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Royal Audit Authority



**In pursuit of Economy, Efficiency and
Effectiveness in the Use of Public Resources**

APRIL 2020





“Until now we had no auditors to audit the accounts of the State. It has been decided to set up an Audit Department consisting of four members, each representing His Majesty, the Government, the Monk Body and the People. They will audit the account of the Finance Ministry, Development Ministry, Police Department of the Home Ministry, Trade Ministry, R.B.A., R.B.G., Militia and His Majesty’s accounts.”

- His Majesty The Third Druk Gyalpo Jigme Dorji Wangchuck (1969)





“The important responsibility of auditing the appropriateness of the accounts of income and expenditure of the government money and property, maintained by the ministries, departments and corporations of both civil and armed forces falls on the Royal Audit Authority. Therefore, while discharging your functions, it is important to investigate thoroughly and impartially without being carried away by your own desires and without considering other’s status, whether high or low. It is for this reason that the Royal Audit Authority has been established as an autonomous body and not affiliated to any ministry or department of the government.”

- His Majesty The Fourth Druk Gyalpo Jigme Singye Wangchuck (1999)





“Every individual must strive to be principled. And individuals in positions of responsibility must strive even harder.”

- His Majesty The King Jigme Khesar Namgyel Wangchuck
(Sixth Annual Audit Conference, 2003)



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His 70th Je Khenpo of Bhutan: His Holiness the Truelku Ngawang Jigme Choedra

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Foreword by **Hon'ble Auditor General**

This year marks five decades since the appointment of the first four auditors in the year 1970. On the occasion of 50 years as an oversight body and watchdog of public spending, we are proud to have come a long way. The Royal Audit Authority (RAA) grew from a mere Committee of Accounts and Audit in 1961 to a constitutional body in 2008. Recognising the responsibility shouldered and commendable contribution to safeguarding our scarce public resources, His Majesty The King awarded 'Druk Thuksey' Medal to the RAA on the auspicious and joyous occasion of the 105th National Day Celebration on 17th December 2012. The medal was conferred as an institutional award in recognition of the RAA's service to the Nation.

The RAA has been able to function independently with continuous blessings from our successive Monarchs. Their blessings have not only inspired and motivated us to strive for the best, but also strengthened the institution through personal guidance and issuance of successive Royal Kashos. We once again pledge our dedication and loyalty to serve His Majesty The King, the Country and the People and maintain the spirit of auditing and reporting without fear, favour or prejudice.

Recalling the institutional memory of the last 50 years or so, one thing that stands

out clearly is the successive dynamic leaders this Institution has been blessed with. With their vision and directions, the Institution has been able to transform itself from a mere Committee of Accounts and Audit to one of the Constitutional Authorities in Bhutan. Their vision has transformed the RAA into what it stands today. The successors have followed the footsteps of their predecessors and further strengthened the organisation.

This publication not only narrates the successes of the RAA, but also highlights numerous challenges that the RAA has been facing over the last half a century. It is surreal how far we have come and yet there are still many more challenges to overcome. The journey so far has been fulfilling and rewarding. The opportunity to take stock of and recollect all the changes that the RAA has witnessed in its mandates, roles and responsibilities as the nation's watchdog has been enriching and satisfying. It has reminded the RAA of our vision and mission. It is proud to have instilled a sense of duty, accountability and transparency in the manner the stakeholders conduct their businesses.

As we celebrate the golden jubilee, it is equally the celebration of the fruits of different types of support rendered by all the stakeholders to the RAA in fulfilling its mandate.

Tshering Kelzang

Auditor General of Bhutan

Introduction

This publication attempts to capture 50 years of the Royal Audit Authority's journey as the watchdog of public resources under the successive Kings.

The publication is presented in five sections. It begins with a tribute message from Hon'ble Prime Minister of Bhutan, Hon'ble Speaker of the National Assembly, Hon'ble Opposition Leader, Hon'ble Chairperson of Public Accounts Committee, Heads of Constitutional Offices and former Auditor Generals.

The main part of the publication delves into the institutional background, key initiatives, challenges and vision for the future. It also include articles written by both former and present auditors. The publication closes with dedication messages and a theme song.

The publication is expected to contribute to creating better understanding on the evolution of auditing system in Bhutan and its journey thus far. It will also create awareness on the critical role the RAA plays in the nation building process.



TRIBUTE MESSAGES

**On the occasion of 50 Years
of Royal Audit Authority in
pursuit of Economy, Efficiency
and Effectiveness in the Use of
Public Resources**

RAA has Complemented in Building an Efficient Functioning and Effective Use of Public Resources

On the occasion of 50 years, Hon'ble Prime Minister urges all the readers of this publication to practise self-auditing, if you haven't done it already. That way, we can do so much more for our nation.

There are times when I reflect on my actions and words as the day winds down to understand how I have coped. If I have wronged someone, or if my actions were incongruous, I commit to make reparations.

If we look closely, such self-auditing will go a long way in enhancing one's personal attributes. To be practising this effectively will also suffice for spiritual aspirations we all pursue. In a bigger context, if all of us are guided by the basic values of humanity, we should be doing fairly well as a society. But times have changed. Too many elements have come into play and our virtues have eroded over the years. Sad but we should face the truth.

That is why we bring upon ourselves institutions like the Royal Audit Authority (RAA). But again, in Bhutan's development journey, it was more crucial for a small country with limited resources to make judicious use of the little we had. RAA has complemented in building an efficient functioning and effective use of public resources to come this far as a nation.

From a mere Committee of Accounts and Audit since its inception in 1961, RAA has come a long way with its oversight mandate as a critical constitutional body today. And in its 50 years of existence, it is commendable to learn that RAA has pursued its mandate without fear or favour.

Despite the challenges, the institution has a stature of resisting any form of influences, remaining true to its commitment. This is to the credit of every leadership and individuals who have served at RAA at varying stages.

On the part of RAA, while gliding into the second half of its century, it would be a good time to reflect and draw lessons from its past, to set forth with redefined purpose. Our country is at a very critical stage, as it gears towards advancing from the Least Developed Country category. Our resources will be dearer, and



His Excellency
Dr. Lotay Tshering,
Hon'ble Prime Minister
of Bhutan

every investment should be wise and astute. And this is where RAA will have to strategise to enable a system that is intelligent enough and take into consideration the whole of intentions and actions explicable to arrive at positive outcomes for the nation.

In doing so, the government assures that it stands fully behind RAA in fulfilling its important responsibilities. We often read that such oversight bodies become imperative in a democratic set-up for the understandable perception that political government could misuse public resources to fulfill its vested interest.

Today, during the tenure of the third democratically elected government, it becomes our responsibility to operate on a standard that wins the confidence and trust of not just RAA but all the people of Bhutan. We have acknowledged this since day one of our office.

At the end of the day, it comes down to individuals who would act on principles and values desired of a good human being. Therefore, to all those who are reading this publication, I urge you to practise self-auditing, if you haven't done it already. That way, we can do so much more for our nation.

RAA has Stood the Test of Time

Hon'ble Speaker of National Assembly reminds RAA to continue to be reliable, assertive and make people accountable for their actions.

The Royal Audit Authority (RAA) turns 50 in 2020. It is not just the number by itself but, more importantly, its dedicated service rendered over the course of 50 years. I am more than privileged and humbled to be a part of this special milestone in the life of RAA.

RAA's history needs no mentioning but what matters most is its achievements as a national watchdog of public spending in promoting economy, efficiency and effectiveness in the use of scarce public resources.

This is especially critical for our country because we have scarce internal resource base that can barely finance recurrent expenditures. This necessitates the government to explore external grants and borrowings to finance development activities. Thus, it is even more crucial for Bhutan to exercise judicious allocation and use of limited resources. In addition, with the introduction of parliamentary democracy, with competing political parties making appealing campaign pledges, the size of the five-year plans increases once a party is in power. I am sure this will only increase substantially in the future given the trend we have seen in the last decade. This puts enormous pressure on our limited national resources giving rise to increasing public debt.

As an oversight agency, RAA has been solely dedicating its efforts to this end without fear, favour or prejudice and deserves the appreciation by all the Bhutanese. Hence, it is important for RAA to continue to be reliable, assertive and make people accountable for their actions.

As the Speaker of the National Assembly, I am happy that RAA has been able to forge an exemplary collaboration with the Parliament and enjoying excellent relationship with the Joint Parliamentary Public Accounts Committee. This, in itself, is a strong indication that the Members of Parliament equally value RAA and its mandates in championing the cause of economy, efficiency and effectiveness. Several parliamentary resolutions stand witness to this effective relationship between the two. On this momentous occasion, I would like to assure RAA that the National Assembly shall continue to provide whatever support is required in fulfilling its mandate. With this, I would like to express my heartiest Tashi Delek to the Auditor General and the staff of RAA, past and present, for the dedicated services rendered in realising greater national goals.



His Excellency
Wangchuk Namgay,
Hon'ble Speaker,
National Assembly

RAA Delivered its Tag as the House of Integrity

Hon'ble Opposition Leader entrusts RAA to move on boldly with its strategy of pursuing 'zero tolerance' to corruption and offers his best wishes for it to succeed in its noble mission of wiping out corruption in all its forms from our society.

I am pleased to learn that the Royal Audit Authority (RAA) is celebrating its 50th anniversary this year. On its arrival at this historic milestone, may I join the nation in congratulating all the past and present auditor generals, officers and staff of RAA and wishing all of them a very happy 50th anniversary.



His Excellency
Dr. Pema Gyamtsho,
Hon'ble Opposition
Leader

RAA has indeed lived up to its tag as the 'House of Integrity' and built an impeccable reputation over the years. While criticisms, whether justified or not, are expected and will continue to come its way, one only needs to imagine our situation if RAA did not exist. Corruption would be rampant and the corrupt would be boldly ruling the roost. Thanks to RAA, many corrupt practices have been unearthed and many corrupt individuals and agencies have been booked and significant amounts of misused money have been recovered. More importantly, RAA has served as a strong deterrent for potential corrupt practices thus preventing the loss of millions.

Let me end my message with prayers for RAA to move on boldly with its strategy of pursuing 'zero tolerance' to corruption and my best wishes for it to succeed in its noble mission of wiping out corruption in all its forms from our society.



RAA Delivered its Tag as the House of Integrity

RAA is Expected to Evolve Critically and Intelligently

It is with great joy and pride that the Public Accounts Committee (PAC) joins the nation in extending its heartiest congratulations on the joyous 50th anniversary celebration of the Royal Audit Authority's (RAA) valuable service to the nation.

The relationship between PAC and RAA is deeply rooted in our Constitution. As enshrined in the Constitution, RAA is entrusted with the responsibility of auditing and reporting on the economy, efficiency and effectiveness in the use of public resources.

Likewise, PAC is mandated to review and report on the annual audit report and any other report presented by the Auditor General to the Parliament for its consideration. Under this cordial working framework, PAC has the first-hand knowledge of RAA's outputs and, therefore, commends RAA for discharging its functions without fear, favour or prejudice.

RAA has come a long way. It was established as an Accounts and Audit Committee in 1961 under the visionary leadership of His Majesty The Third Druk Gyalpo, granted autonomy during the reign of His Majesty The Fourth Druk Gyalpo and conferred the status of Constitutional body with the adoption of the Constitution of the Kingdom of Bhutan.

Throughout its existence, it has played a critical role in promoting transparency and accountability in the overall management of our limited resources.

In carrying out the scrutiny of public spending and value for money, RAA has undergone significant transformation in its professionalism. Amongst others, RAA has widened its scope of auditing from just financial to compliance and performance auditing. PAC is of the view that such diverse auditing continues to help improve organisational financial management, compliance, process and system, thereby enhancing good governance and minimising resource waste.

It is natural that the changing dynamics of politics and development will continue to present greater challenges in the times to come. RAA, as the Supreme Audit Institution, is expected to evolve critically and intelligently.

We wish RAA family a very fulfilling year ahead.



Hon'ble Phuntsho Rabten,
Eminent Member
of National Council,
Chairperson,
Public Accounts
Committee

On Mutual Collaboration for a Happy, Harmonious and Corruption Free Society

The Anti-Corruption Commission (ACC) has been guided by the firm belief that fighting corruption requires continuous, consistent and collective efforts from all stakeholders in order to build an awakened citizenry besides strong deterrence measures.

One such key partner in the fight against corruption has been the Royal Audit Authority (RAA). Prior to the establishment of ACC on 31st December 2005, RAA had been leading the initiative to prevent and combat corruption in the country.

Even after the establishment of ACC, RAA has consistently maintained a firm stance on combating corruption. As enshrined in the Audit Act of Bhutan, RAA refers all audit irregularities to ACC for further investigation when there are suspicions of corruption.

In June 2015, to further enhance the collaboration and cooperation between the two agencies, a Protocol of Mutual Assistance and Information Sharing was signed. The Protocol sets out the framework of cooperation, assistance and exchange of information between ACC and RAA to facilitate timely intervention to detect and report fraud and corruption without prejudice to their respective functional independence. Bilateral meetings are held twice a year to discuss the status and follow-up actions on the referrals. Such operational understanding between the two institutions is a testament to common vision to deepen democratic principles. The cooperation between RAA and ACC to jointly prevent corruption in Bhutan is exemplary for other countries or territories.

As RAA celebrates its golden jubilee, ACC offers its heartfelt felicitations for the enormous contribution that it has made in building systems of integrity and strengthening country's transparency and accountability chain. On its joyous and momentous occasion, ACC reassures its commitment to further strengthening the mutual collaboration between the two institutions for a *'happy, harmonious and corruption-free society'*.



Kinley Yangzom
Hon'ble Chairperson of
Anti-Corruption
Commission

In Support of Building a Resilient, Astute and Active Organisation

The Royal Civil Service Commission would like to congratulate the Royal Audit Authority on the successful completion of 50 years of service to the TSA-WA-SUM. Achieving half a century of service is a significant milestone in the history of RAA as it continues to successfully report on economy, efficiency and effectiveness in the use of public resources.



Karma Hamu Dorjee,
Hon'ble Chairperson,
RCSC

Given the limited government resources and the need to use them economically and effectively, RAA has stood firm in ensuring that there are minimal gaps in the usage, by providing continued corrective measures and checks, in the system as deemed and authorised by the Audit Act 2018 and in compliance with the International Standards of Supreme Audit Institutions (ISSAI). The RCSC and the civil servants offer our unwavering commitment to supporting and working hand-in-hand with RAA in building a resilient, astute and active organisation that promotes and ensures adequate level of checks and balances in the use of government resources.



RAA has Evolved through Changes, Challenges and Successes, Maturing into a Resilient Institution

The celebration of the historic Golden Jubilee of the Royal Audit Authority (RAA) is, indeed, an occasion for acknowledging and applauding the dedication of the past and present Royal auditors in the service of the Nation.

Anchored on a chain of Royal Commands, I quote the foundational vision of His Majesty Late Jigme Dorji Wangchuck in 1969:

“Until now we had no auditors to audit the accounts of the State. It has been decided to set up an Audit Department consisting of four members, each representing His Majesty, the Government, the Monk Body and the People. They will audit the account of the Finance Ministry, Development Ministry, Police Department of the Home Ministry, Trade Ministry, R.B.A., R.B.G., Militia and His Majesty’s accounts.”



Lyonpo Sonam Tobgye,
Auditor General
(1985-1991)

I was bestowed the honour of being the Auditor General from March 1985 to August 1991. During those six and a half years, I had the privilege of serving with admirable colleagues, who provided unstinted cooperation and commitment. They included, to name a few, Lyonpo Minjur Dorji, Dasho Yangki Tobgyal, Dasho Ugen Chewang, Aum Lhadon, Dasho Rinzin Wangdi, Bhanu Chhetri, Dechhen, Kesang Dorji, Kuenley, Kumbu Dorji, Lopen Tshering Dhendup, Prem Pradhan, Sherub Dorji, Tempa Gyeltshen, Mr. TN Chaturvede, Mr. Kaushik, Mr. Mukerjee, Mr. Nair, Mr. Joshi, and Miss Athena Floress.

Together, we built an independent institution, earned public trust and enhanced professionalism with the support of the Government of India, UNDP (UN Project BHU/86/005) and other institutions. Audit clearance certificate was institutionalised for the civil servants and later for politicians. We joined the International Organisation of Supreme Audit Institutions (INTOSAI) in 1987 and the Asian Organisation of Supreme Audit Institutions (ASOSAI) in 2000.

We were steered by three sacred values conveyed in the vision of His Majesty Jigme Singye Wangchuck:

“Impartiality, timeliness, and fearlessness. These were the constants even as the themes, priorities, and goals changed with the times. Timely detection and prompt

action ensured public service and guaranteed justice by preventing inadvertent or deliberate offenses and dissuading potential perpetrators.”

RAA has grown into a sturdy pillar of checks and balances and a guardian of public conscience by curbing wasteful expenditure and preventing chronic corruption. His Majesty King Jigme Singye Wangchuck decreed in 2005:

“The Royal Audit Authority must carry out its responsibilities by conducting proper and timely audits of public funds utilised by the ministries, departments, corporations and other organisations of the Royal Government. In order to stop corruption and check the misuse and wastage of public funds to ensure their proper utilisation for the benefit of the public, the Auditor General is authorised to audit any person in Bhutan, regardless of status or position, in the course of discharging his important responsibilities”.

RAA has evolved through changes, challenges and successes, maturing into a resilient institution symbolising the highest standards of perseverance and professionalism in the pursuit of political and public morality. RAA has been one of the proud recipients of the *“Institutional Thuksey”* conferred by His Majesty The King in 2012 for its service to the Kingdom.

Just as the celebration of its golden jubilee honours our past and places trust in our future, I hereby, offer my felicitation and prayers to the audit professionals, who take the lead in the current times and who will do so in the times to come. The continuity of its mandate in Bhutan’s journey into the future is inspired by His Majesty The King Jigme Khesar Namgyel Wangchuck:



“We cannot afford to let corruption and mediocrity creep into our system and we cannot afford failure. We have worked too hard to get to where we are today.”

RAA has Served in the Most Trustworthy Manner and Earned the Confidence of the People

On the momentous occasion of the 50th anniversary of the Royal Audit Authority (RAA), I would like to felicitate Hon'ble Auditor General, officers and staff of the Authority with my best wishes.

I have been fortunate to have been part of the esteemed institution from June 1997 to December 1999. It was the most satisfying tenure of my service to the Tsa-wa-sum.

There was great camaraderie and high esprit de corps, and I learnt much by being part of it.

A national audit agency is one of the basic pillars of a sustainable and just system of governance, and RAA has most ably fulfilled that role over its long period of existence. His Majesty The Third Druk Gyalpo, in his farsighted vision of a strong and prosperous Bhutan, laid the basic foundation of the institution in the name of Tsikhang Gongma in the early 1970s. My late father, Dasho Tenzin Dorji, had the privilege of serving as a member of that office.

Today, as we mark the institution's 50th anniversary, I am doubly proud that both my late father and I have been part of the development of this important institution. It was also during my service in RAA that I was most benevolently bestowed the honour of Red Scarf by His Majesty The Fourth Druk Gyalpo.

The Authority has today evolved into one of the most trusted institutions in our country, a true bulwark of our democracy. It is all due to the selfless leadership of our farsighted Monarchs. The Authority has discharged its functions in the most exemplary way and this has been enabled by the autonomy it had been granted early on and full independence later sealed by the passing of the Audit Act in 2006 and subsequently by the Constitution.

It will amount of volumes if I were to list down and write about all of the Authority's achievements from its inception. Suffice it to say that tremendous achievements have been made through all the phases of its development. Today, we have an institution embodying the vision of our Kings and wishes of our people. RAA has grown in a steady manner over the decades taking critical steps, as they became due in accordance with the growth and development of the Bhutanese polity and society. In the process of its evolution, its roles and functions expanded from the original and primary ones of examining and verifying the correctness of the



Lyonpo Wangdi Norbu,
Auditor General
(1997-1999)

government's financial records to wider aspects such as investigative audits, performance audits, cost-efficiency audits or the so-called "value for money" audits. It also took a more proactive role by making efforts to educate the government functionaries for better bookkeeping and accounting in accordance with the government's financial rules and regulations.

RAA's effectiveness was transformed dramatically by two policy actions. Audit organisations have often been labelled as toothless for there wasn't much that could be done to rectify the anomalies pointed out when the auditee organisations chose not to act or respond to the audit reports. However, the situation improved vastly when RCSC, under the chairpersonship of HRH Ashi Sonam Choden Wangchuck, made the civil service personnels' actions dependent on the production of a clearance certificate from RAA. This policy action brought about tremendous improvement in the compliance rates and was thus a great breakthrough in RAA's pursuit of effectiveness.

The other crucial policy action was the framing of a classification system of audit observations in accordance with their seriousness and, most importantly, the determination of accountability in each of the anomalies. The classification of accountability into direct and supervisory responsibility through the chain of administration encouraged the auditee organisations and individual officials to take note of and act on the reports. It greatly heightened the seriousness of the supervisors in undertaking their duties of managing public resources. These were facilitated by the introduction of computers and digital technology, which enabled RAA to develop a computer database of audit reports which could be retrieved easily when required.

Once again, I commend the Auditor General, officers and staff of the Authority, past and present, who are serving and have served in the most trustworthy manner and earned the confidence of the people. The trust the Authority is reposed with by the people is testimony to its success. Their dedication and hard work have paid off handsomely. I have no doubt that RAA will continue to grow and serve the Tsa-wa-sum, overcoming the challenges in a rapidly changing Bhutan.



RAA at Fifty and Yet Soaring Higher!

On the occasion of 50 years of its service to the Nation, I am honoured to join the RAA fraternity and contribute a short account of my tenure as the Auditor General and the privilege of being part of RAA to render services without fear, favour and prejudice in safeguarding the public accountability and overseeing the utilisation of public resources, in full compliance and respect to the spirit of the Royal Decree of Drugyal Zhipa.

