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Royal Audit Authority



Auditor General's
Standing Instructions
2010

FOREWORD

The Royal Audit Authority as a constitutional body enshrined under the Constitution of the Kingdom of Bhutan has the mandate to audit and report on the economy, efficiency and effectiveness in the use of public resources. Accordingly, it has to carry out its responsibilities by conducting proper and timely audits of public funds utilized by various organizations of the government and report thereon.

In our continued effort to build professionalism for providing effective audit services, we take pride in introducing Auditor General's Standing Instructions in line with Section 100 of "Rule making power" of the Audit Act 2006 and with due considerations of other national laws, rules and regulations.

The Instructions are intended to provide general guidelines for auditors beginning from pre-departure formalities till completion of audit and issuance of Final Audit Report. The instructions lay out systematic approach designed to keep an auditor focused on the job and to involve all the team members throughout the audit process.

I hope that this document would benefit our auditors as well as all other stakeholders.

Tashi Delek



(Ugen Chewang)

Auditor General of Bhutan

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INTRODUCTION

Article 25.1 of the Constitution of the Kingdom of Bhutan provides;

"There shall be a Royal Audit Authority to audit and report on the economy, efficiency and effectiveness in the use of public resources".

Further, Section 42 (a) of the Audit Act 2006 stipulates; "The Authority may develop rules, procedures and guidelines to carry out auditing economically, efficiently and effectively". Accordingly, the RAA has developed the Auditor General's Standing Instructions. It is a set of instructions laid down to guide every auditor in their personal conduct and behavior in the discharge of their professional duties.

It is aimed at maintaining uniformity and consistency in the audit work, promote greater accountability and professionalism as well as to ensure compliance with the RAA Auditing Standards, Guidelines and Manuals in achieving quality audits in the most economical, efficient and effective manner.

Chapter 1

Purpose of the Instructions



These instructions prescribe 'what auditors are supposed to do' and 'what they are not supposed to do' in the discharge of their professional duties.

The main purposes of developing these instructions are to:

- 1.1 Promote accountability and professionalism among auditors;
- 1.2 Uphold the principles of integrity, objectivity and independence;
- 1.3 Enable auditors in achieving the quality audits in the most economical, efficient and effective manner;
- 1.4 Ensure that auditors follow the RAA Auditing Standards, Guidelines and Manuals;
- 1.5 Maintain uniformity and consistency in the audit work performed by all auditors;
- 1.6 Provide directions to the new recruits; and
- 1.7 Provide a basis for measuring audit performance.

Note:

1. These instructions are not meant to substitute the Audit Act 2006, RAA Auditing Standards, and other Manuals, Guidelines and Handbooks developed by the Authority. The auditor(s) shall continue to use them in their right perspective.
2. In extreme circumstances for reasons beyond one's control where it is not practicable to ensure strict implementation of some of the instructions, prior approval of Auditor General may be sought for special dispensation which may be permitted as long as such dispensation would not undermine the credibility, objectivity and independence of the RAA.

Chapter 2

Pre-Departure Requirements



2.1 Composition of Audit Team

The composition of appropriate audit team is essential for conducting quality audit economically, efficiently and effectively. The composition and size of the audit team may however, vary depending on the size, scope, nature and complexity of activities being audited. Ideally, the team should collectively have the requisite knowledge of the subject matter and experience. Accordingly:

- 2.1.1 There shall be a minimum of two members in a team;
- 2.1.2 The size of the audit entity, the nature and complexity of the particular task shall be considered while forming the composition of the audit team;
- 2.1.3 The team shall be led by appropriately senior and experienced officers of P5 and above. For the audit of small unit, the Division Chief/Assistant Auditor Generals and Regional Heads may designate team leader at lower level having requisite knowledge and experience;
- 2.1.4 No team leader/member shall audit the same agency for more than three consecutive audits;
- 2.1.5 The audit team shall collectively have the requisite knowledge of the subject, experience, technical skills and the auditing proficiency necessary to fulfill the requirements of the audit;
- 2.1.6 The audit team shall consider the requirement of specialist and technical personnel for a particular audit and apprise the Division Chief/Assistant Auditor General; and

- 2.1.7 The Division Chief/Assistant Auditor General shall arrange to depute specialist, technical personnel, redefine or defer the audit until such personnel are available.

2.2 Preparation of Annual Audit Schedule

Towards the beginning of the last quarter of each financial year the audit teams in consultation with the respective Division Chief/Assistant Auditor Generals shall prepare the Annual Audit Schedule (AAS) to be incorporated as a part of Annual Audit Plan in line with the overall RAA Strategic Plan. The AAS shall contain the name of agencies to be audited in the ensuing audit period, audit start and end dates, the expected date of issue of audit reports etc. While preparing the AAS, the team should consider the reporting time schedules of the donors, request of agencies and to the extent possible try to synchronize it with the AAS of the OAAGs, so that any verification needed in agencies under the jurisdiction of the OAAGs including the field verification is taken care of.

- 2.2.1 The Annual Audit Schedule should be prepared in accordance with the overall RAA's strategic plan;
- 2.2.2 The AAS should contain information such as start and end date, number of working days, draft report submission date to the Division Chief/Assistant Auditor General/Auditor General and the expected date of issue of audit report;
- 2.2.3 While preparing AAS the team should prioritize or

categorize the agencies based on size, nature of operation, request from agencies and reporting time requirement of donors;

- 2.2.4 The Policy, Planning and Annual Audit Report Division (PP&AARD) shall obtain the list of donor funded projects to be certified during the ensuing audit period from the Gross National Happiness Commission (GNHC) and the Department of Public Accounts (DPA) and distribute to the respective Divisions by March every year;
- 2.2.5 The number of agencies to be included in the AAS should normally be not less than the number of agencies included in the last year's AAS;
- 2.2.6 The AAS with concurrence of the Division Chief/Assistant Auditor General should be submitted to the PPD by the 3rd week of May every year for overall compilation;
- 2.2.7 The PPD shall compile the AAS and submit it to the Auditor General for endorsement;
- 2.2.8 The Auditor General shall endorse the compiled AAS after which the PPD shall host it in the RAA web page by 1st week of June every year for general information of the public;
- 2.2.9 The PPD shall inform the management of the donor assisted projects of the AAS and request for submission of the financial statements at least two weeks prior to the commencement of audit to the divisions concerned;
- 2.2.10 Audit shall be taken up strictly as per the annual audit schedule. Any changes in the ASS shall be reviewed and approved during the mid-year review meeting; and

2.2.11 Ad-hoc audits on requests shall be avoided except as approved by the Auditor General.

2.3 Audit Planning

Planning is a process, which helps in the smooth and efficient conduct of business. Planning is an essence of auditing. Audit planning helps to identify potential risk/thrust areas and ensures that adequate attention is devoted to the risk/thrust areas at the time of audit. A properly drawn up audit plan not only helps to ensure that the audit work is completed expeditiously but also ensures to achieve intended audit objectives. Therefore, the audit teams should plan each and every audit in such a way as to ensure that a quality audit is performed economically, efficiently and effectively. Accordingly:

- 2.3.1 The audit teams shall plan each audit in line with the RAA Auditing Standards, Financial Audit Manual, Performance Audit Guidelines and the Hand Book on Audit Planning in a manner which ensures that quality audit is carried out in an economic, efficient and effective manner;
- 2.3.2 The audit team shall define the audit objectives, scope, set criteria and prepare detailed audit procedures to meet them;
- 2.3.3 The audit team shall develop a proper understanding of the entity to be audited;



- 2.3.4 The audit team shall obtain the mandates, organization chart, lines of activity etc. and make proper study of the entity to be audited;
- 2.3.5 The audit team shall identify key management systems and controls and carry out preliminary assessment to identify their strengths and weaknesses;
- 2.3.6 The audit team shall obtain and analyze the head-wise budget and expenditure to prioritize and determine thrust areas and the extent of tests/verification required;
- 2.3.7 The audit team shall review internal audit functions, its work program and internal audit reports and assess the extent of reliance that might be placed on their work;
- 2.3.8 The audit team shall adopt risk based audit approach while planning the audit;
- 2.3.9 The audit team shall prepare detailed audit procedures and the extent to which these procedures are to be performed by each member of the team;
- 2.3.10 The audit team shall determine the methodologies to be adopted;
- 2.3.11 The audit team shall determine the resources necessary for effective and efficient completion of audit;
- 2.3.12 The audit team shall review the past audit reports to ensure implementation and compliance to audit recommendations;
- 2.3.13 The audit team shall submit the audit plan to the Division Chief/Assistant Auditor General for review;
- 2.3.14 The audit team shall put up the audit plan to appropriate levels for approval; and

2.3.15 The audit team shall ensure proper documentation of the audit plan.

2.4 Audit Engagement/Intimation Letter

The audit team prior to taking up the audit shall issue an Audit Engagement/Intimation Letter to the head of agency duly signed by the Division Chief/Assistant Auditor General in the standard format as designed and approved from time to time. The copies of Audit Engagement/Intimation Letter shall be endorsed to appropriate authorities. Through it, the auditor shall communicate to the audited agency in writing the timing, terms, nature and limitations of the Engagement. Accordingly:

- 2.4.1 An Audit Engagement/Intimation letter in the standard form as approved from time to time shall be sent to the head of agency to be audited prior to the commencement of audit plan;
- 2.4.2 It shall be addressed to the head of the audited agency and copies endorsed to appropriate authority, Follow Up and Clearance Division, AG's Secretariat, Team Leader, Office Copy and Guard File;
- 2.4.3 It shall be printed on Office letterhead and signed by the respective Division Chief/Assistant Auditor General;
- 2.4.4 It shall contain the name of agency, period of audit, name of auditors, start and end date of the audit;
- 2.4.5 For audit of donor funded projects the Audit Engagement/Intimation letter shall be sent only upon the receipt of signed Financial Statements;



- 2.4.6 A copy of the Audit Engagement/Intimation letter shall be documented properly in the current file;
- 2.4.7 The Audit Engagement/Intimation letter for Performance/Systems/Environment audit shall be signed by the Department Head/Auditor General;
- 2.4.8 Through the Audit Engagement/Intimation letter, the audited agency shall be requested to:
- provide all documents required for audit purposes and proper working space to the audit team;
 - not send the responsible officials like accounts personnel, engineers, site supervisors etc. on leave during the period of audit;
 - provide accountability statement under the seal and signature of the head of agency at the time of audit exit conference; and
 - furnish audit replies prior to the date of audit exit conference.
- 2.4.9 The content of the Audit Engagement/Intimation letter shall be as prescribed in the Financial Audit Manual.

