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# CHAPTER – I

## 1.1. Definition

Follow-up is a process through which RAA pursues, evaluates and determines the adequacy, effectiveness and appropriateness of actions taken by the audited agencies on the recommendations and findings reported in the audit report issued by the RAA.

## 1.2 Mandate

The Royal Audit Authority develops rules, procedures and guidelines to carry out auditing economically, efficiently and effectively. This is as per Auditing Standards..... and Chapter 5 Clause 42 (a) of the Audit Act of Bhutan 2006.

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## 1.3 Objectives

- (i) To provide a clear line of directions;
- (ii) To ensure uniformity in approach and processes of actions; and
- (iii) To facilitate transparency and better understanding

## 1.4 Nature, Extent & Scope

### 1.4.1 Scope

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👉 Applicable to:

- (i) Both officers and staff working in the Follow-Up Division;
- (ii) Officials carrying out follow-up in the Regional Offices; and
- (iii) Team Leaders and other functional Divisions where review of reports are being carried out.

### 1.4.2 Methodology

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The Follow-Up & Clearance Division (FU&CD) in close coordination with the Regional Offices and the Divisions concerned shall undertake the following:

- (i) The copy of the Audit report forwarded by the respective Divisions and Regional offices should be reviewed immediately to see that the report submitted are compatible with the system being in used , if not this should be returned in writing to redress it;

- (ii) The due date of receipt of ATR of the Audit Reports would be monitored on a regular basis;
- (iii) The concerned agencies shall be reminded for non compliance to the ATR submission date and further delay would be appropriately appraised to the higher authority;
- (iv) The agency-wise unresolved audit reports should be communicated to the Head of Agency by the beginning of financial year for necessary follow-up;
- (v) The follow-up of unresolved audit reports shall be conducted in the following manners:
  - Periodic Review
  - Desk Review, and
  - Field Review.
- (vi) The follow-up would primarily focus on accurate justifiable documentations, to the extent possible, to evaluate adequacy and sufficiency of evidences. The respective Team Leaders and Division Chiefs may be consulted on the complicated issues before the audit issues were deliberated and resolved;
- (vii) The audit report relating to fraud, corruption and malpractices would be reviewed by the Follow-Up Committee comprising of a Chairman and three members. Out of three members the Chief of Follow-up and Clearance Division shall be the member Secretary.
- (viii) The Follow-Up Report shall where ever necessary advise the agency concerned for appropriate remedial measures;
- (IX) The Audit Team taking up new audits should be provided by the Follow-up and Clearance Division with the latest status of the entire unresolved audit reports of the Agency for necessary review;
- (X) On completion of the audits assignment the audit team and the concerned Division should furnish the latest review report on the past audit reports to the Follow-Up & Clearance Division for necessary up-dating in the system;
- (XI) The Follow-Up & Clearance Division should update the information in the system within two days of the receipt of the review report;
- (XII) The Follow-Up & Clearance Division should present the status of reports that did not receive adequate responses as required under the Audit Act of Bhutan 2006 in the mid year review meeting and thereafter as and when required;
- (XIII) The audit paras which are under review or investigation by the Office of the Anti-Corruption Commission (ACC) would not be covered during the normal follow-up, till the investigation is over and outcomes intimated to the RAA.

- (XIV) The Follow-Up & Clearance Division shall work in close coordination with the Public Accounts Committee (PAC) for observations relating to the **Annual Audit Report (AAR) that are** under review by the PAC. The status of the recommendations made by the PAC would be determined and submitted to the Follow-up Committee for its review and endorsement.
- (XV) The Follow-Up & Clearance Division, where necessary, would seek the prior consent of the Regional Offices for up-dating of significant audit reports under its jurisdiction.
- (XVI) The agency would be informed of the outcomes of the follow-up on a timely basis, to enable the management to take further course of actions against unresolved observations;
- (XVII) The Regional Offices and Divisions taking up the follow-up of audit reports would comply with the appropriate processes and a copy of the follow-up report forwarded to the Dy. Auditor General, Department of Follow-Up & Human Resource Management for review and up-dating it in the system.

