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ROYAL AUDIT AUTHORITY

Bhutan Integrity House

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



Foreword

The Royal Audit Authority (RAA) is pleased to publish its first Annual Audit Plan (AAP) 2008-09. The Document was prepared inline with the RAA's Strategic Plan (2008-13) and INTOSAI Development Initiative (IDI) Capacity Needs Assessment Report with the following objectives:

1. Align RAA's functions in line with Constitution and as per the Audit Act of Bhutan 2006;
2. To conduct 588 audits and reports on economy, efficiency and effectiveness in the use of public resources and to initiate effective follow up of the past audit reports;
3. To improve the quality and timely delivery of audit services;
4. To enhance professional development; and
5. To develop auditing standards and guidelines for effective auditing and reporting.

The Document contains the background, highlights of the achievement during the year 2007-08, constraints, challenges, detailed strategies to achieve 5 main objectives and timeframe of the activities.

We hope that with the publication of the AAP 2008-09, auditors will be able to understand the plan better and adopt key strategies outlined for better and efficient means to achieve our objectives. However, a successful implementation of the Plan would depend on the collective effort from all the individuals. Therefore, we would like to solicit your continued support and cooperation.

We would like to thank you for your active involvement and valuable constructive inputs in shaping of the AAP 2008-09 and welcome any feedback and thoughts for future improvement of the AAP. The copy of the Annual Audit Plan is available at www.bhutanaudit.gov.bt

We look forward to success implementation of the AAP.

(Ugen Chewang)
Auditor General

*Every individual must strive to be principled.
And individuals in positions of responsibility must even strive harder*

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TABLE OF CONTENTS

1. Background.....	2
2. Overview of the Plan.....	3
3. Highlights of the achievement for financial year 2007-08.....	4
4. Constraints and Challenges.....	7
5. Annual Plan.....	9
6. Timeline and expected outcomes.....	22
7. Acronyms.....	24
8. Annexure.....	25

BACKGROUND

The Royal Audit Authority (RAA) is a constitutional body with full organizational and functional independence. It derives its mandates from the Constitution of the Kingdom of Bhutan and the Audit Act of Bhutan 2006. The Article 25.1 of the Constitution of the Kingdom of Bhutan states that “There shall be a Royal Audit Authority to audit and report on the Economy, Efficiency and Effectiveness in the use Public Resources”.

The RAA is mandated to conduct without fear, favour or prejudice the audit of Government and its instrumentalities; Zhung Dratshangs, Rabdeys and related institutions; Judiciary and judiciary bodies; Legislature and related institutions; Constitutional bodies, Defence and security services; Corporations and financial institutions with Government ownership interests; and Non-Government Organisations, foundations, trusts, charities and civil societies. The RAA will also audit an entity or activities upon the command of the Druk Gyalpo. The RAA can carry out financial, propriety, compliance, performance, special audits, certification audits, follow up audits and any other forms of audits that the Auditor General may consider significant and necessary.

Milestones in the History of the RAA

Prior 1960 – audit by the king

1961 – 16th National Assembly proposed for a separate Audit System in Bhutan

1963 – Accounts and Audit Organization under development wing

1970 - Royal Decree of 30th July 1970(Four Royal Auditors)
-Royal Audit Department

1974 – Department of Audit under MoF

1985 – Royal Audit Authority (Autonomous Body)

2005 – Royal Audit Authority (A Constitutional Body)

2006 – Audit Act of Bhutan 2006

The RAA underwent a major restructuring exercise in 2007 to realign its functions in line with the mandates bestowed upon by the Constitution and the Audit Act. The restructuring exercise took into account the concerns of the Government initiated Organisational Development (OD) Exercise and the recommendations of the Capacity Building Need Assessment conducted by the INTOSAI Development Initiatives. The RAA currently has 10 functional divisions¹ and is supported by four regional offices located at Tsirang, Bumthang, Thimphu (operated from Head Office) and Samdrup Jongkhar.

Besides reviewing of unresolved reports of past years, the RAA has approximately 897 agencies to be audited and reported on annual basis. As of now, the RAA is endowed with staff strength of 204 comprising of 120 field auditors, 36 non field auditors and 48 support staff to carry out its functions.

The RAA provides independent and unbiased opinion to His Majesty the King, the Country and the People on the performance of public sector and of the stewardship of public funds through auditing and reporting on the economy, efficiency and effectiveness in the use of public resources.

¹ <http://www.bhutanaudit.gov.bt/contents/organization/index.php>

OVERVIEW OF THE PLAN (2008 – 2009)

VISION

“A premier audit institution that promotes value for money in government operations and contribute towards good governance”

MISSION

“To audit without fear, favor or prejudice on the prudent and effective use of public resources and report to the Parliament and stakeholders for enhancing transparency and accountability in the government”.