It was almost 30 years ago that I had my first experience of auditing at the Royal Civil Service Commission. I was part of the review team of the joint audit investigation reports of the Fifth Five-Year Plan alongside the then Department of Audit. That opportunity familiarised me with both the auditing system as well as the senior and key officers of RAA, under the inspiring and passionate leadership of Lyonpo Sonam Tobgye, who was then the Auditor General. This enabled me to approach my duties and responsibilities as the Auditor General with greater ease and confidence in 2000.

In addition to carrying out the auditing of public sector organisations, RAA was also tasked to conduct investigation and prosecution of cases of serious financial malfeasance and misfeasance. Such cases are now being taken over by the Anti-Corruption Commission and the Office of the Attorney General.

Appreciating the importance of the need to enhance economy, efficiency, and effectiveness as inevitable in the changing times, RAA introduced new auditing concepts and systems and initiated the following essential reforms:

- Strengthened audit recovery system with a written manual making misuses and irregularities recoverable effectively by establishing a dedicated division headed by an Assistant Auditor General;
- Adopted new concepts of auditing such as performance audit, IT audit, value for money audit, and environment audit;
- Introduced the system of fixing supervisory responsibility and accountability of audit reports in the agencies;
- Reinstated Annual Audit Conference;
- Institutionalised the system of publishing Annual Audit Report;



DASHO KUNZANG WANGDI,
Auditor General
(2000-2005)

- Adopted Annual Audit Plan to bring in predictability and transparency of the auditing activities;
- Institutionalised in-house Annual Awards for Best Audit Report, Best Audit Department and Best Audit Memo to motivate and recognise dedication and responsible auditing and installed Fraud Alert System on RAA website to encourage the citizens to report corrupt or fraudulent acts by the public servants and authorities;
- Published AG's Advisory and Occasional Papers regularly informing and updating the public and authorities on the significant and far-reaching audit findings; and
- Introduced Empanelment of Chartered Auditing Firms from India to conduct Statutory Audit in Bhutan in a rationalised and more transparent fashion.

Top priorities were accorded to the development of human resources and professionalisation of auditing. Top performers from the Royal Institute of Management were recruited and promising senior auditors deputed to attend prestigious Indian National Audit and Accounts Academy at Shimla. It also forged long-term cooperation with the international organisations to maintain universal standards of auditing. It served on the boards of ASOSAI and INTOSAI, as a result of which RAA gained exposure to the best auditing practices of the region and the world and incorporate them into the Bhutanese auditing system.

RAA was also the leading agency to observe the First and Second International Anti-Corruption Days in Bhutan and recommended the ratification of the UN Convention to Combat Corruption.

Staff welfare schemes and better amenities were also introduced while additional field offices were established in Tsirang, Bumthang and Samdrup Jongkhar to increase the nation-wide reach and coverage in auditing.

More importantly, RAA focused on the qualitative aspect of detecting irregularities and issuing observations as a deterrent and create progressive impact to enhance the three Es:

- Adopting tolerance concept and promoting it as a collective responsibility of national integrity; and
- Under the Royal Command, the Auditor General was also entrusted with drafting of the anti-corruption and auditing bills in preparation for the introduction of parliamentary democracy.

My only regret, during the tenure, was that the government unilaterally withdrew the *soelrey* granted to the auditors by Drukgyal Zhipa and my inability to reinstate it. However, despite this lapse on my part, I am happy to recollect that the officers and staff contributed invaluable services in the way expected of a professional agency such as RAA.

The highlight of my six years at RAA was the completion of the construction of Bhutan Integrity House and having it proudly inaugurated by none other than His Royal Highness the Crown of Bhutan, who succeeded the Golden Throne in the year 2008 as His Majesty the Fifth Druk Gyalpo.

Thus, as RAA celebrates its Golden Jubilee, with great pride, I seize this rare opportunity to humbly express my sincere appreciation to all who helped RAA manage challenges in auditing with great sense of pride. And, at a time when the constitutional institutions are accused of bickering and buck passing, I pray that RAA, under the dynamic leadership of Hon'ble Auditor General Tshering Kezang, continue to work with integrity bearing the stellar standard of excellence in auditing and ensuring dynamism in the Bhutanese SAI ever inspired by the wise counsels of His Majesty The King.



RAA's Mandate Remains as Relevant as Ever

The golden jubilee celebration of RAA is a solemn occasion to reflect on its 50-year journey and a moment to cherish the past and look into the future. Following the deliberation on the need for an audit system in the country in the 31st session of the erstwhile National Assembly in 1969, an Audit Department consisting of four members representing His Majesty the King, the Government, the Monk Body and the people was instituted. It was a modest but an important beginning. Over



DASHO UGEN CHEWANG,
Auditor General
(2006-2015)

the years, under the visionary leadership of the successive Monarchs, RAA has undergone tremendous change. Royal Kashos have been issued and concurrently several laws have been enacted to strengthen the independence and efficiency of the audit system.

I joined RAA on 1st March 1979 as a young trainee officer and later held a number of positions in various organisations, including as the Chief Executive Officer of NPPF, before being appointed as the Auditor General in December 2005. On the cusp of the constitutional democracy, with the overall governance system gearing towards historic transition, the need of the hour was to ensure preparedness of RAA to deliver its auditing responsibilities and promote transparency and accountability in the use of public resources. Various reforms were initiated to strengthen the capabilities of the institution and bring about transformational changes in the institutional framework, organisational systems and professional development. These initiatives were primarily aimed at enhancing the professional capability of RAA to play an important role as stipulated in the Constitution.

My appointment for the second term in 2010, through a Royal Kasho, came at a time when Bhutan was already two years into constitutional democracy. It was a rare opportunity for me to have been bestowed another chance to serve RAA. It was natural for me to ensure fruition of all those efforts and initiatives taken in the earlier years. With several advancements made in strengthening the institution, the focus was then geared towards actual delivery of audit services to ensure dynamism and professionalism.

The hard work, conviction and commitment of RAA culminated in a series of recognitions from the Throne. The conferment of the Institutional Award – *Druk*

Thuksey in 2012, symbolised the recognition and importance attached by His Majesty The King to RAA and His noble vision of creating a corruption-free Bhutan.

I exited from RAA in 2015 after completing my tenure. At the end of the tenure, I felt quite satisfied as I looked back on how RAA fared in terms of building and sustaining its capabilities and delivering its core mandates. I would like to mention that 50 years later, RAA's mandate remains as relevant as ever. Nevertheless, with the fast-changing socio-economic scenario and the acceleration of evolving technology, there are challenges in pursuit of its mandates. Audit process and practices will need to keep pace with contemporary developments. Hence, for the foreseeable future, RAA must respond competently and evolve accordingly to remain as an institution fit for the 21st Century.

As enshrined in the Constitution, RAA should continue to audit and report on the economy, efficiency and effectiveness in the use of public resources. Hence, audit can no more be conducted merely for statutory compliance. The scope of the audit may be expanded to include performance audits. This is deemed an essential requirement towards ensuring and facilitating accountability. During my tenure, RAA was able to take up performance audits of a few sectoral issues facing the nation and having the potential to spur impending economic and social



problems. Based on the reports, we saw a lot of deliberation in the Parliament, which we felt was an immediate impact of our report. However, scaling up of performance audit would entail comparatively larger amount of resources, both in terms of time and human resources.

I would like to pay tribute to the former illustrious Auditor Generals and employees, who have loyally served RAA over the years and the present Auditor General and the employees, for nothing would have been possible without their dedication.

I would also like to express my sincere gratitude to the successive governments, which have always been supportive to RAA in fulfilling its mandates. I also take this opportunity to thank the government agencies for having sustained good institutional linkages to complement each other in their engagements in the spirit of holding transparency and accountability in the system.

I pay my tribute to the noble vision of Their Majesties to promote a society that upholds the values of integrity, transparency and accountability in public operations. May the blessings and benevolent guidance of Their Majesties lead RAA to new heights and may the institution grow from strength to strength in fulfilling the wishes of our Kings and aspirations of the people.



CHAPTER ONE

The Institutional Background

**Timeline on the Evolution and
Growth of Auditing System in
Bhutan**

RAA at Glance

15TH JULY, 1970

Audit Department

1. Dasho Kelzang
2. Dasho Kaka Dorji
3. Dasho Sonam Rabgye
4. Lupon Nado

Audit project reviewed

In a tripartite review of the UN Project “Strengthening the Royal Audit Authority” on November 21, it was decided that the project had made “very satisfying progress”.

The United Nation Department Programme’s Deputy Resident Representative, Micheal O’Hara, said that it was, in fact, “one of the most exemplary and best implemented projects in the country”.

Audit Bill to promote good governance

The NATIONAL Assembly this week endorsed the Audit Bill of Bhutan 2006 which is expected to give full autonomy to the Royal Audit Authority and play a vital role in the country’s change from Monarchy to Democracy in 2008.

SATURDAY, 30, 1997

Audit strengthened to enhance vigil

IN A MOVE to maintain a strict vigil over national resources and to prevent the mismanagement of public funds the royal government has introduced a number of incentives to strengthen efficiency of the Royal Audit Authority.

In a Kasho issued this month, His Majesty the King granted a special allowance of 30 percent of the basic salary to all employees of the Authority. The travel allowances for Audit staff within the country has been consolidated and auditing teams which uncover mismanagement fraudulent practices will be awarded bonuses up to three months’ salaries.

April 16, 1988

First for audit training



The Auditor General, Dasho Sonam Tobgye addresses guests and participants at the first in-country audit training programme.

The first in-country training programme of the Royal Audit Authority was inaugurated this week by the Minister of Social Services, Lyonpo T. Tobgyel, at the Mothithang hotel.

Saturday, March 17, 1990

New audit branch

The Royal Audit Authority has opened a branch office in Samdrup Jonkhar on March 11.

According to the RAA headquarters in Thimphu, the branch was opened to “cover fresh audit and follow up action of earlier audit findings of government offices in eastern Bhutan”. It is expected to save substantially on tours and transits from Thimphu.

Saturday, June 17, 1989

Audit Congress

The Auditor General, Dasho Sonam Tobgye, is in West Berlin attending the 13th International Congress of Supreme Audit Institutions. The theme of the 10 day congress is management in government auditing and human resource development.

This is the first time that Bhutan is participating in the congress. Dasho Sonam Tobgye was accompanied by the deputy chief auditor, Ugen Chewang.

India and Bhutan starts a partnership in auditing

INDIA and Bhutan will cooperate in strengthening the audit in public finances by establishing institutional links to foster technical and professional exchange between auditors in the two countries.



HRH Ashi Sonam Chhoden Wangchuck plants the first tree at the new Audit office in Thimphu on July 17

The inauguration of the Royal Audit Authority's (RAA) second annual conferences, which began on July 17, commended the growth of the establishment over the years and its increased efficiency and impact.



Inaugurating the new Royal Audit Authority building yesterday, His Royal Highness the Crown Prince, Dashi Jigme Khesar Namgyal Wangchuck, urged the officials of the Royal Audit Authority to carry out their responsibilities with loyalty and dedication to live up to the confidence and trust of His Majesty the King.

Bhutan admitted to Asian audit institution

The Auditor General, Kuenzang Wangdi (in gho) at the symposium in Changmai, Thailand



Bhutan was one of the five countries officially admitted to the Asian Organization of Supreme Audit Institutions (ASOSAI) during the 8th Assembly and Symposium on Good Governance at Changmai, Thailand.

New audit office construction at Kawajangsa



Lyonpo Sangay Ngedup lays the foundation stone

Regional audit office opened

THE ROYAL audit authority (RAA) inaugurated a regional office for an assistant auditor general for the central region, in Bumthang, on November 11.

RAA elected to ASOSAI governing board

THE ROYAL audit authority (RAA) of Bhutan has been elected as one of the Asian organisation of supreme audit institutions (ASOSAI).

RAA introduces environmental auditing

AIR, WATER, BIO-DIVERSITY- all gifts of nature- and waste will be audited by the royal audit authority (RAA) under a new head called environmental auditing. Under environmental auditing the RAA will assess, monitor, and report on issues like deforestation, reserve wild life sanctuaries, species extinction, habitat loss, air pollution and waster management.

Picture story: The Comptroller and Auditor General of India Shri Shashi Kant Sharma and Auditor General Dasho Ugyen Chewang renew the Cooperative memorandum of understanding in the capital yesterday.



The MOU will strengthen bilateral cooperation for improving work methodologies and exchange of information in the field of audit of public finances. It also aims at improving professional knowledge and skills of staff members of the two countries in the field of audit by exchange of experience and strengthening their knowledge.

Removing barriers to effective auditing



Addressing the opening of the seventh audit conference which began on July 22 in Thimphu. His Royal Highness the Crown Prince

Dashi Jigme Khesar Namgyal Wangchuck, urged the Royal Audit Authority and the other responsible agencies to ensure heavy penalties for corrupt acts and to levy it without fear or favour.

4th audit office opens in P/ling

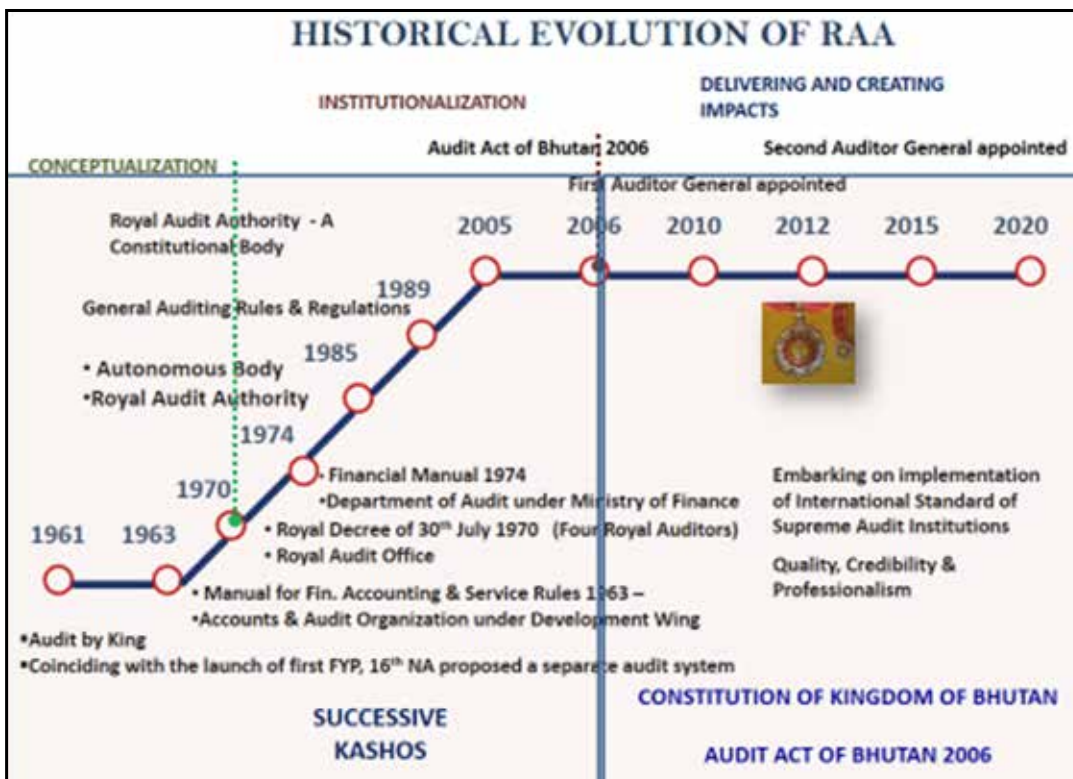


Historical Background

The establishment of the auditing system in the country can be traced back to the barter form of transaction. During those days, the accounts submitted by the dzongkhags were verified by the secretarial staff of the Royal Court. The need for a separate audit system was conceived later along with the inception of the country's planned economic development spearheaded by His Majesty The Third King of Bhutan.

Until the beginning of the 20th century, Bhutan was ruled by a theocratic political system in which the country was ruled jointly by the supreme religious and political authority and the civil leader. In practice, however, power was held by the Governor of Trongsa, who was later appointed as the first hereditary Monarch of Bhutan by civil and monastic representatives. He was succeeded by his son in 1926, who ruled Bhutan until his demise in 1952. Both the Kings consolidated the unification of Bhutan under a strong central authority.

Having accomplished the unification, His Majesty The Third King Jigme Dorji Wangchuck expanded and modernised the structure of the government and the society itself thereby restructuring the entire political and administrative system



and expanding the economic horizon. A far-reaching development programme culminated in the launching of the first Five-Year Plan in 1961. At the outset, there was no government agency to conduct audit of government revenues, transactions and expenditures, accounts and related records maintained by the government. It was His Majesty The Third King who personally carried out the auditing activity.

1961-1970 : Auditing conducted by the Audit and Accounts Organisation (AAO)

This period saw a rapid expansion of development activities which brought about an increase in the volume of accounts and records. His Majesty The King being involved in implementing all the development activities barely had time to check each expenditure and revenue as he used to in the past.

In 1961, the 16th National Assembly deliberated on setting up of an accounts and audit committee for the first time and decided to establish an Accounts and Audit Committee called the '*Gyaltse Kha Lowa*'.

In 1963, the government issued the first edition of the manual on Financial Accounting and Service Rule. The Accounts and Audit Committee was placed under the Development Wing headed by the Financial Adviser who was concurrently the Chief Accounts Officer. The Financial Adviser was also responsible for the periodic local audit of accounts.

1970-1985: Auditing conducted by a body of four representatives

Realising the need to intensify the audit of the accounts, His Majesty The Third Druk Gyalpo in the 31st session of the National Assembly commanded the institution of an audit organisation. The same session of the National Assembly voted for the institution of audit office on 26 October 1969. Subsequently, on 16 April 1970, the audit office was opened corresponding to the 10th day of the third month of the Iron Dog year of the Bhutanese calendar by appointing four members comprising one representative of His Majesty The King and one representative each from the Government, Public and the Monk body.

The members were:

1. Dasho Kelzang (His Majesty's representative)
2. Dasho Kaka Dorji (Government representative)

3. Dasho Sonam Rabgye (Public representative)
4. Lupon Nado (Monk Body's representative)

Initially, the audit office was under the direct command of His Majesty, but it was later taken over by His Majesty's Representative in the Ministry of Finance, Her Royal Highness Princess Sonam Chhoden Wangchuck.

Upon the appointment of four auditors and establishment of Audit Office in April 1970, on 30 July 1970, corresponding to the 27th day of the 6th Month of Iron Dog Year of the Bhutanese Calendar, His Majesty The King Jigme Dorji Wangchuck issued a Royal Kasha containing six Royal Commands. The six commands focused on the following:

- I. Scope of Audit
- II. Procurement
- III. Review of Contracts
- IV. Propriety and Compliance Audit.
- V. Audit Report and
- VI. Ethical Code of Conduct for Government Auditors.

The canons of auditing were contained in these six Royal Commands.

The Kasha also authorised and defined the jurisdiction of the Audit Office, as primarily the audit of the accounts of the Ministry of Finance, Ministry of Trade, Industries and Forest, Ministry of Home Affairs, Ministry of Development, Royal Bhutan Army and the Royal Bhutan Police, and His Majesty's Secretariat.

The First Four Royal Auditors appointed in 1970

1. Dasho Kelzang (His Majesty's Representative)

Justice Kelzang was from Tangsibji under Trongsa Dzongkhag. He served under His Majesty The Second Druk Gyalpo and later served as Gyaldzung (Chief Royal Clerk) to His Majesty the Third Druk Gyalpo. Later, he looked after the monastic affairs and was the chief of land record office. Dasho was conferred the Red Scarf by the Third Druk Gyalpo. He was appointed as a justice of the High Court in 1967. In 1969, he served



as the fifth National Assembly Speaker. Dasho resigned from the service in 1972 and passed away in 1976 after a long and illustrious service to the nation.

2. Dasho Kaka Dorji (Government's Representative)



Dasho Kaka Dorji was born in 1930 in Rubesa, Wangduephodrang. At the age of 10, he left his family for Bumthang to get enrolled in the Drukpa School where he spent 10 years to complete his studies. In 1950, he served as a Changup to the Second King. In 1954, Dasho joined the construction of Dechenchloing Palace. In 1955, Dasho was appointed as a teacher in Chabcha.

From 1963 to 1964, he was posted as an inspector to the Eastern Zone. The following year, he was appointed as the hostel superintendent in Thimphu public school.

In June 1968, Dasho was promoted to the post of Rabjam in the High Court and a year later he was promoted as Thrimpon in Sarpang Dzongkhag. After three years, he became the Government Representative for the erstwhile Audit Division of the government in 1970. In 1975, Dasho was appointed as the Dzongda of Wangduephodrang Dzongkhag.

Dasho Kaka Dorji retired in 1989.

3. Dasho Sonam Rabgye (Public representative)

Dasho Sonam Rabgye was born on the 4th day of the 6th month of the Bhutanese calendar in Chumi Neykhang, Ha Dungkhag, in 1927. He was the only child of Dasho Bhendup and Aum Rinchen.

He studied in Phari, Tibet. At the age of 13 in 1940, he was offered to the Royal Household of His Majesty The Second King to be trained as a staff of the Royal Household, which was a rare and prestigious occupation. He mastered the Tibetan language and script and completed his education in Lhasa, where his father was the Trade Representative of



Bhutan for over 20 years.

In the 1950s, he was appointed as Bhutan's Representative at Toey-Gangri, a small Bhutanese enclave in south-western Tibet near Mount Kailash. This post was discontinued after Tibet became part of China in 1959. After his return, Dasho Sonam Rabgye was sent to Kalimpong in 1962 to teach Dzongkha to the Bhutanese students. In 1964, he was recalled to Bhutan and elevated to the post of Quarter-Master General in the Royal Bhutan Army.

