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Royal Audit Authority



**Annual Performance Report
2020 - 2021**





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 2020-21. This report takes 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.

The Strategic Plan 2020-2025 is third of its kind and is adopted with the joining of new Auditor General. It is operationalized 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 when necessary.

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.

The RAA was able to submit AAR 2020 to His Majesty the King, the Prime Minister, and the Parliament in June 2021. It was tabled in the Joint Sitting of the Fifth Session of the Third Parliament on 21st June 2021.

Since we always emphasize on improving audit methodologies and systems, we could revise the Compliance Audit Manual, adopt Human Resource Strategy 2021, and develop and finalize the Information and Communication Technology (ICT) Strategy. The up

gradation of Audit Information and Management System (AIMS) was completed with the financial support from the Department of Local Government. Auditors were trained continuously at the Professional Development Centre in Tsirang to keep abreast of the changing audit methodologies and processes.

RAA has been proactively participating and engaging in International forums and activities of both the International Organization of Supreme Audit Institution (INTOSAI) and Asian Institution of Supreme Audit Institution (ASOSAI) for capacity development and experience sharing. The Auditor General was appointed as one of the members of the Governing Board of IDI in March 2021. RAA officials also participated as resource persons in the INTOSAI, ASOSAI and IDI Capacity Development Programmes.

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.



(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 when it 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

Vision



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

Mission



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

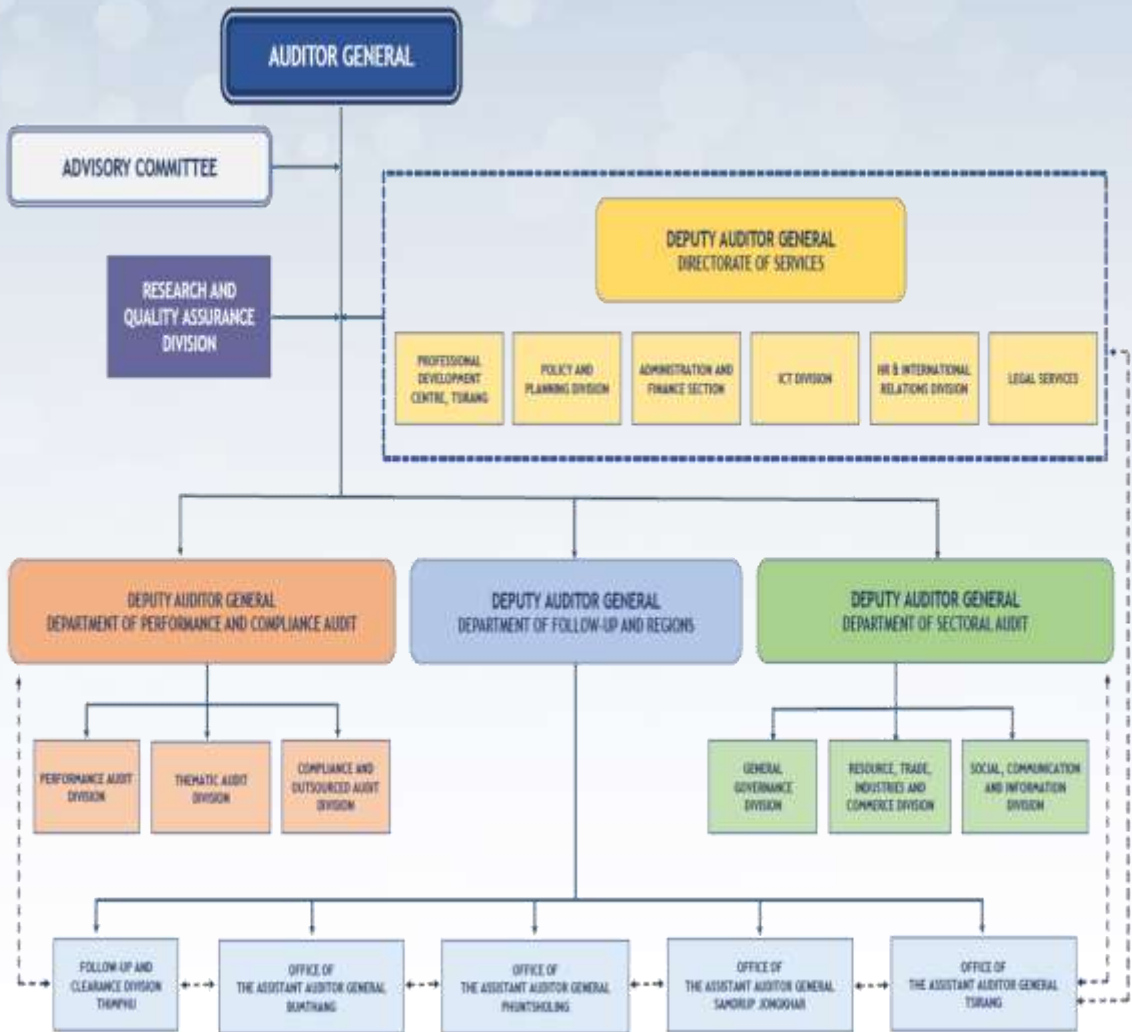
1.4 RAA'S CORE VALUES



1.5 ORGANIZATIONAL STRUCTURE

The RAA is structurally divided into four Departments and four Regional Offices. The Departments are headed by Deputy Auditors General. The Regional Offices are headed by Assistant Auditors General and located in Bumthang, Phuentsholing, Samdrup Jongkhar and Tsirang, which are the most important core functional units for ensuring wider coverage of the audit services across the country.

