



NEWSLETTER



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Ongoing major audits for the Financial Year 2020-21

1. Compliance audit of Waste Management;
2. Compliance audit of Bhutan Standard Bureau;
3. Performance audit of Safe and Sustainable Road Transport;
4. Performance audit of Irrigation Systems;
5. Financial audit of Dungsam Cement Corporation Ltd., Nganglam, Pemagatshel;
6. Financial audit of Royal Bhutan Army (RBA), HQ, Lungtenphu including Army Wing at Shaba and Damthang;
7. Financial audit of Regional Revenue and Customs Office (RRCO) Phuentsholing including SBA; and
8. Financial audit of Royal Bhutan Police, Head Quarters, Thimphu.

Audit Statuses for the Financial Year 2020-21

Audit planned = 508
Audit conducted = 395
On-going audit = 71
Report planned to issue = 355
Report issued = 243

Auditor General appointed to Governing Board of INTOSAI Development Initiative (IDI)



Tashi, Auditor General of Bhutan has been formally appointed to the Governing Board of IDI on 25 March 2021. IDI is the main implementing body of the International Organisation of Supreme Audit Institutions (INTOSAI) and is mandated to support Supreme Audit Institutions (SAIs) in developing countries to sustainably enhance their performance and institutional capacity. The other members of board include the Auditor Generals of Norway (Chairperson), Sweden, Austria, Portugal, South Africa, Republic of Sierra Leone and two additional members from the Office of the Auditor General of Norway. Tashi is the first IDI certified training specialist from the Royal Audit Authority and was involved in imparting trainings and facilitating workshops and seminars to auditors from the supreme audit institutions in the Asian region including Australia from 2003 to 2009. He was also member of the Project who designed Global Training Booklet for the Supreme Audit Institutions around the globe.

RAA conducts Mid-Term Review Meeting

A two-day Mid-Term Review Meeting (MTRM) was organised from 02-03 February 2021 to review the Annual Audit Plan (AAP) and Annual Audit Schedules (AAS) for the financial year 2020-2021. The Hon'ble Auditor General graced the meeting attended by the Deputy Auditors General, Assistant Auditors General and Team Leaders. The officials of four Regional Offices attended the meeting virtually. During the meeting, the Hon'ble Auditor General reminded and urged all auditors to work hard, be diligent and maintain the highest level of integrity, ethics and moral conduct in both professional and personal lives.

Dasho categorically mentioned that number of audits conducted is not important but the quality of audit report should be given priority so that it benefits agencies in particular and the nation at large. The two day deliberations covered and reviewed status of audits completed and reports issued, challenges and way forward to ensure successful implementation of the planned activities. The meeting also deliberated on the following:

1. Re-allocation of agencies from headquarter to regional offices to meet the rising expectation of stakeholders;
2. Embarking on consolidated audits to render audits effective and provide relevant recommendations for system improvement; and
3. Rationalizing current audit universe.



RAA holds 17th Audit Conference

The Royal Audit Authority held its 17th Audit Conference on the theme “ICT in Auditing – Exploiting and Leveraging” at the Professional Development Centre (PDC) in Tsirang from 23 to 25 June 2021. During the Opening Ceremony, the RAA administered the “Oath of Good Conduct, Ethics and Secrecy” to new recruits of 2020 and 2021, which was presided over by the Venerable Lam Neten of the Tsirang Rabdey. The Auditor General awarded promotion orders to 15 employees and launched the RAA’s 3rd Strategic Plan 2020-2025, Operational Plan and Compliance Audit Manual 2021.

The conference focused on presentations and deliberations on RAA’s ICT Strategy; HR Strategy; Competency-Based Framework for Audit Officer; Auditor General’s Standing Instructions; Auditor General’s Advisory Series and Occasional papers; and Quality Control Frameworks; RAA’s SAI Performance Report 2021; RAA’s Operational Plan 2020-2021; and other operational matters. Guest

Speakers from the Department of Information Technology and Telecom (DITT) under the Ministry of Information and Communication (MoIC) made virtual presentation on “ICT development and reforms in RGoB” and answered queries.

During the last day of the conference, the RAA officials signed Performance Compacts between Assistant Auditors General and respective Deputy Auditors General. The Deputy Auditors General also signed Performance Compacts with the Auditor General. Prior to these signings, all Team Members signed compacts with respective Team Leaders, and the Team Leaders with respective Assistant Auditors General.

The conference was conducted in a hybrid set up with regional offices joining virtually and participants in PDC attending at 50% capacity. The PDC operated in a self-containment mode and participants were not allowed to leave premise during the duration of the conference.



RAA celebrates its Golden Jubilee Year at the Professional Development Centre

The audit system in the country was formally introduced in 1970 with the appointment of four Royal Auditors by late His Majesty, the Third Druk Gyalpo. As an oversight body, the Royal Audit Authority has attained 50 Years in 2020 and the intent to celebrate such joyous occasion was thwarted by the current pandemic. In order to mark 50 years of its dedicated service to the Tsa-Wa-Sum, the RAA observed the day coinciding with its foundation day on 16 April at the Professional Development Centre (PDC), Tsirang. Dasho Kunzang Wangdi, Former Auditor General graced the occasion as the Guest of Honor.

Observing the historic day and to remain responsive to changing needs and aspiration of stakeholders, the RAA launched following Books and system:

- 50 Years Book commemorating RAA's 50 years of dedicated service to the nation.

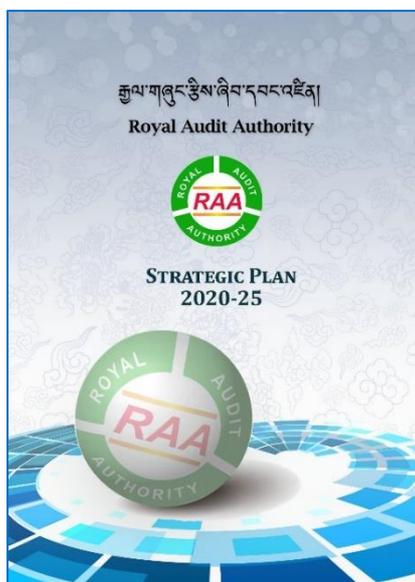
- the upgraded Audit Information Management System (AIMS) to provide real-time information on audit reports and facilitate efficient public service delivery at least cost.
- English – Dzongkha Audit Terminologies to facilitate and ease the translation works pertaining to audit reports.

The RAA also observed the closing ceremony of the two-month long induction program for the new recruits. The program began on 15th February 2021 with the objective of building competencies of new recruits in the field of public sector auditing in shortest possible time. The Hon'ble Chief Guest also inaugurated the Construction Audit Model House which is expected to provide a visual and hands on experience of structures like roads, buildings, gabion wall etc. to the field auditors and help them enhance their knowledge and understanding on audit of construction activities.



RAA launches Strategic Plan 2020-2025

The Royal Audit Authority launched the third Strategic Plan 2020-2025 during its 17th Audit Conference on 23 June 2021. The Strategic Plan draws inspirations from series of Royal Addresses on development and governance in furthering well-being of the Bhutanese people.



