

**SUMMARY OF CHAPTER 4  
“AUDIT REPORT OF HYDROPOWER PROJECTS”**

The chapter reflects issues noted during the joint audits undertaken for one Hydro Power Projects of MHEP during the year 2020 as per the Standard Operating Procedures signed between the RAA and the Comptroller and Auditor General (C&AG) of India, and the Project Agreement signed between the Royal Government of Bhutan (RGoB) and the Government of India (GoI). The unresolved significant irregularities reported amounted to Nu. 6.379 million. Non-compliance to laws and rules aggregated to Nu.4.293 million while shortfalls, lapses and deficiencies had irregularities amounting to Nu.2.086 million.

**SUMMARY OF CHAPTER 5  
“PERFORMANCE AUDIT REPORTS”**

The chapter provides brief summaries of two Performance Audit Reports issued during the year:

- \* Performance Audit on Implementation and Management of Broadband Fiber Network; and
- \* Performance Audit on Ex-country Travels.

**SUMMARY OF CHAPTER 6  
“OTHER MATTERS”**

The chapter provides brief information on other matters relating to audit issues under arbitration, forwarded to and received from the ACC and those remaining unresolved even after court verdicts during the year.

**SUMMARY OF CHAPTER 7  
“RECOMMENDATIONS”**

A dedicated chapter on audit recommendations is maintained aiming at promoting accountability and improving economy, efficiency and effectiveness in the use of public resources. There are five generic recommendations drawn on the basis of the overall findings and deficiencies noted in the operations of audited agencies during the year. It is also based on the experiences and observed issues that require to be addressed through appropriate interventions.

- \* Local governments should ensure proper verification of expenses to ensure judicious use of resources and reduce embezzlement and fraud cases
- \* Financial institutions should enforce strong loan appraisal and follow up system to minimize credit delinquencies and non-performing loans.
- \* Implementing agencies should strictly enforce applicable liquidated damage clause for procurement of works and goods.
- \* Ministry of finance should ensure that accounts of budgetary agencies are properly reconciled at the close of financial year
- \* Agencies should carry out extensive monitoring and supervision during construction and handing-taking to avoid excess payment

**THE ROYAL AUDIT AUTHORITY**

The 16<sup>th</sup> National Assembly proposed the establishment of an audit system in the country in 1961. The evolution of the accountability system began when the Government issued the first edition of the Financial Manual in 1963. Then, the Audit and Accounts Organisation under the Development Wing maintained the books of accounts, conducted budgetary controls of revenues and expenditures and undertook periodic audit and inspections of accounts and records.

The 31<sup>st</sup> Session of the National Assembly voted in October 1969 for the appointment of the Royal Auditors to conduct the audit of accounts and records of the Royal Government.

Consequently, four Royal Auditors were appointed on April 16, 1970 under a Royal Kasho (decree). In 1974, the financial management system was restructured and the Royal Audit Department was placed under the Ministry of Finance. In 1985, the audit service was reconstituted as an autonomous entity and named as the Royal Audit Authority (RAA).

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



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

Office of the Assistant Auditor General  
**Tsirang**  
Tel: +975 6 478258/471360  
Fax: +975 471292  
Email: mdonrji@bhutanaudit.gov.bt

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

Office of the Assistant Auditor General  
**Samdrupjongkhar**  
Tel: +975 7 251550  
Fax: + 975 7 251185  
Email: nsharma@bhutanaudit.gov.bt

**HIGHLIGHTS OF THE  
ANNUAL AUDIT REPORT 2020**



**TOTAL AMOUNT OF UNRESOLVED  
IRREGULARITIES IN AAR 2020**

**NU. 2,051.233 MILLION**

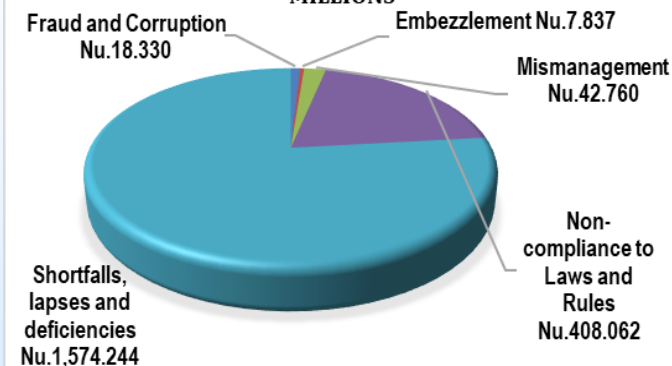
**TOTAL AUDIT RECOVERIES IN 2020**

**NU. 143.162 MILLION**



**IRREGULARITIES BY CATEGORIES**

**CHART 2.2. IRREGULARITIES BY CATEGORY NU.  
MILLIONS**



Bhutan Integrity House  
Peling Lam | Kawangjansa | P.O Box 191  
Thimphu 11001 | Bhutan  
www.bhutanaudit.gov.bt

## SUMMARY OF AUDIT FINDINGS

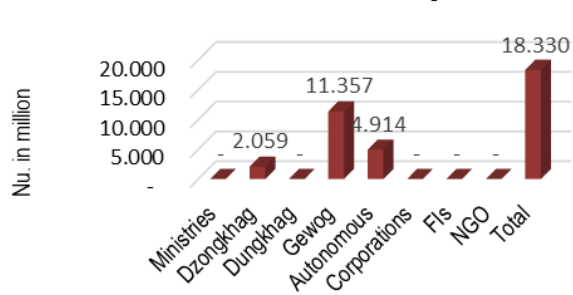
- The Annual Audit Report 2020 was compiled from 412 audit reports issued during the year.
- The total unresolved issues reported amounted to Nu. 2,051.233million.
- As compared to the irregularities of Nu. 1,415.153 million reported in AAR 2019, the irregularities have increased by

44.98%.

