

Royal Audit Authority tables Annual Audit Report 2018 and five Performance Audit Reports to the Parliament



As required under the Constitution of the Kingdom of Bhutan and the Audit Act of Bhutan 2018, the Royal Audit Authority (RAA) tabled Annual Audit Report (AAR) 2018 to the Joint Sitting of the 2nd Session of the 3rd Parliament on 21 June 2019 along with five Performance Audit Reports. On the same day, a press conference was also organized with media houses.

The AAR 2018 is a compilation of un-resolved significant issues from 597 audit reports issued during the year 2018 and includes the certification of consolidated annual financial statements of the Royal Government as well as the RAA's accounts & operations audit and accomplishments. A summary on significant issues from the joint audits of hydropower projects was also included. The AAR 2018 encompasses irregularities containing elements of fraud & corruption, issues related to mismanagement, non-compliances to laws and

The RAA celebrates the 39th Birth Anniversary of His Majesty

The RAA celebrated the 39th birth anniversary of His Majesty the King on 23rd February 2019 at the *Office Choesham*. RAA officials led by the Auditor General offered butter lamps and prayed for His Majesty's good health and long life.

rules, and other significant lapses and deficiencies in the audited agencies. Besides, it contains summaries of Performance Audit Reports that were tabled during the 1st Session of the 3rd Parliament. The AAR 2018 consists of series of recommendations categorised into three major domains – Construction Management, Service Delivery, and Financial Management. These recommendations are intended to draw attention of the Government and authorities to address issues so as to promote accountability and improve economy, efficiency and effectiveness in the use of public resources. **Continued on Page 8...**

Hon'ble Auditor General of Finland visits the Royal Audit Authority



The Hon'ble Auditor General of National Audit Office (NAO) of Finland, Ms. Tytti Yli-Viikari, led a three-member delegation to the Royal Audit Authority (RAA) for a three-day visit from 6-8 May 2019. The delegation met with the Hon'ble Auditor General of Bhutan and other senior management on 6 May 2019 and discussed on possibility of establishing bilateral cooperation and future collaborations between the two institutions.

As a part of collaborative program in supporting the capacity development of the RAA, the

delegates also provided a two-day training on Environmental Auditing in the context of Performance Audit to 30 auditors from 7-8 May 2019. Madam Tytti has been known for her insightful and intuitive talks on leaderships and other pertinent topics in the INTOSAI community. She has even given sessions on self-leaderships to young leaders from all Supreme Audit Institutions (SAIs) in various forums and upon the request of the RAA, she took a session to talk on self and change leadership, which was also attended by senior management of the RAA.

The Auditor General attends 28th Working Group on IT Audit Meeting in Fiji Islands

The Hon'ble Auditor General led a two member delegation to attend the 28th INTOSAI Working

Group on IT Audit (WGITA) Meeting held in Nadu, Fiji from 2-5 April 2019. The Meeting was hosted

by the Office of Auditor General of Fiji (OAG) and organized by the Office of Comptroller and Auditor General of India.

In conjunction with the meeting, a Performance Audit Seminar on IT Audit (PAS) was also organized to discuss issues and challenges in performance audits. The meeting discussed mainly the five projects included under the Work Plan 2017-2019 and other pertinent topics such

as WGITA's Terms of Reference, maintenance of IT audit database and Webinars, the Reporting Dashboard to be presented during the XXIII INCOSAI Assembly Meet in Russia 2019, cooperation with ISACA and IDI. The Working Group was established in 1989 and presently it has 48 countries as members chaired by the C&AG India.



