

# FOREWORD

FROM THE DESK OF THE AUDITOR GENERAL



The year 2007 has been another year of success for the Royal Audit Authority (RAA). With an attempt to move alongside the country's transition to democracy, the 2007 turned out to be a transitional one in more ways than could have anticipated when it began.

In aligning the roles and responsibilities of the RAA with the Constitution of the Kingdom of Bhutan and the Audit Act of Bhutan 2006, the Royal Audit Authority came out with a Strategic Plan 2008 – 2013. The Strategic Plan was framed in line with the overall objectives of the 10<sup>th</sup> Five Year Plan and by incorporating the outcomes of the Organisational Development Exercise and the IDI (INTOSAI Development Initiative) Capacity Building Needs Assessment.

The Annual Audit Report (AAR) 2006 was tabled in the 87<sup>th</sup> National Assembly in June 2007. Based on the resolution of the 87<sup>th</sup> National Assembly to settle all pending audit reports by December 2007, the RAA prepared detailed schedules and conducted a comprehensive follow up of all the previous audit reports. After convening more than 890 meetings, 684 reports remained resolved by the end of March 2008. During the year, the RAA also issued Auditor General's Advisory Series on Construction and Procurement. The Auditor General made presentation of the AG's Advisory Series and the status of the follow up activity to the Government Coordination Committee on 7<sup>th</sup> January 2008.

The RAA is pleased to present the Annual Audit Report 2007. The report contains unresolved significant audit findings from 136 audit reports out of a total of 500 reports issued from 1<sup>st</sup> January to 31<sup>st</sup> December 2007. The RAA also forwarded 32 reports containing strong indicators of fraud and corruption to the Anti Corruption Commission. Despite several activities in the country such as the Mock Election, the National Council Elections and the Organisational Development Exercise where several key officers of the RAA were involved, the RAA had been able to achieve all its planned targets. The achievements for the year have been summarised in the following table;

Types of Audits	Normal Audit	Certification Audit	Performance Audit	Statutory Audit	Special Audit	Total
<b>Audits Conducted</b>	311	121	5	20	0	<b>457</b>
<b>Reports issued</b>	375	97	5	19	4	<b>500</b>

In addition, a total of 1098 unresolved past audit reports were also reviewed during the period.

Though audit recoveries have been increasing every year, the 2007 saw a phenomenal increase of audit recoveries to Nu. 80 million as against Nu. 45.651 million in 2006. In fact, by the end of March 2008 the total recoveries made from the audits conducted during 2007 reached a staggering figure of Nu. 100.898 million. Such an increase in audit recoveries could be mainly attributed to the extensive follow up and focused audit approach which had led to huge recoveries from major construction and procurement activities. As a part of focused audit approach, the RAA also conducted separate Performance Audits on Government Property Management, the Mining Operations in Bhutan and the systems audit of the Thimphu City Corporation.

The year also saw some of the senior government officials being convicted by the Royal Court of Justice based on the findings of the RAA Reports of the agencies such as Army Welfare Project, Construction Association of Bhutan, Ministry of Education, etc. Such actions are a source of solace for the RAA since they are an indication of the acceptance of the findings of the RAA.

Despite auditing and issuing several reports over the past so many years, the RAA had never realized about the impact that auditing has created in the agencies. Therefore, in AAR 2007, we have tried to put some of the impacts of audit under Chapter 3.

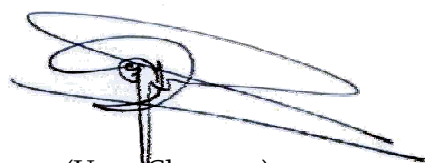
The RAA would also like to acknowledge the initiative of the Ministry of Finance in coming out with a new Procurement Manual. We remain hopeful that the Ministry will provide required guidance and training for its uniform application. Likewise we would also like to urge all other ministries and agencies to co-ordinate, review and update relevant rules and regulations periodically to make them relevant and effective.

It is a pleasure, at the end of each year, to pay tribute to all those who have put in their hard work and efforts to the progress that we have achieved in the year. I would like to express my sincere gratitude to all the officers in the Ministries, Departments and Agencies for providing timely response to the draft AAR 2007 and for extending the required support and cooperation to the auditors while in the field. On an equal measure, I would also like to acknowledge the contributions of the members of the last Public Accounts Committee for playing instrumental role in following up the previous AARs and for the effective presentation of the AAR 2006 in the 87<sup>th</sup> National Assembly. I commend all my officers and staff for their dedication and continued commitment to the RAA.

As Bhutan launches its Constitution adopting the Democratic Constitutional Monarchy, the RAA provides its assurances to continue to serve His Majesty The Druk Gyalpo, Country and People to the best of its abilities and without any fear, favour or prejudice. In preparing for the same, the very theme of the 10<sup>th</sup> Annual Audit Conference in July 2007 had been kept as “**RAA: Its Role as a Constitutional Body**”. Therefore we have been aligning and responding rapidly and effectively to the changes taking place both within and outside the country. The RAA will continue to audit and report on the Economy, Efficiency and Effectiveness in the use of public resources.

The RAA has always been fortunate to receive unfailing guidance from all the successive Druk Gyalpos. While the Third Druk Gyalpo laid the foundations of auditing system in Bhutan, the Fourth Druk Gyalpo strengthened the auditing system by issuing several Kashos on the roles, responsibilities and the independence of the RAA; all of which finally culminated into the RAA becoming an independent constitutional body. We would like to dedicate, whatever we have achieved so far, to the hundred years of Monarchy in Bhutan.

We look forward to working with the new government and the new Public Accounts Committee.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

(Ugen Chewang)

**Auditor General of Bhutan**