Figure 1: RAA's Organogram

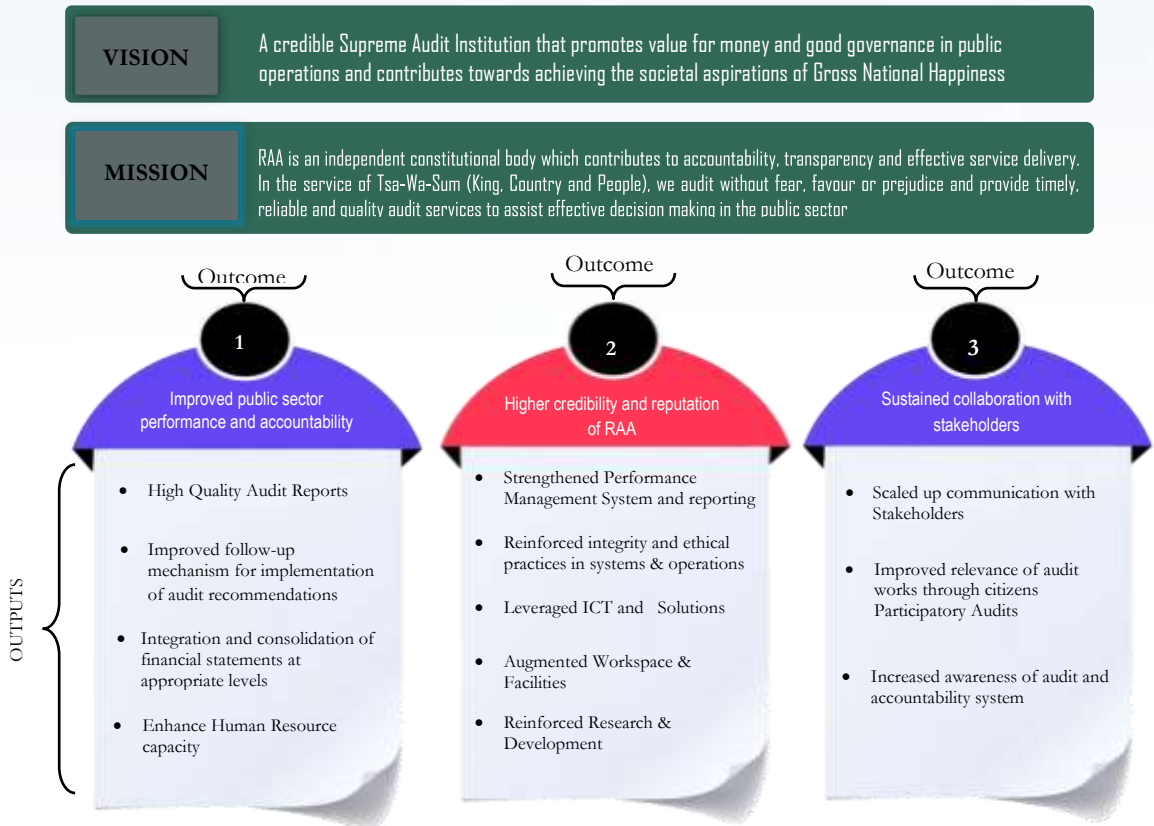


CHAPTER 2: PERFORMANCE HIGHLIGHT

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. Period of the plan was aligned to the term of the Third Auditor General. 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 operationalized through annual Operational Plans (OP) that consists of priority annual activities with detailed specifications on target, resources and responsibilities. The results framework of the Strategic Plan 2020-2025 is as described in **Figure 1**:

Figure 1: Results Framework



The Annual Performance Report 2020-2021 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 year 2020 marked the 50th anniversary of RAA since the formal establishment of audit system in the country in 1970 with the appointment of four Royal Auditors by late His Majesty, the Third Druk Gyalpo. As the formal celebration of the occasion in the year was impacted by COVID-19 pandemic, it was celebrated on 16th April 2021 coinciding with the foundation day of RAA. Observing the historic day, RAA launched '50 Years Book' commemorating RAA's 50 years of dedicated service to the nation. RAA also launched its upgraded Audit Information Management System (AIMS) and English-Dzongkha Audit Terminologies to ease and facilitate translation works pertaining to audit reports.

The year also marked a period of new leadership with the appointment of Dasho Tashi as the third Auditor General under the provision of the Constitution of the Kingdom of Bhutan. The new Auditor General formally joined the office on 20th October 2020.



Emergence of the COVID-19 pandemic caused unprecedented disruptions to health, social and economic sectors in the country, and greatly challenged the governance institutions in delivery of its services to the public. The RAA was no exception. With the travel restrictions and lockdowns, the RAA activated work-from-home setup for its employees, which enabled avoiding major impacts on public service delivery.

The RAA has been able to achieve almost all the plans and programmes of the year despite the pandemic. RAA adopted a

number of arrangement and changes to ensure minimal disruptions on the planned activities and regular functions. The focus of works was shifted to those that could be implemented in-house and those that involved less travel and face-to-face dealing. During the period, following task forces were formed to develop new or/and review existing systems and processes:

1. Task Force to Review Internal Audit Functions;
2. ICT Task Force to develop ICT Development Plan;
3. Task Force to develop Performance Management System for RAA; and
4. Task Force to review and restructure Annual Audit Report

To help us determine achievement of the year based on annual OP 2020-21, RAA assessed our annual performance using a set of performance indicators adopted in the strategic plan.

