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BACKGROUND

The need for a separate body of audit system was conceived along with the inception of the country's planned economic development in 1961. Since then, the Royal Audit Authority as it stands today, went through various organizational and structural changes from a mere audit office to audit department in 1974 and then finally declaring it as a fully autonomous body in 1985 when it was renamed as the Royal Audit Authority. As it went through these stages of changes, the Royal Decrees of 1970, 1997, 1999, 2000 and 2005 were issued covering the mandates of the RAA and stressing and reiterating more and more on the independence of the RAA. Based on the Royal Decree of 1970, the Royal Audit Authority prepared the General Auditing Rules and Regulations (GARR) and was accordingly endorsed by the Royal Government of Bhutan in 1989.

The Annual Audit Report shall contain the result of the audit of the annual accounts of the Government, the overall financial condition and results of operation of the Government, and recommendations to improve the efficiency and effectiveness of the Government.
GARR 1989

Recognizing the significant role of the RAA in promoting good governance and financial discipline through auditing and reporting on prudent and effective use of public resources, the RAA was bestowed with Constitutional Status in December 2005.

In June 2006, the 85th session of the National Assembly passed the Audit Act of Bhutan 2006 thereby providing RAA with full organizational and functional independence with authority to determine and administer its own organizational structure, budgetary and personnel requirements. Thereafter, the RAA derived its audit mandate from the Audit Act of Bhutan 2006 and the Constitution of the Kingdom of Bhutan.

The RAA provides independent and unbiased opinion to His Majesty the King, the Country and the People on the quality of public sector and of the stewardship of public funds through auditing and reporting without fear, favour and prejudice, on the economy, efficiency and effectiveness in the use of public resources.

"There shall be a Royal Audit Authority to audit and report on the Economy, Efficiency and Effectiveness in the use of Public Resources". **Article 25.1 of the Constitution of the Kingdom of Bhutan**

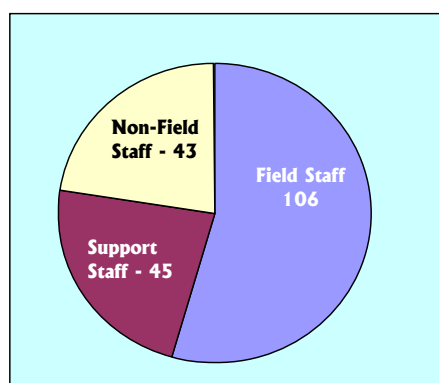
The RAA currently has approximately 897 audit agencies that require auditing and reporting on an annual basis, as summarized in the following table.

Table 1.2 showing number of audit agencies under respective Division

Sl.No	Audit	Number of agencies (including divisions, branches & units required to be auditing)
1	Under OAAG, Tsirang	192
2	Under OAAG, S/Jongkhar	146
3	Under OAAG, Bumthang	148
4	Under OAAG, West	121
5	Under SCID	88
6	Under RTICD	73
7	Under CFID	33
8	Under GGD	96
Total		897

Note: The above listings do not include agencies that will be covered by Performance & Systems Audit Division (PSAD), Thematic Audit Division (TAD) and those required to be audited by Religious Bodies Act and Civil Societies Act. The PSAD and TAD will take up several audits of thematic and cross-sectoral issues within the various agencies.

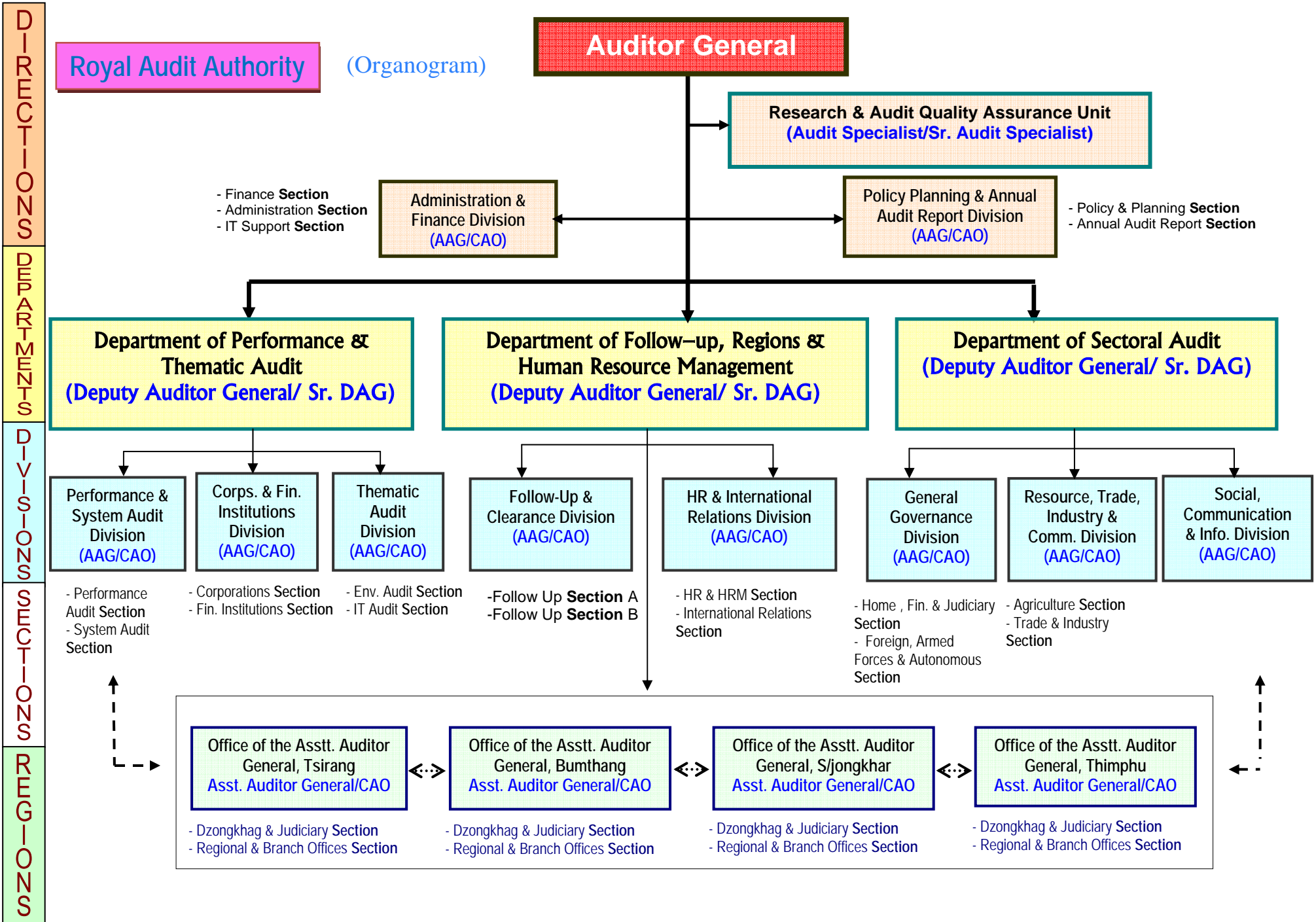
As against 897 agencies, the RAA has only 194 employees comprising of 106 field auditors, 43 non field staff and 45 support staff to carry out its functions. In order to facilitate the movement of auditors in conducting the audit throughout Bhutan, the RAA has 12 vehicles with an average age of 8 - 12 years.



