



ROYAL AUDIT AUTHORITY NEWSLETTER

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Message from Hon'ble Auditor General...

I would like to thank RAA fraternity and all the well wishers for the warm welcome upon my appointment as Auditor General by His Majesty the King. It is a great honour and privilege for me to work as the sixth Auditor General of Bhutan. I consider it as a huge responsibility bestowed to me from the throne. I want to work with dedication to serve the Tsawa-sum. I shall serve to the best of my ability and fulfill the aspirations of His Majesty the King.

Today, I also urge my fellow auditors to maintain the same level of spirit as before in meeting our future challenges and attaining another level of success in the years to come. Let us all work together and uphold His Majesty's trust and confidence reposed in us as an institution that plays a vital role in promoting good governance through the work of auditing and reporting.

I wish you a happy reading!

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His Majesty visits Royal Audit Authority



His Majesty the King visited the Royal Audit Authority on 16th July, 2015 and granted audience to the officials and staff of RAA. His Majesty commended the RAA for successfully carrying out their duties in service to the nation.

His Majesty the King also granted another audience to about 170 officials of RAA on 6th June, 2015 at the Royal Banquet Hall in Thimphu. During the hour-long audience, His Majesty shared with RAA family the various challenges that we face today, in our efforts to consolidate our futures, and His Majesty's deepest concerns regarding these challenges. His Majesty also shared his vision on our economy and the successive Five Year Plans.

His Majesty urged everyone to work harder to leave behind a better legacy. His Majesty shared his thoughts on the country's greatest strength and its biggest challenge – the small population, and encouraged us to make up for what we lack in wealth and resources with talent. His Majesty reminded us that we had the advantage of speed and that everything we do, could be done faster, better and more efficiently than any other country. His Majesty also reminded us that Bhutan being a small country with limited wealth and resources could not afford to have the problems that large countries face, and cautioned the officials against the ills of corruption, and the need for relentless dedication to serve our King, Country and the People.

NEWS& EVENTS

Sixth Auditor General appointed

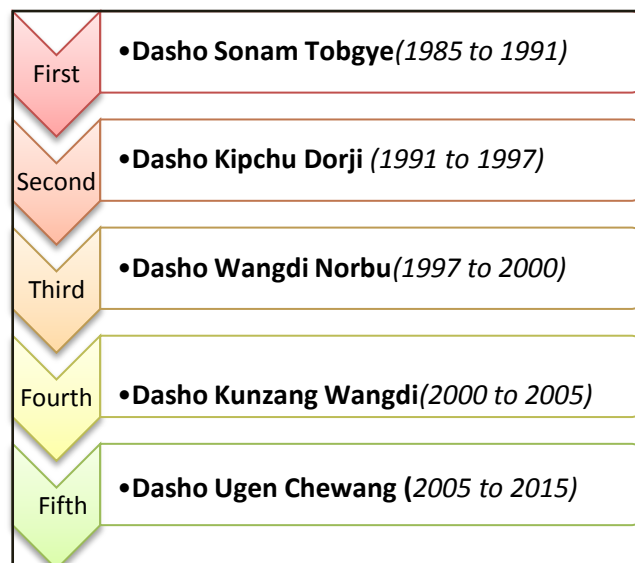


His Majesty the King appointed Dasho Tshering Kezang as the new Auditor General of the Royal Audit Authority on 31st July, 2015 as per the Article 2 Section 19 (f) of the Constitution of the Kingdom of Bhutan. He was conferred with *Kabney* and *Patang*.

The newly appointed Auditor General joined office on 6th August, 2015, with a traditional *Zhugdrel-Phuensum-Tshogpa* ceremony along with *Tashi Khaddars* offered by the RAA fraternity and well-wishers. Dasho Tshering Kezang, then formally took charge of the Office from the RAA's Executive Committee, who were assigned to oversee the daily functions of the RAA upon the completion of term of the former Auditor General.

In his 25 years of service prior to becoming the Auditor General, he had held various professional and administrative post in the Civil Service.

Timeline of Past Auditor Generals of Bhutan



Courtesy: Royal Audit Authority

Life history of Dasho Tshering Kezang

Dasho Tshering Kezang was born in April 1964 to Phurba Tshering and Pema Dolma in Nimshong village under Zhemgang Dzongkhag. Dasho started his early education from Goshing Primary School in Zhemgang and completed his Secondary education from Yangchenphug High School. He graduated from Sherubtse College, Kanglung with a Bachelors of Commerce Degree in 1988.

Dasho Tshering Kezang joined the Civil Service in 1989 as a trainee officer and started his career as the Assistant Finance Officer under the Ministry of Health and Education and later joined the Royal Audit Authority in the year 1995.

As a young and energetic civil servant he served the country in his fullest capacity and held important posts in various capacities. During his tenure in the Royal Audit Authority he held various important posts.



Dasho with his family members

He served in the capacity of a Militia Officer (1991 to 1994), Senior Finance Officer (1995 to 1999), Chief Auditor (1999 to 2000), Internal Auditor (Under deputation to MoHCA from 2000 to 2003), and as the Assistant Auditor General for the Office of the Assistant Auditor General Tsirang (2003 to 2007).

In recognition for his excellent service to the King, Country and the People, he was appointed as the Dzongdag of Lhuntse Dzongkhag in the year 2007 and served till March 2013. Later he served as the Dzongdag for Pemagatshel Dzongkhag till 2015.

He has 18 years of professional auditing and accounting experience and also has a Master's Degree in Professional Accountancy from Edith Cowan University in Perth, Australia. He had also availed many professional and leadership trainings such as Desung Integrated Training at Tencholing and Executive Service Training from Royal Institute for Governance and Strategic Studies (RIGSS) in Phuntsholing.