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 27 total indicators, 19 indicators achieved its annual target while eight are not achieved. It is reported that most of the indicators that has not achieved its annual target are under Output 1: High Quality Audit Reports.

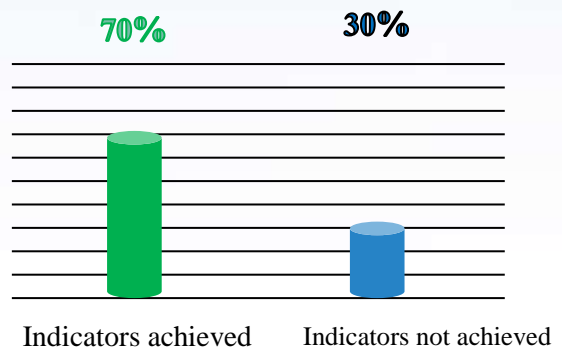


Figure 2: Performance Indicators

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

Table 1: Achievement of Annual Performance Indicators

Output		Performance Indicators	Annual Target	Achievement
High Quality Audit Reports	1	Financial Audit Coverage (%)	73%	63.52%
	2	Compliance Audit Coverage (Nos.)	14	29
	3	Performance Audit Coverage (Nos.)	3	4
	4	Percentage of audit reports completed during the year which are published within 3 months for FA and 6 months for CA and PA(within completion of field audit)	FA: >70	54.66%
	5		CA : 100%	82%
	6		PA : 100%	0
	7	Number of audit reports selected for QA review	CA : 2	0
	8		FA : 7	0
	9		PA : 2	0
	10		OA : 3	OA : 9
	11	Percentage of QA requirement/standards met (FA)	50%	39%
Improved follow-up mechanism for implementation of audit recommendations	12	Follow up reports issued (%)	100%	112%
	13	Follow up reports of AAR issued (Nos.)	1	1
	14	Follow up reports of PA issued (%)	100%	100%
	15	Follow up reports of CA issued (%)	100%	100%
	16	Percentage implementation of audit recommendations (FA & CA)	30%	58.1%
	17	Percentage implantation of audit recommendation (PA)	20%	29.73%
	18	TAT in issuing audit clearance certificate	95%	95.01%
Integration and consolidation of financial statements at appropriate levels	19	Consolidated audits conducted (Nos.)	1	1
Enhanced human resource capacity	20	Development and Implementation of HR Strategy	Finalise HR Strategy	Finalised

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	Implemented Organisational Integrity Plan	Yes	Yes
Leveraged ICT and solutions	23	ICT Strategy developed and implemented	Finalise ICT Strategy	Finalised
Augmented workspace and facilities	24	Infrastructure developed	Build/construct office building at OAAG, Bumthang	Yes
Reinforced research and development	25	Research and Development Unit instituted and related research conducted	Research activity targets set after establishing dedicated Section	Research Officer post created
Sustained collaboration with stakeholders	26	Continuous engagement with stakeholders as per SES 2018-23 (Protocol)	Engagement with primary stakeholders	Achieved
Increased awareness of audit and accountability system	27	Awareness programme conducted for different stakeholders (Nos.)	3	3

CHAPTER 3: DELIVERY OF OPERATIONAL PLAN 2020-21

The annual OP 2020-21 was implemented with effective from July 2020 and ended in June 2021. The plan consists of priority 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 to achievement of strategic goals and objectives of the organization.

During the period, a total of 36 key activities with various sub-activities were planned and implemented. The details of progress are reported under 13 outputs as detailed hereunder.



3.1 HIGH QUALITY AUDIT REPORTS

The total agencies identified for audit by RAA during the year was 751. Besides, there were 157 Civil Society Organizations (CSOs) & Religious Organizations (ROs) which are outsourced to private auditing firms. Additionally, 44 entities comprising government corporations and financial institutions were identified and audited by the statutory auditors empaneled by RAA.

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 express opinion on whether the financial statements are prepared in all material respect in accordance with a financial reporting framework. Along with the opinions, RAA report cases of non-compliance or irregularities based on review of accounts and operations of audited agencies. Compliance audit is comprehensive

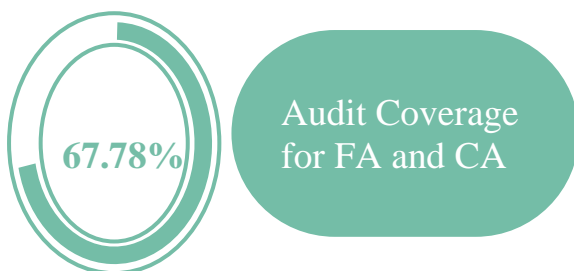
review as to whether the provisions of applicable authorities are being complied with or not in the use of public funds and resources. Performance audit is independent examination of a program, operation or management system and procedures to assess whether the entity is achieving economy, efficiency 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 are basically adding 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 480 financial audits and 29 compliance audits against which 407 financial audit reports and 22 compliance audit reports were issued. In addition, RAA supervised 44 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. A total of 509 agencies were audited out of a total of 751 audit agencies representing audit coverage of 67.78%. The progress of field audit was affected by travel restrictions and nation-wide lockdowns due to COVID-19 pandemic.



The percentage of audit reports issued within the period of three months from the completion of execution, accounts to 54.66% against the target of 70% for FA. Similarly, 82 % of the CA audit

reports were issued against the target of 100% within three months from the completion of execution. For PA, the RAA could not issue report within the defined period of six months from the date of completion of execution. The delays in execution of the audits are attributed to lockdowns occurring due to COVID 19 pandemic.

