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Bhutan

Report on Observance of Standards and Codes (ROSC)

Accounting & Auditing

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CURRENCY EQUIVALENTS

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US\$1 = approx. Nu. 47.22

1 Crore = 10 million

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ABBREVIATIONS AND ACRONYMS

ACCA	Association of Chartered Certified Accountants
ASOSAI	Asian Organization of Supreme Audit Institutions
BCCI	Bhutan Chamber of Commerce & Industry
CPA	Certified Public Accountant
CEO	Chief Executive Officer
CAG	Comptroller and Auditor General
CPE	Continuing Professional Education
DHI	Druk Holding and Investments Limited
DPA	Department of Public Accounts
DNB	Department of National Budget
DRC	Department of Revenue & Customs
EPS	Earnings Per Share
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GDP	Gross Domestic Product
GNI	Gross National Income
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAI	Institute of Chartered Accountants of India
IAAB	Institute of Accountants and Auditors of Bhutan
IAPS	International Auditing Practice Statements
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
ISAE	International Standards on Assurance Engagements
ISA	International Standards on Auditing
ISQC	International Standards on Quality Control
ISRE	International Standards on Review Engagements
MoWHS	Ministry of Works & Human Settlements
MTI	Ministry of Trade and Industry
NPPF	National Pension & Provident Fund
PGDFM	Post Graduate Diploma in Financial Management.
ROSC	Reports on the Observance of Standards and Codes
RAA	Royal Audit Authority
RGoB	Royal Government of Bhutan
RIM	Royal Institute of Management
RMA	Royal Monetary Authority
RSEB	Royal Securities Exchange of Bhutan
RUB	Royal University of Bhutan
SEC	US Securities and Exchange Commission
SIC	Standing Interpretations Committee

BHUTAN

Report on Observance of Standards and Codes (ROSC): Accounting & Auditing

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EXECUTIVE SUMMARY

Bhutan has registered rapid economic growth in the recent past. But the private sector's contribution to this growth has not been significant. Recognizing that the private sector can play an important role as an engine of growth, the RGoB mapped out strategies to encourage the private sector to participate in the Kingdom's growth. An important strategy outlined under Bhutan's 10th Five-Year-Plan (10FYP) is to enhance employment opportunities by encouraging private sector development, which will broaden the employment base. This strategy is also in line with another major 10FYP objective of vitalizing industry, in which the private sector is envisaged to play a major role.

Bhutan's financial sector has hitherto been very small and underdeveloped, owing to the lack of adequate development in the private sector and the small size of the economy. The RGoB assessed that the lack of a clear institutional framework is one the major factors responsible for the slow growth and weak performance of industries in Bhutan, notably in the manufacturing and trade sectors. It is against this backdrop that the World Bank at the invitation of the RGoB has undertaken an assessment of accounting and auditing practices in the Kingdom of Bhutan with respect to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC). This assessment is positioned within the broader context of the country's institutional framework and capacity needed to ensure compliance with international standards and to improve the quality of financial reporting in the country.

The accounting and auditing practices in Bhutan suffer from weaknesses in regulation, compliance and enforcement of standards and rules. The absence of a well-developed accounting profession and the poor quality of accounting education and training have resulted in a complete dependence on professional accountants from outside the country, mainly from India, to take care of the country's corporate financial reporting and auditing requirements. By default, the regulation of the audit profession is left to the Royal Audit Authority (RAA) which is clearly not equipped nor mandated for the task.

Absence of properly defined standards on accounting and auditing means that preparation of financial statements and conduct of audits, even for listed companies, are not uniform and generally incomplete. There is an overall lack of awareness of the need to be in compliance with internationally accepted standards. However, it is difficult to say if this is the result or the cause of the anomalies in the present institutional and legal framework.

The scope of audit for a statutory auditor, as defined in Schedule XIV of the Companies Act 2000, is very wide and onerous. In addition to certification of financial statements, the scope envisages that the auditors shall undertake proprietary audit, performance audit, management audit and compliance audit. Consequently, the expectations from an auditor go well beyond the role traditionally associated with statutory auditors. Apart from auditing, the role may include subjective reporting on a number of areas pertaining to the operation of the business, which poses significant threats to the auditor's independence and objectivity.

The principle-based policy recommendations outlined in this report may be used as inputs to design and implement a comprehensive action plan for necessary accounting reform and development in the country. The report highlights the need for setting up of a dedicated Accounting and Auditing Oversight Board as an independent standard setting and audit regulating body on the lines of UK's Financial Reporting Council (FRC) responsible for (a) setting, monitoring and enforcing accounting and auditing standards (b) regulating auditors (c) conducting practice reviews of auditors on public interest entities (d) administering disciplinary action in the event that there has been misconduct by an auditor, and (e) reviewing published financial statements of public interest entities for compliance with standards on a proactive basis. Many of the above mentioned functions may well need to be initiated and undertaken by the Accounting & Auditing Standards Board (AASB) that is being established with technical assistance provided under the ADB-funded Financial Sector Development Project.

The AASB should adopt the IFRS in full for all listed companies and public interest entities. Adoption of IFRS would lend wide international credibility and acceptance to Bhutan's corporate reporting framework and attract foreign capital through increased accountability and transparency. However, given that the adoption of IFRS will require specialized skills and resources, a transition period of four to five years must be factored in to allow sufficient time for these companies to acquire and implement the necessary competencies for such compliance. The AASB should issue implementation guidelines for standardized application of these standards. For all other private entities, including medium and small enterprises, the AASB should adopt the IFRS for Private Entities. These standards are expressly designed to meet the financial reporting needs of entities that (a) do not have public accountability and (b) publish general purpose financial statements for external users. Examples of such external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies. The standards are derived from full IFRSs with appropriate modifications based on the needs of users of private entity financial statements and for cost-benefit considerations.

These recommendations are aimed at achieving corporate financial reporting practices of international standards and to help create a world-class working environment for professional accountants and auditors in Bhutan.

I INTRODUCTION AND BACKGROUND

1. In a world of integrated capital markets, financial crises in individual countries can imperil global financial stability. International financial institutions have taken initiatives to promote standards and codes relevant to economic stability and private and financial sector development. In particular, the World Bank and the IMF have undertaken a joint initiative, identifying 12 areas¹ for preparation of Reports on Observance of Standards and Codes (ROSC).
2. The World Bank, in May 2006, conducted an assessment of the corporate governance policy framework and enforcement and compliance practices of the Kingdom of Bhutan – known as ROSC Corporate Governance – which highlights recent improvements in corporate governance regulations, makes policy recommendations and provides investors with a benchmark to measure corporate governance in the kingdom. On invitation of the RGoB, the World Bank has now conducted an assessment of Accounting and Auditing practices (ROSC-A&A) in Bhutan. The assessment determines the extent to which the economic and financial sector of the country is in synchronization with international standards, benchmarked to IFRS² and ISA³.
3. The review used a diagnostic template developed by the World Bank to facilitate collection of information, based primarily on desk reviews. The desk reviews for Assessment of Auditing Standards as designed and as practiced is based on a sample size of three mid-size audit firms practising in Bhutan. Assessment on compliance with IFRS is based on financial reviews of nine listed companies, 14 non-listed companies, one insurance company and two banking companies. The information was complemented by the findings of a due diligence exercise, based on a series of meetings with key stakeholders, conducted by World Bank staff and consultants. The scope of the review is limited to companies, both privately and state-owned, registered under the Companies Act in Bhutan, as also banking and insurance companies. But it does not extend to retail, wholesale or micro trade enterprises not registered as companies. The review essentially focussed on the accounting and financial reporting requirements to meet the statutory requirements of the Companies Act and the Prudential Rules. However, it did not extend to accounting and reporting for taxation purposes.

¹ The 12 areas are: data dissemination, fiscal transparency, monetary and financial policy transparency, banking and insurance supervision, securities market regulation, payments and settlements systems, corporate governance, accounting, auditing, insolvency regimes and creditor rights and anti-money laundering.

² Within this report, IFRS refers to all standards and related interpretations issued by the IASB and its predecessor the International Accounting Standards Committee (IASC). IASC-issued standards are known as International Accounting Standards (IAS) and IASB-issued standards are known as IFRS. In line with IASB's pronouncements, it is a common practice to refer to IFRS meaning both IFRS and IAS. However, in the policy recommendations section of this report, "IAS/IFRS" has been used to mean all standards and related interpretations issued by IASB and IASC.

³ Within this report, ISA refers to International Standards on Auditing (ISA) and other related pronouncements such as, the International Auditing Practice Statements (IAPS), International Standards on Review Engagements (ISRE), International Standards on Quality Control (ISQC) and International Standards on Assurance Engagements (ISAE) issued by IFAC.

4. The assessment provides policy recommendations on action that should be taken to implement accounting and auditing standards, to strengthen the profession and introduce appropriate mechanisms to ensure compliance with minimum accounting and auditing requirements. Developing the infrastructure to set up professional bodies and initiating accounting and auditing education and training are other important recommendations. The policy recommendations flowing from the ROSC-A&A will provide a framework to Bhutan's Ministry of Finance to prepare an Action Plan geared to improve overall accounting and auditing practices in Bhutan.
5. The ROSC-A&A will support the RGoB's objective of improved business environment and positive investment climate, including development of the Micro Small and Medium Enterprises (MSME)⁴. Bhutan is likely to reap significant benefits if the key stakeholder – the Ministry of Finance – adopts policy recommendations of the ROSC-A&A. A few such benefits are:
 - Improvement in comparability of financial performance and financial information with global peers and global industry standards.
 - Improvement in more transparent financial reporting of a company's activities, which will benefit investors, customers and other key stakeholders in Bhutan and overseas.
 - Improved quality of financial reporting following consistent application of accounting principles as well as improvement in reliability of financial statements. This in turn will lead to increased trust and reliance placed by investors, analysts and other stakeholders in a company's financial statements.
6. Real GDP grew at an average of over 9% over the Ninth Plan period between 2002 and 2006, taking into consideration an estimated growth of over 18.9% in the last year of the plan period, boosted by the earnings from the newly commissioned Tala Hydropower Project Corporation. GDP per capita in 2006 was estimated at US\$1,414.01 as compared to US\$835 in 2002. The growth rate of 9% exceeded the 8.2% growth targeted for the Ninth Plan. This represents an exceptionally high and sustained rate of growth that matches the pace of growth in the fastest growing economies around the world. Real GDP grew from Nu.23.5 billion (equivalent to US\$483 million) at the start of the Ninth Plan in 2002 to approximately Nu. 39.7 billion (equivalent to US\$817 million) in 2007. The major impetus for this sustained growth was derived from the continuous and sustained expansion of the electricity and construction sectors, driving economic sectors that witnessed average annual growths of around 25% and 11.8% respectively over the plan period⁵.