Dasho is also a recipient of the Druk Yuegyal medal, the highest military honor as a member of the Militia awarded by His Majesty the Fourth Druk Gyalpo, Jigme Singye Wangchuck. Further, Dasho was also

awarded the Silver Medal for 20 years of humble and dedicated service to the Nation.

Besides his professional and successful career as a public servant, he enjoys playing archery. He is married to Aum Sangay Dechen from Trashigang and has three children.

RAA bids farewell to former Auditor General on completion of 5 year term

After a distinguished service of more than 36 years to the country, Dasho Ugen Chewang formally handed over the responsibility of Auditor General to the Executive Committee on 23rd July, 2015. Dasho Ugen Chewang was appointed as interim Auditor General through the Royal Decree issued on 31st December, 2005. Later in 2010, he was reappointed as the Auditor General under the Constitution of the Kingdom of Bhutan by His Majesty the King through a Royal Decree issued on July 22nd, 2010.

During the nine and a half years of his tenure as Auditor General, Dasho had initiated series of reforms to strengthen capabilities of the institution and bring about transformational changes in the institutional framework, organizational systems and professional development of the RAA. He streamlined the processes, procedures and capability building along with enhanced focus on delivery of RAA's core mandates.



Coinciding with the completion of his term, the Auditor General's Report titled 'Custodian of Nation's Watch Dog' was published. The report entails personal accounts of the Auditor General on providing leadership and preparation of Royal Audit Authority towards transition into constitutional democracy.

Some significant achievements under the leadership of Dasho Ugen Chewang

- ✚ His Majesty awarded Druk Thuksey medal to RAA;
- ✚ Contributed through numerous Performance, Financial, Compliance, & Special Audits;
- ✚ Prepared AG's Advisory Series on 'Procurement of Consultancy Services' and 'Procurement of Goods and Works';
- ✚ Prepared and adopted AG's Standing Instructions for Auditors of RAA;
- ✚ Prepared RAA's Strategic Plan 2010-15;
- ✚ Developed & adopted 22 Audit Manuals on various audit areas;
- ✚ Development of Audit Resources Management System (ARMS); and
- ✚ Developed Financial Resource Management Accountability Index (FRMAI) to rank agencies in terms of resource management by the government agencies.

Source: AG's term report

15th Annual Audit Conference convened in Thimphu



The five-day 15th Annual Audit Conference on the theme "In Pursuit of Excellence: Role of RAA in Democracy" was convened from 1st to 5th June 2015, at the Royal Banquet Hall, Thimphu. Over hundred seventy auditors from Headquarter and all Regional Offices of the RAA attended the Conference. The opening ceremony was graced by the Hon'ble Speaker, National Assembly of Bhutan.

The new recruits of RAA were administered the Oath of good Conduct, Ethics and Secrecy from the Venerable Yonten Lopen Rinpoche from Zhung Dratshang. During the ceremony, the Hon'ble Chief guest also launched 22 audit manuals, two policy documents and awarded prizes for the 'Best Audit Report' and 'Significant Audit Observation' for FY 2012-13 & 2013-14.

The first day saw long deliberations on the concept of the conference theme and have contemplated on various strategies to embark on our new journey to fulfill the aspirations of the society at large. The participants took stock of progress in the implementation of the resolutions of past meetings, Mid Term Reviews and Annual Audit Conferences. This was basically to keep track of implementations of various decisions that

were taken for achievement of the organizational goals and objectives.



The second day saw the presentation on the stock of progress and achievements during the last nine and half years coinciding with the two terms of the Auditor General from December 2005 to June 2015. The report highlights the significant achievements as well as shortcomings and challenges that had persisted.

Along with the report, terminal review of Strategic Plan 2010-15 was conducted to take stock of progress and failures. The reviews provided the basis to envision the strategies through a new Strategic Plan 2015-20. In further rendering effective and efficient working systems and procedures, the meetings discussed on coordination mechanism for audit of Financial Institutions including branch offices within the jurisdictions of different Regional Offices.

The meeting also reviewed the status of the Annual Audit Schedule 2014-15, budget and also carried out mid-year assessment of our performances through a newly adopted Audit Performance Evaluation Management System (APEMS). This system were instituted to render objective basis for evaluation of performance of our auditors to recognize them for appropriate awards and also to ensure high conformity to audit and

reporting processes to the professional standards and practices.

On the third day, it charted out annual plans for quality assurance review to ensure that auditing processes and reports are of highest quality through a regular review. A presentation by the National Commission for Women and Children on 'Gender' and 'Issues related to gender' was also made to sensitize the RAA employees.

To sustain motivated workforce in the RAA, the meeting reviewed the Capacity Development Projects envisaged in the 11th Five Year Plan. The house deliberated on possibilities of exploring more projects to fund various long-term and short-term trainings for the auditors.

In delineating Corporate Social Responsibility, the house reviewed Audit Staff Welfare Scheme which had proved to be very useful for the auditors in times of needs. The participants discussed at length its sustainability and revised amount of contributions and benefits.

The fourth day was graced by the Chairperson of the National Council of Bhutan, and he talked on 'the Role of RAA in Democracy'. He shared lot of insights, that are expected to help the RAA to further chart its strategies based on the perspective rendered through the lens of the important



stakeholder of RAA representing the Parliament.



The fifth and final day saw compilation of conference resolutions and appointment of the Secretary General & Conference Coordinator for the next Annual Audit Conference. Ms. Rinzin Lhamo, Dy. Chief Audit Officer and Mr. Leki Tshering, Audit Officer were nominated and appointed respectively.