RAA hosts the 10th Meeting of Forum for INTOSAI Professional Pronouncements (FIPP)

The Royal Audit Authority hosted the 10th meeting of the FIPP in Tashi Namgay Resort, Paro from 4-8 March 2019. The meeting was attended by 23 delegates from 15 member countries. The RAA gained its membership in January 2018 for a term of three years, which is represented by Mr. Tashi Tobgay, Assistant Auditor General. FIPP was established as a permanent body of INTOSAI during XXII INCOSAI Meeting held at Abu Dhabi in December 2016. FIPP is an important body that ensures overall quality, clarity, consistency and practical usefulness of INTOSAI's professional pronouncements including Auditing standards (ISSAIs). FIPP consists of experts with different

auditing disciplines from the INTOSAI member countries. The meeting discussed the exposure drafts on principles & guidelines and project proposals submitted by the 3 Goal Chairs i.e. Professional Standards Committee, Knowledge Sharing Committee, and Capacity Development Committee of INTOSAI for approval.

Apart from other important agendas on Strategic Document Plan 2020-2025, the meeting also deliberated on implementing the INTOSAI Framework for Professional Pronouncements (IFPP).



Indo-Bhutan Training on Big Data and Data Analytics

A five-day training on 'Big Data and Data Analytics' was organized at Professional Development Center, Tsirang from 8-12 April 2019. The training was undertaken as part of the Memorandum of Understanding (MoU) signed between RAA and the Office of Comptroller and Auditor General of India (C&AG) and was funded by Austrian Development Agency. The training was delivered by two resources persons from the C&AG and was attended by 33 auditors. Such course was found necessary to equip auditors in

the era of Information Technology and it was designed to enable auditors to understand the fundamentals of Data Analytics and develop hands-on skills in using analytical tools such as IDEA, KNIME, Tableau, and MS Excel. The Opening ceremony was graced by Ugyen Dorji, the Deputy Auditor General of Department of Follow-up, Regions and HR Management. The RAA has conducted eleven such Indo-Bhutan Training on various topics since 2001.



Training on Hydro-Power Audit



A three-day training on audit of hydropower projects was conducted at the Professional Development Centre, Tsirang by two hydropower experts from Poyry, Austria. The training was funded by Austrian Development Agency (ADA) under the Capacity Development project of Royal Audit Authority and it was attended by 56 auditors comprising of both senior and young officers.

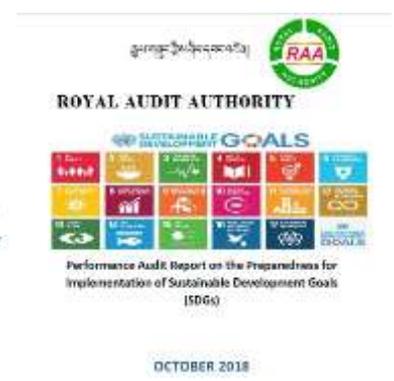
The opening ceremony was graced by Ugyen Dorji, Deputy Auditor General (DAG) and he

highlighted the achievements of the project which included development of 22 Audit Manuals and 2 Policy Documents; having conducted risk based audits; Training of Trainers (ToT) on relevant audit topics; training on auditing from gender perspective, and the supply of IT Equipments. The RAA accords highest priority to build the internal capacity on a sustained manner to remain relevant and add values to lives of citizens.

RAA tables two performance audit reports to the Parliament

The Royal Audit Authority tabled Two Performance Audit Reports in the Parliament on 21st January 2019. The reports were submitted to the Druk Gyalpo, the Prime Minister and the Parliament in accordance with Article 25 (5) of the Constitution of the Kingdom of Bhutan and the Audit Act of Bhutan.

The RAA issued the Performance Audit on Operations of Bhutan Chamber of Commerce and Industry on August 2018, and the Performance Audit Report on the Preparedness for Implementation of Sustainable Development Goals (SDGs) on October 2018 to respective stakeholders.



The RAA undergoes through SAI Performance Measurement Framework Assessment for the second time



A three member in-house team is currently carrying out Supreme Audit Institution Performance Monitoring Framework (SAI PMF) Assessment of the RAA using the methodology prescribed by the SAI Performance Measurement Framework of INTOSAI. The internal team is participating in the Strategic Planning, Monitoring and Reporting (SPMR) program initiated by INTOSAI Development Initiative (IDI). As a part of the program, the team needs to conduct the assessment after attending Planning Workshop held at Abu Dhabi, United Arab Emirates in March 2019 and prepare the SAI Performance report, which will be shared with the IDI who will then provide an independent quality assurance review on the report.