The RAA as a public sector auditor strives to produce high-quality audit results in demonstrating its value as public sector auditor. The strategies are intended to contribute

towards fulfilling its constitutional mandates as well as to remain relevant in changing times. The RAA's Strategic Plan 2020-2025 outlines the

strategic outcomes and outputs that the RAA intends to achieve during the next five years and is aligned to the term of the Auditor General.

The Strategic Plan is, broadly aligned to INTOSAI P-12 on value and benefits of SAIs and has the following three outcomes:

- i. Improved public sector performance and accountability;
- ii. Higher credibility and reputation of RAA; and
- iii. Sustained collaboration with stakeholders.

In order to achieve the outcomes, 12 specific outputs are defined in different areas.

The plan shall be operationalised through annual operational plans, which shall be prepared and approved during the annual plan meeting. The performance indicators are defined at various levels of goals which are detailed in monitoring framework along with responsibilities delegated to specific divisions or individuals.

RAA tables Annual Audit Report 2020 & Performance Audit Reports in the Parliament

The Royal Audit Authority tabled the Annual Audit Report 2020 and two Performance Audit Reports on Implementation and Management of Broadband Fiber Network, and Ex-country Travels on 21st June, 2021 during the Joint Sitting of the 5th Session of 3rd Parliament.

The reports were submitted to the Druk Gyalpo, the Prime Minister and the Parliament in accordance with Article 25 (5) of the Constitution of the Kingdom of Bhutan and Chapter 6, Section 72 of the Audit Act of Bhutan 2018.

The RAA issued the Performance Audit Reports on Implementation and Management of Broadband

Fiber Network, and Ex-country Travels in October 2020 to respective stakeholders.

Performance Audit on Implementation and Management of Broadband Fiber Network

The Performance Audit was conducted on the Implementation and Management of Broadband Fiber Network to assess the economy, efficiency and effectiveness in its' implementation and management. The Department of Information Technology and Telecom (DITT) and Bhutan Power Corporation (BPCL) were audited for the period FY 2008-09 till 2017-18. To mention few, the audit noted weak regulatory role played by concerned agency and lack of mechanism to ensure

sustainability of fiber network resources, and accordingly provided audit recommendations.

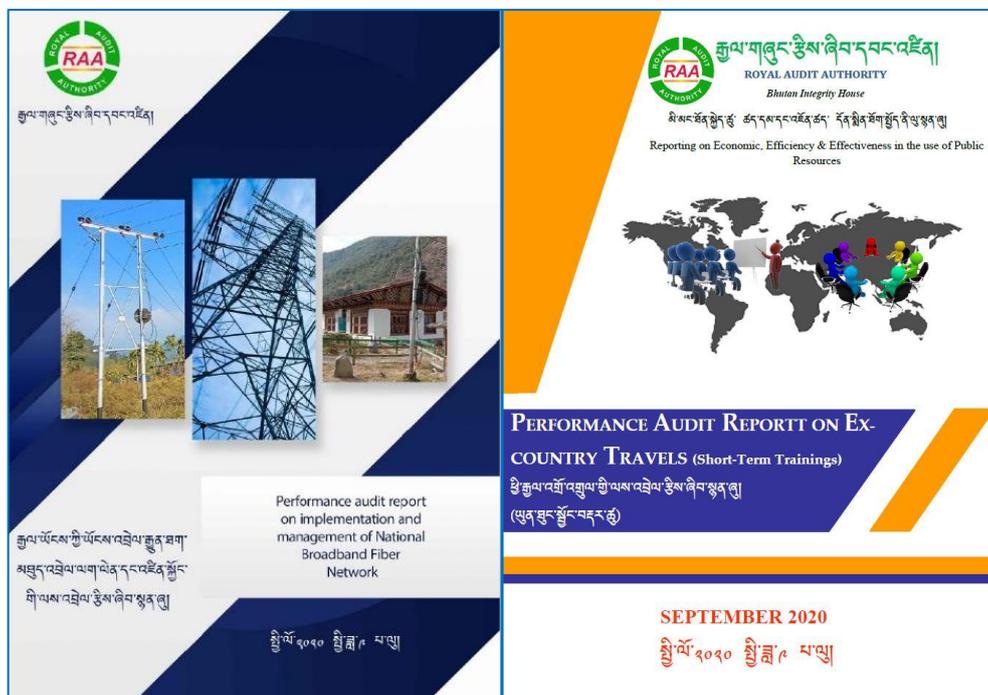
Performance Audit on Ex-Country Travels

The RAA carried out performance audit on Ex-Country Travels focusing on Short Terms Trainings (STTs). The audit assessed whether the agencies have exercised financial prudence while executing the STTs, and whether the required

mechanisms are in place. Ten Ministries, RCSC, GNHCS and NECS were audited. These agencies were identified based on the quantum of expenditure, frequencies of travel and roles in execution of ex-country travels. The audit noted

shortcoming and lapses on conducting training-need analysis, planning, resource mapping and lack of proper documentations. The audit provided recommendations accordingly.

Read more about AAR 2020 on Page 14...



RAA releases SAI Performance Report 2021

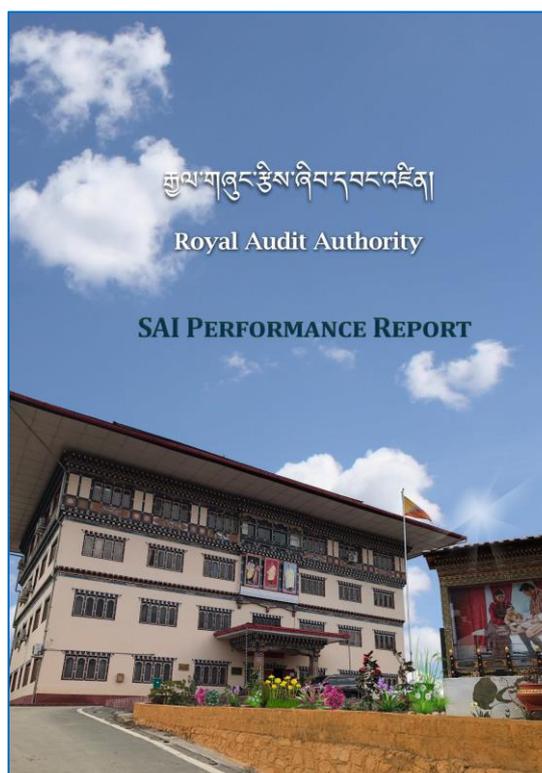
The Royal Audit Authority released its second SAI Performance Report 2021 which assesses the performance of the RAA against the International Standards of Supreme Audit Institutions (ISSAIs) and INTOSAI good practices following the methodology prescribed by the SAIs Performance Measurement Framework (SAI-PMF). The SAI-PMF is an important tool to help SAIs in improving its audit methodologies, internal governance and ethics, capacity development and engagement of stakeholders amongst many others.

This assessment carried out in 2019 was as part of the

Strategic Planning Monitoring Reporting (SPMR) program of INTOSAI Development Initiatives (IDI) and measures the current performance of the RAA

across 6 domains - Independence and Legal Framework, Internal Governance and Ethics, Audit Quality and Reporting, Financial Management, Assets and Support Services, Human Resources & Training and Communication & Stakeholder Management. The assessment was carried with an objective to assess the RAA's current capability in delivering its mandates in line with the ISSAIs.