Besides regular auditing and reporting, the RAA also conducts regular follow-up on the past pending observations and issue Audit Clearance Certificate.

In order to prepare for the post 2008 and to address the challenges enshrined in the Constitution of the Kingdom of Bhutan and the Audit Act of Bhutan 2006, the RAA went through a major Organisational Development exercise in May 2007.

Based on the output of the OD exercise, the RAA now has ten (10) functional divisions supported by four regional offices under three major departments as depicted by the following organogram;



OVERVIEW OF THE RAA STRATEGIC PLAN (2008 – 2013)

VISION

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

MISSION

“To audit without fear or 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 3402 Audits	Improve Quality & Timely Delivery of Audit services	Develop Audit Standards & Manuals	Enhance Professional Development
<ul style="list-style-type: none"> ▪ <i>Focus on Economy, Efficiency & Effectiveness</i> ▪ <i>Balanced & Constructive Reporting</i> ▪ <i>Organisational & Functional Independence</i> ▪ <i>Draft Service Rules and Regulations of the RAA</i> ▪ <i>Issue 5 Annual Audit Reports</i> 	<ul style="list-style-type: none"> ▪ <i>Audit Schedule</i> ▪ <i>Follow up Audits</i> ▪ <i>Rationalise field work</i> ▪ <i>Increase Staff Strength</i> ▪ <i>Outsource auditing of Corporations & NGOs</i> 	<ul style="list-style-type: none"> ▪ <i>Improve physical infrastructure</i> ▪ <i>Relocate Western Regional Office</i> ▪ <i>Procure & use auditing tools</i> ▪ <i>Focus on Customer Service & assess audit impact</i> ▪ <i>Quality Assurance</i> ▪ <i>Create awareness amongst stakeholders</i> ▪ <i>Peer Review of the RAA</i> 	<ul style="list-style-type: none"> ▪ <i>Develop Auditing Standard of Bhutan</i> ▪ <i>Develop 25 Manuals on relevant Audit Topics</i> ▪ <i>Participate in developing Accounting Standards of Bhutan</i> 	<ul style="list-style-type: none"> ▪ <i>Construct RAA Training Centre</i> ▪ <i>Implement planned ex-country & in-country trainings</i> ▪ <i>Enhance the minimum training requirement from 30 hours to 60 hours in a year.</i>

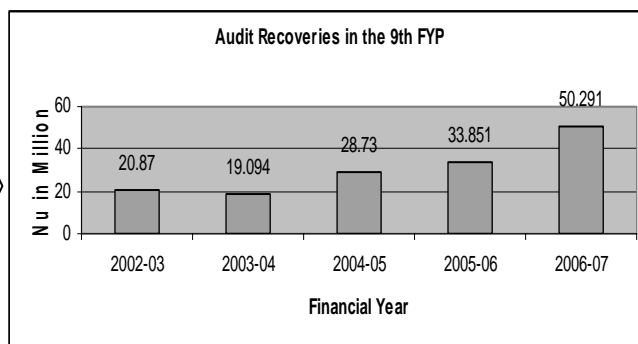
VALUES

Independence Objectivity Integrity Commitment
Professionalism Reliability Teamwork

HIGHLIGHTS OF 9TH FYP

During the last five years, the Royal Audit Authority made considerable progress in pursuit of enhancing accountability and efficiency in the use of public resources. Amongst many others, the achievements of the RAA during the 9th FYP centered on the following core issues:

- a) The Royal Audit Authority was declared as a Constitutional Body through a Royal Decree issued on 31st December 2005. The first Auditor General to fill in this important Constitutional Post was also appointed through the same Decree.
- b) In June 2006, the 85th Session of the National Assembly endorsed the long awaited Audit Act of Bhutan, thereby further enhancing its independence and recognition as a Constitutional Body;
- c) The RAA started certifying the consolidated Annual Financial Statements of the Royal Government of Bhutan and the L.C Accounts of the respective agencies;
- d) For the first time the Annual Audit Report was tabled in the 85th National Assembly by the Public Accounts Committee;
- e) Joint Review of the Annual Audit Report 2004 & 2005 was carried out by the Public Accounts Committee and the RAA;
- f) The RAA conducted 1,558 audits comprising of 1,071 normal audits, 12 special audits, 90 statutory audits, 16 performance audits and 369 certification audits.
- g) The RAA issued a total of 1,663 audit reports comprising of 1,115 normal audits, 10 special audits, 93 statutory audits, 429 certification and 16 performance audits.
- h) The RAA made audit recoveries of Nu. 152.936 million in the 9th Five Year Plan as shown in this graph
- i) Ever since the follow up Division was established in July 2005, the RAA had



reviewed 1,033 audits;

- j) With the aim of getting closer to the auditee agencies and improving the timely delivery of audit services, the RAA opened two new regional offices at Bumthang and Tsirang in November 2002 and June 2003 respectively;
- k) The RAA decentralized the issuance of Audit Clearance Certificates for position level P3 and below to its regional offices;
- l) The RAA successfully hosted the 14th Meeting of the INTOSAI Standing Committee on IT Audit from 27th to 29th April 2005 at Paro. A total of 52 delegates from 22 countries including 2 delegates from the INTOSAI Development Initiatives attended the meeting;
- m) The RAA hosted the Asian Organization of Supreme Audit Institutions (ASOSAI) Course Designing Meeting on audit of Procurement Process at Thimphu in April 2006. 11 delegates from 8 countries attended the meeting;
- n) The RAA and the Office of the Comptroller and Auditor General of India had renewed the existing MoU between the two organizations for a further period of six years;
- o) The RAA drafted 12 Auditing Manuals and issued Performance Audit Guidelines;
- p) Two officers from the Office of the Comptroller & Auditor General of India (C&AG) conducted Peer Review of the Royal Audit Authority in 2004. Many suggestions and recommendations made during the review were implemented. For instance, as recommended by the team, the RAA opened a Centralized Follow-Up Division thereby ensuring a continuous follow-up of reports;
- q) Audit Awareness Campaign was successfully conducted for the members of DYT, GYT, Gaydrungs and Dzongkhag Officials. The programme also included visits to Higher and Middle Secondary Schools located in the respective Dzongkhags; and
- r) The present office in Thimphu constructed under the DANIDA assisted project was completed and subsequently shifted from lower Motithang to present location at Kawangjangsa in January 2003.

AUDIT IMPACTS

During the 9th Five Year Plan running till date, the RAA issued a total of 1,663 audit reports comprising of 1,115 normal audits, 10 special audits, 93 statutory audits, 429 certification and 16 performance audits. While separate study on the impact of audit has not been done, several notable audit impacts have been observed as detailed below;

- a) The RAA made audit recoveries of Nu.153 million during the 9th FYP, excluding huge recoveries made by projects and corporations;
- b) The Royal Government of Bhutan has institutionalised the system of internal auditors in the Ministries, Corporations and Financial Institutions;
- c) The Procurement Manual is being reviewed by the MoF;
- d) Based on the cost benefit analysis and environmental impact assessed by the RAA, several hospitals, schools, armed forces and other organisations have replaced firewood with electric cookers in their respective mess kitchens;
- e) Based on the recommendations of the RAA, the Ministry of Works and Human Settlement has started including a clause in the contract agreement with the consultants for imposing definite penalty figures to the consultants based on the extent of their lapses;
- f) As observed from the number of irregularities detected during the process of auditing, the overall compliance to government rules and regulations have improved over the years;
- g) Several agencies including the armed forces have come out with their respective service rules and other manuals;
- h) The various government agencies have become fully aware of the need for auditing since the RAA has been receiving several requests for auditing from the government ministries and agencies;
- i) Special Audit Reports on Chukha Dzong Construction Project and Semtokha Dzong Conservation Project were deliberated by the National Assembly of Bhutan;
- j) 15 Inspection Reports containing major fraud and corruption cases were forwarded to the Royal Court of Justice and several people involved in these cases were convicted by the court;

- k) In line with the Audit Act of Bhutan 2006, 15 audit reports containing significant audit observations were forwarded to the Anti Corruption Commission; and
- l) The system of issuing audit clearances and fixing accountability has created awareness amongst civil servants and corporate employees on settling their financial accountabilities including several long outstanding advances.

CONSTRAINTS & CHALLENGES

Like any other organizations, the RAA is confronted with various constraints and challenges in fulfilling its mandates. Some of the key challenges and constraints are:-

i. Shortage of Manpower

One of the biggest constraints for the RAA is the acute shortage of manpower. The RAA has approximately 897 agencies to be audited with the available 106 field auditors. The past experiences showed that on an average, the RAA could audit around 300-350 agencies annually leaving the remaining agencies un-audited and overdue.

