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དམངས་ཁྲིམ་ཚོགས་ཚུང་།



**PARLIAMENT OF BHUTAN**  
**PUBLIC ACCOUNTS COMMITTEE**

**Report of the Public Accounts Committee**  
**to the Second Session of the**  
**Third Parliament**

(June 21 & 24, 2019)

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“As a developing country, we have limited resources. We must manage our available resources wisely, minimize waste, and ensure that all our resources are directed at improving the wellbeing of the people, and in fulfilling our national vision.”

- His Majesty the King's address to the nation during the 111th National Day, Samtse, 17 December, 2018

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## Membership

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<b>Deputy Chair:</b>	Honorable Choida Jamtsho, National Assembly Member for Nganglam Constituency
<b>Members:</b>	Honorable Dil Maya Rai, National Assembly Member for Tashichholing Constituency  Honorable Ganesh Ghimiray, National Assembly Member for Phuntsho-Pelri Constituency  Honorable Ugyen Tshering, National Council Member for Paro Dzongkhag
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## **Terms of Reference**

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The Public Accounts Committee (PAC) is mandated to review and report on the Annual Audit Report to Parliament for its consideration or any other reports presented by the Auditor General as enshrined in Article 25(6) of the Constitution of the Kingdom of Bhutan.

The functions of the committee as per the Rules of Procedures of PAC 2017 are to review and report to the Parliament on:

- The economy, efficiency, and effectiveness in the use of public resources in the implementation of policy rather than on the merits and demerits of the policy;
- Transparency and accountability in the resource allocation and its utilization;
- Various reports of the Auditor General the Committee chooses to review;
- The reports of the independent auditor on operations of the Royal Audit Authority;
- The accounts, financial statements and performances of public corporations, public companies and agencies in which public funds have been invested; and
- Such other accounts and reports as may be referred to the Committee by the Joint Sitting of the Parliament.

## Introduction

The Royal Audit Authority (RAA) tabled performance auditing reports on Revenue collection and management in Thromdes, Review of in-country travels, and IT Audit Report on core Banking Solution (TCS-BaNCS) in Bank of Bhutan Limited in the 11<sup>th</sup> Session of the Second Parliament and Preparedness for implementation of Sustainable Development Goals and Bhutan Chamber of Commerce and Industry in the first session of the third Parliament in January 2019. The PAC examined those reports to assess whether the relevant agencies took adequate actions on the recommendations made by the RAA.

As a part of its examinations process, the PAC invited responsible agencies and RAA for consultative meetings and conducted video conferencing with some agencies to facilitate real time discussion, clarification and way forward to address unresolved actions.

The report consists of:

**Part One: Review Report on Performance Audit Reports (as of April 30, 2019)**

- 1) Four Performance Audit Reports (PARs)
- 2) PAC's Observations and Recommendations.

**Part Two: Follow up on Implementation Status of the Resolutions**

- 1) Implementation status on 11<sup>th</sup> Session Resolutions of the Second Parliament with regard to Performance Audit Reports
- 2) Implementation status on 10<sup>th</sup> Session Resolutions of the second Parliament with regard to Performance Audit Reports

# Part One: Review of Performance Audit Reports

## **Chapter 1**

### **Review Report on Performance Audit on Revenue Collection and Management in Thromdes**

#### **Background**

The RAA conducted the performance audit on revenue collections and management in four Thromde administrations of Gelephu, Phuntsholing, Samdrup Jongkhar and Thimphu covering the period from 01.07.2012 to 30.06.2017. The audit was conducted with objective to assess the efficiency and effectiveness of revenue collection and management in the Thromdes.

To review further and understand the issues, the PAC had consultative meeting with Thimphu Thromde in presence of RAA on 28<sup>th</sup> March, 2019 and video conferencing with Phuntsholing and Gelephu Thromdes on 20<sup>th</sup> May, 2019.

#### **Key findings**

1. There are certain positive achievements in Thromdes as follows:
  - ✓ Introduction of customer care centers, facilitation of services through Government to citizen system (G2C),
  - ✓ Setting toll free numbers in Phuntsholing and Thimphu Thromde,
  - ✓ Development of revenue application system in Gelephu Thromde, and
  - ✓ Launch of grievance redressal system in Samdup Jongkhar Thromde.
2. Despite above positive accomplishments, there are several shortcomings as below:
  - ✓ Thromdes lack complete, accurate and reliable central registry of sources of revenue.
  - ✓ Weak internal controls in Gelephu, Phuntsholing and Thimphu Thromdes had resulted in non-accountal of revenues amounting to Nu. 20.160

million.

