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ROYAL AUDIT AUTHORITY

AUDITOR GENERAL'S TERM REPORT

2020 - 2025



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1. INTRODUCTION

With the completion of my five-year term as the 3rd Auditor General under the Constitution of the Kingdom of Bhutan, I leave this office with immense contentment and gratification. I started my career in this organisation as an auditor and after more than 30 years of my public service, I am exiting as the head of this esteemed organisation. What more could I aspire for when I had the honour of leading the organization where I started my career in 1994 and exiting the same? Besides, coming back to this organisation was the realisation of a long-held aspiration to return to the RAA in any capacity.

Above all and with deepest reverence, I would like to express my profound gratitude to His Majesty the King for bestowing upon me this very sacred responsibility. If I have ever achieved anything during my last five years as the Auditor General, it is all because of the Enlightened Words of Wisdom granted to me by His Majesty The King during the very first Royal Audience soon after my appointment and the constant guidance throughout my tenure.

Over the past five years, every individual member of the Royal Audit Authority (RAA) family worked tirelessly in upholding the principles of accountability, transparency and integrity in line with the various reforms initiated in achieving the Royal Vision of making Bhutan one of the least corrupt countries in the world. During the period, the RAA issued 2,346 audit reports comprising of 2,037 Financial Audits, 293 Compliance Audits and 16 Performance Audits. The overall irregularities have been reducing over the past few years from Nu. 7.520 billion in 2021-2022 to Nu. 3.961 billion in 2023-2024. The Annual Audit Report 2024-25 saw increase of total irregularities to Nu. 9.991 billion which was significantly contributed by PHEP-II resulting in distortion of the trend. During the same period, the number of Nil Reports has increased from 77 to 319 from the previous year. The RAA recovered more than Nu. 1.481 billion over the last five years.

Today Bhutan is rated as least corrupt country in South Asia, 3rd in the whole of Asia and the 18th in the world. Bhutan's Corruption Perception Index score improved from 68 to 72 in 2024 which is a significant improvement and a milestone that reaffirms our nation's commitment to ethical governance. I would like to thank all public institutions and agencies for their commitment towards His Majesty's vision of creating a corrupt free and accountable society. I hope very soon we shall be competing against the top nations through the collective efforts of all branches of government, the oversight bodies, civil society, media and international communities.

Despite the high attrition rates, losing more than 100 qualified and experienced auditors over the last five years, we have always maintained the principle of 'doing more with less'. We have been able to explore ways of optimizing our human resource requirement through reengineering our work processes that have yielded greater efficiency. Through this, we have committed to restrict our total strength of human resource to 250 at least for the foreseeable future, which is a substantial reduction from the earlier projection of 300. The efforts are still underway in further

consolidating our resources through the use of ICT in auditing, remote auditing and sharpened focus through reinforcing risk-based auditing approach and concept of consolidated audit.

With the increasing level of efficiency of the auditors, we have been able to increase audit coverage despite reduction in workforce and the ultimate aim is to conduct 100% of all the agencies under RAA's universe by the end of 13th Five Year Plan.

In order to enhance the competency level of auditors, the RAA will also be training more than 10 Certified Chartered Accountants over the next 3 years, of which 2 officials are already undergoing the course in Singapore. Besides, RAA's strategic focus is on capacitating our auditors in field of IT auditing and use of ICT in its audit process. Through operationalization of Continuing Professional Development, we have been able to sustain our human resource capacity.

This report is an attempt to highlight results of our work and critical strategies we pursued to enhance our institutional and organization systems capability including sustaining human resource capacity in order to deliver the constitutional mandates aligning with my tenure from October 2020 to October 2025.

2. DELIVERY OF CORE MANDATES

Bestowed with the mandate of auditing and reporting, my role in sustaining the delivery of audit results were no different from my predecessors'. However, leveraging on systems, structures and capacity already in place, my priorities were to elevate the role of RAA to a proactive agent to influence positive changes in public sector operations by focusing on reinforcing systems and strategies that were aimed to ensure lasting impact of our results.

In this section, I would provide an account of what we delivered as results of our audits, strategies and changes we pursued to reinforce public accountability and some of the visible impacts attributable to our efforts.

2.1. AUDITING AND REPORTING

i) Financial Audits

During the last five years, we completed 2,037 Financial Audits of public agencies. These relate to certification of financial statements of agencies through which RAA as an oversight body is required to provide assurance that financial resources appropriated by the Parliament were spent for the purposes intended and in due compliance to the governing authorities. Our uncompromising approach to ensuring high audit coverage helped us continually enforce accountability of those charged with governance. Through this accountability mechanism, we could play a crucial role in building trust and confidence in the government and the public financial management system.

The overall results of the financial audits are consolidated in the Annual Audit Reports which are submitted to the Parliament. The irregularities are mostly cases of non-compliances, impropriety and mismanagement in various operational areas of procurement, human resource, property management, finances etc. I would like to illustrate some cases of irregularities that are contained in the financial audit reports to give sense of what we focused on during financial audits and these are random cases which were already reported through Annual Audit Report and have no particular order of significance or otherwise.

- i) The RAA reported that the Accountant of the Dungkhag Administration, Gelephu misappropriated Nu. 6.464 million from the LC accounts of the Dungkhag and Gewog. The accounts were handled single-handedly without proper checks and controls, creating an opportunity for fraud.



- ii) At the Royal Bhutan Helicopter Services Ltd. (RBHSL), the accountant misused Nu. 1.161 million by failing to deposit cash collected from debtors into the company's account. This basically due to inadequate controls in monitoring the cash management by the official.
- iii) The Sales Executive of the STCBL Regional Office in Thimphu misappropriated Nu. 1.111 million from client collections. There was no control to ensure timely deposit of revenue collected by the company.
- iv) The Dzongkhag Administration, Dagana made excess payments of Nu. 1.517 million due to less execution of work. This indicated lack of monitoring controls in verification of the works delivered by the parties.
- v) Misappropriation of Nu. 6.441 million was reported at JDWNRH. The RAA noted that the amount was transferred from Patient's Welfare Fund to the personal bank account in tranches spanning over three years indicating inadequate control over management of funds.
- vi) The Gewog Administration, Tsangkha, Dagana saw misappropriation of Nu. 2.047 million in refunds and an additional Nu. 0.937 million from the LC account by its Accountant, despite similar issues flagged in earlier audits. This indicated lack of monitoring in operation of accounts.
- vii) The Army Welfare Project recorded shortages worth Nu. 2.919 million in bonded warehouses due to embezzlement. The case was forwarded to RBP and ACC for further investigation.
- viii) At JDWNRH, Nu. 117.978 million was wasted on a radiotherapy services contract with M/s Care Australia due to poor due diligence, inadequate clinical outcomes and non-compliance with procedures. This represented case of wastage of public resources.
- ix) The PHEP-I project had made inadmissible payments of Nu. 57.644 million to M/s WAPCOS for manpower claims already covered and paid during prior periods. The amount was adjusted through the running bills after RAA raised the objection.
- x) At MHEP, an overpayment of Nu. 5.979 million was made to Jaiprakash Associates Limited due to double assessment of cement in dam works. This showed lack of system of verification of works delivered by the parties.
- xi) The Accountant of the Regional Office of Industry, Commerce and Employment in Samdrup Jongkhar misused Nu. 4.553 million by adjusting personal advances as expenditure without supporting documents.
- xii) At Kaja Throm under the DAMC, MoAL, a short accountal of revenue amounting to Nu. 4.164 million was noted when deposits did not match collections, and the management could not provide explanations. Further, there was a case of withdrawal of Nu. 2.310 million from the bank without any supporting bills or vouchers.

- xiii) At the Ministry of Information and Communications (MoIC), irregular award of EV charging station works valued at Nu. 13.97 million was made using falsified tender IDs, a case referred to the ACC.
- xiv) The MoIC also made a double payment of Nu. 1.682 million to M/s S.P.D Enterprise, caused by collusion between officials and the supplier.
- xv) An excess payment of Nu. 4.782 million was made to M/s Jigme Dorji Construction Pvt. Ltd. in procuring transformers and substation equipment at the MoIC
- xvi) The Thromde Administration in Thimphu misused Nu. 7.9914 million in cash revenue collections, where deposit slips did not match system and manual records.
- xvii) In Jamkhar Gewog, Trashiyangtse, an advance of Nu. 1 million to the former Gup for road works remained unaccounted for, while Nu. 0.123 million marked as mobilization advance was deposited into an Accountant's personal account. In Yangtse Gewog, Nu. 6.9 million in bridge construction advances was deposited into a GAO's personal account without work initiation, though later recovered.
- xviii) At the Regional Immigration Office, Gelephu, an Accountant misappropriated Nu. 1.190 million by transferring LC account funds directly to his savings account.
- xix) The Dungkhag Administration, Tashichhoeling misused Nu. 2.299 million collected from inbound travelers for COVID testing charges.

These irregularities were raised in the audit reports issued to the agencies concerned and actions of treatment, sanctions and corrective actions were sought in the form of Action Taken Reports. The officials were held accountable based on their involvement and the issues were pursued until all actions recommended in the reports are addressed through a continuous process of follow-up.

ii) Compliance Audits

Apart from the compliance audits undertaken along with the Financial Audits, the RAA also undertakes a standalone compliance audits of government companies that involve review of compliance to authorities governing the selected subject matters. During the period, we completed 293 compliance audits of entities.

In 2022, we conducted comprehensive compliance audit of five Financial Service Providers (FSPs) namely Bank of Bhutan Limited, Bhutan Development Bank Limited, Bhutan National Bank Limited, National CSI Development Bank Limited and Royal Insurance Corporation Limited. These specific reviews coincided with the external review of their operations by an independent panel of expert. We have been able to share critical information in regards to systemic issues and potential risks based on our review.

We focussed on reviewing the efficiency and effectiveness of operational controls including the IT systems in the administration of loans and advances, and its compliances to regulatory requirements specifically the Prudential Rules and Regulations and other relevant authorities such as guidelines, manuals, standard operating procedures, etc., governing the operation of specific financial institutions. The RAA noted range of issues across all four institutions posing operational and credit risk besides providing opportunity for perpetration of frauds and circumvention of controls and standard operating procedures.

Some of the significant and critical issues observed across these four FSPs (BoBL, BNBL, BDBL and RICBL) were;

a) Non-Performing Loans

We pointed out increasing NPL situations in all four FSPs at the staggering aggregate amount of Nu. 13.215 billion in respect of 6,370 accounts. Through this observation, the RAA cautioned on the consequences of deterioration of quality of loan assets not only on the specific financial institutions but also on society at large by way of constricting credit supply, distorting allocation of resources, worsening the market confidence and slowing down the economic growth of the country.

Subsequently, the Royal Monetary Authority of Bhutan had issued directives to FSPs on the requirement to maintain NPLs under 7 % at all times placing obligations on the FSPs.

b) Suspected cases of fraud

We suspected fraud in loan amount of Nu. 68.201 million in respect of 25 clients based on the evidences of fraudulent processing of loans. These loans were sanctioned on cross collateralized securities amongst the FSPs, forged work order, multiple transport loans sanctioned on same invoice, discharge of collaterals secured against the loans under NPL, loans sanctioned on collateral already charged with bank on existing loan, poorly assessed source of income for repayments besides disbursements being made prior to obtaining of the lien noting confirmation.

c) Errors

Besides intentional fraud and dishonest practices, we report serious failures in management and control systems in all FSPs possibly providing opportunity to commit errors and mistakes in appraising, processing, approving and follow up of loans, and also in terms of ensuring compliance to authorities and standard operating procedures. We reported several cases of inconsistencies in validations and authentication of data inputs from processing and approval to administration of follow up and recovery of the loans.

Based on the findings, we provided recommendations to specific FSPs as well as RMA as regulatory body of these institutions. The recommendations were basically on treating the issues, initiating sanctions and corrective actions, reinforcing

oversight functions of respective Board and regulatory function of RMA, and ensuring robust credit information system.

iii) Annual Audit Reports

The reports of financial and compliance audits are consolidated into Annual Audit Report, which is submitted to the Parliament. The Public Accounts Committee reviews and report on the Annual Audit Report to Parliament. The deliberations in the Parliament seek answerability of relevant government agencies and enforce accountability for actions based on the issues contained in the report.

Further, this report also contains series of recommendations which are discussed and are usually reinforced through parliamentary directives seeking corrective actions from the relevant agencies. During my tenure, five Annual Audit Reports were submitted and have rendered a solid basis for the Parliament to demand accountability and actions.

iv) Performance Audits

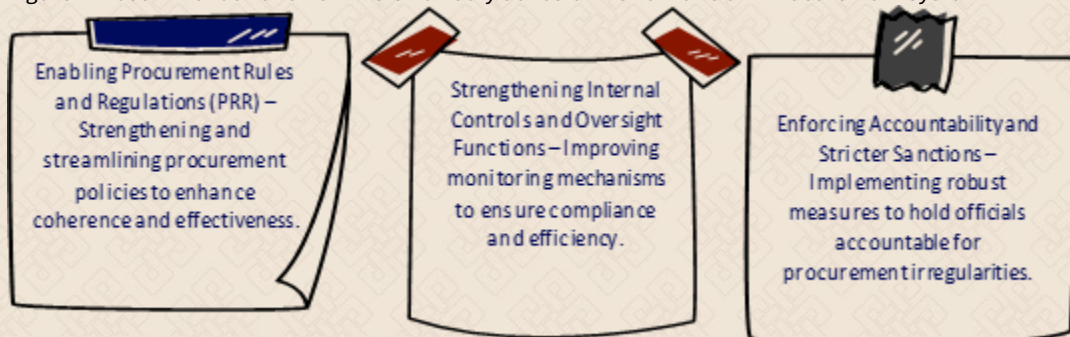
We conducted 14 performance audits on various themes, including health, education, public administration, economy, agriculture and environment, ICT and infrastructure. Unlike in the past, the overall coverage of performance audits could not be ensured due to unexpected rise in attrition of employees from the two divisions starting 2021. The divisions had to be restructured into a single division, which continues to face attrition even today. Nonetheless, we ensured minimum sectoral coverage and strived to contribute to the extent our existing strength of human resources allowed us to undertake reviews in pursuit of our strategic intents of contributing to enhancing public sector performance articulated in the Strategic Plan 2020-25.

The performance audit reports were individually submitted to the Parliament and the recommendations in these reports have caused extensive deliberations in the joint sittings of the Parliament and resulted in numerous directives for relevant authorities and agencies to take actions. This process, I believe not only underpins public accountability processes but also ensures fruition of intended impacts of audit results through the support of the Parliament.

2.2. ADVISORY ROLE

In addition to the assurance role through three streams of audit, the RAA's also assumes an advisory role in advising the government and public agencies to improve systems and practices based on specific reviews or systemic issues observed during auditing. This is basically done through issue of AG's Advisory Series and AG's Occasional Papers. During the period, we issued two each of Advisory Series and Occasional Papers which is briefly highlight below:

Figure 1: Recommendations from AG's Advisory Series on Review of Govt. Procurement System



i) Auditor General's Advisory Series on "Review of Government Procurement System"

This Advisory was issued based on the synthesis of the issues relating to procurement systems of the government based on the RAA's audit of public agencies. The systemic deficiencies and shortfalls that were observed in different agencies were consolidated and identified into specific areas of public procurement administration and phases of procurement cycle to render basis for developing recommendations.

We provided recommendations on three key thematic areas of governing authorities, internal controls and oversight functions, and enforcing accountability and sanctions.

ii) Auditor General's Occasional Paper on "Agencies Rationalising Irregularities"

The Auditor General's Occasional Paper on the theme "**Agencies Rationalising Irregularities**" was issued to highlight potential causes for persisting trend irregularities in reference to three conditions of Opportunity, Pressure and Rationalization that are necessary for irregularities to occur. The report stressed that wrong actions are rationalized and opportunities are provided by way of inadequate internal controls within agencies for individuals to resort to wrongful actions to supplement his/her income.

The RAA emphasised the need for active involvement of all stakeholders within the accountability cycle, placing equal responsibility on institutions to foster a culture of professionalism, ethics and accountability in the agencies.

