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Royal Audit Authority



**GUIDELINES ON
FOLLOW-UP OF AUDIT REPORT**

Article 25.1 of the Constitution of the Kingdom of Bhutan mandates the Royal Audit Authority (RAA) to audit and report on the economy, efficiency and effectiveness in the use of public resources. Accordingly, it is responsible to carry out proper and timely audits of agencies entrusted with public resources and report thereon.

A primary objective of audit is to improve public sector performance and accountability through the implementation of audit recommendations. It is imperative to institute an effective follow up mechanisms of audit reports and recommendations to ensure timely implementation to add values and make difference to lives of citizens. In order to achieve this, the RAA needs to adopt a consistent and systematic approach to the follow-up of audit reports.

A sound and effective follow-up mechanism serves the following objectives:

- *Increasing the effectiveness of audit report*- to increase the probability that recommendation will be implemented;
- *Assist the legislature* – follow-ups may be valuable in guiding the actions of the legislature; and
- *Evaluating own performance* –follow –up activity provides a basis for assessing and evaluating the performance and accountability.

The Audit Act of Bhutan 2018 provides full organizational and functional independence to RAA, and empowers to develop rules, procedures and guidelines to carry out its functions effectively. Further, ISSAI 100 authorises the Supreme Audit Institutions (SAIs) to monitor action taken by the responsible party in response to the matters raised in an audit report.

Accordingly, the RAA hereby promulgate the Guidelines on Follow-up of Audit Reports and Recommendations to inject a sense of responsibility and accountability by clearly specifying the roles and responsibilities at all levels on follow-up procedures and documentation. The Guideline provides only minimum guidance. The users of the Guideline should not apply the guidance as rigidly prescriptive but exercise professional judgment.

The Guidelines is also aimed at standardizing and bringing uniformity in follow-up procedures in our relentless strive for better standards in audit process and increase the quality of audit work.

It is my fervent hope that the auditors would find the Guideline useful, and assist them in executing their professional duties and thus, enhancing quality, credibility and professionalism.

(Tshering Tenzang)

Auditor General of Bhutan





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About the Guidelines

Introduction

1. The Follow-Up Guidelines provides guidance for conducting the follow-up of audit reports and recommendations in a systemic way. The guideline primarily outline the processes and methodologies for the follow-up of audit reports and recommendations including the Management Appraisal Report (MAR) as necessary.
2. The Follow-up Guideline is the result of participation in SAI Young Leaders programme in 2018 under the professional support of INTOSAI Development Initiatives (IDI) and recommendation of Peer Review Report on the Independence of the Office of the Royal Audit Authority, 2016.
3. The Guidelines is built upon Principle 3 of ISSAI 20 and ISSAI 100 where SAIs has a role in monitoring actions taken by the responsible party in response to those matters raised in their audit reports.
4. The guideline will be subject to revisions and amendment, when required.

Purpose of the Guideline

1. The primary objective of the guideline is to ensure uniformity in approaches and timeliness in the follow-up of compliance to recommendations in the audit reports and Management Appraisal Report (MAR). In doing so, the guideline is expected to address the following:
 - ◉ To have a standardized follow-up mechanism and consistency in follow-up process across Head Office and the Offices of the Assistant Auditor General;
 - ◉ To conduct regular and timely follow-up of issues raised in the audit reports so that audit issues are not left unattended, and essence and relevance not lost with the passage of time;
 - ◉ To guide auditors in conducting the follow-ups and go through due process of quality control;
 - ◉ To promote professional competency in follow-up process;
 - ◉ To report appropriately in order to provide feedback to the audited entities and legislature together with the conclusions and impacts of all relevant corrective actions;
 - ◉ To increase the value of the audit process by strengthening the impact of the audit and laying the basis for improvements for future audit work; and
 - ◉ To enhance the implementation of audit recommendations by audited entities and to adequately address the problems.

Nature and Scope of the Guideline

1. The guideline contains a framework for undertaking follow-up activity by the Royal Audit Authority (RAA). It provides guidance on conducting desk and field review and follow-up audit. The guideline shall apply to follow-up of all audits undertaken by the RAA.
2. The guidelines also provide instructions on conduct of follow-up of the MAR.
3. The guideline provides only minimum guidance, and the auditors shall not apply the guidance as rigidly prescriptive, and should not restrain themselves from exercising professional judgment.
4. The follow-up auditors, audit teams and the supervisors should exercise professional judgments and due diligences wherever applicable while implementing these guidelines.

Mandate

1. The mandates to conduct the follow-up of Audit Reports derives from the Constitution of the Kingdom of Bhutan, Audit Act of Bhutan 2018, Financial Rules and Regulations 2016. Article 25.1 of the Constitution of the Kingdom of Bhutan specifies that “*there shall be a Royal Audit Authority to conduct and report on the Economy, Efficiency and Effectiveness in the use of Public Resources*”.
2. Chapter 4 Clause 60 of the Audit Act of Bhutan 2018 stipulates that, “*The Authority shall have the power to frame rules and regulations, policy, procedures and guidelines as may be required for effectively carrying out its functions, duties and responsibilities provided under this Act*”.

Structure of the Guideline

1. The guideline comprises of five chapters, which set out the entire process of follow-up of audit reports and MAR. Chapter 1 introduces the basic concepts of follow-up auditing while chapter 2-4 deals with detailed guidance on desk and field reviews, and follow-up audit. Chapter 5 describes the procedures for closing audit observations, recommendations and audit reports. The guideline is structured as follows:

Chapter 1: Introduction to Follow-up

Chapter 2: Determining Follow-up Activities

Chapter 3: Desk and Field Review

Chapter 4: Follow-up Audit

Chapter 5: Closing Audit Observations and Recommendations

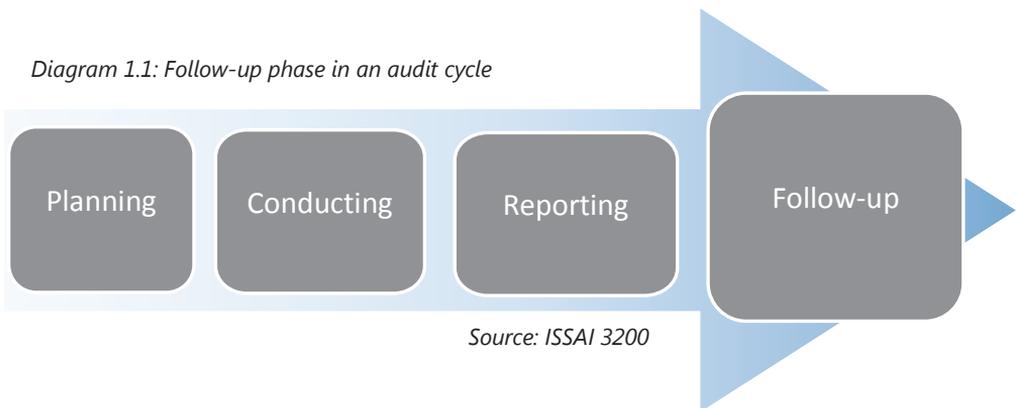
Chapter 1: Introduction to Follow-up

This chapter presents the basic concepts of follow-up, namely, definition, purpose, types of follow-up and the follow-up cycle.

