

SUMMARY OF PERFORMANCE AND THEMATIC AUDIT REPORTS

The RAA issued two performance and thematic audit reports during year as given below:

1. Performance Audit of Environmental Issues in Forestry – NFI, Forest Fires & Watershed Management
2. Performance Audit of Constituency Development Grant (CDG)

The AAR 2012 contains summary of performance audit reports on the above two audit topics including positive findings, deficiencies and lapses and audit recommendations suggested on the basis of the audit findings and conclusions.



Taking audit services closer to the organisations & people via our Regional Offices in four locations around the country

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Total agencies under audit: 134

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Total agencies under audit: 170

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Total agencies under audit: 122

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Total agencies under audit: 123

SUMMARY OF RECOMMENDATIONS OF RAA

The AAR 2012 includes following recommendations:

- ▶ Need to carry out assessment of absorption capacity of the government in undertaking increasing developmental works
- ▶ DPR should be made more accurate and reflective of actual geological conditions
- ▶ BOQ should more accurately reflect quantities of excavation works
- ▶ Need to encourage mechanization of construction industry and innovation in building and other construction works
- ▶ Need to ensure realistic time stipulation for constructions
- ▶ Need to review the causes of abandonment of rural houses for reversal of trend
- ▶ Need to avoid rush of expenditure at the close of the financial year through appropriate directives
- ▶ Need to develop policy framework for leasing of government land
- ▶ Need to undertake assessment of environmental and social impact for mining activities
- ▶ Need to test the performance and operational effectiveness of new systems developed prior to changeover

THE ROYAL AUDIT AUTHORITY

Dating back to 1961, the 16th National Assembly proposed the establishment of an audit system in the country. The evolution of the accountability system began when the Government issued the first edition of the Financial Manual in 1963. Then, the Audit and Accounts Organisation under the Development Wing maintained the books of accounts, conducted budgetary controls of revenues and expenditures and undertook periodic audit and inspections of accounts and records. The 31st Session of the National Assembly voted in October 1969 for the appointment of the Royal Auditors to conduct the audit of accounts and records of the Royal Government. Consequently, four Royal Auditors were appointed on April 16, 1970 under a Royal Kasho (decree). In 1974, the financial management system was restructured and the Royal Audit Department was placed under the Ministry of Finance. In 1985, the audit service was reconstituted as an autonomous entity and named it as Royal Audit Authority (RAA).



In 2006, the Audit Act of Bhutan 2006 was enacted and the RAA became a constitutional body. It now derives its mandates from the Constitution of the Kingdom of Bhutan and the Audit Act.

HIGHLIGHTS OF THE ANNUAL AUDIT REPORT 2012



TOTAL AMOUNT OF UNRESOLVED IRREGULARITIES IN AAR 2012

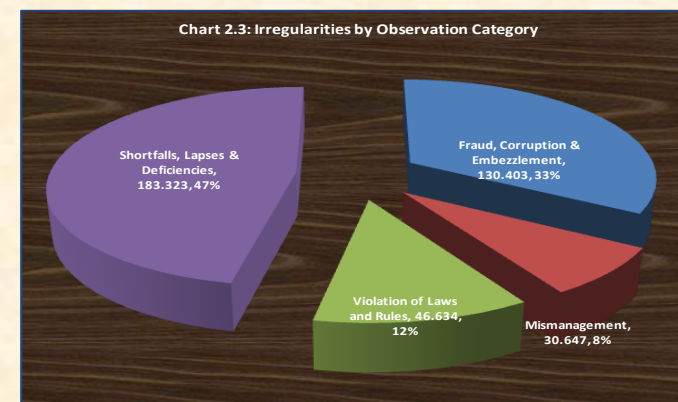
NU. 391.007 MILLION

TOTAL AUDIT RECOVERIES IN 2012

NU. 147.641 MILLION

IRREGULARITIES BY CATEGORIES

Chart 2.3: Irregularities by Observation Category



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

THE ACCOMPLISHMENTS OF THE RAA

The Royal Audit Authority (RAA) derives its mandates from the Article 25.1 of Constitution of the Kingdom of Bhutan which 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.”* Some of our significant achievements during the period are briefly highlighted below:

- ▶ The RAA completed 600 audits comprising of 98 certification audits, one performance audit and one thematic audit.
- ▶ During the period, the RAA issued 760 Audit Reports comprising of 662 financial audit reports, 96 certification reports, one performance audit report and one thematic audit report. Besides, 22 statutory audit reports for audit of corporations were also issued.
- ▶ The RAA also issued 515 follow-up reports of the prior audit reports which were mainly taken up along with the routine audits.
- ▶ Issued 12,374 audit clearances for various purposes.
- ▶ During the period, the RAA endorsed 14 audit reports containing 29 cases of significant indicators of fraud and corruption to Anti-Corruption Commission.
- ▶ In the Process of our audits, the RAA also recovered a sum of Nu. 147.641 million on account of Audit Recoveries, higher by 68.90% as compared to the recoveries in 2011
- ▶ The project on Audit Resources Management System (ARMS) funded by Asian Development Bank (ADB) is nearing completion with four modules expected to pilot run in July 2013.
- ▶ Conducted 11 in-house trainings catering to 179 auditors during the year on different topics/subjects.
- ▶ 17 officials availed short term ex-country trainings and 13 officials sent for long term studies.
- ▶ Secured Nu. 16.516 million from Austrain Development Cooperation for development of 22 manuals and two policy documents.
- ▶ The INTOSAI Development Initiatives (IDI) has initiated support for implementation of ISSAIs with a comprehensive capacity building programme called the *'ISSAI Implementation Initiative'* or *'3i Programme'* for RAA.
- ▶ The Auditor General led three member delegation to attend XII ASO-SAI General Assembly hosted in India.
- ▶ The Auditor General along with one senior officer visited Maldives to attend the Asian Regional Association for Public Accounts Committees (ARAPAC) held from 10th to 14th October 2012. south Asian
- ▶ Received delegations from SAIs, Maldives and Vietnam.
- ▶ RAA hosted two day Regional Seminar on Performance auditing—challenges and opportunities.
- ▶ The RAA completed its Audit Awareness and Review Meeting for the elected representatives and civil servants of the local governments in 15 Dzongkhags.

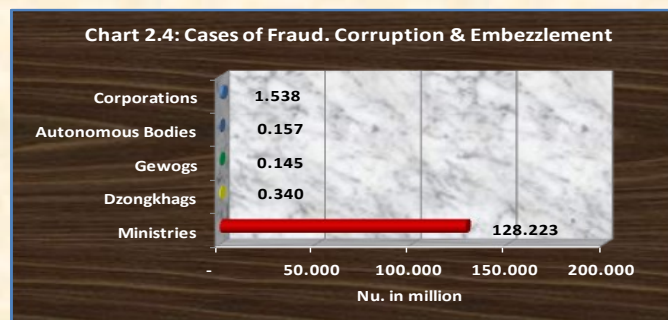
THE SUMMARY OF AUDIT FINDINGS

The AAR 2012 was compiled from 760 audit reports issued during the year. Highlights of the audit findings are given below:

- ▶ The total unresolved issues reported in the Annual Audit Report 2012 amounted to Nu. 391.007 million.
- ▶ The report contains unresolved issues pertaining to all the Ministries, 7 Dzongkhags, 11 Gewogs of 5 Dzongkhags, 6 Autonomous Bodies, 6 Corporations, four Non Governmental Organization and two Political Parties .

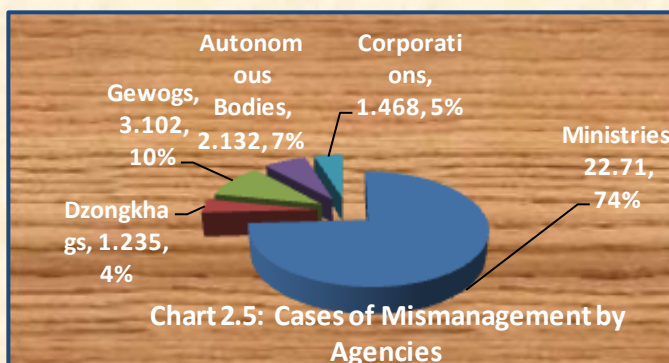
I. Fraud, Corruption and Embezzlement

- ▶ The total amount reported under this category amounted to Nu. 130.403 million with Ministries representing 98.33% of the total irregularities under this category.
- ▶ The total irregularities under this category amounted to



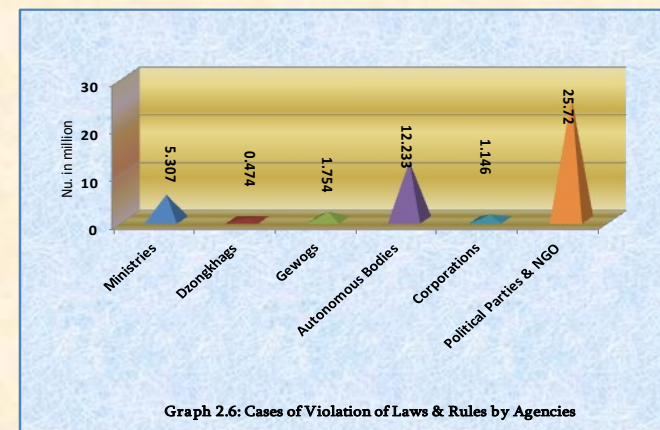
II. Mismanagement

Nu. 30.647 million with ministries representing over 74% of the total as shown in the Chart 2.5.



III. Violation of Laws and Rules

- ▶ The total irregularities reported under this category amounted to Nu. 46.634 million.
- ▶ The Political Parties & NGOs had the highest amount of irregularities amounting to Nu. 25.720 million under this category.



IV. Shortfalls, Lapses and Deficiencies

- ▶ The irregularities under shortfalls, lapses and deficiencies amounted to Nu. 183.323 million.
- ▶ As depicted in the Graph 2.7, the Ministries had the highest amount of irregularities of Nu. 176.594 million representing over 96% of the irregularities reported in this category.