⁴ The draft Tenth Five Year Plan of the RGoB has recognized the growing importance of the MSMEs sub-sector for ensuring equitable distribution of income and poverty reduction. One of the broad areas of intervention to further the development of MSMEs has been identified as the development of institutional, legal and regulatory frameworks for MSMEs.

⁵ Source: Draft Tenth Five Year Plan (2008-2013), RGoB.

7. While economic growth is considered important, the RGoB is keen to preserve its culture, environment and identity. Therefore, along with the objective of economic development, the RGoB has incorporated the major goal of creating an atmosphere in Bhutan where every individual can seek and achieve happiness. Accordingly, the government is pursuing a holistic path of change framed by a unique and homegrown development vision: Gross National Happiness. This political philosophy is supported by four pillars that further define the effort to balance spiritual and material advancement: sustainable socioeconomic development, conservation and sustainable use of the environment, promotion of culture, and good governance. All policy and planning documents, projects, programs, and legislation strive to make the concept of Gross National Happiness operational.
8. Bhutan has recently undergone a major political transformation by adopting a system of democratic governance in 2008. Under this new system, nationwide elections will be held every five years when qualified political parties will compete in a preliminary runoff to determine which two parties will finally contest for the national election. The role of the king under this system has been transformed to that of a constitutional monarch. Concurrent to these significant changes in the political mechanism, there remains a strong commitment, as identified under the new constitution, to move forward with governance reforms.
9. Currently there are 114 registered companies⁶, of which 106 are active. These include 59 private companies, 32 public companies and 15 Government companies. Currently only two companies fall under the Government controlled company category. The total number of retail, wholesale or micro trade registration certificates issued in 2007 was 11,442 as compared to 9,455 in 2006 i.e. an increase of 21%.
- | | Registered Entities | |
|------------------------------|---------------------|----|
| | Number | % |
| Entity Type | | |
| Privately owned – listed | NA | NA |
| Privately owned – not listed | 59 | 52 |
| Publicly owned – listed | 19 | 17 |
| Publicly owned – not listed | 19 | 17 |
| Government – listed | NA | NA |
| Government – not listed | 17 | 15 |
| Total | 114 | |
10. As is evident, Bhutan's economy remains dominated by the state with a substantial number of the companies directly or indirectly owned by the RGoB. These companies operate in a variety of sectors: the manufacturing sector, the financial services sector and the services sector. A number of corporations fulfill non-commercial social objectives within their mandate. Mindful of the need to ensure that the companies are able to meet the challenges and requirements of the corporate sector in a highly competitive global economy, the RGoB established in November 2008, Druk Holding and Investments as a fully owned holding company and transferred to it a portfolio of 14 companies with an objective to maximize the returns to its shareholders, the people of Bhutan.

⁶ Source: Registrar of Companies, Ministry of Trade & Industries, RGoB

II INSTITUTIONAL FRAMEWORK

A STATUTORY FRAMEWORK

11. **The Companies Act 2000 provides the legal framework for all companies in Bhutan.** The Companies Act mandates the procedures for preparation, presentation, publication and disclosure as well as submission of financial statements and audit of all companies by auditors empanelled by the RAA. The Act also lays down provisions relating to the prospectus that forms the basis for public offerings of securities. In addition, it mandates the rules and regulations for insider trading and for compliance of security exchange.
12. **The Companies Act allows for four categories of companies.** The categories are: (a) private (non-listed) companies (b) public companies whose shares must be freely transferable (c) Government companies, and (d) Government-controlled companies that are private or public companies where the Government has at least 50 percent ownership directly and/or through other entities controlled by them. Listed companies are those whose shares and other securities are listed on the Royal Securities Exchange of Bhutan (RSEB) Limited. While the Act addresses the requirements for conversion of a private company into a public one, the criteria for conversion of a public company to a private company are not detailed.
13. **The RSEB incorporated in the form of a not-for-profit company is the sole stock exchange of Bhutan.** The RSEB is responsible for trading, clearing and settlement. It acts as the central depository and oversees the listing rules. There is no over-the-counter market and only equity shares and corporate bonds are listed on the exchange that does not have any index. Stocks are not actively traded on the exchange. The annual turnover of the exchange in 2006 relating to the secondary market was Nu. 36.55⁷ million (equivalent to US\$0.75 million), with an average of 1283 shares per day.
14. **The Rules & Regulations of RSEB which include the Listing Rules prescribe the requirements for listing of securities on the Exchange.** The rules also mandate continuing obligations with which an issuer must comply once listing has been granted. The RSEB can amend the Listing Rules with the approval of the Royal Monetary Authority (RMA). The market capitalization of 16 listed companies as of December 2006, increased slightly to Nu 4,638.78 million⁸ compared to 4,467.11 million⁹ in 2005. The 2006 market capitalization as percentage of Gross Domestic Product (GDP) was 11.20%.

⁷ Source : RSEB Annual Report 2006

⁸ Source : RSEB Annual Report 2006

⁹ Source : RSEB Annual Report 2006

15. **The Financial Institutions Act 1992 regulates financial services, including banking and insurance as well as securities related activities.** These have been supplemented by the Prudential Regulations 2002 issued by the RMA and the Companies Act. There are two banks with a total asset base of Nu. 27193.1 million¹⁰ and one finance company with an asset base of Nu. 1614.84 million¹¹. There is one insurance company with an asset base of Nu. 1751.34 million¹² and an operating income of Nu.135.72 million¹³. The percentage of the banking sector's gross operating income to GDP is 3.5% whereas the insurance company's operating income to GDP is only 0.3%.
16. **Banks are required to prepare periodic reports in accordance with accounting standards established by RMA.** (The RMA, though, has yet not established any accounting standards.) The reports should be based on the banks' capital, assets, liquidity, profitability and other aspects. They must be submitted in prescribed formats to the RMA to enable it to make an assessment of the banks' financial condition. However, this is likely to result in non-transparent financial reporting of the banks' activities and may even prove to be a hindrance to attracting foreign investments. In fact, it may not be wrong to assume that the financial results may change substantively if the standardized accounting standards were to be applied.
17. **Listed companies are required to prepare half-yearly interim financial statements containing the minimum information prescribed by the Listing Rules.** The statements must be published in newspapers every six months. However, it has been observed that although interim reports are published by listed companies, not all the information that is required to be disclosed¹⁴ is revealed. The information required to be published as per the Listing Rules is for the 'group' that has been defined to mean the issuer and its subsidiaries. But, in practice, the information that is published is for the listed company only. Preliminary announcement of results for the full year should also contain the information required by the Listing Rules for the interim reports. However, no such announcement has so far been made by any company. Financial institutions, whether listed or not, are required to publish their un-audited accounts in a national newspaper on a half-yearly basis.

¹⁰ Source : Audited Financial Statements of Bank of Bhutan Limited and Bhutan National Bank Limited for 2006

¹¹ Source : Audited Financial Statement of Bhutan Development Finance Corporation Limited for 2006

¹² Source : Audited Financial Statement of Royal Insurance Corporation of Bhutan Ltd for 2006

¹³ Source : Audited Financial Statement of Royal Insurance Corporation of Bhutan Ltd for 2006

¹⁴ For example, extraordinary items (net of taxation), earnings per share, basis of computation with separate disclosure of the taxation on share of associated companies' profits, transfers to and from reserves, the interest of each director and chief executive of the issuer in the equity or debt securities of the issuer and any subsidiary and the details of any right to subscribe for equity or debt securities of the issuer granted to any director or chief executive of the issuer and of the exercise of such right, or if there is no such interest or no such right that has been granted or exercised, a statement of that fact, etc

18. **RGoB has formed Druk Holding and Investments Limited (DHI) as the holding company¹⁵ of Government companies and Government-controlled companies.** This has been done to ensure that subsidiaries of Government or Government-controlled companies meet the challenges and requirements of the corporate sector in a highly competitive global economy and thus maximize returns to its shareholders. DHI's portfolio comprises of 12 companies, including five fully-owned companies¹⁶ and seven linked companies¹⁷. The selection criterion for transfer to DHI was primarily decided by the commercial nature of the companies' operations. Application of this criterion meant that companies with social mandates stayed with the RGoB. DHI, in the meanwhile, aims to improve the performance of the companies by the following measures:
- Improving board performance by reconstituting the boards of its companies and appointing directors with the skills, time and diversity of experience so that they add value to the company.
 - Enhancing accountability by appointing MDs of DHI-linked companies in fixed term contract terms and empowering the board to hire and fire MDs.
 - Setting targets through compacts that have been signed with companies with targets for financial, operational, customer service, corporate governance and physical expansions.
 - Developing long-term strategies.
 - Enhancing resource utilization through introduction of modern corporate finance methods to improve planning, budgeting and financing of new projects.
 - Professionally analyzing companies: DHI has engaged consultants to conduct a diagnostic study of some of its companies and to make recommendations on improving performance.
 - Changing corporate culture.
20. **The Financial Institutions Act and the Prudential Regulations issued by the RMA require each financial institution to have an audit committee to oversee financial reporting, internal controls and internal audit, external audit, and legal compliance.** The Audit Committee is required to meet ordinarily once per quarter and extraordinarily when convened by the Board of Directors. The auditors can attend any meeting of the Committee. A meeting may even be convened by the Audit Committee Chairman to consider any matter that the auditors believe should be brought to the attention of the directors or shareholders. However, there is no requirement to have an Audit Committee for other corporate entities.

¹⁵ DHI has been established as an autonomous holding company incorporated under the Companies Act of the Kingdom of Bhutan 2000 (Act). The Royal Charter for DHI issued on 11 November 2008 states that all shares owned by the Ministry of Finance in the Government Linked Companies (GLC) shall be transferred to DHI as equity pursuant to the terms and conditions of the Share Transfer Agreement.

