenses.....	10
8. Accounting and Reporting	11
9. Disclosure of Accounts during the Election Period	13
10. Campaign Financing and Monitoring of Campaign Expenditures	14
11. Review and Scrutiny	14
12. Audit.....	16

Guidelines for Scrutiny of the Books of Accounts of the Registered Political Parties 2015

Introduction

In keeping with the intent of the Constitutional provisions and the requirements of the Election Act of the Kingdom of Bhutan, 2008 and the Public Election Fund Act of the Kingdom of Bhutan, 2008 related to elections, Political Parties, public campaign financing and to safeguard politics from corruption and money power whilst ensuring financial sustainability of Parties, the Election Commission of Bhutan hereby adopts and promulgates the *Guidelines for Scrutiny of the Books of Accounts of the Registered Political Parties, 2015*.

1. Title and Extent of Application

1.1. These Guidelines shall:

- 1.1.1. Be called the *Guidelines for Scrutiny of the Books of Accounts of the Registered Political Parties, 2015*;
- 1.1.2. Be applicable for the monitoring of the Books of Accounts of the Registered Political Parties in the Kingdom; and
- 1.1.3. Come into force with effect from 24th of June 2015 corresponding to 8th Day of the 5th Month of the Wood Female Sheep Year of the Bhutanese Calendar.

2. Definition

- 2.1. “Commission” means the Election Commission of Bhutan formed in accordance with the Article 24 of the Constitution of the Kingdom of Bhutan;
- 2.2. “Division” means the Public Election Fund Division of the Election Commission of Bhutan; and

- 2.3. “Electoral Laws” means the Election Act of the Kingdom of Bhutan, 2008, Public Election Fund Act of the Kingdom of Bhutan, 2008 and the National Referendum Act of the Kingdom of Bhutan, 2008 and the Rules and Regulations made thereunder.

3. Purpose

- 3.1. The primary purpose of these Guidelines is to facilitate efficient and effective scrutiny of the accounts of a Registered Political Party ensuring that the Parties:
 - 3.1.1. Mobilize Funds only at the rate and from sources permitted;
 - 3.1.2. Utilize Funds for genuine and authorized purposes; and
 - 3.1.3. Record, account and report all Party income and expenditures in accordance with the Generally Accepted Accounting Practices.

4. Monitoring Responsibility

- 4.1. The Division of the Commission shall be responsible to:
 - 4.1.1. Prepare and publish instructions setting-forth the method of book-keeping and preservation of records to facilitate compliance with the Public Election Fund Act of the Kingdom of Bhutan 2008;
 - 4.1.2. Verify all documents submitted by the Political Parties to the Election Commission; and
 - 4.1.3. Monitor and scrutinize the accounts of the Political Parties as provided in the Electoral Laws.

5. Annual Account

- 5.1. A Party must maintain correct and up-to-date accounts and prepare:
 - 5.1.1. Income and expenditure statements for the financial year; and
 - 5.1.2. Balance sheet (Statement of Affairs).
- 5.2. The fiscal year for accounting of the financial transactions of the Party shall begin on 1st July every year and close on 30th June of the next year.
- 5.3. Every Party shall, within three months after the end of each financial year, furnish a true copy of the above financial statements to the Division along with Public Election Fund Form No. 8.

6. Public Inspection

- 6.1. A Party shall publish an Annual Report of the Party containing among others the Statement of accounts, asset and liabilities.
- 6.2. The Treasurer of the Party shall, in case of a request by a member of the public to inspect the Party's record, provide such document not later than five working days after receipt of the request as provided under the Public Election Fund Act 2008.

7. Source of Income

- 7.1. Under the Electoral Laws, a Political Party can raise funds for its operation and activities only from the following three different sources, subject to the ceilings prescribed from time to time:
 - 7.1.1. One time Registration Fee;
 - 7.1.2. Annual Membership Fee; and
 - 7.1.3. Voluntary Contribution from its Registered Members.

