

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

The chapter reflects issues noted during the audits undertaken for three Hydro Power Projects of PHPA-I, PHPA-II and MHPA during the year 2016 as per the Standard Operating Procedures signed between the RAA and the Comptroller and Auditor General (C&AG) of India, and the Projects Agreement signed between the Royal Government of Bhutan (RGoB) and the Government of India (GoI).

The unresolved significant irregularities reported for the three Hydro-power Projects amounted to Nu.3,902.652 million. PHPA-II had the highest irregularities with Nu.3,001.601 million, followed by PHPA-I with Nu.819.240 million and MHPA with 81.811 million.

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

The chapter provides brief summaries of the eight Performance Audit Reports that were tabled in the Parliament during the year as follows: PA Report on tourism Sector; PA Report on FCBL; PA Report on Employment Generation & Promotion Initiatives; PA Report on School Feeding Programme; PA Report on Provision of Patient Meals; PA on BOIC; PA Report on OPD Services in JDWNRH; PA Report on provision of Drinking Water in Thimphu Municipality.

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

The chapter provides brief information on audit issues reported through Management Appraisal Reports, forwarded to the ACC, remaining unresolved even after court verdicts and those resolved through arbitration during the year.

**SUMMARY OF CHAPTER 6  
“RECOMMENDATIONS”**

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

- ▶ Need for high standards of business ethics;
- ▶ Need for strong accountability culture;
- ▶ Need to strengthen internal controls on expenditure; and
- ▶ Need to exercise due diligence in procurement.

The Royal Audit Authority (RAA) derives its mandates from the Article 25.1 of Constitution of the Kingdom of Bhutan which states that, “There shall be a Royal Audit Authority to audit and report on the economy, efficiency and effectiveness in the use of public resources.”

**THE ROYAL AUDIT AUTHORITY**

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

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

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

In 2006, the Audit Act of Bhutan 2006 was enacted and the RAA became a constitutional body. It now derives its mandates from the Constitution of the Kingdom of Bhutan and the



*Taking audit services closer to the organisations and people via our four Regional Offices .*

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<p>Office of the Asstt. Auditor General <b>Phuentsholing</b> Tel: +975 5 251488/251089 Fax: +975 5 251639 Email: rlhamo@bhutanaudit.gov.bt Total agencies under audit: <b>144</b></p>	<p>Office of the Asstt. Auditor General <b>Samdrupjongkhar</b> Tel: +975 7 251550 Fax: + 975 7 251185 Email: nsharma@bhutanaudit.gov.bt Total agencies under audit: <b>173</b></p>

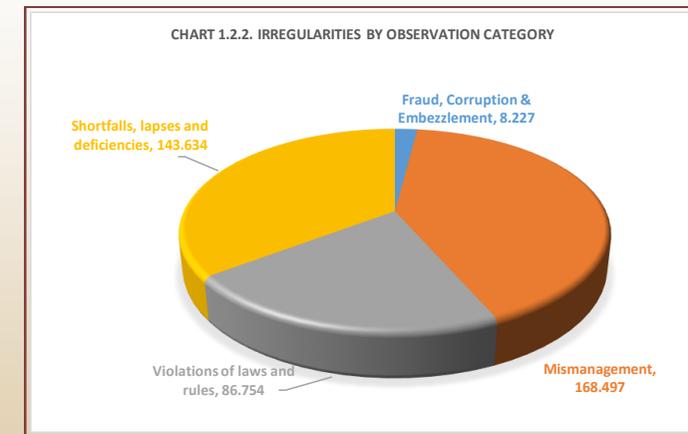
**HIGHLIGHTS OF THE  
ANNUAL AUDIT REPORT 2017**



**TOTAL AMOUNT OF UNRESOLVED  
IRREGULARITIES IN AAR 2017  
NU. 407.112 MILLION**  
**TOTAL AUDIT RECOVERIES IN 2017  
NU. 94.473 MILLION**



**IRREGULARITIES BY CATEGORIES**



Royal Audit Authority  
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## ACCOMPLISHMENTS OF THE RAA