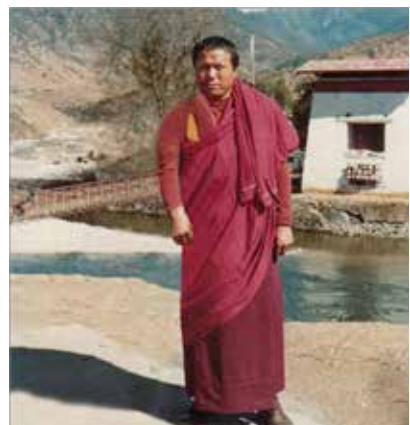
In 1968, he was handpicked by His Majesty The Third King to serve as a Councillor in the Royal Advisory Council (RAC). During his two years in the RAC, he played a crucial role in the National Assembly's important decisionmaking process and earned great respect for his oratory skills.

Dasho Sonam Rabgye was appointed as the Auditor General by His Majesty The Third King in 1970. He established the present institution, the Royal Audit Authority. His Majesty awarded the prestigious Red Scarf to him in 1971 for his dedicated and sincere service. Having successfully set up the Audit Office, His Majesty issued a Royal Command appointing Dasho Sonam Rabgye as Chief of Survey, the first Surveyor General to demarcate the international borders with India and China. Within six years, Dasho Sonam Rabgye and his Survey Team accomplished the challenging and vital task of survey and demarcation of the border with India. At the same time, the ground work for the demarcation of the border with China was prepared before he passed away at the age of 58 at the Sloan Kettering Cancer Institute in New York on 28 June 1985 coinciding with the Birth Anniversary of Guru Rinpoche. (The construction of iconic building which houses the Land Commission & Survey is also a legacy of Dasho Sonam Rabgye).

Dasho Sonam Rabgye was married to Aum Yangdol Dolkar and had seven children and 12 grandchildren.

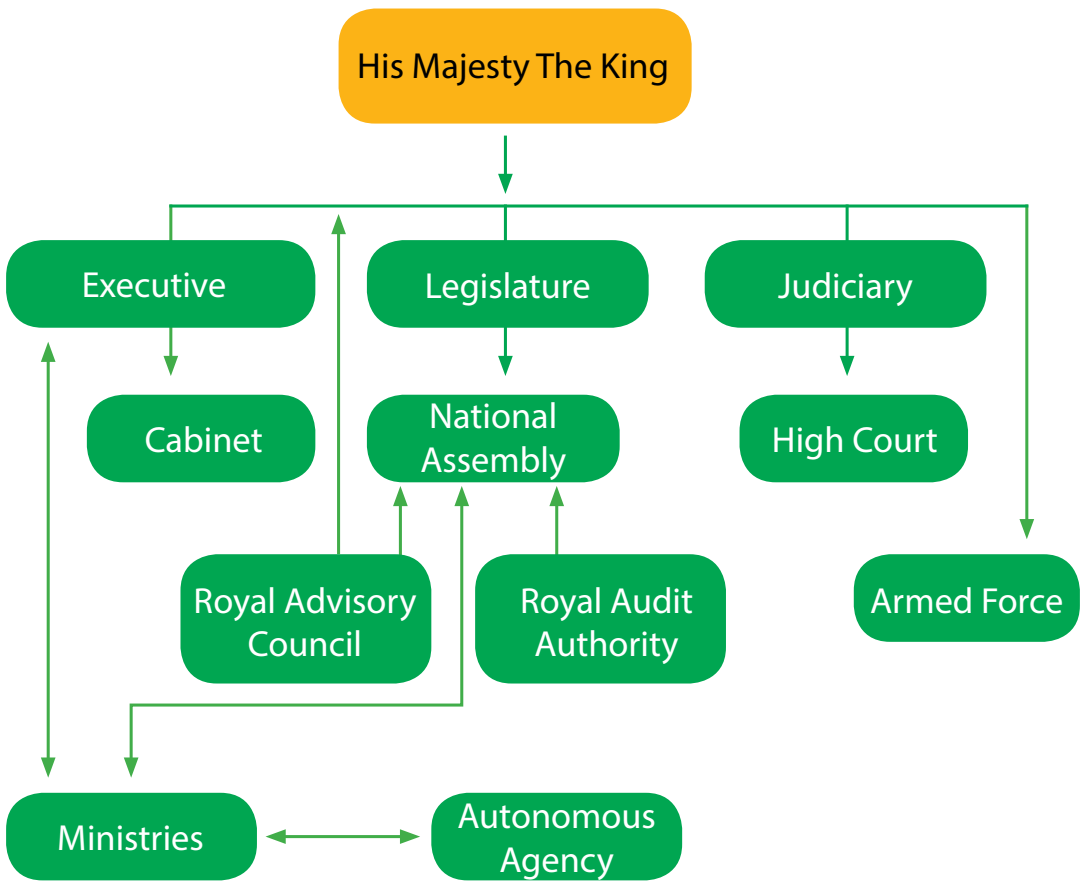
4. Lophon Nado (Monk Body's Representative)

Born in 1932 in Danglo Village, Mewang Gewog, under Thimphu Dzongkhag, he was enrolled in Zhung Dratshang at an early age. He was selected along with a few others and sent to Semtokha Lobdra where he studied under the 69th Je Khenpo, Geshe Geduen Rinchen, the then principal of Semtokha Lobdra. After he graduated from Semtokha, he was recalled to Pungthim



Dratshang. Prior to his appointment as Royal Auditor in 1970, he was appointed as Dratshang Accounts Officer and promoted as Senior Accounts Officer. He served in this position for many years before being appointed as a Royal Auditor. He retired from the service in 1987. After retirement, he lived a very simple life back home taking care of his aging father. He was married to Dechen Zam and had a son. He passed away in 2004.

The position of Royal Audit Authority in the Governance System



- 3 -

ਵੇਖਿਆ ਜਾਵੇਗਾ ਕਿ ਕੀ ਕੋਈ ਵੀ ਖਰਚਾ ਜਾਂ ਖਰੀਦ ਵਾਲਾ ਕਾਰਜ ਠੀਕ ਠੀਕ ਢੰਗ ਨਾਲ ਹੋ ਰਿਹਾ ਹੈ ਜਾਂ ਨਹੀਂ।
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੨- ਖਰੀਦ ਵਾਲੇ ਕਾਰਜਾਂ ਵਿੱਚ ਕੋਈ ਵੀ ਖਰਚਾ ਜਾਂ ਖਰੀਦ ਵਾਲਾ ਕਾਰਜ ਠੀਕ ਠੀਕ ਢੰਗ ਨਾਲ ਹੋਣ ਦੇ ਉਪਰਾਲੇ ਕੀਤੇ ਜਾਣ।
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Restructuring the Government Financial System and Continuance of Five-Year Development Plan (1972 to 1985)

When assuming the state responsibility in 1972, His Majesty The Fourth King Jigme Singye Wangchuck vowed to continue to work on the path set by his royal father. The need for professionals in all fields, especially in financial management and auditing, had become ever pressing. This paved the way for restructuring the financial system in 1974.

Issuance of the Financial Manual 1974

With the restructuring of the financial system of the Royal Government and the issuance of the Financial Manual 1974 vide 29th Resolution of the National Assembly in its 34th session held during the Iron Hog year, the duties and responsibilities of the Auditor General were defined. Further, the appointment of the representatives of the Monk body and the Public was discontinued.

Duties and Responsibilities of the Audit Office

In matters of financial policy, the Auditor General was designated as the Deputy Chairman of the Finance Committee to assist the Minister of Finance who was concurrently the chairman of the same committee. The Ministry of Finance had two departments, namely the Department of Accounts and the Department of Audit headed by the Deputy Auditor General (as no Auditor General was appointed/designated then). The Deputy Auditor General was required to submit his Annual Audit Report directly to the Representative of His Majesty The King in the Ministry of Finance.

The responsibility of the Deputy Auditor General covered the audit of all expenditures and revenues of the Royal Government. His duties were primarily concerned with two broad areas of government activity, namely:

- (1) To ensure that all the expenditures incurred in the different departments of the Government are in accordance with the provisions and allocations made in the budget, the rules and regulations issued by the Government: and
- (2) To ensure that all revenues of the Government have been correctly assessed, realised and accounted for. He was given the power to direct various Ministries/

Heads of Departments to submit their accounts to him and to furnish such additional information he may consider necessary and in such form as may be prescribed by him.

In the discharge of such responsibility, the office was empowered to conduct five types of audit namely:

- (1) Pre-scrutiny of schemes and projects referred by an authority not below a Minister in the Government;
- (2) Post-audit of monthly accounts rendered by various Ministries/Departments;
- (3) Local audit and inspection to determine accuracy of accounts and compliance with rules and regulations (from the view of "propriety audit), waste of public money and stores, act;
- (4) Evaluation audit upon request of the planning commission, to determine the progress and efficiency of plan expenditures incurred in particular scheme(s)/ project(s) with reference to plan targets/anticipations, and
- (5) Special audit of the accounts of a particular unit/office upon written request of an authority not less than a Secretary to the Government.

1985- 2005: The Royal Audit Authority as An Autonomous Agency

In April 1985, the Department of Audit was restructured as an autonomous agency and renamed as the Royal Audit Authority (RAA). The Authority's headquarters was relocated to Motithang from the Ministry of Finance in Trashichho Dzong. On 11 March 1990, the RAA opened a branch office in Samdrup Jongkhar to "cover fresh audit and follow-up action of earlier audit findings of government offices in eastern Bhutan." It was expected to save substantially on tours and transits from Thimphu.

The RAA was mandated to ascertain and evaluate whether government resources are handled properly and in compliance with laws, rules and regulations; and whether government agencies within its audit jurisdiction are achieving the purposes for which they were created and for which government resources have been made available.

The Royal Kasho issued on 2 March 1999 subsequent to the devolution of executive authority by His Majesty The Fourth King to an elected Council of Ministers further reiterated the independence of the RAA.

Royal Kasho issued by His Majesty The Fourth Druk Gyalpo



TASHICHHODZONG
THIMPHU, BHUTAN

རྒྱལ་ཁཚུང་ཅིས་ཞིབ་དབང་འཛིན་གྱི་ཁྱབ་སྒོ་ཡང་ས་ལྟ། དོན་འབྲས་ དེ་ནི་
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མཐུན་ཡོད་མེད་ཀྱི་ཞིབ་དབྱང་རྒྱབ་ནི་འུ་འགན་ཁུར་གལ་ཅན་འདི་ རྒྱལ་ཁཚུང་ཅིས་ཞིབ་དབང་འཛིན་ལུ་སོགས་
ལས་ ལས་འགན་དེའི་བྱ་སྒྲིའི་རིགས་ལག་ལེན་འཐབ་ད་ དྲག་ཞན་ཆེ་ཚུང་གི་དོ་སྲོའི་དབང་ལུ་མ་གོ་བར་
ཆགས་ལྟར་བྱོགས་རིམ་མེད་པར་ དཔྱེ་ཞིབ་མཐིལ་བྱིན་རྒྱབ་དགོས་པ་ ཉ་ཅང་གིས་གལ་གནད་ཆེ་མ་ལས་བརྟེན་
རྒྱལ་ཁཚུང་ཅིས་ཞིབ་དབང་འཛིན་དེ་ ཉེ་མ་ལས་ གཞུང་གི་ལྷན་ཁག་དང་ལས་ཁུངས་གི་མང་འཕྲོལ་ལུ་
མིན་པར་ རང་དབང་རང་སྲོད་བཞེགས་སྡེ་ཡོད།

ད་རེས་ཚུན་ ཅིས་ཞིབ་དབང་འཛིན་གྱིས་ ཞིབ་དབྱང་རྒྱབ་ཚར་བའི་སྤྲོན་གྱི་ཚུ་ དུས་རྒྱུན་རང་སོའི་
ལྷན་ཁག་དང་ལས་ཁུངས་ ལས་ཤེ་སོ་སོ་ལུ་བཏང་མ་ཡིན་རུང་ འབྲུག་རྒྱལ་ཡོངས་ཚོགས་ཐང་ས་ལུ་ པའི་གྲོས་
ཚོད་དང་འབྲིལ་ཏེ་ གཞུང་གི་འཛིན་སྲོད་དབང་ཆ་ ལྷན་རྒྱས་གཞུང་ཚོགས་ལུ་གནད་ཡོད་པ་བཞིན་དུ་ ད་ལས་པར་
ཅིས་ཞིབ་སྤྲོད་ལུ་སྤྲོས་མ་བཤེམ་ཡོད་མི་ཚུ་ ཐད་ཀར་ལྷན་རྒྱས་གཞུང་ཚོགས་ལུ་གནད་དགོས་པའི་ཁར་ ཁྱིམ་ས་
ཀྱི་ལྷན་ཚོགས་ཀྱི་ཅིས་ཞིབ་སྤྲོད་ལུ་འུ་རིགས་ ཁྱིམ་ས་ཀྱི་སྲོད་པོ་ལུ་དང་ དྲག་དྲེ་གསལ་གྱི་མ་དངུལ་བདག་འཛིན་
འཐབ་མི་དངུལ་ཅིས་ལྷན་ཁག་ཡིན་མ་ལས་ ཁོང་གི་ཅིས་ཞིབ་སྤྲོད་ལུ་འུ་རིགས་ དངུལ་ཅིས་ལྷན་ཁག་ལུ་གནད་།

ཅེས་ཞིབ་སློབ་ཞུ་མངའ་བའི་བཅའ་གྲུ་ལ་པོའི་ཞབས་སར་སྤུལ་ནིའི་ཐད་ ལྟར་བཞིན་བཀའ་བྱ་ལོགས་སུ་གནང་མ་དང་
མ་གཏོགས་སྤུལ་མི་དགོས། ཞིབ་དཔྱད་སློབ་ཞུ་སྤུལ་ཚར་མི་ཚུ་ལུ་ བྱིན་སུ་ལུགས་དང་འབྲེལ་བའི་རོལ་ལེན་དུ་ས་
ཐོག་ལུ་འབད་ནིའི་འགན་ཁུར་འདི་ ལྟོན་བྱས་གཞུང་ཚོགས་དང་ ལྟོན་ཁག་ འབྲེལ་ཡོད་ལས་སྡེ་སོ་སོ་ལུ་ཕོག་པའི་
ཁར་ གལ་སྲིད་དང་ལེན་ཚུ་ལ་མཐུན་མ་འབད་མི་རེ་འཐོན་པ་ཅིན་ ཅེས་ཞིབ་དབང་འཛིན་ཁ་ཐུག་ལས་ དྲན་བསྐྱུལ་
དང་དྲི་དཔྱད་འབད་དགོས་པ་མ་ཚད་ ཞིབ་དཔྱད་ཀྱི་སྐབས་གལ་ལཱ་ཡང་ འཚེར་སྤྱང་དང་ཐེ་ཚོམ་མེད་པར་ དམ་དམ་
འབད་ནི་གལ་ཆེ་མ་ལས་བརྟེན་ ཅེས་ཞིབ་དབང་འཛིན་གྱི་གནས་སྤངས་སེད་ ལྟར་བཞིན་རང་དབང་རང་རྒྱུང་འབད་
རང་བཞག་དགོས་པའི་བཀའ་ཐུགས། ཞེས་རང་ལུགས་རབ་བྱུང་བཅུ་བདུན་པའི་གནམ་ལོ་ས་མོ་ལོ་ས་ལོ་
ཟླ་ ༩ པའི་ཚེས་ ༡༥ ལུ་བཀྲིས་ཚེས་རྗེང་ལས་གནང་བའདག།

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འབྲུག་མངའ་བའི་བཅའ་གྲུ་ལ་པོ།

a) Issuance of the Financial Manual 1988

The Financial Manual 1988 (effective 1 July 1988) superseded the Financial Manual 1974 and then existing financial rules and regulations. It aimed to:

- (1) Enhance the efficiency and effectiveness of the financial management system of the Government:
- (2) Streamline the budgeting and accounting system of Government, in particular, to reduce and simplify the working procedures, emphasising accountability and responsibility: and
- (3) Ensure uniformity and standardisation amongst all Government Agencies in accounting and discharging financial transaction, with a view to ascertaining proper receipt and optimum utilisation of Government Fund.

This manual defined the responsibilities of the Royal Audit Authority along with the Ministry of Finance, including the Department of National Budget and Accounts (DNBA), the Department of Revenue and Customs (DRC) and the Department of National Properties (DNP), the Planning Commission, the Royal Monetary Authority, the government depository, all Heads of Ministries/Departments/Agencies, accountable officers, accounts officers/accountants. Above all, the Manual prescribed that officers and employees “shall serve the Government with the highest degree of responsibility, integrity, honesty, loyalty and efficiency, and shall not be particularly interested, directly or indirectly, in any contract or transaction of an agency.

b) Strengthening of the Audit System

The Royal Audit Authority had its mandate defined in the General Auditing Rules and Regulations (GARR) approved and issued in 1989. The GARR was promulgation of six Commands and stipulated audit reports shall recommend measures to improve economy, efficiency and effectiveness in government operations. The GARR also emphasised the role of audit in Government and mandated that “Audit shall be primarily directed towards enhancing Government Accountability which comprises:

- Accountability for the resources of the Government;
- Accountability for agency heads and administrators to higher levels of Government for compliance with or adherence to laws, policies, rules and regulations;
- Accountability for economical and efficient operations, avoiding excessive,

extravagant, irregular and unnecessary expenditures and uses of fund and property, and

- Accountability for programme results or his effectiveness of operations for the ultimate attainment of goals set by the Government. The Royal Audit Authority shall provide information to decision-makers in the government and create awareness among agency heads and administrators in obtaining value for money in Government expenditures, in utilising resources, and in ensuring that all Government revenues due are collected. Through its reports, the Royal Audit Authority shall recommend measures to improve economy, efficiency and effectiveness in Government operations.

Audit Jurisdiction

While the Financial Manual 1988 cited the agencies/entities under the audit jurisdiction of the RAA, the GARR has explicitly defined its audit jurisdiction.

1. As provided in the GARR, the RAA had audit jurisdiction over all accounts pertaining to the revenues and receipts of and expenditures or uses of funds and property, owned or held in trust by, or pertaining to:

- a. Government or any of its instrumentalities

These were the central Government consisting of the ministries, departments, their dependent agencies and field unit/branches/offices.

- Autonomous and Semi-Autonomous Bodies (self-Governing/Independent commissions or Agencies)
- Zonal Administrations: Local Governments consisting of Dzongkhags (Districts) as well as the Dungkhags, and the units under them.

- b. Government-Owned and/or controlled Corporations. Government Financial institutions, and their subsidiaries

These consisted of Government and departmental corporations, as well as joint sector companies. The Companies Act also provides that, "The Auditor General of Bhutan shall be the ex-officio Auditor". He "may designate his representative from the Royal Audit Authority to undertake the audit or appoint an independent firm to do the audit and report thereon."

The Companies Act defines a joint sector company as one “Where the majority capitalisation has been provided by the Government.” Under the same Act, a capitalisation has been provided by the Government.”

- c. Non-Government entities subsidised by the Government, funded by donations or grants through the Government, those for which the Government has put up a counterpart fund or those partly funded by the Government, those required to pay levy, and those whose loans are approved and/or guaranteed by the Government.

These included among others:

- (1) Private companies which were defined under the Companies Act as those where majority or full capitalisation was provided by the private sector;
- (2) Holding companies which were those that hold more than 50% of shares of another company, namely, their subsidiaries;
- (3) Foreign-assisted and special projects (undertaken by non-government organisation), funded from loans and/or grants to or through the Government, with or without Government counterpart funds (in cash or in kind).

- d. Any other organisation upon command of His Majesty The King

As provided in the Companies Act, “the accounts of each company shall be audited at least once a year and the correctness and fairness of its accounts and annual statements of financial condition and results of operations ascertained by auditors (s) appointed by the Board from the panel maintained by Royal Audit Authority.”

Although the said provision specifically apply to all companies, it related more to private companies and holding companies because in the case of Government and joint sector companies, the Auditor General of Bhutan is the ex-officio Auditor.

RAA’s Powers and Functions

The power and functions of the RAA was classified into two categories, namely: Audit and Non-Audit functions and powers.

a) Audit Functions and powers

The functions and powers of the RAA include the following among others:

- a. Ascertain and evaluate whether government resources are handled properly and in compliance with laws, rules and regulations. And assess whether the government agencies, within its audit jurisdiction, achieve the purposes for which they were established and available to them.
- b. Conduct comprehensive audit, financial and compliance audit, performance audit and/or any other form of audit as it may deem proper. In this regard, the RAA may develop and implement an appropriate audit programme to enhance government accountability and to determine whether the fiscal responsibility that rests directly with the head of agency has been properly, economically, efficiently and effectively discharged. The audit programme covers:
 - (1) All financial transactions accounts and reports:
 - (2) An evaluation of:
 - Compliance with applicable laws and regulations,
 - Observance of generally accepted accounting and auditing principles and sound management practices,
 - Agency performance and effects.
- c. Examine audit and settle in accordance with laws, rules and regulations, all accounts pertaining to revenue and receipts of, and expenditures or uses of funds and property, owned or held in trust by, or pertaining to its audit jurisdiction.
- d. Determine the scope and frequency of audit. However, audit of each agency shall, to the extent possible, be carried out annually but not later than two years from the previous audit.
- e. Emphasise any one or more of the objectives of audit and adopt techniques and methods required thereof. However, the specific objectives shall be in conformity with the RAA's primary objectives.
- f. Ascertain whether purchases are made in the most advantageous manner in terms of economy, price or cost, quality, quantity and other specifications.