- ✓ Inadequacy in Thromde land administration had resulted in encroachment of government land and, unauthorised land lease, and unconfirmed land holdings leading to revenue leakage amounting to Nu. 27.045 million in Phunsholing Thromde and Nu. 225 million in Thimphu Thromde.
- ✓ Irregularities in the levy of vacant land tax, house tax, services charges and sewerage charges and lease rate had resulted in revenue loss and defeated the principle of equality and fairness.
- ✓ Thromdes lack strategies to achieve financial sustainability despite the Thromde Finance Policy, 2012 to achieve financial sustainability and self reliance.
- ✓ The Taxation Policy 1992 was never revised for the last 26 years.

### **RAA's recommendations**

Based on the audit findings, RAA made 14 recommendations as given in the box below to address the shortcomings and deficiencies in four Thromdes.

1. Thromdes should formulate strategies towards financial sustainability.
2. Ministry of Finance (MoF) in coordination with Thromdes should prepare grant phase out plan.
3. MoF in coordination with Thromdes should prepare grant phase out plan.
4. Thromdes should develop revenue management strategy.
5. Thromdes should strengthen internal controls.
6. MoF and Thromdes should review and improve reporting framework.
7. Thromdes should strengthen expenditure control mechanisms.
8. Thromdes should devise strategies to encourage taxpayers to pay taxes on time.



9. Thromdes should consider revision of taxes, fees and charges.
10. Thromdes should exercise due diligence and prudence in the management of government land.
11. Thromdes should institute mechanism to ensure equality and uniformity in application of taxes, charges, fees, etc.
12. Thromdes should have realistic staffing plan.
13. Thromdes concerned should deposit the amount not accounted.
14. Thromdes concerned should vigorously follow-up the outstanding revenues.

### **Thromdes' response and RAA's comments**

The RAA issued the final report to Thromdes on 25<sup>th</sup> May, 2018. The RAA made 14 recommendations and asked Thromdes to submit the Management Action Plan (MAP) and Action Taken Report (ATR) and the latest status on implementation of audit recommendations on or before 30<sup>th</sup> August 2018. However, except for Thimphu and Samdrup Jongkhar Thromdes, Phuntsholing and Gelephu Thromdes have not submitted the said MAP and ATR.

Therefore, the following implementation status of recommendation pertains to only Thimphu and Samdrup Jongkhar Thromdes.

#### **1. Recommendation 1 has been fully implemented by Thimphu Thromde and partially implemented by Samdrup Jongkhar Thromde. Phuntsholing and Gelephu Thromdes have not implemented at all.**

Thimphu Thromde responded that their central inventory has been updated and the database on buildings and water meters has been developed in the Revenue Management System. Samdrup Jongkhar Thromde is in the process of developing the system under the Bhutan Urban Development Project -II, which is scheduled to complete by July 2019.

#### **2. Recommendation 2 has been partially implemented by Thimphu and Samdrup Jongkhar Thromdes. Phuntsholing and Gelephu Thromdes**

**have not implemented at all.**

Thimphu Thromde has phased out the recurrent subsidy and gearing towards long-term financial sustainability. However, it is yet to formulate strategies for financial sustainability. Samdrup Jongkhar Thromde has no plan to either phase out the recurrent subsidy or formulate strategies for long-term financial sustainability.

**3. Recommendation 3 has not been implemented by any of the Thromdes.**

**4. Recommendation 4 has been partially implemented by Thimphu and Samdrup Jongkhar Thromdes. Gelephu and Phuntsholing Thromdes have not implemented at all.**

Thimphu and Samdrup Jongkhar Thromdes have committed to enhance the proper Revenue Management Strategy in the 12<sup>th</sup> FYP. The date line for development of revenue management strategy by Thimphu Thromde is June 2020 and July 2019 for Samdrup Jongkhar Thromde.

**5. Recommendation 5 has been fully implemented by Thimphu Thromde while other Thromdes have not implemented at all.**

Thimphu Thromde responded during the bilateral meeting with RAA that their revenue section has been strengthened with additional staff and systems for issuing water meters and occupancy certificate improved thereby, contributing greatly to revenue generation.

**6. Recommendation 6 has been partially implemented by Thimphu and Samdrup Jongkhar Thromdes. Gelephu and Phuntsholing Thromdes have not implemented at all.**

Thimphu and Samdrup Jongkhar Thromdes are in the process of migrating from cash based to accrual based accounting system as their financial reporting framework. Thimphu Thromde has fixed a timeline to complete this exercise by June 2020.

