

AUDIT ADVOCACY AND AWARENESS PROGRAMMES

The RAA conducted Audit Advocacy and Awareness Programmes for the Ministries, Dzongkhags & Gewogs Administration, Corporations, Financial Institutions, Thromdes, Dratshangs, Armed Forces, Judiciary, other autonomous agencies and schools. The Auditor General sensitized on the 'Roles and Responsibilities of the RAA in promoting accountability and transparency in the use of Public Resources'. The stakeholders were also sensitized on the ISSAs and the Financial Resources Management Accountability Index (FRMAI).

SUMMARY OF CHAPTER 5

“AUDIT REPORT OF HYDROPOWER PROJECTS ”

The chapter reflects issues noted during the audits undertaken for two Hydro Power Projects of Punatshangchhu-II Hydroelectric Project Authority and Mangdechhu Hydroelectric Project Authority, during the year 2016 as per the Standard Operating Procedures signed between the RAA and the Comptroller and Auditor General (C&AG) of India, and the Projects Agreement signed between the Royal Government of Bhutan (RGoB) and the Government of India (GoI).

The unresolved significant irregularities reported for PHPA-I were Nu. 1,123.769 million and for MHPA Nu. 246.293 million.

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.

- ⇒ Ensure effective utilization of Infrastructure/equipment;
- ⇒ Insurance of ongoing construction works needs to be streamlined;
- ⇒ Award of additional works in constructions should be minimized through adequate planning; and
- ⇒ Community Contracts should be awarded as per Community

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 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).



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

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Royal Audit Authority
Bumthang
Tel: +975 3 631658/631871
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Email: dwangchuk@bhutanaudit.gov.bt
Total agencies under audit: 154

Office of the Asstt. Auditor General
Royal Audit Authority
Tsirang
Tel: +975 6 478258/471360
Fax: +975 471292
Email: mdorji@bhutanaudit.gov.bt
Total agencies under audit: 188

Office of the Asstt. Auditor General
Royal Audit Authority
Phuentsholing
Tel: +975 5 251488/251089
Fax: +975 5 251639
Email: rlhamo@bhutanaudit.gov.bt
Total agencies under audit: 135

Office of the Asstt. Auditor General
Royal Audit Authority
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Tel: +975 7 251550
Fax: + 975 7 251185
Email: nsharma@bhutanaudit.gov.bt
Total agencies under audit: 163

HIGHLIGHTS OF THE ANNUAL AUDIT REPORT 2016



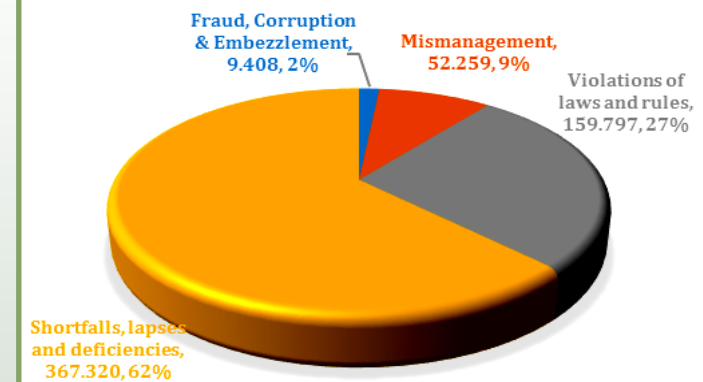
TOTAL AMOUNT OF UNRESOLVED IRREGULARITIES IN AAR 2016

NU. 588.784 MILLION

TOTAL AUDIT RECOVERIES IN 2016

NU. 90.037 MILLION

Chart 2.2. Irregularities By Observation Categories



Royal Audit Authority
Bhutan Integrity House | Peling Lam | Kawangjangsa
P.O Box 191 | Thimphu 11001 | Bhutan

THE ACCOMPLISHMENTS OF THE RAA

Some of our significant achievements are briefly highlighted below:

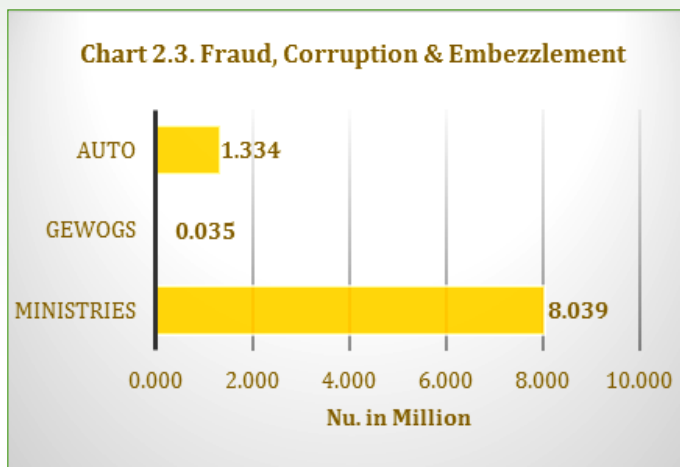
- ▶ The RAA completed 894 audits comprising of 802 financial audits, 82 compliance audits and 10 performance audits.
- ▶ The RAA issued 815 Audit Reports comprising of 690 financial audit reports, 118 compliance audit reports and 7 performance audit reports. Besides, 38 statutory audit reports for audit of Corporations and Financial Institutions were also issued.
- ▶ The RAA also carried out one Micro Assessment of the Religion & Health Project under Dratshang Lhentshog and five Internal Audits of the Headquarters and four regional offices of the RAA.
- ▶ 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 23,739 audit clearances for various purposes.
- ▶ During the period, the RAA endorsed 10 audit reports containing 16 cases which indicated existence of fraud and corruption to ACC.
- ▶ The RAA recovered a sum of Nu. 90.037 million on account of Audit Recoveries, lesser by 14.34% as compared to the recoveries in 2015.
- ▶ The RAA launched its second Strategic Plan 2015-2020 on July 27, 2016 .
- ▶ The RAA released its Policy Guidelines on Media Communication on March 28, 2016.
- ▶ The RAA signed the 'Statement of Commitment' with the IDI, Norway in April 2016, following which the RAA trained auditors on ISSAI based audits methodologies and also initiated ISSAI based pilot audits.
- ▶ The RAA with support from the Austrian Development Cooperation trained ten auditors on 'Auditing from Gender Perspective'.
- ▶ The RAA also signed the grant agreement for "Strengthening Environmental Auditing towards Protection & Conservation of Environment" with the Bhutan Trust Fund for Environmental Conservation amounting to Nu. 6.924 million.
- ▶ The RAA initiated the 'Stakeholders' Satisfaction and Perception Survey', an independent study carried out by consultants to assess the satisfaction and perception level of the stakeholders availing audit services.
- ▶ A three-member delegation led by the Chairman of the State Audit Commission, OAG, Thailand visited the RAA in August 2016 and signed a MoU for mutual cooperation and institutional strengthening between the two SAIs.
- ▶ A two-member delegation led by the Director General of INTOSAI Development Initiatives, Norway visited RAA October 2016.
- ▶ A five-member delegation led by the Auditor General attended the XXII IN-COSAI held in Abu Dhabi, United Arab Emirates from 5-11 December 2016.
- ▶ A two-member delegation led by the Auditor General attended the international symposium on National Integrity System in Chiang Mai, Thailand in February 2016.
- ▶ A four-member delegation led by the DAG, DSA attended the 17th INTOSAI Working Group on Environmental Auditing (WGEA) in October 2016.
- ▶ A two-member delegation led by the DAG, DPCA attended the Audit Seminar for 'SAIs along the Belt & Road Route' held in Nanjing, China from June 27 to July 6, 2016.
- ▶ The on-going construction of Professional Development Centre at Tsiran are well on track.
- ▶ The accounts and operations of RAA for the Fiscal Year ended 30th June 2016 was audited by M/s S.N. Mukherji & Co. India.