2.5 Pre-departure Requirements-Administrative, Logistics and Transport

The audit team shall complete all pre-departure requirements like administrative, logistics, transport arrangement etc. before proceeding for field audit. It shall be the responsibility of the team leader to ensure that all pre-departure requirements have been completed.

2.5.1 Travel Authorization

- 2.5.1.1 No audit team shall perform tour without approval of Travel Authorization;
- 2.5.1.2 The audit team shall duly fill up two copies of Travel Authorization Form (FAM 4.10) and seek approval from the respective controlling officer/competent authority prior to commencement of the tour;
- 2.5.1.3 The audit team shall clearly mention the dates of onward/ return travel, modes of travel and the expected places and dates of site visits;
- 2.5.1.4 The audit team shall submit duly approved Travel Authorization to the Accounts Section at least 2 days before the travel date for processing the tour advance (if required);
- 2.5.1.5 Travel Authorization in respect of the Division Chief/ Assistant Auditor General shall be approved by the Deputy Auditor General of the respective department;
- 2.5.1.6 Travel Authorization in respect of the Deputy Auditor General shall be approved by the Auditor General;
- 2.5.1.7 In case there are changes in the tour program, the audit team shall prepare a revised Travel Authorization and get it approved from competent authority as soon as the team comes back from the tour before preparing the travel claims;
- 2.5.1.8 The attendance of auditors on tour shall be marked as tour (T) by the respective Division Chief/Assistant Auditor General; and
- 2.5.1.9 In case of local field audit the attendance of the auditors concerned shall be marked as local tour (LT) by the respective Division Chief/Assistant Auditor General.



2.5.2 Administrative and Logistics

- 2.5.2.1 The team shall put up the requisition for stationery items like file, audit pencil, paper etc. to the AFD duly endorsed by the Division Chief/Assistant Auditor General. The team shall not avail such facilities from the audited agency;
- 2.5.2.2 The AFD shall provide all resources needed by the audit team to the extent possible;
- 2.5.2.3 The team shall be adequately briefed by the Division Chief/ Department Head/Deputy Auditor General/Auditor General as felt appropriate;
- 2.5.2.4 All such briefings should be documented by the team;
- 2.5.2.5 The team shall ensure that audit engagement/intimation letter has been sent to the audited agency;
- 2.5.2.6 The Follow Up and Clearance Division shall provide the latest status of the follow up report of the agency under audit to the audit team at least three days prior to the departure of the team;
- 2.5.2.7 Any reports and other documents required by the audit team in the field shall be taken only with specific approval from appropriate authority, who shall ensure its return;
- 2.5.2.8 The team leader shall report to the Division Chief/ Assistant Auditor General upon the team's arrival at the destination.

2.5.3 Transport

- 2.5.3.1 The audit team shall submit requisition for Pool vehicle in the prescribed vehicle requisition form (Appendix: I) to the AFD duly recommended by the Division Chief/Assistant Auditor General at least 3 days prior to the date of onward travel;

- 2.5.3.2 The audit team shall clearly indicate the expected dates of travel (to and fro) in the vehicle requisition form;
- 2.5.3.3 The AFD shall allocate the pool vehicle and instruct the driver to reach and pick up the audit team from the duty station on the specified dates;
- 2.5.3.4 The audit team shall remind and re-confirm the availability of pool vehicle with the AFD at least three days prior to the actual date of travel to the Headquarter;
- 2.5.3.5 In case pool vehicles are not available, the AFD shall allow the use of personal car of the team leader or other team members;
- 2.5.3.6 In case of use of personal car, all team members shall be expected to travel by that vehicle;
- 2.5.3.7 In case of team comprising three and more members, the AFD shall allow the team to use convenient number of personal cars and claim mileage accordingly;
- 2.5.3.8 Arrangement of vehicles for ad-hoc, emergency and local tours shall be the responsibility of AFD.

2.5.4 Accommodation at the Duty Station

- 2.5.4.1 Arrangement of accommodation at the duty station shall be the responsibility of the audit team. The team can stay together or make own arrangement separately. But, no member of the audit team shall stay with the employees of the agency under audit;
- 2.5.4.2 The audit team shall intimate the type and location of accommodation to the Division Chief/Assistant Auditor General;
- 2.5.4.3 The payment of rent for accommodation shall be made



at prevailing rates if the team takes accommodations in government guest houses;

2.5.4.4 The audit team shall not avail rent free accommodation from the audited agency. In the event the audit team has to avail the accommodation where there is no other alternative accommodation and no system of charging rent, specific approval to avail such facilities shall be obtained from the Auditor General.

2.5.4.5 The audit team/auditor may avail free accommodation at the geog centers if the space is available but the team/auditor should make their own arrangement for food;

2.5.4.6 Wherever possible the audit team/auditor shall make use of tents, Gas/stove and sleeping bags if provided by the Office; and

2.5.4.7 Where there are no accommodation facilities the AFD shall provide tents and provide a caretaker to man the tent.

2.5.5 Conflict of Interest and Code of Good Conduct, Ethics and Secrecy of Auditors.

2.5.5.1 The auditor(s) shall comply to Code of Good Conduct, Ethics and Secrecy of Auditors and shall sign the requirement to comply to the Code of Ethics as given in (Appendix: II);

2.5.5.2 The auditor(s) shall protect the independence of audit and avoid any possible conflict of interest by refusing gifts or gratuities, which could influence or be perceived as influencing the independence and integrity;

2.5.5.3 The auditor(s) shall not develop any relationships with managers and staff in the audited entity and other parties

which may influence, compromise or threaten his ability to act and be seen to be acting independently;

- 2.5.5.4 The auditor(s) shall not use his official position for private purposes and avoid relationships which involve the risk of corruption or which may raise doubts about the objectivity and independence;
- 2.5.5.5 The auditor(s) shall not use information received in the performance of his duties as a means of securing personal benefit for him or for others as defined in the Policy on Disclosure of RAA Information and the Audit Act of Bhutan 2006;
- 2.5.5.6 The auditor(s) shall neither divulge information, which would provide unfair or unreasonable advantage to other individuals or organizations, nor shall he use such information as a means for harming others;
- 2.5.5.7 The auditor(s) shall declare and sign the Conflict of Interest in the prescribed form (Appendix: III) prior to taking up the audit assignment;
- 2.5.5.8 The auditor(s) shall also declare any personal problems that they have with the employees of the agency under audit;
- 2.5.5.9 Should there be any conflict of interest, the Division Chief/Assistant Auditor General shall assign the auditor with another team where there is no conflict of interest;
- 2.5.5.10 The duly signed copy of the Conflict of Interest shall be documented appropriately;
- 2.5.5.11 The auditor(s) shall assess and sign the ethical threats arising as a result of taking up the particular audit and design safeguards to bring the threats to an acceptable level as given in (Appendix: IV).

Chapter 3

Audit Execution



3.1 Audit Entry Conference

It is a kick-off meeting convened with the management before commencement of audit, where the audit team shall explain the audit scope and objectives, criteria, discuss the timing of the audit, and clarify about any concerns. It is a forum for introducing each other and to familiarize with the functioning of the agency. Accordingly;

- 3.1.1 The audit team shall conduct the Audit Entry Conference with management of audited agency prior to the commencement of audit;
- 3.1.2 The team leader shall introduce the members of the audit team including himself;
- 3.1.3 The audit team shall present the audit plan, the objectives, criteria and scope of the audit;
- 3.1.4 In case of Corporate and Performance audit, the audit criteria shall be mutually agreed upon with the management;
- 3.1.5 The audit team shall discuss administrative arrangement and identify key/contact persons who would be responsible for providing documents to the audit team and taking over of those documents on completion of audit;
- 3.1.6 The audit team shall request the management not to send the key persons on leave during the period of audit, to furnish all documents required for audit purposes, cooperate with the audit team and provide a suitable working space for the audit team;
- 3.1.7 The audit team shall explain the system of accountability on audit issues to the management and inform them that accountability statement duly signed by the head of agency under his seal should be furnished to the audit team on the date of audit exit conference;

- 3.1.8 The audit team shall discuss the procedures of handing/taking over of documents required for audit purposes;
- 3.1.9 The audit team shall make presentation on the Audit Objectives, Criteria, Scope and Methodologies to the management during the entry conference and agree upon (in case of Performance Audit);
- 3.1.10 The audit team shall minute the deliberations of the Entry Conference under the signature of the Team Leader and Head of Agency and document it properly (in case of Performance Audit);
- 3.1.11 Any request of the management for areas of operation not captured in the plan shall be recorded and signed by both the parties;
- 3.1.12 The audit team shall inform the management not to make free food and lodging arrangements for the audit team;

3.2 Obtaining Audit Evidence

Audit evidence is the information that is collected and used to provide a factual basis for developing observations, conclusions and recommendations against audit objectives. The evidence must be sufficient, relevant, reliable and reasonable so as to reduce the need for inferences to be made. The auditors should have a sound understanding of the techniques and procedures of gathering audit evidence.

