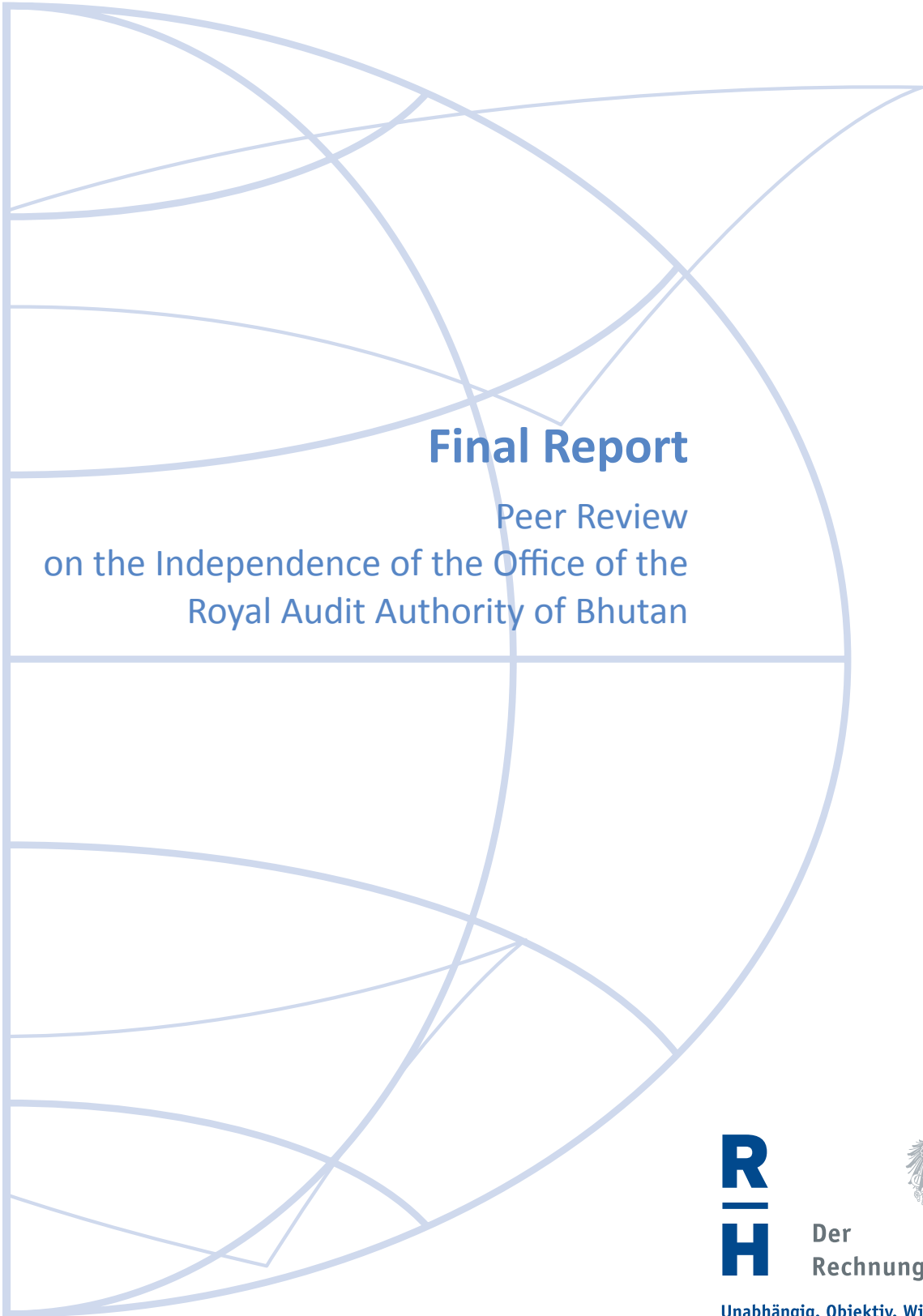




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**AUSTRIAN
DEVELOPMENT
COOPERATION**



Final Report

Peer Review
on the Independence of the Office of the
Royal Audit Authority of Bhutan



Der
Rechnungshof

Unabhängig. Objektiv. Wirksam.

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LIST OF ABBREVIATIONS

AAR	Annual Audit Report
ACC	Anti-Corruption Commission
AG	Auditor General
AIMS	Audit Information Management System
ARMS	Audit Resource Management System
Art.	Article
FUCD	Follow-up and Clearance Division
INTOSAI	International Organisation of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
lit.	litera
MFCC	Macroeconomic Framework Coordination Committee
n.a.	not applicable
no.	number
PAC	Public Accounts Committee
RAA	Royal Audit Authority
RCSC	Royal Civil Service Commission
SAI	Supreme Audit Institution



Introduction and Background Information

As underlined by the Declaration of Lima (1977) and the Declaration of Mexico (2007) as well as the United Nations General Assembly Resolution A/66/209 (2011) and the recently adopted Resolution A/69/228 (2015), the independence of a Supreme Audit Institution (SAI) is crucial to ensure its ability to carry out its work in a free and impartial manner, thus contributing to good governance, transparency and accountability.

To this effect the partners, the General Secretariat of the International Organization of Supreme Audit Institutions (INTOSAI), the Office of the Japanese Board of Audit, the Austrian Court of Audit and the Office of the Royal Audit Authority of Bhutan agreed to perform a peer review on the subject of independence. The agreement on the peer review was based on the principles of voluntariness, partnership and mutual trust.

Peer Review Objectives

The objective of the peer review was to provide the Royal Audit Authority of Bhutan with an assessment of compliance with the International Standards of Supreme Audit Institutions (ISSAI) related to SAI independence (ISSAI 10: Mexico Declaration on SAI Independence; ISSAI 11: Guidelines and Good Practices Related to SAI Independence) as well as to make recommendations for action to promote the SAI's independence. In doing so, also central elements of ISSAI 12: The Value and Benefits of Supreme Audit Institutions – Making a Difference to the Lives of Citizens were reviewed. The significance of these issues was endorsed by the United Nations (Resolution A/69/228 adopted in 2015) to promote and foster the efficiency, accountability, effectiveness and transparency of public administration by strengthening SAIs.

The assessment focussed on the eight principles of independence according to the Mexico Declaration:

- Existence of an effective legal framework
- Independence of SAI heads and members
- Broad legislative mandate and full discretion in the discharge of SAI functions
- Unrestricted access to information
- Right and obligation to report on audit results
- Freedom to decide the content and timing of audit reports
- Existence of a followup mechanism
- Financial/managerial/administrative autonomy and appropriate resources



