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དམངས་ཁྱིམ་ཚོགས་ཀྱི་



PARLIAMENT OF BHUTAN

PUBLIC ACCOUNTS COMMITTEE

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**Report of the Public Accounts Committee  
to the 10<sup>th</sup> Session of the Second  
Parliament  
(5 - 6 December, 2017)**

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## MEMBERSHIP

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**Chair:** Honorable Tashi Dorji, National Council Member for Wangduephodrang Dzongkhag

**Deputy Chair:** Honorable Karma Tenzin, National Assembly Member for Wamrong Constituency

**Members:** Honorable Dophu Dukpa, National Assembly Member for Kabji-Talo Constituency

Honorable Choida Jamtsho, National Assembly Member for Nganglam Constituency

Honorable Pema Dakpa, National Council Member for Zhemgang Dzongkhag

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## **TERMS OF REFERENCE**

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The Public Accounts Committee 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 Public Accounts Committee 2015 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.

## Abbreviations

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1. AAR: Annual Audit Report
2. RAA: Royal Audit Authority
3. PAC: Public Accounts Committee
4. ACC: Anti-Corruption Commission
5. BoIC: Business of Information Centre
6. FCBL: Food Corporation of Bhutan Ltd
7. MoLHR: Ministry of Labour and Human Resource
8. MoH: Ministry of Health
9. PAR: Performance Audit Report
10. AFS: Annual Financial Statement
11. MoIC: Minsitry of Information and Communication
12. MoEA: Ministry of Economic Affiars
13. MoF: Ministry of Finance
14. MoAF: Ministry of Agriculture and Forest
15. MoFA: Ministry of Foreign Affairs
16. MoE: Ministry of Education
17. RUB: Royal University of Bhutan
18. RCSC: Royal Civil Service Commission
19. BNCA: Bhutan Narcotics Control Agency
20. TCB: Tourism Council of Bhutan
21. CSOA: Civil Society Organization Authority
22. BPC: Bhutan Power Corporation
23. DCCL: Dungsam Cement Corporation Ltd.
24. DGPC: Druk Green Power Corporation
25. NRDCL: Natural Resources Development Corporation Ltd.
26. PCAL: Penden Cement Authority Ltd.
27. NHDCL: National Development Corporation Ltd
28. BBSC: Bhutan Broadcasting Service Corporation Ltd
29. BTL: Bhutan Telecom Ltd
30. CDCL: Construction Development Corporation Ltd
31. RICBL: Royal Insurance Corporation of Bhutan Limited
32. BDBL: Bhutan Development Bank Limited
33. BNBL: Bhutan National Bank Ltd
34. BoBL: Bank of Bhutan Ltd
35. ABTO: Association of Bhutanese Tour Operators
36. NGO: Non-Governmental Organization
37. CLCS: College of Language and Cultural Studies
38. MoWHS: Ministry of Works and Human Settlement
39. RRCO: Regional Revenue and Customs Office
40. JDWNRH: Jigme Dorji Wangchuck National Referral Hospital
41. RSTA: Road Safety and Transport Authority
42. GoI: Government of India
43. MPH: Multi-Purpose Hall
44. GDG: Gewog Development Grant
45. BoQ: Bills of Quantity
46. PRR: Procurement Rules and Regulations
47. BSR: Bhutan Schedules of Rates
48. MAGIP: Market Access and Growth Intensification Project
49. DoR: Department of Road
50. DGPC: Druk Green Power Corporation Ltd
51. RIM: Royal Institute of Management
52. NRDCL: Natural Resource Development Corporation Ltd
53. PHPA: Punatsangchhu-II Hydroelectric Project Authority
54. MHPA: Mangdechhu Hydroelectric Project Authority
55. NLC: National Land Commission

56. ECB: Election Commission of Bhutan
57. OAG: Office of Attorney General
58. GRF: Government Reserve Forest
59. RBP: Royal Bhutan Police
60. NHPCL: National Hydro Power Corporation Limited
61. PCAL: Penden Cement Authority Ltd
62. FAC: Finance Audit Committee
63. BFF: Bhutan Football Federation
64. DGM: Department of Geology and Mines
65. REDCL: Rural Enterprise Development Corporation Ltd
66. RF: Revolving Fund
67. MoU: Memorandum of Understanding
68. DCSI: Department of Cottage and Small industries
69. ERS: Employment Responsibility System
70. BOEA: Bhutanese Overseas Employment Agent
71. FYP: Five Year Plan
72. NKRA: National Key Result Area
73. EDP: Economic Development Policy
74. HRD: Human Resource Development
75. NWFP: National Workforce Plan
76. ECTF: Employment Creation Task Force Report
77. NFRS: National Food Security Reserve
78. DRC: Department of Revenue and Customs
79. RTO: Regional Tourism Office
80. RAMIS: Revenue and Administration Management Information
81. DPR: Detailed Project Report
82. CWC: Central Water Commission
83. PEMS: Public Expenditure Management System

## **Lists of PAC's Recommendation**

### **1) Financial Audit Reports**

#### **Recommendation 1): .....Page 15**

The PAC endorses the four general recommendations made by RAA and encourages all agencies (budgetary as well as non-budgetary agencies) to implement these recommendations.

#### **Recommendation 2): .....Page 15**

Revenue collected from the public especially at the local government level needs to be deposited in the official account on time to minimize misuse of fund.

#### **Recommendation 3): .....Page 15**

Ministry of Finance should immediately complete the desk assessment of pending PIT and to institute measures to complete the assessment on time.

#### **Recommendation 4): .....Page 15**

Bhutan Development Bank limited should expedite to resolve the defaulted loan litigation cases from year 1991 to 2015.

#### **Recommendation 5): .....Page 32**

The Government in consultation with OAG must institute a Task Force or a committee to look into 'Instances of missing/death cases of officials and contractors and inactions even after court verdict' and update Parliament in the next session

### **2) Performance Audit Reports**

#### **Recommendation 6): .....Page 36**

REDCL should immediately implement efficient monitoring in coordination with relevant stakeholders and to institute measures to strictly comply on recovery of funds given by BoIC and the succeeding entity (REDCL).

#### **Recommendation 7): .....Page 39**

The Labour Force Survey should be carried out by an independent agency and not by the Ministry of Labour and Human Resources to avoid the conflict of interest.

#### **Recommendation 8): .....Page 42**

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.



**Recommendation 9): .....Page 44**

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.

**Recommendation 10): .....Page 47**

The Ministry of Education needs to develop standard School Food Menu using the Bhutan Dietary Guidelines for School Children 2015 developed by the Ministry of Health.

**Recommendation 11): .....Page 50**

Tourism Council of Bhutan should expedite to formulate comprehensive tourism policy and legislation to give adequate legal teeth and ensure effective implementation of plans and programmes.

## Introduction

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The Public Accounts Committee (PAC) is mandated to review and report on the Annual Audit Report (AAR) 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 committee functions as per the Rules of Procedures of Public Accounts Committee 2015.

The Committee examined and evaluated the financial audit reports, reviewed performance audit reports, conducted several meetings and completed synthesized report for presentation to the 10<sup>th</sup> Session of the Second Parliament of Bhutan for deliberation. The main components of the report are:

**a. Review of Financial Audit Report:**

- 1) Synthesized Annual Audit Report (AAR) 2016;
- 2) Review Report of Annual Audit Report 2015;
- 3) Implementation status of 8<sup>th</sup> Session Resolutions (AAR 2009-2014);
- 4) Status of cases with Anti-Corruption Commission (ACC) and Instances of missing/death cases of officials and contractors and inactions even after court verdict; and
- 5) PAC's Observations and Recommendations.

**b. Performance Audit Reports:**

- 1) Six Performance Audit Reports (PARs);
- 2) Implementation status of 9<sup>th</sup> Session Resolutions (Performance Audit Reports); and
- 3) PAC's Observations and Recommendations.

## **PART ONE: REVIEW OF THE FINANCIAL AUDIT REPORTS**

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### **Chapter I: Synthesis of Annual Audit Report 2016**

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The content of the Annual Audit Report (AAR) 2016 are accomplishments of the Royal Audit Authority (RAA), summary of audit findings, certification of annual financial statements, detailed audit findings, audit report on hydropower projects, general recommendations, auditor's report on the audit of accounts and operation of RAA.

For the AAR 2016, RAA issued total of 815 audit reports comprising of 690 financial audits, 118 compliance audit reports and 7 performance audit reports.

## **1. Certification of Annual Financial Statements**

The report includes the Certification of the Annual Financial Statements (AFS) of the budgetary operation of the government for the Fiscal Year 2015-16. The approved budget for the fiscal year 2015-16 of the government was Nu. 45,504.591 million against estimated resources of Nu. 41,017.888 million with a fiscal deficit of Nu.4,486.703 million.

During the year, the outlay was revised to Nu. 48,775.540 million and the resources to Nu. 44,677.102 million. At the end of the fiscal year, the actual outlay reported was Nu. 43,603.000 million against the realized resources of Nu. 42,039.298 million resulting in a fiscal deficit of Nu. 2779.184 million.

