

## SUMMARY OF CHAPTER 4 AUDIT REPORT OF HYDROPOWER PROJECTS

The chapter covers unresolved issues under three Joint Audits of Hydro-Power Projects of PHPA-I, PHPA-II and MHPA in 2018. The audits were conducted as per the Standard Operating Procedures signed between the RAA and the Comptroller and Auditor General of India and the Projects Agreement signed between the Royal Government of Bhutan and the Government of India.

The unresolved irregularities reported under the three Joint Audits amounted to Nu.1,771.928 million in which PHPA-I had irregularities involving Nu.1,006.913 million followed by PHPA-II with Nu.657.019 million and MHPA with Nu.107.995 million.

## SUMMARY OF CHAPTER 5 PERFORMANCE AUDIT REPORTS

The chapter provides brief summaries of the five Performance Audit Reports that were tabled in the Parliament during the year as follows: Performance Audit Report on Bhutan Chamber of Commerce and Industry; Performance Audit of Revenue Collection and Management in Thromdes; Performance Audit Report on the "Preparedness for implementation of Sustainable Development Goals"; IT Audit Report on Core Banking Solution (TCS BaNCs) of BOBL; and Report on Review of In-Country Travel.

## SUMMARY OF CHAPTER 6 OTHER MATTERS

The chapter provides brief information on audit issues reported through Management Appraisal Reports, audit reports forwarded to the ACC, and audit issues remaining unresolved even after court verdicts.

## SUMMARY OF CHAPTER 7 RECOMMENDATIONS

This chapter contains RAA's recommendations intended to draw attention of the government and authorities to address the issues to promoting accountability and improving economy, efficiency and effectiveness in the use of public resources.

The recommendations are categorized into three major domains and made based on the overall findings and deficiencies noted in the operations of audited agencies as well as based on the experiences and observed issues that require to be addressed through appropriate interventions. **Construction Management:** 1) Ensure proper planning and scheduling of construction works to avoid delays in completion of works; 2) The agencies must ensure that drawings, designs and estimates are complete in respect of deliverables sought; 3) The agencies must enforce the release and recovery of advances as per the provisions of contract; 4) The practice of booking expenditure without completing work needs to be regulated; and 5) Process for taking over of completed works must be clearly delineated; **Service Delivery:** 6) Need to improve delivery of Land services; and 7) Need to improve Census Service Delivery. **Financial Management:** 8) Need to review unreconciled of Financial Statements.

## THE ROYAL AUDIT AUTHORITY

The 16<sup>th</sup> National Assembly proposed the establishment of an audit system in the country in 1961. 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 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 (re-enacted in 2018) 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 2018.



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

Office of the Asstt. Auditor General  
**Bumthang**  
Tel: +975 3 631658/631871  
Fax: + 975 3 631198  
Email: dwangchuk@bhutanaudit.gov.bt  
Total agencies under audit: 175

Office of the Asstt. Auditor General  
**Tsirang**  
Tel: +975 6 478258/471360  
Fax: +975 471292  
Email: mdorji@bhutanaudit.gov.bt  
Total agencies under audit: 209

Office of the Asstt. Auditor General  
**Phuentsholing**  
Tel: +975 5 251488/251089  
Fax: +975 5 251639  
Email: rihamo@bhutanaudit.gov.bt  
Total agencies under audit: 144

Office of the Asstt. Auditor General  
**Samdrupjongkhar**  
Tel: +975 7 251550  
Fax: + 975 7 251185  
Email: nsharma@bhutanaudit.gov.bt  
Total agencies under audit: 173