The 15th Annual Audit Conference adopted 14 Resolutions in total, while some were implemented immediately, others will be implemented in due course of time. The 15th Annual Audit Conference concluded with offering Tashi melam.

It was funded by Austian Cordination Agency and UNDP.

Objectives of Annual Audit Conference

The Annual Audit Conference has been an important annual feature of the Royal Audit Authority. The conference such as this provide appropriate platform for auditors to deliberate and to reinforce their capabilities through dissemination of information on professional knowledge and skills. Besides, the participants also take stock of the achievements made in the past year and formulate strategies to facilitate achievement of goals and objectives for the year ahead.

Highlights of some of the resolutions

- The RAA shall write a letter to the DNB, MoF requesting to increase the travel budget as the budget approved based on ceiling of 180 days per individual used as per the existing budget guidelines is not relevant to RAA by the nature of works;
- In view of several constraints, the establishment of the proposed “Works Audit Division” shall be deferred for the time being. However, the RAA shall explore other options to coordinate and manage the audit of the “Mega-Projects” to ensure focused and effective audit;
- The RQAD shall conduct Quality Assurance Review for both financial and performance audits in line with the respective Quality Assurance Review Hand Books;
- In order to maintain transparency & disseminate information on HR decision to all the employees of the RAA, the minutes of the meeting of HRC and basis of selection shall be made available on RAA website;
- The identified facilitators shall provide handholding on how to carry out mapping of audit practices to the requirements of ISSAIs using iCAT (ISSAI Compliance Assessment Tool) to all the Team Leaders and auditors which would also enhance awareness on ISSAIs;
- The HRIRD shall provide priority on training on Risk Based Auditing Methodologies similar to the ones that were provided by Deloitte Haskins and Sells, India catering to all Team leaders and auditor.

Courtesy: PPAARD

The Speaker of National Assembly graced the opening ceremony of 15th Annual Audit Conference



The Hon'ble speaker of National Assembly, Lyonpo Jigme Zangpo graced the opening ceremony of 15th Annual Audit Conference on 1st of June, 2015. In his opening remarks, he thanked Hon'ble Auditor General and the RAA for inviting him for the event.

Here are some of the excerpts from his speech:

“Under the visionary leadership of our kings, the RAA had shown incredible accomplishment of professional growth and have played significant role in promoting good governance in the democratic system of governance. The RAA has zealously protected its independent mandates and at the same time professionally carried out the responsibility without fear, favour, and prejudice.

I would like to express my deep appreciation for the achievement made by the RAA as reported by the Auditor General. I am impressed by the hard work and dedication put forward by the Auditor General and fellow auditors. I am glad to hear that RAA had achieved a remarkable milestone in the democratic system of our governance. I am particularly impressed on number of initiatives formulated to uphold the constitutional

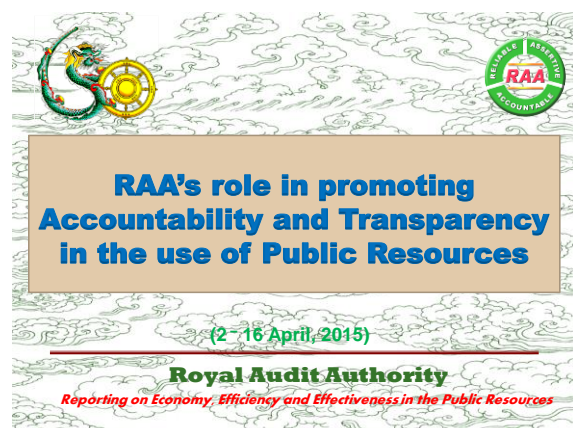
mandates. Some of the initiatives such as; Formulation of RAA strategic plan, Integration of various auditing tools & techniques, Development of various systems, policies, guidelines, standards & auditing manuals and Structured in-house capacity development initiatives are well appreciated efforts by the RAA for continued excellence in your professions.

I would also like to congratulate the RAA for your comprehensive Annual Audit Report (AAR) 2014 and Performance Audit report on Public Debt 2014.

I am also pleased to commend on the award winning teams for both best audit reports and significant audit observations, who received Auditor Generals Assurance Award for the year 2012-13 and 2013-14. This was a good initiative from the RAA so that our auditors would be encouraged to work harder and develop professionally in its work. More than the prize money, it is the recognition the institution has for the hard work of an auditor, team and division, which would go a long way in boosting the morale and attitude of all the auditors. Once again I offer my deepest congratulations to the winners' and all the participants who contested for this award.

I would like to join with RAA in welcoming new officers and staffs that have chosen to join RAA. Your commitment to join RAA was an indication that you are looking forward to work harder for the country and people at large. Your presence to this wonderful institution is a prestige that RAA would flourish and guide our country to be transparent and clean. As recited in the “Oath of good conduct, Ethics and Secrecy”, I pray for your successful and unending career in an endeavor”

Audit Awareness Campaign conducted in four tertiary institutes under RUB



The Royal Audit Authority completed two weeks advocacy campaign in four tertiary institutes via Gaeddu College of Business Studies, College of Science and Technology, Jigme Namgyel Polytechnic, and Sherubtse College.

The programme was organized as part of infusing preventive measures into the mainstream of normal auditing and reporting processes by creating general awareness to the target participants.

The RAA made presentations on the RAA's role in promoting transparency and accountability in the use of public resources and also familiarized participants on the steps and leaps undertaken by the RAA since its inception as an Accounts & Audit Organization in 1963 to the Royal Audit Office in 1970, to the autonomous body as the Royal Audit Authority in 1985 to finally the Independent Constitutional Body in 2005.