The increase in auditee agencies in the 10th plan like the Puna Tsangchu Project, Daga Chu Hydro Project, Pay Commission, expansion of Cabinet Secretariat, Supreme Court, full fledged Dungkhang in every Dungkhang (currently 16), new Dzong constructions, Jigme Singye Wangchuck College of Business Studies, Taktse Institute of Language and Cultural Studies etc. could aggravate the situation further. Besides, the RAA is also required to audit the Civil Societies and Religious Bodies as required by their respective Acts. The scope of audit has also been expanded with the need to certify the accounts of the agencies and focusing on the economy, efficiency and effectiveness in the use of public resources, thereby leading to subsequent increase in the number of man-days required to audit the agencies.

ii. Retention problem

The nature of job of the auditors is such that it often lands them in a very unfriendly and hostile environment. Therefore, the RAA has been experiencing problems in attracting and retaining qualified and competent staff. In a small country like Bhutan with a small population, the audit profession is becoming less attractive than many other professions. The implementation of the Position Classification System also led to the de-motivation of the support level auditors (S and below) by limiting their career advancement and opportunities.

iii. Lack of competent and skilled manpower

Along with the dearth of manpower, the need to upgrade the professional knowledge and diverse skills of the existing auditors has posed greater challenges. The level of development and the complexities of activities in the auditee agencies demand highly specialised auditors. In order to provide a defensible and useful report with appropriate recommendations, the auditors should have specialised knowledge in the field of management, social sectors, constructions, electronics &

electrical, research, quality assurance, law etc. including diverse skills such as analytical skills, investigative skills, interviewing skills, communication skills, report writing skills, etc. For example, the unprecedented development of ICT in the agencies and the call for the environmental protection as provisioned in the constitution demands professionals with IT and environmental backgrounds in the audit. Currently there are none with such professional backgrounds.

The Constitution and the Audit Act also requires RAA to focus on performance auditing and such auditing demands highly qualified and competent manpower.

The need to upgrade the knowledge and skills was recognized and recommended not only by the World Bank's Country Report of May 2007 on 'Public Sector Accounting and Auditing – A comparison to International Standards' but also by the IDI-ASOSAI Capacity Building Needs Assessment (CBNA) conducted in August 2007.

iv. No dedicated Training Centre

Due to limited resources, the RAA tried to upgrade knowledge and skills of the auditors by focussing more on in-house trainings. However, such steps by the RAA also demand resources since the RAA do not have its own dedicated training facilities. The use of ad hoc training venues is disruptive and do not facilitate learning. It is not only expensive to hire training rooms, the expensive training equipment also get damaged by moving from one place to another.

A dedicated training centre with all the necessary training equipment would facilitate smooth implementation of its professional development policies on upgrading the skills and competencies of the auditors.

v. Construction of Regional Offices

The RAA opened two regional offices at Bumthang and Tsirang during the 9th FYP with the objectives of providing wider coverage of agencies, balanced regional development, reduction of travel costs, etc. However, owing to the lack of fund, the construction of the regional offices in Bumthang and Tsirang in the 9th FYP had been spilled over into the 10th Plan. The deprivation of adequate space impeded the efficiency and productivity of the auditors to a large extent.

vi. Pool Vehicles not roadworthy

The availability of the vehicles with the RAA, HQ and the Regional Offices had facilitated timely conduct of audits. However, many of the vehicles are old and worn out posing bigger concerns on the safety of the field auditors. Out of 12 vehicles, more than half would be over 12 years old by 2008. As such the old vehicles need to be replaced at the earliest to discharge the duties safely, effectively and efficiently.

vii. Independence and Political Support

The Lima Declaration of 1977 and the Mexico Accord of 2007 requires all audit offices around the world to maintain organisational and functional independence. Accordingly, the Audit Act of Bhutan 2006, drafted as per the requirement of the Constitution of the kingdom of Bhutan, empowers the RAA with full authority to determine and administer its organizational structure, budgetary and personnel requirements. The RAA is cautiously adopting the Act through a step-by-step approach. Since several consultations with the stakeholders including the Committee of Cabinet Ministers, the Lhengye Zhungtshog and the Legislative Committee have taken place and duly endorsed by them, the RAA expects to receive full support from all three branches of government and the constitutional bodies. With such support, the Audit of Bhutan 2006, would be fully implemented by the end of 10th Five Year Plan and thereby fulfil the dreams of our successive Druk Gyalpos for a strong and independent audit institution in Bhutan.

The RAA has been receiving enormous support and guidance right from the Throne and the Cabinet in discharging its roles and responsibilities. Similar support and cooperation from the government in post constitutional era is vital for the RAA to achieve its vision and mission.

STRATEGIC PLAN 2008 - 2013

Objectives

The main objectives of the Strategic Plan prepared in line with the overall Government 10th Five Year Plan are as follows:-

- 1) Align RAA's functions in line with the overall Constitutional direction and as per the requirement of the Audit Act of Bhutan 2006;
- 2) To conduct 3,402 audits by focussing on balanced and constructive reporting;
- 3) To improve the quality and timely delivery of audit services;
- 4) To develop auditing standards and manuals for effective auditing and reporting; and
- 5) Enhance professional development.

Proposed Strategies

In order to achieve the objectives, the RAA developed the following strategies;

- (1) **Align RAA's functions with the overall Constitutional direction and as per the requirement of 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 specifically 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*”. The RAA has already drafted a manual on the audit of 3Es (Performance Audit) and have also set up a dedicated division on Performance Audits. The RAA will conduct 39 performance and thematic audits which will report on the systems and the outcomes of the related projects, agencies and their operations. Besides, the RAA will try to integrate

performance audit *with all normal audits* by focussing on the economy, efficiency and effectiveness in the use of public resources.

The existing divisions of Performance & Systems Audit and the Thematic Audit shall be strengthened by training the existing people and transferring some more auditors from other divisions who are exposed to some kind of trainings in performance, systems and thematic audits. Besides, all auditors will be trained on the basics of performance auditing and further encouraged to integrate performance auditing with all other types of audits.