**7. Recommendation 7 has been partially implemented by Thimphu and Samdrup Jongkhar Thromdes. Phuntsholing and Gelephu Thromdes**

**have not implemented at all.**

Thimphu Thromde reported that it had already outsourced waste management and parking fees while it is assessing to outsource water treatment and sewerage plants. Samdrup Jongkhar Thromde reported that it had already outsourced truck parking fees and carrying out comprehensive study for the light vehicles.

**8. Recommendation 8 has been fully implemented by Thimphu Thromde and partially implemented by Samdrup Jongkhar Thromde. Phuntsholing and Gelephu Thromdes have not implemented at all.**

Thimphu Thromde has taken initiative for efficient service delivery by instituting various tax payment systems. With regard to Samdrup Jongkhar Thromde, the number of unpaid taxes has decreased from five to one.

**9. Recommendation 9 has been partially implemented by Thimphu and Samdrup Jongkhar Thromdes. Phuntsholing and Gelephu Thromdes have not implemented at all.**

Thimphu and Samdrup Jongkhar Thromdes had already submitted their draft proposals for the revision of taxes to MoWHS and MoF.

**10. Recommendation 10 has been partially implemented by Thimphu Thromde and rest of the Thromdes have not implemented at all.**

Thimphu Thromde had notified four plot owners to dismantle the structures on the government land and surrender the same to the government. However, the lease rent of Nu. 225,246.52 from the above plot owners is yet to be recovered.

**11. Recommendation 11 has been partially implemented by Thimphu Thromde and rest of the Thromdes have not implemented at all.**

Thimphu Thromde reported that they have developed new Taxation Policy which will address inequality and non-uniformity in application of taxes, charges, fees. Thimphu Thromde still has to furnish a proof of deposit of vacant land tax of Nu. 559,865.85 into revenue account.

**12. Recommendation 12 has been fully implemented by Thimphu and**

**Samdrup Jongkhar Thromdes. Gelephu and Phuntsholing Thromdes have not implemented at all.**

**13. Recommendation 13 has been partially implemented by Thimphu Thromde and not implemented by Gelephu and Phuntsholing Thromdes.**

Thimphu Thromde reported that Nu. 76,986.00 has been deposited as evidenced by the deposit slips but the accountal in the books of account is yet to be confirmed. However, it is tracing the balance of Nu. 527,830.00.

For Samdrup Jongkhar Thromde, this recommendation is not applicable.

**14. Recommendation 14 has been partially implemented by Thimphu Thromde. Gelephu and Phuntsholing Thromdes have not implemented at all.**

Thimphu Thromde reported that it has brought down the number of tax defaulters significantly from 1374 to 234. It is not applicable to Samdrup Jongkhar Thromde.

**Committee's observations and recommendations**

1. There is fluctuation in the revenue collection by Thromdes and most concerning is that Thimphu and Gelephu Thromdes' revenue collection has decreased in the FY 2016-2017 as compared to previous fiscal year.
2. The committee noted that Thromdes have collected vacant land tax at the rate 25% of the land tax. However, in E4 zones, Thimphu Thromde has exempted payment of 25% vacant land tax. While the Thromdes are empowered by the relevant laws to levy taxes, fees and charges, any imposition or alteration is subject to government endorsement and parliament approval.
3. Huge amount of revenues have been lost due to inadequate administration and management of government land by Thromdes. The committee recommends the Thromdes to recover and deposit the forgone revenue from the concerned entities latest by March 2020.

4. The PAC seriously noted that Thromdes lack financial sustainability as they are continuously depending on grants from the Government. There is a huge deficit between total expenditure and revenue collection in Thromdes. While the Thromdes and MoF are supposed to discuss on the timeline to prepare grant phase out plan, they have not been able to meet so far. As provided in the Thromde Finance Policy 2012, the committee strongly recommends the MoF and Thromdes to formulate a grant phase out plan by September, 2019.
5. Despite the deadline set by RAA, Phuntsholing and Gelephu Thromdes did not submit their MAP and ATR even after 10 months. The PAC also sent reminder letters to them. The committee is deeply concerned of such non-compliance to the RAA's report by Phunstholing and Gelephu Thromdes. On the other hand, the committee also noted that RAA also did not take any measure such as fixing of accountability. Therefore, the committee recommends RAA to come up with clear procedures of fixing accountability even on the lapses pertaining to the performance auditing reports latest by September 2019.