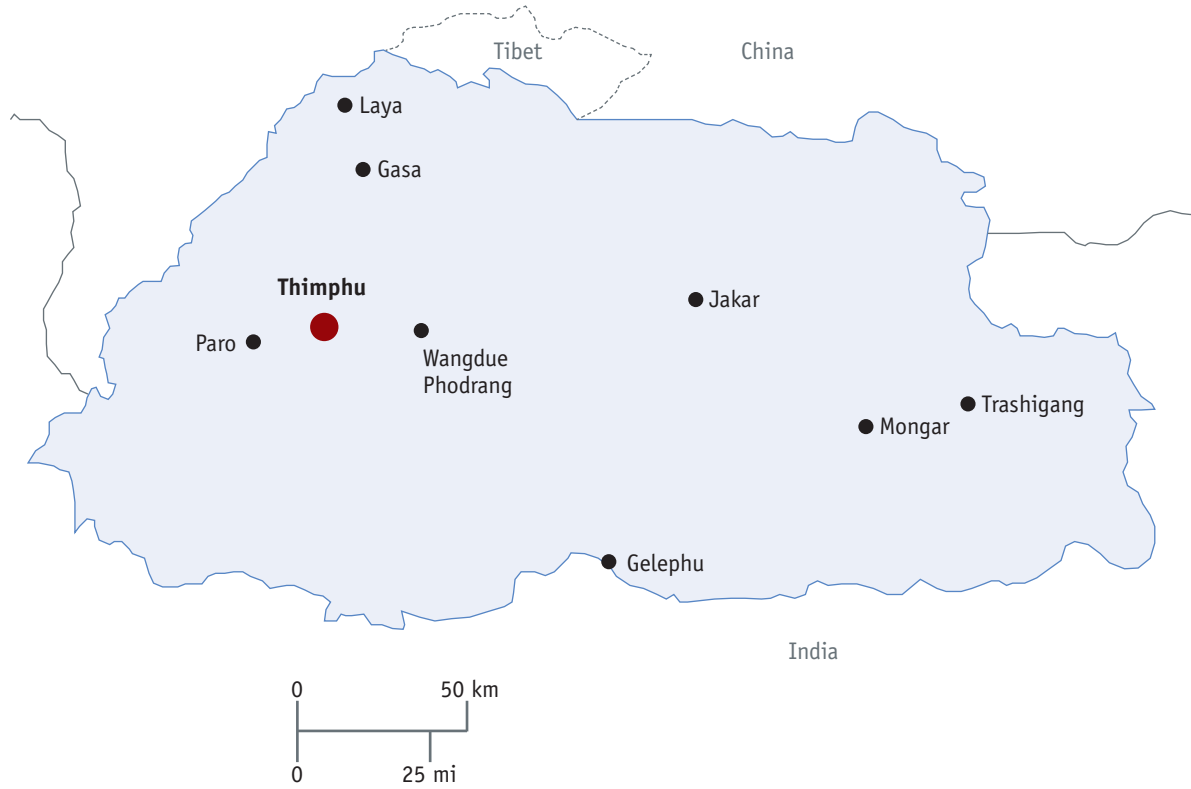
The onsite visit of the peer review team was carried out in February 2016. The peer review team focussed on the current situation and on the developments over the years 2013 to 2015. The facts were collected via a questionnaire, through discussions with representatives of the Royal Audit Authority of Bhutan and by studying documents and data provided by the Royal Audit Authority of Bhutan. The findings were complemented by discussions with external stakeholders (see Annex I).

The report is structured as follows:

- (.1) quotes the respective principle of the Mexico Declaration;
- (.2) outlines the facts established by the peer review team;
- (.3) contains the assessments of the findings of the peer review team and the view of the reviewed SAI.



Figure 1: Map of Bhutan





Key Data

Bhutan			
Land area	38,394 km ²		
	2012	2013	2014
Population	0.74 Mio.	0.75 Mio.	0.77 Mio.
Population growth	1.6 %	1.5 %	1,4 %
GDP	1,722 Mio. US\$	1,767 Mio. US\$	1,811 Mio. US\$
GDP per capita	2320 US\$	2340 US\$	2370 US\$
Inflation, consumer prices	9.1 %	5.9 %	7.6 %

SAI – Royal Audit Authority (ASOSAI Region)			
Established	1985 (as an autonomous body)		
Legal Basis	Constitution of the Kingdom of Bhutan, Audit Act of Bhutan		
SAI head - term of office	5 years		
Appointed/elected by	Druk Gyalpo		
Reappointment is possible	no		
	2012/2013	2013/2014	2014/2015
State budget per year	454 Mio. US\$	491 Mio. US\$	539 Mio. US\$
SAI budget per year	1.63 Mio. US\$	1.78 Mio. US\$	2.04 Mio. US\$
SAI budget share of state budget	0.36 %	0.36 %	0.38 %
SAI staff (number)	229	232	232
Male/female staff	171/58	173/59	173/59
Average age	39	39	39
Auditors (number)	148	151	151
Staff budget per year	0.94 Mio. US\$	1.00 Mio. US\$	1.20 Mio. US\$
Staff budget share of SAI budget	58 %	56 %	59 %
Code of ethics existing and in use	yes		
Days in training/education	n.a.	n.a.	n.a.
Audits per year	600	534	616
Reports per year	760	853	692
Publication of audit results	partly		
Average duration of audit	n.a. days		
Average cost of audit	n.a. US\$		
Performance audits	yes		
Financial audits	yes		

Sources: Royal Audit Authority of Bhutan; World Bank



Observations on the Eight Principles of Independence According to the Mexico Declaration

Principle 1

The existence of an appropriate and effective legal framework and of de facto application provisions of this framework

1.1 Legislation that spells out, in detail, the extent of SAI independence is required.

1.2 Beforehand it has to be mentioned that the Constitution of the Kingdom of Bhutan defines the country as a Democratic Constitutional Monarchy. Its head of state is His Majesty the Druk Gyalpo (King of Bhutan).

The existence and the mandate of the Royal Audit Authority (RAA) is enshrined in the Constitution of the Kingdom of Bhutan, which was adopted in 2008. Art. 25 of the Constitution defines the RAA as an authority to audit and report on the economy, efficiency, and effectiveness in the use of public resources. The Constitution also states that the RAA shall be an independent authority headed by an Auditor General (AG) who shall be appointed by the Druk Gyalpo.

The AG is appointed from a list of eminent persons recommended jointly by the Prime Minister, the Chief Justice of Bhutan, the Speaker, the Chairperson of the National Council and the Leader of the Opposition Party. The term of office of the AG is fixed at five years or until he attains the age of sixty-five years, whichever is earlier. There is no reappointment possible.

Furthermore, the Constitution of the Kingdom of Bhutan lays down that the RAA shall, without fear, favour, or prejudice, audit the accounts of all departments and offices of the Government, including all offices in the legislature and the judiciary, all public authorities and bodies administering public funds, the police and the defence forces as well as the revenues, public and other monies received and the advances and reserves of Bhutan. The AG is required to submit an Annual Audit Report (AAR) to the Druk Gyalpo, the Prime Minister and the Parliament.

The Parliament appoints a five-member Public Accounts Committee (PAC), comprising members of Parliament who are reputed for their integrity, to review and report on the AAR or on any other report presented by the AG to Parliament for its consideration.

The RAA has to fulfil its function in accordance with the Audit Act of Bhutan.



In this regard, the Constitution of the Kingdom of Bhutan provides, directly or indirectly, for the major principles to be fulfilled to ensure the independence of the Supreme Audit Institution:

- existence of an appropriate, effective legal framework that spells out the extent of SAI independence¹;
- the independence of SAI head, including security of tenure and legal immunity in the normal discharge of his duties²;
- sufficiently broad mandate and full discretion in the discharge of SAI functions³;
- access to information⁴;
- right and obligation of the SAI to report on its work⁵;
- freedom to decide the content and timing of audit reports and to publish and disseminate them⁶;
- a followup mechanism⁷;
- financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources⁸.

The Audit Act of Bhutan, referred to in Art. 25, no. 7 of the Constitution of the Kingdom of Bhutan, regulates all major issues concerning the RAA's rights and obligations. It contains regulations on the establishment of the RAA⁹, the head

¹ Constitution of the Kingdom of Bhutan, Art. 25, no. 1, 2, indirectly no. 7

² Constitution of the Kingdom of Bhutan, Art. 25, no. 2, 3, 4, indirectly no. 7

³ Constitution of the Kingdom of Bhutan, Art. 25, no. 1, 4, indirectly no. 7

⁴ Constitution of the Kingdom of Bhutan, Art. 25, no. 1 and 4, indirectly no. 7

⁵ Constitution of the Kingdom of Bhutan, Art. 25, no. 5, indirectly no. 7

⁶ Constitution of the Kingdom of Bhutan, Art. 25, no. 2, 4, 5, indirectly no. 7

⁷ Constitution of the Kingdom of Bhutan, Art. 25, no. 7 (indirectly)

⁸ Constitution of the Kingdom of Bhutan, Art. 25, no. 2, no. 7 (indirectly)

⁹ Audit Act of Bhutan, Chapter 2, Section, 3 and 4



of the RAA (AG)¹⁰, a code of professional conduct¹¹, the functions, jurisdictions and scope of auditing¹², powers, responsibilities and right of access to information¹³, auditing and reporting standards¹⁴, testimony¹⁵, the accountability of the authority itself as well as offences and penalties¹⁶ and on miscellaneous topics¹⁷.

It is to be mentioned that the Parliament^{18, 19} can request the RAA to conduct audits on specific issues or agencies. However, this right does not affect the right of the RAA to determine the objectives and scope of the conducted audits. The legal provisions do not grant any explicit right to the AG to refuse such directions from Parliament, but in fact the AG has refused such requests several times in the past.

