

ACCOUNTABILITY AND ACHIEVEMENTS OF THE ROYAL AUDIT AUTHORITY

1.1 Mandate of the Royal Audit Authority

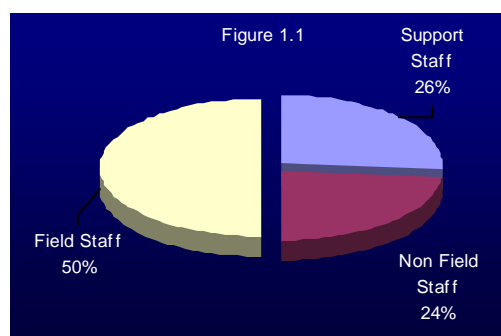
The Royal Audit Authority is mandated to conduct the audit of Government and other agencies under its audit jurisdiction and report without fear, favour or prejudice on the economy, efficiency and effectiveness in the use of public resources. The Royal Audit Authority seeks to promote accountability by ascertaining, evaluating and reporting on as to whether the public resources are handled properly and in compliance with laws, rules and regulations and assess whether the agencies within its audit jurisdiction, achieve the purposes for which they were established and for which public resources have been made available to them.

1.2 Budget of the Royal Audit Authority

During the fiscal year 2004-05, the Royal Audit Authority had been provided with a total budgetary support of Nu. 58.514 million including UNDP assistance of Nu 4.026 million, HELVETAS assistance of Nu.1.560 million and DANISH assistance of Nu. 5.809 million. Against approved budget of Nu 58.514 million, the actual expenditure amounted to Nu.55.907 million. Over all saving of Nu 2.607 million was mainly due to spill over of capital expenditure.

1.3 Staff Strength

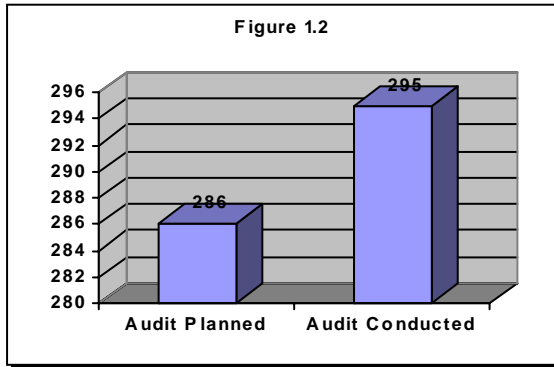
Total manpower strength of the Royal Audit Authority during the year 2004-05 was 172 as against 155 in the previous year. Out of the total strength of 172, 45 were support staff comprising of drivers, caretakers, administrative support staff, etc.



1.4 Accomplishment and achievements

1.4.1 Audits conducted, Reports and Audit Clearance Certificates issued

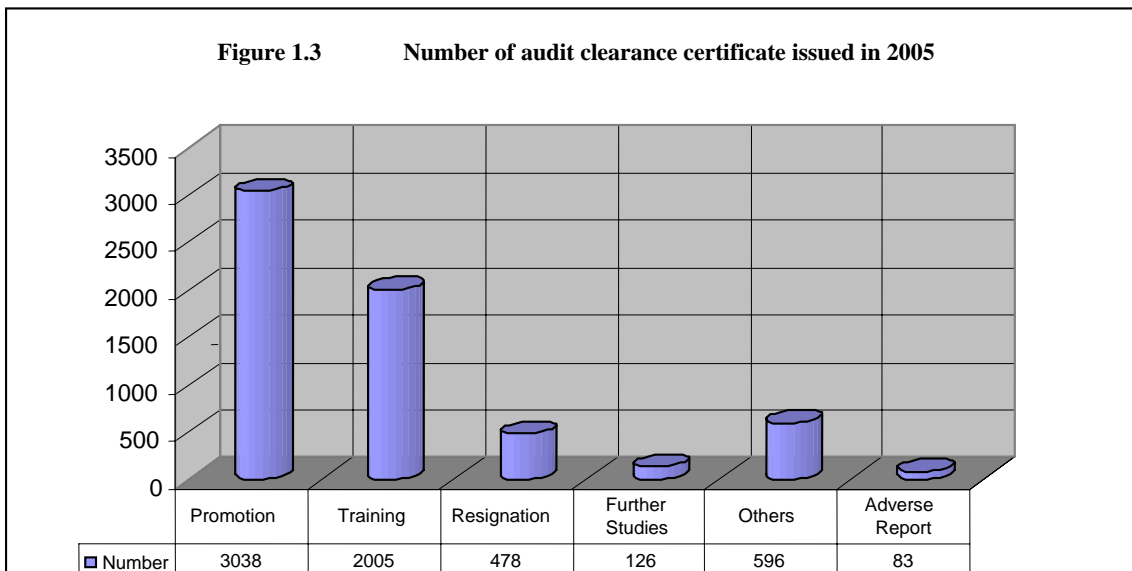
Out of 286 audits planned in 2005, the RAA conducted 295 audits during the year (an achievement of over 103%)



