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Royal Audit Authority



Annual Performance Report
2021 - 2022



FROM THE AUDITOR GENERAL

Towards ensuring accountability and transparency of our own conducts, the Royal Audit Authority (RAA) is pleased to present its Annual Performance Report 2021-22. This report takes stock of achievements against key indicators and targets of our annual Operational Plan (OP) 2021-2022, which is one of the action plans of our Strategic Plan 2020-2025.

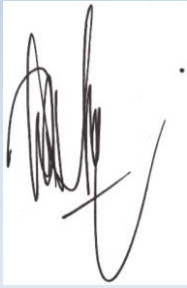
The Strategic Plan 2020-2025 is third of its kind and is adopted with the joining of new Auditor General. It is operationalised through annual OPs and a monitoring and reporting framework has been adopted along with the strategic plan. The annual OPs are strategically guided by the implementation plan, which has been prepared for whole of the strategic plan period. The progress and achievement of the annual OP is monitored and reported quarterly to the management and changes are effected to the targets and indicators whenever necessary.

In order to realize the strategic goals and objectives, the RAA made substantial progress on our strategic priorities of the year. The RAA achieved most of the planned activities through multiple initiatives such as conducting consolidated audits, attempting remote/hybrid mod of audits, use of technology in audits and providing virtual platforms for meetings and trainings.

The RAA was able to submit AAR 2020-2021 to His Majesty the King, the Prime Minister, and the Parliament on 16th November 2021. It was tabled in the Joint Sitting of the Sixth Session of the Third Parliament on 16th December 2021.

RAA has been proactively participating and engaging in International forums and activities of both the International Organization of Supreme Audit Institution (INTOSAI) and Asian Organization of Supreme Audit Institution (ASOSAI) for capacity development and experience sharing.

As a head of the agency, I take this opportunity to convey to our stakeholders and citizens that this report is one of the tools to disseminate information on our operations and functions. I hope this report will prove to be useful to the readers in gaining insight on our functions and activities and overall performance of the RAA.

A square box containing a handwritten signature in black ink. The signature is stylized and appears to be the name 'Tashi'.

(Tashi)

AUDITOR GENERAL

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CHAPTER 1: ABOUT RAA

1.1 MANDATE

The RAA has undergone a series of organizational and structural changes since its establishment as a Committee of Accounts and Audit in 1961. It was instituted as a Department in 1974 and was declared a fully autonomous body in 1985 and was renamed as the Royal Audit Authority. As it went through the stages of changes, the Royal Decrees of 1970, 1997, 1999, 2000 and 2005 were issued covering the mandates of the RAA and stressing on the professional independence of the institution. Recognizing the significant role of the RAA in promoting good governance and public accountability through auditing and reporting on prudent, economic, efficient and effective use of public resources, it was bestowed with Constitutional Status in the year 2005. The Constitution of the Kingdom of Bhutan mandates the RAA to audit and report on the economy, efficiency and effectiveness in the use of public resources.

The RAA also draws its mandates from the Audit Act of Bhutan 2018 and other mandates from specific legislations such as Companies Act of Kingdom of Bhutan 2016, Public Finance Act 2007 and Amendment Act 2009, Religious Organizations Act 2007, Civil Society Act 2007 amongst others.

The RAA functions in accordance with the Audit Act of Bhutan 2018, which specifies independence, powers, duties, roles and responsibilities of the RAA. In order to enhance the credibility, professionalism and quality, the RAA adopted International Standards for Supreme Audit Institutions (ISSAIs) in 2016. Since then, financial, compliance and performance audits are conducted in accordance with the standards.

1.2 AUDIT JURISDICTION

The audit jurisdiction of the RAA includes;

- i. Accounts of the budgetary bodies including agency of the Government;
- ii. Foreign assisted, donor assisted or special projects of the Royal Government;
- iii. Embassies, consulates and other foreign-based government agencies;
- iv. Zhung Dratshang, Rabdeys and all related institutions;

- v. Defence and Security Services;
- vi. Constitutional bodies, Commissions and any other government agencies;
- vii. Autonomous state colleges, universities and all autonomous bodies of the Royal Government;
- viii. Registered Political parties;
- ix. All state enterprises in which government has stake, financial institutions including the Central and other Banks and their subsidiaries established under the laws of Bhutan in which the Government has an ownership interest;
- x. All entities including non-governmental organizations, foundations, charities and civil societies fully or partly funded by the Government; whose loans are approved or guaranteed by the Government; and those receiving funds, grants and subsidies directly or through the Government and collections and contributions from people and fund raised through lottery;
- xi. Any entity whether private or public engaged in extracting, processing, trading and mining of natural resources of the State;
- xii. Any other public interest entity, if considered necessary by the Auditor General;
- xiii. Accounts and operations of international agencies based in Bhutan, if required under specific arrangement; and
- xiv. Any entity or activities upon command of His Majesty the Druk Gyalpo.

Notwithstanding the provision of any laws relating to accounts, and audit of any public or private entities, the Parliament, by resolution, may direct that the accounts of such entities be audited by the RAA.

1.3 VISION AND MISSION



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



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

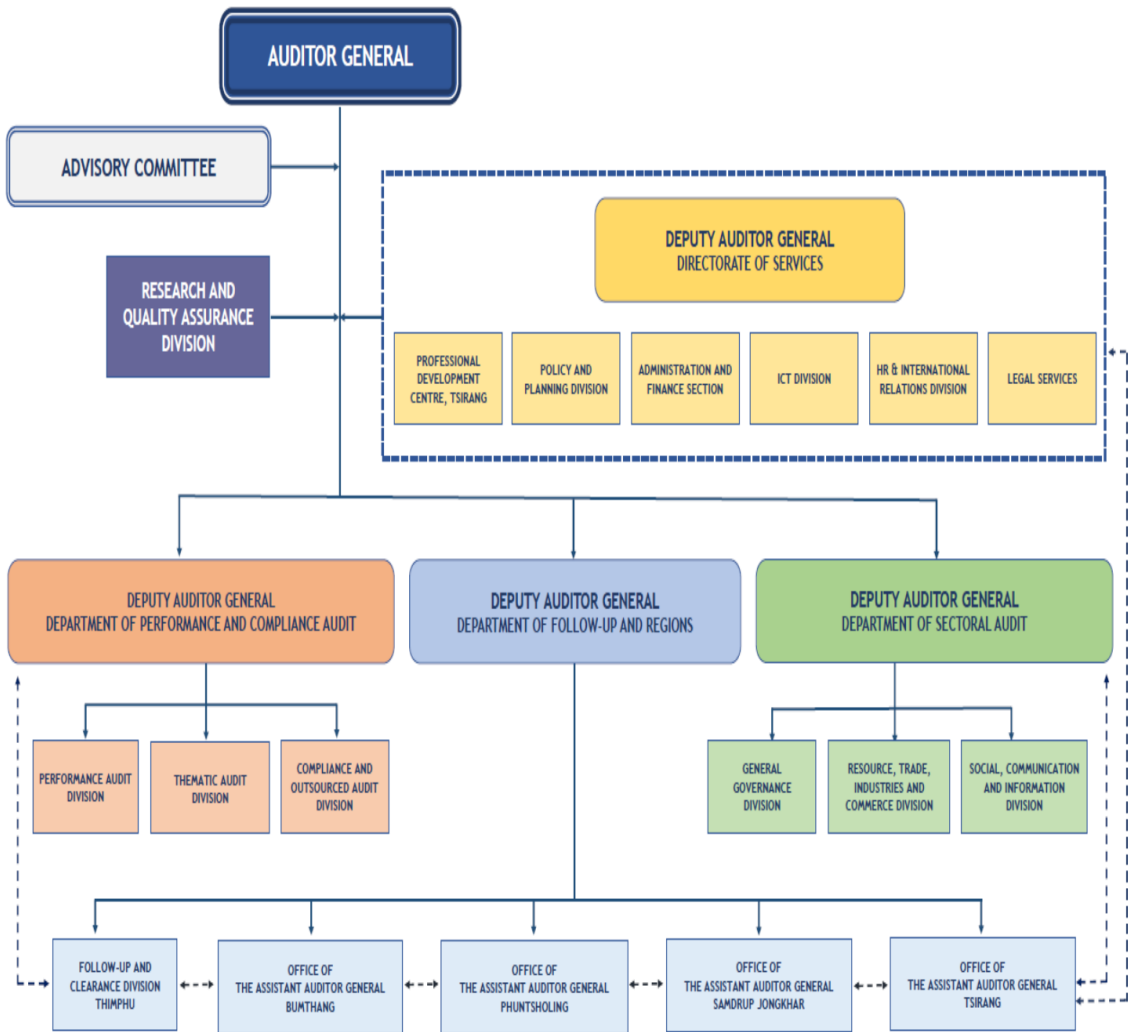
1.4 RAA'S CORE VALUES



1.5 ORGANISATIONAL STRUCTURE

The RAA is structurally divided into four Departments and four Regional Offices. The regional offices ensure wider coverage of the audit services across the country. The Departments are headed by either Joint Auditor General or Deputy Auditors General. The Regional Offices, headed by Assistant Auditors General are located at Bumthang, Phuentsholing, Samdrup Jongkhar and Tsirang, and they report to the Department of Follow-Up and Regions. The Professional Development Centre at Tsirang, headed by Program Director, serves as training wing of RAA for ensuring continuous professional development of auditors and to keep abreast with the developments in the field of auditing.