An amendment to the Audit Act was discussed during the peer-review visit, but the legislator has not yet prepared a draft on the concrete issues to be covered by the amendment.

As regards the legal framework, mention must be given to the role of the Royal Civil Service Act and the Royal Civil Service Commission (RCSC) derived therefrom: even though the RAA is a constitutional agency, it is subject to the regulations and to some extent to the power of the RCSC (e.g. approval of internal organization). Although there have not yet been any problems, the Audit Act of Bhutan stands in contradiction to the Royal Civil Service Act.

Furthermore, the Royal Civil Service Act stipulates an obligation for the RCSC to audit the RAA, which also includes the staff of the RAA and therefore interferes with the audit mandate of the RAA²⁰.

¹⁰ Audit Act of Bhutan, Chapter 2, Section, 5 to 19

¹¹ Audit Act of Bhutan, Chapter 3

¹² Audit Act of Bhutan, Chapter 4

¹³ Audit Act of Bhutan, Chapter 5

¹⁴ Audit Act of Bhutan, Chapter 6

¹⁵ Audit Act of Bhutan, Chapter 7

¹⁶ Audit Act of Bhutan, Chapter 8 and 9

¹⁷ Audit Act of Bhutan, Chapter 10

¹⁸ Audit Act of Bhutan, Chapter 4, Section 40

¹⁹ As well as by the Druk Gyalpo

²⁰ See Principle 8 for further details



1.3

The legal provisions defined in the Constitution of the Kingdom of Bhutan and the Audit Act of Bhutan cover widely the requirements of Principle 1 as laid down in the Declaration of Mexico.

What might affect the independence of the RAA is the fact that the number of audits, which can be requested by Parliament, is not restricted by law, nor has the AG an explicit right to refuse such a request. Regarding the planned amendment to the Audit Act of Bhutan, the peer review team recommends the RAA to inform the Parliament and the relevant stakeholders that there might be some interference regarding the Declaration of Mexico to that extend, which is why a right for the AG to refuse requests should be taken in account.



Principle 2

The independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties

2.1 The applicable legislation specifies the conditions for appointments, reappointments, employment, removal and retirement of the head of SAI and members of collegial institutions, who are

- appointed, reappointed, or removed by a process that ensures their independence from the Executive,
- given appointments with sufficiently long and fixed terms, to allow them to carry out their mandates without fear of retaliation; and
- immune to any prosecution for any act, past or present, that results from the normal discharge of their duties as the case may be.

2.2 The Constitution of the Kingdom of Bhutan and the Audit Act of Bhutan provide a legal framework regarding the conditions for appointments, reappointments, employment, removal and retirement of the AG. The AG is appointed by the Druk Gyalpo from a list of eminent persons recommended jointly by the Prime Minister, the Chief Justice of Bhutan, the Speaker, the Chairperson of the National Council and the Leader of the Opposition Party.²¹

The Entitlement and Service Conditions Act for the Holder, Members and Commissioners of Constitutional Offices of Bhutan²² states that a person shall be eligible for appointment as the AG if he is:

- a natural born citizen of Bhutan;
- not married to a person who is not a citizen of Bhutan;
- not convicted of criminal offence under any law of the country;
- not in arrears of taxes or other dues to the Government;
- not holding any office of profit in any public companies and corporations;
- not affiliated to any political party; or

²¹ Constitution of the Kingdom of Bhutan, Art. 25, no. 2

²² Entitlement and Service Conditions Act for the Holder, Members and Commissioners of Constitutional Offices of Bhutan, Chapter 3



- in the government or public service for a minimum of 25 years.

The Audit Act of Bhutan²³ additionally stipulates that the AG has to be:

- a senior government official suitably qualified for the post; and
- not terminated from Public Service.

The current AG was appointed on 31st July 2015 by Druk Gyalpo. According to the AG and the Deputy AG, there have not been any incidents or attempts to impede the function of the RAA since the establishment of the Audit Act of Bhutan in 2006.

The AG and all auditors enjoy immunity from prosecution for any lawful act arising from the due discharge of their duties according to Section 99 of the Audit Act of Bhutan. The Constitution of the Kingdom of Bhutan ensures furthermore the AG's independence from the audited entities by laying down the independence and impartiality of the Authority headed by the AG.²⁴

The term of office is laid down in the Constitution of the Kingdom of Bhutan and the Audit Act of Bhutan and lasts five years or until attaining the age of sixty-five years, whichever is earlier.²⁵ According to the RAA the five-year term is considered as long enough to allow the AG to carry out his mandate without fear of retaliation.²⁶ The AG is not eligible for re-appointment.²⁷

Applicable terms of comparable functions like the Drangpons were ten years or until attaining the age of sixty/sixty-five years, whichever was earlier, referring to the Constitution of Bhutan. The term of the National Assembly and the National Council was fixed at five years.

According to the RAA, a comparable term of office is the function of the Chairperson of the ACC or the RCSC as well as the Chief Election Commissioner, which are also fixed at five years or sixty-five years of age, whichever is earlier.

²³ Audit Act of Bhutan, Section 6

²⁴ Constitution of the Kingdom of Bhutan, Art. 25, no. 2

²⁵ Constitution of the Kingdom of Bhutan, Art. 25, no. 3. ; Audit Act of Bhutan, Section 9

²⁶ Interview with Dasho Tshering Kezang on 15 February 2016

²⁷ Audit Act of Bhutan, Section 10



The vacancy of the post of AG has to be filled within a period of³⁰ days from the date of such vacancy²⁸, and therefore it has been continuously filled so far.

The AG as a holder of a constitutional office can be removed only by impeachment by the Parliament of Bhutan, which is laid down in Art. ³² of the Constitution of the Kingdom of Bhutan. A holder of a constitutional office is liable to be impeached only on the grounds of incapacity, incompetency or serious misconduct with the concurrence of not less than two-thirds of the total number of members of Parliament. The Chief Justice of Bhutan presides over all impeachment proceedings.²⁹ Violation of the Code of Professional Conduct is a ground for his impeachment for misbehaviour.³⁰ Chapter 3 of the Audit Act of Bhutan stipulates the Code of Professional Conduct including the topics compliance, responsibility, accountability, confidentiality, integrity, selflessness, transparency, personal conduct, conflict of interest an violation. For instance, the AG shall

- have the moral integrity required to competently, efficiently and professionally carry out his tasks; and
- not only abide by the provisions of this Act but ensure that all auditors comply with the Good Code of Conduct, Ethics and Secrecy of the Authority;
- individually and collectively ensure that the integrity of the Authority is maintained;
- ensure that his conduct is consistent with the dignity, reputation and integrity of the Authority and the sovereignty and integrity of Bhutan;
- have a duty to account and be held accountable for the policies, decisions and actions of the Authority;
- maintain confidentiality in cases where the decisions, documents and deliberations should not be disclosed in the public interest;
- not be influenced in any manner whatsoever by any individual or body of individuals in the discharge of his official duties;

²⁸ Audit Act of Bhutan, Section 14

²⁹ Constitution of the Kingdom of Bhutan, Art. 32, no. 3

³⁰ Audit Act of Bhutan, Section 36



- take decisions solely based on the public interest and not on any other factors;
- ensure that no conflict of interest arises or appears to arise, between his public duties and his private interests, financial or otherwise. Since the adoption of the Constitution of the Kingdom of Bhutan in 2008, no impeachment proceeding has been held against the AG.

2.3

The peer review team appreciated the detailed legal framework regarding the independence of the AG, which generally complied with ISSAI 10. The detailed impeachment rules were considered as very useful to ensure the independence from audited entities. In this respect, the peer review team also noted that the five-year term as an Auditor General was shorter compared to the terms of positions such as the Drangpons (judges) of the High Court/Supreme Court. However, the term of office corresponds with the five-year term of the National Assembly and the National Council as well as with the Chairperson of the ACC or the RCSC and the Chief Election Commissioner, who all are holders of constitutional offices.