Figure 2: Donald Cressey's Fraud Triangle



iii) Auditor General's Occasional Paper on "Determining Construction Duration"

Over the years, the RAA has observed increasing audit findings related to construction delays, such as non-levy or short levy of Liquidated Damages,

unjustified time extensions, irregular contract terminations and defective works due to rushed constructions.

Infrastructure projects in Bhutan often face cost and time overruns, affecting timely services and national development plans. A key issue is the improper determination of construction durations, often due to inadequate planning, lack of professional assessment and unrealistic deadlines set under political or management pressures. Contractors also contribute to delays by not properly assessing sites before bidding and misusing mobilisation advances.

To address these issues, the RAA recommended seven actions as indicated in **Figure 3**. It is to acknowledge that the government has started addressing some of these issues, particularly regarding the deployment of committed resources at construction sites.

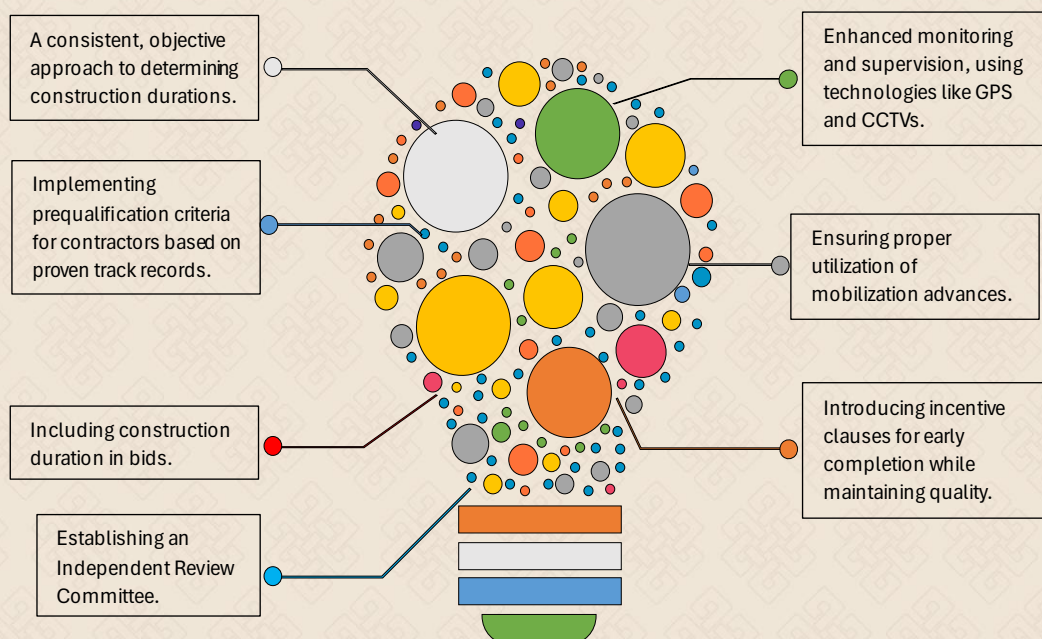


Figure 3: Recommendations from AG's Advisory Series on Determining Construction Duration

iv) Advisory Series on “Local Government Development Grant”

The Annual Grant for Local Governments (LGs) in Bhutan is allocated to support public service delivery and local development programs, as per the Annual Grants Guidelines. The allocation aims to enable LGs to fund priority local development needs aligned with national priorities.

A review by the RAA of the Capital Block Grants for the years 2021 -2024 highlighted inefficiencies and misalignments of activities with Local Government Key Result Areas (LGKRAs). The allocation of funds among different sectors were not as per Annual Grant Guidelines which would potentially distort the development outcome at the end of the plan period. Challenges in aligning activities with LGKRAs included

a lack of post-endorsement interventions and strategies to amend plans. Inadequate coordination between Gewogs, Dzongkhags and RNR offices, as well as insufficient oversight, led to fund usage that did not fully consider national priorities.

We recommended to comply with the Annual Grand Guidelines, along with reinforced monitoring and evaluation system to ensure effectiveness of the grants.

The Advisory Series was intended to highlight those systemic issues pervading across agencies, for which no single agency has ability to address but needs collaborative approach of central authorities in finding common solutions to resolve the matter. The Occasional Paper is for highlighting sporadic issue based on specific review or in course of conducting audit, the correction of which is required on immediate basis.

The recommendations provided in these reports were persuasive and not obligatory on agencies to act. However, these were intended to nudge relevant authorities to take cognizance of the existence of systemic issues and deficiencies for improvement. The recommendations provided in the audit reports were intended to prick moral conscience of those in positions of authority and responsibility to commit to good governance.

It was indeed heartening to witness improvements in systems and processes were being initiated based on those recommendations. Specifically, on the Advisory on the Government Procurement System saw amendments of the Procurement Rules and Regulations that addressed most of the issues pointed out in the report.



2.3. FOLLOW UP

The audit reports are the direct outputs of the RAA for which significant resources are spent. It contains issues and suggest improvements through recommendations. If no follow up system existed, these reports can just be shelved. Therefore, in order to ensure that audit reports lead to impactful change and are not considered as merely communicating “problems”, robust follow up mechanism is crucial to convey what actions are sought for improvement and thereby, completing the accountability loop in the governance system. Follow up activities on the other hand is also resource intensive in that so much of focus and time at all levels need to be invested in review and rendering decisions on the unsettled issues.

The RAA has a defined process of conducting follow up of audit reports. Firstly, agencies are given one month to respond to observations raised in the audit report in the form of Action Taken Report (ATR). When ATR is received, it is reviewed and assessed in terms of whether the actions reported to have taken have actually addressed the issues raised. The follow up reports are issued indicating the status of issues/observations based on such reviews. The subsequent follow up on unresolved issues are then undertaken every three months from the first follow up. If no ATRs are submitted, the agencies are reminded after every due date of submission of ATRs.

The review and assessment of ATRs submitted are done at different levels within RAA; follow-up section Level, Division Level and Advisory Committee Level. The matters are escalated to higher levels if decisions cannot be rendered at the lower levels. Initially, Follow Up Committee comprising Department Heads as members was instituted to review before the matters were escalated to Advisory Committee. However, this arrangement appeared to be an additional layer, which was not necessary when all members of the committee were represented in the Advisory Committee. So, based on this apparent redundancy, the Follow Up Committee was discontinued.

In addition to the routine follow-up of audit issues undertaken by the Follow-up and Legal Services Division at the headquarters and the regional follow-up sections, the RAA conducted a series of intensive follow-up and review meetings with agencies across the country. These meetings were specifically aimed at addressing and resolving long-outstanding audit issues that had remained unresolved over the years.

During five years, we covered all Dzongkhags, three Thromdes and few Ministries in advocating and following up of outstanding audit issues. These meetings proved instrumental in facilitating the enforcement of corrective actions, implementation of rectifications, and restitution of losses where necessary. The engagements provided a platform for open dialogue between the RAA and audited agencies, enhancing collaboration and reinforcing accountability.

As a result of these sustained efforts, the number of outstanding audit observations from 2005 to 2020 was significantly reduced from 7,744 to just 675 cases. The remaining cases primarily involve matters that are pending in court, awaiting judicial decisions, or linked to missing individuals, which have to be held in abeyance. Such engagements proved to be very effective in rendering conclusions to long outstanding issues and helps in expediting the settlement of cases. I would like to thank the Hon'ble Prime Minister of Bhutan for issuing notification to all the agencies with deadlines for the settlement of outstanding audit observations. Such actions from the government has helped the early settlement of substantial outstanding audit observations.

Insofar as seeking actions based on audit reports, RAA's follow-up system had proved to be effective and robust. The systematic processes designed to follow up on individual audit reports with relevant audited agencies facilitate the RAA to drive

impacts of its work. We have been able to pursue continuous follow up of reports and seek actions of the audited agencies.

Besides the internal process of follow up, the Public Hearing conducted by the Public Accounts Committee help in seeking actions of agencies on the audit reports. The PAC holds meeting with the relevant heads of agencies and also invite presence of RAA. This process helps RAA in expediting settlement of outstanding issues and deters inactions of agencies as were experienced in the past.

During the period we completed 5,040 follow ups pertaining to outstanding observations raised in audit reports issued during the period as well as those pertaining to prior years. This had led to significant reduction in outstanding issues.

2.4. REINFORCING ACCOUNTABILITY

Even with the established system of enforcing public accountability through submission of reports to Parliament and its practices of regular follow up, the efforts of RAA appeared to bear no impact in terms of creating positive change. The RAA continued to experience persistent trend of irregularities reported through its successive Annual Audit Reports, indicating little or no improvement in the state of governance of the public sector. The fruition of RAA's work should have demonstrated in the declining trend of irregularities, which in actual scenario was not happening. It was indicative of failing efforts of RAA in that its reports are not being translated into concrete actions for positive change or improvement.

i) Three-Pronged Strategy

The organisational review conducted by a team of independent experts in 2022 candidly opined that while methodology and audit process were thorough and professional, the RAA appear to have gone "soft" and "toothless" by not being assertive in enforcing its recommendations. The comment was founded upon results of their review of those audited agencies, which showed that they have not acted on the RAA's recommendations. The message was that RAA had raised pertinent issues that needed to be addressed during the audit those agencies but these reports have not culminated into tangible improvements in terms of preventing recurrence of similar issues.

The persisting trend of irregularities have been the concerns flagged by even by my predecessor in his term report suggesting reinvigorating strategies to address them. The RAA's recommendations in the Annual Audit Reports were circling around similar issues seemingly exhausted of clear strategies to resolve them. Perpetuating this cycle meant a perennial stumbling block in its way of realizing its objectives of improving governance.

I realized that we were not assertive in demanding actions through our audit reports. Our follow up focused only on updating what was submitted through Action Taken Reports (ATRs). Our recommendations mainly focused on "treating" the symptoms and not the underlying systemic and control deficiencies which had allowed occurrence of risk events. For instance, in the event of financial losses resulted in

the form of excess payments, our recommendation included only restitution of the losses but had not demanded systemic corrections required to prevent its recurrences. The individuals responsible escaped accountability to initiate correction to the system. Thus, so long as restitutions of losses were made, the issues used to be treated as settled. The real disease lied in systemic deficiencies which remained unaddressed and unchanged behaviors of those responsible due to lack of incentives to change.

Realizing the need to reinvigorate the system of enforcing accountability, we issued public notification on 7th October 2021 to all public institutions to take firm stand on enforcing accountability and not limit to mere recovery of the value of losses ascertained but to oblige the parties for restorations of substandard or poorly executed works and goods. Since such material irregularities are common in public works, the notification was directed to those agencies managing construction projects. In the meantime, we also developed a separate strategy to address the existing practice of enforcing accountability on the basis of audit reports. This resulted in what we termed as a three-pronged strategy to seek actions of treatment, sanctions and correction for each irregularity included in audit report. Through this, RAA seeks following three actions in order to settle the audit observations:

- 1) Treatment involves restitution, cash or non-cash, which is to make good of the losses either through recovery of cash or its value based on the nature of irregularity.
- 2) Sanctions are legal or administrative actions recommended to be initiated against the officials based on the severity of the offence.
- 3) Corrections involve correcting systemic deficiencies which is critical in fixing the underlying issues leading to occurrence of risk events

	TREATMENT	SANCTION	CORRECTION
DIRECT ACCOUNTABILITY	Restitution	Liable for appropriate administrative or legal actions	May depend
SUPERVISORY ACCOUNTABILITY	Responsible to ensure follow up action for recovery	Responsible for initiating sanctions based on degree of severity of offence	Liable to initiate necessary corrective actions within agreed timeframe

Unlike the past practice, the observation reflected against officials is to be settled only on the condition that all three prongs are addressed and acted upon. A notification for implementation of this strategies was issued on 21st July 2022. It provided the required “teeth” to RAA in enforcing accountability in the public agencies. For every observation in the report, we demanded three actions in order to resolve the issue. This had enhanced our ability to make the actions consequential.

While we continued **zero tolerance approach** in dealing with the cases of fraud and corruption, the three pronged strategy was developed as a tool to manifest RAA’s stricter stand against material non-fraud irregularities, representing **lower tolerance approach**. This came as an added dimension to enforcing accountability in public operations. With lowered tolerance levels for cases of non-fraud, RAA assumed uncompromising and non-negotiable stand in dealing with every issue observed leading to increased demand for sanctions and corrective actions in addition to the obligation for the restitutions. The audit reports issued post this Public Notification in July 2022, contained increased number of issues that demanded sanctions and corrections.

A firm stand that we took invited lots of criticisms from those affected who often accused us of not being objective and reasonable especially in terms of seeking sanctions on officials even for unintended lapses and irregularities. RAA was often accused of stifling initiatives and creating an atmosphere of fear in the places of work and blamed for creating a risk-averse culture due to stringent stand the RAA takes in enforcing accountability. The agencies argue that “**mistakes occurred without ill intent must be excusable and none should be held accountable as long as one did not derive undue benefits**” and the narrative such as “**loose on process and tight on outcome**” are built to suggest alternate approach for RAA in enforcing accountability.

While there might be truth to the perspectives of agencies, there is a certain fundamental amiss in the context of accountability as a core principle of public service where answerability for one’s actions is an obligation rather than being treated as personal inconvenience or discomfort. Non acceptance of this process may tantamount to dereliction of public responsibility that may potentially erode the public trust. In this backdrop, our stand has always been that we are bound by our constitutional mandates to play a catalytic role and to respond to the societal demands for greater transparency and accountability of the public agencies. And this is one of the means we chose for the purpose.

At the time when no improvements were visible despite regular audits, the three-pronged strategy was resorted to on purpose to disrupt the status quo of the current state of affairs of governance. It was necessary to oblige the agencies to commit to improvement in governance. The need of the moment was to resort to “**stick**” which is intended to induce right behaviors in public service and seek for evidence based correction of the deficiencies in the system. Because, we firmly hold onto the truth that “**accountability is not optional**” in public service and believe that conceding the fundamental principles of accountability would be failing in our constitutional

mandates. Despite all the challenges, I have the hunch that this strategy of enforcing accountability would go a long way in improving the systems, and influencing professional conduct that are prerequisite to high performing, rule abiding and ethical public agencies provided it is operationalized in both letter and spirit. I cannot comprehend any other tools better than the three-pronged strategy which is best suited to bring desired disruption to the perennial cycle of irregularities. It may come as inconvenience to some but it must be taken as one of the core obligations as individuals bearing public trust.

**Excerpt of Notification on Transfer of Accountability
issued on 6th December 2024**

“The Supervisory Accountability is fixed on the heads and supervisors basically to initiate recommended actions of treating the observed issues by way of restitutions or otherwise, and initiating sanctions (administrative or legal) on officials based on the severity of lapses as recommended in the audit report”

“...if under their leadership, no reasonable actions are initiated for treatment, sanctions and corrections within a reasonable period of time, the issue of Audit Clearance may be affected....”

‘...The supervisory accountability fixed on heads of agencies or supervisors for the observations in the Audit Report is transferable in the event of change of charges and responsibilities due to transfer, separation, promotion etc. It shall be invariably be transferred to incoming heads and supervisors upon assuming the charges of those positions...”

ii) Leveraging the Leadership of Public Agencies

We have always relied on the leadership of each public agency, not merely as recipient of the audit reports and recommendations but to play leadership role in initiating actions based on audit reports. The actions or inactions have enormous influence in terms of improving the systems and influencing the ethical behaviors in the agencies. Through the successive Public Notifications on accountability, we have called on all those in positions of leadership and supervisory to ensure robust internal control systems as a preventive control to check on occurrences of irregularities through regular monitoring and supervisions.

Once the irregularities have occurred, we insisted them to take firm stand in identifying people responsible for the lapses and enforce accountability based on

the actions recommended through the audit reports. The heads and supervisors are to be invariably held for Supervisory Accountability, which places responsibility to initiate actions on individuals responsible for the irregularities and also to initiate corrective actions for systemic deficiencies and controls identified. However, if those heads and supervisors who are also identified under Direct Accountability, they shall have the same obligations for restitutions and sanctions.