Introduction

- 1.1 Follow-up is an important tool to ensure and evaluate the impact of the audit observations and recommendations in improving the systems and performance of the public sector operations. In the context of an ISSAI based financial audits, the follow-up form part of the audit process of the subsequent year audit since unresolved prior year issues may represent risks of material misstatement of the financial statements of the subsequent year.
- 1.2 Follow-up enables SAIs to establish the value added by the audits in terms of improvements in the systems and processes over a given time period or subject area. The benefit from audit work is not in the recommendations made, but lies in effective implementation.
- 1.3 The follow-up phase comes after the reporting phase of an audit cycle as shown in Diagram 1.1.

Diagram 1.1: Follow-up phase in an audit cycle



Source: ISSAI 3200

- 1.4 The Public Accounts Committee (PAC) plays an active role in the review and follow-up of the audit reports tabled in the Parliament. Hence, there are two levels of follow-up of audit findings and recommendations, i.e., one at the SAI level and another at the PAC level.
- 1.5 A follow-up of an audit report could be for just one financial year on which the audit was conducted and report issued or could cover multiple years depending on outstanding issues from earlier years' audit reports (financial or compliance).
- 1.6 Follow-up should be a continuous process, until the outstanding issues are resolved based on appropriate actions taken by the Management or those charged with governance.
- 1.7 Follow-up report should be issued under the signatory of an appropriate authority to concerned entity in response to action taken report received.

Definition of Follow-up

- 1.8 Follow-up refers to the auditors' examination of corrective action taken by the audited entity, or another responsible party, on the basis of the results of an audit. (ISSAI 300/42). Corrective actions are taken by the audited entity to correct a lapse or enhance the system.
- 1.9 Follow-up is a process by which auditors review and evaluate the adequacy, effectiveness and timeliness of actions taken by audited entity on reported observations and recommendations.

Adequacy means whether the corrective action was adequately implemented to correct the reported situation while *effectiveness* means whether the root cause of the reported situation has been corrected and the impact has been created. *Timeliness* means whether the audited entity has implemented the corrective action on time within the agreed timeframe.

Objective of Follow-up

- 1.10 Following up on audit observations and recommendations serve five main purposes:
- ⊙ identify the extent to which audited entities have implemented changes in response to audit observations and recommendations;
 - ⊙ determine the impacts which can be attributed to the audits;
 - ⊙ identify areas that would be useful to follow up in future work;
 - ⊙ assess whether the audited entity has undertaken compliance to the audit recommendations and further compliance as pointed out in audit reports and Management Appraisal Reports (MAR); and
 - ⊙ provide a basis for assessing and evaluating RAA's performance that contribute to better knowledge and improved practices.

Types of Follow-up

- 1.11 The three main types of follow-up are:
- ❶ **Desk Review:** Desk review involves a detailed review of the implementation of the corrective actions and recommendations, which involve reviewing the evidences to ascertain the implementation. Desk review can sometimes entail confirmation of compliances in the field with reference to underlying accounting records and physical verification at site.
 - ❷ **Field Review:** Field review involves verification of compliances in the field regarding the corrective actions made in the audit reports, including the adequacy and effectiveness. Field review can be taken up as a result of desk review by the reviewer or independently by the audit team during the subsequent audit.

Further, the review of Management Appraisal Report (MAR) is also a field review which involves verification of compliances that have been assured by the management in the previous audit.

- ③ **Follow-up Audit:** Follow-up audit is a distinct audit taken up depending on the significance of matters involved and likely impact that can be created. For instance, a follow-up audit can be taken up for similar types of significant recommendations and issues in the same or various entities with a view to analysing the common reasons for underperformance. The follow-up audit should be conducted as and when the analysis of audit reports for common and persistent audit issues are necessitated.

Responsibility for follow-up

- 1.12 Chapter 7 Section 119 of the Audit Act of Bhutan 2018 stipulates, “*The concerned audited agencies and other concerned authority shall be responsible to take timely follow-up actions on audit reports issued under this Act.*” It is the entity's responsibility to manage the implementation of actions to which it has agreed;
- 1.13 Principle 7 of ISSAI 10 recommends SAIs to follow-up on recommendations made by the Parliament including parliamentary resolutions concerning audit findings;
- 1.14 It is an entity's responsibility to implement the audit recommendations to which it has agreed, including determining an appropriate strategy to help achieve timely and effective implementation. The successful implementation of audit recommendations require senior management oversight, implementation approaches that set clear actions and timeframes, and effective monitoring;
- 1.15 The AG's Standing Instruction states that the audit team shall review the past audit reports to ensure implementation of and compliance with the audit recommendations;
- 1.16 The Follow-up and Clearance Division (FUCD) shall provide every audit team with the latest status of follow-up of previous audits of the agency under audit;
- 1.17 Based on Action Taken Report received, Desk review shall be carried out by Follow-up and Clearance Division and Follow-up Sections in Regional offices;
- 1.18 Specific field review shall be carried out by auditors; one auditor from the audit team who carried out the particular audit should be included in the follow-up audit to render it effective and impactful; and
- 1.19 Audit teams are responsible to follow-up Management Appraisal Report (MAR) issued in the past.

Pre-requisites for Follow-up

At a minimum, the following information are needed to take up a follow-up activity.

Action Taken Report (ATR)

- 1.20 As per the Audit Act of Bhutan 2018, "*Action Taken Report means time allocated to audited entity to respond on audit observations.*" In other words, Action Taken Report (ATR) pertaining to financial and compliance audits contains the details on actions taken by audited entity against the audit observations.
- 1.21 Management or those charged with governance should submit ATR within three months after the issuance of report.
- 1.22 The follow-up should be carried out based on the ATR received.

Management Action Plan (MAP)

- 1.23 Management Action Plan (MAP) is a plan submitted by the audited entity for implementation of accepted performance audit recommendations along with the implementation timeframe and responsibility. A template is given in Appendix 1.
- 1.24 Management or those charged with governance shall submit MAP within three months of the issuance of a performance audit report.

Management Appraisal Report (MAR)

Management Appraisal Report (MAR) pertains to those audit issues that are resolved before the issuance of a financial audit report and for which compliances have been assured by the management or those charged with the governance.

- 1.25 The follow-up procedures shall begin with maintenance of comprehensive inventory of audit observations and recommendations along with appropriate due date of ATR or MAP in appropriate database.
- 1.26 The corresponding status of implementation of corrective actions shall be maintained and updated when required, until outstanding findings are resolved based on appropriate action taken by the management or those charged with governance.

