



Bhutan Integrity House

ROYAL AUDIT AUTHORITY NEWSLETTER

A Half-Yearly Publication



Volume I, Issue VI, July – December 2013

Editorial...

The year 2013 saw another landmark achievement in the history of RAA. The award of Civil Service medals to 108 civil servants from RAA for their dedicated service to the “Tsa-Wa-Sum”; hosting of three international auditing programmes; & participation in many professional auditing programmes are prominent features in the RAA calendar.

In this edition, we are bringing to you an article on “ISSAI” by Dechen Pelden, AAG, and “Expectations of Auditors from the ISSAI Framework” by Karma Tenzin, AAG. The ISSAIs are expected to provide benchmarks for our auditing practices and further enhance the auditing methodologies.

Besides that, we have covered many other local and international auditing news & events.

*Happy Nyinblo, Happy Losar
& Have a happy reading!*

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ROYAL CIVIL SERVICE MEDALS AWRADED FOR DEDICATED SERVICE TO THE TSA-WA-SUM

The 106th National Day celebrations became most memorable for many Civil Servants when they received their Dedicated Service Award & Lifetime Service Award medals for their dedicated service to the *Tsa-Wa-Sum*. Upon the command of His Majesty the Druk Gyalpo and as enshrined in the Civil Service Act 2010 and BCSR 2012, the Royal Civil Service Commission instituted the Royal Civil Service Award from the year 2013.



Among the many recipients were 108 from the Royal Audit Authority. Eight Gold medals were awarded to the senior most officials in RAA who had served for more than 30 years. 37 Silver medals were awarded to those having served over 20 years & 65 Bronze medals were awarded to those who had served for over 10 years in the Civil Service.

The Hon'ble Auditor General of Bhutan in Thimphu awarded the medals & certificates for the RAA employees. The Assistant Auditors General respectively collected the medals & certificates for officials under the four regional offices. The institution of the Royal Civil Service Award aims to:

- » *Recognise and reward civil servants with outstanding achievements;*
- » *Recognise and reward civil servants for dedicated service to the Tsa-Wa-Sum;*
- » *Develop service models for others to emulate;*
- » *Motivate civil servants to promote innovation, professionalism and service excellence;*
- » *Set high performance culture at work;*
- » *Attract and retain high performers; and*
- » *Develop a sense of achievement and pride of being a civil servant.*

NEWS

MESSAGE FROM HON'BLE AUDITOR GENERAL OF BHUTAN DURING THE AWARD OF CIVIL SERVICE MEDALS

The Hon'ble Auditor General of Bhutan, Dasho Ugen Chewang welcomed all members of the RAA family to the august gathering that marked the special occasion commemorating the dedicated services of the civil servants.

Dasho congratulated all recipients and instructed the AAG of the Regional Offices to organize similar celebration marking the occasion. He was regretful for not being able to gather the entire RAA family in Thimphu.



EXCERPTS FROM HON'BLE AUDITOR GENERAL'S OPENING REMARKS DURING THE MEDAL AWARD CELEBRATIONS

"The Year 2013 – is declared a Civil Service Year – a special recognition to the Civil Servants from the Golden Throne. This year is indeed a historic and a special one for all the civil servants whether you are receiving the medals or not – those not receiving medals today will have your share in due course of time.

The year is also a significant milestone in the history of the RAA since the 17th December 2013 would fall exactly after a year the RAA was recognized as the recipient of Druk Thuksey on 17th December 2012 from His Majesty the Druk Gyalpo. It gives us another special moment to re-dedicate our loyalty and services to the Tsa-Wa-Sum.

Reflecting my experiences after completing eight years tenure in the Royal Audit Authority as the Auditor General, I have seen unwavering support and dedication from you all – reflecting in your professional conduct and discharging of your mandated roles and responsibilities to our stakeholders and fellow citizens. With such a strong and dedicated service from you all as a civil servant, you have set high performance work culture and service excellence.

My dear friends, I had a strong conviction that you as a hardworking and dedicated civil servant would be rewarded one day. I am happy to witness that the day had already begun starting last year as a recipient of the special award and this year yet another special award – especially meant for civil servants.

I am confident that you will not be complacent with what you achieved so far, but continue to work harder and strive to achieve even much higher goals – sustain delivery of services to the public and cherish our GNH goal of 'HAPPINESS FOR ALL'.

HON'BLE PRIME MINISTER OF BHUTAN MEETS WITH RAA OFFICIALS

Hon'ble Prime Minister of Bhutan met with RAA officials on January 15, 2014 at the NRDC Conference Hall.

Hon'ble Auditor General of Bhutan welcomed the Hon'ble Prime Minister and shared some recent developments in RAA. He also highlighted the constitutional mandates of the RAA and power enshrined in the Audit Act of Bhutan 2006.

Further, he also briefed on the budgetary and manpower constraints and challenges RAA is facing while providing auditing services to over a thousand agencies in a year. He made special mention on insufficiency of DSA while on long tours.