As against the revised capital budget of Nu. 26,578.232 million, the actual expenditure was Nu. 21,807.856 million with resultant underutilization of capital budget of Nu. 4,770.376 million, which was 17.95% of the revised capital budget.

The Government debt as on 30<sup>th</sup> June 2016 was Nu. 160,562.057 million, of which Nu. 4,656.115 million accounts for domestic debt and Nu. 155,905.942 million for external debt.

## **2. Resolved and Unresolved Irregularities**

Through rigorous follow up, audit findings involving Nu. 2,450.824 million representing 80.63% were either resolved fully or substantially or not material for inclusion in the AAR 2016 based on the actions taken and responses received from the agencies. The total unresolved significant irregularities with a financial implication of Nu. 588.784 million was reflected in the AAR 2016 excluding the irregularities in the hydropower, which amounted to Nu. 1,370.062 million.

Through numerous follow-ups at various levels, irregularities amounting to Nu. 203.418 million out of total amount of Nu. 588.784 million were resolved leaving a balance of Nu. 385.366 million as of 30/09/2017. The amount of Nu. 726.172 million was resolved out of total amount of Nu. 1,370.062 million related to hydropower projects leaving a balance of Nu. 638.890 million as of 30/09/2017.

The review report of AAR 2016 as of 30/09/2017 contains unresolved irregularities pertaining to 9 Ministries, 13 Dzongkhag Administrations, 15 Gewog Administrations, nine Autonomous Agencies, 10 Corporations, 4 Financial Institutions and 1 Non-Governmental Organization.

**Table 1. Resolved & Unresolved irregularities of AAR 2016**

Sl. No.	Agencies	Irregularities reported to the Parliament in March 2017 (Nu. In million)	Amount resolved in Nu. Million	Balance as on 30/09/2017	Amount resolved %
1	Ministries	310.352	151.108	159.244	48.69
2	Dzongkhag	52.382	1.897	50.485	3.62
3	Gewogs	8.850	0.464	8.386	5.24
4	Autonomous Agencies	104.296	40.437	63.859	38.77
<b>Total Budgetary Agencies - A (1 to 4)</b>		<b>475.880</b>	<b>193.906</b>	<b>281.974</b>	<b>40.75</b>
5	Corporations	76.858	6.892	69.966	8.97
6	Financial Institutions	22.657	2.095	20.562	9.25
7	Non-Governmental Organizations	13.389	0.525	12.864	3.92
<b>Total Non- Budgetary Agencies - B (5 to 7)</b>		<b>112.904</b>	<b>9.512</b>	<b>103.392</b>	<b>8.42</b>
		<b>588.784</b>	<b>203.418</b>	<b>385.366</b>	<b>34.55</b>
8	Hydropower Projects	1,370.062	726.172	638.89	53.00
<b>C Total (hydro power projects (8))</b>		<b>1,370.062</b>	<b>726.172</b>	<b>638.890</b>	<b>53.00</b>
<b>Grand Total (A + B+C)</b>		<b>1,958.846</b>	<b>929.590</b>	<b>1,024.256</b>	<b>47.46</b>

**2.1. Unresolved Irregularities**

From the total unresolved irregularities of Nu. 385.366 million, 9 Ministries account for Nu. 159.244 million, 13 Dzongkhags for Nu. 50.485 million, 15 Gewogs for Nu. 8.386 million, 9 Autonomous agencies for Nu. 63.859 million, 10 Corporations for Nu.69.966 million, 4 Financial Institutions for Nu. 20.562 million and 1 Non-Governmental Organizations for Nu. 12.864 million as shown in the following tables. **(Table 2 to 8)**

**Table 2: Unresolved Irregularities by Ministries**

Sl. No.	Ministry	Amount (Nu. in million)
1	Ministry of Works & Human Settlement (MoWHS)	114.762
2	Ministry of Information & Communication (MoIC)	2.246
3	Ministry of Agriculture & Forest (MoAF)	20.77
4	Ministry of Labour & Human Resources (MoLHR)	9.393
5	Ministry of Finance (MoF)	4.747
6	Ministry of Education (MoE)	6.665
7	Ministry of Foreign Affairs (MoFA)	0.661
8	Ministry of Health	0
9	Ministry of Economic Affairs	0
	<b>Total</b>	<b>159.244</b>

**Note:** MoH and MoEA have irregularities without financial implications

Amongst the ministries, MoWHS has the highest unresolved irregularities amounting to Nu. 114.762 million followed by MoAF with Nu. 20.77 million.

Looking into the efforts made by Ministries in resolving the irregularities since the tabling of the AAR 2016 in the Parliament in July 2017, their efforts can be summarized as follows:

- MoWHS managed to resolve Nu. 55.131 million leaving a balance of Nu. 114.762 million.
- The MoAF resolved Nu. 21.632 million from a total of Nu.42.402 million leaving a balance of Nu.20.770 million to be resolved.
- The MoLHR has resolved three irregularities out of five irregularities without financial value but has not been able to resolve the two irregularities with financial implications amounting to Nu. 9.393million.
- The MoIC resolved Nu.67.046 million leaving a balance of Nu. 2.246 million.
- The MoF resolved Nu.4.568 million leaving a balance of Nu. 4.747 million.
- The MoE resolved Nu. 1.657 million leaving a balance of Nu. 6.665million
- The MoFA resolved Nu. 0.298 million leaving a balance of Nu. 0.661 million.
- The MoEA resolved all their financial irregularities of Nu. 0.776 million. However, two observations on possible fronting of license and submission of wrong information in key professional staff which have been forwarded to ACC needs to be resolved.
- Out of the six unresolved irregularities without financial implication, the MoH had resolved only one irregularity.

**Table 3: Unresolved Irregularities by Dzongkhags**

<b>Sl. No.</b>	<b>Dzongkhags</b>	<b>Amount (Nu. in million)</b>
1	Tashiyangtse	20.132
2	Lhuentse	9.484
3	Pemagatshel	7.639
4	Chhukha	4.191
5	Dagana	3.888
6	Trashigang	2.912
7	Monggar	1.066
8	Haa	0.748
9	Punakha	0.168
10	Samtse	0.104
11	Gasa	0.058
12	Trongsa	0.048
13	Thimphu	0.047
	<b>Total</b>	<b>50.485</b>

Dzongkhags account for 13.10 percent of the total irregularities. Amongst the Dzongkhags, Trashiyangtse has the highest unresolved irregularities with Nu. 20.132 million followed by Lhuentse and Pemagatshel with Nu. 9.484 million and Nu. 7.639 million respectively.

**Table 4: Unresolved Irregularities by Gewogs**

Sl. No.	Gewogs	Amount (Nu. in million)
1	Bongo	0.694
2	Geling	0.056
3	Phuentsholing	5.263
4	Sampheling	0.327
5	Langchenphug	0.47
6	Martshala	0.034
7	Chhumig	0.03
8	Ura	0.365
9	Norgaygang	0.45
10	Korphu	0.187
11	Nubi	0.061
12	Naja	0.173
13	Ramjar	0.21
14	Gangzur	0.035
15	Soe	0.031
	<b>Total</b>	<b>8.386</b>

Compared to other central agencies, Gewogs account for only 2.18 percent of the total unresolved irregularities. Amongst the Gewogs, significant unresolved irregularities can be observed only for Phuentsholing gewog with Nu. 5.263 million.

**Table 5: Unresolved Irregularities by Autonomous Agencies**

Sl. No.	Autonomous Agency	Amount (Nu. in Million)
1	Royal University of Bhutan (RUB)	54.462
2	Judiciary	2
3	Dratshang Lhentshog	0.101
4	Royal Civil Service Commission (RCSC)	1.384
5	Tourism Council of Bhutan (TCB)	4.764
6	Bhutan Council for School Examinations and Assessment (BCSEA)	0.629
7	Bhutan Narcotic Control Authority (BNCA)	0.347
8	Civil Society Organization Authority (CSOA)	0.172
9	Phuntsholing Thromde*	-
	<b>Total</b>	<b>63.859</b>

*\*Unresolved irregularity without financial implication.*

Amongst the Autonomous agencies, RUB accounts for 14.13 percent of the total irregularities followed by TCB with 1.24 percent.

**Table 6: Unresolved Irregularities by Corporations**

Sl. No.	Corporations	Amount (Nu. in Million)
1	Bhutan Power Corporation (BPC)	39.173
2	Dungsam Cement Corporation Ltd. (DCCL)	12.484
3	Druk Green Power Corporation (DGPC)	9.462
4	Natural Resources Development Corporation Ltd. (NRDCL)	7.113
5	Penden Cement Authority Ltd. (PCAL)	1.322
6	National Housing Development Corporation Ltd. (NHDCL)	0.284
7	Bhutan Broadcasting Service Corporation Ltd. (BBSC)	0.032
8	Bhutan Telecom Ltd. (BTL)	0.096
9	Food Corporation of Bhutan Ltd. (FCBL)*	-
10	Construction Development Corporation Ltd. (CDCL)*	-
	<b>Total</b>	<b>69.966</b>

\* Unresolved irregularities without financial implication.

The Corporations account for 18.16 percent of the total irregularities. The Bhutan Power Corporation (BPC) has unresolved irregularities of Nu. 39.173 million followed by Dungsam Cement Corporation Limited (DCPL) with Nu. 12.484 million.