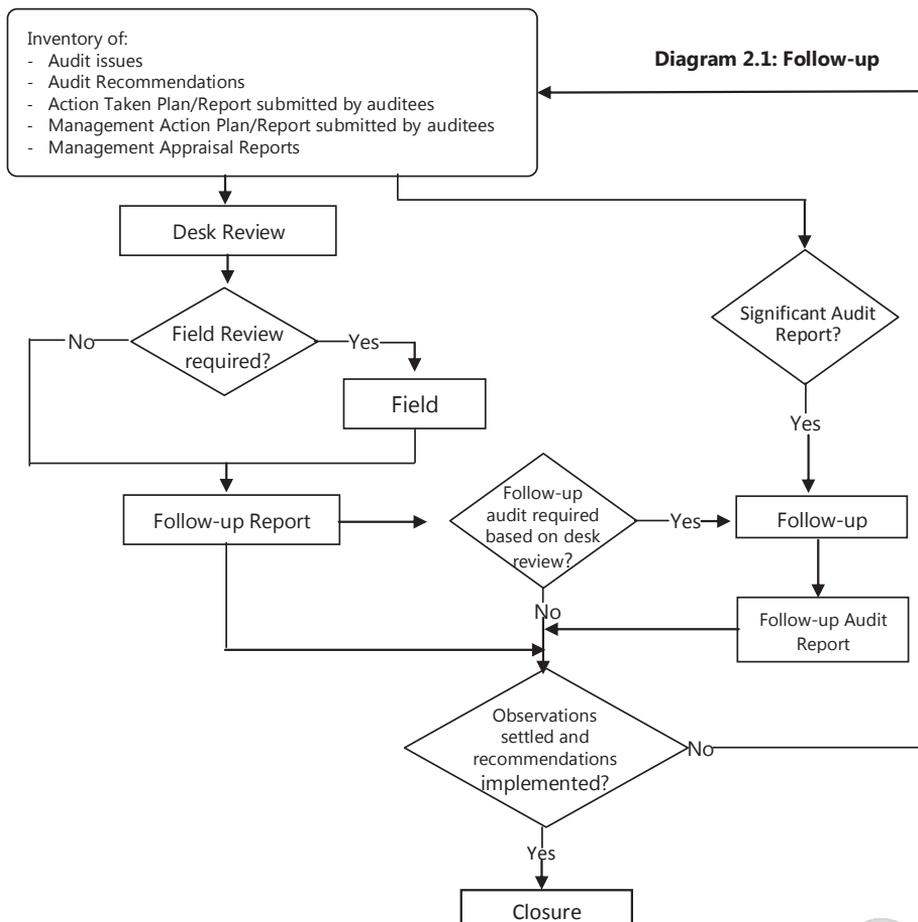
Chapter 2: Determining follow-up audits

This chapter explains the follow-up process, and the frequency and timing of follow-up activities.

Follow-up Process

2.1 Follow-up process should be established as depicted in diagram 2.1 and a typical follow-up process should involve:

- ⦿ evaluation of the action taken report or management action plan received,
- ⦿ where applicable, evaluation of accountability statement and the timeframe for implementation of corrective action;
- ⦿ desk review of status of corrective actions implemented for adequacy, effectiveness and timeliness;
- ⦿ field review if required for confirmation and validation;
- ⦿ follow-up audit based on significance of audit report or results of desk review;
- ⦿ reporting of status; and
- ⦿ closure of settled audit observations and recommendations.



- 2.2 **Desk reviews** should be carried out for all the audits; Financial, Performance and Compliance after which, the necessity of field visits can be determined for factual confirmation.

Timing and Frequency of Follow-up of Different Audits

- 2.3 The follow-up of audit reports shall be done within a reasonable period after the report is issued to the management or those charged with governance, to ensure compliance and effective implementation of the corrective actions.
- 2.4 **Annual Audit Reports** should be desk reviewed twice a year by FUCD as per the Rules of Procedures of the Public Accounts Committee (PAC) 2017.
- 2.5 **Financial and Compliance Audit Reports** should be desk reviewed within two weeks of receiving the Action Taken Report unless the matter needs elaborate discussions. After the first review, the subsequent desk review should be carried out as and when action taken status are provided by the audited entities.
- 2.6 **Management Appraisal Report (MAR)** should be followed-up as and when the next audit for that particular audited entity begins.
- 2.7 **Performance Audit (PA) Reports** should be desk-reviewed based on the timeframe set out in the MAP. The subsequent desk reviews should be decided by AAG, FUCD in consultation with the AAG of the respective division.
- 2.8 The follow-up audit of **Compliance and Performance Audit Reports** should be determined based on the significance of the report and the results of the desk review. In case of performance audit reports, the follow-up audit should be conducted after three to five years of issuance of a particular PA report.

Determining Follow-up Audit

Determining follow-up audit or field review constitutes a key management decision which can be influenced by the following factors:

Results of the Desk Review

- 2.9 Depending on the results of the desk review, it can be decided whether a full follow-up audit is required or not. A follow-up audit should be conducted when the results of the desk review indicate the need for further verification and confirmation.

Significance of Audit Findings and Recommendations

- 2.10 Field review or audit should be carried out when there are following elements:
- ⦿ issues and recommendations that are likely to have national significance;

- ⦿ Existence of fraudulent practices is comparatively high and pervasive;
- ⦿ Risks of material misstatement in financial statement are high; and
- ⦿ issues raised are cross-sectoral, and/or likely to have huge impact on the performance of the audited entity.

● Chapter 3: Desk and Field Review

This chapter describes the processes involved in carrying out a desk and field review. The chapter also touches upon the follow-up of Management Appraisal Report.

Relevancy of the audit observation and recommendations

3.1 An assessment of the relevancy of the audit observation and recommendations should be carried out before and during any follow-up activity. The relevancy can be judged by scanning the implementation environment and assessing the validity of the corrective actions. If found relevant, a desk review can be carried out.

When conducting follow-up of an audit report, the auditor should concentrate on findings and recommendations that are still relevant at the time of the follow-up and adopt an unbiased and independent approach. - **ISSAI 300**

3.2 The assessment might indicate that the corrective actions may no longer be valid and relevant. In such cases a decision must be made responding to changes undergone and relevant information should be obtained and documented. Corrective actions may no longer be required in the following scenarios.

- ⊙ Audited entity activities have changed completely and this could not be foreseen when the audit report was transmitted;
- ⊙ The audited entity concerned no longer exists;
- ⊙ The environment has changed such that the problem no longer exists;
- ⊙ Compensating controls have been implemented; and
- ⊙ Business objectives or priorities have changed in such a way as to effectively remove or significantly reduce the previous risk.

Desk Review

3.3 Desk reviews of all audit reports shall be carried out by FUCD and Follow-Up Sections and includes status monitoring including field reviews where necessary. Status monitoring involves sending reminder for ATR and determining progress made in implementation of corrective actions or recommendations.



Desk Review of Financial and Compliance Audit Reports

The following are the steps in desk review of financial and compliance audits.

a) *Evaluating the Action Taken Report*

- 3.4 If the ATR is not received within three months after issuing the audit report, a reminder should be sent to management or those charged with governance in keeping with the provision of the Audit Act of Bhutan 2018 Chapter-6; Clause 118; Section (3). A template of reminder letter is given in **Appendix 2**.
- 3.5 In the event of not receiving ATR even after two weeks from the ATR reminder, the reviewer should appraise Follow-up Committee who shall exercise Section 122, 146(3), and 147(2) of Audit Act of Bhutan 2018.
- 3.6 On receipt of ATR, the FUCD and Follow-up Sections shall conduct review and evaluation of response submitted. Wherever possible, evidences of action taken should be obtained and reviewed to assess the adequacy and effectiveness of actions taken.
- 3.7 When the evidences of the corrective actions undertaken are not satisfactory, the reviewer¹ should discuss with the appropriate officials of the audited entity to seek further clarification.
- 3.8 Where deemed necessary, the reviewer should conduct physical verification of defectives items rectified in construction works/ structures, verification of records or any other aspects encompassed in audit reports and corrective measures taken by the audited entities. The results of the field review should be recorded as provided in **Appendix 3**. The reviewer should undertake appropriate testing or other audit procedures to confirm the implementation status.
- 3.9 Where issues raised are of technical nature requiring the views of the auditors who conducted the audit or the supervising officers, the matters should be consulted with them for appropriate review and decision making.
- 3.10 Field review reports should be prepared in detail in the form of write-ups, compilation of pictorial evidences and test results, documentary evidences or any other appropriate means and submitted to the AAG of FUCD/OAAG after completion of the field review.

b) **Assessing the Actions to be taken**

- 3.11 Chapter 6 Section 120 of the Audit Act of Bhutan 2018 stipulates that, "*The agency concerned shall take action on audit observations and ensure that any fund or property misspent, misused or wasted is recovered within the stipulated deadline.*" Accordingly, the actions has to be taken by the audited entity which should be assessed by the reviewer.
- 3.12 The actions to be taken includes **Appropriate Action Needed, Administrative Action Needed, Lapses Action Needed, and Audit Recoveries**. These actions determine the

¹ Reviewer refers to the official entrusted with carrying out the desk review. The official could be from the FUCD or follow-up sections of the OAAGs.

severity of the audit issues pointed out and also provide for a basis of conducting follow-up reviews.