Ms. Camilla Fredriksen, the Manager of SAI Governance Department of IDI visited the RAA in May 2019 to provide necessary on-site support and guidance to the team as well as to review the assessment carried out by the team.

The RAA has undergone SAI PMF assessment for the first time in 2014, which was carried out as a peer review led by the IDI and supported by the Office of the Auditor General of Norway. The RAA has used the results of SAI PMF Assessment 2014 to develop its Strategic Plan 2015-2020. Similarly, the results of SAI PMF Assessment 2019 will be used as one of the main inputs in developing RAA's Strategic Plan 2020-2025.

In order to uphold its own accountability, the RAA undergoes several such assessments on continuous basis and it is aimed towards attaining its vision to be "a credible Supreme Audit Institution that promotes value for money and good governance in public operations and contribute towards achieving the societal aspirations of Gross National Happiness." This assessment is one the strategies identified in the current Strategic Plan 2015-2020 in order to lead by being accountable, transparent and credible organization.

Audit Awareness for Communities



The Royal Audit Authority embarked on Audit Awareness Program at the Chiwog level in keeping with the government's decentralization policy (wangtse chirphel) and efforts to empower local governments by allocating resources and responsibilities to the grassroots levels. The RAA, as an oversight body, plays critical role through audit and reporting in the use of public resources and is gearing towards embracing the concept of citizen participatory audits. As the local government and community are the ultimate beneficiaries of public resources, it is imperative to make collaborative efforts and instill sense of ownership and accountability in the use of scarce public resources.

As such, audit awareness at the community level was aimed at:

- Creating awareness on existence of RAA as one of the Constitutional Bodies, functions and its responsibilities;
- Instill a sense of 'ownership and accountability' in the utilization of public resources; and
- Sensitize on the unnecessary complains that seldom bring benefits and add values to the society.

The awareness program kick started with the communities of Dorithasa, Nakha, Bepjee and Sombaykha under Haa Dzongkhag and Thajong, Buli, Tali, Kikhar, Dakphel, Berti, Tagma Chiwogs under Zhemgang Dzongkhag.

The team also met with the employees of Regional Office, Department of Road, Tingtibi and Saprang.

Summary of AAR 2018 and Performance Audit Reports

The significant issues covered in AAR 2018 are summarized as follows:

1. Certification of Annual Financial Statements for the year 2017-18:

The RAA conducted the audit of annual financial statements of the Royal Government year ended 30 June 2018 and issued an unmodified (clean report) audit report of the Annual Financial Statements of the Royal Government of Bhutan for the year ending 30 June 2018. The highlights of Annual Financial Statements are:

• Revised Budget	:	Nu.60,549.834 million
• Revised Resources	:	Nu.56,772.785 million
• Actual Expenditure	:	Nu.52,658.670 million
• Realised Resources	:	Nu.52,113.168 million
• Revised Capital Budget	:	Nu.34,092.354 million
• Actual Capital expenditure	:	Nu.28,836.647 million
• Underutilised Capital budget	:	Nu.5,255.707 million (15.42% of revised capital budget)
Total Public debt	:	Nu.185,312.077 million (Domestic Debt Nu.8,159.680 million, and External Debt Nu.177,152.396 million)

2. Total Unresolved Irregularities in AAR 2018

The total of unresolved issues reported in AAR 2018 amounted to Nu. 6.4.380 million, which are categorized below by observation:

• Fraud, Corruption & Embezzlement	:	Nu.29.612 million
• Mismanagement	:	Nu.127.384 million
• Non-compliance to Laws and Rules	:	Nu.185.100 million
• Shortfall, Lapses and Deficiencies	:	Nu.262.284 million