Figure 1: RAA's Organogram

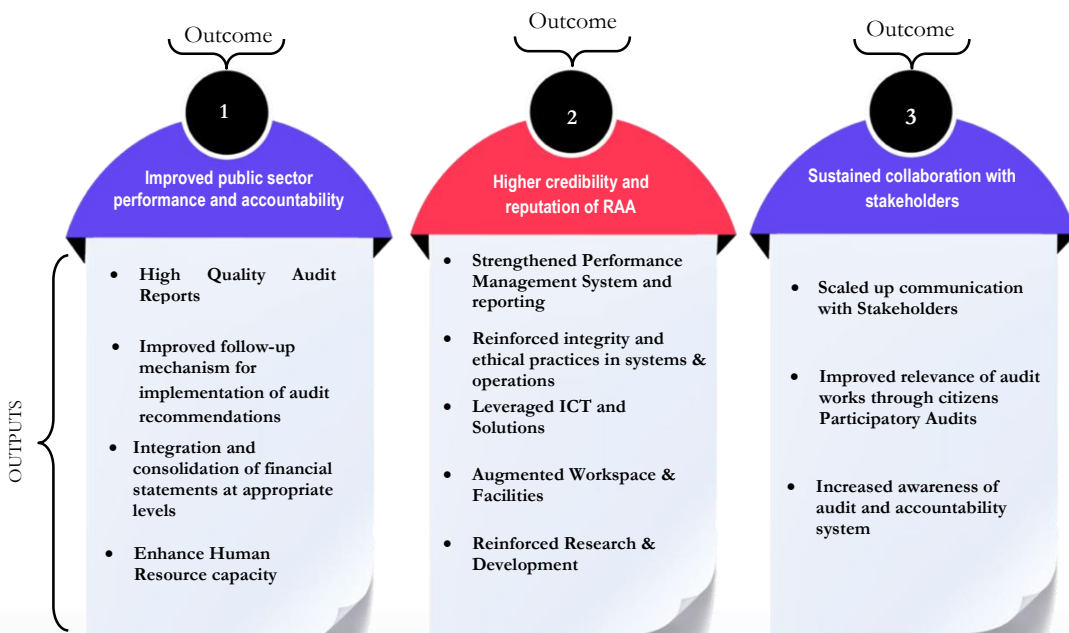


CHAPTER 2: PERFORMANCE HIGHLIGHT

The five-year strategic plans, initiated since 2010, are prepared as an overall strategy to accomplish the mandates of RAA. As such the plan provides opportunity for RAA to consolidate its strengths to enhance effectiveness and efficiency of audit services to the nation.

The Strategic Plan 2020-2025 was formulated and launched in June 2021. The plan period is aligned to the term of the Third Auditor General appointed as per the Constitution of the Kingdom of Bhutan 2008. The plan is broadly aligned to INTOSAI P-12 on value and benefits of SAIs, and the 12th Five Year Plan (2018-2023) of the Royal Government of Bhutan. The plan is operationalised through annual Operational Plans (OP) that consists of prioritised annual activities with detailed specifications on target, resources and responsibilities. The results framework of the Strategic Plan 2020-2025 is as described in **Figure 2:**

Figure 2: Results Framework



The Annual Performance Report 2021-2022 covers overall achievements of the year, encapsulating important tasks and activities performed during the year. It is expected to serve as reference document for the overall performance report at the end of the strategic plan period.

The AAR 2020-2021 covered audit reports issued during the last financial year thereby aligning with the period covered in the Annual Financial Statement (AFS) of the Royal Government of Bhutan (RGoB). The AAR 2021-2022 is inclusive of all audit irregularities noted during the period.

To help determine achievement of the year based on annual OP 2021-22, we assessed the annual performance using a set of performance indicators adopted in the strategic plan.

Achievement against the performance indicators reflect the output or results of our efforts when measured against its annual target. Review of the performance indicators has shown that of the 28 total indicators, 23 indicators achieved its annual target while five are not achieved. It is reported that all the indicators that has not achieved its annual target are under Output 1: High Quality Audit Reports.

The detailed report of the progress and achievement of key performance indicators are given in **Table 1**.

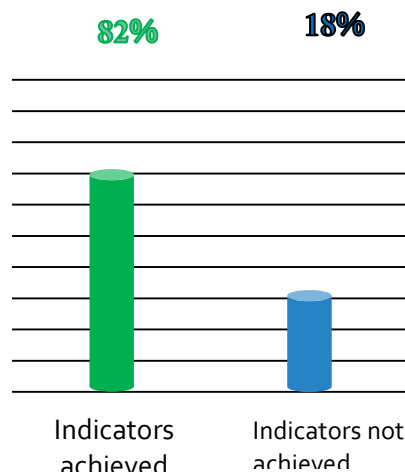


Figure 3: Performance Indicators

Table 1: Achievement of Annual Performance Indicators				
Output		Performance Indicators	Annual Target	Achievement
High Quality Audit Reports	1	Financial Audit Coverage (%)	75%	86.34%
	2	Compliance Audit Coverage (Nos.)	14	59
	3	Performance Audit Coverage (Nos.)	4	6
	4	Percentage of audit reports completed during the year which are published within 3 months for FA and 6 months for	FA: >75	88.74%
	5		CA : 100%	93.22%

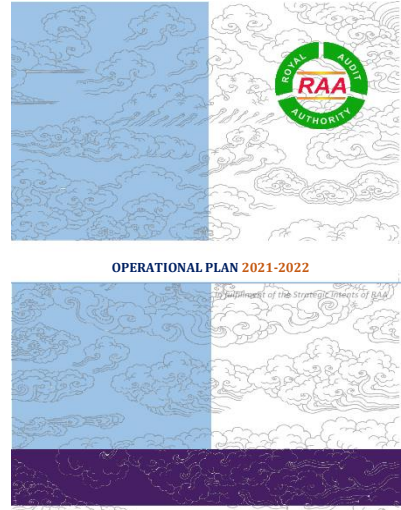
	6	CA and PA(within completion of field audit)	PA : 100%	42.86%
	7	Number of audit reports selected for QA review	CA : 2	0
	8		FA : 7	8
	9		PA : 2	0
	10		OA : 3	0
	11	Percentage of QA requirement/standards met (FA)	55%	59.28%
Improved follow-up mechanism for implementation of audit recommendations	12	Follow up reports issued (%)	100%	116.64%
	13	Follow up reports of AAR issued (Nos.)	1	1
	14	Follow up reports of PA issued (%)	100%	153.85%
	15	Follow up reports of CA issued (%)	100%	105%
	16	Percentage implementation of audit recommendations (FA & CA)	30%	35.20%
	17	Percentage implementation of audit recommendation (PA)	30%	44%
18	TAT in issuing audit clearance certificate	90%	92.15%	
Integration and consolidation of financial statements at appropriate levels	19	Consolidated audits conducted (Nos.)	>20	21
Enhanced human resource capacity	20	Implementation of HR Strategy	Implement	Implemented
Strengthened performance management system and reporting	21	RAA's performance reporting to its Stakeholders including RAA performance vis-a-vis the SP's output and internal audit	Yes	Yes
Reinforced integrity and ethical practices in systems and operations	22	Reinforce ethical practices of employees	Yes	Yes
Leveraged ICT and solutions	23	Implementation of AIMS	Implemented	Yes

Augmented workspace and facilities	24	Infrastructure developed	Constructed OAAG, Bumthang and built structure for differently abled persons at PDC, Tsirang.	Yes
	25	Install/establish VPN in head office, Thimphu & Regional Offices	Yes	Yes
Reinforced research and development	26	Conducting research and development works	Research carried out by all the audit teams.	114 research papers submitted by auditors
Sustained collaboration with stakeholders	27	Continuous engagement with stakeholders as per SES 2018-23 (Protocol)	Engagement with primary stakeholders	Achieved
Increased awareness of audit and accountability system	28	Awareness programme conducted for different stakeholders (Nos.)	6	6

CHAPTER 3: DELIVERY OF OPERATIONAL PLAN 2021-22

The annual OP 2021-22 was implemented with effective from July 2021 and ended on June 2022. The plan consists of prioritised activities and sub-activities aligned to strategic plan's results framework along with defined timeline and responsibility delegations for effective implementation. It was intended to contribute towards achievement of strategic goals and objectives of the organization.