### Some of our significant achievements are briefly highlighted below:

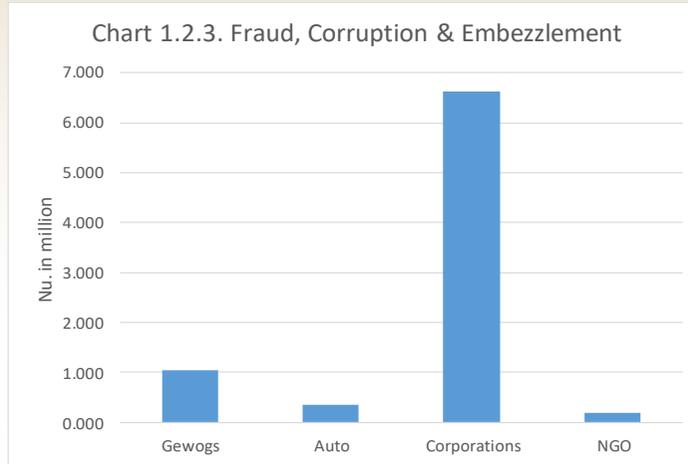
- ▶ The RAA's second successive Strategic Plan 2015-2020 is completing its third year of activities. The Plan was prepared in fulfillment of the RAA's constitutional mandates and formulated on the appointment of second Auditor General in July 2015. It has two identified strategic outcomes with three strategic goals, which are further segregated into four programme goals.
- ▶ In 2017, the RAA's Audit Universe had 930 agencies with corresponding 1,299 accounts to be audited under its jurisdiction.
- ▶ The RAA conducted 493 audits during the year, which comprised of 456 Financial Audits, 30 Compliance Audits and seven Performance Audits.
- ▶ The RAA issued 683 audit reports during the year, which comprised of 640 Financial Audit Reports, 35 Compliance Audit Reports and eight Performance Audit Reports. In addition two Review Reports and three Micro Assessments were also issued.
- ▶ The RAA issued 40 statutory audit reports pertaining to the corporations and financial institutions and outsourced 27 audits for Religious Organisations and 21 Civil Society Organisations.
- ▶ The RAA also issued 899 follow-up reports in order to ensure that the auditing processes produce appropriate results, and also to expedite the settlement of the outstanding audit issues.
- ▶ The RAA conducted six ISSAI based pilot audits in the three audit disciplines of Financial, Performance and Compliance. Audit reports for all six audits were also issued.
- ▶ The RAA tabled eight Performance Audit Reports in 2017 during the Joint Sittings of the 9th & 10th Sessions of the Parliament.
- ▶ Review Reports of the AARs 2009 to 2015, including a set of recommendations were also submitted to the Parliament.
- ▶ The RAA made audit recoveries of Nu.94.473 million in 2017. The recoveries had slightly increased by 4.93% from 2016.
- ▶ The RAA issued 19,849 Audit Clearance Certificates for various purposes.
- ▶ The RAA's Professional Development Centre in Tisrang is expected to be completed by October 2018.
- ▶ As of December 2017, the RAA had 272 employees with diverse professional backgrounds. The RAA recruited 33 new employees including lateral transfers and 12 employees left the RAA.
- ▶ The RAA provided in-house trainings to auditors on ISSAIs, PEMS, auditing from a gender perspective, Google Apps, construction audit, ARMS & APEMS and Personality Etiquettes.
- ▶ 51 officials availed 14 ex-country trainings besides four workshops, two seminars and seven meetings in 2017.
- ▶ 16 officials are on long-term studies including two for the Indian Audit & Accounts Service Course at the NAAA, Shimla, India.
- ▶ The accounts and operations of the RAA for the Fiscal Year ended 30<sup>th</sup> June 2016 was audited by S.N. Mukherji & Co., Kolkata.

## THE SUMMARY OF AUDIT FINDINGS

The AAR 2017 was compiled from 683 audit reports issued during the year. Highlights of the audit findings are given below:  
The total unresolved issues reported in the Annual Audit Report 2017 amounted to Nu.407.112 million.

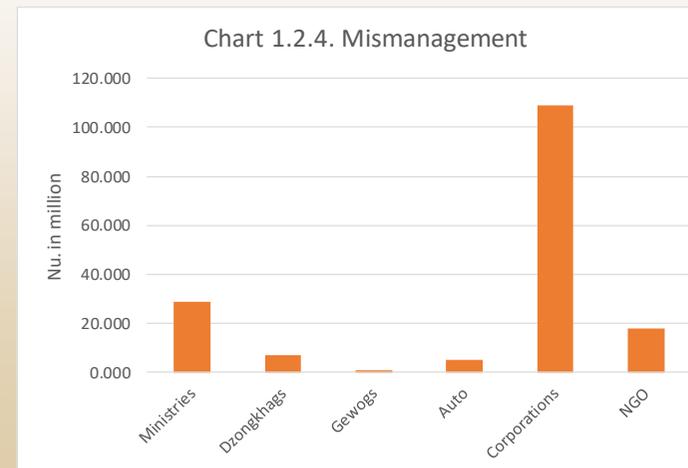
### I. FRAUD, CORRUPTION AND EMBEZZLEMENT

Under Fraud, Corruption & Embezzlement, there were lapses involving Nu.8.227 million. Corporations with Nu.6.623 million of the total represented highest proportion of 80.50% followed by Gewogs Administration with Nu. 1.043 million representing 12.68%.



### II. MISMANAGEMENT

Under Mismanagement there were lapses of Nu.168.497 million of which 64.62% is represented by Corporations with irregularities of Nu.108.888 million, followed by Ministries with Nu.28.935 million representing 17.17%.



## THE SUMMARY OF AUDIT FINDINGS

The report contains unresolved significant issues pertaining to 10 Ministries, 12 Dzongkhags Administration, 41 Gewogs Administration under 13 Dzongkhags, 12 Autonomous Agencies, 10 Corporations, and three Non-Governmental Organisations.

### III. VIOLATION OF LAWS AND RULES

Under Violation of Laws and Rules, the total lapses amounted to Nu.86.754 million of which Ministries represented 29.94% with Nu.25.978 million, followed by Autonomous Agencies with Nu.23.194 representing 26.74%.



### IV. SHORTFALLS, LAPSES AND DEFICIENCIES

Under Shortfalls, Lapses and Deficiencies amounted to Nu.143.634 million with Ministries representing 41.98% with Nu.60.299 million followed by Autonomous Agencies with Nu.44.269 million representing 30.82%