Alignment of RAA's roles with the enactment of Constitution of Kingdom of Bhutan and Audit Act of Bhutan 2006 with special focus on audit of value for money entailed the main thrust topic of the presentation spontaneously delivered by the Auditor General to the enthused or actively engrossed participants.

Participants were also briefed on various kinds of audit models practiced worldwide. The gathering was informed that the RAA's organizational set-up is of a modified 'West Minister' model or 'Parliamentary' model wherein the Auditor General is the head of the Supreme Audit Institution and reports to the Parliament of the Nation, usually through the Public Accounts Committee. Other two models talked about were the 'Judicial' or 'Napoleonic' model and 'Board or Collegiate' model. While the former models exist in France and Latin American countries, the latter in some Asian countries like Indonesia, Japan and Republic of Korea.

On the 'Vision & Mission' of the RAA, the Auditor General explicitly explained how the RAA's organizational set up is structured to realize the defined vision and mission. Striving to achieve the elements of these statements, he affirmed that RAA provides third party opinion on the public sector activities and stewardship of public resources. He also explained the 'Public Resources Accountability' model wherein the RAA plays a vital role as the only bridge to the resource entrusted by Legislature (Parliament) and accounts operated by Executive through its audit reports to its stakeholders; King, Country and People. The presentation also introduced participants on the RAA's audit accountability model which is comprised of auditing and reporting procedures and the system of accountability fixation in place. Participants were familiarized on some key impacts of audit works with specific highlights on common issues of lapses and deficiencies in construction and procurement audits. The question and answer sessions were organized for all the institutes and colleges.

ACC and RAA sign Agreement on protocol for mutual assistance and information sharing

The Chairperson, Anti-Corruption Commission and the Auditor General, Royal Audit Authority signed the 'Protocol of mutual assistance and information sharing between Anti-Corruption Commission and Royal Audit Authority in preventing and combating corruption and promoting good governance' on 12th June 2015.

The purpose was to set out a framework of cooperation, assistance and exchange of information between the ACC and the RAA to facilitate timely intervention to detect and report on fraud and corruption without prejudice to respective functional independence and autonomy. The Section 67 (b) of the Anti-Corruption Act of Bhutan

2006 and the Section 48 (b) of the Audit Act of Bhutan 2006 has required the cooperation and assistance of both the institutions.

The area of cooperation established in this Protocol are when, what and how referrals to the ACC by the RAA are to be made, when, what and how referrals to the RAA by the ACC are to be made, what sorts of information are to be shared, in what circumstances joint investigations are to be conducted, how audit clearances shall be affected to individuals on ACC related cases and when bilateral meetings are to be held.

Both the ACC and the RAA has undertaken to disseminate this Protocol throughout their respective organizations so that all relevant officials are aware of the framework it establishes and the resolve of both the Parties to achieve its purpose.

Auditor General awards certificates for best audit reports and best significant audit observations

Six financial audit reports and two performance audit reports were awarded the “**Auditor General’s Compliance Assurance Award**” for the year 2012-13 and 2013-14.



The winning audit reports for the year 2012-2013 were;

1. “Auditor General’s report on the Annual Financial Statements of the RGoB” by CFID;
2. “Audit Report on the Accounts and Operations of Dagana Dzongkhag” by OAAG Tsirang; and
3. “Audit Report on the Accounts and Operations of International Assisted Project of MoE, Thimphu” by SCID.

The winning audit reports are for the year 2013- 2014 were;

1. “Audit Report on Accounts and Operations of Helvetas-Swiss Inter-Cooperation-Bhutan Programmes” by CFID;
2. “Audit Report on the Remaining Items of Works and Final Bills of the Gelephu Domestic Airport” by SCID; and
3. “Audit Report on Accounts and Operations of Trashigang Dzongkhag” by OAAG Samdrup Jongkhar.

The best Performance Audit Report for 2012-13 was the “Performance Audit Report on the National Land Commission

Secretariat” by PSAD and for 2013-14 was the “Performance Audit Report on Leasing of Government Land, GRF Land and Mines” by RTICD.

Similarly, three most significant audit observations for the year 2012-13 and 2013-14 were also awarded certificates and cash prizes. These were judged based on six criteria such as; Planning and Audit Approach, Degree of Severity of Observation, Financial Materiality, Uniqueness, Professional Judgment and Presentation

Citation for AG's Assurance Award

His Majesty the King realizing the difficulties faced by the auditors decreed on 1st September 1997 that if any auditors detect(s) significant misappropriations be awarded with a sum equivalent to one to three months of their basic pay.

In lieu of payment of bonus, the RAA had decided to institute the Auditor Generals Compliance Assurance Award in the year 2001 as an annual feature recognizing one division, which had been instrumental in making the maximum recovery every financial year. It was intended to enhance earnestness, motivate and build morale of auditors.

As per the resolution of the 10th Annual Audit Conference held on July 2007, the Royal Audit Authority decided to replace the existing award scheme by awarding the audit teams and divisions on the basis of selection of best three reports issued during each year.

Annual *Mangi Kurim* organized in RAA



The Royal Audit Authority performed its Annual *Mangi Kurim* on 6th August, 2015 at the RAA. His Holiness Pedtsaling Trulku Rimpoche presided over the Kurim and rituals on Dragpoi Marchen, Thordok, and Migkhardradok and later the Dragpoi Wang, was administered to the officials and, staffs of RAA.

During the day long Kurim, the officials and staffs of RAA offered Tshog and Nyendar for the peace and prosperity in the country and good health and happiness while performing their duties. The event was organized by the Administration & Finance Division and funded through Audit Staff and Welfare Scheme (ASWS).