During the period, 28 key activities with various sub-activities were planned and implemented. The details of the progress are reported under 11 outputs as detailed hereunder.



3.1 HIGH QUALITY AUDIT REPORTS

The total agencies audited by RAA during the year was 446 agencies including both financial and compliance audits. There were also 48 Civil Society Organizations (CSOs) & Religious Organizations (ROs) which were outsourced to private auditing firms. Additionally, the statutory auditors empaneled by RAA audited 45 entities comprising government corporations and financial institutions.

RAA conducts three types of audit (Financial, Compliance and Performance audits). The financial audits are an independent examination of financial statements of the audited agencies and expresses auditor's opinion on whether the financial statements are prepared in all material respect in accordance with a financial reporting framework. Along with the opinions, RAA also reports cases of non-compliance or irregularities based on review of accounts and operations of the audited agencies. Compliance audit is comprehensive review as to whether the provisions of applicable authorities are being complied with or not in the use of public funds and resources. Performance audit is an independent examination of a programme, operation or management system

and procedures to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of public resources.

The main results of the RAA's service is the audit reports through which it seeks to promote performance, accountability and transparency in the government and public sector. However, the achievement of results is not the end but the means to attain higher outcomes, which add value and benefits to the lives of citizens through creation of positive impact in the society.

Financial and Compliance Audit

During the year, RAA conducted 387 financial audits and 59 compliance audits against which 343 financial audit reports and 49 compliance audit reports were issued. In addition, RAA supervised and monitored 45 Statutory Audit (SA) of corporations and financial institutions and 48 Outsourced Audits (OA) of CSOs and ROs, which were audited by statutory audit firms.

RAA strives to ensure maximum audit coverage for agencies entrusted with public resources and report thereon, in order to provide relevant audit observations and recommendations to improve overall functioning and system of the agencies. 446 agencies were audited out of 521 audit agencies representing audit coverage of 85.60%.



Audit Coverage
for FA and CA

The percentage of audit reports issued within the period of three months from the completion of audit execution, accounted to 88.74% against the target of 75% for FA. Similarly, 93.22 % of the CA audit reports were

issued against the target of 100% within six months from the completion of execution. For PA, it accounted to 42.86 % against the target of 100% within six months from the completion of execution. The Research and Quality Assurance Division (RQAD) conducted quality assurance (QA) review of eight financial audit reports. In the quest for credibility and reputation, the RAA has always considered quality report as the cornerstone of its performance. The percentage of QA requirement/standards met (FA) for the eight financial audit reports was 59.28% against the annual target of 55%. As for the auditing and reporting process, quality control measures are embedded through compliance

requirements and responsibilities delegated to every individual at all levels (audit team members, team leaders, supervisors, Executive Members, Technical committee and Advisory Committee).

During the FY 2020-21, RAA embarked onto conducting consolidated audit for the first time. The audit was piloted for the Royal Bhutan Police (RBP) which had 18 Letter of Credit (LC) accounts maintained by its headquarter, fourteen Divisions and Institutes. The genesis of auditing and reporting at an overall consolidated Financial Statement (FS) level has been considered, primarily to minimize audit universe and freeing up audit resources. Similarly, during the FY 2021-22, RAA also consolidated the audits of Gewogs with Dzongkhags. Accordingly, the audit Universe for the financial year 2021-2022 was reduced to 521 from 761 during the FY 2020-21. This is expected to bring values and benefits by providing assurance on overall sectoral/functional financial outcomes and contribute to improvement of overall public financial management.

Further to support the government's austerity measures during the COVID 19 pandemic, the RAA introduced remote/hybrid audits approach during financial year 2021-2022 as a pilot-based initiative. Based on the lessons learnt, the RAA developed guideline on remote/hybrid auditing. The Divisions and Regional offices have conducted 19 remote audits during the FY 2021-2022. It has achieved high level of flexibility while maintaining the same level of quality of audits.

Performance Audits

During the year, the RAA issued four performance audit reports and three were submitted to His Majesty the Druk Gyalpo, the Prime Minister and the Parliament, in accordance with Article 25 (5) of the Constitution of the Kingdom of Bhutan and Section 72 of the Audit Act of Bhutan 2018. The reports were tabled in the Joint sitting of the Parliament. The report on the Operations of Natural Resource Development Corporations Limited was discussed in the Seventh Session of the Third Parliament in June 2022, while the reports on the Sustainable and Safe Road Transport System and Farm Road Development and Management in Bhutan was discussed in the Eighth session of the Third Parliament in December 2022.

The abstract of the reports are highlighted hereunder.

A. Performance Audit Report on the Operations of Natural Resource Development Corporations Limited.

The Royal Audit Authority (RAA) conducted the audit on the Operations of Natural Resource Development Corporations Limited with the objectives to assess the adequacy of existing legal and institutional framework of NRDCL in delivering its mandate and to review NRDCL's efficiency and effectiveness in fulfilling its primary mandates to make natural resources available, accessible and affordable to the public.

The audit period was from 01 January 2013 to 31 December 2020 and covered wide ranges of agencies namely, NRDCL, Druk Holding and Investments, Department of Forest and Park Services and Association of Wood Based Industries.

The RAA observed 12 significant findings, provided 11 recommendations requiring appropriate policy interventions aimed at improving the operational efficiency of NRDCL.

Accordingly, the report was deliberated during the joint sitting of the Seventh Session of the Third Parliament on 30 June 2022. The Parliament passed three resolutions as follows:

1. Ministry of Agriculture and Forests to review enforce and monitor the NRPC rates and raise awareness to the consumers;
2. Review Timber Extraction and Distribution Modality (TEDM), 2017 to enable NRDCL as a sole distributor of timber (log form) in the country; and
3. The NRDCL should operationalize its Corporate Strategic Plan (CSP) through annual plans and enhance robust control measures and formalize the Enterprise Resource Planning (ERP) system to optimize cost efficiency and productivity.

B. Performance Audit Report on Sustainable and Safe Road Transport System.

The RAA conducted performance audit on "Safe and Sustainable Road Transport System" with the objectives to assess the effectiveness in implementation of road safety strategies to ensure safe road transport system

and determine the extent to which the government initiatives have ensured accessible, available and affordable public transport.

RAA conducted the performance audit in RSTA as a main agency covering the period 01 July 2016 till 30 June 2020 and entailing visits to the offices of various stakeholders such as RBP, MoH, MoLHR, MoWHS, Thimphu and Phuentsholing Thromdes, selected Dzongkhag Municipals, City Bus Service (Thimphu) and DTIs. The audit observed eight significant findings and provided 13 recommendations aimed at addressing the findings.

The report was tabled during the Joint Sitting of the Seventh Session on 30 June 2022 and deliberated during the Eight Session of the Third Parliament.

C. Performance Audit Report on Farm Road Development and Management in Bhutan.

The Performance Audit on Farm Road Development and Management was conducted with the overall objective of assessing efficiency and effectiveness in the development and management of farm roads in the country. The sub-objectives identified for the audit are to assess the adequacy of institutional structure and planning and budgeting process; and to assess efficiency and effectiveness in quality control and assurance of farm road construction and maintenance.

The RAA reviewed the systems, structures and process of farm road development and management in the country covering 13 Dzongkhags and 121 Gewogs. The audit covered the period from 2010-2011 to 2020-2021. The RAA observed 10 significant findings and provided nine recommendations to address the identified findings.

The report was tabled during the Joint Sitting of the Seventh Session on 30 June 2022 and deliberated during the Eighth Session of the Third Parliament.

D. Performance Audit of electronic Public Expenditure Management System.

The Royal Audit Authority (RAA) conducted the Performance Audit of electronic Public Expenditure Management System (e-PEMS) in Department of Public Accounts with the following objectives:

1. To assess whether e-PEMS is able to meet the business requirements and objectives;
2. To assess whether data migration from PEMS to e-PEMS was carried out accurately and completely; and
3. To evaluate the adequacy and effectiveness of general and application controls in e-PEMS in detecting and preventing instances that may have impact on the reliability, integrity, and availability of financial data contained in the system and its compliance with laws, policies and standards applicable to public finance management.

The RAA carried out performance audit of e-PEMS mainly in Department of Public Accounts covering the period from 22 July 2019 till 30 Sept 2021 (from the date of implementation of e-PEMS) and visited Finance Cluster Offices at Paro, Supreme Court and Ministry of Agriculture and Forest.

The RAA observed six significant findings and provided eight recommendations to facilitate the Department to initiate corrective actions for overall improvement.

The RAA issued the report to the DPA to make further improvements to the system, design and implement IT controls and mechanisms for efficient and effective business operations considering the time and resources spent to develop the IT systems.