## **Chapter 2**

### **Review Report on Performance Audit of In-Country Travel**

#### **Background**

The RAA conducted performance audit on In-country travel for Ministry of Agriculture and Forest (MoAF), Paro, Punakha and Thimphu Dzongkhag Administrations for the financial year 2012-13 to 2016-17. The review was mainly conducted to ascertain whether travel claims are in respect of travels actually performed and for bona fide purposes.

To review issues further, PAC had conducted consultative meeting with MoF in presence of RAA on 28<sup>th</sup> March, 2019.

#### **Key Findings**

1. Some agencies have instituted some commendable control measures to reduce travel expenditure such as:

- ✓ Carpooling by BAFRA;
  - ✓ Requirement of an approved note sheet and office order before travel by Thimphu Dzongkhag;
  - ✓ Distance road mapping declaring many Gewogs and Chiwogs not admissible for TA/DA by Punakha Dzongkhag; and
  - ✓ Submission of comprehensive tour report by National Plant Protection Centre, Semtokha.
2. Despite notable achievements, several lapses and deficiencies were also observed such as:
- ✓ Irrational claim of TA/DA within 10kms radius, payment of TA/DA as incentives for overtime work to the ESP/GSP, TA/DA for routine work which does not require longer duration, claim without performing tour and claims by drivers for regular jobs.
  - ✓ Inconsistent provisions in BCSR and FRR such as tour report submission and *dholam*.
  - ✓ Administrative and management issues in accounting, monitoring and controls mechanism.

## RAA's Recommendations

Based on the audit findings and comments received from MoF, MoAF, Paro, Punakha and Thimphu Dzongkhag Administrations, the RAA made 10 recommendations as given in the box below.

1. TA/DA rules should be rationalized.
2. The MoF and MoHCA should rationalize the *dholam* and porter-pony system.
3. The MoF & MoHCA should standardize the distance between places.
4. Submission of tour report.
5. Production of vehicle registration document should be mandatory for mileage claim.
6. The travels of the employees should be relevant and aligned with their job responsibilities and travel plans.

7. Procedure for approving travel authorizations and travel claims should be strictly adhered.
8. There should be a proper coordination between the controlling and disbursing officers.
9. Travel should be properly monitored and controlled.
10. Travel budget should be used prudently.

### **MoF's response and RAA's comments**

The RAA issued the final report to MoF on 2<sup>nd</sup> February, 2018. As on 30<sup>th</sup> April, 2019, out of 10 recommendations, MoF has fully implemented six recommendations and partially implemented four recommendations as follows.

1. **Recommendation 1 has been partially implemented.** MoF responded that they had written to RCSC to review and implement the recommendation and submit the action taken report to MoF. However, during the consultative meeting, MoF stated that they had not received any response from RCSC.
2. **Recommendation 2 has been partially implemented.** MoF stated that they have written to MoHCA to review and implement the recommendations and submit the action taken report to MoF. However, during the consultative meeting, MoF stated that they had not received any response from MoHCA on this issue.
3. **Recommendation 3 has been partially implemented.** MoF stated that they had written to MoHCA to review and implement the recommendations and submit the action taken report to MoF. However, during the consultative meeting, MoF stated that they had not received any response from MoHCA on this issue.
4. **Recommendation 5 has been partially implemented.** MoF responded that they had written to RCSC to review and implement the recommendations and submit the action taken report to MoF. However, during the consultative meeting, MoF stated that they had not received any response from RCSC on this issue.

## **5. Recommendations 4, 6, 7, 8, 9 and 10 have been fully implemented.**

### **Committee's observations and recommendations**

1. The PAC during the consultative meeting with the MoF observed that accountability was inappropriately fixed to MoF. The PAC noted that rules and regulations pertaining to travels are well in place; however, there is non-compliance of rules at the time of implementation by the agencies. The committee therefore, recommends RAA to fix accountability directly to the agencies concerned.
2. The committee observed that the RAA's recommendation to RCSC to reinstate the requirement of production of vehicle registration document for mileage claim is inappropriate. The RCSC is empowered by its parent Act (Civil Service Act) to formulate rules and regulations with regard to civil servants. While the committee respects the concern of RAA, it reiterates that the existing rule must prevail to uphold independent functioning of the constitutional body.
3. The PAC also noted inconsistency in *dholam* claim. The MoHCA and MoF have framed rules on *dholam* due to increase road connectivity and public transport availability whereas the local government has approved *dholam* entitlement which is inconsistent with the rules framed by the Ministries. Therefore, the committee reiterates the RAA's recommendation to MoF and MoHCA to rationalize the *dholam* and porter pony system.