- ⦿ **Appropriate Action:** Audit observations with prima facie evidence of existence of fraud, corruption and embezzlement cases must be recommended for appropriate actions as per the Laws of the Land.
- ⦿ **Administrative Action:** The occurrence of serious lapses however with prima facie document evidencing absence of intent of fraud, corruption and embezzlement must be recommended for appropriate administrative action.
- ⦿ **Lapses Action:** Procedural lapses and defective works without any material loss of public resources and where compliances have been assured and necessary controls to be instituted by the management must be recommended for lapses action.
- ⦿ **Audit Recoveries:** Audit recovery is a system of recovering money from individual/audited entities who have mishandled public monies in contravention to the Government rules, norms and standards. The individual accountable against individual audit observations and its corresponding audit recovery should be recorded appropriately in the inventory.

3.13 An audit observation may have audit recoveries and one of other actions indicated above. The reviewer should assess whether the actions were taken as per the '**Auditor's Further Comments & Recommendation**' in the audit report.

3.14 Chapter 6 Section 123 of the Audit Act of Bhutan 2018 stipulates that, *"Any serious cases remaining unresolved for 12 months after deliberation in the Parliament shall be referred to the Court of Law by the agencies concerned. Failure to refer such cases to the Court of Law shall result in denial of Audit Clearance Certificate to the Head of agencies concerned."* In such cases, the AAG of FUCD and OAAG should draw the attention of the Follow-Up Committee for appropriate directives and actions.

c) **Updating and Reporting the Status**

3.15 The implementation status should be documented and updated and a follow-up report should be issued to the Management or those charged with governance as provided in **Appendix 4**. At a minimum, follow-up report should contain the following:

- ⦿ Follow-up forwarding letter (**Appendix 5 & Appendix 6**);
- ⦿ Number of follow-up carried out;
- ⦿ Status of the audit observation: Settled, Partly settled and Unsettled;
- ⦿ Reasons for the status.

3.16 The categorization of Audit observation status are defined in Table 3.1

Table 3.1: Categorisation of observation status

Category	Explanation
Settled	The action met the intent of the audit observation and recommendation, and sufficient evidence was provided to demonstrate action taken, given the significance and complexity of the audit observation and recommendation.
Partially settled	The category encompasses three considerations: <ul style="list-style-type: none"> • Action taken was less extensive than recommended. Action either fell short or only addressed some of the identified issues. • The entity may have established a process or procedure to address an issue, however, the specific action noted in the recommendation was not complete at the time of assessment. • Actions are partly taken (Partial recovery, Recovery made but administrative action not taken).
Unsettled	This category encompasses two considerations: <ul style="list-style-type: none"> • There is no supporting evidence that action has been undertaken. • The action taken does not address the audit observation and recommendation.

Source: Adopted from Australian National Audit Office

3.17 If a single observation is resolved from a report, based on recoveries made or justifications provided, it should be acknowledged instantly by issuing observation settlement letter as given in **Appendix 7**.

d) Field Review

3.18 Where required, latest status of audit reports of audited entities, with a list of unsettled audit observations, should be provided to the current audit team within three days of receipt of audit intimation letter from the audit functional Divisions in **Appendix 8**.

3.19 The audit team should then assess the status of the unsettled audit observations, discuss in the exit meeting and submit a status report to FUCD as given in **Appendix 9**.

3.20 AAG, FUCD should review the status report submitted by audit teams and accordingly direct the reviewer concerned at FUCD/follow-up sections to prepare the follow-up report.

Desk Review of Performance Audit Reports

The following steps should be followed for desk review of performance audit reports.

a) Evaluation of Management Action Plan

3.21 With regard to Performance Audit Reports, the Management or those charged with the governance are required to submit the Management Action Plan (MAP) within three months from the issue of Report, specifying the timeframe and responsibility of the stated corrective action.

- 3.22 In the event the MAP is not submitted within the stipulated timeframe, a reminder should be sent to Management or those charged with the governance by Performance and System Audit Division (PSAD) and Thematic Audit Division (TAD), where appropriate for necessary actions.
- 3.23 After receiving the MAP, the performance audit team concerned should assess the acceptability and adequacy of management action plan, accountability statement and implementation timeframe of recommendations in consultation with the AAG. Some of the minimum requirements are:
- i) Specific actions are provided for each recommendation
 - ⦿ Whether the corrective actions are specific to the recommendation. The actions have to be measurable and accountable while conducting follow-up.
 - ⦿ Whether the corrective actions provided fully address the recommendations or the underlying causes of the audit observation.
 - ⦿ For recommendations involving more than one audited entity, all responsible entities should have their respective corrective actions listed down.
 - ⦿ Whether the corrective actions are very technical, and/or requiring approvals from the highest level, and/or involving multiple agencies etc. Such corrective actions should be allocated more time and resources as they will involve more agencies and co-ordinated efforts.
 - ii) Urgency of implementing corrective actions
 - ⦿ Whether the recommendations and corrective actions were prioritized in accordance with the intended impact and associated risks.
 - ⦿ That the timeframe for corrective actions provided in the MAP is reasonable and practical to implement the recommendation.
 - iii) Responsibility of implementing the corrective actions
 - ⦿ Whether appropriate officials has been identified in the accountability statement to implement the corrective action.
- 3.24 Following the evaluation, the division concerned should either accept the MAP or obtain a revised version and forward a final copy of the MAP to AAG, FUCD for desk review.
- 3.25 The division concerned should intimate the Management or those charged with the governance on the timeframe of ATR submission with a copy to AAG, FUCD.
- b) Assessing Action Taken Report**
- 3.26 In case ATR is not received, the reviewer should act as per guideline 3.4 and 3.5 mentioned above.
- 3.27 After receiving the ATR, the first desk review should be carried out jointly by
- ⦿ the reviewer from FUCD,

- ⦿ one member from the performance audit team who was initially involved in conducting the audit, and
- ⦿ Seek guidance of AAG of division concerned and directives of Department Heads.

Where required and possible, the Management or those charged with the governance should invite for making presentation to render objective and effective review of reports.