Annual Audit Reports

Annual Audit Report (AAR) 2020-2021

In line with Article 25 (5) of the Constitution of the Kingdom of Bhutan and Section 111 of the Audit Act of Bhutan 2018, the RAA submits Annual Audit Report (AAR) to His Majesty the Druk Gyalpo, the Prime Minister and the Parliament. The AAR 2020-2021 consists of the result of the audit of the Annual Financial Statement (AFS) of the Government and the overall financial condition and recommendations to improve economy, efficiency and effectiveness of the Government.



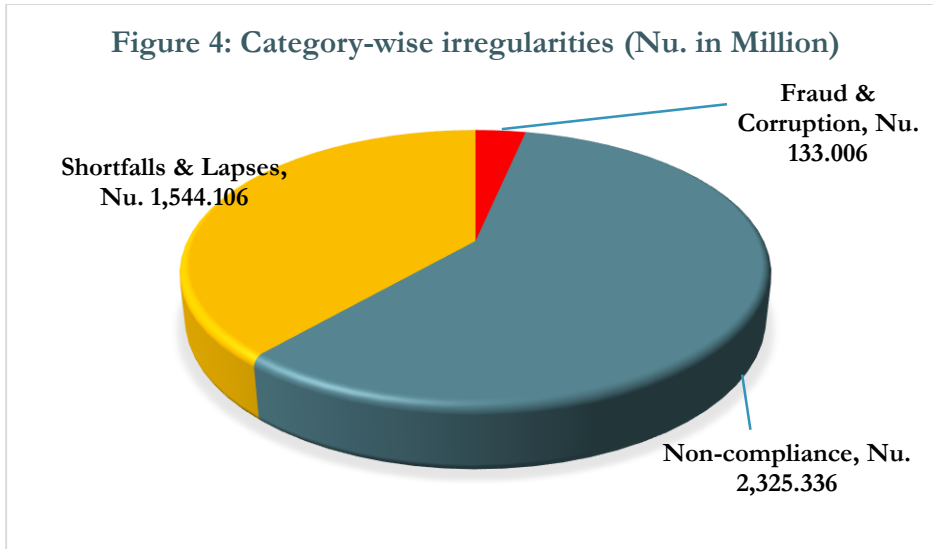
The AAR 2020-2021 was submitted six months ahead of statutory requirement to provide timely inputs for decision-making and appropriate policy interventions. The AAR covers

audit reports issued during the last financial year thereby aligning with the period covered in the Annual Financial Statement of the Royal Government of Bhutan. Therefore, as a onetime transitional arrangement, the AAR 2020-2021 covers audit reports issued for a period of six months only i.e. January-June 2021 since the audit reports issued from July-December 2020 were already reported in Annual Audit Report 2020.

During the year, the AAR 2020-2021 was submitted to His Majesty the Druk Gyalpo, the Prime Minister, and the Parliament. The Annual Audit Report (AAR) 2020-21 was tabled during the Joint Sitting of the Sixth Session of the Third Parliament held from 14 to 15 December 2021.

The Annual Audit Report 2020-21 has been compiled from 197 audit reports issued from 01 January 2021 to 30 June 2021. The summary and analysis are inclusive of all findings issued during the period.

The financial implication of the audit findings observed during the period amounted to Nu. 4,002.448 million of which Nu. 133.006 million was categorized under Fraud and Corruption, Nu. 2,325.336 million under Non-compliances and Nu. 1,544.106 million under Shortfalls and Lapses, representing 3.32%, 58.10% and 38.58% respectively as depicted in **Figure 4**.



The AAR 2020-2021 provided the following recommendations:

1. Government should reinforce the system of accountability and sanctions for public agencies and individuals to drive ethical behaviours and performance;
2. Government should review the need for a policy to bring consultants under the ambit of public accountability;
3. Government should reinforce quality management system in construction projects undertaken by agencies;
4. Government should review community contract protocol; and
5. Government should exercise caution in regulating its current expenditure, sustaining growth of internal revenues and in exercising prudence in raising debts.

The AAR 2020-21 was deliberated in the Joint Sitting of the Seventh Session of the Third Parliament on 29 June 2022. The Parliament passed three resolutions as follows:

1. As significant proportion of unresolved irregularities are categorized under the non-compliance to law, rules and regulations, and shortfalls lapses and deficiencies, the Government may consider mainstreaming these parameters in the Annual Performance Agreement (APA) to assess the overall financial prudence of agencies;
2. RAA and PPHA-I to come to a consensus to resolve the remaining irregularities as some of the observations are of policy issue and are seen carrying on for more than 5 years now; and

3. The Geologic conditions of the Right Bank Dam area are seen as force majeure condition of Nature, so irregularities pertaining to Dam Site development may be considered for dropping if the Barrage option gets through.

Annual Audit Report 2020

The Parliament deliberated on the AAR 2020, review reports of AAR 2010-2019, review Report on Surface Collection and Dredging of Riverbed Materials (RBM), Performance Audit Reports on Implementation and Management of National Broadband Fiber Network and Ex-Country Travels and Short-Term Trainings (STT) during the Sixth Session of the Third Parliament on 14 and 15 December 2021. The Parliament adopted the following nine recommendations submitted by the PAC.

1. Section 2.1 of the Civil and Criminal Procedure Code 2001 states that “the executive shall have a duty to provide for the execution of judgments of all the courts”. In this regard, PAC recommended the executive to enforce the judgements passed by the court and put in place a mechanism to hold the agency concerned accountable;
2. Strict implementation of the decision of the RAA that “The treatment of the cases of excess payment shall not be limited to restitution of the amount but also holding individuals accountable (officials and parties) for restoring the compromised structure/infrastructure to a desired level of quality even if it may require dismantling the entire structures”;
3. Heads of the agencies to take up the responsibility to assume the full accountability for any audit irregularities/ observations;
4. Speed up the establishment of the third internet gateway through Bangladesh;
5. Put in place adequate and state-of-the-art infrastructure to ensure e-resilience of the country;
6. BICMA to speed up its regulatory role and set up grievance redressal mechanism to be responsive to customer complaints;
7. MoIC to frame a strategy to ensure sustainability of fiber resources and put in place systems to ensure monitoring controls, diligence and oversight;
8. Agencies ensure strict compliance with the rules and regulations related to Ex-Country Travels (STTs); and

9. RCSC being the central personnel agency should conduct HR auditing of the agencies on an annual basis and rectify the deficiencies in the HR planning and system and hold the official concerned accountable.

The Auditor General’s Advisory Series on “Review of Government Procurement System

The Auditor General’s Advisory Series on “Review of Government Procurement System” was issued in November 2021 in accordance with Section 114 of the Audit Act of Bhutan 2018 towards promoting accountability, transparency, integrity and value for money in government procurements.

The Advisory Series presented the results of RAA’s study on Government procurement for the last five years (2016-17 to 2020-21). It highlighted on major issues and challenges in the government procurement system and common causes of irregularities such as incoherent policies, weak enforcement, accountability and sanctions, lack of professional capacity and limited use of ICT enabled procurement platforms.



Accordingly, recommendations were provided for improvements in three thematic areas: enabling Procurement Rules & Regulations (PRR), strengthening internal controls and oversight functions, and enforcing accountability and stricter sanctions. The RAA’s recommendations derived from its study on Government procurement for the last five years were intended to respond to challenges confronting the government procurement today and drive transformative change in its procurement function to achieve the value-for money in government procurement.

The Auditor General’s Occasional Paper on the theme “Agencies Rationalizing Irregularities”

The paper was issued in October 2021 in accordance with Section 114 of the Audit Act of Bhutan 2018 towards promoting accountability, transparency,



integrity and value for money in public operations. The Occasional Paper reported that persistent irregularities surfacing year on year basis have always been a matter of concern for RAA as the nation's conscience keeper. Yet, in terms of the trend of reported irregularities, there is no sign of improvements.

While rising trend of irregularities could be attributed to a range of factors such as increase in the size of public expenditure, enhanced coverage of audit, etc., the Occasional Paper reported that it is also an indication that there is deficit of ethics and morality in the way public resources are managed. It calls the attention of all players having specific roles to play in the accountability cycle and the need to place equal responsibility to each of these institutions to uphold the culture of professionalism, ethics and accountability. It also underscores a need for the collaborative mechanisms amongst all institutions in the public sector to pursue collective responsibility towards creating a cleaner society, institutions and agencies.

Irregularities occur due to failure of control systems put in place. The Occasional Paper explained various conditions or factors that allow perpetration of fraud and lapses through Donald Cressey's Fraud Triangle with references to the actual cases using three elements of the Fraud Triangle – Opportunity, Pressure and Rationalisation. The frauds were committed when all elements of opportunity, pressure and rationalisation exist. The irregularities which are not proven as fraud and corruption could also have the presence of all these elements.

Thus, as per the Occasional Paper, the irregularities are seen to be rationalised insofar as institutions and individuals fail to create enabling conditions to counter irregular actions or remain apathetic towards override of internal controls and manifest lack of attitude towards influencing ethical behaviours and morality.