## HIGHLIGHTS OF THE ANNUAL AUDIT REPORT 2018



**TOTAL AMOUNT OF UNRESOLVED  
IRREGULARITIES IN AAR 2018**

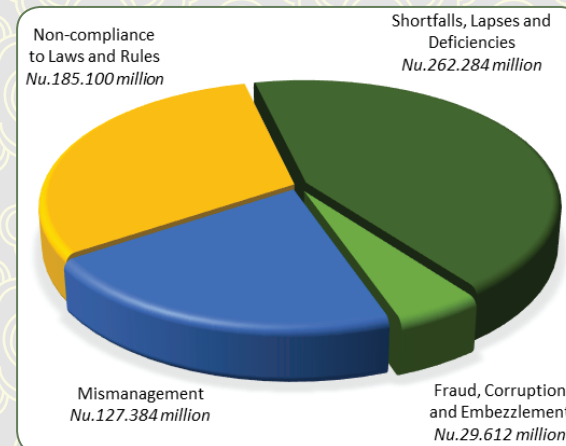
**NU.604.380 MILLION**

**TOTAL AUDIT RECOVERIES IN 2018**

**NU.100.993 MILLION**



### IRREGULARITIES BY CATEGORIES



Royal Audit Authority  
Bhutan Integrity House | Peling Lam | Kawangjangsa  
P.O Box 191 | Thimphu 11001 | Bhutan  
[www.bhutanaudit.gov.bt](http://www.bhutanaudit.gov.bt)

## ACCOMPLISHMENTS OF RAA

### Highlights of our outputs and achievements

- » The RAA's Strategic Plan 2015-2020 is the second successive Strategic Plan which was formulated to align to the term of the current Auditor General. It has two identified strategic outcomes with three strategic goals, which are further segregated into four programmes;
- » In 2018 the RAA had 816 agencies with corresponding 1,237 accounts to be audited under its jurisdiction;
- » The RAA had conducted 674 audits in 2017-18 which comprised of 635 Financial Audits (including 42 statutory audits and 39 audits conducted by local audit firms), 34 Compliance Audits, and five Performance Audits;
- » The RAA had issued 503 audit reports in 2017-18 which comprised of which 469 Financial Audit Reports, 26 Compliance Audit Reports, and eight Performance Audit Reports;
- » The RAA also issued 716 follow-up reports in order to ensure that the auditing processes produce appropriate results, and also to expedite the settlement of the outstanding audit issues;
- » The RAA tabled five Performance Audit Reports during the year - three reports during the 11<sup>th</sup> Session of 2<sup>nd</sup> Parliament and two reports during the 1<sup>st</sup> Session of the 3<sup>rd</sup> Parliament. Review Reports of the AARs 2009 to 2015, including a set of recommendations were also submitted to the Parliament;
- » The RAA made audit recoveries of Nu.100.993 million. The recoveries had increased by 6.90% from the previous year;
- » The RAA issued 21,700 Audit Clearance Certificates for various purposes;
- » The RAA's Professional Development Centre in Tsirang was consecrated on 1 November 2018 coinciding with the Constitution Day of Bhutan and as a part of 50-years celebration of bilateral relationship between the Kingdom of Bhutan and Republic of India. Since its consecration the Centre has hosted 20 trainings;
- » As of December 2018, the RAA had 271 employees with diverse professional backgrounds. The RAA recruited 35 new employees and 13 employees separated from the service;
- » The RAA provided 27 in-country trainings and workshops for 603 participants in-house trainings, and 71 participants attended ex-country trainings, workshops and seminars;
- » The accounts and operations of the RAA for the fiscal year ended 30 June 2017 was audited by Gupta & Co., Kolkata.