In view of the instances where incoming heads of agencies refused to take Supervisory Accountability when they took over charge, we noted that many cases were remaining unaddressed and unresolved. The refusal to transfer the accountability was grounded on the fact that irregularities pertained to prior periods for which the new leadership had no hand at all and therefore, construed as not fair to be held accountable for no fault of theirs. Taking cognizance of the truth of their justification for refusal to take the supervisory accountability, we issued Notification on Transfer of Accountability on 6th December 2024 to bring more clarity on the obligations of those held for accountability in terms of initiating actions. With no personal obligations on the irregularities, the supervisory accountability is to be invariably placed on incoming heads/supervisors as he/she is positioned to play a vital role in bringing logical conclusion to the outstanding audit issues pertaining to their organizations. This was also critical as settlement of unresolved issues was taking longer time and number of cases were mounting for want of leadership role in addressing the issues. I believe this measure helped a great deal in gaining the confidence of those in leaderships in collaborating with RAA to expedite the settlement of pending issues.

iii) Advocacy and Awareness Programmes

This is one of the consistent tools used by RAA to create awareness on audit processes, and educate on its importance to general public as well as audited agencies and stakeholders which in a way reinforces public accountability. Generally, such programmes are directed to audited agencies and stakeholders organized during the auditing period through Entry and Exit Meetings by audit team, targeted programme for selected agencies by specific teams, some of which are led by the Auditor General.

The main objectives were to educate the participants about the mandates of RAA, its roles and responsibilities governance systems, auditing and accountability process, and issues prevalent across public agencies. Every audit team is tasked to deliver this programme in each agencies they audit. Usually, the team takes opportunity during Audit Entry or Exit Meeting to take advantage of larger attendance. Targeted programmes are undertaken by higher leadership including the Auditor General. During my term, I was able to cover all Dzongkhags, few Ministries and Agencies as well as for the Executives in the Civil Service- which provided me good opportunity to set expectations from our respective roles in promoting accountability, influencing positive and ethical behaviors, as well as demystify certain myths and misconceptions about RAA and its process of auditing and enforcing accountability

and gain confidence of agencies for collaboration and build partnership in pursuit of common goal of improving governance.

I have also been keen to interact with younger generations in colleges and institutes to educate on integrity and ethics and inspire them to embrace these attributes of clean and honest citizens. With the collaboration from the Royal University of Bhutan, we initiated setting up integrity clubs in all the colleges and also started supporting few of them with modest funds for carrying out related activities.

2.5. FORMALIZING THE SYSTEM FOR EARLY SUBMISSION OF ANNUAL AUDIT REPORTS

The Public Finance Act 2007 required the MoF to forward the Annual Financial Statements (AFS) to the Auditor General within six months of closure of financial year and the RAA to complete the certification of AFS within next three months. The audited AFS of the Royal Government of Bhutan used to take at least nine months after the closure of the financial year, which generally fell in the last quarter of succeeding financial year. The AARs used to be tabled during the Summer Session and deliberated in the subsequent Winter Session of the National Assembly. In the process, due to substantial time lag even if it was within the statutory deadline, there was a risk of losing time relevance of the AAR.

We had concerns on letting the information in the AAR meant to drive positive changes go stale even though compliance to the statutory deadlines was ensured. The AAR 2020 which was the first AAR during my term was issued as per the timeline followed in the past. The AAR 2020-21 which contained issues pertaining to the latter half of FY 2020-21 was submitted six months ahead of the statutory deadline as one-time transitional arrangement. This was to institutionalize the system of submitting AARs aligned to Financial Year from thereon. While this initiative was intended as a proactive measure to ensure timeliness of our reports for deliberations in the Parliament, we faced lots of criticisms and opposition from various sections for not adhering to statutory deadlines. It was surprising that this change even triggered discussions in the mainstream media in an apparent effort to build wrong narratives about us. We held onto our true conscience and merit on which we pursued this change despite all these and decided to go ahead with the change. Even as of today, I am still curious and fail to comprehend the reasons for such a strong opposing force for something that we pursued as proactive approach in the larger interest.

Subsequently, the transformation exercise took cognizance of the merit of the case and amended the statutory deadlines to six months through the Civil Service Reform Act. The subsequent AARs are aligned strictly with the AFS period, ensuring the report remains relevant and timely.

As expected, one of the key benefits of this transition is its positive impact on the Public Expenditure and Financial Accountability (PEFA) score. Indicator 30 (P-30) of the PEFA framework evaluates External Audit performance. In the PEFA Report for Bhutan 2023, this indicator saw a decline in score from B+ to C+. One of the primary reasons for the downgrade was the late submission of the AFS and AAR, which, prior

to 2020, often took more than seven months. With the amendment of statutory deadlines, the PEFA score is expected to improve in future assessments, as PEFA assessors noted that AFS certification could now be submitted within three months, significantly enhancing the timeliness and effectiveness of external audits.

2.6. REVISION OF FEE STRUCTURE FOR STATUTORY AUDITORS

In order to ensure fair compensation for the audit works performed by Statutory Auditors, and to ensure quality of outsourced audit works, we have been able to revise the fee structure as well as enhance the fees based on the categorization of agencies maintained by RAA. At the time when nation is facing exodus of people, the local firms are challenged in sustaining the workforce. The trend might have posed risk to the very existence of these firms. As a public agency, ensuring fair compensation was seen to be one of the ways that RAA could support private sector. Further, commensurate resources could be spent on ensuring desired quality of audit process and results.

I hope that with revised fee structure, the firms would be able to get some relief so as to sustain their firms and ensure desired quality of work.

2.7. RESULTS OF OUR WORKS

The audit reports and recommendations are the outputs of RAA representing immediate results of its efforts. The RAA needs to ensure that these results lead to positive outcomes that bring improved changes in governance and accountability in the public sector. Some of the key higher level results we feel we achieved were as discussed below:

i) Outcomes of three-pronged strategy

a) Cost savings through audit recoveries

During the period, we recovered Nu. 1.481 billion representing cost savings to the government. These recoveries demonstrate the effectiveness of our audit processes in detecting and addressing financial discrepancies. They also reaffirm our commitment to upholding financial integrity and ensuring accountability by holding individuals responsible for financial misconduct. I have always maintained that as a sign of improvement in the public agencies, the trend of such recoveries should be declining which does not show to happen. However, the increasing trend could be due to more stringent follow up actions that we initiated which had resulted in resolution of the most pending issues pertaining to the prior periods. I hope few years down the line, due to reinforced strategy of obliging agencies to initiate corrective actions and sanctions would lead to decreasing trend of irregularities and requirement for restitutions would decrease with improvement of systems in agencies.

b) Other forms of restitutions

The other forms of restitutions include non-cash restitutions like restoration of value of defective or substandard works or supplies, undelivered works or supplies, or any

other restitutions other than cash to make up for the financial losses incurred by the agencies due to reasons attributable to mismanagement, negligence, imprudence or otherwise. Through adoption of three-pronged strategy, the agencies are obliged to account for the non-cash restitutions, which stands as minimum safeguards against total loss on account of delivery of substandard and defective works.

We have been able to oblige such restoration in numerous agencies that would translate to even more monetary value than the cash recovery besides ensuring that integrity of structures is not compromised. For instance, since 2021-22, 322 cases of incomplete/substandard works were insisted for rectifications from the agencies.

While obligation placed for restorations is seen effective in salvaging the cost, it is indicative of inadequacies in monitoring over execution of works. Same as the cash restitutions, the occurrences of such lapses may be reduced as the agencies improve their systems.

c) Sanctions

The reinforcement of sanctions was basically to create deterrence for wrongful actions, influence ethical behaviours and encourage professional conduct in performance of jobs in that a minimum or reasonable due diligence, prudence and competence is demonstrated and decisions are approached with calculated risks. While practice of suggesting sanctions existed before, it wasn't firmer and obligatory for all irregularities except the fraudulent ones. A system of demanding sanctions on all material irregularities places personal obligations on individuals to demonstrate conduct and performance consistent to the roles he/she is assigned in public service. Wrongful actions signify breach of these expectations and seeking appropriate actions (sanctions) only justifies answerability for their actions in the context of public accountability.

We demanded sanctions, either in the form of administrative or legal actions invariably for all significant observations in the audit reports based on the severity of the cases. Since 2022-23, a total of 505 officials were recommended for sanctions either administrative or legal based on the severity of the cases.

This approach did not appeal to many but there were no other options when our past persuasive approach did not yield desirable results reflecting improvement in governance in agencies. For the sake of overall public interest, this approach had to be resorted to despite all the uneasiness and also being frowned upon by many, including senior officials. I believe this system of holding public officials could be "exemplar" of genuine commitment to building accountable public sector marking a paradigm shift in enforcing public accountability. I must say, Bhutan is amongst few countries in the world which have instituted such system of answerability of those in positions of public service bearing public trust.

d) Corrective Actions

Seeking corrective actions in the form of remedying the deficiencies that allowed occurrence of irregularities were previously ignored as more focus was given to restitution of the losses and to a certain extent in seeking sanctions on individuals for cases of fraud. The underlying causes remained unaddressed which potentially led the agencies to maintain status quo without improvements to prevent repeat of irregularities. We started insisting for evidence of corrective actions being initiated in addition to actions for restitutions and sanctions. We did not even rely on assurances for future compliance unlike in the past but sought concrete proofs support corrective measures. The responsibility for this action squarely lies on the top leadership of the agencies, and in the same measure, improvement would depend on the enthusiasm of leadership of agencies to drive improvements.

This approach added new dimension to enforcing accountability through which underlying causes of irregularities are expected to be addressed. We pursued this approach rampantly even for smaller risk events in demonstration of our seriousness and non-negotiable stand in influencing positive changes. We could not take chance even for less serious irregularities as culture of tolerance and impunity may eventually lead to greater risk through rationalization. While the obligations for restitutions and sanctions are the consequences for the past actions, the responsibility for corrective actions is a forward-looking initiatives demanding commitment of leadership to improvement and safeguarding the public interest. I hope few years down the line, with persistent approach of RAA of seeking improvement in this manner, would lead to drastic improvements in internal controls of public agencies to be able to witness improved governance in the Bhutanese Public Sector.

ii) Influencing positive changes in governance

The strategies we pursued were designed to produce the intended outputs and results as discussed above. However, RAA's contribution or ability to influence positive changes would depend on how these results have yielded desired impacts. Though not singly, we believe that positive outcomes witnessed in the governance arena could partially be attributed to our efforts – especially in areas where we recommended for improvement through any of our audit approaches. While this may entail a specific review to make strong cases for RAA's contribution to improved changes in various areas, I would like to make plausible claims based on the intent of our recommendations in reference to new developments that have taken place in specific sectors.

a) Improvements in Public Financial Management System

A significant portion of RAA's resources focuses on providing assurances on the public expenditure through a true and fair view on the financial statements of the audited agencies. The recommendations contained in these reports are primarily to suggest correction and improvements of the financial management systems both at agency and central agency levels. It is not limited to financial statement alone but

also includes regularity and propriety aspects, based on which culture of compliance is promoted across public agencies. Some of the notable impacts in terms of improving Public Financial Management Systems were:

- The recommendations of Annual Audit Reports contain series of recommendations that need to be addressed. Most of them related to Public Financial Management System for which Ministry of Finance is responsible in ensuring robust internal control systems in agencies through continuous monitoring. In a positive development, the budget notifications issued by the Ministry at the start of Financial Year reiterates the necessary controls and compliance to be observed by the agencies.
- We intended to persuade MoF for integration and consolidation of fragmented Letter of Credits Accounts at the Ministry or Central Agency levels to be able to provide holistic opinions on consolidated accounts. This was also preferred as it offered opportunity to consolidate audit resources for high quality audit. In order for us to demonstrate its value, we ventured into conducting consolidated audit of few agencies like Royal Bhutan Police, Dzongkhags & Gewogs, etc., even though the accounts of line agencies were not consolidated. Subsequently, the MoF initiated consolidation of accounts of agencies under some Ministries basically in view of the merits it offered. The MoF is in the process of accelerating the process of consolidation of accounts for rest of the Ministries and Central Agencies.
- The RAA conducted a comprehensive review of travel and daily allowance expenditures across government entities. This exercise resulted in the identification of Nu. 27.612 million in potential cost savings. This intervention strengthened financial integrity by ensuring that funds were utilised appropriately and that inadmissible claims were minimised. The review also improved risk management practices, leading to enhanced financial discipline and accountability across the public sector.
- The Clustering of Finance Services initiative, introduced in April 2021, has played a pivotal role in enhancing fiscal discipline. This strategic reform has reinforced financial oversight by implementing stringent agency checks and controls, thereby strengthening the internal control framework. As a result of actions taken in response to our recommendations, the initiative has contributed to improved resource consolidation, optimised financial management, and the promotion of sound fiscal practices across agencies. These efforts have collectively bolstered the financial governance framework, ensuring greater transparency and accountability.
- The Ministry of Finance developed clear guidelines for international travel, rationalising expenditure on travel for public servants and ensuring that funds are spent efficiently and judiciously.
- Following recommendations by RAA, the Ministry of Finance revised the guidelines for the Hospitality and Entertainment budget for public servants, effective from 3rd February 2025.

- The Ministry of Finance issued Directives to reinforce the Government Pool Vehicle Management and withdraw any ineligible allotments done in the past. This was followed by follow-up actions of the agencies on the status of government pool vehicles and their custody.
- The Ministry of Finance implemented new guidelines to improve the management of the General Reserve, strengthening Bhutan's Public Financial Management (PFM) system and ensuring better utilisation of public funds.
- Following the RAA's audit findings on community contract work quality, the Department of Local Governance and Disaster Management revised the protocols in January 2022, ensuring higher construction standards and better governance in local government projects.

b) Improvement in other Sectors

The main purpose of the RAA is to provide value and benefits to the agencies and citizens at large through our audit work. Such value and benefits can be provided only when the audit work leads to intended audit impact or positive effects. Our impact goes beyond financial recoveries and improvement in financial management system. It covers a broader spectrum of contributions, including influencing positive policy changes, generating significant cost savings, enhancing operations, strengthening internal controls, system improvements, performance improvements, deterrence against unethical practices through appropriate sanctions. These positive improvements are made through our audit recommendations.

Notable ones included;

- The merger of the National Cottage and Small Industry Development Bank Limited with the Bhutan Development Bank Limited eliminated redundancies, reduced operational costs and improved financial service delivery to the public. This recommendation was proposed after the Compliance Audit of National CSI Bank Limited in view of the duplication of roles between the two banks;
- The RAA's audits contributed to the discontinuation of sitting fees for local government officials starting 1 July 2023. The practices of payment of such fees was not as per the Pay Revision Act 2019 which appeared to be a "material non-compliance". This reform aligned with broader government pay reforms aimed at promoting equitable compensation practices;
- In the performance audit of Ex-Country Travels, the RAA recommended the Royal Civil Service Commission (RCSC) to develop a clear roadmap delineating a definite timeline for developing Competency Based Framework (CBF) for all agencies since CBF showed potential in addressing numerous issues emanating from inconsistent practices of administering short-term training. Following the recommendation, the RCSC developed a comprehensive roadmap for implementing CBF across agencies and resulted in proactive action of developing 12 CBFs for various position in different agencies in the FY 2022-2023. They were

aimed at enhancing the skills, productivity and service delivery of the civil service workforce.

Besides, guidelines (including e-learning guidelines), travel protocol were formulated to ensure transparency and resource utilisation.