8. Disclosure/Declaration of Contribution

- 8.1. A Party shall be responsible to submit the list of names of Registered Members with the precise amount of contribution of any kind received from each member to the Commission as per Public Election Fund Form No. 2C.
- 8.2. A Party shall ensure that the fees collected are within the fees as fixed in its Party's Charter and the financial contribution or in kind contributions from Registered Members are not in excess of the maximum expenditure amount stipulated by the Commission.
- 8.3. A Party shall fully disclose the list of members making contributions in its webpage and shall update it on a monthly basis.
- 8.4. No person or organization shall receive any contribution from any members of the Party or on behalf of any Political Party, unless the person has been authorized in writing for this purpose by the concerned Party.
- 8.5. All contributions received by a Party except in kind contribution, shall be made in cheque as required under Section 73 of the Public Election Fund Act of the Kingdom of Bhutan 2008.
- 8.6. However, the Commission would consider allowing transaction of the contributions in cash, if the contribution made is less than Nu.5,000/- per member per year.
- 8.7. The contributions, otherwise, can also be made in the form of cash warrants, telephonic transfers or demand drafts which can be processed by any person at a bank without involving much time and not necessarily required to have a bank account in the name of the Registered Member making a Voluntary Contribution.
- 8.8. On making declaration under Section 8.1, a Party shall incorporate the value of the in-kind contribution after working out its valuation as per the fair market value.

- 8.9. A Party shall accord equivalent monetary values for any voluntary time put in for Party works or rent free spaces for housing the Dzongkhag Party Offices in private residences to be in the form of Office Orders and be accounted in the Parties' Books of Accounts as Voluntary Contributions of such Registered Members.
- 8.10. Tax exemptions shall be allowed on contributions made by Registered Members to Parties up-to a limit of 5% of the member's total adjusted gross income.
- 8.11. A Party shall at the end of every Calendar Year provide and submit the list of contributors along with the details of amount collected against each member to the Department of Revenue and Custom and to the Commission for further verification and approval.
- 8.12. A Party shall be responsible to establish that its members making contributions are voters registered in an Electoral Roll.

9. Prohibition on Loans and Restrictions of Private or Anonymous Donations

- 9.1. No Party or a Candidate shall be permitted to take loans or advances from any institution, organization or an individual for the purpose of incurring expenditure on election campaign.
- 9.2. A Party however, can take loans or advances from the financial institution within the Kingdom of Bhutan for purposes other than election campaigning.
- 9.3. Provided that a declaration is submitted in the Public Election Fund Form No. 6 to the Commission along with the Annual Returns as per the Public Election Fund Form No. 8 stating that such a loan or advance has not been used for an activity that has contributed to election campaigning.
- 9.4. A Party or a Candidate shall not receive money or any assistance from foreign sources, be it governmental, non- governmental, private organizations or individuals.

- 9.5. The President, Treasurer of the Party and the Candidate himself/herself shall be legally liable for any fines that may be imposed under the Electoral Laws.
- 9.6. Any Party, Candidate or person that colludes, schemes, or collaborates to misuse, collect, or improperly accept funds shall be guilty of petty misdemeanor under the Electoral Laws.
- 9.7. The Commission may, from time to time, require a Party, Candidate or the general public to independently declare any contribution, cash or in-kind, made to or received from a Political Party or to a Candidate during the Election Period.
- 9.8. Any person or organization found not to have declared or declared incorrectly shall be liable under the Electoral Laws.

10. Documentation of Income and Expenses

- 10.1. Every Party is required to appoint a Treasurer at the office declared at the time of registration to maintain its books of accounts of all income and expenditure.
- 10.2. The Parties are required to prepare and maintain detailed income and expenditure, including details of income and assets, how and from where they were acquired and details of all expenditure.
- 10.3. The Division may check reports of income and expenditure of Parties at any time as may be required by the Commission.
- 10.4. The Treasurer shall ensure that the books and records of accounts are properly maintained and preserved.
- 10.5. The Party Treasurer must ensure that accounting records are maintained in a manner that is sufficient to show and explain the Party's transactions-at any time - with reasonable accuracy.