**Table 7: Unresolved Irregularities by Financial Institutions**

Sl. No.	Financial Institutions	Amount (Nu. in Million)
1	Royal Insurance Corporation of Bhutan Limited (RICBL)	19.388
2	Bhutan Development Bank Limited (BDBL)	1.174
3	Bhutan National Bank Limited (BNBL)*	-
4	Bank of Bhutan Limited (BoBL)*	-
	<b>Total</b>	<b>20.562</b>

\* Unresolved irregularities without financial implication.

Amongst the financial institutions, the RICBL has unresolved irregularities of Nu.19.388 million and BDBL with Nu. 1.174 million. The BNBL and BoBL need to resolve their non financial irregularities.

**Table 8: Unresolved Irregularities by Non-Government Organizations**

Sl. No.	Non-Government Organization	Amount (Nu. in Million)
1	Association of Bhutanese Tour Operators (ABTO)	12.864
	<b>Total</b>	<b>12.864</b>

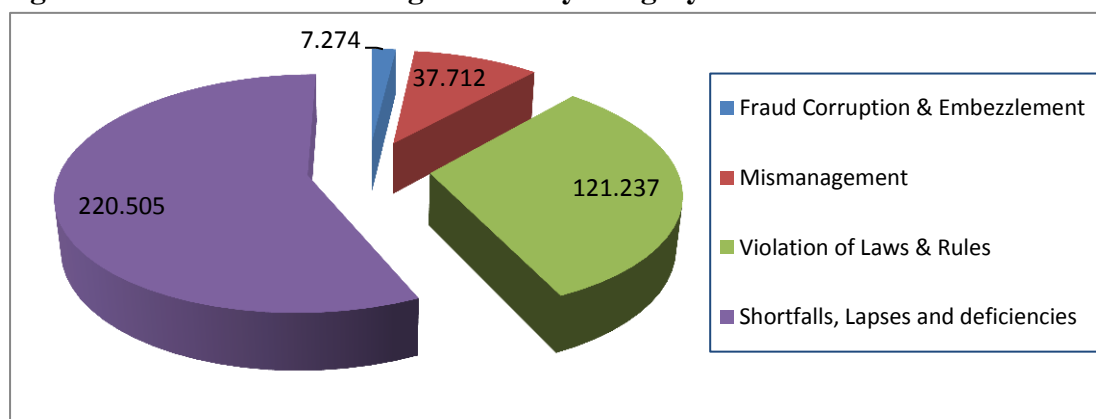
## 2.2. Irregularities by Categories

The irregularities as categorized by RAA are:

1. Fraud, Corruption and Embezzlement;
2. Mismanagement;
3. Violation of Laws and Rules; and
4. Shortfalls, Lapses and Deficiencies.

As reported in the review report of AAR 2016 as of 30/09/2017, the highest unresolved irregularities fall under the category of Shortfalls, lapses and deficiencies with Nu. 220.505 million followed by Violation of Laws & Rules with Nu.121.237 million, Mismanagement with Nu. 37.712 million and Fraud, Corruption & Embezzlement with Nu. 7.274 million as shown in Figure 1.

**Figure: 1. Unresolved irregularities by category**



### 2.2.1. Fraud Corruption and Embezzlement

The total irregularity reported under this category in AAR 2016 was Nu. 9.408 million of which Nu. 2.134 has either been resolved or settled leaving a balance of Nu. 7.274 million.

**Table 9: Unresolved Irregularities by agencies**

Sl No.	Agencies	Amount (Nu. in Million)
1	Ministries	6.925
2	Dzongkhags	-
3	Gewogs	0.035
4	Autonomous Agencies	0.314
5	Corporations	-
6	Financial Institutions	-
7	Non-Government Organizations (NGOs)	-



Some of the significant cases observed under this category are as below:

- The MoAF has unresolved irregularities of Nu. 0.260 million related to forged Bank guarantee in lieu of performance security and non recovery of penalty. The case has been forwarded to ACC.
- Serious misrepresentation of facts in the MoE's International Assisted Project in the construction of Retaining wall (130 m long & 6m height) along the school football field of Minje Middle Secondary School, Lhuentse led to irregularities amounting to Nu. Nu.6.665 million.
- Though not reflected as a financial irregularity, the RAA has observed possible fronting case of license and submission of wrong information in key professional staff in the Asian Development Bank funded project "Rural Renewable Energy Development" under Ministry of Economic Affairs. Both the cases have been forwarded to ACC.
- Due to lack of internal control system, the Gedrung of Gewog Administration, Gangzur had misused revenue of Nu.0.035 million on rural taxes collected from the public. The Gewog Administration had reported the case to RBP, Lhuentse which was further forwarded to the ACC.
- The College of Language and Cultural Studies (CLCS), Taktse under Royal University of Bhutan (RUB) initially had not deposited Nu. 1.334 million into the Welfare Account from collections made on account of security deposit, development fund, self-funding fees, paper re-check fees, Distance Education fees, rental from cafeteria, printing and photocopy charges. After reconciliation, the final short deposit is confirmed as Nu. 0.314 Million.
- Dungsam Cement Corporation Limited had a case of tampering documents and adding additional items. Though the management has recovered the amount and compulsorily retired the supervising official, action against the direct accountable official is awaited.

### **2.2.2. Mismanagement**

The total irregularities reported under this category in AAR 2016 was Nu. 52.259 million of which Nu. 15.59 has either been resolved or settled leaving a balance of Nu. 37.712 million.

**Table 10: Irregularities under Mismanagement**

Sl. No.	Agencies	Amount (Nu. in Million)
1	Ministries	15.881
2	Dzongkhags	-
3	Gewogs	0.532
4	Autonomous Agencies	11.107
5	Corporations	9.149
6	Financial Institutions	1.043
7	Non-Government Organizations (NGOs)	-

The prominent issues observed under this category are as below:

- The MoWHS had incurred wasteful expenditure of Nu.3.738 million in Netherlands funded ORIO Project “Poverty Alleviation through Road Development in Southern Bhutan” by continuing to pay remunerations for two Supervising Engineers and two Junior Engineers even after termination of works.
- The illegal collection of fees and non-refunds amounting to Nu. 7.548 million by M/S Tenzu Overseas Employment Agent has been booked as irregularities of the MoLHR. The Ministry however, has filed criminal complaints but could not initiate court proceedings against the agent as the whereabouts of the proprietor is not known.
- The Regional Revenue and Customs Office (RRCO), Phuntsholing had short levied sales tax and green tax of Nu. 8.7 million during the year 2015 from imported vehicles resulting from less selling price of vehicles reflected in the bills by the dealer as compared to Excise Invoice of the Manufacturer. So far Nu. 4.585 million has been recovered/adjusted leaving a balance of Nu. 4.115 million. The case is sub-judice.
- The MoH had installed four chiller machines at a cost of Nu. 21.00 million in the construction of 350 bedded JDWNRH and commissioned in August 2010 but had stopped working after four months and were found defunct and non-operational. The contractor failed to provide adequate repairs during the defect liability period due to which the chiller kept breaking down. The chillers have been lying idle for more than five years resulting into wastage of scarce resources.
- The Road Safety and Transport Authority (RSTA), Regional Office, Thimphu had not realized annual renewal fees amounting to Nu. 0.480 million.
- The RUB had not adjusted the advances of Nu. 2.736 million from the contractor in the GoI funded Project “Construction of Academic, Library, MPH, 100 Bedded Hostel, Provost Quarter and Site Development Works”.

- The Dungsam Cement Corporation Limited (DCCL), Nganglam had not levied penalties amounting to Nu. 5.985 million against M/s Dhenjyud Enterprise for excess content of moisture and ash in coal which did not meet preset quality control parameters during 2013 and 2015.
- Langchenphug Gewog had irregularities and lapses in utilization of GDG fund amounting to Nu. 0.470 million.

### 2.2.3. Violation of Laws and Rules

The total irregularities reported under this category in AAR 2016 was Nu. 159.797 million of which Nu. 38.560 has either been resolved or settled leaving a balance of Nu. 121.237 million.

**Table 11: Irregularities under Violation of Laws and Rules**

Sl. No.	Agencies	Amount (Nu. in Million)
1	Ministries	20.063
2	Dzongkhags	32.025
3	Gewogs	0.570
4	Autonomous Agencies	29.770
5	Corporations	38.743
6	Financial Institutions	0.066
7	Non-Government Organizations (NGOs)	-

The prominent issues observed under this category are as below;

- The MoWHS had allowed bidders to include General items of works amounting to Nu. 16.596 million as separate items of works in the BoQs in the Netherlands funded ORIO Project “Poverty Alleviation through Road Development in Southern Bhutan” This was in deviation to the Procurement Rules and Regulations 2009 (PRR) and the Bhutan Schedules of Rates (BSR). Further, lapses were observed in the online tendering process while procuring Bitumen Emulsion worth Nu. 175.953 million by the Regional Office, DoR, Phuntsholing.
- Illegal deployment of candidates in various countries, collection of fees and making advertisement of job vacancies in the social network without prior permission of the Ministry by the agent has been booked as irregularity of the Ministry. However, the Ministry had initiated action against the agent by suspending their license for 10 months.
- The Regional Revenue and Customs Office, Samtse had pending desk assessment of PIT for 354 candidates in contravention to chapter 2 clause 1.2 of the general provision on rules on the Income Tax Act of Bhutan 2001.