- Following the audit recommendation provided in the Food Self-Sufficiency and Security on establishing institutional linkages, the Ministry of Agriculture and Livestock has taken significant steps to establish collaboration and partnership in order to link Farmer Groups and Cooperatives with schools, hospitals, and other institutions, ensuring a stable supply of locally produced agricultural commodities. Additionally, National Land Commission Secretariat (NLCS), in collaboration with the Ministry launched the National Land Use Zoning (NLUZ) baseline report on the 18th September 2023 to establish a harmonized national land use system in the country; to make optimum, rational and sustainable use of limited arable land; and to provide scientific basis for governance and decision-making process. Further, the draft National Land Policy has also been finalised and submitted for approval.
- In the performance audit of implementation of National Broadband Fibre Network, the RAA recommended the need to strengthen the regulatory function of the Bhutan InfoComm and Media Authority (BICMA) in monitoring the quality of telecom and ICT services. Subsequently, BICMA reinforced its regulatory function and imposed penalties on telecom companies for failing to maintain the mobile broadband quality services.
- Further, recognising the urgent need of third international internet gateway in order to reduce costs and enhance redundancy, the RAA also recommended to pursue the discussions to establish a third international internet gateway. Following the recommendation, the GovTech Agency, in collaboration with the Ministry of Foreign Affairs and External Trade, was able to partner with the Government of India to support the Royal Government of Bhutan for the establishment of the third international internet gateway
- In order to improve road safety for both drivers and pedestrians, the RAA, through the audit of safe and sustainable road transport system, recommended to institutionalise road safety audits, establish demerit point system for traffic infringements, improve vehicle safety, improve coordination, and enforce regulations. Subsequently, the Bhutan Construction and Transport Authority institutionalised road safety audits, introduced demerit point system in the RST Regulations 2022, developed comprehensive vehicle worthiness checklists for passenger buses, increased monitoring, developed coordinated SOPs for road traffic accidents (RTAs), and introduce e-ticketing system.
- In response to the audit recommendations provided in the performance audit of Housing development, the National Housing Policy (2002) was revised in March 2019 and a first draft of housing bill was drafted in July 2023. The Ministry of Infrastructure and Transport (MoIT) subsequently established the Housing and

Urban Affairs Division to coordinate housing strategies more effectively. The Ministry drafted the Housing Bill. Additional measures included improving the tenancy system in 2022 and conducting a national housing demand survey, which was used as an input to develop strategies under the 13th Five-Year Plan.

- Audit recommendations provided in the performance audit report of road maintenance have resulted in substantial enhancements to road maintenance practices implemented by the Department of Surface Transport (DoST). A structured periodic maintenance plan has been developed, facilitating effective maintenance through inventory management, prioritization mechanisms, and alignment of activities with condition assessments from the Road Measurement Data Acquisition System (ROMDAS). This approach ensures timely execution of maintenance tasks as per annual work plans, supported by budget proposals derived from these plans.

Additionally, SoP has been developed to improve coordination between relevant agencies during road blocks and maintenance caused by natural disasters. The Department of Surface Transport has further strengthened compliance with maintenance standards by adopting Performance-Based Management Systems (PBMS) and Quality Assurance SoPs at regional offices. This has notably enhanced the prioritization of maintenance activities and the effectiveness of monsoon damage restoration efforts. Rigorous monitoring and supervision mechanisms, including performance-based management contracts and regular evaluations, have been established for routine maintenance works.

- The performance audit report on urban planning in Thimphu Throm highlighted significant inconsistencies and deviations from the original intent of the TSP, exacerbated by the plan not being reviewed or updated since its implementation, despite being a crucial "living document" for guiding urban development over 25 years. Following the audit recommendation provided in the report, the Ministry of Infrastructure and Transport conducted a thorough review of the Thimphu Structural Plan (TSP) and developed a new TSP 2023-2047 in October 2023. This signifies a proactive approach to aligning urban planning efforts and ensuring sustainable development in Thimphu.
- In response to audit recommendation provided in the performance audit of operations of NRDCL, the key initiatives such as the establishment of a Memorandum of Understanding (MoU) with the Ministry of Energy and Natural Resources (MoENR) have clarified responsibilities and strengthened the coordination with the Department of Forest and Park Services (DoFPS), fostering transparency and efficiency in resource management. Further, a comprehensive operational guideline for the National Resource Pricing Committee (NRPC) has been developed and implemented effectively.

Further, based on the recommendation of the Performance Audit, a comprehensive review and analysis on the revision of the machinery utilization factor for unknown downtime of machinery across different regions (incl. logging earth- moving and sand dredging equipment) was conducted. In order to

standardised and achieve optimal utilisation of machineries, a “Revised Machinery Utilization Factor” document was developed and shared with the regions for immediate implementation in June 2025.

- Following the recommendations of the RAA provided in the performance audit report on cybersecurity, the GovTech Agency finalized the National Cybersecurity Strategy (NCS), prioritizing Critical Information protection through CIIP roadmap and institutional framework. Subsequently, the NCS was approved for implementation by Hon’ble Prime Minister of Bhutan on 11 Sept 2024.

A Cybersecurity Division was also created with enhanced human resource capacity. Furthermore, the Google Workspace Standard Operating Procedures were revised to incorporate information classification and protection for data storage and sharing. To strengthen the general data privacy and protection, Data Management Guide has been developed and the mandate for data governance has been transferred to the National Statistical Bureau (NSB). With this transition, the NSB will now oversee any future revisions and awareness activities promoting good data management practices.

- In response to the recommendations provided in the performance audit report of farm road development and management, the Department of Surface Transport (DoST) successfully drafted the revised Farm Road Development Guidelines 2024. These updated guidelines aim to improve institutional arrangements and clarify responsibilities among various agencies involved in the development of farm roads nationwide. The DoST conducted training workshops to LG officials in nine Dzongkhags to effectively disseminate road standards and manuals. These workshops covered critical topics, including geometric design and alignment requirements, as well as the manual for conducting feasibility studies of road alignment.

Additionally, the DoST made significant strides in collecting farm road data as part of the ongoing World Bank Project, "Strengthening Risk Information for Disaster Resilience in Bhutan." Currently, approximately 70% of the farm road data has been collected, with five regional offices completing their data collection: Sarpang (693.69 km), Trongsa (597.89 km), Tingtibi (731.47 km), Lobesa (697.79 km), and Phuentsholing (1,612.16 km).

- Following RAA’s recommendations, the Jigme Dorji Wangchuck National Referral Hospital (JDWNRH) implemented the electronic Patient Information System (ePIS) in May 2023 marking a significant step in improving healthcare delivery. The system addresses the previous lack of a proper patient information system, enabling the capture of essential patient information, including medical history, visit frequency and prescribed medications. This transition enhances the effectiveness of patient care services, facilitates better decision-making and improves overall healthcare quality.

iii) Validation of Audit Impact through Stakeholder Satisfaction Survey

Since 2022, the RAA introduced the Client Satisfaction and Feedback Survey (CSFS) to assess the impact of audit services and enhance operational efficiency. The results indicated a high level of satisfaction, with more than half of respondents expressing approval of the RAA's services. Stakeholders acknowledged the positive impact of audit interventions, particularly in enhancing service delivery, accountability and transparency. However, concerns were raised regarding audit clearance services, with calls for greater efficiency in processing. Stakeholders also emphasised the need for open dialogue platforms to enhance communication, adherence to procedural regulations, strengthened follow-up audit mechanisms, consistency in audit observations and SMS reminders for individuals with pending audit observations. The survey compiled responses from 561 participants across the Civil Service, Local Government, State-Owned Enterprises and Armed Forces, providing valuable insights into stakeholder expectations and areas for improvement.

In addition, the Professional Development and Research Centre (PDRC), Tsirang, conducted a separate survey on Effective Audit Service. The findings reflected strong stakeholder confidence in the RAA, with high ratings in accountability, professionalism, efficiency, independence and reliability. Respondents particularly praised the RAA for its ethical standards and rigorous audit processes. However, areas for improvement were identified, including strengthening the auditors' code of conduct in stakeholder interactions, addressing staffing and professional development needs, recognising compliance efforts alongside identifying deficiencies and clearly defining audit procedures and responsibilities for the benefit of both auditors and audited agencies. Overall, the survey findings reaffirm the RAA's role as a credible and effective auditing institution while highlighting the need for continuous improvements in transparency, stakeholder engagement and service efficiency.

The surveys are conducted on an annual basis to gauge public perception of RAA and to discern their expectations to be able to forge strategies to remain relevant and address the expectations of our stakeholders.

iv) Corruption Perception Index

The improvement in Corruption Perception Index score from 68 to 72 in 2024 is a significant stride for all public institutions in creating a corrupt free society. The gradual improvements over the years is a positive sign that our collective efforts in upholding the principles of transparency and accountability in managing public resources and public service deliver are bearing results.

As an oversight body, it is the ultimate aim of RAA towards which all our efforts of oversight functions and accountability mechanisms are aimed to positively contribute.

Hopefully, our role of auditing and reporting on use of public resources and specifically of enforcing stringent accountability would have added little impetus to the national efforts to fighting corruption.

Corruption Perception
Index score

Score **72/100**

Rank **18/180**

3. INSTITUTIONAL AND ORGANIZATIONAL SYSTEMS CAPACITY

The institutional and organizational systems capacity render overall foundations for RAA to function as the Supreme Audit Institution. The RAA since its inception and more so after the RAA was declared as constitutional body in 2005, had undergone rigorous institutionalization and reform processes to align its structures and capacities to deliver its constitutional mandates. The successive leaderships had focused on sustaining the institutional and organizational capacities besides ensuring increasing focus on actual delivery of its mandates. To my great comfort, I was handed over the optimally capacitated institution to venture into my new role of providing leadership. My task was to sustain these efforts to render it more dynamic and agile, and responsive to the changing times. Some of the initiatives that we undertook during the period were as discussed in the following paragraphs.

3.1 INDEPENDENCE AND MANDATES

The Lima Declaration recognizes “independence” and “mandates to audit” as prerequisites to effective functioning of SAIs and advocates for establishing independent SAIs by all countries. While RAA is assessed to fall short on some aspects of independence, we have always maintained that it does enjoy required independence to work without influence from outside. The RAA is bestowed with full organizational independence including the appointment of head, and functional independence, as well as bestowed with explicit auditing mandates and authority. The areas of Human Resource and Budget are assessed to have limited independence. This is due to the fact that the employees of RAA are governed by the Civil Service Act 2010 and RAA’s budget is subjected to scrutiny of the Ministry of Finance as any other budgetary agencies. However, these arrangements have never posed challenges to RAA in objectively delivering its mandates.

I firmly believe that it appropriately fits the wisdom of not fragmenting the public agencies in the context of the size of our population and it does not impinge on our ability to perform our mandated responsibilities. As for budgeting process too, it could not be more exemplary than to subject ourselves to same scrutiny as any other public agencies in the use of public resources. Hence, I always held the notion that to lobby for different arrangements for managing RAA’s Human Resource and Budget was not necessary and had always preferred to maintain status quo in terms of independence. Besides, even in the absence of organizational independence, if one is committed to work without fear, favour and prejudice, it is always up to the individuals to exercise independence.

3.2 INTERNAL GOVERNANCE

As an institution advocating good governance to public agencies, I took it as foremost responsibility to ensure good governance within ourselves. I have always banked on good internal processes to drive performance, observe compliance and build credibility as Supreme Audit Institutions in demonstrating its existence as an oversight body. Some of these initiatives included:

i) Consolidation of Departments, Divisions and Units

In line with the Transformation Exercise which was conducted as a part of overall governance reforms nationwide, we initiated consolidation of departments, divisions and units to make the organizational structure more relevant to the changing needs. With removal of Directorate of Services, the number of Departments was reduced to existing three. The Thematic Audit Division (TAD) was merged with Performance Audit Division (PAD) and Research & Quality Audit Division was merged with Policy and Planning Division.

We initiated consolidation of LC Accounts of Head Office, four Regional Offices and Professional Development & Research Center (PDRC) and centralized their operations from the Head Office. This had resulted in rationalizing the accounts personnel into three existing officials from the initial strength of seven. This was indeed intended to show example of consolidation of accounts in the hope that it would be emulated in government agencies.

Based on the government's restructuring exercise, all existing divisions were re-named and agencies re-distributed based on the clustering of government agencies into Governance, Economy, Social and Security Clusters. The restructuring efforts were intended to increase relevance of the organizational structures to the need of the hour and also to ensure ability to achieve efficiency and effectiveness of operations.

ii) Advisory & Working Committees

Unlike other constitutional bodies, RAA does not have a "commission" to render various strategic and operational decisions of the authority. With only Auditor General as the holder of the constitutional post, the highest decision-making authority is vested on the Advisory Committee constituted by three heads of Departments, Head of PPD as member secretary and Auditor General as the Chairman.

The Committee also fully undertook the role of former Follow Up Committee, which was discontinued after it was seen as unnecessary layer in the decision-making process as all members of Advisory Committee represented the committee. The schedule for Advisory Committee meeting is scheduled once in every week, if there are no pressing agendas it could be deferred to subsequent week. During the period, the Committee convened 132 meetings providing decisions on range of issues.

In order to ensure systematic process of operating as an organization, responsibilities are delegated to various committees represented by relevant individuals for specific purposes. Their functions are driven by respective Terms of Reference and have proved to be instrumental in rendering decisions on various tasks. These committees are:

- a) Human Resource and Governance Committee
- b) Annual Audit Report Technical Committee
- c) Audit Committee

- d) Procurement Committee
- e) Finance
- f) Dzongkha Development Committee
- g) Business Engineering and Strategy Committee

These are functional committees charged with responsibilities of making decisions in various critical functions of the RAA. I have always believed in empowering these committees to act independently with both responsibility and accountability in the conduct of its affairs except for advisory roles required as head of the organization in specific strategic areas or during situations when committees are unable to render decisions. For instance, in the HRGC which involves decision making related to HR matters, I have always been mindful of risk of influence and refrained from participating in the meetings of these committees. The MoMs of these committees stand testimonies of my non-involvement.

Besides these committees, based on needs and for specific purposes, we also constituted adhoc committees and task forces to completed specific tasks like Report Vetting Committee, special assignment task force etc.

Having a system of organizing such committees and task force ensure structured process of delegation, driving performance and talents, and encouraging individual contributions as well as ensuring accountability within the organization. The practice of keeping records and dissemination of decisions to all employees proves to be effective ways of ensuring transparency as well.

iii) Strategic Management

The RAA has institutionalized the strategic planning process. The Strategic Plan 2020-25 which we developed aligning to the term of my office was based on the process prescribed in the Strategic Management Framework of the INTOSAI Development Initiative (IDI). The process of preparation was guided by the expert team from IDI. The prescribed process guided me to articulate my strategic intents in the manner that is consistent with standard practice in respect of delivering results and creating impact. Not only articulating the strategic intents but also to ensure successful implementation, the RAA develops annual plans based on the Operational Matrix. The Annual Plans delineates responsibilities to each individual, units, Divisions and Departments. The Annual Audit Schedules as one part of annual plan details schedule of audit of each agency by divisions and teams.

The draft Strategic Plan 2025–2030 has been completed to suggest basic framework for the new leadership. The efforts were made to ensure substantial compliance to the prescribed process of development as per IDI strategic management framework. It emphasises on continuing the efforts of enhancing accountability in the public sector as the ultimate goal. While the annual plan for 2025-26 is already underway, it was prepared based on the strategic intents included in the draft Strategic Plan. I hope the draft plan would further inform the integration of new visions and goals of the new leadership and culminate into a more robust and inspiring final version of the plan.

I extend my best wishes for the successful finalization of the Strategic Plan and more importantly, its successful implementation under the leadership of the new Auditor General.

The robustness of strategic management process encompassing the development of strategic plan, cascading down the responsibilities all the way to the lowest levels, ensuring rigorous monitoring and evaluations, risk management and reporting on performance would reflect the level of professionalism of the RAA as the Supreme Audit Institution. The RAA has come this far and reached this maturity level in terms of developing the Strategic Plan as well as implementing them. The strategic management capacity needs to be further strengthened and sustained to scale greater heights of performance as a professional institution.

iv) Filling up posts of Divisions

The unprecedented employee turnover experienced over the years have resulted in significant gaps in the human resource. The void was felt especially at senior Professional and Management levels. The limited pool of officials in these position levels posed challenges in immediate filling of post of Chiefs in most Divisions. It had to be done in a staggered and gradual process until those officials became eligible for competing for the posts. This challenge stretched over for a substantial period since 2021-22. As a temporary arrangement, we resorted to appointing officiating Chiefs with additional responsibilities. It was only until towards end of my term, we have been able to complete the appointment of full-fledged Chiefs in the Divisions except for four divisions of COAD, SSIRD, OAAG (T) and PDRC Tsirang.