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Auditor General awarded Best Audit Reports and Significant Audit Observations

As a part of annual feature, the RAA conducted the Auditor General's Compliance Assurance Award and significant audit observations competition in financial, performance and compliance audits for two financial years i.e. 2018-2019 and 2019-2020. Ten audit divisions including the regional offices competed for the award and 15 audit teams participated in the significant audit observations competition.

I. Winners for the AG's Compliance Assurance Award

Financial year 2018-2019

A. Financial Audit

- i. First - Audit Report of Royal Bhutan Police, Thimphu (General Governance Division)
- ii. Second- Audit Report of Dzongkhag Administration, Trongsa (Office of Assistant Auditor General, Bumthang)
- iii. Third - Audit Report of Drungkhag Administration, Phuentsholing (Office of Assistant Auditor General, Phuentsholing)

B. Performance Audit

- i. Performance Audit Report on Core Banking System in Bhutan Development Bank Ltd. (Thematic Audit Division)

Financial year 2019-2020

A. Financial Audit

- i. First - Audit Report of Royal Bhutan Police, Thimphu (General Governance Division)
- ii. Second- Audit Report of Regional Office, Thimphu, Department of Road (Social Communication & Information Division)
- iii. Third - Audit Report of Drungkhag Administration, Samdrupchoeling, Samdrup Jongkhar (Office of Assistant Auditor General, Samdrup Jongkhar)

B. Performance Audit

- i. Performance Audit Report on Road Maintenance Works, Department of Road (Thematic Audit Division)

A. Compliance Audit

- ii. Compliance Audit Report on Bhutan Telecom Ltd. (Compliance and Outsource Audit Division)

II. Winners for the Significant Audit Observations

Financial year 2018-2019

- i. First - Shortage in revenue deposits aggregating to Nu. 2,504,809.00 and late deposits of fines Nu.376,052.70 (Office of Assistant Auditor General, Tsirang)
- ii. Second – Inadmissible payment for tack coat and scarifying on both WWM & DBM surface (Social Communication & Information Division)

- iii. Third – Irregularities noted in disbursement of stipend (Social Communication & Information Division)

Financial year 2019-2020

- i. First – Misappropriation of fund from Radhi Gewog of Nu. 2,487,054.00 (Office of Assistant Auditor General, Samdrup Jongkhar)
- ii. Second – Payment of quantities of overbreaks having financial implication of over Nu.23.65 million (Resource, Trade, Industry & Commercial Division)
- iii. Third – Irregularities in development of Olakha workshop (Social, Communication & Information Division)

RAA recognises ‘Best Auditor’ and ‘Best Employee’

The Annual Award for ‘Best Auditor’ and ‘Best Employee’ for the year 2019 and 2020 was held on 03 February 2021 coinciding with the closing of two days Mid Term Review Meeting. The Annual Award system was initially started in 2018 to

recognise employees’ for their hard work, dedication, commitment and to create a culture of high performance for the achievement of organisational goals.

A. BEST AUDITOR OF THE YEAR 2019



Duptho Wangdi,
Assistant Audit Officer
OAAG Bumthang

B. BEST EMPLOYEE OF THE YEAR 2019



Karma Wangchuk,
Deputy Chief Auditor,
SCID



Tashi Phuntsho,
Senior Auditor III,
OAAG Tsirang

A. BEST AUDITOR OF THE YEAR 2020



Tashi Thinley,
Senior Auditor III
OAAG Bumthang

B. BEST EMPLOYEE OF THE YEAR 2020



Sangay Thinley,
Senior Audit Officer
OAAG Bumthang

RAA conducts Induction Program for new recruits

The Royal Audit Authority (RAA) has launched and inaugurated the 60-day Induction Program for New Recruits (IPNR) who joined the RAA family in January 2021. Due to the month long lockdown, the inauguration ceremony could be held only on 11 February 2021 that was graced by the Hon'ble Auditor General. The Program Director and Training Coordinator from the Professional Development Centre (PDC), Tsirang joined the event virtually.

During the program, the new recruits were oriented on the mandates, roles and responsibilities of the RAA, the purpose of RAA's existence in our country's governance structure, promotion of Good Governance and the value-and-benefits to the society and nation at large, through audit services. It also covered core auditing and reporting functions as well as relevant

topics and subjects in Financial, Performance and Compliance audits towards building the capacity of young officers.

The IPNR 2021 was segregated into two broad categories, namely '**Core Competencies**' and '**Functional Competencies**'. The sessions under Core Competencies focused on soft skill sets such as leadership skill, team building, effective communication, etc. The sessions under Functional Competencies covered the subject matter comprising of three types of audit.

Fourteen Assistant Audit Officers (AAO) and one Assistant ICT Officer attended the program that began on 15 February 2021 and ended on 15 April 2021.



New Deputy Auditor General appointed

Minjur Dorji, Assistant Auditor General of the Office of Assistant Auditor General, Tsirang has been promoted as the Deputy Auditor General for the Department of Follow-Up and Regions (DFR), Royal Audit Authority through the open competitive selection procedure held on 24 March 2021. Coinciding with the auspicious day, the Hon'ble Auditor General awarded the Promotion Order on 26 April 2021.



7th Bilateral Meeting of RAA and ACC held in Thimphu

The Royal Audit Authority and the Anti-Corruption Commission (ACC) under the new leaderships organised the 7th Bilateral Meeting on 23 March 2021 at the ACC Conference Hall. Such meeting was first initiated in 2016 with the objective of sharing information and making collaborative efforts towards realizing a corruption free society. Amongst many others, the meeting discussed issues such as civil servants at Executives level obtaining Audit Clearance Certificates only after the declaration of the results and appointment to key posts; public officials and contractors reported as missing after embezzlement of government funds; non-enforcement of court verdict leading to

unresolved audit issues; and arbitration cases being settled mostly in favor of contractors leading to drain out huge sum of public money from government exchequer.

The deliberations were also made on other businesses such as revising the Memorandum of Understanding between the two institutions, development of online platform to share information on real time basis, revision of members to working committee and for bilateral meeting for good wider participation. Further, the statuses of ACC and RAA referrals since 2016 to 2021 were also presented during the meeting.



New Program Director joins the Professional Development Centre

Cheki Dorji, Assistant Auditor General assumed the post of Program Director of the Professional Development Centre on 01 June 2021.

He took over charges from his predecessor, Minjur Dorji, Deputy Auditor General in a modest ceremony graced by Dasho Dzungdas of Wangdue Phodrang and Tsirang Dzungkhags.



Four Post Graduate Officers join the RAA Family

The RAA welcomed four new Assistant Audit Officers who joined the audit fraternity with effect from 01 January 2021. The new officers, all graduates of the Gedu College of Business Studies have Bachelor's Degree in Commerce with three majoring in Accounting and one in Finance. The new officers joined Compliance and Outsourced Audit Division; Social, Communication &

Information Division; Office of the Assistant Auditor General, Phuentsholing; Office of the Assistant Auditor General, Samdrup Jongkhar. They had successfully appeared for the Bhutan Civil Service Examination in 2019 and have completed their pre-requisite Post Graduate Diploma in Financial Management from the Royal Institute of Management.