- 3.2.1 Auditor(s) shall gather audit evidences in line with RAA Auditing Standards;



- 3.2.2 Auditor(s) shall gather sufficient, competent and reliable audit evidence to support audit conclusions, opinions and recommendations;
- 3.2.3 Auditor(s) using interviewing as an auditing tool shall be fully prepared prior to conducting such interview and only those auditor(s) having proper understanding of the interviewing skills and techniques shall conduct the interview;
- 3.2.4 Auditor(s) shall analyze the audit evidences gathered;
- 3.2.5 Audit evidence shall provide a factual basis for developing observations and conclusions against audit objectives;
- 3.2.6 Auditor(s) shall objectively evaluate the evidence against the criteria to develop observations, logical conclusions and recommendations;
- 3.2.7 Auditor(s) shall document all audit evidences that are used to support audit conclusions, opinions and recommendations properly indexed and referenced;
- 3.2.8 Documentation of evidence should be complete before the Draft report is issued for review by the Division Chief/Assistant Auditor General.

3.3 Supervision and Monitoring

Supervision and monitoring of audit work at every level is crucial for ensuring quality. Proper supervision and monitoring of audit from planning stage till the final issuance of audit report is necessary for all audits regardless of the competence of the individual auditor or the audit team. The Division Chief/Assistant Auditor General shall ensure that each audit is carried out after proper planning and in accordance with the auditing standards and practices of the RAA.

- 3.3.1 The supervisor shall carry out supervision and monitoring of audit works carried out by his subordinates from time to time;
- 3.3.2 The Department Head shall ensure that audit is carried out as per the plan and in accordance with auditing standards;
- 3.3.3 The Division Chief/Assistant Auditor General shall ensure that all team members fully understand the audit objective(s);
- 3.3.4 The Division Chief/Assistant Auditor General shall provide appropriate counsel, advice and on-the-job training, based on the experience of the team members;
- 3.3.5 The Division Chief/Assistant Auditor General shall ensure that audit procedures are adequate to carry out an effective and efficient audit;
- 3.3.6 The Division Chief/Assistant Auditor General shall ensure that RAA audit policies are followed;
- 3.3.7 The Division Chief/Assistant Auditor General shall conduct surprise visits and make calls to monitor the work and movements of auditors in the field;
- 3.3.8 The Division Chief/Assistant Auditor General shall from time to time review the works carried out by the field auditors as to their works defined in the detailed audit program;
- 3.3.9 The Division Chief/Assistant Auditor General shall ensure that only necessary audit work is carried out and that budgets, and time schedules are met;
- 3.3.10 The Team Leader shall ensure that audit evidence is appropriate, sufficient and documented and that it supports audit observations and conclusions;



- 3.3.11 The Team Leader shall review the works of its members from time to time;
- 3.3.12 The team leader shall submit a Weekly Work Plan for the ensuing week every Thursday to the Division Chief/ Assistant Auditor General and the AG's Secretariat. The team leader shall also submit Progress Report to the Division Chief/Assistant Auditor General every Tuesday of the following week (Appendix: V);
- 3.3.13 The Monthly Progress Report of the functional divisions shall be submitted to the Auditor General's Secretariat before the tenth day of the following month (Appendix: VI);
- 3.3.14 The Division Chief/Assistant Auditor General shall ensure that audit working papers are properly cross referenced, indexed and documented properly;

3.4 Audit Findings / Observations

The deviations noted on comparison of audit evidences against the criteria result in to audit findings/observations. The findings/ observations should be supported by sufficient, relevant and reliable evidences. The auditors should objectively evaluate evidences against the criteria to develop observations, conclusions and recommendations.

- 3.4.1 The audit team shall issue audit findings/observations in the form of audit memo as and when it arises and when it is conclusive. The audit team should not wait till the completion of audit;

- 3.4.2 The audit team shall discuss the audit issues noted during the audit with the audited agency and give them ample time to provide explanations and supporting documents. Only those issues which are not resolved shall be issued as audit memos.
- 3.4.3 The audit team shall write down the audit memo number and date at the top left hand side and right hand side respectively;
- 3.4.4 The audit team shall give a proper/suitable title or caption to the audit memo. The title/caption should indicate as to what the audit memo is about;
- 3.4.5 The audit team to the extent possible shall give the title/caption from within the categories of observation defined in the AIMS (Audit Information Management System);
- 3.4.6 The audit team while writing the audit memo shall give the statement of records/documents verified, audit methodologies/ procedures used, the audit criteria, the actual findings in deviation to the criteria etc.;
- 3.4.7 The audit team shall determine the possible causes and effects/impacts of deficiencies, lapses, irregularities noted;
- 3.4.8 The audit team shall determine whether the causes were due to internal or external factors, due to omission or ignorance or deliberate;
- 3.4.9 The audit team shall determine whether effects/impacts are major or minor, actual or potential. Potential effects are generally described as logical consequences that could occur. It is only speculative, so it should be used carefully;
- 3.4.10 The audit team shall give their conclusions and audit recommendations;



- 3.4.11 The audit team shall frame recommendations that are practicable and should logically flow from the audit evidence, findings and conclusions;
- 3.4.12 The audit team shall be specific and state what course of action should be taken to rectify the lapses and deficiencies;
- 3.4.13 For audit observations with prima facie evidence of existence of fraud, corruption and embezzlement the audit team shall recommend for appropriate action as per the Laws of the Land as instructed vide Executive Order No: RAA/(AG-SP)/2009/ 15431 dated 17th August 2009;
- 3.4.14 For occurrence of serious lapses however with prima facie documents evidencing absence of intent of fraud, corruption and embezzlement the audit team shall recommend for appropriate administrative actions as instructed vide above executive order;
- 3.4.15 The audit team shall support the findings/observations with adequate and reliable audit evidences;
- 3.4.16 The audit team shall club similar types of irregularities as table or annexure;
- 3.4.17 The audit team shall make it explicit in the audit memo as to which type of audit recoveries will attract 24% Penal Interest;
- 3.4.18 The auditor writing the audit memo shall write his/her name and sign it at the end of memo;

- 3.4.19 The team leader shall carefully review the memo written by other team members to satisfy him of the adequacy of audit evidences, correctness/validity of facts and figures presented and the memo shall only be issued under the name and signature of the team leader;
- 3.4.20 The audit memo shall be addressed to the head of agency audited, which shall be at the bottom left hand side on the same line as the name of auditor writing the memo; and
- 3.4.21 The audit team shall insist on the management official receiving the audit memo to sign on the auditor's copy of the memo in acknowledgement of having received the memo.

3.5 Audit Findings involving Fraud and Corruption

- 3.5.1 The team leader shall report audit findings involving fraud and corruption to the Auditor General through the Division Chief/Assistant Auditor General/Department Head as soon as it is detected;
- 3.5.2 The Auditor General after assessing the seriousness and the extent of the case shall either invite the attention of the Anti-Corruption Commission (ACC) or direct it back to the team for further verification and confirmation;
- 3.5.3 The Auditor General may refer the case back to the agency under audit for appropriate corrective measures if the case is minor and not warranting to be pursued by the ACC ;
- 3.5.4 The audit team shall not divulge information on such cases unless authorized to do so before the finalization and issue of audit report; and



- 3.5.5 The copy of the Audit Report having fraud and corruption cases shall be endorsed to the ACC inviting reference to specific paras in the report.

3.6 Follow Up Of Past Audit Reports

Follow-up exercise of the unresolved issues of the past audit reports should be a part of the current audit. The Team Leader in consultation with the Division Chief/Assistant Auditor General should include estimated additional time that may be required for follow-up exercise at the time of preparing the detailed audit program. The Audit team shall ensure that a copy of the latest follow up status report of the agency under audit has been provided by the Follow up & Clearance Division (FUCD) prior to their departure.

Accordingly, the team leader or the designated auditor shall:

- 3.6.1 Conduct follow up of past audit Reports as per the Follow up Guidelines;
- 3.6.2 Review the follow up reports in accordance with the FUCD 's Format;
- 3.6.3 Review the appropriateness of documentary evidences submitted or produced by the agency;
- 3.6.4 Review the rectifications in the construction works jointly with the engineering and the finance section of the agency;
- 3.6.5 Review the recoveries effected by the organization and details of deposits made with the RAA;
- 3.6.6 Review the adjustments, receipts and its accounting in the cash book/bank statements;

- 3.6.7 Insist with the management to deposit all recoveries pertaining to prior year audits into the Audit Recoveries Account;
- 3.6.8 Present and discuss the follow up status report of the agency audited during the audit exit conference to arrive at a common understanding on the current status; and
- 3.6.9 Ensure that the follow-up report is finalized and issued within one week of the conduct of audit exit conference in line with Follow up Guidelines for updating in AIMS.