To the extent we could fill up the leadership positions in those Divisions, the RAA stands capacitated as compared to past years.

v) Professional Code of Conduct and Ethics

Inspiring ethical culture assumes a basic tenet of RAA's work and its role in promoting public accountability. Unless it demonstrates these values within itself, it cannot assume moral authority to advocate to others. It is the means to establish trust on what it does and it is basically about creating positive perception of RAA on being fair, objective and reliable in its work. The system of professional code and ethics is as old as the institution itself but has been continuously reinforced through improved system of enforcement.

The RAA has instituted robust safeguards to uphold the highest standards of ethical conduct among its employees in the discharge of their duties and their interactions with the staff of audited entities. To this end, the Code of Good Conduct, Ethics, and Secrecy serves as the guiding framework, outlining the expected behaviours for all personnel. This Code encompasses 16 principles that align closely with the INTOSAI¹ Code of Ethics. Every new employee of the RAA is required to take an oath upon

1 INTOSAI-International Organisation of Supreme Audit Institution

joining, binding them to these ethical standards throughout their tenure. Auditor General's Standing Instructions further details the "do's and don'ts" for auditors in conducting audits in agencies. Some of the measures we have ensured in continually monitoring and enforcing ethical behaviour within RAA included:

a) Organizational Integrity Plans (OIP)

As a part of ACC's requirement of mainstreaming integrity and anti-corruption measures in the internal governance systems of public agencies, we developed and executed the Organization Integrity Plans (OIP). In its inaugural year (2020-21), the OIP was implemented, and an internal assessment yielded an "Excellent" rating. Subsequent evaluations by the ACC have further affirmed the effectiveness of the OIP. The RAA achieved a score of 94.44% (Excellent) in 2021-22, followed by 90% (Very Good) in 2022-23, and 100% (Excellent) in 2023-24.

The consistent attainment of "Excellent" and "Very Good" ratings underscores the RAA's unwavering commitment to integrity and ethical leadership. By setting a high standard of accountability and transparency, the RAA continues to lead by example, reinforcing public trust and strengthening good governance. I am hopeful for yet greater results in the coming years as we mature in implementing these measures.

b) Continuous Advocacy and reminder

In order to remind the colleagues to be mindful of their act and prick their conscience to maintain their moral compass towards acceptable behaviours at all time, I took opportunity in all meetings and platforms of gathering, big or small, to speak on its importance. I might have been excessive on reiterating it to the extent that I could sense that many would have nurtured the feeling of "casting doubt" on their character. But it was not about trust deficit but at least to ensure that we remained conscious about desirable values and live by it all the time.

I could not take a chance on mere provision of guidelines and codes without reminding from time to time because the stake is too high if untoward events occur.

c) Declaration of gifts

In order to ensure compliance to the Gift Rules 2017, we have instituted a system of recording the gifts received by any person in an official capacity. Individuals shall declare and surrender the gifts and the designated official shall register and take custody of the gifts. Although the Gift Rules allows the gift receiver to take the ownership of the permissible gift after completion of due process of declaration and registration, we dispose it through a lottery during events like plan meeting or year-end meeting. This provides equal chance to all to get the possession of the gifts so received in the official capacity.

Such practices that are put in place to deal with the gifts received is indeed in the spirit of the Gift Rule 2017 to prohibit solicitation and acceptance in the first place and to encourage transparency in disposing of the permissible gifts.

d) Monitoring and Enforcement

Not limiting to mere developing policies and guidelines, the RAA also gives equal importance to monitoring of its compliances and enforcement to inspire ethical behaviours and high professional conduct of our employees. The RAA maintains a zero-tolerance approach towards ethical breaches and misconduct by any of its employees. Some of the monitoring and enforcement actions were pursued were as follows:

We noted complaint being raised in social media “facebook” against particular audit team alleging that our auditors were indulging in “wining and dining” at camping ground during one of the audit assignments in Punakha Dzongkhag. We took the allegations seriously and immediately constituted a team led by one of the Chiefs to investigate the matter. It was a great relief to know that allegations are untrue. It was apparently a vengeful act to malign the auditors and the audit institution supposedly for the professional work conducted by our auditors. While the complainant could not be identified, we have a reasonable ground to believe that it could have the victim of their own dishonesty and wrongdoings. It was unfortunate that due process of investigation had to be applied at the cost of shaking the confidence of our auditors. It was done in the spirit of demonstrating our commitment to high standards of ethical behaviours. For the mental distress and damage caused by having to undergo investigation for the wrong allegations, I had personally met with the auditors and apologised and reassured them of all the support for their rightful acts. We have also lodged complaints to Royal Bhutan Police to identify the complainants for appropriate legal actions which even today remains unsuccessful.

In another case, we received a complaint from one of the audited agencies against one auditor who was reportedly issued laptop computer from their office. We constituted an independent team to investigate the matter and found that the allegation was true. The auditor had requisitioned one laptop to the management of the agency and was approved without any communication with the RAA management. The equipment was issued without executing property transfer orders as per the rules. The report of the investigation was submitted to the HRGC to discuss the actions to be initiated against the official. Subsequently, the auditor was recommended for administrative action of reprimand. As a safeguard in future, the official was re-deployed to other non-auditing Division with specific assignment.

The Anti-Corruption Commission shared one case pertaining to allegations about lunch and dinner expenditure alleged to have incurred for auditor. The ACC had requested to review the matter through our own investigation team. Based on our investigation, it turned out to be false. The auditor had proofs of bills for dinners and lunch for the same period borne by himself.

While we received only three complaints during the period, two were found to be false allegations. For the proven case of breach, we have taken action based on the decision of the HRGC. While such mechanism of complaint redressal proves to be critical to upholding the credibility of the institution, wrong and malicious allegations have potential to denigrate our auditors and shake their confidence. However, in the

spirit of holding the moral authority in inspiring ethical behaviours in the public sector, every complaint at any platform must be taken seriously and subject it to thorough investigation.

vi) Financial Management

a) Cost cutting measures

Being conscious of the fact that our country was going through a tough time during and after the Covid-19, and also in a bid to demonstrate values of prudence in using public resources, the RAA had already initiated cost control measures before I assumed the office. An executive order on *Internal Cost Cutting Measures on Controllable Expenses* was issued on 23 July 2020. Through the order, the RAA enforced cost controls in a) Mileage payment, b) Payment of Daily Allowances (DA), c) DSA payment for in-country training, d) Porter and pony charges, e) Furniture and computer items g) Engagement of audit team for assignments abroad and h) In-country meetings.

As the pandemic stretched to the second year, the RAA further supplemented the control measures and on 15 May 2021, the RAA decided to centralize printing facilities; electronically issue audit reports, notifications and circulars; discourage the use of photocopy machines, rationalize advertisement expenses, rationalize newspaper subscription, minimize hosting of official meals; and withdraw fax machines and unused telephone lines amongst others.

Meetings were conducted online or in a hybrid mode using platforms such as Google Meet and Zoom. With the country entering into the phase of economic recovery, the RAA felt that a little sacrifice and effort from its employees is expected to make a big difference in reducing pressure on the Government coffer and enhancing operational efficiency. With the sole objective of reinvigorating the culture of resource optimization, an executive order was issued on 14 July 2022 to adopt stricter measures such as **Half DA payment for travel of more than 30 days, discouraging payment of Porter and pony charges, carpooling**, reducing expenses on entertainment and in-country meetings and celebrations, invest 20 to 30 percent of allocated time for planning an audit and embracing remote/hybrid auditing. I believe these cost cutting measures we adopted have inspired Ministry of Finance to replicate it throughout budgetary agencies through issue of specific notifications and orders.

While such measures are apparently triggered by government's financial situations during and after Covid-19, it augurs well for the institutions like RAA to lead by example. Initially, we hesitated to enforce such stringent measures for fear of negatively affecting the morale and motivation of our colleagues. But then, for the greater interest of the country, we proceeded with the measures being fully aware that it might be perceived negatively. It was a great relief and comfort to discover solidarity amongst our colleagues in supporting the initiatives. I earnestly thank each individual for the sacrifices they made and the good spirit they held for the greater good. To the extent we could influence positive changes beyond our institution, I

hope the prudence exercised in this manner would have helped the government in optimizing expenditure at the national level.

b) Resource Optimization by “Doing More with Less”

Over the recent years, the RAA has experienced concerning rate of attrition of experienced auditors as in other agencies. Not only did we lose in numbers but also experience. A sudden decline in skilled professionals posed challenges in ensuring required audit coverage. The risk was so enormous that it almost pushed us to the brink of failure to ensure adequate audit coverage. At this time of difficulty and challenges, we had to put in place appropriate strategies to ensure that we take care of what ought to be delivered with the given manpower. Direct replacement through recruitment was not possible although RCSC had been generous in allowing us to recruit limited number employees and also for allocating few officers through their recruitment process. We have been able to optimize resources through “**doing more with less**” basically by pursuing following strategies:

Consolidated Audits for greater efficiency

The approach of consolidated audits was pursued primarily to persuade Ministry of Finance to initiate Consolidation of LC/PLC Accounts which are fragmented within Ministries and Central Agencies. The intent was to enable holistic view on operations of the Ministry and Central Agencies rather than fragmented ones. This would also allow RAA to provide assurance on the overall financial management system and enforce accountability within the Ministry and Agencies based on one single audit report.



Even before MoF initiating consolidation of accounts, we went ahead with conducting consolidated audits of select central agencies. This entailed manual consolidation of accounts of central and subsidiary agencies and conducted its audit as a single engagement. This had led to consolidating our audit resources and enhanced efficiency in terms of reducing duplications of audit works and administrative burden. The audit assigned to multiple teams earlier could be assigned to a single team enabling more focussed and systematic reviews. The benefits were incidental but had provided good opportunity to consolidate audit resource. We could free up some resources to take up separate audit assignments and that way, could make up for what we lost in terms of number of people. Hopefully, the MoF accelerates the process of consolidating fragmented accounts to be able to reduce fragmented approach of auditing and further enable audit efficiency.

Allotting dedicated months for audit planning

To ensure robust audit planning and also to comply with the requirements of the ISSAIs, 20 to 30% of the allotted man-days for each audit assignment is to be mandatorily allocated for planning. This was intended to facilitate auditors to complete works of audit planning encompassing risk assessments, determining materiality and developing audit procedures to be performed during execution. Having this process in place ensures auditors to systematically approach and perform audit procedures in a predefined manner, which in a way avoids disorganized ways of conducting audits. This certainly would lead to sharpened focus on ensuring consolidation of resources to areas that need more focus and achieve greater efficiency as well as ensuring better quality of audits.

Adoption of remote/hybrid audit

Triggered by physical movement restrictions during the Covid-19, the RAA ventured into remote audit of some of the agencies on pilot basis. Through the learning experiences gained from these pilot audits, we institutionalized remote/hybrid auditing through identifying specific number of audits to be conducted remotely. We have learned that in general, it is quicker than physically visiting audited agencies and provides opportunity for freeing up resources for additional assignments. To further reinforce this approach, we have developed a Guidelines for undertaking remote/hybrid audits. With agencies embracing ICT platforms for managing accounting information, there is an enormous opportunity for RAA to scale up this mode of auditing.

Re-categorization of agencies

The man-days allocation for audit of agencies are based on the categorization of agencies. With challenges of ensuring adequate coverage with the reduced strength of auditors, we reviewed the categorization of each audited agency. While the revision is made annually at the time of preparation of Annual Audit Schedules, it needed a comprehensive review based on the changes in the working systems in agencies. As a result of this exercise, we were able to rationalize the categories of most agencies resulting in reduced man-days allocations. The reduction was not

done for the sake of it but due to enhanced ability of the auditors to leverage ICT tools and platforms through the use of Computer Assisted Auditing Tools like IDEA, and other data analytics, which enhances audit efficiencies. The revision of agency categories resulted in rationalization of man-days allocation and ultimately led to accommodating a greater number of audit assignments per team as compared to the past.

When we pursued the above strategies, as expected lot of disruptions were created and I could sense the apprehensions and uneasiness amongst our colleagues who found it challenging to adapt initially. I have consistently emphasised that it would only be matter of time when would get used to new ways of working especially with reduced man-days. Once we internalized it, it became a new normal and we have been able to demonstrate our ability to enhance our efficiency. I hope all of my colleagues would be inspired to foster such innovations and work for improved changes in future too.

vii) Management of Infrastructure and Facilities

Some of the key strategies in augmenting of infrastructure and provision of facilities included the following:

a) Open cubicles layout for workspace for teams

In an attempt to reduce physical barriers and encourage openness and sense of togetherness in work places, new layout was introduced in Head Office. This was an improvement over the previous workstation which was partitioned with physical barriers. The height of the partition was reduced and was replaced with glass to provide an open enclosure. It embraces the concept of minimum physical barriers so as to ensure bit of privacy as well as to allow interactions amongst colleagues in adjacent and opposite work station. The workstations have sufficient space, desks, drawers and fitted with sockets for electric connections.

This model of workstation has proved to be appropriate for our auditors as most audit works are done in teams involving constant interactions and discussions. Besides, it also provides a corporate environment with dedicated work zones with minimum barriers.

b) Improvement of infrastructure including retrofitting PDRC into an Inclusive Facility

PDRC was retrofitted with an inclusive facility making it accessible to all individuals, including persons with disabilities. This event represented a significant milestone in the RAA's dedication in promoting inclusivity and accessibility within its professional development initiatives.

To make the training centre more accessible, significant infrastructural modifications were carried out.



These included the installation of handrails, tactile floorings and improvements to key areas such as training rooms, hostels, the computer lab, dining rooms, washrooms and entry/exit doors. The modifications were undertaken with the aim of creating a more inclusive and conducive learning environment. I hope that a small initiative of creating accessible facility would inspire other government agencies in embracing the concept of “inclusivity” in all public infrastructure projects to address the needs of the differently abled persons.



c) Established Crèche Facility

Coinciding with the 3rd Birth Anniversary of His Royal Highness Gyalsey Ugyen Wangchuck on 19th March 2023, the RAA inaugurated a crèche facility at its Head Office in Thimphu. The crèche facility has been introduced to support employees



with pre-school children, aiming to enhance work-life balance for working parents. By providing a conducive environment for young children within the workplace, the initiative seeks to alleviate childcare challenges for employees, promote staff well-being, and improve overall productivity.

However, the facility could not be put to full use for want of minimum number of children to be registered.

d) Resource Sharing with Other Public Organisations

The construction of Office Building of Regional Office, Bumthang started before I took over the office and was completed and inaugurated during my time on 5th February 2023. The construction was managed and supervised by our own officials and engineers. The office used to be housed in a rented private building since 2002 and with the completion of the construction, it provided required space and facilities for the regional office.

While the design was based on the expected expansion of auditing requirements and staff strength, the space provided by the new building far exceeded the current space requirement. I felt it not right as well as economical to utilize the infrastructure with partial utilization when there were other government agencies which were in dire need of space to house their offices. We decided to share our space to Department of Revenue and Customs and Anti-Corruption Commission for their regional offices. This arrangement had prevented underutilization of infrastructure as well as avoided cost that would have been incurred for new construction by these agencies.



e) Construction of Office Building for Regional Office, Phuntsholing as a Model Regional Office

The only regional office left without its own office building was OAAG Phuntsholing. It took the opportunity to conceptualize the design of regional office that would be considered optimal both in its size and cost not only for RAA's regional offices but also for regional offices of other agencies. Learning from the experience of constructing office building for regional office in Bumthang, the idea was to go for fit for purpose with modern outlook, aesthetically appealing and maximum utility. It was also to demonstrate project management capabilities of our own project managers and engineers in ensuring efficiency of cost and time as well as the quality.

With an initial estimate of over 8 million, it was completed at the cost of about 12 million. The additional cost was mainly on additional work of boundary walls which was decided later and cost incurred on relocation of sewerage lines which could not be located due to lack of information about the old structures around the proposed location. We could complete the construction within the stipulated timeline with rigorous monitoring and supervision.