- g. Evaluate the procurement system in the course of ascertaining whether value for money is obtained, in order to:
 - (1) Ensure that quality, quantity and time standards are met and are commensurate with expenditures incurred and the requirements of an agency, and
 - (2) Prevent irregularities, such as overpricing, overstocking, short deliveries, health hazards, possible losses due to force majeure, obsolescence, deterioration, and other causes.
- h. Ascertain whether agencies observe government policies, laws, rules and regulations on procurement, especially where competitive quotations are required. (It has been prescribed that no advance information on agency requirements may be given to suppliers to preclude any instance that will render the tenders non-competitive, ineffective and disadvantageous to the government).
- i. Ascertain whether contracts through public bidding, or negotiations, are awarded to complying bidding or deserving parties/contractors on the basis of their capability to meet the conditions, terms, specifications, etc. Therein and without any favouritism whatsoever - Review of contracts shall be on a post-audit basis, generally in connection with the post audit of expenditures. The audit of contracts shall not be a condition precedent to the execution, implementation and payment unless so required by the laws, rules and regulations, or ordered by competent authority (ies).
- j. Require the submission of the original contracts and supporting documents to determine whether they have been duly sanctioned and approved by competent authority (ies), reasonably priced, executed within the prescribed period and on agreed terms.
- k. Ascertain, in the course of audit of contracts for project work, whether:
 - (1) The conditions, terms and specifications of the contracts have been complied with;
 - (2) Proper and adequate quality control measures have been adopted;
 - (3) Technical supervision has been satisfactorily exercised; and
 - (4) Labour has been duly and fully compensated.

- l. Audit the monthly accounts of agencies and their underlying transactions, including monthly pay bills, TA/DA and other bills to determine whether they are in order with respect to laws, rules and regulations;
- m. Bring up cases of improper expenditures; wastage of government funds and property; excessive and long outstanding cash advances; expenditures on gifts, presents and allowances beyond authorised limits of rank and status; etc.
- n. Submit Annual Audit Reports and such audit reports covering the audits conducted by the RAA. The Annual Audit Report shall contain the result of the audit of the annual accounts of the government, the overall financial condition and results of operation of the government, and recommendations to improve the efficiency and effectiveness of the government as a whole has been economical, efficient and effective, in achieving the goals of development plans. Aside from the annual audit report, auditors prepare an audit report for each audit work completed. The report include audit findings and recommendations, noteworthy accomplishments, and matters or issues needing further study and consideration. It shall invite attention to the presence of fraud, abuses or illegal acts or indications thereof, so that the matter may be referred to the appropriate administrative and/or law enforcement authorities as circumstances may warrant.

b) Non-Audit Functions and Powers

The Non-Audit functions and powers of the RAA include the following, among others:

- a. Issue supplementary rules and regulations or manuals
 1. To facilitate the exercise of its audit functions;
 2. To enhance the information value of government accounts; and
 3. To ensure compliance with the provisions of approved contracts.

These include detailed instructions (that may be issued from time to time) on the principles, rules of audit, and the procedures to be followed by auditors in the audit of accounts and operations of agencies.

- b. Prescribe a code of ethics and conduct for auditors to ensure integrity,

independence, impartiality and objectivity in audit and technical inspection, as well as appraisals, opinions, conclusions and recommendations on matters presented for resolution.

- c. Recommend the appointment, promotion, posting, etc. of the officials and employees of the RAA, subject to existing policies and applicable Civil Service Rules and Regulations on the matter.

RAA's Organisation and Audit Processes

An effective audit service necessitates an organisational structure to operationalise its mandate and be responsive to the demands/needs and the overall structure of the government. The approved organisation of the RAA enables it to carry out the mandated functions to render an effective and responsive audit service. This is in keeping with the national objectives of the sixth plan, especially the first national objective towards the "Strengthening of the Government Administration" to "facilitate initiative, productivity and accountability" to ensure effective implementation of development plans.

The organisational structure has been made in line with the GARR and dovetails with the decentralisation of the government.

The RAA, headed by the Auditor General, is responsible for the general administration of the RAA and for exercising or directing its powers and functions through Audit Operations Department "A" and Audit Operations Department "B".

a) Audit Operations Department "A"

This Department is headed by a Deputy Auditor General who assists the Auditor General in directing the functions of Audit Divisions I to V:

Audit Division – I

This Division is responsible for the annual audit of Central Agencies and Corporations, as well as the issuance of about 5,000 audit clearances a year.

The Division is headed by a Chief of Division who reports directly to the Deputy Auditor General. It has the following four audit sections, the functions of which are carried out by audit teams that report directly to the Chief of Division.

- 1) Field Audit Section is responsible for the annual audit at the site of the agencies/corporations (except the Dzongkhag Agencies) under the audit jurisdiction

of audit Division-I. In pursuance thereof, the Section is required to develop and implement appropriate audit programmes that encompass an audit of accounts, financial statements/reports, relevant records and documents, and other reports as well as the operations of the said agencies/corporations.

- 2) Technical Section renders technical assistance/services related to the discharge of audit functions in Audit Division I. In this regard, the Section is required to review and evaluate contracts, inspect and appraise construction and other works.
- 3) Audit Review Section is responsible for maintaining an effective system of communicating audit results, including the review of reports, to ensure that reporting standards are observed and that audit results are communicated properly and promptly to the authorities concerned. The Section is also responsible for maintaining and monitoring a follow-up system to encourage full or substantial implementation of audit recommendations, including audit recoveries. The custody/control of audit files of the Division is also the responsibility of the Section.
- 4) Audit Clearance Section is responsible for the issuance of audit clearances on the basis of audit reports and pertinent information, made available by and/or in consultation with the Audit Division concerned.

Audit Division II

This Division is responsible for the conduct of special inspections/investigations when directed by the government. The Division is also responsible for the custody/control of files pertaining to special inspections/investigations conducted by it.

Audit Division III

This Division is responsible for the annual audit of Dzongkhag Central Agencies and the review of Dzongkhag Audit Reports from audit Divisions IV, V, VI and VII, as well as Dzongkhag special audits. Pending actual staffing of the Dzongkhag audit Sections of audit Divisions IV and V, the audit teams of audit Division III are required to conduct revenue and budget audit of the dzongkhags and agencies located in zones 1 and 2 under the jurisdiction of audit Divisions IV and V.

It has the following four audit sections, the functions of which are carried out by audit teams that report directly to the Chief of Division. For its administrative support, it avails the services of the Administrative/Personnel Section of the Administrative and Financial Services Division.

- (1) Central Dzongkhag Audit Section is responsible for the annual audit, at

site, or Dzongkhag and Central Agencies under the audit jurisdiction of audit Division III. The audit team of this Section is also required to conduct revenue and budget audit of the Dzongkhags and agencies located in zones 1 and 2 under the audit jurisdiction of audit Divisions IV and V, until said Divisions are properly staffed. In pursuance thereof, the section develops and implements appropriate audit programmes that encompass an examination of the transactions, accounts, financial statements/reports, relevant records, documents and other reports, as well as the operations of the said agencies.

- (2) Sectoral Dzongkhag Audit Review Section "A" is responsible for the review of audit reports submitted by the Dzongkhag Audit Sections under audit Divisions IV and V.
- (3) Sectoral Dzongkhag Audit Review Section "B" is responsible for the review of audit reports submitted by the Dzongkhag Audit Sections under Audit Divisions VI and VII.
- (4) Dzongkhag Special Audit Section is responsible for the conduct of special audits as directed by the Auditor General or the Deputy Auditor General.

Audit Division IV

This Division is responsible for the annual audit of agencies located in Zone I (Thimphu, Chukha, Haa, Paro and Samtse).

The Division is headed by a Chief of Division who reports directly to the Deputy Auditor General. It has four audit sections, the functions of which are carried out by audit teams that report directly to the Chief of Division.

- (1) Field Audit Section is responsible for the annual audit, at site, of the agencies (except the Dzongkhag Agencies) under the audit jurisdiction of Audit Division IV. In pursuance thereof, the Section also develops and implements appropriate audit programmes for examining accounts, financial statements or reports, relevant records/documents and other reports, as well as the operations of the said agencies.
- (2) Dzongkhag Audit Section is responsible for the conduct of annual audit of Dzongkhag agencies located in zone I. This Section also develops and implements appropriate audit programmes similarly to the Field Audit Section, but with respect to only dzongkhags and agencies located in zone I.
- (3) Technical Section renders technical assistance/services related to the audit functions of Audit Division IV. In this regard, this section is required to review and evaluate contracts, inspect and appraise construction and other works, whenever necessary.

- (4) Audit Review Section is responsible for maintaining an effective system of communicating audit results, including the review of reports, to ensure that reporting standards are observed and that audit results are communicated properly and promptly to the authorities concerned. This Section is also responsible for maintaining a monitoring and follow-up system to encourage full or substantial implementation of audit recommendations, including audit recoveries. The custody/control of audit files of the Division is also the responsibility of this Section.

Audit Division V

This Division is responsible for the annual audit of agencies Zone II (Tsirang, Dagana, Punakha, Wangdue). The Division is headed by a Chief of Division who reports directly to the Deputy Auditor General. It consists of four audit sections.

- (1) Field Audit Section is responsible for the annual audit, at site, of the agencies (except) the Dzongkhag Agencies), under the audit jurisdiction of Audit Division V.
- (2) Dzongkhag Audit Section is responsible for the annual audit of the zongkhags and agencies located in Zone II.
- (3) Technical Section is required to render technical assistance/services related to the audit functions of Audit Division V.
- (4) Audit Review Section is responsible for maintaining an effective system of communicating audit results, ensuring that the standards are observed and audit results are communicated properly and promptly to the authorities concerned. This section is also responsible for maintaining and monitoring the follow-up system, similarly to the Audit Review Section of Audit Division IV, but with respect only to agencies under the audit jurisdiction of audit Division V. The custody/control of audit files of the Division is also the responsibility of the Section.

b) Audit Operations Department "B"

This Department is headed by an Assistant Auditor General who assists the Auditor General in directing the functions of the Audit Divisions VI to VIII:

Audit Division VI

This Division is responsible for the annual audit of agencies located in Zone III (Gelephu, Bumthang, Zhemgang and Trongsa). This division is also headed by a Chief of Division who reports directly to the Assistant Auditor General. Four audit

sections carry out the audits and reports directly to the Chief.

- (1) Field Audit Section is responsible for the annual audit of the agencies (except the Dzongkhag Agencies) under the audit jurisdiction of Audit Division VI.
- (2) Dzongkhag Audit Section is responsible for the audit of the dzongkhags and agencies located in Zone III.
- (3) Technical Section renders technical assistance/service related to the audit functions of Audit Division VI. In this regard, this Section is required to review and evaluate contracts, inspect and appraise construction and other works, whenever necessary.
- (4) Audit Review Section is responsible for maintaining an effective system of communicating audit results, including the review of reports, to ensure that reporting standards are observed and that audit results are communicated properly and promptly to the authorities concerned. This Section is also responsible for maintaining a monitoring and follow-up system and the custody/control of audit files of the Division.

Audit Division VII

This Division is responsible for the Annual Audit of agencies located in Zone IV (Samdrup Jongkhar, Lhuntshi, Mongar, Pema Gatshel and Tashigang).

This Division is headed by a Chief of Division who reports directly to the Assistant Auditor General. It also has four audit sections which carry out audits.

- (1) Field Audit Section is responsible for the annual audit of the agencies (except the Dzongkhag Agencies), under the audit jurisdiction of Audit Division VII.
- (2) Dzongkha Audit Section is responsible for the audit of dzongkhags and agencies located in Zone IV.
- (3) Technical Section renders technical assistance/services related to the audit functions of Audit Division VII and is responsible for reviewing and evaluating contracts, inspect and appraise construction and other works, whenever necessary.
- (4) Audit Review Section is responsible for maintaining an effective system of communicating audit results, including the review of reports to ensure that results are communicated properly and promptly to the authorities concerned. This section is also responsible for maintaining a follow-up system, similar to the Audit Review Section of Audit Division IV, but with respect to agencies under the audit jurisdiction of Audit Division VII. The custody/control of audit files of the Division is also the responsibility of this Section.

Audit Division VIII

This Division is responsible for the audit and certifications of the Annual Accounts of the Royal Government as well as the Principal Bank Accounts maintained by the Ministry of Finance with the Authorised Depositories. It is also responsible for the preparation of the Annual Audit Report prescribed under Section 6.2 and 6.3 of the GARR. The Division is headed by a chief who reports directly to the Assistant Auditor General. It has four sections as follows:

- (1) Annual Accounts Review Section is responsible for the audit and certification of the annual accounts of the Royal Government and the preparation of the Annual Audit Report with respect to the financial condition and results of operations of the Government as a whole.
- (2) Principal Bank Accounts Review Section is responsible for the audit of the principal bank accounts of the Royal Government maintained by the Ministry of Finance with the Authorised Depositories, including the review of the reconciliation statements of such accounts, taking into account the letter of credit system, among others.
- (3) Sectoral Evaluation Section is responsible for the general evaluation of the operations of the Government, sector-wide, on the basis of the results of audit undertaken by the Audit Divisions, particularly Audit Division I, III, IV, V, VI and VII. The general evaluation is then integrated in the Annual Audit Report.
- (4) Corporate Evaluation Section was responsible for the general evaluation of the operations of the corporate Sector on the basis of the results of audit undertaken by Audit Division I and any other Audit Divisions that were directed to conduct similar audits. The general evaluation was incorporated in the Annual Audit Report.

Administrative and Financial Services Division

This Division is responsible for providing the services related to personnel, records, accounting supplies, equipment, collections and disbursements, and security services, except those where the administrative services are discharged in the Audit Division offices located in the Zonal Centres. The Division is also responsible for training and research activities in the RAA.

- (1) Administrative/Personnel Section is responsible for the management of the property, supplies and materials of the RAA, as well as secretarial, security, general administrative and other related services.
- (2) Financial Section is responsible for maintaining the accounts of the RAA and implementing basic policies and guidelines on the preparation and execution

of the RAA budget.

- (3) Records Section is responsible for record keeping of incoming and outgoing records/communications and maintaining the general files of the RAA.
- (4) Training and Research Section is responsible for preparing and implementing training programmes, initiating research and special studies on audit methods, techniques and systems, and setting up an information centre for the RAA.

Audit Processes

a) Audit Plan

The Chiefs of Audit Divisions prepare their respective annual/semi-annual plans and include therein all the agencies under their audit jurisdiction, as well as other principal functions for which they are responsible. The Chief ensure that “Audit of each agency, to the extent possible, is carried out annually but not later than two years from the previous audit”, pursuant to the GARR. Their audit plans are submitted to their respective Heads of Departments for review, then to the Auditor General for approval.

b) Audit Execution

The Chiefs of Audit Divisions supervise their respective divisions and ensure that their approved audit plans are carried out promptly and properly in faithful observance of and compliance with the GARR and other policies of the government and the RAA. They are required to work out the assignments of their audit terms to ensure the approved audit plans are achieved.

c) Audit Reporting

Reporting Standards

Observance of the reporting standards and the requirements under the GARR, particularly Sections 6.1 to 6.14 on “Audit Report” is mandatory.

Any deviation from such standards/requirements is allowed subject to prior approval of the Auditor General.

Responsibility of Reporting

Audit teams are required to prepare their respective audit reports immediately upon completion of their audit assignments. Serious findings, however, are reported immediately to the Auditor General through the Head of Audit Operations Departments and the Chief of Audit Division concerned, even before the completion of the final audit report.

The Chiefs of Audit Divisions are primarily responsible for the review of audit reports notwithstanding the initial review done by their Audit Review Sections.

The Chiefs of Audit Divisions follow up with the audited agencies the implementation of audit recommendations, as well as the recovery of money mentioned in audit findings, which serve as the basis for the issuance of audit clearance.

The Chiefs of Audit Divisions are required to furnish Audit Division VIII with the executive summary of each audit report transmitted, so that a general assessment of the various sectors of the government is made and incorporated in the Annual Audit Report. This is separate from the summary report for audit clearance purposes.

Transmittal of Audit Reports

Audit reports are transmitted to the authorities concerned by the Auditor General or his duly designated representative.

Audit reports/certifications requested by international organisations are signed by the audit team leader, concurred by the Chief of Audit Division, and noted by the Head of Audit Operations Department. The transmittal (management) letter to the international organisations is signed by the Auditor General or his duly designated representative.

2005-2020: The RAA as a Constitutional Office

The Royal Audit Authority was recognised as one of the constitutional bodies in 2005 with its mandate enshrined under Article 25 of the Constitution of the Kingdom of Bhutan. This was followed by the enactment of Audit Act of Bhutan on 30 June 2006 by the erstwhile National Assembly of Bhutan, which provided further functional independence and institutional direction. The Constitution of

the Kingdom of Bhutan 2008 and the Audit Act of Bhutan 2006 transformed the mandate and roles and responsibilities of the Royal Audit Authority befitting the needs of a constitutional democracy.

The Audit Act 2006 was amended and enacted as Audit Act 2018. The amendment was initiated basically to address the inadequacies in the existing law and to provide strong and comprehensive legal basis and mandate for the RAA to audit and report on economy, efficiency and effectiveness in the use of public resources.

In 2017, the Royal Audit Authority adopted International Standards of Supreme Audit Institutions (ISSAI) as its authoritative auditing standards to further enhance the quality of auditing and reporting. ISSAI is developed by the International Organisation of Supreme Audit Institutions (INTOSAI). It represents the benchmark for Audit Institutions for public sector audit. With the adoption of ISSAI, the RAA embraced the practice of conducting three types of audits – financial, performance, and compliance.

RAA has had to undergo massive organisational restructuring, especially to position itself firmly in a democratic setting so that political forces do not impinge on its autonomy and it can execute its responsibilities without fear, favour or prejudice.

Over the period of five decades, the Royal Audit Authority has received seven Royal Kashos, one each in 1970, 1997, 1999, 2000, 2005, 2010 and 2015 highlighting the mandates of the Royal Audit Authority and stressing the importance of the organisation and its independence. These Kashos from the successive Monarchs have helped this organisation transform into a professional organisation and served as triggers for initiating various institutional reforms.



Contributed by:

Chimi Dorji

Deputy Auditor General

The People Behind the Life of the Royal Audit Authority



LYONPO SONAM TOBGYE

Auditor General
(1985 - 1991)



DASHO KIPCHU DORJI

Auditor General
(1991 - 1997)



LYONPO WANGDI NORBU

Auditor General
(1997 - 1999)



DASHO KUNZANG WANGDI

Auditor General
(2000 - 2005)



DASHO UGEN CHEWANG

Auditor General
(2005 - 2015)



TSHERING KEZANG

Auditor General
(2015-)

Royal Kasho issued by His Majesty The Druk Gyalpo



TASHICHHOZONG
TRIMPHU, BHUTAN

༢ དལན། དེའི་ ཅུ་ཁྲིམས་ཅན་གྱི་གཞུག་ཕྱེ་ལག་གི་འགོ་ཁྲིད་ཚུ་ གནས་ཡུན་
ཚོད་རུང་ ཞབས་ལས་བཀའ་མ་གནང་པར་བཞག་དགོ་པའི་གནད་དོན་དེ་ འོ་འོ་ལྟ་ལྟ་ལྟ་བུ་ དམངས་
གཙོའི་གཞུང་ཚོར་རེ་སོར་འགྲོལ་ད་ གཞུག་ཕྱེ་ལག་ཚེ་རྟོག་རྟོ་ཚུ་གི་འགོ་ཁྲིད་ཚུ་སོར་མ་དགོས་འབད་ གནས་
ཡུན་གྱི་དུས་ཚོད་ལ་ཐུག་མ་ཐོག་པ་བཟོ་ནི་དེ་ལག་ཚེ་བས། དེ་འབད་མཁའ་ལས་བརྟེན་ བཅོག་འཇུག་ལྟུན་འཛིན་གྱི་
ཁྱབ་དྲག་ཤོས་ཀུན་བཟང་དབང་འདུམ་ད་ རྒྱལ་གཞུང་ཅིས་ཞིབ་དབང་འཛིན་གྱི་ ཅིས་ཞིབ་ཡོངས་ཁྱབ་ཨོ་རྒྱུན་
ཚོད་བང་ དན་ལྟུང་བཀའ་སློམ་ལྟུན་ཚོགས་ཀྱི་ཁྲིམ་ཚུགས་ཤོས་གནས་བརྟན་བཟང་མོ་ཚུ་ དེ་འུམ་ལས་འགོ་
བཟུང་ཕྱེ་འོ་འོ་ལྟ་བུ་གི་གནས་ཡུན་དེ་འགོ་བརྟུག་པ་ཨིན་པའི་བཀའ་ཐམ། ཞེས་རང་ལུགས་གནས་འོ་ལུགས་ལོ་
ལྷག་ལོ་རྒྱུ ༦ པའི་ཚེས་ ༡༢ ལུ།