¹⁶ After the creation of DHI, the three hydropower companies (CHPC, KHPC, BHPC) have been amalgamated into Druk Green Power Corporation (DGPC).

¹⁷ Linked Companies are those wherein the Royal Government of Bhutan has part share holding.

21. **Listed companies and unlisted companies have to call for an Annual General Meeting (AGM) every year on or before April 30 and June 30 respectively.** The Registrar can grant a maximum of 30 days extension for convening the AGM. Apart from consideration of the company's accounts, the audit report and the directors' report, the other business transacted at the AGM includes declaration of dividends, appointment of directors, appointment of auditors and fixing their remuneration and deciding on any ordinary or special resolution. Appointment of the Chief Executive Officer has to be approved at the AGM.
22. **Companies are mandated by the Companies Act to appoint the statutory auditor at each AGM out of the panel of auditors maintained by the RAA for audit of their accounts.** The law permits the appointment of joint auditors. The auditor can be removed by way of a special resolution. The appointment of the auditor of a financial institution further requires the approval of RMA. The Auditor General of Bhutan is the ex-officio auditor of a Government or Government-controlled company. The auditors of these companies are appointed or removed by the office of the RAA.
23. **The RAA empanels chartered accountant firms known as the 'Common National Panel' from which auditors of both public and private companies are appointed.** Bhutan does not have its own professional body and the eligibility to be empanelled is defined both in the Companies Act as well by the Terms & Conditions of Empanelment issued by the RAA. Such criteria specify that members of the Institute of Chartered Accountants (ICA)¹⁸, Association of Chartered Certified Accountants (ACCA) and Certified Public Accountants (CPA)¹⁹ would be eligible for such appointment. In practice, all the 33 audit firms empanelled are members of the Institute of Chartered Accountants of India (ICAI).
24. **As per the requirements of the Companies Act, the auditor reports on whether the financial statements present a true and fair view of the state of the company's affairs as at the financial year-end and of the operating results and cash movements during the financial year.** The auditor also reports on whether proper books of accounts have been kept by the company and whether the financial statements are in agreement with the books of account. Further, the auditor also comments on compliance relating to filing requirements, maintenance of records and various other matters under the Companies Act. The auditor also reports on whether companies have complied with other applicable laws, rules and regulations during the period under audit. The Act requires the auditor to comment in his audit report whether financial institutions have complied with the requirements of the Financial Institutions Act, 1992 and other laws, rules, regulations and guidelines issued by the appropriate authorities.
25. **Schedule XIV of the Companies Act 2000 lays down the scope of audit for a statutory auditor which is very wide and onerous.** In addition to certification of financial statements, the scope envisages that the auditors shall undertake proprietary

¹⁸ The Companies Act makes a general mention of members of Institute of Chartered Accountants as being eligible for empanelment, without saying which institute is being referred to..

¹⁹ The Companies Act makes a general mention of members of Certified Public Accountants (CPA) as being eligible for empanelment – the assumption being that this refers to US CPA.

audit, performance audit, management audit and compliance audit. The reporting format and requirements for reporting is not laid down in the Act. (Refer to Annexure 1 for detailed scope of an auditor.) As is apparent from a mere reading of Schedule XIV, the scope of duties and other expectations from an auditor are well beyond the role traditionally associated with statutory auditors. The auditor's role as defined in the Schedule involves subjective reporting on a number of areas pertaining to the operation of the business, which poses significant threats to the auditor's independence and objectivity.

26. **The Audit Act (2007) of Bhutan also mandates a 'so-called' proprietary audit of all Government owned or controlled or funded companies by the RAA.** This audit is of the nature of a supplementary audit and currently focuses on transactions such as procurement and employee expenses. But it is moving towards broader measures of performance.
27. **The Department of Trade and Industry has formulated certain regulations such as the Micro Trade Regulation, Retail Trade Regulation and Wholesale Trade Regulation.** The primary purpose of all these regulations is to institute a simplified registration/licensing system to boost trading activities in the country as well as creation of self-employment. None of these regulations, however, lay down any requirement for maintaining books of accounts or preparing financial statements or reports. The only reporting obligation envisaged in these regulations is that the trader should cooperate and provide any information as required by the Department of Trade and Industry or its authorized representatives.

B ACCOUNTING & AUDITING PROFESSION

28. **Bhutan does not have an established accounting or auditing profession of its own.** There is neither an established professional accountancy qualification nor any accountancy body or association to license statutory auditors or certify professional accountants in the country. This may be partly attributed to the lack of adequate development in the private sector and the small size of the economy. The private sector growth in Bhutan has remained constrained by a number of factors, such as the small size of the domestic market, a narrow resource base, inadequacy of infrastructure, shortage of skills in the labor market and financial market, apart from numerous regulatory constraints.
29. **Due to factors such as geographical proximity, similarity in corporate laws and search for new markets, audit firms from India dominate the auditing profession in Bhutan.** In fact, all of the 33 audit firms currently empanelled with the RAA are from India. All such audit firms empanelled are members of the ICAI, that is a statutory body formed by an Act of the Indian Parliament for governing the accounting and auditing profession in India.

30. **Independence of the auditor in Bhutan is partly governed by the Companies Act and the empanelment terms of the RAA.** The Companies Act does not allow an auditor to be appointed for more than three consecutive financial years, except with the previous written approval of the RAA. The Act also requires separate disclosure of the fees paid for audit services and other services in the financial reports of companies. However, there is no statutory limitation on the number of companies the same auditor can audit. The empanelment terms of the RAA prohibit professional firms of accountants from rendering any remunerative services including preparation of accounts of a company if they are appointed as statutory auditors of that company. The terms also prevent firms from accepting audit appointments for an entity if they have rendered accountancy or other consultancy services to such entities during the period of audit or in the previous two years. The fee rates for audit of Government companies is determined by the RAA and while it may not be so intended, sets the framework for fee rates for non-Government companies as well.
31. **Professional ethics of Bhutan auditors is also partly governed by the Companies Act and the empanelment terms of RAA.** The Companies Act stipulates that auditors should strictly adhere to professional and ethical standards. The terms and conditions for empanelment with the RAA require the audit firms to ensure adherence to the professional code of conduct and ethical rules prescribed by their respective accountancy bodies. Since all currently empanelled firms are Indian, they need to comply with the code of ethics promulgated by the ICAI. The RAA, however, does not have any way of monitoring compliance with such requirements. Nor does it have its own set of ethical standards for auditors and accountants practicing in Bhutan.
32. **Part II of Schedule XIV of the Companies Act on minimum audit examination and reporting requirements includes a long and onerous list.** There are, however, no explicit financial or legal liabilities for non-compliance. Nevertheless, auditors may be held liable under the general Breach of Contract provisions of the Bhutan Penal Act 2004 and Bhutanese civil law.
33. **There is no other system or forum which addresses professional negligence or professional or other misconduct committed by an auditor.** The RAA itself only has the power to remove an audit firm from its panel or refuse empanelment or request for re-empanelment. The auditors currently empanelled are all members of the ICAI which has an elaborate disciplinary mechanism. Significantly, that mechanism, and the law under which it operates, does not extend beyond the territory of India. Interestingly, the RAA does not have any mechanism to enquire with the governing professional body of the empanelled audit firm as to whether there are any disciplinary cases/sanctions pending against that particular firm or its members in the country of origin.
34. **RAA does not have an institutionalized process of conducting quality control reviews of audit firms on their panel.** Further, RAA cannot ensure that the empanelled audit firms comply with quality control requirements, as is mandated by the ICAI for all its members. This is because the RAA is not mandated to review the quality of audit reports. As concurring partner review is not mandated by auditing standards, auditors generally issue audit reports without a quality assurance check by another impartial

reviewer within the auditing firm. There are no statutory provisions or other legal principles imposing liability or other consequences on a statutory auditor for actions taken while acting in a professional capacity. Audit firms have never been subjected to lawsuits by any regulatory body that resulted in fines or reprimands.

35. **The Audit Act of Bhutan (2007) that governs proprietary audits of Government and Government-controlled companies lays down a Code of Professional Conduct for the Auditor General.** The Act requires all staff of the RAA, including the Auditor General to maintain the highest degree of incorruptibility. It mandates declaration of any potential conflict of interest before undertaking any particular audit or other duties concerning a particular audit. The Act further provides that violation of such Code of Conduct by the auditors would be a ground for disciplinary action. However, no formal disciplinary procedure or penal action has been prescribed in the Act.

C. PROFESSIONAL EDUCATION AND TRAINING

36. **The Royal University of Bhutan (RUB) comprises of nine colleges established since 1969.** Few of these colleges offer courses in accounting. What they offer is various courses in Arts, Science, Environmental Studies among others. The Sherubtse College is the only college now offering a three-year degree course in commerce based on India's Delhi University curriculum. The course, however, does not include practical application of national or international accounting and auditing standards. The closest to this is the four-year degree course in Business Administration of the same college. About 120 students graduate with the Business Administration degree each year. The teaching on accounting and auditing in this course mainly focuses on elementary topics and application of some basic accounting rules. The faculty members lack practical work experience. Perceiving the increasing demand for accountants, a new B Com course with intake of 240 students will be commencing from the next session i.e. July 2009 at the new college of business studies.
37. **The Royal Institute of Management (RIM) is an autonomous body offering a one-year Post Graduate Diploma in Financial Management (PGDFM), Public Administration and Legal Studies through a combination of training and examination.** About 30-35 students join financial management and public administration courses and about 10 students enroll for legal studies. There is a failure rate of about 10%. Bhutanese Acts and regulations are not part of the course curriculum. None of the RIM courses, current or proposed, includes anything on national or international accounting or auditing standards. The accounting part of the PGDFM curriculum is based solely on the RGoB Financial Rules & Regulations, July 2001. Such curriculum leaves the students without an adequate background for modern accounting and auditing. Business Ethics is also not part of any RIM curriculum. Neither does the RIM have any affiliation with any international management institute nor are the RIM courses benchmarked with any international curriculum²⁰.

²⁰ The RIM does offer Diploma in Information Management Systems (DIMS) courses, which include CISCO Networking and is affiliated to Keane School of Excellence, IIIT, Hyderabad.

