

The Second Report of AASBB 2013 - 2015



Accounting and Auditing Standards Board of Bhutan

Responding to a Changing World

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Acronym



AASBB	Accounting and Auditing Standards Board of Bhutan
ASIs	Accounting Standards Interpretations
BAS	Bhutanese Accounting Standards
BFRS	Bhutanese Financial Reporting Standards
CA	Chartered Accountant
CEOs	Chief Executive Officers
CPA	Certified Practicing Accountant
EY	Ernst and Young
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAB	Institute of Chartered Accountants of Bhutan
ICAI	Institute of Chartered Accountants of India
ICASL	Institute of Chartered Accountants of Sri Lanka
IDF	International Development Fund
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
ISAs	International Standards on Auditing
MoF	Ministry of Finance
PAO	Professional Accountancy Organization
RAA	Royal Audit Authority
SAFA	South Asian Federation of Accountants
SMEs	Small and Medium-sized Entities
TNA	Training Need Assessment
TWC	Technical Working Committee

Report of the Chairman



It is with great pleasure the Accounting and Auditing Standards Board of Bhutan publishes the Second Report covering the period January 2013 to June 2015. This report highlights accomplishments made during those periods and also contains important activities undertaken during the period.

Until 2012, Bhutan did not have authoritative accounting standards and the entities were following undefined Generally Accepted Accounting Principles and in some cases the Indian Accounting Standards. The accounting principles and methods that were practiced lacked uniform and consistent application and the disclosures in financial reports were not adequate there by impairing the quality and reliability of financial reports. As the country diversified its economic activities with increasing global dimension, pressures were built gradually and systematically from within and outside the country to ensure high quality financial reporting besides establishing and improving professional accounting and regulatory environment.

The AASBB is committed to ensure high quality financial reporting through issuance of accounting and auditing standards consistent with international standards and also institute and contribute towards establishing appropriate financial reporting and regulatory environment including accountancy education and profession. In absence of a Professional Accountancy Organization, Bhutan neither has facilities for professional accountancy education nor have a regulatory body to monitor and regulate the accounting profession. The AASBB has accomplished many important works pertaining to issuance of accounting standards, facilitating and monitoring implementation of the standards, adoption of International Standards on Auditing, establishment of a PAO and drafting of Bills.

The decision of the AASBB and the Royal Government in early 2012 to adopt International Financial Reporting Standards in a phased manner and be fully IFRS compliant by 2021 was certainly a wise and bold step. There have been overwhelming response and positive feedbacks from entities and progress made so far to implement Bhutanese Accounting Standards Phase I has been indeed very encouraging. To facilitate early adoption of the standards, the AASBB has issued all the remaining Phase II and Phase III standards including updates along with the relevant accounting standards interpretations in June 2015. This second edition contains a total of forty three accounting standards to be implemented in Phase I, Phase II and Phase III until 2021. The early application of the standards by the entities will bring unprecedented transformation in the financial reporting system ensuring high quality financial reports which lend to their credence and reliability.

Recognizing the importance for the establishment of a Professional Accountancy Organisation such as the Institute of Chartered Accountants of Bhutan to develop and promote accountancy education and profession as well as to regulate the accountancy profession, the AASBB has submitted a Proposal and draft Chartered Accountants Bill to the Ministry of Finance. The draft bill sets out objectives, governance and decision making structure, functions, duties, authority amongst other matters and contains many enabling provisions to ensure effective functioning of the Institute. The proposed Institute is expected to offer professional accountancy courses, specialist courses and other courses in the related field besides regulating its members.

The AASBB has also submitted the draft Accounting and Auditing Standards Bill to the Ministry of Finance in-line with the Resolution No. F(1) 5, b of the 14th Session of the National Council. The draft bill outlines the objectives and constitutions of the Board and committees, transitional arrangements, responsibilities and authorities and enabling provisions for the independent functioning of the Board supported by the Secretariat. It also seeks to stipulate

provisions on financing, accounting and auditing requirements. Upon enactment, the Act will legitimize the role of AASBB as a regulatory and standard setting body.

The AASBB continued to extend necessary support to the entities in the implementation of Bhutanese Accounting Standards and Bhutanese Accounting Standards for Small & Medium Entities. During the reporting period, the AASBB Secretariat has conducted three rounds of trainings on BAS and two rounds of trainings on BAS for SMEs besides diagnostic and handholding support to five companies. The refresher trainings were imparted mobilizing expert resource persons from India and Sri Lanka.

To address the implementation problems encountered by the entities, a help desk was set up at the AASBB Secretariat for two times of three days each from March to April 2015 to discuss and resolve interpretation and implementation issues on BAS. The Secretariat with the support of EY LLP, Kolkata (Consultants) has carried out diagnostic study of nine companies to ascertain the impact and status of implementation of BAS Phase I. This exercise was also targeted to ascertain the extent of support required during the preparation of a complete set of financial statements by the entities.

The AASBB after proper review of the existing auditing standards across the globe has considered adopting the International Standards on Auditing (ISAs) promulgated by the independent standards setting body- International Auditing and Assurance Standards Board under the International Federation of Accountants. Reinventing the wheel would have been time consuming, technically complex and a costly proposition. The ISAs are international auditing standards that are tried and tested. Adoption of ISAs is likely to contribute towards high quality financial reporting. A proposal for the adoption of ISAs was developed and submitted to the Ministry of Finance highlighting various options available and examining pros and cons of adoption of ISAs. The approval for the adoption

of ISAs was accorded by the Ministry of Finance and the AASBB will notify for implementation by statutory auditors effective for audit of accounting period ending 31st December 2015 and onwards.