The building features a modern, open-plan layout without partition walls or compartmentalised spaces, with natural light source deviating from conventional public office designs. This innovative approach enhances workplace collaboration and efficiency while significantly reducing construction and maintenance costs. I hope the fit for purpose design of office building would inspire other agencies to create public structures that serves the purpose rather than being ambitious on scope and scale to avoid unnecessary costs.



f) Construction of model infrastructure for training on construction audit

Coinciding with RAA's Golden Jubilee Celebration, the RAA inaugurated its Construction Audit Model House on 16th April 2021. The model house provides 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. Later, a Model Hydropower Station was also developed at the site to train and familiarise auditors with the process of hydropower construction. Designed as a practical learning tool, the model incorporates all essential components of a



hydropower system, including the dam, desilting chamber and other critical infrastructure.

By integrating practical exposure with auditing principles, such initiatives strengthen the credibility and effectiveness of infrastructure audits in Bhutan.

g) Face-lifting of Toilets in Head Office

As a part of housekeeping of our office building, we prioritized improving hygiene and sanitation within ourselves by renovating the toilets within the Head Office. As the toilet facilities were getting deteriorated with age, we started to face challenges of malfunctioning drains, pipes, flooring including walls and surfaces, ventilations, basins etc., producing unpleasant odours. We have been able to renovate all toilets and was able to modernize some of the facilities through cosmetic changes in wall and floor surfaces, improving drainage and ventilations, realigning certain fixtures and fittings.

viii) Information and Communication Technology

The RAA leverages ICT on two fronts: in auditing process and information processing within the organization. In both fronts, we have come a long way in terms of capacitating our auditors with required skills in using range of IT tools and creating a robust information management system to guide the decisions of the management.

The 13th Five-Year Plan (FYP) places ICT related strategies and projects at the forefront of RAA's strategic priorities. Some of the initiatives in ICT include;

a) Development of RAA's ICT Strategy

We developed RAA's ICT strategy outlining how Information Technology would be used across the RAA Head Office and Regional Offices to ensure that technology is utilized efficiently in order to support the business functions of the RAA. The ultimate aim of technology should be to help in realizing the overall vision and missions of the RAA. Thus, this strategy was established as a driver for change, vision for future provisions, and it defines a set of principles to be applied.

This ICT Strategy reflects the common ambition to focus on public service, exploiting synergies, productivity and performance, smarter ways of working through innovation, and better use of information. The projects and programmes related to ICT included in RAA's Five Year Plan as well as its Strategic Plans are guided by this strategy.

b) Revamping of Audit Information Management System

The RAA formed a Business Engineering and Strategy Committee (BESC) to oversee the continuous improvement of Audit Information Management System (AIMS). The empowered committee comprises of all heads of departments and some of the heads of divisions based on relevance and expertise.

The responsibility of improvement and maintenance of the AIMS is entrusted on in-house IT team based on the guidance of the Committee. The committee continuously engages with the development teams and monitors the progress of

work. The team has been continuously engaged in upgrading of the Modules based on the requirement for upgradation and also addressing range of technical issues faced by the users. Some of the major improvements of modules initiated by the team were:

- a) Upgrading Follow Up Module
- b) Upgrading Audit Recoveries Module
- c) Revamping of Audit Clearance System

The revamping project is a continuous process of integrating new requirements in the existing modules to support the Management Information System for various decision-making besides addressing technical glitches faced in the operation of the AIMS on a daily basis. With the training of the team in the Management Information System (MIS), the utility of AIMS would be further enhanced as a critical information system for various decision-making purposes.

c) ICT Support System

To strengthen ICT infrastructure, the RAA successfully upgraded its network capabilities by installing new routers at the headquarters and regional offices, deploying new switches, and enhancing security through CCTV surveillance and firewall upgrades. Government funding was also secured for replacing outdated ICT equipment, ensuring continued efficiency in audit operations. We have been able to biometric-based Leave and Attendance System within AIMS since June 2023.

In the past, auditors faced challenges in accessing office documents while working in the field, often relying on alternative methods such as email to retrieve essential files. Recognising the need for a more efficient and secure solution, RAA has successfully implemented a Virtual Private Network (VPN) as part of its enhanced office network infrastructure.

The VPN enables auditors to securely connect to the RAA's internal network from any location, ensuring seamless access to critical documents and resources. This development has significantly improved operational efficiency, reducing delays in retrieving documents and enhancing auditors' ability to conduct fieldwork more effectively.

d) ICT as auditing platforms and tools

As part of its ongoing commitment to digital transformation, the RAA continues to explore opportunities to expand and optimise the use of ICT in all aspects of auditing. With advancement in use of ICT in the agencies, the RAA seeks to leverage on those ICT platforms for data-driven auditing to further enhance its efficiency. Some of the initial steps we initiated in gearing towards auditing in digital world were:

Recognising the need to foster innovations in the use of ICT tools and encourage auditors to build skills in use of appropriate tools, we established Innovation Lab equipped with high specification computers with support from the Austrian Development Agency. The desktop computers are installed with the latest versions of IDEA 11 and Microsoft Power BI, the software tools for data analytics and

visualisation. The increasing adoption of ICT systems across audited agencies has resulted in the generation of vast amounts of digital data. To enhance auditors' ability to analyse this data and extract meaningful insights, the lab provides a dedicated platform for conducting technology-enabled audits. Similar high-end resources were also distributed to the Offices of the Assistant Auditor Generals in the regions. The Supreme Audit Institution of Saudi Arabia through two phases of Saudi Fund Support was instrumental in supporting our efforts of modernizing our ICT infrastructure and introducing several initiatives including capacity building activities.



The Annual Training Calendars also prioritizes training and development of auditors on various IT auditing tools in order to build and sustain capacities and skills of auditors in the tools. Further, RAA also actively engages in activities and projects initiated by INTOSAI and ASOSAI through Working Group on IT audit, and Working Group on Big Data to keep abreast of trends in the use of ICT in auditing.

4. Human Resource Development & Management

Considering people as our greatest asset, continuous efforts have been made to build a proficient and well-trained workforce. With unprecedented rate of attrition experienced in the recent times, it has become even more urgent to build and sustain human resource competence as well as the motivation levels of employees through rigorous training and development interventions. Some of the efforts targeted to build and sustain human resource competency were as follows:

4.1 OPTIMIZATION OF HUMAN RESOURCE STRENGTH

The RAA's projected strength of employees was 300 as per master plan and when I took over the office it had crossed 280 at one point of time. And then when we faced unprecedented attrition rate, we were reduced to around 210 people. Sensing greater risk posed by rising trend of attrition, literally begged each one of the employees to consider dropping any thought of leaving the organization at a time when nation goes through a difficult time. I met all employees both in the Head Office and the Regional Offices to explain about the urgency that demand every citizen to rise to occasion. For those chose to remain with us, I remain ever grateful for your profound decision and your dedication to the organization and the country.

In order to ensure that the delivery of our constitutional mandates was not compromised, we pursued the strategy of ***“Doing more with less”*** which compelled us to devise ways and means to realize it. We focussed on enhancing efficiency and productivity through reinforcing risk-based auditing approach, and institutionalizing the concept of consolidated audit approach and remote audit approach leveraging on IT audit tools for big volume data analysis.

We were able to demonstrate our efficiencies to a great extent that despite significant reduction in manpower, we increased our audit coverage (financial and compliance audits). Certainly, the strategies we pursued were successful. This had bolstered our confidence to explore more ways of enhancing our efficiency. With ongoing strategies of leveraging ICT and its platforms, and continuing our efforts in ensuring robust system of audit planning and execution, we have been emboldened to restrict the total strength of human resource to 250 at least for the foreseeable future. There might be opportunity to further optimizing with further developments of work processes and systems both within and outside.

This, I believe the disruption brought in by the high attrition triggered us to rethink about our own work processes, consolidate our resources and realign it strategically. We have been able to rationalize and optimize which indeed would support the RCSC in maintaining ***“small, compact and efficient”*** civil service. For now, with total strength of 230, we still fall short of the optimum strength.

4.2 PERFORMANCE MANAGEMENT SYSTEM (PMS)

In our ongoing commitment to delivering high-quality auditing and reporting services while objectively motivating employees, the RAA introduced and adopted its own PMS, in addition to the RCSC's MAX IWP. The Performance Management Framework

(PMF), a cornerstone of the PMS, was developed in alignment with RAA's strategic objectives and organizational structure. It serves as an integrated and holistic performance management tool that reflects both the 'WHAT' (key deliverables) and 'HOW' (methods and approaches) of performance improvement.

Additionally, the PMS fosters a culture of accountability across all levels, ensuring alignment with RAA's strategic goals and objectives. The PMS was designed to enhance performance accountability and professional growth within the organization. For the first time, Performance Compacts 2021-2022 were signed during the 17th Annual Audit Conference (AAC), reinforcing a culture of structured performance evaluation and continuous improvement. A key feature of this initiative is the mandatory submission of research papers by individual auditors. These research papers, based on auditors' experiences and observations from audit assignments, contribute to knowledge-sharing and professional development.

Under this system, all RAA officials are required to sign annual performance commitments (compacts) with their immediate supervisors. Performance monitoring is conducted continuously by team leaders, division chiefs, and Deputy Auditors General, who evaluate and record individual performance objectively. The results of these evaluations aid in identifying high performers for recognition and incentives while also facilitating targeted interventions for those requiring further support and development.

The implementation of PMS marks a significant step towards institutionalizing performance-driven culture within RAA, ensuring that the organization continues to meet its mandate with excellence and accountability.



DAG, DSA signs performance compact with AG

Additional as per the requirement under PMS of RCSC, two employees had to be separated due to their ratings under "Partially Meeting Expectations" category for three consecutive years. Despite measures put in place to show improvements, the organization had to invoke the BCSR to make it consequential. While my heart went out to them for having to retire prematurely, supporting a culture of performance and differentiating must take precedence.

4.3 INSTITUTIONALIZING RESEARCH CULTURE

To enhance research and development within the RAA and as part of its recognition system for auditors, the "Best Research Paper Award" was introduced for the first time. This initiative aimed to encourage auditors to engage in research, contributing to the advancement of audit practices and system improvements.

The research papers undergo a shortlisting and final vetting process, after which the top three papers were recognized and awarded. Besides the top three, points are also awarded to other research papers based on their quality; and awarding zero for non-submission. These points serve as one of the inputs in their Annual Performance Evaluation. Such a system not only helps update auditors' knowledge but also fosters a culture of continuous learning and professional growth.

4.4 REINFORCING PERFORMANCE-BASED REWARDS AND RECOGNITION

With the aim to further reinforce the performance-based reward system, efforts were aimed to streamline the process of rewarding based on individual performance. Since long time, the RAA had instituted a system of AG's Compliance Assurance Award, Significant Audit Observations Award and Best Employee Award. The incentives were limited to cash prizes and certificates. We saw opportunities to expand the range of rewards and incentives to further motivate to maintain consistency of high performance.

We saw opportunity to reserve the nomination for audit of Bhutanese Embassies and Consulate Offices and general trainings and workshops abroad for those performers. Further, officials who demonstrate exceptional capabilities and professionalism are given priority in representing the RAA and Bhutan at general international meetings and workshops.



4.5 RECOGNIZING THE ROLE OF TEAM LEADERS AND TEAM MEMBERS

Acknowledging the critical roles of Team Leaders and Team Members in the delivery of RAA's mandates, we have dedicated two successive Year-End Meets for them. They play a starting and the forefront role in identifying the deficiencies and gaps in the audited agencies. It is the thoroughness of their professionalism that they detect what is not correct or proper, which later become a basis for seeking accountability and improvement in agencies. Thus, they are at the very core of the institution in delivery of its mandates. By dedicating the year to them, I wanted to pay my gratitude to all of them for their contributions, and unwavering commitment and dedication, and to keep continuing the spirit of playing the critical roles.

4.6 TRAINING AND DEVELOPMENT

Given the dynamic nature of auditing, it is essential for auditors to stay updated on changes within agencies and advancements in auditing processes and techniques. Recognising this, the RAA places a strong emphasis on continuous professional development to maintain a skilled and motivated workforce. Some of the strategies we pursued were:

i) Continuing Professional Development

In alignment with the Continuing Professional Development Policy (CPDP), the RAA has consistently provided training, workshops and seminars to strengthen auditors' expertise. Besides training on audit procedures and practices, the RAA also regularly

conducts training in areas of ethics, integrity, code of conduct, etc. These areas are equally important in delivering the constitutional mandate of 'auditing and reporting on the economy, efficiency and effectiveness in the use of public resources and in maintaining independence and objectivity in auditing.

The RAA also participated in two audit trainings delivered by experts from Singapore Consultancy on Financial Audit and IT Audit in the months of June and July 2022 respectively.

During the period, the RAA conducted 60 in-house training sessions, workshops and seminars, benefiting 1,578 participants at the Professional Development Centre, Tsirang. Similarly, the RAA hosted 76 training programs, workshops and seminars for other organisations at the Centre, benefiting 2,469 participants.

ii) Enhanced Induction Programme for New Recruits

As part of its broader capacity-building efforts, the RAA introduced the Induction Programme for New Recruits (IPNR) for the first time in 2020-2021. This two-months programme was designed to equip newly recruited employees with essential skills necessary for their roles. It covered key areas such as leadership, team building, effective communication, and specialised training in the three main streams of auditing. Upon completing the IPNR, new recruits undergo a year-long mentorship programme with experienced audit teams. This initiative aims to facilitate knowledge transfer, enhance technical skills, and provide guidance to help them transition into fully competent auditors.



Certificates awarded to new recruits for 8-week Induction Program

Recognising the significance of this programme, the RAA continued to refine its approach. It has become a regular feature for new recruits to be able to acquire basic skills in conducting audit before they are assigned to the fields.

iii) Long Term Studies

We have been able to get support of the Royal Government of Bhutan in committing funds for professional course of Association of Chartered Certified Accountants (ACCA) in Singapore for 10 officials. We would be sending two officials annually spread over next four years. The RAA was seriously constrained in terms of auditors with professional certification with a lone employee who oversees the works

performed by statutory auditors. This generous support would go a long way in sustaining the capacity of RAA to exercise its oversight role on the engagement of auditors in the public sector. This would also prepare us for engaging in audits related works in the GMC in future.

iv) Sustainable Performance Audit Practice

The RAA is participating in a project funded by the ADB with technical assistance from the IDI on “Sustainable Audit Practices in Asia and the Pacific”. The project aims to improve performance practices in the region and make them sustainable. Bhutan is one of the six nations participating in the project and Phase-I of the project was on identification of gaps and needs. The Phase II of the project was intended ensure addressing the gaps identified in Phase I and raise the profile of performance auditing to ensure that the value and benefits of the SAI are reaped to the maximum. Currently, the RAA is on verge of completing the Phase II having completed the development of Strategic Plan for Performance Audit, Revised Performance Audit Guidelines and pilot audit based on the Revised Performance Audit Guidelines.

5. Stakeholder Engagements

Sustaining engagement with stakeholders has always been one of the strategic priorities articulated in its successive Strategic Plans. With varying influences that these stakeholders have on what we do and deliver and create long term impacts, the extent and level of engagements with stakeholders are driven by strategies developed based on the stakeholder analysis. Some of the key strategies pursued and events related to stakeholder engagement were as follows:

5.1 ENGAGEMENT WITH STAKEHOLDERS WITHIN THE COUNTRY

Stakeholders within the country include institutions, agencies and individuals within the country having influence and interest in the work that RAA does. With varying degree, the RAA engages with these stakeholders in a bid to enhance the value of its work and add impetus to promoting governance in the public sectors. Some of the strategies and mode of engagement we pursued were:

i) Audit Advocacy and Awareness Programme

We conducted audit advocacy and awareness programmes for various stakeholders to enhance their understanding of accountability mechanisms in the public sector. Stakeholders included public agencies, internal auditors, training institutions, local government leaders and officials, institute and colleges, media, etc. as briefly highlight below:

This is a regular event undertaken to create awareness amongst public officials in audited agencies about the role of RAA, process of auditing and follow up, obligations of accountability and expected behaviours and ethical culture in public agencies. These initiatives aimed to instil a culture of accountability and transparency among individuals responsible for governance while emphasizing the values of integrity and ethical conduct. While most programmes are initiated at team and Division level, I had been able to cover 20 Dzongkhags, three Thromdes, two Ministries and other specific agencies and interact with officials of these agencies.