OBJECTIVES

Align RAA's functions with the Constitutional Requirement	Conduct 588 Audits	Improve Quality & Timely Delivery of Audit services	Enhance Professional Development	Develop Audit Standards & Guidelines
<ul style="list-style-type: none"> ▪ Focus on Economy, Efficiency & Effectiveness ▪ Issue Annual Audit Report and performance audit reports ▪ Provide testimonial opinions ▪ Review of draft service rules and regulations 	<ul style="list-style-type: none"> ▪ Conduct all the scheduled audits with reference to focus areas ▪ Effective Follow up of Audit Reports ▪ Focus more on audit planning ▪ Certification of SBA/CD accounts ▪ Strengthened relations with PAC & ACC ▪ Integration of information systems with other systems 	<ul style="list-style-type: none"> ▪ Connect regional offices with WAN ▪ Use of auditing tool (IDEA) ▪ Strengthen Quality Assurance Unit ▪ Conduct study on relocation of western regional office ▪ Retain senior officers while the heads/AAG are out of station 	<ul style="list-style-type: none"> ▪ Adopt continuous Professional Development Policy ▪ Implement planned ex-country & in-country trainings ▪ Site finalization and design and consultancy of the Training Centre ▪ Counselling initiatives for the auditors 	<ul style="list-style-type: none"> ▪ Finalize and Adopt 12 Guidelines ▪ Improve 8 Guidelines and develop 5 more Guidelines ▪ Develop and adopt the General Auditing Instructions ▪ Develop and adopt the auditing standards ▪ Develop and adopt the Handbook on audit criteria ▪ Develop and adopt the handbook on audit working papers

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VALUES

Independence Objectivity Integrity Commitment
Professionalism Reliability Teamwork

HIGHLIGHTS OF THE ACHIEVEMENTS DURING THE YEAR 2007-2008

During the period, the Royal Audit Authority (RAA) had made series of progress and achievements in its pursuit to enhance economy, efficiency and effectiveness in the use of public resources. Under the leadership of the present Auditor General, the RAA redefined its sense of long term direction by identifying its Vision, Mission, Values and Objectives. The more long term focused planning, a way forward was achieved when it finalized its Strategic Plan 2008-2013. Some of the major achievements during the period include:

Planned Audits

The RAA completed the audit of 419 agencies as against 349 audits planned in the Annual Audit Schedules 2007-2008 representing an achievement of 120%. Despite entailing number of senior officials on Election duty, the achievements of 120% including the ad-hoc audits was commendable. The achievement was even better considering the investment of more time in some of the agencies following a shift in the approach of auditing from a traditional compliance and regularity audit to a more risk based focused performance auditing.

Individual Audit Reports

Recognizing the importance of timely issue of audit reports, the Policy & Planning Division in coordination with the Quality Assurance Unit monitored the timeliness in the issue of audit reports. A monthly progress report was submitted to the Auditor General as a part of the internal mechanism to curb the list of overdue pending reports. Our review towards the close of the year showed that a negligible number of reports remained pending beyond the permissible period. Such control system will be further strengthened to reduce the pending reports after the permissible limit to zero in the next fiscal year.

Shift in Audit Approach

One of the major achievements during the year was a shift in auditing approach from a traditional compliance and regularity audit to a more risk based focused performance auditing. In preparation to the paradigm shift, the Royal Audit Authority underwent a major restructuring and reshuffling exercise towards the beginning of the fiscal year 2007-2008. New

functional divisions like Thematic Audit Division, Performance & System Audit Division and Office of the Assistant Auditor General, West were introduced. A Quality Assurance & Research Unit was also established to ensure quality in auditing and reporting. The exercise also took the concerns of the outcomes of the Government initiated Organisation Development Exercise and the Capacity Building Needs Assessment conducted by the INTOSAI Development Initiatives.

The structural reforms were aimed at attaining audit focus primarily on ascertaining economy, efficiency and effectiveness in the use of public resources in line with the mandates bestowed by the Constitution and the Audit Act. The Auditor General reoriented the audit focus on performance, system, thematic and financial audit describing them as the four audit thrust areas.

Environmental & IT Audit

The RAA had been training its auditors on Environment and IT audit and with the restructuring of the Organization in July 2007, the Environment and IT audit gained momentum. The period saw the RAA issue its first environment and IT audit reports.

Massive Nation Wide Follow up Exercise

As per the directives of the 87th session of the National Assembly, the RAA completed the review of all 1098 unsettled past audit reports. In the process, RAA convened more than 890 separate meetings and totally resolved 684 reports. Further many observations in the remaining unresolved 414 reports were also settled. A 230 pages Follow up report was finally submitted to His Majesty the King, the Prime Minister and the Parliament in June 2008.

Annual Audit Report 2007

In line with the Audit Act of Bhutan 2006, the RAA took stock of the reports issued during the year 2007 and drafted its Annual Audit Report (AAR) 2007. The AAR 2007 reported perhaps the highest cases of irregularities including the cases of fraud and corruptions. The report was submitted to His Majesty the King, the Prime Minister and the Parliament in June 2008 before being released to the public. It continued to make headlines in many of the national news papers.

Auditor General's Advisory Series

In order to draw timely attention of the Government on the significant and frequently occurring issues, the Auditor General issued the Auditor General's Advisory Series on Construction and Procurement.

