

JOINT AUDITS OF HYDROELECTRIC PROJECTS

The chapter reflects issues noted during the joint audits undertaken for two hydroelectric projects of MHEP and PHEP-I during the year 2019 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 the two Hydropower Projects amounted to Nu. 380.624 million. MHEP had irregularities with Nu. 231.954 million, followed by PHEP-I with Nu. 148.670 million.

COMPLIANCE AUDIT REPORTS

The chapter provides brief summaries of three theme-based Compliance Audit Reports issued during the year on the themes 'Northern East-West Highway', 'Surface Collection and dredging of RBM' and 'Government Property Management'.

PERFORMANCE AUDIT REPORTS

The chapter provides brief summaries of eleven Performance Audit Reports issued during the year.

OTHER MATTERS

The chapter provides brief information on AG's Advisory series on BSR and its applications by the Government Agencies, audit issues under arbitration, forwarded to the ACC and those remaining unresolved even after court verdicts during the year.

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. There are four generic recommendations 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 for agencies to enforce contractual provision of insurance for works;
- * Need to ensure compliances to government property management manual in managing government properties;
- * Need for rectification/ reconciliations of differences in accounts of budgetary agencies; and
- * Review the prevalent practice of granting advances to contractors beyond the scope of PRR;
- * Need for guidelines on hospitality and entertainment expenses;
- * Need to review policy of direct purchase of HDPE pipes from domestic manufacturers.

THE ROYAL AUDIT AUTHORITY

The 16th 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 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 RAA became a constitutional body with the enactment of the Audit Act of Bhutan 2006, later superseded by the Audit Act of Bhutan 2018. The RAA derives its mandates from the Constitution of the Kingdom of Bhutan and the Audit Act.

The RAA derives its mandates from Article 25.1 of the Constitution of the Kingdom of Bhutan which states that, "There shall be a Royal Audit Authority to report on the economy, efficiency and effectiveness in the use of public resources."

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

Office of the Assistant Auditor General
Bumthang
Tel: +975 3 631658/631871
Fax: + 975 3 631198
Email: dwangchuk@bhutanaudit.gov.bt
Total agencies under audit: 177

Office of the Assistant Auditor General
Tsirang
Tel: +975 6 478258/471360
Fax: +975 471292
Email: mdorji@bhutanaudit.gov.bt
Total agencies under audit: 225

Office of the Assistant Auditor General
Phuentsholing
Tel: +975 5 251488/251089
Fax: +975 5 251639
Email: rlhamo@bhutanaudit.gov.bt
Total agencies under audit: 92

Office of the Assistant Auditor General
Samdrupjongkhar
Tel: +975 7 251550
Fax: + 975 7 251185
Email: nsharma@bhutanaudit.gov.bt
Total agencies under audit: 159

HIGHLIGHTS OF THE ANNUAL AUDIT REPORT 2019



TOTAL AMOUNT OF UNRESOLVED IRREGULARITIES IN AAR 2019

NU. 1,415.153 MILLION

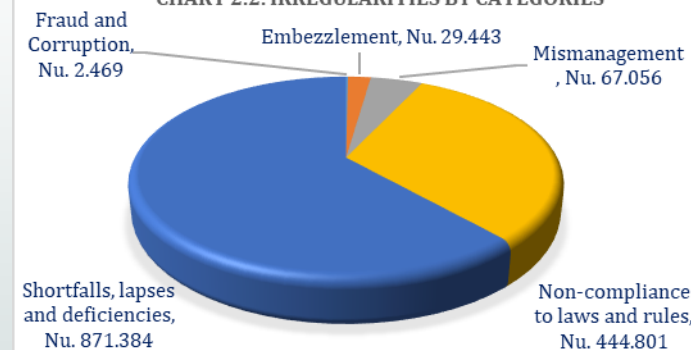
TOTAL AUDIT RECOVERIES IN 2019

NU. 181.900 MILLION



IRREGULARITIES BY CATEGORIES

CHART 2.2. IRREGULARITIES BY CATEGORIES



Royal Audit Authority
Pelung Lam | Kawangjangsa | P.O Box 191
Thimphu 11001 | Bhutan

SUMMARY OF AUDIT FINDINGS

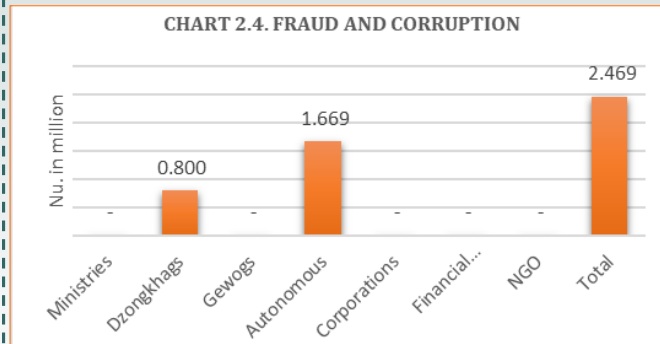
- The Annual Audit Report 2019 was compiled from 564 audit reports issued during the year. Highlights of the audit findings are given below: The total unresolved issues reported amounted to Nu. 1,415.153 million.
- The report contains unresolved significant issues pertaining to 10 Ministries, 16 Dzongkhags Administration, 40 Gewogs Administration, 14 Autonomous Agencies, eight Corporations, five Financial Organisations and three Non-Governmental Organisations.