3.2 IMPROVED FOLLOW-UP MECHANISM FOR IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The primary objective of audit is to yield desirable impact in strengthening accountability, transparency and integrity in the public sector through the implementation of audit recommendations. To ensure compliance and effective implementation of the corrective actions by the audited agencies, an effective and efficient follow-up mechanism to hold individuals accountable is important as benefit of audit works rely not only on recommendations made, but also on effective implementation. Therefore, the RAA conducts follow-up on the implementation of audit observations and recommendations of the audit reports issued.

During the year, the RAA conducted follow-up on 704 audit reports (FA, CA & PA) issued in the past years. 812 follow-up reports were issued as highlighted in **Figure 5**.

Figure 5: Follow-up Reports Summary



Follow-up of audit observations and recommendations is a continuous process until the outstanding issues are resolved based on appropriate actions taken by the management or those charged with governance.

In addition, 5539 audit observations of FA and CA was issued by the Divisions and Regions, out of which 1950 audit observations were resolved, indicating achievement of 35.20% against the target of 30%. For performance audits, out of 124 audit recommendations, 37 recommendations were resolved achieving 29.84% against the target of 30%. The annual targets shows that follow-up mechanism for implementation of audit recommendations are improving. The robust follow-up has contributed to audit recovery amount of

Nu. 176.893 million during the FY 2021-22 comprising Nu.150.817 million from Budgetary agencies (including Armed Forces) into the RAA's Audit Recoveries Account and Nu. 26.076 million from Corporations into their own accounts. Under the Budgetary Agencies, the highest recoveries was from **construction** related findings amounting to **Nu. 106.006 million** as given below:

Budgetary Agencies		
Sl. No.	Particulars	Amount Recovered (Nu. in million)
1	Construction	106.006
2	Excess/inadmissible payment of TADA	13.072
3	Others	31.739
	Total	150.817

Nu. 26.076 million recovered by the Corporations and deposited into Audit Recoveries Account maintained in the Corporate Offices are as detailed below:

Name of Agencies	Amount (Nu. in million)
Tangsibji Hydro Energy Limited	0.369
National Resource Development Corporation Ltd.	0.372
National Housing Development Corporation Ltd.	0.708
Bhutan Hydro-Power Service	0.004
Druk Green Power Corporation, Corporate Office	0.017
Kurichhu Hydropower Plant	0.115
Tala Hydropower Plant	1.207
State Trading Corporation of Bhutan Ltd.	23.283
Bhutan Post	0.471
Total	26.076

Review reports of AARs and Performance Audit Reports are prepared giving due consideration to the actions taken by the audited agencies and submitted to the Parliament either within the last week of March or September every year. Prior to preparation of the Review Reports, FuCD and Follow up Sections of Regions remind all audited agencies seeking Action Taken Reports and its status on the pending observations. Based on the receipt of responses from the audited agencies, the progress of outstanding observations are assessed, and a consolidated review report is submitted to the Parliament.

Besides the biannual review, the reviewer assesses the progress on corrective actions as and when statuses are provided by the audited agencies.

During the year the RAA issued review reports on Annual Audit Reports and submitted to the PAC as detailed in **Table 2**.

Table 2: AAR Review Reports discussed

Sl. No.	Particulars	Unresolved irregularities reported last (as on 30/09/2021) (Nu.in Million)	Irregularities resolved as on 31/03/2022 (Nu.in Million)	Balance irregularities as on 31/03/2022 (Nu.in Million)	Percentage of irregularities resolved as on 31/03/2022
1	AAR 2010	2,496	-	2,496	-
2	AAR 2011	189,378	-	189,378	-
3	AAR 2012	11,991	0,575	11,416	4.80
4	AAR 2013	3,996	-	3,996	-
5	AAR 2014	20,246	0,689	19,557	3.40
6	AAR 2015	85,984	3,040	82,944	3.54
7	AAR 2016	45,599	4,241	41,358	9.30
8	AAR 2017	64,534	10,291	54,243	15.95
9	AAR 2018	1,222,850	37,490	1,185,360	3.07
10	AAR 2019	1,274,626	154,437	1,120,189	12.12
11	AAR 2020	2,057,438	438,951	1,618,487	21.33
	Total	4,979.138	649.714	4,329.424	13.05

Out of the total unresolved irregularities of Nu.4,979.138 million reported to the 5th Session of the Third Parliament, the irregularities aggregating to Nu.649.714 million (13.05% were resolved leaving a balance of Nu.4,329.424 million (86.951%) as on 31 March 2022.

Status of the Review reports of AAR 2010 to 2020, submitted by RAA to the PAC were deliberated in the joint sitting of the Sixth Session of the Third Parliament held on 14 December 2021, and approved the recommendations presented by PAC.

Reinforcement of accountability

The RAA reinforced its accountability strategies that supports objectivity & enhances trust and confidence of the citizens. Public notifications were issued on 07 October 2021 and 21 July 2022 consecutively advocating public on the repercussions for irregularities and lapses resulting from violation of integrity, mismanagement, incompetence, lack of prudence and, non-exercise of due diligence in managing public resources and in the performance of their

duties. Wherever relevant, the RAA would now insist on full restoration/rectification of works to a desired standard instead of a mere monetary recovery.

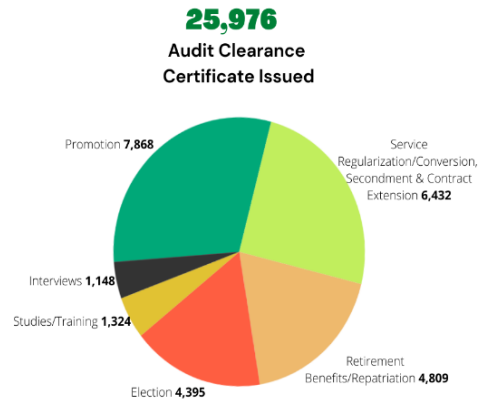
The Guidelines on fixing accountability was revised to guide auditors to work for credible outputs to render objective basis for holding officials accountable.

Actions sought in each material irregularity are:

- A. **Treating of issues** by way of restitution of the losses, compensation for damages, restoration of property etc., basically to reasonably indemnify the government for financial losses sustained like:
- Recovery of excess payment made to parties;
 - Levy of liquidated damages;
 - Rectification of works;
 - Realization of outstanding dues; and
 - Any actions recommended to recompense undue benefits derived
- B. **Initiating actions (sanctions)** for causing irregularities or breach of fiduciary duty or underperformance of individuals and agencies/sectors. The cases which showed prima facie evidence of fraud and corruption shall be dealt with through the court of law.
- C. **Initiating remedial/corrective actions** as sought in the audit reports for improvement of internal controls to improve compliances and performance may include:
- Actions sought for remedying process or systems to prevent recurrences of similar lapses in future; and
 - Agreed recommended actions for improvement of performance of agencies

In addition, the RAA is responsible to issue audit clearance certificates to civil servants, public officials, contractors, consultants and individuals as may be required for the purpose of availing training, promotion, contract extension, retirement benefits, renewal of CDB registration certificates, and Elections. This is one way of fixing accountability on the individuals with audit observations. The direct and supervisory accountability for each observation is captured in the AIMS along with their citizenship identity number.

Figure 6: Audit Clearance issued in FY 2021-2022



25,976 audit clearance certificates were issued within the set turn-around-time of two-days. Against the target of 90%, the RAA achieved 92.15% within the Turnaround time (TAT).

3.3 INTEGRATION AND CONSOLIDATION OF FINANCIAL STATEMENTS AT APPROPRIATE LEVEL

Consolidated Audit is an audit approach to conduct audit of consolidated financial statements of an entity (parent agency) with multiple branches/divisions/units (component agencies) operating separate accounts, but under its direct or indirect administrative control.

The consolidated audit was introduced in the FY 2020-21 and Guideline for Consolidated Audit was developed in June 2022.

The main objectives of the Consolidated Audit are as follows:

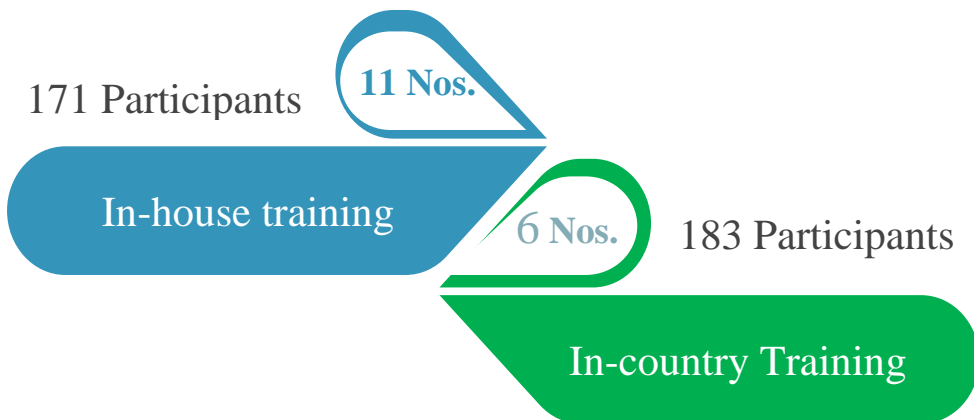
- To enhance efficiency of audit by adopting focused approach based on consolidation of branches/divisions/units (components) of audited agencies – rationalization of audit resources;
- To provide holistic view on the overall financial outcomes of the consolidated financial statements at the Central/Parent agency level; and

- To promote impactful audits by addressing the issues and recommendations to the Central/Parent agencies or authorities who have necessary powers and responsibilities to institute corrective actions.