- The Market Access and Growth Intensification Project (MAGIP) under Dzongkhag Administration, Trashiyangtse had booked expenditure of Nu.0.878 million as closed work in the construction of Pump Irrigation Scheme without completing the works and had booked Nu. 18.233 million as final expenditure for various incomplete constructions and deposited into Refundable Deposit Account for future payments.
- The Dzongkhag Level Tender Committee of the Dzongkhag Administration, Lhuentse had awarded the major renovation of Khawchung Lhakhang under Gangzur Gewog to M/s T Norbu Construction, Thimphu at a contract price of Nu.12.044 million based on competitive bidding. Subsequently, to restore the site to its full functionality and utility within the campus, the additional works valuing Nu.9.484 million, which exceeded 20% of the original contract value was directly awarded to the same contractor without the approval of competent authority as required under the PRR 2009.
- Chukha Dzongkhag Administration had cases of substandard works valuing to Nu. 2.086 million executed in the resurfacing of road from Tsimasham to Tsimalakha, construction of foot path at Tsimalakha, construction of farm road from Kothiline to Pana and construction of BHU – II at Dungna.
- The Gewog Administration, Ramjar had booked an expenditure of Nu. 0.210 million as closed work without completing the construction of Dining Hall with caretaker's House at Doejam Drodenschiling Lhakhang.
- Naja gewog under Paro Dzongkhag had awarded the community contract to a single person without the consensus of the entire community and GT endorsement in contravention with the community contracting protocol. Further, the gewog has also constructed 403 meters of Jaba Goenpa Farm road without obtaining environment clearance from the Dzongkhag Administration.
- RUB had not collected the additional differential amount of Nu.10.633 million in the GoI funded project “Construction of Academic, Library, MPH, 100 Bedded Hostel, Provost Quarter and Site Development Works” from the contractor as recommended by the Evaluation Committee.
- Under TCB, the contractor had not rectified various defective works worth Nu. 2.559 million in the Austrian funded construction project of Hotel and Tourism Management Training Institute, Motithang.
- The BPCL, Phuentsholing had not levied 10% liquidated damages amounting to Nu.38.249 million on the contractor for unwarranted grant of time extensions in the construction of ‘220KV Transmission Line from Malbase to Samtse.

#### 2.2.4. Shortfalls, Lapses and Deficiencies

The total irregularities reported under this category in AAR 2016 was Nu. 367.320 million of which Nu.146.815 has either been resolved or settled leaving a balance of Nu. 220.505 million.

**Table 12: Irregularities under Shortfalls, Lapses and Deficiencies**

Sl. No.	Agencies	Amount (Nu. in Million)
1	Ministries	116.375
2	Dzongkhags	18.460
3	Gewogs	7.249
4	Autonomous Agencies	22.668
5	Corporations	22.074
6	Financial Institutions	20.815
7	Non-Government Organizations (NGOs)	12.864

Some of the prominent issues observed under this category are as below;

- The MoWHS has shortfalls, lapses and deficiencies of Nu. 94.236 million.  
The Regional Office, DoR, Trashigang had not realized the compensation cost and other receivables of Nu. 4.307 million from the contractor for the blacktopping of 20.5 km Riju-Bartsham Gewog Centre Road upon termination of contract. The case is sub-judice.
- MoAF has irregularities of Nu. 17.821 million.
  - \* The Jigme Dorji Wangchuck National Park, Damji had made irregular payments of Nu. 2.592 million for the construction of Park Range Office cum residence and retaining wall at Dangojong, Soe. The case is under litigation in the Dungkhag Court, Lingzhi.
  - \* The World Bank Funded Project (HANAS-II) under Jigme Dorji Wangchuck National Park, Damji had made excess payment of Nu. 0.160 million for design and dimension of flooring joist and providing and fixing of eaves board for roofing for the construction of Laya Park Range Office.
- MoLHR has irregularities of Nu. 1.845 million. The GoI funded “Construction of Vocational Training Institute” under the Department of Human Resources had made inadmissible payment of Nu.1.845 million to the contractor on account of additional works for retaining walls and drains, brick works and electrical works.
- MoF has irregularities of Nu. 1.162 million.  
The Regional Revenue and Customs Office, Gelephu had accepted defective works in the construction of RRCO building by M/s Taju Construction, Paro at a tendered amount of Nu. 135.434 million.

- The Dzongkhag Administration, Chhukha had made excess payment of Nu. 1.743 million to the contractor for the construction of Science Lab at Dungna Lower Secondary School. The amount was partially recovered and the case is sub-judice.
- The Dzongkhag Administration, Dagana had made excess payment of Nu. 3.270 million to contractor in the rehabilitation of Badarchu-Peteykha irrigation channel at Tshangkha Gewog implemented under the Remote Rural Community Development Project (RRCDP).
- The Dzongkhag Administration, Trashigang had neither surrendered National Day Celebration materials valuing to Nu. 1.919 million to the Department of National Properties (DNP) nor accounted for in the Dzongkhag's Stock Register.
- The RUB had not renewed the bank guarantee as per contract agreements and had also not taken timely actions for irregular release of retention money in the GoI funded Project *“Construction of Academic, Library, MPH, 100 Bedded Hostel, Provost Quarter and Site Development Works”*. The management was found to have released Nu. 2.357 million of the total amount of Nu.2.569 million aggregating to 91.75%. The retention money was released upon the production of a bank guarantee that had expired on 22<sup>nd</sup> May 2014 and was not renewed.
- DCCL, Nganglam had made excess payments amounting to Nu. 0.661 million due to non-deduction of 3% TDS from bill payments made to M/s Sharma Hardware Stores, Phuentsholing for supply of materials and other items.
- DCCL, Nganglam had made over payments amounting to Nu. 0.796 million due to inflated claim of quantities for ceiling works executed in the construction of 10 Units temporary accommodations for employees.
- DCCL, Nganglam did not have supporting documents for payments involving Nu. 2.923 million pertaining to M/s Sharma Hardware Stores, Phuentsholing for the procurement of cement.
- The Tsibjalumchu Diversion Scheme/Project under Druk Green Power Corporation Limited (DGPCL) had irregularities in the derivation of rate of Nu. 15,890.00 per cubic for M20 mix concrete. As the item was not included in the BoQs, an average rate derived from the M15 & M25 was applied, but was found inappropriate as the concrete used in items of works M15 and M25 were very different in nature. As per audit analysis an amount of Nu. 9.462 million was recoverable from contractor.
- The Natural Resources Development Corporation Limited (NRDCL), Bumthang had made excess payments amounting to Nu.1.163 million in the construction of 3 km

Rodungla Forest Road and had overdue outstanding PW advances amounting to Nu. 2.286 million against staff and contractors.

- The NRDCL had made inadmissible payments amounting to Nu.0.127 million to contractor for unexecuted works in the renovation and rewiring works at Royal Institute of Management (RIM), Simtokha. They had also made inadmissible payments amounting to Nu.0.157 million to contractor for unexecuted works in the construction of railing, plinth protection & drain at RIM, Simtokha.
- The Royal Insurance Corporation of Bhutan (RICBL), Regional Office, Phuentsholing had overdue outstanding claims amounting to Nu. 19.388 million payable to clients on account of Motor, Fire and Miscellaneous insurance policies claims.
- The Bhutan Development Bank Limited (BDBL), Main Branch Office, Thimphu had not taken legal actions against 490 cases of defaulted loan accounts from 1991 to 2015. A sum of Nu. 623.56 million remains outstanding against a total sanctioned amount of Nu. 671.22 million from clients. The Bank reported of having regularized 283 loan accounts leaving a balance of 207 loan accounts.
- The BDBL, Head Office, Thimphu had a case of seriously defaulted Housing Loan amounting to Nu. 24.548 million.

### 3. Audit Report on Joint Hydropower Projects

The RAA had undertaken two Joint Audits of Hydro Power Projects of Punatsangchhu-II Hydroelectric Project Authority (PHPA) and Mangdechhu Hydroelectric Project Authority (MHPA) during 2016. The audits were conducted as per the Standard Operating Procedures signed between the RAA and the Comptroller and Auditor General of India and the Projects Agreement signed between the Royal Government of Bhutan (RGoB) and the Government of India (GoI). The AAR 2016 includes only the unresolved significant audit observations of PHPA-II and MHPA.

**Table 13: Irregularities under Hydropower Projects**

Sl. No.	Hydroelectric Projects	Amount (Nu. in Million)
1	Punatsangchu II - Hydroelectric Project Authority (PHPA)	410.84
2	Mangdechhu Hydroelectric Project Authority (MHPA)	228.05
	<b>Total</b>	<b>638.89</b>

Some of the prominent issues reflected in the report are:

- The PHPA-II had made inadmissible payment of Nu. 334 million to the contractor as construction plan advance for old and used equipment.

