



RAA'S STRATEGIC PLAN 2015-2020

In fulfilment of the Constitutional Mandates

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Royal Audit Authority

Kawangjangsa

Thimphu

Bhutan

P.O. Box. 191

Tel: +975 2 322111/ 322833/ 324961/ 328729

Fax: +975 2 323491

www.bhutanaudit.gov.bt



“The main aspiration of the Bhutanese people is that the 11th plan will succeed, and prosperity will grow all around the country. The realization of this goal depends more than ever on the government’s commitment to good governance, which should include check and balance, openness and transparency. The people must take individual responsibility and make a collective effort, instead of depending solely on the government.

The highest probable risk to development that I foresee is corruption. Our national development efforts will be hindered by unchecked corruption. The formulation of plans and programs may be done well, aimed at the well-being of the people. Impressive amount of budget may be disbursed in line with these plans. But as the activities become too numerous, oversight and monitoring may fall short, allowing some people to be corrupt. Although a large amount of resources are spent, projects may not be accomplished as designed and quality of the projects may suffer seriously. At the end, such activities may become a matter of regret and disillusionment for the people and immense loss for the government and the country.”

- His Majesty the King’s Address on 17th December 2014 during the 107th National Day Celebration

ACRONYMNS

ACC	Anti- Corruption Commission
ADB	Asian Development Bank
ADC	Austrian Development Co-operation
ASOSAI	Asian Organization of Supreme Audit Institutions
CA	Compliance Audit
CSOs	Civil Society Organisations
FA	Financial Audit
GNHC	Gross National Happiness Commission
IDI	INTOSAI Development Initiatives
INTOSAI	International Organizations for Supreme Audit Institutions
ISSAIs	International Standards of Supreme Audit Institutions
NGOs	Non-Governmental Organizations
OAG	Office of the Attorney General
OAAG	Office of the Assistant Auditor General
OC	Outcome
PA	Performance Audit
PSAD	Performance & System Audit Division
QAD	Quality Assurance Division
RAA	Royal Audit Authority
RCSC	Royal Civil Service Commission
RGoB	Royal Government of Bhutan
SAIs	Supreme Audit Institutions
SAI-PMF	Supreme Audit Institution- Performance Measurement Framework
SG	Strategic Goal
SWOT	Strengths, Weaknesses, Opportunities & Threats
TAD	Thematic Audit Division
UNDP	United Nations Development Programme
WB	World Bank

MESSAGE FROM THE INTOSAI DEVELOPMENT INITIATIVE



I am delighted to congratulate the Royal Audit Authority (RAA) of Bhutan on the development of their second strategic plan. While reiterating RAA's commitment to contributing to accountability, transparency and ethical behaviour, this plan also envisages RAA's contribution to achieving Gross National Happiness. It also recognizes key developments that have taken place in the country in terms of adoption of Sustainable Development Goals. At the IDI we are enthused to see this outward focused plan that defines strategy in terms of outcomes that contribute value and benefits for the citizens of Bhutan.

RAA led by example when, it not only voluntarily conducted SAI PMF as an external review, but also readily made this report public. I am pleased to see that the strategic plan of RAA substantially addresses key issues identified in the SAI PMF report. Taking one more step towards holding themselves accountable, RAA has also defined performance indicators at the strategic level.

The adoption of International Standards of Supreme Audit Institutions in 2010 brought about a substantial shift in the way Supreme Audit Institutions like RAA conduct their core business. During its last strategic planning period, we have seen RAA make significant progress towards implementing these international standards. The continued focus on ISSAI implementation in this strategic plan is an indication of the serious commitment that RAA has towards high quality audits.

The value of any strategy lies in its implementation. Such implementation takes plenty of resources and efforts. It also takes a visionary leadership and stakeholder commitment. We hope that all internal and external stakeholders of RAA will work together in supporting RAA in the successful implementation of this plan. We look forward to our continued excellent cooperation with RAA and look forward to seeing RAA achieve higher levels of performance.

Per Kristain Foss
Chairman of the IDI Board and Auditor General of Norway

MESSAGE FROM THE AUDITOR GENERAL OF BHUTAN



It is a great pleasure for me to present the Strategic Plan 2015-2020 for the Royal Audit Authority. We have already begun our journey guided by our strategic intents aligning to the term of second Auditor General appointed under the Constitution of Kingdom of Bhutan since July 2015. The finalization of the Strategic Plan document took some time in meeting the due processes.

The Strategic Plan 2015-2020 was prepared on the basis of issues discerned through various discussions and external reviews conducted by peer SAIs and performance review under SAI-PMF assessment by the INTOSAI Donor Secretariat. The strategic issues identified were discussed thoroughly within the core group and executive management of the Royal Audit Authority. Series of discussions on the draft Strategic Plan were held with the internal stakeholders for comments and suggestions before sharing the final draft with the relevant external stakeholders.

As a part of strategic planning processes, the RAA also shared the draft copy with our key stakeholders like the Public Accounts Committee, Ministry of Finance, Royal Civil Service Commission and Gross National Happiness Commission. Further, the draft document was also reviewed by the IDI team.

The comments and suggestions received were thoroughly deliberated and incorporated in this document, wherever applicable. Thus, the final Strategic Plan is the outcome of vigorous deliberations and consultations with the relevant external stakeholders of the RAA.

In delivering the mandates under the Constitution and the Audit Act, the RAA has identified two primary outcomes in fulfilment of societal expectations. These outcomes represent our aspirations and end result in delivering value and benefits to the citizens during the five year period.

The Royal Government of Bhutan seeks to operationalize its unique development philosophy of Gross National Happiness through its successive Five Year Plans (FYP). The development outcomes of the 11th FYP formulated as National Key Result Areas (NKRAs) and Sectoral Key Result Areas (SKRAs) are defined and aligned to four pillars of Gross National Happiness. Keeping the promotion of good governance as cross cutting themes for all types of audits, we aspire to contribute to performance of public sector entities by undertaking more performance audits. Further, aligning the development plans to the Sustainable Development Goals (SDGs) will also provide opportunity for the RAA to review and ascertain the performance of public sectors in attaining the SDG commitments.