During the year, the RAA conducted and issued consolidated audit of Dzongkhag Administration including Gewogs under its jurisdictions.

3.4 ENHANCED HUMAN RESOURCE CAPACITY

The RAA continued implementation of Human Resource (HR) Strategy 2021. The strategy was developed to serve as overall guide to HR development and management of RAA. During the year, following trainings were conducted to continuously build the capacity of employees:



As auditors it is utmost necessary to keep abreast of changes and improvement in the agencies, besides staying themselves aware and knowledgeable of all developments in auditing processes and techniques. Therefore, in line with the Continued Professional Development Policy (CPDP) the RAA imparted trainings and workshops on a continuous basis.

During the year, 12 employees were recruited, 38 employees were promoted (33 broadband, one meritorious and four open competition) and a total of four employees availed long-term studies. Two are undergoing Master's Degree, one Certified Professional Accountant, and two Indian Audit and Accounts Service (IA&AS). A total of 28 employees were intra-transferred within the headquarter and regional offices.

The RAA conducted a two-month Induction Programme for New Recruits (IPNR) 2022 in hybrid mode due to the COVID 19 pandemic. IPNR is an

annual on-boarding programme aimed to build key competencies on public sector auditing. The recruits also visited the PDC and places of interest in Tsirang during a three-day excursion programme from 07-09 April 2022.

After successful completion of the IPNR, the recruits will undergo a nine-month Mentoring Programme with identified Team Leaders having vast practical experience and rich auditing knowledge. The programme was designed to transfer knowledge and skill as well as guide the new recruits on their journey to become full-fledged auditors.

The Year-end Planning and Coordination Meet 2022 was conducted from 22-24 June 2022 at Tsirang. A total of 14 resolutions was adopted to ensure effective auditing in fulfilment of its mandates.

3.5 STRENGTHENED PERFORMANCE MANAGEMENT SYSTEM AND REPORTING

The RAA has instituted a system of strategic planning to demonstrate long-term intent in delivery of its mandates. The five-year Strategic Plans began since 2010, aligning its period to the term of the Auditors General. The third Strategic Plan 2020-2025 was launched during the 17th Annual Audit Conference. The plan outlines strategic outcomes and outputs that RAA intend to achieve during the next five years and is aligned to the term of the current Auditor General.

To operationalize the Strategic Plan, the annual OPs are developed based on implementation matrix and performance monitoring framework of the Strategic Plan. For the second year of the Strategic Plan, the annual OP 2021-22 was implemented.

To take stock of the progress of implementation of planned activities, quarterly and mid-term review meetings and Annual Audit Conference were conducted. The forums provide platforms to discuss range of issues relating to core auditing works, plans and activities and other related matters, and effect revision of plans and programmes, if required. Issues relating to management and administration are also discussed in these forums.

Annual Performance Report 2020-21

During the year, the RAA released its first Annual Performance Report 2020-21 to ensure accountability and transparency of our own conducts. The report took stock of achievements against key indicators and targets of our annual Operational Plan (OP) 2020-2021, which is one of the action plans of our Strategic Plan 2020-2025. Within the year, the RAA geared towards realizing the strategic goals and objectives. However, unprecedented COVID 19 pandemic influenced smooth functioning of its operations, specifically, the annual audit plans. Notwithstanding the challenges, RAA was able to make substantial progress on our strategic priorities and achieve most of the planned activities through multiple initiatives such as consolidated audits, use of technology in audits, virtual platforms for meetings and trainings, and work-from-home during lockdowns.



Performance Management System

In our continued drive to deliver quality auditing and reporting services by objectively motivating our employees, RAA introduced and adopted the Performance Management Systems (PMS) during the year. The annual Performance Compacts 2021-2022 was signed during the Year –end Planning and Coordination Meet 2022 held from 22 to 24 June 2022. One of the key features of the performance commitment is the mandatory submission of research paper by individual auditors. During the Year –end Planning and Coordination Meet 2022, and with the aim of improving the auditors, the BEST audit reports for the ‘Auditor General’s Compliance Assurance Award’ and the Award of ‘Significant Audit Observations’ for financial, performance and compliance audits for the FY 2020-2021 were awarded. Out of 10 audit reports shortlisted in the category of Financial Audit, the audit report of the Accounts and Operations of the Dzongkhag Administration, Haa was adjudged as the best financial audit report. In the Performance audit category, the audit report on the Implementation and Management of National Broadband Fibre Network was adjudged as the best performance audit report. In the compliance audit category, audit report of Bhutan Telecom Limited was vetted as the best compliance audit report. For the significant audit

observation for the FY 2020-2021, of the eight entries, the first prize was bagged by the audit team on the observation on “Higher cost for threading and marking in rate analysis of rock-bolts resulting in excess payment of Nu.9.193 million” noted in the audit of PHPA-I.

3.6 REINFORCED INTEGRITY AND ETHICAL PRACTICES IN SYSTEMS & OPERATIONS

The RAA has put in place appropriate safeguards to ensure high standards of behaviour of the employees of RAA in course of their work and their relationship with the staffs of the audited entities. The Code of Good Conduct, Ethics and Secrecy outlines acceptable behaviours to be demonstrated by every employee. It contains 16 principles broadly similar to ones identified by the INTOSAI Code of Ethics. Any new employee joining RAA is administered oath and expected to be bound by it throughout one’s service in the RAA.

To manage and implement all activities related to ethics and integrity, the Organization Integrity Plan 2021-2022 was developed and implemented successfully and RAA received a score of 94.44 % which is categorised as “**Excellent**” in the annual assessment by the Anti-Corruption Commission (ACC).

Internal Control

RAA’s primary responsibility of seeking accountability of the public officials and institutions further places moral obligations on the RAA to lead by demonstrating strong accountability. Like any other public institution, the RAA functions based on resources provided by the Parliament and thus, it is only imperative that RAA account for the use of public resources to the citizens.

Therefore, in line with the Audit Act of Bhutan 2018, the RAA’s accounts are subjected to external audit appointed by the Parliament. Demystifying the question, ‘who audits the audit’, the annual financial statements of the RAA is audited by the audit firms appointed by the Parliament. The annual budget and expenditure for financial year 2021-2022 was audited by M/s Menuka Chhetri & ASSOCIATES. The Auditor’s Report and Receipts and Payment statements were published in AAR 2021-2022 and **unqualified opinion** was

expressed on the financial statements for the financial year ended 30 June 2022. Further, the RAA also has a system of conducting regular internal audits of its headquarter and the four regional offices. The internal audit teams are appointed by the Audit Committee.

Cost cutting Measures

Cost cutting measures have been in place by the RAA even before the COVID-19 pandemic. For instance, the carpooling for auditors was strictly practiced even before it was stipulated in the BCSR 2018. With the country undergoing unprecedented financial constraints due to the pandemic, the RAA enforced further stricter cost control measures to **Lead by Example and inculcate a culture of resource optimization**. An executive order on INTERNAL COST CUTTING MEASURES ON CONTROLLABLE EXPENSES was issued on 23 July 2020. Through the order, the RAA enforced cost controls in a) Mileage payment, b) Payment of Daily Allowances (DA), c) DSA payment for in-country trainings, d) Porter and pony charges, e) Furniture and computer items g) Engagement of audit team for assignments abroad and h) In-country meetings. As the pandemic stretched to the second year, the RAA further supplemented the control measures and on 15 May 2021, the RAA decided to centralize printing facilities; electronically issue audit reports, notifications and circulars; discourage use of photocopy machines, rationalize advertisement expenses, rationalize newspaper subscription, minimize hosting of official meals; and withdraw fax machines and unused telephone lines amongst others. Meetings were conducted online or in a hybrid mode using platforms such as Google meet and Zoom. With the country entering into the phase of economic recovery, the RAA felt that a little sacrifice and effort from its employees is expected to make a big difference in reducing pressure on the Government coffer and enhance operational efficiency. With the sole objective of reinvigorating the **culture of resources optimisation**, an executive order was issued on 14 July 2022 to adopt stricter measures such as **Half DA payment for travel of more than 30 days, discouraging payment of Porter and pony charges, carpooling**, reduce expenses on entertainment and in-country meetings and celebrations, invest 20 to 30 percent of allocated time for planning an audit and embracing remote/hybrid auditing.