འབྲུག་མངའ་བདག་རྒྱལ་ཡོ།



TASHICHHODZONG
THIMPHU, BHUTAN

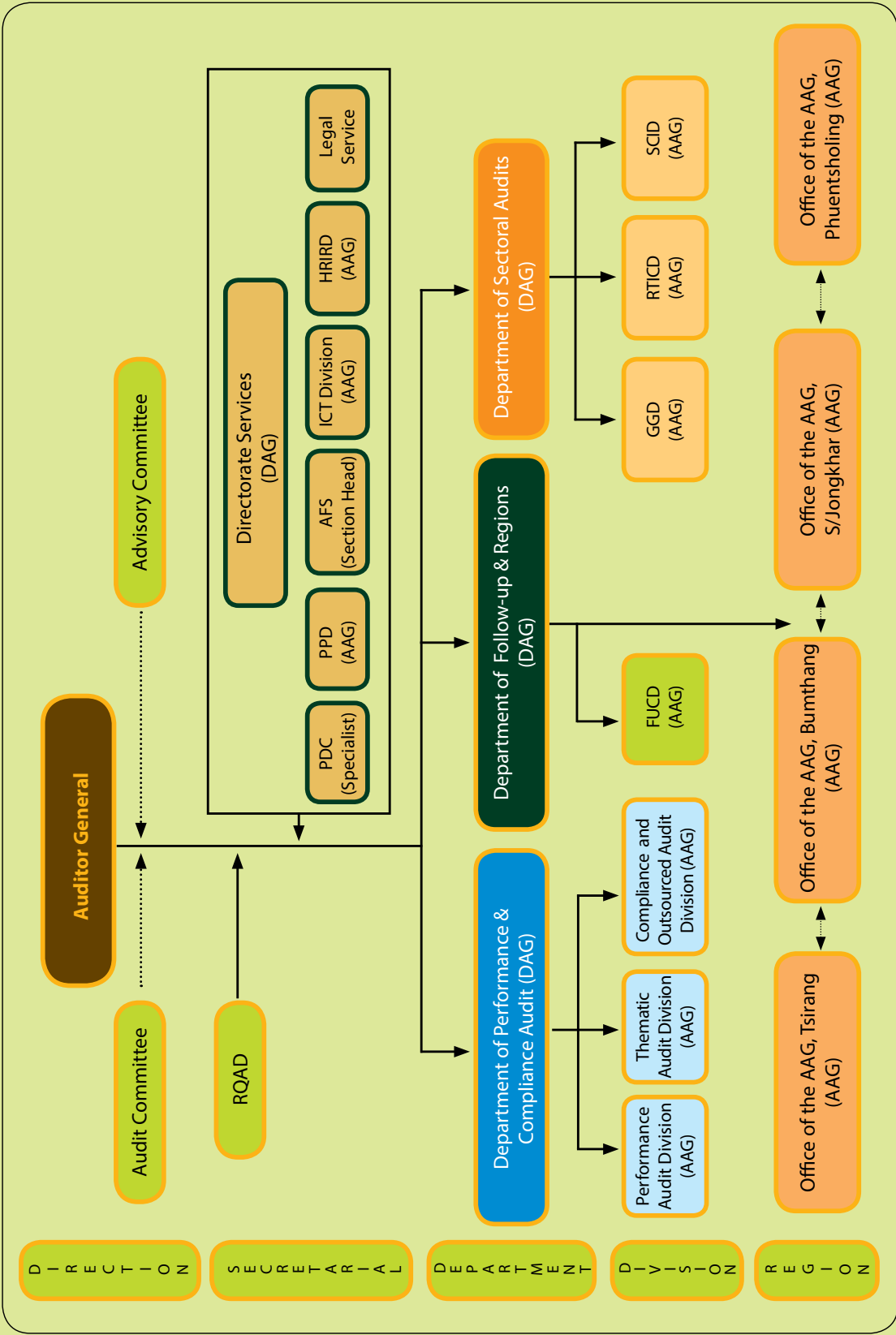
༢ དལན། དེའི་ དཔལ་ལྷན་འབྲུག་པའི་ཚུ་ཁྲིམས་ཚེན་མོ་ ཚུ་ཚན་གཉིས་པའི་དོན་
ཚན་ ༡༥ པའི་ ཚེ་ལའི་དགོངས་དོན་ལྟར་ བསྐྲུན་གཏམ་ཚུ་ལྟོང་ལག་གི་ཚོང་བདག་ ཚོང་རིང་སྐྱལ་
བཟང་དེའི་དོན་ ཚུལ་གཞུང་ཚུ་ཞིབ་དབང་འཛིན་གྱི་ཚུ་ཞིབ་ཡོངས་ཁྱབ་འབད་འདེམས་བསྐོས་གནང་ཡོད་པའི་
བཀའ་ཐམས། ཞེས་རང་ལུགས་གནམ་ལོ་ཤིང་མོ་ལུག་ལོ་རྒྱུ་ ༤ པའི་ཚེས་ ༡༥ ལུ།

Jigme Kachangdulck

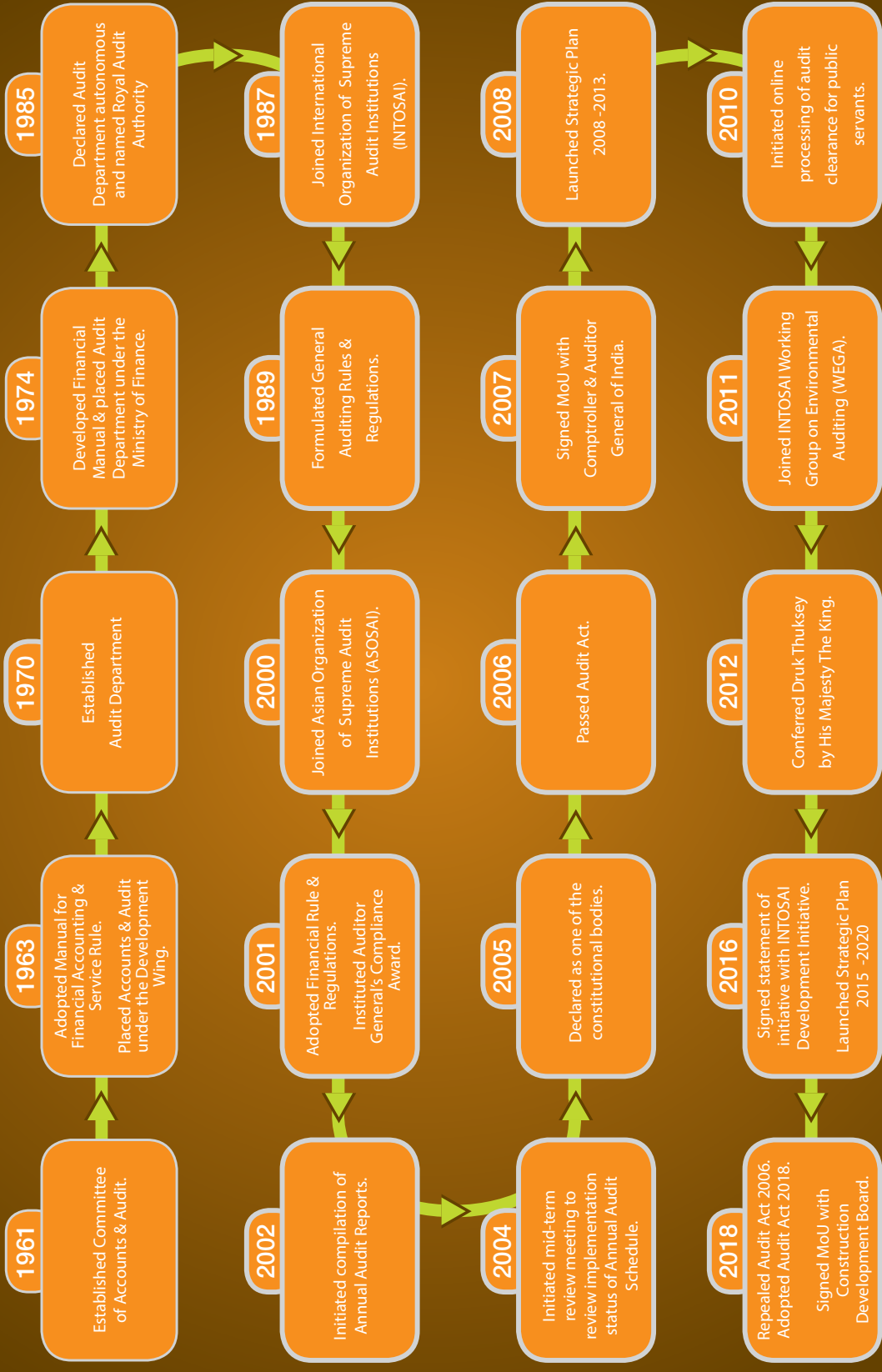
འཛིགས་མེད་གོ་སར་རྣམ་རྒྱལ་དཔོན་ལྷན་གྱི་

འབྲུག་མངའ་བདག་རྒྱལ་པོ།

The Organogram



Significant Milestones in the Life of RAA





CHAPTER TWO

**Five Decades of Inspirational
Journey of Royal Audit
Authority**

**Auditing and Reporting on
Economy, Efficiency and
Effectiveness in the Use of
Public Resources**

Introduction

As we mark the joyous occasion of the 50th anniversary, it is more than appropriate to reflect on the past and present achievements that have contributed to the nation building process. This section describes significant milestones the RAA has achieved in the span of five decades.

I. Institutional transformation of the Royal Audit Authority

As detailed in the preceding chapter, the RAA has witnessed significant institutional transformation. It has grown from a mere audit committee to a constitutional office. The journey thus far has been most exhilarating, momentous and remarkable for both the present and past RAA family. It is the first institution to receive *Druk Thuksey* from His Majesty The King during the occasion of the 105th National Day Celebration in December 2012. The medal was conferred as an institutional award in recognition of the RAA's service to the Nation.



Druk Thuksey Medal



**INSTITUTIONAL AWARD
THE HONOUR OF DRUK THUKSEY**

ROYAL AUDIT AUTHORITY

For humble and dedicated service to the nation

For perseverance and commitment in fulfilling its duties
without fear or favour

For sincere and diligent staff committed to building a strong
and dynamic institution

Granted on the auspicious occasion of the national Day of 2012

II. Enhancement of Transparency & Accountability in the Government

As an oversight body and watchdog of public spending, the RAA has been able to make a difference to society by creating profound impact on the operations of public institutions through its reports, recommendations and strong presence. Over the period of five decades, the RAA has been able to enhance transparency and accountability in the government and public sectors by providing independent and objective opinions on the use of public resources. The audit reports, which are prepared objectively and independently, have become a strong tool to counter fraud and corruption and facilitate the executive branch of the government to make policies and decisions that are in the best interest of the Bhutanese citizens. The system of accountability has been upheld in the government and public sector operations due to the system of fixing accountability on individuals and strong follow-up actions carried out by the RAA.



III. Institutional & Professional Development Reforms

With the entire government operation changing changing fast, it has been necessary for the RAA to undergo some changes in its institutional setup to respond to the changing environment.

The RAA opened two regional offices, one each in Gelephu and Samdrup Jongkhar in the early 1980s. However, the regional office in Gelephu had to be closed down due to security problems in the 1990s. Today, we have four regional offices located in Bumthang, Tsirang, Phuentsholing and Samdrup Jongkhar. These regional offices are strategically located to take our services closer to our stakeholders and make them timely.

The restructuring of the organisation has been a continuous process over the period of four decades. Major restructuring was carried out in early 2000 followed

Relationship between the SAI of Bhutan (RAA) & the Public Accounts Committee (PAC)

“A binding relationship that promotes accountability”

An experience of (Dasho) Ugen Chewang, Auditor General of Bhutan

by organisational development exercise in 2007. We have been able to align our functions with the constitutional mandate focusing on auditing and reporting on economy, efficiency and effectiveness in the use of public resources. This required the RAA to strengthen its performance audit function by building human resource capacity and expertise, and creating a dedicated division. Performance auditing gained popularity among the parliamentarians, decision makers and the public at large, which goes to show the impact this audit has created. To further address the emerging issues in the field of information technology and environment-related issues, the RAA has created a Thematic Audit Division.

A dedicated Research & Quality Assurance Division has been established to ensure the quality of our products, i.e. audit reports.

In order to enhance timely and effective delivery of services to our stakeholders, we have been able to adopt a systematic and coordinated approach in carrying out the audit by preparing a realistic annual audit schedule based on five-year strategic projections.

The RAA started preparing Annual Audit Reports from the year 2002. So far, we have prepared 12 Annual Audit Reports in a row. With the system of preparing and issuing annual audit reports, the RAA has been able to report the findings of its audits to the public in a transparent manner. The system of issuing the Annual Audit Report has empowered the Bhutanese citizens to hold the custodians of the public purse accountable to their action.

The government's financial management system saw yet another milestone with the adoption of Financial Rules & Regulations in 2001. Consequently, the RAA certified the Annual Financial Statements of the Royal Government of Bhutan for the first time in 2003 as required under the Financial Rules & Regulations 2001.

On the international front, the RAA has secured membership of International Organisation of Supreme Audit Institutions (INTOSAI) and Asian Organisation of Supreme Audit Institutions (ASOSAI). The RAA has thus created international presence through its active involvement and participation in various activities organised by these organisations.

The RAA is also a member of INTOSAI Working Group on Environmental Audit (WGEA) and INTOSAI Working Group on IT Audit (WGITA). As a member of these working groups, the RAA expects to strengthen its institutional capacity in carrying out the IT & environmental audits through active involvement and participation in the working groups and sharing our experiences and contributing to the work plan projects for developing guidance and reference materials. We have fared well in the area of performance auditing. We take pride in being considered an example and looked up to by other Supreme Audit Institutions for the progress we have made in this area.

Besides participating in training programmes organised by ASOSAI and INTOSAI, we have three INTOSAI certified training specialists who are involved in delivering training to participants from other member Supreme Audit Institutions. This mode of participation has also leveraged our presence in international arena.

The RAA primarily strives to deliver professional audit services with quality assurance for the stakeholders. Recognising the importance of providing highest quality services for our stakeholders, various initiatives and innovations have been put in place such as development of audit manuals & guidelines, institution of quality assurance review, professional enhancement of auditors, training programmes mostly delivered in-house as a part of Continuing Professional Development Policy, and participation in trans-regional audit organised by the INTOSAI Development Initiatives..

The RAA has also embarked on Risk-Based Auditing, which is a paradigm shift in auditing approach aimed at enhancing efficiency and effectiveness of audit. The transition is timely in view of audit resource constraints. Such changes have contributed to attaining professionalism in the RAA's work by way of enhancing

our capabilities both in terms of organisational and human resources. Having worked for several decades without losing sight of its mandate, today there is a high degree of acceptance of the RAA's work among our stakeholders and increasing appreciation for our work from all quarters.

IV. Technological Advancement

The RAA recognises that we cannot afford to ignore the advancement of ICT within and outside the country. While computers were used as early as the 1980s in Bhutan, a comprehensive system was developed in the RAA in the second half of the 1990s. This automated the issuance of the audit clearance, facilitated the maintenance of audit reports and enabled follow-up of past audit reports, amongst others. Subsequently, beginning 2010, the system of processing and issuing the audit clearance was made online, thereby expediting the delivery of services and reducing time and cost. To build further on the existing system, the RAA has embarked on a robust and dynamic system called Audit Resources Management System (ARMS), which is currently under development. Once complete, the system will have all our functions integrated and automated, including administration and human resources related activities.

V. Sustained Relations with Parliament and Public Accounts Committee

The RAA enjoys a strong working relationship with the erstwhile National Assembly of Bhutan and the Public Accounts Committee. This relationship has been strengthened with unprecedented support received from the first Parliament of Bhutan and the existing Public Accounts Committee. The importance and due regard given to Annual Audit Reports of the RAA by Parliament and the Public Accounts Committee has created a huge impact on promoting accountability and transparency in the use of public resources and government operations. The review of the Annual Audit Reports by the Public Accounts Committee and onward submission to parliamentary sessions have resulted in the adoption of a number of resolutions with directives for appropriate actions on the audit reports by agencies and authorities concerned. Substantial amount of session time are devoted to discussion on audit reports, which is indicative of a strong support extended by Parliament to the RAA and the high significance accorded to this

Authority. The most significant step taken by Parliament was the directive to review and resolve pending audit observations, which the RAA has been able to pursue vigorously. The outcome so far has been very impressive. As we celebrate this occasion, we are very pleased to have the presence of Hon'ble Members of the Public Accounts Committee.

The kind presence of Hon'ble Members today is yet another indication of committed and strong support shown the RAA enjoys. We are also very proud to have our two former senior officers serving as the members of the Public Accounts Committee – Hon'ble Member Jigmi Rinzin and Hon'ble Member Kezang Wangdi.

VI. Relationships with Anti-Corruption Commission

The RAA has reached a common agreement with the Anti-Corruption Commission (ACC) that any case of fraud and corruption unearthed in the course of auditing will be shared with the Commission for further investigation. This institutional arrangement between the RAA and the ACC enables the two institutions to work in synergy towards combating and fighting corruption.



This shared understanding has been institutionalised with the signing of the Protocol of Mutual Assistance and Information Sharing that delineates the processes and procedures in making referrals between the two agencies.

Prior to the establishment of the ACC and the Office of the Attorney General (OAG), the RAA functioned as the investigator as well as the prosecutor. With the establishment of the ACC and OAG, we have been able to focus on audit and assurance services. Since the establishment of the ACC, we have been working closely with it to combat corruption. We alert the ACC to signs fraud and corruption and share with it the reports containing fraud and corruption cases. At times, we also share with it our human resources to carry out investigation.

VII. Establishment of Professional Development Centre

The establishment of the Centre, proposed in Tsirang, was endorsed by the 87th session of the National Assembly. Although the construction had been planned in the 10th FYP, it had to be deferred to the 11th FYP. The construction could begin only in 2014.

The Centre was formally inaugurated on 1 November 2018, coinciding with the Coronation Day of His Majesty The King and 50 years of bilateral relationship between the Royal Government of Bhutan and the Republic of India. The inauguration of the Centre has not only enhanced the RAA's efforts at building professionalism but also enabled other agencies to conduct training, workshops, conferences and seminars.





CHAPTER THREE

Value and Benefits of SAI:

Making a difference in the lives of citizens

**Defining the Role of RAA in the
21st Century**

Introduction

Public value creation is much more than producing public goods or providing public services. It is about decision-making conditions and procedures for public managers and public institutions' social impact. The role that Supreme Audit Institutions (SAIs) can play in strengthening the public sector management and performance by enabling oversight, accountability and governance has always been rated as the cornerstone of a democratic society.

A risk to be considered with public sector institutions in a democracy is that power and resources can be mismanaged or misused, leading to the erosion of trust that can undermine the essence of the democratic system. It is, therefore, critical that the citizens are able to hold their representatives accountable.

Auditing has a positive impact on trust in society because the custodians of the public purse could act differently if they know they can be scrutinised. Such awareness supports desirable values that underpin accountability mechanisms, which leads to better decisions and enhances good behaviour in government organisations. Therefore, the ultimate role of an SAI is to make a difference in the lives of citizens by contributing to trust, efficiency and effectiveness.

Acting in the public interest places a further responsibility on SAIs to be exemplary in responding to the challenges of societies; the changing environments in which audits are conducted; and the needs of different stakeholders.

To be able to fulfil an SAI's functions and ensure its potential value to a democratic society, SAIs must be seen as trustworthy. The audit institutions can earn trust only if they are objectively judged as being credible, independent and accountable. It is only with such a solid foundation for their own functioning that SAIs can add value and make a difference in the lives of citizens.

International Standards of Supreme Audit Institutions (ISSAI) 12 recognises that the ultimate role of an SAI is to make a difference in the lives of citizens and this can only be possible if an SAI:

- » strengthens the accountability, transparency and integrity of government and public sector entities
- » demonstrates ongoing relevance to citizens, Parliament and other stakeholders
- » is seen as an independent model organisation through leading by example

What Value and Benefits can the RAA as a Supreme Audit Institution Add?

The RAA as a key democratic institution exists to provide assurance and credible information to stakeholders in the interest of the public. With the mandate to audit and report on economy, efficiency and effectiveness, the RAA aspires to be a credible institution and strives to enhance good governance in the country.

The outcomes of the RAA through its audit work will ultimately make a difference in the lives of citizens. As per the RAA Strategic Management Framework, the outcomes of the RAA are as follows:

- » Public confidence in the RAA
- » Audit recommendations are implemented
- » Public confidence in the government's financial systems
- » Improved compliance with laws and regulations
- » Improved service delivery in public operations
- » Reduced instances of fraud and corruption
- » Stakeholders engagement in accountability

These outcomes reflect the aspirations of the RAA to contribute to society in providing value and benefits as the nation's Supreme Audit Institution.

Current Situation of the RAA – Towards Adding Value and Benefits to the Nation

❏ **Strengthening accountability, transparency and integrity of government and public sector entities**

To strengthen accountability, transparency and integrity of the government and public sector entities, the RAA has instituted the following:

- 1. Balanced reporting:** The RAA adds value not only by retrospective detection of violations and deficiencies, but also by complementing positive changes and achievements of the government and public sector entities.

This allows the RAA to harness full potential and nudge and inspire the government agencies to achieve greater transparency and accountability and to ensure the efficiency of public administration.

2. Effective follow-up mechanism: The follow-up function of the RAA ensures that those charged with public sector governance to discharge their responsibilities in responding to audit findings and recommendations take appropriate corrective actions. The follow-up is carried out for all three streams of auditing and ensures that audit recommendations are implemented and loopholes addressed.

3. Awareness programmes: It is imperative that citizens at all levels are aware of the need for accountability and transparency in the public sector. It is the responsibility of every individual to ensure that public resources are utilised in the most prudent way and contribute to nation building. In this regard, the RAA continuously engages in creating awareness among public officials and general citizens. Empowering citizens through such awareness programmes provides necessary information and education for beneficial change as the direct beneficiaries of public services.

❏ **Demonstrating ongoing relevance to citizens, Parliament and other stakeholders**

The RAA has initiated the following to be relevant:

4. Adoption of ISSAIs: To ensure continuity of value and benefits, and demonstrate ongoing relevance, the RAA must be able to apply new approaches and take advantage of opportunities to meet emerging challenges. It is important to respond to a changing world of national governance in the best possible way and, in doing so, set up new tasks and explore new frontier in the future. The adoption and implementation of International Standards for Supreme Audit Institutions has helped raise the benchmark of the RAA's performance and enhance quality, professionalism and credibility as an oversight institution in the country.

5. Auditing of IT systems and environment: Considering the importance placed on environmental issues over the past decade and the ever-evolving IT industry, the RAA has a committed division to audit these aspects. Environmental audits will not only encourage better environmental conversation practices but also contribute to the national goal of being an environmentally-friendly country. IT systems audits identifies for developers of IT systems gaps and loopholes that may impact the performance of the

government and encourage the development of secure and user-friendly IT systems in the future.