- 3.28 The progress of the MAP should be assessed as per the ATR and evidences (documentary and pictorial). Where possible, the review team should visit the sites to verify and determine the implementation status and the adequacy of the corrective action.
- 3.29 If the focus of the corrective action is on instituting a system such as a policy document, guideline, manual, procedures, etc., the review team has to assess the effectiveness of the corrective action.
- 3.30 The audited entity(ies) could also request for possible extension of the due date for implementation of one or more corrective action. In such a case, the review team should ascertain the validity of the request and decide accordingly.
- 3.31 The subsequent desk reviews of performance audits should be carried out by the FUCD.

c) *Updating and Reporting the Implementation Status*

- 3.32 The implementation status from FUCD shall be discussed with the AAG whose division had conducted the performance audit.
- 3.33 Similarly, a review report should be prepared and submitted to the Parliament and copy endorsed to the Management or those charged with the governance.
- 3.34 The implementation status of each recommendation should be as categorised and given in Table 3.2

Table 3.2: Categorisation of recommendation implementation status

Category	Explanation
Implemented	The action met the intent of the recommendation, and sufficient evidence was provided to demonstrate action taken, given the significance and complexity of the recommendation, and the time that has elapsed since issue of the audit report.
Partially Implemented	The category encompasses three considerations: <ul style="list-style-type: none"> • Action taken was less extensive than recommended. Action either fell short of the intent of the recommendation, or only addressed some of the identified risks. • The entity may have established a process or procedure to address an issue, however, the specific action noted in the recommendation was not complete at the time of assessment. • The entity may have commenced action to address a recommendation but subsequent policy changes may influence how it might be implemented.

Not Implemented	<p>This category encompasses two considerations:</p> <ul style="list-style-type: none"> • There is no supporting evidence that action has been undertaken. • The action taken does not address the recommendation.
------------------------	--

Source: Adopted from Australian National Audit Office

Desk Review of Annual Audit Reports (AAR)

The following steps should be followed during the desk review of AAR

a) Determining the implementation progress of AAR audit observations

- 3.35 The desk review of Annual Audit Reports should be carried out on a six monthly basis during the months of March and September.
- 3.36 Four weeks before the schedule of desk review of AARs (February and August), the FUCD reviewer should send the list of outstanding audit observation to all the audited entities seeking the implementation status of unresolved audit paras.
- 3.37 Based on receipt of responses from the audited entities, the FUCD shall determine the progress and assess the actions taken similar to desk review of financial and compliance audit reports. FUCD shall consolidate and submit the review reports to Parliament as on March and September every year for deliberations.
- 3.38 The Review Report of AAR shall capture all responses of the audited agencies– as done in the specific audit reports.
- 3.39 Besides the biannual review of AAR, the reviewer should assess the progress of the corrective actions as and when statuses are provided by the audited entities.

b) Determining the implementation progress of AAR recommendations

- 3.40 The implementation of Parliamentary recommendations and directives based on the AAR shall be systematically monitored by
- ⦿ Planning Policy and Annual Audit Report Division (PPAARD)
 - ⦿ in consultation with AAG, FUCD and
 - ⦿ Supervised by Department Head, Follow-up, Regions and Human Resource Management (DFRHRM).
- 3.41 The status of AAR recommendations should be presented to Follow-up Committee biannually for further guidance and direction.

c) Updating and Reporting the Implementation Status of AAR audit observations

- 3.42 The status of the AAR observations should be documented and updated accordingly in the IT System.
- 3.43 The Follow-up Sections in OAAGs should furnish details and updates of AARs to AAG, FUCD before two weeks ahead of finalization and consolidation of Review Report of AARs by

- FUCD. The updates of AARs should be submitted in Annual Audit Report status updating Form in **Appendix 10**.
- 3.44 A consolidated review report of AAR should be prepared at the end of March and September every year for submission to the Parliament. The review report should be made ready and submitted before one week of commencement of the Parliament in line with the Rules of Procedure of PAC 2017.
- 3.45 The RAA shall publish the Review Report on its website.

Unsettled audit observations requiring decision of Follow-up Committee

- 3.46 Issues of significant nature should be always brought to the notice of AAG, DAG, Follow-up Committee or to Auditor General level for appraisal and further directives.
- 3.47 Only those critical cases after having exhausted all ways and means for settling through normal follow-up process and requiring collective decision and advice should be brought to the notice of the Follow-up Committee.
- 3.48 Cases to be referred to Follow-up Committee should be reviewed and forwarded by AAGs of FUCD and OAAGs with valid reasons for not being able to settle at Divisional level. The cases originating from the OAAGs should be forwarded to the FUCD in the form attached under **Appendix 11** for further submission to the Committee.
- 3.49 The Committee may require the Management or those charged with governance to make a presentation to the Committee on issues remaining unresolved for long period for better understanding and to make informed decision.
- 3.50 Audit issues requiring intervention of ACC should be complied by FUCD and appraise the Auditor General or designated authority for forwarding the cases to ACC in accordance with the Audit Act of Bhutan 2018; Chapter-2; Section 34 and Section (7) and as per the terms of Memorandum of Information Sharing with the ACC and the RAA. A focal person in FUCD should carry out compilation for endorsement to ACC.

Follow-up of Management Appraisal Report

- 3.51 Management Appraisal Report (MAR) usually contains compliances assured by management in audit exit meeting to either strength the internal controls and procedures and avoid lapses of similar nature in future. Such issues are not reported in Audit Report but are incorporated in MAR to review compliance of management commitments in subsequent audits.
- 3.52 The current audit team should collect the MAR issued in prior years and identify the issues that require compliances to be made by the Management of those charged with governance. The issues should be assessed and the status of compliance should be submitted to the division concerned for record keeping as given in **Appendix 12**.

- 3.53 If there are instances of non-compliance by the audited entity for commitments made, the issues should be reinstated in the current audit report and fix responsibility and accountability as required.

Follow-up of Annual Financial Statement Audit Report and Statutory Audits

- 3.54 The first ATR for Annual Financial Statement Audit Report and the Statutory Audit Reports should be received and assessed for acceptability by Corporations and Financial Institutions Division (CFID).
- 3.55 After the initial assessment, the CFID should hand it over to FUCD for subsequent follow-ups.

Chapter 4: Follow-up Audit

The chapter describes the planning, conducting and reporting phases in follow-up audit to ascertain the corrective actions made in the audit reports.

Planning phase

- 4.1 The follow-up audit should first begin with planning for follow-up and will be undertaken when the impacts of follow-up activity are expected to outweigh the costs. An audit plan is prepared to guide the audit team and is the most important step in conducting a follow-up audit.

A plan for a follow-up is written after the report is published containing questions on whether the audited entity has adequately addressed the matters raised. - **ISSAI 4000/233**

Understanding the audit report

- 4.2 The audit team should obtain a copy of the previous audit report and familiarise with the observations and recommendations. The corrections actions to be taken should be studied in depth to understand how the audit observations and root causes have led to a particular recommendation/corrective action.
- 4.3 The audit team should then study the follow-up report, current implementation status and the accompanying supporting documents.
- 4.4 The relevancy of the recommendations and corrective actions should also be evaluated by studying the audited entity environment.

Developing an audit plan

a) *Define the audit objective*

- 4.5 The audit objective should be defined and confined to one or more of the following:
- ⊙ ascertain whether, or to what extent, the recommendations made by the RAA have been implemented by the audited entities;
 - ⊙ evaluate the adequacy and effectiveness of the action in achieving performance improvement;
 - ⊙ determine the timeliness of the implementation of the corrective action;
 - ⊙ assess any problems that may have arisen in relation to implementation;
 - ⊙ determine the impacts and value added by the previous audit which can be attributed to RAA; and
 - ⊙ Consider the need or scope for further audit works and recommend in the follow-up audit report for taking up a new/separate audit.
- 4.6 Audit objectives should be defined in a way that will allow the audit team to reach conclusions at the end of the follow-up audit.

b) Develop follow-up audit programme

- 4.7 The follow-up audit programme is designed to identify the areas and evidences required to perform the audit procedures that satisfy the audit objectives.
- 4.8 The follow-up audit programme (**Appendix 13**) should set out and specify the following:
- ⊙ Audit recommendations;
 - ⊙ Action taken as per the ATR;
 - ⊙ Identify issues where testing may be needed (Areas to verify);
 - ⊙ Audit evidence to be collected (Information required and sources of the information);
 - ⊙ Audit procedures; and
 - ⊙ Expected conclusions.

c) Job Distribution

- 4.9 The team leader should distribute the job amongst the team specifying the recommendations, the audited entities (if there are more than one), duration and working days. The template is attached in **Appendix 14**.

d) Plan review and approval

- 4.10 Upon completion of the follow-up audit plan, it should be reviewed by the AAG and DAG and their comments should be incorporated. Subsequently, the audit plan should be approved by the DAG/AG.