Some of the advocacy programmes were targeted to specific groups of officials in particular roles and responsibilities. We organised programme for finance and accounts personnel in Thimphu at the ECB Conference Hall, to sensitize on pervading issues about financial management and their proactive roles in preventing them through appropriate controls and diligence. Similarly, we also organized the programme for officials in positions of personal secretary to Ministers in Ministries to sensitize on use of entertainment and hospitality budget and documentation requirements.

ii) Youth Engagement and Anti-Corruption Advocacy

We conducted advocacy sessions for Gyalpoising College of Information Technology, Sherubtse College in Kanglung, Royal Institute of Management and Jigme Namgyel Engineering College in Dewathang. These sessions focused on inspiring positive mind-set of youth as ethical leaders, raising awareness of the detrimental effects of corruption on national development and individual lives.

iii) Use of video messages

We launched an advocacy video outlining its mandate, roles, and responsibilities, aiming to reach a broader audience and enhance public understanding of its functions. It was the improved version over previous video clips with updated information. It was expected to reach the message of auditing process, its mandates, reporting process and accountability mechanism to wider audience beyond audited agencies.

iv) Engagement with Public Accounts Committee

The Parliament, through the Public Accounts Committee (PAC), remains a key strategic partner in ensuring the effective implementation of audit recommendations. During my term, we submitted five annual audit reports and nine performance audit reports on various themes. To facilitate informed deliberations, the RAA conducted presentations for the Hon'ble Members of Parliament, providing insights into audit findings and recommendations. The RAA's presence was also ensured during the Public Hearing conducted for audited agencies by the PAC.

The PAC plays a pivotal role in reviewing audit reports and leading discussions in the Parliament. Numerous bilateral meetings were held to discuss various issues emanating from the audit reports submitted. We have also been able to collaborate with INTOSAI Development Initiative (IDI) to invite Hon'ble Members of PAC members in two of their regional workshops.

v) Tripartite Collaboration of Three Institutions

We have been able to institutionalize Tripartite Meeting between there agencies of Anti-Corruption Commission, Office of Attorney General and Royal Audit Authority. This arrangement provides platform to enhance collaborations, address challenges and forge strategies in pursuit of common goal of creating cleaner society through their respective mandates. The close collaboration between the institutions ensured greater convergence of purpose, strategies and approaches to bring about greater synergy to be able to render effective oversight and enforcement roles.

I hope that, given the positive experiences gained from engagement, the collaboration of three institutions would be further strengthened under the new leadership.

vi) Bilateral Collaboration with Anti-Corruption Commission

The RAA continues to collaborate with the ACC through formalized mechanism of Bilateral Meetings and Working Committee Meetings. The Bilateral Meetings are held between heads of two institutions to discuss on strategic matters and Working Committee serve as functional committee to work on specific tasks.

The collaboration between the RAA and ACC had proved to be effective in unifying our strategies and consolidating our resources to face governance challenges that our society faces. Further, such a harmonious collaborations have potential to break the compartmentalization, and build public trust in both the institutions.

vii) Collaboration with the Ministry of Finance

The RAA continues to engage with the MoF as a key strategic partner in enhancing accountability and transparency in public finance management. As the key custodian of the Public Financial Management System, MoF has a greater role in addressing the issues pointed out by the RAA in its reports. Besides addressing inadequacies of rules and authorities based on our recommendations, the MoF has been consistent in addressing our recommendations through Budget Notifications where appropriate controls and checks are obligated to line agencies for compliance. Such collaborations are complementary in terms of enhancing robustness of the overall Public Financial Management System in the country.

viii) Strengthening Capacity of Bhutanese Auditing Firms

As part of the RAA's initiative to strengthen capacity of local auditing firms, we organized trainings and workshops at PDRC, Tsirang. The topics were related to aspects of audit planning and reporting to sensitize on compliance requirements to the ISSAIs which is the authoritative standards adopted by RAA for public sector auditing. The RAA also collaborated with Auditing and Auditing Standard Board of Bhutan (AASBB) for training on Bhutan Accounting Standards. The sessions were delivered by experts from India.

This had provided opportunity for our local firms to actively engage in knowledge sharing, fostering professional growth and promoting standardization of audit practices. Such initiative is expected to serve as a strategic capacity-building effort, equipping Bhutanese audit firms with a unified approach to audit planning aligned with international standards (ISSAI-based frameworks) and enhance the quality of audit reports.

ix) Engagement with Media

The RAA recognizes the media as one of the important partners in informing and educating the society on the state of governance based on audit reports. It has proved to be effective medium to inform the public about our role, work and results. The RAA engaged (both print and broadcast) for press conferences



during the issue of major reports like our Annual Audit Report, performance audit reports and other reports. Press releases are also shared with the media and uploaded on the RAA's website. It has the potential to bring positive changes in society through unbiased and independent reporting and sensitizing issues of public concern in the audit reports, thereby increasing public trust and confidence in the works of RAA

x) Supporting Audit and Integrity Clubs in Universities and Colleges

To increase awareness of the Audit and Accountability System, the RAA facilitated the establishment of Audit and Integrity Clubs in the colleges under the Royal University of Bhutan. A Memorandum of Understanding (MoU) with the Royal University of Bhutan was signed on 11th June 2024. The agreement aims to enhance audit awareness and instil values of integrity, accountability, transparency, and professionalism, fostering a culture of ethical governance in the colleges. The RAA has able to extend a modest financial support of Nu.56,000.00 to the integrity clubs of five colleges as seed money. This initiative is aimed to provide opportunity for young leaders to practice of culture of transparency, accountability and ethics within the colleges so that these cultures are emulated in their work places after they graduate. It was heartening to learn that these clubs have been actively engaged in oversight roles within their colleges and some of them have gone the extra mile to come up with smaller projects to create awareness in society through different means.



Vice Chancellor and Auditor General signs MoU

xi) Executive Forum for better accountability and governance

We institutionalize the Executive Forum for civil service executives to provide platform to discuss issues of governance and accountability and seek their support in furthering the cause of promoting it. The theme 'Internal Controls and Irregularities: From the Perspective of Executives' was intended to sensitize the importance of leadership role and driving the internal control system within their respective organizations. The event attracted encouraging number of executives which had to be delivered in two sessions. 45 senior government officials attended the first session and 26 officials in the second forum.

The forum highlighted the critical role of executives in institutionalizing robust internal control systems within their respective agencies. Leaders were pleaded to set positive tone at the top as the prerequisite to good internal control systems. One of the key takeaways from the forum was the need to proactively address systemic weaknesses and minimize opportunities for irregularities. The event created a platform for open dialogue, peer learning, and mutual understanding between the RAA and executives from the various government agencies.

On the basis of the enthusiasm as well as having a critical role in laying good foundation for good governance, I believe that there should be continuous engagement with leaders and platforms such as Executive Forum must be regularly organized.

xii) Engagement in Transformative Initiatives

During the nationwide Transformation Exercise in 2022, I was involved as one of the members to the National Steering Committee. It had been a great privilege to be a part of historic process and I believe, whatever my experience and knowledge allowed to contribute would have added to the collective wisdom of my learned colleagues. Personally, it was a great learning experience and have opened myself to insights of, diverse perspectives on and various nuances of public administration and governance. I remain enriched and wiser on these aspects.

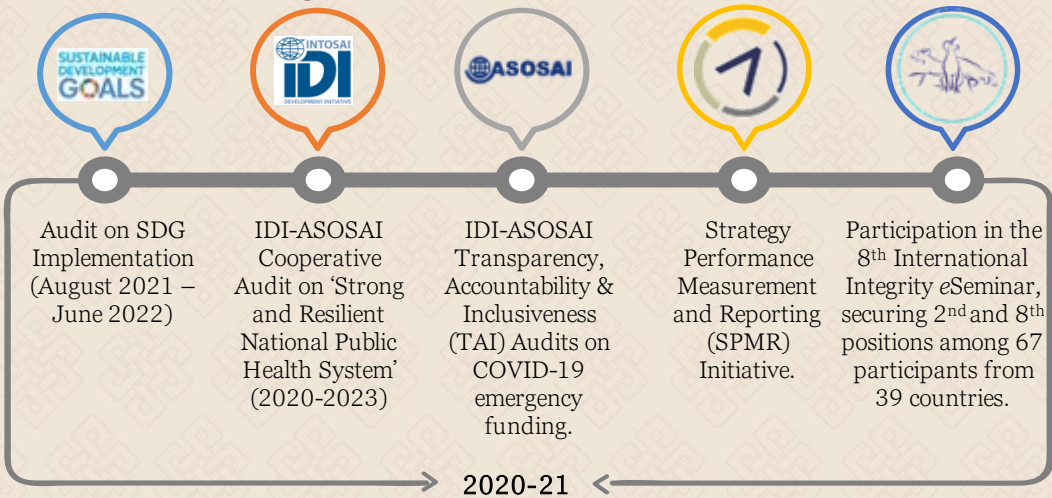
I was also privileged to be a part of transformation team for the judiciary sector including other constitutional bodies and corporate sectors.

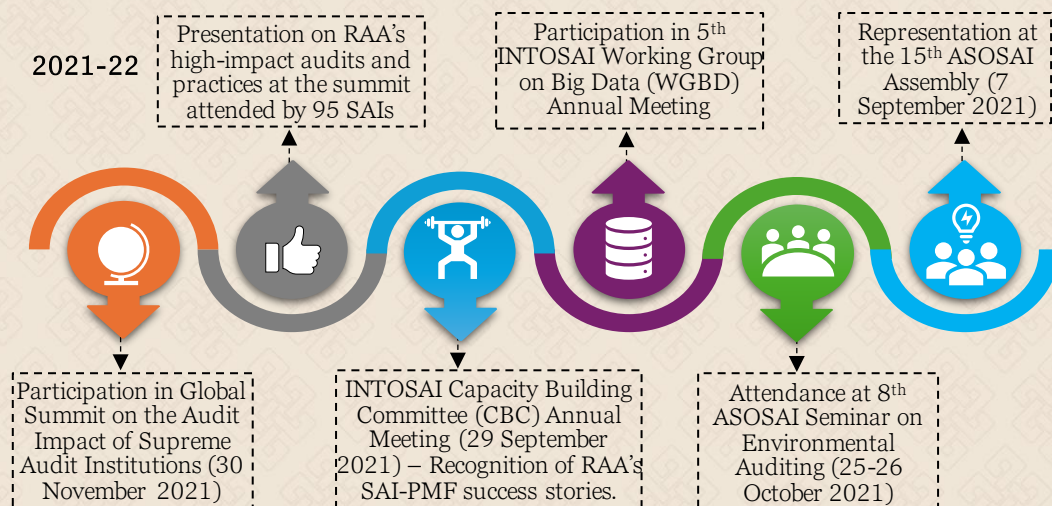
a) Engagement with Regional and International Auditing Bodies

The RAA has actively engaged with international and regional auditing bodies to enhance capacity development, experience sharing, and professional growth. As a committed member of INTOSAI and ASOSAI, the RAA has participated in various programmes of workshops, trainings and events organized under the auspices of these organizations. initiatives, including training, collaborative audits, and international working groups. The key engagements during the period are outlined below.

b) Capacity Development Programmes & Resource Contributions

RAA officials contributed as resource persons and participants in several INTOSAI, ASOSAI, and IDI (INTOSAI Development Initiative) capacity-building programmes, which focused on critical areas such as sustainable development goals (SDGs), audit transparency and performance measurement. The year wise engagement with various international organisations were:



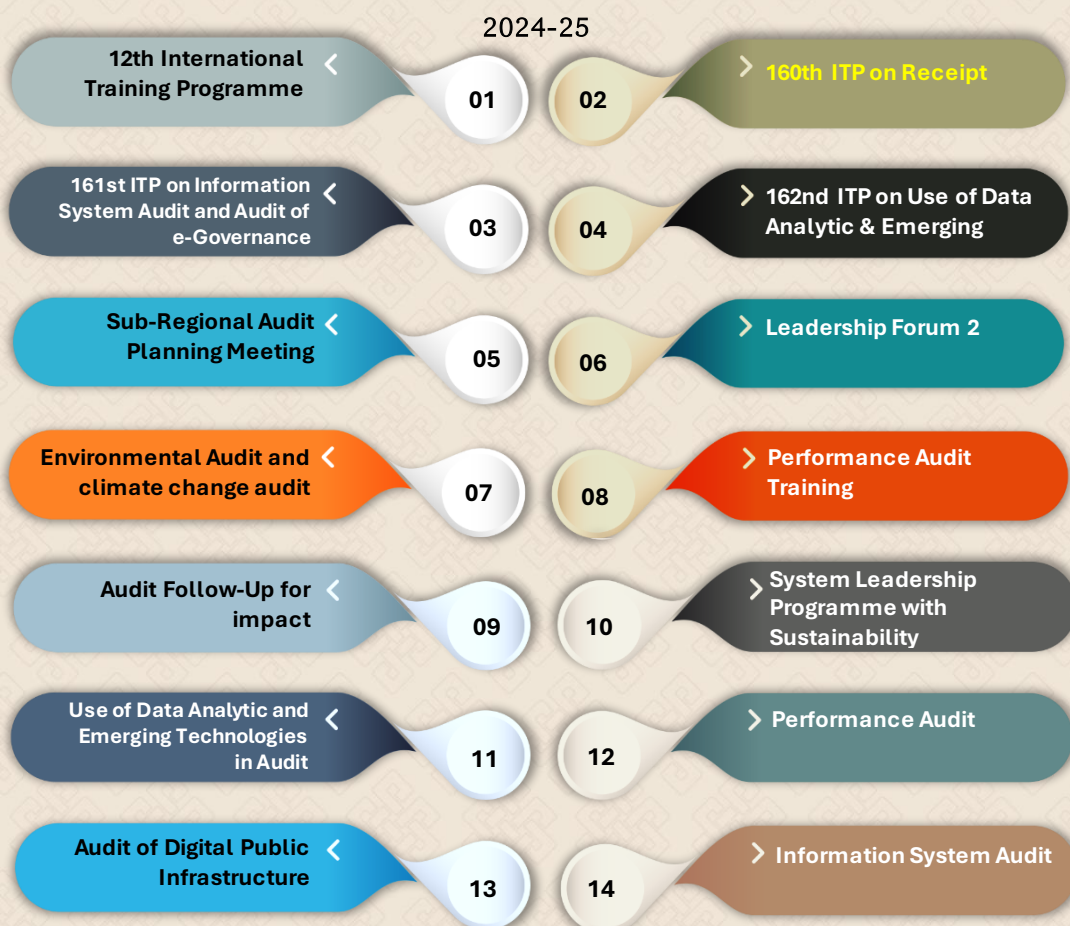


2022-23



2023-24





c) Participation in INTOSAI & ASOSAI Working Groups and Webinars

Throughout the period, the RAA has attended numerous working groups, workshops and webinars to ensure continuous professional development and alignment with international best practices. The year wise engagements are:

2020-21



2021-22

01

IDI-CDA on SDG 4 Implementation (Quality Education)

02

Cross-learning session on Performance Audit with SAI Nepal

03

IDI-ASOSAI Workshop on Strategy Performance Measurement and Reporting (SPMR) Implementation

2022-23

01

2nd Webinar on Fostering a Green Economy & Disaster

02

Global Cooperative Audit on Climate Change Adaptation Action (CCAA) (April 2023 –June 2024)

03

Forum on INTOSAI Professional Pronouncements (FIPP) on INTOSAI Standard Setting (2022-

04

EUROSAI Working Group on Environmental Auditing (WGEA) MOOC (November 2021)

05

XXIV INCOSAI Conference (7-11 November 2022)

2023-24

01

Government Audit on Public Construction Works (Japan)

