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## ACTION PLANS

<b>Accounting Standard Issues</b>	<b>Current status</b>	<b>Action required to be taken to move towards international standards</b>
<b>STATUTORY FRAMEWORK FOR ACCOUNTING</b>		
1. Does the Public Sector Accounting Law adopt IPSAS?	The proposed Public Finance Act provides for the Chief Accounting Officer (CAO) to set accounting standards. Once this is in place then IPSAS should be specified.	PFA expected to be presented in June 2007 to the National Assembly. The CAO shall prescribe the appropriate accounting standards (preferably IPSAS) for Bhutan. To follow up on further steps after passage of the Act.
<b>EDUCATION AND TRAINING FOR ACCOUNTANT COMPETENCE</b>		
2. Does education and training of accountants' conform to IFAC International Education Standards?	Education and training needs analysis to be completed and courses and resources to be modified to meet the requirements.	The Department of Public Accounts (DPA) to come up with an Action Plan (by June 2007) for assessing the education and training needs for the National Accounting Service in consultation with the Royal Institute of Management.
<b>CODE OF ETHICS</b>		
3. Does the Code of Ethics match international standards?	Part A of the IFAC Code of Ethics for Professional Accountants should be adopted suitably amended for Bhutan.	The National Accounts Service (NAS) is to have a Code of Ethics for Accountants. The World Bank will provide support to DPA to draft the NAS Code of Ethics. The proposal is to be finalized jointly by June 30, 2007.
<b>SETTING ACCOUNTING STANDARDS</b>		
4. Is there a body to prescribe public-sector accounting standards?	It would be desirable to establish a formal Board or Committee to advise on the establishment of accounting standards for both the private and public- sectors.	The CAO will initiate the establishment of a Committee or Board for the government sector. For corporate sector, a ROSC (A&A) will be carried out by the World Bank FY 07/08 and the recommendations will be reviewed.

<b>Accounting Standard Issues</b>	<b>Current status</b>	<b>Action required to be taken to move towards international standards</b>
<b>FINANCIAL REPORTING</b>		
5. Are the financial statements in accord with the IPSAS standard?	No. The RGoB should adopt Part I of the Cash Basis IPSAS for the Government's accounts. Consolidation of controlled entities, such as public enterprises, should be considered when feasible.	This issue is linked to Point No. I.  On designation of the CAO, the need for revision of Financial Manual and rules is to be examined to present the annual financial statements according to IPSAS.  The proposed action is to be reviewed in the light of progress on the proposed Finance Law and the CAO.
6. Is the statement of cash receipts and payments in IPSAS form?	No. The information for these requirements is available and a Cash Basis IPSAS statement could be included in the annual accounts.	
7. Are accounting policies and explanatory notes required?		
8. Are other disclosures in accord with IPSAS?		
9. Does the government issue a consolidated financial statement which consolidates all controlled entities?	Implementation plans and time tables are needed for consolidation of controlled entities into the cash basis statements.	This is also linked to Point No. I.  The CAO is to draw a road map for possible consolidation in consultation with the corporate sector.  The proposed action is to be reviewed in the light of progress on the new Finance Act and the CAO.

<b>Auditing Standard Issue</b>	<b>Current status</b>	<b>Action required to be taken to move towards international standards</b>
<b>STATUTORY FRAMEWORK FOR AUDITING</b>		
1. Is the SAI statutory framework in accord with the needs of the INTOSAI Auditing Standards?	No. Implementation of the new Audit Act will provide a sound framework.	The Audit Act of Bhutan 2006 was enacted on June 30, 2006.



SETTING AUDITING STANDARDS		
2. Is there a body to prescribe public sector auditing standards?	There is a need for a Standards Board.	An advisory committee is to be established by the RAA for this purpose. The development of Auditing Standards to be applied by the Royal Audit Authority (RAA) should be the sole responsibility of the Auditor General of Bhutan. Article 45 of the Audit Act of Bhutan, 2006 empowers Auditor General to issue statements on the generally accepted auditing standards and principles and related guidelines. This will also ensure the independence of the authority.
3. Have INTOSAI and IFAC audit standards been adopted?	IFAC ISAs have not yet been adopted and action should be taken to adopt them. RAA has adopted the INTOSAI Auditing Standards.	Use of ISAs will follow as soon as RAA needs to certify the accounts in accordance with IPSAS. Recommendations from the proposed ROSC (A&A) for the corporate sector will also be considered.
4. Has a code of ethics equivalent to the INTOSAI standards been adopted?	Yes.	No action needed.
ENSURING INDEPENDENCE OF THE AUDITOR		
5. Is the accountability process in the SAI in accord with INTOSAI Auditing Standards?	Yes.	No action needed
6. Does the SAI legal framework meet the INTOSAI standards for independence and powers?	No. Implementation of the new Audit Act will provide a sound framework. The new National Audit Law should provide for all of the eight core INTOSAI principles of independence.	The Audit Act was enacted on June 30, 2006.
TRAINING AND AUDITOR COMPETENCE		
7. Does education and training of auditors conform to INTOSAI and IES standards?	No. Training needs analyses and linkage with a foreign accountancy institution to assist the RAA with capacity development should be instituted.	The RAA is to come up with a proposal (by June, 2007) for assessing the education and training needs for its staff in consultation with the Royal Institute of Management.
8. Is the SAI equipped with the audit methods and technologies to meet the INTOSAI Auditing Standards?	Broadly. New audit manuals are in process of development and the technology needs will emerge from these.	The RAA is to prepare a proposal on the requirements, particularly for IDEA software and training in time for the audit of the 2007 Annual Financial Statements and for support in conducting an IT Systems Audit of the BAS.

QUALITY ASSURANCE		
9. Does the SAI have the quality assurance programs to meet the international standards?	Yes.	A proposal is to be prepared by the RAA to meet the additional needs for quality assurance of its audit work.
AUDIT PLANNING AND CONDUCT		
10. Do the processes for planning, supervision, evaluation of internal control, assessment of compliance with laws and collection of audit evidence for the audits meet the international standards?	No. New audit manuals which are being developed should improve these processes. The manuals should adopt guidance the relevant ISA.	The RAA is to prepare a proposal for assistance in improving the quality of its audit work and for reviewing and implementing the manuals under preparation, and training trainers.
AUDIT REPORTING		
11. Does the audit analyze the financial statements to establish whether acceptable accounting standards for financial reporting and disclosure are complied with?	No.	The RGoB needs to adopt IPSAS for reporting its annual financial statements.
12. Does the auditor prepare an audit opinion on the financial statements in a form that accords with international standards?	No.	The form of report needs to be adjusted to accord with the requirements of ISA 700 and the audit testing needs to be sufficient to provide the required audit evidence. Computer Aided Audit Techniques will be needed to assist in auditing the accounting records in the BAS.
13. Does the consideration of fraud and error in an audit of financial statements accord with international standards?	Broadly Yes	The RAA and the Anti-corruption Commission to coordinate any proposals for assistance on improved responses.
RESPONSE TO AUDIT REPORTS		
14. Is the process for taking action on audit recommendations sufficiently effective to meet international standards?	Yes, in the absence of parliamentary legislative scrutiny. Parliamentary scrutiny is a crucial component of the process of responding to audit scrutiny	No further action required until a Legislative Scrutiny Committee is set up. The Bank already is providing support to the National Assembly.