ARTICLES

In this edition, this column is dedicated to the history of RAA and its journey during the tenure of the former Hon'ble Auditor General of Bhutan Dasho Ugen Chewang from 2005 to 2015. The RAA was also awarded the highest honour of Druk Thuksey (Heart Son of Bhutan) by His Majesty the Druk Gyalpo during this period and this article is a brief personal account of the achievements under Dasho Ugen Chewang's leadership.

Introduction

Under the visionary leadership of His Majesty the Fourth Druk Gyalpo and His Majesty the King, the RAA has witnessed a gigantic leap in the way it functions through various transformational changes. We have grown from being a mere institution involved in transactional audit to the one bestowed with constitutional status, professionally advanced and capable of producing quality reports comparable to international standards. We pay our humble tribute to the vision of Their Majesties to create a society that upholds values and principles of good governance in public operations.

The Royal Audit Authority is an oversight institution in the use of public resources. As an oversight body, the Royal Audit Authority is entrusted with the responsibility to provide independent views, on the quality of public sector activities, and the stewardship of Public Funds, to His Majesty the King, the Prime Minister and the Parliament. It is through this mandate; we exist to co-exist with other functionaries, in our combined efforts to promote good governance, and ultimately contribute towards achieving our sacred goal of Gross National Happiness.

My appointment as the Auditor General in December 2005 came at a time when transformational changes in governance structure of the country were imminent with the introduction of parliamentary democracy. The Royal Decree of 31st December specifically commanded that, "At a time when we are establishing parliamentary democracy in the country it is important to promote good governance, increase accountability of civil service and root out corruption at its initial stage. Towards this end, the highest importance must be given to further strengthening the functions and responsibilities of the Royal Audit Authority in keeping with the provisions under the Constitution".

The first and foremost task that lied ahead was to ensure preparedness of the auditing institution to play its roles in promoting good governance and accountability in the new governance system. My priorities for my first term were guided by the Royal Kasho. During the period, I mainly focused on strengthening the institution and organizational capacity in keeping with the provisions of the draft Constitution and the Audit Act. The reorientation process encompassed areas of institutional, organizational and professional capacity development. My second term from 2010 provided extended opportunities to further strengthen the institution and also to put to test all transformational initiatives undertaken during the interim period. During my two terms, we saw ourselves going through various transformational processes in aligning ourselves to higher level of professionalism in our core work of auditing and reporting, hopefully rendering basis for improved decision making and enhancing good governance.

Let me begin with the initiatives undertaken in preparing the RAA in terms of overall capacity development.

I. Institutional Development Capacity

The institutional capacity is a basic precondition for the existence of auditing authority which delineates necessary mandates and independence to the audit authorities to carry out the audit. Besides the successive Royal Kashos which reiterate the mandates and independence of the RAA before the adoption of the Constitution, we were able to firm up our mandates through the Constitution itself. Further the enactment of the Audit Act in 2006 was another notable stride towards enhancing institutional capacity of the RAA. With these, I believe we have comprehensive legal framework comparable to any advanced Supreme Audit Institution worldwide.

II. Organizational Development Systems

With the necessary institutional framework in place, the next priority was to look at the way we worked as an organization. The organizational systems capacity included the processes and structures within the organization to enable the achievement of the desired objectives more effectively and efficiently. It became necessary to review the existing systems to mirror ourselves and to explore opportunities for improvement, we subjected to two external and independent reviews of our organizational systems.

The RAA volunteered to be one of the first organisation to undergo the Government initiated Organisation Development Exercise

in 2007 and underwent Capacity Building Needs Assessment initiated by INTOSAI Development Initiatives. These reviews rendered basis for various progressive developments.

First and foremost was to ensure internal good governance. I have always believed that unless those who propound good governance exemplify it in their own actions and deeds, they have no moral authority to preach it to others in whatsoever authority. Therefore, my will was always to first manifest it within ourselves and then propagate to others. It was only prudent to champion good governance within ourselves. To do that, we embarked on following initiatives:

Re-constituted existing subordinate committees and constituted additional ones to achieve our results through delegation of authority in various decision-makings and to support the fulfillment of strategic objectives of RAA through coordinated and transparent approach.

We formulated Strategic Plan 2008-13 and later realigned through Strategic Plan 2010-15 to chart out road map in fulfilling our constitutional mandates. These plan documents was also to render framework to ensure accountability of the Auditor General and became the aspirations and commitments of all auditors.

At a time when RAA's credibility was received with skepticism, the question, "Who audits the audit?" was found often repeated in various media. As required by the Audit Act, the accounts and operations of the RAA were audited by the Professional Accounting Firms appointed by the Parliament and also initiated two peer reviews by the Office of

the Comptroller and Accountant General (CAG) of India. Our performances were also reviewed jointly by INTOSAI Development Initiatives and the Office of the Auditor General of Norway using the SAI Performance Measurement Framework. Besides, we also carry out internal audits of our Head Offices and Regional Offices on an annual basis.

On the aligning processes, new departments and divisions were created to suit the emerging needs and facilitate achievement of organizational goals and objectives based on strategic thrust areas and Strategic Plans.

Secondly, we attached high importance to enhancing professionalism which encompassed overall conduct of the Royal Audit Authority and auditors and overall capabilities to deliver our core business. The initiatives included:

Revamping of our core audit process and approaches to ensure conformance to acceptable practices and standards. Audit Planning in the past was narrowly understood as no actual planning of audit preceded the review of actual accounts and operations of the audited entity and merely involved scheduling of audits. Rather it seemed that whatever findings auditors came across were mere coincidences rather than the results of audit objectives. The RAA for the first time started a system of detailed audit planning and programming as well as risk assessment. I believe the reform in these areas was critical to provide credible process of auditing in conformity to best practices and also to enhance its effectiveness.