02

Workshop on Public Procurement and Contract Auditing

03

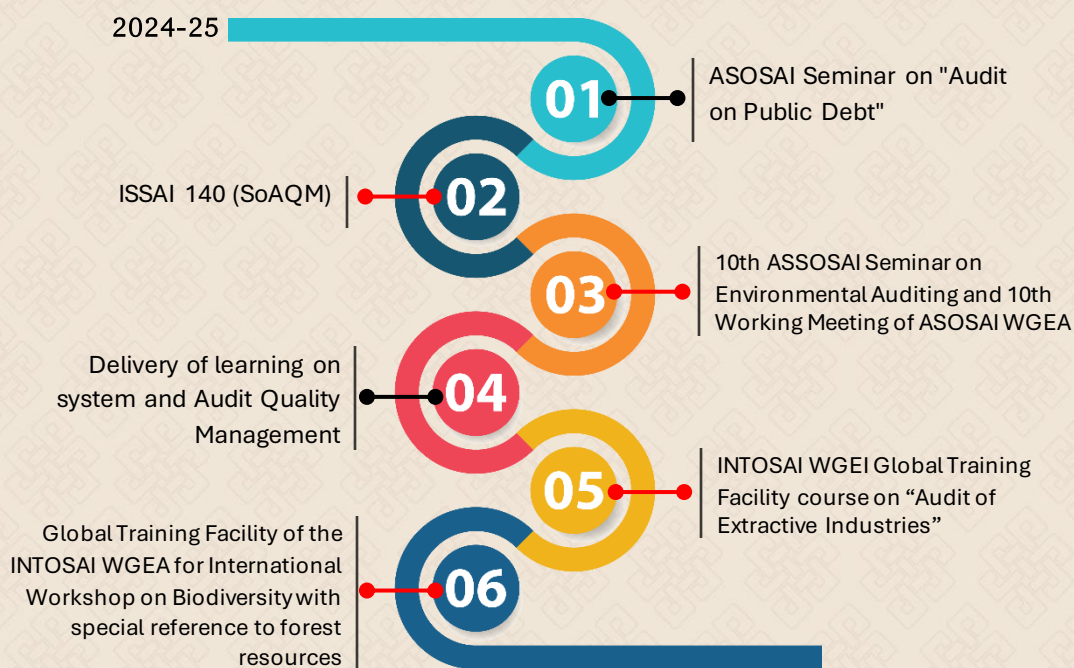
Basic Training on AC Technology & VRV Installation (Neemrana, India)

04

Performance Audit Training (iCISA, India)

05

Basic Training on AC Technology & VRV Installation (Neemrana, India)

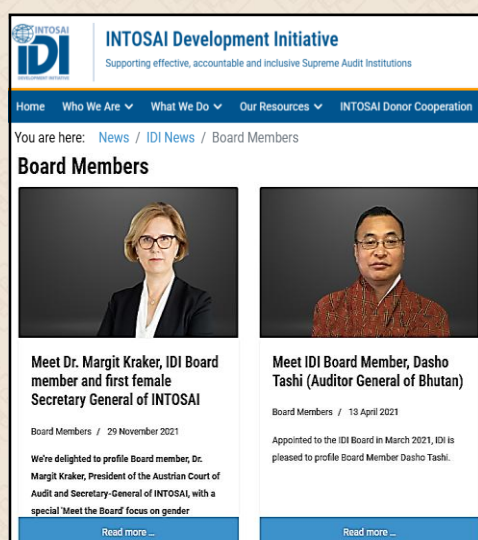


The RAA remains committed to strengthening audit practices through global engagement, ensuring continuous learning, and aligning with international audit standards. Through active participation in INTOSAI, ASOSAI, and IDI programmes, the RAA has been able to enhance professional expertise, contributed to global audit discourse, and embrace best practices within ourselves.

d) Governing Board of IDI

I was formally appointed to the Governing Board of the INTOSAI Development Initiative (IDI) in March 2021 and representing the country and the region at this esteemed international platform has been a great honour. This role as a key decision-maker within the IDI included advocating for Bhutan and region's interests while contributing to global initiatives aimed at enhancing transparency, accountability, and good governance.

Moreover, the role involved contributing to the strengthening of Supreme Audit Institutions in developing countries by enhancing their capacity, effectiveness, and independence. As an integral part of INTOSAI, the IDI provides training, guidance, and technical assistance to SAIs, fostering improvements in public sector auditing



and accountability. It had really enriched me and added value to my experience playing at strategic role as a board member of this august institution and hopefully percolated to within organization I led and colleagues I interacted to influence positive changes in their works.

e) Hosting of INTOSAI Development Initiative (IDI) Governing Board Meeting

The RAA had the honour of hosting the INTOSAI Development Initiative (IDI) Governing Board Meeting from 2–3 April 2025. The meeting brought together the heads of Supreme Audit Institutions (SAIs) from Bhutan, Norway, Kenya, Brazil, Saudi Arabia, South Africa and the United Kingdom. Members of the IDI Management Team also participated in the meeting.

As part of the programme, the board members visited the RAA headquarters. During their visit, the RAA made presentation on the evolution of the auditing system in Bhutan, the RAA's mandates and our key achievements in promoting good governance within the public sector.

The meeting also provided a valuable opportunity for the RAA to showcase Bhutan's strong and unique accountability mechanisms. These include the enforcement of audit recommendations through treatment of irregularities, sanctions on those responsible and corrective actions by relevant authorities based on audit findings. Additionally, we shared insights into our system of regulating Audit Clearances for public officials and entities.

f) Empanelment of auditors

In accordance with Chapter 8 of the Audit Rules and Regulations of the Kingdom of Bhutan (2020), the RAA has empanelled audit firms to conduct audits of government-owned and government-controlled companies, including financial institutions, the Royal Monetary Authority (central bank) and other companies incorporated under the Companies Act of Bhutan. The empanelment process involved a rigorous due diligence exercise to ensure that shortlisted firms met the required professional standards before being granted final approval.

At present, a total of seven national firms and 46 Indian firms are empanelled with the RAA. In addition to these, the RAA has also empanelled CLA TS Public Accounting Corporation based in Singapore and Ernst & Young (EY), one of the Big Four global professional services networks, with its office based in Sri Lanka. Furthermore, the RAA is currently in the process of bringing Deloitte and PWC on board, which will further enhance the quality and diversity of audit expertise available for public sector audits in Bhutan, as well in the Gelephu Mindfulness City.

6. CHALLENGES

The Covid-19 pandemic and higher attrition rates have brought in unprecedented disruptions in the delivery of work. Yet, we could show resilience and agility in terms of not compromising our work. It had compelled us to rethink and strategize in the way we approached our work and had given rise to new normal, which must be sustained to enhance our efficiencies. While we had been successful in navigating some of the challenges, RAA continues to face some challenges that may risk effective functioning of the RAA. The RAA may like to continually focus on some of the persisting challenges that are discussed below.

6.1 SUSTAINING HR CAPACITY

With revamped processes and reinforced approach in our work, we have been able to project the optimum human resource strength to 250 despite increase in scope, which is a significant reduction from the initial HR projection of 300. However, we have not been able to reach the optimal strength even as of now. This may pose challenge in ensuring adequate coverage of audit for all streams of audit.

Further, as attrition of employees still persists especially among the younger generations, the investment of resources in training and development may not yield desired results. This may continually disrupt the delivery of the mandates. The RAA's aim of diversifying its human resource remains as a distant dream. Especially in areas of IT auditors and environment auditors, the RAA has not been able to build the required capacity.

6.2 RIGIDITY IN THE DEPLOYMENT OF EMPLOYEES ACROSS DIVISIONS AND REGIONS

While we preferred to be guided by the overarching Civil Service Rules and Regulations for administration of our employees, the rigidity in the implementation poses challenges for managing its work force. For instance, the rigidity in transfer of employees from one division to another before the minimum timeframe inhibits our ability to carry out functions effectively. Similarly, the minimum promotion criteria of BCSR does not allow head of the organisation to incentivize and recognize employees. Such rigidity handicaps the head of agencies to work efficiently and motivate employees. I feel that some flexibility must be rendered to organizations to be able to ensure its own capability in undertaking assignments and boosting the morale of its employees.

6.3 WRONG PERCEPTIONS ABOUT DIFFERENTIATED PERFORMANCE RATINGS

It has been quite some time since we institutionalized the Performance Management System. Yet, most are yet to internalize the culture in terms of demonstrating acceptance. While the intent of Performance Management System is to differentiate performers from the non-performers, affected individuals tend to shun it. Instead, the blames are conveniently put on members of HRGC and are often accused of not being objective. This has potential to deteriorate working relations between the superior and subordinates that may have far reaching impact on the works.

6.4 IT PERSONNEL

With clustering of ICT offices under GovTech, the IT units in various agencies were consolidated and clustered and IT personnel were centralized. As for RAA, we have been granted exceptions based on our request to retain our IT personnel to manage our AIMS. However, the exception would not likely be extended in view of the constant reminders/persuasions to follow the suit as other agencies. Since our system is built and developed with involvement of our own IT personnel, we fear that same level of support would not be possible if it is centralized and would hamper efficient use of the system.

6.5 INABILITY TO RESOLVE AUDIT ISSUES EVEN AFTER COURT VERDICTS

A significant challenge faced by the RAA is the inability to resolve audit issues even after the issuance of court verdicts. Despite legal rulings, many agencies have failed to enforce judgments and take necessary actions to resolve outstanding matters.

The persistent non-enforcement of court rulings undermines the effectiveness of audit recommendations and weakens public financial accountability. Strengthening enforcement mechanisms and ensuring greater institutional cooperation are critical to addressing this challenge.

6.6 ENFORCEMENT OF ACCOUNTABILITY AND IMPROVEMENT

Ensuring that government agencies and officials uphold responsibility and accountability for their actions has been a persistent challenge. Despite efforts to enhance transparency and enforce compliance, a prevailing culture of reluctance in assuming responsibility has hindered progress in effectively addressing audit findings. In many instances, corrective actions are delayed or deprioritized, resulting in recurring financial irregularities and instances of non-compliance.

6.7 STRENGTHENING GOVERNANCE FOR THE GMC

In alignment with His Majesty's vision of establishing an innovative and well-governed urban development under the Gelephu Mindfulness City (GMC), it is imperative for the RAA to enhance its institutional capacity and technical expertise to effectively contribute to this national initiative. A well-functioning governance framework is foundation to the success of GMC, and the RAA must be adequately prepared to provide robust oversight, financial discipline, and accountability mechanisms that align with international best practices.

One of the key measures in this regard is the professional development of auditors, particularly through globally recognised certifications such as the Association of Chartered Certified Accountants (ACCA). Recognising the RAA's commitment to excellence and readiness to contribute, the Prime Minister's Office (PMO) has approved funding for 10 auditors to undertake ACCA certification. Over the next five years, this initiative is expected to produce 10 highly qualified professional auditors, who will play a pivotal role in ensuring strong governance, financial integrity and regulatory compliance both within Bhutan and the GMC.

In addition to building its own capacity, the RAA is also in the process empanelling globally leading audit firms from India and neighbouring countries, so as to take up any auditing challenges in the GMC.

7. Conclusion

With the life time opportunity to serve and lead this august institution, I remain ever grateful for the trust and confidence bestowed by His Majesty the King. All strategies we pursued during the period were intended to contribute to realization of the Vision of His Majesty in creating a society that upholds the principles of transparency and accountability.

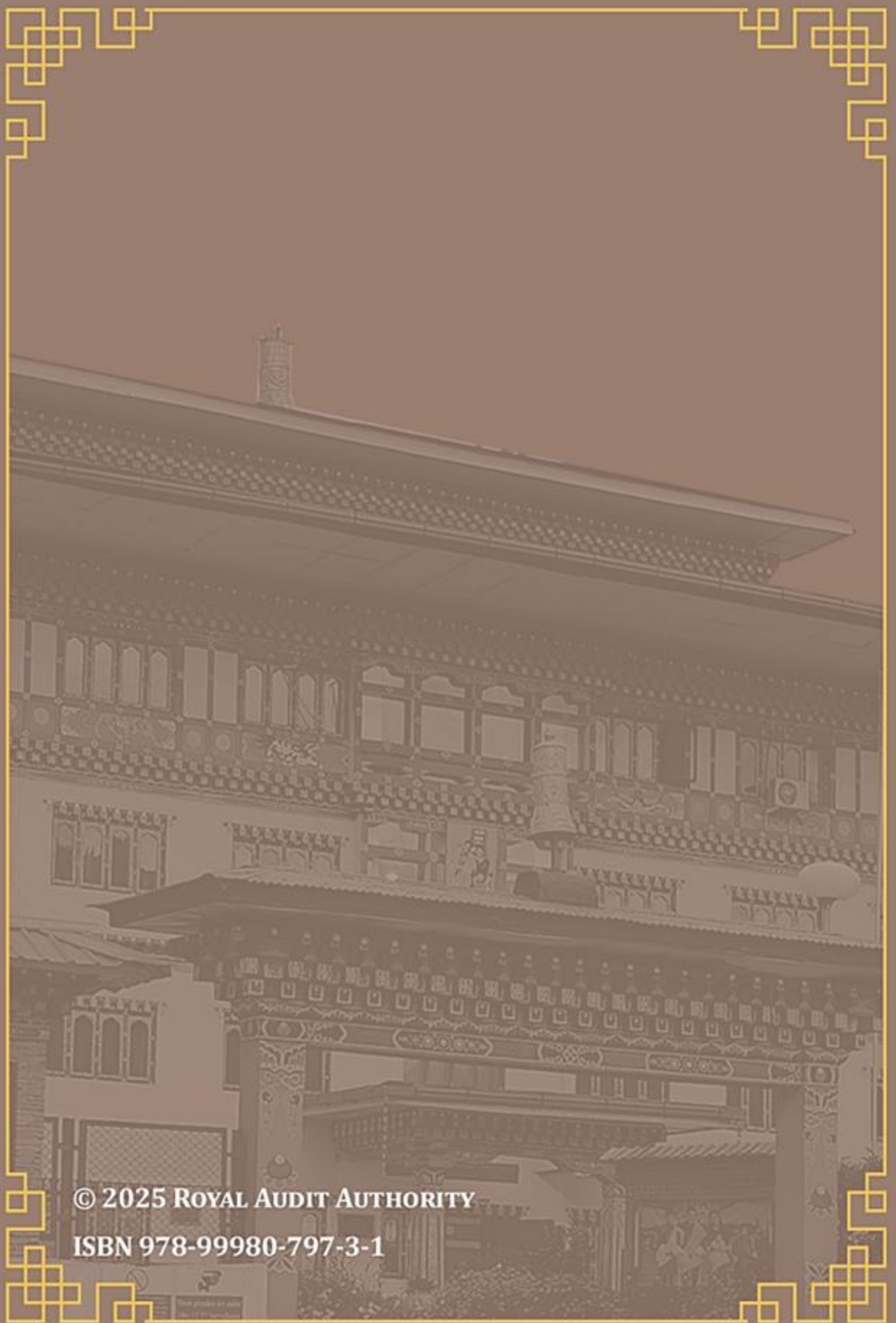
I take this opportunity to pay my sincere gratitude to the successive Governments and Parliaments for their constant support to the RAA in terms of providing adequate resources and lending credence to our works in the true spirit of promoting transparency and accountability in the country. The enthusiasm of the Public Accounts Committee has been pivotal in further augmenting our role and to a great extent, ensured realization of desired impact of our work. I wish and pray that the RAA shall be continuously blessed and guided by the wisdom of these august institutions.

I would also thank all public and government institutions for their unwavering support and commitment towards achieving good governance. The contribution of each public official in different positions was critical in creating impact of our work.

Over the past five years, we sustained our efforts in strengthening governance, improving financial accountability and fostering a culture of transparency and ethical conduct in the public sector. Despite challenges of high attrition, we navigated the challenges and sailed through, and we managed to deliver our mandates uncompromisingly. All those were possible with courage and convictions shown by each one of our employees. While challenges are evolving and changing, with the proven resilience of the institution and the positive mind-sets of employees, I am assured that the institution of RAA will thrive and only grow stronger in the service of the nation. I extend my sincere gratitude to all employees, past and present, who shared our journey in the pursuit of delivering constitutional mandates of the Royal Audit Authority.

I pay my gratitude to the INTOSAI Development Initiatives, Government of India, World Bank, Austrian Development Agency, Asian Development Bank and Supreme Audit Institution, Saudi Arabia for all the assistance for the capacity development of RAA.

Lastly, I would wish and pray for the successful term for my successor. May RAA continue to grow from strength to strength in the service to Tsa-Wa-Sum.



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