- 6. Assessment of donor funds:** Bhutan has always used funds from its development partners for its development activities. It is imperative that such funds are utilised for the purpose they are provided for and the citizens benefit from them. The RAA audits such funds and their utilisation to provide donors and development partners reasonable assurance that their funds are utilised in the most economic, efficient and effective manner.
- 7. Media and social media presence:** The RAA continues to improve its relevance by publishing its reports in the traditional media and social media. The Authority's presence on these two platforms allow its stakeholders to gain necessary insights into its activities and ensure that audit outcomes are not misinterpreted. Besides, the RAA's evolution and its changing dynamics are also made public.
- 8. Enhancing collaboration in pursuit of national goals:** In government, building networks and fostering collaboration are essential for the successful achievement of national goals. There is a growing understanding that governments cannot achieve their goals without collaboration, cooperation and network management, meaning both intra- and inter-governmental collaboration. To this end, the RAA will also have to strengthen its ability to collaborate with and positively influence a variety of stakeholders. The RAA has conducted meetings with various stakeholders to enhance institutional linkages and develop confidence in the work we do. It also helps in ensuring that stakeholders recognise the importance of accountability and transparency in delivering their national duties.

❖ **Being an independent model organisation leading by example**

With the desire to lead by example and become a model organisation, the RAA has established the following:

- 9. Enactment of Audit Act of Bhutan 2018:** The new Act provides clarity to the RAA's mandate, thus empowering the Authority to fulfil its constitutional duties without fear or favour and ensuring independence. The necessary powers and responsibilities are clearly spelt out in the Act which help the Authority effectively discharge its oversight functions in the democratic society.

- 10. Oversight mechanisms:** The RAA is committed to ensuring transparency and accountability in its own operation and undergoes external reviews such as audit of its accounts and operations, peer reviews and performance management framework assessments. This enables the RAA to identify its own deficiencies and lapses and take necessary corrective actions.
- 11. Policies and practices:** Numerous policies, guidelines and manuals have been put in place to help auditors perform their duties in the most effective and efficient manner. These regulations and requirements help auditors in developing professionalism at work and make make the best use of the available resources.
- 12. Quality control and assurance:** The RAA's aspiration to be a model organisation necessitates strong quality control and quality assurance framework. The quality control and assurance functions also extend to support services to ensure that the quality of audit reports is not compromised and audited entities ensure value for money in their operations.
- 13. Capacity building:** Professional development and capacity building have always played an important role in the development of an organisation. The RAA is no exception. Besides regular in-house training, the RAA has also provided many opportunities for ex-country training, workshops and seminars. There has also been continuous support for employees interested in pursuing higher studies. Such measures have helped the RAA keep pace with the ever-evolving and changing dynamics of public spending.
- 14. Institutional linkages:** The RAA participates in various international activities and builds networks with other SAIs and relevant institutions. This helps the RAA keep itself abreast of emerging issues and promote knowledge sharing to benefit other SAIs. Besides being a member of international and regional committees, the RAA has signed MoUs with SAIs of India, Thailand, UAE and Finland. MoUs with Vietnam and Latvia are under process. Such institutional linkages ensure that the RAA becomes an internationally accepted agency providing oversight functions within its jurisdiction.

Way forward

While the RAA has made tremendous progress towards adding value and benefits to the nation, there are a few goals we are yet to achieve to contribute to fulfilling

the national aspiration of Gross National Happiness. In order to provide value and benefits to the citizens, the RAA needs to:

1. Strengthen quality assurance function

The RAA needs to be seen as a credible and trustworthy institution. Towards this end, the RAA needs to produce quality reports which can be a driving force for creating positive impacts. However, with the challenge of conducting quality assurance review of around 600 reports, the RAA needs to strengthen the currently understaffed quality assurance function.

2. Strengthen follow-up mechanism

The ISSAI Framework stresses an effective follow-up mechanism for SAIs to make a difference. A strong follow-up mechanism is, therefore, vital considering the importance of implementing corrective measures and audit recommendations given its potential to change government behaviour. Building on the existing effective follow-up mechanism, the RAA needs to institute a system of conducting review and analysis of audit reports to identify the underlying problems and root causes to help enhance public sector performance. There should also be visibility of the follow-up statuses so that individuals held accountable can come forward to resolve the audit issues.

On the other hand, there is a need to strengthen the follow-up mechanism in audited agencies so that the follow-up happens automatically.

3. Improve the stakeholders' acceptability of audit results

Smart and collaborative engagement with external stakeholders is essential for improving acceptability of audit results. Collaborating with audited agencies is important to foster collective responsibility to improve government performance. This calls for a communication strategy wherein there is audit advocacy and awareness on specific audit issues aimed at different groups and levels of stakeholders.

4. Establish a media section

The RAA needs to increase the awareness of audit role by reducing the gap between itself and the stakeholders, especially the citizens. This can be done by sharing know-how, reporting relevant findings in a clear and effective manner, and using the best communication tools to reach a wider audience. This can be done through the establishment of a media section responsible for creating podcasts to clarify on and explain complex issues, and making infographic posts on the

website and social media, among others, to communicate the audit results. The media section can also look into creating programmes through the mass media such as the radio and BBS. The media section can communicate the audit results keeping in mind different demands of the stakeholders.

5. Enhance RAA's professional competency

To maintain independence and ensure relevance which is predominantly determined by the quality of our work, the RAA needs to enhance competencies of the auditors through vigorous and effective training so that there is direct transfer of knowledge to the work environment.

6. Mainstream IT auditing and set up a data analytics unit

To be relevant to changing times, the RAA needs to mainstream IT auditing approach in performance, financial and compliance audits. The RAA also needs to set up a data analytics unit to analyse data and provide insights and data-driven recommendations. The data analytics unit can not only help the RAA understand internal risks and explore options for better operations, but also analyse potential risks which can be taken up as audit topics.

7. Re-structure the RAA's organogram

There is a need to review the current structure of the organisation and re-structure it to enhance the relevance of its functions to a democratic society. This will entail creating new departments, divisions and units or merging the existing ones. Core auditing and reporting functions need to be segregated from secretarial to make the organisation better focused and more responsive. This will facilitate effective functioning, decision making and a purposeful direction.

Conclusion

It is the collective responsibility of all stakeholders to ensure that there is transparency, accountability and integrity in every activity undertaken by the government. The value and benefits that the RAA adds to the nation should correspond to each stakeholder's responsibility and commitment to the outcome of the audit works. Collectively, we can hope to make Bhutan truly a land of happiness where everyone is accountable and transparent, and shares the joy of being the Bhutanese.



CHAPTER FOUR

**Reflections by the
RAA Officials**

A Fateful Reunion



Tshering Kezang
Auditor General

My appointment on 31 July 2015 as the second Auditor General under the Constitution of the Kingdom of Bhutan is like coming back home. My formative years in the civil service started in the RAA after a short stint as a finance officer in the erstwhile Ministry of Health and Education during the initial years of my civil service career. Away from auditing work for almost 10 years, I noticed drastic changes in all spheres of the RAA. I have realised that the only remnant of the past are a few senior people, most of whom are on the verge of superannuation. The institution has undergone tremendous transformation – institutionally, organisationally and professionally. It has readied itself with its foundational prerequisites for its existence through its strong legal and institutional framework.

I take this opportunity to thank Dasho Ugen Chewang, my predecessor, for preparing his end-of-term report which gave me deeper insights into the accounts of what had been done and accomplished along with the challenges and suggestions. It was really a profound message for his successor as it literally provided deeper insights into what it takes to perform as an auditing institution. It provided me guidance as well as caution on the pitfalls highlighted in his report.

During my entire service, I have always accorded the highest priority to strengthening the systems and processes of work and sustaining the overall capacity of the institution besides delivering the results. To augment the existing legal framework for independent functioning of the RAA, the Audit Act of Bhutan 2006 was amended in 2018 by Parliament. The new Act

provides more clarity on the process of enhancing accountability, internal governance and process of resolving audit issues and delineating responsibilities to the audited agencies.

A host of manuals and guidelines have been either developed or revised to provide guidance to the auditors to keep pace with the changes taking place in the auditing practices. Another notable stride we have taken during the period is the development of Strategic Plan 2015-2020. Under this plan, we have articulated strategic intents of the RAA in fulfilling its constitutional mandates and meeting the expectations of the stakeholders. It basically reflects what our strategies are to respond to the mandates of the Constitution and Audit act, and to meet the expectations of our stakeholders. It is an attempt at forging a renewed direction and providing a basis for rendering performance accountability of the RAA for using public resources for its operations.

To lead by example, we have always been conscious of how we govern ourselves. To set the tone, I began my office with a series of meetings with all levels of staff. I have been able to discern a wide range of issues, expectations and challenges in governing the organisation. This gave me the basis for augmenting internal governance systems. As an organisation which propounds transparency and accountability in the public sector, it is only apt that we embody good governance first and practice it. Starting from the formation of various committees to dissemination of decisions of the meetings to all the employees to regular consultative meetings with all levels, I have been able to make it clear to everyone that we must be guided by the principles of transparency and accountability in all administrative functions.

‘The Supreme Audit Institution’

– What it Means to an Individual (auditor) and to the Institution (RAA)?



Tashi Tobgay

Deputy Auditor General

“There shall be an independent Authority to be known as the Royal Audit Authority which shall be the Supreme Audit Institution of Bhutan.” Section 6, Audit Act of Bhutan 2018

The word ‘Supreme’ generally connotes unquestionable authority or power. So what does it mean when the RAA is annotated as the ‘Supreme Audit Institution of Bhutan’?

Well, what it means to an individual may not be too relevant, but there is every reason for one to take a great pride to serve in an institution where one is guaranteed certain immunity in the discharge of one’s official duties. Of course, such an immunity does not extend to a corrupt act committed by an individual even in connection with his official duties. Therefore, when working in such an institution that has been labelled ‘Supreme’, it calls for extraordinary sense of commitment, responsibility, and unquestionable integrity from an individual to live up to the expectations of society. The auditors are expected to subscribe to and be guided by the highest standard of Code of Ethics. Integrity, objectivity and professionalism are the norms and baseline requirements expected of auditors. Ethical behaviour is key to the auditors in establishing the reputation and trust that they must inspire in their stakeholders. The conduct of auditors is often subjected to scrutiny, may not be by a Statute, but by the forces of environment which have been made so effective with proliferation of social media. The auditors are constantly on their toes and put to regular test of his/her professional integrity. Therefore, as auditors, our conduct must not only be professional, impartial and

independent, but also seen to be credible and reliable in the eyes of general public.

So, what does 'Supreme' means to an institution – the Royal Audit Authority? Apparently, it assures certain authority and independence in its function. 'Independence' is the mantra or, in more formal jargon, the 'legal teeth' necessary for effective discharge of its Constitutional responsibility. Without adequate independence, the execution of its mandate without fear, favour or prejudice will remain a mere aspiration rather than practice. Therefore, typically conjuring up an image of waging a war without weapon.

The farsighted leaderships espoused by our successive monarchs have ensured adequate independence to the institution. Since its inception, the RAA has been granted sufficient independence and privileges through successive 'Royal Edicts'. The independence of an oversight institution as ours is even more relevant in today's democratic society. Our visionary Monarchs have foreseen the importance of the oversight institution's independence in creating a vibrant democracy based on the tenets of good governance – transparent and accountable institutions. This special patronage we continue to enjoy has culminated in the RAA receiving the status of 'Supreme Audit Institution of Bhutan'. In fact, there are only three institutions in the country that are accorded the status of 'Supreme' by the Constitution or legislation enacted by Parliament. The other two sacred institutions are the 'Supreme Commander in Chief of the Armed Forces' and the 'Supreme Court of Bhutan'.

As a Supreme Audit Institution, we are bestowed with enormous authority extending to the use of all public resources in the country. In auditing parlance, we say,

“our mandate allows us to audit everything under the sun”. While it is an immense pride for the institution, it calls for larger responsibility to society – the sacred responsibility of adding value and benefits to the lives of citizens. How do we add that value? As an oversight institution, the delivery of its mandate of auditing and reporting, and influencing and promoting beneficial change in the public sector operations are its critical success factor. The real value proposition is thus the ability to lead change and remain continuously relevant and robust in this fast-changing environment. Spurred by rapid technological advancement, the RAA cannot remain complacent, but continuously seek to be more resilient, astute and responsive institution subscribing to the highest standards of performance.

The RAA should, therefore, commit itself to the principle of “leading by example”. When we commit to this principle, we cannot expect others to abide by certain rules, if we are not prepared to abide by the same rules. It is inevitable that the RAA ought to assume that lead role in society to propound and propagate accountability in the public sector, and legitimately earn that trust and confidence. Therefore, sustaining the expectations of society at large will continue to pose a daunting challenge to the RAA. The only solution we have in our hands is to continue subscribing to the highest standards of performance and add greater value and benefits to the lives of citizens.

“Dakyen (title and decoration) is not power nor authority; it is responsibility, a duty to the country and the people”.

- His Majesty the Druk Gyalpo Jigme Khesar
Namgyel Wangchuck, July 2013

The opinions expressed in this article are of the author and do not purport to reflect the official policy or position of any organisation.

RAA's Follow-up Mechanism – Leveraging Value-addition and Benefits to Citizens



Kencho Dorji
Asst. Auditor General

Follow-up is an important phase in an auditing process. It is a tool to gauge whether a desired impact has been created as a result of audit. Section 119 of the Audit Act of Bhutan 2018 stipulates that “The concerned audited agencies and other concerned authority shall be responsible to take timely follow up actions on audit reports issued under this Act.”

Further, ISSAI 12 provides that “Enabling those charged with public sector governance to discharge their responsibilities in responding to audit findings and recommendations and taking appropriate corrective action”.

The system of issuing audit clearance and holding public officials and individuals accountable to audit findings in the audit reports has facilitated greatly in the implementation of audit results. Further, the institution of fixing accountability on contractors and consultants for the construction related observations using the online system eZOTIN has inculcated a sense of responsibility, accountability and ownership in the use of public resources and hastened the process for greater transparency and professionalism in the construction industry.

Up-gradation of existing system AIMS (Audit Information Management System) is in full swing with support from the Department of Local Governance. When the upgraded system is rolled out, most information for follow-up will be generated from the system making it easier for follow-up and ultimately, the turnaround time for the follow-up of audit reports will be reduced.

The upgraded system will enable the employees of government and corporations to view unresolved

observations or recommendations online by using CID or EID for actions to be implemented against their names. This will save time of the applicant and avoid the rejection of their application.

The adoption of follow-up guidelines in 2019 has standardised follow-up mechanism and consistency in follow-up process across Head Office and the Offices of the Assistant Auditor General and has ensured conduct of regular and timely follow-up of issues raised in the audit reports so that audit issues are not left unattended, and essence and relevance not lost with the passage of time.

One thing I have noticed after joining the division is that most employees, contractors or agencies visiting FuCD come with the intention of resolving the observations. They have a notion that as long as the excess payment is refunded to the RAA, the observation would be settled or dropped, completely ignoring the compliances to be made or recommendation to be implemented in the audit report. Ultimately, the value addition and impact of audit. They are either ignorant or not informed by the agency on unresolved observations and recommendations. In other words, it is an indication that the agency is not serious about the recommendations or lacks proper understanding.

Follow-up division and sections in the regional offices is committed to working harder to enhance our service delivery. We always take note that the audit report has come through quality control process viz. audit team, division chief, department head and finally Hon'ble Auditor General and ultimately should add value to the agency by implementing the recommendation. For that matter, the audit team should ensure that the recommendations are implementable and must enhance their performance.

Finally, once I had discussion with an official from the RAA on the importance of follow-up system. He asked, "What happens if there is no observation or recommendation in the audit report to be followed up?" We could conclude that both the audit and the follow-up are vital and should complement each other to enhance transparency, accountability and good governance in the use of public resources.

A Long Intermittent View on RAA: Personal Reflections on the Professional Evolution of RAA Auditors



Jigme Rinzin
FCCA

Jigme Rinzin is a former employee of the RAA. He served as the Hon'ble Member of the Parliament for two terms – 2008-2013 and 2013-2018. He is currently the founder and the Managing Partner of JIGMI Audit & Financials Pvt. Ltd.

As the RAA enters its 50th year of existence, I humbly join the nation to rejoice in the journey of strengthening good governance through promotion of sound public accountability system.

In the RAA's journey, I have had my own share of experience encompassing different institutions where I practised my auditing profession. I intend to look back at my own journey in the public service. Spanning over 25 years, I have worked in different sectors but with one unfaltering character of an auditor.

The 1995: an apprehensive trainee officer

The RAA was in its 25th year of existence when I joined it as a trainee officer in July 1995. Institutional expectations of the RAA was known much less to individual auditors, at least to me. I was a fresh B.Com Honours graduate coming out of Royal Institute of Management (RIM) with a four-month Administrative Management Programme (AMP) Certificate. The concept of Annual Audit Plan was not popular then. Individual auditors, led by a Team Leader, remained mostly occupied by successive audit assignments in different agencies. Audit assignments were mostly confined to Compliance and Propriety audit, with occasional investigative tasks upon directives from higher authorities.

Nonetheless, individual auditors had their personal dreams expressed through individual initiatives and enthusiasm. Some derived extra satisfaction from auditing particular ministries while some intended to specialise on Project Audit that entailed certifying

financial statements of donor-funded projects. Yet, some preferred auditing dzongkhag activities. But there was no involvement of the RAA in the statutory audit of corporations and financial institutions. I used to wonder if the RAA could also involve in certifying Profit and Loss Accounts and Balance Sheets of Companies. The memory of the college days lessons on preparation of accounts of Joint Stock Companies and Partnership firms were still fresh in me then.

I subsequently realised that the statutory audit of companies was under the purview of the Companies Act of the Kingdom of Bhutan 1989. This Act prescribed (Part VI, Section 40) that the Auditor General shall be the ex-officio auditor of Government and Joint Stock Companies. It further states that the Auditor General may designate his representative(s) from the RAA to undertake the audit or may appoint an independent firm to do the audit and report thereon. This implied that RAA auditors could even conduct any type of audit of Government and Joint Stock Companies. But auditing such entities were not common back in the 1990s. The RAA would only appoint statutory auditors from the list of empanelled Chartered Accountant (CA) Firms in India. Thus, the RAA's concern on Financial Audit was almost non-existent. And even worse, Performance Auditing was not even heard of by many auditors.

Materials of professional reference for auditors were limited to Royal Government of Bhutan (RGoB) Financial Manual 1998, Royal Civil Service Commission (RCSC)'s Bhutan Civil Service Rules (BCSR) 1990 (the 'Black Book' as it was commonly referred to), and occasional Government Circulars and Notifications issued by the Ministry of Finance, RCSC and other ministries from time to time.

Personal dream and development: securing a sound footing

Our country has a national dream to become an all-rounded Gross National Happiness (GNH) State

under the guidance and blessings of our successive Monarchs. The RAA has a vision to become a credible Supreme Audit Institution (SAI) that promotes value for money and good governance in public operations and contribute to achieving the societal aspirations of GNH.

Similarly, I have had my own dream and purpose of life to join the RAA after I passed the RCSC Officers' Selection Examination in December 1994. In all honesty, I joined the RAA to pursue further study on Accountancy that would help me exploit my full potential to become a productive citizen. I am a firm believer in the concept of specialisation. Somebody good and handy with woodwork related tools should be most productive being a carpenter instead of taking up the job of automobile mechanic. As Tiger Woods excels in golf, Roger Federer is a master of the tennis court. It may not be the same if Tiger and Roger swapped their sporting discipline. On the same logic, I had a dream to study the highest level of Accountancy qualification to be a useful and productive civil servant. I was recommended to enrol for CA course in India by my Income Tax Lecturer when I was in my final year of B.Com Honours. That elevated my confidence in life to excel in accountancy discipline.

As luck would have it, after three years of my service in the RAA, I was bestowed with an opportunity to go to London to study ACCA (Association of Chartered Certified Accountants). By the way, I was not the only lucky one to travel to London then. A few of us were granted an opportunity to study Chartered Certified Accountancy and Chartered Management Accountancy. Courtesy to the RAA and RCSC, today there are a few of us in the country with our names suffixed with FCCA (Fellow Chartered Certified Accountant) and FCMA (Fellow Chartered Management Accountant) tags. I spent two and a half years from July 1998 to December 2000 studying ACCA in Emile Woolf College of Accountancy in London. I was literally a nerd and bookworm with files of Notes and HH Handouts for daily reading, practising

and contemplating.

My belief in the phrase 'As you sow, so shall you reap' was reaffirmed when I finally passed all my fourteen ACCA examinations. I cleared all my papers and returned home. I reported back to the RAA in January 2001. RCSC was considerate enough to grant me one Grade Promotion when I submitted my final stage ACCA Examination results.

Back in the RAA, I realised that the jurisdiction of auditing had expanded. The RAA auditors were deployed to audit Financial Institutions and armed forces. I could feel that my 'little' ACCA knowledge would be used then. As we entered the new millennium, scope and role of the RAA also expanded. Discussions on the introduction of Personal Income Tax (PIT) were gaining momentum by the day. Audit of Trust Funds were seeing new horizons. By then, a few Trust Funds were already established. Companies Act of 1989 had been replaced by Companies Act of 2000, which provided more details on how our companies should report their annual financial statements. All these changes brought in additional significance of the RAA in our governance system. RAA's roles increased exponentially.

Each day, I would gather more inspiration to work for the RAA. Often I would congratulate myself that my decision to join the RAA had not gone wrong. Now, it was not just achieving FCCA qualification. It was the satisfaction of being a contributor to the RAA's service to the nation.

An auditee's lens: my secondment to Kuensel Corporation Ltd.

The RAA and RCSC arranged to depute me on secondment to Kuensel Corporation in 2002 where I worked as a General Manager. My responsibility was Administration, Finance and Commercial aspect of the Company. My stint with Kuensel was from April 2002 to December 2003.