The Strategic Plan renders basis to hold the RAA accountable for the public resources it uses. For the first time, we have developed performance indicators to evaluate our performances at the end of five years. I am confident that all of us in whatever capacity shall commit ourselves and work with conviction in fulfilment of tasks assigned individually or collectively. I would like to urge every one

of us to have ownership of the commitments and strive to derive synergy in working together in fulfilment of our sacred mandates.

As an oversight body, we seek to promote good governance and also support government in achieving national goals and objectives through our work of auditing and reporting. To do so, we commit ourselves to be a model organization that upholds the principles of transparency and accountability in its governance and build and sustain our capability to render effective audit services. At the end of five years, I would wish to see RAA with the scaled up capacity in terms of organizational systems and human resource to conduct ISSAI compliant audits in all streams; financial, compliance and performance.

I am hopeful that through these strategic intents, we would be able to carry forward the Vision of His Majesty the King in promoting a cleaner society and fulfilling the aspirations of Gross National Happiness. I would like to solicit cooperation and support from all stakeholders including the existing and potential donors for successful implementation of our strategies.

I take this opportunity to express our gratitude to all our stakeholders who had provided valuable inputs in the development of this Strategic Plan including the World Bank, Austrian Development Cooperation, UNDP, ADB and other donors for their generous financial assistance. I extend my special thanks to the IDI team for their guidance and professional inputs and look forward to receiving the same during the implementation of ISSAI under 3i Phase II pilot programme.

Tashi Delek!



(Tshering Kezang)
Auditor General of Bhutan

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RAA'S STRATEGIC PLAN FRAMEWORK

(2015 –2020)

VISION:

"A credible Supreme Audit Institution that promotes value for money and good governance in public operations and contributes towards achieving the societal aspirations of Gross National Happiness."

MISSION:

"RAA is an independent constitutional body which contributes to accountability, transparency and effective service delivery. In the service of Tsa-Wa-Sum (the King, Country and People), we audit without fear, favour or prejudice and provide timely, reliable and quality audit services to assist effective decision making in the public sector."

CORE VALUES	<i>Integrity, Accountability, Transparency, Professionalism, Team Work</i>
RAA OUTCOMES: WHAT THE RAA IS WORKING TO ACHIEVE?	
<i>RAA OC 1</i>	<i>Greater audit impact leading to improved accountability, transparency and ethical behaviour in the public sector in Bhutan</i>
<i>RAA OC2</i>	<i>Improved public sector performance in National Key Result Areas and Sustainable Development Goals commitments in achieving Gross National Happiness.</i>
RAA STRATEGY: HOW THE RAA WILL ADD VALUE?	
<i>RAA SG 1</i>	<i>RAA delivers high quality audits as per international standards including ISSAIs- Delivering Quality</i>
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<i>RAA C 1</i>	<i>Strong leadership and professional culture</i>
<i>RAA C2</i>	<i>Appropriate institutional framework, organizational structure and systems</i>
<i>RAA C3</i>	<i>Competent and motivated team</i>

OVERVIEW OF THE RAA'S STRATEGIC PLAN 2015-2020

INTRODUCTION

The RAA's Strategic Plan 2015-2020 is prepared in fulfilment of the constitutional mandates of the Royal Audit Authority and this is the second successive Strategic Plan since the appointment of the first Auditor General, under the Constitution of the Kingdom of Bhutan. The RAA derives its mandates from Article 25 of the Constitution and the Audit Act of Bhutan 2006. Article 25.1 of the Constitution and Section 3 of the Audit Act specifically state that "There shall be a Royal Audit Authority to audit and report on the economy, efficiency and effectiveness in the use of public resources."

The Plan is prepared in line with the strategic planning framework propounded by the INTOSAI Development Initiatives (IDI). It has also embraced the result-based management framework, a planning approach adopted by the Royal Government of Bhutan. It includes strategic intents of the RAA to forge a renewed direction for the next five years on the basis of challenges or gaps discerned from internal deliberations, reports of the SAI-PMF assessment conducted by the INTOSAI Donor Secretariat and Office of the Auditor General of Norway, and the Peer Review Report 2010 of the Office of the Comptroller and Auditor General of India. The outcomes and goals were formulated based on the SWOT analysis and gaps identified and annexed in this document as the **Appendix II**.

VISION

"A credible Supreme Audit Institution that promotes value for money and good governance in public operations and contributes towards achieving the societal aspirations of Gross National Happiness."

Every public entity has a fiduciary role to achieve economy, efficiency and effectiveness in their operations and in the use of public resources. The RAA, as a watchdog, is entrusted with a sacred

mandate to audit and report on 3Es and contribute towards enhancing good governance in society. Since its establishment as a Supreme Audit Institution, the RAA has embarked on enhancing good governance through its primary role of auditing and reporting.

In line with this broad mandate, the RAA aspires to be a credible auditing institution that strives to contribute towards achieving societal aspirations of Gross National Happiness. The RAA will sustain its credibility and reputation through providing quality and value-added audit services and remain relevant in meeting the expectations of its stakeholders.

MISSION

"RAA is an independent constitutional body which contributes to accountability, transparency and effective service delivery. In the service of Tsa-Wa-Sum (the King, Country and People), we audit without fear, favour or prejudice and provide timely, reliable and quality audit services to assist effective decision making in the public sector."

Accountability, transparency and efficiency in the public sector operations are three pillars of good governance. The RAA aspires to propound and instill the sense of accountability, transparency and efficiency across all public sector entities. To audit without fear, favour and prejudice, the RAA will manifest the highest level of professionalism and live by its core values.

To pursue its mission, the RAA has identified various strategic goals and outcomes to be realised through appropriate programmes and activities which constitute critical elements of the Strategic Plan 2015-2020.

OUR CORE VALUES

1. Integrity

We are independent, honest and incorruptible in our conduct & remain impartial and trustworthy.

2. Accountability

We are accountable for our own actions in a similar way we propound accountability in audited agencies.

3. Transparency

We are transparent in all our dealings and actions, and promote culture of openness and submit ourselves to scrutiny.

4. Professionalism

We perform quality audit services through dedicated and competent work force conforming to auditing standards and best practices.

4. Team Work

We believe in team spirit and diversity to unleash our full potential in achieving common goals through mutual respect, trust and support.

OUTCOMES

The RAA has identified two outcomes that reflect the changes it intends to bring to the Bhutanese public sector through what we do as an auditing institution. During the period, the RAA shall focus on ensuring high performance of public sector, demonstrating high levels of ethical behaviour and accountability.