During the meeting, Hon'ble Prime Minister shared his vision for Bhutan and expectations from the RAA. He assured all assistance for the challenges RAA is facing presently. The meeting also saw many questions from the RAA officials concerning national interest.

SAI BHUTAN ATTENDED XXI INTERNATIONAL CONGRESS OF SUPREME AUDIT INSTITUTIONS MEETING IN BEIJING

A delegation led by Dasho Ugen Chewang, Auditor General of Bhutan attended the 21st Meeting of XXI INCOSAI with the theme *"Promotion of Good Governance by Supreme Audit Institutions"* in Beijing from 17th to 27th October, 2013. Dechen Pelden, AAG and Karma Tenzin, AAG accompanied the Auditor General.

The Congress of INTOSAI better known as INCOSAI is held every three years. More than 600 delegates representing over 160 INTOSAI members and observers attended the Congress. The Meeting concluded on 26th October 2013 with the release of the Beijing Declaration.

SUMMARY OF THE BEIJING DECLARATION 2013

- » The congress participants call in particular for the implementation of the UN Resolution A/66/209 on strengthening the independence of Supreme Audit Institutions (SAIs).
- » Adopted 12 new audit standards and expressed support for the plans to intensify cooperation with the United Nations in the framework of the Post-2015 Development Agenda.
- » Adopted recommendations on audit work concerning the theme areas "National Audit and National Governance" and "The Role of SAIs in Safeguarding Long-Term Sustainability of Finance Policies".
- » Called upon members, development organisations and other stakeholders to implement the principles of the Lima and Mexico Declarations contained therein at the national level.
- » With regard to the adoption of new audit standards, the focus was on three areas:
 - » ISSAI 12 "Value and Benefits of SAIs – Making a difference in the lives of citizens";
 - » The fundamental auditing principles on financial, performance and compliance auditing revised by the harmonisation project (Level 3, four ISSAIs: 100, 200, 300 and 400) as well as auditing Guidelines with regard to audit of disaster-related aid (Level 4, five ISSAIs: 5500, 5510, 5520, 5530 and 5540 and one INTOSAI GOV: 9250).
- » An INTOSAI Guideline was also adopted.
- » It elected the new INTOSAI Governing Board, chaired by the SAI of China, and the SAI of the United Arab Emirates as the next host of the Congress in 2016.

Courtesy: <http://www.incosai2013.org>

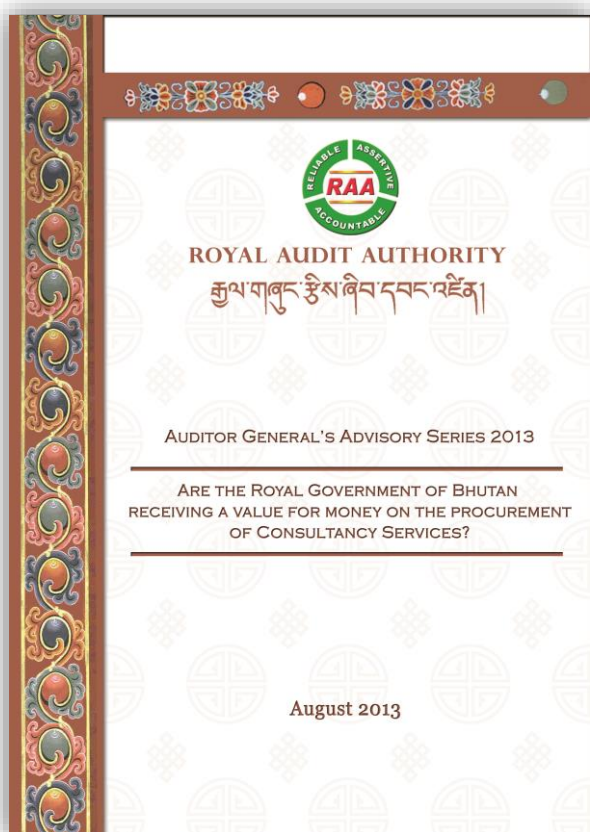


AUDITOR GENERAL'S ADVISORY SERIES 2013 ON "PROCUREMENT OF CONSULTANCY SERVICES IN BHUTAN"

The Auditor General's Advisory Series on "Procurement of Consultancy Services in the Public Sector" was released on 14th November, 2013 by the Royal Audit Authority, undertaking its advisory role as per the Constitution of the Kingdom of Bhutan and the Audit Act of Bhutan 2006.

The Auditor General's Advisory Series 2013 contains Auditor General's report on the economy, efficiency and effectiveness in the procurement and management of consultancy services by the government agencies.

The paper covers issues and concerns pertaining to procurement of consultancy services along with recommendations to address the systemic issues and to add value in the engagement of consultants rather than initiating actions on individual cases.



The copies of the reports were submitted to Hon'ble Prime Minister, Hon'ble Opposition Leader, Hon'ble Chairman of National Council, Hon'ble Ministers of Ministries, Hon'ble Members of the Public Accounts Committee. The copies were also shared with other relevant agencies including Dzongkhags and Autonomous Bodies.