Even as a General Manager in Kuensel Corporation, I realised additional roles for RAA auditors. As a registered and incorporated company, Kuensel Corporation was subject to statutory audit by professional audit firms. It used to be audited by such firms from Kolkata on an annual basis. But in all professional sense, additional audit by RAA auditors, typically conducted biennially, added significant value to the financial and corporate management of the company. The RAA auditors would usually focus on compliance aspect, as it is their area of expertise. However, there is no law that bars the RAA from conducting financial analysis by reviewing the company's financial performance. Unlike pre-2000 era when the RAA would confine its audit to ministries and departments, their biennial audit of Government Corporations and financial institutions produced reports that were critically relevant to corporate decision-making. To this extent, the supplementary audit by RAA auditors brought in value-additions to the scrutiny process and oversight mechanism of the system.

From this perspective, the RAA's Human Resource capacity merits employment of professional accountants to enhance value from the audit of corporations and financial institutions.

CFID: Stepping into corporate world

I have always believed that the Corporations & Financial Institutions Division (CFID) is a means of spreading the RAA's wings to cover the audit of corporate Bhutan. This was an additional mandate of the RAA after the initiation of propriety and compliance audit of corporations and financial institutions. This mandate would demand professional audit expertise and skills beyond the public sector audit among RAA auditors. Mere knowledge of Government's Financial Manual and BCSR would not suffice the professional need of CFID. Hence, the auditors were now equipped with the knowledge of financial accounting and auditing, statutory audit of companies as required under the Companies Act, and Standards on

Accounting and Auditing practices.

The old Companies Act of the Kingdom of Bhutan 1989 gave way to the Companies Act of the Kingdom of Bhutan 2000. This new Act prescribes formats for Annual Financial Statements for companies to follow. The format for the preparation of Balance Sheet has options to follow either Horizontal form or Vertical form. It mentions specific requirements to be included in the Profit and Loss Account, and mandates the preparation of Cash Flow Statement, again with choice to either follow Direct method or Indirect method. This Act further prescribes general terms of reference for the auditors and minimum audit examination and reporting requirements. All these imply that the RAA auditors, particularly those working in CFID, needed to possess professional knowledge and skills to fulfil the mandates of the Companies Act.

Further, the RAA has initiated auditing of Non-Governmental Organisations (NGOs) and Civil Society Organisations (CSOs). Responding to the need of the hour, the nation started witnessing mushrooming of NGOs and CSOs with social and welfare mandates. The RAA fielded audit teams to audit Tarayana Foundation and Royal Society for Protection & Care of Animals (RSCPA), to name two. These audits entailed certifying financial statements in addition to ensuring compliance and proprietary concerns. Thus, the professional skills of RAA auditors have to be accordingly realigned to suit the need for Cash Basis Financial Reporting requirements.

It was further necessitated after the enactment of Civil Society Act of the Kingdom of Bhutan 2007.

Hand in hand with ACC: Lynchpin to each other

I worked in the Anti-Corruption Commission from April 2006 to June 2007. I resigned from the Commission in July 2007, ending civil service journey prematurely to partake in the new political process in the country.

I was the head of the Investigation Division where my key responsibility demanded constant collaboration with the RAA. Almost 75% of the tasks of Investigation Division would either come from the Audit Reports issued by the RAA or merit seeking the RAA's intervention. Even at the institutional level between the ACC and RAA, the common mandate was to enhance good governance and promote accountability in the system. I found the two constitutional bodies as lynchpin to each other.

Public Accounts Committee of the Parliament: Article 25.6 of the Constitution of the Kingdom of Bhutan

I was one of the five members of Parliament 'who are reputed for their integrity' in the Public Accounts Committee (PAC) of the first Parliament from 2008 to 2013. I had the opportunity to chair PAC from 2009 to 2010 and I was a member of the Committee for the remaining four years. During my spell with PAC, I realised the rationale for the RAA's extended role in the highest legislative body of the nation, Parliament.

One of the roles of the Parliament is to ensure the presence of effective oversight mechanism in the governance system. The other roles of the Parliament are legislation, representation and passing of annual budget. PAC is entrusted to lead the Parliament on the oversight front. As provided under Article 25.6 of the Constitution, the role of PAC is to 'review and report on the Annual Audit Report to Parliament for its consideration or on any other report presented by the Auditor General'. This Clause supports the worldview that PAC is an extension of the RAA in the Parliament. By the same token, the RAA is an extension of PAC as it provides the basis for PAC to carry out its function. The nature of the task at hand is the same, i.e., to ensure that public moneys are spent as intended. International Scholars on Good Governance agree that the Parliamentary Oversight Committee and the Supreme Audit Institution are the linking chains in the oversight conundrum.

Effectiveness of PAC performance in the grand hall of the Parliament depends on the quality of Audit Report generated by the RAA. Equally, the Audit Reports can be taken to logical conclusions through PAC's effective deliberation on issues raised in the Audit Reports. Thus, it is symbiotic that the RAA needs PAC to ensure implementation of audit recommendations while PAC, in turn, requires the RAA to ensure supply of audit reports that would track the performance of the executives. Thus, PAC holds the government accountable for the use of public money. The government's implementation of the RAA's recommendations is reported to the full legislature through Joint Parliamentary Sitings. This generates realisation of both immediate outputs and far-reaching long-term impacts on policy issues and legislation. In this manner, the RAA not only produces Audit Reports that bring forth immediate management improvements and financial recoveries but also have immense potential for overall policy changes and enactment of new legislation.

Hence, it is pertinent that PAC received Audit Reports and, more importantly, that it found Audit Reports comprehensive enough to justify its review. The failure of the RAA, if any, on producing Audit Reports of desired quality will thus affect the performance morale and value of the Hon'ble PAC members.

I have had the best part of being a Parliamentarian when I was the Chair of PAC. Good Governance and Public Accountability experts from development partner institutions, e.g., World Bank, acknowledged my auditing background and by extension, the RAA's relevance, in creating PAC one effective conduit to fulfil the purpose of both Public Accountability and Parliamentary Accountability in our overall governance system. As the PAC Chair representing our Parliament, I attended several international functions both as a participant and a speaker. With technical and financial backstopping from the World Bank Office in New Delhi, India, and World Bank Institute Office in Dhaka,

Bangladesh, Bhutan, PAC was instrumental in forming a regional PAC Block in Asia. This resulted in the formation of ARAPAC (Asia Regional Association of PAC) in 2010 with 13 PACs from Asian Parliaments. As the PAC Chair, I was honoured to participate in XX INCOSAI Summit in Johannesburg, South Africa, in November 2010 and in 12th ASOSAI Assembly and 5th ASOSAI Symposium in Jaipur, India, in Feb.-March 2012. The XX INCOSAI Summit in Johannesburg was historical in that it tabled the first discussion on the development of ISSAIs (International Standards of Supreme Audit Institutions). In the 12th ASOSAI Assembly and 5th ASOSAI Symposium in Jaipur, I presented a paper on 'ARAPAC: Ensuring Legislature's Role to Promote Public Sector Accountability'.

All these involvements of mine was possible mainly because I had an RAA-element in me that was relevant in all facets of my performance as the PAC Chair.

By my second term in Parliament (2013-2018), it was not just PAC that banked on the RAA for its deliberations. The Parliamentary Committees of National Council availed themselves of specific services of the RAA by seeking auditing expertise for their deliberations in the House. For instance, the RAA supplied Special Audit Reports to the National Council on mining sector and on supply and distribution of LPG in the country, to name a few.

All these demonstrate the reach and relevance of the RAA to the grand Parliament halls in the quest of serving the nation from the highest legislative body to the lowest level of government institutions. The RAA not only provides one-on-one system improvement recommendations to the auditee agencies, it provides broader, exhaustive and yet with a bird's eye view on systemic flaws and deficiencies.

Private audit & financial firm: Bandwagon of private sector

Upon completion of two consecutive terms in the National Council from 2008 to 2018, I eventually landed

in the area I had wished and aspired for so long. I had always wished for direct participation in developing our own national auditing and accounting profession. Today, I run JIGMI Audit & Financials Pvt. Ltd. (JAF), one of the six RAA-empanelled private audit firms in the country that can conduct full-fledged statutory audit of companies. As a member of private sector, I and my firm rely on the RAA for the following:

- Technical Capacity development;
- Employment opportunities; and
- Source of revenue for my firm;

With rapid economic development of the country and globalisation, our business houses have kept pace with new ideas and skills of managing our Accounting and Reporting functions. Public sector accounting and reporting landscape has changed. New Standards on Accounting and Auditing have been introduced and adopted in the country. Behind all these, the RAA has played a significant role.

The RAA provides us works by allocating clients. Beginning 2014-2015, the RAA started to outsource auditing of civil society organisations, donor-funded development projects and NGOs to private audit firms. Today, JAF is one active recipient of the RAA's works.

Conclusion

During my entire public service spanning 25 years, beginning from 1994, in various organisations, I have always noticed direct relevance of the RAA's existence and its purpose. Every agency has, either positively or otherwise, certain 'business' with the RAA or the subject of auditing. On a positive note, the RAA and its functions have always stood behind the success of their operations. Otherwise, the RAA has been an advisor, reminder, and morale booster for many agencies and the personnel involved, and not just the 'fault finder'.

In hindsight, the far-reaching vision of setting up a Public Audit institution by our beloved Third Druk Gyalpo in 1970 is clearly visible today. Fifty years on, the RAA has achieved a lot, both at home and on the global stage. The RAA is one of the early SAIs that has implemented the much-touted ISSAI on public sector auditing.

For me, as an individual beneficiary of the RAA, I have lived my public service life with an auditor's gene. Subconsciously, auditing in my nature would always guide me towards ensuring that every public fund must be wisely spent as intended. It is public money and it is our public duty to safeguard public money. Towards this end, it is the RAA's public mandate to render all possible support to ensure that all public agencies and public officials live a publicly prudent life.

Tashi Delek to the RAA for the successful Golden Jubilee Year! With acknowledgment for the hard work of the Auditor General and the dedicated RAA friends! With gratitude to all the successive Auditor Generals and past auditors

Auditing in the Age of Technology



Bikram Gurung,
Deputy Chief Auditor,
OAG – Tsirang

Today, organisations face two big challenges: artificial intelligence and natural stupidity.

His Majesty The King’s address to the nation at the 112th National Day celebration clearly underscored the importance of technology and the risk of a small country being left behind in the face of unprecedented global avalanche of artificial intelligence (AI), automation, big data, block chain, digital currency and wallets (banking) and quantum computer. One important message we must derive from His Majesty’s speech is that it is nearly impossible to escape technological innovations and change that is engulfing the world.

The journey of the RAA as the SAI of Bhutan has not all been smooth. It has had its own share of challenges and turbulence as it has tried to incorporate latest developments in the field of auditing. It would be appropriate to walk down the experience before stepping into the future and the unknown.

The history of auditing in Bhutan can be traced back to as early as the institution of monarchy. In the early days, His Majesty The King used to audit the accounts of all government operations. It was during the reign of His Majesty The Third King that four royal auditors were appointed to account and audit the government monies and report to the King.

“Time and tide wait for none”; so goes the saying. However, I would add ‘technology’ as the third ‘t’ because the success of the RAA hinges on reaping the benefits offered by numerous technological advancements. My

seniors narrate their experiences of how frustratingly they had to press the classic typewriter buttons to write reports. Prior to this, the auditors used to hand write reports. Later, as one senior auditor put it, the coming of life-saving equipment enable undertaking computing within seconds. The calculator had then become an important computing tool for the auditors.

At the same time, some 10,000 kilometres away from Bhutan, a college dropout, along with a few friends, had set out to work on a strange-looking box which today we know as the computer. Within no time, this incredible machine began to replace laborous typewriters and soon made its way into our lives. Today, it would be rare to see any official without a laptop or desktop both at home and workplace.

Those in auditing profession will agree with me on how our traditional approach to auditing is transformed by technology. Sooner we grasp the opportunity and learn about machine learning – Artificial Intelligence, Block Chain, etc. – the better prepared we would be to provide valuable inputs and recommendations to our stakeholders for making informed decisions.

The way forward

Technology has always been undergoing rapid evolution as it empowers people. Access to the internet has changed the way we live our lives and conduct business. Government agencies have introduced electronic payment such as e-PEMS while financial institutions have already transformed their operations using electronic payment system. Millions of data are being stored daily and face recognition technology floods the apps that we use every day. Smart phones give us up-to-

date weather forecasts. Our face is being used to unlock our phones. Closed Circuit Televisions recognise human faces and single out a face when warranted. Likewise, smart phones have been silently encrypting our daily habits by studying our daily patterns. It is often scary to accept but, whether we agree or not, we have to accept the sweeping changes brought about by technology.

The judicious use of technology will only shower us with multiple benefits. For auditors, it not only saves time and resources to a great extent but also provides accurate and reliable information. Today, galaxies of data are being transmitted every minute over the internet but for auditors to make best use of the data, we need to carefully organise the data in a systematic manner so as to derive the best results. In its modest beginning, the RAA has used GPS and Google Maps in undertaking performance audits. However, it needs to be aware that there are risks associated with excessive reliance on and use of digital data. It is of paramount importance to look into the integrity of the data. Wikipedia defines data integrity as follows:

“Data integrity is the maintenance of, and the assurance of the accuracy and consistency of data over its entire life-cycle,[1] and is a critical aspect to the design, implementation and usage of any system which stores, processes, or retrieves data”.

We have been relying on sampling as the most approachable method in the absence of other alternatives. While the method may remain so for some time now, it would be timely that we reflect on analysing the whole population with the leverage that technology provides. I am sure doing this would instill

more trust and faith in our reports by the stakeholders.

As more and more organisations invest in technology such as artificial intelligence and robotics, it seems that the future looks even more promising because they provide accurate transaction details despite security concerns. Therefore, it is inevitable that in the coming years, firms and government agencies will embrace the new age innovation and technology. As auditors, it is even more important that we remain steadfast and ever vigilant in coping with the challenges that rapid technological advancements bring about. In the long run, it is the human capital that will form the bedrock for any organisation to continue to survive into the future. Thus, providing relevant training and hands-on exercise in cutting-edge technology will equip the auditors to scientifically analyse the auditing results and provide value-added services to our stakeholders. In addition, data analytics using latest software could be explored. To begin with, we could start with other audit institutions where such technology is being experimented. Transfer and spillover of knowledge in the technological advancement should be strictly monitored and the benefits reaped by all.

As I conclude my reflection, I would like to quote His Majesty The King's golden words delivered at the 14th Royal University of Bhutan Convocation on 24th May 2019:

"These technologies excite me as they present immense opportunities for the future. Among the many countries in the world, those which prepare for this change and build the foundations to take advantage of such technological advancements will prosper and develop. Those which are not able to do so will invariably be left behind."

I am Predestined for RAA



Yangchen Karma
Programme Officer

In 2011, I sat for the prestigious Bhutan Civil Service Examination (BCSE) and was one of the successful candidates. As a prerequisite to join the civil service, successful candidates were mandated to undergo a year-long Post Graduate Diploma (PGD) in Public Administration training at the Royal Institute of Management (RIM). I underwent the training in 2012, which, in my experience, ended in the blink of an eye. At the end of the training, I, along with my batch mates, were faced with a critical decision to choose an agency to start our career.

Prior to the placement, there were a lot of buzz among my mates. Given the choice, most would have preferred the Ministry of Foreign Affairs (MoFA) to other agencies, for its foreign postings and associated perks and privileges. There was an unbroken historical chain, where those who were in the top ranks chose to be Planning Officers and Programme Officers. Research, Human Resource and Counseling jobs were least preferred. Although such trends were well established, when I reflect at this stage as a civil servant, I feel that every job has its contribution to nation building. It is singularly dedication and integrity that one needs to imbibe these values along the way.

Given my performance in BCSE and RIM, I enjoyed the advantage of choosing any job besides the most sought after position of a Planning Officer. We were ranked based on our performance in BCSE and RIM and, as usual, those in the top three ranks had all the luxury to choose MoFA as working agency and those behind to choose the position of a Planning Officer. I decided to

become a Programme Officer although the choice of working agency was not decided.

However, at that time, there existed a negative notion surrounding the position of the Programme Officers as usually corrupt and frequent susceptibility to audit issues. Also, if one joins an agency that has a corrupt management, the system makes one corrupt even when a particular employee does not have direct role in corruption. The existence of such notions encouraged me to choose any agency that fights corruption. In doing so, I weighed the reputation of the agency. The Anti-corruption Commission (ACC) was the organisation, which I have preferred to begin the first chapter of my career. I convinced myself that working with the ACC would not tint my reputation and instead make me incorruptible. I wanted to choose any position if my decision to choose the ACC as the first working agency went well.

I scanned through the list of agencies presented by the RCSC officials; my eyes were automatically directed to the ACC. However, as I scanned through the list, most agencies were tempting and promising for they have a reputation for providing various ex-country training and travel opportunities. Despite such promises, my sub-conscious mind kept reminding me that I should “be in an organisation that is incorruptible and that will not corrupt you”. Alas! My hope was shattered when I found out that the ACC was not in the list. With my body trembling and hopes shattered, my eyes penetrated deeper into the list. There was the Royal Audit Authority (RAA), which interested me and restored my hope. Immediately, I decided to go with the RAA, without a second thought, as it is also one of the agencies that

equally contribute to fighting corruption.

As I joined the RAA, senior colleagues passed awkward remarks. Some asked me if it was the promising and catchy division name, Human Resource and International Relations (HRIRD), that inspired me to join the RAA. Some went to the extent of asking me if 20% audit allowance made me choose the RAA. Most expressed their concern that the RAA is the least preferred and asked if it was the last choice that was left for me. In hindsight, I was unaware of such allowances and not even tempted by the division's elegant name. My sole reason was to be an incorruptible civil servant in an uncorrupted agency. I wanted to be a civil servant worthy of the expectation of my King, Country and People.

At times, I wonder if my senior colleagues' were correct about the concerns they expressed to me in my initial days with the RAA. At HRIRD, I served as an HR Officer, Project Focal, International Relations Officer and Training Coordinator. My batch mates hatched a rumour that I am a mere HR officer and not the Programme Officer as I joined it. The reality, which only I will be able to understand and express better, is that within three years in the civil service, I was way ahead of my cohorts in terms of learning and opportunities. I was fully aware of the national plans and policies; I got opportunities to coordinate international meetings; interacted with various donors; and visited a few countries. A few of my cohorts shared their grievances about limited opportunities for learning and their inability to propose new ideas and initiatives at the work place. However, in the RAA, despite huge workloads, there are more learning and opportunities.

Fast forward to 2020, I am serving as a Programme Officer under the Policy and Planning Division. I have shouldered the responsibility of preparing the Five-Year Plans to the Annual Plans. I coordinated various donor-funded projects, mobilised funds for capacity building and sustained relationship with the international

donors. Not only have I represented my office in various international forums but also availed myself of opportunities to showcase and share my experiences to other audit institutions around the world. I am proud that I have begun the best chapter of my career with the RAA and will continue to remain my life's prologue.

The organisation I have worked in is highly credible and accords the highest priority to promoting integrity, which I admire the most. In the international arena, my organisation is respected and regarded highly as a model organisation in auditing and reporting on public resources. The head of the agency and management are approachable. They hear our grievances and voices. During decision-making meetings, we argue on top of our voice and our opinions are sought until arriving at an informed decision. The management welcomes our initiatives and proposals. I have amicable and hardworking colleagues. In the RAA, I find no one not working. Having joined this organisation, I felt I am at the right place. I belong here and the RAA is made for me as I am born for RAA.

I was able to propose several initiatives for the betterment of the organisation in terms of beautifying office surroundings, inculcating critical feedback system, and inviting eminent speakers for social talks. Although I may not be officially acknowledged for my proposals, I am more than happy as the head of the agency accommodated most of my proposals and the outcomes visible to all. I aspire to continue contributing more to the organisation in my small way with similar initiatives and proposals.

For those aspiring to join the RAA, study the mandate, vision and mission of the organisation. If it goes well with your interest, then I bet it is the best organisation that you will survive. This organisation will give you job satisfaction. I find pleasure in serving this organisation since my interest bodes well with the organisational mandate. I am predestined to be with the RAA.

Changing Through Self-Contemplation



Karma Yoezer
Assistant HR Officer

“The journey into self-love and self-acceptance must begin with self-examination... until you take the journey of self-reflection, it is almost impossible to grow or learn in life.”

- Iyanla Vanzant

It was in December 2016, the frostiest season of the year in Bhutan. I was in a queue, impatiently waiting for my placement into the civil service after successfully completing Post Graduate Diploma in Public Administration course from the Royal Institute of Management. The joy of getting into the civil service had overtaken the extreme cold that was hitting deep into my bones.

It took around half an hour for my turn to come. I was offered several options but I had chosen human resource profession (HR) after a lot of contemplation. I had difficulties deciding whether to join the RAA because I was haunted by what I had heard from my peers who had joined the RAA earlier. However, as we generally believe, whatever and wherever we will be is determined by our karma. It was natural for me to choose the RAA as my workplace.

In the beginning, I had a tough time to acquaint myself with the workplace as well as the employees because of high professional standards required of the institution. Regret was natural to follow as challenge after challenge came my way. I pondered, “Is it due to poor guidance from my supervisor? Or, is it my attitude and mentality?” At some point, it struck me that I should embrace motivation, acceptance, reflection and adaptation so that I could adapt to the new beginning. Crying over

spilt milk was not only waste of time but distracts one from finding solutions to challenges. That is when I took a bold decision.

Over time, I have developed the habit of listening because, during my college days, I used to receive feedback from my friends that I did not listen and, even if I did, it was one of passivity. Thus, little by little, I tried developing listening skills but, as time passed by, I realised that I also needed to learn and imbibe other traits. More importantly, as an HR Manager, I realised that it is equally critical to exercise caution in speaking because soft skills are important components to gain the trust and confidence of the employees.

Unlike other professions, there is a deeply embedded perception that HR contributes the least to the success of an organisation. However, upon deeper contemplation, one could conclude that HR is one of the building blocks. Despite its intangible contribution, HR has a greater role in determining the success of an organisation. Whatever the fuss surrounding HR, I turned a deaf ear to it and started to commit myself wholeheartedly to bringing a positive impact in the RAA.