The normal operating expenses of the AASBB was financed by the Royal Government of Bhutan through the budgetary support. The World Bank under the IDF Grant for Strengthening Public Financial Management in Bhutan has also financed some activities for the implementation of Bhutanese Accounting Standards Phase I and establishment of Professional Accountancy Organization.

As is the case with new initiatives, there will be challenges and difficulties in the implementation of BAS and ISAs. Next few years will be very crucial for the AASBB and entities implementing the BAS. The statutory audits will be conducted in line with the International Standards on Auditing effective for audit of accounting period ending 31st December 2015 and onwards. The AASBB is confident that with the level of support, co-operation and commitment rendered by our key stakeholders, there is no doubt that we can collectively sail together to achieve our noble objective.

This being my last Report as the Chairman of the AASBB, I take this privilege to express my sincere gratitude to the Royal Government for bestowing confidence on me and entrusting this important responsibility. I would also like to acknowledge the support and co-operation of Board, TWC members, officials of the AASBB Secretariat and stakeholders for their commitment and support which enabled us to reach thus far in our quest for excellence in financial reporting.

Date: July 2015
Thimphu

(Ugen Chewang)
Chairman

1. Accounting and Auditing Standards Board of Bhutan

The Accounting and Auditing Standards Board of Bhutan was established on 25th May 2010 in pursuant to the approval of the 69th session of the Lhengye Zhungtshog and the executive order issued by the Hon'ble Minister, Ministry of Finance.

1.1 Composition of AASBB

The composition of the Accounting and Auditing Standards Board of Bhutan is as follows:

Government Representatives

- i. Representative from Ministry of Finance
- ii. Representative from Ministry of Economic Affairs
- iii. Representative from Royal Audit Authority
- iv. Representative from Royal Monetary Authority

Others

- v. Member from Private Sector
- vi. Member from Corporate Sector
- vii. Member from Educational Institution
- viii. One senior and experienced professional accountant
- ix. One senior and experienced professional auditor

The Board Members



Dasho Ugen Chewang (Chairman) is the Auditor General of Bhutan. He did his Bachelor of Commerce from Punjab University, India in 1978 and completed Master in Business Administration (MBA) from Syracuse University, USA in the year 1985. Dasho Ugen Chewang began his career as an

auditor in 1979. He served in the Royal Audit Authority in various capacities from trainee officer, Assistant Audit Officer to the Deputy Auditor General. Dasho Ugen Chewang was promoted and transferred as the Director of the National Pension and Provident Fund Bureau in 2000. He introduced pension system in Bhutan for the first time. After serving in the NPPF for the last six years, Dasho Ugen Chewang was appointed as the 5th Auditor General of Royal Audit Authority of Bhutan under a Royal Decree.



Mr. Nim Dorji (Vice-Chairman) is the Joint Secretary of the Ministry of Finance. Mr. Nim Dorji started his career in the Department of Budget and Accounts, Ministry of Finance as trainee officer in January 1989. Since then, he has worked in various departments in different capacities for the period spanning almost 26 years. He served in Department of National Budget and Aid Co-ordination, Department of Aid and Debt Management, Sustainable Development Secretariat and Department of Public Accounts. In addition, he worked in Poverty Reduction and Economic Management (PREM), South Asia, World Bank, Washington DC, United States of America from September 2003 till August 2004.



Mr. Karma Tenzin (Member), Assistant Auditor General, RAA has BA Economics (Hons) from the Sherubtse College. He is a Chartered Certified Accountant from the Association of the Chartered Certified Accountants, United Kingdom.

He joined the Royal Audit Authority in 2000. He served in different capacities from being the Head of the Policy & Planning Division; the Assistant Auditor General of the Corporations and Financial Institutions Division to the member Secretary to the Audit Committee of the RAA during his tenure at the RAA.



Mr. Kinley Wangchuk (Member) is a Sr. Lecturer, Gaeddu College of Business Studies, has a Bachelor of Commerce (Hons) from Sherubtse College, Kanglung and Masters of Commerce (Accounting) from University of Sydney, Australia. He is a member of Chartered Institute of Purchasing and Supply of the United Kingdom. He is also a student member of the Association of the Chartered Certified Accountant of the United Kingdom. Presently he is a member of the RUB- University Programme Quality and Control Committee. Besides he was also a member of the Programme Board of Examiners from 2009-2013.



Mr. Kesang Wangdi (Member) is the Dy. Secretary at Bhutan Chamber of Commerce and Industry and has B. Com (Hons) from Sherubtse College, and MBA (International Business) from UTCC, Thailand. Prior to joining BCCI, he was the Head of Finance of the Penden Cement Authority (1995-2003). From 2003 onwards he is the Dy. Secretary of the BCCI. He is the Board Director for Royal Institute of Management and Bhutan Agro Ltd. He is also an Independent Director for Druk PNB Ltd. Apart from these, he is also member of the Independent Review Body of MoF and RMA.



Mr. Dungtu Drukpa (Member) is a Director (Operations Department) in National Pension and Provident Fund. He is a CA from the Institute of the Chartered Accountants, New Zealand. He began his career as Trainee Officer with the National Budget & Accounts, Ministry of Finance. He was the Chief Accounts Officer with the then Forestry Development Corporation, Chukha Hydro Power Corporation and then with the Ministry of Finance.



Mr. Karma Yeshey (Member) is the Registrar of Companies with Company Registry Division under Ministry of Economic Affairs for more than five years. He holds B.A LL.B (Honors) Degree from NALSAR University of Law, Hyderabad, India and diploma in National Laws from RIM, Thimphu. He has over five years of experience in Corporate Sector Regulation and prosecution of government cases as a senior Legal Officer with Ministry of Economic Affairs.