RAA OC 1:

Greater audit impact leading to improved accountability, transparency and ethical behaviour in the public sector in Bhutan

To deliver value and benefits envisaged under ISSAI 12, the RAA will seek to contribute to accountability, transparency and ethical behaviour through its financial, performance and compliance audit work. The RAA will focus on enhancing financial audit coverage to ensure timeliness of audit and relevance of audit recommendations. If those charged with governance accept and act on the recommendations of RAA, financial statements of the audited entities will reflect a true and fair view of their financial state of affairs (unmodified audit opinion), thus promoting financial accountability and transparency (improvement in the financial management system). The acceptance and implementation of performance audit recommendations will lead to greater performance accountability and improved governance. Acting on RAA's compliance audit recommendations will lead to systems that are in accordance with the letter and spirit of Bhutan's laws, rules and regulations.

Besides actively cooperating with the Accounting and Auditing Standards Board of Bhutan, which influences the financial reporting framework in the country, the RAA will collaborate with the Ministry of Finance to enhance and strengthen the financial reporting framework in the public sector, since an acceptable financial reporting framework is one of the pre-conditions for financial audit.

While examining different aspects of governance, the RAA will continue to focus on preventing and detecting fraudulent or corrupt practices to contribute to the national priority of reducing corruption. Besides, to further promote transparency, the RAA will reinforce the system of fixing accountability on public servants for cases of all categories of irregularities viz. Fraud, Corruption and Embezzlement, Mismanagement,

Violation of Laws, Rules and Regulations and Shortfalls, Lapses and Deficiencies. While the system of holding public servants accountable is limited only to lapses detected during the financial and compliance audits, the RAA will look forward to extending the system of holding or fixing accountability for performance audit too. Thus, holding those charged with governance to account for lapses and making them responsible to act on the recommendations will further improve accountability in addition to promoting ethical and responsible behaviour amongst public servants.

The RAA is currently piloting the FRMAI system. This system seeks to further strengthen the RAA's efforts to contribute to promoting accountability, transparency and good governance in the audited entity. The RAA will pilot this system and explore the possibility of also using it as a source of gaining a holistic understanding of the audited entities, thereby leading to an enhanced audit planning process and high quality audits.

Through improved audit practices and enhanced professionalism, the RAA will focus on creating impact, based on the delivery of effective audit results and demonstrating an on-going relevance to meeting the expectations of citizens, parliament and other stakeholders.

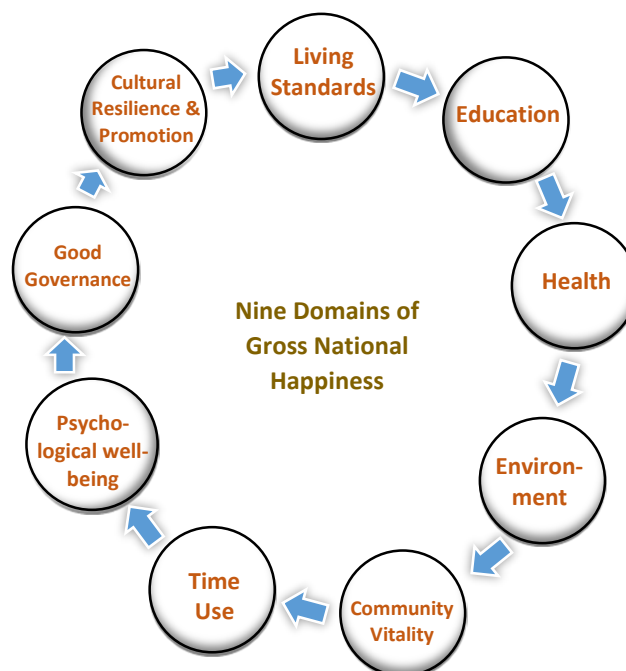
The RAA will uphold the professional code of conduct through the institution of enforcement mechanisms to assess the compliances by all levels of staff. The RAA will shift from activity based to performance based reporting, to ensure transparency of operations and accountability in the use of resources. Through such mechanisms the RAA will aspire to demonstrate itself as a model organization.

RAA OC 2:

Improved public sector performance in National Key Result Areas and Sustainable Development Goals commitments in achieving the Gross National Happiness

The Five Year Plans in Bhutan are prepared within the framework of Gross National Happiness

through identification of National Key Result Areas (NKRAs) and Sector Key Result Areas (SKRAs) under four pillars: Sustainable and equitable socio-economic development; Environmental conservation; Preservation and promotion of culture; and Good governance.



The KRAs represent national priorities and goals of the government in ensuring holistic development and progress that includes both economic and non-economic aspects. Bhutan, as one of the member states of the United Nations, has committed to the Sustainable Development Goals. The Nation is currently in the process of putting in place mechanisms for the implementation of SDGs, which will be aligned with Gross National Happiness. The INTOSAI's strategic plan also emphasizes the role that SAIs can play in ensuring implementation of SDGs.

The work that the RAA does supports and contributes to every pillar of Gross National Happiness in Bhutan. The RAA examines not only financial accountability, but also looks at performance accountability and value for money in every sector of the government. These sectors and different agencies work together for GNH. The RAA will continue to contribute to the national goal of Gross National Happiness and

implementation of SDGs by examining the preparedness of national systems for implementation of SDGs. Even as the RAA moves towards ISSAI compliant audit methodology, the focus areas for selection of performance and compliance audits will be based on SDGs and the four pillars of GNH. As a public institution the RAA will lead by example, in being a model of transparency and accountability. The RAA will also contribute specifically to the achievement of goal 16, by contributing to the building of effective, accountable and inclusive institutions through its auditwork.



STRATEGIC GOALS

The RAA envisages three strategic goals to channel its resources and efforts to contribute to the intended outcomes.

RAA SG 1:

RAA delivers high quality audits as per international standards, including ISSAIs-Delivering Quality

As an oversight body, the RAA will seek to deliver high quality audit results, which are compliant with international standards including ISSAIs. Credible and objective audit reports are a key to wider acceptance of our recommendations and encourage audited agencies to act thereon. To this end, the RAA will focus on:

- *Using ISSAIs as the authoritative auditing standards for financial, performance and compliance audits:* To ensure the quality of audit, the RAA will conduct ISSAI based audits, as they provide the basis to measure the quality of audit. The RAA intends to map its current audit practices, revise audit methodologies, create a critical mass of ISSAI conversant auditors and undertake ISSAI compliant audits in all audit disciplines-financial, compliance and performance. To ensure the sustainability of ISSAI based audits, preparation of the ISSAI implementation strategy will be carried out, which amongst others will include creating an enabling environment for transfer of knowledge among the auditors. Strong emphasis will be placed on a review of audit processes at the line managers' level.