Conducting phase

- 4.11 The second phase in follow-up audit is conducting the audit by applying the plan. In this phase, the audit team should use appropriate audit methodologies and perform audit procedures to fulfil the audit objectives. The audit team should gather sufficient (quantity) and appropriate (quality) evidences.

Audit Intimation Letter and Entry Conference

- 4.12 An audit intimation letter should be served to Management or those charged with governance prior to commencement of audit work. The letter should contain information on
- ⊙ audit objective(s);
 - ⊙ audit team;
 - ⊙ timeframe of the audit;
 - ⊙ provide necessary instructions to the audited entity to provide documents, information, proper working space (if required) to the audit team; and
 - ⊙ any other information related to audit.
- 4.13 After issuing the intimation letter, the audit team should hold an entry conference to acquaint the audited entity about the follow-up audit. A record of discussion should be prepared.

Implementing the Plan

a) *Determining the Adequacy and Effectiveness of Actions Taken*

4.14 The auditor should answer the following questions to determine the adequacy and effectiveness of actions taken.

- ⦿ Did the actions taken correct the problems to which the recommendation was directed?
- ⦿ Did the actions taken achieve the intended results?

4.15 As to those recommendations, which are reported as '*partially implemented/partially settled*', the auditor should assess the extent of implementation and ascertain the current status.

4.16 For those recommendations where no actions have been taken, the auditor should ascertain the reasons for non-implementation. In other words, the auditor should find out whether the conditions which first led to the recommendations still exist to see if the recommendations are still valid.

4.17 The implementation status of a corrective action may change from the desk review report depending on the following:

- ⦿ If the auditor determines that the actions taken were in fact not taken or inadequate; and
- ⦿ If the auditor gathers new evidence to indicate the adequacy of the corrective action.

b) *Assessing Timeliness in Implementing the Corrective Actions*

4.18 In conducting the follow-up audit, the audit team should assess whether the corrective actions were taken within the agreed timeframe set in the Action Taken Report or the Management Action Plan.

4.19 Additionally, the audit team should also identify those corrective actions, which are still pending and have not initiated implementation even after a lapse of the agreed timeframe. The inaction on the audit observation/recommendation should be brought to the notice of the Management or those charged with governance. The auditor should assess whether the inaction from the audited entity is beyond 12 months or beyond the agreed timeframe.

c) *Determining the Impact of the Previous Audit*

4.20 The audit team should determine if there are any impact created and value addition.

4.21 Impacts include examples of improved economy, efficiency, effectiveness, quality of service, planning, control and management, and accountability. Where possible the impact from audits should be analysed and recorded. A list of potential impacts that can be attributed to audit report is given in **Appendix 15**.

4.22 These assessed benefits should be validated with the audited entity. Isolating the impact of an audit report in the context of significant other changes can be very difficult and the key

factor is ultimately whether the audit recommendation have been implemented. This may be the only measurable indicator of impact.

Results of Conducting Phase

4.23 The results of implementing the plan should be documented in the findings matrix that is linked to the audit plan and programme and is a useful tool to support and guide in the preparation of the follow-up audit report. In other words, the matrix is a link between the audit plan and report. The matrix should be filled in as and when the status of a corrective action is noted. At a minimum, the following information should be captured in the findings matrix as given **Appendix 16**.

- ⊙ Recommendation/Corrective Action;
- ⊙ Actions taken;
- ⊙ Implementation status at the time of last desk review;
- ⊙ Situation found (Adequacy and effectiveness);
- ⊙ Timeliness of implementation;
- ⊙ Current implementation status;
- ⊙ Reasons for non-implementation/non-completion of action if any;
- ⊙ Impact created if any; and
- ⊙ Further course of action to be taken (What action is to be taken by the audited entity or put up to the follow-up committee for closure if implemented).

Reporting Phase

The follow-up audit report should be prepared after conducting the audit.

Drafting Observations

4.24 The auditor should revisit the audit plan and rely on the findings matrix to develop observations and subsequently to prepare the audit report.

4.25 The observations should be organised in a structured form with clear linkages between audit objectives, corrective actions, situation found, implementation status and the reason for the status. The structure of the finding should at least be as follows.

- ⊙ Audit Recommendation/ Observation specified in the previous report;
- ⊙ Situation found: Actions Taken by the audited entity noted during the follow-up audit. Additionally, actions noted should be compared with actions reported as per ATR;
- ⊙ Analysis of the action taken: The situation found detailing the adequacy and effectiveness of the corrective actions as well as the timeliness of the implementation of corrective actions with sufficient and appropriate evidence. This section of the

Follow-up results may be reported individually or as a consolidated report, which may in turn include an analysis of different audits, possibly highlighting common trends and themes across a number of reporting areas. - **ISSAI 3000**

observation should also include the reasons for inaction or non-completion of the action where appropriate;

- ⦿ Impact: Where possible, the auditor should ascertain the impacts created by the previous audit;
- ⦿ Status of Implementation of the corrective action after the follow-up audit; and
- ⦿ Further course of action to be taken by audited entity if required.

4.26 The observations should be refined at an appropriate level.

Exit Meeting

4.27 Once the observations are finalised, a copy should be shared with the audited entity concerned for discussion in the exit meeting.

4.28 Exit meeting should be conducted to agree on the implementation status reported by the audit team. The decisions made in the meeting should be recorded for incorporation in the report.

Preparing the Follow-up Audit Report

4.29 The observations should be compiled to form the follow-up audit report. The audit team should follow RAA's style guide for consistency and report presentation.

4.30 Where an audited entity has been successful in resolving the problems identified in the past audit, whether through implementing the audit recommendations, or through other action, the follow-up report should give credit for this action.

4.31 The reasons for the lack of action or non-completion of action on any recommendation should be properly documented. Where appropriate, the auditor should obtain action plan and revised accountability statement for subsequent follow-up reviews.

4.32 Where possible, the audit team should report on the impact created and the value added.

4.33 At a minimum, the contents of the follow-up audit report should be as follows.

- ⦿ **Report Cover:** The cover should contain report title of the previous report prefixed with 'Follow-up Audit Report on'. It should contain the RAA logo, and month and year of issue of the follow-up audit report.
- ⦿ **Disclaimer Note:** The disclaimer should give reference to the Follow-up Guidelines 2018 and RAA's Oath of Good Conduct, Ethics and Secrecy. It should give disclaimer about the audit scope and that the audit was confined to the information and documents provided by the audited entity.
- ⦿ **Transmittal Letter:** It should include date, addressee, follow-up audit objectives, highlight of the impact created, and summary of implementation statuses. When there are revised action plans and/or accountability statement, the transmittal letter should

specify about the deadline of receiving revised action plans and/or revised accountability statement.

