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Royal Audit Authority



ANNUAL

**PERFORMANCE**

REPORT

2023-24





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# ANNUAL PERFORMANCE REPORT

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FY 2023-24



## From the Auditor General

In our continued commitment to ensuring accountability and transparency in our operations, the Royal Audit Authority (RAA) is pleased to present the annual Performance Report for the Financial Year (FY) 2023-24.



Part I of the report reviews our achievements against key indicators and targets outlined in the annual Operational Plan (OP) 2023-24, which is a critical component of our Strategic Plan (SP) 2020-2025. This SP, now in its third iteration, was adopted with the arrival of the new Auditor General. It is operationalized through annual OPs, and a robust monitoring and reporting framework has been established to track progress. The implementation plan, developed for the entire strategic period, strategically guides the annual OPs. Our progress is monitored quarterly, with adjustments made to targets and indicators as necessary.

To achieve our strategic goals, the RAA has made notable progress on key priorities this year. We successfully implemented several initiatives, such as conducting consolidated audits, adopting remote and hybrid audit models, leveraging technology in audits, and utilizing virtual platforms for meetings and training sessions. The RAA issued 526 audit reports and recovered Nu. 405.3 million.

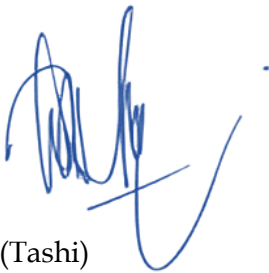
The RAA proudly submitted the AAR 2023-2024 to His Majesty The King on 8<sup>th</sup> November 2024, and later to the Prime Minister and Parliament on 25<sup>th</sup> November 2024. It was subsequently tabled at the Joint Sitting of the First Session of the Fourth Parliament on 10<sup>th</sup> December 2024.

With vigorous follow up mechanisms and continued audit advocacy programmes, the RAA is able to resolve more than 90% of all pending cases, with some dating back as far as 2010. The result of such efforts are clearly evident from continued decline in the number of irregularities over the years, reflecting increased compliances to laws, rules and regulations, strengthened institutional systems, improved operational efficiencies and enhanced

accountability. The details of such impacts are highlighted in the Part II of the report highlighting a broad spectrum of achievements, including positive policy changes, significant cost savings, operational improvements, enhanced internal controls, and the deterrence of unethical practices through effective sanctions.

Through such sustained efforts from the RAA coupled with the measures undertaken by other oversight bodies like ACC and other bodies; and with the continuous support and cooperation from the auditee agencies, we are happy to note that against the aspirations of the 13<sup>th</sup> FYP to improve corruption perception score to 73 or more by 2029, the country has already achieved 72 from its previous score of 68.

As the head of the agency, I take this opportunity to share with our stakeholders and citizens that this report serves as a key tool in disseminating information about our operations, functions, and audit impacts. It is our hope that this report will provide valuable insights into our activities and the overall performance of the RAA.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke at the bottom.

(Tashi)  
Auditor General of Bhutan

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## Introduction

The Annual Performance Report (APR) of the Royal Audit Authority (RAA) for the fiscal year 2023-24 provides a comprehensive overview of the institution's initiatives and achievements in fostering accountability, transparency, and good governance. Guided by its constitutional mandate, the RAA continues to enhance public financial management through high-quality audits, operational efficiency, and innovative approaches to emerging challenges.

Aligned with INTOSAI P-12 and the goals of the Strategic Plan (SP) 2020-25, the RAA is committed to improving public sector accountability and performance. This commitment is reflected in its rigorous audit efforts and timely reporting, which serve as essential tools for informing public sector decisions and promoting a culture of integrity and ethical governance.

Achieving these objectives requires not only internal capacity but also collaboration with stakeholders, including audited entities. The RAA actively engages its ecosystem to draw meaningful conclusions, foster policy shifts, and drive operational improvements. The impact of its work extends beyond financial recoveries, encompassing cost savings, strengthened internal controls, and deterrence of unethical practices.

While long-term impacts will unfold over time, the immediate benefits such as promoting accountability, enhancing public sector efficiency, and supporting ethical governance are already evident. This report highlights key outcomes and strategic efforts from FY 2023-24, underscoring the RAA's role as a catalyst for positive change in service of Bhutan's development priorities.

*Part 1*

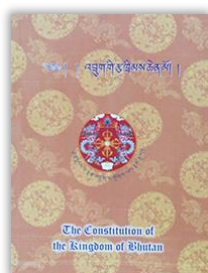
**Performance  
Highlights**

# 1. About the RAA

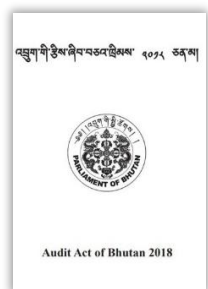
## 1.1 Mandates

The RAA has undergone a series of organizational and structural changes since its establishment as a Committee of Accounts and Audit in 1961.

It was instituted as a Department in 1974 and was declared a fully autonomous body in 1985 and was renamed as the Royal Audit Authority. As it went through the stages of changes, the Royal Decrees of 1970, 1997, 1999, 2000 and 2005 were issued covering the mandates of the RAA and stressing on the professional independence of the institution. Recognizing the significant role of the RAA in promoting good governance and public accountability through auditing and reporting on prudent, economic, efficient and effective use of public resources, it was bestowed with Constitutional Status in the year 2005.



*The Constitution of the Kingdom of Bhutan mandates the RAA to audit and report on the economy, efficiency and effectiveness in the use of public resources.*



*The RAA also draws its mandates from the Audit Act of Bhutan 2018 and other mandates from specific legislations such as Companies Act of Kingdom of Bhutan 2016, Public Finance Act 2007 and Amendment Act 2009, Religious Organizations Act 2007, Civil Society Act 2007 amongst others.*

The RAA functions in accordance with the Audit Act of Bhutan 2018, which specifies independence, powers, duties, roles and responsibilities of the RAA. In order to enhance the credibility, professionalism and quality, the RAA adopted International Standards for Supreme Audit Institutions (ISSAIs) in 2016. Since then, financial, compliance and performance audits are conducted in accordance with the standards.

## **1.2 Audit Jurisdiction**

The audit jurisdiction of the RAA includes;

- i. Accounts of the budgetary bodies including agency of the Government;
- ii. Foreign assisted, donor assisted or special projects of the Royal Government;
- iii. Embassies, consulates, and other foreign-based government agencies;
- iv. Zhung Dratshang, Rabdeys, and all related institutions;
- v. Defence and Security Services;
- vi. Constitutional bidoes, Commissions, and any other government agencies;
- vii. Autonomous state colleges, universities and all autonomous bodies of the Royal Government;
- viii. Registered Political parties;
- ix. All state enterprises in which government has stake, financial institutions including the Central and other Banks and their subsidiaries established under the laws of Bhutan in which the Government has an ownership interest;
- x. All entities including non-governmental organizations, foundations, charities and civil societies fully or partly funded by the Government; whose loans are approved or guaranteed by the Government; and those receiving funds, grants and subsidies directly or through the government and collections and contributions from people and fund raised through lottery;
- xi. Any entity whether private or public engaged in extracting, processing, trading, and mining of natural resources of the State;
- xii. Any other public interest entity, if considered necessary by the Auditor general;
- xiii. Accounts and operations of international agencies based in Bhutan, if required under specific arrangements; and
- xiv. Any entity or activities upon command of His Majesty The Druk Gyalpo.

Regardless of the existing audit laws, Parliament may direct the RAA to audit any public or private entity by resolution.

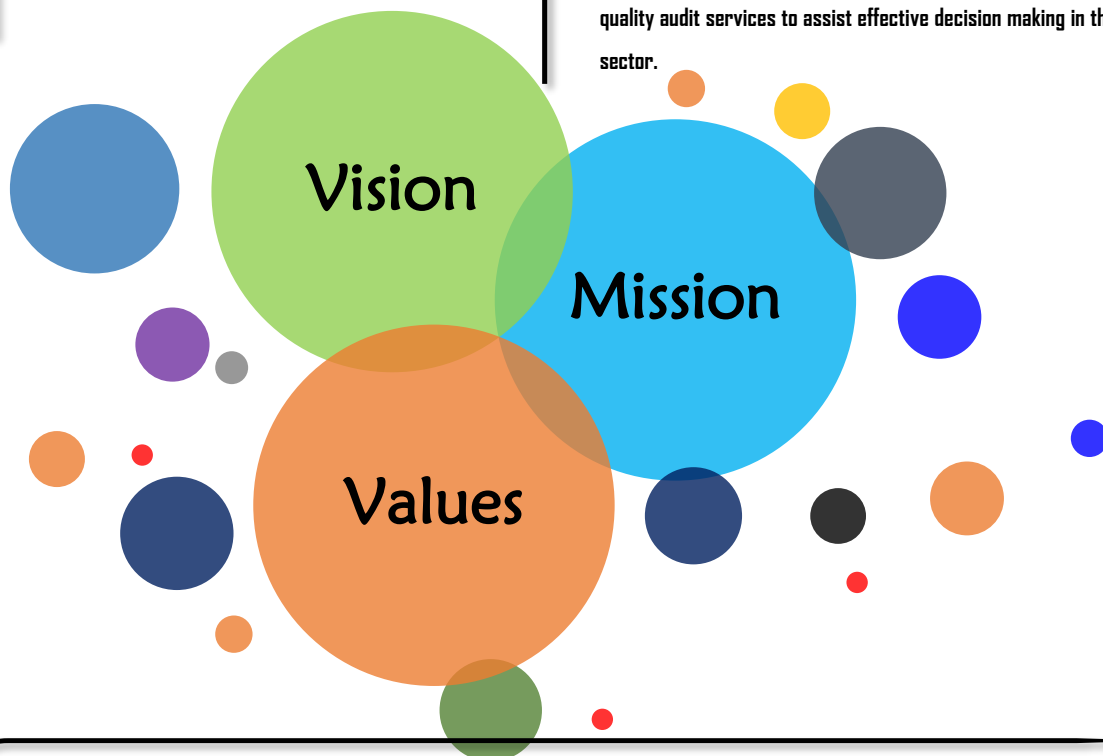
## 1.3 Vision, Mission and Values

### OUR VISION

A credible Supreme Audit Institution that promotes value for money and good governance in public operations and contributes towards achieving the societal aspirations of Gross National Happiness.