3. Agencies with significant amounts of fraud and corruption cases

The AAR 2018 also reported the significant amount of fraud and corruption cases in the following agencies:

Ministry of Works and Human Settlement	:	Nu.11.777 million
Ministry of Information and Communications	:	Nu.7.259 million
Gewogs under Monggar Dzongkhag	:	Nu.3.425 million
Chhukha Dzongkhag Administration	:	Nu.3.011 million
Bhutan Agro Industries Limited	:	Nu.2.500 million

4. Irregularities in Hydropower Projects

The total of unresolved irregularities reported under Hydropower Projects amounted to Nu. 1,771.928 million, of which,

Punatsangchu-I Hydroelectric Project Authority	:	Nu.1,006.913 million
Punatsangchu-II Hydroelectric Project Authority	:	Nu. 657.019 million
Mangdechu Hydroelectric Project Authority	:	Nu.107.995 million

5. Recommendations

The RAA made a series of recommendations to promote accountability and improve economy, efficiency, and effectiveness in the use of public resources and these recommendations are categorized into three major areas as shown below:

Construction Management:

- Ensure proper planning and scheduling of construction works to avoid delays in completion of works;
- Agencies must ensure that drawings, designs and estimates are complete in respect of deliverables sought;
- Agencies must enforce the release and recovery of advances as per the provision of contract;
- The practice of booking expenditure without completing works needs to be regulated;
- Process for taking over of completed works must be clearly delineated.

Service Delivery:

- Need to improve delivery of land services;
- Need to improve census service delivery.

Financial Management:

- Need to review unreconciled financial statements.

IT Audit of Core Banking System in BDBL

The IT Audit on Core Banking Solution (CBS) in Bhutan Development Bank Limited assessed the effectiveness of system migration in achieving the organisation goals including accuracy and completeness of data migration, effective incorporation of compliance requirements, adequacy and effectiveness of IT controls in Finacle CBS. The audit covered the period from 01 April 2017 to 30 September 2018. The audit report discussed both achievements brought in by the implementation of Finacle CBS and shortcomings it suffered. The report highlighted

that there was no defined and approved system migration methodology for system migration from ABS to Finacle CBS. The audit also found that there were weaknesses in user account management leading several lapses in access control and the system did not comply with RMA's requirements as well as BDBL's prescribed manuals & notifications while providing credit services. The audit provided four recommendations targeted to improve and enhance CBS and its services.

IT Audit on the Efficiency and Effectiveness in Public Service Delivery through G2C Platforms

IT Audit on G2C system was conducted to assess the efficiency and effectiveness in public service delivery through G2C platform. Audit was carried out for two online services i.e. online issuance of passport under Passport Division, Ministry of

Foreign Affairs (MoFA); and online issuance of rural timber permit under Department of Forest & Park Services (DoFPS), Ministry of Agriculture & Forests (MoAF).

Additionally, the RAA reviewed the governance and management aspects of the G2C services involving Public Services & Grievances Redressal Division (PSGRD), Department of Local Governance (DLG), Community Centres (CCs), and Department of Information Technology & Telecom (DITT). The audit covered period from 1 January 2015 to 31 December 2017. The RAA noted positive achievements such as creation of PM's e-desk for the effective monitoring of the public service delivery, launching of feature called eKaaSel which is used for raising grievances related to online services, launching of mobile apps and online payment system.

However, the audit noted that the documentation on the prioritization and system development of G2C services was inadequate; wastage of resources because of non-utilization of 26 online services; and no proper mechanism instituted to facilitate knowledge transfer. The audit report contains the positive achievements as well as the shortcomings and deficiencies of the services. Based on the audit findings, the report provided nine recommendations aimed at enhancing efficiency and effectiveness in public service delivery through G2C platform.