THE SUMMARY OF AUDIT FINDINGS

The AAR 2016 was compiled from 815 audit reports issued during the year. Highlights of the audit findings are given below:
The total unresolved issues reported in the Annual Audit Report 2016 amounted to Nu. 588.784 million.

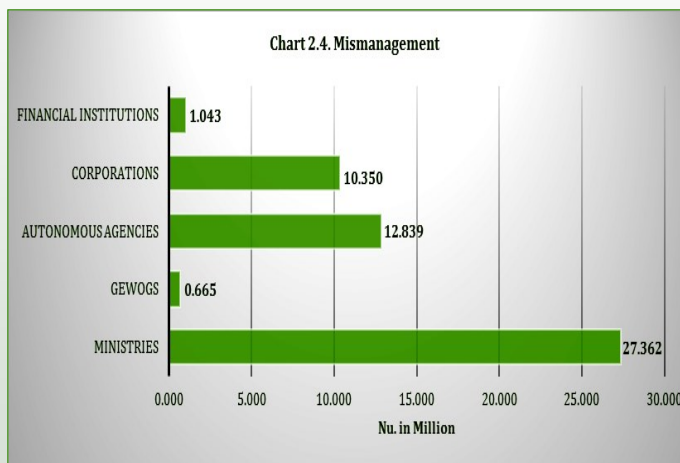
I. FRAUD, CORRUPTION AND EMBEZZLEMENT

Under Fraud, Corruption & Embezzlement, there were lapses involving Nu. 9.408 million with Ministries representing highest proportion of 85.45% with Nu. 8.039 million of the total followed by Autonomous Agencies with Nu. 1.334 million representing 14.18%.



II. MISMANAGEMENT

Under Mismanagement there were lapses of Nu. 52.259 million of which 52.36% is represented by the Ministries with irregularities of Nu.27.362 million, followed by Autonomous Agencies with Nu. 12.839 million representing 24.57%.

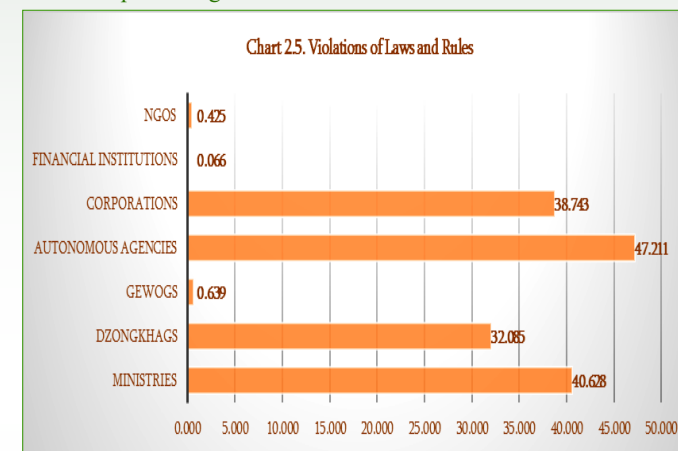


THE SUMMARY OF AUDIT FINDINGS

The report contains unresolved significant issues pertaining to nine Ministries, 14 Dzongkhags Administration, 20 Gewogs Administration under 13 Dzongkhags, 12 Autonomous Agencies, 12 Corporations, four Financial Institutions and two NGOs.

III. VIOLATION OF LAWS AND RULES

Under Violation of Laws and Rules, the total lapses amounted to Nu. 159.797 million of which Autonomous Agencies represent 29.54% with Nu.147.211 million, followed by Ministries with Nu. 40.628 representing 25.42%.



IV. SHORTFALLS, LAPSES AND DEFICIENCIES

Under Shortfalls, Lapses and Deficiencies amounted to Nu.367.320 million with Ministries representing 63.79% with Nu. 234.323 million followed by Autonomous Agencies with Nu. 42.912 million representing 11.68%

