



ལྷན་ཁག་གི་ལྷན་པོ་འཛིན་པའི་འཛིན་པ་

ROYAL AUDIT AUTHORITY

Bhutan Integrity House

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



## PRESS RELEASE

In accordance with Article 25.5 of the Constitution of the Kingdom of Bhutan and Chapter 6, Section 111, 115 & 116 of Audit Act of Bhutan 2018, the **Annual Audit Report (AAR) 2021-2022 and Performance Audit Report on Irrigation Systems** of the Royal Audit Authority has been submitted to The Druk Gyalpo, the Prime Minister and the Parliament. The reports were tabled in the ongoing Joint Sitting of the Parliament on 6<sup>th</sup> December 2022.

### A. AAR 2021-2022

The AAR 2021-2022 has been compiled from 327 audit reports issued from 1<sup>st</sup> July 2021 to 30<sup>th</sup> June 2022, including one performance audit report. Volume - I of the AAR contains audited Annual Financial Statement of the Royal Government of Bhutan for the financial year ended 30<sup>th</sup> June 2022 and summary of audit findings with irregularities amounting to Nu. 7,525.498 million observed during the period. The Volume-II of the AAR contains the status of total irregularities of audit reports issued between 01<sup>st</sup> July 2021 and 30<sup>th</sup> June 2022.

The significant matters contained in AAR 2021-2022 include the following:

#### I) Certification of Annual Financial Statement (AFS) of the Royal Government of Bhutan

The RAA issued an unmodified (unqualified) audit report of the Annual Financial Statement of the Royal Government of Bhutan for the financial year ended 30<sup>th</sup> June 2022.

##### Highlights of Annual Financial Statements:

- Revised Budget Nu. 78,153.559 million
- Actual Expenditure Nu. 69,156.613 million
- Revised Capital Budget Nu. 43,080.514 million
- Actual Capital expenditure Nu. 34,711.896 million
- Underutilised Capital budget Nu. 8,368.62 million (19.43 % of revised capital budget)

##### The Auditor General's report on the AFS draws attention to the following:

1. The fiscal deficit of the government has been constantly increasing over the past years from Nu. 3,385.374 million in FY 2019-20 and Nu. 11,139 million in FY 2020-21 to Nu. 14,572.038 million in the FY 2021-22, which could be attributed to limited revenue growth and increased public spending;
2. The government subsidies have been increasing over the years. The current proposal for subsidies and releases lacked proper scrutiny and policy in place on the admissibility and limit on subsidy with prescribed time frame including the monitoring, evaluation and reporting framework;
3. There is a lack of clear structure on the types of Government CD accounts which requires the DPA's authorisation and reporting to Department of Public Accounts; and

*"Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder."*

*- His Majesty the King Jigme Khesar Namgyel Wangchuck*

P.O. Box: 191 | Kawangjansa | Thimphu | Bhutan | Tel: +975-2-322111  
Website: [www.bhutanaudit.gov.bt](http://www.bhutanaudit.gov.bt) | Email: [info@bhutanaudit.gov.bt](mailto:info@bhutanaudit.gov.bt)

4. The utilisation of monthly and quarterly capital expenditure for three consecutive financial years of 2019-20 to 2021-22 revealed a rush of capital expenditure towards the last quarter of the financial year, representing 54.95% compared to previous quarters which represents only 8.99%, 17.00% and 19.05% for first, second and third quarters respectively.

## II) Summary of Audit Findings for the reports issued from 1<sup>st</sup> July 2021 to 30<sup>th</sup> June 2022

**Total irregularities reported in AAR 2021-2022**

**Nu. 7,525.498 million**

### **Irregularities by categories**

1. Fraud & corruption	<b>Nu. 26.142 million</b>
2. Non-compliance to laws & rules	<b>Nu. 2,038.575 million</b>
3. Shortfall, lapses & deficiencies	<b>Nu. 5,460.781 million</b>

## III) Performance Audit of Irrigation Systems

Performance audit of 'Irrigation Systems' was conducted to *ascertain the economy, efficiency, and effectiveness in the development and management of reliable, adequate, and sustainable irrigation systems* including the institutional arrangement supporting the planning and development of irrigation systems.

The RAA observed a total of 17 audit findings and provided eight recommendations to address the identified findings. The inadequacies were mainly due to lack of institutional structures and mechanism, derailment of FYPs from the NIP and NIMP, non-enforcement of carrying out the multi-disciplinary feasibility studies prior to the implementation of irrigation schemes, and non-maintenance of comprehensive information on irrigation scheme.

*The AAR 2021-2022 and PA report on Irrigation Systems are available on the RAA website [www.bhutanaudit.gov.bt](http://www.bhutanaudit.gov.bt).*



(Tashi)  
Auditor General

**Date: 7<sup>th</sup> December 2022**