The RAA will strengthen the quality assurance mechanism. The quality assurance review will be conducted on a regular basis and the report will provide a basis to gauge the extent of compliance to the standards.

- *Focussed areas of audit:* In addition to three streams of audit that will be conducted on a regular basis, the RAA will also carry out



26/04/2016: Visit of the Auditor General of Bhutan to IDI, Oslo, Norway

focussed audits of specific areas such as public debt, disaster management, IT, gender, etc. by using the guidance materials developed by INTOSAI working groups.

✿ *Alignment of manuals and guidelines to the requirements of ISSAIs:* To render the relevance of existing manuals, guidelines and tools, the RAA will focus on aligning these to the requirements of the ISSAIs.

✿ *Enhancing applicable Financial Reporting Framework in the government:* Financial Statements in the government are prepared in accordance with the Public Finance Act and Financial Rules and Regulations, issued by the Ministry of Finance, which is currently considered as the applicable financial reporting framework in the government. The RAA will embark on a regular dialogue with the Ministry of Finance, to enhance the financial reporting framework and to adopt international best practices such as IPSAS. The quality of the

financial reporting framework determines the quality of audit reports.

✿ *Audit Resources Management System:* The RAA will focus on IT enabled audit processes such as ARMS to take account of the revised guidelines and methodologies. Also the RAA will roll out plans to integrate IT audit with all disciplines of audit.

RAA SG 2:

RAA leads by example in being accountable, transparent and ethical organization – Demonstrating excellence

Stakeholders' trust and confidence are critical to enhance the reputation of the RAA. As an institution having a huge mandate to propound good governance, it only augurs well for the auditing institution to be exemplary in being accountable and transparent in its conduct. The RAA will strive for excellence through objective audit processes and quality reports. During the period, the RAA will focus on following strategies

to strengthen the accountability and transparency of the organization

- ✿ *Developing Performance Measurement System:* Besides propounding accountability in the audited agencies, the RAA will also focus on enhancing its accountability in the use of public resources in delivering its services. The Strategic Plan will render the basis for the RAA to be accountable to Parliament and stakeholders. The RAA will develop performance indicators for outcomes and outputs. The RAA will submit its Performance report along with the Annual Audit Report to His Majesty the King, Prime Minister and Parliament.
- ✿ *Reinforcing Professional Code of Conduct:* As well as ensuring the professional competence of auditors, the RAA will continuously instil and enforce professionalism and good conduct amongst its employees. The RAA will review its compliance to the Code of Good Conduct, Ethics and Secrecy and Auditor General's Standing Instructions, on a regular basis.
- ✿ *Ensuring good internal governance:* The RAA shall strive for strengthening systems and structures to facilitate participation, transparency and accountability in decision-making. The RAA will be obligated to undergo external reviews such as audit of its accounts and operations, peer reviews and assessments.
- ✿ *Subjecting to external reviews:* The RAA will subject itself to external peer reviews on a continuous basis. In this regard, the RAA intends to conduct SAI- PMF assessment towards the end of its strategic plan period

RAA SG 3:

RAA enjoys strong partnerships and cooperation with key stakeholders– *Fostering collaboration*

The RAA assumes a critical role in the national accountability function, and exists to assist implementers and decision-makers in making



28/04/2016: Signing of Statement of commitment with the IDI on ISSAI Implementation Initiative (3i Programme) Phase II, Oslo, Norway

informed decisions. The effectiveness of the RAA in creating positive impact shall greatly depend on how effectively it engages the relevant stakeholders. Therefore, the RAA believes the effectiveness of its operations can be enhanced only through sustained interaction with relevant stakeholders, which include Parliament, the media, civil society organizations and citizens.

During the period, the RAA will embark on the following strategies.

- ✿ *Stakeholders mapping:* The RAA will focus on identifying relevant stakeholders and develop communication strategies and collaborative approaches in pursuit of promoting accountability and transparency in the public sector. While working relationships exist with some institutions, groups or individuals, the RAA will formalize the collaborative approaches with each of the stakeholders to render effective working relations. The RAA's stakeholders include PAC, executives, constitutional bodies, the media, CSOs, international agencies, professional institutions, academia, private auditing bodies, and other relevant organizations.
- ✿ *Engaging Citizens:* In order to ensure greater impact of audit reports and recommendations, the RAA will explore the possibility of embracing a Citizen

Participatory Audit approach. This would not only channel audit resources to areas that need audit scrutiny but also enhance a collaborative approach amongst CSOs, citizens and the RAA. The joint audits through this approach will be aimed at making the public service more efficient, transparent and accountable. The engagement of citizens would harness greater potential to generate ideas on possible audit ideas, and the shaping of an audit agenda that would culminate in more relevant audit findings and recommendations. The RAA will develop a strategy to institutionalize the Citizen Participatory Audit and pilot such audits during the period.

- ✦ *Ensure participation of Stakeholders in the audit process:* The RAA intends to create greater understanding of audit reports amongst the key stakeholders such as the PAC and executives. On a regular basis, the RAA will continuously engage with these stakeholders to provide insights into lapses, inadequacies of controls and possible risks that need to be acted upon. This collaborative approach will be aimed at rendering the greater impact of audit reports.
- ✦ *Creating awareness and advocacy:* The RAA will pursue advocacy and awareness programmes to disseminate the roles, responsibilities and mandates of the RAA. It is important to conduct such advocacies to create awareness on accountability processes in the overall governance system.
- ✦ *Instituting feedback mechanisms:* The RAA, as a service provider, needs to know how it fares in terms of delivering audit services to its stakeholders on a regular basis. As a feedback mechanism, RAA will undertake client satisfaction surveys, to discern the general perceptions of clients on the RAA's service delivery, which would constitute a useful tool for improvement in its service delivery system.