### OUR MISSION

RAA is an independent constitutional body which contributes to accountability, transparency and effective service delivery. In the service of Tsa-Wa-Sum (the King, Country and people), we audit without fear, favour or prejudice and provide timely, reliable and quality audit services to assist effective decision making in the public sector.



### CORE VALUES

**INTEGRITY:** We are independent, honest and incorruptible in our conduct and remain impartial and trustworthy.

**ACCOUNTABILITY:** We are accountable for our own actions in a similar way we propound accountability in audited agencies.

**TRANSPARENCY:** We are transparent in all our dealings and actions, and promote the culture of openness and submit ourselves to scrutiny.

**PROFESSIONALISM:** We perform quality audit services through dedicated and competent workforce conforming to auditing standards and best practices.

**TEAMWORK:** We believe in team spirit and diversity to unleash our full potential in achieving our common goal through mutual respect, trust and support.

### 1.4 Organizational Structure

The RAA is organized into three departments and four regional offices, known as the Offices of the Assistant Auditor General (OAAG), which extend audit services nationwide. Each department is led by a Deputy Auditor General, while the Divisions in the Headquarter and OAAGs in Bumthang, Phuentsholing, Samdrup Jongkhar, and Tsirang are headed by Assistant Auditors General (AAG). Additionally, the Professional Development and Research Centre in Tsirang, led by a Program Director, serves as the RAA's training wing to support ongoing auditor development. Figure 1 provides an organizational overview.

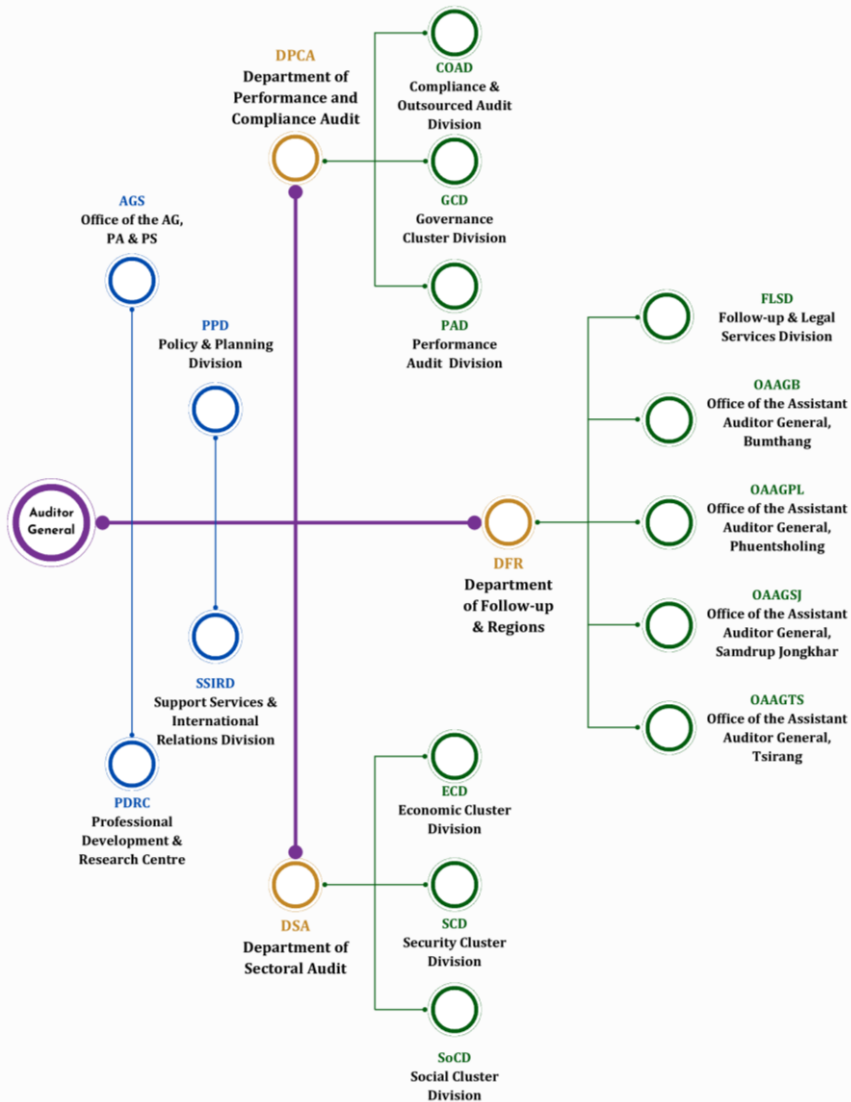


Figure 1: RAA’s Organization Structure

## 2. Performance Highlights

The five-year SP, initiated since 2010, are prepared as an overall strategy to accomplish the mandates of RAA. As such the plan provides opportunity for RAA to consolidate its strengths to enhance effectiveness and efficiency of audit services to the nation.

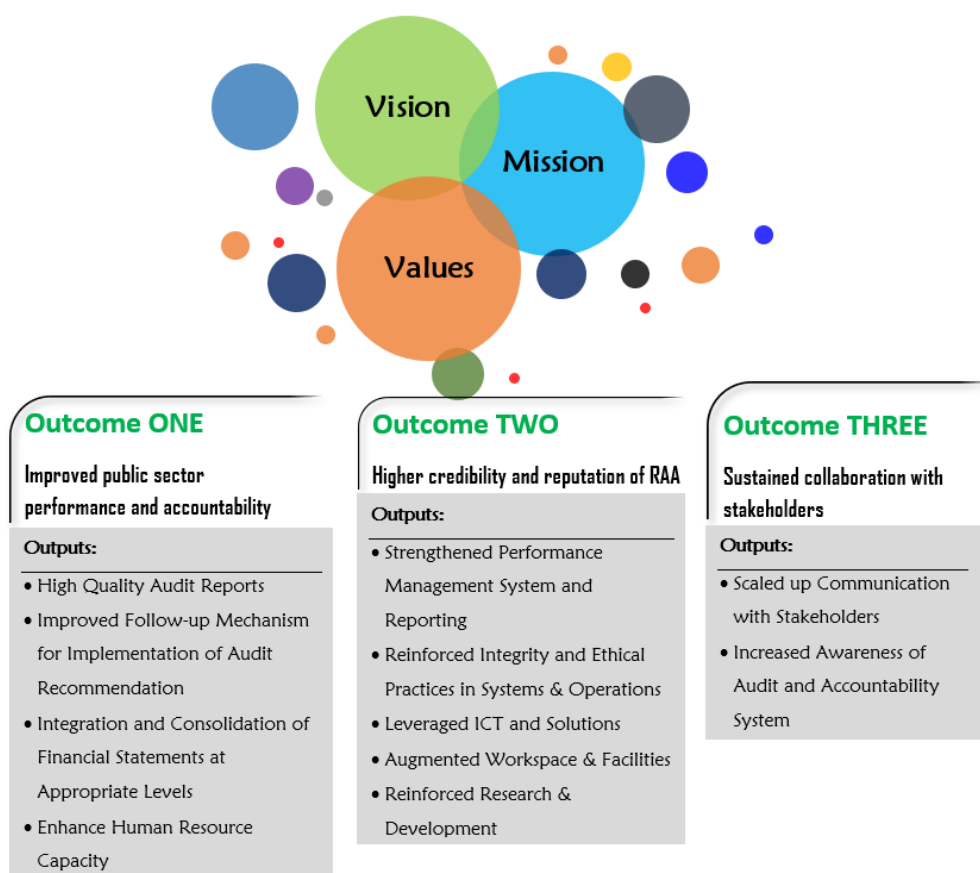


Figure 2: Outputs and Outcomes of the Strategic Plan 2020-2025

The SP 2020-2025 was formulated and launched in June 2021. The plan period is aligned to the term of the Third Auditor General appointed as per the Constitution of the Kingdom of Bhutan 2008. The plan is broadly aligned to INTOSAI P-12 on value and benefits of SAIs, and the 12th Five Year Plan (2018-2023) of the Royal Government of Bhutan. The plan is operationalized through annual Operational Plans (OP) that consists of prioritized annual activities with detailed specifications on target, resources and responsibilities. The results framework of the SP 2020-2025 is as described in Figure 2.

The Annual Performance Report 2023-24 covers overall achievements of the year, encapsulating important tasks and activities performed during the year. It is expected to serve as reference document for the overall performance report at the end of the strategic plan period.

The AAR 2023-24 covered audit reports issued during the last financial year thereby aligning with the period covered in the Annual Financial Statement (AFS) of the Royal Government of Bhutan (RGoB). The AAR 2023-24 is inclusive of all audit irregularities noted during the period.

To help determine achievement of the year based on annual OP 2023-24, we assessed the annual performance using a set of performance indicators adopted in the strategic plan.

Achievement against performance indicators reflects our efforts measured against annual targets. As shown in Figure 3, of 29 indicators, 24 met their targets, while 4 under Output 1 (High Quality Audit Reports) and 1 under Output 2 (Improved Follow-up of Audit Recommendations) did not.