The Research and Quality Assurance Division (RQAD) conducted quality assurance (QA) review of nine financial audit reports of Outsourced Audits (OAs). 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 nine outsourced audits was 39% against the annual target of 50%. The QA reports were shared with the auditing firms to ensure that quality of audits are improved in future. RAA have a separate Handbook for Quality Assurance review delineating process and procedures in reviewing quality and the responsibility is entrusted to the RQAD, who independently assess the audit reports. As for 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).

For the first time, RAA embarked onto conducting consolidated audit. The audit was piloted for the Royal Bhutan Police (RBP) which had a total of 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. It is also expected to bring values and benefits by providing assurance on overall sectoral/functional financial outcomes and contribute to improvement of overall public financial management.

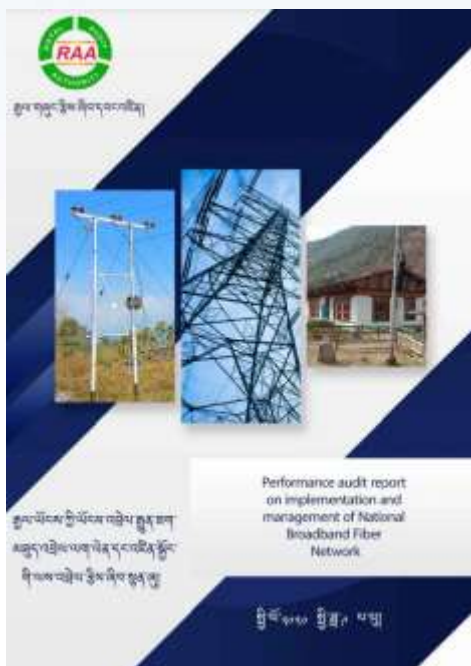
To facilitate RAA to conduct high quality audits and ensure harmonization of audit practices and approaches, the draft

Compliance Audit Manual 2018 was revised and the Compliance Audit Manual 2021 was launched during the 17th Annual Audit Conference (AAC). The manual was revised with guidance from the INTOSAI Development Initiative (IDI).

Performance Audits

During the year, the RAA conducted two performance audits and also submitted the reports 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 Fifth Session of Third Parliament on 21st June 2021. The abstract of the reports is highlighted hereunder.

a. Performance audit on implementation and management of National Broadband Fiber Network



The performance audit on Implementation and Management of Broadband Fiber Network was conducted to assess the economy, efficiency and effectiveness in its implementation and management. The audit scope was limited to the National Broadband Masterplan Implementation Project (NBMIP) and management of national broadband fiber network overseen by the Department of Information Technology and Telecom (DITT) and executed by Bhutan Power Corporation (BPCL) for the period FY 2008-2009 till 2017-2018. The

audit report contains twelve major shortcomings further bifurcated to nineteen areas of lapses and deficiencies. The audit provided five

recommendations to help curb the shortcomings and improve the Broadband Fiber Network management and implementation.

b. Performance audit on Ex-country Travels (Short-Term Trainings)

The performance audit on Ex-country Travels focussing on Short-Term Trainings (STTs) was conducted to assess whether the government agencies had exercised financial prudence in executing the travels while executing the STTs, and whether the required mechanisms are in place or not. Ten Ministries, RCSC, GNHCS and NECS were audited. The audit report contains eight findings for which six recommendations were provided to ensure effective and efficient STT programmes. The findings highlighted the nomination, selection, approval, and other lapses in conduct of ex-country travels. The recommendations are aimed at instituting appropriate monitoring and control mechanisms to strengthen the system of executing STTs for civil servants.

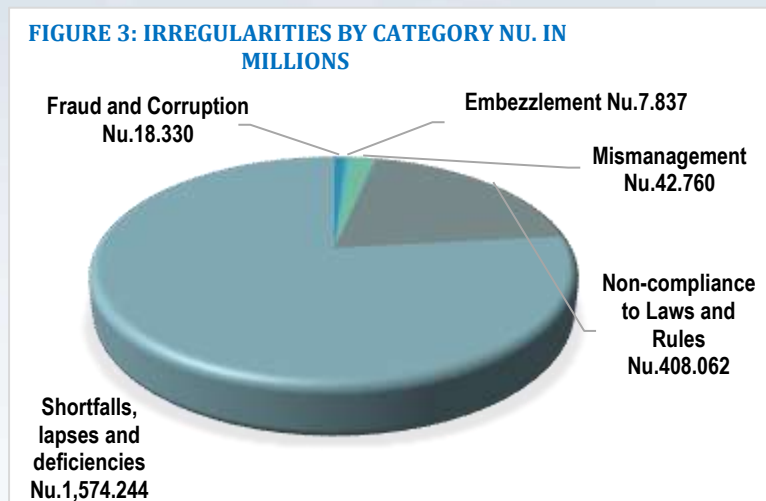
Annual Audit Reports

Annual Audit Report 2020

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 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.

During the year, the AAR 2020 was submitted to His Majesty the King, the Prime Minister, and the Parliament in June 2021. It was tabled in the Joint Sitting of the Fifth Session of the Third Parliament on 21st June 2021. The AAR 2020 is consolidated summary of significant irregularities detected during the year compiled from a total of 504 financial audit reports, two performance audits reports summaries and one report on joint

audit of hydropower project. It also covered the audit report of the audit of AFS of the Royal Government of Bhutan for the year ended 30th June 2020. The AAR 2020 reported a total amount of unresolved irregularities amounting to Nu. 2,051.233 million. The irregularities by category are shown in **Figure 3**.