Audit Standards and Guidelines

During the period the RAA completed drafting of 12 different audit guidelines. The draft guidelines had been reviewed by the external consultants and will be presented in the 11th Annual Audit Conference for finalization. Further 8 other guidelines and the auditing standards are being formulated. The first drafts will be presented in the 11th Annual Audit Conference and their finalization will continue into the next fiscal year.

Professional Development Programmes

The RAA finalized its Continuous Professional Development Policy in order to provide for all its auditors and staff at all grades, opportunities for continuous professional development. While the Policy would be finalized during the 11th Annual Audit Conference, the implementations of most of the activities contained in the Policy document were initiated. During the period, 31 auditors availed Ex-country trainings including 8 long-term studies. The short term courses were mainly offered by the Comptroller & Auditor General of India through the funding from Colombo Plan and ASOSA/INTOSAI sponsored offers. Besides, the RAA also conducted various in-house trainings including the annual Indo-Bhutan Audit Training on Audit of Hydro-power Projects.

International Relations

The RAA had secured a prominent place in the international community particularly in the INTOSAI and the ASOSAI fostering multilateral and bilateral cooperation in many varied arenas.

During the period, the Auditor General led a 3 member delegation to India for the extension of the Memorandum of Understanding for Cooperation between the Royal Audit Authority and office of the Comptroller & Auditor General of India. The MoU was signed on 15 October 2007 at New Delhi. The Auditor General also led a 3 member delegation to attend the XIX Congress of the INCOSAI from 5th -10th November 2007 in the Mexico City.

The officers from the RAA also attended the “Strategic Planning Meeting” from 3rd-5th December 2007 in Cambodia and 17th Meeting of the INTOSAI Standing Committee on IT Audit in Japan from May 21-23, 2008. The Auditor General of Bhutan on the invitation of the Chairman, National Committee of Integrity & Transparency/President, State Audit Bureau of Qatar also attended the international conference on “ Corruption-free Asia: A long-term vision” at Doha, Qatar.

Audit Recoveries

The RAA also saw milestone increase in the amount of audit recoveries during the period. The RAA recovered Nu.87.940 million in 2007-2008 as compared to Nu.50.390 million in 2006-2007 and Nu.33.851 million in 2005-2006. The major reason for the phenomenal increase could be attributable to the shift in the auditing approach from a traditional compliance and regularity audit to a more risk based focused performance audit.

CONSTRAINTS AND CHALLENGES

Despite the series of progress and achievements made during the period, the RAA had been confronted with various constraints and challenges, some of which greatly impeded the degree of achievements of its aspirations. The major constraints and challenges include:

Manpower Constraints

The RAA is faced with shortage of qualified and competent manpower to execute its mandates bestowed by the Constitution. It has approximately 897 agencies to be audited annually by its 120 field auditors. The rapidly increasing number of agencies on one hand and the technological advancement in the nature of operations of the existing agencies coupled with their diverse mandates on the other hand, demand not only adequate manpower but also skills and competency. The need to conduct IT audit, environment audit and performance audit also requires qualified and skilled professionals. At the moment, the RAA has only a couple of officials with professional qualifications. The need to upgrade the knowledge and skills was also recognized and recommended by the World Bank’s Country Report of May 2007 and the IDI-ASOSAI Capacity Building Needs Assessment conducted in August 2007.

In order to address these concerns, the RAA had projected the number of auditors required and submitted a business case study to the Royal Civil Service Commission. Further, in view of the limited resources, the auditors are offered in-house trainings regulated by a continuous professional development policy. The in-house training programmes will see a major boost with the construction of the Regional Training Centre in Tsirang approved by the 87th National Assembly.

Retention Problem

Added to the competent and qualified manpower shortages is the problem of retention of the existing employees typically due to the nature of the tasks and the withdrawal of the erstwhile special soilra granted by HM, the fourth Druk Gyalpo. The auditing job especially in a small country like ours where everyone knows everybody has posed daunting challenges. As such, it has not only become difficult to attract new recruits with skills and professionalisms but also posed challenging to retain existing employees.

Inadequate Infrastructure

In order to attain wider audit coverage, balanced regional development and cut travel costs, the RAA instituted two regional offices in Bumthang and Tsirang. However, owing to the lack of funds, the constructions of the regional offices were neither approved during the 9th Five Year nor in 10th Five Year Plan. The deprivation of adequate space impeded the efficiency and productivity of the auditors to a large extent.

Further, the RAA owns a fleet of 12 vehicles most of which are more than 12 years old, posing bigger concerns on the safety of the auditors.

ANNUAL PLAN (2008-09)

Objectives

The Annual Audit Plans (2008-09) was prepared in line with RAA's Strategic Plan 2008-13 and INTOSAI Development Initiative (IDI) Capacity Building Need Assessment Report with the following objectives:

6. Align RAA's functions in line with Constitution and as per the Audit Act of Bhutan 2006;
7. To conduct 588 audits and reports on economy, efficiency and effectiveness in the use of public resources and to initiate effective follow up of the past audit reports;
8. To improve the quality and timely delivery of audit services;
9. To enhance professional development; and
10. To develop auditing standards and guidelines for effective auditing and reporting.