- The MHPA had made payments amounting to Nu. 138.300 million as interest free additional mobilization advances which were not provided for in the contract document with resultant undue benefit to the contractors.
- M/s BHEL appointed M/s Bhutan Ventures Trading as local representative for facilitating smooth execution of project as envisaged in the contract document @1.35% of the contract value with financial implication of Nu. 69.697 million to the project.

#### **4. General Recommendations of the RAA are:**

- 1) Ensure effective utilization of Infrastructure/equipment.
- 2) Insurance of ongoing construction works needs to be streamlined.
- 3) Award of additional works in constructions should be minimized through adequate planning.
- 4) Community Contracts should be awarded as per Community Contracting Protocol.

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#### **Committee's Recommendation**

- 1) **The PAC endorses the four general recommendations made by RAA and encourages all agencies (budgetary as well as non-budgetary agencies) to implement these recommendations.**
  - 2) **Revenue collected from the public especially at the local government level needs to be deposited in the official account on time to minimize misuse of fund.**
  - 3) **Ministry of Finance should immediately complete the desk assessment of pending PIT and to institute measures to complete the assessment on time.**
  - 4) **Bhutan Development Bank limited should expedite to resolve the defaulted loan litigation cases from year 1991 to 2015.**
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## Chapter II: Review of Annual Audit Report 2015

The RAA had submitted the Review Report of AAR 2015 to the 9th Session of the Second Parliament in March 2017. The AAR 2015 had unresolved irregularities of Nu.767.773 million of which the RAA was able to resolve Nu. 306.438 (39.91%) million leaving a balance of Nu.461.335 million representing irregularities of 60.09% unresolved as of 30.09.2017.

The Budgetary Agencies had resolved irregularities amounting to Nu. 11.091 million leaving a balance of Nu.111.216 million. Whereas, Non-Budgetary Agencies had resolved irregularities of Nu. 0.925 million leaving a balance of Nu. 70.162 million.

The irregularities amounting to Nu. 294.422 million were resolved leaving a balance of Nu. 279.957 million from the total irregularities of Nu. 574.379 million pertaining to the Hydroelectric projects.

The Gewog administrations had resolved 56.71% of irregularities followed by autonomous bodies with 17.16%. The resolved irregularities pertaining to Ministries and Dzongkhags was 1.28 and 2.79 respectively.

**Table 14: Resolved & Unresolved Irregularities in the agencies**

Sl No.	Agencies	Irregularities reported to the Parliament in 30 March 2017 (Nu. in million)	Amount resolved (Nu. in million)	Amount Unresolved as on 30/09/2017	Amount resolved (%)
1	Ministries	41.361	0.530	40.831	1.28
2	Dzongkhags	24.198	0.676	23.522	2.79
3	Gewogs	0.365	0.207	0.158	56.71
4	Autonomous Bodies	56.383	9.678	46.705	17.16
<b>Total Budgetary Agencies – A= (1 to 4)</b>		<b>122.307</b>	<b>11.091</b>	<b>111.216</b>	<b>9.07</b>
5	Corporations and Financial Institutions	70.897	0.737	70.160	1.04
6	Political parties	0.190	0.188	0.002	98.95
<b>Total Non-Budgetary Agencies – B= (5 - 6)</b>		<b>71.087</b>	<b>0.925</b>	<b>70.162</b>	<b>1.30</b>
7	Hydro Power Projects	574.379	294.422	279.957	51.26
<b>Total Hydro Power Projects– C= (7)</b>		<b>574.379</b>	<b>294.422</b>	<b>279.957</b>	<b>51.26</b>
<b>Grand Total –D= (A + B+C)</b>		<b>767.773</b>	<b>306.438</b>	<b>461.335</b>	<b>39.91</b>

Some of the pertinent issues observed are:

- MoAF has the highest irregularities amounting to Nu. 14.446 million followed by the MoIC with Nu. 11.787 million. The MoH has irregularities of Nu. 6.658 million and the MoFA with Nu. 4.973 million. The MoF has the least amount of irregularities amounting to Nu. 2.967 million.

- The unresolved irregularity of MoAF is related to non-collection of government fund on account of seizer of Red Sander Wood. The case has been put up to the court and the court verdict is awaited.
- The MoIC's unresolved irregularity of Nu. 11.787 million pertains to non-collection of applicable vehicle renewable fees.
- The MoH's cases on the embezzlement of government revenue amounting to Nu. 5.579 million, short accountal of revenue by Nu. 0.023 million and penalty on late deposit of government revenue amounting to Nu.1.056 million are with the ACC. The ACC on the other hand has written a letter to the Police Chief seeking the arrest of the culprit who is reported to be missing.
- The MoFA's case pertaining to the non-reconciliation of accounts amounting to Nu. 4.793 million between the cash book generated by the Public Expenditure Management System (PEMS) and the balances shown in the book of accounts maintained for USD and Rupee still remains to be resolved.
- Amongst the Dzongkhags, Thimphu has the highest irregularities of Nu.22.221 million followed by Trashigang, Monggar and Samtse with Nu. 0.687, 0.331 and 0.283 respectively.
- Thimphu Dzongkhag's case is related to non-functional water supply to the proposed new Dzongkhag office complex at Depsiphaka.
- Trashigang Dzongkhag had outstanding advances against various officials amounting to Nu. 0.809 million of which 0.122 million has been resolved and Nu. 0.697 million still needs to be recovered.
- Under the autonomous agencies, RUB has the highest irregularities of Nu.17.569 million followed by National Land Commission (NLC) and Tourism Council of Bhutan (TCB) amounting to Nu. 8.884 million each.
- The RUB's balance irregularities of Nu. 17.569 million pertains to non- realization of penalty for not meeting training obligations, non-realization of tuition fees from self-financed candidates, non-renewal of performance guarantees and non-levy of liquidated damages.
- The NLCS had outstanding proceeds recoverable from issue of feno pegs worth Nu.14.370 million of which Nu. 5.486 million has been settled leaving a balance of Nu.8.884 million.
- The TCB's case of irregularity in payment of contractor's bill amounting to Nu. 8.884 million is sub-judice.

- The ECB's case of fraudulent practice of payment of postal charges for ordinary letters resulting into Nu. 5.235 million has been established as a case of forgery and embezzlement by the Commission and handed over to the RBP and later to ACC. The case has been forwarded to Thimphu District Court.
- Under the Corporations and Financial Institutions, FCBL has the highest irregularities amounting to Nu. 26.331 million followed by Dungsam Cement Corporation Ltd. (DCCL) with Nu. 22.603 million and RICBL with Nu. 19.263 million.
- The FCBL's unresolved irregularities of Nu. 26.331 million arose from stock and cash shortages, misappropriation, non-imposition of penalty on late payment of rent and on late delivery, irregular waiver of fines and penalty on double declaration of imported rice, non-adjustment of claims in suppliers account, shortage of food grains etc. For the stock and cash shortage the Court has issued a verdict that the Officiating Regional Manager refund the amount while for misappropriation, the Court directed the management to forward the case to ACC as it pertains to a late depot in-charge.
- The case of Nu. 22.603 million embezzled due to collusion of employees at different tiers in the finance division, collusion with employees across many divisions etc. in DCCL was investigated upon by the ACC and has been forwarded to the OAG for prosecution.

### **Chapter III: Implementation status of 8<sup>th</sup> Session Resolutions (AAR 2009 - 14)**

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**Resolution (1):** The PAC endorsed the general recommendations made by the RAA and encourages all agencies (budgetary as well as non-budgetary) to implement these recommendations.

**Status:** RAA to follow up

**Resolution (2):** Considering the observations made by the RAA and the unresolved amount, it is necessary for the Internal Auditors to play a more proactive role whereby they must follow up with their agencies to resolve the issues and work on developing preventive mechanisms.

**Status:** Follow-up reminder was sent on 22<sup>nd</sup> September 2017 to the Cabinet Secretariat to follow-up with the respective agencies. Received response from MoAF stating that Internal Audit Unit of the Ministry has been actively engaged in resolving the audit issues of MoAF. *(Please refer Annexure A for detailed response)*

**Resolution (3):** Although the land leased by Government agencies are in line with the Rules and Regulations governing the lease of GRF, there is a need to clearly define the purpose of lease especially related to industrial and commercial.

**Status:** Follow-up reminder was sent on 22<sup>nd</sup> September 2017 to the Cabinet Secretariat to follow-up with the respective agencies. Response not received yet.

**Resolution (4):** The PAC in order to provide accurate information to the Parliament needs to know the exact status of cases related to audit irregularities referred to the ACC by the RAA and by the ACC or Agencies to the OAG. Therefore, both the ACC and the OAG need to update the PAC a month prior to the commencement of the session.

**Status:** Received response from ACC vide letter no.ACC/SECT/PPS-01/1601 dated 19 October, 2017. *(Please refer Chapter IV)*

Received response from OAG vide letter no. OAG/ADM/2017/1450 dated 8<sup>th</sup> November, 2017 stating that the first tripartite meeting between RBP, ACC and OAG was conducted on 16<sup>th</sup> October, 2017 with the objective of instituting a forum for the three agencies to enhance mutual cooperation and to resolve issues of common interest on a timely basis.