## **1.5 Coverage**

- 1.5.1 All audit reports of routine nature on receipt of Action Taken Reports (ATR) from audited agencies;
- 1.5.2 The issues reported in the Annual Audit Report (AAR) and presented to the Parliament;
- 1.5.3 Any pending reports that needs further course of action by the audited agencies;

# CHAPTER – II

## 2. Follow-up process

The Actions Taken Reports (ATR) received from the audited agencies at times are too technical and complex. For review of ATR the officials in the Follow-up demand diversity of skills, with appropriate caliber to handle issues diligently with prudence.

The Follow-Up & Clearance Division alone cannot attend to the unresolved audit reports. The efforts to conduct follow-up and settle audit issues should invariably be one of collective responsibility of the individual official responsible for, audited agency and the RAA as a whole so as to ensure uniformity, consistency and transparency in the delivery of service.

### 2.1 Processes for staffs

The product of RAA is the Audit Report and the organizational effectiveness of RAA depends on compliance to audit recommendations by the audited agency. The officials involve in the follow-up and Clearance Division assume critical role by evaluating the effectiveness of Action Taken Report and wherever Action Taken Report fall short that is not in line with the audit report recommendations than FU&CD shall pursue with the audited agency for further course of action.(Auditing Standards.....). The timely follow-up of audit report is a device that enhances the audited organizations management efficiency through management appraisal. The officials involve in the follow-up shall follow the procedures as under:

- (i) Records of Audit Reports received during the year from various Divisions and OAAG's shall be maintained;
- (ii) On receipt of audit report the Audit Information Management System should be updated instantly;
- (iii) The due date of submission of Action Taken Report (ATR) by the audited agency should be monitored and the reminder should be served in the event of non-receipt of ATR within the given deadline;
- (iv) The ATR submitted by the audited agency should be reviewed and the appropriateness of ATR intimated to the agency concerned not later than two weeks after the receipt;
- (v) The audit team taking up subsequent audits should be provided with the status report of the previous year for follow-up and review;

- (vi) The review of audit report will be on regular basis as such Audit Information Management System shall be updated on daily basis;
- (vii) Verify from the system the correctness of the contents of the draft Annual Audit Report;
- (viii) Provide feedback to the Division Chief FU&CD on all related issues that needs his attention ;

## **2.2 Processes for Chief FU&CD**

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The success in the follow-up of audit report depends on the important role played by Chief of FU&CD. He/she is a commander in Chief in the battle field of follow-up of audit report. He directs and advises his support staffs and representative of the audited agency in a friendly environment to make the follow-up worthwhile and meaningful. The role of Chief FU&CD comprises:

- (i) Preparation of Annual schedules for FU&CD for the follow-up of audit reports;
- (ii) Co-ordination and monitoring the audit report follow-up process;
- (iii) Review that the staff involved in the follow-up of audit report apply consistency and uniformity approach in processing ATR;
- (iv) Liaison and coordinate meetings with the functional divisions and the Regional Offices on serious legality and ambiguous matters in the Audit Reports;
- (v) Ensure that follow-up of old unresolved audit reports are conducted consistently with the audited agencies and the status of Follow-up report submitted to the Head of Ministries and agencies on an yearly basis;
- (vi) Attend to follow-up queries from line agencies like Anti-Corruption Commission (ACC), Office of the Attorney General (OAG) and the Public Accounts Committee (PAC) ;
- (vii) Facilitate coordination meetings between the ACC and the RAA on matters of mutual interest;
- (viii) Submit important matters involving policy issues to the Follow-Up Committee for review and deliberation;
- (ix) As Member Secretary to the Follow-Up Committee, shall draw agenda for the Follow-Up Committee meeting and record minutes of the meetings;
- (x) The member Secretary based on the committee meetings resolution, he shall facilitate to communicate to the concerned individual or appropriate agency for further course of action duly signed by the committee

chairman/ the member Secretary or direct the concerned Divisions to communicate;

- (xi) Ensure that criteria and standards set for are being complied and adhered to;
- (xii) Ensure that the official decorum and organizational system and processes in place are strictly followed by the staff;

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### **2.3 Process for Follow-Up Committee**

The follow-up Committee consisting of senior officials deliberates on complicated issues of audit report which the normal follow-up has not been able to take up a decision based on the ATR submitted by the audited agencies. The deliberation of the Committee is based on the agenda drawn by the member Secretary. The Committee adopt to the following procedures:

- (i) The Committee should understand the requirement in the audit recommendation. In line with the requirement, review and evaluate the appropriateness of the ATR submitted by the audited agency;
- (ii) The deliberations and resolutions arrived at by the committee are communicated either through the respective Chief of Division or through the Chairman/ member Secretary of the follow-up Committee to the audited agencies for further course of actions;
- (iii) The urgent appeal cases that require immediate attention of the RAA are deliberated by the committee so as to provide fast audit services;
- (iv) The decisions of the committee are submitted to the Auditor General for his comment and endorsement;
- (v) The Committee at times requires the concerned Division Chief review and comment on the ATR received. The FU&CD Chief along with the FU&CD official responsible for review and follow-up should jointly convene meeting with the related Chief of Division and decision submitted to the subsequent sitting of the follow-up Committee.

### **2.4 Follow-up Schedules**

The follow-up is an effective tool which instills responsibility and accountability in the discharge of public service. Based on experience gained from the first-ever nation wide follow-up exercise of 2007, the Follow-Up & Clearance Division shall draw **ANNUAL PLAN of ACTION** to review the unresolved Audit Reports. The Action Plan should be tabled during the Annual Audit Conference for endorsement. The Annual Plan of Action shall provide specific direction thereby avoiding delay in the process.

The officials of the Follow-Up & Clearance Division depending on the need basis shall visit audited agencies except for the month of December and January which is a busy months for making information available from the system to Policy, Planning and Annual Audit Report Division for preparation of draft Annual Audit Report for submission by early February each year.

A sample of the **Annual Plan of Action** is as below:

Name of Agency	Total Reports	Schedules for discussion								
		Aug.08	Sep.08	Oct.08	Nov.08	Dec.08	Jan.09	Feb.09	Mar.09	Apr.09
Ministry of Education	14									
Ministry of Finance	7									
Ministry of Home & Cultural Affairs	7									
Ministry of Works & Human Settlements	7									
Lhuentse Dzongkhag	6									
Mongar Dzongkhag	6									
Zhemgang Dzongkhag	12									
Sarpang Dzongkhag	6									
Dagana Dzongkhag	8									
Samtse Dzongkhag	5									
Chukha Dzongkhag	8									
Paro Dzongkhag	8									
RICBL	5									
BoB	4									
BDFC	3									
BNB	3									
AWP	6									

## CHAPTER – III

### 3. General process

The **Article 43** of the **Audit Act of Bhutan 2006**, the RAA is mandated to settle audit observations in light of justifications provided, compliance made and improvement noted as may be appropriate.

Generally, the actions taken by Management besides recovering money involves taking legal actions for criminal act, implementation and revision of existing policies and procedures and implementation of improved internal control procedures and system depending on the recommendation of RAA and investigating authority.

The nature, timing and frequency of follow-up are mostly influenced by external factors. The support and cooperation at individual and organizational level by the audited agencies and RAA as a whole is indispensable if the follow-up has to be effective and successful. It involves deliberation at various levels, depending on the seriousness of the reports under review.

In compliance to Audit Act the Follow-up and Clearance Division shall exercise the following process while taking up the follow-up:

- (i) Draw agency wise plan of action based on the Annual Plan of Action and identify issues that needs further review and deliberation ;
- (ii) Determine the remedial measures and timeliness of action by the management on the follow-up of the reported cases;
- (iii) Ascertain and obtain feedback on the appropriateness and applicability of the audit recommendations on field visit, however enforcement of the audit recommendation by the management should not be a mandatory one therefore, follow-up should deal it with flexibility;
- (iv) Ascertain the improvement noted in the management from the last audit;
- (v) Ascertain cause and effect of delay in the submission of ATR by the management;
- (vi) Determine the time frame for resolving the observations involving unlawful payments and recoveries that are required to be effected, and
- (vii) Advice on next course of actions to be taken by the management.

The details of unresolved audit reports of every audited agency shall be circulated to the respective agency at the beginning of the year. The agencies concerned shall have the flexibility to visit the nearest Regional Offices of the RAA or the Head Office, Thimphu for the purpose of discussions. The officials of the Follow-Up and Clearance Division shall also make visit to the agencies where deemed necessary to ensure that follow-up is rendered effective and timely.