38. **While the demand for accountants has increased, there has been limited expansion of suitable opportunities, particularly in the civil service and public corporations which are the preferred employment choices of most educated youth.** The evolving, small private sector is yet to become an engine of growth and provider of employment. The lack of an adequate regulatory framework for the labor market has also tended to discourage employment absorption. While prospective private sector employers are dismayed about the 'job hopping' tendencies of young Bhutanese, the youth themselves are generally not attracted to work in the private sector. This is because the youth perceive the private sector as one with low quality jobs, lack of career opportunities and poor remuneration.

D SETTING ACCOUNTING AND AUDITING STANDARDS

39. **Currently there are no accounting standards in Bhutan except for the formats of financial statements laid down in the Companies Act.** A uniform set of well defined accounting standards needs to be formulated and adopted. There is no active body in Bhutan for setting accounting standards. Under the Asian Development Bank-funded Financial Sector Development Program, the Ministry of Finance has established an Accounting and Auditing Standards Committee - comprising of Secretary, Ministry of Finance (Chairperson), Secretary, Ministry of Economic Affairs (Member), Auditor General, RAA (Member) and Managing Director, RMA (Member) as the high level Committee. Subsequently, Bhutan Accounting Standards Technical Committee (BASTC) was formed with representation from DPA, DNB, BCCI, NPPF, RMA, RAA, MoWHS, DRC and RIM to provide technical inputs and support high level committee with the Director, DPA as the Chair. The project will provide technical assistance and funds to assist the Committee in setting an AASB, its organizational structure and roles and responsibilities.
40. **Section 75 of the Companies Act requires all auditors to follow Generally Accepted Auditing Standards (GAAS), without specifically defining what GAAS constitutes.** Also, Schedule XIV of the Companies Act lays down detailed guidelines for the auditors in the conduct of the audit. RAA is the sole competent body for determining the auditing procedures in Bhutan and the Companies Act empowers the RAA to revise the guidelines from time to time.
41. **Legislative requirements and various regulations, often interchangeably refer to accounting standards (e.g. Listing Rules, Financial Institutions Act), Generally Accepted Accounting Principles (GAAP) and GAAS (e.g. Companies Act), accounting guidelines (e.g. Listing Rules), and in some cases IFRS (e.g. By-Laws of Royal Monetary Authority), without clearly specifying what constitutes GAAP and GAAS in Bhutan.** In most cases these terms are not defined and because of the varying terminology, non-definition thereof, and, non-prescription of stipulated accounting and auditing standards, these legislative requirements are often contradictory and meaningless. The World Bank's discussion with regulators, preparers, users and auditors indicated that there was lack of clarity on the application of the standards. In actual practice, however, many organizations appear to have defaulted to an Indian GAAP and

GAAS framework. There is no process in the country to even benchmark itself to this framework or internalize regular changes thereto. In the past, Indian GAAP was nominally used to supplement these requirements, although according to the RAA and RMA, IFRS is currently supposed to fulfill these stipulations. In practice, company reports generally conform to Bhutanese legal requirements using basic accounting conventions. The financial statements reviewed made no reference to (other) accounting standards.²¹

E COMPLIANCE WITH ACCOUNTING AND AUDITING STANDARDS

42. **The Registrar of Companies (Registrar) has a range of powers under the Companies Act and is primarily responsible for its enforcement.** The registrar conducts regular inspections to ensure that companies have complied with the Companies Act, including the requirements with respect to accounting and auditing. The Registrar's office comprises of the Registrar (lawyer by qualification) and two other Assistant Registrars who are graduates in commerce and business administration respectively. The office remains the main 'enforcer' for the corporate sector and ensures compliance with the basic requirements as set forth in the Companies Act, including filing of the annual returns by the companies.
43. **The regulatory functions of the RSEB include oversight of new listing, ensuring orderly trading and compliance with Listing Rules.** However, RSEB does not review the quality of the financial reporting of listed companies. There is also no dedicated person/s tasked with for the job of monitoring and enforcing financial reporting, accounting and auditing compliance of listed companies. RSEB has the power to issue warnings, suspend and cancel listings. However, there have been no suspensions or cancellations in the past. RSEB has very limited resources and plays a limited regulatory role.
44. **Financial Institutions Act and Prudential Regulations empowers the Financial Supervision Division of the RMA for monitoring, regulatory reporting and other compliances of financial institutions.** The financial institutions are required to provide all records and documents and any information necessary to enable the Financial Supervision Division to ascertain the overall financial condition of the institution. The Division is solely dedicated to on-site and off-site inspection of compliance with accounting and auditing requirements. The examining officers' report is submitted to the Board of Directors and executive management of the institution and is discussed at the following board meeting. The RMA issues and can revoke licenses, can issue cease and desist orders and fines, approves corporate control changes in the financial sector, and sets capital and other financial requirements.
45. **The 2002 Prudential Regulations contain some additional requirements for financial institutions.** The 1992 Financial Institutions Act (FIA) and the 2002 Prudential Regulations issued by the RMA require each financial institution to have an audit

²¹ Report on the Observance and Codes (ROSC) Corporate Governance Country Assessment, Bhutan, December 2006.

committee. The committee should include at least three members, at least one of whom is a director, appointed by shareholders. The committee is to oversee financial reporting, internal controls and internal audit, external audit and legal compliance. It is to have access to outside experts and should be notified by directors or the management of “any error or misstatement of which they become aware.” In practice, the existing audit committees are considered to be of limited effectiveness by the RMA.

46. **The Financial Institutions Act, 1992 requires the independent auditor to assist in accounting functions – tasks which are generally considered contradictory to the independence of the auditor.** These tasks include: (i) assist the financial institution in keeping adequate accounts and records of its operations and transactions in accordance with sound accounting principles (ii) to prepare in accordance with generally accepted auditing practices, an annual report on the balance sheet and profit and loss account of the financial institution and to deliver an opinion as to whether the financial statements of the financial institution adequately reflect the financial position of the financial institution and its solvency (iii) to inform the Board of Directors of the financial institution and the RMA of any irregularities or deficiencies observed in the operations, transactions, records or accounts of the financial institution, which could result in material losses for the financial institution or its customers. However, these provisions are generally not followed in practice.
47. **The RAA has the sole authority for empanelment of statutory auditors by inviting applications in prescribed format from audit firms and empanelling them for a period of three years based on their experience and the number of qualified accountants in the firm.** For companies owned or controlled by the Government, the RAA appoints the auditor and sets the fee for audit.
48. **As may be expected in a country with a small economy, shareholders have limited knowledge of what their rights are.** Enforcement is also limited by the low awareness of corporate governance. The law does explicitly allow shareholders to ask questions at the AGM of shareholders or add items to the agenda. In practice, shareholders can get the required information only from the corporate office or from the Registrar.

III. ACCOUNTING STANDARDS AS DESIGNED AND AS PRACTICED

49. **There are no national accounting standards in Bhutan.** The only accounting guidelines are the formats of financial statements prescribed by Schedule XIII of the Companies Act. The law, however, mandates that the auditors should report whether financial statements have been prepared in accordance with GAAP. But what constitutes GAAP has not been defined.
50. **Schedule XIII to the Companies Act of Bhutan, which specifies the contents and format of the balance sheet, the contents of the profit and loss account, and the format and content of the cash flow statement, suffers from several shortcomings.** There are certain areas where the existing Schedule XIII of the Companies Act is grossly inadequate, or not in accordance with international trends and requirements. This situation is further exacerbated with the overwhelming presence of Indian audit firms, which apply different accounting standards.
51. **Given the above scenario, Schedule XIII may be considered as outdated.** The Government has set up an Accounting & Auditing Standards Committee to assist in setting the Accounting and Auditing Standards Board. Given the special and highly technical nature of rules and principles for accounting, the established trend across the globe is of relegating this task to specialized standard setting institutions or bodies and providing the necessary enabling references in the legislation.
52. **There are significant differences observed in accounting standards applied vis-à-vis IFRS.** After studying the financial statements of 22 companies for the financial year 2006, we came to the conclusion that many of the accounting standards followed in practice are far different from IFRS norms. The study covered 10 listed companies, 10 non-listed companies including private companies, one banking company and one insurance company. (See Annexure 3 for examples).

IV. AUDITING STANDARDS AS DESIGNED AND AS PRACTICED

53. **By default, the Indian audit firms tend to follow standards prescribed by the ICAI.** The auditing standards prescribed by the ICAI²² are broadly in line with ISA. However, there still remain some differences. For example, ICAI has not issued an equivalent standard for the ISA-720, "Other Information in Documents Containing Audited Financial Statements." The Indian Auditing Standard, "Responsibilities of Joint Auditors," does not have an equivalent ISA. The Indian Standards on Audit Sampling, Management Representations, Planning and Quality Control for audit work have significant gaps that need to be aligned with corresponding ISAs.
54. **Actual practices diverge from ISA.** To better understand and assess actual auditing practices in Bhutan, the ROSC team obtained written responses to the ROSC (A&A) Diagnostic Tool-Part 4 from leading audit firms practicing in Bhutan, interviewed representatives of regulatory bodies and also facilitated discussions with senior practitioners and partners representing such firms. Significant differences exist with the international standards and best practices, which may be attributed to the lack of defined standards. Majority of the auditors use a traditional vouching-based audit approach focusing on transactions as opposed to the modern risk-based approach focusing on critical assertion. Auditors do not typically attend physical inventory count nor is the realizable value of inventories reviewed or assessed. Debtors/creditors and other sundry parties generally do not respond to confirmation requests in respect of receivables and payables. Detailed audit procedures for reviewing disclosures of related party transactions are not followed in view of the limited legal requirements for such disclosures. (For more references, see Annexure 4.).

V. PERCEPTION OF THE QUALITY OF FINANCIAL REPORTING

55. **Interviews and discussions with various stakeholders, regulators as well as our review of sample financial statements revealed serious concerns about the quality of financial reporting.** Since there are no national accounting standards and GAAP has not been defined, there is no uniformity in the accounting principles adopted by various companies. This has led to a high degree of opacity and incomparability of financial reports and performance records in Bhutan. Since all auditors are from India, companies mostly tend to adopt Indian accounting standards. In certain cases, the accounting principles applied are different from Indian principles whereas in other cases Indian standards have only been cherry-picked for application.
56. **There is a widespread view that the low-level of skills of accounting professionals and the lack of sanctions resulting from poor oversight and enforcement contribute to noncompliance with established statutory and regulatory reporting requirements.** Most stakeholders shared the opinion that improving the quality of financial reporting calls for a well developed accounting profession and the presence of a sufficient number of qualified professionals. It is also widely believed that more effective enforcement mechanisms are necessary to ensure better compliance with established reporting requirements.