Principle 3

A sufficiently broad mandate and full discretion in the discharge of SAI functions

3.1 (1) The SAI should be empowered to audit the

- use of public monies, resources, or assets, by a recipient or beneficiary regardless of its legal nature;
- collection of revenues owed to the government or public entities;
- legality and regularity of government or public entities accounts;
- quality of financial management and reporting; and
- economy, efficiency, and effectiveness of government or public entities operations.

Except when specifically required to do so by legislation, the SAI does not audit government or public entities policy but restricts itself to the audit of policy implementation.

(2) While respecting the laws enacted by the Legislature that apply to it, the SAI is free from direction or interference from the Legislature or the Executive in the

- selection of audit issues;
- planning, programming, conduct, reporting, and followup of its audits;
- organization and management of its office; and
- enforcement of its decisions where the application of sanctions is part of its mandate.

(3) The SAI should not be involved or be seen to be involved, in any manner, whatsoever, in the management of the organizations that it audits.

The SAI should ensure that its personnel does not develop too close a relationship with the entities they audit, so they remain objective and appear objective.

(4) The SAI should have full discretion in the discharge of its responsibilities, it should cooperate with governments or public entities that strive to improve the use and management of public funds.

(5) The SAI should use appropriate work and audit standards, and a code of ethics, based on official documents of INTOSAI, International Federation of Accountants, or other recognized standard-setting bodies.



(6) The SAI should submit an annual activity report to the Legislature and to other state bodies – as required by the constitution, statutes, or legislation – which it should make available to the public.

3.2

(1) As stated by Art. 25 of the Constitution of the Kingdom of Bhutan, the RAA shall audit and report on the economy, efficiency and effectiveness in the use of public resources³¹ and therefore audit the accounts of all departments and offices of the Government including all offices in the legislature and the judiciary, all public authorities and bodies administering public funds, the police and the defence forces as well as the revenues, public and other monies received and the advances and reserves of Bhutan³².

The mandate basically enshrined in the Constitution of the Kingdom of Bhutan is set out further in the Audit Act of Bhutan. Chapter 4 of the Audit Act of Bhutan is dedicated to the mandate and its range. Based on that, the RAA is empowered to carry out financial, propriety, compliance, special audits and any other form of audits that the AG may consider significant and necessary³³. The audit mandate covers the whole range of governmental agencies, including judicial, legislature and constitutional bodies as well as defence and security services. Furthermore, the mandate covers all kinds of corporations in which the government has an ownership interest and all entities fully or partly funded by the government. Beyond these entities, every entity that receives funds, grants and subsidies directly through the government is covered by the mandate³⁴.

During the on-site visit of the peer review team the main focus of the RAA was on financial and compliance audits (for the reasons to this see Principle 8). Up to the time of the peer-review visit, only a few performance audits had been conducted, although the annual audit plan contains the obligation for every audit division to carry out at least two performance audits per year.

(2) The Parliament³⁵ can direct the RAA to conduct audits on any other entity, even if not covered by the mandate³⁶. Besides that, there has been no further interference from the legislature or the executive in the selection of audit issues,

³¹ Constitution of the Kingdom of Bhutan, Art. 25, no. 1

³² Constitution of the Kingdom of Bhutan, Art. 25, no. 4

³³ Audit Act of Bhutan, Section 38, lit. a

³⁴ Audit Act of Bhutan, Section 39

³⁵ and the Druk Gyalpo

³⁶ Audit Act of Bhutan, Section 40



audit planning and conducting audits. Regarding the organization and management of the office, the RAA is widely independent, with the exception of the audit obligation of the RCSC vis-à-vis the RAA (see Principle 8).

As regards the audit of corporations, the RAA has the right to outsource audits to private firms of accountants, but has the obligation to review the audit reports.

(3) + (5) The RAA has a code of conduct in place as well as guidelines for several kinds of financial and compliance audits. Also a guideline for performance-audits is in use by the RAA. On the one hand, these standards prevent that there is too a close relationship with the audited entities and the RAA itself as well as the auditors. On the other hand, the ISSAI-based auditing standards ensure a high-quality audit work as well as a fully comparable conduct of similar types of audits.

(4) The RAA has full discretion in the discharge of its responsibilities. There have been no major problems in conducting audits as regards the cooperation with the audited entities. The goal to improve the use and management of public funds is supplemented by the “audit clearance system”, which is implemented by the Follow-up and Clearance Division (for further details see Principle 7).

(6) As stipulated by the Constitution of the Kingdom of Bhutan, the RAA is obliged to submit an annual activity report to the Parliament. Furthermore, it is empowered to publish the reports on any and every conducted audit (for further details see Principle 5).

3.3

The mandate of the RAA as laid down by the Constitution of the Kingdom of Bhutan and the Audit Act of Bhutan is widely defined and covers all necessities foreseen by ISSAI 10. The RAA is empowered to conduct audits on every state entity as well as on all state companies. The right to outsource audits to private firms of accountants allows the RAA to extend its range of audits, although the financial resources are limited. The RAA has focused on financial and compliance audits. However, the process of extending resources to conduct more performance audits is in progress.

The peer review team acknowledged the number of guidelines in place for conducting several kinds of financial and compliance audits as well as the existence of a guideline for performance audits.



Principle 4

Unrestricted access to information

4.1 The SAI should have adequate powers to obtain timely, unfettered, direct, and free access to all the necessary documents and information, for the proper discharge of its statutory responsibilities.

4.2 While the Constitution of the Kingdom of Bhutan states that the RAA has the right to audit all public authorities and bodies administering public funds (including government, legislature, judiciary, police, defence forces etc.)³⁷, the Audit Act of Bhutan outlines in detail the RAA's right to access all information relevant to the audit of an entity: the RAA has the right to access all records, documents, information and premises of audited entities – including audited bank statements of agencies, suppliers, tax payers and other third parties – if found relevant and material to the audit.³⁸

According to the AG's Standing Instructions, prior to taking up an audit, an Intimation Letter has to be issued to the head of the agency, including the following requests:³⁹

to provide all documents required for audit purposes and proper working space to the audit team;

to not send the responsible officials like accounts personnel, engineers, site supervisors etc. on leave during the period of audit.

The RAA Auditing Standards furthermore underline that only competent, relevant and reasonable evidence should be obtained to support the auditor's judgment and conclusions regarding the organization, programme, activity or function under audit⁴⁰. The handling of documents (requirement, taking over, recording, returning) is stated in detail in the AG's Standing Instructions.⁴¹

³⁷ Constitution of the Kingdom of Bhutan, Art. 25, no. 4

³⁸ Audit Act of Bhutan, Chapter 5, Section 50–55

³⁹ AG's Standing Instructions, Chapter 2.4.8

⁴⁰ RAA Auditing Standards, Chapter 3 (e)

⁴¹ AG's Standing Instructions, Chapters 4.8, 4.9, 4.10; according to the staff of the RAA, the process described in the AG's Standing Instructions is followed in practice.



After an audit has been concluded, another form, the Audit Documents Return Form⁴², has to be submitted together with all documents received to the audited agency.

Apart from being given the right to decide which information is needed for an audit, the RAA also has the right by law to enforce or initiate enforcement action to secure access to necessary records.⁴³ The Audit Act of Bhutan does not describe how the process of initiating action – in case of denial or refusal – would look like. In a case of denial⁴⁴ the RAA would take the matter to the local court.

Generally, the cooperation with the audited agencies was described as rather unproblematic by the RAA. Problems regarding access to information only occurred because of weak information recording systems in the audited agencies, which was the reason why the agencies often needed a lot of time to compile the information requested by the RAA.⁴⁵

4.3

The peer review team appreciated the strong legal provisions guaranteeing the RAA the unrestricted right of access to information deemed necessary for auditing, as well as the possibility to enforce action in case of denial. Furthermore, the peer review team considered the guidelines and standards of the RAA regarding the handling of documents from audited agencies elaborate and useful. The conclusion of the peer review team was that the provisions made for the RAA were in compliance with ISSAI 10.

With regard to further strengthening the legal position of the RAA, the RAA might suggest to the relevant authorities to further specify in the Audit Act of Bhutan on how the “powers to enforce or initiate enforcement action” should look like.

⁴² See AG’s Standing Instructions (Appendix VII & Appendix VIII) for templates of requisition and return forms.