- 10.6. Any Party found guilty of not maintaining a proper financial statement shall be dealt in accordance with the Election Act and the Party shall not be eligible to receive State Funding to finance the election campaigns.
- 10.7. The Party shall ensure that the supporting documents against any collections made or payments made are adequately and properly documented.
- 10.8. The Party shall strictly comply with the standards and principles of Generally Accepted Accounting Principles while maintaining proper and transparent Books of Accounts.

11. Accounting and Reporting

- 11.1. The Books and records of accounts shall contain:
 - 11.1.1. Details of money received from Registered Members by the Party;
 - 11.1.2. Identity of Registered Members together with the date and amount received from them by the Party;
 - 11.1.3. Value of any contribution including in kind contribution received together with the name of Registered Members making such contributions;
 - 11.1.4. Name and address of every person to whom any payment is made together with the date, amount and purpose for the expenditure as per the Public Election Fund Form No. 4; and
 - 11.1.5. Bank Statement and bank reconciliation statement.
- 11.2. All receipts and payments transactions shall be accounted for in Ngultrums and the accounting shall be maintained on cash basis.

- 11.3. The Treasurer of the Party must ensure that the Accounts are maintained and updated on daily basis and a report submitted to the Commission on quarterly basis.
- 11.4. The Party Secretariat may authorize opening and operation of bank accounts for operation and routine management of Dzongkhag Party Offices in the Dzongkhags.
- 11.5. All moneys received or collected from the Registered Members shall be deposited without delay in the bank accounts maintained by the Party offices.
- 11.6. The Dzongkhag Party Offices shall maintain proper records of all fees or contributions received and shall maintain a record on details of all the expenditures made.
- 11.7. An account of these operation by the Dzongkhag Party offices shall be submitted to the Party Head Office at such intervals and in such formats as desired by the Party Head Office.
- 11.8. The Party shall appoint a focal person in every Dzongkhag Party Offices in charge of registering, collecting fees, Contributions and administering general expenditures, as well as of filing monthly report on the use of the income received from the Registered Members.
- 11.9. During non-election period the Dzongkhag Party offices shall submit quarterly report to the Party Head Office and the respective Dzongkhag Election Office on the membership and on the advance of ordinary income and expenses.
- 11.10. The Party Head Office shall institute appropriate follow-up mechanism which would ensure timely liquidation/adjustments of advances to avoid accumulation with the Dzongkhag Party Offices.

- 11.11. The Party shall be responsible to establish proper working systems and procedures including transparent and well-defined controls and checks within the respective Party for achieving, as far as practicable, financial management and accountability objectives and to sustain as a viable Party.
- 11.12. The Head of the Secretariat of a Party shall be responsible for ensuring that a proper Internal Control System exists in the respective Party.
- 11.13. The Party shall ensure that proper control is exercised over the custody, use and accounting of money receipt and the Secretariats must issue instructions to the Dzongkhag Offices for timely surrender of used money receipts along with amounts collected.
- 11.14. The Party shall not issue any money receipts without confirming the contribution of its members, failing which the Party shall be held liable for failure to comply with the standards and principles of proper accounting system.

12. Disclosure of Accounts during the Election Period

- 12.1. The Parties intending to contest the Primary Round of Elections shall be required to produce the following financial statements which will be subject to review by the Commission:
- 12.1.1. Receipts and Payment Statement:
- 12.1.2. Expenditure details as per the Public Election Fund Form No. 4B;
- 12.1.3. Contribution received as per the Public Election Fund Form No. 2A;
- 12.1.4. Details of members registered with the Party along with the fees collected from each member;

12.1.5. Details of outstanding liabilities as per the Public Election Fund Form No. 5; and

12.1.6. Balance sheet; and

12.1.7. Bank Statement.

12.2. The Parties eligible to contest the General Elections shall be required to produce the following financial statements which will be subject to review by the Commission:

12.2.1. Receipts and Payment Statement;

12.2.2. Expenditure details incurred during the Primary Round from the Party's Fund;

12.2.3. Contributions received from the date of submission of Letter of Intent till the completion of the Primary Round of Election as per the Public Election Fund Form No. 2B

12.2.4. Details of outstanding liabilities as per the Public Election Fund Form No. 5;

12.2.5. Balance sheet and Bank Statement.

13. Campaign Financing and Monitoring of Campaign Expenditures

13.1. The management of Public Election Fund and the strategy for monitoring the campaign expenditures to the Parliamentary Elections shall be carried out as per the Public Election Fund Act of the Kingdom of Bhutan 2008 and the Public Election Fund Rules and Regulations 2012.