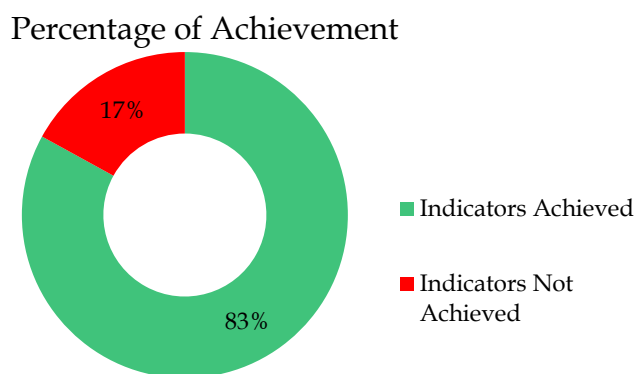


Figure 3: Performance Achievement for the FY 2023-24

Table 1: Performance Highlights of RAA for the FY 2023-24

Output	Performance Indicators	Annual Target	Achievement
<b>Outcome 1: Improved Public Sector Performance and Accountability</b>			
1. High Quality Audit Reports	1 Financial Audit Coverage (%)	85%	98.58%
	2 Compliance Audit Coverage (Nos.)	14	86
	3 Performance Audit Coverage (Nos.)	6	0
	4 Outsourced Audit Coverage (Nos.)	40	91
	5	FA: >85%	100%



	6	Percentage of audit reports completed during the year which are published within 3 months for FA and 6 months for CA and PA (within completion of field audit)	CA: 100%	100%
	7		PA: 100%	0%
	8	Number of audit reports selected for QA review	CA: 2	4
	9		FA: 7	7
	10		PA: 2	0
	11		OA: 3	0
12	Percentage of QA requirement/standards met (FA)	65%	67.00%	
2.Improved follow-up mechanism for implementation of audit recommendations	13	Follow up reports of FA issued (%)	100%	100%
	14	Follow up reports of AAR issued (Nos.)	1	1
	15	Follow up reports of PA issued (Nos.)	4	15
	16	Follow up reports of CA issued (%)	100%	140%
	17	Percentage implementation of audit recommendations (FA/CA)	50%	56.76%
	18	Percentage implementation of audit recommendation (PA)	50%	57%
	19	TAT in issuing audit clearance certificate	90%	94.19%
3.Integration and consolidation of financial statements at appropriate levels	20	Consolidated audits conducted (Nos.)	>20	22
4.Enhanced human resource capacity	21	Implementation of HR Strategy	Implemented	Yes
<b>Outcome 2: Higher creditability and reputation of RAA</b>				
1.Strengthened performance management system and reporting	22	RAA's performance reporting to its Stakeholders including RAA's performance vis-a-vis the SP's output and internal audit	Yes	Yes
2. Reinforced integrity and ethical	23	Implement Organizational Integrity Plan	Yes	Yes

practices in systems and operations				
3.Leveraged ICT and solutions	24	Implementation of AIMS	Implemented	Yes
4.Augmented workspace and facilities	25	Infrastructure developed and facilities provided.	Yes	Yes
5.Reinforced research and development	26	Conducting research and development works	Research carried out by all the audit teams.	92 Research papers submitted by the auditors
<b>Outcome 3: Sustained collaboration with Stakeholders</b>				
1. Scaled up communication with stakeholders	27	Continuous engagement with different stakeholders (as per communication plan)	Engagement with primary stakeholders	5
2. Increased awareness of audit and accountability system	28	No. of awareness programme conducted for different stakeholders	1	25
3. Increased Media coverage on audit reports	29	No. of news on audit reports published in print media, discussed in social media, and broadcast media	10	12

### 3. Delivery of Operational Plan 2023-24

The annual OP 2023-24 was implemented from July 2023 to June 2024, focusing on prioritised activities aligned with the strategic plan’s results framework. With defined timelines and responsibilities, it aimed to advance the RAA’s strategic goals. The progress is reported under 11 outputs, as detailed below.

#### 3.1 High Quality Audit Reports

RAA conducts three types of audits: Financial, Compliance and Performance audits. Financial audits involve an independent examination of agencies’ financial statements to assess compliance with financial reporting frameworks. In addition to providing audit opinions, the RAA reports instances of non-compliance or irregularities based on its review of accounts and operations.

Compliance audits evaluate whether agencies adhere to applicable laws and regulations in the use of public funds and resources. Performance audits assess

programs, operations, and management systems to determine if public resources are utilized efficiently, economically, and effectively.

The primary output of the RAA is audit reports, which serve to enhance performance, accountability, and transparency in the public sector. The reports are not merely an end result but a means to drive positive societal impact and create values for citizens.

During the year, the RAA conducted 434 audits, covering both financial and compliance audits. Additionally, 50 audits of Civil Society Organizations (CSOs), Non-Governmental Organizations (NGOs), and Religious Organization (ROs) were outsourced to private firms, while 41 audits of government corporations and financial institutions were conducted by empanelled statutory audit firms.

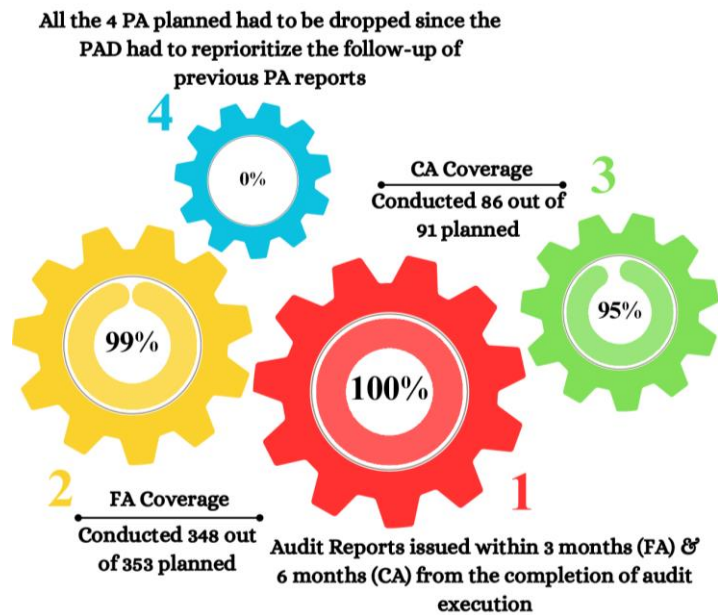


Figure 4: Audit Coverage

### 3.1.1 Financial and Compliance Audits

During the year, RAA conducted 348 Financial Audits (FA) and 86 Compliance Audits (CA), achieving 99% and 95% audit coverage, respectively. All audit reports were issued. RAA also supervised and monitored 41 statutory audits of corporations and financial institutions and 50 outsourced audits of CSOs, NGOs, and Ros, conducted by statutory audit firms.

To enhance accountability and efficiency, RAA ensures maximum audit coverage for agencies managing public resources, providing relevant observations and recommendations for improvements.

The timely issuance of audit reports exceeded targets, with 100% of FA reports issued within three months and CA reports within six month of audit completion. However, performance audits (PA) were reprioritized for follow-up, resulting in no new audits conducted during the year.

The PPD conducted quality assurance (QA) review for seven FA reports, with a 67% compliance rate, exceeding the 65% annual target. The RAA upholds quality reporting as key to its credibility and reputation, embedding quality control measures at all levels, from audit teams to Advisory Committee.

RAA continued consolidated FA for the RBP and Dzongkhag Administrations, initiated in 2020-21, ensuring sector-wide financial assurance and strengthening public financial management. Additionally, Divisions and Offices of the Assistant Auditor General (OAAGs) conducted 32 remote and 2 hybrid audits during the year, enhancing flexibility without compromising audit quality.

### **3.1.2 Performance Audit**

During the year, the RAA issued a PA report on the Operations of State Mining Corporation Limited (SMCL) and submitted it to His Majesty The Druk Gyalpo, the Prime minister, and the Parliament, as mandated by Article 25(5) of the Constitution of the Kingdom of Bhutan and Section 72 of the Audit Act of Bhutan 2018. The report was tabled in the Joint Sitting of the Parliament during the First Session of the Fourth Parliament on 2<sup>nd</sup> July 2024.

The audit aimed to assess SMCL's operational efficiency and effectiveness in fulfilling its mandate, covering the period from 1<sup>st</sup> January 2015 to 31<sup>st</sup> December 2022. The key findings of the report are detailed in Figure 5. To address these issued, the RAA has proposed eight recommendations as depicted in Figure 6.

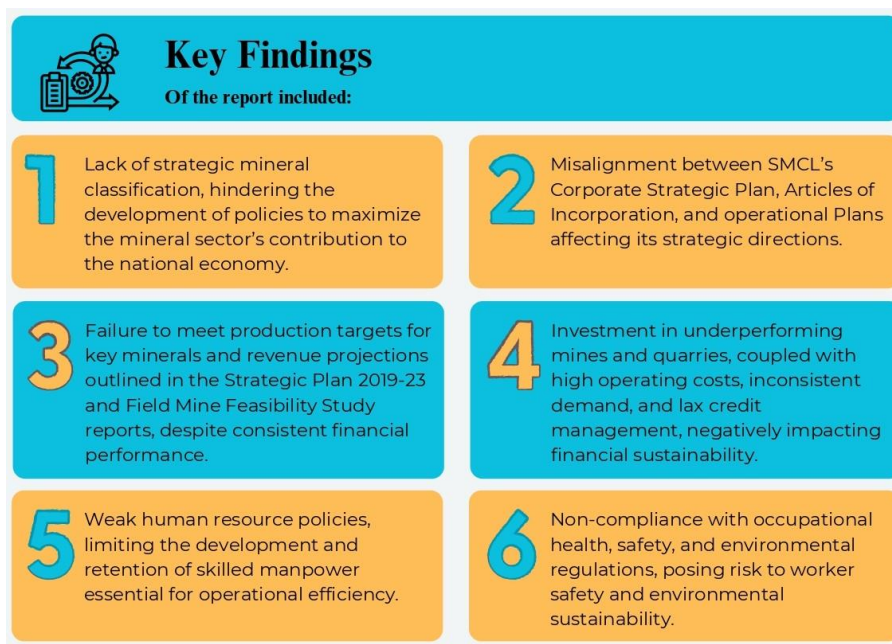


Figure 5: Key Findings from the PA of SMCL

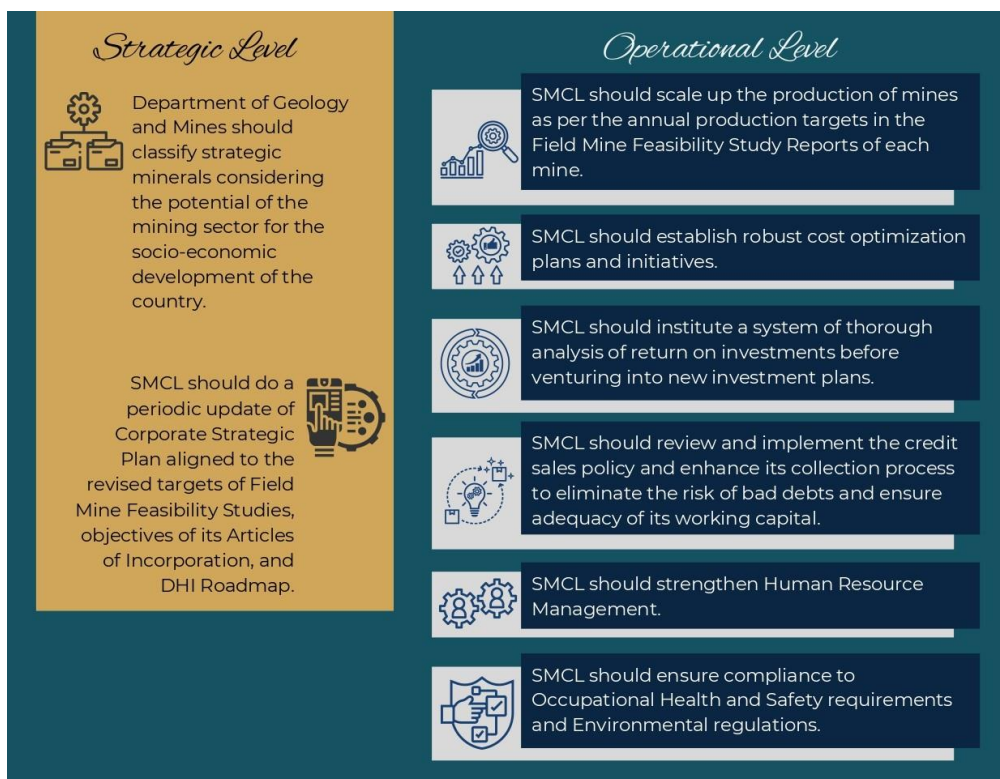


Figure 6: Recommendations provided to SMCL

The PAC has reviewed the report and, based on its findings, has submitted nine recommendations, further building upon the eight original suggestions provided by the RAA, as outlined below:

1. The Government to carry out comprehensive mapping and prospecting of minerals in the country: The Government has to expedite nationwide mineral resources mapping, exploration, and geo-scientific studies for all potential minerals in the country. The Department of Geology and Mines (DGM) to be adequately staffed with competent technical human resources to effectively carry out its mandates.
2. The Government to expedite construction of Dewathang - Nganglam Road: The Government has to prioritize the construction of the Dewathang - Nganglam road, which will significantly reduce transportation costs and time for gypsum and coal, making domestic cement more competitive.
3. The Government to consider railway link to Pugli: The Government has to pursue discussion for establishing a railway link to Pugli to reduce transportation costs for dolomite exports, which currently rely heavily on truck and rail transport.
4. DGM, Ministry of Energy and Natural Resources (MoENR) to limit their scope to overseeing technical feasibility and reserve adequacy in FMFS: The Final Mine and Feasibility Study (FMFS) sets annual targets for mineral production and sales. Since prospecting and mining are distinct activities, and the Department of Geology and Mines lacks business expertise, the DGM could focus on the technical feasibility of mining sites and verifying mineral reserves, rather than assessing economic and business feasibility as outlined in the FMFS guidelines.
5. MoENR and SMCL to jointly carry out appropriate testing for air, water and dust population and structural and crop damages: The Ministry of Energy and Natural Resources (MoENR) and SMCL has to collaborate with local governments in the mining areas to conduct appropriate testing for air, water, and dust pollution, as well as structural and crop damages attributed to mining activities.
6. The Government and SMCL to develop a long-term mining extension plan with a comprehensive land acquisition and resettlement strategy for affected communities: The Government and SMCL has to develop a long-term mining extension plan that includes a comprehensive land acquisition and resettlement strategy for communities affected by mining operations, particularly in areas with projected long-term extraction.

7. SMCL to explore more markets and diversify its mineral products: SMCL has to conduct a comprehensive market study to diversify its mineral products and explore markets beyond its traditional boundaries, investing in marketing strategies and high-value minerals to enhance profitability.
8. SMCL to develop HRD masterplan: SMCL's mission relies on skilled human capital, but despite workforce growth, there is a lack of expertise in key areas. With only Nu. 1.3 million spent annually on training, SMCL has to develop an HRD master plan to bridge the skills gap.
9. The government to enhance the efficiency of online regulatory portals such as Bhutan Electronic Customs Management System (BECMS), Bhutan TradeFin Net (BTFN), and Bhutan Integrated Revenue Management System (BIRMS): The movement of goods and services across the border is currently hindered by inefficiencies in online portals, including frequent server downtime and internet issues, causing delays in clearance. The Government has to improve the efficiency of these online systems to facilitate seamless cross-border trade.

In addition to the above, the Deputy Speaker of the National Assembly proposed an additional recommendation for the Government to initiate immediate discussions with all relevant stakeholders and domestic industries to address the pressing concerns of mineral pricing and quality. Urgent action was called for to safeguard the viability and competitiveness of Bhutanese industries in the face of these challenges. The additional recommendation was adopted by the Joint Sitting through a majority show of hands.



Figure 7: The Joint Sitting of the Parliament Adopts All 10 Recommendations Submitted by the PAC

The Joint Sitting adopted all ten recommendations with all 66 Members present voting in favour.

### 3.1.3 Annual Audit Report 2022-23

In accordance with Article 25(5) of the Constitution of the Kingdom of Bhutan and Section 111 of the Audit Act of Bhutan 2018, the RAA submits the Annual Audit report (AAR) to His Majesty The Druk Gyalpo, the Prime Minister and the Parliament.

The AAR 2022-23 presents the audit findings of the Annual Financial Statement (AFS) of the Royal Government of Bhutan, along with an assessment of the government's overall financial condition. It also includes recommendations to enhance economic efficiency, effectiveness, and accountability.

The report covers audit observations issued during the previous financial year, ensuring alignment with the period covered in the AFS. The AAR 2022-23 was tabled during the Joint Sitting of the Tenth Session of the Third Parliament on 12<sup>th</sup> October 2023.

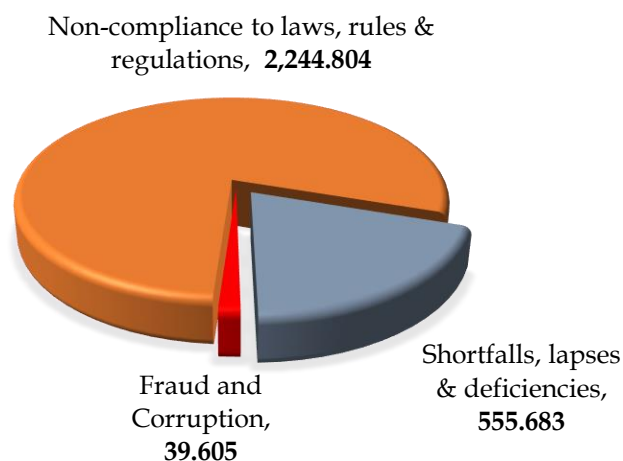


Figure 8: Irregularities by Categories (Nu. in million)

The AAR 2022-23 is based on 456 audit reports issued between 1<sup>st</sup> July 2022 and 30<sup>th</sup> June 2023, encompassing a comprehensive summary and analysis of all audit findings during this period.

The financial implication of the audit observations amounted to Nu. 2,840.092 million of which Nu. 39.604 million was categorized under Fraud and Corruption, Nu. 2,244.804 million under Non-compliances and Nu. 555.683 million under Shortfalls and Lapses, representing 1.39%, 79.04% and 19.56% respectively as depicted in Figure 8.



The AAR 2022-23 provided the following recommendations:

1. Need to expedite the enforcement of court verdicts on audit irregularities prosecuted by the respective agencies in the court of law;
2. Need to reinforce controls in regulating traveling and daily subsistence allowance;
3. Need for an enhanced collaboration and coordination between Forestry Sector and executing agencies for collection of royalties on extraction and utilization of boulders in the construction of roads;
4. Need to review the practices of assigning deposit works to line agencies and identifying spill over activities during budget preparation;
5. Need for improved governance in the project management specifically through the robust monitoring and evaluation system; and
6. Need to consolidate all CD accounts operated by budgetary agencies
7. Need for consistent and strict enforcement of entitlement of designated vehicles as per Pay Revision Act 2023;

The AAR 2022-23 was deliberated in the Joint Sitting of the First Session of the Fourth Parliament on 2<sup>nd</sup> July 2024. All seven recommendations in the AAR 2022-23 were accepted by The Parliament. In addition, the Parliament also provided three recommendations as follows;

1. Irregularities such as excess payment, expenditure booked without execution of work, inadmissible payments, unjustified public work advances, non-levy of liquidated damages, acceptance of defective works, payment made for works not executed, etc. recurred mainly from the lack of due diligence and robust internal control mechanism. Therefore, it is imperative for the RGoB to develop a strategy to address such syndrome in the public expenditure.
2. The Committee is cognizant that 5,202 civil servants separated from the service in 2023 compared to 2,646 in 2022. Another 534 civil servants separated in the first three months of 2024. This has greatly impacted efficient delivery of services, as well as, implementing or completing development works on time. In view of the significant human resource constraint faced across all sectors in the civil service and substantial increase of capital budget (Nu. 245 billion) in the 13<sup>th</sup> FYP, the RGoB in consultation with RCSC is recommended to review the existing HR gaps across sectors by different professional groups and ensure timely replacement.

3. The Committee notes that the PHPA I power house is nearing its completion. However, even after completion it cannot be put to use for another few years due to issues related to the dam. This might result in significant cost escalation because of preservation and maintenance of the power house. Further, expiry of the defect liability period of the Electro-Mechanical Component of the powerhouse might also incur additional expenses.

Therefore, the Committee recommends the RGoB to expedite the policy decision over dam or barrage option at the earliest with the relevant counterpart and ensure that the underground power house and the erected electro-mechanical equipment do not pose challenges during the testing and commissioning time.



Figure 9: Joint Sitting of the First Session of the Fourth Parliament deliberated on the AAR 2022-23 and the PAC's recommendations

### **3.2 Improved Follow-up Mechanism**

The primary objective of audit is to enhance accountability, transparency, and integrity in the public sector through the effective implementation of audit recommendations. The impact of audit work depends not only on the recommendations made but also on their enforcement. To ensure compliance and corrective action, the RAA follows up on audit observations.

During the year, the RAA conducted follow-ups on 806 audit reports (FA, CA & PA) from previous years, issuing 1,167 follow-up reports: 1,032 (FA), 133 (CA), and 2 (PA). Follow-up of audit observations and recommendations continues until

outstanding issues are resolved through appropriate management actions, with implementation rates detailed in Part II of the report under Audit Impacts.

Review reports of AARs and PA Reports, reflecting actions taken by audited agencies, are submitted to the Parliament in March or September each year. Before this, Follow-up and Legal Service Division (FLSD) and Follow-up Section of the OAGs request Action Taken Reports (ATR) from audited agencies to assess progress on unresolved observations. A consolidated review report is then submitted, with continuous monitoring of corrective actions based on updated statuses from agencies.

Of the total unresolved irregularities amounting to Nu. 15,540.17 million reported in AARs from 2010 to 2020, Nu. 12,715.81 million has been resolved as of 29<sup>th</sup> February 2024, leaving a balance of Nu. 2,824.36 million as summarised in Table 2.