In view of large number of agencies to be audited, we were faced with daunting

challenges of ensuring adequate audit coverage. We could no longer afford to continue with the traditional way of auditing or comprehensive auditing which entailed 100% checks. It was not desirable as it proved to be a waste of time and resources. We needed to focus our attention to areas where it really needed our attention. Thus we embraced the concept of risk based auditing.

The RAA started certifying the letter of credit accounts and current deposit account of the agencies from July 2006. This had been drastic change brought about in the audit reports wherein appropriate audit opinions are expressed on the assertions made in the financial statements.

Performance auditing was an emerging concept. While very subtle form of performance audit was carried out in the past years, the RAA was not able to go for a larger scale due to dearth of expertise in this field. I desired to transcend from looking in twigs and branches to the whole forest by fully embarking on performance audits on a larger scale.

With the existing practice of reporting, the RAA was perceived as “fault finder” rather than an “aid” to the management. This had potential to put a big dent on the credibility and reputation of the RAA and our reports did not generate interest of the stakeholders. To forge a way forward, we adopted the Theme, “RAA’s approach towards balanced reporting” for the 12th Annual Audit Conference held in August 2008. The conference adopted number of strategies to implement the concept of balanced reporting.

In guiding our auditors in specific fields, and to provide minimum guidance for the

auditors in preparation of audits in different sectors and entities, the RAA embarked on developing databank of audit criteria and procedures for different audits based on budget heads.

To subscribe to the highest standards in auditing and reporting, the RAA adopted its own Auditing Standards to ensure conformity to acceptable international standards and practices, wherever applicable.

Development of audit methodologies, procedures, processes were required to increase and sustain the level of competency to undertake audit in four strategic thrust areas. We ventured into developing various handbooks, audit manuals and guidelines to guide our auditors. These included 22 specific audit manuals and two policy documents funded by Austrian Development Cooperation which will be adopted today. The salient fact about the development of these documents is that these were the product of our own people.

With proliferation of information technology, it was felt inevitable for the RAA to train its staff in using Computer Assisted Auditing Tools (CAATs) for carrying out the audit of electronic data. Besides, we also acquired 20 licenses of the WIN IDEA which are used in IT Audit.

As the mere existence of manuals and guidelines did not ensure better audit methodology, the RAA had also organized series of sensitization workshops, trainings, conferences and other relevant methods in order to create awareness, enhance capacity and to provide access to these documents.

In pursuit of strengthening RAA's approach towards risk-based financial audit, three

experts from M/s Deloitte Haskins & Sells, Chartered Accountants, Kolkata, India was engaged to assist 15 audit team leaders for carrying out the financial audit of three agencies on a pilot basis in August 2013.

We developed Audit Resources Management Systems to integrate all audit functions and processes. The system is expected to facilitate efficient management of audit works at all levels.

We developed Financial Resource Management Accountability Index to rank agencies in terms of resource management by the government agencies. The model will be adopted today and implemented in the coming financial year.

The Audit Performance Management System (APEMS) was instituted to render objective system to evaluate as well as to ensure high conformance of audit processes to standards and good practices. For the first time, we will be presenting team evaluations pertaining to completed audits in this conference using this system.

No matter how proficient the auditors are in discharging their duties, if their behaviours and conducts are not seen ethical or objective, there will always be a dent on the professionalism and the credibility of the institution. Since field auditors are the ones who interact with the audited agencies, it is important that they exemplify values of integrity and honesty. At that time, credibility of RAA was apparently at its low. I intended to test all forms of persuasions through advocacy and advisory, reprimands and warnings at any opportune moments such as conferences, meetings, personal interactions etc., urging the auditors to

observe acceptable behaviors while auditing. I believe these have yielded desired results. We have gained confidence of our stakeholders and our audit results now have wider acceptance. Besides all these, we established various policies and procedures for the auditors ensure good conduct of our auditors at all times.

Code of good conduct, ethics and secrecy of auditors which lay down comprehensive core values of Code of Good Conduct, Ethics and Secrecy, explicitly describes the 16 principles that every auditors must strive to uphold while in service with the RAA.

The AG's Standing Instructions was drafted and adopted. It ensures accountability of the auditors to exhibit professionalism in their work. To dispel public perception of auditors being treated as VIPs by the audited agencies, we have resorted to the extreme restriction on even accepting a cup of tea from the audited agencies.

III. Professional Capacity Development

The organizational systems and processes can be efficacious only if there are adequate and competent human resources to interact and act as catalyst. We embarked on various human resource development initiatives to build and sustain competent workforce in the organization.

A unique feature in the human resource development of the RAA was the institution of a Continuing Professional Development Policy which regulates development of human resources through continuous trainings and advancements of auditors.

The construction of Professional Development Center at Tsirang which was

endorsed by the 87th National Assembly have already started and expected to be functional by 2017-18. Besides training for our auditors, the RAA will be hosting international and regional trainings catering to the needs of peer SAIs around the world.

We engaged independent consultant to carry out independent study on Rationalization of Manpower in 2013. The Report was used as a basis for requisitioning additional manpower to the Royal Civil Service Commission during the 11th Five Year Plan.

