

## Background

By virtue of the Kashos and the provisions contained in the General Auditing Rules and Regulations of Bhutan (GARR), the Royal Audit Authority (RAA), the Supreme Audit Institution (SAI) of Bhutan is responsible for audit of public sector agencies and reporting its findings.

In 1961, the 16<sup>th</sup> Session of the National Assembly of Bhutan formed a committee of Accounts and Audit in response to the need for establishing accountability. The Committee would comprise of one representative of the King and one representative each from the Cabinet, People and the Monk Body all nominated by the King. The Royal Government issued the first edition of the “Financial Manual” in 1963. The manual provided for the organization of the Development Wing of the government and the Accounts and Audit for the Development Wing. The Audit and Accounts organization maintained the books of accounts, conducted budgetary controls of revenues and expenditures, and undertook periodic audit and inspections of accounts and records.



The Bhutan Integrity House, Kawangjangsa, Thimphu

In October 1969 the 31<sup>st</sup> Session of the National Assembly based on a motion proposed by the King to delegate the auditing authority voted for the appointment of Royal Auditors to conduct the audit of accounts and records of the Royal Government. Consequently, four Royal Auditors were appointed on 16<sup>th</sup> April 1970 under a Kasho. The Kasho defined and authorized the jurisdiction of the then Royal Audit Department as primarily responsible for the audit of accounts of the Ministry of Finance, Ministries, the Royal Bhutan Army, the Royal Bhutan Police, and His Majesty’s Secretariat.

In 1974, the financial management system was restructured. The Financial Manual 1974 was passed by the 29<sup>th</sup> Resolution of the 34<sup>th</sup> Session of the National Assembly. The Committee of Accounts and Audit was re-organized with four permanent posts of Royal Auditors to form the Royal Audit Department under the administrative supervision of the Ministry of Finance. Posts were filled up by one people’s representative, one monastic, one His Majesty the King’s representative and one government representative. A representative and participatory arrangement to ensure the auditing is fair and objective without any bias.

In 1985, in order to enhance its effectiveness the department was upgraded as an autonomous and an independent entity as the Royal Audit Authority (RAA).

In tune with the issue of the Financial Manual 1988 to further strengthen the financial management system the General Auditing Rules and Regulations (GARR) was issued in 1989. This properly defined the roles and responsibilities of the Royal Audit Authority.

The Kasho issued by the Third King in 1970, the General Auditing Rules and Regulations 1989, the Financial Manual 1988 and the Kasho issued by the Fourth King in 1999 delineated the roles and responsibilities of the Royal Audit Authority. Audit shall primarily be responsible towards enhancing accountability in the government.

In pursuance thereof, the Royal Audit Authority's functions are to:

- I. Conduct audit, ascertain and evaluate in accordance with laws, rules and regulations of all account, records and operations pertaining to:
  1. The revenue receipts and expenditures;
  2. Property owned or held in trust by or pertaining to the Government or any of its instrumentalities, Government owned and controlled corporations and their subsidiaries to ascertain and evaluate whether government resources are handled properly and in compliance with laws, rules and regulations;
  3. Non-government entities subsidized, funded by the donations or grants through the government, those for which the government has put up a counterpart fund or those required to pay levy, and loans approved and /or guaranteed by the government;
  4. Foreign assisted and special projects of the Government; and
  5. Any other organization upon commands of His Majesty the King;
- II. Assess and provide information whether the government agencies apply the government resources for the purposes for which they were established and for which they are made available to them;
- III. Prepare and transmit audit reports containing audit findings and recommendations of measures to improve economy, efficiency, and effectiveness of government operations;
- IV. Issue rules and regulations, or manuals to facilitate the exercise of its audit functions to enhance the information value of government accounts and to ensure compliance with the applicable laws, rules and regulations; and
- V. Issue records of outstanding audit observations to accountable officers or any other government officer/employee, upon recommendation of the proper administrative head or authority and settlement of deficiencies and un-cleared accounts for purposes of promotion in rank or salary, foreign travel, etc. as may be required or necessary.