14. Review and Scrutiny

14.1. The Division shall verify all documents submitted by the Party and shall ascertain whether the funds generated are as per the provisions of the Public Election Fund Act of the Kingdom of Bhutan 2008.

- 14.2. The Division shall review the proper maintenance of books and records by the Parties and report the same regularly to the Commission.
- 14.3. The Division shall review the following documents maintained by the Party Secretariat, including those received from its Dzongkhag Party Offices and Dzongkhag Election Offices:
 - 14.3.1. Activities/functions/meetings carried out as reported by the Dzongkhag Election Office, Party, in the media or any other sources with detailed expenses incurred for each activity;
 - 14.3.2. List of Office Bearers in the Head Office and the Dzongkhag Party Offices along with the schedule of salary expenses;
 - 14.3.3. Details of establishment, administrative and any other financial expenses incurred in the Head Office and in the Dzongkhag Party Offices;
 - 14.3.4. Money Receipt books printed, issued and those available for verification;
 - 14.3.5. List of Members registered with the Party along with the fees and contributions received; and
 - 14.3.6. Bank Statement vis-à-vis Bank reconciliation.
- 14.4. The Division shall maintain the shadow observation register of a Registered Party including the details of every functions/meeting and events organised to crosscheck the expenditure reports submitted.
- 14.5. The Division shall coordinate with the Regional Revenue and Custom Office and crosscheck the list of Voluntary Contributors of the Parties against the declared income tax of the Contributors for every calendar year.

- 14.6. The Division may examine debts and obligations of each Party and in addition the Division may conduct any other examinations and audits as it deems necessary to carry out the provisions of the Electoral Laws.
- 14.7. The Department of Electoral Registration and Boundary Delimitation shall monitor and update the membership lists of the Parties. The Dzongkhag Electoral Registration Officers, under the supervision of the Dzongkhag Electoral Officers, shall monitor and supervise the Dzongkhag Party Coordinators / Office Assistants in the Dzongkhags and shall maintain records of membership lists of the Political Parties in respective Dzongkhags.
- 14.8. Any support and assistance provided through the Commission to the Parties from individuals, corporate and entities within Bhutan and abroad (other than registered members) shall be regulated and facilitated through the “Guidelines for Administration and Management of Support and Assistance from Non-member Entities and Persons for Institutional Strengthening and Capacity Building of Registered Political Parties in the Kingdom of Bhutan, 2014”.

15. Audit

- 15.1. The Party shall appoint an Internal Auditor as per the Political Parties Rules and Regulations 2015 who shall monitor and carry out necessary internal auditing of the books of accounts of the Party.
- 15.2. The Royal Audit Authority (RAA) of Bhutan shall be the external auditor for the annual accounts of the Parties and shall audit the books of accounts of the Parties after every financial year as per the Royal Audit Authority’s Auditing Standard.
- 15.3. The RAA shall provide the copy of the Audit Report to the Commission after completion of every audit for necessary action of the Election Commission.

15.4. The Commission shall review the report of the Division made based on its scrutiny, the Audit Reports and the final report shall then be released by the Commission.

16. Penalty

16.1. Any entity found guilty of violation of these Guidelines shall be dealt with in accordance to the Election Act.

17. Power of the Commission to Issue Instructions and Directions

17.1. The Commission may issue instructions and directives:

17.1.1. For the clarification of any of the provisions of these Guidelines;

17.1.2. For the removal of any difficulty which may arise in relation to the implementation of any such provisions; and

17.1.3. In relation to any matter with respect to the scrutiny of the accounts of the Political Parties, for which these Guidelines make insufficient provision, and clarification is necessary in the opinion of the Commission.