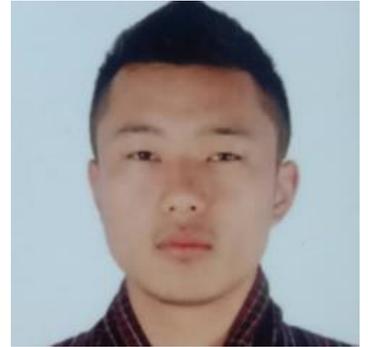
Tandin Bidha



Tshering Dorji



Sonam Tshering



Yeshey Dorji

RAA promotes 23 officials

The Royal Audit Authority promoted 23 officials to the next higher rank including one meritorious promotion. The Hon. Auditor General awarded the Promotion Orders along with Trashi Khadhar and congratulated them on their well-deserved promotions. Dasho also reiterated and reminded the promotees of their respective roles and

responsibilities as they progress in career ladder. The promotion ceremonies were held simultaneously in the Head Office and Regional Offices during the second day of the Mid-Term Review Meeting at the RAA Conference Hall on 03 February 2021.



RAA celebrates 41st Birth Anniversary of His Majesty The King

On the jubilant occasion of the 41st Birth Anniversary of His Majesty King Jigme Khesar Namgyel Wangchuck, the Auditor General and officials of RAA at the HQ and four Regional Offices offered butter lamps and recited the Zhabten for His Majesty's good health, long life and eternal happiness.

Staff at the RAA's Professional Development Centre in Tsirang and the new recruits also planted trees and cleaned the campus to mark the joyous day.

The RAA family joined the nation and offered sincere prayers for the wellbeing of our beloved Druk Gyalpo and the people of Bhutan continue to grow from strength to strength under His Majesty's brilliance, vision and wisdom.



In-house Desuups honoured as DeSuung receives the Druk Thuksey Medal

In appreciation of the DeSuung receiving the institutional Druk Thuksey Medal from His Majesty the King during the 113th National Day, the RAA honoured and congratulated the in-house DeSuups with Trashi Khadhar and simple lunch during the Mid-Term Review Meeting on 02 February 2021. The Hon. Auditor General thanked the in-house DeSuups for their hard work and dedication as representatives of the DeSuung and reiterated on the need to continue demonstrating

the qualities for which they have been recognised and the importance of their extraordinary contributions to the nation during the COVID-19 pandemic.

There are 57 DeSuups from the RAA including 41 males and 16 females, actively participating and rendering volunteer services amongst the innumerable DeSuups serving as frontliners during the pandemic.



Eight employees separated from the RAA

The Royal Audit Authority bid farewell to eight officials who separated between January and June 2021.



Dawa Tamang, Deputy Chief Auditor



Samdrup Dolma, Sr. Audit Officer, TAD



Roshna Pradhan
Senior Audit Officer



Tenzin Wangdi
Audit Officer



Sonam Rabgay
Assistant Audit Officer



Phub Dem
Assistant Audit Officer



Kuenga Dorji
Driver



Rinzin Dorji
Day Guard

Annual Audit Report 2020

In accordance with Article 25 of the Constitution of the Kingdom of Bhutan and Chapter 6, Section 115 and 116 of Audit Act of Bhutan 2018, the Annual Audit Report (AAR) 2020 of the Royal Audit Authority was submitted to the Druk Gyalpo, the Prime Minister and the Parliament.

The AAR 2020 is a compilation of un-resolved significant issues from 507 audit reports issued during the year 2020. It includes the certification of the Annual Financial Statements of the Royal Government, audit of accounts and operations of the RAA, accomplishments made by RAA during the year and summary on significant issues from the Audit of Hydropower projects. The significant matters contained in AAR 2020 include the following:

a) Certification of Annual Financial Statement of the Royal Government (2019-2020)

The RAA issued an unmodified (unqualified) audit report of the Annual Financial Statement of the Royal Government of Bhutan.

Highlights of Annual Financial Statements:

- Revised Budget Nu. 70,960.094 million
 - Actual Expenditure Nu. 59,506.404 million
 - Revised Capital Budget Nu. 31,510.374 million
 - Actual Capital expenditure Nu. 22,046.920 million
 - Underutilised Capital budget Nu. 9,463.454 million
 - Total Public debt Nu. 215,369.842 million
- (Domestic Debt Nu. 1,986.721 million and External Debt Nu. 213,383.117 million)*

b) Total unresolved irregularities in AAR 2020-Nu. 2,051.233 million

c) Observation by categories

1. Fraud and corruption Nu. 18.330 million
2. Embezzlement Nu. 7.837 million
3. Mismanagement Nu. 42.760 million
4. Non-compliance to laws and rules Nu. 408.862 million
5. Shortfall, lapses and deficiencies Nu. 1,574.244 million

d) Agencies with significant fraud, corruption and embezzlement cases

- Four Gewogs (Radhi, Phongmey, Shongphu and Bidung), Trashigang Dzongkhag : Nu. 11.357 million
- Thimphu Thromde : Nu. 4.411 million
- Dzongkhag Administration, Pemagatshel : Nu. 2.059 million

Irregularities in Mangdechhu Hydro-Electric Project amounts to Nu. 6.379 million. It comprised of Nu.4.293 million under Non-compliance to laws and rules and Nu. 2.086 million of shortfalls, lapses and deficiencies.

SAI Performance Report 2021

Dorji Wangchuk, DAG; Rinzin Lhamo, AAG; and Bikash Rai, AO

Summary of Overall Performance

The RAA's level of performance in the assessment ranges from 0-4 on the SAI-PMF scale. The summary of the scores achieved by each indicators and dimensions under its respective Domains is shown in the table below. It is important for readers to understand that the performance is measured specifically within the context in which the RAA functions and operates.

Indicator	Indicator name	Dimensions				Overall Score
		(i)	(ii)	(iii)	(iv)	
DOMAIN A: Independence and Legal Framework						
SAI-1	Independence of the SAI	3	2	2	4	3
SAI-2	Mandate of the SAI	4	4	4		4
DOMAIN B: Internal Governance and Ethics						
SAI-3	Strategic Planning Cycle	2	1	2	2	2
SAI-4	Organizational Control Environment	2	1	3	1	2
SAI-5	Outsourced Audits	4	2	1		2
SAI-6	Leadership and Internal Communication	4	3			3
SAI -7	Overall Audit Planning	3	3			3
DOMAIN C: Audit Quality and reporting						
SAI-8	Audit Coverage	2	3	0		2
SAI -9	Financial Audit Standards and Quality Management	4	4	3		4
SAI-10	Financial Audit Process	3	3	2		3
SAI-11	Financial Audit Results	2	4	3		3
SAI-12	Performance Audit Standards and Quality Management	4	4	2		3
SAI-13	Performance Audit Process	3	3	3		3
SAI-14	Performance Audit Results	3	4	2		3
SAI-15	Compliance Audit Standards and Quality Management	1	2	1		1
SAI-16	Compliance Audit Process	1	1	2		1
SAI-17	Compliance Audit Results	1	4	2		3
DOMAIN D: Financial Management, Assets and Support Services						
SAI-21	Financial Management, Assets and Support Services	3	4	4		4
DOMAIN E: Human Resources and Training						
SAI-22	Human Resource Management	3	0	3	3	2
SAI-23	Professional Development and Training	2	1	1	1	1
DOMAIN F: Communication and Stakeholders Management						
SAI-24	Communication with the Legislature, Executive and Judiciary	3	3	4	3	3
SAI-25	Communication with the Media, Citizens and Civil Society Organization	4	1			2

Key Findings

The legal framework for independence for RAA is established in the Constitution of the Kingdom of Bhutan 2008, and further defined in the Audit Act of Bhutan 2018. The RAA has full functional independence but fails to provide financial and organizational independence. As of now the dependence on the Ministry of Finance for budget seems to not affect the financial resources provided to RAA, but in future it is a matter of concern.