Strategies

In order to achieve the set objectives and ultimately attain our long term vision and mission, the following strategies were developed:

1) Align RAA's functions in line with constitution and the Audit Act of Bhutan 2006

1.1 Focus on Economy, Efficiency and Effectiveness in the use of Public Resources

The Constitution of the kingdom of Bhutan and the Audit Act of Bhutan 2006 states that "*There shall be a Royal Audit Authority to audit and report on the economy, efficiency and effectiveness in the use of public resources*". In a drive to gear towards this mandate, the RAA had identified topics to conduct 10 performance, system and theme based audits during the year. These performance, system and thematic audits were designed to assess in depth the economy, efficiency and effectiveness of programs and expenditure of the Government. Besides these audits, the RAA had integrated performance oriented audits in all other regular audits. In other words, the RAA would henceforth concentrate on the economy, efficiency and effectiveness in the use of public resources in every audit.

The RAA is already in pursuit of building a dedicated team of officials for conducting performance, system and theme based audits under the Department of Performance & Thematic Audits. The exposure and the specialisation gained by these officials would be later disseminated to other auditors by devising learning forums (learning or sharing groups) and their representations across the functional divisions.

1.2 Submit Annual Audit Report and Performance and Thematic Audit Reports.

During the period, the RAA will compile the Annual Audit Report 2008 from the audit reports issued during the calendar year 2008 and submit to His Majesty the King, the Prime Minister and the Parliament. The Annual Audit Report shall be prepared basically in line with the instructions detailed in the Audit Act of Bhutan 2006. However, the Policy, Planning and Annual Audit Report Division (PPAARD) shall study the Annual Audit Reports of other SAs and continuously strive to modify and improve its presentation and contents in the interest of its stakeholders.

Besides, the submission of Annual Audit Report, the RAA will also submit the Performance, System and Theme Audit Reports of significant nature. The RAA will also publish such significant reports on RAA's website and hold press conferences if required.

1.3 Provide Testimonial Opinions

The Annual Audit Report 2007 submitted to the parliament will be reviewed by the Public Accounts Committee (PAC). The PAC would review, raise issues and provide appropriate recommendations to the agencies and the RAA shall provide testimonial opinion wherever warranted.

1.4 Review draft Service Rules and Regulations

In gearing towards full organisational and functional independence, the RAA had initiated the drafting of the Service Rules and Regulations. The draft will be further reviewed and refined during the period and finalise it by the end of the period for adoption as and when deemed appropriate.

(2) To conduct 588 audits and reports on economy, efficiency and effectiveness in the use of public resources and conduct effective follow up

2.1 Conduct all the scheduled audits and with reference to the Audit Focus Areas

Based on the past achievements and experiences, the RAA during the year 2008-09 has scheduled to conduct a total of 588² audits comprising of 427 normal audits, 130 certification audits, 10 performance, system and theme based audits and 20 statutory audits (audit by the Chartered Firms). The Audit Committee shall finalise and circulate the new lists of empanelled Chartered Firms for audit of Corporations and Financial Institutions by end of September 2008.

The audits were scheduled by considering to the extent possible, requirement of the audit coverage and reporting deadline communicated by the auditees especially in case of some of the donor assisted projects. The summary of number and kind of audits to be conducted by various divisions during the period is given in the table below:

Division/type of audit	GGD	SJ	RTICD	West	Tsirang	CFID	SCID	Bumthang	PSAD/TAD	Total
Certification Audit	37	2	35	0	5	3	39	9	0	130
Normal Audit	25	68	19	99	97	13	31	76	0	428
Statutory Audit	0	0	0	0	0	20	0	0	0	20
Performance, System, Theme based Audits	0	0	0	0	0	0	0	0	10	10
Total	62	70	54	99	102	36	70	85	10	588

All audits shall be conducted and reported strictly as per the Annual Audit Schedules, which has been published and circulated separately. The need to conduct ad-hoc audits if ever shall be submitted to the Auditor General for approval along with appropriate justifications and the likely impacts it may have on the scheduled audits.

The PPAARD shall conduct a review on monthly basis and present the findings to the Quarterly Review Meeting in order to monitor effective implementation of the schedules.

² Refer Annual Audit Schedules 2008-09 for details

As outlined in the Auditor General’s Advisory Series of December 2007, and the Annual Audit Report 2007, the primary focus of all audits shall be on the following:

- Constructions management;
- Procurement management;
- Revenue management;
- Travelling and daily allowances; and
- Outstanding advances.

2.2 Effective Follow up of Audit Reports

As per the resolution of the 87th National Assembly, the agencies and the RAA had reviewed all the pending 1098 audit reports prior 2006. In the process, 747 reports were resolved leaving a balance of 351 unresolved reports. As of June 2008, the RAA has unresolved reports of 732 comprising of 351 reports prior to 2006, 224 reports for year 2007 and 157 reports of 2008.