## **Chapter 3**

### **Review Report on Performance Audit on IT Audit Report on core Banking Solution (TCS-BaNCS) in Bank of Bhutan Limited.**

The Performance Audit on IT Audit Report on core Banking Solution (TCS-BaNCS) in Bank of Bhutan Limited was issued to BoB on 9th November, 2017. As of 30th April, 2019, out of nine recommendations made by RAA, the BoB has fully implemented all the recommendations.



## **Chapter 4**

### **Review Report on Performance Audit on the Operations of Bhutan Chamber of Commerce and Industry**

#### **Background**

The Bhutan Chamber of Commerce and Industry (BCCI) was established under the Royal Command of His Majesty the Fourth King in 1980 in a meeting with the business community. BCCI functions under the Charter endorsed by its members in May 1996.

The RAA conducted Performance Audit on BCCI with the objectives to ascertain and report on the economy, efficiency and effectiveness in the operations and management of BCCI in private sector development and more particularly in terms of its institutional systems, revenue management and prudence in expenditure in relation to private sector development. The performance audit covered period from 01.01.2013 to 31.12.2017.

To review the issues further, the PAC conducted consultative meeting with BCCI in presence of RAA on 28<sup>th</sup> March, 2019.

#### **Key findings**

1. BCCI is considered as an apex body for private sector development. However, there is no clear legal mandate and legitimacy for its operation. BCCI drafted a bill and submitted to the Parliament in 2006 but then Speaker suggested BCCI to register under CSO.
2. BCCI sustains its operations from annual membership fees of the business entities (50.4 percent of its revenue generation), rental income of events and trade fairs (45 percent), voluntary fees and so forth. It also receives grants from the government. However, the current expenditure trends (mostly driven by pay and allowances and hospitality and entertainment expenses) show that BCCI's operations are financially not sustainable, which is a cause of concern.

3. BCCI incurred substantial expenditure on hospitality and entertainment during the period 2015-17. Hospitality and entertainment expenditures exhausted more than 70% membership fees collected from all the regional offices combined.
4. BCCI does not have long-term strategic planning framework and no clear working modality with its sector specific associations.
5. It does not have its own financial rules and regulations and lack proper internal control system, risk oversight system and internal audit function. Several irregularities were also observed in the procurement of goods and services.
6. The tenure of President and Vice President were also increased from three to five years by the General Body in April 2016 in contravention to its Charter.

### **RAA's Recommendations**

RAA made 15 recommendations as given in the box below to enhance the economy, efficiency and effectiveness in addressing operations of the BCCI.

1. Need for legal recognition of BCCI
2. Need to revise and update BCCI Charter.
3. Need to institutionalize strategic planning framework.
4. Need to draft its own Financial Manual governing its financial operations.
5. Internal audit function needs to be instituted.
6. Need to develop system of assessment and protocols before undertaking projects.
7. BCCI must undertake training needs assessment of the private sector entities.
8. Long term financial sustainability of BCCI must be reviewed.
9. Need to strengthen control over revenue management.
10. Need to strengthen controls over revenue recognition and follow up

mechanism on trade fair revenues.

11. BCCI should strengthen budgeting system and processes.

12. BCCI need to exercise prudence over infructuous expenditure.

13. Need to strengthen procurement function of the BCCI.

14. BCCI must draw HR master plan.

15. BCCI must ensure compliance to its service rules and regulations

### **BCCI's response and RAA's comments**

The RAA issued the final report to BCCI on 15<sup>th</sup> August, 2018. As on 30<sup>th</sup> April, 2019, out of 15 recommendations, BCCI has fully implemented three recommendations and partially implemented twelve recommendations as follows:

- 1. Recommendation 1 has been partially implemented.** BCCI informed to the committee during the consultative meeting on 28<sup>th</sup> March, 2019 that Hon. Prime Minister has assured to depute one Legal Officer to BCCI to study, consult and come out with recommendations to the Government on most appropriate statute that the Chamber should have. They are following up with PM Office. The deadline to implement the recommendation is from January 2019 to December 2019.
- 2. Recommendation 2 has been partially implemented.** BCCI responded that if the Chamber does not come up with a new legislation, they will update its Charter as some of the provisions are irrelevant and unconstitutional. Therefore, the Chamber is also in the process of reviewing the Charter with further consultation at the Executive Committee meeting level. The deadline to implement the recommendation is from January 2019 to December 2019.
- 3. Recommendation 3 has been partially implemented.** BCCI responded that its policy division is working on the strategic planning framework. The timeline to implement this recommendation is between January 2019 and June 2020.