Further, the PAC feels that the response given by the OAG does not specifically answer to the resolution of the House. Therefore, OAG in consultation with ACC and RAA needs to update the PAC on the status of the cases forwarded by the RAA to ACC and then from ACC to OAG for prosecution.

**Resolution (5):** The 6<sup>th</sup> Session of the 2nd Parliament required all agencies to resolve audit irregularities pertaining to AAR 2009-2014 latest by 30<sup>th</sup> September 2016. While the PAC acknowledged that the irregularities referred to the ACC/OAG will be taken up by these agencies, the other unresolved irregularities be taken up seriously by heads of respective agencies by 30<sup>th</sup> March 2017. In case of failure to resolve within the stipulated time, the heads of the agencies would be held accountable.

**Status: Review Reports 2009 – 2014**

The unresolved irregularities reported stands at Nu. 462.933 million as of 30/09/2017. Ministries have the highest amount of accumulated irregularities amounting to Nu.280.801 million followed by Autonomous Agencies with Nu. 126.87million. Cases that reflect high amount of irregularities but could not be resolved are discussed in the following sections under review of AARs.

**Table 15: Unresolved irregularities by agencies as of 30/09/2017 (in Millions)**

Sl No.	Agencies	AAR 2009	AAR 2010	AAR 2011	AAR 2012	AAR 2013	AAR 2014
1	Ministries	3.249	3.053	189.781	18.379	34.504	31.835
2	Dzongkhags	-	0.307	0.182	0.334	3.422	18.149
3	Gewogs	-	-	0.021	0.22	1.646	0.322
4	Autonomous Agencies	-	-	-	0.87	-	126
5	NGOs	-	-	-	-	3.387	-
6	Corporations & Financial Institutions	-	-	22.851	0.251	-	4.17
7	Political Parties	-	-	-	-	-	-
8	Hydropower Projects	-	-	-	-	-	-
	<b>Total</b>	<b>3.249</b>	<b>3.36</b>	<b>212.835</b>	<b>20.054</b>	<b>42.959</b>	<b>180.476</b>

**Review of AAR 2009:**

- The unresolved irregularity for the AAR 2009 as of 8<sup>th</sup> Session is Nu. 3.291 million and as of 10<sup>th</sup> session is Nu. 3.249 million. Total resolved irregularity for the AAR 2009 as of 10<sup>th</sup> Session is Nu. 0.042 million (1.27% resolved).
- For the year 2009, MoLHR solely accounted to total unresolved irregularities of Nu. 3.249 million. The excess refund of retention money amounting to Nu. 2.353 million in the Basic Skills Development Project of MoLHR has neither been reconciled nor recovered. Further an amount of Nu.0.896 million for double booking of expenditure has also been not recovered.

**Note:** *The court verdict has been issued but the concern person was reported to be missing. The Ministry has exhausted all options to resolve the case and the case has been put up to Finance Audit Committee.*

### **Review of AAR 2010:**

- The unresolved irregularity for the AAR 2010 as of 8<sup>th</sup> Session is 3.623 million and as of 10<sup>th</sup> Session is Nu. 3.360 million. Therefore, the total resolved amount for the year 2010 as of 10<sup>th</sup> session stands at Nu. 0.263 million (7.25%).
- The unresolved irregularity for the AAR 2010 stands at Nu. 3.36 million of which Nu. 3.053 million is related to the Ministries and Nu. 0.307million is related to the Dzongkhags.
- MoH accounts for Nu.0.662 million due to outstanding advances against various officials by DVED.
- Amongst the Dzongkhags, Samtse and Zhemgang accounts for Nu. 0.108 million and Nu. 0.199 million respectively which resulted from outstanding advances.

### **Review Report 2011:**

- The unresolved irregularity for the AAR 2011 as of 8<sup>th</sup> session was 220.553 million and as of 10<sup>th</sup> session is Nu. 212.835 million. The total resolved amount for the year 2011 as of 10<sup>th</sup> session is Nu. 7.718 million (3.49%).
- The amount of unresolved irregularities stands at Nu.212.835 million of which the Ministries account for Nu.189.781 million, Dzongkhags account for Nu. 0.182 million, Gewogs accounts for Nu. 0.021million and Corporation and Financial Institutions account for Nu. 22.851 million.
- The unresolved mount of Nu. 0.403 million is related to MoAF for inadmissible payment and excess payment in the construction of 3 bedroom staff quarter at Yusipang.  
*Note: Case was registered in the court but the case had to be deferred since the contractor was reported to be missing.*
- With regard to Dzongkhags, Gasa and Zhemgang accounts for Nu.0.039 million and Nu.0.143 million respectively for outstanding advances. Samtse Dzongkhag has an irregularity which is partly settled as the principal amount has been recovered but 24% penalty on principal amount is still not covered.
- Phuentsholing Gewog under Chhukha Dzongkhag has not resolved the issue of irregular advance payment made to the contractor in the construction of 20 seating capacity ORC at Panbari. Further Khebisa Gewog under Dagana Dzongkhag has not recovered the amount of Nu. 0.021 million which resulted from Non accountal of taxes.
- Penden Cement Authority Ltd (PCAL) accounts for irregularity of Nu.22.851 million which resulted from outstanding credit sales against M/s National Hydro Power Corporation Limited (NHPCL), Delhi on account of sale of cement on credit.

### **Review Report 2012:**

- The unresolved irregularity for the AAR 2012 as of 8th session was 44.469 million and as of 10<sup>th</sup> session is Nu.20.054 million. The total resolved amount for the year 2012 as of 10<sup>th</sup> session is Nu. 24.415 million (50.90%).
- The Ministries account for irregularity of Nu.18.217 million, Dzongkhags account for Nu. 0.334 million, Gewogs account for Nu. 0.220 million, Autonomous Agencies account for 0.870 million and Corporations and Financial Institutions account for Nu. 0.251 million.
- MoF also has an outstanding BST of Nu. 1.32 million which is still not recovered.
- MoH accounts for Nu. 1.078 million which resulted from shortage of revenue. The issue was deliberated in the Finance and Audit Committee meeting and the Ministry was instructed to conduct fact findings on the case for further decision.
- The MoLHR accounts for Nu.3.295 million which resulted from flaws in the award and construction of Vocational Training Institute at Dolungang, Jigmiling. Case has been put up to Finance Audit Committee (FAC).
- Amongst the Dzongkhags, Tsirang accounts for Nu.0.334 million which resulted from the construction of Lhakhang in Dunglagang Gewog.
- With respect to Gewogs, Logchina under Chukha Dzongkhag accounts for Nu. 0.122 million which resulted from inadmissible or excess payment made to the contractor. Deorali Gewog under Dagana Dzongkhag has irregularity of Nu. 0.063 million from misuse of revenue and khebisa Gewog under same Dzongkhag has irregularity of Nu. 0.035 million from shortage of fund.
- Amongst the Autonomous Bodies, RUB accounts for Nu. 0.043million from outstanding revenue. Bhutan Football Federation (BFF) accounts for Nu. 0.827 million from non deduction of TDS and outstanding advances.

### **Review of AAR 2013:**

- The unresolved irregularity for the AAR 2013 as of 8th session is Nu. 58.425 million and as of 10<sup>th</sup> session is 42.959 million. Therefore, the total resolved amount for the year 2014 as of 10<sup>th</sup> session is Nu. 15.466 million (26.46%).
- The unresolved irregularities for the year 2013 stands at Nu. 42.959 million of which the Ministries account for Nu. 34.504 million, Dzongkhags account for Nu. 3.422 million, Gewogs account for Nu. 1.646 million and NGOs account for Nu. 3.387 million.
- Amongst the Ministries, MoWHS accounts for Nu. 0.167 million that resulted from non-reconciliation of revenue accounts. The case is with regard to non-reconciliation of

Samdrup Jongkhar Thromde revenue account where there was excess deposit into the government revenue account.

- Amongst the Dzongkhags, Chhukha Dzongkhag accounts for Nu. 0.045 million from excess payment made in the construction of Dinning hall of Tsimasham Dratshang and the amount has not been recovered yet.
- Pemagatshel Dzongkhag accounts for Nu. 2.970 million due to non-recovery of advances and penalties from the contractor. The Dzongkhag had taken legal actions. *However, the contractor is reported as missing and the amount stands unrecovered.*
- Trashigang Dzongkhag accounts for Nu. 0.407 million due to non-refund of salary disbursed during training.
- Naja Gewog under Paro Dzongkhag accounts for Nu. 0.149 million from non levy of liquidated damages in delay of supply of HDPE pipes and the amount has not been recovered. The issue is forwarded to Department of Local Government for taking appropriate action. Further Naja Gewog also accounts for Nu. 0.495 million due to irregularities in construction of approach roads to individual fields/houses which is still unrecovered.
- Gosarling Gewog under Tsirang Dzongkhag accounting for Nu. 0.353 million from overpayment in the construction of 4.5 km farm road from lower Lapsibotey to lower Suntalay connecting Changchey town to new Goseling Community Primary School is still unrecovered.
- Tarayana Foundation accounts for Nu. 3.387 million from outstanding advances against various officials and parties.