Ms. Tshering Dema (Member) is a Director, Financial Regulations and Supervision Division, Royal Monetary Authority of Bhutan. She has a Bachelor of Commerce (Hons) from Sherubtse College, Kanglung and Masters in PEPM-Program in Economic Policy and Management. She is involved in supervising and regulating the financial sector.



Mr. Ugyen Namgyal (Member) is the Director of the Finance and Investment Division with the Druk Green Power Corporation (DGPC). Prior to joining the DPGC, he served as the General Manager, Finance & IT Division of the then Bhutan Development Finance Corporation Ltd (BDFCL). He attended the Certified Practicing Accountant Program from CPA Australia, Melbourne, Australia. He holds a Bachelor of Commerce (Honors) from Sherubtse College, Kanglung and Bachelor of Business from the University of South Australia, Adelaide, South Australia.

1.2 Mission of AASBB

The mission of the AASBB is to promote high quality financial reporting and auditing standards that are consistent with international best practices through the development and implementation of Bhutanese Accounting Standards and International Standards on Auditing.

1.3 Objectives of AASBB

- To develop high quality, clear and enforceable BAS and ISAs.
- To harmonize BAS with International Accounting Standards/International Financial Reporting Standards.
- To recommend Bhutanese Accounting Standards and International Standards on Auditing for Government Approval.
- To promote the Bhutanese Accounting Standards and International Standards on Auditing by way of communication and education to all the stakeholders.
- To promote and support research in the area of financial reporting, in particular, for emerging Bhutanese markets.
- To harmonize the statutory and legal framework requirement on BAS and ISAs through the Companies Act of the Kingdom of Bhutan 2000 and other relevant legislations.

2. Technical Working Committee

To provide technical backstopping and to perform detail research or other works related to accounting and auditing standards, a Technical Working Committee (TWC) was instituted with appointment of eleven members.

The TWC members



Mr. Karma Tenzin (Chairman), Assistant Auditor General, RAA has BA Economics (Hons) from the Sherubtse College. He is a Chartered Certified Accountant from the Association of the Chartered Certified Accountants, United Kingdom.

He joined the Royal Audit Authority in 2000. He served in different capacities from being the Head of the Policy & Planning Division; the

Assistant Auditor General of the Corporations and Financial Institutions Division to the member Secretary to the Audit Committee of the RAA during his tenure at the RAA.



Mr. Dungtu Drukpa (Vice-Chairman) is a Director (Operations Department) in National Pension and Provident Fund. He is a CA from the Institute of the Chartered Accountants, New Zealand. He began his career as Trainee Officer with the National Budget & Accounts, Ministry of Finance. He was the Chief Accounts Officer with the then Forestry Development Corporation, Chukha Hydro Power Corporation and then with the Ministry of Finance.



Mr. Chencho Tshering Namgay (Member) is the Associate Director (Finance) at Druk Holdings & Investment Ltd. He holds a Masters degree in Business Administration. His expertise lies in cash flow management, valuation, raising finance from capital markets, financial modeling and fund management. He also worked in the areas of Project Management, Power System automation and optical fiber communication.



Mr. Kinley Wangchuk (Member) is a Sr. Lecturer, Gaeddu College of Business Studies, has a Bachelor of Commerce (Hons) from Sherubtse College, Kanglung and Masters of Commerce (Accounting) from University of Sydney, Australia. He is a member of Chartered Institute of Purchasing and Supply of the United Kingdom. He is also a student member of the Association of the Chartered Certified Accountant of the United Kingdom. Presently he is a member of the RUB- University Programme Quality and Control Committee. Besides he was also a member of the Programme Board of Examiners from 2009-2013.



Mr. Kesang Wangdi (Member) is the Dy. Secretary at Bhutan Chamber of Commerce and Industry and has B. Com (Hons) from Sherubtse College, and MBA (International Business) from UTCC, Thailand. Prior to joining BCCI, he was the Head of Finance of the Penden Cement Authority (1995-2003). From 2003 onwards he is the Dy. Secretary of the BCCI. He is the Board Director for Royal Institute of Management and Bhutan Agro Ltd. He is also an Independent Director for Druk PNB Ltd. Apart from these, he is also member of the Independent Review Body of MoF and RMA.



Mr. Sonam Dorji (Member) is the Executive Director at Royal Insurance Corporation of Bhutan. He has Bachelor of Commerce (Hons) from Sherubtse College, Kanglung and a member of CPA from Australia. He also has a Bachelor in Business with a major in accounts from the University of South Australia.

He was the key player and a decision maker in turning around the overall performance of the RICB beginning from 2008 till date.



Mr. Ugyen Namgyal (Member) is the Director (Finance and Investment Division) with the Druk Green Power Corporation (DGPC). Prior to joining the DPGC, he served as the General Manager, Finance & IT Division of the then Bhutan Development Finance Corporation Ltd (BDFCL). He attended the Certified Practicing Accountant Program from CPA Australia, Melbourne, Australia. He holds a B.Com (Honors) from Sherubtse College, Bhutan, and a Bachelor of Business from the University of South Australia, Adelaide, South Australia.



Mr. Norbu Dendup (Member) is a Dy. Chief Program Officer under the Public Enterprise Division of the Ministry of Finance. He is a CPA from Australia. He has B.Com (Hons) degree from Sherubtse College with additional BBA from the University of South Australia.

He is the Chairman of the Audit Committee and Board Member of the Bhutan Postal Corporation Ltd. He also served as the Board Member of the Bhutan Agro Industries Ltd.



Ms. Ugyen Choden (Member) is a Sr. Examining Officer at Royal Monetary Authority of Bhutan. She has Bachelor of Commerce (Hons) from Sherubtse College, Kanglung and PGD in Professional Accounting. She has been working in the financial regulation and supervision department under the Royal Monetary Authority of Bhutan for more than 10 years.