HIGHLIGHT OF AUDITOR GENERALS ADVISORY SERIES ON "PROCUREMENT OF CONSULTANCY SERVICES IN BHUTAN"

Below is a summarized extract from the report.

WHY STUDY WAS UNDERTAKEN?

Consultancy services are usually procured to address the specialized needs of the procuring agencies where in-house capacities and expertise are neither available nor adequate. The consultancy services providers are deemed to be professional and highly specialized in their specific area of interest.

The RAA over the past years has noted increasing trends of engagement of consultants both at technical and management level. On the other hand, several lapses from the consultant works were often, reflected in both financial and performance audit reports in the past.

Therefore, the study was undertaken as a continuation to AG advisory series issued in the year 2008 on "Construction and Procurement". The huge financial dimensions and persistent problems in the public procurement system prompted RAA to embark on such study.

BRIEF BACKGROUND ON PROCUREMENT OF CONSULTANCY SERVICES IN BHUTAN

The major consulting activities were used in hydropower and Accelerating Bhutan's Socio-economic Development (ABSD) Projects. The consultants were also found used for activities such as preparations of designs, drawings and supervisions works in public constructions.

For the last five years, the Government had spent Nu. 4,594.15 millions on Consultancy services, of

which 39% was spent on Hydropower Projects and 9% for ABSD Projects. The other 52% were mainly spent for activities such as preparation of drawings and designs of roads, bridges and buildings, drafting of legislations, standards and manuals of technical nature, development of information systems, etc.

LAPSES AND DEFICIENCIES POINTED OUT IN THE REPORT

The findings have been broadly classified under four categories:

(A) LEGAL AND POLICY FRAMEWORK

- There were no clear strategies laid down for procuring consultancy services in terms of carrying out need analysis and determining the internal capacities; inadequacies in the Procurement Rules and Regulations 2009 were observed; there were no provisions on requirement for need assessment, preparation of procurement plan, requirement of bid and performance securities, liquidity damages and many others.
- The issuance of licenses for the establishment of consulting firms were made without proper assessment of technical capacities.
- The other issues include lack of human resources in Policy, Planning & Procurement Division (PPPD) under MoF, unclear roles and accountability of central technical agencies such as MOWHS, DIT etc., engagement of consultant in multiple works giving rise to situations of possible conflict of interest and inappropriate fixation of consultancy fees.

(B) CONSULTANCY MANAGEMENT AND IMPLEMENTATION ISSUE

Lack of need assessment based on internal resources, knowledge and skills, have led to uneconomical engagement of consultants:

- Non-preparation of comprehensive procurement plan, inadequate monitoring and supervision of the works of the consultant and

improper selection of consultancy firms had resulted in many defective works.

- Inadequate transfer of knowledge, undue confidence on consultants' works in comparison to in-house expertise, irregularities in bid evaluation, direct award, non-adherence to contract agreement and irregularities in supervision of works had showed that the procuring agencies did not achieve value for money in the engagement of consultants.

(C) COST-BENEFIT ANALYSIS

- On simple analysis by the RAA, it was revealed that Government had spent over two times the cost on consultants that would have been incurred if in-house experts engaged in the same assignment.
- There seemed to be hardly any rationale to outsource engineering services when civil service has far more engineers in numbers and level of qualifications.
- The government is incurring huge losses in terms of both quality and cost in acquiring the services of the consultants.

(D) CASE STUDIES ON CONSULTANCY SERVICES

The RAA focused on two specific cases of engagement of consultancy services; Consultancy services for the hydropower projects and Accelerating Bhutan's Socio-economic Development (ABSD) Project.

i. CONSULTANCY SERVICES FOR THE HYDROPOWER PROJECTS

- During the period 2007-08 to 2011-12, a total of Nu. 1,804.350 million was spent on Hydropower Consultancy services.
- Preparation of DPRs and pre-construction activities constitute a substantial portion of the expenditures.
- There were several deficiencies in the design and preparation of estimates and major changes in scope rendered numerous complications related to contract management

- ✚ The cost of PHPA was revised to almost three times the initially projected cost.

ii. **CONSULTANCY SERVICES FOR THE ABSD PROJECT – MCKINSEY & COMPANY, INC.**

- ✚ M/s McKinsey & Co., based in India was awarded the consultancy services at negotiated bid of US\$ 9.1 million (Nu. 443 million). The Contract Agreement was signed on 25th June 2009 between the GNHC and McKinsey & Co. for twenty-three months contract period.
- ✚ The Contract Agreement drawn did not clearly establish the deliverables and outputs from the Consultant and there was inadequate oversight over contract administration.
- ✚ Performance Measures/outcome of compacts were not defined clearly.
- ✚ CIC initiatives were not effective as most Community Information Centre (CICs) were not used and there were non-achievement of targets within timeframe.