18. Interpretation and Amendment

18.1. The Election Commission shall be the competent authority to interpret the provisions of these Guidelines.

18.2. The Election Commission shall have the power to amend the existing Guidelines by way of addition, variation or repeal, provided that no such amendment shall be made in contravention to the provisions of the Election Act.

Done under the seal of the Election Commission of the Kingdom of Bhutan on this 24th of June 2015 corresponding to the 8th Day of the 5th Month of the Wood Female Sheep Year of the Bhutanese Calendar.



Election Commissioner



Election Commissioner



Chief Election Commissioner



Contribution Declaration Form

Details of Contributions received for the period from _____ (Date of last audit or in case of new political party it shall be the Date of Formation) to _____ (Date of Submission of Letter of Intent)

Name of the Party: _____

Address: _____

Sl. No.	VPIC No.	Name & Address of the Contributor	Contribution Received		Receipt No.	Date of Receipt	Remarks
			Cash	Kind			
Sub Total							
Grand Total (on last page only)							

*(Use separate sheet in case the number of members doesn't fit on this sheet)

I hereby certify that the information on this report is true, correct and complete to the best of my knowledge.

Treasurer
Seal & Signature

Dated:/...../.....

Party Secretary
Seal & Signature

Dated:/...../.....

Note:

1. This form is required to be filled in by a political party.
2. The form must be submitted to the Office of the Election Commission with the PEF Form No. 7A.
3. Enclose the detail break - up of contribution received.



Contribution Declaration Form

Details of Contributions received for the period from _____ (Date of Letter of Intent) to _____ (End of campaign period)

Name of the Party: _____

Address: _____

Sl. No.	VPIC No.	Name & Address of the Contributor	Contribution Received		Receipt No.	Date of Receipt	Remarks
			Cash	Kind			
Sub Total							
Grand Total (on last page only)							

*(Use separate sheet in case the number of members doesn't fit on this sheet)

I hereby certify that the information on this report is true, correct and complete to the best of my knowledge.

Treasurer
Seal & Signature

Dated:/...../.....

Party Secretary
Seal & Signature

Dated:/...../.....

Note:

1. This form is required to be filled in by a political party.
2. The form must be submitted to the Office of the Election Commission with the PEF Form No. 7A.
3. Enclose the detail break - up of contribution received.



Annual Contribution Declaration Form

Details of Contributions received for the fiscal year/Calendar Year _____
to _____

Name of the Party: _____

Address: _____

Sl. No.	CID/VPIC No.	Name & Address of the Contributor	Contribution Received		Receipt No.	Date of Receipt	Remarks
			Cash	Kind			
Sub Total							
Grand Total (on last page only)							

*(Use separate sheet in case the number of members doesn't fit on this sheet)

I hereby certify that the information on this report is true, correct and complete to the best of my knowledge.

Treasurer

Seal & Signature

Dated:/...../.....

Party Secretary

Seal & Signature

Dated:/...../.....

Note:

1. This form is required to be filled in by a political party.
2. The form must be submitted to the Office of the Election Commission with the PEF Form No. 8



Annual Expense Return Form

Details of expenses incurred for the fiscal year _____ to _____

Name of the Party: _____

Address: _____

Sl. No.	Date of payment	Bill / Ref No.	Name and Address of the claimant	Head of Expenses	Amount	Remarks

1. SUBTOTAL OF EXPENSES (this page) _____
2. TOTAL EXPENSES (B/F from the last page) _____
TOTAL CASH EXPENSES _____
ADD: TOTAL OUTSTANDING LIABILITIES _____
TOTAL EXPENSES _____

I hereby certify that the information on this report is true, correct and complete to the best of my knowledge and belief.

Treasurer
Seal & Signature

Dated:/...../.....

Party Secretary
Seal & Signature

Dated:/...../.....

Note:

1. This form is required to be filled in by a political party.
2. Enclose detail break-up of pending bills from Public Election Fund Form No. 5.