Table 2: Status of AAR 2010-2020

Sl. No	Particulars	Total significant irregularities reported in the AARs (Nu. M)	Total irregularities resolved as of 29 Feb. 2024 (Nu. M)	Irregularities resolved during the period 31/03/2023-29/02/2024 (Nu. M)	Balance irregularities as on 29/02/2024 (Nu. M)	Percentage of irregularities resolved as on 29/02/2024
1	AAR 2010	681.59	681.48	-	0.11	99.984
2	AAR 2011	770.14	770.14	-	-	100
3	AAR 2012	91.01	90.89	10.62	0.12	99.868
4	AAR 2013	261.46	260.03	2.16	1.43	99.453
5	AAR 2014	634.31	621.57	3.12	12.74	97.992
6	AAR 2015	523.74	472.99	3.04	50.75	90.310
7	AAR 2016	1,958.85	1,940.41	4.84	18.44	99.059
8	AAR 2017	4,309.76	4,259.73	3.60	50.03	98.839
9	AAR 2018	2,376.31	1,255.98	14.09	1,120.33	52.854
10	AAR 2019	1,795.78	1,231.46	315.25	564.32	68.575
11	AAR 2020	2,137.22	1,131.13	206.31	1,006.09	52.925
	<b>Total</b>	<b>15,540.17</b>	<b>12,715.81</b>	<b>563.03</b>	<b>2,824.36</b>	<b>81.825</b>

### 3.2.1 Status of AAR 2020-21

Of the total irregularities amounting to Nu. 4,002.46 million reported in the AAR 2020-21, Nu. 431.463 million has been resolved, leaving a balance of Nu. 1,005.105 million as of 29<sup>th</sup> February 2024, as detailed in Table 3.

Table 3: Status of AAR 2020-21

Sl. No	Agencies	Irregularities reported in AAR (Nu.in million)	Balance irregularities reported on 31/03/2023	Irregularities resolved on 29/02/2024	Balance amount as on 29/02/2024	Percentage of irregularities resolved as on 29/02/2024
1	Ministries	215.12	42.652	38.454	36.310	83.13
2	Dzongkhag Administration	160.03	46.837	32.977	17.399	89.13
3	Dungkhag Administration	28.53	16.557	11.89	15.75	44.8
4	Gewog Administration	41.95	12.118	13.287	4.137	90.14
5	Autonomous agencies	204.26	68.982	55.172	35.201	82.77
6	Corporations	1,172.72	535.151	238.24	105.946	90.97
7	NGOs	49.16	48.400	18.419	27.601	43.86
8	Hydro Power	2,130.69	785.786	23.024	762.761	64.20
<b>Total</b>		<b>4,002.46</b>	<b>1556.483</b>	<b>431.463</b>	<b>1005.105</b>	

The AAR 2020-21 includes five recommendations provided by the RAA to address key audit findings. However, only one has been successfully implemented.

### 3.2.2 Status of AAR 2021-22

As reported, the total irregularities across all three categories for the FY 2021-22 amounted to Nu. 7,525.498 million. By 29<sup>th</sup> March 2024, irregularities totalling to Nu. 3,708.58 million were resolved, reducing the outstanding balance to Nu. 3,816.92 million. A detailed summary is provided in Table 4.

The AAR 2020-2021 includes seven recommendations issued by the RAA, addressing the key issues identified during the audit conducted for the year.

Table 4: Status of AAR 2021-22

Sl. No.	Categories	Irregularities reported in AAR (Nu. in million)	Total irregularities resolved as of 29 Feb. 2024 (Nu. M)	Balance irregularities as on 29/02/2024	Percentage of irregularities resolved as on 29/02/2024
1	Fraud and Corruption	26.14	7.12	19.02	72.76
2	Non-compliances to Laws and Rules & Regulations	2,038.58	1,548.79	489.79	24.03
3	Shortfalls, Lapses and Deficiencies	5,460.78	2,152.67	3,308.11	60.57
<b>Total</b>		<b>7,525.50</b>	<b>3,708.58</b>	<b>3,816.92</b>	

The RAA also issues Audit Clearance Certificates to civil servants, public officials, contractors, consultants, and individuals for purposes such as training, promotion, contract extension, retirement benefits, CDB registration renewal, and elections. This process reinforces accountability by linking audit observations to responsible individuals.

The Audit Information Management System (AIMS) records direct and supervisory accountability including citizenship identity numbers, and withholds clearances until issues are resolved. As shown in Figure 10, of the 25,229 applications received in FY 2023-24, 24,244 certificates were issued, with 94% processed within the two-day turnaround time (TAT), exceeding the 90% target.

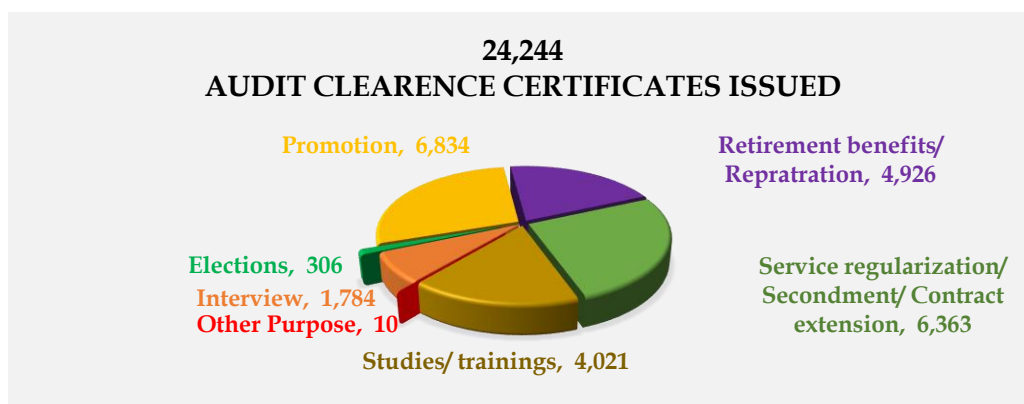


Figure 10: Audit Clearance Certificates issued by categories

### 3.3 Integration and Consolidation of Financial Statements

Consolidated Audit is an audit approach for auditing the financial statements of a parent agency and its component agencies, which operate separate accounts but remain under its administrative control. Introduced in FY 2020-21, the Consolidated Audit was formalized with guidelines issued in June 2022. The key objectives are:

- To enhance efficiency of audit by adopting focused approach based on consolidation of branches/divisions/units (components) of audited agencies – rationalization of audit resources;
- To provide holistic view on the overall financial outcomes of the consolidated financial statements at the Central/Parent agency level; and
- To promote impactful audits by addressing the issues and recommendations to the Central/Parent agencies or authorities who have necessary powers and responsibilities to institute corrective actions.

During the year, the RAA conducted consolidated audits of Dzongkhag Administrations, including Dungkhags and Gewogs, the Royal Bhutan Police across 13 divisions, and the Bhutan Olympics Committee with 16 federations (LC account), as shown in Figure 11.



Figure 11: Consolidated Audits

### 3.4 Enhanced Human Resource Capacity

The RAA continued implementing its HR Strategy 2022, which guides HR development and management. To enhance employee capacity, various trainings were conducted, as shown in Figure 12. Given the need for auditors to stay updated on agency changes and auditing practices, the RAA provides

ongoing training and workshops in line with its Continued Professional Development Policy (CPDP).

During the year, 13 new employees were recruited in two batches, including five in the first batch – two of whom rejoined as Assistant Audit officers (AAO) after upgrading from Auditor II through Bhutan Civil Service Examination. Additionally, nine AAOs and one Assistant Planning Officer were recruited on contract for three and two years respectively.

Meanwhile, 31 employees were promoted (28 under the broadband system and three through meritorious promotions), and three employees began long-term studies, joining two already on LTT leave. A total of 10 employees were transferred within the headquarters and OAAGs, while five employees are in secondment.

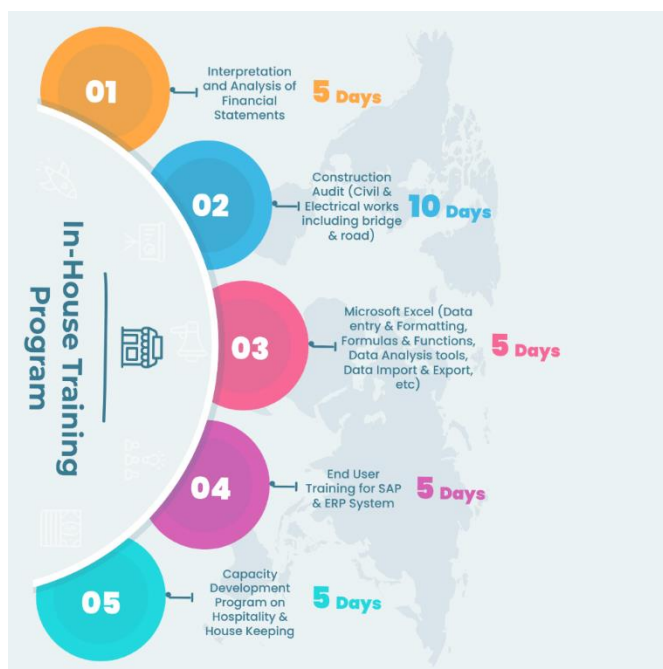


Figure 12: In-house trainings conducted at the PDRC

The RAA conducted two Induction Program for New Recruits (IPNR): IPNR I at Headquarters from 22<sup>nd</sup> April to 10<sup>th</sup> May and IPNR II at the Professional Development & Research Centre (PDRC), Tsirang, from 13<sup>th</sup> May to 12<sup>th</sup> June. This annual onboarding program focuses in developing key competencies in public sector auditing.



Figure 13: The Hon'ble Auditor General presented certificates of completion to the new recruits of 2024, marking the successful conclusion of their Induction Program.

Upon completing the IPNR, recruits will participate in a six-month Mentoring Programme led by experienced Team Leaders. This program is designed to transfer knowledge and skills, guiding recruits to become fully qualified auditors/officials.



Figure 14: Year-End Planning and Coordination Meet 2024

### 3.5 Strengthened Performance Management System

The RAA has established a system of strategic planning to guide the long-term delivery of its mandates, with five-year plans aligned to the term of the Auditor



General. The SP 202-25 was launched at the 17<sup>th</sup> Annual Audit Conference and outlines the outcomes and outputs to be achieved over the next five years.