3.7 Responsibility of the Audit Team after coming back from field audit

The completion of field audit is not the end of audit. As soon as the audit team is back from the field audit, the team should report to the Division Chief/Assistant Auditor General/Department Head/Auditor General and brief them on the audit concluded. Thereafter, the audit team should start ground works for the next audit.

- 3.7.1 The audit team shall report to the Division Chief/Assistant Auditor General and the Department Head as soon as the team is back from field audit;
- 3.7.2 The audit team shall apprise the Division Chief/Assistant Auditor General and the Department Head on the audit findings and any other issues if felt necessary;
- 3.7.3 The audit team shall submit a copy of the audit memos to the Division Chief/Assistant Auditor General and apprise him of the likely date of the audit exit conference;
- 3.7.4 The audit team shall report significant audit findings to the Auditor General and any other specific issues felt necessary if any;



- 3.7.5 The audit team shall sign the attendance register on a daily basis during the period they are in office;
- 3.7.6 The audit team shall start audit planning for the next audit;
- 3.7.7 The audit team shall start preparing the Draft Audit Report;
- 3.7.8 The audit team shall not move around causing disturbances to other colleagues;
- 3.7.9 The team shall submit travel claims for the audit just concluded.

3.8 Audit Exit Conference

An Audit Exit Conference is a meeting held between the designated representatives of RAA and the audited agency after completion of audit to discuss the audit findings. During the audit exit conference, the agencies are expected to furnish further replies, justifications with supporting documents with a view to justify audit issues. The written comments/explanations and other relevant records and evidences produced for verification by the agency during audit exit conference shall be evaluated and audit memos/observations/findings may be revised, settled or dropped accordingly. The deliberations and decisions of the audit exit conference shall be minuted and signed by both parties, which shall be documented properly.

3.8.1 Financial Audit Exit Conference

- 3.8.1.1 The audit exit conference shall be held after two to four weeks upon completion of field audit depending on the size of agency and the nature of audit observations;

- 3.8.1.2 The Team Leader shall fix a convenient date in consultation with the agency head or his designated representative allowing two to four weeks' time for preparing replies;
- 3.8.1.3 The Team Leader shall insist on the reply from the agency before the date of exit conference;
- 3.8.1.4 The team shall ensure that the agency is represented by the head of agency or his representative, finance personnel, sector heads, engineers and all other relevant persons for transparency and accountability purpose;
- 3.8.1.5 The team leader shall present the audit findings for discussion;
- 3.8.1.6 Auditor(s) and the management shall agree on the contextual matters that may impact the interpretation of the facts;
- 3.8.1.7 The audited agency shall be given adequate opportunity to provide further justification and production of documentary evidences relevant to the audit findings;
- 3.8.1.8 Both the auditors and the management shall maintain the same understanding on the Phrases, such as, "for future compliance" and "dropped" so as to avoid misunderstanding in future interactions;
- 3.8.1.9 The audit team shall properly document the evidences attributing to settlement of audit findings;
- 3.8.1.10 Based on justifications and documents produced for verification during the audit exit conference, the audit team may settle, update or change the audit findings;



- 3.8.1.11 Normally, the Division Chief/Assistant Auditor General and Team Leader shall attend the exit conference. The team members and technical auditors may also attend it, if necessary;
- 3.8.1.12 The Head of Department shall attend the exit conference if warranted;
- 3.8.1.13 The team may propose the Auditor General to attend the exit conference if the situation so warrants for protocol reasons or in the event when there are serious findings involving Fraud and Corruption cases;
- 3.8.1.14 The team shall ensure that the management provides the accountability statement duly signed and sealed by the head of the agency at the end of the exit conference;
- 3.8.1.15 The audit team may independently confirm and cross check the accountability fixed by the management, if needed;
- 3.8.1.16 The decisions of the exit conference shall be minuted jointly and signed by both parties involved;
- 3.8.1.17 The persons signing the minutes shall put their initial on all pages preceding the signed page;
- 3.8.1.18 A copy of the signed minutes shall be held by both parties;
- 3.8.1.19 The minutes of the audit exit conference shall be one of the bases for developing the RAA's further comments and drafting of audit reports and Management Appraisal Report.

3.8.2 Performance Audit Exit Conference- Preliminary

- 3.8.2.1 The preliminary audit exit conference shall be conducted after completion of field audit in each agency;
- 3.8.2.2 The team shall discuss only the audit findings pertaining to particular agency under audit;
- 3.8.2.3 The team shall discuss the contents of the draft report in this conference;
- 3.8.2.4 The team shall confirm the date for receipt of the management comments on the recommendations;
- 3.8.2.5 Level of authority to lead this conference from RAA's side will depend upon the level of authority attending from the audited agency;
- 3.8.2.6 The minutes shall be maintained and signed by both the parties;

3.8.3 Performance Audit Exit Conference- Final

- 3.8.3.1 Audit team(s) shall convene the final audit exit conference within two weeks of the issue of the Draft report, if necessary;
- 3.8.3.2 The team shall conduct the final exit conference with the principal agency of the Performance audit or Secretariat of the relevant ministry;
- 3.8.3.3 The team shall leave the presence of other regional, division heads for the final exit conference at the discretion of the head of the agency;
- 3.8.3.4 The decisions of the final exit conference shall be jointly minuted and duly signed by both the parties.



3.8.4 Minuting Requirements

The minutes of audit exit conference shall contain:

- 3.8.4.1 A heading on the Minutes of the Audit Exit Conference between the RAA and the agency audited;
- 3.8.4.2 The time, date and location of the meeting conducted;
- 3.8.4.3 The name and designation of the members present;
- 3.8.4.4 A summary of the purpose of the meeting;
- 3.8.4.5 Discussion/deliberations on audit memos and agreed resolutions; and
- 3.8.4.6 Signature of the audited agency and RAA representatives.

Chapter 4

Conduct, Behaviour & Ethics



Use of Office Equipment and Vehicle of the agency

The audit team shall not use office equipment, vehicles and other facilities of the audited agency for private purposes. For official purposes it may be used with prior permission of the competent authority in the agency and specific permission of the Auditor General for use of pool vehicle during site visits.

4. 1 Office Equipment

- 4.1.1 The auditor(s) shall not use office equipment of the audited agency for private purposes;
- 4.1.2 The auditor(s) shall not use equipment of the audited agency with which they are not completely familiar with;
- 4.1.3 The auditor(s) shall not use telephones and fax of the audited agency for private purposes;
- 4.1.4 The auditor(s) shall seek prior permission from competent authority of the agency for official use of office equipment and other facilities like telephone, fax etc;
- 4.1.5 The auditor(s) shall not play computer games and access internet facilities. However, the access of internet for downloading documents for official purposes may be done with prior permission from the head of the audited agency.

4.2 Vehicle

- 4.2.1 The audit team shall not use any vehicles of the audited agency for private purposes. However, for site visits it may be used with prior permission from the Auditor General;
- 4.2.2 The audit team shall not use audited agency's vehicle for transport between the place of stay and office;

4.3 Food and Drinks

- 4.3.1 The audit team shall make its own arrangement for food;
- 4.3.2 The auditor(s) shall not accept free snacks, food and drinks during the entire period of audit engagement. However, tea may be accepted if provided;
- 4.3.3 The auditor(s) shall not accept free lunches and dinners from the audited agency or its employees;
- 4.3.4 The audited agency shall not provide free tea, snacks, food and drinks to auditor(s);
- 4.3.5 The auditor(s) shall not use the services of personnel of the audited agency to prepare their food.

4.4 Borrowing Money from Audited Agency

It is not ethical to avail advances from the audited agency or borrow money from its employees. The DS A provided should be managed well.

- 4.4.1 Auditor(s) shall not borrow money from the audited agency and its employees under any circumstances;
- 4.4.2 In case the auditor(s) need additional advance, a written application may be faxed to the AFD, and the AFD shall process it within a day;



- 4.4.3 In case of immediate requirement of advances, a verbal request through telephone shall be made to AFD, who shall immediately process the same;

4.5 Leave during Field Audit

The auditors while in the field shall not stay away from duty or leave the duty station without prior permission.

General

- 4.5.1 The auditor(s) shall not stay away from duty without permission from the team leader;
- 4.5.2 The Team Leader shall approve leave for team members for stay in local station only, which shall be reported to the Division Chief/Assistant Auditor General. In case of leave for the team leader, it shall be approved by the Division Chief/Assistant Auditor General/Department Heads/Auditor General;
- 4.5.3 No field auditor(s) shall leave the duty station without prior permission from Division Chief/Assistant Auditor General/ Department Heads/ Auditor General;
- 4.5.4 The team leader shall report to the AFD of out station on leave taken by the auditor(s) including himself;
- 4.5.5 The auditor(s) who has taken leave in the field shall apply for leave for leave updating immediately upon return to the Head Quarters;
- 4.5.6 There shall be no leave taken/granted on mutual understanding basis;
- 4.5.7 In case of medical or emergent ground the auditors shall inform the team leader/Division Chief/Assistant Auditor General/Department Head/Auditor General.

Accordingly, the auditors on resumption of duty shall furnish medical documents or other relevant documents, if any; and

- 4.5.8 No DA shall be admissible if the officials leave the duty station on leave except on medical ground.