4. **Recommendation 4 has been partially implemented.** BCCI responded that its AFD is already in the process of drafting the financial manual of the Chamber. The deadline to implement the recommendation is from January 2019 to December 2019.
5. **Recommendation 5 has been fully implemented. .**
6. **Recommendation 6 has been partially implemented.** BCCI submitted that Research and Planning Division is working on developing the project screening tools. The deadline to implement the recommendation is from January 2019 to December 2019.
7. **Recommendation 7 has been partially implemented.** BCCI informed that they provide periodic inputs to MoLHR in preparing overall HRD master plan for the private sectors and hence, there was no need on the part of BCCI to prepare one separately. Nevertheless, the private sector HR division has initiated the training needs assessment reports from all dzongkhags and shall be prepared within few months. The deadline to implement the recommendation is from January 2019 to December 2019.
8. **Recommendation 8 has been partially implemented.** The Administrative and Finance Division and General Affairs Division were assigned to come up with appropriate strategies for Annual Membership Fees mobilization and explore new revenue sources as permitted. BCCI also discussed the matter with the Cabinet on March 8, 2019. The timeline to implement this recommendation is between January 2019 and June 2020.
9. **Recommendation 9 has been partially implemented.** BCCI agreed to print the money receipts at Kuensel Corporation with new serial numbers, the procurement unit to hand over the custody of printing money receipt to finance section and the finance section to monitor collection, deposit and remittances of revenues from regional offices. BCCI have also sent relevant officials to regional offices to trace out 14 missing money receipts booklets.

However, during the consultation meeting, BCCI informed that as per their internal assessment, except for 3 receipt books, accounts of 13 booklets have

been accounted but could not trace the booklet itself. The deadline to implement the recommendation is from January 2019 to December 2019.

**10. Recommendation 10 has been partially implemented.** BCCI has reviewed and incorporated penalty clause in the Program Implementation Paper (PIP) agreement as recommended. However, Nu. 1,266,748.00 remain to be realized from M/s Alpha Associates. During the consultation meeting, BCCI informed that they have sought the intervention of Indian Embassy in Thimphu to recover the money from the consultant. The deadline to implement the recommendation is from January 2019 to December 2019.

**11. Recommendation 11 has been partially implemented.** BCCI is already in the process of drafting its financial manual and the budget system will be covered in it. The deadline to implement this recommendation is from January 2019 to December 2019.

**12. Recommendation 12 has been partially implemented.** The AFD is already in the process of drafting the financial manual of the chamber and the budget system will be covered in this financial manual. BCCI shall incorporate clauses in its Financial Manual to strictly monitor the expenditures. The deadline to implement this recommendation is from January 2019 to December 2019.

**13. Recommendation 13 has been fully implemented.**

**14. Recommendation 14 has not been implemented.** The OD exercise carried out in 2017 required BCCI to prepare its own HR master plan. A separate unit to take care of the in-house matters has been created and positioned in General Affairs Department. The time frame for implementation of this recommendation is from January 2019 to June 2020.

**15. Recommendation 15 has been fully implemented.**

## **Committee's observations and recommendations**

PAC observed that BCCI has not been able to tap its revenue potential. Therefore, it is not able to meet its pay and allowance even from the annual membership fees. However, BCCI has been receiving grants from the Government. Going by their past expenditure trend, BCCI's operation is not financially sound. In view of this, the committee recommends the Government to sign Annual Performance Agreement with BCCI while providing grants.

## **Chapter 5**

### **Review Report on Performance Audit Report on the Preparedness for Implementation of Sustainable Development Goals (SDGs)**

#### **Background**

Bhutan became a member of the UN in 1971. Since then, it has not only ratified many UN conventions but also became the “early mover” of the SDGs in 2015 after satisfactorily achieving the Millennium Development Goals. Now that the country's FYP cycles have been aligned with the Development Goals, the 12<sup>th</sup> FYP has adopted 17 SDGs after carefully mapping them to the National Key Result Areas (NKRAs) which are also 17 in number.