3.7 LEVERAGED ICT AND SOLUTIONS

In this digital era, it is not only apt for our auditors to equip themselves with IT tools and techniques for auditing but also important for the RAA to embrace ICT for its own governance and administration. These are required to boost efficiency of our own operations and delivery of audit services. RAA's Information and Communication Technology (ICT) Strategy was implemented by the ICT Task Force during the year. The ICT Strategy complements the vision of how RAA will leverage ICT in auditing tasks by aligning it with the overall strategies and goals set out in RAA's Strategic Plan 2020-2025. It sets out various means of digitalization of many existing services to reduce bureaucratic procedures in the auditing profession. Implementation of the activities are in progress.

With fast changing dynamics and rising expectations, it is imperative to create workspace, which is more congenial and conducive to boost morale and drive high individual performance.



Therefore, an Innovation lab was established with the support from Austrian Development Agency and it is equipped with high-end computers to facilitate auditors in conducting data

analysis and research activities. It is operational since June 2022. The RAA is striving to leverage ICT in all aspects of today's fast evolving digital environment and changing the audit culture towards data driven audits.

Further, in order to improve the information management system for better public sector performance and accountability, the Audit Resource Management System was upgraded and renamed as Audit Information Management System (AIMS) and users were given virtual training in March 2022. The AAS module and audit documentation was launched on 22 June 2022 during the Year-end Planning and Coordination Meet.

3.8 AUGMENTED WORKSPACE & FACILITIES

The RAA focusses on providing adequate workspace and facilities to boost morale and drive individual performance. As the regional office at Bumthang

is housed in rented building, the construction of office building at Bumthang started since June 2020 and is nearing completion. Necessary facilities like computers, printers, internet connections, and basic furniture were provided as and where required to avoid hindrance to daily works.

Further, to embrace the inclusiveness of differently abled persons, the RAA carried out re-modification of existing structure at PDC, Tsirang funded by the Austrian Development Assistance (ADA).

RAA also organized *annual rimdro* and social programmes for the good health and wellbeing of the employees. The Audit Staff Welfare Scheme (ASWS), started since 2001, provided physical support and financial assistance to the members when in need.

3.9 REINFORCED RESEARCH AND DEVELOPMENT

In an effort to enhance RAA's research and development practices and as part of the recognition system for auditors, the award for the *Best Research Paper* was introduced for the first time in the RAA. 31 papers were shortlisted for final vetting from a total of 114 research papers submitted by auditors and the best research paper was awarded to the three best papers. The first prize for the best research paper was bagged by Kinley Zam, Deputy Chief Auditor on the topic, "Smarter approach to OT and Administration Help Desk: Reimagining the RAA help desk, second prize by Pema Wangdi, Audit Officer on the topic, "Accessibility audit for inclusive Infrastructure in Bhutan: the need to audit and the third prizes was jointly shared by Pema Choden, Sr. Audit Officer on the topic, "Research on Quality Construction Management and Choki Wangmo, Audit Officer on the topic, "Delays in Hydropower Projects". A scoring of 10 points is allotted for the research papers in the Performance evaluation of auditors.

3.10 SUSTAINED COLLABORATION WITH STAKEHOLDERS

The Stakeholder Engagement Strategy 2018-2023 has identified primary stakeholders besides the audited entities, and strategies on how to effectively engage with its stakeholders. The RAA realises that sustained relationships with stakeholders is vital for ensuring desired impacts of our work and drawing synergy for the common goal of promoting good governance. This refers to collaborative mechanisms with our primary stakeholders, peer and

professional organizations both within and outside the country, and media for dissemination of audit results and others who have interest, influence, or are influenced by RAA's work.

The Parliament

The Parliament is a strategic partner that supports implementation of audit recommendations, which are reported through the PAC. In line with the Article 25 (5) of the Constitution of the Kingdom of Bhutan and Section 111 of the Audit Act of Bhutan 2018, the RAA submits AAR, Performance Audit reports and any other reports to the Parliament through the PAC.



During the year, the RAA submitted AAR 2020-2021 and two Performance Audit reports to the Parliament for tabling in the Joint Sitting of the Sixth Session of the Third Parliament and two performance Audit Reports in the Joint Sitting of Seventh Session of the Third Parliament. RAA also made presentation on AAR 2020-2021 and Performance Report on Operations of



Natural Resource Development Corporations Limited to the Hon'ble Members of Parliament on 06 January 2022.

The programme was organised to better understand the audit findings and recommendation and to

ensure fruitful deliberation in the summer session of the Parliament.

The PAC has been instrumental in leading discussions and deliberations of audit reports in the Parliament. The Committee as mandated also review and report on the AARs or on any other reports presented by the Auditor General to the Parliament for its consideration. Working relationship between PAC

and RAA is as per the Rules of Procedures (RoP) of the Public Accounts Committee 2017.

The Consultative Meeting between the PAC and Royal Audit Authority was held on 18 May 2022 at the *Lhen-Zom Khangzang* with the primary objective of enhancing collaboration and coordination towards fulfilment of Constitutional responsibilities.

Amongst others, the meeting deliberated on the way-forward strategies to conduct consultative meetings with the stakeholders. The meeting also discussed the long pending audit reports and the need to make concerted efforts toward speedy settlement, to promote accountability in the use of public resources.

On 04 August, 2022, the consultation on the Performance Audit Report on Farm Road Development and Management in Bhutan was conducted by the PAC with the officials from the Royal Audit Authority, the Gross National Happiness Commission, and the officials from the Dzongkhag Administrations of Chhukha and Paro. Similarly, consultation meeting on the Performance Audit Report on Safe and Sustainable Road



Transport System with the relevant stakeholders as such as RSTA, RBP, DoR, MoLHR, Thromde, Thimphu and MoH was conducted on 05 August 2022. The PAC also consulted Thromde, Phuentsholing virtually. The Committee also conducted consultation meeting with officials from the Department of Roads (DoR) and Local Government leaders from Dagana and Bumthang Dzongkhag on 10 August 2022.

Anti-Corruption Commission

The 8th Bilateral Meeting between ACC and RAA was convened on 18 November 2021 at the RAA conference hall. The meeting deliberated on the implementation status of the decisions taken during the 7th Working Committee Meeting, besides the year-wise review of the cases shared by both



the institutions to be acted upon as per respective mandates. Further, the meeting also discussed on facilitating audit clearances for those incumbent Local Government Leaders who were held accountable on

cases shared by both the institutions for upcoming Local Government Elections.

Both the institutions felt the need to reinforce the collaborative mechanism to further the common cause of promoting a corrupt-free society and reassured to work with the same spirit to make the institutions more relevant and responsive to play their respective roles in the society.

The 9th Bilateral Meeting held on 17 June 2022 deliberated on the implementation status of the decisions taken during the 8th Bilateral Meeting and 9th Working Committee Meeting, besides the year-wise review of the cases shared by both the institutions to be acted upon as per respective mandates.

Amongst other, the meeting discussed on the cases on missing persons and the way forward strategies. The Meeting also delved on further strengthening common understanding on offenses under ACC and RAA's categorization of audit observations.

Ministry of Finance (MoF)

As a strategic partner of RAA in strengthening accountability and transparency in public finance management, consultation meetings and discussion with the Ministry of



Finance are conducted as and when required. A consultative meeting between the Ministry of Finance (MoF) and the RAA was convened on 09 November 2021 at the RAA conference hall. The delegation led by the Hon'ble Secretary, discussed creating a uniform understanding on the Simplified Procurement Rules and Regulations (SPRR) 2021 released on 01 November 2021.

Media

The RAA recognizes the media as one of the important external stakeholder in reaching out to the society and informing the public about our role, work and results, as well as enhancing accountability in the public sector. The RAA has been engaging media (both print and broadcast) for press conferences during the issue of major reports like our Annual Audit Reports, performance audit reports and other reports. Press releases are also shared with the media and uploaded on the RAA's website. It has potential to bring positive changes in the society through unbiased and independent reporting and sensitizing issues of public concern in the audit reports, thereby increasing public trust and confidence in the works of RAA.

The AAR 2020-2021 and two Performance Audit Reports were published on RAA website and social media accounts (Facebook & Twitter) for wider publicity.