4.6 When Auditors Fall Sick

- 4.6.1 The auditor shall inform the team leader as soon as he/she falls sick and not in a position to attend duty; 50 Auditor general's standing instructions
- 4.6.2 The team leader/auditor shall arrange to take the sick auditor to the nearest hospital immediately for consultation and advice of the doctor;
- 4.6.3 The team leader/auditor shall inform the Headquarters immediately on the condition of the auditor;
- 4.6.4 If the condition is not serious, the auditor may stay and rest at the duty station till he/she recuperates;
- 4.6.5 If the condition is serious, the auditor shall return to the Headquarters and the team leader shall inform the Headquarters accordingly; and
- 4.6.6 In serious condition one member of the audit team shall accompany the sick auditor to the Headquarters/hospital.

4.7 Conduct and Behaviour of Auditors in the Field

The auditors are bound by the sixteen principles of oath of good conduct, ethics and secrecy. Therefore, all auditors while in the field are expected to conduct themselves in the manner as would up-hold the honour, dignity and prestige of the organization.



Their personal behaviour in the performance of official duties should be above and beyond reproach at all times. The auditors should be courteous and act with self restraint and civility at all times, so as to command the respect and emulation of others.

- 4.7.1 All field auditors shall come to the place of work on time and shall not leave before office time;
- 4.7.2 All auditors shall be courteous at all times;
- 4.7.3 All auditors shall act and ensure his conduct in accordance with the Good Code of Conduct, Ethics & Secrecy as prescribed in the Audit Act 2006;
- 4.7.4 The auditor shall refrain from being involved in all matters in which he has vested interest as the moral obligation of an auditor;
- 4.7.5 The auditor shall not accept any financial or other favours or be obligated to individuals or organizations, which could lead the auditor to act unethically in his duties and responsibilities;
- 4.7.6 The auditor under no circumstances shall dispense such act that may lead to or have potential bearing to be construed as 'Conflict of Interest';
- 4.7.7 The auditor shall accept the obligation to declare any personal interests, which may affect the interests of those he serves and where there can be conflict of interests;
- 4.7.8 The Team Leader shall monitor the conduct of the team members such as observing punctuality, dress code, manners and appropriate mode of communication with the audited agency's officials;
- 4.7.9 The auditor(s) shall not indulge in socially undesirable behavior, substance abuse, alcohol addictions which affects performance of auditor(s);

- 4.7.10 The auditor(s) shall be objective and impartial in all work conducted by him, particularly in his reports, which should be accurate and objective;
- 4.7.11 The auditor(s) shall not disclose any official information acquired from the audited agency or use it for personal gains or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization;
- 4.7.12 The auditor shall be transparent in his decisions and actions and will not withhold information, which is in the public interest. However, classified information shall not be divulged;
- 4.7.13 The auditor shall act in a way that promotes respect for all regardless of their beliefs;
- 4.7.14 The auditor(s) shall strive not only to be independent of audited entities and other interested groups, but also to be objective, be without fear and favour in dealing with the issues and topics under review and reviewed;
- 4.7.15 The auditor(s) shall be duty bound to make use of information brought forward by the audited entity and other parties, and this information is to be taken into account in the opinions expressed in an impartial way;
- 4.7.16 The auditor(s) shall not argue with or criticize a colleague in the presence of agency personnel;
- 4.7.17 The auditor(s) shall not discuss any audit findings with the agency officials without proper authority and before it has been reviewed by the team leader/supervisor;
- 4.7.18 The auditor(s) shall respect the office decorum of the audited agency;



- 4.7.19 The auditor(s) shall not criticize or direct the employees of the audited agency;
- 4.7.20 The auditor(s) shall not involve themselves in the management's decision making processes;
- 4.7.21 The auditor(s) shall perform their work with honesty, diligence, and responsibility;
- 4.7.22 The auditor(s) shall not accept anything that may impair or presumed to impair their professional judgment;
- 4.7.23 The auditor(s) shall remain apolitical at all times;
- 4.7.24 The auditor(s) shall conduct his duty in a professional manner at all times and apply high professional standards in carrying out duties competently and objectively;
- 4.7.25 The auditor(s) shall respect applicable international and local auditing, accounting, and financial management standards, procedures and practices;
- 4.7.26 The auditor(s) shall exercise due professional care in conducting/supervising the audit and in preparing related reports;
- 4.7.27 The auditor(s) shall use methods and practices of the highest possible quality in auditing;
- 4.7.28 The auditor(s) shall seek to recommend, by personal example and service, the fundamental moral principles on which a successful community, society, organization and a nation can be built and maintained;
- 4.7.29 The auditor(s) shall not engage in providing consultancy services for fees;
- 4.7.30 The auditor shall not perform any duty or make decisions which are of executive nature and likely to impair audit independence.

4.8 Handing/Taking over of Documents/ Records(Requisition)

- 4.8.1 The audit team shall put up the requisition for documents/ records required for audit purposes in the prescribed Audit Documents Requisition Form (Appendix: VII) to the persons concerned through the focal person as may be identified
- 4.8.2 The audit team shall take over the documents/records properly under the signature of the auditor taking over the documents/ records and the person providing the documents/records;
- 4.8.3 Documents/records requisitioned and taken over should be returned in the prescribed formats (refer hand book on working papers for format);

4.9 Care and Custody of Documents/Records

- 4.9.1 The auditor shall not remove any document(s)/record(s) from the agencies file/work place without prior approval and knowledge of the responsible official of the agency;
- 4.9.2 The audit team shall take proper care of documents/ records until it is returned;
- 4.9.3 The audit team shall ensure that all documents/records are under lock and key and there is no unauthorized access and removal of documents/records;



- 4.9.4 The audit team shall request the responsible official of the agency to make copies of such document(s)/record(s) if needed for documentation purposes;
- 4.9.5 In case original record(s)/document(s) are required to be taken by the auditor(s), the team leader shall issue a proper receipt giving details of such record(s)/document(s) taken over;
- 4.9.6 The team leader upon arrival in the headquarters shall report to the Division Chief of such record(s)/document(s) taken by the team from the audited agency;
- 4.9.7 The team leader shall be responsible for safe custody and return of such record(s)/document(s) once the purpose has been served.

4.10 Return of Documents / Records

- 4.10.1 The audit team shall return all documents/records taken over as per the Audit Documents Requisition Form in the prescribed Audit Documents Return Form (Appendix: VIII) to the responsible official of the agency under the signature of both the auditor and the official taking over such documents/records;
- 4.10.2 The team leader shall ensure that all documents/records taken over have been returned to the audited agency.

Chapter 5

Audit Reporting & Documentation



This phase of an auditing process consists of communicating the results of audit to the audited agency and other stakeholders. The audit team shall prepare and submit a audit report for the audit work completed immediately after conducting the audit exit conference. Timeliness of the report shall be strictly observed. The auditors shall maintain professionalism and objectivity while preparing the audit report. The audit report shall conform to specific standards of report content, presentation, language and style and must be prepared in line with the RAA Auditing Standards. Sufficient and competent evidence and facts must support audit findings. The audit report shall be clear, precise, persuasive and simple. The report shall be a balanced and constructive presentation of the results of audit and shall include noteworthy accomplishments of the agency if any.

Accordingly:

1. The audit team shall prepare and submit a report for each audit promptly after the conduct of Audit Exit Meeting;
2. The report shall conform to specific standards of report content, presentation, language and style;
3. The audit report should include the auditors' report on the financial statements of Letter of Credit Account, Current Deposit Account, Subsidiary Budget Account, Revolving Fund Account etc. maintained on account of the Government;
4. The reporting and the types of Audit Report to be prepared and issued shall be guided by Chapter 4 of the RAA Auditing Standards;

5. The audit report shall be addressed and issued to appropriate authorities as stipulated in Article 65 (a) to (g) of the Audit Act 2006;
6. The audit team shall ensure that the deadline indicated in the AAS for submission of draft report for review and expected date of issue of audit report is maintained; 60 Auditor general's standing instructions
7. The audit team shall ensure that audit report is issued not later than 50 days from the date of completion of audit;
8. The copies of audit report shall be submitted to the Druk Gyalpo, the Prime Minister and the Chairperson of the Royal Civil Service Commission or Chairperson of the Anti-Corruption Commission, where offences are serious and require urgent attention in line with Chapter 6, Article 67 of the Audit Act 2006;
9. The audit report shall be on a balanced reporting perspective reporting not only on shortfalls, deficiencies and lapses but also on noteworthy accomplishments giving due cognizance to improvements made by agencies;
10. The auditor shall draw his conclusions and opinions in reports based exclusively on evidence obtained and assembled in accordance with the auditing standards;
11. The audit team shall study the rationality and ground realities behind certain decisions of the management of audited agency, which are not in compliance with the laws, rules and regulations and weigh the impact of such decisions before commenting on such issues;



12. The audit team shall be careful in passing judgement and not jump to conclusions particularly in areas of work where the auditor does not have expertise or lack expert opinion. Wherever necessary the RAA shall hire the services of experts as mandated under the Audit Act 2006.

5.1 Draft Report

The draft audit report in the prescribed format shall be prepared and submitted for review by the Division Chief/Assistant Auditor General immediately upon conducting the audit exit conference. For control purposes, the team shall record the date of submission of the draft report to the Division Chief/Assistant Auditor General for review. The Division Chief/Assistant Auditor General shall review the draft report in terms of the adequacy of audit evidences supporting the audit findings, presentation, language, style, clarity and the appropriateness of the conclusions and further comments and recommendations.