²² Refer ROSC (A&A), India 2004

VI. POLICY RECOMMENDATIONS

57. The policy recommendations in this section are forged around the five pillars of corporate financial reporting. These five pillars are: (a) Statutory Framework (b) Accounting Profession and Ethics (c) Education and Training (d) Monitoring and Enforcement, and (e) Accounting and Auditing Standards. The design of the policy recommendations in this section have essentially followed a developmental approach and are guided by the following key postulates:
- It is Bhutan's aspiration and vision, as articulated in its 10FYP, that the private sector will grow significantly and become more dynamic. This provides a unique opportunity to establish a corporate financial reporting framework that is based on best international practices.
 - Establishing a robust corporate financial reporting regime will help to improve the business climate, thereby attracting increased domestic as well as foreign direct investment.
 - Given the growing importance of the MSMEs sub-sector²³ for ensuring equitable distribution of income and poverty reduction, these recommendations would help Bhutan in the development of institutional, legal and regulatory frameworks for MSMEs.
 - Building of in-country human resource capacity in accounting and auditing will perhaps be the most critical challenge for Bhutan. While the establishment of a professional accountancy body in Bhutan is seen as an important step in creating a profession of skilled accountants, this process may have to take an incremental approach. In keeping pace with the demand for accountants in Bhutan, the initial focus may have to be on developing a cadre of accounting technicians.
 - Bhutan may determine the pace and sequencing of reforms, essentially following a gradual process of improvement, with the public interest entities leading the reform process.
58. The following policy recommendations are based on a review of accounting and auditing practices in Bhutan. The recommendations take into account valuable inputs from various stakeholders in the country. The recommendations could prove useful in giving direction to the overall financial reporting architecture for Bhutan and in determining its shape and format. Prioritization of short and medium term goals and the sequencing of matching action plans within relevant time frames will need to be determined by Bhutan for the country as a whole.

²³ In most countries, Micro Enterprises and Small and Medium Enterprises are dealt with separately, as they face different challenges in the context of bank credit, corporate taxation, as well as low levels of private entrepreneurship. In Bhutan, however, this distinction is not considered significant as the challenges, by and large, remain the same. In fact, Bhutan's Tenth Five Year Plan document refers to Micro Enterprises and SMEs as one single sub-sector.

59. **As a matter of priority, the RGoB should establish a dedicated Accounting and Auditing Oversight Board as an independent standard setting and audit regulating body on the lines of UK's FRC.** This body should be set up with the following objectives: (a) setting, monitoring and enforcing accounting and auditing standards (b) regulating auditors²⁴ (c) conducting practice reviews of auditors on public interest entities (d) administering disciplinary action in the event that there has been misconduct by an auditor, and (e) reviewing published financial statements of public interest entities for compliance with standards on a proactive basis. The composition, functions and powers of the body responsible for monitoring and enforcing these requirements need to be configured in line with the emerging international trends to ensure independence and effectiveness in regulating general purpose financial reporting. The body should be empowered with oversight to assess whether the auditing profession is appropriately serving the interests of users of audited financial statements and of the wider public. It should adjust its scope of work in coordination with the monitoring and enforcement activities of other regulators, including the professional self regulatory organizations. Other regulators (RMA, RSEB) etc. could strengthen their capacities to complement the role of this body.
60. **Many of the above mentioned functions may well need to be initiated and undertaken by the AASB.** This is being established with technical assistance provided under the ADB-funded Financial Sector Development Project. This would essentially be a transitory mechanism for preparatory actions and may entail: (a) advising the RGoB in the definition of accounting and auditing standards and development of the implementation guidance (b) promoting the establishment of the Institute of Accountants and Auditors of Bhutan (IAAB), forging possible alliances with regional institutes, as required, and (c) assisting the RGoB in harmonizing the statutory and legal framework through rationalization of the Companies Act and other legislation. Over time, the AASB may transition into an independent Accounting and Auditing Oversight Board.
61. **The AASB should adopt the IFRS²⁵ in full for all listed companies and public interest entities.** Countries across the globe are gradually moving towards IFRS. Adoption of IFRS by Bhutan would lend wide international credibility and acceptance to Bhutan's corporate reporting framework and attract foreign capital through increased accountability and transparency. The current state of the accounting framework in Bhutan is all the more favorable for such adoption. Since Bhutan does not have any legally defined GAAP, the country would not have to go through the procedure of undoing processes and a relearning curve for making such a transition. Since adoption of IFRS entails specialized skill and resources, a transition period of four to five years, or more if required, must also be factored in to allow sufficient time to these companies to acquire and implement the necessary competencies for such compliance. AASB should issue implementation guidelines for standardized application of these standards.

²⁴ More by default than design, the Companies Act assigns a prominent role to the RAA in terms of regulating auditing in Bhutan. This function can well be discharged by the AASB, with RAA continuing to play a significant role in the audits of public enterprises.

²⁵ IFRS are standards and interpretations issued by the IASB. Many of the standards forming part of IFRS are known by the older name of IAS. IAS were issued between 1973 and 2001 by the board of the IASC. In April 2001, the IASB adopted all IAS and continued their development, calling the new standards IFRS.

62. **The RGoB, by way of separate legislation, should define MSME and public interest entities²⁶.** These are generally not companies which are banks and financial institutions, listed companies, Government companies with large turnover, companies, which have accepted significant public deposits or entities which are considered of public interest. Such public interest entities should first be defined and identified in the light of Bhutan's economic environment. The definition of such companies should be based on certain thresholds as deemed fit.
63. **For all other private entities, including medium and small enterprises the AASB should adopt the IFRS for Private Entities²⁷.** Because full IFRSs were designed to meet the needs of equity investors in companies in public capital markets, they cover a wide range of issues, contain a sizeable amount of implementation guidance and include disclosures appropriate for public companies. However, users of the financial statements of private entities do not have those needs, but are rather more focused on assessing shorter-term cash flows, liquidity and solvency. Also, many private entities say that full IFRSs impose a burden on them — a burden that has been growing as IFRSs have become more detailed and more countries have begun to use them. The IFRS for Private Entities are expressly designed to meet the financial reporting needs of entities that (a) do not have public accountability and (b) publish general purpose financial statements for external users. Examples of such external users include owners who are not involved in managing the business, existing and potential creditors, and credit rating agencies. The IFRS for Private Entities are derived from full IFRSs with appropriate modifications based on the needs of users of private entity financial statements and for cost-benefit considerations.
64. **AASB should fully adopt ISA and related IFAC pronouncements for audit of financial statements of all companies irrespective of their size.** The audit of financial statements of all companies should be carried out in accordance with ISA and other related pronouncements such as the International Auditing Practice Statements (IAPS), International Standards on Review Engagements (ISRE), International Standards on Quality Control (ISQC) and International Standards on Assurance Engagements (ISAE) issued by IFAC²⁸.

²⁶Public interest entities may be defined by the nature of their business, size and number of employees; or by their corporate status by virtue of their range of stakeholders. Examples may include listed companies, banks and similar financial institutions, insurance companies and large enterprises. The large enterprises may be defined as individual enterprises or groups of enterprises that may meet any two of the following three criteria: (a) total number of employees exceeding 50 (b) total assets on the balance sheet exceeding Nu.400 million, and (c) total turnover exceeding Nu.400 million.

²⁷The current due process step is Board re-deliberation of the proposals in the **Exposure Draft (ED) of an International Financial Reporting Standards for Small and Medium-sized Entities** (IFRS for SMEs) that was issued in February 2007. Please note that the IASB changed the name of the standard to **IFRS for Private Entities** in May 2008 as part of its re-deliberations.

²⁸IFAC is a global professional accountancy organization that serves to protect public interest by encouraging high quality practices by accountants across the world. Members of IFAC, which are primarily national professional accountancy bodies, globally represent about 2.5 million accountants employed in public practice, industry, Government and academics.

65. **Royal University of Bhutan should review the curriculum and teaching of commerce degree course in the university to ensure that practical application of IFRS and ISA and business ethics are included as elective subjects.** The present courses of the university or the Management Institute in Bhutan do not offer any education on external corporate accounting, auditing and the related laws, regulation and acts. These educational institutions should take immediate steps to review and introduce a degree course or program that would include international standards of accounting, auditing, corporate laws and taxation as main subjects. The curriculum should be practically oriented and supported as far as possible with case studies. Business ethics should also be covered extensively in such curriculum. The institutions should employ trained instructors with adequate knowledge of the practical dimensions of international accounting and auditing standards and professional ethics. Arrangements should also be made to facilitate development of in-house trainers in order to enhance the capacity of these educational institutions. Besides, the institutions should ensure that a minimum quality standard is maintained in teaching such accounting and auditing courses by frequently reviewing and updating the course curriculum.
66. **The RGoB should review and rationalize Schedule XIII of the Companies Act, including the role of the RAA in empanelment of auditors.** The Schedule XIII to the Companies Act of Bhutan, which specifies the contents and format of the balance sheet and the profit and loss account, and the format and content of the cash flow statement, suffers from several shortcomings. Matching the rapid changes in the world of commerce, accounting requirements have also been evolving pretty fast. But although the need may arise to amend accounting norms to keep up with the changes in the economic environment across the world, corresponding legislation cannot be changed as fast because this would entail amending the Act itself, which requires a long cycle of time. In a bid to overcome this problem, countries have moved to a regime where independent professional accounting standard setters, under a due process of oversight by relevant authorities, set accounting standards. This process is enabled by a legal provision laying out the process of standard setting rather than laying out the requirements of such standards themselves. Accordingly, Schedule XIII of the Companies Act should be removed from legislation and replaced with a simple provision enabling AASB to prescribe and amend from time to time the format, content and standards on measurement, presentation and disclosure of elements contained in the financial statements of various enterprises and the form and content of such financial statements themselves.
67. In the medium and long term, Bhutan will need to develop its own accountancy and audit profession. In order to build the domestic accounting capacity and to fill the long-standing vacuum of professional accountants in the country, there is a need to institute a professional accounting qualification in Bhutan. As the private sector evolves in Bhutan and the demand for domestic accounting and auditing professionals rises correspondingly, the priority would be to develop a cadre of accounting technicians by laying down a well-defined professional education curriculum, practical training requirements and qualifying examinations as minimum necessities. This can be followed in course of time with a certification program for obtaining the title of professional accountant or an auditing license. In order to successfully implement this, AASB will

need to play an active role in exploring opportunities to forge regional and international collaborations for establishing the professional education and certification process in Bhutan²⁹. Over time, this will allow Bhutan to establish its Institute of Chartered Accountants set up under Bhutanese law and managed by a Council with wide ranging membership, comprising of members and nominated Government representatives. The statutory functions of the Council will include enrolling students, regulating their education and training, conducting examinations, providing professional development, maintaining professional and ethical standards, and taking disciplinary action against erring members.