The AAR 2020 provided the following recommendations:

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

The joint sitting of the Fifth Session of Third Parliament also reviewed and deliberated on following Performance Audit Reports and provided recommendations for each report.

Table 2: Summary of recommendations of AAR 2020

Sl. No.	Name of Reports	No. of Recommendations
1	PA report on Food Self-sufficiency and Security	4
2	Housing Development - Adequacy and Affordability	2
3	Road maintenance works	3
4	Urban Planning and Development in Thimphu Throm	3
5	Judiciary Systems and Practices	3

The Parliament deliberated on the recommendations provided by the PAC and three additional recommendations were endorsed by the Parliament.

1. Considering the difficulty faced by the people in particular from eastern and southern Dzongkhags in accessing High Court in Thimphu, Judiciary to extend services of High Court either through mobile Benches or permanent basis in each of the region.

2. Article 9(6) of the Constitution states that “The State shall endeavour to provide legal aid to secure justice, which shall not be denied to any person by reason of economic or other disabilities.” Upholding the Constitutional provision, the Government to initiate the implementation of legal aid services.

3. Recognizing the challenges faced by the judiciary in providing effective services and difficulty in implementing the Judicial Service Act of Bhutan 2007, the House recommends the Judiciary to submit for an amendment of the Act to the Parliament.

The RAA in its endeavour to provide timely and relevant inputs for decision making and appropriate policy interventions, embarked on to issue the AARs within six months of completion of audits and even restructuring the report to make it more relevant. A core group was formed to study on restructuring the AAR and the proposal was discussed during the 17th AAC with all employees of RAA.

Annual Audit Report 2019

The Parliament deliberated on the AAR 2019 during the Fourth Session of the Third Parliament on 10th December 2020. The PAC presented recommendations on two parts consisting of recommendations on AAR 2019, three compliance audit reports and AG's Advisory Series.

Table 3: Summary of recommendations

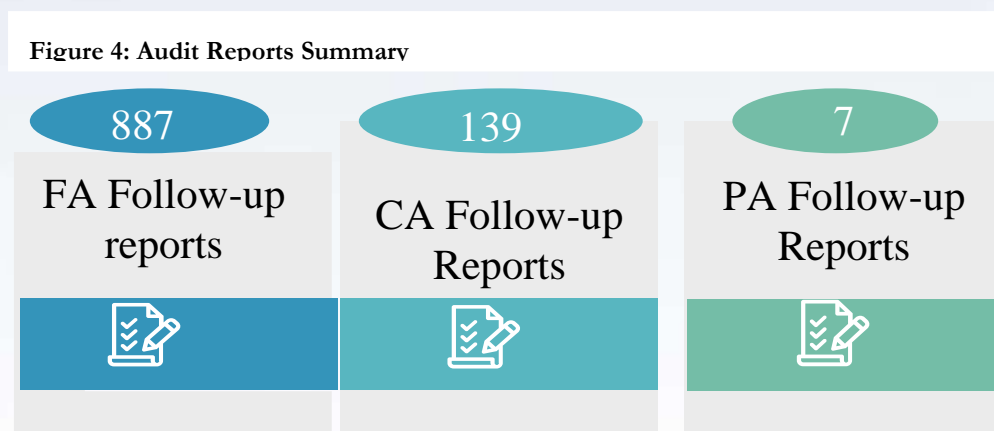
Sl. No.	Name of Reports	No. of Recommendations
1	AAR 2019	4
2	Northern East-West Highway Construction	3
3	Surface Collection and Dredging of River-bed Materials	2
4	Government Property Management System	1
5	AG Advisory Series on Bhutan Schedules of Rates (BSR) and its applications by the Government Agencies	1

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 a total of 800 audit reports (FA, CA & PA) issued in the past years. A total of 1033 follow-up reports were issued as highlighted in **Figure 4**.



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

In addition, a total of 5437 audit observations of FA and CA was issued by the Divisions and Regions, out of which 3157 audit observations were resolved, indicating achievement of 58.10% against the target of 30%. For performance audits, 33 audit recommendations of the 111 recommendations were resolved achieving 29.73% against the target of 20%. Meeting the annual targets shows that follow-up mechanism for implementation of audit recommendations have improved. The robust follow-up has contributed to audit recovery amount of Nu. 121.983 million during

the financial year 2020-21. For the ease of payment by the agencies or individuals, online payment through systems like mBoB was introduced.

Desk review of AAR and PA reports are carried out biannually during the months of March and September. Four weeks before the schedule of desk review of AARs (February and August), the FUCD sends out list of outstanding audit observations to all audited agencies seeking implementation. 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 as on March and September every year. Besides the biannual review, the reviewer assesses the progress on corrective actions as and when statuses are provided by the audited agencies.

RAA during the year issued review reports on AAR, PA and other reports and submitted to the PAC as detailed in **Table 4**.