To implement the plan, annual OPs are developed based on the strategic plan's matrix and performance framework. The OP 2022-23 was implemented as part of the third SP. Progress is monitored through quarterly and mid-term reviews, along with a Year-End Planning and Coordination Meet. These forums provide platforms to discuss core auditing activities, plan revisions, and related issues, including management and administration matters.

### **3.5.1 Annual Performance Report 2022-23**

The RAA released its second Annual performance Report 2022-23 to ensure accountability and transparency. The report assess progress against key indicators and targets from the annual OP 2022-23, a key action plan of the SP 2020-25. Significant progress was made on strategic priorities, with most planned activities achieved through initiatives such as consolidated audits, used of technology, and virtual platforms for meetings and training. The RAA achieved 82% of the 28 indicators.

### **3.5.2 Performance Management System**

To enhance quality auditing and reporting, the RAA implemented the Performance management System (PMS) in FY 2021-22. The annual Performance Compacts for FY 2023-24 were signed during the Fourth Quarterly Review Meeting on 10<sup>th</sup> July 2023.

In recognizing the outstanding audits, the "Auditor General's Compliance Assurance Award" honoured the best reports in all three categories. In the FA category, the report on the Directorate of Services, Ministry of Information and Communication, was selected as the best. The CA category awarded the best report to the Bank of Bhutan Limited, Thimphu while the PA category recognized the report on Preparedness for Cybersecurity. Additionally, Mr. Chheda, Sr. Auditor II, was named "Auditor of the Year 2022-23."



Figure 15: The Auditor General presented certificates to the best audit reports (FA, CA, & PA)

### 3.6 Reinforced Integrity

The RAA has established safeguards to ensure high standards of behaviour among its employees and in their interactions with audited entity staff. The “Code of Good Conduct, Ethics, and Secrecy” outlines acceptable conduct, based on 16 principles aligned with INTOSAI Code of Ethics. All new employees take an oath to adhere to this code throughout their service.

To manage ethics and integrity, the Organizational Integrity Plan 2023-24 was successfully implemented, and the RAA achieved a 100% score, categorised as “Excellent,” in the Anti-Corruptions Commission’s (ACC) annual assessment.

#### 3.6.1 Cost Cutting Measures

The RAA remains committed in cost-savings through proactive initiatives such as carpooling, remote audits, and prudent expenditure protocols. During the year, the RAA conducted 32 remote audits and 2 hybrid audits, resulting in significant savings, including a reduction of approximately Nu. 1.000 million on Daily Subsistence Allowance (DSA) alone. Such efforts highlight the RAA’s focus on efficiency and responsible resource management.

### **3.6.2 Internal Control Systems**

The RAA holds key responsibility in ensuring accountability of public officials and institutions, which also obligates it to demonstrate strong accountability in its own operations. As a public institution funded by Parliament, the RAA must account for the use of public resources to citizens.

In accordance with the audit act of Bhutan 2018, the RAA's accounts are subject to an external audit appointed by the parliament, addressing the question, "Who audits the audit?" For the FY 2023-24, Dechok & Associates Private Limited audited the budget and expenditures, issuing an unqualified (clean) opinion on the financial statements for the year ending 30<sup>th</sup> June 2023. The auditor's report, along with the Receipts and Payment Statement, was published in the AAR 2023-24.

Additionally, the RAA conducts regular internal audits of its headquarters and four OAAGs. For the financial year end 30<sup>th</sup> June 2023, the internal audit was conducted from 8<sup>th</sup> to 26<sup>th</sup> July, 2024. The internal audit teams, appointed by the Audit Committee, comprise members from both headquarters and OAAGs with diverse expertise.

### **3.7 Leverage ICT Solutions**

Information and Communication Technology (ICT) Strategy implemented by the ICT Task Force, aligns with the RAA's SP 2020-25. It outlines how ICT will enhance auditing tasks by digitalizing services to streamline processes and reduce bureaucratic procedures.

ICTS Achievements for the FY 2023-2024

1. Development of the Reconciliation Module in the AIMS system.
2. Enhancement of the Performance Rating Module in the AIMS system.
3. Development of "View My Observation" and e-receipt Download Features in the system.
4. Enhancement of the Observation Management Module.
5. Development of the Action Taken Report (ATR) Reminder Module.
6. Development of the Memo Recovery Module at the field level.
7. Creation of Module-wise User Manuals for the system.

8. Installation of New Routers at the RAA Headquarters, Offices of the AAGs in Bumthang, Samdrup Jongkhar, Phuentsholing, and Tsirang, as well as the PDRC in Tsirang.
9. Installation of New Switches at RAA Headquarters.

### **3.8 Augmented Work Space**

The RAA prioritizes providing adequate workspace and facilities to boost morale and performance. In the Fiscal Year 2023-24, significant enhancements were undertaken to create a more modern, efficient, and conducive work environment. The Headquarters underwent re-electrification to strengthen electrical infrastructure, ensuring safety and reliability. To improve workplace comfort, Daikin air conditioners were installed, while the Conference Hall was redesigned with a dedicated stage to better facilitate official events and engagements. Office amenities received much-needed upgrades, including the refurbishment of toilets to enhance hygiene and usability.

In addition to these structural improvements, investments were made in critical IT and office infrastructure. Networking equipment, IT accessories, laptops, and Cisco routers and switches were acquired to enhance digital connectivity and operational efficiency. Furthermore, new office furniture was procured to improve workspace ergonomics and overall functionality. These initiatives, among others, reflect the organization's commitment to fostering a well-equipped, technology-driven, and future-ready workspace.

### **3.9 Employee Welfare**

To promote employee well-being, the RAA organized annual rimdro and social programs. The Audit Staff Welfare Scheme (ASWS), established in 2001, offers both physical and financial support to members in need.

In the past year, the ASWS supported members through 11 instances of *semso*<sup>1</sup> payments and nine hospital visits for those facing serious illness. Additionally, 19 gifts were arranged for staff transitioning from service as a token of appreciation. The ASWS also provided loans to 30 members, with a maximum amount of Nu. 50,000. Furthermore, it contributed to five religious' activities, including funding the Annual Rimdo of the RAA Headquarters, OAAG Tsirang,

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<sup>1</sup> Financial or social assistance provided to individuals in Bhutan during times of need

and PDRC. These efforts reflect the ASWS's commitment to enhancing the welfare of its members.

### 3.10 Reinforced Research and Development

To strengthen research and development and recognize auditor's contributions, the RAA introduced the Best Research paper Award in FY 2021-22. In the FY 2022-23, 27 papers were shortlisted from 98 submissions for the final vetting, with prizes awarded to the top three. Research papers also contribute 10 points to auditor's performance evaluations.

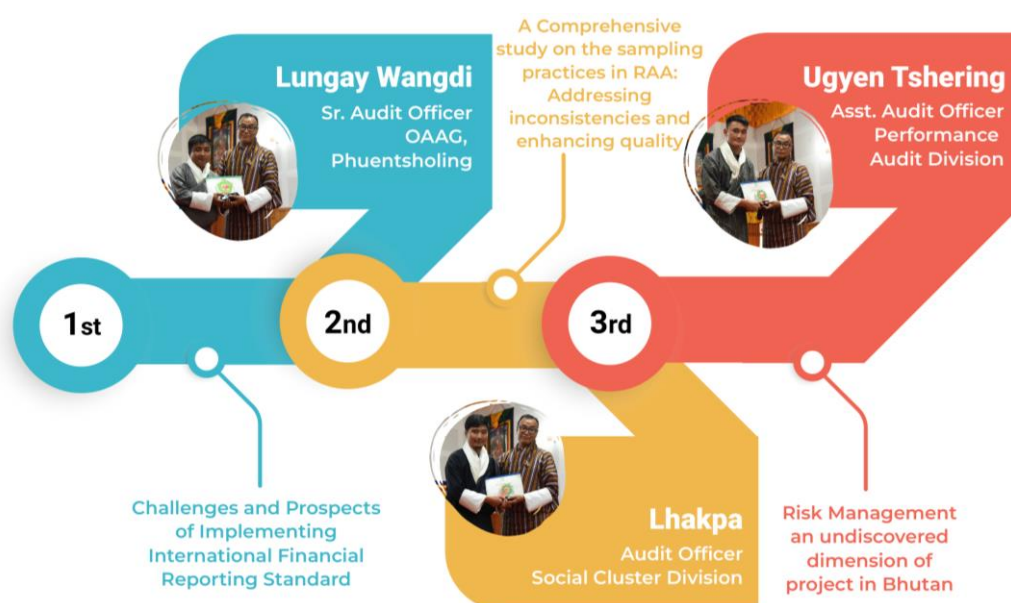


Figure 16: The Auditor General presented certificates and prizes to the authors of the top three research papers after a thorough vetting process.

#### 3.10.1 Client Satisfaction and Feedback Survey 2024

The Support Services and International Relations Division conducted a survey to solicit feedback and suggestions from stakeholders for improving:

- Service delivery;
- Methodologies;
- Auditing and reporting; and
- Follow-up Audits;

## **Auditors' Conduct**

Feedback highlights both strengths and areas for improvement. While auditors are praised for their professionalism, ethics, and transparency, concerns exist regarding bias, technical gaps, and fairness. Suggestions include improving communication, maintaining impartiality, and focusing on significant issues over minor lapses. Respecting auditees, understanding their challenges, and avoiding personal biases are emphasized. Enhanced training in technical and communication skills is recommended. Overall, auditors' dedication is recognized, with noted improvements over time.

## **Auditing, Reporting & Follow-up Services**

Timely updates, clear communication, and well-defined recommendations are key concerns. Issues such as misplaced documents, inconsistent responses, and follow-up delays were noted. Suggestions include strengthening staffing with proactive personnel and implementing a robust Monitoring & Evaluation system. Concerns were also raised about minor audit memos affecting promotions. Respondents called for better coordination, more efficient follow-ups, and a structured approach to managing audit findings.

## **Audit Recommendations & Impact**

Stakeholders stress the need for technical expertise in specialized audits and shared accountability for cross-cutting issues. Recommendations should be actionable, risk-based, and grounded in real conditions. Distinguishing between management lapses and corruption is essential to ensure fairness, particularly for minor errors. Feedback underscores audits' role in enhancing transparency and efficiency, advocating for system-level and performance-based audits with a strategic, improvement-driven approach.

The data was compiled from 412 responses received from Civil Service including the Local Government, State Owned Enterprises and Armed Forces.