- 5.1.1 The audit team shall prepare the Draft Financial Audit Report in the prescribed format and submit to the Division Chief/Assistant Auditor General for review within 2 weeks of the conduct of audit exit conference;
- 5.1.2 The audit team shall record the date on which the draft report is submitted to the Division Chief/Assistant Auditor General for review;
- 5.1.3 The audit team shall submit properly indexed and filed working papers as prescribed in the Handbook on Audit Working Papers in support of findings for review by the Division Chief/Assistant Auditor General;

- 5.1.4 The audit team shall properly sequence the paras in the draft report with reference to the observation category code and in order of significance;
- 5.1.5 The audit observations/findings should ideally contain the criteria against which the findings have been compared, conclusions and recommendations;
- 5.1.6 The audit team shall incorporate the replies of the management in verbatim;
- 5.1.7 The audit team should properly evaluate and consider the views and comments of the management while framing RAA's further comments and recommendations. In case the management fails to furnish replies within the specified timeframe, the team shall prepare the report and draw up further comments based on the conclusions reached in the audit findings.
- 5.1.8 The audit team shall prepare a balanced report;
- 5.1.9 Draft Performance Audit report shall be completed before the Audit Exit Conference with the audited agency;
- 5.1.10 Draft Performance Audit Report shall be sent to the audited agency for factual confirmation and comments prior to the Audit Exit Conference;
- 5.1.11 The audit team shall keep all working papers and audit evidences ready for reference by the Quality Assurance Unit;
- 5.1.12 The draft report shall be put up to the Department Head after the review by the Division Chief/Assistant Auditor General;



- 5.1.13 The draft report after review by the Department Head shall be put up to the Quality Assurance Unit (QAU) for review in terms of legal aspects and record the date on which the report is received by the Unit;
- 5.1.14 The Quality Assurance Unit/Legal Section shall review for completeness of all supporting evidences to check whether the findings are adequately supported by adequate evidences including the legal aspects;
- 5.1.15 The QAU/Legal Section shall provide feedback on the appropriateness and sufficiency of evidence related to the findings;
- 5.1.16 The QAU/Legal Section shall assure the compliance of the reports with the RAA Auditing Standards including uniformity and consistency;
- 5.1.17 The time taken for review of draft reports by the Division Chief/Assistant Auditor General, Department Head and the Quality Assurance Unit shall not exceed 7, 3 and 5 working days respectively;
- 5.1.18 The Division Chief/Assistant Auditor General, Department Head and Quality Assurance Unit shall document all the comments/changes proposed in the draft report;
- 5.1.19 Reviewed draft report shall be returned to the team leader for preparation of final draft report;
- 5.1.20 The Final Draft report shall be put up to the Quality Assurance Unit and Auditor General for review for those reports containing significant findings or those reports that need to be issued under the Auditor General's signature.

5.2 Final Report

The audit team shall prepare the final report incorporating all changes as recommended by the Division Chief/Assistant Auditor General, Department Head, Quality Assurance Unit and the Auditor General. The team leader shall ensure that the final audit report is complete in all respect before it is printed and bound for issue.

- 5.2.1 The audit team shall incorporate all changes recommended by the Division Chief/Assistant Auditor General, the Department Head, the Quality Assurance Unit and the Auditor General;
- 5.2.2 The audit team shall ensure that no report is issued without the Audit Identification Number (AIN) and all paras in the report have appropriate observation category code;
- 5.2.3 The audit team shall ensure that no report bear the same AIN
- 5.2.4 The audit team shall ensure a copy of the signed Accountability Statement as obtained from the audited agency has been appended in the office copy and the copy endorsed to the FUCD. (However there shall be no accountability statement for the performance audit reports);
- 5.2.5 The audit team shall avail the services of Communication & Graphic expert where required;
- 5.2.6 The audit team shall ensure that there are adequate number of copies of the report for distribution;
- 5.2.7 The audit team shall ensure that report has been addressed to the appropriate authority/Ministry/Agency as prescribed under Article 65 of the Audit Act 2006;



- 5.2.8 The audit team shall ensure that all enclosures (annexes, exhibits, accountability statement etc.) have been properly referenced and appended in the report;
- 5.2.9 The audit team shall ensure that the final report is issued timely (on the date as specified in the AAS);
- 5.2.10 The audit team shall ensure that confidential information are covered in a separate report and such information shall not be divulged or released prior to its authorized release, or revealed to other parties not concerned, without prior clearance and approval of the Auditor General or his duly designated representative as required under Article 66 of the Audit Act 2006;
- 5.2.11 The audit team shall ensure that copies of the report of serious nature that require urgent attention are also submitted to the Druk Gyalpo, the Prime Minister and the Chairperson of the Royal Civil Service Commission or the Chairperson of the Anti-Corruption Commission as required under Article 67 of the Audit Act 2006;
- 5.2.12 The audit team shall ensure that a copy of the Audit Report having fraud, corruption and embezzlement cases is endorsed to the Anti-Corruption Commission inviting reference to specific paras in the report;
- 5.2.13 The audit team shall document and archive the Reports both in Soft and Hard copy;
- 5.2.14 The audit team shall transfer the soft copy of the final report to the Follow-up Division Folder to facilitate the input into AIMS;

5.2.15 The Division Chief/Assistant Auditor General shall monitor proper archiving of report, working papers and audit evidences to ensure safe custody for future reference.

5.3 Signatory to the Audit Report

5.3.1 Audit reports concerning Command audit, Special audits, Armed Forces, Performance, mega projects, Ministries, Dzongkhags, Corporations and Financial Institutions shall be signed by the Auditor General;

5.3.2 Audit reports pertaining to Departments and Agencies, NGOs, Federations, Associations etc. under normal circumstances shall be signed by the Head of the Department;

5.3.3 Audit reports of donor assisted projects and units/divisions shall be signed by the respective Division Chief/Assistant Auditor General;

5.4 Management Appraisal Report

All audit memos resolved during the audit exit conference requiring future compliance and verification shall be included in the Management Appraisal Report in the prescribed format.

5.4.1 The audit team shall prepare and submit the Management Appraisal Report in the prescribed format (Appendix: IX) for Division Chief/Assistant Auditor General's review immediately (not later than 3 days) after the issue of the audit report;

- 5.4.2 The Division Chief/Assistant Auditor General shall review and return the edited Management Appraisal Report to the audit team within 2 days of its receipt from the audit team;
- 5.4.3 The audit team shall incorporate the necessary changes and issue the Management Appraisal Report under the signature of the respective Division Chief/Assistant Auditor General;
- 5.4.4 The audit team shall ensure that Management Appraisal Report is addressed to the head of the audited agency;
- 5.4.5 The audit team shall ensure proper documentation and archiving of the Management Appraisal Report;
- 5.4.6 The audit team shall refer to the previous Management Appraisal Report during the subsequent audit of the agency to verify compliances as assured by the management of that entity.

5.5 Documentation

Audit working papers are generated right from the planning stage through execution to the reporting stage. The importance of working papers cannot be undermined. It may be required for reference purposes or to substantiate assertions of auditors in the courts of law. Therefore, documentation of audit working papers is a must for all types of audits, as it provides strong evidence and basis of work performed by auditors and support the audit opinion.

- 5.5.1 The team leader shall ensure proper maintenance and documentation of working paper files in accordance with the Hand Book on Working Papers;

- 5.5.2 Changes and the reasons for the changes in the audit plan subsequent to its approval shall be documented and approved by the Division Chief;
- 5.5.3 All audits shall have Permanent Audit Files and Current Audit Files;
- 5.5.4 The Permanent Audit File shall contain amongst others, documentation of:
- Audited Agency's Profile
 - Extracts of relevant acts, laws, rules and regulations
 - Grant/Loan agreements
 - Project documents
 - Contract documents
 - Copy of the final audit report and follow-up report issued
- 5.5.5 Current Audit File shall contain amongst others, documentation of:
- Audit Plan and detailed audit program
 - Copy of audit engagement/intimation letter
 - Name of auditors, period and duration of audit
 - Audit objectives, scope and criteria
 - Financial Statements and supporting schedules etc.
 - Internal control and risk assessment
 - Analyses, checklist, copies of correspondence etc.
 - Copies of management/consultant reports, minutes of meetings
 - Audit memos, audit evidences, audit replies and other supporting documents
 - Draft audit report and follow-up report
 - Conflict of interest form



- 5.5.6 The team leader shall ensure proper indexing of documents to facilitate easy reference and tracing;
- 5.5.7 After the auditor's report is issued, the auditor shall not delete or discard audit documentation;
- 5.5.8 All audit working papers related to audit findings shall be made available for review by the Quality Assurance Reviewer;
- 5.5.9 Changes to audit documentation after the date of the Auditor's Report shall be documented with reasons for the changes, who authorized the changes and the effect of such changes if any;
- 5.5.10 The audit team shall take due permission of the audited agency for access and before making copies of confidential documents if required for documentation purposes;
- 5.5.11 The audit team/Division shall retain the audit documentation for a period sufficient to meet the needs of the RAA or as required by law or regulation;
- 5.5.12 The Division shall ensure proper storage of all working documents in office store under lock and key. The AFD shall make adequate storage facilities to facilitate the same.
- 5.5.13 The Division shall ensure proper documentation of confidential and sensitive documents/records and shall maintain confidentiality;
- 5.5.14 The Division shall restrict and control unauthorized access to audit working papers;