1.2 Balanced & Constructive Reporting

In order to gain due credence and confidence to the audit reports, the RAA should also report on the positive aspects of the organisation. Therefore, in an attempt to include accomplishments and achievements of the agency, the RAA has started certifying all LC (Letter of Credit) Accounts prepared by the respective agencies including the Dzongkhags. Such a step will enable RAA to make an objective comment on the overall receipt and utilization of resources thereby providing a more balanced and fair audit report. The RAA will focus on developing the competency of all the auditors in the certification of financial statements.

1.3 Function with complete organisational and functional independence

It has always been the dream and desire of our successive Druk Gyalpos to make RAA a complete independent organisation. Likewise both the Constitution and the Audit Act of Bhutan 2006 provides RAA with total organisational, personnel and functional independence. The RAA is cautiously adopting the Act through a step-by-step approach by consulting and discussing with all the relevant agencies. By the end of 10th Five Year Plan, the RAA will be functioning fully in line with the Audit Act and as per the Constitution of the Kingdom of Bhutan.

1.4 Draft Service Rules and Regulations of the RAA

In order to function independently, the RAA will have to draft its own Service Rules and Regulations. Such a document is also required as per the Audit Act of Bhutan 2006. The drafting process has already begun and will be completed and implemented before the end of 10th Five Year Plan.

However, the Service Rules and Regulations will be drafted broadly in accordance with the Civil Service Act.

1.5 *Issue Annual Audit Reports*

In line with Constitution and the Audit Act, the RAA will compile and submit Annual Audit Reports (AAR). The AAR will also contain audit report on the operations of the RAA for the corresponding fiscal year. Therefore, during the 10th Five Year Plan, the RAA will submit five Annual Audit Reports.

Besides, the RAA will also submit selected Performance and Thematic Audit reports of significant national concern.

1.6 *Provide testimonial opinions*

The RAA shall provide testimonial opinion on issues raised by Public Accounts Committee on audit findings included in the Annual Audit Reports.

(2) To conduct 3,402 audits with all the audit reports depicting a major shift from traditional compliance or regulatory audit to performance audit.

2.1 *Preparing Realistic Annual Audit Schedules*

To carry out the responsibilities and its functions, the RAA places a great importance on scheduling of audit by way of providing fair opportunity and even coverage of all the entities on annual basis. Besides helping the auditors in systematic preparation of their audits, such scheduling also helps the entities to plan and prepare for the audits.

Based on the past achievements, a requirement of annual audit for the donor assisted projects and with a slight increase in number of auditors and competencies, the RAA in the 10th FYP had projected to undertake and report on a total of 3,402 audits besides the annual Certification of National Accounts and Annual Audit Report.

Of 3,402 audits projected, the RAA shall cover 1,868 audits of Government agencies, 440 audits of Corporations and Financial Institutions, 69 audits of Non Government Organisations (NGOs), 710 audits of donor assisted projects, 276 audits of Autonomous Bodies, and 39 Performance and Thematic audit as shown in the Table 1.1:

Table 1.1 showing the audit schedules for the 10th Five Year Plan

Sl. No.	Particulars	08-09	09-10	10-11	11-12	12-13	Total
1	Government Agencies	370	386	362	382	368	1,868
2	Corporations and Financial Institutions	117	70	92	67	94	440
3	NGOs	13	15	13	11	17	69
4	Projects	142	142	142	142	142	710
5	Autonomous Bodies	64	45	56	54	57	276
6	Performance and Thematic audit	7	8	8	8	8	39
	Grand Total	713	666	673	664	686	3,402

The detailed tentative audit schedules of the entities for the 10th FYP by Divisions and Regional Offices are enclosed as *Annexure A*

2.2 Effective Follow Up of Audit Reports

The audits do not end with the issue of audit reports. The impact of any audit can only be created through proper implementation of the audit comments and recommendations. Therefore, the RAA will vigorously follow up on the reports issued by it. A total of 3,080 audit reports, excluding the unresolved past audit reports, have been projected to be followed up during the 10th Five Year Plan, as detailed below;

Table 1.2 showing the follow up schedule for the 10th FYP

Year	No. of Follow Ups to be undertaken
2008 - 2009	364
2009 - 2010	713
2010 - 2011	666
2011 - 2012	673
2012 - 2013	664
TOTAL	3,080

Based on this projected figure, the RAA shall prepare realistic annual audit schedules.

2.3 Rationalising field work by focussing more on planning at the Headquarter (HQ).

Unlike in the past where auditors spent 100% of their time in the field on planning and auditing, soon the auditors will be spending lesser time in the field. The RAA will focus on proper planning of every individual audits at the HQ thereby reducing the time in field. A general strategy and a detailed

approach for the expected nature, timing, scope and conduct of audit will be prepared prior to the actual commencement of audit in the field. The RAA will make use of the developing IT infrastructure in getting the required information from the agencies for the purpose of planning. Such steps would not only result into effective audit but also save proportionate Travelling/Daily Allowance costs for the Government and minimise disturbances to the agencies.

2.4 Increase staff strength and rational distribution of staff among the regions and divisions.

The RAA submitted a business case on the requirement of additional manpower for the 10th FYP to the RCSC. The RAA shall constantly follow up with the Commission to get the required staff strength. The qualified and competent staff will be rationally distributed among the various regions and divisions thereby ensuring right people in the right job. By the end of 10th Five Year Plan, all regional offices will be equipped with competent staffs to carry out any type of auditing under their jurisdiction.

2.5 Retention strategies

Based on the Audit Act of Bhutan 2006 and recommendation of the OD, the RAA shall process on getting de-linked from the government and come up with a separate Service Rules and Regulations. The Service Rules and Regulations will dwell into areas where support level staff can avail opportunities for moving upward in the career ladder depending upon their ability and capability. Other motivational measures would also be instituted to retain and boost the morale of the staff.