RAA'S CAPACITY

The RAA's capacity in terms of institutional, organizational systems and professional staff is the prerequisite for realizing the outcomes. The RAA will pursue initiatives in enhancing and sustaining its overall capacity to deliver audit services, in fulfilment of the mandates and expectations of society.

RAA C1:

Strong leadership and professional culture

Under the constitutionally appointed Auditor General, the RAA will have in place a responsive organization structure, good internal governance and leadership to facilitate effective functioning, decision making and purposeful directions through:

- ✦ *Succession Planning:* The RAA will pursue progressive planning to identify and develop people for top leadership positions of the organization. This would ensure the availability of competent people to occupy strategic positions whenever necessary.
- ✦ *Developing Leadership:* Besides, developing people through internal hands-on experiences, the RAA will encourage its employees to undergo leadership programmes offered within and outside the country.
- ✦ *Setting organizational directions:* Through the development of the Strategic Plan and Annual Operation Plans, the RAA intends to express its strategic intents, and uphold organizational values and ethos that would hold together all its employees in achieving the organizational goals. The RAA will attach importance to harnessing a greater level of motivation of its employees and enhancing productivity and performance towards collective objectives.
- ✦ *Enforcing compliance to an ethical code of conduct, and living core values:* The RAA will ensure effective enforcement of the auditors' code of conduct and the RAA's core values

to remain professional in its work.

- ✿ *Creating a culture of collective decision making:* The RAA will review decision making processes within the organization. Based on requirements, processes shall be revamped to facilitate effective decision making through appropriate representations of members in terms of positions, gender and professional experience.

RAA C2:

Appropriate institutional framework, organisational structure and systems

To ensure an enabling institutional framework, organizational structure and systems, the RAA will embark on the following initiatives:

- ✿ *Enforcement of HR and financial independence:* While the provision on HR independence is provided in the Audit Act of Bhutan 2006, the RAA has not been able to enforce this provision since the employees of the RAA are still considered under the umbrella of the Royal Civil Service Commission. Moreover, various stakeholders have also expressed strong views that RAA employees should remain within the Civil Service Commission, being a very small civil service pool in the country. However, with the increasing number of entities to be audited, and growing complexities in entities' operations and advancement in the auditing profession, the RAA has not been able to recruit the required number of auditors with relevant skills and knowledge. This impedes the RAA from developing and sustaining a pool of competent human resources, which is having an adverse impact upon the delivery of effective audit services. The RAA will pursue independent recruitment of its auditors based on its needs. It will also secure autonomy in terms of building and sustaining the human resource capacities.

Further, RCSC is also audited by the RAA; the regulation of the service of the RAA's

personnel by the same authority is not seen to be objective and indicates a conflict of interest. Similarly, the annual budget of the RAA is prepared and presented to Parliament by the Ministry of Finance, while the Audit Act grants complete financial independence, seemingly indicating the existence of a conflict of interest, since the MoF and its line agencies are audited by the RAA. In this regard, the RAA will seek financial autonomy in terms of independent presentation of the RAA's budget to Parliament.

- ✿ *Review of the current organization structure and a proposal for restructuring to render more relevance to its functions:* This will entail creating new departments, divisions and units or merging of existing ones. During the period, the RAA will upgrade its four regional offices to Directorate of Audit headed by Deputy Auditors General. The RAA will also seek to secure its own infrastructures in all regional offices.
- ✿ *Provision of adequate equipment and facilities for auditors such as laptops, internet access, conveyance, etc. to enable auditors to function effectively:* The strategies of providing such equipment and facilities shall be put in place, to render efficient custody, management and ownership of equipment and for availing facilities.
- ✿ *Enhancing Quality Assurance mechanism:* To ensure robust quality assurance systems, the RAA will review the existing Quality Assurance Handbooks and develop new ones in light of ISSAI requirements. The existing research and quality assurance division will be strengthened in terms of manpower and professional capacity to facilitate the conduct of quality assurance in all three streams of audit on a regular basis.
- ✿ *Effective follow-up of audit reports:* The RAA will strive for effective follow up mechanisms to ensure the impact of audit pertaining to all types of audits, and report to Parliament on a regular basis. The current system of fixing

accountability will be reinforced as per existing legislation, rules and regulations to render more objectivity and acceptability by the stakeholders.

- ✿ *Improvisation and development of ISSAI based audit manuals:* The RAA will strive to facilitate auditors to keep abreast of new developments in auditing knowledge through a regular review of auditing and reporting processes by both external and internal reviewers. The RAA will ensure improvisation of existing audit manuals and guidelines as well as developing new ones. Further, through a signing of statement of commitment with the IDI, compliance with ISSAIs shall be enhanced during the period.
- ✿ *Risk Management:* The RAA will initiate the profiling of risks that may potentially affect the conduct of its business and prepare mitigation plans to reduce impacts. The corporate risk register shall list all possible risks that the RAA anticipates during the period.
- ✿ *Resource Management:* To ensure efficient allocation of resources, the RAA will carry out comprehensive resource mapping in allocating resources.
- ✿ *Change Management:* The RAA will have change management in place through a structured process, to adapt to changes in the environment and render smooth transitions of people and process and redirect resources to render effective organization.
- ✿ *Green Policy:* Aligned to the overall government development theme of green and inclusive socio economic development, the RAA will pursue efforts in conservation and protection of the environment through a green policy.
- ✿ *Gender equality:* The RAA will embrace gender equality in its workplace. It will have an internal policy on gender, in terms of representations in the decision making, top level management, recruitment, etc.