²⁹ The Accounting Standard Board of Nepal was formed by the Institute of Chartered Accountants of Nepal (ICAN), which was established under Nepal Chartered Accountants Act, 1997. An MOU on technical cooperation was signed with the Institute of Chartered Accountants of India in 1998 to assist Nepal in the process.

ANNEXURE 1

Scope of Audit as per the Companies Act, 2000

A range of wide and onerous duties are included in the scope of audit work as per Schedule XIV of the Companies Act 2000 as indicated below:

Part I of Schedule XIV on General Terms of Reference includes the following:

1. The scope of audit shall be,
 - a) Certification of Financial Statements
 - b) Proprietary audit
 - c) Performance audit
 - d) Management audit, and
 - e) Compliance audit

In addition to the above, auditors shall be responsible for assessing the strength and weaknesses in the accounting/internal controls system and frame the recommendations to improve it.

2. While conducting proprietary audit of a company, the following aspects shall be looked into and audit observations thereto shall be reported:
 - a) Whether the fund and property of the company has been used economically, efficiently and effectively and in the best interest of the company;
 - b) Cases of any:
 - i) Excessive/extravagant/unnecessary expenditure incurred
 - ii) Irregular expenditure and uses of property
 - iii) Embezzlement of fund
 - iv) Misuse of fund, inventory or property of the company; and
 - v) Whether the transactions comply with the rules and regulations of the Government.

Part II of Schedule XIV on Minimum Audit Examination and Reporting Requirements includes the following:

Every report made by an auditor under the Companies Act of the Kingdom of Bhutan in examining the accounts of the corporation shall contain, *inter alia*, the following:

For all manufacturing, mining or processing companies:

1. Whether the company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets; whether any material discrepancies were noticed on physical verification and, if so, whether the same have been properly dealt with in the books of accounts.
2. Whether any of the fixed assets were being revalued during the year; if so, the basis of revaluation should be indicated. The treatment for profit/loss on revaluation should be clearly indicated.
3. Whether physical verifications were conducted at reasonable intervals in respect of finished goods, stores, spare parts and raw materials.
4. Whether the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. If not, the inadequacies in such procedures should be reported.
5. Whether any material discrepancies were noticed on physical verification of stocks as compared to the book records, and if so, whether the same have been properly dealt with in the books of accounts.
6. Whether the auditors, on the basis of their examination of stocks, are satisfied that such valuation is fair and proper, in accordance with the normally accepted accounting principles. Whether the basis of valuation of stocks is the same as in the preceding year or if there is any deviation in the basis of valuation, has the effect of such deviation been stated?
7. Whether the rate of interest and the other terms and conditions of loans availed, if any, by the company secured or unsecured from companies, firms or other parties and/or from the companies under the same management are *prima facie* not prejudicial to the interest of the company.
8. Whether the rate of interest and other terms and conditions of loans granted, if any, secured or unsecured to other companies, firms or other parties and/or to the companies under the same management, are *prima facie* not prejudicial to the interest of the company.
9. Whether the parties to whom the loans or advances have been given by the company are repaying the principal amounts as stipulated and are also regular in payment of interest, and if not, whether reasonable steps have been taken by the company for recovery of the principal and the interest.
10. Whether the loans/advances granted to officers/staff are in keeping with the provisions of service rules. No excessive/frequent advances are granted and accumulation of large advances against a particular individual is avoided.
11. Whether the company has established an adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the company as well as to ensure adherence to the rules/regulations and system and procedures.

12. Whether there is a system of competitive bidding, commensurate with the size of the company and the nature of its business, for the purchase of goods and services including stores, raw materials, plant and machinery, equipment and other assets, and for the sale of goods and services.
13. Whether the transactions for purchases and sales of goods and services made in pursuance of contracts or arrangement entered into with the director(s) or any other party(ies) related to the director(s) or with company or firms in which the director(s) are directly or indirectly interested have been made at prices, which are reasonable and in line with the prevailing market prices for such goods or services or at prices at which the transactions for similar goods or services have been made with other parties. It should also be ensured that details of such transactions and amounts thereof are adequately disclosed in the financial statements.
14. If the auditors' examination reveals that the transactions entered into by the company wherein the directors are directly or indirectly interested are prejudicial to the interests of the other shareholders and the company, the details thereof together with the likely financial impact thereof should be reported.
15. Whether any unserviceable or damaged stores, raw materials or finished goods are determined, and whether provisions for loss, if any, have been made in the accounts.
16. Whether there is a reasonable system of ascertaining and identifying point of occurrence of breakage/damages of raw materials, packaging materials and finished products i.e. while in transit, during processing, during loading/unloading, in storage and during handling etc., so that responsibility could be fixed and compensation sought from those responsible.
17. Whether the company is maintaining reasonable records for production of finished goods, by-products and whether adequate physical safeguards exist to prevent unauthorized or irregular movement of goods from the company.
18. Whether the company is maintaining reasonable records for sales and disposal of realizable by-products and scraps where applicable.
19. Whether the company is regular in depositing taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authority and if not, the extent of arrears should be disclosed. Whether the provision for corporate tax is adequate and that necessary adjustments have been made to compute the amount of tax required under the Revised Taxation Policy, 1992.
20. Whether any undisputed amounts payable in respect of taxes, duties, royalties, provident funds and other statutory deductions were outstanding, as per the last day of the financial year concerned, and if so, the amounts of such outstanding dues.
21. Whether personal expenses have been charged to the company accounts; if so, the details thereof.
22. Whether the company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business, if applicable.
23. Whether quantitative reconciliation is carried out at least at the end of the accounting year in respect of all major items of inventories i.e. finished goods and raw materials.

24. Whether approval of the board/appropriate authority is obtained for writing off amounts due to material loss/discrepancies in physical/book balances of inventories including finished goods, raw materials, stores and spares.
25. Whether the company has a reasonable system of allocating man hours utilized for the respective jobs, commensurate with the size and nature of its business, if applicable.
26. Whether there is a reasonable system of authorization at proper levels, as well as an adequate system of internal control commensurate with the size of the company and nature of its business, on issue of stores and allocation of materials and labor to jobs.
27. Whether there is a reasonable system of price fixation taking into account the cost of production and market conditions.
28. Whether the credit sales policy is reasonable and proper credit rating of customers is carried out.
29. Whether the system of screening commission agents is adequate where sales are made through commission agents and that the agency commission structure is in keeping with the industry norms/market conditions. Whether the company has a system of evaluating performance of each agent on a periodic basis.
30. Whether there is a reasonable system for continuous follow-up with debtors and other parties for recovery of outstanding amounts. Also, whether age-wise analysis of outstanding amounts is carried out for management information and follow-up action.
31. Whether the management of liquid resources particularly cash/bank and short term deposits etc. are adequate and that excessive amounts are not lying idle in non-interest bearing accounts, and whether withdrawals of loan amounts are made after assessing the requirements of funds from time to time and no excess amounts are withdrawn leading to avoidable interest burden on the company.
32. Whether the activities carried out by the company are lawful and intra vires to the Articles of Incorporation of the company.
33. Whether the activities/investment decisions are made subject to the board's prior approval and investment in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
34. Whether the company has established an effective budgetary control system.
35. Whether in the case of manufacturing companies, where input-output relationship can be established and standard costing system is established, the variance analysis is being carried out in periodic intervals and corrective action is being taken if warranted.
36. The details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) by the company directly or indirectly are disclosed in the accounts.
37. Whether the directives of the boards have been complied with and if not, enumerate the non-compliance.

38. Whether the officials of the company have transmitted any price sensitive information, which are not made publicly available to their relatives/friends/associates or close persons, which would directly or indirectly benefit themselves.

For all Trading Companies:

1. All matters specified in the case of manufacturing, mining or processing companies shall apply to a trading company except matters relating to raw materials, labor, by-products etc., which are applicable only in respect of the audit of a manufacturing company.
2. Whether the value of damaged and slow moving goods have been determined, and if the value of such goods is significant, whether provisions were made for the loss.

For all Finance and Investment Companies:

1. All matters specified for manufacturing, mining or processing companies except those pertaining to manufacturing, activities and relative procurements, sales, marketing etc. functions, which are not relevant in a financing and investment company.
2. Whether adequate documents and records are maintained in case, where the company has granted loans and advances and that agreements have been drawn up and whether timely entries have been made therein.
3. Whether proper records of the transactions and contracts have been maintained and whether timely entries have been made therein if the company is dealing or trading in shares, securities and other investments.
4. Whether reasonable records are maintained for funds collected from depositors and for interest payment.
5. Whether the provisions are made for permanent diminution, if any, in the value of investment (shares).
6. Whether or not the financial institutions have complied with the requirements of the Financial Institutions Act, 1992 and any other applicable laws, rules and regulations and guidelines issued by the appropriate authorities.
7. Whether or not the requirements relating to provisioning for non-performing assets including loans and advances have been complied with.
8. Whether recognition of interest income in respect of non-performing assets have been deferred.
9. Whether assets hypothecated against loans and advances have been physically verified, properly valued, the mortgage deed executed and it is ensured that the assets are free of any prior lien or charges.
10. Whether or not the financial institutions have a system of monitoring of projects for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily.