2.6 Outsource auditing job and reduce frequency of projects audit

The zero growth rate policy adopted through the recent Organizational Development (OD) exercise does not allow recruitment of additional manpower. Given the amount of workload with the expected increase in the number of agencies in the areas of Non Governmental Organizations (NGOs), religious bodies and civil societies, the only option is to outsource the audit of corporations and NGOs to the private sectors and concentrate only on government agencies.

Further all projects (grants and loans) are required to be audited annually irrespective of size and number of their transactions and the manpower capacity in the RAA. The RAA will initiate efforts on reducing the frequency of such audits through discussions and dialogue with the relevant agencies and bodies.

(3) Improve Quality and Timely Delivery of Audit Services

While the achievement of the first objective will also help in achieving the second objective i.e. improving the quality and timely delivery of audit services, the following further strategies have been developed in achieving this objective;

3.1 Build and improve physical infrastructure

The RAA firmly believes that strengthening the training infrastructure would contribute towards attainment of the RAA's vision and mission statement. To this effect, the RAA shall construct a training center at Tsirang and office buildings for all regional offices excluding the Western Region. In line with Government's strategy to reduce poverty in Bhutan, the RAA in consultation with the contractor, shall promote engagement of the required National Labour Force from the local areas in all its construction activities. The RAA will vigorously pursue with the Planning Commission and the donors in mobilizing the resources for building these infrastructures.

3.2 Relocate Western Regional Office to an appropriate Dzongkhag

In order to further decentralise responsibilities and authorities and to promote the national objective of balanced regional development, the RAA opened Western Regional Office, in addition to its three regional offices at Tsirang, Bumthang and Samdrupjongkhar. The Western Regional Office will conduct the audit of five western Dzongkhags and all regional and branch offices located in these Dzongkhags.

However, locating the Western Regional Office at Thimphu will not promote the national objective of balanced regional development. Therefore, during the 10th Five Year Plan, the Western Regional Office will be moved out of the HQ to an appropriate Dzongkhag.

3.3 WAN to connect all the regional offices

The RAA HQ will be connected with regional offices via WAN, phase by phase in consultation with the Department of Information and Technology (DIT), Ministry of Information and Communication (MOIC). The connection would result into faster delivery of audit services such as audit clearance, audit reports, follow up reports and sharing of reports. The RAA shall not only explore the possibility of issuing audit clearance online but

also make Audit Report available for the concerned head of the agency, departments and Dzongkhags wherever possible through internet.

3.4 Procure and Use Auditing Tools

IDEA (Interactive Data Extraction and Analysis) is one of the powerful Computer Assisted Auditing Tools (CAATs) used in other SAIs to evaluate the quality of the application systems used and to assist gathering evidences in the agencies by the auditors.

The RAA shall procure adequate IDEA software and other relevant tools used by other SAIs from 2009 onwards to enhance efficiency and effectiveness of the audits.

3.5 Strengthen relation with the Parliament, Anti Corruption Commission and Internal Audit Units.

The key to successful implementation of auditing functions lies not only within but also with the external support from the Parliament and entities with similar functions. The support from the parliament in the past had helped the RAA in resolving unsettled cases reflected in the past Annual Audit Reports without much difficulty. The RAA shall make concerted effort to sustain the strong relationship with the parliament (new government) through the Public Accounts Committee (PAC).

The RAA shall also maintain its relationship with the Anti Corruption Commission (ACC) and Internal Audit Units (IAUs) of various ministries through continuous dialogue and coordination meetings.

3.6 Create awareness amongst the stakeholders on roles and responsibilities of the RAA

Dissemination of information and knowledge is considered as one of the important means of enhancing the accountability and transparency in the system. The first round of audit awareness at the grassroots level was successfully conducted during the 9th FYP covering all the twenty Dzongkhags and the Higher & Middle Secondary Schools.

It is critically important that all stakeholders need to be made aware of the Audit Act of Bhutan 2006 and its new roles and responsibilities. In this regard the RAA shall conduct another round of awareness campaign particularly for the local leaders of twenty Dzongkhags, whose roles and responsibility in an era of parliamentary democracy cannot be underestimated and undermined. A documentary film on its evolution, new mandates and roles & responsibilities of the authority would be prepared and distributed to regional offices for free screening to all the entities.

3.7 Focus on Customer Service and Impact Assessment

During the 10th Five Year Plan, the RAA will improve its service to the stakeholders. Auditors will spend less time in the field so that the agencies will have time to focus on other activities. All reports will be issued on time and depending on the overall government plan to network the entire nation, the RAA will make its efforts to issue Audit Clearances online. Efforts are underway to issue all types of Audit Clearances for all levels from the RAA's regional offices. Audit Information and Management System will be improved to make it error free.

The RAA will assess the impact of audit through periodic surveys and studies. It will also take suggestions and feedbacks from its stakeholders on improving its services.

3.8 Improve Quality Assurance System in the RAA

Realising the importance of quality assurance system, a dedicated quality assurance unit has already been included in the organogram of the RAA. However, the RAA lacks competent manpower to fill in this unit. Therefore, the RAA will train auditors and develop quality assurance guideline for the RAA. Guidance from international expertise will be sought in drafting the Quality Assurance Guideline and operationalising the Quality Assurance Unit of the RAA.

3.9 Conduct Peer Review of the RAA

In order to improve the overall system of the organization, the RAA shall request one of the Supreme Audit Institutions to conduct the Peer Review of the RAA, during the 10th Five Year Plan.