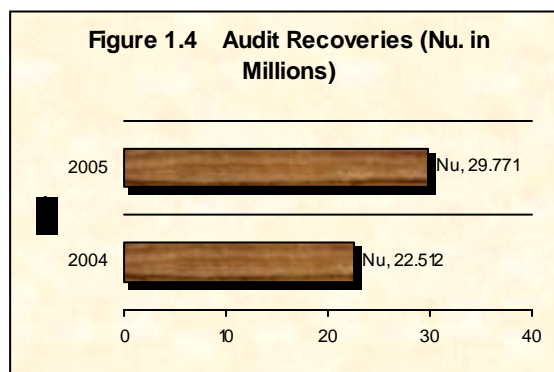
comprising of 200 normal audits, 4 performance audit, 6 special audit and 85 project certifications. The RAA issued 392 reports comprising of 255 normal audit, 3 performance audit, 23 statutory audit, 111 project certifications and 1 report on certification of Annual Financial Statements. Besides the RAA also issued 213 Follow-up

reports during the year.

In the year **2005**, a total of **6,243 Audit Clearance Certificates** were issued. i.e. **3,038** for Promotion, **2005** for Training, **478** Resignation, **126** for Further Studies, **195** for Study Tours, **187** for Contract Extension, **106** for Workshops, **60** for Re-election, **24** for Seminars, **11** for Secondment, **9** for Election and **4** for Superannuation. **83** Clearances were rejected for various reasons. i.e. **80** for having Adverse Reports and **3** for incomplete information.



1.4.2 Audit Recoveries increase by 32% to Nu. 29.771 million



In the year 2005, Audit Recoveries amounted to **Nu. 29.771 million** as against **Nu. 22.512 million** in 2004, an increase by over 32% as compared to 2004, indicating increased compliance and effective follow up mechanism.

1.4.3 RAA completes Audit Awareness at the Grass Root Level

In keeping with the decentralization policy of the Government, the RAA continued its audit awareness programmes amongst people at the grass root levels about their roles, responsibilities and accountability in the decision making process. The RAA completed the audit awareness programme in the remaining 5 Dzongkhags not covered in earlier years for members of DYT, GYT, Gaydrungs and Dzongkhag officials. The programme also included visits to higher and middle secondary schools located in the respective Dzongkhags.

1.4.4 Professional Development in the RAA

The RAA is committed to highest professional standards. To achieve this, the organization has been pursuing continuous professional development programmes. During the year a total of 131 auditors availed in-house trainings in Auditing in an IT Environment, IT audits and ICT related fields. A total of 57 auditors have availed Ex-country trainings comprising of three long term courses in IA&AS, MSc in Environmental Auditing and Civil Engineering other short term trainings including performance and IT auditing.

1.4.5 International Cooperation

Auditing profession must keep abreast of the socio-economic developments and reforms as well as industrial and technological advancements. The move by the RAA towards adoption of emerging concepts led to exchange of ideas and experiences with the other Supreme Audit Institutions (SAIs) and greater cooperation in the fields of trainings, conferences and special delegations to other SAIs. During the year:

- ✚ The Auditor General led a six member delegation to the Auditor General's Office of Nepal and the Office of the Commission for the Investigation of Abuse of Authority (CIAA) of Nepal in January, 2005.
- ✚ The Auditor General attended the 18th UN/INTOSAI Inter-regional Seminar on Government Auditing on the topic "Symposium on the Application of ICT in Audit of E-government held in Vienna, Austria on April 15.

- ✚ The Royal Audit Authority hosted the 14th Meeting of the INTOSAI Standing Committee on IT Audit from 27th – 29th April 2005. 50 delegates from 22 countries including 2 delegates from the INTOSAI Development Initiative attended the meeting.
- ✚ The 5th Indo-Bhutan IT Audit Training inaugurated on 20 June 2005 was conducted by two senior level resource persons, Mr. V.Ravindran, Accountant General of Kerala and Mr. N.K. Sah, Dy. Director, from the Office of the Comptroller and Auditor General (C&AG) of India.
- ✚ The Auditor General attended the Focus Group Meeting of the ‘IDI Strategic Planning 2007 onwards’ from 27th – 29th June.
- ✚ The Auditor General led a three member delegation to the 35th ASOSAI Governing Board Meeting at Kunming, China from 5th – 8th September 2005. On his way back and on the invitation of the Commissioner of Audit of Macau, Auditor General visited the Macau Commission on Audit and Commission against Corruption.
- ✚ Deputy Auditor General led a delegation to the Supreme Audit Institution of Japan on 14th October.
- ✚ The Auditor General also led a delegation to the 10th Meeting of the INTOSAI Working Group on Environmental Auditing at Moscow from 27th October – 1st November.
- ✚ The ASOSAI Training Specialist from the RAA joined 5 other instructors from Pakistan, Indonesia, China and Philippines and designed and delivered a course on ‘Dealing with Fraud and Corruption in Auditing’ at Lahore, Pakistan to 28 participants from the Supreme Audit Institutions of Asia.