IV. Sustaining relations with stakeholders

Establishing and sustaining effective working relationships with external stakeholders had always been integral to RAA's effort in ensuring impact of its reports and other products and services. Our reports and recommendations will be rendered efficacious only when it is accepted and acted upon. Our strategies in sustaining relations with various stakeholders include:

The Audit Awareness Programmes had proved to be an effective strategy to disseminate information on the roles and responsibilities of the Royal Audit Authority to various specific groups.

Coordinated approach in engaging with Public Accounts Committee, Anti-Corruption, Royal Civil Service Commission, Office of Attorney General, audited agencies and media within the country;

Being signatories to multilateral and bilateral agreements and commitments with international and regional bodies such as INTOSAI and ASOSAI and Peer SAIs of specific countries, the RAA as a member of

the International Organisation of Supreme Audit Institutions (INTOSAI) and Asian Organisation of Supreme Audit Institutions (ASOSAI) derive enormous benefits through participations in various conferences, workshops and trainings conducted by these organizations.

One of our strategies to integrate with international practices and sharing experiences with international auditing community included trans-regional audits – which is a common assignment carried out along with peer organizations on a given theme. It is beneficial for RAA to get hands on experiences in various thematic audits.

Audit Results

The RAA contributes to promotion of good governance through its reports and recommendations. It is through its audit reports the RAA provides independent assurance on the public financial management. All those initiatives reproduced in the first part of my report were aimed at improving the quality of our outputs and contributing towards good governance in public operations. Let me provide an account of some of the achievements of RAA in its pursuit of promoting good governance through its audit and report.

The first test is to see whether RAA had been able to meet the mandates of the Act. The Audit Act mandates a very broad spectrum of audit jurisdiction for the RAA to audit and report on economy, efficiency, and effectiveness in the use of resources. The litmus test is the audit coverage that the RAA had been able to achieve. With over 1,000 audits to be conducted under the jurisdiction of the RAA, the RAA was able to complete

5,274 financial audits and issued 6,406 financial audit reports during the last nine and half years.

The audit reports are the final output of the RAA. The RAA basically produces financial audit reports, performance audit reports and compliance audit reports. Our reports must conform to the highest standards and in order to do that RAA imbibes practices and procedures which shall ensure significance, reliability, objectivity, clarity and timeliness of the reports. I say it that to meet these parameters, we adhere to various quality measures in the auditing and reporting processes.

Contribution to Good Governance & Service Delivery

Every SAI aspires to contribute to good governance through promotion of accountability and transparency in the use of public resources. The issue of report is not the end. These outputs in the form of audit reports should contribute to this intended outcome. The RAA intended to achieve this through its timely audit of agencies, submission of reports to appropriate authorities and vigorous follow up actions.

The RAA's primary responsibility is not to detect fraud and corruption but to provide assurances on the compliance to rules and regulations, examining propriety of money spent, inquiring into the economy, efficiency and effectiveness in the use of resources. However, if in the course of audit, fraudulent and corrupt practices are discovered, we also report. As required by the Act, RAA is also required to share such reports with the Anti-Corruption Commission for further investigations. During the period, RAA had

shared 147 reports containing issues that were indicative of corrupt practices.

Contribution through Financial & Compliance Audits

Through the Annual Audit Reports, as one of our final outputs, we provided series of recommendations to provide basis for informed decision making.

One of the methodologies in ensuring effectiveness of audit is follow up of audit reports. Besides the regular system, the follow up were carried out on the directives of the Parliament.

While improvement brought about by the audit reports and recommendations need to be studied separately, the audit recoveries made based on audit reports is an apparent direct impact of audit. During the period, the RAA had recovered the total amount of Nu. 839.700 million on account of audit recoveries.

It is actually not the amount of recoveries that reflect the impact of audit. What is more important is the deterrence we create in minimizing irregularities in the operations of public entities. We would wish to see decreasing trend of audit recoveries as a result of improved systems in agencies.

While most of the irregularities reported pertained to array of issues arising from mismanagement and deficiencies in internal controls, some of the irregularities were of fraudulent and corrupt nature, having potential to pervade across sectors and becoming endemic to the system if it remained unchecked.

Over the years, the RAA had exposed various scams in different agencies involving millions of Ngultrum. While inadequacy or weak internal control system can be blamed for occurrences of such irregularities, it is the deficit of individuals' morality and integrity that make the controls and system vulnerable.

The RAA was able to rescue the government of huge direct financial losses or rendered basis to tone up necessary checks and controls. Some of these issues also grabbed the attention of the media and alarmed the nation of the existence of undesired practices in public operations.

Contribution through Performance Audit

With a broad audit mandates, "economy, efficiency and effectiveness in the use of public resources", we saw opportunities to provide more value through performance audits. Unlike financial audits, performance audits provide opportunities to conduct holistic review of the performance. My concern was that while we look at branches and twigs, we tend to ignore the picture of the whole forest. We saw RAA justifying its mandates and also playing greater role in contributing to service delivery and good governance through Performance Auditing and I have always reckoned that the performance audit is the future of RAA in playing a greater role.

We have been able to carry out 48 performance and thematic audits. Our little success in this area is a tribute to the determination of my officers who have pioneered and championed the transition into new paradigm of auditing.

Some of the reports which were submitted to the Parliament received unprecedented attention of the law makers and media, sparking long deliberations and discussions in the house as well as in various social forums.

To make a modest beginning, we tried to focus on public operations from service delivery to property management to natural resources management and infrastructure development, environment and information technology, financial and human resource management in public institutions.

I believe that our reviews provided basis for decision makings for improving performance of and trust in, the public sector through appropriate interventions and directives.

I can say that there are lots of opportunities to intensify RAA's attempt to add value and promulgate transparency and accountability through performance audits. I hope that, in future, the RAA would achieve more and more of such audits and make greater impact to the overall governance in the public operations.