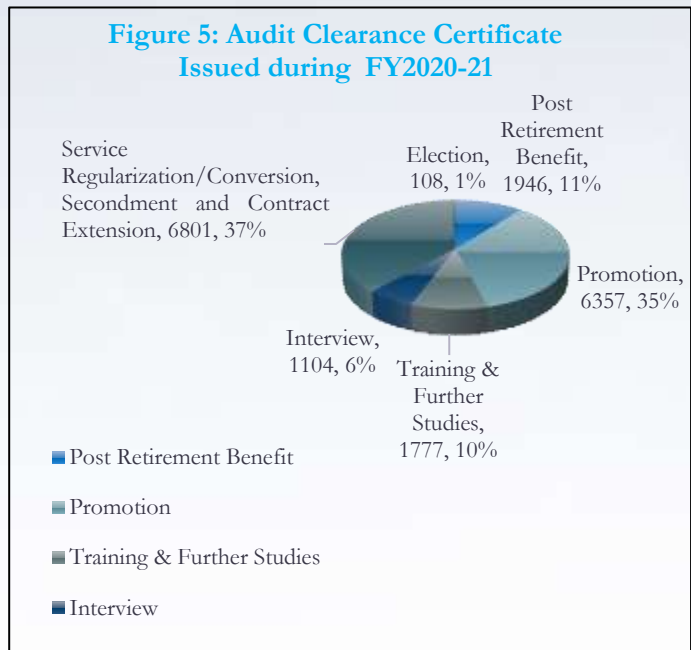
Name of Reports	Timeline
AAR 2010-18	October 2020
Review Report of Six PA reports	October 2020
Surface Collection and Dredging of Riverbed Materials	November 2020
Review Report of Seven PA reports	May 2021

The review report of AARs contain all responses of the audited agencies on the implementation progress of AAR audit observations. Out of a total unresolved irregularities of Nu. 3,402.205 million reported to the Second Session of the Third Parliament, irregularities aggregating to Nu. 1,617.022 million (47.53%) were resolved as on 30th September 2020.

Review reports of AAR 2010 to 2018, submitted by RAA to the PAC were deliberated in the joint sitting of the Fourth Session of the Third Parliament held in 2020, and approved the recommendations presented by PAC.

In addition, the RAA is responsible to issue audit clearance certificates to civil servants, public officials, contractors, consultants, suppliers and individuals for the purpose of availing training, promotion, contract extension, retirement benefits or for Parliamentary and Local Government 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 and employee identity number. No public officials can avail Clearance until and unless the observations are cleared and settled.

A total of 18,093.00 audit clearance certificates were issued within the set turn-around-time of two-days. Against the target of 95%, the RAA could issue 95.01% within the TAT.



3.3 ENHANCED HUMAN RESOURCE CAPACITY

The Human Resource (HR) Strategy 2021 was launched in June 2021. The strategy has been 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 necessitates keeping abreast of changes and improvement in the agencies, besides staying themselves aware and knowledgeable of all developments in auditing processes and techniques, the RAA emphasizes on continuous professional development. Therefore, in line with the Continued Professional Development Policy (CPDP) the RAA imparted the trainings and workshops on a continuous basis.

During the year, five staffs were recruited, 35 employees were promoted (29 broadband, 5 meritorious and 1 open competition) and a total of nine employees availed long-term studies. Five are undergoing Master's Degree, two Certified Professional Accountant, and 2 Indian Audit and Accounts Service (IA&AS). A total of 26 employees were intra-transferred within the headquarter and regional offices.

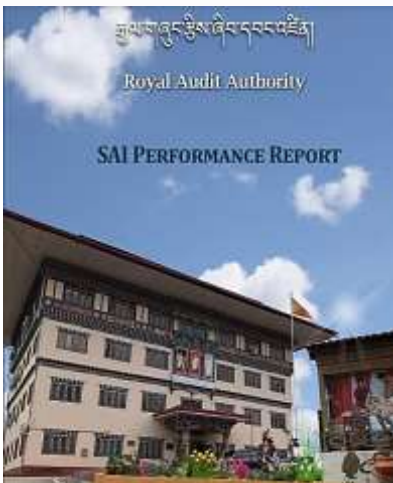
The RAA developed and adopted the Competency Based Framework (CBF) for auditors. The framework highlights the knowledge, skills and abilities required for auditors to achieve high level of professional competence and deliver the highest standard services. It was developed by in-house team with guidance and financial support from the Royal Civil Service Commission. Additionally, the 12th Five Year Staffing Pattern was developed and approved by RCSC in June 2021. The staffing pattern was developed based on new organization structure of RAA.

3.4 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 AAC. 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 first year of the Strategic Plan, the annual OP 2020-21 was implemented based on the draft plan. Only the OP 2021-2022 was based on final Strategic Plan.

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 programs, if required. This forum is also to discuss issues relating to management and administration, and decide way-forward and strategies to resolve it.



During the year, the RAA released its second SAI Performance Report 2021 which assesses the performance of the RAA against International Standards of Supreme Audit Institutions (ISSAIs) and INTOSAI¹ good practices following the methodology prescribed by the SAIs Performance Measurement Framework (SAI-PMF). It measures the performance of the RAA across six domains -

¹ International Organization of Supreme Audit Institutions

Independence and Legal Framework, Internal Governance and Ethics, Audit Quality and Reporting, Assets and Supports Services, Human Resources & Training, and Communication & Stakeholder Management. The assessment was carried out in 2019 as part of the Strategic Performance Measurement and Reporting (SPMR) programme and as a self-assessment by a team from the RAA.

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 17th AAC. One of the key features of the performance commitment is the mandatory submission of research paper by individual auditors. The research could be of any topic based on the experiences and observations from audit works carried out during the year.