The Follow-Up and Clearance Division shall in consultation with the related agency shall make necessary arrangement whether the related Audit Reports or paras which are under review by the Anti-Corruption Commission (ACC) and by the Office of the Attorney General (OAG) are to be reviewed or not..

### **3.1 Three tier Follow-up**

The Follow-Ups and Audit Clearance Division shall follow three tire processes as under:

#### **3.1.1 Tier I: Team Leaders**

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The practices of providing latest status of the audit reports to the field audit teams taking up subsequent audit assignment would be continued. The audit team during the current audit of a particular agency shall allocate certain time for review of the past unresolved audit reports. The RAA is mandated to conduct audit and report on economy, efficiency, effectiveness in the use of public resources and also responsible for promoting accountability and transparency in the system. These mandates are being met through submission of written report to the government. The efficient and effective follow-up of audit report is the only process to pursue with the audited agencies and held officials responsible and accountable for their actions which are not in line with the aspiration of the people and the government.

The Follow-Up & Clearance Division reviews, analyzes, evaluates and monitors the action taken on audit report on regular basis as such the Division will present status report at the mid year review meeting of RAA.

The reviews carried out by the team for the unresolved audit reports would be intimated to the Follow-up and Clearance Division (FU&CD) separately in the form of a report titled “**REVIEW REPORT**” under the signatory of the Division Chief as shown in **Appendix - I**. Instances of reviews not conducted as per the status report made available by the Follow-Up & Clearance Division would also be recorded and intimated with justifiable reasons.

In general, the review of *unresolved* audit reports by the Audit Teams shall follow the following process:

- (i) The team leader in consultation with the division Chief should plan it appropriately to conduct the review ;

- (ii) The review should be done in accordance with the RAA's requirement indicated in the audit report and review the appropriateness of documentary evidences submitted;
- (iii) The Team leader should report any compliances or improvements noted or otherwise in the operational and management system;
- (iv) The rectifications in the construction works should be reviewed jointly with the engineering and the finance section of the agency;
- (v) The recoveries effected by the organization and deposit made with RAA and within the organization must be verified with acknowledgment receipts, accountal in cash book and the bank statements etc;
- (vi) The audit team should insist the Management to deposit the recoveries made at the instant of the RAA into Audit Recoveries Account, while the recoveries affected from the current financial year may be allowed to be retained with the management; and
- (vii) The team leader through the Division Chief should report to the FU&CD on the review conducted to update the information in the AIMS;

### **3.1.2 Tier II: Regional Heads & Division Chiefs**

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The Team Leaders only cannot review the unresolved audit reports of the entire agencies under its jurisdiction at a given point of time. The team leaders review is limited to unresolved audit reports of audited agencies where audit is currently been scheduled and conducted during the period.

The follow-up of entire unresolved audit reports by the team in a year is near to impossible. It would require enormous resources in the form of manpower, time and financial support. In order to ensure that maximum numbers are covered and achieved at minimum cost to the organization, the under-mentioned methods as tabled below will be followed:

<b>Particulars</b>	<b>Periodicity</b>	<b>methods</b>
Ministries	Annually	bilateral meeting and discussions
Dzongkhags	Annually	bilateral meeting and discussions
Corporation	Annually	bilateral meeting and discussions
Financial Institutes	Annually	bilateral meeting and discussions
Rest regular basis/as and when necessary		

In order to render effective and objective follow-up, the Action Taken Report (ATR) of the recent audit would be jointly reviewed by the concerned Division and the Follow-Up Division particularly of those reports involving significant findings and of technically complex nature. The subsequent

reviews of the same report would be carried out by the Follow-up and Clearance Division. The observations remaining unresolved at the level of the Division Chiefs would be forwarded to the Follow-Up Committee for its review and decision.

### **3.3.3 Tier III: Follow-Up Committee**

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The Follow-Up Committee is entrusted with the responsibility to review cases of significant and complex matters related to Action Taken Reports. The Committee would meet every Friday to deliberate on issues that require immediate attention of the RAA.

The Committee's deliberations shall be recorded and decisions arrived at would be communicated to both the Management and to the concerned Divisions in RAA.

Necessary up-dating in the system as well as in the hard copy of the report based on the decisions of the Committee would be made by the official in the follow-up not later than two working days of the meeting.