- ◉ **Revised Action Plan and/or Revised Accountability Statement:** These forms should be provided in the report if there are any revisions or changes in the implementations.
- ◉ **Title sheet:** The Title Sheet should contain the name of the audit report, the audited entity, the schedule of audit, names of the audit team members and supervisors.
- ◉ **Glossary of terms/ acronyms:** Where appropriate, glossary of terms and/or acronyms should be specified.
- ◉ **Table of Contents:** The table of contents of the report.
- ◉ **Executive summary:** The executive summary should provide the brief background of the follow-up audit including the audit objectives. The summary should highlight significant progress and efforts made by the audited entity if any to implement corrective actions and list out the key observations. The executive summary should also provide information on the status and timeliness of implementation of corrective actions preferably in a table or graphical form.
- ◉ **About the Audit:** This chapter/section should set out the context of the audit by reflecting on the background on the previous report; both the summarised version of the audit observation as well as the recommendations. It should include the mandate of the RAA in carrying follow-up audit, audit objectives, scope and methodologies.
- ◉ **Audit Observations:** The observations drafted by the audit team should go in this section and should be presented in a logical sequence and structure mentioned under drafting observations section.
- ◉ **Conclusion:** Conclusions should be logical inferences based on the audit objectives and the situation during the field work.
- ◉ **Appendix:** Statistical tables, auditor's workings and diagrams found to be too large in the main documents should go under Appendices.
- ◉ **Annexures:** The Action Taken Reports and other relevant supporting evidences obtained from the audited entity should be annexed under this section.

4.34 The report should be revised and prepared based on the decisions and of the exit meeting.

4.35 The report should be forwarded to AAG and DAG for review of the language, content and presentation of the report. Such checks and reviews provide assurance that the report is balanced and are of requisite quality.

4.36 The follow-up audit report should then be issued to the Management or those charged with governance and a copy should be endorsed to FUCD for updating the status in the IT System.

4.37 Conduct of follow-up audit may indicate that there are considerable risks in the audited program or in an allied program. As like in any audit activity, auditors should be alert to the

prospect of auditable areas capable of yielding valuable results and this information should be fed into the annual planning processes for performance, compliance and financial audits.

Documenting follow-up activities

4.38 The auditor should at a minimum document the following:

- ◉ Previous Audit Report;
- ◉ ATR;
- ◉ Follow-up Report from desk review;
- ◉ Responses or updates received from the audited entity;
- ◉ Follow-up audit plan and programme;
- ◉ Finding Matrix;
- ◉ Any supporting documentation indicating progress of implementation provided by the audited entity;
- ◉ Relevant correspondences and record of discussion;
- ◉ Pertinent notes related to reviews;
- ◉ Any decisions taken by RAA regarding the corrective action;
- ◉ Copy of audit observations;
- ◉ Minutes of exit meeting; and
- ◉ Follow-up Audit Report.

Chapter 5: Closing Audit Observation and Recommendations

This chapter will guide the reviewer to close the audit observation and recommendations after vigorous follow-up and settlement in entirety. The procedures involved in closing an audit observation or recommendation is described below:

When to close

- 5.1 When audit observation or a recommendation is closed, it means that the RAA will no longer pursue the said issue and should close in the following circumstances.
 - ◉ When the corrective actions are successfully implemented.
 - ◉ When an alternative action has achieved the intended results.
 - ◉ When the implementation environment have so changed that the corrective action is no longer valid.
- 5.2 When there is inaction on the corrective action despite numerous follow-ups and the reviewer/auditor can foresee that no action will be taken in the future, Section 122 and 123 of the Audit Act of Bhutan 2018 should be invoked.
- 5.3 An audit report is closed when all the observations or recommendations is fully settled or implemented.

Closure Procedures

- 5.4 Every January and July, the FUCD and Regional Offices shall ascertain the status of audit reports;
- 5.5 The details of the audit reports fully resolved shall be submitted to Follow-Up Committee every February and August by FUCD for proper closure as per **Appendix-17**;
- 5.6 The Audit Reports including paras and recommendations shall be declared closed under the signatory of the Follow-Up Committee and intimate the management or those charged with governance;
- 5.7 The closed Audit reports shall be stored properly and maintain minimum preservation period of 36 months. It shall form the basis of granting clearance to agencies for destructions of their own records, when asked for;
- 5.8 The closed audit reports after fulfilling the minimum preservation period shall be destroyed by burning in the presence of the members of a Committee constituted for this purpose under the signatory of Chairman of Follow-Up Committee; and
- 5.9 The FUCD shall maintain a register of Audit Reports destructed.

APPENDICES



MANAGEMENT ACTION PLAN						
Recom mendat ion No.	Audit Recommendation in brief	Action Taken or to be Taken	Estimated Implementation Date	Estimated Completion Date	Responsibility Entrusted to:	
					Name & Designation	EID no.
4.1		a) b) c) d) e)				



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ROYAL AUDIT AUTHORITY
Bhutan Integrity House

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



RAA/FUCD/.....

Date:

The
Agency.....
Place.....

Subject: Reminder for Action Taken Report (ATR)

Dasho/Sir,

The Royal Audit Authority (RAA) had issued an Audit Report bearing AIN.... of the *audited entity name* for the financial year (01/07/2017-30/06/2018). The due date for the submission of ATR was specified as 30/06/2018.

As per the clause 118(3) of the Audit Act of Bhutan 2018, it is obligatory for the audited entity to submit Action Taken Report within three months from the date of issue of Audit Report. However, even after the lapse of stipulated period of three months, the RAA did not receive responses for the Audit Report.

In light of the above, the RAA would like to remind the *name of the audited entity* to submit the ATR as on *specify date*.

Yours faithfully,

Asstt. Auditor General
Follow-up & Clearance Division.

Copy to:

- 1. Office copy and
- 2. Guard file.

FOLLOW-UP REPORT

Agency :

Report No. :

Period covered :

AIN :

No. of Follow-up done: 1st, 2nd, 3rd *follow-up.*

Observation No.	Observation in brief	RAA's last Further Comments & Recommendations	Audited entity's responses/replies	RAA's latest Further Comments & Recommendations	Current status



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ROYAL AUDIT AUTHORITY
Bhutan Integrity House

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



RAA/FUCD/.....

Date:

The
 Audited Entity.....
 Place.....

Subject: Follow-up Report of AIN.....

Sir,

The Royal Audit Authority reviewed the reply furnished by the (*agency*) vide letter No..... dated for the audit report No. RAA/AR..... dated..... covering the period (01/07/2017-30/06/2018).

Based on the actions taken and relevant documents made available and review conducted the status of the report now stands as below:

SL. No.	AIN	Total Observations as per the report	Observati on resolved	Balance	% resolved	No of follow-up done
1	15...	4	1	3	25%	1 st Follow-up Report

While the concerted efforts made by the Ministry/*Department/Agency* for settling 25% of the report is appreciated, the RAA provides further comments in the attached report against the unresolved observations for taking further appropriate action to resolve the issues.

Yours faithfully,

(.....)
 Assistant Auditor General,
 FUCD/OAAG

Copy to:

1. Office copy; and
2. Guard file.



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ROYAL AUDIT AUTHORITY
Bhutan Integrity House

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



RAA/FUCD/.....

Date:

The
 Audited Entity.....
 Place.....

Subject: Follow-up Report of AIN.....

