

FOREWORD

FROM THE DESK OF THE AUDITOR GENERAL



In line with article 25.5 of the Constitution of the Kingdom of Bhutan, the Royal Audit Authority (RAA) is pleased to present its Annual Audit Report (AAR) 2008. The Report is a summary of unresolved significant findings from 431 audit reports issued during the year. The RAA had issued 293 regular audit reports, 130 certification reports and 8 performance audit reports besides 19 statutory audit reports. The RAA had also conducted and issued 2 special audit reports during the year. The Annual Audit Report also contains the results of the audit of the consolidated financial statements of the Royal Government prepared and maintained by the Ministry of Finance. The first chapter briefly highlights the accomplishments of the RAA during the year.

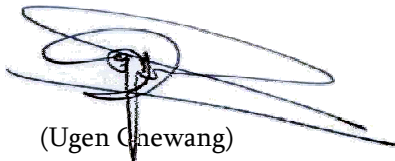
The year 2008 had been a year of great significance. The Nation celebrated the 100 years of Monarchy and the enthronement of His Majesty, the 5th Druk Gyalpo. The 1st Session of the 1st Parliament also adopted the Constitution of the Kingdom of Bhutan. It has been a sacred privilege for the RAA to draw its mandates from as high as the Constitution itself. In fact, the RAA since the interim period until now had put all its efforts to align its roles and responsibilities with the overall direction of the Constitution. We take this opportunity to report a status of our efforts in aligning with the Constitutional direction along with the major constraints and challenges under the third chapter.

The AAR 2008 reports total unresolved significant irregularities of Nu. 151.121 million with Nu. 116.295 million pertaining to the budgetary agencies and Nu. 34.826 million pertaining to the corporation, financial institutions and the non-governmental agencies. The irregularities as compared to 2007 was lower by about 24.09%. While the lapses per se do not appear to indicate a decreasing trend, the efforts of the agencies in resolving audit issues have been commendable. As high as 83.79% of the significant irregularities detected during the year were settled during the course of the finalisation of the Annual Audit Report. The RAA had also detected sporadic cases of indicators of fraud and corruptions in some of the agencies. Such cases constitute about 6% of the total unresolved significant irregularities reported in the AAR. The RAA had also forwarded a total of eight reports containing significant indicators of fraud and corruptions to the Anti-Corruption Commission during the year.

In our attempt to gear towards value for money audits, the RAA had conducted 9 performance audits out of which eight reports were issued during the year. The performance audit reports on the Mining Operations, the 9th Plan Review of the Department of Roads and the Information Security were presented to the 2nd Session of the 1st Parliament along with the AAR 2007 by the Public Accounts Committee. The reports were deliberated extensively by the Parliament and received unprecedented attention of the media and the general public. The other significant achievement during the year was the finalisation of the draft Auditing Standards. With the adoption of the standards in the 12th Annual Audit Conference in July 2009, the RAA will not only have a means to determine the extent and nature of auditing steps and procedures but also a yardstick against which the qualities of the audit results can be gauged.

The RAA is also including a chapter on recommendations largely formulated based on the pertinent observations and findings made during the year. These recommendations aim to not only solve the current problems but address the root cause and prevent future occurrences.

Lastly, we would like to acknowledge the continued supports and cooperation rendered by all the agencies in our endeavours. We would like to particularly appreciate the prompt responses made to the draft Annual Audit Report which facilitated the timely compilation of the report. As we solemnly dedicate our report to the Centenary Monarchs of our Nation, we pledge to continue committing ourselves to audit without fear, favour and prejudice.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

(Ugen Chawang)
Auditor General of Bhutan