Mr. Tenzin Rabgay (Member) is a Finance Officer with the Royal Securities Exchange of Bhutan. He has Bachelor of Business Administration from Gaeddu College of Business Studies.

He has been working with the Royal Securities Exchange of Bhutan from 2011 as a Finance Officer.



Mr. Gyeltshen (Member) is the Collector at the Department of Revenue and Customs, Income Tax Department under the Ministry of Finance. He has B.Com (Hons) from Sherubtse College and Master in Public Finance from the National Graduate Institute for Policy Studies, Tokyo, Japan. He has 14 years of experience in income tax administration with adequate

practical knowledge and experience in tax auditing.

2.1 The roles and responsibilities

The roles and responsibilities of the Technical Working Committee are as follows:

- Formulation of BAS consistent with IAS/IFRS;
- Implementation of accounting and auditing standards;
- Reviewing the existing and emerging auditing practices and identifying and promoting best professional practices including quality control standards, standards on auditing practice statements, standards on review engagements etc;
- Reviewing and providing interpretations on the BAS and ISAs and recommend any changes to the AASBB;
- Preparatory works including workshops, seminars and training besides field study for impact assessment for adoption of ISAs and BAS consistent with IAS/IFRS;
- Responsible for all technical matters including preparation and issuing of BAS and adoption of ISAs;
- Drafting and publication of exposure drafts for public comment;
- Holding public consultations to discuss the BAS and ISAs;
- Establishing procedures for reviewing the comments within a reasonable period on the documents published for comment;
- Ensuring that the standard setting process is appropriate and responsive to the public interest;
- Assessing and advising the training needs of accounting and auditing professionals and arrange for imparting training to them on any new standards/pronouncements. Suggest to engage, if necessary, external experts for the training on the specific matters of importance for the audit and accounting profession;

- Seeking guidance from international standard-setters and national standards-setters in the region to encourage high quality standards and their adoption in Bhutan;
- Establishment of the Institute of Chartered Accountants of Bhutan and forge possible alliances with regional institutes;
- Formulating BAS applicable for SMEs consistent with IAS/IFRS for SMEs;
- Providing feedback and comments on issues related to Public Finance, Company Accounts and Audit etc;
- Establishing various sub-committees within the TWC for specific assignment; and
- Carry out any other works as assigned by the AASBB.

3. AASBB Secretariat

The main roles and responsibilities of General Secretary/ AASBB Secretariat are as follows:

- 1) Provide secretarial services to the Board and serve as Member Secretary to the Board.
- 2) Send notice of meetings in consultation with the Chairperson and make necessary arrangements for the meetings including finalization of the agenda, recording of the minutes and taking follow up actions as per the decision of the Board.
- 3) Carry out necessary activities to execute/implement the decisions of the Board and intimate periodically about the progress/outcome.
- 4) Carry out other works as the Board may desire and instruct.
- 5) Co-ordinate between the Board and outside agencies.

4. The Board Meeting

As mandated, the Board meetings are held every quarter and as and when required to address the critical issues of the AASBB. As of 30th June 2015, ten Board Meetings have been conducted from the inception of the AASBB. Upon relinquishing Mr. Bhanu B Chhetri erstwhile representative from professional auditor and Ms. Eden Dema the erstwhile representative from Royal Monetary Authority to the Board, Mr. Karma Tenzin, Assistant Auditor General and Ms. Tshering Dema, Director, Financial Regulation and Supervision Department, RMA were appointed as representative from professional auditor and Royal Monetary Authority.

5. Technical Working Committee Meeting

The TWC meetings are held as and when necessary since the committee is mandated to assist and advise the Board pertaining to technical matters. The first Chair of the TWC, Mr. Bhanu B. Chhetri, retired from civil service and the Board unanimously appointed Mr. Karma Tenzin as the Chair of the TWC during the 2nd Joint Meeting of the Board and the TWC held on August 21st, 2014. As of 30th June 2015, ten TWC Meetings were conducted from the inception of the AASBB.

6. Accomplishments

6.1 Issuance of Bhutanese Accounting Standards 2015

As per the directives of the Board, the AASBB Secretariat has worked on issuing BAS consistent with IFRS. A committee comprising of five groups of three members each from the AASBB secretariat and the Technical Working Committee was formed to further review and acquire better understanding of these standards from 24-28th November 2014 at the conference hall of the AASBB Secretariat. A total of 43 standards (including new standards issued by IASB as of January 2014) were issued

for implementation by the listed companies, financial institutions and state owned enterprises. The distribution of standards to the working committee is as follows:

Group	BAS/BFRS	Presenters
1	BAS 29, BAS 32, BAS 17, BFRS 1, BFRS 2, BFRS 9 & related ASIs	Mr. Karma Tenzin Mr. Kesang Wangdi Mr. Tshechu
2	BAS 19, BAS 26, BAS 39, BFRS 4, BFRS 11, BFRS 12 & related ASIs	Mr. Dungtu Drukpa Mr. Gyeltshen Mr. Lok Nath Dahal
3	BAS 41, BFRS 3, BFRS 7, BFRS 10, BFRS 15 & related ASIs	Mr. Sonam Dorji Mr. Kinzang Tobgay Ms. Ugyen Choden
4	BAS 27, BAS 28, BFRS 13, BFRS 14 & related ASIs	Mr. Kinley Wangchuk Mr. Norbu Dendup Mr. Sonam Wangdi
5	BAS 36, BAS 38, BAS 40, BFRS 5, BFRS 6 & related ASIs	Mr. Ugyen Namgyal Mr. Tenzin Rabgay Ms. Kinzang Wangmo

6.2 Proposal for Establishment of ICAB and draft CA Bill of Bhutan

There are three hundred and fifty (350) incorporated companies as of June 2015. These companies are required to implement either BAS or BAS for SMEs effective from January 2013 and January 2014 respectively. Implementation of these standards demand huge requirement of professional accountants which is lacking in the country. Furthermore, professional accountants are also required for statutory audits, accounting, internal auditing and other consultancy works besides requirement in MoF, RAA, colleges and university and other agencies. In the absence of a Professional Accounting Organisation and lack of adequate qualified accountants, most of these services including major consultancy services are outsourced to outside firms and individuals entailing outflow of resources, lost employment opportunities, non-development of accounting and auditing profession and related service sector.