Also dependence on the Royal Civil Service Commission for human resources pose a risk as RAA is not able to recruit people based on its needs and it is further aggravated by high attrition rate experienced during the last few years.

The RAA enjoys a strong and wide mandate including all offices in the Legislature and Judiciary, all public authorities and bodies administering public funds, the police and defense forces as well as revenue, public and other monies received and the advances and all the reserves of Bhutan. The RAA has initiated in enhancing accountability in the public sector by bringing private contractors (engaged in government constructions) extending accountability obligations in procurement of works. The Annual Audit Reports (financial audit reports), and performance audits being discussed and deliberated in the Parliament had rendered basis for numerous parliamentary resolutions and directives. The parliamentary directives are directed to the responsible agencies to initiate recommended actions based on the audit reports. Through this process, RAA is able to influence changes and remedial actions for improved governance and performance in the public sector. The RAA recovered total amount of Nu 106.368 million in 2018 on account of irregularities on fraud & corruption, mismanagement, non-compliance to rules & regulations and shortfall, lapses & deficiencies as one of the impact from RAA's work. This recovery represents cost savings to the government. The Ministry of Finance had initiated amendment of existing Procurement Rules and Regulations based on the recommendations of the reviews conducted by the RAA.

The strategic plan 2015-20 which was developed based on a logical framework; however the performance of RAA was not assessed on the basis of the indicators developed. Thus, the activities accomplished do not indicate whether the intended targets have achieved the goals and outcomes of RAA. This has thwarted the RAA's intent of evaluate the uncorrected misstatements for materiality, individually or in aggregate. In terms of financial audit results 40.71% of the financial audit reports examined were issued within the agreed timeframe which we consider the planned date of issue of report and the actual date of issue of report. For performance audits in general the audit plans of the sampled audits provide a good basis for conducting the audit and the teams set a clearly-defined audit objective that relates to the principles of economy, efficiency and effectiveness. The document as to how auditors have actively managed audit risk cannot be traced through the audit documentation. The performance audit reports were all submitted to the audited entities and relevant stakeholders and published on the day of tabling the reports to the Parliament. Improvements are desirable if the follow-up reports include an analysis of different audits, possibly highlighting common trends, themes across a number of reporting areas and the impact from these corrective actions. The compliance audits showed that there are inadequacies in terms of guidelines for conducting compliance audits such as poor documentation of control environment and internal control assessment leading to inadequate risk assessment and detailed audit procedures designed to address the identified risks. Also, the risk of fraud was not considered in the sample audits. There is no adequate documentation of audit strategy in both the sample audits. The process followed in subjecting the work to continuous reviews and documenting the process was not adequately documented. The consideration of materiality in not clear as it is not determined specifically. Similar to the financial audit reports, the compliance audit reports issued during the year are compiled and included in the Annual Audit Report which is submitted to the Parliament. 20 % of the compliance audit reports examined were issued within the agreed timeframe or the within the maximum timeframe of 51 days allotted through executive order.

The RAA has good working relationship with the Parliament through Public Accounts Committee. The Annual Audit Reports, Performance Audit Reports and Follow up Reports are submitted to the Parliament through this committee and published on its website. Both Media (broadcast and print) are engaged through press conferences for issue of the Annual Audit Reports and Performance Audit reports. Currently there is no formalized strategy to stimulate citizens to access in public sector audit and the RAA, beyond audit reports. The RAA has a robust follow up system which is facilitated through an IT enabled system called "Audit Information Management System" which ensures effective implementation of the recommendations and the value and benefits of its audits. It has played a major role in strengthening the fiscal discipline, making government accountable and ensuring economic and efficient use of scarce public resources.

The RAA has initiated several development programmes funded by development partners to address major challenges such as audit manuals and guidelines, audit information and management system, implementation of ISSAIs, risk-based methodology, capacity development of auditors (trainings including quality assurance) and infrastructure development. Most of these activities were carried out through in house expertise as well as experts from IDI and donors. The audit resource management system (ARMS) and using ISSAIs as authoritative standards has improved audit documentations immensely. The review of the manuals and guidelines provides good basis for conducting high quality audits. The pilot audits conducted for all the disciplines of audits under the 3i programmes by IDI indicated better compliances to ISSAIs, improved documentation, strengthened QA function and policy and the RAA is beginning to see the benefits of full compliances through this assessment after fully implementing the ISSAIs as an authoritative standard. The past experiences of capacity building programmes of RAA had shown to be successful in terms of augmenting the overall capacity

of RAA in terms of human resources and organizational systems. As the country is soon to graduate from least developed category (LDC), RAA may face challenges of securing funds from donors outside the country for capacity building. However, the RAA needs to sustain its capacity building initiatives through collaborations with peer SAIs and professional bodies.

ALWAYS WEAR A FACE MASK PROPERLY

-  **Wash/ sanitize your hands before putting on your mask.**
-  **Don't pull the mask under your nose.**
-  **Make sure it covers your nose, mouth and chin.**
-  **Don't wear your mask on your chin.**
-  **Minimize the gap that lets in air on the sides and under your eyes.**
-  **Don't remove one strap and leave your mask hanging from one ear.**

FOR MORE INFORMATION : **HOTLINES 2121 6060**

www.health.gov.bt www.facebook.com/MoHBhutan/ [@MoHBhutan](https://twitter.com/MoHBhutan) [ministryofhealthbhutan](https://www.instagram.com/ministryofhealthbhutan/)

Citizen Participatory Audit – Enhancing transparency and accountability at the grass root level

Contributed by Kencho Dorji, Assistant Auditor General

Citizen Participatory Audit (CPA) is relatively a new concept to most of the Supreme Audit Institutions (SAI) including Bhutan. SAI Philippines has pioneered this concept since November 2012 and so far the results has been encouraging. It has received the Bright Spots Award from the U.K. Government during the OGP Summit in London in October 2013 for its participatory and inclusive approach to governance.

What is CPA?

It is an audit technique that brings together CSOs, citizens, and auditors as one audit team to strengthen citizen involvement in the public audit process towards improving transparency, efficiency and effectiveness in the use of public resources.

How different is CPA from Performance Audit (PA)?

CPA is not different from PA. However, as the team is composed of members from CSO and beneficiaries, the topics/theme chosen should be relatively simple to promote inclusiveness. In terms of time taken to complete the CPA, it will depend on the methodology and intensity of the review but lesser than the time taken for PA. Few CPA carried out by the SAI, Philippines are Health Centres, Implementation of solid waste management, Flood control projects, farm roads, etc.