Performance Audit on Government Vehicles and Foreign Vehicle Quota System

The Performance Audit was carried out with an overall objective to determine whether the Government vehicles and foreign vehicle quota were operating economically, efficiently and effectively. For the purpose of review, the RAA identified and selected 10 Ministries, 34 Autonomous agencies and all 20 Dzongkhags. Information were collected from the Dzongkhags, Agencies and Gewogs using three google survey forms. The RAA also visited 10 Ministries, Royal Court of Justice, Dzongkhag Administrations (Chhukha & Paro), Thromdes (Thimphu & Phuntsholing) and National Land Commission

Secretariats. The audit covered the period from 2013-2014 to 2017-2018. The RAA noted inadequacies, inconsistencies and shortcomings resulting from unclear strategy on the government vehicles, lack of clarity on the legal and policy framework, weak administrative, supervisory and monitoring controls in the administration of Government vehicles and foreign vehicle quota system. The audit provided a series of recommendations requiring appropriate policy interventions at appropriate level.

Performance Audit on Housing Development - Adequacy and Affordability

Performance Audit on Housing Development – Adequacy and Affordability was conducted with an overall objective to ascertain the effectiveness of national housing development activity including home ownership programmes in providing adequate, affordable and livable housing in urban centers. During the audit, the RAA visited office of various stake holders such as MoWHS, RMA, NHDCL, NPPF, NSB, Thimphu and Phuntsholing Thromde. It also entailed site visits to informal settlements in 10 locations in Thimphu and one location in Phuntsholing. The performance audit covered the period 2013-2017

focusing on Thimphu and Phuntsholing thromdes. Besides, significant progresses made by the mandated institutions and the audit noted that the projected carrying capacities of Thimphu Structure Plan (2002-2027) has exceeded by 6742; incomplete data on number of housing structure and units; irregular increase of rents in Thimphu and Phuentsholing; and informal settlements impeding livability and aesthetics of the city. The report provided 15 recommendations aimed at strengthening the legal and policy environment for housing development.

Performance Audit on Food Self-sufficiency and Security

The audit was conducted to ascertain the efficiency and effectiveness of Ministry of Agriculture food available through improved production and access to food. The audit was conducted in Department of Agriculture, MoAF covering the period 2012-2013 to 2016-2017. The report discussed the notable initiatives and positive developments as well as deficiencies and shortcomings. Some of the significant findings noted were inadequate institutional linkages and arrangement amongst key stakeholders for coordinated approach in implementation of the FNS policy; inadequate classification of land and

agriculture zones for effective regulations and monitoring of land use; lack of remedial policy intervention and strategic coordination between NLCS and MoAF to address the increasing trend of fallow land; loss of agriculture land to other development activities; lack of adequate mechanism to regulate food prices through a systematic market for agriculture produce; and lack of updated and complete market information on prices of varied food commodities. The report also provided a series of recommendations to enhance efficiency and effectiveness in improving food self-sufficiency and security.

January Promotion of RAA Officials



The RAA promoted twenty-five officials to the next higher position, including two Assistant Auditors General promoted through open competition. A simple promotion ceremony was held on 10 January 2019 coinciding with the Fourth Day of the First Month of Female Earth Year of the Pig. The Hon'ble Auditor General presented the promotion orders along with Trashi Khaddar and good wishes to the fourteen officials of the head office who were present and reminded them of the roles and responsibilities that came with the higher positions. The other officials received their promotion order from their

respective Assistant Auditor General in the regions.

Sonam Delma was promoted to the post of Assistant Auditor General, Thematic Audit Division and Sonam Wangmo to the post of Assistant Auditor General, Performance & System Audit Division through open competition.

The RAA family congratulates all the recipients for their well-deserved promotions. The promotions were carried out as per the Chapter 13 of BCSR 2018.