Contribution through Auditor General's Advisory Series

Besides audit reports, I also issued three Auditor General's Advisory Series which contained significant and frequently occurring issues that needed timely attention of the government.

The AG's Advisory Series on Construction and Procurement was issued on the eve of commencement of the 10th Five Year Plan. It was the desire of the RAA to highlight issues and problems in the areas of construction and procurement and caution the government on wastages and inefficiencies breeding from the

existing system of implementations. We provided series of recommendations to the authorities to render improved outputs of programmes and projects.

The RAA undertook the review of internal systems to assess the system of internal controls in government agencies and recommend various measures to enhance the effectiveness of the internal audit system across the government.

I also issued advisory series on procurement of Consultancy Services by various public agencies. The topic was chosen basically in view of persisting problems impeding economy, efficiency and effectiveness in the resources spent on procuring consultancy services. We invited attentions of the government on the existence of the problems and suggested course of actions for improved systems and pursue value added engagements of consultants.

Conclusion

My association with this august institution, the Royal Audit Authority had been my lifetime privilege and honor. I started my career in this institution as trainee officer in 1979. If not by sheer coincidence, it was definitely my KARMA which was made possible by the Trust and Confidence of our Kings to end my service to this great nation from the very institution that had enlivened every moment of my career.

My appointment as the Auditor General came at a time when the country was preparing for constitutional democracy. It was really a lifetime opportunity and privilege to take part in preparing the institution to play an important role in the democratic set up.

I believe that all those strategies we formulated and embarked on to attain desired level of capability were achieved. And we saw ourselves going through various transformational processes in aligning ourselves to higher level of professionalism in our core work of auditing and reporting. To my inner self, it was fulfilling to witness paradigm shifts in every sphere of auditing and reporting processes.

Challenges were numerous. And it is not to claim that we had solutions for all. However, I have no qualm about saying that we could excel in some areas in rising to the challenges. It had definitely bolstered our confidence and had definitely provided us good learning experiences to give desired facelift to most of what we were doing in the past. Though there was no instant way or “quick fix” solution to meeting these challenges, yet we embarked on the process of trial and error.

My second appointment through Royal Kasho was yet another opportunity to provide leadership and experience the fruition of plans embarked during my first term.

With so much of progressive developments I associate to my two terms, yet many things remain unfinished. It is a matter of time and as a dynamic organization, adapting to the changes is inevitable. We have come a long way in the service of TSA-WA-SUM, have witnessed a gigantic leap in the way we function through various transformational changes under the benevolent guidance of Their Majesties. The progressive developments and value it provided in the service to the TSA-WA-SUM had culminated into DRUK THUKSEY, institutional award bestowed upon by His Majesty the King in December 2012. I take this opportunity to

thank all employees – past and present, which made this institution worthy of highest trust and confidence.

I would like to pay my sincere tribute to the vision of His Majesty the Fourth King and His Majesty the King for the Trust and Confidence placed in me to steer this organization during the last nine and half years. May this institution be continuously blessed with wisdom and guidance of His Majesty and grow from strength to strength in fulfilling Their Majesties’ vision of promoting a culture of good governance in the country.

I would like to take this opportunity to thank successive Parliaments and the governments for being very supportive in our endeavours in promoting good governance. I pray that the institution enjoys similar support and guidance to work for a common cause. I also like to acknowledge the support of the Public Accounts Committee, peer organizations like ACC, ECB, RCSC and OAG. We have had good institutional linkages and fruitful engagements in fulfilling our respective roles.

And to all my colleagues of RAA – both past and present, I have had fruitful tenure with the support from each and every one of you.

As I exit this great institution very soon, I humbly offer my sincere prayers for attainment of newer heights and success and continue to be an institution worthy of trust and confidence of His Majesty the King, the People and the Country.

Courtesy:

AG’s Term Report and Hon’ble AG’s Report to 15th Annual Audit Conference, 2015.

ABOUT RAA

Vision

A premier audit institution that promotes value for money in government operations and contribute towards good governance.

Mission

To audit without fear, favour or prejudice on the prudent and effective use of public resources and report to the Parliament and stakeholders for enhancing transparency and accountability in the government.

WHO WE ARE	WHAT WE DO	CORE VALUES	MANDATES
The Royal Audit Authority (RAA) is the Supreme Audit Institution (SAI) in the country, responsible to audit and report on the economy, efficiency and effectiveness in the use of public resources as per provisions of the Constitution of the Kingdom of Bhutan. The Auditor General (AG) heads the Royal Audit Authority for a period of five years or until attaining the age of sixty five years, whichever is earlier.	We have over 1194 entities and over 234 employees to audit and report through a network of four Regional Offices and functional divisions located in the Head Office, Thimphu. We carry out performance, financial, compliance, propriety, regularity and Special audit and report to His Majesty the King, the Prime Minister and to the Parliament as required under the Constitution of the Kingdom of Bhutan.	Every auditor subscribes to Sixteen Principle of Oath of <i>Good conduct, Ethics and Secrecy</i> upon their appointment to audit and report on the effective of public resources without fear, favour or prejudice. Our Core Values are: <ul style="list-style-type: none">✓ Independence✓ Objectivity✓ Integrity✓ Commitment✓ Professionalism✓ Reliability	Prior to 2006, the RAA derived its mandates mainly from the <i>Royal Decrees</i> and the General Auditing Rules and Regulations (GARR) promulgated in 1989. Presently, the RAA derives its duties and powers from Article 25 of the Constitution of the Kingdom of Bhutan and the Audit Act of Bhutan 2006 enacted under the provision of the Constitution.

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