

**SUMMARY OF CHAPTER 5  
“AUDIT REPORT OF HYDROPOWER PROJECTS”**

The chapter reflects issues noted during the audits undertaken for three Hydro Power Projects of Mangdechhu Hydroelectric Project Authority, Punatshangchhu-I Hydroelectric Project Authority and Punatshangchhu-II Hydroelectric Project Authority during the year 2015 as per the Standard Operating Procedures signed between the Royal Audit Authority (RAA), Bhutan and the Comptroller and Auditor General of India (C&AG) and the Projects Agreement signed between the Royal Government of Bhutan (RGoB) and the Government of India (GoI).

The unresolved significant irregularities reported were Nu.339.535 million for MHPA, Nu.63.898 million for PHPA-I and Nu.174.097 million for PHPA-II.

**SUMMARY OF CHAPTER 6  
“RECOMMENDATIONS”**

A dedicated chapter on audit recommendations is maintained aiming at promoting accountability and improving economy, efficiency and effectiveness in the use of public resources. The recommendations are generic and drawn on the basis of the overall findings and deficiencies noted in the operations of audited agencies during the year. It is also based on the experiences and observed issues that require to be addressed through appropriate interventions.

- ▶ Need to ensure consistency in taking administrative actions;
- ▶ Need for strict enforcement of rules and regulations through institution of effective internal controls including supervision and monitoring mechanism;
- ▶ Shift in plan thrust and downsizing capital outlay demonstrated call for adequate analysis and evaluation of policy;
- ▶ Need to ensure that the prescribed criteria is met for booking expenditure as closed work;
- ▶ Need for Standard Operating Procedures (SOPs) to enhance service delivery of government agencies;
- ▶ Need for imposition of 24% penalty on outstanding advances at source for uniform application;
- ▶ Need for integration of government Payroll module in PEMS and Civil Service Information System (CSIS); and
- ▶ Need to reconcile the huge un-reconciled cash balances pertaining to Automated Teller Machines (ATM).

*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.”*

**THE ROYAL AUDIT AUTHORITY**

Dating back to 1961, the 16<sup>th</sup> 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 31<sup>st</sup> 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 re-structured 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).



*Taking audit services closer to the organisations and people via our four Regional Offices around the country.*

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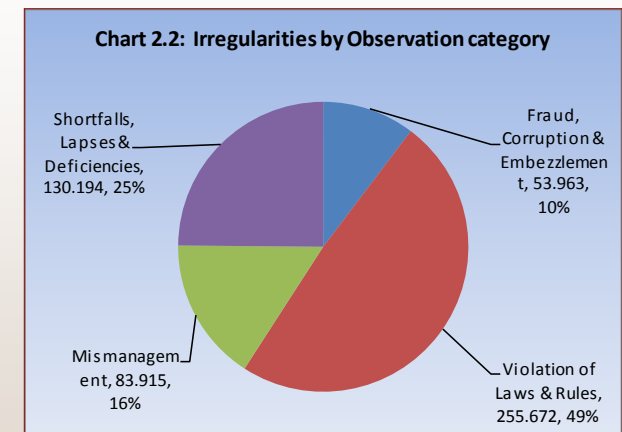
**HIGHLIGHTS OF THE  
ANNUAL AUDIT REPORT 2015**



**TOTAL AMOUNT OF UNRESOLVED  
IRREGULARITIES IN AAR 2015  
NU.523.744 MILLION**  
**TOTAL AUDIT RECOVERIES IN 2015  
NU.105.155 MILLION**



**IRREGULARITIES BY CATEGORIES**



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Bhutan Integrity House | Peling Lam  
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## THE ACCOMPLISHMENTS OF THE RAA

Some of our significant achievements are briefly highlighted below:

- ▶ The RAA completed 581 audits comprising of 485 financial audits, 94 compliance audits and two performance audits.
- ▶ The RAA issued 618 Audit Reports comprising of 517 financial audit reports, 99 compliance audit reports and two performance audit reports. Besides, 34 statutory audit reports for audit of Corporations and Financial Institutions were also issued.
- ▶ The RAA also carried out three special audits under special directives of the Auditor General and stakeholders.
- ▶ The RAA also issued 510 follow-up reports of the prior audit reports which were mainly taken up along with the routine audits.
- ▶ The RAA issued 13,956 audit clearances for various purposes.
- ▶ During the period, the RAA endorsed 21 audit reports containing 35 cases which indicated existence of fraud and corruption to ACC.
- ▶ The RAA recovered a sum of Nu.105.155 million on account of Audit Recoveries, lesser by 9% as compared to the recoveries in 2014.
- ▶ The RAA enjoyed a momentous event with His Majesty the King visiting the Office premise in Kawangjangsa in July 2015.
- ▶ After nine years as the Auditor General, Dasho Ugen Chewang demitted from the RAA on 22nd July 2015. A term report was published in July 2015.
- ▶ On 31st July 2015, Dasho Tshering Kezang was appointed as the second Auditor General under the Constitution and he formally assumed the office on 6th of August, 2015.
- ▶ The RAA launched the 'Financial Resources Management Accountability Index' Framework in November 2015. It was funded by the UNDP.
- ▶ The RAA launched 22 audit manuals during the 15th Annual Audit Conference held in June 2015. The manuals were developed with funding from the Austrian Development Cooperation through Global Call for proposals initiated by the INTOSAI Door Secretariat under the INTOSAI Development Initiatives (IDI).
- ▶ The former Auditor General had led a 4-member delegation to attend the XIII ASOSAI Assembly and VI ASOSAI Symposium held in February 2015 at Malaysia.
- ▶ A 4-member delegation led by the Auditor General of Bhutan visited the C&AG Office in New Delhi and its three nodal training institutes in September 2015.
- ▶ The Auditor General of Bhutan led a two-member delegation to the ASOSAI Seminar on Accountability at Dhaka, Bangladesh held in October 2015.
- ▶ The Auditor General of Bhutan led a two-member delegation to the IDI-ASOSAI Meeting with SAI Management and Key Stakeholders in Jakarta, Indonesia in December 2015.
- ▶ 5 in-house trainings catering to 195 auditors/staff on different topics/subjects were conducted by in-house experts in accordance with the Continuing Professional Development Policy of the RAA & training on Risk-Based Audit methodology was conducted in-house for 153 auditors by experts from M/s Deloitte Haskins and Sells based in Kolkatta, India.
- ▶ 86 officials availed ex-country training including seminars, workshops and meetings, 22 officials including two for Indian Accounts & Audit Service were sent for long-term studies.
- ▶ The Auditor General of Bhutan visited the on-going construction of Professional Development Centre at Tsirang. The physical and financial progresses are well on track. The Gol funded Project is estimated to cost Nu.193 million.
- ▶ The accounts and operations of RAA for the Fiscal Year ended 30th June 2015 was audited by M/s S.N. Mukherji & Co. India.

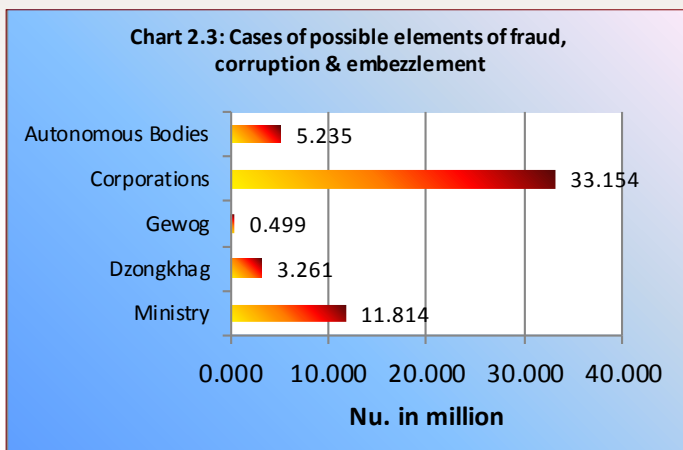
## THE SUMMARY OF AUDIT FINDINGS

The AAR 2015 was compiled from 616 audit reports issued during the year. Highlights of the audit findings are given below:

- ▶ The total unresolved issues reported in the Annual Audit Report 2014 amounted to Nu.523.744 million.