CONCLUSIONS

The review done by the RAA on engagement of consultants by various sectors showed that the consultants were not used in most advantageous manner to realize value for money. The present practice of indiscriminate use of consultancy services without carrying out proper cost benefit analysis appeared to be a very costly affair and undermines the optimal use of in-house capacity. Through this study, the RAA does not intend to advocate abolition of consultancy services in the public sector but to demonstrate the magnitude of the issues that are prevalent in the system. There exists great opportunity to enhance value added engagements by initiating corrective actions mainly on **broad**er policy framework and existing practices.

Visit www.bhutanaudit.gov.bt for full report.

Contributed by:

Leki Tshering, AAO, PSAD



EVENTS

DEPUTY AUDITOR GENERAL ATTENDS “ACCOUNTABILITY IN GOVERNMENT” UNDER US INTERNATIONAL VISITOR LEADERSHIP PROGRAM

Jamtsho, Deputy Auditor General, Royal Audit Authority, attended Multi-Regional Project Program titled “Accountability in Government” under US International Visitor Leadership Program from November 4 to November 22, 2013. This Multi-Regional Project was aimed at exploring transparency, ethics and best practices in the government. The US government offered the course to the Royal Government of Bhutan.



Jamtsho was nominated from the RAA based on the responsibilities he shouldered in the RAA and for his outstanding contribution as a young and dynamic leader. The RCSC screens all nominations at the preliminary stage, and the US Government makes the final selection through a highly competitive process. Each year only a few are selected for the course.

During the three-week program, they examined on the methods employed by the public sector to prevent corruption, encourage ethical leadership and transparency, and ensure accountability and responsibility to the public. This professional course is designed for government officials,

business leaders, politicians, civic and community leaders, journalist and academics.

The program was funded and organized by the US Government.

WHAT IS INTERNATIONAL VISITOR LEADERSHIP PROGRAM (IVLP)?

The International Visitor Leadership Program (IVLP) is the U.S. Department of State's premier professional exchange program. Through short-term visits to the United States, current and emerging foreign leaders in a variety of fields experience the United States firsthand and cultivate lasting relationships with their American counterparts. Professional meetings reflect the participants' professional interests and support the foreign policy goals of the United States.

WHO ADMINISTER S THE IVLP?

The U.S. Department of State's Bureau of Educational and Cultural Affairs funds and administers the IVLP in cooperation with National Program Agencies (NPAs) a group of private, not-for-profit organizations based in Washington, D.C. In addition, IVLP relies on the commitment and skills of more than 90 volunteer based community organizations in 44 states that are members of the National Council for International Visitors (NCIV).

WHAT DO INTERNATIONAL VISITORS DO IN THE U.S.?

Participants typically visit four U.S. communities over three weeks, although projects vary by theme an Embassy requests. As they travel, International Visitors participate in:

- ✚ Meetings with U.S. public and private sector organizations related to the project theme.
- ✚ Social/cultural activities, including home hospitality meals with American families.

Each year, more than 5,000 International Visitors come to the United States. Since 1940, nearly 200,000 International Visitors have engaged with Americans through the IVLP. At any given point

during the year, approximately 250 International Visitors are in the United States. More than 50 current and 275 former Chiefs of State or Heads of Government are IVLP alumni.

Courtesy: <http://exchanges.state.gov/ivlp>

TWO RAA OFFICALS CERTIFIED AS IDI-PSC ISSAI FACILITATORS

To facilitate ISSAI Implementation in the ASOSAI and PASAI regions, two workshops were held in Bangkok, Thailand with administrative support from the Office of the Auditor General of Thailand. The workshops for Performance Audit from 30th September to 5th October and Financial Audit from 7th to 12th October 2013 was attended by Tashi Tobgay, AAG, PSAD & TAD & Karma Tenzin, CFID respectively.



Tashi Tobgay,
AAG, PSAD & TAD



Karma Tenzin,
AAG, CFID

A resource team comprising of five ASOSAI training specialists from SAIs of Bhutan and India, and the IDI delivered the workshops. A representative of the Training Administrator of ASOSAI from SAI Japan also attended the events. 34 participants for Performance Audit course and 33 participants for Financial Audit course participated in the workshops.

There were 50 participants were of 17 SAIs in the ASOSAI region, from Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Lao PDR, Malaysia, Maldives, Mongolia, Myanmar,

Nepal, Pakistan, Philippines, Thailand, Turkey and Vietnam.

The workshops were the final stage of the ISSAI Certification Programmes. The workshop's trained participants in the facilitation approach of training as well as on how to facilitate different ISSAI implementation initiatives in their SAIs.

Upon successful completion of the courses, participants were certified as the IDI-PSC ISSAI Facilitators. Participants also submitted their individual action plans as ISSAI Facilitators.

PERFORMANCE AUDIT WORKSHOP HELD IN BANGKOK

The ASOSAI-sponsored workshop on "Performance Audit" which was held in Bangkok, Thailand from November 18th to 27th, 2013 with the administrative support of the Office of the Auditor General of Thailand was attended by Leki Tshering, AAO, PSAD.