⁴³ Audit Act of Bhutan, Chapter 5, Section 52

⁴⁴ which had never occurred in Bhutan in more than 40 years of audit

⁴⁵ Interview with Mr Chandra Gurung, 17 February 2016



Principle 5

The right and obligation to report on its work

5.1 The SAI should not be restricted from reporting the results of its audit work. It should be required by law to report at least once a year on the results of its audit work.

5.2 As regards the Annual Audit Report (AAR), the Audit Act of Bhutan stipulates that the AG has to submit the AAR on the audits carried out during the previous fiscal year during the fourth quarter of the fiscal year⁴⁶. The AAR has to contain the result of the audit of the Annual Financial Statements of the Government, the overall financial condition and recommendations to improve the economy, efficiency and effectiveness of the Government. The report shall also assess whether the administration as a whole has been economical, efficient and effective in the utilization of public funds⁴⁷. Furthermore, the AAR shall include the audit report on the operations of the RAA for the fiscal year, the works performed by the RAA during the period defined, the significant audit findings and recommendations for the audited agencies, the cases where the RAA did not receive acceptable responses or cooperation, the cases where, in the AG's opinion, the follow-up reports submitted by an entity were not adequate or were not being carried out as recommended, future course of action in the interest of enhancing accountability and improving auditing operational capacity and any other matter based on audit findings that the AG, in his opinion, considers to be significant and of a nature that needs to be brought to the attention of the Druk Gyalpo, the Parliament and the people of Bhutan⁴⁸.

The AG shall submit the AAR to the Druk Gyalpo, the Prime Minister and the Parliament⁴⁹, as well as copies of the AAR to the Lhengye Zhungtshog⁵⁰, to the concerned head of the audited entity, the chairperson of the Anti-Corruption Commission and the chairperson of the PAC⁵¹.

⁴⁶ Audit Act of Bhutan, Section 69

⁴⁷ Audit Act of Bhutan, Section 70

⁴⁸ Audit Act of Bhutan, Section 71

⁴⁹ Audit Act of Bhutan, Section 72

⁵⁰ Cabinet of the Prime Minister

⁵¹ Audit Act of Bhutan, Section 73



The AG is obliged to publish the AAR every fourth quarter of the fiscal year on the activities carried out during the previous fiscal year⁵².

All audited entities have to respond to the audit reports within a time frame from one month (audit memo, draft Annual Audit Report) to three months (issued reports by the RAA)⁵³.

The legal framework does not oblige the RAA to publish its reports for the general public. Hence, the RAA regularly publishes the Annual Audit Reports on its website⁵⁴: the reports of 2012 and 2013 only in English, the report of 2014 also in the national language Dzongkha, as well as the annual audit plan/schedule and selected performance audit reports. Specific reports on financial and compliance audits have not been published.

The AAR outlines in a concise manner all major issues pertaining to the financial and compliance audits carried out during the previous year considering the materiality threshold of 30,000 Ngultrum⁵⁵ (except for cases of fraud or corruption, which are automatically included in the AAR). Performance audits are not included in the AAR as each performance audit report is tabled and discussed in Parliament separately. The RAA submits the AAR to Parliament once a year to be discussed in the Parliament's winter session. Generally, the PAC and/or the Parliament demand the full specific reports only occasionally.⁵⁶ The PAC reviews the submitted reports and delivers recommendations (mainly derived from the RAA's recommendations) to be adopted by Parliament.

In practice, the PAC carries out public hearings on selected audit reports where all stakeholders involved, including the RAA, discuss open issues. The results of these public hearings are presented by the PAC to Parliament, where the AG, the audited agencies and the media can also take part as observers without speaking rights.

5.3

As regards the right and obligation of the SAI to report on its work, the peer review team considers the legal framework for publishing the AAR and the RAA's practice of publishing to be in line with ISSAI 10.

⁵² Audit Act of Bhutan, Section 74

⁵³ Audit Act of Bhutan, Section 75

⁵⁴ <http://www.bhutanaudit.gov.bt/>

⁵⁵ Currency of Bhutan; 1 Euro equals approx. 75 Ngultrum

⁵⁶ Interview with two PAC members, 16 February 2016



Furthermore, the peer review team acknowledges the detailed process for preparing and coordinating the draft AAR with the audited entities, the submission of the final AAR to Parliament, the discussion of the final AAR by the PAC and its publication on the RAA website. The concrete process was confirmed by interviews with senior staff of the RAA and other stakeholders like the members of the PAC during the on-site visit of the peer review team.

The peer review team appreciated that the RAA publishes its AARs on its website, as it is a very good way to capture e.g. the interest of the public and the media.



Principle 6

The freedom to decide the content and timing of audit reports and to publish and disseminate them

6.1 The SAI is free to decide the content of its audit reports.

The SAI is free to make observations and recommendations in its audit reports, taking into consideration, as appropriate, the views of the audited entity.

Legislation specifies minimum audit reporting requirements of the SAI and, where appropriate, specific matters that should be subject to a formal audit opinion or certificate.

The SAI is free to decide on the timing of its audit reports except where specific reporting requirements are prescribed by law.

The SAI may accommodate specific requests for investigations or audits by the Legislature, as a whole, or one of its commissions, or the government.

The SAI is free to publish and disseminate its reports, once they have been formally tabled or delivered to the appropriate authority – as required by law.

6.2 As regards the individual audit reports, the Audit Act of Bhutan stipulates that they shall contain the RAA's opinion on the financial statements and indicate whether the financial statements have been fairly presented in accordance with applicable laws and generally accepted accounting principles⁵⁷. The report shall also arouse attention for cases and indications of fraud, abuse or illegal acts⁵⁸. It shall also disclose appropriate supplementary explanation and information about the financial statements, monthly and annual accounts, as well as violations of legal or the regulatory requirements, including instances of non-compliance⁵⁹. Confidential information can also be covered in a separate report and 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 AG or his duly designated representatives⁶⁰.

⁵⁷ Audit Act of Bhutan, Section 62

⁵⁸ Audit Act of Bhutan, Section 63

⁵⁹ Audit Act of Bhutan, Section 64

⁶⁰ Audit Act of Bhutan, Section 66



The RAA is required to submit copies of the audit reports to the Druk Gyalpo, the Prime Minister and the Chairperson of the RCSC or the Chairperson of the ACC, where offences are serious and require urgent attention⁶¹. Reports that include cases of fraud, corruption and embezzlement have to be sent to the ACC⁶² for further investigation.⁶³

Before an audit report is finalized, the audit team holds an exit meeting with the concerned audited entities. In this meeting the team discusses all initial audit findings (audit memo⁶⁴) with the auditee and corrects uncertain observations. Finally, the audit team prepares the draft audit report based on the minutes of the exit meeting. This draft version has to go through the RAA in-house due-process before being issued and being sent to the audited agency to respond.

Issues that can be settled in the exit meeting are not included in the audit report. Furthermore, if immediate action is taken by the audited agency, a Management Appraisal Report is issued by the RAA in addition to the regular audit report.

The auditee has – as laid down in the Audit Act of Bhutan – three months to respond to an audit report by submitting an Action Taken Report.

The same procedure applies to the AAR: significant findings and all cases concerning fraud or corruption from throughout the year are included in the draft AAR, which has to be responded to by the audited agencies via Action Taken Reports. Only those audit findings from the draft AAR that remain unresolved are included in the final AAR. The Review Reports of AARs furthermore deal with unresolved irregularities from past AARs.

The content of the RAA's reports is not limited by the legal framework. The final approval on the RAA's reports is with the AG. The RAA is also free to publish reports to the general public; to date, one performance audit report, as well as the AARs from 2011 to 2014 have been published on the website. The RAA publishes its reports is only on its website. As regards selected audits (e.g. mining), the RAA also publishes a leaflet containing the central findings and information on the audited topic.

⁶¹ Audit Act of Bhutan, Section 74

⁶² The ACC is an independent, constitutional body (Constitution of the Kingdom of Bhutan of Bhutan, Art. 27)

⁶³ Interview with two PAC members, 16 February 2016

⁶⁴ Audit Act of Bhutan, Chapter 6, Section 75; Interview with Mr Prem Mani Pradhan, Dep. AG, 16 February 2016



6.3

Based on the legal framework and on discussions with the major stakeholders during the field-survey in Bhutan, the peer review team came to the conclusion that Principle 6 of ISSAI 10 is secured and implemented as prescribed by the Audit Act of Bhutan.