The submission of proposal for the establishment of ICAB to the government has therefore become a priority in order to develop and promote accountancy education. The institute will facilitate to produce competent and professional accountants of high caliber, expertise and integrity required to work in the public interest and contribute towards nation building.

With the financial assistance from the World Bank under the IDF Grant for Strengthening Public Financial Management in Bhutan, a local consultant was appointed to work on the proposal for establishment of the Institute of Chartered Accountants of Bhutan and draft the Chartered Accountants Bill of Bhutan among others. The draft Bill was peer reviewed by the external consultant, Mr. Subodh Agrawal, past President of the Institute of Chartered Accountants of India.

The draft Bill contains mandates, powers and functions with important enabling provisions and also stipulates requirement to maintain very high level of professional and ethical standards to work in the public interest.

The Institute (ICAB) will develop, promote and regulate accountancy education and profession. It is also intended to protect the public interest by governing and regulating the practice of individuals and firms as Chartered Accountants. The institute will develop mechanism for registration, evaluation and examination in consonance with international norms and best practices. The institute will promote quality of financial reporting and auditing through participation in the standard setting process.

The AASBB has followed the due process in developing and finalizing the proposal and draft Bill that was submitted to the Ministry of Finance on February 5, 2015.

6.3 Accounting and Auditing Standards Bill

It is not unusual for the Government to establish standard setting body through enabling some provisions in Companies Act or other Acts. Some countries have

established such bodies through specific act, for example, Sri Lanka has established through enactment of Sri Lanka Accounting and Auditing Standard Act (No 15 of 1995).

Considering the inadequacies in the Public Finance Act and encompassing mandates of AASBB which include promulgation of accounting and auditing standards for corporations and financial institutions which may be beyond the scope of Public Finance Act, it seems more credible to have a separate Act for the AASBB. Questions are now being raised by some companies and financial institutions on legal mandate of the AASBB and for carrying out diagnostic study and handholding on BAS while the Terms of Reference of the AASBB requires to carry out research and impart training/hand holdings. The need to come up with the Accounting and Auditing Standards Act was felt necessary as the authority of the AASBB has been challenged by the implementing agencies.

Moreover, the National Council vide resolution F(1) 5(b) has directed the AASBB to legislate Accounting and Auditing Standard Act to legitimize the role of Accounting and Auditing Standard Board of Bhutan as a regulatory and accounting and auditing standard setting body.

As such, the Board resolved to draft the Accounting and Auditing Standards Bill and was submitted to the Ministry of Finance on 14th May 2015.

6.4 Visit to IFAC

All the accounting standards have been issued for implementation and the need for the simultaneous issuance of the auditing standards was highlighted by the visiting World Bank Consultant, Mr. Shamin Muhammad Adbolah Diouman, in April 2014. Therefore, the delegation led by the



Chairperson of AASBB visited the International Federation of the Accountants from 9-11th March 2015 to discuss on the procedures for adoption and issuance of International Standards on Auditing and development of Professional Accountancy Organization.

The outcome of the visit proved successful as the IFAC has granted exclusive rights to adopt and use ISAs as an authoritative auditing standard in Bhutan. With this arrangement, Bhutan has access to future updates and amendments to ISAs and other related pronouncements of the IFAC without any charges.

6.5 Meeting with the President of ICASL and SAFA President



The delegation led by the Chairman of AASBB visited the Institute of the Chartered Accountants of Sri Lanka in September 2014 to discuss on the procedures for establishment of Professional Accountancy Organization and to understand on

the implementation difficulties on International Financial Reporting Standards. Since, the ICASL is one of the members of IFAC, building institutional linkages with them will be an added advantage to design the CA Curriculum for ICAB. The ICASL has agreed to render necessary support in whatsoever means in the establishment of PAO and provide refresher trainings on BAS to the finance personnel of entities in Bhutan.

So far, a team lead by the President of ICASL & SAFA, Mr. Arjuna Herath was in Bhutan from 30th March 2015 to 3rd April 2015.

6.6 Training on BAS Phase I

As per the decision of the 2nd Joint Meeting of the Board and TWC held on 21st August 2014, the Training Need Assessment was carried out by the AASBB Secretariat. The purpose of the exercise is to ascertain the areas of training

requirements of corporate finance personnel on Bhutanese Accounting Standards. Based on the findings of the exercise, the training on BAS Phase I was imparted to the finance personnel of DHI owned and linked companies for five days from 14-18th October 2014 by EY LLP, Kolkata as per the requirement of the contract under “support to AASBB in implementing BAS Phase I”.

6.7 Training on BAS for SMEs

Two rounds of Trainings on BAS for SMEs as one-time training program to the key-accounts personnel of all the implementing companies was conducted from 11-13th June 2013 and 10-12th December 2013. The trainings were conducted by the officials from the Institute of the Chartered



Accountants of India on a pro-bono basis. They also trained about 156 participants on BAS Phase I. Due to the good feedback on the trainers from the participants of the BAS, and the cost effectiveness, they were again requested to train the participants on BAS for SMEs.