I took an oath that I will continue to persevere in fulfilling my roles and responsibilities through contemplation because I believe that it would provide an alternative path for me to change and grow. I felt that it worked well in my day-to-day conduct; in fact, it served as a stimulant in fostering good working relations with my supervisors, peers, employees and subordinates. I believe that every leader must imbibe self-contemplation in order to be far-sighted and a decisive leader irrespective of the organisation one works because, according to Sandra Chantry, *"Contemplation is the root of awareness and creativity."*



Narapati Sharma
Assist. Auditor General
OAG,
Samdrup Jongkhar

RAA in the Era Without Technology

Until the late 1980s, there was hardly any equipment to aid office work. Most audit work was done manually, using paper and pen/pencil and handwriting documents. Typewriter was the only equipment that the auditors used to prepare official documents. An office assistant helped type letters and documents but editing was difficult. Many a time, typed documents would be filled with hand written notes.

Correspondence between the RAA and other agencies was conducted through letters delivered by post, as this was the only mode existing then. The use of typewriter was limited only in the office and the audit team had to handwrite everything while in the field. From the mid 1990s, the introduction of computers came as a boon in making the job of auditing easier, cheaper and faster to send documents than using the sole postal facility.

The era of typewriter ended with the coming of desktop computers from the late 1990s making the job easier. However, it came with its own set of issues: lack of computer knowledge and portability. The Internet was introduced in 1999 and the extent of computer use and other office equipment was enhanced.

Audit intimation

The medium for sending messages was wireless telegram (WT), telephone and post. Audit intimation was sent either by one of the above modes or delivered physically while visiting the audited entities.

The working of the RAA evolved with the coming of the successive Auditor Generals and the changes brought

about by each of them since late 2005. English was the only language of the official correspondence, including intimation. There was no formal system of conducting audit entry meeting and signing an engagement letter until 2000.

Field work

Pens and pencils were used for noting the facts and writing audit memos. Green pencils, popularly known as audit pencils, were used by the field auditors to crosscheck and verify the records. The audit findings would be called “audit memos” all of which were handwritten until the late 1990s.

Auditing then: no aim and no plan

During the 1990s, Samdrup Jongkhar Regional Office had fewer agencies to be audited as the government expenditure was much lesser. However, the jurisdiction of the Regional Office was huge, as it had to provide audit coverage to the six eastern dzongkhags. This resulted in a huge backlog of pending audits due to shortage of auditors and. At times, audits remained pending for more than five years. The list of auditable agencies was maintained and the selection of agencies for audit was made based on the backlog depending on the number of years audit remained pending. The priority was also accorded based on the professional judgment of the Regional Office.

There was no system of planning the audit. What to audit was never known while approaching the agency with an intimation letter. The audit team used to select the area purely on the basis of professional judgment and sometimes referring to the past observations. What to look at and where to start would depend upon the audit team leader and was based on the recommendation of the Regional Head and determined by the team leader referring to the file index of the audited entities.

The audits, during the early stage, lacked clarity and

focus and most of the time 100% transactions were verified. Auditing areas also used to be based on hearsay, complaints and physical inspection of the work sites.

Transaction auditing

Prior to the introduction of other streams of audit from 2000, the only audit carried out by the RAA till late 1990s was the transaction audit that particularly investigated the regularity and propriety aspects of transacting national revenue. The system of checking complete transactions through vouchers was commonly practised. Comparison of figures in the vouchers and the Manual Cash Book, ledger and sub-ledgers constituted common practice. Similar comparison was made between Manual Cash Book with the bank record to tally the figures.. A green pencil was used to tick what was verified which indicated that the records had been audited.

The concepts of analytical review, prioritising of audit areas based on the risks involved, focused audit and sampling techniques were introduced later in the RAA after 2000.

Cash verification system

During the 1990s, most agencies used to manage their expenditures through an imprest system and payments were made in cash. Cash was retained in the office all the time to make payments such as advance, cash purchases, payment of remuneration, wages and meet any contingency expenses. Thus, the cashbook was posted to ascertain daily transaction of cash. Similarly, manual ledgers and sub-ledgers were maintained to crosscheck the recordings and make adjustments.

Since there was no automation, all accounting transactions were recorded manually. Thus, the correctness and completeness of cash records had to be manually verified by the auditors.

The methodology used for cash verification was surprise

inspection of cash position to confirm whether the physical cash matches with the cash balance tally with the cashbook. The auditor concerned used to take over the keys of the cash drawer/ cash chest for cash verification. Until the cash verification was complete, the cashier could not use any cash from the system. The cash balance as per the cashbook was compared with the physical cash available with the cashier and confirm the shortages or excesses. Thus, a conclusion was made on the shortage or excess on physical verification.

Audit exit meeting

The audit exit meeting was held in a similar way that it is done today after receiving the replies from the audited agencies before compiling the report. However, for smaller agencies, the exit meeting was not emphasised.

With enhanced application of auditing standards from the early 2000s and adoption of ISSAI in the working system of the RAA from 2016, several requirements have been put in place, including the need to have an audit exit meeting and compulsory recording of the minutes of the discussion.

Reporting system and follow-up

The preparation of the audit reports were initiated in the early 1990s. The reports were prepared by the Team Leader and the Head of the Division. This practice is still continued to this day. However, the Quality Assurance Division has been established to improve the quality of reports. While the processes are similar, the outputs are developed in a more professional manner with the help of technology.

There was no accountability system and this resulted in slow implementation of the recommendations despite the institution of a follow-up system to oversee the implementation of the recommendations and the compliance assurance. There was a system of mass follow-up organised in the presence of the Auditor General.

Frequently Asked Questions on ISSAIs and IFPP

The Royal Audit Authority adopted International Standards of Supreme Audit Institutions (ISSAIs) as its authoritative auditing standards in January 2017.

International Standards of Supreme Audit Institutions (ISSAIs):

Q 1. What are the immediate benefits of adopting and implementing ISSAIs?

A The benefits of adopting and implementing ISSAIs is not something that can happen overnight or in immediate terms. It will take its own course depending on the intensity of strategies and approaches adopted to implement ISSAIs in our daily course of auditing and reporting. There may be a need for initiating several reforms and harmonisation of our existing audit methodologies and practices to make it more ISSAIs compliant. The impact of implementing ISSAIs are very subtle and entrenched in the processes, and implementing it in letter and spirit is expected to contribute towards enhancing quality, building professionalism and credibility of the audit institution in the long-run.

Q 2. Is it the responsibility of Accounting and Auditing Standards Board of Bhutan (AASBB) to issue accounting and auditing standards? From where does the RAA draw that mandate to promulgate or adopt auditing standards?

A Section 92 of the Audit Act of Bhutan provides the authority to the RAA to establish auditing, reporting standards and practices that will meet the highest auditing and reporting standards in the country. Further, Section 55(3) provides for the adoption international standards and other best practices. The AASBB, on the other hand, is primarily responsible to promote high quality financial reporting standards that may be consistent with international best practices.

Q 3. What is ISA? How is ISSAI different from ISA?

A ISA stands for International Standards on Auditing developed by the International Auditing and Assurance Standards Board (IAASB). ISA is professional standards particularly developed for the financial audit of private sectors. Whereas ISSAI is developed as professional standards for public-sector auditing (Financial,

Performance and Compliance Audits). However, the ISSAI for Financial Audit is basically the ISAs. A formal agreement between the INTOSAI Professional Standards Committee (PSC) and the International Federation of Accountants (IFAC) and its independent standard-setting body the IAASB allows INTOSAI to refer/use ISAs with appropriate adjustments as necessary for the public-sector financial audit.

Q 4. **What is applicable financial reporting framework? What is this framework in Bhutan?**

A It is the framework adopted in the preparation of the financial statements. Some of the globally accepted financial reporting frameworks are 'International Financial Reporting Standards' (IFRS) and 'International Public Sector Accounting Standards' (IPSAS). The AASBB has adopted IFRS as accounting standards for preparation of public companies' financial statements in Bhutan and named as Bhutanese Accounting Standards (BAS). For audit of public sector in Bhutan, the acceptable financial reporting framework in terms of ISSAI is Financial Rules & Regulations which is prescribed by law.

Q 5. **What are the deficiencies in the existing RAA's Auditing Standards?**

A The public-sector auditing profession in Bhutan has evolved over the period of time responding to growing complexities and technological advancement in the conduct of business operations of audited entities. The existing RAA's Auditing Standards is no more relevant and responsive enough to gauge the evolving auditing practices. In fact, the existing Standards was also adopted from the old INTOSAI's Auditing Standards which now in its newest form is called the ISSAIs.

Q 6. **Why don't the RAA adapt ISSAIs and formulate the revised auditing standards?**

A There are several reasons for the Authority to consciously decide for adopting the ISSAIs as it is. Firstly, developing and promulgating our own national auditing standards would require necessary technical skills and professional expertise which for now is a huge challenge. Secondly, it would entail enormous resources to invest for continuous research, which is practically daunting and resource-intensive. Thirdly, there is no added value

to re-invent the wheel when the ISSAIs which are supposedly the standards that reflect the experiences of many SAIs around the globe, and has been developed through continuous research by the relevant bodies under the INTOSAI Professional Standards Committee. Fourthly, the ISSAIs provide a freedom to apply our own professional approach in accordance with our national laws and regulations. In fact, in actual practice, we are basically adapting the ISSAIs as we are required to comply only with relevant requirements. Fifthly, the ISSAIs would provide greater confidence particularly to the international clients and donor agencies. Lastly, the RAA as a member SAI for INTOSAI, there is no professional fees charged to adopt ISSAIs as our authoritative auditing standards. So, it is cheaper and most feasible option to adopt as it is.

Q 7. How much resources would RAA require to adopt and implement ISSAIs?

A Well, the resources will be required to train auditors to conduct ISSAI complaint audits, harmonising existing audit methodologies and practices, and developing ISSAI compliant audit methodologies on a continuous basis. However, these resources would even otherwise be required for continuous training to cope with evolving audit methodologies and practices, if we are following standards different from ISSAIs.

Q 8. In the event of ISSAIs conflicting with national legislation(s), which one should prevail?

A Of course, in the event of a conflict, the ISSAI requirements are ultra vires and void, but we are still in compliant to ISSAI as it seeks for compliance only with its relevant principles.

Q 9. What does the ISSAI provide for auditing government policies?

A It is a very delicate issue confronting all SAIs around the world. ISSAI is the professional standards that will not determine what the SAIs can audit or what cannot be audited. It will just provide a benchmark or standard for auditing and reporting functions of SAIs provided by their specific legislation or mandates. However, the ISSAIs also reflects some of the auditing practices world-wide, and it records that except when specifically required to do so by legislation, the SAIs do not audit government policy but restrict themselves to the audit of policy implementation. But, it may

not necessarily imply that we cannot audit the basis of policy formulation if the policy doesn't yield the desired impact.

In the case of RAA (SAI Bhutan), the Audit Act is silent on this delicate issue – whether the Authority can audit government policies or not? In the absence of direct stipulation in the Act, it may be worthwhile to reflect on the provision of Section 75 of the Audit Act. It provides authority to the RAA to conduct special audit and any other form of audits including investigations. So, what does it actually imply? How do we check on the occurrence of policy corruption if one cannot comment on policy? How do we audit without fear, favour or prejudice? How do we maintain the independence of the Authority in true spirit of the Constitution? How do we promote transparent and accountable public operations? These are some of the tricky questions confronting the Authority. But, it is clear that our mandate requires us to promote good governance in public operations without fear, favour or prejudice – which can be only possible through audit of any subject of relevance to the responsibilities of those charged with governance. However, it is also important that we find the balance without actually breaching the sacrosanct provisions of the Constitution. Because the policy makers, legislatures and executives are also our primary stakeholders, and we exist to add value to their decision-making process.

Q 10. How many SAIs in the INTOSAI region have adopted and implemented ISSAIs?

A Unfortunately, such information is hard to come by owing primarily to the initiatives having started only in recent times. ISSAIs framework was endorsed in 2010 through South Africa Declaration. Its implementation initiatives started globally only in 2012 through ISSAI Implementation Initiatives (3i) Programme steered by the INTOSAI Development Initiatives (IDI).

However, as inferred from various discussions happening in the international forum of public-sector audit community, not many SAIs have implemented it, but many agree that implementation of ISSAIs would add value in their audit works. Therefore, the small SAI like RAA assuming a lead role in taking forward its implementation has lots of advantages and stake on the credibility of the Authority. It provides an opportune time to display an exemplary role motivated

by our urge to improve delivery of quality audit services. The RAA by its smallness in size and strong conviction of its top leader has the advantage in terms of flexibility and making things happen with lesser effort. In moving forward with its implementation, we expect to raise another bar in our credibility and reputation rating in the public-sector auditing fraternity world-wide.

Q 11. ISSAIs covers standards only for financial, performance and compliance audits. What standards would the RAA follow for conducting investigations or other review functions?

A Currently, there is no specific standard for such functions as investigations and review. The prudence and acceptable practice accompanied with exercise of professional judgement should govern the conduct of investigations or other review functions as deemed appropriate.

Q 12. Does the RAA have sufficient mandate to carry out all types of public-sector auditing as defined by the ISSAIs?

A Article 25(1) of the Constitution of the Kingdom of Bhutan stipulates that “There shall be a Royal Audit Authority to audit and report on the economy, efficiency and effectiveness in the use of public resources”. Further, Section 69 of the Audit Act of Bhutan 2018 provides the function of the Authority to carry out financial, propriety, compliance, performance, special audits and any other form of audits that the Auditor General may consider significant and necessary. Hence, the Authority has sufficient mandates to carry out all types of public-sector auditing.

Q 13. How would the actual implementation of ISSAIs happen in the daily course of auditing and reporting?

A ISSAI per se is just a professional standard that provides an essential guide to the auditors in executing their duties of auditing and reporting, and a yardstick to the stakeholders and alike to gauge the performance of the RAA. It will be put into practice through our own auditing approaches and methodologies complying with the requirements of the ISSAIs. Therefore, we have our own audit manuals and guidelines which may require some harmonisation to seek full compliance with relevant principles of ISSAIs.

The ultimate aim is to see that we can state in our audit reports

that we have conducted our audit 'in accordance with the ISSAIs'. This statement in our audit reports would carry immense intrinsic values in defining the professionalism and credibility of the institution.

INTOSAI Framework of Professional Pronouncements (IFPP) :

Q 14. What is the IFPP and what is its authority?

A IFPP is the INTOSAI Framework of Professional Pronouncement. INTOSAI professional pronouncements are the formal and authoritative announcements or declarations of the INTOSAI community. They rest upon the common professional expertise of INTOSAI's members and provide INTOSAI's official statements on audit-related matters. All professional pronouncements are developed and approved through a due process before they are presented to INCOSAI (INTOSAI Congress) for endorsement. The purpose of IFPP is to improve the credibility of INTOSAI's professional pronouncements, assist in making them an authoritative framework for public-sector auditing and enhance their technical quality. The INTOSAI Professional Pronouncements consist of INTOSAI Principles (INTOSAI-P), International Standards of Supreme Audit Institutions (ISSAI), and INTOSAI Guidance (GUID).

The IFPP will replace the existing ISSAI framework once the work of updating and migrating the current pronouncements is completed.

Q 15. What is the FIPP?

A The Forum for INTOSAI Professional Pronouncements (FIPP) is a designated standard setting body of INTOSAI body which is responsible for implementing a uniform approval process for the IFPP pronouncements following the INTOSAI Due Process. The creation of FIPP is intended to ensure a single entry into the IFPP. The FIPP has the responsibility of ensuring quality of the full set of professional standards as incorporated in the IFPP with a view to strengthen the INTOSAI as a standard-setter and drive the continued development of appropriate standards for public-sector auditing world-wide.

FIPP consists of a Chair and fifteen members from different SAIs

around the globe who have been selected for their subject matter expertise, experience in capacity building and standard-setting.

Q 16. What are INTOSAI Principles (INTOSAI-P) and what is their purpose?

A The INTOSAI Principles consist of founding Principles and core Principles that have an overarching significance for the IFPP and are therefore placed at the top of the IFPP framework.

The founding principles have historical significance and specify the role and functions which SAIs should aspire to, which can be used as reference to establish SAIs' mandates. These principles may be informative to governments and parliaments, as well as SAIs and the wider public and may be used as reference in establishing national mandates for SAIs. The core principles support the founding principles for an SAI, clarifying the SAI's role in society as well as high level prerequisites for professional functioning of SAIs.

Q 17. What are International Standards of Supreme Audit Institutions (ISSAI), and what is their purpose?

A The ISSAIs are the authoritative international standards on public sector auditing. ISSAIs represent mandatory auditing standards for the SAIs to claim adherence to the standards. In the IFPP, they occupy the second level of pronouncements.

ISSAI 100 'The Fundamental Principles of Public-Sector Auditing' defines the authority of the ISSAIs and explains how an auditor can claim ISSAI compliance in an audit report.

Source: INTOSAI's Professional Standard Committee.

Q 18. What are GUIDS and what is their purpose?

A Documents which are categorised as GUIDS represent INTOSAI guidance that supports the standards (ISSAIs) by translating them into more specific, detailed and operational guidelines. GUIDs are in the nature of non-mandatory guidance for an SAI that help the auditor gain a better understanding of how to apply the elements and principles of the standards (ISSAIs) during an audit.

Within the IFPP, the GUIDs are divided into various categories,

viz; SAI organisational guidance, supplementary financial audit guidance, supplementary performance audit guidance, supplementary compliance audit guidance, subject matter specific guidance, and other guidance.

Q 19. How can an SAI claim ISSAI compliance?

A In order for an SAI to claim ISSAI compliance, it must follow the fundamental principles which INTOSAI has defined as universally applicable professional standards in ISSAI 100. ISSAI 100 establishes the fundamental principles which are applicable to all public-sector audit engagements, irrespective of their form or context. ISSAI 200, ISSAI 300 and ISSAI 400 builds on and further develops the principles to be applied in the context of financial, performance, and compliance audit respectively. ISSAI 100 states that the principles in no way override national laws, regulations or mandates or prevent SAIs from carrying out investigations, reviews or other engagements which are not specifically covered by the existing ISSAIs (ISSAI 100, Purpose and Authority of ISSAIs).

Q 20. How does FIPP work together with the individual project groups?

A FIPP works with the project groups by nominating a member of FIPP as the liaison person for the project group. The liaison person and the project group are in continuous dialogue throughout the project life cycle (project proposal, exposure draft, endorsement version, and final pronouncement) involved in drafting pronouncements.



Contributed by:

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Member (FIPP)
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Tashi Tobgay, Deputy Auditor General is a member of the Forum for INTOSAI Professional Pronouncements (FIPP). The Forum consists of experts who have been appointed to act in the interest of the full INTOSAI membership and promote public-sector auditing of a high quality to the benefit of users of SAI audit reports and the general public around the globe.

Theme Song of the Royal Audit Authority

༣ ལྷན་སྒྲིངས་ཙན་དན་བཀོད་པའི་འབྲུག་ཡུལ་ན།།
གཟི་བརྗིད་ཆེ་བའི་མངའ་བདག་ཡབ་སྲས་བཞུགས།།
མཁུན་རྒྱ་ཆེ་བའི་ཐུགས་ཀྱི་དགོངས་གཏེར་ལས།།
རྩིས་ཞིབ་དབང་འཛིན་གཞི་བཙུགས་གནང་བ་ལེགས།།

རྒྱལ་ཡོངས་དགའ་སྐྱིད་དཔལ་འཛོམས་གྲུབ་ཐབས་དང་།།
གཞུང་སྐྱོང་ལེགས་ལྡན་དངས་གསལ་ཙན་ལུ་བརྩོན།།
མི་མང་འགན་འཁུན་ཙན་ལུ་བསྐྱར་ནི་ལུ།།
དབང་འཛིན་ལས་བྱེད་ཡོངས་ཀྱིས་ཕྱག་ཕྱིད་ལྷ།།

རྩིས་ཞིབ་འཆར་གཞི་སྲིད་བྱས་ལམ་ལུགས་ལུ།།
འབྲེལ་ཡོད་ལས་སྡེ་ཡོངས་ཀྱི་རྒྱབ་སྐྱོར་དང་།།
མི་མང་ཡོངས་ཀྱིས་སློབ་གཏད་ཡོད་པ་ལས་བརྟེན།།
གདོང་ལེན་མེད་པར་ཕྱག་ཕྱིད་ལུ་བཞིན་ཡོད།།

མི་མང་ཡོངས་ཀྱིས་འགན་འཁུན་མཁུན་དགོཔ་དེ།།
མ་དདུལ་ལོག་སྲོད་ཁྲིམས་འགལ་མཛད་མ་གནང་།།
རྒྱལ་ཁབ་མཐའ་དོན་བསྐྱེད་དེ་ཕྱག་ཕྱིད་ལྷ།།
རྒྱལ་ཡོངས་དགའ་སྐྱིད་དཔལ་འཛོམས་ལུན་བརྟན་ག།

རྒྱལ་ཁབ་ཕྱག་མཛོད་རང་གི་རྒྱ་ལོར་ཡིན།།
བདག་འཛིན་འབད་དེ་རྒྱ་ལོར་མ་གཏང་བར།།
སྤྱི་མཐུན་ཐོག་ལས་ཕྱག་ཕྱིད་ལུ་ནི་དང་།།
རྒྱལ་ཁབ་གོང་འཕེལ་འགན་འཁུན་འབག་གོ་མས།།
དཔལ་ལྡན་འབྲུག་པ་སྲར་ལས་དར་ཞིང་རྒྱས།།
རྒྱལ་ཡོངས་དགའ་སྐྱིད་དཔལ་འཛོམས་འགྲུབ་པར་ཤོག། །།