The peer review team would also like to underline the importance of a timely issuance of reminders to those audited entities that have not submitted an Action Taken Report to the RAA within the given timeframe.

The peer review team considers the RAA's efforts to provide information via a small leaflet summarizing the audit reports and the RAA's activities to be an efficient and useful way to make the reports accessible even to people who have no access to internet.

With regard to raising awareness for the value and benefits of the SAI among citizens and increasing the effectiveness of the RAA's audit reports, the peer review team would like to suggest the RAA to make use of its freedom to publish its reports and make all individual reports and all performance audit reports accessible to the general public via the RAA website or any other publicly available medium.



Principle 7

The existence of effective follow-up mechanisms on SAI recommendations

7.1 (1) The SAI submits its reports to the Legislature, one of its commissions, or an auditee's governing board, as appropriate, for review and followup on specific recommendations for corrective action.

(2) The SAI has its own internal followup system to ensure that the audited entities properly address their observations and recommendations as well as those made by the Legislature, one of its commissions, or the auditee's governing board, as appropriate.

(3) The SAI submits its followup reports to the Legislature, one of its commissions, or the auditee's governing board, as appropriate, for consideration and action, even when the SAI has its own statutory power for followup and sanctions.

7.2 **Submission of Reports**

(1) The legal framework obliging the RAA to report to the Legislature and committing audited agencies to respond to audit findings is strong:

The Audit Act of Bhutan states that the RAA has to forward an Annual Audit Report (AAR) inter alia to the Legislature and endorsed copies to the head of the audited entity, which has to take the required followup action⁶⁵. Furthermore, the RAA shall issue reminders on reports not being acted upon, and a defaulting auditee must be questioned and is required to submit an explanation in case of further non-compliance and non-cooperation⁶⁶.

The RAA Auditing Standards also underline that the RAA shall report to Parliament on the agencies that have failed to comply with the RAA's recommendations⁶⁷.

The PAC receives from the RAA Review Reports (followup reports on financial and compliance audits) of AARs every six months as well as performance audit reports, which are to be discussed in the Parliament's summer sessions. The PAC reviews the submitted reports and delivers recommendations (mainly derived from the RAA's recommendations) to be adopted by Parliament.

⁶⁵ Audit Act of Bhutan, Chapter 6, Section 65

⁶⁶ Audit Act of Bhutan, Chapter 6, Section 77

⁶⁷ RAA Auditing Standards, Chapter 1.4.3



SAI Internal Follow-up System

(2) The internal followup procedure is defined in the RAA Auditing Standards as follows: The RAA shall require prompt and proper followup action by the entity on the individual audit report issued by it in order to enhance the effectiveness of audit and promote public accountability⁶⁸. Furthermore, the RAA has developed an internal guideline (Guidelines on Followup of Audit Reports, 2009) on followup audits.

The AG's Standing Instructions state that the audit team shall review the past audit reports to ensure implementation of and compliance with the audit recommendations⁶⁹ and that the Followup and Clearance Division (FUCD)⁷⁰ shall provide every audit team with the latest status of followup (open issues of previous audits) of the agency under audit⁷¹. The RAA Auditing Standards furthermore define that a followup of the unresolved issues of the past audit reports shall be a part of the current audit⁷², which means that the audit team, which takes up a subsequent audit assignment at a particular agency, shall always check the latest status of followup and review past unresolved audit reports of the agency in question.

The RAA has an internal followup system in place, which monitors if and how the audited entities address observations and recommendations. Followup in the RAA is operated solely by the FUCD, which is not only responsible for registering audit findings but also for collecting audit recoveries in connection with the audit findings. The FUCD uses an IT application, the Audit Information Management System (AIMS)⁷³, to keep and update the record of each singular finding of every audit as well as all the responses to findings and actions taken by the audited entities. By the time of the onsite visit at the RAA, a second, new IT system to support inter alia the follow-up of audit reports, the Audit Resource Management Systems (ARMS), has been still in its pilot phase.

The RAA's internal followup activities are based on its audit findings and recommendations. The implementation of parliamentary recommendations and directives based on the audit reports are not systematically monitored by the RAA⁷⁴.

⁶⁸ RAA Auditing Standards, Chapter 4.1.17

⁶⁹ AG's Standing Instructions, Chapter 2.3.12

⁷⁰ See table 2: Organization chart of the SAI of Bhutan

⁷¹ AG's Standing Instructions, Chapter 2.5.2.6

⁷² RAA Auditing Standards, Chapter 3.1.2 (j) & AG's Standing Instructions no.3.6

⁷³ AIMS was demonstrated to the peer review team during the onsite visit.

⁷⁴ Interviews with the PAC and Mr Prem Mani Pradhan, Dep. AG Sectoral Audit, 16 February 2016



Followup Mechanism

As soon as an audit report (financial, compliance and performance audit) is finished by the respective audit division, a soft copy of the final report, furnished with an audit identification number⁷⁵, is sent to the FUCD. All findings and recommendations as well as information from the Action Taken Reports are registered in the AIMS by the staff of the FUCD; all other staff members of the RAA have only reading access to the AIMS.

If the Action Taken Report is not received by the RAA within three months after issuing the final report, a reminder is to be sent to the auditee. As communicated by the RAA, in practice, reminders were issued whenever required.

It also happens that the RAA is given directives from Parliament to carry out reviews of all past pending audit reports.

Generally, the followup in the RAA is mainly performed as a desk-review (enquiry procedure) to update audit reports⁷⁶, which means that followup audits are not carried out⁷⁷ as separate individual audits.

Audit clearance process

The effectiveness of the RAA's internal followup system for financial and compliance audit findings is supported by the Audit Clearance System, which keeps record of every civil servant / public servant in Bhutan pertaining to unresolved audit issues.

As all financial and compliance audit findings are directly connected to the persons responsible (civil or public servants; direct accountability applies to the individual and supervisory accountability applies to the head of the agency), members of the Bhutanese civil or public service need an Audit Clearance Certificate⁷⁸ from the RAA if they want e.g. to get a promotion, to apply for further training, to get a new job or even to be able to retire. The certificate testifies that the civil and/or public servant (including ministers and constitutional post holders) has cleared all outstanding audit issues. The legal mandate for the issuance of these Audit Clearance Certificates is laid down in the Audit Act of Bhutan⁷⁹ and the overall clearance procedure is described in the RAA's Audit Clearance Guideline.

⁷⁵ Each audit is assigned an individual number for file references, which is necessary for the AIMS and the clearance procedure.