6.8 Workshop: Role of preparers, external auditors and regulators

Mr. Shamim Muhammad Abdolah Diouman, Consultant with the World Bank visited Bhutan in April 2014 to have the first-hand knowledge on the difficulties and challenges faced the companies mandated to comply with the Bhutanese Accounting Standards. Mr. Shamim again visited Bhutan from 2nd to 5th June 2014 to present the findings of the first mission.

On 3rd June 2014, Mr. Shamim conducted a day long workshop on the role of preparers/ external auditors/ regulators in financial auditing process. The workshop focused on the independence of external auditors, role of regulators to enforce BAS

and International Standards on Auditing and the role of audit committee members (if any). The preparedness of each of the companies in implementing the BAS Phase I and challenges faced by them were also discussed in depth.

6.9 Awareness meeting on BAS implementation

The AASBB has updated the selected CEOs and finance managers on the following:

1. The number of standards issued and yet to be issued vis-à-vis the dateline for the implementation of the standards and the possibility of the early adoption of the standards wherever applicable.
2. Of the 33 listed companies required to implement the issued accounting standards, only 18 companies have prepared the financial statements in line with BAS for the fiscal year 2013. But the compliance figure has increased from 2015 onwards as per the implementation progress compilation by the AASBB Secretariat ([Annexure 1](#))
3. The AASBB has facilitated in providing the training on BAS and BAS for SMEs.

6.10 Training on BAS Phase II and III by ICASL

During the institutional visit to the Institute of the Chartered Accountants of Sri Lanka, the CA Sri Lanka had agreed to extend their support on a pro bono basis in providing the training on BAS to Bhutan by fielding



their experts led by the President. After the finalization of the issuance of the Bhutanese Accounting Standards Phase II, III and the additional standards and based on the requirement of the listed companies, financial institutions and other

stakeholder, the training on these standards were conducted from March 30- April 3, 2015.

6.11 Diagnostic Study

A diagnostic study was carried out in nine companies¹ from September 2014 to January 2015. The objective of this exercise was to identify the differences between the standards currently followed and BAS, impact analysis (financial, processes, taxes and systems), identification of issues and policy choices.

6.12 Handholding Support

The objective of this exercise is to assist the companies to prepare the opening balances of the financial statements, outline complete checklist of the components of financial statements, measurement & disclosures etc. Of the nine (9) companies selected for carrying out diagnostic study, only the following five (5) companies were provided the handholding support in the preparation of the financial statements:

- i. Druk Punjab National Bank Limited;
- ii. Druk Wang Alloys Limited;
- iii. Druk Air Corporation Limited;
- iv. National Pension & Provident Fund Limited;
- v. Bhutan Board Products Limited.

The International Consultants along with the counterpart staff from the AASBB Secretariat and the concerned agencies worked together in the preparation of financial statements for the year ending 2014.

1. Druk Wang Alloys ltd, Bhutan Board Products Ltd, Natural Resources Development Corp. ltd, Druk Green Power Corp. Ltd, Druk Air Corp. Ltd, DHI Infra Ltd, Kuensel Corp ltd, National Pension and Provident Fund and Druk PNB.

6.13 Help-Desk

To address the BAS implementation problems, a help desk was organized by the AASBB Secretariat and the International Consultant, EY LLP, from 2-4th March 2015 and 7-9th April 2015. The help desk was set up to address the specific accounting issues encountering the entities. The team rendered services to eight entities during the first help desk followed by five entities during the second help desk. A total of about fifty clarifications on accounting were resolved besides corporate governance and system issues.

7. Way forward

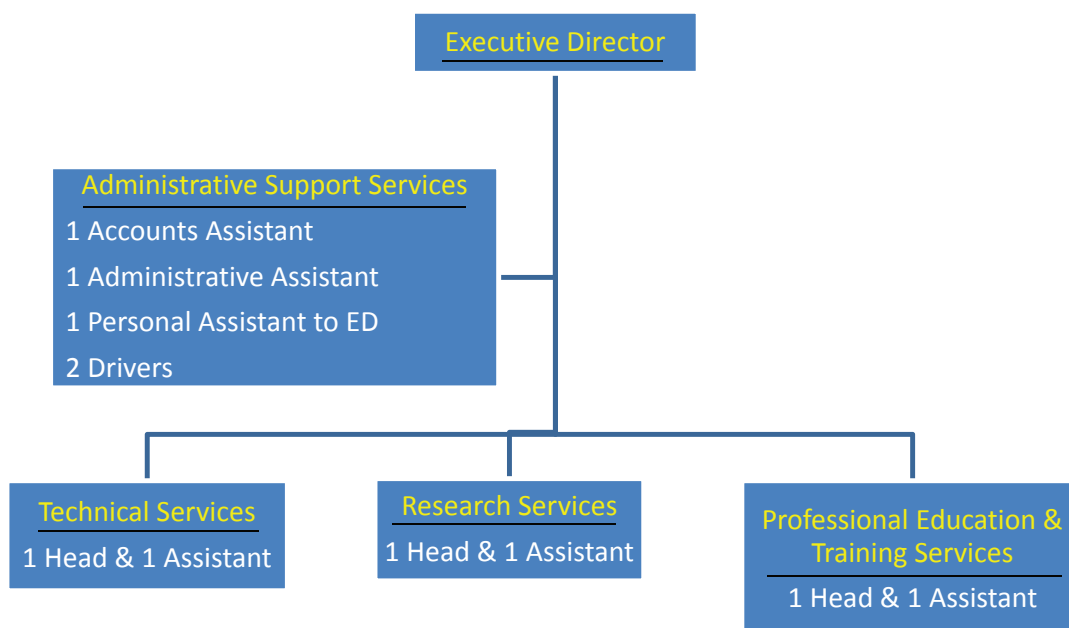
7.1 Structure of AASBB Secretariat

To facilitate effective and efficient functioning of the Board, a Secretariat was established within the MoF. As highlighted in the roles and responsibilities issued by the MoF, the Secretariat will be manned with the existing staff strength of the MoF headed by the General Secretary. The AASBB Secretariat has pipeline of activities to be completed as per the road map.