Drawing rich experience from last nation wide follow up exercise, the RAA in consultation with the agencies shall strive to resolve all pending reports. To achieve this, the RAA shall conduct the follow up in following manner:

- The Team leaders shall take the unresolved reports from the Follow Up & Clearance Division (FUCD) for review before leaving for the field;
- Any issues that cannot be resolved by the team leader shall be referred for the Division Chiefs/Assistant Auditors General;
- Any issues that cannot be resolved at Division Chief level shall be referred to Follow up Committee;
- Once the process is completed, the team leader in consultation with Chief, FUCD shall issue separate report on the follow up audit;
- The significant unresolved reports of agencies listed in the table below shall be discussed at higher level; and

Name of Agency	Total Reports	Scheduled 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								

Note: the field auditors shall review the reports of above agencies in consultation with Chief, FUCD

- Those agencies that are not in Annual Audit Schedules 2008-09 shall be reviewed separately by the FUCD and AAG in the following manner:
 - o Desk review;
 - o Periodic review; and
 - o Field review.

For effective follow up, the team leaders shall obtain a clearance from Chief, FUCD stating that the follow up had been conducted and report issued to avail their claims (TA/DA). The Finance Division shall release the claims only upon the production of a clearance from FUCD. The FUCD shall also monitor follow up status for those team leaders auditing in and around Thimphu that does not require obtaining a clearance.

2.3 Performance, System and Theme based Audits and Follow-Up

In the last financial year, the Performance & System Audit Division and Thematic Audit Division had issued 8 performance audit reports. This year, a workshop on 27th -30th May 2008 was organized for finalization of audit topics/areas. The selection of the topics/areas was based on the following criteria:

- Overall estimated audit impact on the agencies in particular and government at large;
- Risks to good management;
- Financial materiality;
- Significance of the programme to the activities of the entity/country;
- Previous audit coverage; and auditability.

Though several topics/areas were chosen based on above criteria yet given the limited resources and with pending reports and on going audits, the following topics/areas were identified for the year 2008-09;

- HIV/AIDS and STI Prevention and Control Project, World Bank;
- Human Resources Management in the Ministry of Education;
- Audit of Distribution of Agricultural Machineries;
- Audit of Jigme Dorji Wangchuk National Referral Hospital;
- Audit of Operations of Industries - an Environmental Perspective;
- Audit of Land Degradation in Bhutan;
- Audit of SPOT Billing System, Bhutan Power Corporation Limited;
and
- Audit of Budget & Accounting System.

The primary objective of any performance audit is to improve public sector administration and accountability through effective implementation of audit recommendations. However, it was observed that the systematic follow up of the past performance audit reports were not initiated till date. In order to address these lacunae, the RAA shall start the follow up audit of the following reports during the period:

- Medical referral case to India;
- PWD Central Store, Phuentsholing;
- BPC Central Store Division;
- Education Central Stores, Phuentsholing;
- Medical Supply Unit, Phuentsholing;
- Freeze on purchase of new vehicles;
- MoU signed between MoLHR and Private Companies; and
- National Housing Development Corporation.

2.4 Focus more on planning at the HQ & Regional Offices

In order to accomplish a result oriented audit within given resources, a good plan is an essential feature. The RAA shall focus more on planning at HQ and Regional Offices so that auditors shall require lesser time in the fields. For audit of any agency, the RAA shall attempt to spend 20% of man-days in preparing detailed audit criteria prior to the actual start of the audit in the fields. Such move would also result into cost saving measures without compromising the quality (content) of the reports.

2.5 Full commencement of Certification of Subsidiary Budget Accounts /Current Deposit (SBA/CD)

To render the audit more comprehensive and embrace both positive as well as negative aspects of the maintenance and operation of accounts, the RAA started certifying the normal accounts of the agencies from July

2006. Of lately, certifications of Subsidiary Budget Account/Current Deposits were also introduced in few of the agencies. From this financial year on, the RAA shall certify all the SBA/CD Accounts with the agencies included in the AAS 2008-09.

2.6. Institution of all Corporations and Financial Institutions under one Division.

The Corporations & Financial Institutions Division (CFID) of the RAA was formed to look after the audits of Corporations and Financial Institutions except those falling under the jurisdictions of the regional offices. However, the Division currently does not audit all Corporations. For uniformity and standard reporting all Corporations shall be instituted under this Division. The manpower requirement of the Division with the added mandate will also be looked into.

2.7. Strengthen relationship with Public Accounts Committee (PAC) and Anti Corruption Commission (ACC)

The RAA established and fostered good relationship with the PAC and had jointly conducted the review of the Annual Audit Reports 2005 & 2006. The RAA shall continuously foster relationship with the newly established PAC by orienting the working relationship between Auditor General and the Public Accounts Committee. During the year, the RAA and the PAC shall review the Annual Audit Report 2007 and other reports of significance by organizing series of meetings and discussions.

The RAA had also established links with the ACC to deal with cases of fraud & corruption and to share of information of mutual interest. As practised, the RAA and ACC shall continue to review the status of the shared reports through series of meetings and discussions.