RAA conducted Performance Audit Report on the “Preparedness for implementation of Sustainable Development Goals” with the objectives to ascertain adaption of 2030 Agenda by the Government into its national context, resources and capacities needed to implement the Agenda and monitoring and reporting mechanism on the progress of the implementation of 2030 Agenda. The audit period covered from the adoption of 2030 Agenda by the UN – 25<sup>th</sup> September 2015 to 31<sup>st</sup> March 2018.

#### **Key findings**

Some of the positive initiatives taken by the Government towards the implementation of 2030 Agenda were:

1. 2030 Agenda was accorded high priority for deliberation in the Parliament of Bhutan;
2. Bhutan was identified as an early mover country (SDG priority country) in the Asia Pacific region;
3. Bhutan has volunteered for the Voluntary National Review (VNR). The VNR Report was tabled during the High Level Political Forum (HLPF) in July 2018 at New York, USA;
4. Bhutan has secured USD 40 million sinking fund to permanently protect Bhutan's 5 million-acre network of protected areas; and
5. Instituted various committees and task force such as GNH Commission as High level SDG Committee, GNHC Secretariat as lead coordinating agency, SDG Working Committee and SDG task force.

However, some of the shortcomings observed are:

1. Despite various committees and task forces under GNHC, it lacks a separate coordinating and monitoring division/unit fully dedicated to oversee overall implementation of SDGs.
2. Adequate assessment was not carried out to determine the financial and human resource requirements for full implementation of SDGs.
3. The prioritized three goals by the Government in 2015 namely Goal 1 - Ending poverty, Goal 13 - Combating climate change and Goal 15 - Life on land were not the priorities of the people as per the UN's Global Survey 2017. Instead, Goal 3 - Good Health and Well-Being, Goal 4 - Quality Education, Goal 5 - Gender equality, and Goal 8 - Decent work and economic growth seemed to be the priorities.

### **RAA's recommendations**

The RAA made five recommendations as given in the box below to ensure implementation of achievement of the SDG activities.

1. The Government should provide clear policy direction for SDGs.
2. The GNHC should integrate the SDGs into FYP plans, policies and strategies.
3. The Government should carry out an assessment of resources required.
4. The GNHC should institute a mechanism to monitor, follow-up and review the progress of SDGs.
5. A support mechanism should be instituted for ownership of SDGs related data

### **GNHC's response and RAA's comment**

RAA issued the final report on Performance Audit of GNHC in October 2018 and asked the GNHC to submit MAP and ATR on or before January 31, 2019. However, RAA did not receive MAP and ATR from GNHC at the time of review of report and could not review the implementation status. Therefore, the progress of implementation remains status quo as of April 30, 2019.

### **Committee's observations and recommendations**

The committee noted the RAA's observations and recommendations. In considering the report, the committee deliberated and is of the view that notable measures have been put in place towards implementation of SDGs. Hence, the committee would like to emphasize the following observations.

1. GNHC as a central planning and coordinating body for the overall development plan is also responsible for leading and coordinating SDGs activities in the country. GNHC as the High level SDG Committee in itself is a positive institutional arrangement chaired by the Prime Minister that provides national ownership and policy direction towards achieving SDGs.
2. Bhutan has significantly integrated SDGs into its national development plans through NKRAS/AKRAs/LGKRAs and corresponding KPIs at various levels of government. Besides, the Government Performance Management System (GPMS) and periodic plan review provide mechanism for timely monitoring of the progress.



3. However, there is a need for a dedicated unit/division within the GNHC Secretariat along with competent personnel to ensure timely and effective coordination of SDG implementation. A separate dashboard to monitor implementation of SDG activities is equally important.
4. As the resources are generally limited in implementing plans, it is appropriate to assess within our own context the requirement of resources towards effective implementation of SDGs.
5. The PAC observed that GNHC did not submit the MAP and ATR within the deadline (31 January 2019) of RAA. The committee is deeply concerned of such non-compliance to the RAA's report by GNHC. Therefore, the committee recommends RAA to come up with clear procedures of fixing accountability even on the lapses pertaining to the performance auditing reports latest by September 2019.
6. As it was observed that the Parliament has an important oversight function, the committee strongly recommends forming SDG Committee at the parliament level to oversee progress and challenges in the implementation of SDGs.

## Part Two: Follow up on the Implementation Status of the Resolutions

### Chapter 1

#### Implementation status on 11<sup>th</sup> Session Resolutions of the Second Parliament with regard to Performance Audit Reports

**Resolution 2:** The RAA should follow up on the recommendations that are partially and not implemented at all by the respective agencies and present in the following Parliament Session.