Sir,

The Royal Audit Authority reviewed the reply furnished by the (agency) vide letter No..... dated for the Audit Report No.RAA/AR/..... date covering the period (01/07/2017-30/06/2018) and also amounts deposited with the RAA relating to the report.

Based on the actions taken and relevant documents made available and review conducted the status of the report now stands as below:

SL. No.	AIN	Total Observation as per the report	Observation resolved	Balance	% resolved	No of Follow-ups conducted
1	14....	8	8	0	100%	2 nd Follow-up Report

We express our greatest appreciation on behalf of the Royal Government of Bhutan for resolving all the issues of the report. However, the Ministry/Department/Agency should make strict compliances to the recommendation highlighted in the attached report, which shall be reviewed in the subsequent audits.

Yours faithfully,

(.....)
 Assistant Auditor General,
 FUCD/OAAG

Copy to:

1. Office copy; and
2. Guard file.



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ROYAL AUDIT AUTHORITY
Bhutan Integrity House

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



RAA/FUCD/.....

Date:

The.....
Audited Entity.....
.....

Subject: Settlement of Observation No... of Audit Report AIN

Sir,

Kindly refer to your letter no. wherein you have submitted justification and supporting documents relating to Observation No. of Audit Report bearing AIN-..... that was reported as

In this regard, in exercise of power vested by Chapter-4; Clause 56; Section (4) of the Audit Act of Bhutan 2018, the Royal Audit Authority is pleased to inform that the documents furnished had been accepted and favorably considered Observation No. as settled.

Thanking you for your continued support and cooperation.

Yours sincerely,

(.....)
Assistant Auditor General
FUCD/OAAG

Copy to:

- 1. Office copy
- 2. Guard file



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ROYAL AUDIT AUTHORITY
Bhutan Integrity House

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



RAA /FUCD/.....

Date:

The Asstt. Auditor General
Division concerned
 Royal Audit Authority

Subject: Latest Status of Audit Report

Sir,

Attached herewith please find the latest status (*as of ...*) of the Audit Report of the ... (*audited entity name*)... for necessary review by the audit team currently auditing the *audited entity (duration of audit ... to ... as per the intimation letter)*.

Sl. No	AIN	Report reference No. & date	Period	Total observations in the report	No. of observations resolved	No. of observations not settled
1						
2						

It may also be noted that while reviewing the Audit Report, observations remaining unresolved must be supported with further courses of action required to be taken by the audited agency and likewise the resolved paras be supported with adequate documentation/justifications to enable the Follow-up & Clearance Division to take further course of action.

Your continued support is always solicited.

Yours faithfully,

(Name of the Dealing Official)
 Designation
 Follow-up & Clearance Division/Follow-up Section

Copy to:

1. The Team Leader (*Name...*), with a request to carry out review and submit a status report;
2. Office copy; and
3. Guard file.

STATUS REPORT

Agency :
 Report No. :
 Period covered :

AIN	Observation No.	Observation in brief	RAA's last Further Comments & Recommendations	Audited entity's response/replies	Current status reported by the Team

Appendix 10

Status of Observation reflected under various Annual Audit Reports as of date

Sl. No.	Name of the Audited Entity	AIN	Period	Observation No. as per report	Observation title as given in the AAR	Reported in AAR/Year	Describe the status of the Observation as of <u>date</u>
1							
2							
3							
4							
5							
6							
7							
8							

Submitted by : Name
 : Designation
 : Signature
 : Date

Cases submitted to Follow-up Committee from the *(Name of the OAAAG)* for deliberation and decision

Sl. No.	Name of the Agency	AIN	Observation No.	Observation	State reasons for submission to Follow up Committee. Attach all requisite supporting documents
1					
2					
3					
4					
5					
6					
7					
8					

Submitted by : Name of the dealing officer
 : Designation
 : Signature
 : Date

MAR STATUS

Audited Entity	MAR issue date	Compliance no.	Compliance to be made by Management (MAR issues)	Status	Remarks (Settled or include in the audit report)

Maintained by:

(Auditor's Name)

Division

FOLLOW UP AUDIT PROGRAMME ON

Audit Recommendations/C orrective Actions	Action Taken as per the ATR	Areas to verify	Information required & sources	Audit Procedures	Expected conclusions

JOB DISTRIBUTION

Sl. No	Audit Recommendations/ Corrective Actions	Audited Entity	Assigned To	Start Date	End Date	Working Days

POTENTIAL IMPACTS OF PREVIOUS AUDIT**Economy**

- ✦ Reduction in costs through better contracting, bulk buying, etc.;
- ✦ Reduction in costs through economies on usage of personnel or other resources;
- ✦ Introduction of charges where none were previously imposed, or revision of charges;
- ✦ Rationalization of facilities.

Efficiency

- ✦ Greater outputs from same inputs;
- ✦ Remedying duplication of effort or lack of coordination;

Effectiveness

- ✦ Better identification/justification of need;
- ✦ Clarifying objectives and policies;
- ✦ Introducing better sub-objectives and targets;
- ✦ Better achievement of objectives by changing the nature of outputs or improved targeting.

Improved quality of service

- ✦ Shorter waiting lists;
- ✦ Reduced response times;
- ✦ Fairer distribution of benefits;
- ✦ Better access to information;
- ✦ Wider range of services and greater choice;
- ✦ Helping the public, clients, industry, etc. ;
- ✦ Improved equity in access to programmes.

Improves planning, control and management

- ✦ Introduction/improvements to corporate planning;
- ✦ Clearer definitions of priorities and better-defined targets;
- ✦ Better-targeted incentives;
- ✦ Better control and management of human resources, assets, projects and resources;
- ✦ Tighter controls against fraud;
- ✦ Improved financial accounting system;
- ✦ Better financial management information;
- ✦ Better computer security.

Improved accountability

- ✦ Improved visibility of procedures and outputs;
- ✦ Improved accountability for expenditure to the legislature and to the public sector;
- ✦ Improved forms of account, including commercial formats;
- ✦ Improved external control and monitoring by departments;
- ✦ Better and/or more accurate performance indicators;
- ✦ Better comparison between similar agencies;
- ✦ Greater information on sectoral performance;
- ✦ Clearer and more informative presentation of information.

Source: Performance Audit Guidelines, SAI India

FINDINGS MATRIX

FOLLOW UP AUDIT ON

Audit Recommendation/Observation	Actions Taken by the audited entity	Status at the time of last desk review	Situation found	Analysis of the action taken	Timeliness of implementation	Reasons for non-implementation/non-completion of action if any	Impact created if any	Current status	Further course of action to be taken
Import from the latest desk review report			What is actually done?	Determine adequacy and effectiveness	Action initiated within the agreed timeframe	Reasons for non-implementation/non-completion of action	Record any impact created where possible	Indicate 'Implemented / Settled' or 'Partially Implemented / Settled' or 'Not Implemented / Settled'	Action to be initiated by the audited entity if not fully implemented. Otherwise, put up for closure of the audit observation/recommendation

OAAG/FUCD
**LIST OF SETTLED OBSERVATIONS/ IMPLEMENTED RECOMMENDATIONS
 FOR 6 MONTHS (JAN-JUNE 20..)** SUBMITTED FOR CLOSURE

Sl. No	AIN	Audited Entity	Observation No.	Observation in brief	Brief description of the further comments & recommendations	Reason for settling or implementation	Settled on

Submitted by:

(Name of the official)
 Designation

Endorsement by Follow up Committee

(Member Secretary).....(Member).....(Member).....(Chairman)



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