2.8 Integration of Audit Information Management System with other systems

Currently, the RAA has Audit Information Management System (AIMS), Personnel Information System (PIS) and Asset Management System³ (AMS) functioning side by side. For better management and performance, all such systems will be integrated into one main system. In order to achieve this, the RAA shall hire a consultant to study the possibility of such integration. In addition to this, the RAA shall also hire a consultant to Design and Develop an Audit Planning and Scheduling System (APSS) compatible to be integrated with the main systems.

³ System could not be implemented fully due to technical limitations.

The HRIRD, AFD and PPAARD shall work together and look for possible funds from the donors to materialize the intended objective.

(3) Improve Quality and Timely Delivery of Audit Services

3.1 Wide Area Network (WAN) to Connect All Regional Offices

Online communication system between the HQ and Regional Offices, especially in view of difficulty and time consuming road communication had always cause late delivery of audit services and products.

By the year end, the RAA shall be connected with the regional offices via Wide Area Network. The connection would not only result into speedy sharing of information but would also foster faster delivery of audit services such as issue of audit clearance certificates, delivery of audit and follow up reports.

3.2 Use of Auditing Tool (IDEA)

The RAA had already procured IDEA (Interactive Data Extraction and Analysis) a powerful Computer Assisted Auditing Tool for evaluating the quality of applications used in the agencies. The field auditors particularly the team leaders were trained on the application of the software. As such, all auditors shall use IDEA wherever possible to evaluate and gather evidences to enhance efficiency and the effectiveness of the audit. Usage of IDEA would also help in shortening the man-days spent in the field ultimately reducing the cost of audits. Those trained auditors shall share their knowledge to other auditors on the use IDEA. The RAA shall also impart a short training for the Heads/Chiefs to understand the usefulness and effectiveness of IDEA.

To better understand the effectiveness, efficiency and also the difficulties in using the IDEA software, the IT Instructors/facilitators would conduct a refresher course during the mid year to seek feedbacks and derive amicable solutions.

3.3 Strengthening of Quality Assurance Unit

The Quality Assurance Unit has been established last year in order to ensure quality in Products and Services of the RAA. However, the RAA doesn't have competent manpower to look after the unit. As such, the RAA shall identify potential auditors to be trained in the arena and entrust with the development of terms of reference (ToR) for the unit and later

spearhead drafting of the Quality Assurance Guidelines. The draft ToR, Quality Assurance Guidelines and other tool kits would be made ready by the end of the period. However, the Unit shall continue to ensure that the reports produced in-house meet the general quality and standards set from time to time. The Unit shall also report inconsistencies in reporting and in other functionaries to the Quarterly Review Meeting or the Monthly Policy, Planning and Consultative Meeting.

3.4 Conduct study on relocation of Western Regional Office

It has been outlined in RAA's Strategic Plan that Western Regional Office operated currently from HQ would be shifted to an appropriate Dzongkhag to promote the national objective of balanced regional development and foster faster delivery of the audit products and services.

The Assistant Auditor General of the Western Regional would conduct a detail study (feasibility and cost benefit analysis) on relocation immediately and submit its findings to the Executive Committee for further directions.

3.5 Retain Senior Officers in Division/OAAG

The Division Chiefs/Assistant Auditors General shall retain a senior official capable of conducting the day to day affairs of the division/regional offices on permanent basis. This is aimed not only to train future managers of the organisation but also to improve faster delivery of audit products and services and to avoid hindrance in information sharing processes while the heads are out of station on official duty, training, leave, etc.

(4) Enhance Professional Development

4.1 Adopt Continuous Professional Development Policy

The RAA had already come up with a draft Continuous Professional Development⁴ (CPDP) in order to constantly enhance and diversify the skills, knowledge and experiences of the auditors. This CPDP shall be put in use once it is being approved by the Executive Committee.

The Human Resource and International Relations Division shall conduct and assess capacity gaps annually so as to propose future training needs.

⁴ Awaiting its approval by the Executive Committee

4.2 Implements Planned Ex-country Trainings

“Developing our people” is a critical objective to achieve our vision and mission. During the year, 4 senior officials and 2 junior officials shall be sent for masters and diploma/certificate respectively. The details of Human Resource Plan 2008-09 is reflected in *Annexure A*

Once completed, they shall be assigned in appropriate division for effective auditing and skills disseminations.

4.3 Implement in-house/in country Trainings/Conference/Continuing Education

During the year, the RAA shall conduct in-house trainings⁵ and allow auditors to participate in-country training organized by other agencies. As an annual event, Indo- Bhutan training will be conducted in June 2009 by the eminent instructors from the office of the Comptroller and Auditor General of India (C&AG). The topic for Indo- Bhutan training would be chosen during the mid year review meeting.

It has been outlined in Continuing Professional Development Policy that all auditors need to undertake the courses to move to next higher level or grade or enhance their capacities imparted by the instructor/facilitator. Therefore, to equip the instructor/facilitator with the required knowledge and skills, the RAA shall select 4 qualified and experienced officials for the trainers’ training and shall be trained by training specialist of the RAA. Once completed, the instructor/facilitator shall work in line with the CPDP.