RAA C3:

Competent and motivated workforce

In order to ensure sustained professional competence and a motivated workforce, the RAA will:

- ✿ *Develop a Competency framework for auditors:* The RAA will develop a competency framework at various levels and for different streams of audit. The framework will, amongst others, include the knowledge, skills and attributes required for effective and efficient performance of an individual's duties and responsibilities. The framework developed by the INTOSAI or other international organisations will be adapted and customised to the requirements of the RAA.
- ✿ *Continuing Professional Development Policy:* To promote a culture of continuous learning, the RAA will administer relevant training and development both within and outside the country. Employees will be encouraged to pursue continuous development by undergoing relevant courses, which shall be a pre-requisite for any career advancements and opportunities.
- ✿ *Attachment courses/ Deputations/ secondment in other agencies, government or peer organizations, regional and international organizations:* The RAA will encourage its staff to explore learning opportunities through attachment, deputations and other learning modalities to gain exposure and enrich their experience in diverse fields.
- ✿ *Professional Courses:* The RAA will explore opportunities for professional courses to upgrade the academic qualifications of auditors in diverse fields. This will ensure the creation of a pool of subject matter experts capable of conducting all three streams of audit – financial, compliance and performance audits. The RAA will seek to collaborate with relevant institutions and professional bodies

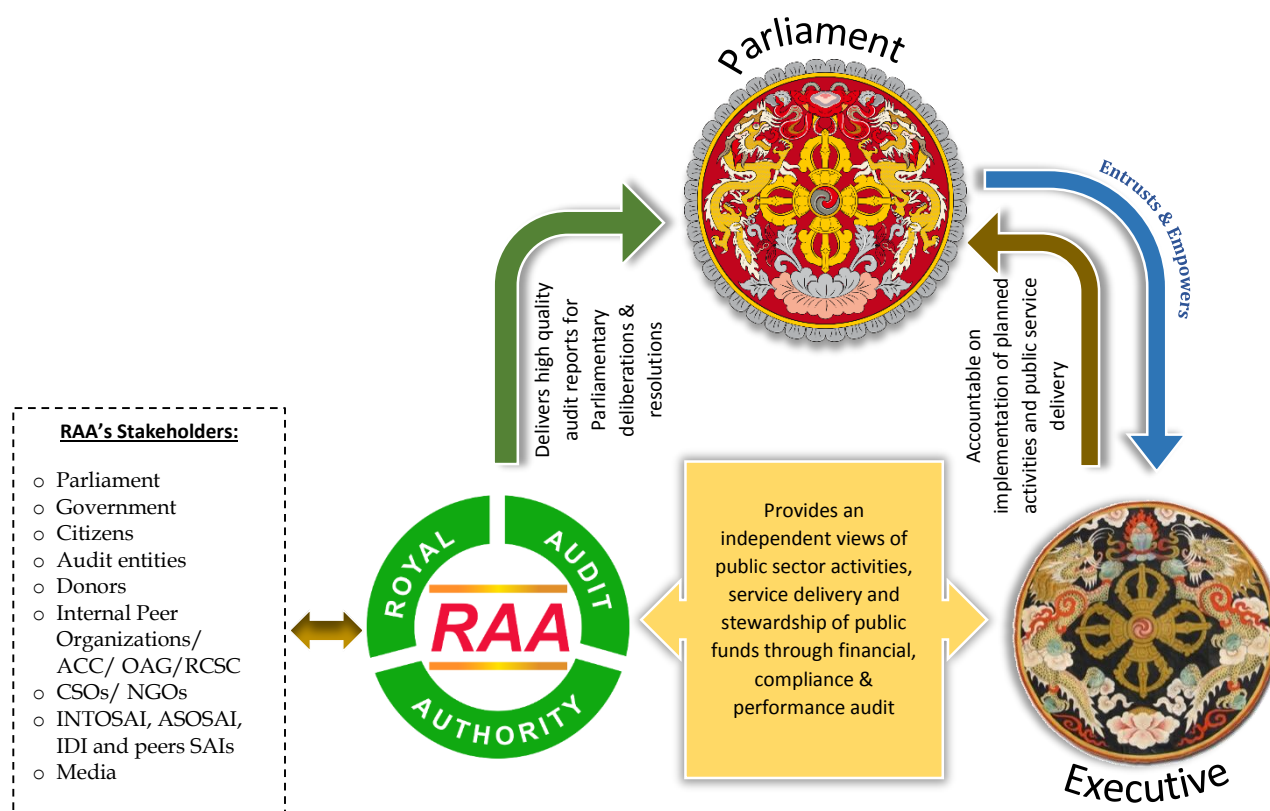
up-gradation of professional and academic qualifications of auditors.

- ✿ *Retention Strategies:* The RAA will seek to develop retention strategies to retain its experienced people through an objective Performance Management System and clearly defined career progression path. The PMS will recognize the performers and also provide opportunities to non-performers for self-improvement.
- ✿ *Facilitating e-learning:* Considering the geographical diversity of the regional offices, the RAA will explore the E-Learning platform, to keep staff abreast with developments taking place in auditing and accounting knowledge.