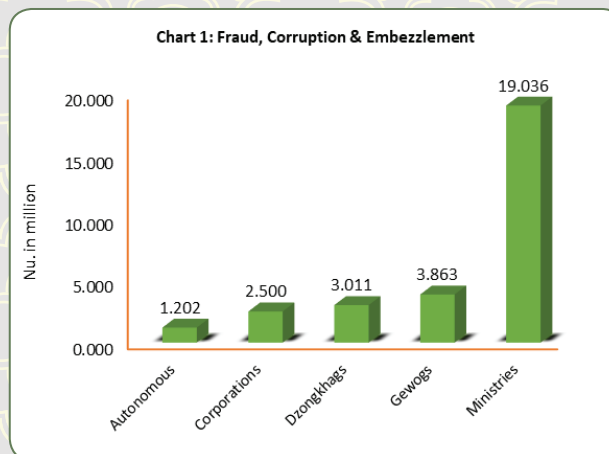
## THE SUMMARY OF AUDIT FINDINGS

The AAR 2018 was compiled from 597 audit reports issued during the year 2018. The total unresolved issues reported in the AAR amounted to Nu.604.380 million.

Highlights of the audit findings are given below:

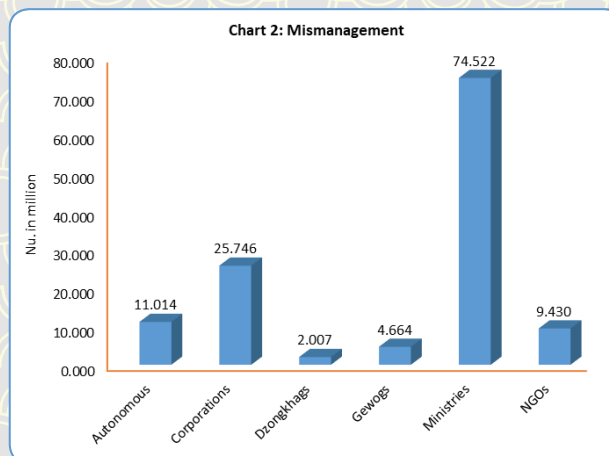
### I. FRAUD, CORRUPTION AND EMBEZZLEMENT

The irregularities with elements of Fraud, Corruption & Embezzlement aggregated to Nu.29.612 million of which Ministries represented Nu.19.036 million (64.28%) followed by Gewogs Administration with Nu.3.863 million (13.05%).



### II. MISMANAGEMENT

Under Mismanagement, lapses of Nu.127.384 million was reported with Nu.74.522 million (58.50%) under Ministries followed by Nu.25.746 million (20.21%) under Corporations.

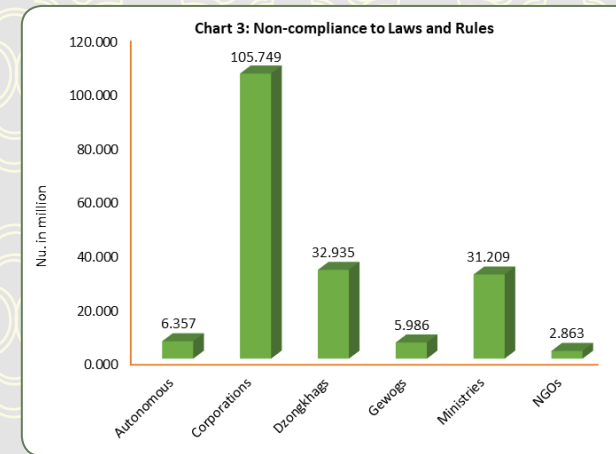


## THE SUMMARY OF AUDIT FINDINGS

The report contains unresolved significant issues pertaining to nine Ministries, 19 Dzongkhags Administration, 69 Gewogs Administration under 15 Dzongkhags, 12 Autonomous Agencies, 17 Corporations, three Financial Institutions and six NGOs.

### III. NON-COMPLIANCE TO LAWS AND RULES

Total lapses reported under Non-compliance to Laws and Rules amounted to Nu.185.100 million of which Corporations represented Nu.105.749 million (57.13%), followed by Dzongkhags with Nu.32.935 million (17.79%).



### IV. SHORTFALLS, LAPSES AND DEFICIENCIES

Shortfalls, Lapses and Deficiencies amounted to Nu.262.284 million where Dzongkhags had Nu.94.744 million (36.12%), followed by Ministries with Nu.73.559 million (28.05%).