11. Whether or not the disposal of assets taken over for repayment defaults etc. are made through open/sealed bids.
12. Whether or not proper analysis is carried out before re-phasing/rescheduling of loans are permitted and that re-phasing is not permitted in respect of non-performing loans.
13. Whether or not there is a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances.

For all other Service Sector Companies:

1. All matters specified for manufacturing, mining or processing companies except those pertaining to manufacturing activities and relative procurements functions etc., which are not relevant in a Service Sector Company.
2. Whether the company maintains a reasonable system of costing to ascertain the cost of its services and to enable it to make proper pricing decisions for its services.
3. Whether proper records are kept for inter unit transactions/services and arrangements are made for services with other agencies engaged in similar activities.
4. Whether proper agreements are executed and that the terms and conditions of leases are reasonable and the same are applied if machinery/equipment are acquired on lease or leased out to others.

For Computerized Accounting Environment:

1. Whether the organizational and system development controls and other internal controls are adequate, relative to size and nature of computer installations.
2. Whether adequate safeguard measures and back up facilities exist.
3. Whether back up facilities and disaster recovery measures include keeping files in different and remote locations.
4. Whether the operational controls are adequate to ensure correctness and validity of input data and output information.
5. Whether the measures to prevent unauthorized access over the computer installation and files are adequate.

General:

1. **Going concern problems:** In all the above cases, in addition to the various matters to be checked and reported, the Auditor's Report shall specify whether the company is healthy or is likely to become sick in the near future. Potential going concern problems shall be highlighted.
2. **Ratio Analysis:** Auditors should carry out such analysis including ratio analysis so as to determine the financial health and profitability of the enterprise. Ratio analysis should also ascertain the impact of Government subsidy (in case or in kind) or any other forms of benefits extended by the Government on the profitability of the company. Where appropriate, comparison of the ratios with the industry norms should also be carried out. A separate chapter should be devoted, under the head financial and operational resume in respect of each audited entity. Graphic presentation of the important performance indicators and financial highlights should be made.
3. **Compliance with the Companies Act of the kingdom of Bhutan:** Auditors should in their report clearly indicate as to whether the companies have complied with the various provisions of the Companies Act of the Kingdom of Bhutan concerning conducting of meetings, filing requirements, maintenance of records, issue of shares, raising of loans and all other matters specified in the said Act.
4. **Adherence to Laws, Rules and Regulations:** Auditors should also report as to whether the companies have been complying with the applicable laws, rules and regulations, systems, procedures and practices.

Reporting:

1. Auditor's Report shall consist of:
 - i) Audited financial statements and auditors' report thereon. Notes to accounts and significant accounting policies shall form an integral part of the accounts.
 - ii) Auditors' observations and recommendations on the accounts, internal control system and operations of the company including Financial and Operational Resume for the current year.*
 - iii) Follow-up report on the current status of the recommendations of the earlier year.*

*Comments of the management should be duly incorporated in the report.

2. In respect of Government/Government controlled companies, the following shall also apply:

In addition to these reports, the auditors should also enclose an authenticated list of outstanding advances availed by the officials and employees of the Government/Government-controlled companies and Financial Institutions including advances given to the officials of other Government agencies. Such advances should not include loans availed by the employees in the normal course of business which are subject to recovery through set procedures. The details should indicate the voucher number and date of loan, amount paid, amount adjusted and details of adjustment, balance outstanding and period since the amount is overdue for adjustment/refund.

ANNEXURE 2

Inadequacies in Schedule XIII of the Companies Act

Listed below are some areas where the existing Schedule XIII of the Companies Act is grossly inadequate, or not in accordance with international trends and requirements:

1. Schedule XIII does not prescribe any format for the profit and loss account.
2. The Schedule requires disclosure of inventory, consumption and such other information. But this kind of information is not required under any other framework. It also does not provide any meaningful insight to the users of the financial statements. Moreover, this requirement is fraught with the risk of disclosure of confidential data to competitors. The need for such disclosures should be done away with.
3. The Schedule does not mandate disclosure of accounting policies. This requirement becomes applicable through the Indian Accounting Standard, since Indian Standards are generally applied at the behest of auditors from India.
4. Schedule XIII does not mandate any disclosure for leases. It is left to the application of the Indian Accounting Standard on Leases to do so in this matter.
5. The Schedule does not mandate disclosure of Basic and diluted EPS. It is the Indian Accounting Standard on EPS which warrants such disclosure.
6. The Schedule does not mandate disclosure of deferred taxes. It is the Indian Accounting Standard for Taxes which mandates disclosure and lays down the principles and measurement and recognition norms in this respect.
7. The Schedule does not mandate accounting for recognizing impairment losses.
8. Schedule XIII A does not mandate disclosures regarding intangibles, although Schedule XIII B format for the Cash Flow Statement does.
9. Schedule XIII A does not mandate disclosures of derivatives and potential losses thereon, other than cash flow disclosures required by Schedule XIII B.

ANNEXURE 3

Key differences between accounting standards as per the Companies Act and IAS

Examples of some of such differences found in the review of financial statements include the following:

1. **Presentation of Financial Statement:** Certain disclosure requirements of IFRS have not been adopted by most of the companies. For example, none of the companies has presented the Statement of Changes in Equity or a Statement of Recognized Gains & Losses as required by IAS 1.
2. **Inventory:** Most companies have different accounting policies on inventory valuation as compared to IAS 2 for valuation and disclosure of inventories at lower of cost or net realizable value. In most cases, the inventory has been valued either at cost or at weighted average cost, irrespective of higher or lower net realizable value.
3. **Classification of cash flow activities:** The classification requirements of cash flows as per IAS 7.10 and the definitions of different business activities as per IAS 7.6 have not been adopted by most companies. In some cases, cash flows have been disclosed under the head "Returns on investments and servicing of Finance" instead of the head "Cash Flows from Investing Activities." In some cases, cash flows from Taxation and Capital Expenditures have been separately disclosed instead of showing them as part of Operating and Investing Activities respectively.
4. **Prior Period Errors:** Most of the companies reviewed have not adopted the accounting treatment for prior period errors prescribed by IAS 8.42. For example, some companies have charged prior period errors in the current period income statement instead of retrospective correction and adjustment with opening balance of retained earnings and restating comparative information.
5. **Issuance of Financial Statement:** There is no practice of disclosing the date of authorization for issue of financial statements which has been mandated by IAS 8.49.
6. **Deferred Tax:** Most of the companies do not measure or recognize deferred tax.
7. **Segment reporting:** Although some of the companies have disclosed segment reporting as a significant accounting policy yet most of the companies have not actually disclosed segment wise information.
8. **Impairment of assets:** The significant accounting policies of most of the companies do not include any policy on accounting for impairment of assets. Impairment testing at year-end has also been disregarded by most of the companies.
9. **Depreciation:** The tendency to follow the Income Tax rate for the computation of depreciation has been observed in most of the cases irrespective of the rate based on the estimated useful life of the assets. Such a practice is not in line with IAS 16.50

10. **Lease Accounting:** In most of the cases, it has been observed that accounting policies do not distinguish between different types of leases i.e. operating and finance leases. Thus, disclosure provisions as per IAS 17 have not been adopted in most of the cases.
11. **Revenue:** Very few companies have clearly specified their revenue recognition policy. The disclosure requirements of IAS 18 have not been followed in most of the cases.
12. **Employee Benefits:** The disclosure requirements as per IAS 19 have not been followed by most of the companies. For example, the computation of defined benefit liability has not been disclosed by any company.
13. **Foreign Exchange Transactions:** The requirements of IFRS regarding conversion of the financial statement to reporting currency, using the closing rate for balance sheet items and average rate for income statement items, have not been followed by some of the companies. Some companies have accounted for the foreign exchange gain/loss on realization basis.
14. **Related Party Disclosures:** Most of the companies have disregarded the adoption of the requirements of IAS 24 relating to related party disclosures. Some companies have only disclosed the payments made to their management personnel without specifying the same as related party transactions.
15. **Disclosures specific to Banks:** None of the banking companies reviewed by us has followed the disclosure norms of IAS 30 relating to fair values of financial assets and liabilities, contingent liabilities and commitments, analysis of assets and liabilities based on maturity, net foreign currency exposures, etc.
16. **Earnings Per Share:** None of the listed companies has completely adopted the provisions of IAS 33 relating to earnings per share.
17. **Financial Instruments:** Accounting policies relating to recognition and measurement of financial instruments have not been specified by most of the companies. The disclosure norms of IFRS 7 have also not been applied by most of the companies.
18. **Insurance Liabilities:** The insurance company reviewed has not applied the liability adequacy test as required by IFRS 4 for its recognized insurance liabilities.

ANNEXURE 4

Key differences between auditing practice and ISA

The following differences in the auditing practice vis-à-vis ISA have been noted in the review of the audit reports:

1. Generally, audit is commenced after the end of the financial year and auditors do not attend physical inventory counting. Certificates confirming physical existence of inventories are relied upon.
2. Realizable value of inventories is not reviewed or assessed in most cases. Many companies have different accounting policies on inventory valuation rather than valuation and disclosure of inventories at lower of cost or net realizable value. Often, inventory is valued either at cost or at weighted average cost irrespective of higher or lower net realizable value.
3. Confirmations of receivables and payables are often not obtained from debtors/creditors and other sundry parties even in respect of material balances.
4. Reporting of segment information is not mandated by the Companies Act/other regulations and, hence, segment information is not furnished and consequently not audited for all the audited companies.
5. There is no requirement in the Companies Act of the Kingdom of Bhutan or under Indian Generally Accepted Auditing Standards for Fair Value Measurements and Disclosures. Hence, Fair Value Measurements and Disclosures are neither made nor audited.
6. Very few companies have introduced an effective internal auditing system in Bhutan. Hence, it is difficult for the statutory auditor to effectively leverage the work of the internal auditor for the purpose of statutory audit.
7. Branch audits or joint audits are yet to be introduced in Bhutan in actual practice. Hence, the statutory auditor does not have any scope of leveraging the work of another auditor.