Staff of Royal Audit Authority with the Auditor General of Bhutan

RAA'S OVERSIGHT AUDIT MODEL

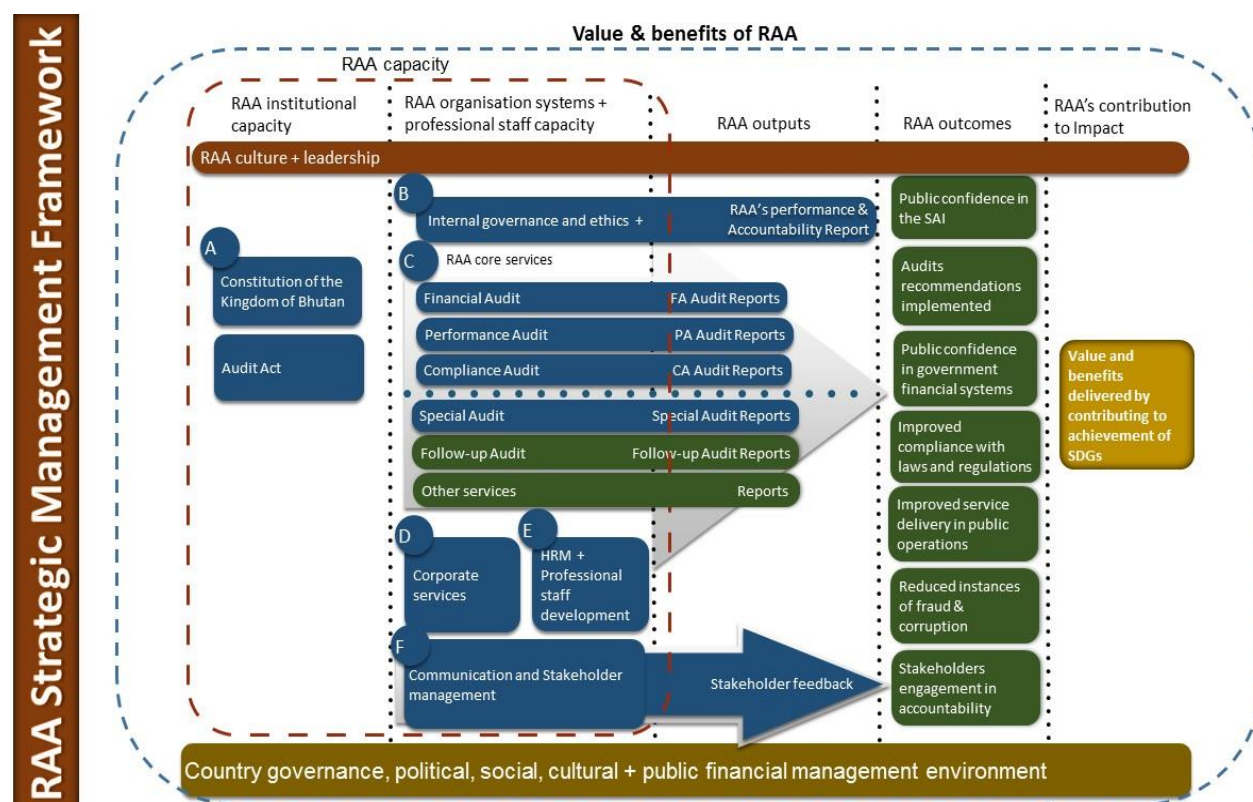


The RAA Oversight Audit Model depicts the allocation of resources to the Executive by Parliament, to implement plans and programmes of the Government. The Government Executive is responsible and accountable to implement plans and activities and report to Parliament. The RAA, as an independent body, provides third party opinion on the accounts and operations of public entities to Parliament. From this relationship, the RAA draws its roles and responsibilities in promoting accountability.

Through the Model the RAA aims to increase the impact of its audit results through partnership with its stakeholders. The RAA considers Parliament, which is the representative of the citizens, as the key stakeholder in determining the effectiveness of its audit services. The Government and its agencies play a vital role in supporting the RAA to discharge its Constitutional Mandates. Peer institutions like the ACC, Judiciary and OAG are enablers for addressing effective accountability issues towards promoting good governance. For professional growth and collaboration, the RAA seeks to strengthen its ties with international organizations and bodies like INTOSAI, ASOSAI, IDI and regional bodies. The engagement of the media, CSOs and citizens is essential to attract the attention of our stakeholders on the issue of efficiency and the effectiveness of the public resources accountability system in the country.

Through this all-embracing audit oversight model and by maintaining strong relationships with various stakeholders, the RAA seeks to deliver the intended results and fulfil the mandate as enshrined in the Constitution. Ultimately, the RAA aims to contribute to the achievement of national goals and objectives aligned to the GNH policy and also to meet the commitments of the SDGs to benefit the citizens of Bhutan.

The following diagram depicts the RAA's Strategic Management Framework and how it contributes to the achievement of national goals and objectives.



The legal mandate of the RAA is enshrined in the Constitution of the Kingdom of Bhutan 2008. The Constitution also provides for the RAA to be an independent authority, headed by the Auditor General. The Audit Act establishes the institutional framework and provides a detailed mandate and jurisdiction of audit. The Audit Act requires the RAA to conduct financial, performance and compliance audits. Therefore, the core service of the RAA is to conduct three streams of audit. Subsequent to endorsement of the first set of ISSAIs in XXth INCOSAI in 2010, the RAA has since embarked on ISSAI implementation initiatives. The RAA intends to ensure preparedness to adopt ISSAIs as its authoritative auditing standards, to conduct all streams of audit. With the roll out of ISSAI implementation 3i phase II pilot programme, auditors at all levels will be trained and given hands-on experience on conducting ISSAI based audits.

The outcomes reflect the aspirations of the RAA to contribute towards society in providing value and benefits as the nation's Supreme Audit Institution. These shall guide all plans and programmes that the RAA will undertake during the period. The outputs of specific activities/programmes are designed to contribute to the outcomes intended to be achieved. The outputs are the end results of activities/programmes implemented in its core area of auditing, capacity building initiatives and other services.

PERFORMANCE MEASUREMENT FRAMEWORK

For the first time, the RAA has articulated its strategic performance indicators. These indicators are mainly output and outcome based and will help the RAA in measuring the success of its strategic plan. In order to measure RAA performance against these indicators and produce evidence based reports for stakeholders on a regular basis, RAA will set up a performance measurement system. Setting up such a system will involve defining baselines, determining sources of valid data, determining responsibility centres and regular data collection and reporting. RAA will use the following set of indicators for measuring success:

Sl. No.	Performance Indicators	Sub-Indicators
1	Audit Coverage	1.1 No. of performance audits conducted annually 1.2 % of financial statements audited annually 1.3 No. of compliance audits conducted annually
2	% of recommendation implemented	2.1 % financial audit recommendations accepted 2.2 % performance audit recommendations accepted 2.3 % compliance audit recommendations accepted 2.4 % financial audit recommendations implemented 2.5 % performance audit recommendations implemented 2.6 % compliance audit recommendations implemented
3	Audits conducted as per ISSAIs	3.1 % audits conducted as per Performance Audit ISSAIs 3.2 % audits conducted as per Financial Audit ISSAIs 3.3 % Audits conducted as per Compliance Audit ISSAIs
4.	Stakeholder satisfaction	4.1 % of stakeholders satisfied with RAA's services (provisional)
5.	Leading by example	5.1 RAA publishes annual performance report based on its performance measurement system 5.2 RAA accounts are audited annually by independent auditors 5.3 RAA performance is evaluated on periodic basis using SAI PMF