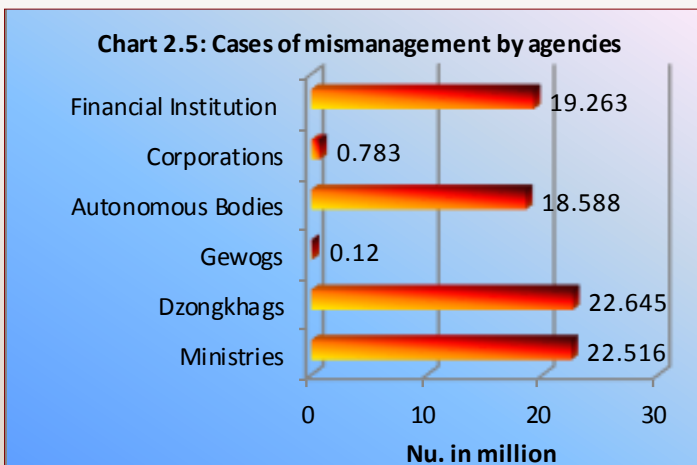
### I. FRAUD, CORRUPTION AND EMBEZZLEMENT

Under Fraud, Corruption & Embezzlement, there were lapses involving Nu.53.963 million with Corporations representing highest proportion of 61% with Nu.33.154 million of the total followed by Ministries with Nu.11.814 million representing 22%.



### II. MISMANAGEMENT

Under Mismanagement there were lapses of Nu.83.915 million of which 26.99% is represented by the Dzongkhags with irregularities of Nu.22.645 million, closely followed by Ministries with Nu.22.516 million representing 26.83%.

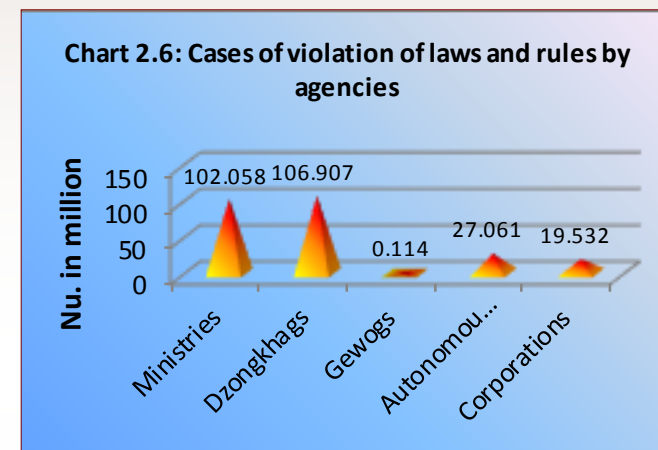


## THE SUMMARY OF AUDIT FINDINGS

- ▶ The report contains unresolved issues pertaining to nine Ministries, 11 Dzongkhags, 13 Gewogs of eight Dzongkhags, 14 Autonomous Bodies, 11 Corporations, 5 Financial Institutions and one Political Party.

### III. VIOLATION OF LAWS AND RULES

Under Violation of Laws and Rules, the total lapses amounted to Nu.255.672 million of which Dzongkhags represent 41.81% with Nu.106.907 million followed by Ministries with Nu.102.058 representing 39.91%.



### IV. SHORTFALLS, LAPSES AND DEFICIENCIES

Under Shortfalls, Lapses and Deficiencies amounted to Nu.130.194 million with the Ministries representing 58.13% with Nu.75.684 million, followed by Corporations at 16.84% with Nu.21.928 million and Autonomous agencies at 15.44% with Nu.20.099 million.