1.5 Internal and external audits of the RAA

The external audit of accounts and operations of the RAA for the financial year 2004-2005 was conducted by M/s L.B.Jha & Co. Chartered Accountants. Auditors’ Reports and the Financial Statements are enclosed as *Annexure-A*.

The Office of the Assistant Auditor General, Tsirang conducted the internal audit of the RAA Head Quarters on a rotational basis. The RAA Head Quarter conducted the internal audits of its three Regional Offices.

1.6 Other Important activities

1.6.1 *Special Audit of Semtokha Dzong Conservation Project and Chhukha Dzong Construction Project*

In keeping with the resolutions of the 84th session of the National Assembly of Bhutan, the Royal Audit Authority conducted special audits of the Semtokha Dzong Conservation Project and Chhukha Dzong Construction Project. The special audit reports would be tabled at the 85th session of the National Assembly.

1.6.2 Appointment of the Auditor General as a Constitutional Post holder

As envisaged in the draft Constitution of the Kingdom of Bhutan, His Majesty the Druk Gyalpo appointed Mr. Ugen Chewang, the new Auditor General as a constitutional post holder with effect from January 1, 2006.

1.6.3 Appointment of the former Auditor General as the first Chief Election Commissioner

The former Auditor General, Dasho Kunzang Wangdi was transferred and appointed as the first Chief Election Commissioner of Bhutan. His appointment as the Chief Election Commissioner of Bhutan is the recognition of selfless contribution made by him to the nation.

1.6.4 The Audit Act 2006

As envisaged in the draft Constitution of the Kingdom of Bhutan, the Audit Act has been finalized and submitted to the Government for tabling at the 85th session of the National Assembly.

1.6.5 UN International Anti-Corruption Day

The Royal Audit Authority observed 9th December 2005 as the second UN International Anti- Corruption day. H. E. Lyonpo Sangay Ngedup, the Hon'ble Prime Minister of Bhutan was the Chief Guest to mark the occasion. The event also witnessed the release of the Performance Audit Guidelines by the Hon'ble Prime Minister of Bhutan.

1.7 RAA's Future Strategies

1.7.1 Performance Audit – a way forward

Performance auditing has been recognized as one of the most important tools in promoting public accountability. The Supreme Audit Institutions across the globe have adopted performance auditing as one of their main functions. While the importance of other forms of audits can not be undermined, the RAA shall increasingly direct its attention and efforts towards performance audit and report on the economy, efficiency and effectiveness in the use of public resources.

With an assistance of US \$ 0.125 million from the UNDP to strengthen the institutional capacity of the RAA in conducting Performance Auditing, the RAA has as a modest beginning developed a Performance Audit Guidelines. Besides, during the year 21 officials had availed trainings on Performance audit related fields in India, USA and the United Kingdom.

1.7.2 Centralized Follow up Division for effective follow up of reports

Effectiveness of auditing not only depends on the quality of auditing but equally on as to how the audit recommendations are implemented. While audit reports

have been receiving increasing Government, public and media attention through publication of Annual Audit Reports and a Public Accounts Committee has been established to review the AARs and other special reports submitted to the Parliament, a centralized Follow-up Division has been established in July 2005 in the RAA to ensure continuous and effective follow up of audit reports through more focused attention. It would also ensure a uniform and standard approach in following up the audit reports.

1.7.3 Development of Audit Manuals towards enhancing professionalism.

Quality of audit works depends on audit approaches and methodologies used and quality assurance system in place. Towards this, in addition to existing broad Guidelines and Manuals, Committees have been formed to develop specific Audit Manuals relative to different categories of organizations covering also specialized field of audit. The RAA expects to develop 12 such Manuals by the end of 2006.

1.7.4 IT Audit –challenge lying ahead

Ninth five year plan has witnessed unprecedented ICT development activities in the country. Document entitled BIPS clearly outlines priority attached on the development of ICT. The RAA can no longer afford to ignore these developments. Accordingly, Seventh Annual Audit Conference recognizing the ICT developments adopted various strategies and established a Core Group to develop ICT auditing capabilities of the RAA.

1.7.5 Financial Audit- a constructive and balanced auditing

Presently financial audits conducted are confined to the certification of the Annual Financial Statements of the Government and various externally assisted projects. For a more comprehensive auditing and reporting on the accounts, operations and performance (achievements) of agencies, the RAA has decided to certify the financial statements compiled by all line Ministries and Agencies. Through this process the RAA shall express opinion on the true and fairness of the financial statements and ascertain the adequacy and reliability of accounting and internal control systems instituted by the agencies which would contribute to a more constructive and balanced reporting.