Assessments and discussions also revealed the following important concerns regarding the quality of audits of many large and medium enterprises in the country:

1. Majority of the auditors use a traditional vouching-based audit approach focusing on transactions as opposed to the modern risk-based approach focusing on critical assertions.
2. There is a need for increased audit supervision by audit partners and senior staff, which would lead to improving uniform application of auditing standards.
3. Most of the audit firms practicing in Bhutan do not have a separate technical department or the system of appointing a quality control reviewer from within the firm to independently review the work performed by the engagement team, even in respect of audits of listed entities.
4. All audit firms do not have a policy for dealing with and resolving differences of opinion which might arise within the engagement team, with those consulted, and, where applicable, between the engagement partner and the engagement quality control reviewer.
5. Audit staff with expertise in information technology is seldom present on the engagement team, which considerably restricts the ability of the team to analyze and test the processes and controls around the technical environment of the audited companies.

ANNEXURE 5

List of Registered Companies in Bhutan, 2008

S. No.	Name of the company	Location	Registration No.	Date of Registration
1	Bhutan Polythene Company Limited	Phuentsholing	1	27-Dec-90
2	Penden Cement Authority Limited	Gomtu	2	27-Dec-90
3	Bhutan Development Finance Corporation Limited	Thimphu	4	27-Dec-90
4	Natural Resource Development Corporation Limited	Thimphu	5	27-Dec-90
5	Bhutan Board Products Limited	Phuentsholing	7	27-Dec-90
6	Bhutan Engineering Company Private Limited	Phuentsholing	9	27-Dec-90
7	Bhutan Carbide and Chemical Limited	Phuentsholing	10	27-Dec-90
8	Bhutan Ferro Alloys Limited	Phuentsholing	11	27-Dec-90
9	Bhutan Fruits Products Private Limited	Samtse	12	29-Mar-91
10	Druk Air Corporation Limited	Paro	15	16-Apr-91
11	Bank of Bhutan Limited	Phuentsholing	16	01-May-91
12	Royal insurance Corporation of Bhutan Limited	Phuentsholing	18	11-Oct-91
13	Bhutan Agro Industries Limited	Thimphu	20	24-Oct-91
14	Bhutan Tourism Corporation Limited	Thimphu	25	22-Apr-92
15	Food Corporation of Bhutan Limited	Phuentsholing	27	08-Jul-92
16	Wood Craft Centre Limited	Thimphu	34	30-Nov-92
17	Druk Mining Limited	Phuentsholing	42	
18	Royal Securities Exchange of Bhutan Limited	Thimphu	46	18-Aug-93
19	Druk Securities Limited	Thimphu	52	02-Sep-93
20	BNB Securities Limited	Thimphu	54	12-Oct-93
21	Druk Stair Corporation Limited	Samdrupjongkhar	56	14-Oct-93
22	Army Welfare Project Limited	Phuentsholing	61	18-Nov-93
23	BOB Securities Limited	Phuentsholing	62	08-Dec-93
24	RICB Securities Limited	Phuentsholing	63	08-Dec-93
25	H&K Company Private Limited	Phuentsholing	64	27-Dec-93
26	Bhutan Dairy & Agro Products Limited	Phuentsholing	65	27-Dec-93
27	Drunk Petroleum Corporation Limited	Phuentsholing	67	25-Jan-94
28	RSA Private Limited	Phuentsholing	84	09-May-95
29	International Treks and Tours Limited	Thimphu	85	25-Jul-95
30	Kuensel Corporation Limited	Thimphu	87	16-Aug-95
31	Druk Cement Company Private Limited	Phuentsholing	90	30-Oct-95
32	State Trading Corporation of Bhutan Limited	Phuentsholing	91	05-Mar-95
33	Bhutan Broadcasting Service Corporation Limited	Thimphu	94	01-Aug-96
34	Bhutan National Bank Limited	Thimphu	96	02-Sep-96
35	Bhutan Postal Corporation Limited	Thimphu	97	25-Oct-96
36	Green Wood Manufacturing Corporation Limited	Phuentsholing	104	28-Apr-97
37	Alpine Builders Private Limited	Thimphu	106	
38	Bhutan Polymers Company Limited	Gomtu	107	12-Jun-97
39	Bhutan Board Exports Limited	Phuentsholing	109	03-Jul-97
40	Bhutan Chemicals & Industries Limited	Samdrupjongkhar	111	21-Jul-97
41	Royal Society for the Protection of Nature Limited	Thimphu	114	29-Oct-97
42	Bumthang Brewery Limited	Bumthang	117	29-May-98

43	Pelijorkhang Private Limited	Thimphu	126	09-Aug-99
44	Singye Group of Companies Private Limited	Thimphu	132	08-Jun-01
45	RSA Poly Products Private Limited	Phuentsholing	134	15-Aug-01
46	Bhutan Resorts Private Limited	Thimphu	135	27-Aug-01
47	Bhutan Eco-Venture Limited	Thimphu	138	06-Nov-01
48	Bhutan Telecom Limited	Thimphu	140	26-Mar-02
49	Bhutan Steel Industries Limited	Phuentsholing	141	27-Mar-02
50	Bhutan Power Corporation Limited	Thimphu	145	21-Aug-92
51	Druk Plaster & Chemical Limited	Samdrupjongkhar	149	03-Jan-01
52	Bhutan Metals Private Limited	Phuentsholing	150	23-Oct-03
53	SD Eastern Bhutan Ferro Silicon Private Limited	Samdrupjongkhar	151	05-May-04
54	Bhutan Brewery Private Limited	Phuentsholing	152	07-May-04
55	Druk Wang Alloys Limited	Phuentsholing	153	14-Jul-04
56	Yarkay Group Private Limited	Phuentsholing	154	20-Sep-04
57	Kenpa Private Limited	Phuentsholing	155	26-Oct-04
58	Yarab Private Limited	Phuentsholing	156	03-Nov-04
59	SD Eastern Bhutan Coal company Limited	Samdrupjongkhar	157	30-Nov-04
60	Samphell Norbu Products Private Limited	Phuentsholing	158	02-Dec-04
61	Druk Packaging & Industries Private Limited	Phuentsholing	159	10-Dec-04
62	Samden Tech Private Limited	Thimphu	161	19-Jan-05
63	Druk Ferro Alloys Limited	Phuentsholing	162	15-Mar-05
64	Rangshar Industries Private Limited	Phuentsholing	163	16-Mar-05
65	Bhutan Cable Industries Private Limited	Phuentsholing	164	31-Mar-05
66	Kimpex Private Limited	Phuentsholing	165	05-Apr-05
67	Jigme Mining Corporation Limited	Gomtu	166	03-Jun-05
68	Jigme Polytex Private Limited	Gomtu	167	03-Jun-05
69	Jigme Industries Private Limited	Gomtu	168	23-Jun-05
70	Tashi Metals & Alloys Private Limited	Phuentsholing	169	29-Jun-05
71	Megha Private Limited	Phuentsholing	170	28-Jul-05
72	Zindra Industries Private Limited	Phuentsholing	171	01-Sep-05
73	Bhutan Business Solution Private Limited	Thimphu	172	29-Nov-05
74	Bhutan Rolling mills Private Limited	Phuentsholing	173	09-Dec-05
75	Sonam Yangchuk Private Limited	Phuentsholing	174	24-Feb-05
76	United Cable TV Private Limited	Thimphu	175	13-Mar-06
77	Bhutan Health Food Private Limited	Phuentsholing	176	20-Apr-06
78	Ugen Ferro Alloys Private Limited	Phuentsholing	177	24-May-06
79	G4S Security Services (Bhutan) Private Limited	Thimphu	179	14-Jul-06
80	K.K. Steel Private Limited	Phuentsholing	180	27-Jul-06
81	DSB Enterprises Private Limited	Thimphu	181	28-Jul-06
82	Bhutan Ferro Industries Limited	Phuentsholing	182	31-Jul-06
83	Tashi Dawa Associates Private Limited	Thimphu	183	01-Aug-06
84	Lhaki Steel & Rolling Private Limited	Phuentsholing	184	26-Sep-06
85	Bhutan Concast Private Limited	Phuentsholing	185	20-Nov-06
86	Bhutan Times Limited	Thimphu	186	07-Dec-06
87	TST System Private Limited	Phuentsholing	187	28-Dec-06
88	Dralha & R.P Stell Company Private Limited	Phuentsholing	188	29-Dec-06
89	Bhutan Bricks Private Limited	Phuentsholing	189	03-Jan-07
90	United Industries Private Limited	Thimphu	190	22-Jan-07
91	Tashi Infocom Limited	Thimphu	191	23-Oct-07

92	Shingkar Private Limited	Thimphu	192	22-Feb-07
93	Quality Gases Private Limited	Phuentsholing	193	29-Mar-07
94	Saint Gobain Ceramic Material Bhutan Private Limited	Phuentsholing	194	29-May-07
95	Bhutan Observer Private Limited	Thimphu	195	03-Jul-07
96	Bhutan Pharmaceuticals Private Limited	Gomtu	196	12-Sep-07
97	Tashi Beverages Limited	Phuentsholing	197	24-Oct-07
98	Druk Holding & Investment Limited	Thimphu	198	16-Nov-07
99	Bhutan Engineering Power Company Private Limited	Thimphu	199	07-Dec-07
100	Sherab Institute of Learning Private Limited	Phuentsholing	200	19-Dec-07
101	Druk Green Power Corporation Limited	Thimphu	201	24-Dec-07
102	Met Trade Bhutan Limited	Phuentsholing	202	07-Feb-08
103	Sherab Reldri Services Private Limited	Phuentsholing	203	26-Feb-08
104	East West Company Private Limited	Thimphu	204	03-Apr-08
105	Gyelsa Tewa Real Estate Limited	Thimphu	205	10-Apr-08
106	Bhutan Bitumen Industries Private Limited	Phuentsholing	206	22-Apr-08
107	Bhutan Silicon Metal Private Limited	Phuentsholing	207	29-Apr-08
108	Dagachu Hydro Power Corporation Limited	Thimphu	208	13-May-08
109	Kuen Gaa Higher Secondary School Private Limited	Paro	209	21-May-08
110	Bhutan Real Estate Private Limited	Thimphu	210	13-Jun-08
111	SKW- Tashi Metals Private Limited	Phuentsholing	211	01-Jul-08
112	New Edge System Technologies Private Limited	Thimphu	212	02-Jul-08
113	Norbu Bhutan Travel Private Limited	Thimphu	213	11-Aug-08
114	Nima Power Private Limited	Thimphu	214	12-Aug-08