A three day conference shall be organized in the month of June 2008 for the auditors to share their experiences, challenges and difficulties and come up with appropriate resolutions.

Those auditors who aspire to upgrade their qualification through Continuing Education (CE) provided by Ministry of Education shall be encouraged.

4.4 Attend Workshops, Seminars and Meetings

In order to keep pace with the emerging auditing and related concepts, practices and other development in the international arena, the officials of the RAA shall continue to attend the INTOSAI Standing Committee Meeting, INTOSAI Working Group on Environmental Auditing, Seminars, Workshops, etc within and outside the country.

⁵ Refer training calendar 2008-09 for in-house trainings

4.5 Implement initial phase of the Construction of Training Centre, Tsirang

The National Assembly in June 2007 had endorsed the construction of training centre at Tsirang. A budget of Nu.43 million had be approved and allocated by the government during the 10th Five Year Plan.

During the year, the Human Resource and International Relations Division and the Office of the Assistant Auditor General shall finalize the site of the construction and then start off with design and consultancy works. By the year end, design, consultancy works and tendering process shall be completed and the work will be awarded to the contractor by 2nd week of July 2009.

4.6 Counselling initiatives to cater to the needy auditors

The Human Resource and International Relations Division (HRIRD) had already initiated counselling for the needy auditors as per the resolution of one of the PPCMs. Such initiative doesn't serve intended purpose without having a trained counsellor. As such, the HRIRD shall identify a potential candidate and look for a suitable in-country training course.

(5) Develop Auditing Standards and Guidelines

5.1 Finalize 12 Guidelines

12 audit guidelines drafted by the RAA were reviewed by international expert. Based on the comments of the experts, the RAA incorporated the changes and will be reviewed once again by the same expert. Once the guidelines are finalized, the auditors shall pilot test the guidelines.

5.2 Improve 8 and Develop 5 More Guidelines

In addition to the 12 guidelines, 8 other guidelines are being drafted. The concerned officials would take tips and instructions from 12 guidelines reviewed by the experts and improve the remaining 8 guidelines. Such steps would be helpful for expert to spend lesser time in reviewing it. All 8 guidelines would be ready for expert's review by end of the year.

Besides, the RAA shall also identify competent auditors to commence development of guidelines for the audit of banks, university, insurance company, trust funds and Non Governmental Organizations.

5.3 Develop and Adopt the General Audit Instructions

The draft on General Audit Instructions was circulated amongst the auditors for feedbacks and comments. These Instructions would be further deliberated during the 11th Annual Audit Conference. Once it is being deliberated, it shall be reviewed again and presented in one of the PPCMs for endorsement. And if endorsed, it shall be distributed to all the auditors for uniform application. This Instruction will also serve as first hand information on audits to the new recruits.

5.4 Develop and Adopt Auditing Standards

The RAA had identified the officials to develop Audit Planning, Reporting and Field Standards and the draft would be presented during the 11th Annual Audit Conference for discussion. The standards will be reviewed and finalised during the period.

5.5. Develop and Adopt the Handbook on Audit Criteria

An important phase in Audit Planning is setting of specific and relevant audit criteria. It is the criteria that will ultimately determine the quality of the output of an audit. Recognising the importance, the training specialist of the RAA under the guidance of the Auditor General had drafted a Handbook on Audit Criteria. The Handbook will be tabled during the 11th Annual Audit Conference and upon adoption will be circulated to all the auditors. With the circulation of this Handbook, the auditors will not only be comfortable in setting appropriate criteria but will also enhance the over all quality of the audit reports.

5.6 Develop and Adopt the Handbook on Audit Working Papers

Audit working papers is an important and a primary document that will ultimately testify audit coverage, working trails and evidence audit observations. However, as of today, the methods of gathering and documenting working papers were not only unorganised but inadequate. As such, the RAA shall develop and adopt a handbook on audit working papers during the year.

5.7. Issue Revised Guidelines on Audit Clearance Certificate and Handbook on Audit Recoveries Account

In line with the provision in the Audit Act of Bhutan 2006, the RAA shall review and issue revised Audit Clearance Guidelines for processing and issuance of Audit Clearance Certificate.

The handbook on operation of Audit Recoveries Account shall be developed and issued separately during the year by the FUCD.

(6) Review and Monitoring Mechanism

The PPAARD is responsible for the overall coordination and monitoring of the Annual Plan. The Division will devise appropriate mechanism to constantly monitor the progress of the planned activities and submit quarterly progress reports during the Quarterly Review Meeting. The Division will also conduct a mid term review meeting and accordingly realign the strategies based on the progress and status of the activities.