In order to embrace the new concept, the RAA conducted the pilot audit of Zhingsagang Rural Water Supply Scheme (RWSS) amounting to Nu. 4.30 million under Maedwang Gewog, Thimphu Dzongkhag in February 2019. The audit team comprised of two members from Bhutan Transparency Initiative (BTI), two auditors and two beneficiaries of rural water scheme. Besides an enriching experience, the audit educated the beneficiaries on the budget and its' utilization and expected benefits of the scheme. They applauded and welcomed such audits in future for promoting the transparency and accountability in the use of public resources.

Recognising the importance of such audit in adding value and benefits, RAA's strategic Plan 2020-25 also highlights about the Citizens Participatory Audits – engaging citizens in audit process to strengthen collaboration with stakeholders to render more value and benefits to the lives of Bhutan's citizens.

CPA and Social Audit/Social Accountability

Social audit/social accountability is an audit conducted by the people, especially who are affected by or are the intended beneficiaries of the programs or schemes being audited and facilitated by the Government. There is a subtle difference between the CPA and social audit/social accountability. Audit approaches might be same but in case of CPA, the SAI partners with the CSO and beneficiaries

to audit the topic of common interest which can add value and impacts to the citizens. CPA reports if significant can be submitted to the Public Accounts Committee for further discussion in the Parliament.

Challenges in conducting CPA

CPA might entail a dedicated team to conduct the audit. While such audits are necessary to strengthen collaboration with the stakeholder, RAA is constrained with the manpower even to conduct the regularity audits. After choosing a topic of common interest, the members from CSO and beneficiaries have to be familiarised on the audit process and necessary training needs to be provided on the audit methodology before the execution. Audit plan is prepared, executed and report issued jointly like any other audits followed by the joint follow-up to see the implementation of recommendations.

CPA in the SAI Philippines is a success story because the CSOs are vibrant & progressive and have adequate knowledge about the projects (budget and expenditure) to be audited. In Bhutan we have a handful of CSOs, all located in Thimphu.

It is time for RAA to introspect and decide on the options; either replicate the same modality followed in the SAI Philippines or customise CPA to our scenario or keep hold CPA for the time being. Nonetheless, we will finalise the guidelines and deliberate extensively on the expected benefits and sustainability before we embark on such audits.

Excess Payments in Constructio Works –Trongsa Dzongkhag

Contributed by Chime Dorji, Offtg. Assistant Auditor General, OAAG Bumthang

Yearly, a great deal of government budget is being appropriated for the capital expenditure generally comprising of 31 different categories of capital activities as per the Financial and Accounting Manual (FAM), 2001 depending on the nature of the work initiated. The capital works are those works and activities involving: new construction; additions, alteration, renovation, re-modelling of an existing property resulting in an increase in the value; initial repairs to newly acquired properties; and restoration of previously abandoned properties to bring into use is called a capital work. For instance, during the Financial Year 2018-2019 alone, the capital activities comprise of 34.95 percent which translates into Nu. 16,285.47 million from overall national expenditure of Nu. 44,054.133 million and it's share to Gross Domestic Product (GDP) is 8.89 percent (MoF, 2019). This can be accrued to the quantum of the infrastructure development gaining across the regions in the country.

In the due course of implementing and executing the capital works/activities, huge chunk of national resources is un-economically utilized failing to achieve the intended end result jeopardizing the 3E principles of government procurement (both works and services); Economy, Efficiency and Effectiveness. The Audit Report (2019) reported the irregularities of Nu. 3,531.698 million, a fair share of 8.017 percent of overall expenditure for the Financial Year 2018-2019. Such kind of reporting or unveiling of irregularities or unproductive government spending can be just

a tip of ice berg owing to stipulated audit review time or limited technical capacities of auditors. Over the past three years, the irregularities reported in Annual Audit Report consecutively increased by 48.45 percent in 2019 over 2018 and 134.15 percent in 2020 over 2019.

Going by the irregularities reported in the Audit Report of Dzongkhag Administration, Trongsa for the past three consecutive Financial Year (FY- 2016/2017, FY-2017/2018 and FY-2018/2019) the irregularities reported were mostly of excess payment related to construction and capital works. For instance, for the audit of Financial Year 2017/2018, out of 31 total irregularities reported in the Audit Report (AIN 16452) 64.51 percent (20 paras) pertains to excess payments related to constructions and supplies of goods and services.

Looking at the current trend, the excess payment for the procurement of Goods and services are forming the major irregularities reported each year for the Dzongkhag. And, it is high time to rethink on the 'permanent fix' measures to curb such recurrent irregularities. The detection of uneconomical and wasteful government investment is not a mere responsibility of oversight body 'RAA', rather a collaborative action of all implementing agencies.

Scope and Objectives of the Review:

1. To present the scenario of excess payment made on account of implementing capital work vis-à-vis construction work for the past three years to convince and instill sense of urgency to completely avoid or minimize the reoccurrence of a problem of such magnitude and severity.
2. To analyse the categories and magnitude of excess payment made to 'Entrustee' and reason underlying the excess payment.
3. To seek for way forward proactive solution to put in place to avoid and/or minimize the reoccurrence over the period of time.

Limitation of the Study/review

1. The inference drawn can be limited to RAA's review of the excess payment related to construction works and activities for three years only.
2. The irregularities settled at the preliminary observation level/ draft stage is out of consideration of these review and analysis.
3. Quality related issues related irregularities which do not bear any monetary value but material to the extent of systemic issues and improvement remains inconsiderate from the context of present review.

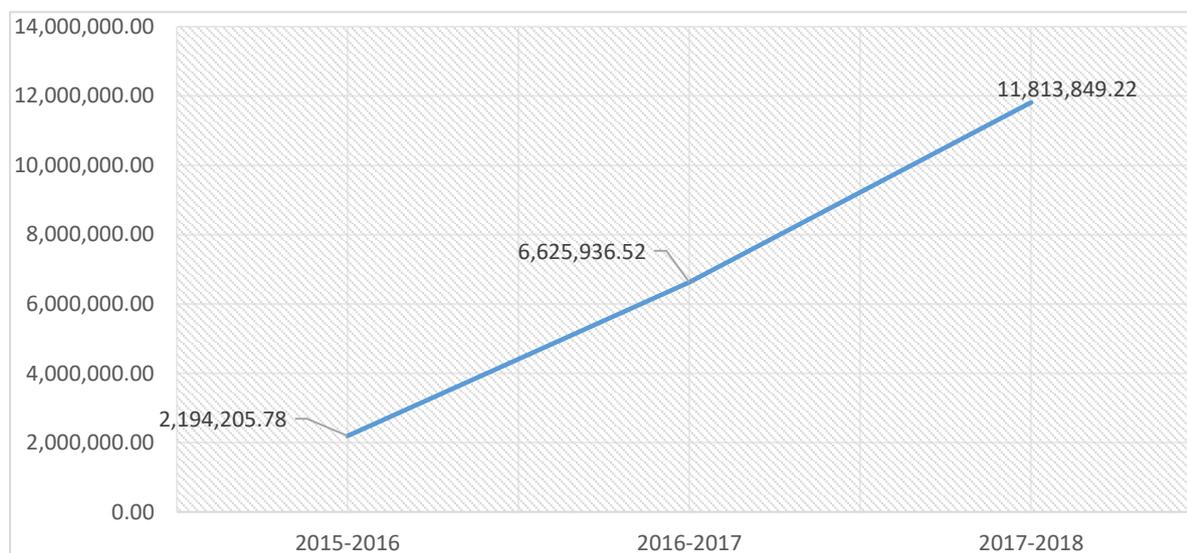
Overview of Excess payment

The past three-years' Audit Report of Dzongkhag Administration had been reviewed for the purpose of assessing the irregularities being reported for the FY-2015-2016, FY-2016-2017 and FY-2017-2018. As illustrated by the bar chart, for the Financial Year 2015-2016, 40 irregularities of varied nature had been reported in the Audit Report, out of which 27 irregularities comprising of 67.50 percent pertains to excess payment made to contractors for various construction activities.



