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AUDIT IMPACTS

Over the years, the Royal Audit Authority had been issuing several thousands of audit reports. During the 9th Five Year Plan itself (excluding the extended period), the RAA had issued a total of 1,663 audit reports in addition to issuing the Annual Audit Reports. So far the success of the RAA had been judged solely based on the number of audits planned and conducted, and the amount of recoveries made. However, the RAA never analysed and documented the

impacts that it had been creating through these audits on the agencies, ministries and the government. Effectiveness of any operation or activity should not only be judged on achieving the intended objectives but also the impact that it had created on the agency, ministry or on the society at large. While separate study on the impact of audit had not been done, several notable audit impacts have been observed, both through audits and their reports, as detailed below:

3.1 Audit Recoveries

The RAA had been recovering millions of Ngultrums every year in the form of Audit Recoveries. During the last five years, the RAA recovered a total sum of Nu. 216.78

million, excluding the amount recovered in the corporations, financial institutions and other NGOs, as detailed below:

Years	2003	2004	2005	2006	2007	TOTAL
Amount (Nu. Millions)	17.857	22.513	29.771	45.651	100.989	216.78

Note: The recoveries reflected against 2007 are inclusive of the recoveries for the 1st quarter of 2008 from the audits conducted in 2007.

Since the amounts recovered are paid back to the government, these amounts are

reinvested in other important activities of the government.

3.2 Rules, Regulations, Manuals and Other Documents Reviewed and Updated

Generally, the need for review and amendment of rules and regulations are only felt when there is an audit objection. The RAA had also been providing recommendations on the need to review and update the rules and regulations including the manuals in almost all its AARs. In this context, it is encouraging to

note that several rules and regulations including the procurement manual of the government are being reviewed and updated. Further, several agencies including the armed forces have come out with their service rules and other manuals.

Besides several outdated, conflicting and contradicting terms and clauses in the contract agreement and other documents have also been reviewed, amended, deleted or added based on the recommendations of the RAA. For

example, the Government is preparing a Standard Bidding Document due to several complications involved in the bidding process which were frequently being raised by the RAA in its audit.

3.3 Strengthened Internal Auditors

The RAA had been one of the strong promoters of internal audit system in Bhutan. The need for instituting and strengthening internal audits have been raised in the audit reports of all agencies where they do not have internal auditors. Besides, the AAR 2005 and AAR 2006 strongly recommended on the need to

strengthen the internal audit system. The RAA had also been providing several in-house trainings and accepting attachment courses for the internal auditors. These days almost all government ministries, agencies, corporations and armed forces have separate internal audit units.

3.4 Improved Compliances to Rules and Regulations

As observed from the number of irregularities detected during the process of auditing, the overall compliance to government rules and regulations has improved over the years. Besides, the system of issuing audit clearances and

fixing accountability has created awareness amongst civil servants and corporate employees on settling their financial accountabilities including several long outstanding advances.

3.5 Uniformity in the Application of Rules and Regulations

During the process of auditing, the RAA had been providing clarity in the application of rules and regulations which

had led to the uniformity in their application.

3.6 Several Senior Officers Convicted based on the RAA Reports

Based on the reports of the RAA containing significant issues of fraud and corruption, several senior Government officers from the agencies like Army Welfare Project, National Women

Association of Bhutan, Ministry of Education, Construction Development Board, Youth Development Fund and others have been convicted by the Royal Court of Justice.

3.7 Alerted and Discouraged People from Engaging in Fraud and Corruption

With the RAA reporting several cases of irregularities including fraud and corruption through its various reports and the accountability being fixed on the responsible officials, people have been made to rethink before indulging in any fraudulent or corrupt practices. In

addition, as given in Sl. No. 3.6 above, several senior civil servants have been convicted by the Court based on the RAA reports. All these have alerted the people of the consequences of involvement in fraud and corruption and restraint them from indulging into such activities.

3.8 General Awareness on the Need for Auditing

The RAA had been receiving several requests for auditing from the government ministries and agencies. The ministries and agencies have also been providing full

support and cooperation during the process of auditing. All these are indicative of the fact that people have become aware of the need for auditing.

3.9 Improved Documentation

The success of any audit would largely depend on the maintenance of proper documents. Therefore, lack of proper documents would be viewed seriously by the auditors. Since auditors have been advising on the need to maintain proper

documents in all their audits, there had been a unanimous feedback from the auditors about the marked improvement in the maintenance of documents in various government agencies including corporations and the armed forces.

3.10 Improved Accountability of Government Properties

Non accountal of assets and other government properties had been one of the frequently occurring observations in the audit. Besides, several unaccounted assets have been made to account for in the relevant ledgers and registers. In the process, several assets and properties of the government were being properly accounted and registered.

Besides, there are several agency specific impacts which helped the agencies in improving their overall internal control

system and the delivery of services to the customers.

The credit for such audit impacts should be given solely to the agencies themselves for taking appropriate timely actions on the observations and recommendations of the RAA.

The RAA will attempt to conduct detailed study of the impacts of audit after every certain intervals of time and present it in the Annual Audit Report.