Six instructors from five SAIs Bangladesh, Nepal, Pakistan, Thailand and Turkey delivered the sessions of the workshop with the technical guidance of a Subject Matter Expert (SME) from SAI Indonesia. A representative of the Training Administrator of ASOSAI (SAI Japan) also attended for organizing the workshop. 34 participants and an observer from SAI Korea participated in the workshop, and actively discussed and exchanged their views and opinions on the workshop topic.



PUBLIC AUDIT MANAGEMENT COURSE

The Public Audit Management Course, conducted by Korea International Cooperation Agency (KOICA) and Audit and Inspection Training Institute (AITI) in Seongnam, South Korea from 4th to 20th July 2013 was attended by Sonam Yangchen, Sr. Legal Officer, RQAD and Roshna Pradhan, AAO, FUCD of the RAA.

There were 20 participants from 10 countries. The programme was designed to share Korea's experience in the field of Public audit Management and to strengthen partnerships with the participating countries.

INTERNATIONAL SEMINAR ON THE AUDIT OF DISASTER MANAGEMENT PRACTICES

The 11th International Seminar on the Audit of Disaster Management Practices hosted by the Board of Audit and Inspection of Korea, in Seoul, Korea from November 11th to 15th 2013, was attended by Dawa Tshering, AAO, PSAD. There were over 34 participants from the ASOSAI member countries.

The seminar discussed & shared respective country's disaster management systems, disaster management practices, and their knowledge & experiences to tackle common challenges. The five-day seminar provided all participants with a better understanding for the audit of disaster management practices; and to formulate new approaches to their solutions.



IT AUDIT & PERFORMANCE AUDIT COURSES UNDER MTCP 2013

The Malaysian Technical Cooperation Programmes (MTCP) invited participants for the IT Audit Course & Performance Audit Course conducted by the Akademi Audit Negara (National Audit Academy), Malaysia.

The IT Audit Course from 1st to 15th November 2013 was attended by Sangay Letho, Auditor, RTICD & the Performance Audit Course from 25th November to 6th December 2013 by Tashi Lhamo, AO, Thematic Audit Division.



IT Audit Course participants



Performance Audit Course participants

Malaysia through the MTCP shares its development experiences and expertise with other developing countries. The programme forms part of the commitment of the Malaysian Government towards the promotion of technical cooperation among developing countries, strengthening of regional and sub-regional cooperation, as well as nurturing collective self-reliance among developing countries.

COURSE ON RESEARCH METHODOLOGY, QUANTITATIVE AND QUALITATIVE ANALYSIS AND EFFECTIVE FOLLOW-UP APPROACHES

The training on Research Methodology, Quantitative and Qualitative Analysis and Effective Follow-Up Approaches was imparted to two groups of RAA officials. The first group attended from 9th to 20th September 2013 & the second group from 23rd September to 4th October 2013 with the support from the UNDP & GNHC. The course was aimed at enhancing the auditing skills of the auditors.

The course introduced the auditors to various methods of auditing and the use of MS Project 2010 and other new softwares used for audit planning and audit report tracking system that would help in follow-up audits.

OBJECTIVES OF THE TRAINING

- ✓ To learn and update the auditors on various types of audits;
- ✓ Introduce to different types of systems & softwares in audit planning; &
- ✓ Introduce the Audit Report Tracking System / Follow-Up Audit.



The group on an outing during the course.

ARTICLES

INTERNATIONAL STANDARDS OF SUPREME AUDIT INSTITUTIONS (ISSAI)

The Lima Declaration was adopted during the 1Xth International Organization of Supreme Audit Institutions (INTOSAI) Congress held in Lima, Peru in 1977. The main aim of the Declaration is to call for independent government auditing for effective delivery of the Supreme Audit Institutions (SAIs) mandate. It insists that SAIs independence is not only achieved but also has to be anchored in the legislature. Hence, the rule of law and democracy are recognized as essential premises for truly independent government auditing and the pillars on which the Declaration of Lima is founded.

With the endorsement of the International Standards of Supreme Audit Institutions (ISSAIs) during the XXth INTOSAI Congress held in Johannesburg, South Africa in 2010, the Level 1 of the ISSAI framework under the Founding Principles, ISSAI 1 reinforces on the Lima Declaration. It explains on the term 'independence' in relation to the independence of

Supreme Audit Institutions, independence of the members and officials of Supreme Audit Institutions, and the financial independence of Supreme Audit Institutions. Section 5.1 of ISSAI 1 states that, *'the Supreme Audit Institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence'* and Section 7.2 affirms that *'If required, Supreme Audit Institutions shall be entitled to apply directly for the necessary financial means to the public body deciding on the national budget'*. As required by the standards, the Article 25.2 of the Constitution of the Kingdom of Bhutan and Section 4, 15, 16 and 17 of the Audit Act of Bhutan assures organizational, functional and budgetary independence of the Royal Audit Authority.