## **Review of AAR 2014**

- The unresolved irregularity for the year 2014 as of 8th session is Nu. 284.259 million and as of 10<sup>th</sup> session is Nu. 180.476 million. The total resolved amount for the year 2014 as of 10<sup>th</sup> session is Nu. 103.783 million (36.51%).
- The unresolved irregularities for the year 2014 stands at Nu. 180.476 million out of which ministries accounts for Nu. 31.835 million, Dzongkhags accounts for Nu. 18.149, Gewogs accounts for Nu. 0.322 and Corporations and Financial Institutions accounts for Nu. 4.170.
- The Regional Office, RSTA, Phuentsholing under MoIC had not collected fines and penalties amounting to Nu. 0.062 million despite issue of Transport Infringement Notice.



- MoF accounts for Nu. 1.630 million from outstanding advances against various officials and staff and the amount has not been recovered nor reconciled.
- MoAF accounts for Nu. 0.089 million for non-reconciliation of accounts. The amounts have not been recovered. The concerned official is transferred to MoE and the Ministry has written to him for settlement of unresolved audit issue.
- Sarpang Dzongkhags accounts for Nu. 16.429 million out of which cases amounting to Nu. 15.091million are with ACC and cases amounting to Nu. 1.338 million, the contractor is yet to comply with the verdict of the court.
- Chhukha Dzongkhag accounts for Nu.0.198 resulted from excess payments made for various construction works.
- Trashiyangtse Dzongkhag accounts for Nu. 0.006 million which was made as an excess payment to the contractors in various constructions.
- Trashigang Dzongkhag accounts for Nu. 1.174 million resulted due to non refund of penalty and excess payment.
- Gasa Dzongkhag has an unresolved irregularity of Nu. 0.224 million.
- Samdrupjongkhar Dzongkhag has unresolved irregularity of Nu. 0.118 million due to incompleteness and short/non deduction of liquidated damages.
- Amongst Gewogs, Bongo Gewog and Phuntsholing Gewog under Chhukha Dzongkhag have unresolved irregularity of Nu. 0.045 million and Nu. 0.045 million respectively.
- Naja Gewog under Paro Dzongkhag has a case of misuse of hired machinery resulting into deceitful claims amounting to Nu. 0.121 million and excess and inadmissible payments of hire charges and spare parts amounting to Nu. 0.111 million.
- Bhutan Education City accounts for Nu. 110.184 million that resulted from huge investment in construction of various ancillary infrastructures for the Bhutan Education City project. Further RUB accounts for unresolved irregularities of total of Nu. 15.816 million due to mismanagement, violation of laws and rules and shortfalls, lapses and deficiencies.
- Amongst the Corporations, Dungsam Cement Corporation Ltd. accounts for Nu. 0.644 million resulting due to excess payment and double payment.
- Amongst the Financial Institutions, BDBL accounts for Nu. 0.300 million resulted from doubtful exposure of staff Vehicle loan. The management has failed to adjust the loan from his retirement benefits on his resignation from the bank.

**Resolution (6):** With regard to irregularities in the hydropower project authorities, there is a lack of accountability fixation. Therefore, the RAA should reflect direct and supervisory accountability in the audit reports to expedite the resolving of irregularities.

**Status:** RAA has fixed the accountabilities in the audit report of the Hydro Power Projects. Beginning 2016, all the audit reports of the Hydro Power Projects have direct as well as supervisory accountabilities against the audit observations.

**Resolution (7):** The Ministry of Finance and the Gross National Happiness Commission should come up with measures to reduce underutilization of budgets and also to minimize underutilized funds.

**Status:** No response.

## Chapter IV: Status of cases with Anti-Corruption Commission (ACC) and Instances of missing/death cases of officials and contractors and inactions even after court verdict

### 1. Status of cases with Anti-Corruption Commission

Following are the unresolved cases pertaining to AAR 2009 to 2014 which were forwarded to ACC by RAA for further investigation.

**Table 16: Unresolved cases with ACC**

Sl No.	AIN no.	Case Title		Status	Remarks
<b>AAR 2010</b>					
1	8510	Report on the audit of Accounts and Operations of the Royal Bhutanese Embassy, Bangkok	Para 1	Open	The case after investigation has been referred to OAG for prosecution. However OAG sent back the case for administrative recourse. ACC referred the case to MoF and the case is currently under review by MoF
<b>AAR 2011</b>					
2	9225	Audit Report on the Accounts and Operations of the National Land Commission, Thimphu	Para 2.1	Open	Case under prosecution by the OAG after referral from ACC
3	9764	Audit Report on the Audit of Accounts and Operations of the Royal Bhutanese Embassy, Bangkok	Para 1.1, 1.2, 2 & 3	Open	Case under prosecution by the OAG after referral from ACC
<b>AAR 2012</b>					
4	10552	Audit Report on the Revenue Accounts of Thimphu City Corporation, Thimphu	Para 1.2	Closed from ACC's side	Bilateral Meeting dated 12/7/2016 decided to close the case from ACC's side. RAA informed the para remained unresolved for want of Administrative action against Mr. Kado, Account Assistant III.

5	10563	Audit Report on the accounts and operation of 16th SAARC summit, MoFA, Thimphu	Para 2	Open	Case under prosecution by the OAG after referral from ACC.
6	10757	Report on the Audit of Complaint shared by the ACC to RAA. Wangchuck Centennial Park, Bumthang.	Para 1	Closed from ACC's side	Since the case has been forwarded to the Court by the Ministry concerned, ACC-RAA Bilateral Meeting dated 12/7/2016 decided to close the case from ACC's side and the RAA to follow up thereafter. RAA informed para remained unresolved.
7	10769	Report on the Royal Government Revenue (RGR) Account of the General Hospital, Phuentsholing	Para 1.1, 1.2	Closed from ACC's side	ACC-RAA bilateral meeting dated 5/1/2016 decided that case shall be closed but RAA shall pursue with the MoH to recover the amount from post-retirement benefit. RAA informed that case is not resolved and the Ministry was instructed to conduct fact findings on the case and report for further decision.
8	10787	Audit Report on the accounts and operation Penden Cement Authority Limited, Gomtu	Para 1.1, 1.3	Open	The case is currently under investigation by the ACC
<b>AAR 2013</b>					
9	11642	Audit Report on leasing of Government and GRF land.	Para 2	Closed from ACC's side	ACC-RAA bilateral meeting dated 15/5/2017 decided to close the case as the case has been referred back to DGM for civil restitution vide letter no. ACC/SDB/case-05/2015/838 dated 17/7/2017
<b>AAR 2014</b>					
10	11868	Audit Report on the Accounts & Operations of the Gewog Administration, Naja, Paro	Para 1.4	Open	ACC-RAA bilateral meeting dated 1/8/2017 decided to await additional report from Gewog Administration. ACC received additional information as deliberated in ACC-RAA bilateral meeting and the case is yet to be assigned for investigation by ACC
11	12125	Audit Report on the Accounts & Operations of the FCBL, Phuntsholing	Para 4	Open	As of 17/10/2017, the case is under prosecution by OAG after referral for prosecution by the ACC.

12	12148	Audit Report on the Accounts & Operations of Civil Aviation	Para 1.4, 2 (II) a, 3, 4, 5, 7, 10, 11	Open	The ACC has referred the cases back to RAA since it pertained to administrative issues. RAA again submitted regarding para no. 5 to ACC. The ACC-RAA bilateral meeting dated 1/8/2017 decided to maintain the case as open. ACC is currently reviewing case pertaining to para 5.
13	12304	Audit Report on the Accounts & Operations of Losel Cinema Hall, Drungkhag Administration, Gelephu	Part 1 Para 1, Part 1 Para 2, Part 1 Para 3, Part 1 Para 4, Part 1 Para 5.1, Part 1 Para 5.2, Part 1 Para 5.3, Part 1 Para 5.4, Part 1 Para 6, 7, 8, 9, 10, 11, 12, 13; Part 2 Para 1, 2, 3, 4	Open	The case after investigation by ACC has been adjudicated by the Court. However, the case has been appealed to the Sarpang Dzongkhag Court.
14	12427	Audit Report on the Accounts & Operations of the Department of Information Technology and Telecom, MoIC, Thimphu	Para 1	Closed from ACC's side	ACC-RAA bilateral meeting dated 15/5/2017 decided case will not be pursued by ACC as case has been referred to the OAG directly by the Ministry. RAA will resolve the matter as per the Court Verdict. RAA informed that Mr. Ugyen Tshewang has been imprisoned for 9 years 6 months along with the case reflected in AIN:12835, para 1 & 2 of the Department of Culture's report. The amount was also fully recovered.
15	12431	Audit Report on the Accounts & Operations of the Royal Monetary Authority of Bhutan, Thimphu	Para 3	Open	As of 1/8/2017, the case is under prosecution by OAG after referral for prosecution by the ACC