MONITORING AND EVALUATION

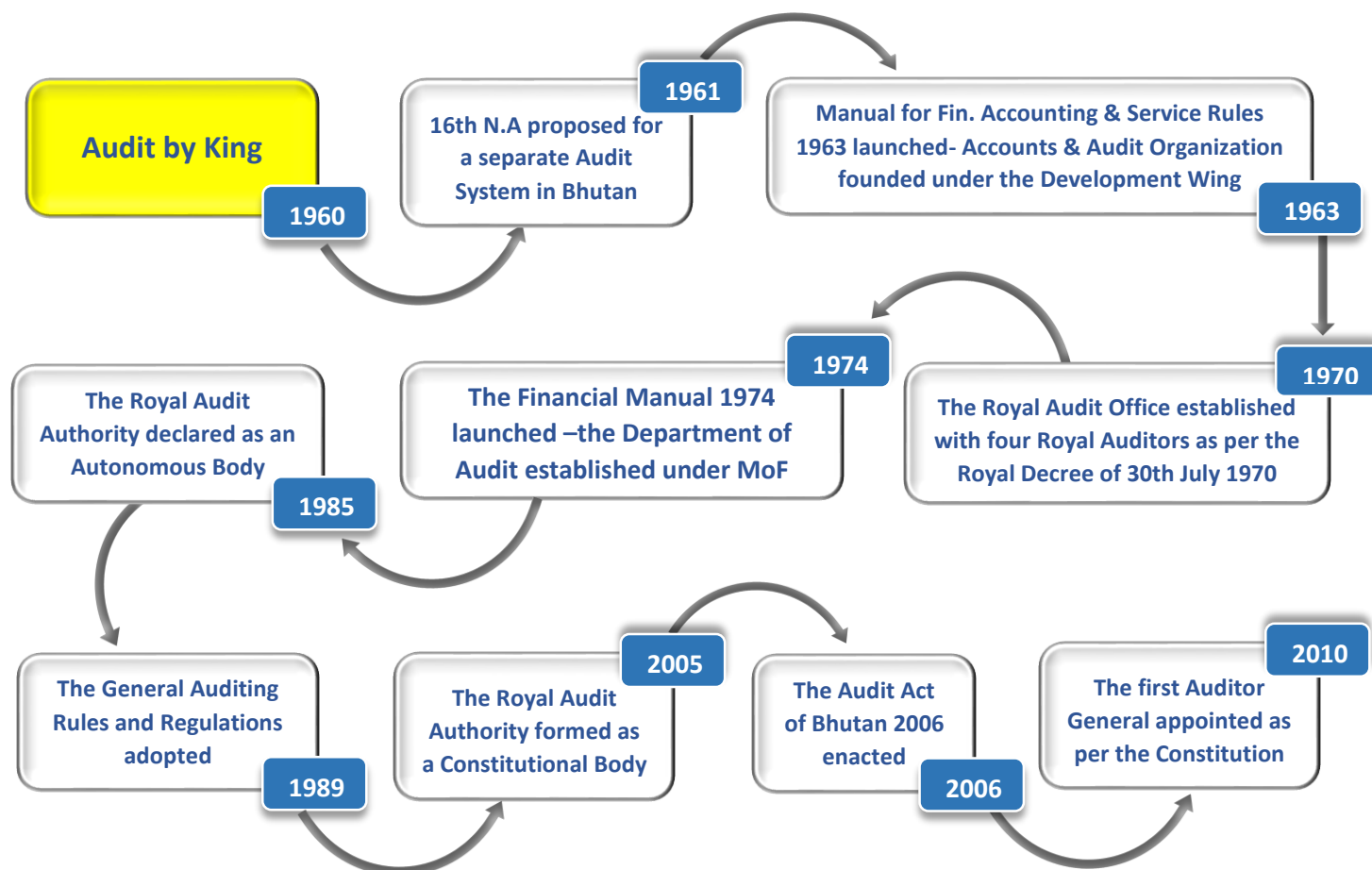
The Policy & Planning Division of the RAA will be responsible for the overall coordination and monitoring of the strategic and operational plans. The achievements shall be evaluated against the indicators identified for each outcome and output. The indicators are developed through consultations with the key implementers. The RAA shall develop annual operational plans, which will prioritize activities to be pursued during the year and formally sign compact agreements with the implementers.

Any major changes and inclusion of new activities shall be effected through the decision of the Executive Committee, which is the highest decision making body of the RAA. The PPD shall be responsible for conducting mid-year and annual reviews of operations plans, mid-term and terminal reviews of strategic plans.

APPENDICES

Appendix I: About the Royal Audit Authority

HISTORICAL EVOLUTION OF RAA



The Royal Audit Authority is the Supreme Audit Institution of the Kingdom of Bhutan. It has undergone a series of organizational and structural changes since its establishment as a mere Committee of Accounts and Audit in 1961. It was instituted as a department under the Ministry of Finance in 1974 and was declared as a fully autonomous body in 1985, when it was renamed as the Royal Audit Authority. As it went through these changes, the Royal Decrees of 1970, 1997, 1999, 2000 and 2005 bestowed strong mandates and reiterated the independence of the Royal Audit Authority. Recognizing the significant role of the RAA in promoting good governance and financial discipline through auditing and reporting on prudent and effective use of public resources, the RAA was bestowed with constitutional status in December 2005.

In June 2006, the 85th session of the National Assembly passed the Audit Act of Bhutan 2006, providing the RAA with full organizational and functional independence and authority to determine and administer its own organizational structure, budgetary and personnel requirements. With the adoption of the Constitution of the Kingdom of Bhutan in 2008, the RAA derives its mandate from the Constitution and the Audit Act of Bhutan 2006.

With the mandate to audit and report on the economy, efficiency and effectiveness in the use of public resources, the RAA is bestowed with vast jurisdiction covering ministries and departments; offices under legislature and judiciary; all public authorities and bodies administering the public funds; the police and the

armed forces; public and other monies received; the advances and reserves of Bhutan. In line with the Constitution of the Kingdom of Bhutan, the RAA provides an independent, unbiased, fair and balanced opinion to His Majesty the King, Parliament and the Prime Minister on the use of public resources and of the stewardship of public funds through auditing and reporting without fear, favour and prejudice.

The RAA's organizational model is the Westminster Model, headed by the Auditor General whose term is five years or 65 of age, whichever is earlier. It has three departments, namely the Department of Follow-Up, Regions and Human Resource Management, Department of Sectoral Audit and the Department of Performance and Commercial Audits, each headed by Deputy Auditors General. It has 11 divisions; six auditing divisions and five non-auditing divisions at the headquarters, supported by four regional offices located in the East, West, Central and South. The RAA has a total strength of 244 staff comprising of three executives, 127 field staff and 114 non-field staff. It has 181 male employees as against just 63 female employees. Its human resources form a part of Royal Civil Service and are governed by the Civil Service Act of Bhutan 2010.



06.06.2015: Staff of SAI Bhutan with His Majesty the King during the 15th Audit Conference, Thimphu

Appendix II: SWOT Analysis



Appendix III: RAA organizational structure