Expense Return Form

Details of expenses incurred for the period from _____ (Date of last Audit or in case of new Political Party it shall be the Date of Formation) to _____ (Date of Submission of Letter of Intent)

Name of the Party: _____

Address: _____

Sl. No.	Date of payment	Bill / Cash Memo No.	Name and Address of the claimant	Head of Expenses	Amount	Remarks

1. SUBTOTAL OF EXPENSES (this page) _____
2. TOTAL EXPENSES (B/F from the last page) _____
- TOTAL CASH EXPENSES** _____
- ADD: TOTAL OUTSTANDING LIABILITIES** _____
- TOTAL EXPENSES** _____

I hereby certify that the information on this report is true, correct and complete to the best of my knowledge and belief.

Treasurer
Seal & Signature

Dated:/...../.....

Party Secretary
Seal & Signature

Dated:/...../.....



Outstanding Liabilities Report Form

Details of pending bills for the period from _____ to _____

Name of the Party: _____

Address: _____

Sl. No.	Date of payment	Bill / Ref No.	Name and Address of the claimant	Head of Expenses	Amount	Remarks

1. SUBTOTAL (this page) _____

2. **TOTAL OUTSTANDING LIABILITIES**
(B/F from the last page) _____

I hereby certify that the information on this report is true, correct and complete to the best of my knowledge and belief.

Treasurer
Seal & Signature

Dated:/...../.....

Party Secretary
Seal & Signature

Dated:/...../.....

Note:

1. This form is required to be attached with Public Election Fund Form No. 4



Loan Declaration Form

To,
**The Chief Election Commissioner,
Election Commission of Bhutan,
P. O. Box No. 2008,
Thimphu, Bhutan.**

Sir,

I, _____, the Treasurer of _____ Party,
on behalf of the Party would like to submit that a loan of Nu. _____ is
availed from _____ bank for the day to day functioning of the Party office.

Name of the Party: _____
Party Registration No.: _____
ECB Approval/Reference No. & Date: _____
Bank Account No.: _____

I confirm that the loan amount is specifically used for purposes other than election campaigning and in case if found otherwise I may be held liable for action under the Election Act and Public Election Fund Act of the Kingdom of Bhutan 2008.

**Thanking you,
Yours faithfully,**

**Treasurer
Seal & Signature**

Dated:/...../.....

**Party Secretary
Seal & Signature**

Dated:/...../.....

Note:

1. This form is required to be filled in by a party availing loan from the financial institutions in Bhutan.
2. The form must be submitted to the Office of the Election Commission along with the Public Election Fund Form No.8.
3. Enclose bank loan statement for the year.



Annual Return Form

To,
The Chief Election Commissioner,
Election Commission of Bhutan,
P. O. Box No. 2008,

Thimphu, Bhutan.

Sir,

I, _____, the Treasurer of _____ Party, on behalf of
the Party would like to submit this Annual Return for the fiscal year _____
to _____.

Name of the Party: _____

Party Registration No.: _____

ECB Approval/Reference No. & Date: _____

President of the Party: _____

Secretary of the Party: _____

Address of Registered Party Office: _____

Contact Number: _____

Bank Account No.: _____

Members Contribution (as per Form PEF- 2C) _____

Loan amount received from the bank _____

Total amount Received _____

Less: Expenses (as per Form PEF - 4) _____

Less: Loan installment paid for the year _____

Balance amount _____

Thanking you,

Yours faithfully,

**Treasurer
Seal & Signature**

Dated:/...../.....

**Party Secretary
Seal & Signature**

Dated:/...../.....

Note:

1. This form is required to be filled in by a party within 3 months after the end of financial year.
2. The form must be submitted to the Office of the Election Commission with the following documents:
 - Form No PEF - 2C (for Members contribution) & PEF - 4(annual expenses)
 - Copy of the Bank Statement for the year
 - Bank Reconciliation Statement
 - Bank Loan Statement for the year
 - Loan Declaration Form PEF - 6

Election Commission of Bhutan



ELECTION COMMISSION OF BHUTAN
Post Box 2008,
Thimphu: Bhutan.

Phone: (00975) 2 334 851/2
Fax: (00975) 2 334763
E-mail: cec@election-bhutan.org.bt
Visit us at: www.election-bhutan.org.bt

**Guidelines for Scrutiny of the Books of Accounts
of the Registered Political Parties
2015**