### **3.11 Scaled-up Communication with Stakeholders**

The Stakeholder Engagement Strategy 2018-2023 outlines key stakeholders beyond audited entities and strategies for effective engagement. The RAA recognizes that strong, sustained relationships are essential to maximizing the

impact of its work and fostering synergy toward the shared goal of good governance. This involves collaboration with primary stakeholders, peer and professional organizations – both domestic and international – and the media for audit result dissemination, as well as other parties with an interest in or influence on the RAA’s work.

### **3.11.1 The Parliament**

The Parliament is a strategic partner that supports the implementation of audit recommendations, which are reported through the Public Accounts Committee (PAC.) In line with Article 25 (5) of the Constitution of the Kingdom of Bhutan and Section 111 of the Audit Act of Bhutan 2018, the RAA submits AAR, Performance Audit reports and any other reports to the Parliament through the PAC.

During the year, the RAA submitted AAR 2022-23 and one Performance Audit Report to the Parliament for tabling in the joint session: AAR 2022-23 on the Tenth session of the Third Parliament on 12<sup>th</sup> October 2023 and PA on Operations of State Mining Corporation Limited (SMCL) on First Session of the Fourth Parliament on 2<sup>nd</sup> July 2024. RAA also made presentations on the PA Report on Operation of SMCL on 5<sup>th</sup> July 2024 to the PAC and on 31<sup>st</sup> October 2024 to the Hon’ble Members of Parliament. The programme was organised to better understand the audit findings and recommendations and to ensure fruitful deliberation in the next session of the Parliament.

The PAC has been instrumental in leading discussions and deliberations of audit reports in the Parliament. The Committee as mandated also review and report on the AARs or on any other reports presented by the Auditor General to the Parliament for its consideration. Working relationship between PAC and RAA is as per the Rules of Procedures (RoP) of the Public Accounts Committee 2017.

The Bilateral Meeting between the PAC and RAA was held on 24<sup>th</sup> May 2023 at the Lhen-Zom Khangzang with the primary objective of enhancing collaboration and coordination towards fulfilment of Constitutional responsibilities. As mandated by the Rules of Procedures of Public Accounts Committee 2017 and as resolved in the 8<sup>th</sup> Session of the Third Parliament, tripartite consultation meetings with stakeholders on the AAR 2021-22 was conducted from 13<sup>th</sup> April 2023 to 11<sup>th</sup> May 2023 in Thimphu and other Dzongkhags.

### **3.11.2 Anti-Corruption Commission**

#### **a. Working Committee Meetings**

The ACC and RAA held their 12<sup>th</sup> Working Committee meeting on 26<sup>th</sup> December 2023 at the ACC conference hall, focusing on audit referrals, case-sharing platform, and audit clearance processes.

Key highlights:

- **Audit Referrals:** A status update on RAA referrals (2010-2023) revealed delays due to pending judgment enforcement by the OAG. It was agreed that such cases would be categorized separately and excluded from future meetings until the OAG provides closure.
- **Case-Sharing Platform:** Plans to enhance the platform were discussed, including updates from 2017 to 2023, provisions for uploading closure reports, tracking ongoing cases, enforcement status, and missing persons' details.
- **Audit Clearance:** The ACC will include clear instructions in forwarding letters on withholding audit clearance, while the RAA committed to sharing detailed reports for further investigation.
- **National Integrity Assessment (NIA):** A timeline for ACC's presentation on the NIA was also reviewed.

The meeting emphasized continued collaboration to address audit challenges, improve information sharing, and promote accountability.

The 13<sup>th</sup> Working Committee meeting between the ACC and the RAA was held on 29<sup>th</sup> May 2024 at the ACC's conference hall. The meeting focused on updates regarding audit referrals, case statuses, the online data-sharing platform, and other key issues, emphasizing efficient collaboration to conclude referred cases.

Key Discussions and Updates:

- **Case Reviews (2010-2023):** The RAA presented the status of referrals, including cases pending assignment, under investigation, prosecution, and enforcement. Closed cases and those involving missing persons were categorized separately for clarity.



- ACC Referral Cases (2016–2023): Updates included cases closed, under review by the ACC, and pending RAA review.
- Data-Sharing Platform: The platform is ready for live testing, with data uploads scheduled by June 2024. A system demonstration will be conducted for agency heads at the next bilateral meeting, including a follow-up module for judgment enforcement updates by the OAG.
- Other Discussions:
  - i. Sharing significant case information by the RAA.
  - ii. Finalizing the Terms of Reference for Rapid Action.
  - iii. Guidelines for waiving the 24% penalty, with ACC follow-ups pending.

The next bilateral meeting is scheduled for early July 2024, where the updated Memorandum of Understanding (MoU) will be tabled.

These ongoing efforts underscore the commitment of both agencies to enhancing transparency, accountability, and operational efficiency.

## **b. Bilateral Meeting**

The 10<sup>th</sup> bilateral meeting between the ACC and the RAA was held on 1<sup>st</sup> August 2023 at the RAA's conference hall. The meeting focused on enhancing collaboration, reviewing audit referrals, and strengthening corruption deterrence mechanisms.

The Auditor General emphasized the meeting's importance as a platform for resolving key issues and lauded the recognized collaboration between ACC and RAA. The ACC Chairperson expressed concern over rising corruption levels and stressed the need for continued joint efforts.

Key discussions included:

- MoU Revision: The Memorandum of Understanding (MoU) will be updated after implementing the Integrity Vetting System (IVS).
- Corruption Offences: Both institutions agreed to establish a common understanding and revisit the finalization of corruption offences.
- Case Reviews: Progress on decisions from the 9<sup>th</sup> Bilateral Meeting, Working Committee Meetings (WCMs), and the Tripartite Meeting was assessed.
- Missing Persons SOP: Integration with agency systems was marked as complete, with recommendations for an alert system.

- Annual Performance Agreement (APA): Implementation in constitutional offices is postponed due to ongoing reforms.
- Joint Investigations: A framework for rapid action on fraud and corruption cases will be developed through consultations, with updates at the next tripartite meeting.

The meeting concluded with a request for ACC to present the National Integrity Assessment (NIA) report at the 2024 RAA Annual Conference. The Deputy Auditor General highlighted the exemplary cooperation between ACC and RAA and expressed optimism for future collaboration outcomes.

### **c. Tripartite Meeting**

The second tripartite meeting between the OAG, ACC, and RAA took place from 5<sup>th</sup> to 8<sup>th</sup> of April 2024 at the ACC regional office in Phuentsholing. The meeting focused on strengthening collaboration in corruption deterrence, media engagement, operational procedures, and accountability measures.

#### Key Outcomes and Agreements:

- National Integrity Assessment (NIA) 2025: OAG's services will be included in the upcoming assessment.
- Media Engagement: The Draft Revised Joint Media Engagement Framework emphasized responsible information sharing and confidentiality to deter corruption.
- SOP for Missing Persons: The definition will be broadened, and legal implications reviewed, with OAG leading revisions.
- Rapid Action on Fraud and Corruption: RAA and ACC will collaborate on guidelines for swift action during audits, with a pilot referral planned.
- Case Status and Judgment Enforcement: Challenges in enforcing judgments, especially with defendants lacking assets, were noted. Interim solutions include maintaining a data-sharing platform for case tracking.
- Restitution and Penalties: Inconsistencies in applying a 24% penalty in corruption cases will be reviewed. Issues with restitution from deceased individuals will maintain status quo until legal alignment is achieved.
- Supreme Court Judgments: Emphasis was placed on respecting judgments and exploring appeals through the Office of the Gyalpoi Zimpon (OGZ).

The meeting concluded with a decision to hold ad hoc tripartite meetings as needed, reinforcing the commitment of all three agencies to enhance transparency, accountability, and operational efficiency.

### 3.11.3 Media

The RAA recognizes the media as a key external stakeholder in informing the public about its role, work, and impact while enhancing public sector accountability. It engages print and broadcast media through press conferences for major reports like the AAR and performance audits and shares press releases on its website. Independent reporting can drive positive change by highlighting audit findings and public concerns, fostering trust in the RAA.

The AAR 2022-23 and three PA Reports were published on the RAA website and social media (Facebook & Twitter) for wider reach.

The Print media covered many news on various topics during the FY 2023-2024 as shown in Figure:

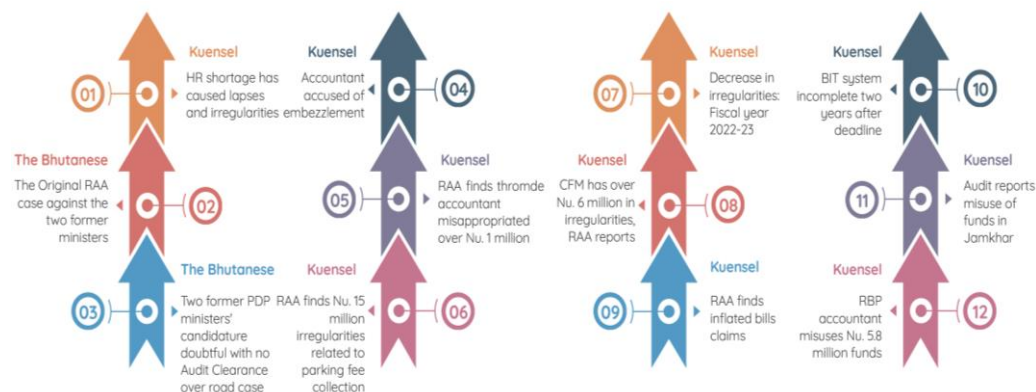


Figure 17: Print media coverage of issues highlighted in the audit reports.

### 3.12 Increased Awareness of Audit and Accountability System

RAA conducted audit advocacy and awareness programs to educate stakeholders on accountability in governance and common audit issues. These initiatives promote transparency, integrity, and ethical conduct among those in positions of responsibility.

### 3.12.1 Integrity Clubs

During the year, the RAA signed a Memorandum of Understanding (MoU) with the Royal University of Bhutan (RUB) to establish Integrity Clubs in colleges under the RUB. The agreement aims to enhance audit awareness and instill values of integrity, accountability, transparency, and professionalism, fostering a culture of ethical governance.



Figure 18: The RAA signed MoU with the RUB to institute Integrity Clubs in colleges under RUB.

The RAA has been actively supporting RUB colleges in raising societal awareness through tertiary education. Beyond auditing student bodies, some have gone further by launching small projects to enhance awareness through various initiatives.