The Performance Management Framework (PMF) is one of the key aspects of PMS, developed by considering all the strategic documents including RAA's organizational structure. It is aimed to serve as the integrated and holistic performance management framework, reflective of 'WHAT' and 'HOW' RAA continuously strives to improve its performance. The framework also aims to inculcate culture of accountability at every level of employees in the organization in achieving strategic goals and objectives of RAA. In this system, all officials of RAA will sign performance commitments (compacts) with their immediate supervisors annually. The team leaders, division chiefs and Deputy Auditors General(s) will monitor and record the performance on continuous basis and objectively evaluate performance of the employees. The results of such evaluation will help the management in identifying the performers and non-performers and accordingly incentivize the performers and manage the non-performers.

3.5 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 staff. 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 2020-21 was developed.

To strengthen declaration & management of assets, the Asset Declaration focal of RAA conducted sensitization on the AD system to the employees of RAA headquarter office and two regional offices (OAAG, Tsirang & Phuntsholing). The sensitization for the remaining two regional offices (OAAG Bumthang & Samdrupjongkhar) could not be conducted as most of the auditors were in field during. Asset declaration for the reporting year 2020 were conducted and submitted to ACC on time.

As auditors spend substantial part of their time in field works, RAA initiated arrangement of accommodation for field auditors in critical locations. As a pilot basis, the first Logistic Accommodation was opened in Paro. RAA had designated logistics officers both in the headquarter and the regions, who are responsible for arranging the logistics such as accommodation, transportation, food, etc for the field auditors. It is also intended to enhance credibility and effectiveness of audit works, be independent from the audited agencies and avoid familiarity threats.

To enable objective transfer of the employees of RAA, intra-transfer guidelines had been developed and adopted during the year. As an oversight body, it is imperative to carry out transfer of employees at regular intervals to avoid familiarity threat and enable diversification of experience and skills.

For the first time, RAA launched the two months long Induction Program for New Recruits (IPNR) during the year. The program was provided to the new employees who joined the office in January 2021. The program was held at the PDC which began on 15 February and ended on 15 April 2021. The program covered sessions on soft skill sets such as leadership, team building, effective communication and sessions on subject matter comprising of three streams of audits. Fourteen Assistant Audit Officers and one Assistant ICT Officer attended the program. The auditors were put on mentoring programme for one year under selected audit teams.

As mandated, the Oath of Good Conduct, Ethics and Secrecy was administered to the new recruits of 2020 and 2021, presided over by the Lam Neten of Tsirang Rabdey, during the 17th AAC.

Internal Control

RAA's primary responsibility of seeking accountability of the public officials and institutions further places moral obligations to demonstrate accountability ourselves first. 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 audits appointed by the Parliament and internal audit formed by the Audit Committee of RAA. The audited financial statement of RAA is appended with the AARs that is submitted to the His Majesty, the Prime Minister and the Parliament. It is also published in RAA's website for wider publicity and scrutiny.

Demystifying the question, 'who audits the audit', the annual financial statement of the RAA is audited by the audit firms appointed by the Public Accounts Committee. The annual budget and expenditure for financial year 2019-2020 was audited by M/s Menuka Chhetri & ASSOCIATES. The Auditor's Report and Receipt

and Payment statements were published in AAR 2020 and unqualified opinion was issued on the financial statements for the financial year ended 30th June 2020. Further, the RAA also has an internal control system of conducting internal audits of its headquarter and the four regional offices. The internal audit teams are appointed by the Audit Committee.

3.6 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 prepared by the ICT Task Force and finalized 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 activities are in progress.

To suit the changing needs and exploring ways in delivering the services, the RAA developed a new and improved version of its official website that was launched on 11th November 2020. The new website was designed to be more robust, dynamic and versatile, making it more interactive and easy to navigate for the visitors and users.

The upgradation of the existing Audit Information Management System (AIMS), developed in 1998, has been completed and launched during the year. The AIMS upgradation project was implemented by in-house ICT experts in collaboration with private consultants with financial support from the Department of Local Governance (DLG). Also, 'Users' training was provided to 36 follow-up personnel from RAA head quarter and regional offices. This

system is used to regulate follow-up functions and issue audit clearance certificates.



During the year, a task force comprising of internal IT personal embarked on upgradation of existing Audit Resource Management System (ARMS). The system will integrate monitoring and reporting of the annual operational plans and evaluation of auditors under its module

Audit Performance Evaluation and Management (APEMS). The system can be used by auditors for audit planning, execution, reporting and documentation. It is designed for reporting audit progress and monitoring and evaluation of audit teams by supervisors. In addition, it will cover information relating to Human Resource Management and Property Management, and documentation relating to audit processes, and also for monitoring and evaluation of overall performance of annual plans. The system upgradation is planned to complete during FY 2021-2022.

3.7 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 and Phuntsholing are housed in rented buildings, the construction of office building at Bumthang started since June 2020 is progressing, while the construction of office building at Phuntsholing has been deferred following the government's reassessment of capital activities due to the COVID-19 pandemic. Necessary facilities like computers, printers, internet connections, and basic furniture were provided as and where required to avoid hindrance to daily works.

RAA also organized *annual rimdro* and social programs 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.

3.8 SCALED UP COMMUNICATION 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 basically 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 or have 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 and two Performance Audit reports to the Parliament for tabling in the joint sitting of the Fifth Session of the Third Parliament. RAA also made presentation on AAR 2020 and two PA reports to Members of National Assembly and National Council to clarify doubts and queries on issues. In addition, RAA made presentation on AAR 2019 to the Parliament in October 2020.

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 Rules of Procedures (RoP) of the Public Accounts Committee 2017.

Anti-Corruption Commission

Driven by the shared goal of promoting good governance and corrupt free society, RAA and ACC have recognized a common approach of collaborating with each other. The system of sharing information and rendering assistance was established with initiation of bi-lateral and other consultative meetings between the agencies.