⁷⁶ AG's Standing Instructions, Chapter 2.3.12

⁷⁷ See questionnaire answered by SAI Bhutan, 7.2

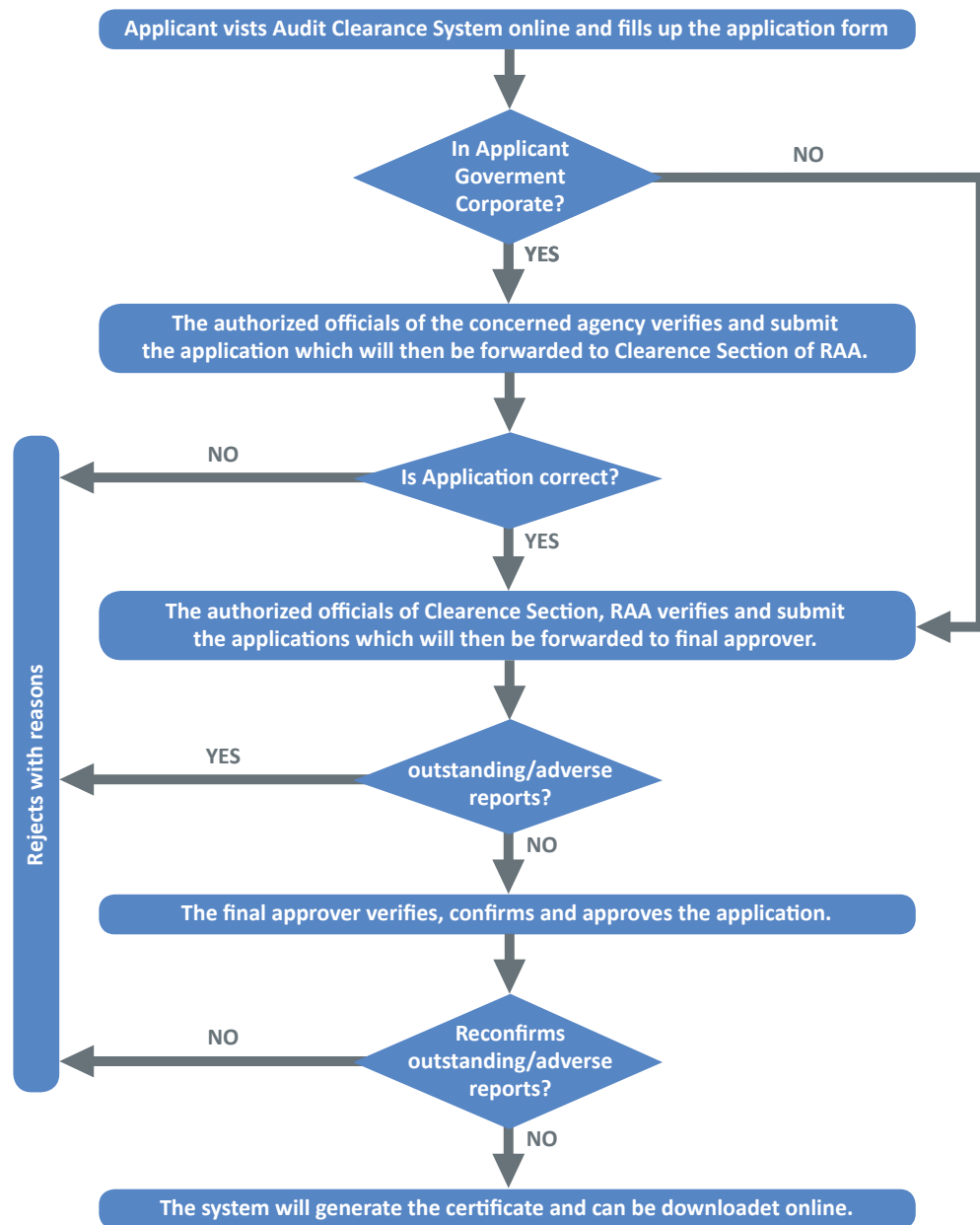
⁷⁸ Required by the **RCSC**

⁷⁹ Audit Act of Bhutan, Chapter 5, Section 42 (e)



The following chart illustrates the online clearance application process:

Figure 2: Online Audit Clearance System



Source: Royal Audit Authority of Bhutan; User Manual on Online Audit Clearance System

The clearance system only applies to financial and compliance audits, performance audits do not hold individuals to account.



Submission of followup reports

(3) The legal framework obliges the RAA to submit its AAR to the Legislature and the audited agency for consideration and followup action, but it does not oblige the RAA to submit followup reports to Parliament. However, a Review Report of AARs is submitted to Parliament on a semi-annual basis⁸⁰. Review Reports on performance audits are submitted to Parliament on a non-regular basis.

The statement of the audited entities (the reaction to and explanation of different audit findings as demanded in the Action Taken Report) is included in the individual followup reports, but not in the Review Reports of the AAR.

The RAA neither publishes the followup reports on its website nor does it communicate the information by any other means to the general public, though no legal restriction exists that would prevent the RAA from releasing its reports.

7.3

(1) The peer review team acknowledges the comprehensive legal framework of Bhutan, which obliges the RAA to submit its reports inter alia to the Legislature and the audited entities not only via the Constitution but also via the Audit Act of Bhutan. Furthermore, the peer review team considers the review and followup by the PAC and Parliament on the AAR and on other reports submitted by the RAA as appropriate.

The peer review team noticed that the RAA did not followup on resolutions adopted by Parliament. With regard to Principle 7 of ISSAI 10, which recommends SAIs to followup on recommendations made by the legislature, it might be considered to include the followup on parliamentary resolutions concerning audit findings in the overall SAI internal followup system.

(2) The peer review team acknowledges that the RAA has its own internal followup system to ensure that the audited entities take followup actions on audit reports. The peer review team would also like to underline the importance of timely issuance of reminders to those audited entities, which have not submitted an Action Taken Report to the RAA within the given timeframe.

With regard to enhancing the effectiveness of the followup process, the peer review team would propose to consider executing followup audits as separate individual audits. Considering the special expertise needed for performance audits it might also be taken into account to have the performance audit division carry out the followup on performance audits.

⁸⁰ Interview with Minjur Dorji, 15 February 2016



(3) The peer review team acknowledges that the RAA submits Review Reports of the AARs (followup reports) to Parliament twice a year. As the Audit Act of Bhutan requires the audited agencies to submit an explanation on audit findings, the peer review team would like to suggest the RAA to include the response of the audited agencies, – as done in the specific audit reports, – in the Review Reports of the AAR. Furthermore, the peer review team would like to recommend to publish all followup reports on the RAA website or make the reports accessible to the general public by any other publicly available medium.



Principle 8

Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources

8.1 The SAI should have available necessary and reasonable human, material and monetary resources – the Executive should not control or direct the access to these resources. The SAI manages its own budget and allocates it appropriately.

The Legislature or one of its commissions is responsible for ensuring that the SAI has the proper resources to fulfil its mandate.

The SAI has the right of direct appeal to the Legislature if the resources provided are insufficient to allow the SAI to fulfil its mandate.

8.2 The Audit Act of Bhutan provides a legal framework regarding the financial, managerial and administrative autonomy of the RAA and its availability of human, material, and monetary resources.

According to Section 15 of the Audit Act of Bhutan, the RAA shall determine and administer its budgetary requirements. The state has to make adequate financial provisions for the independent administration of the RAA.⁸¹

The RAA's budget is approved by the Parliament as a part of the National Annual Budget.⁸² The budgeting procedure is laid down in the Budget Manual and the Financial Rules and Regulations 2001. As the RAA is part of the budgeting procedure like every agency in the public sector of Bhutan, it has to negotiate its budget with the Ministry of Finance before it is discussed and approved by Parliament. The state follows a five-year development plan, adopted by Parliament, in which the annual budget has to fit in. A Macroeconomic Framework Coordination Committee (MFCC) – constituted by several national stakeholders (the secretary general, national bank, cabinet etc.) – defines an overall expenditure ceiling taking into account revenues, the economic situation etc. each year to ensure compliance with the above-mentioned five-year plan.

As the fiscal year begins in July and ends in June, the Ministry of Finance defines, at the end of December, a financial ceiling for each agency, including the RAA, based on the overall expenditure ceiling. Following these conditions, the RAA has to prepare its counter proposal for its recurrent and capital budget

⁸¹ Audit Act of Bhutan, Section 17

⁸² Audit Act of Bhutan, Section 18



until the end of February.⁸³ From then on, both stakeholders try to find a compromise in the framework of several negotiations – a process provided by the Ministry of Finance only for constitutional offices. Until the time of the on-site visit, the Ministry of Finance has always increased its original proposal.

If an agreement is not reached directly, both the proposed budget and the counter proposal of the RAA are set forth in the budget presentation at the Parliament as a not legally determined procedure. Based on the viewpoint of both the RAA and the Ministry of Finance, the Parliament has the final decision on the annual budget. However, according to the RAA, its budget is to stay in line with all other agencies in the state. Therefore the Parliament has always followed the Ministry of Finance's proposal taking into account the limited resources for all agencies. The RAA has no further right of direct appeal or to speak in the framework of the budget process in the Parliament. In case of any imposition on resource or other restrictions by the executive, which would constrain the RAA's exercise of its mandate, the RAA would report the matter to the Parliament in accordance with the RAA Auditing Standards 2.1.12.

If the decision by the Parliament on the National Budget is delayed, the Ministry of Finance has to provide the RAA with interim funds, which shall be at least equal to the previous year's budget according to Section 18 of the Audit Act of Bhutan.