During the Financial Year 2016-2017, the out of the 44 irregularities reported, 21 irregularities were regarding the excess payment made to contractor comprising of 47.73 percent. For the Financial Year 2017/2018, 31 irregularities were report in the Audit Report and out of which 20 irregularities are related to excess payment made to contractors which is 64.52 percent of the total proportions.

Financial Year	Irregularities in Monetary	Excess Payment
2015-2016	3,237,820.69	2,194,205.78
2016-2017	9,048,231.62	6,625,936.52
2017-2018	13,134,609.94	11,813,849.22
Total (Nu.)	25,420,662.25	20,633,991.52



Over the past three financial years, the total excess payment on various count of irregularities sums up to Nu. 25.42 million. Out of which Nu. 20.634 million is an excess and irregular payment for various construction/infrastructure development works. The total irregularities comprises of 4.25 percent of total capital expenditure of the Dzongkhag Administration for three Financial Year aggregating to Nu. 597.484 million. The excess payment for the construction (expenditure on structure) alone makes up to 5.52 percent of the total expenditure on structure for three financial year which stands at Nu.408.464 million. As exhibited by the line graph above, there is almost an exponential rise in the excess payment for the construction works which translates into leakage of government investment on public infrastructure by Nu. 2.194 million, Nu.6.626 million and Nu. 11.814 million for financial year 2015-2016, 2016-2017 and 2017-2018 respectively. For instance, during the Financial Year 2017-2018, the capital expenditure of Dzongkhag Administration stands at Nu. 161.952 million. On compartmentalization of the capital outlets, the expenditure on structure stands at Nu. 111.434 million. The highlights of the capital expenditure and expenditure on structure and corresponding excess payment were presented below in the table;

Capital expenditure vs expenditure on structure vs excess payment

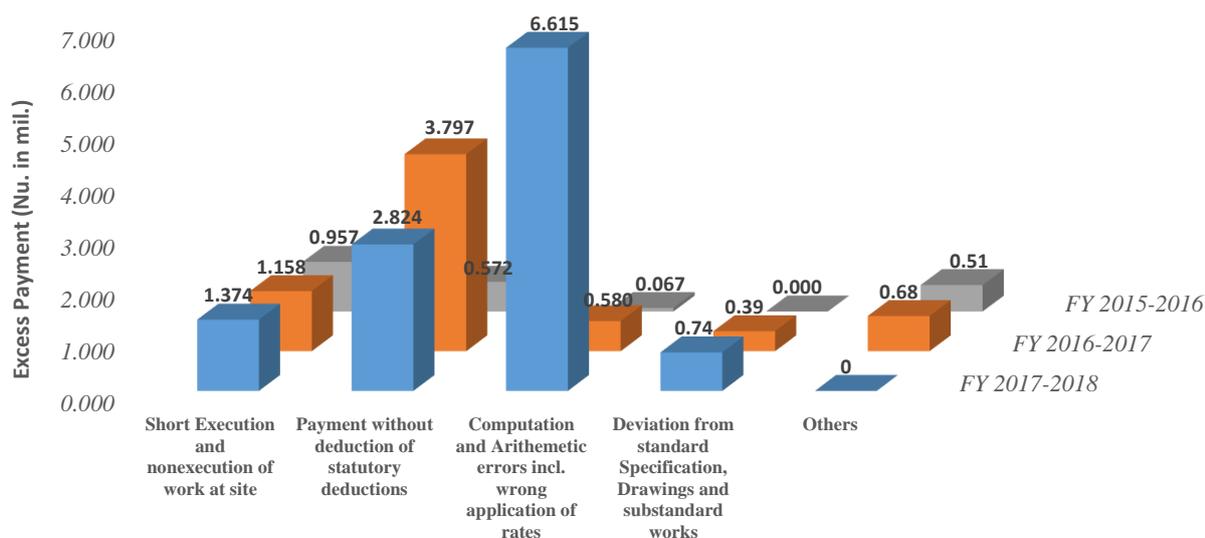
Financial Year	Budgetary Expenditure (in million)	Capital Expenditure (in million)	Expenditure on Structure (in million)	Excess Payment (in million)
2015-2016	355.812	159.824	98.443	2.194
2016-2017	536.951	275.708	198.587	6.626
2017-2018	426.132	161.952	111.434	11.814
Total	1,318.895	597.484	408.464	20.634

Categories of Excess Payment

From the review of past three-years' audit reports of the Dzongkhag Administration, the excess payment for the construction related works can be basically categorized into four types due to following reasons:

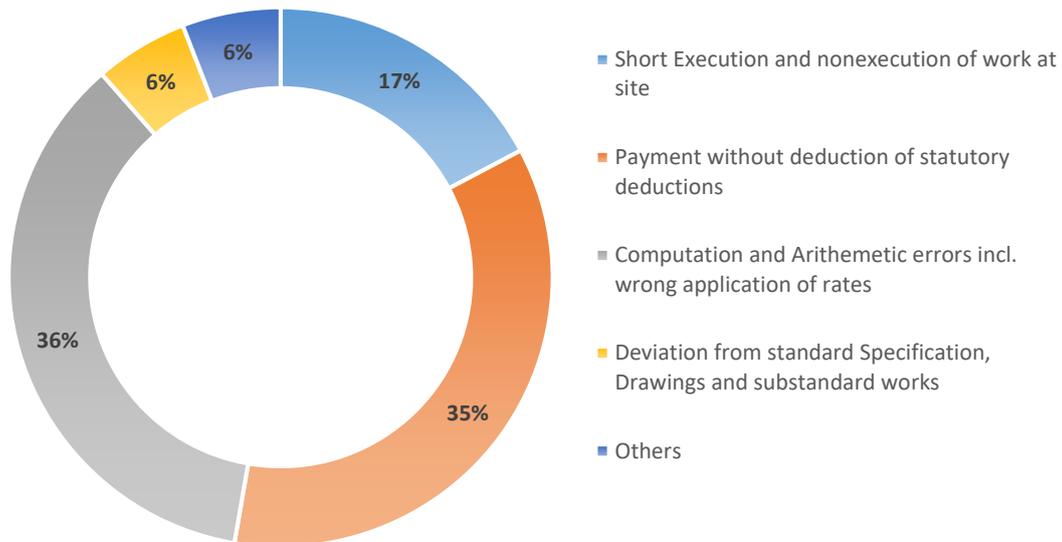
1. Short execution and non-execution of works at site;
2. Payment without deduction of statutory deductions (TDS, Advances, RAB, LD and termination penalties);
3. Computation and Arithmetical errors;
4. Excess payment out of deviation from other standard specification, Drawings or sub-standard works; and
5. Others (defective works etc.).