5.5.15 In case of Performance Audit the team shall document amongst others:

- i) The Audit Event Diary;
- ii) The approval of the selection of the audit;
- iii) The Information gathered from the survey, including relevant analysis;
- iv) The detail audit plan;
- v) Where applicable, an explanation of major deviations from the original plan and approval for that deviation;
- vi) Management's views of the objectives, criteria and other elements of the audit;
- vii) Audit programs (if any) specifying the work to be carried out and the work completed;
- viii) Comments and advice from Division Chief/ Assistant Auditor General and the quality assurance unit should be documented;
- ix) Any correspondence with entity management;
- x) Audited Agency's comments on the audit report and steps taken to resolve any differences;

Chapter 6

Quality Control



6.1 RAA'S Quality Management System

The RAA in order to bring quality and develop professionalism in its auditing has a quality chain into its audits throughout the audit process by way of review, supervision, consultation and advice. The RAA's framework of Quality Management System is comprised of:

1. Team Leader
2. Division Chief/Assistant Auditor General
3. Department Heads
4. Quality Assurance Unit
5. RAA Executive Committee
6. Auditor General

6.2 Quality Assurance Review Process

The Quality Assurance Reviewer or Review team shall review entire audit works and its working papers to determine compliance with internal policies, procedures and the international practices for audit Work standards for planning, documentation, working papers and audit reports as detailed in the Handbook on the Audit Quality Assurance review Process and for dealing with administrative matters related to audits (e.g. securing paper and electronic files at the conclusion of each audit).

6.3 Audit Effectiveness

These QAR steps should be performed to determine whether the audit working papers contain documentation required by the audit program and other evidence required to determine that the RAA process has been followed.

Chapter 7

Job Responsibilities

- 7.1.11 Coordinate with other Divisions in matters related to audit;
- 7.1.12 Attend the Audit Exit Meetings and Entry Meetings, if required;
- 7.1.13 Monitor the execution of Annual Audit Schedules and revise any shortfalls and incorporate additional/ad-hoc audits in the AAS as approved by the Auditor General;
- 7.1.14 Carry out supervision of field audits from time to time and review the works of auditors in the field including surprise visits and calls;
- 7.1.15 Review the Annual Audit Schedule and each audit plan of the Division including assessing the identified risks and developing appropriate audit procedures;
- 7.1.16 Consider the capabilities and competence of individual members while forming the audit team (capabilities, knowledge and experience) necessary to successfully perform the audit;
- 7.1.17 Ensure that the audit team submits a weekly Progress Report through fax or email;
- 7.1.18 Review the draft audit reports of the Division and ensure its timely issuance;
- 7.1.19 Review as to the adequacy of audit evidences supporting the findings in the report;
- 7.1.20 Ensure that the audit reports have been prepared in line with the RAA Auditing Standards;
- 7.1.21 Review the current and permanent files as to ensure its maintenance in line with the Handbook on Audit Working Papers;



- 7.1.22 Ensure the archiving and safe custody of the working papers;
- 7.1.23 Report any significant issues arising out of audit to the Department Heads and the Auditor General;
- 7.1.24 Attend to the instructions of the Department Heads and the Auditor General;
- 7.1.25 Attend to day to day incoming correspondences and ensure timely actions on those requiring attention;
- 7.1.26 Facilitate the FUCD in matters relating to audit issues of the Division;
- 7.1.27 Sit with the staff of the Division and work out the appropriate time for availing the Continuous Professional Development Courses(CPDP) by the individual staff, such that planned audits do not get affected;
- 7.1.28 Assign a senior staff of the Division to assist the Division Chief/Assistant Auditor General for day to day work;
- 7.1.29 Brief the members of the audit team in matters relating to independence, objectivity and Good Code of Conduct, Ethics and Secrecy of the RAA;
- 7.1.30 Approve all key decisions in executing and reporting the audit including the disposition of advice received from internal and external specialists;
- 7.1.31 Review the audited financial statements and ensure that they comply with appropriate standards;
- 7.1.32 Promote teamwork in the conduct of an efficient and effective audit;
- 7.1.33 Participate in team meetings and share information that is significant to the work of other team members including other Divisions;

- 7.1.34 Evaluate staff performance and provide developmental feedback;
- 7.1.35 Carry out performance evaluation and ap praisal report of the Team Leaders and ensure its timely submission to Human Resource Division (HRD);
- 7.1.36 The Division Chief/Assistant Auditor General shall arrange to depute specialist, technical personnel, redefine or defer the audit until such personnel are available;
- 7.1.37 The Division Chief/Assistant Auditor General shall give due consideration to the size of the audited agency and the nature and complexity of the particular task while forming the composition of the audit team;
- 7.1.38 Apply for any kind of leave to the Head of the Department; and
- 7.1.39 Represent RAA in the public forum as and when required and approved by the Auditor General.

7.2 Team Leader(s)

The Team Leader shall be the overall supervisor for the audit team. He shall review and supervise the works carried out by individual member of the audit team. He shall direct and guide the individual member of the team and be responsible for the conduct and performance of the other members while in the field.

- 7.2.12 Ensure that all instructions under 'Borrowing money from Audited agency' have been observed;
- 7.2.13 Ensure observance of all instructions under 'Conduct, Behavior and Ethics';
- 7.2.14 Review and supervise the work of the team members;
- 7.2.15 Ensure that all instructions under 'Use of Equipment and Vehicle' have been followed;
- 7.2.16 Ensure that all instructions under 'Documentation' have been complied with;
- 7.2.17 Draft internal and external communications including audit Reports;
- 7.2.18 Assign staff to audit tasks in a manner that matches their capabilities with developmental opportunities and personal interests;
- 7.2.19 Ensure that team members understand their responsibilities including the audit procedures to be executed and the expected date of work completion;
- 7.2.20 Advise team members on an ongoing basis and resolve minor audit issues as they arise;
- 7.2.21 Keep the Division Chief/Assistant Auditor General apprised of any significant audit issues;
- 7.2.22 Submit a weekly plan and Progress Report through fax or email to the Division Chief/Assistant Auditor General/Auditor General;
- 7.2.23 Assist the Division Chief/Assistant Auditor General in analyzing significant audit issues and propose strategies to address them;

- 7.2.35 Represent RAA in the public forum as and when required and approved by the Auditor General.

7.3 Team Member(s)

The team member(s) as individuals shall carry out the audit procedures as defined and allocated to them as per the detailed audit program and document the work performed by them. The team members shall assist and cooperate with the team leader in the documentation of working papers and preparation of the draft audit report.

The team members subject to but not limited to the following shall:

- 7.3.1 Assist the team leader in the preparation of Annual Audit Schedule;
- 7.3.2 Assist the team leader in the preparation of detailed audit plan and program;
- 7.3.3 Collect information and data like Profile, Mandates, Financial Statements, targets and achievements etc. from the Agency under Audit;
- 7.3.4 Carry out proper documentation of the above information;
- 7.3.5 Carry out proper documentation of Annual Audit Schedule, Detailed Audit Program, Audit engagement/intimation letter and relevant audit working papers in appropriate files;
- 7.3.6 Perform audit procedures in accordance with the detailed audit program;
- 7.3.7 Seek guidance and direction from the team leader(s) or the Division Chief/Assistant Auditor General wherever necessary;

- 7.3.21 Observe all instructions under 'Advances from Audited agency';
- 7.3.22 Observe all instructions under 'Conduct, Behavior and Ethics';
- 7.3.23 Follow all instructions under 'Use of Equipment and Vehicle';
- 7.3.24 Comply with all instructions under 'Documentation'; and
- 7.3.25 Submit Travel claims;
- 7.3.26 Represent RAA in the public forum as and when required and approved by the Auditor General

7.4 The Department Head/Deputy Auditor General

The Department Head shall monitor the progress of work of various Divisions under them. They shall ensure that all audits are executed as per the plan and issue instructions to respective Division Chief/Assistant Auditor General in matters relating to audit. They shall also ensure that all audits conducted and the audit reports issued are in line with the RAA Auditing Standards.

The Department Head/Deputy Auditor General shall:

- 7.4.1 Monitor the work progress of the respective Divisions;
- 7.4.2 Ensure fulfillment of RAA strategic Plans;
- 7.4.3 Ensure that audits are carried out in accordance with auditing standards;
- 7.4.4 Address significant matters arising during the audit;
- 7.4.5 Attend audit entry and exit conference as and when required;
- 7.4.6 Issue instructions to the respective Division Chief/Assistant Auditor General in matters relating to audit;



- 7.4.7 Approve the tour of the Division Chief/Assistant Auditor General;
- 7.4.8 Approve the leave of the Division Chief/Assistant Auditor General except the extra ordinary leave;
- 7.4.9 Review the draft reports of the respective Divisions;
- 7.4.10 Attend to the instructions of the Auditor General;
- 7.4.11 Advise and provide professional opinion on matters relating to audits to the Auditor General as and when required;
- 7.4.12 Officiate the Auditor General in his absence;
- 7.4.13 Attend to Committee Meetings (procurement, promotion, HRD , Disciplinary, etc.);
- 7.4.14 Represent RAA in the public forum as and when required;
- 7.4.15 Evaluate the Performance Appraisal Report of Division Chief/Assistant Auditor General;
- 7.4.16 Identify audit thrust areas for each audit;
- 7.4.17 Carry out performance evaluation and appraisal report of the Division Chief/Assistant Auditor General and ensure its timely submission to Human Resource Division (HRD).



