



## SAI Bhutan Responding to Emerging Challenges

Developed by the INTOSAI-Donor Cooperation with the support of relevant stakeholders

### THE CHALLENGE

For roughly 45 years, Bhutan has been on the United Nation's list of least developed countries that face severe long-term structural impediments to growth. The country was established as a democratic constitutional monarchy in 2008. While the country has experienced some advancement, challenges remain namely from risks associated with:

- High external public debt
- Projected large hydropower-related revenues

The Royal Audit Authority of Bhutan (RAA) was established as an autonomous public audit body in 1985. With a broad mandate and strong legal framework for enforcing audit recommendations, the RAA is also backed by the nation's constitution that stresses the entity's importance in conducting performance audits.

Yet, despite these significant advantages, recent performance assessments show that the RAA still experiences difficulty in conducting audits that meet quality standards expected from the international audit community and making a difference to the lives of citizens.

### THE RESPONSE

The RAA has initiated several development programs in an effort to address the challenges. Upon adopting the

### ACHIEVEMENTS AT A GLANCE

- Enhanced SAI credibility and audit quality through applying international standards
- Audit report on public debt management debated in Parliament:
  - Public debt policy and debt-thresholds established
  - New Finance Department to ensure public debt levels remain sustainable
- Leading by example in accountability, through publishing assessment of its own performance
- New strategic plan to further enhance public confidence in the SAI

International Standards of Supreme Audit Institutions (ISSAI) framework in 2010 when it was approved at INCOSAI, the RAA has received support through several mechanisms developed by the INTOSAI-Donor Cooperation:

- **Global Stocktaking.** The 2010 Global Stocktaking of needs and support provided to the SAI Community resulted in the World Bank's funding of the 3i Program, where RAA completed Phase 1 in December 2014. The program, implemented by the INTOSAI Development Initiative (IDI) aims to support SAIs in ISSAI implementation. As part of the 3i Program, the RAA carried out ISSAI Compliance Assessments (iCATs) to identify gaps, as well as raise awareness of ISSAI requirements.
- **Global Call for Proposals.** Following the Global Call for Proposals in 2011, the Austrian Development Agency (ADA) backed the RAA's project proposal designed to enhance professionalism in the delivery of audit services. As part of this project, to be operational from 2012-2017, several audit manuals and policies have been developed, among them a policy document on auditing from a gender perspective.
- **SAI PMF Assessment.** The Office of the Auditor General of Norway and the INTOSAI-Donor Secretariat conducted a peer review in 2014 using the pilot SAI Performance Measurement Framework (PMF). Afterwards the final report was published.



### • SAI Capacity Development Fund

(SAI CDF). The RAA has support from the SAI CDF, financed by SECO (Switzerland) and administered by the World Bank to further enhance ISSAI implementation, focusing on improving audit quality in all audit streams.

### THE RESULTS

In 2013, the RAA, with support from ADA, conducted three pilot audits following the new ISSAI framework. According to the SAI PMF assessment, the pilot audits scored

significantly higher than other reviewed audits, providing evidence of the program's success and RAA's performance improvement. The SAI PMF assessment also provided input toward the RAA's new strategic plan for 2015 - 2020, which was finalized and published in 2016.

The impacts associated with professionalizing audits has extended beyond the SAI, particularly in the realm of public debt, which is a key national challenge. The RAA participated in the IDI public debt auditing program funded by the Norwegian Ministry of Foreign Affairs. The RAA's

*“External support has been instrumental in enhancing the institutional capacity of our audit office.”*

—Dasho Tshering Kezang,  
Auditor General  
of Bhutan

audit report on public debt management, completed in 2014, was debated extensively in the Parliament of Bhutan and received positive feedback by the Ministry of Finance (MOF).

Based on the audit recommendations, the MOF developed a Public Debt Policy that was put into effect August 18, 2016, and provides both a single overall threshold, as well as sector-specific thresholds for external debt. This new policy specifies total external debt should not exceed 25% of total goods and services exports.

Shortly after the policy's implementation, the MOF established a new department of Macroeconomic Affairs, whose mission is to “maintain a sustainable level of public debt”.

Bhutan's Auditor General has emphasized the importance of *internal ownership* to development projects. As a result, the activities are primarily carried out by internal staff, ensuring RAA project ownership and product usefulness. External support has also been *aligned behind RAAs strategic plan*.

All of these factors have contributed to the positive results in Bhutan.

Implementation of ISSAIs is a long term endeavor, and the RAA recognizes more work is needed to ensure audits are performed coherently across the organization and to make the changes sustainable. The RAA has, therefore, included ISSAI-implementation as one of the goals in its Strategic Plan for 2015-20.

### THE INTOSAI-DONOR COOPERATION

The INTOSAI-Donor Cooperation is a strategic partnership between donors and the Supreme Audit Institution (SAI) community.

**Purpose:** to improve SAI performance in developing countries through scaled-up and more effective support.

**Guiding Principles:** development of country-led strategic plans; donors respecting SAI country leadership; and improved coordination of support.

**Members:** To date, 23 donor organizations and INTOSAI (who comprise the INTOSAI-Donor Steering Committee) have signed the Memorandum of Understanding.

### ABOUT THE SUCCESS STORIES

Success stories on SAI capacity development are disseminated to showcase results of the combined efforts of the INTOSAI and donor communities, and how the guiding principles of the [INTOSAI-Donor MoU](#) contributed to success.

For more information, visit us online at [www.idi.no/intosai-donor-cooperation](http://www.idi.no/intosai-donor-cooperation)