(4) Develop Audit Standards and Manuals

4.1 Develop Auditing Standards of Bhutan

Auditing Standards prescribe the norms of principles and practices for auditors while conducting various audits. They provide guidance to determine the extent, steps and procedures that could be applied in an audit. They are also the criteria or the yardstick against which the quality of an audit results could be evaluated.

During the 10th Five Year Plan the RAA will form a committee and draft the Auditing Standards of Bhutan in line with INTOSAI (International

Organisation of Supreme Audit Institutions) Auditing Standard by focusing on general, field and reporting standards. Appropriate procedures will be followed in drafting the standard.

4.2 Develop 25 Audit Manuals on different audit topics

The RAA has already drafted 12 Audit Manuals and are currently undergoing expert international review. During the 10th Five Year Plan, all the 12 Audit manuals will be finalised and approved. In addition, the RAA shall develop 13 more audit manuals as identified by Capacity Building Needs Assessment. The manuals will be developed in line with the INTOSAI Auditing Standards and in conformity with the relevant rules and procedures enshrined in the Audit Act of Bhutan 2006.

4.3 Participate in developing the Accounting Standards of Bhutan

The RAA will also participate in developing the Accounting Standards of Bhutan. Though the drafting of the Accounting Standard will be spearheaded by the Ministry of Finance, the RAA will be involved as a member of the drafting Committee.

4.4 Explore possibility of rendering support to the development of private audit firms in Bhutan.

Currently all statutory audits are outsourced to private audit firms in India thereby leading to the drainage of resources out of the country. We do not have a single private audit firm in Bhutan. Therefore, the RAA will render all possible support to any Bhutanese individual or a group of individuals wishing to set up private audit firms in Bhutan.

The RAA expects few such firms to come up during the 10th Five Year Plan.

(5) Enhance Professional Development

5.1 Construct RAA Training Centre

As reflected under second objective on building and developing the infrastructure, the RAA will construct Training Centre at Tsirang. The Training Centre will be equipped with all the modern training equipment for the smooth implementation of the Professional Development Policy of the RAA. The centre will also have hostel facilities for the trainees. The training centre shall be fully functional by the end of 10th Five Year Plan.

5.2 *Implement planned Ex-country and In-country and In-house Trainings*

The RAA has already prepared its HRD Master Plan for the 10th Five Year Plan. To enhance professional development, the RAA has proposed master level courses in accounting, management, information technology, environment, etc for the graduate level and medium & short courses for the undergraduate level as given in *Annexure – B*.

The HRIRD and Policy, Planning & Annual Audit Report Division (PP&AARD) shall explore the possibility of funds from the donors such as Sustainable Development Secretariat (SDS), World Bank (WB), Asian Development Bank (ADB), DANIDA and the Office of the Comptroller and Auditor General of India (C&AG) to implement the master plan.

The RAA shall give more attention to lower level auditors for capacity enhancement. They will be allowed to participate in the open scholarships offered by the Royal Civil Service Commission on competitive basis as recommended by the OD report. The auditors will be allowed to take up continuing education programme introduced by the government and e-learning or online education offered by accredited universities. Not all auditors get to undergo further studies, trainings, and short courses due to financial constraints. So the RAA shall keep on conducting in-house trainings for auditors so as to keep abreast with the changing government policies, rules and regulations by inviting experts from both within and outside the country

5.3 *Develop and adopt a policy document on Continuous Professional Development of the RAA*

The RAA shall develop and adopt a separate policy document on the Continuous Professional Development of the RAA. The policy document will outline the policies, principles and organisational framework in maintaining and improving the competency of the auditors in carrying out their duties while at the same time achieving the desired outputs. It will also look into the aspects of coaching, mentoring and counselling for the auditors.

5.4 *Increase the minimum training requirement from 30 to 60 hours in a year.*

In line with the continuous professional development policy of the RAA, every staff of the organization is required to undergo minimum of 30 hours of training in a year, in order to be short listed for promotion to next higher level. The RAA will increase this requirement to 60 hours in a year within the first year of the 10th Five Year Plan.

BUDGET PROPOSED

In order to implement the proposed strategies, the RAA proposed a revised budgetary outlay of Nu.513.364 million comprising of Nu.138.582 million for capital expenditure and Nu.374.820 million for recurrent expenditure. The break up of the proposed budget for the HQ and the Regional Offices for the 10th FYP is shown below;

Table showing revised budget outlay for the 10th Five Year Plan

Name of the Offices	Revised Proposed Outlay (Nu.in million)		
	Current	Capital	Total
RAA, HQ, Thimphu	280.314	78.328	358.642
OAAG, Bumthang	31.909	12.874	44.783
OAAG, Tsirang	31.909	38.186	70.095
OAAG, S/Jongkhar	30.650	9.194	39.844
Total	374.82	138.582	513.364

The components of the proposed capital budget amounting to Nu.138.582 million comprises of the following:-

- a) Construction of a training centre cum Office of the Assistant Auditor General at Tsirang;
- b) Construction of the Office of the Assistant Auditor General at Bumthang and Samdrup Jongkhar;
- c) Replacement of 12 Hilux and purchase of one Hiace bus for the training centre;
- d) Purchase of computers, printers and training equipment;
- e) Purchase and replacement of furniture for the training centre and the HQ;
- f) Long term and short trainings/courses for the auditors; and
- g) Installation of Wide Area Network.

