

TERMS OF REFERENCE

1. Background

Bhutan did not have its own accounting and auditing standards for enforcement and compliance by the companies in Bhutan till 2012. Most of the financial statements prepared were either based on Indian Accounting Standards or unnamed GAAP, in absence of Bhutanese GAAP. Recognizing the need, the Royal Government of Bhutan approved establishment of the Accounting and Auditing Standards Board of Bhutan (AASBB) in 2010. After number of deliberations, the AASBB decided to adopt International Financial Reporting Standards (IFRS).

The Board, subsequently, signed copyright waiver agreement with IFRS Foundation to adopt IFRS in a phased manner (Phase I for 2013-2015; Phase II for 2016-2017 and Phase III for 2018-2019) aiming for full adoption and compliance by the year 2021. The standards, which will be called Bhutanese Accounting Standards (BAS) during the transition period until 2021, shall be released by the AASBB in three phases.

The 18 standards of BAS Phase I was issued for implementation from 1st January 2013. These standards were selected based on general nature of their application and simplicity. The BAS Phase II with another 8 standards in addition to standards of BAS Phase I was issued on 18th June 2015 with effective date for implementation from 1st January 2016. In order to encourage the company to implement the standards of the later phase, the Board has issued standards of all the phases in their BAS 2015 edition.

With the start of implementation period for last phased BAS (BAS Phase III), it is timely for AASBB to have received grant support for successful implementation of Bhutanese Accounting Standards and International Standards on Auditing. These funds will be spent to employ consultants to provide services as presented in the following pages.

2. Objective(s) of the Assignment

The main objectives of the consultants are:

- i) To carry out the review of BAS Phase I and II compliance; and
- ii) To identify the challenges involved in BAS I and II implementation including potential challenges for BAS III implementation
- iii) To provide recommendations to address the identified challenges
- iv) To build capacity of AASBB, TWC/Board, BAS applicable entities, auditors and tax officials.

3. Scope of Services, Tasks (Components) and Expected Deliverables

The work comprise mainly of following two scopes:

- i. Prepare a detailed Diagnostic report which includes:

- a. Compliance status for BAS I and II implementation ;
 - b. Analysis of the challenges/ required changes involved in all related aspects, i.e. processes, procedures, capacity, legal/ regulatory framework etc.;
 - c. Analysis of potential challenges/ required changes for BAS III implementation building on the above
 - d. Detail step by step recommendations to address all the identified challenges/ required changes.
- ii. Develop capacity of AASBB, BAS applicable entities, auditors and tax officials which includes:-
- a) Develop manuals/ guidelines/ templates/ checklists/ training program/ training materials as required
 - b) Conduct training of trainers for AASBB, TWC/Board, BAS applicable entities, RAA, empanelled auditors and tax officials as required.