During the year, the RAA referred 10 audit findings to the ACC that indicated existence of fraud and corruption. Similarly, RAA received 15 issues from ACC for verification during the normal audit. Status of actions taken against referrals are followed-up during the bilateral meetings.

During the year, the 7th Bilateral Meeting was conducted on 23 March 2021, which is the first meeting under the new leadership.

Royal Civil Service Commission

As per the section 17 of the Audit Act 2018, the RAA collaborate and consult with the RCSC to determine its organizational structure. The 12th Five Year Staffing plan of RAA was developed based on new organization structure and reviewed by RCSC and approved by the Commission in June 2021.

The RAA prepared and presented HR gap assessment based on which new recruits are approved for the year. The RCSC approved a total of five slots during the year.

Gross National Happiness Commission

Overall collaboration with the GNHC is a continuous process whereby the strategic plan consultations are held in line with the national development plan, and RAA's Five Year Plan.

Consultative and coordination meetings are convened frequently. Being the central coordinating agency for donor agencies, overall guide and plan for audit of donor-funded projects is being sought from the GNHC. In order to fulfill the audit requirements of development partners, the RAA accord first priority to audit of donor-assisted projects with proper consultation with the GNHC. During the year, a consultative meeting between GNHC and RAA was held on 3rd March 2021. Based on decisions taken during such meetings, the GNHC shares list of projects that require audit, which enable RAA to accord priority on audit of projects. It has helped RAA to plan and prioritize its annual audit plans.

Ministry of Finance

As a strategic partner of RAA in strengthening accountability and transparency in public finance management, consultation meetings and discussion with Ministry of Finance are conducted as and when required. A consultative meeting between RAA and the Department of Public Accounts, MoF was held in April 2021. It was held mainly to discuss on consolidation of financial statements of agencies with multiple accounts so that the RAA could conduct consolidated audit and provide observations and recommendations at overall functions and financial operations for effective rectification or corrective actions to improve the systems. Fragmented accounts and agencies cause thinly scattering of the resources of RAA and obstructs holistic overview of audited agencies. Following the meeting, the RAA initiated consolidated audit of RBP to check feasibility and share advantages of conducting audit at consolidated FS level.

Similar to GNHC, MoF also provide list of projects funded by loan/grant to the RAA annually before the preparation and scheduling of annual audit plans.

The MoF is the key partner to provide budget and assure adequate financial independence to support RAA in its achievement of constitutional mandates. Like any other government agency, RAA's annual budget is provided by the Government. The annual budget and expenditure has been processed following the budget cycle and process of Ministry of Finance.

Media

The RAA recognizes the roles that media play in disseminating information regarding audit results to the citizens. 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.

RAA conducted press release on 22nd June 2021 and conference on 8th July 2021 on AAR 2020 and Performance Audit Reports as soon as the reports were tabled in the Parliament. The reports were published on RAA website and social media accounts (facebook & twitter) for wider publicity.

3.9 INCREASED AWARENESS OF AUDIT AND ACCOUNTABILITY SYSTEM

Audit Advocacy

RAA conducts 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. It is to instil sense of accountability and transparency in the minds of those vested with the responsibility of governance. It is to stress the importance on values of integrity and

ethical conduct of every individual in positions. During the period, the RAA conducted audit advocacy programmes to following:

- Internal Auditors of Government and Corporate sectors
- Royal Court of Justice
- Post Graduate Trainees of Royal Institute of Management

RAA also initiated to establish Integrity Clubs in all the colleges under Royal University of Bhutan to create awareness and educate students on the values of integrity, accountability, transparency and professionalism through organization of various co-curricular activities in the colleges.

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 Auditor General was formally appointed as a member to the Governing Board of IDI in March 2021. The IDI as the main implementing body of the INTOSAI is mandated to support the Supreme Audit Institutions on developing countries to enhance their performance and institutional capacity.

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

The RAA officials participated as resource persons in the following INTOSAI, ASOSAI and IDI Capacity Development Programmes:

- ✓ Audit on Implementation of Sustainable Development Goals (SDG) from August 2021 to June 2022;

- ✓ IDI-ASOSAI Cooperative Audit of SDG Implementation on the topic ‘Strong and Resilient National Public Health System’ from 2020 to 2023;
- ✓ IDI-ASOSAI Transparency, Accountability & Inclusiveness (TAI) Audits of the use of emergency funding for COVID-19; and
- ✓ Strategy Performance Measurement and Reporting (SPMR).
- ✓ Two auditors participated and stood 2nd and 8th respectively amongst 67 participants from 39 countries in 8th International Integrity eSeminar and eCourse organized by SAI Hungary.

INTOSAI/ASOSAI Working Groups

During the year, the RAA attended several webinars and workshops towards professional development as listed in **Table 5**.

Table 5: Summary of Trainings/Workshops attended (online)

Sl. No	Particulars
1	INTOSAI WGEA webinar on International Workshop on ‘Biodiversity
2	NTOSAI WGPLD 2020 Annual Meeting
3	INTOSAI WGEA Webinar on Climate Change
4	4th INTOSAI WGBD Virtual Meeting
5	29 th INTOSAI WGITA Assembly
6	8th International Training Programme on ‘Introduction to Environment Audit
7	20 th INTOSAI WGEA Assembly Meeting
8	ASOSAI Seminar 2020 on COVID-19
9	Audit of SDGs Joint Webinar on - SAIs Roles in Responding to Crises and Disasters