The Lima Declaration also highlights on SAIs relationship to Parliament, government and the administration; powers of SAIs; audit methods, audit staff, international exchange of experiences; reporting; and, audit powers of SAIs.

Contributed by:
Dechen Pelden,
AAG, HRIRD



INTERNATIONAL STANDARDS OF SUPREME AUDIT INSTITUTIONS (ISSAI) FRAMEWORK		
LEVEL 1	FOUNDING PRINCIPLES OF THE LIMA DECLARATION	ISSAI 1 – LIMA DECLARATION
LEVEL 2	PREREQUISITES FOR THE FUNCTIONING OF SAIs	ISSAI 10 - Mexico Declaration on SAI Independence ISSAI 12 - Value & benefits of SAI ISSAI 20 - Principles of Transparency & Accountability ISSAI 30 - Code of Ethics ISSAI 40 - Quality Control for SAIs
LEVEL 3	FUNDAMENTAL AUDITING PRINCIPLES	ISSAI 100 - Fundamental Principles of Public Sector Auditing ISSAI 200 - Fundamental Principles of Financial Auditing ISSAI 300 - Fundamental Principles of Performance Auditing ISSAI 400 - Fundamental Principles of Compliance Auditing
LEVEL 4	AUDITING GUIDELINES	ISSAI 1000 - 2999 Guidelines on Financial Audit ISSAI 3000 - 3999 Guidelines on Performance Audit ISSAI 4000 - 4999 Guidelines on Compliance Audit ISSAI 5000 - 5999 Auditing Guidelines - Specific Guidelines (E.g. Environmental Audit, IT Audit, Privatization, Audit of Public Debts, Disaster-related Aid, Peer Reviews, etc.)

EXPECTATIONS OF AUDITORS FROM THE ISSAI FRAMEWORK

INTRODUCTION

Most of the SAIs around the world claimed conducting their audit in accordance with the Generally Accepted Auditing Standards (GAAS). However, what is GAAS remained a myth for most of the SAIs and the users of audit report. The adoption of ISSAIs in the XX INCOSAI in 2010 demystified this myth, the myth that remained for decades in the world of public sector auditing. Now we have ISSAIs to benchmark our work of auditing and reporting, and it would provide a basis for measuring the works of SAIs.

There are Supreme Audit Institutions (SAIs) around the world that existed for decades functioning as oversight bodies to audit and report on utilisation of funds and activities carried out by public sector organisations. However, the manner in which the audits have been conducted and reports prepared differed from one SAI to another, which indicated either different standards were followed, or the standards did not exist at all for some SAIs. This invariably led to non-comparability of audit reports between SAIs and existence of multi standards, although there appeared some commonness on the principles of auditing amongst the SAIs around the world. The Professional Standards Committee (PSC) would agree that 190-member SAIs of INTOSAI would possibly have 190 different financial audit reports or very few reports that would be similar to each other. With such a scenario, it was timely that the PSC took initiative to develop ISSAIs, which were adopted in XX INCOSAI 2010.

WHY DO WE NEED ISSAIS?

The ISSAIs would provide a basis for all SAIs to speak same accepted language while auditing and reporting. The ISSAIs are supposedly the

standards that reflect the experiences of many SAIs around the globe over the time. Lots of thinking and continuous research by the representatives of different SAIs steered by the PSC had gone into it, culminating into what it is today, called the "ISSAIs". It provides a common platform for either adopting the standards as they are or adopting it in coherence with the existing national standards. Therefore, the adoption of ISSAIs in whatever form or degree is expected to enhance the professionalism of the auditors of the SAIs. This in turn would ultimately promote the SAIs' credibility and reputation through quality delivery of auditing services.

The SAI of Bhutan had been able to commence the process of implementation of ISSAIs, especially the ISSAIs on financial audit after they were adopted in XX INCOSAI in 2010. The actual implementation of standards started in the year 2012. In doing so we have been able to make some improvement to our audit process and methodologies based on the requirements provided in the standards. However, the auditors' ability to understand the requirements of standards has been a greatest challenge for us due to lack of professional competence. Lack of professionally competent staff would impede the effective implementation of ISSAIs. We have decided to follow a gradual process of implementing ISSAIs.

For stakeholders of SAIs – one of the main assessment yardsticks of the SAIs' functions is their compliance to the international best practices. All works performed by the SAI must stand the test of legislative or executive scrutiny, public judgements, and examination against international standards and practices. Therefore, ISSAIs would provide the necessary yardsticks to the SAIs' stakeholders.

DO THE ISSAIS MEET THE NEEDS FOR A SET OF INTERNATIONAL STANDARDS FOR PUBLIC SECTOR AUDITING?