The Print media covered many news on various topics during the FY 2021-2022

Sl.No.	Topics	Name of Media
1	The Royal Audit Authority (RAA) plans to levy the 24 per cent per year penalty on financial dues from the date when the amount should have been liquidated or paid.	Bhutan Broadcasting Service
2	The Annual Audit Report 2019 has revealed Nu 230M irregularities at Bhutan National Bank Limited (BNBL). This significant irregularity is the highest among banking institutions in the country. The audit report released this week by the Royal Audit Authority (RAA) comes at a time when the Royal Bhutan Police (RBP) is investigating BNBL	Bhutan Broadcasting Service

	for a controversial recruitment case in 2017 and 2018 in which 13 among 15 support staff recruited, had submitted forged documents	
3	Audit of Discretionary Grants	The Bhutanese
4	Excess payment in construction such as payment made for works that are not executed or less executed constitutes a significant portion of the irregularities. According to the Royal Audit Authority, in such cases, the agencies are usually asked to recover the amount. However, the works are left incomplete or the quality is compromised. So, to solve these problems, the Royal Audit Authority calls upon all the public institutions and officials that they will now be held accountable for such lapses.	Bhutan Broadcasting Service
5	More than 100 plus Gups yet to get Audit Clearance for LG elections	The Bhutanese
6	General reserve funds used to meet capital expenditure in Paro	Kuensel
7	RAA finds malpractices and abuses of more than Nu 121 M in STCBL	Bhutan Broadcasting Service
8	Annual Audit Report submitted to Parliament before prescribed time	Kuensel
9	RAA sounds alarm on debt, fiscal deficit and revenue	The Bhutanese
10	RAA points to inefficiency, inadequacies and fraud after evaluating 279 billion worth of Government procurement in last 5 years	The Bhutanese
11	Timber extraction and distribution inconsistent: RAA	Kuensel
12	RAA asks for BCSR action after Chukha Dzongkhag Audit to fix accountability	The Bhutanese

3.11 INCREASED AWARENESS OF AUDIT AND ACCOUNTABILITY SYSTEM

Audit Advocacy

RAA conducted audit advocacy and awareness programmes to promote awareness among RAA's stakeholders on accountability framework in the overall governance system and sensitize on common audit issues. Through such awareness and advocacy programmes, the RAA aims to instil sense of accountability and transparency in the minds of those vested with the responsibility of governance and uphold the importance of values of integrity and ethical conduct of every individuals in the positions of responsibility. During the period, the RAA conducted following audit advocacy programmes.

The Hon'ble Auditor General conducted Audit Advocacy programme for Internal Auditors at Professional Development Center, Tsirang on 19 November 2021. The Auditor General highlighted the potentials of a strong partnership between the RAA and Central Coordinating Agency for internal auditors (CCA), and shared willingness to collaborate and work hand-in-hand to ensuring higher public accountability.

Audit Awareness programme was held virtually to 40 newly elected Gups who were stranded in Thimphu due to the lockdown on 31 January 2022. The Auditor General made presentation covering the Mandate, Origin, RAA's Oversight Audit Model, Audit Process, Audit Jurisdiction, Fraud Triangle, Who Audits Audit and most Common Audit Findings in Gewog Audits. The Programme was organized by the Department of Local Government as part of the orientation programme of the newly elected Gups of the 3rd Local Government.

The Auditor General met with the local Government officials and civil servants under Lingzhi Drungkhag from 23 April to 02 May 2022 and conducted Audit Advocacy programme aimed at promoting and creating awareness on:

- Public accountability and accountability fixation procedures;
- RAA's mandate and jurisdictions;
- Audit services and citizen's responsibilities in public financial management; and

- Internal control framework to minimize acts of errors, fraud and corruptions.

The Auditor General met and made presentation to 46 first time elected Gups of Trashigang at the Sherubtse College on 11 May 2022. In continuation to the audit advocacy programme in the East, the Auditor General met with students of Gyalposhing College of Information Technology, Sherubtse College in Kanglung, and Jigme Namgyel Engineering College in Dewathang from 10 to 12 May 2022.



The Auditor General made presentations to the students with a special focus on changing mindset of the youth who are considered as future leaders. The presentations sensitized the young minds on ill-effects of corruption in the country and economic development besides the damages it brings on life of individuals and family members.

The Auditor General encouraged students in setting-up of Integrity Clubs in their colleges and assured RAA's necessary support for the activities initiated by the Clubs to promote integrity, accountability, and transparency in the colleges.

The Audit advocacy programme for the local Government officials and civil servants under Samtse Dzongkhag was held on 07 June 2022.

Supreme Audit Institutions and Professional Bodies

The RAA continuously engage with international and regional bodies for various purposes of capacity development and experience sharing as a member of INTOSAI and ASOSAI. During the year, the following collaborations were made.

Collaborate with PEER SAIs

- The RAA attended the virtual Global Summit on ‘What is the audit impact of Supreme Audit Institutions?’ organised by INTOSAI Development Initiatives (IDI) on 30 November 2021. The Auditor General shared the success stories of high impact audits and audit practices of the RAA. The summit was attended by 95 participants from member Supreme Audit Institutions.
- The Auditor General and some senior officials attended the INTOSAI Capacity Building Committee (CBC) Annual Meeting held virtually on 29 September 2021. The INTOSAI-CBC recognised, congratulated and shared the SAI Performance Measurement Framework (PMF) success stories of RAA (SAI of Bhutan) and SAI Kenya during the meeting. The SAI-PMF helped the RAA to improve its audit methodologies, internal governance and ethics, capacity development and engagement of stakeholders amongst others.
- The RAA attended the 5th Annual Meeting of the INTOSAI Working Group on Big Data (WGBD). The virtual Meeting was hosted by SAI China on 29 September 2021 & attended by 94 auditors from 35-member SAIs.
- The RAA attended the 8th ASOSAI Seminar on Environmental Auditing and Working Meeting of ASOSAI Working Group on Environmental Audit (WGEA). The virtual meeting was hosted by the Chair of ASOSAI WGEA, SAI China from 25 to 26 October 2021 and attended by more than 90 participants from member SAIs.
- The RAA attended the 15th ASOSAI Assembly being hosted virtually by the State Audit Office, Thailand on 07 September 2021. The ASOSAI has 47 Supreme Audit Institutions including the RAA as members.

Resource persons to INTOSAI, ASOSAI and IDI Capacity Development Programme & Audits

A total of 7 RAA officials participated as resource persons in the following INTOSAI, ASOSAI and IDI Capacity Development Programmes:

- ✓ IDI-CDA on Implementation of Sustainable Development Goals 4 (SDG) on *Provision of Conducive and Enabling Environment for Quality Education*;
- ✓ IDI-ASOSAI Cooperative Audit of SDG Implementation on the topic '*Strong and Resilient National Public Health System*';
- ✓ IDI-ASOSAI Transparency, Accountability & Inclusiveness (TAI) Audits of the use of emergency funding for COVID-19;
- ✓ IDI's Professional Education for SAI Auditors-Pilot (PESA-P) Educator for creating education content for financial audit;
- ✓ IDI's TOGETHER Initiative (2021-2022) for enhancing overall SAI governance & systems for governing HR, ethics, gender and inclusiveness; and
- ✓ Cross-Learning session on Performance Audit to SAI Nepal.

INTOSAI/ASOSAI Working Groups

During the year, the RAA attended several webinars and workshops towards professional development as listed in **Table 3**.

Table 3: Summary of trainings/workshops attended (Virtual)		
Sl.No	Name of Programmes	Duration
1	The impact of climate change on sovereign risk	12 July 2022
2	15 th ASOSAI Assembly & 8 th ASOSAI Symposium	7-8 September 2021
3	ASOSAI Capacity Development on "Audit on implementation of SDGs"	23 August 2021 to June 2022
4	Performance Audit on construction work	27 September 2021 to 01 October 2021
5	30 th Working Group in IT Auditing (WGITA) meeting	1-2 September 2021
6	National Conference on Public Contracts/procurement	21-23 February 2022
7	5 th meeting of the INTOSAI Working Group on Big Data	26-29 September 2021
8	Forum for INTOSAI Professional Pronouncements(FIPP) on INTOSAI Standard Setting	2022-2024
9	INTOSAI Working Group on Environment Auditing (WGEA)on "Renewable energy & its audit"	6-7 September 2022

10	Global Summit on ‘What is the audit impact of Supreme Audit Institutions?’ organised by INTOSI Development Initiative (IDI)	30 November 2022
11	EUROSAI Working Group on Environment Auditing (WGEA) MOOC	1-30 November 2021
12	8 th ASOSAI Working Group on Environment Auditing (WGEA) meeting	25-26 October 2021
13	ASOSAI Seminar	6-8 December 2021
14	SAI Vietnam Knowledge sharing workshop	30 November 2021
15	13 th ASOSAI Research Project on "Remote Audit for SAI: Future and Challenges"	2021 till 2024
16	e-ITEC training on "Auditing in IT Environment"	28 February 2022 to 11 March 2022
17	Working Group in Public Debt (WGPD) Annual Meeting 2022	11-12 May 2022
18	31 st Working Group in IT Auditing (WGITA) Meeting and Seminar	23-25 May 2022