## **3.2 Three technique**

Basically, three technique of follow-up as under could be adopted for review of audit reports:

### **3.2.1 Desk Review:**

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Under this mechanism, the Action Taken Report (ATR) and other related documents submitted by the audited agencies in response to a particular audit report would be reviewed independently by the officials of Follow-up or jointly involving the Regional Offices and the concerned Division without involvement of representatives of the audited agencies. The results of the review should be communicated to the audited agencies not later than seven working days from the date of review, intimating the issues resolved and advising further course of actions to be taken on the unresolved audit paras.

### **3.2.2 Periodic Review:**

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The periodic review would mean review as and when the management submits replies to the unresolved audit paras. Under this method, the Regional Offices and the Follow-up & Clearance Division would conduct discussion with representatives of the management. Such follow-up would be carried out at the level of the Regional Heads and the Follow-Up Division. Proper minutes of the discussion duly signed by both the parties would be maintained and observations remaining unresolved would be further submitted to the Follow-Up Committee for its review and decision.

Necessary up-dating in the system for the issues resolved should be made not later than two working days of the discussions held.

### **3.2.3 Field Review:**

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The Field Review would mean follow-up of audit reports in the premises of the agencies to verify the documentation process as well as improvement in the management system. Of the three methods of follow-up, the Field Review has more advantages. The Follow-up exercise in the premises of the audited agencies involves more officials from audited agencies which facilitate creation of better impact and awareness on auditing and management processes. The Field Review include larger budgeted agencies that form part of annual review through bilateral meeting and discussions such as agencies like Ministries, Dzongkhags, Corporations and Financial Institutions as shown 2.2.

The time frame for the follow-up under this method would be pre-determined and also levels of the official attending the discussion would be determined prior to scheduled date of field review.

The officials of RAA involved in bilateral meeting and discussion shall record proper minutes of meeting and the Follow-up and Clearance Division provided with documentary evidence of such meeting so that necessary documentation and up-dating in the system could be taken at appropriate time.

## **CHAPTER –IV**

### **4. Audit Information Management System**

#### **4.1 Support of IT Section**

The IT Section would update the Audit Information Management Systems on a regular basis to facilitate proper and fast delivery of audit services. Any disruptions in the operation of the system would hamper the effective operation and prompt delivery of audit services. It is therefore, IT section play an important role in the effective functioning of RAA and fast delivery of Audit Services. The IT review and update Audit Information Management System based on RAA's need and also as per technological changes taking place.

#### **4.2 Requisite information for fixing accountability**

The Employee Identity Number (EID) allotted to every Civil Servant by the RCSC would be obtained by the audit teams at the time of audit for fixing accountability. In case of other officials like local leaders and employees of Corporations and Financial Institutes where EID is not applicable in the AIMS, the Citizenship Identity Number (CID) of the officials held accountable would be obtained during the audit and creates duplicate EID by the IT section.

#### **4.3 *Audit Reports with incorrect information***

The Audit Reports with incorrect EID and CID and with information not compatible with the AIMS would accordingly intimate to the concerned Divisions for necessary actions.

## CHAPTER – V

### 5. Reporting

The reporting on status/effectiveness on Follow-up of audit report is more important than any other form of report as it is the ultimate product of RAA through which effectiveness of audit recommendations are assessed, evaluated and deliberated. Through Audit Report and Follow-up cultivates a sense of responsibility, accountability and general awareness through deliberations with the staffs of audited agencies. It provides an important forum for the staff of RAA and audited agencies to share their experiences and learn from each other which would principally contribute to good governance. Therefore, a vigorous follow-up shall be taken up and Region wise and Division wise consolidated **“Follow-Up Report”** presented on yearly basis as under:

- 5.1 Regionwise follow-up ;
- 5.2 Divisionwise follow-up;
- 5.3 FU&CD follow-up; and
- 5.4 Consolidation of all above

The report shall specify cases where, the follow-up reports submitted by an entity are not adequate, or are not being carried out as recommended; Chapter 6 Auditing and Reporting Standards Clause 71(e) of Audit Act of Bhutan 2006, indicating clearly the strength and weaknesses in the areas of management, co-ordination and the system as a whole.

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