INTOSAI is an organization of Supreme Audit Institutions constituted as early as 1953 – with more than 50 years of experience and the only legitimate professional body formed through consensus of SAIs around the globe who have agreed for the common goal of promoting accountability and good governance in their respective countries. There are no other international organization that has its equivalent experiences and strengths in terms of number of member SAIs. Therefore, it provides more sense and legitimacy for the INTOSAI's Professional Standards Committee (PSC) to establish international standards for public sector auditing as they have the required experience and drive.

While some SAIs referred the International Standards on Auditing (ISA) for financial audit, there were no standards as such for Performance and Compliance Audits prior to adoption of ISSAIs. Financial audit ISSAIs are supposedly of accepted quality standards since the ISAs developed by International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) has undergone the test of time and now forms the major part of ISSAIs. Notwithstanding its acceptance level of quality, not all ISAs would be relevant and applicable to the audit of public sector accounts of developing countries in the current scenario.

While a good beginning has been made, a lot more work still needs to be done with the ISSAI framework, which I will highlight later.

EXPERIENCES FROM IMPLEMENTING ISSAIS

The implementation of ISSAIs is not something, which can be achieved overnight. It will take many more years and for some SAIs, it could be a life-long experience due to complexities and

technical nature of requirements in the standards. The challenges in the implementation of ISSAIs also confront from every direction, both internal and external to the SAIs.

The IDI under the 3i programme has initiated a series of programmes to facilitate smooth implementation of ISSAIs by SAIs in the developing countries, and this initiative has been working very well so far. However, I will not be able to confirm how many SAIs have started implementing ISSAIs. I believe most of the SAIs are in the process of developing strategies and action plan to implement ISSAIs.

I had an opportunity to interact with 35 participants from ASOSAI and PASAI regions in the recent workshop in Bangkok on facilitating implementation of ISSAIs. They have shared number of concerns in preparing for implementation of ISSAIs.

While some countries are making an effort to implement the standards, some are still in the process of understanding the requirements of standards. The experiences shared in this regard may not represent the views of 190 SAIs, but are representative of at least ASOSAI and PASAI regions. These experiences and problems, however, may be applicable and relevant to others from whom I have not been able to collect their views:

- » From the experiences of many developing SAIs, the top management's drive or reluctance is what accelerates or hinders smooth process of implementing the ISSAIs. With the signing of statement of commitment to implement ISSAIs, the drive from the top management so far has been very encouraging and right tone at the top has been already set.
- » SAIs in the developing countries have different level of auditors with different professional background that create

difference in understanding the ISSAIs. Most SAIs are in need of a critical mass of professionally qualified people, who would be able to understand ISSAI requirements and exercise professional judgement in the implementation of ISSAIs.

- » Resistance to change from some quarter of auditors proved to be the stumbling block in the process of implementation of ISSAIs, where there is less buy-in from those auditors. In order to meet the requirements of ISSAIs, the SAIs would require changing the audit methodologies, and any new initiative the SAIs attempt to put in practice will take time for auditors' acceptability. I believe this is expected in any kind of change and it will take time for our auditors to accept the standards that would lead to high quality auditing.
- » ISSAIs are technical and complex, and present challenges in terms of for instance changing audit approaches and methodologies, securing coherence between national manuals and ISSAIs, and in building staff capacity to ensure successful implementation. They pose a particular challenge for the numerous SAIs in developing countries, and vast majority of INTOSAI members are located in developing countries, many of which face considerable resource, capacity and skills constraints.
- » Understanding the requirements of ISSAIs appeared to be a critical issue in most of the SAIs in the developing countries. For instance, the ISSAIs on financial audit are vast and quite demanding as they cover whole of the financial audit process. Be it a financial audit, compliance audit or performance audit, they are carried out more on

finding based rather than process based where the ISSAIs require performing and documenting the works of auditors in arriving at a conclusion.

- » Interpretation of the standards has also become one of the key issues in implementing ISSAIs. It is not known who should interpret the standards. If the interpretation is left open, there will be lots of mis-interpretation of the standards, thereby posing risk of losing the essence of the standards.
- » The acceptable financial reporting framework on which the SAIs can conduct the financial audit has been a topic of discussion in every meetings, forum, IDI product development meetings, workshops, etc. The issue here is whether the reporting framework used by the public sector organisations to prepare their financial statements is acceptable to auditors to apply their audit procedures and provide audit opinion.

KEY AREAS WHERE THE ISSAIS COULD BE FURTHER IMPROVED

While the efforts of PSC in developing ISSAIs have been appreciated and embraced by SAIs around the world, there are number of issues and concerns that need to be recognised by the PSC when maintaining the existing standards and developing new ones in future.

- » The PSC may revisit the ISSAIs on Performance and Compliance Audit, especially the requirements given in the standards. A broad consultation should take place with as many SAIs as possible. Although named as standards, most of them are guidelines and maintaining the same may defeat the purpose and intent of having such documents and auditors

will find them difficult to practically apply.