While the Board has independence over the standard setting process, its Secretariat shall receive requisite human resource and budgetary support from the Government for its operations until it is fully self sustainable.

The Secretariat is proposed to comprise of four services (Technical Services, Research Services, Professional Education and Training Services and Administration and Finance Services). The Technical Services, Research Services and Professional Education and Training Services will be headed by professional accountants respectively. Apart from discharging their functional responsibilities, they will support the General Secretary in discharging his/her roles and responsibilities as mandated above. The Proposed Structure and the Terms of Reference of each section is as under:

Executive Director	Head of Secretariat	01
Technical Services		
Chief Accounts Officer/Budget Officer	Head	01
Dy. Chief Accounts Officer/Budget Officer	Assistant Head	01
Research Services		
Chief Accounts Officer/Budget Officer	Head	01
Dy. Chief Accounts Officer/Budget Officer	Assistant Head	01
Profession Education & Training Services		
Chief Accounts Officer/Budget Officer	Head	01
Dy. Chief Accounts Officer/Budget Officer	Assistant Head	01
Administrative Support Services		
Accountant		01
Office Assistant and PA		02
Drivers		02



i. Research Services

Bhutanese Accounting Standards and International Standards on Auditing would need to be constantly reviewed and updated in line with changes in international arena. They will be engaged in research of the emerging issues and update standards to keep informed of the changes in the accounting and auditing. This service shall also assist the committee(s)² in carrying out study and preparatory works on agreed activities such as establishment of the Institute of Chartered Accountants of Bhutan, International Standards on Auditing, working on BAS Phase II and III etc.

This service shall carry out necessary due diligence and conduct field study for impact assessment before introduction of BAS and ISAs. They will prepare draft report and submit it to the Technical Service for further review and submission to Board for approval.

ii. Technical Services

The Technical Services will mainly focus on the review of the accounting and auditing standards forwarded by the Research Service in relation to the Exposure Drafts and inform the stakeholders of such changes and amendments made in the relevant standards. The service shall constantly keep abreast with the developments taking place in terms of latest systems and techniques and find ways and means to bring the practice to Bhutan after thorough analysis of its practicality in Bhutanese situation. They will develop implementation guidelines and provide interpretation on standards in consultation with other services.

² Sub-Committee formed with the approval of board to perform specific assignments

This service shall also assist the committees³ in discharging their responsibilities, especially in carrying out all the ground works on matters that would concern the committees.

iii. Professional Education and Training Services

The Professional Education and Training Services will look after the training aspects related to the Accounting and Auditing Standards. After the adoption of the standards, it would be necessary to impart continuous training to the stakeholders/implementers for effective and correct application of standards. This would require capacity building to constantly keep updated on the issued accounting and auditing standards.

This service shall liaison with the other educational institutions about the alignment of curriculum with Chartered accountancy course.

Amongst others, this service shall pursue the enrolment of in-service candidate to CPA program after successful assessment of their Masters Degree by the institute. The enrolment of B.Com graduates with prerequisite marks in ICAI will also be the mandate of this service as the ICAI has agreed to take in Bhutanese students to pursue CA programs in India until the PAO is established.

7.2 Planned Activities

The AASBB is mandated to carry out several activities as per the strategic plan adopted by the AASBB. The major activities to be carried out are outlined below:

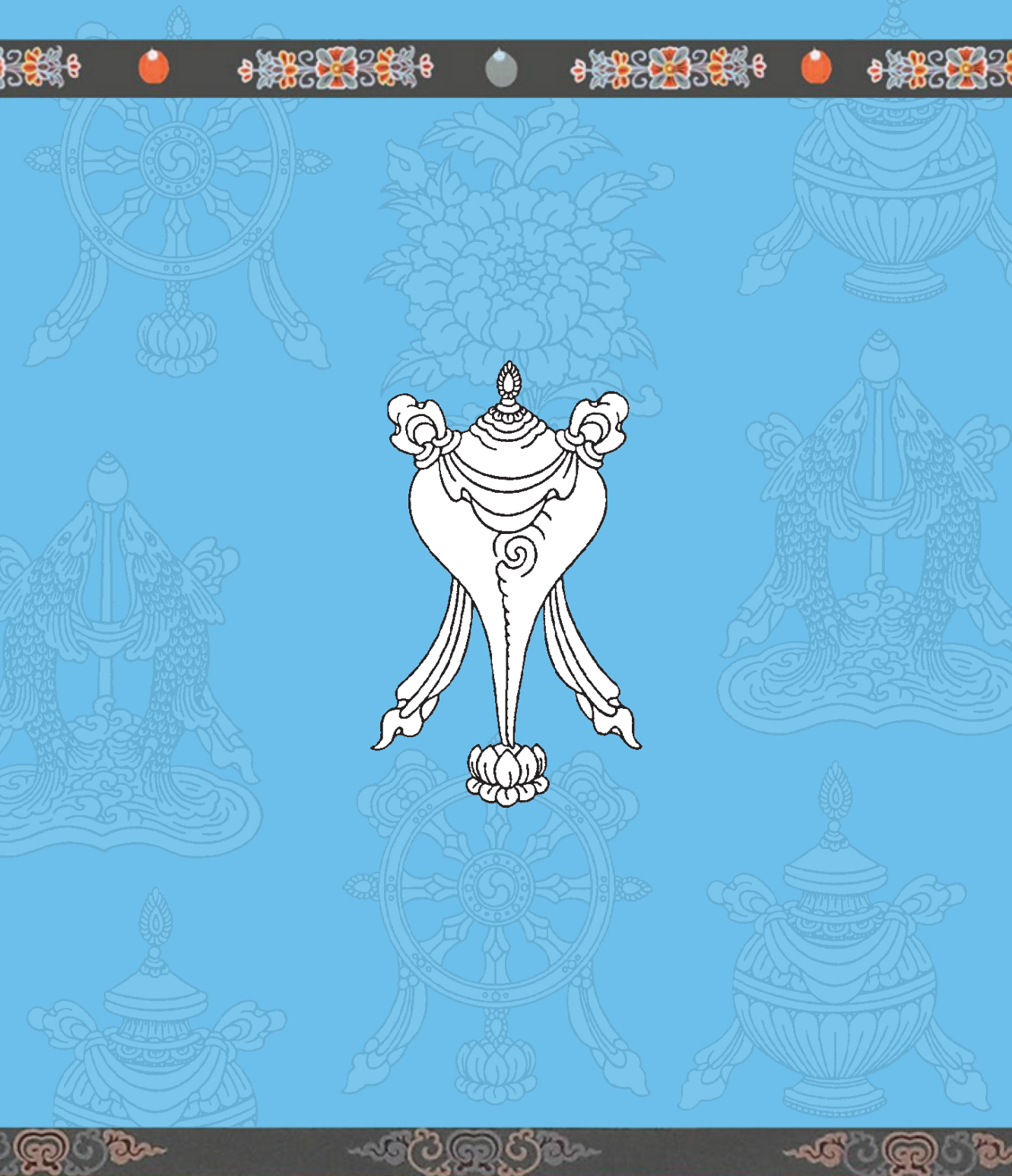
³ It is envisaged that in the future AASBB will have three committees viz Government Accounting Standards Committee, Auditing Standards Committee and Accounting Standards Committee.

Timeline and Action Steps	YEAR						
	2013	2014	2015	2016	2017	2018	2019
Implementation of Bhutanese Accounting Standards Phase I							
Commence enrolment of Bhutanese students in foreign institutes like CPA Australia							
Training and sensitization programs on BAS for SME							
Implementation of BAS for SMEs							
Preparatory works for adoption and implementation of Auditing Standards							
Implementation of Auditing Standards							
Establish Institute of Chartered Accountants of Bhutan							
Implementation of Bhutanese Accounting Standards Phase II							
Implementation of Bhutanese Accounting Standards Phase III							
Full compliance with IFRS							

Annexure 1–Status of companies complying BAS Phase I as of April 2015

SI	Name of Company	Remarks
1	Penden Cement Authority Ltd	<i>Not Implemented.</i> Fielded a Consultant to implement by 31/07/2015
2	Bhutan Development Bank Ltd	Fully implemented
3	Bhutan Board Products Ltd	Fully implemented
4	Bhutan Carbide & Chemicals Ltd	Fully implemented
5	Bhutan Ferro Alloys Ltd	Fully implemented
6	Bank of Bhutan Ltd	Fully implemented. Also early adopted: BAS 19 & BAS 38
7	Royal Insurance Corporation of Bhutan Ltd	Fully implemented
8	Bhutan Tourism Corporation Ltd	Fully implemented
9	Druk Satair Corporation Ltd	Fully implemented
10	Kuensel Corporation Ltd	Implemented BAS 1,7,12,16,20,23&37
11	State Trading Corporation of Bhutan Ltd	Fully implemented: BAS 7, 21,23,24,33
12	Bhutan National Bank Ltd	Fully implemented
13	Bhutan Polymers Company Ltd	Working to implement from 2015.
14	Druk Plaster & Chemicals Ltd	Fully implemented
15	Druk Wang Alloys Ltd	Fully implemented. Only component accounting of PPE is under process which will be done by 31.12.2015
16	SD Eastern Bhutan Coal Company Ltd	Fully implemented
17	Druk Ferro Alloys Ltd	<i>Not Implemented.</i> Fielded a Consultant to implement by June 2015.

18	Jigme Mining Corporation Ltd	<i>Not Implemented</i>
19	Bhutan Times Ltd	<i>Not Implemented</i>
20	Druk PNB Ltd	Fully implemented
21	Bhutan Insurance Ltd	Fully implemented
22	T Bank Ltd	<i>Not Implemented.</i> Fielded a Consultant to implement by May 2015.
23	Royal Monetary Authority	<i>Not implemented.</i> Hiring a consultant to implement from 2015.
24	National Pension and Provident Fund	Fully implemented BAS 7,10,18,20 & 37
25	Natural Resources Development Corporation Ltd.	All applicable standards implemented to the possible extent.
26	Druk Air Corporation Ltd	Fully implemented
27	Bhutan Telecom Ltd	Fully implemented
28	Bhutan Power Corporation Ltd	Fully implemented
29	Druk Holding & Investments Ltd	Fully implemented. Early adoption of BAS 19
30	Druk Green Corporation Ltd	Fully implemented
31	Dungsum Cement Corporation Ltd	Fully implemented
32	Dungsum Polymers Ltd	Fully implemented
33	DHI Infra Ltd	Fully implemented



*“Every individual must strive to be the principled. And individuals in positions of responsibility must even strive harder”
- H.M The King Jigme Khesar Namgyel Wangchuck*