The magnitude of the construction irregularities on account of above broad categories of excess payment had been indicated by graphical representations vide bar charts and pie diagram as shown below:



As evident from above charts, under the different categories of excess payments, the excess payment due to computation and arithmetic error including the wrong application of rates and quantities had recorded the highest excess payment during the financial year 2017/2018 aggregating to Nu. 6.615 million out of 11.814 million constituting 56 percent. Relatively, during the financial year 2016-2017, payment made to contractor without deducting statutory deduction including TDS, Rebates, RA bills, prior advances (mobilization/material and secured advances), LD and penalties etc. peaks the list with 3.797 million constituting of 57.30 percent of aggregate excess payment to contractor during the period. During the financial year 2015-2016, short execution and non-execution of the work and work items at site pinnacles the list with 0.957 million which constitutes 43.62 percent of the aggregate excess payment during the period.

Average Excess Payment

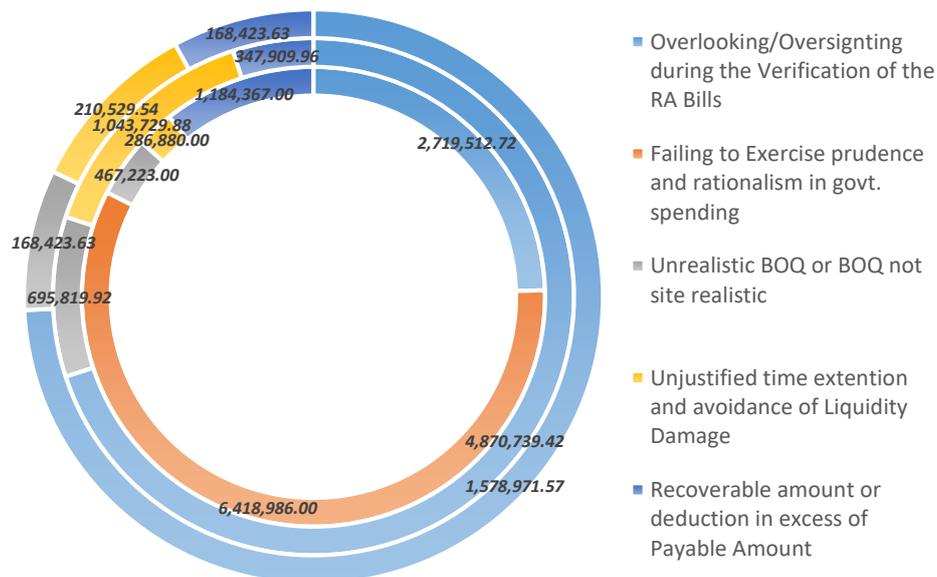


Averaging the excess payment for three financial year; 2015-2016, 2016-2017 and 2017-2018, the excess payment arising out of computation and arithmetical error makes up the highest proportion with 36 percent followed by 35 percent arising out of excess payment without deducting statutory deductions. Amongst the list, the deviation from standard specification, drawings and substandard works come in least proportion.

Attributing factors of Excess Payment/ Cited reasons

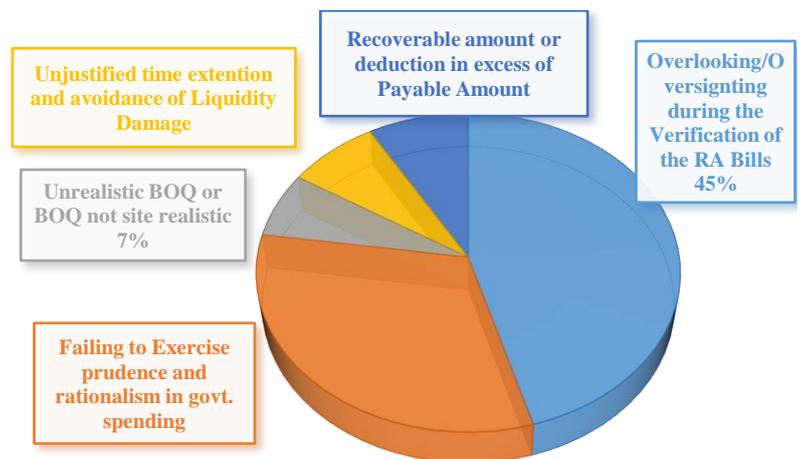
The past three-years’ audit reports showed some of the common attributes of excess payment made for the construction works and activities such as:

1. Oversighting and/or overlooking by the dealing officials;
2. Failure to exercise prudence and rationalism in government spending;
3. Preparation of unrealistic BOQ and/or unrealistic variations of quantities;
4. Unjustified time extension and avoidance of penalties (LD); and
5. Payment without fully realizing the deductions.



The diagram above illustrates the different attributes of excess payment for three financial year. Accordingly, the outer sphere represents the different proportions for FY-2015-2016 and the middle sphere represents for FY-2016-2017 and inner sphere indicate the proportion for different attributes of excess payment for FY-2017-2018. During the financial year 2015-2016, the highest proportion of excess payment made for construction related works was due to the overlooking and oversighting during the verification and payments by the official concerned followed by unjustified time extension and avoidance of liquidated damages with monetary value aggregating to Nu. 1.579 million and Nu. 0.211 million respectively. Concurrently during the financial year 2016-2017, the highest excess payment was made due to overlooking and oversighting during the verification and payments with monetary value aggregating to Nu. 4.871 million. And, during the financial year 2017-2018, the highest excess payment made was due to failure to exercise prudence and rationalism in government spending followed by overlooking and oversighting during the verification and payments by official concern with work valuation of Nu. 6.419 million and Nu.2.720 million respectively.

Averaging the monetary value for each asserted attributes of excess payment for three financial year; 2015-2016, 2016-2017 and 2017-2018, the excess payment arising out of the reason of overlooking and oversighting during the course of verification by officials concerned is highest with 45 percent followed by 32 percent arising out of failing to exercise prudence and rationalism in government spending by official concern with 32 percent of the aggregate.



In absence of oversight body like RAA, the government exchequer could have leaked more than Nu. 20 million owing to asserted reasons of excess payment for the construction works under Dzongkhag Administration for the three consecutives financial years.



Vision

A credible Supreme Audit Institution that promotes value for money and good governance in public operations and contributes towards achieving the societal aspirations of Gross National Happiness.

Mission

RAA is an independent constitutional body which contributes to accountability, transparency and effective service delivery. In the service of Tsa-Wa-Sum (the King, Country and People), we audit without fear, favour or prejudice and provide timely, reliable and quality audit services to assist effective decision making in the sector.

Core Values

Integrity, Accountability, Transparency, Professionalism, Team Work

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