### I. FRAUD AND CORRUPTION

Out of the total irregularities reported, Nu. 11.357 million pertained to four Gewogs under Trashigang Dzongkhag perpetrated by one Account Assistant who was looking after the accounts of four Gewogs. It was followed by Autonomous agencies at Nu.

Chart 2.4. Fraud and Corruption

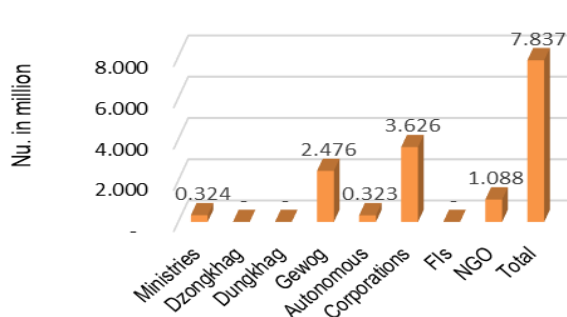


4.914 million and Dzongkhags at Nu. 2.059 million respectively as depicted in **Chart 2.4**.

### II. EMBEZZLEMENT

The total irregularities reported under Embezzlement amounted to Nu. 7.837 million of which the Corporations had Nu. 3.626 million worth of irregularities followed by Gewog at Nu. 2.476 million. Financial Institutions, Dzongkhag Administrations and

Chart 2.5. Embezzlement



## SUMMARY OF AUDIT FINDINGS

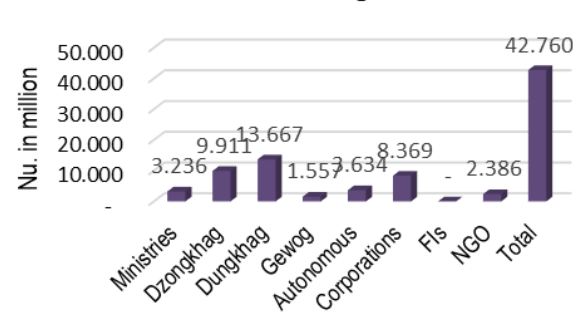
- The report contains unresolved significant issues pertaining to 10 Ministries, Nine Dzongkhags, four Dungkhags, 49 Gewogs Administration, 10 Autonomous Agencies, 15 Corporations, three Financial Organisations and nine Non-

Governmental Organisations.

### III. MISMANAGEMENT

Irregularities relating to Mismanagement cases were highest in Dungkhag Administration with Nu. 13.667 million followed by Dzongkhag Administrations at Nu. 9.911 million and Corporations at Nu. 8.369 million. While Financial Institutions recorded no mismanagement cases, Ministries had cases amounting to Nu.

Chart 2.6. Mismanagement

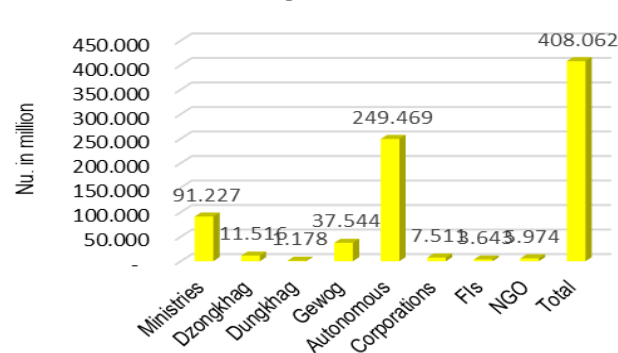


3.236 million, NGOs had Nu. 2.386 million and Autonomous Agencies had irregularities amounting to Nu. 3.634 million.

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

The total irregularities reported under this category amounted to Nu. 408.062 million. As depicted in Chart 2.7, Autonomous agencies had highest irregularities amounting to Nu. 249.469

Chart 2.7. Non-compliance to Laws and Rules



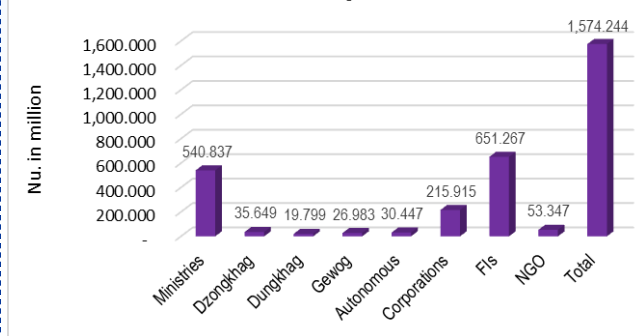
## SUMMARY OF AUDIT FINDINGS

The report contains unresolved significant issues pertaining to one joint audits of hydroelectric projects.

### V. SHORTFALLS, LAPSES AND DEFICIENCIES

The irregularities under this category amounted to Nu. 1,574.244 million accounting for over 50% of the total irregularities for the year 2020 as depicted in Chart 2.8. Financial Institutions had the most cases of irregularities under this category largely at Nu. 651.267 contributed by Non-Performing Loans followed closely by Ministries at Nu. 540.837 which was due to cases on road construction and widening projects. Corporations stand third with Nu. 215.915 million while the lowest were

Chart 2.8. Shortfalls, lapses and deficiencies



Dungkhag Administrations with Nu. 19.799 million.

### VI. JOINT HYDROPOWER AUDITS

The RAA conducted one Joint Audit of Hydro Power Project for MHPA which had unresolved irregularities amounting to Nu. 6.379 million. As illustrated in Chart 2.9, there were irregularities worth Nu. 4.293 million against the category of Non-compliance to Laws and Rules and Nu. 2.086 million in Short-

Chart 2.9 Unresolved Irregularities of MHPA (Nu. Millions)