The RAA has a head office in Thimphu and four regional offices within the country. The following table shows the development of the RAA's annual budget from 2012/2013 to 2014/2015:

Table 1: Development of annual budget from 2012/2013 to 2014/2015

	2012–2013	2013–2014	2014–2015	Increase/decrease 2012/2013 – 2014/2015
	in millions NU ¹			in %
RAA Thimphu	71,236	78,343	86,518	21.5
RAA Region S/Jongkar	9,922	11,319	12,033	21.3
RAA Region Bumthang	9,447	10,765	12,800	35.5
RAA Region Tsirang	9,231	10,120	13,319	44.3
RAA Region Phuentsholing	10,354	9,132	12,902	24.6
Total budget	110,190	119,679	137,572	24.8
Budget for staff salary	63,778	67,694	80,750	26.6

1 Bhutanese Ngultrum

Source: Royal Audit Authority

⁸³ Budget Manual, Chapter III



Over the entire period from 2012/2013 to 2014/2015, the RAA's budget increased by 24.8% and the budget for staff salary by 26.6%. The RAA has no other financial resources except from the budget. Within the last three years, the RAA's budget has not been subject to any extraordinary changes after its approval.

The RAA has financial discretion over its budget allocations and receives the budget as a lump sum from the general state budget. The RAA has to use its budget within specific object codes. Thus, budget under capital expenditure cannot be used for current expenditure. The RAA pays salaries and allowances directly to its staff.

Section 16 of the Audit Act of Bhutan stipulates that the RAA shall have full authority to determine and administer its organizational structure and its budgetary and personnel requirements. Except for the AG, the RAA shall prescribe the service conditions and personnel policies for its staff broadly in accordance with the Civil Service Act.

With reference to Art. 27 of the Civil Service Act, the RCSC is the central personnel agency of the Government and administers and enforces all statutory provisions that are binding for the RAA. The RCSC is an independent constitutional office, consisting of a chairperson and four members, to promote and ensure an independent and apolitical civil service.⁸⁴ Furthermore the RCSC appoints, promotes and transfers all civil servants.⁸⁵ However, there has been an informal understanding between the RAA and the RCSC that after its approval to recruitment it should not transfer already assigned staff from the RAA to another agency. Apart from the requirements regarding civil servants, the RAA is free to recruit staff from the open labour market.

The RCSC issued the Bhutan Civil Service Rules and Regulations 2012, which shall be in line with the requirements of the Constitution of the Kingdom of Bhutan and the Civil Service Act of Bhutan. In subparagraph 2.6 entitled "Organizational Structure" it is laid down that Legislature and Constitutional Bodies shall carry out organizational changes in consultation with the RCSC. Thus, organizational changes on division level within the RAA have to be carried out in consultation with the RCSC. According to an understanding between the RCSC and the Cabinet of the Prime Minister (Lhengye Zhungtshog), organizational changes on department level within the RAA need approval of the Lhengye Zhungtshog. Both the RCSC and Lhengye Zhungtshog belong to the Executive.

⁸⁴ Constitution of The Kingdom of Bhutan, Art. 26

⁸⁵ Civil Service Act of Bhutan, Section 27



The RCSC has always followed the RAA's requests and has taken into consideration its special needs so far. However, there are no legal provisions to ensure this kind of special treatment in future.

The RAA has no further right of direct appeal to the Legislature if resources provided are insufficient to allow them to fulfil their mandate.

8.3

The peer review team acknowledges the legal framework laid down in the Audit Act of Bhutan to ensure the independent administration of the RAA. However, since the RAA's budget is part of the National Budget of the state, which is prepared and proposed by the Ministry of Finance to Parliament, the RAA is not fully financially independent from the Executive. The peer review team acknowledges the fact that the Ministry of Finance has included the RAA's annotations on the proposed budget to provide the legislature with both views. To safeguard this transparent process, the peer review team recommends the RAA to encourage the Parliament to lay down this procedure in the concerned provisions.

The RAA's organizational independence is restricted by the fact that according to the Civil Service Act of Bhutan 2010 and the Bhutan Civil Service Rules and Regulations 2012 access to new staff and changes in organization are controlled by the RCSC and the Lhengye Zhungtshog, which belong to the executive. To fully comply with ISSAI 10, the peer review team recommends the RAA to encourage the Parliament to lay down legal exceptions for the RAA regarding the involvement of the RCSC in staff and organizational matters in the concerned provisions, particularly in the Civil Service Act of Bhutan. This would grant the RAA full autonomous control regarding its staffing. Furthermore, only the RAA should be able to change its organizational structure, also on department level. The peer review team would suggest the RAA to inform the relevant stakeholders about a possible interference with ISSAI 10 regarding the independent management of human resources and organizational matters.

Deviating from ISSAI 10, the RAA has no further right of direct appeal to the Legislature if resources provided are insufficient to allow them to fulfil their mandate. To fully comply with ISSAI 10, the peer review team recommends the RAA to encourage the Parliament to provide the RAA with a right of direct appeal to the Legislature if resources provided are insufficient in order to allow the RAA to fulfil its mandate.



Annex 1: Interviews

I. RAA Internal Stakeholders

Name	Position	Department/ Division	Date
Mr Tshering Kezang	AG		15 Feb 2016; 09:00; 25 Feb 2016; 10:00
Mr Kencho Dorji	Assistant AG	Research and Quality Assurance Division	15 Feb 2016; 11:00
Mr Minjur Dorji	Division Chief; Assistant AG	Department of Follow-up, Regions and Human Resource Management/Follow-up and Clearance Division	15 Feb 2016; 14:15; 24 Feb 2016; 09:15; 25 Feb 2016; 11:30
Mr Prem Mani Pradhan	Deputy AG	Department of Sectoral Audit	16 Feb 2016; 15:00
Mr Chandra Bdr. Gurung	Assistant AG; Media Spokesperson	Department of Performance and Commercial Audit/Thematic Audit Division	17 Feb 2016; 09:15
Mr Tashi Tobgay	Assistant AG; Media Spokesperson	Department of Performance and Commercial Audit/Performance and System Audit Division	17 Feb 2016; 11:00
Mr Narapati Sharma	Offtg. Assfist. AG	Department of Performance and Commercial Audit/Corporations and Financial Institutions Division	17 Feb 2016; 12:00
Mr Tempa Gyeltshen	Assist. AG	Department of Sectoral Audit/Social, Communication and Information Division	17 Feb 2016; 14:15
Mr Kelzang Namgyel	Assist. AG	Department of Sectoral Audit/Resource, Trade, Industry and Commerce Division	17 Feb 2016; 15:00
Mr Cheki Dorji	Assist. AG	Policy Planning and Annual Audit Report	18 Feb 2016; 09:15
Ms Dechen Pelden	Assist. AG	Department of Follow-up, Regions and Human Resource Management/Human Resource and International Relations Division	18 Feb 2016; 11:30; 24 Feb 2016; 14:30
Ms Sonam Yangchen	Deputy Chief Legal Officer	Research and Quality Assurance Division	18 Feb 2016; 09:00; 24 Feb 2016; 14:30; 25 Feb 2016; 14:30
Mr Gattu Dukpa	Deputy Chief Audit Officer; Finance Officer	Administration and Finance Division	18 Feb 2016; 15:30



II. RAA External Stakeholders

Name	Position	Institution	Date
Mr Pema Dakpa	Chairperson of PAC (National Council)	National Assembly of Bhutan, Public Accounts Committee (PAC)	16 Feb 2016; 10:00
Mr Tashi Dorji	Member of PAC (National Council)		
Mr Chekey Gyeltshen	Director	Secretariat, National Assembly of Bhutan, Secretariat	16 Feb 2016; 11:00
Mr Indraman Chhetri	Commissioner	Royal Civil Service Commission (RCSC)	19 Feb 2016; 09:00
Mr Lekzang Dorji	Director	Department of National Budget, Ministry of Finance	19 Feb 2016; 11:00
Mr Bikash Thapa	Specialist		



Annex 2: Peer Review Team Members

Ukai Makoto, Board of Audit of Japan

Klemens Gundacker, Austrian Court of Audit (lead-reviewer)

Elfriede Hammelmüller, Austrian Court of Audit

Martina Schenk, Austrian Court of Audit