**Status:** *Response received from RAA vide 4<sup>th</sup> Review Report of Performance Audit Report on Delivery of OPD Services at JDWNRH.*

*As per the 4<sup>th</sup> review report of RAA, out of 11 recommendations made by RAA to JDWNRH, JDWNRH has fully implemented 10 recommendations and one recommendation is partially implemented as the works are under progress.*

**Resolution 3:** A shift system must be instituted for doctors going on round in medical wards and doctors on duty in medical OPD to prevent the patients from waiting for longer durations.

**Status:** *Response received vide letter no- JDWNRH/HRD/2018-2019/MIS/19/12026 dated 03/04/2019*

*JDWNRH reported that they had started appointment system to reduce the waiting time and at the same time they had stated the reasons for failure to institute shift system due lack of enough specialists in the country, interns from other countries are also studying in JDWNRH and are taught during the round.*

**Resolution 4:** A proper system must be put in place to curtail visiting doctor directly a) without token; and b) without waiting in line after obtaining the token.

Further, no out patient should be entertained in medical wards by the doctors on round.

**Status:** *Response received vide letter no- JDWNRH/HRD/2018-2019/MIS/19/12026 dated 03/04/2019*

*JDWNRH reported that to prevent such practices, Director has issued written order for staff to follow token system so that other patients are not affected.*

**Resolution 5:** JDWNHR should review the effectiveness of the off hour services.

**Status:** *Response received vide letter no- JDWNRH/HRD/2018-2019/MIS/19/12026 dated 03/04/2019*

*JDWNRH reported that off- hour was introduced in 2010 and reviewed in 2012 by a team from the World Bank and recommendation was put up to PPD, MoH.*

**Resolution 6:** The RAA should follow up on the recommendations which are partially and not implemented by the respective agencies and present the status in the following Parliament Session.

**Resolution 7:** Coordination amongst the relevant agencies (MoWHS, NECS, RCDC, MoH and Thimphu Thromde) should be strengthened in order to implement the recommendations from 4.9 to 4.13 of RAA fully.

**Status for Resolution 6 & 7:** *Response received from RAA vide 4<sup>th</sup> Review Report of Performance Audit Report on Provision of Drinking Water in Thimphu Municipality.*

*As per the 4<sup>th</sup> review report of RAA, out of 15 recommendations made by RAA, Thimphu Thromde has fully implemented 8 recommendations and 7 recommendations are partially implemented.*

**Resolution 8:** Thimphu Thromde should prioritize the water usage as per the Water Act of Bhutan 2011 and henceforth discontinue from providing treated drinking water for car wash in the commercial car-washing units.

**Status:** *The Thimphu Thromde during the consultative meeting informed the committee that provision of treated drinking water to car washing units has been discontinued.*

## **Chapter 2**

### **Implementation status on 10<sup>th</sup> Session Resolutions of the Second Parliament with regard to Performance Audit Reports**

**Resolution 9:** The draft proposal submitted to MoAF on adequate funds for National Food Security Reserve (NFRS) and SAARC Food Security Reserve should be reviewed at the earliest and approved.

**Status:** *Response received vide letter No. MOAF/ICTD/01/08 dated 29/03/2019*

*MoAF reported that Royal Government has approved the proposal vide letter No. C-3/162/970 dated 9<sup>th</sup> July 2018. The institutional arrangement for operation of NFSR has already been constituted by forming NFSR Governing Board and Management Committee. The total budget of Nu. 497.25 million required for implementation and operationalization of NFSR has been incorporated in the 12<sup>th</sup> FYP of the MoAF.*

**Resolution 10:** Vigorous implementation of Guidelines for Inpatient Food Services for Bhutan 2013 should be carried out with placement of adequate dieticians in the hospitals by the Health Ministry.

**Status:** *Received response vide letter no PPD/Gen/2018/12507 dated 4/4/2019*

*The MoH reported that a detailed study had been carried out on provision of food to inpatients in the health centers. The 2013 Guideline was reviewed and being implemented in pilot phase to learn*

*its applicability and implementability before it is rolled out nationwide. The Guideline is supposed to be rolled out nationwide after pilot is completed in May 2019.*

*Currently, there are 23 dietitians throughout the health facilities in Bhutan and only 10 facilities do not have dietitians. MoH is closely working with RCSC to fill up the gap of dietitians.*

## Conclusion

The PAC is able to present this synthesized report to the Parliament with the support of Royal Audit Authority and other stakeholders. The committee hopes for meaningful deliberation on the report especially the recommendations.

**\*\*\* Tashi Delek \*\*\***