RAA Officials attend Orientation Program at NAAA, Shimla

On the invitation from the Office of the Comptroller & Auditor General of India, two



Assistant Auditors General from the RAA, Cheki Dorji and Narapati Sharma, attended a week long Orientation Training Program for the 2003 IAAS batch at the NAAA from 17-21 June 2019. The Training Program covered sessions on top management roles and responsibilities, HR

Management, developing effective KPIs for Internal Controls, Holding Press Conference, Managing Performances, handling PAC/COPU matters, fighting corruption, improving quality of audit reports through effective audit planning, creating values etc.

WGPD Meeting in Azerbaijan



A two member delegation led by Chimi Dorji, Deputy Auditor General attended Annual meeting of the INTOSAI Working Group on Public Debt Audit from 23-26 May 2019. The meeting hosted by the Chamber of Accounts, Azerbaijan at the capital city Baku.

The annual meeting discussed and endorsed Work Plan 2020-2022 of the WGPD and also agreed on several activities to be implemented. The meeting was attended by 55 participants from 27 countries and the World Bank.

11th FIPP Meeting in Riga, Latvia

Tashi Tobgay, Assistant Auditor General and Karma Jambayyang, Dy. Chief Auditor attended the 11th FIPP meeting at Riga, Latvia from 25 – 28 June 2019. The meeting was attended by 20 participants from 15 member countries to conduct quality review of draft pronouncements developed by the respective project group for approval.



In-country training on Dzongkha Report Layout, Formatting and Graphics

Three officials (translators) from the RAA participated in an in-country training on Dzongkha Report Layout, Formatting and Graphics at the Kunjung Institute of Information Technology, Gelephu from 18-29 March, 2019. The need for the training has been emanated from the challenges faced in the past while

translating the audit reports. The two-week training mainly covered managing text & graphics, data analysis using the advanced feature of excel and publisher, interlinking the data between word and excel in dzongkha besides other useful functions.

Regional IT Audit Review Meeting



An officer from the RAA had attended a five-day IT Audit Review meeting in Bangkok, Thailand to discuss and present audit findings from

The main objective of the training was to give emphasis on the importance of our national language and accordingly enhance the quality of the dzongkha reports in the RAA.

cooperative IT Audits conducted by respective member SAIs. The participants shared their challenges and lessons learned while conducting IT audit and way forward. The participants and mentors also shared their understanding of Data Analytics, techniques used while performing IT Audits.

The review meeting was organized for the first time by the ASOSAI for knowledge sharing and capacity development of auditors from member Supreme Audit Institutions (SAIs) specifically for IT audits and was hosted by SAI Thailand. Three mentors and 25 participants from various member SAIs of the ASOSAI participated in the three weeks of eLearning course prior to the review meeting from 1-5 April 2019.



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 sector.

Core Values

Integrity, Accountability, Transparency, Professionalism, Team Work

RAA Outcomes: What the RAA is working to achieve?	
RAA OC 1	Greater audit impact leading to improved accountability, transparency and ethical behaviour in the public sector in Bhutan.
RAA OC 2	Improved public sector performance in National Key Result Areas and Sustainable Development Goals commitments in achieving Gross National Happiness.

RAA Strategy: How the RAA will add value?	
RAA SG 1	RAA delivers high quality audits as per international standards including ISSAIs- Delivery Quality.
RAA SG 2	RAA leads by example in being an accountable, transparent and ethical organization- Demonstrating excellence.
RAA SG 3	RAA enjoys strong partnerships and cooperation with key stakeholders- Fostering collaboration.

RAA Capacity: What Capacity does the RAA need to achieve its goals?	
RAA C 1	Strong leadership and professional culture
RAA C 2	Appropriate institutional framework, organizational structure and systems
RAA C 3	Competent and motivated team

Editorial Team: Sonam Delma, Assistant Auditor General and
Vikram Gurung, Sr. Audit Officer

Published by: ROYAL AUDIT AUTHORITY (RAA)
Bhutan Integrity House, Peling Lam, Kawangjangsa
P.O. Box 191, Thimphu – 11001: BHUTAN

Telephone : +975-2-322111; **Fax:** +975-2-323491
www.bhutanaudit.gov.bt