DATELINES AND EXPECTED OUTCOMES OF THE STRATEGIC PLAN

With the proposed strategies and the budget, the RAA expects to achieve the objectives of the Strategic Plan and the 10th Five Year Plan. The broad datelines and the expected outcomes of the strategies are as outlined below;

Sl. No	Proposed Strategies	10 th FYP Fiscal Year					Expected Outcome
		1	2	3	4	5	
1	Align RAA's function with the overall Constitutional direction						
1.1	Focus on 3Es						<ul style="list-style-type: none"> At least 50% of reports after 2008 contain elements of 3Es 39 performance and thematic audits conducted
1.2	Function with complete independence						All provisions of the Audit Act of Bhutan fully implemented
1.3	Draft Service Rules & Regulations of the RAA						RAA Service Rules & Regulations drafted, approved and implemented
1.4	Submit Annual Audit Reports						<ul style="list-style-type: none"> Five Annual Audit Reports submitted Selected performance and thematic audit reports submitted
2	Conduct 3,402 Audits						
2.1	Preparing Realistic Audit Schedules						At least 80% of overall planned schedule audited and reported.
2.2	Effective Follow Up						3,080 follow Up Audits completed
2.3	Rationalising field work						Reduce audit field work by at least 20% for existing agencies
2.4	Increase Staff Strength						<ul style="list-style-type: none"> Overall staff strength increased by at least 15% All regional offices staffed with competent officials
2.5	Retention Strategies						<ul style="list-style-type: none"> RAA Service Rules and Regulations prepared Staff Incentive Scheme developed
2.6	Outsource Auditing Job						<ul style="list-style-type: none"> Annual audit of corporations and NGOs outsourced Frequency of project audits reduced
3	Improve Quality & Timely Delivery of Audit services						
3.1	Build and improve physical infrastructure						<ul style="list-style-type: none"> Training Centre and Regional Office Buildings for Tsirang, Bumthang & S/jongkhar constructed All 12 old pool vehicles replaced and one new Hiace Bus for the Training Centre procured
3.2	Relocate Western Regional office						Western Regional Office relocated to an appropriate dzongkhag
3.3	WAN to connect the regional offices						<ul style="list-style-type: none"> All regional offices connected by WAN Online issuance of Audit Clearance certificates
3.4	Procure & use auditing tools						<ul style="list-style-type: none"> IDEA software procured and started using them
3.5	Strengthen relation with the Parliament, ACC and IAUs.						Strong professional relation developed with the Parliament, ACC and IAUs
3.6	Create Audit Awareness						<ul style="list-style-type: none"> One more round of Audit Awareness conducted Documentary film developed and distributed
3.7	Focus on Customer Service & Audit Impact Assessment						<ul style="list-style-type: none"> Reports issued on time Online issuance of Audit Clearance for all levels One round of Audit impact Assessment completed
3.8	Improve Quality Assurance System						<ul style="list-style-type: none"> Quality Assurance Guidelines developed RAA Quality Assurance Unit becomes fully functional
3.9	Conduct Peer Review of RAA						Peer Review of the RAA conducted

4	Develop Auditing Standards & Manuals					
4.1	Develop Auditing Standards					Auditing Standard of Bhutan developed & finalised with separate standards on general, field and reporting areas.
4.2	Develop 25 Audit Manuals					25 audit manuals drafted and approved
4.3	Participate in developing the Accounting Standards of Bhutan					Participated actively in drafting the Accounting Standards of Bhutan
4.4	Support private audit firms					All possible support rendered to any Bhutanese private audit firms coming up in Bhutan during the 10 th FYP
5	Enhance Professional Development					
5.1	Construct the Training Centre					RAA Training Centre becomes fully functional with all the modern training facilities
5.2	Implement Planned Trainings					<ul style="list-style-type: none"> • Human Resource Policy developed • All the planned trainings fully implemented
5.3	Develop Professional Development Policy					The Continuous Professional Development Policy of the RAA developed and implemented
5.4	Increase the Training requirement from 30 hours to 60 hours per annum.					Training requirement for all staff of the RAA enhanced from 30 hours to 60 hours per annum.

APPROVAL, REVIEW & MONITORING MECHANISM

The Strategic Plan of the RAA has been discussed in the 40th RAA Monthly Policy and Planning Meeting and finally endorsed by the Executive Committee of the RAA on 6th December 2007.

The PP&AARD will be responsible for the overall coordination and monitoring of the plan. They will review and realign the strategies in a changing environment in order to achieve its intended goals and objectives. The PP&AARD will also conduct the overall mid term review of the Strategic Plan in June 2010 and will be reported in the Annual Audit Conference of that year. However, any major changes to the Strategic Plan will have to be endorsed by the Executive Committee.

At the end of the Strategic Plan period, the PP&AARD will conduct the terminal review in line with the expected outcomes provided in this document.

ACRONYM

ACC	Anti Corruption Commission
ADB	Asian Development Bank
AIMS	Audit Information Management System
ASOSAI	Asian Organization for Supreme Audit Institutions
C&AG	Comptroller & Auditor General of India
CAATs	Computer Assisted Auditing Tools
CBNA	Capacity Building Needs Assessment
CFID	Corporations and Financial Institutions Division
DIT	Department of Information and Technology
DYT	Dzongkhag Yargay Tshochung
FYP	Five Year Plan
GGD	Good Governance Division
GYT	Geog Yargay Tshochung
HQ	Head Quarter
HRIRD	Human Resources & International Relations Division
IAUs	Internal Audit Units
ICT	Information and Communications Technology
IDEA	Interactive Data Extraction Analysis
ITOSAI	International Supreme Audit Institutions
MOIC	Ministry of Information and Communications
NGOs	Non Governmental Organization
OAAG	Office of the Assistant Auditor General
OD	Organizational Development
PAC	Public Accounts Committee
PP&AARD	Policy, Planning and Annual Audit Report Division
RAA	Royal Audit Authority
RTICD	Resources, Trade, Industry and Commerce Division