Besides, the Royal Audit Authority is also responsible to:

1. Promulgate auditing rules and regulations;
2. Institute control measures through the promulgation of rules and regulations or issuance of guidelines governing receipts, disbursements

and uses of funds and property, consistent with the total social and economic development efforts of the Government; and

3. Recruit and appoint the officials and employees of the Royal Audit Authority.

## Highlights of the year

1. The draft Audit Act of the Kingdom of Bhutan has already been submitted to the Cabinet to be Tabled before the National Assembly.
2. The Office of the Assistant Auditor General, Tsirang was established and inaugurated on 26<sup>th</sup> July 2003 bringing the total of field offices to three. The office was opened with the objective to:
  - ensure successful implementation of the 9<sup>th</sup> Plan and Geog Plans;
  - decongest the HQ & ease the demand on housing & other social infrastructure in the Capital community;
  - facilitate the monitoring responsibilities of the Geog Based Development Plans in the 9<sup>th</sup> Five Year Plan;
  - promote the national objectives of the balanced regional development;
  - cut down on travel budget & save travel time of the auditors;
  - bring auditors closer to the auditees and improve the efficiency on coverage; and
  - facilitate in feasibility of conducting audit annually of auditee's.

The office shall be responsible to audit and report on all public works to be carried out in the following dzongkhags:

- i. Tsirang;
- ii. Dagana;
- iii. Sarpang;
- iv. Wangduephodrang;
- v. Punakha; and
- vi. Gasa

3. A three member delegation led by the Auditor General of Bhutan attended the Ninth Asian Organization of Supreme Audit Institution (ASOSAI) meeting in Manila, Philippines in October 2003.
4. The Royal Audit Authority-Supreme Audit Institution of Bhutan was elected to the 9 member Governing Board of Asian Organization of Supreme Audit Institution (ASOSAI).
5. The Auditor General of Bhutan was appointed as Vice-Chairman of Theme I- The possibilities for Bilateral & Multilateral Cooperation for the 18<sup>th</sup> International Organization of Supreme Audit Institution (INTOSAI) Assembly in Budapest, Hungary.
6. Peer review of the Royal Audit Authority conducted by Office of the Comptroller & Auditor General of India.
7. Bhutan was decided to be the host for the 14<sup>th</sup> Meeting of the INTOSAI Standing Committee on IT audit to be held in Bhutan in the year 2005.
8. First phase of Audit awareness at the Grass Root for members of GYT, DYT, Gaydrungs and Dzongkhag staffs was conducted.
9. An “Open Forum” on RAA was organized on 10<sup>th</sup> December 2003. The objectives of organizing the forum were to:
  - Hear what people say;
  - Exchange views and ideas;
  - Explain what is not clearly interpreted in the reports, media etc. and;
  - Any other business.

The issues discussed were:

- System and seasonality of issuance of Audit Clearance;
- Issues on Lowest Evaluated Substantially Responsive Bid;
- Fixing of accountability;
- Issues on catering;
- Timely auditing;
- Balance between authority and commercial judgment;
- Quality of construction versus lowest bidder;
- Audit of Royal Audit Authority; and
- Tax/ revenue versus Audit Recoveries Account.

The participants included the officials from government Ministries and departments including the media people. Though anticipated participation from private and business sectors were none.

10. Participated in the Companies Act Awareness Workshop as resource person held at Thimphu and Phuentsholing.
11. Issued Annual Audit Report 2002 in October 2003.
12. The Auditor General accompanied by two other officials attended the Inauguration of the 28<sup>th</sup> Regional Conference of the Eastern India Regional Conference of Institute of Chartered Accountants.
13. During the year the Royal Audit Authority had recruited 7 employees including one electrical engineer, three Senior Auditors etc.
14. During the year the officials of RAA attended number of trainings, seminars and workshops both within and outside the country as summarized below:

Sl. No.	Course	Duration	Location	No. of candidates	Source of Fund
1	Auditing Information Technology	1 month	UP, India	2	Colombo Plan
2	Attachment Course on certification of Govt. Financial Statement	3 weeks	Jaipur, India	3	RGoB
3	Workshop on Performance Audit of Revenue Agency	2 weeks	Lahore, Pakistan	1	ASOSAI
4	IA&AS	13 months	Shimla, India	2	Colombo Plan, MoU
5	Audit of Public Enterprise	1 month	UP, India	2	Colombo Plan
6	Library attachment Course	2 weeks	Samtse, Bhutan	1	RGoB
7	Pro-STAAD Software	10 days	RBIT, P/ling	1	Wang Watershed Project
8	AUTOCAD	2 weeks	RBIT, P/ling	2	RGoB
9	Dzongkha Secretarial Course	45 days	P/ling	1	RGoB
10	Masters in HRM	18 months	Australia	1	SDS
11	Environmental Auditing	2 weeks	Nairobi, Kenya	1	ASOSAI