DATELINES AND EXPECTED OUTPUTS OF THE PLAN

With the proposed strategies, the RAA expects to achieve the objectives of the 2008-09 plan as per the dateline as outlined below:

Sl. No	Proposed Strategies	2008-09				Expected Output
		1st Q	2nd Q	3rd Q	4th Q	
1	ALIGN RAA's FUNCTIONS WITH THE CONSTITUTIONAL REQUIREMENTS					
1.1	Focus on 3Es					<ul style="list-style-type: none"> · All team leaders audited and reported one performance oriented report · 8 performance and thematic audits conducted
1.2	Submit Annual Audit Report & Performance and theme based audits					<ul style="list-style-type: none"> · One Annual Audit Report submitted · Selected performance and thematic audit reports submitted
1.3	Review of draft Service Rules & Regulations					<ul style="list-style-type: none"> · RAA Service rules and regulations reviewed
2	CONDUCT 588 AUDITS					
2.1	Conduct audit as per schedules and focus areas					<ul style="list-style-type: none"> · At least 90% of audits completed as per schedules · Focus areas covered · List of empanelled Chartered Firms finalized and circulated.
2.2	Effective Follow Up					<ul style="list-style-type: none"> · Follow up covered
2.3	Performance and theme based audit and follow up					<ul style="list-style-type: none"> · 8 performance audits completed · Review of 8 performance completed
2.4	Focus more on planning					<ul style="list-style-type: none"> · 10 -15 mandays spent in planning completed
2.5	Certification of SBA/CD					<ul style="list-style-type: none"> · All planned SBA/CD completed
2.6	Instituting all corporations under one division					<ul style="list-style-type: none"> · All corporations under one division completed
2.7	Strengthen relation with the Parliament and ACC					<ul style="list-style-type: none"> · Relationship strengthened
2.8	Integration of all systems into one system					<ul style="list-style-type: none"> · Study on integration completed
3	IMPROVE QUALITY & TIMELY DELIVERY OF AUDIT SERVICES					
3.1	WAN to connect the regional offices					<ul style="list-style-type: none"> · All regional offices connected by WAN
3.2	Use of auditing tools (IDEA)					<ul style="list-style-type: none"> · Auditors trained and IDEA fully used
3.3	Strengthening of QAU					<ul style="list-style-type: none"> · ToR & Guidelines on Quality Assurance Developed

						· Inconsistencies reported and quality of report maintained
3.4	Relocation of Western Regional Office					· Feasibility study completed
3.5	Retain senior officers in Divisions					· Senior officers retained
4	ENHANCE PROFESSIONAL DEVELOPMENT					
4.1	Adopt CPDP					· CPDP adopted
4.2	Implement Planned Ex-country training					· Ex-country training implemented
4.3	Implement in country training					· Conference conducted
						· In country training implemented
						· Continuing education implemented
						· Instructors/facilitators trained
4.4	Workshops, seminars and meetings					· Workshops, seminars and meetings attended
4.5	Construction of Training centre					· Site location finalized and design and consultancy works completed
4.6	Counseling initiatives					· Counselor trained and services availed
5	DEVELOP AUDIT STANDARDS & GUIDELINES					
5.1	Finalise 12 Guidelines					· 12 Guidelines finalized
5.2	Improve 8 Guidelines and Develop 5 Guidelines					· 8 Guidelines improved and 5 Guidelines drafted
5.3	Develop and adopt General Auditing Instructions					· General Auditing Instructions developed and adopted
5.4	Develop and adopt Auditing Standards					· Developed
5.5	Develop and adopt handbook on audit criteria					· Developed and adopted
5.6	Develop and adopt handbook on audit working papers					· Developed and adopted
5.7	Issue revised guidelines on Audit Clearance Certificate and develop handbook on Audit Recoveries Account.					· Issued revised guidelines and handbook developed.

LIST OF ACRONYMS

AAG	Assistant Auditor General
ACC	Anti Corruption Commission
AG	Auditor General
AIMS	Audit Information Management System
AMS	Asset Management System
C&AG	Comptroller & Auditor General
CD	Current Deposit
CE	Continuing Education
CFID	Corporations, Financial Institutions Division
CPDP	Continuous Professional Development
FUCD	Follow Up & Clearance Division
GARR	General Auditing Rules and Regulations
HQ	Head Quarter
HRIRD	Human Resources and International Relations Division
IDEA	Interactive Data Extraction and Analysis
IDI	INTOSAI Development Initiative
IT	Information Technology
OAAG	Office of the Assistant Auditor General
PAC	Public Accounts Committee
PIS	Personnel Information System
PPAARD	Policy, Planning & Annual Audit Report Division
PPCM	Policy, Planning and Consultative Meeting
RAA	Royal Audit Authority
SBA	Subsidiary Budget Accounts
TA/DA	Travelling Allowance and Daily Allowance

HR Plan 2008-2009

Sl.No	Activities	Slot/No	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar.	Apr.	May	June
A	International Meetings													
1	Steering Committee Meeting on IT Audit	3												
2	Meeting on Working Group on Environmental Auditing (WEGA), INTOSAI	3												
B	Masters Degree													
1	Master in Business Administration (MBA)	4												
C	Diploma/Certificate													
1	Indian Audit & Accounts Service (IA&AS)	2												
2	Gradute Diploma in Finance	2												
D	Manual/Curriculum Development													
1	Audit Guidleines Development	8												
2	Curriculum Development for In-House Training													
E	Short Term Ex-Country Training													
1	Quality Assurance	3												