### 3.12.2 Rigorous Follow-up Review Meetings

Under the Auditor General’s leadership, the RAA successfully conducted follow-up and review meetings across all 20 Dzongkhags, three Thromdes, and two Ministries. These meetings addressed long-standing issues by enforcing corrective actions, rectifications, and restitutions. As a result, 7,741 issues were resolved, achieving a 91% resolution rate. The Auditor General also presented on RAA’s mandate, origin, Oversight Audit Model, audit process, jurisdiction, the Fraud Triangle, “Who Audits Audit?” and common findings in Local Government audits.



Figure 19: An audit advocacy and awareness program were conducted for Finance and Accounts focal personnel in Thimphu at the ECB Conference Hall.

### 3.12.3 Supreme Audit Institutions and Professional Bodies

The RAA actively engages with international and regional bodies for capacity development and experience sharing as a member of INTOSAI and ASOSAI. Key collaborations during the year included:

#### 1. Resource Persons for Capacity Development

Five RAA officials contributed to INTOSAI, ASOSAI, and IDI programs, including:

- Performance Audit Training for SAI Nepal
- Audit Report Review Meeting, Tunisia
- IDI's TOGETHER Initiative
- ASOSAI-CDP 2022-2023 on auditing infectious disease prevention post-COVID-19

#### 2. Participation in INTOSAI/ASOSAI Working Groups

RAA officials attended various webinars and workshops for professional development (see Table 1.4).

Table 5: List of Trainings/workshops/webinars

Sl. No.	Course Title	Country/Institute	No. of Participants
1	Auditing in IT Environment	iCISA, Noida, India	1
2	Audit of e-Governance	iCISA, Noida, India	1
3	Receipt and Compliance Audit	iCISA, Noida, India	1
4	ASOSAI Capacity Development Program (CDP) Workshop on "Audit of Infectious Disease Prevention Programs in post COVID-19 situation"	Hanoi, Vietnam	1
5	Performance Audit Training	iCISA, Noida, India	1
6	Audit of State-owned Enterprises	iCISA, Noida, India	1
7	Basic training program on AC technology and VRV Installation	Neemrana, Rajasthan, India	1
8	Government Audit on Public Construction Works	Japan	1
9	IDI-ADB Leadership Forum	Manila, Philippines	2
10	IDI-ABB Educational Workshops for SAI Resource Persons and Team Leaders	Manila, Philippines	3
11	SAI-PMF Workshop	Manila, Philippines	3
12	Financial Management Training Workshop	Pemako, Thimphu, Bhutan	10
13	Leveraging Generative AI for Supreme Audit Institutions: Digital Transformation in the Post-pandemic Era.	Virtually	All



*Part II*

**Audit  
Impacts**

## 1. Audit Recommendations

The RAA actively strives for positive transformation through our audit recommendations. These recommendations serve as a vital gauge for evaluating the impact and contribution of our audits.

### 1.1 Audit Recommendations of AAR 2022-23 endorsed for implementation

During the 1<sup>st</sup> Joint Sitting of the Fourth Parliament, a unanimous decision was reached to give the green light to 100% of our audit recommendations presented in the Annual Audit Report 2022-23 by voting “YES” to all our recommendations. All seven were unreservedly embraced for implementation, marking a resounding triumph for accountability.

This collaborative effort of the Public Accounts Committee to champion our audit recommendations has been nothing short of remarkable. The Parliament united their efforts to acknowledge and accept the recommendations, which could result in tangible positive changes.

### 1.2 Audit Recommendations Implemented

The recommendations in the financial and compliance audits are almost always accepted, with a significant portion being effectively implemented within one month. Particularly, a notable 57% of financial and compliance audit recommendations were implemented for FY 2023-24.



Figure 20: Recommendation Status in FY 2023-24

As for performance audit recommendations, 57% have been translated into action, demonstrating the commitment of the audited agencies towards effecting positive transformation

As we delve into the transformative effects of our recommendations on audit impact in the following sections, it becomes evident that these recommendations have significantly shaped and improved various governance and service delivery aspects.

## **2. Audit Impacts through our Audits and Role**

The RAA's core mission is to drive positive change through our audits and role. Acting on financial audit findings ensures accurate financial statements, boosting credibility and public trust. Similarly, actions on compliance audits promote transparency and accountability, enhancing greater compliance with laws. Consequently, we play a key role in enhancing the Public Financial Management (PFM) System, upholding public accountability and transparency while enhancing public confidence and trust in the government.

Performance audits are a cornerstone of our mission, offering insights into efficiency and effectiveness. Implementing recommendations improves service delivery and governance, streamlining operations and resource use. These audits foster policy coherence, robust data systems, and inclusive stakeholder engagement. Thus, through our insights, we play a vital role in improving public sector performance.

Hence, we categorise our impacts as:

- ✦ Financial: Direct improvements to the PFM System leading to improved public sector accountability.
- ✦ Wider: Enhancements in efficiency, effectiveness, and transparency in public sector performance.

In summary, RAA's audits empower decision-makers, promote accountability, and contribute to better governance and service delivery for all.





## 2.1 Financial Impacts

### 2.1.1 Cash Recoveries

Over the past fiscal year, our audits uncovered financial irregularities and misappropriation, resulting in the successful recovery of Nu. 405 million through cash restitution.

These recoveries attest to the effectiveness of our audit processes in uncovering and addressing financial irregularities. It highlights our dedication to upholding financial integrity, and holding individuals responsible for financial misconduct.

Nu. **405**  
Million Recovered



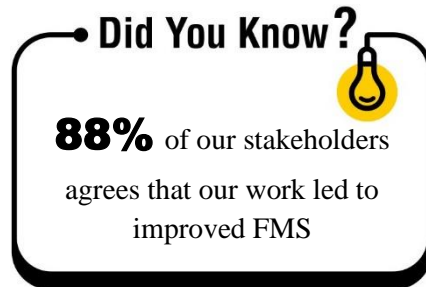
RAA's meticulous audits bring about substantial cost-savings to the Government through cash and other forms of restitution.

### 2.1.2 Other Forms of Restitutions

- a. Works Completed – *Ensuring Functionality*

Each fiscal year, significant resources are allocated to infrastructure development, necessitating careful oversight to ensure funds disbursed to contractors align with actual project progress. Delays or incomplete projects not only compromise the utility of the intended structures but also lead to inefficient use of public funds.

In FY 2023-24, we identified 12 incomplete projects across seven agencies. Our efforts extended beyond issuing audit observations, as we proactively followed up to facilitate the completion of all 12 projects. This intervention revitalized these critical initiatives, underscoring our commitment to safeguarding public resources and enhancing project outcomes. In doing so, we safeguarded the efficient use of resources, ensuring that every allocated Ngultrum is translated into tangible progress.



b. Works Rectified – *Ensuring quality and sustainability in construction projects*

The RAA’s mandate extends beyond verifying project completion to ensuring that projects meet the required quality and specifications. This commitment to quality assurance is essential for safeguarding the long-term sustainability and effectiveness of infrastructure investments, ensuring they serve both current and future generations and deliver value aligned with the investments made.

A recurring challenge identified by our audits involves substandard work and goods delivery, often stemming from inadequate monitoring and verification processes within audited agencies. Despite policy directives emphasizing quality control and timely rectification, instances of defective deliveries continue to undermine the government’s value-for-money objectives.

During FY 2023-24, we identified 91 cases requiring rectification across 35 audited agencies. Through these efforts, the RAA remains committed to upholding the quality of public infrastructure, ensuring that taxpayers’ investments yield optimal value and contribute to national development.

## 2.2 Wider Impact

### 2.2.1 Enhancing Public Confidence and Trust in Government

The RAA plays a pivotal role in certifying the financial statements of audited entities, ensuring their accuracy. We have certified 439 financial statements in the FY 2023-24. This vital function not only elevates the quality and credibility of the financial information provided but also ensures accountability, transparency, and integrity in financial reporting.

**439** Accounts Audited



At the heart of the RAA's mission is to drive positive change through our role in enhancing the Public Financial Management System

Accountability ensures that those in power are answerable for their actions, transparency fosters openness and access to information, and integrity upholds ethical standards. Together, these principles create a strong foundation for good governance and strengthen public confidence and trust in public financial management.

Our rigorous certification process instils confidence and trust in the financial statements of audited entities. When citizens have confidence in the government's financial management and operations, they are more likely to engage in the democratic process, support their leaders, and actively participate in shaping the future of their country.

Therefore, this public confidence and trust lead to a stable and thriving democracy.

### 2.2.2 Compliance Assures

We place a strong emphasis on ensuring compliance with regulations, recognizing it as a cornerstone of effective governance. During the year, 21 instances across 17 agencies have assured compliance, reflecting proactive efforts to address identified lapses. Notably, nearly 100% of the agencies we

audited have committed to future compliance, demonstrating their resolve not only to correct past errors but also to implement measures that prevent recurrence.

This commitment underscores a collaborative partnership between the agencies and the RAA, aimed at upholding regulations and fostering a culture of accountability, transparency, and continuous improvement.

**Did You Know?** 

**91%** of our stakeholders agrees that our work led to improved compliance with Rules and Regulations

### 2.2.3 Deterrence to Violation of Ethical and Professional Conduct

The RAA's steadfast commitment to fostering public accountability is evident through its recommendation of sanctions and reprimands designed to promote ethical behaviour and integrity among public servants. By proposing targeted sanctions, we aim to cultivate a culture of accountability, ensuring public officials uphold their duties with integrity.

Our approach is rigorous, with recommended actions aligned to the severity of each offence related to public fund management and duty fulfilment. These actions, encompassing both administrative and legal measures, are conveyed to agencies for enforcement. We believe such measures serve as a strong deterrent, discouraging unethical and illegal behaviour within the public sector.

**Did You Know?** 

**87%** of our stakeholders agrees that our work enhanced accountability

In FY 2023-24, the RAA pursued administrative actions for multiple instances of malfeasance and misfeasance identified in audit reports. Consequently, sanctions were recommended against 150 officials across 33 audited agencies, resulting in administrative actions being enforced against 51 officials, as illustrated in Figure.

## 2.2.4 Improving Processes and Systems

Significant strides have been taken towards refining processes and systems. This audit impact encompasses the development of Standard Operating Procedures (SoP), guidelines, manuals, and rectifications made in IT systems by audited agencies.

Our reports recommended process and system improvements across multiple agencies. In response, agencies implemented 18 enhancements, demonstrating our shared commitment to operational efficiency and effectiveness.

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