- » The standards can be simplified further for auditors to understand. While PSC does not have authority over simplifying the ISAs forming part of financial audit ISSAIs, improving and simplifying Practice Notes can somehow achieve this.
- » It also appears the standards and guidelines are mixed together and named as ISSAIs. For instance the Level-4 ISSAIs are named as Financial Audit Guidelines, Performance Audit Guidelines and Compliance Audit Guidelines. I believe the standards and guidelines are two different aspects. While the Practice Notes forming part of Financial Audit ISSAIs appear to be guidelines, the ISAs are the standards and not guidelines. Therefore, with the permission of the IFAC, the ISAs as a whole may be adapted as ISSAIs and the existing Practice Notes could become explanatory notes to standards. The level-4 ISSAIs may be named as standards such as ISSAIs on Financial Audit, ISSAIs on Performance Audit and ISSAIs on Compliance Audit rather than naming them as guidelines.
- » ISSAIs 5000 to 5600 series need to be clearly defined and distinguished from performance auditing standards. These series contain guidelines on audit of specialised areas.
- » These may be termed as standards dealing with audit of specialised nature or any other appropriate name that is distinct from the aforementioned three types of audit may be considered? These may as well be maintained as guidelines and not

standards, if the intent is to provide guidelines.

- » Grouping ISSAIs into four levels may also be revisited. Level -1 and Level -2 ISSAIs may not meet the definition of standards, except ISSAI 40: Quality Control for SAIs. Others are mainly declarations, statements and principles, which need to be followed by the SAIs. The declarations and principles (eg: code of ethics) may be maintained as separate authoritative documents that can be followed and subscribed by SAIs.
- » The standards on three major disciplines of auditing should not be exclusive documents. The standards may be accompanied by interpretations provided in simplified language that are understandable to auditors from different professional background. As the auditors find the requirements of standards complex and complicated, a section on interpretation under every standard would enhance their understanding and ease the application of requirements while auditing.

KEY REQUIREMENTS TO A SUCCESSFUL STANDARD-SETTER - ARE THESE MET BY INTOSAI'S CURRENT STANDARD-SETTING PROCESSES?

The mere existence of committee as the standard setters for SAIs does not commensurate with the size of INTOSAI as the global professional organisation having influence on public sector auditing. Therefore, an appropriate standard setting Board may be established with adequate representation from both developed and developing countries whose primary responsibility should be to set auditing standards for public sector auditing. The representation in the Board should come from relevant field with

adequate years of experience. The report of the PSC to the Congress already indicates the consideration of having Auditing Standards Board. The functions and powers of standard setting board should be clearly defined.

The PSC has very well achieved setting the professional standards for public sector auditing. However, the responsibility to ensure compliance to these standards is not very clear in the current scenario. The SAIs feel that there should be an intervention from the standard setting body, whereas the PSC might feel that it is the responsibility of respective SAIs to institute mechanism such as peer review to see compliance to standards. The aspect of instituting compliance mechanism needs to be considered in the interest of SAIs in the developing countries that are constrained by resources.

- As it is being done now and in the past, there should be wide consultation in the development of new standards and making amendments to existing ones so that everyone has ownership in the standards, and would facilitate application in audit.
- The Standard setter should clearly establish the anticipated or expected value the standards would add to the system or process. It should clearly comprehend the users' needs of the standards – so that there is necessary buy-in from practicing individuals or institutions, including stakeholders.
- The standard setter may also come out with structured training modules in addition to workshops and guidelines. International and regional seminars on ISSAIs may be conducted on continuous basis for exchange of knowledge

and experiences among SAIs and for better understanding of ISSAIs.

CONCLUSION

ISSAIs are important. They represent benchmark standards for the public sector auditing. Greater recognition and acceptance of these will indeed depend on their continued relevance, practicality and ease of implementation. While we must take pride in the progress and achievements made so far and appreciate the hard work and sacrifices made by many, most importantly by members of PSC and various sub-committees, daunting challenges still lie ahead not only in making real sense of these important standards and facilitating their implementation, but also in rendering the standard setting process transparent, robust, participatory and dynamic. The standards and guidelines must be updated continually to render them relevant and responsive to changing socio-economic development, scientific and technological advancement and emerging issues. Greater cooperation and coherence among standard setters in the public sector and private sector auditing may further enhance the quality and credibility of the standards. The process therefore must continue with greater vigour and professionalism.

*Contributed by:
Karma Tenzin,
AAG, CFID*



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 890 entities and over 227 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">✓ <i>Independence</i>✓ <i>Objectivity</i>✓ <i>Integrity</i>✓ <i>Commitment</i>✓ <i>Professionalism</i>✓ <i>Reliability</i>	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.

Editorial Team: Dorji Wangchuk, Offtg. AAG

Tashi Lhamo, Audit Officer,

Leki Tshering, Asstt. Audit Officer

Published by: ROYAL AUDIT AUTHORITY (RAA)

Bhutan Integrity House, Peling Lam, Kawangjangsa

P.O. Box 191, Thimphu – 11001 : BHUTAN

Telephone: +975-2-322111; **Fax:** +975-2-323491

www.bhutanaudit.gov.bt