PERFORMANCE OF RAA

- The RAA's second successive Strategic Plan 2015-2020 is completing its final year of activities. The plan aligned to the term of the current Auditor General has two strategic outcomes and three strategic goals, further segregated into four programme goals.
- In 2019, the RAA's Audit Universe had 816 agencies with 1,237 accounts to be audited under its jurisdiction.
- The RAA conducted 616 audits in 2019, which comprised of 558 Financial, 52 Compliance and 6 Performance Audits.
- The RAA issued 564 audit reports during 2019, which comprised of 497 Financial, 57 Compliance and 11 Performance Audit Reports.
- The RAA issued 43 statutory audit reports pertaining to the corporations and financial institutions.
- The RAA also issued 473 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 the Annual Audit Report 2018 and four performance audit reports during the 2nd Session of 3rd Parliament.
- The RAA made audit recoveries of Nu. 181.900 million in 2019. The recoveries had increased by 80.11% from 2018.
- The RAA issued 24,583 Audit Clearance Certificates for various purposes.
- During 2019, 10 new employees were recruited. Four were recruited as regular employees and six on consolidated contract. A total of 14 employees have left RAA on voluntary resignation of which two left upon completion of contract period. One employee was transferred laterally.
- The RAA conducted 25 in-country trainings including in-house trainings and workshops, and 14 ex-country trainings, workshops and seminars. A total of eight employees are currently pursuing further studies.
- The accounts and operations of the RAA for the Fiscal Year ended 30th June 2019 was audited by M/s Gupta & Co, Chartered Accountants, Kolkata.

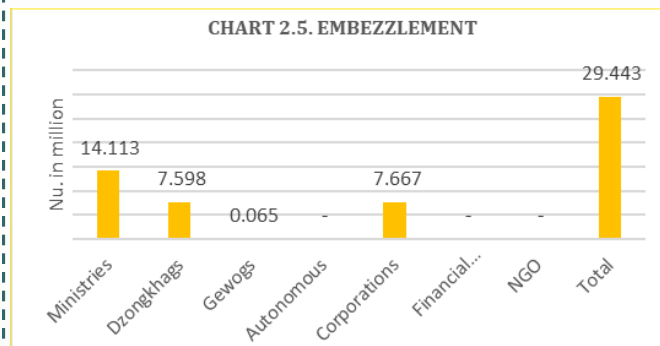
I. FRAUD AND CORRUPTION

Autonomous Agencies had the highest irregularities of Nu. 1.669 million representing 67.60% under Fraud and corruption and the total irregularities amounted to Nu. 2.469 million.



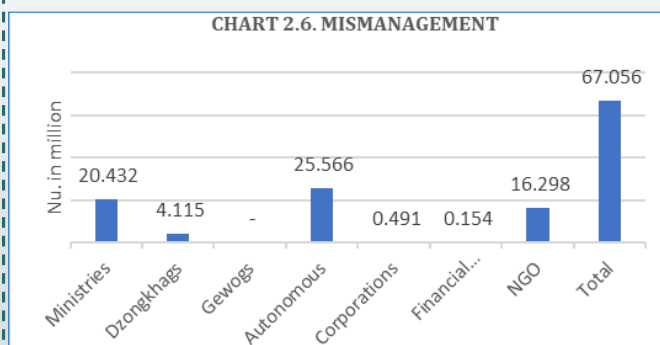
II. EMBEZZLEMENT

Ministries had the highest irregularities of Nu. 14.113 million representing 47.93% under Embezzlement and the total irregularities amounted to Nu. 29.443 million.



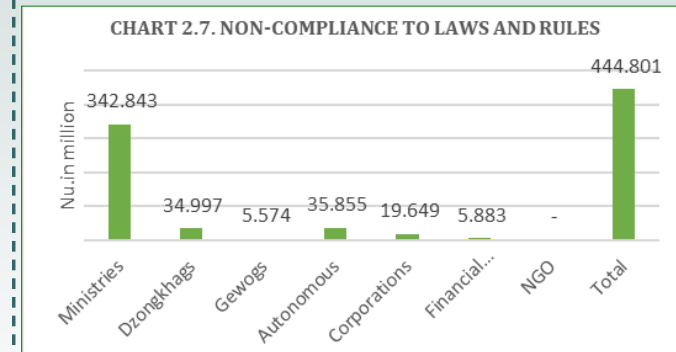
III. MISMANAGEMENT

Autonomous Agencies had the highest irregularities of Nu.25.566 million representing 38.13% under Mismanagement and the total irregularities amounted to Nu. 67.056 million.



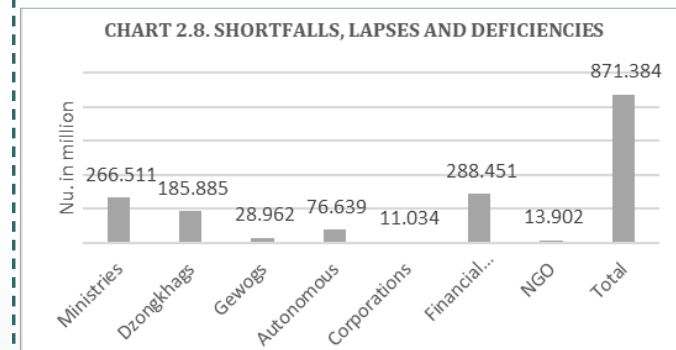
IV. NON-COMPLIANCE TO LAWS AND RULES

Ministries had the highest irregularities of Nu.342.843 million representing 77.08% under Non-Compliance to Laws and Rules and the total irregularities amounted to Nu. 444.801 million.



V. SHORTFALLS, LAPSES AND DEFICIENCIES

Financial Institutions had the highest irregularities of Nu.288.801 million representing 33.19%, under Shortfalls, lapses and deficiencies and the total irregularities amounted to Nu.871.384 million.



VI. JOINT HYDROPOWER AUDITS

MHEP had irregularities of Nu.231.954 million and PHEP-I had irregularities of Nu. 148.670 million.