Appendix: I
VEHICLE REQUISITION FORM

Name of Office/Agency : Royal Audit Authority				
Name of Department :				
Name of Division/Section:				
Requisition details				
Type of Vehicle: No. of Vehicle(s)				
Date	Place		Name of the Official(s)	Purpose
	From	To		
Requisitioned by (Division Chief/Assistant Auditor General/Section Head)			Signature & Date: Name: Designation:	
Vehicle condition: Vehicle No. : Driver's Name : Maintenance's In-charge.			Pool/Adm. Officer Date:	Singneture
Approved by:			Signature: Date :	



Appendix: II COMPLIANCE TO CODE OF ETHICS

Name of the agency:	
Period of Audit Proposed	
Name of the Auditor :	
Designation of the Auditor	
Reviewed by (Team Leader)	
Designation of the reviewer	
Date of review	

Aspects of ethical code	Description		If No, insert reason
Integrity	The audit will be conducted with honesty and integrity.		

Independence	<p>The auditor has no personal or financial dealings with the audited entity or persons in the audited entity which might cause a conflict of loyalty or interest.</p> <p>The auditor has not worked at the audited entity as an employee for the past three years.</p>		
Conflict of interest	<p>Auditors should avoid all relationships with managers and staff of the audited entity and other parties which may influence, compromise or threaten the ability of auditors to act and be seen to be acting independently. The auditor has declared that he/she has no conflict of interests in this audit.</p> <p>(Refer Appendix II)</p>		



Confidentiality	Information obtained in the auditing process will not be disclosed to third parties other than for lawful purposes and will not be used for personal gain.		
Professional competence and due care	Due care will be exercised and audit will be performed diligently and in accordance with applicable technical and professional standards.		

Agreement of Teammember

I, the undersigned fully understand the requirements and my responsibilities in terms of the Code of Ethics for RAA auditors and the provisions included in the above table. I comply with the ethical requirements set out in the table above relating to the audit of [insert name of audited entity]

Name of Auditor :

Designation :

Division :

Acceptance by Division Chief/Assistant Auditor General After consideration of the above declarations and staff interviews, I conclude that all the requirements contained in the Code of Ethics for RAA auditors are understood and met for the audit engagement.



Any threats to the audit teams' independence have been eliminated or reduced to an acceptable level.

Name of the Division Chief/Assistant Auditor General:

Designation :

Division :



Appendix: III

DECLARATION ON CONFLICT OF INTERESTS

I, (name of the auditor) have been assigned as Team Leader/Team Member in auditing (name of the agency) for the period covering..... tovide Audit Engagement / intimation letter No.....dated..... In accordance with Oath of Good Conduct, Ethics and Secrecy, I hereby declare that to the best of my knowledge I do not have any of my close relatives holding influential and vital position in (name of the agency). Further, I undertake to withdraw from the team should it be known later that the (name of the agency), has any close relatives of mine holding influential and vital position or, any circumstances that may conflict or appear to conflict with my own interest.

In the event of any adverse situation arising out of a conflict of interest in which I am a part, I understand that I **shall be held fully responsible and shall be liable to prosecution as per the laws of the land.**

Dated Signature :

Name of person declaring :

Designation & Division :

ACCEPTANCE BY THE DIVISION CHIEF/ASSISTANT AUDITOR GENERAL

Dated Signature :

Division Chief/Assistant Auditor General

/Head of Department :

Designation & Division :

Appendix: IV

ASSESSMENT OF ETHICAL THREATS AND SAFE GUARDS

Name of the agency:	
Period of Audit Proposed	
Name of the Auditor :	
Designation of the Auditor	
Reviewed by (Team Leader)	
Designation of the reviewer	
Date of review	



Ethical Threats with examples	Suggested Safeguards
<p>Self Interest Threat:</p> <p>It may occur as a result of financial or other interests of audit team member or close family. (E.g. due to financial interests in clients in the form of shares, or personal relationships, e.g. when family members are employed at an audited entity).</p>	<p>If auditor's family has business relationship with the audited entity, then he should not be included in the audit team.</p> <p>If the auditor has close family members working in key position in the audited entity, then he should not be included in the audit team.</p>
<p>Self-review threat:</p> <p>A self review threat occurs when the auditor has to re-evaluate work completed by him. (E.g. if the audit work performed by team leader review his own work). There here is a risk that the audit team leader does not identify the shortcomings in his own</p>	<p>The work performed by the team leader should be reviewed by the Division Chief/Assistant Auditor General.</p>

Advocacy Threat:

This may occur when the auditor is asked to promote the audited agency's position or represent them in some way, (e.g. the auditor could be asked by the audit agency to promote their shares for listing or to represent them in the court).

Auditors should not be allowed to represent the position of the audited agency in whatsoever manner.

Familiarity Threat:

A familiarity threat occurs when the auditor is too trusting of the audit agency because of a close relationship with them. The auditor may trust their friend or relative to not make mistakes and therefore not review their work as thoroughly as they should and as a result allow material errors to go undetected in the financial statements.

The auditors' relationship with the people working in the audited agency should be reviewed on regular basis, especially if their friends or family are working in the key finance position. If they maintain their relationships too close, then they should be pulled out of the audit team.



Intimidation Threat:

It may occur when auditors are deterred from acting objectively by threats made against them, such as the threat of litigation..

If there is any threat of litigation made by the audited entity, then the RAA should deal with such threats appropriately and reconstitute the audit team if necessary.

CONCLUSION

The Ethical threats arising as a result of taking up the audit engagement of (insert the name of audited entity) have been assessed against every auditor of the audit team and necessary safeguards have been put in place to uphold the independence and objectivity in the conduct of the audit of the above named entity.

Name of the Team Leader :

Designation :

Division

**Name of the Division Chief/
Assistant Auditor General :**

Designation :

Division :

Appendix: V

WEEKLY PLAN

Name of the Auditor: Designation:

Duties assigned:

Name of the Supervisor/Team Leader:

Planned Activities & Accomplishments

Date	Planned Activity	Accomplishments	Outputs
Remarks:			

Signature of the Auditor:

Signature of the Team Leader/Supervisor:



Appendix: VI MONTHLY PROGRESS REPORT

Period:

Dated:

Name of the Division:

Name of the Department:

I. Audits conducted during the month:

Sl. No.	Types of Audit	No. of Agendes
1.	Normal Audit	
2.	Certification Audit as required by the Donor Agencies	
3.	Follow up on the prior Audit reports	
	Total	

II. Reports issued during the month:

Sl. No.	Types of Audit	No. of Agendes
1.	Normal Audit	
2.	Certification Audit as required by the Donor Agencies	
3.	Follow up on the prior Audit reports	
	Total	

III . Significant issues including fraud and corruption pointed out during the month:

Sl. No.	Agency & AIN	Observation in brief	Amount (Nu.)	Para Status/Impact
	Total			



IV. Audits planned and conducted during the month (as per the Annual Audit Schedule):

Sl. No	Name of Agency	Period of Audit	Audit Planned		Audit Conducted	
1.						
2.						
3.						
4.						

V. Issue of reports planned and actually issued during the month:

Sl. No	Name of Agency	Period of Audit	Date of issue of report as planned	Actual issue date
1.				
2.				
3.				
4.				

VI. Audits under Progress:

Sl. No.	Name of Agency	Period of audit	Start date of audit
1 .			
2 .			
3 .			

VII . Reports under Progress

Sl. No.	Name of Agency	Period of Audit	Date of Audit	Date schedule for issue as per plan
1 .				
2 .				
3 .				
4 .				

Prepared by:

Signature of the Division Chief/Regional head (with official Seal)

Concurred:

Head of Department (DSA)



Appendix: VII
AUDIT DOCUMENTS REQUISITION FORM

From:	
To:	
Date	

Kindly arrange to provide following documents and files for

.....
.....
.....

Sl. No.	Name of Documents	Remarks

Thanking you.

Name of Auditor

Name & Signature of provider

Appendix: VIII

AUDIT DOCUMENTS RETURN FORM

From:	
To:	
Date	

We are returning the following documents and files obtained from you during audit.

Sl. No.	Name of Documents	Remarks

Thanking you.

Name & Signature
of Auditor

Name & Signature
of receiver



Appendix: IX

RAA/(Div)/(Agency)/ Mgt. Appraisal Report/(fin. year)/ Date:

.....
.....
.....

Subject: **Management Appraisal Report**

Sir,

Enclosed herewith please find the Management Appraisal Report on audit of the (Agency) for the financial year (.....) conducted during The audit report was issued vide Ref. No. dated Out of the (number) audit memos issued on various subjects (number) observations were resolved based on the explanation and documents furnished, recoveries made and deposited into ARA and compliance assured by the management.

The details of the issues resolved and taken out from the audit report are given in the attached Annexure-A.

The future compliance assured by the management for rectifications and improvements of the system will be verified in the next audit

Yours faithfully,

Name

Designation

Copy to:



Annexure-A

AuditMemoNo.

...(Memo Title).....

.....
.....
.....
.....

Auditee's Response:

.....
.....
.....

The memo was treated as settled:

.....
.....
.....

Compliance to be made by Management:

.....
.....
.....