

FOREWORD

The Year 2006 proved to be an important landmark in the history of the Royal Audit Authority (RAA). The much awaited Audit Act of Bhutan, 2006 was enacted by the 85th Session of the National Assembly thereby ensuring the independence of the RAA and providing firm legal basis of its mandates and jurisdictions. For the first time the Annual Audit Report including two special audit reports were formally tabled in the National Assembly. The Auditor General was also called upon to clarify the Annual Audit Report 2005 and two Special Audit Reports of the RAA submitted to the National Assembly.



Under the dynamic and visionary leadership of our Kings, Bhutan witnessed unprecedented growth and development, both in the socio economic and political spheres, during the last four decades. Today, the Transparency International ranked Bhutan as one of the lesser corrupt countries in the world. We need to consolidate on the path so well laid down by our beloved Kings and develop future strategies in maintaining and enhancing accountability, transparency, efficiency and professionalism in the management of public resources. With immense faith, trust and confidence reposed upon the RAA by His Majesty the King, Country and the People, the RAA is committed to serve the nation in enhancing and promoting a clean, transparent, effective and accountable system of governance

The RAA is pleased to present the Annual Audit Report 2006. This is the first Annual Audit Report after the enactment of the Audit Act of Bhutan 2006. The report contains unresolved significant audit findings from the 322 inspection reports out of a total of 438 reports issued from 1st January 2006 to 31st December 2006.

During the year 2006, the RAA conducted 444 audits consisting of 336 normal audits, 83 certifications audits, 1 special audit, 5 Performance audits and 19 statutory audits. We issued 322 normal audit reports, 87 certification audit reports, 19 statutory audit reports, 5 performance audit reports, 4 special audit reports and 1 report on Certification of Annual Financial Statements of the Government. Some of the reports issued during the year pertained to the audits conducted during 2005. In addition, a total of 750 Follow-up reports were also issued during the period.

The audit recoveries for the year aggregated to a record high of Nu. 45.651 million as against Nu. 29.771 million in 2005. The increase in the audit recoveries amount could be primarily attributed to the extensive follow up of the reports and improved compliance and cooperation by the agencies.

Beginning July 2006, the RAA embarked on certification of the financial statements of all the line Ministries and agencies audited with the primary objective of expressing true and fair opinion on the financial statement. This would also help the RAA in ascertaining the adequacy and reliability of the accounting records, compliance to budgetary and reporting norms and effectiveness of operations of the Budget Accounting System and other new systems.

The reporting format has also been re-structured to make it balanced and user friendly. Besides the audit observations and recommendations, the reports would

contain some of the notable positive aspects of the operations of the agencies in future.

From the several inspection reports issued during the year, the RAA made an attempt to study some of the existing systems and procedures and suggest remedial measures. In this context, the RAA would like to recommend the following remedial measures;

- ✕ Internal control systems in the organizations needs to be improved;
- ✕ Internal auditing must get due prominence and should be strengthened;
- ✕ Rules and Regulations particularly procurement rules should be reviewed and updated periodically to render them relevant and effective;
- ✕ Record keepings should be improved to promote accountability and timely & accurate reporting;
- ✕ Finance and Accounts personnel including Controlling Officers and Supervisors should play an effective role in improving the system of check and balance and preventing fraud and corruption;
- ✕ Adequately trained accounts personnel should be posted to Gewogs to facilitate proper record keepings; and
- ✕ Timely release of budgets should be ensured to facilitate implementation of activities and avoid year end booking of expenditure without carrying out the activities.

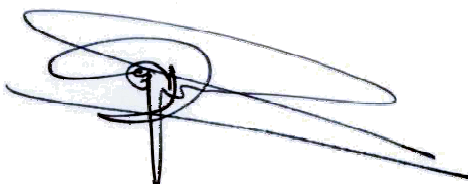
We hope the relevant agencies would take note of the remedial measures and take appropriate actions.

I would like to acknowledge and commend all the officers in the Ministries, Departments and Agencies for furnishing prompt response to the draft Annual Audit Report 2006 and rendering full support and cooperation to my fellow auditors during audit. The effectiveness of the audit largely depends on the extent of follow up of audit reports. The Public Accounts Committee (PAC) deserves special mention for the comprehensive follow up of the Annual Audit Reports 2004 and 2005.

Economy, Efficiency and Effectiveness in the use of public resources can be achieved through good policies backed by strong political will. The public at large expect greater accountability from the public managers for collection, spending and management of public resources. Therefore, transparency and accountability in the use of public resources should be pursued and regarded as collective responsibility of the society.

We look forward to a similar year with more successes, achievements and lots of accomplishments.

Tashi Delek



(Ugen Chewang)
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