## 2. Instances of missing/death cases of officials and contractors and inactions even after court verdict

Sl. No	Agency	AAR	Amount	Name of the contractor/officials	Remarks
1	Dzongkhag Administration, Chukha	Not reflected in AAR	122,502.62	Sonam Tenzin	Undue delay in settlement of claims- Nu. 122,502.62
2	Basic Skills Development Project, Department of Human Resources (DHR), MoLHR	2009	4,927,780.45	Samten Wangdi	<ol style="list-style-type: none"> <li>1. Siphoning of Nu. 500,000.00 through manipulation of accounting entries</li> <li>2. Misuse of project fund of Nu. 2,127,688.69</li> <li>3. Misuse of project fund of Nu. 1,448,183.90</li> <li>4. Misuse of cash through fictitious payment of Nu. 374,983.13</li> <li>5. Misuse of cash through fictitious payment of Nu. 119,525.86</li> <li>6. Misuse of cash through short/non-accountable of cash recoveries in the cash book of Nu.151,364.01</li> <li>7. Misuse of cash through short/non-accountable of cash recoveries in the cash book of Nu. 121,000.00</li> <li>8. Non-accountal of collections from the sale of tender documents and liquidated damage of Nu. 85,035.20</li> </ol>
3	Ministry of Education, Department of School Education	Not reflected in AAR	Nu. 72,753.89	Dorji Wangchuk	Non- adjustment of advances
4	Dzongkhag Administration, Zhemgang	2011	Nu.456,211.12 and 24% penalty	M/s Samden Nidup Construction	Outstanding advances of Nu. 300,000.00
5	National Housing Development Corporation, MoWHS	Not reflected in AAR		Pema Dorji	Outstanding rent from Changjiji Shopping Complex- Nu.126,000.00

6	DoE, MoLHR	2016		M/s Tenzu Overseas Employment agent(Proprietor Tenzin Dorji)	<b>1.</b> Illegal deployment of candidates with resultant violation of provisions of the Regulation on Bhutanese Overseas Employment Agent 2013 <b>2.</b> Nonpayment of salaries and other packs as per the terms and condition notified in the job vacancy announcement dully approved by the MoLHR <b>3.</b> Illegal collection of fees and non-refunds thereof Nu. 7,548.169.00
7	Civil Society Organization Authority	2016		Karwang Yohzen	<b>1.</b> Non production of Books of Accounts <b>2.</b> Non production of documents
8	JDWNRH	2015		Kinzang Choden	<b>1.</b> Teeming and lading of revenue collections <b>2.</b> Embezzlement of the Government Revenue of Nu.5, 544,620.00 by misrepresenting the collections as deposit in the system (RMS) vis-à-vis penalties recoverable of Nu. 907,509.72 <b>3.</b> Embezzlement of Government Revenue of Nu. 33,540.00 through non-accountal in the revenue cash book and penalty recoverable <b>4.</b> Short accountal of the revenue of Nu. 22,566.00 in the cash book and penalty recoverable <b>5.</b> Penalty recoverable on the late deposit of the Government Revenues- Nu. 1,055,591.64
9	National Livestock Breeding Programme (NLBP) Yusipang	2015		Kinley Nidup	<b>1.</b> Inadmissible raise in the height of RRM in foundation and overpayment thereof Nu. 229,110.25 <b>2.</b> Overpayment in Construction NU. 92,418.00
10	Phuntsholing General Hospital	2012		Sangay Tenzin	<b>1.</b> Shortages of revenue and misuse thereof <b>2.</b> Delays in deposit of revenue and Penalty thereof
11	Lokchina Gewog, Chukha Dzongkhag	2015	Nu. 182,815.85	Sonam Jamphel	Excess payment on the electrification of ORCs and grinding mills - NU.182,815.85
12	Chukha Dzongkhag	2016		M/s Sangay Lungten	Termination of contract and irregularities thereof

13	Gasa Dzongkhag	Not reflected in AAR		M/s Ramsey Construction	Excess payment to the contractor
14	MoIC Secretariat including Department of Information and Media	2015		Pema Chheney	<ol style="list-style-type: none"> <li>1. Disbursement not supported by documents indicating unauthorized and fictitious payments- Nu. 1,762,387.10</li> <li>2. Misuse of Government funds of Nu. 758,200.00 through booking as personal advance and penalty recoverable of Nu. 121,450.21</li> <li>3. Misuse of Government money through retention of huge cash balances at month ends and delayed surrender of year end fund balance of Nu. 919,233.20 &amp; penalty recoverable of Nu. 77,213.23</li> <li>4. Misuse of Government fund of Nu. 222,850.00 through non accountal of cash withdrawn and subsequently booking as personal advance and penalty recoverable of Nu. 30,220.70</li> <li>5. Disbursement not supported by documents indicating unauthorized and fictitious payments of Nu. 408,552.00</li> <li>6. Misuse of Nu. 239,000.00 through delayed account of cash withdrawn through self cheque in cash book and penalty recoverable Nu. 73,075.99</li> <li>7. Misuse of Government funds of Nu. 650,000.00 through booking as personal advance and penalty recoverable of Nu. 122,800.00</li> <li>8. Misuse of Government money accounting to Nu. 700,000.00 through delayed accountal in the cash book and penalty recoverable of Nu. 96,197.26</li> <li>9. Misuse of Government funds through unauthorized withdrawals of cheques issued against refund of security deposits to parties and penalty recoverable of Nu. 139,277.36</li> </ol>
15	Darla Gewog, Chukha Dzongkhag	2014		Budhiman Samal	Non-remittance of rural taxes collected and loss of revenue thereof
16	Dzongkhag Administration, Pemagatshel	2013	Nu. 2,970,000.00	M/s Ugyen Dorji Construction, SamdrupJongkhar	Non-receipt of refund against excess payment and other levies on termination of contract of Nu. 2,970,000.00



17	BSDP/JFPR/ADB-MoLHR)	Not reflected in AAR	Nu. 53,000.00		Misuse of Cash Nu. 53,000.00
18	Dzongkhag Administration Trashiyangtse	Not reflected in AAR	Nu. 2,053,720.43		Non- recovery of advances and other liabilities upon termination of contract by the ACC

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### Committee's Recommendation

- 5) The Government in consultation with OAG must institute a Task Force or a committee to look into 'Instances of missing/death cases of officials and contractors and inactions even after court verdict' and update Parliament in the next session.**
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## **PART TWO:      REVIEW OF THE PERFORMANCE AUDIT REPORTS**

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The committee reviewed six performance audit reports submitted by RAA during the 9<sup>th</sup> session of the Second Parliament. The Committee also reviewed the consolidated review reports submitted to the Committee by RAA dated 30<sup>th</sup> September 2017. The Committee's recommendations for every performance report are based on the observations and comments made by RAA on the implementation of their recommendations by the concerned agencies.

### **Chapter I:              Performance Audit Report on Business Opportunity and Information Centre**

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The Performance Audit Report on Business Opportunity and Information Centre (BOIC) was conducted with an overall objective to ascertain and report on the economy, efficiency and effectiveness in the operation and management & on ascertaining whether adequate and effective monitoring systems were in place and whether planned activities were achieved from inception (04.12.2013) till 31st May 2016 (Closure of the Centre). The Centre is now defunct and its works are being pursued by the Rural Enterprise Development Corporation Ltd (REDCL). The Centre has allocated Revolving Fund (RF I) for cottage and small industry and Revolving Fund (RF II) for non-formal rural activities. The final report was issued on 6th February 2017 and the replies and justifications of this audit were provided by the management team consisting of former chairman of BoIC Board, CEO of REDCL and the former Deputy Director of BoIC.

The report contained 21 specific observations under two broad categories and twelve recommendations that were generally drawn from the observations and intended to enhance greater accountability, improved decision-making and effective implementation of plans and programs in BOIC.

Based on the observations and findings, RAA had made 12 recommendations as follows:

1. Realistic projection of interest income and fund flow of the revolving funds should be carried out.
2. Provisions of the Fund Manual should be strictly enforced.
3. Policy on write off of non-performing assets should be developed.
4. Remunerations of the employees may need review.
5. Disbursement of Funds should be expedited as planned to achieve the primary objective of the revolving funds.

6. Service Rules need to be reviewed.
7. Institutional and coordination arrangements should be strengthened.
8. Procedures to obtain clearances should be better streamlined.
9. Sensitization programs to local administration are crucial.
10. Service delivery standards and job responsibilities should be defined.
11. Efficient monitoring initiatives should be in place for RF II projects.
12. IT systems should be integrated and used appropriately.

### **Committee's Observation**

According to the Audit Review Report, it was found that out of 12 recommendations, 4 recommendations were implemented and 8 recommendations were partially implemented.

**Recommendation 1 has been partially implemented:** The projections of interest income and fund flow were not made on realistic basis and were overstated. In order to develop a more realistic re-deployment plan as well as to plan the utilization of the potential interest income, the succeeding agency (REDCL and BDBL) should rework the fund flow and potential interest income on a more realistic basis. The REDCL reported that it has calculated the projected interest income as per the actual disbursement to be made to the proponents and additionally it has reported that the interest projections are made based on the gestation period for each period for each project activity. The case wise details of individual proponent could not be reviewed and verified.

**Recommendation 2 has been partially implemented:** Some of the critical provisions of the Fund Manual had not been implemented which included lack of periodic reporting mechanism. For this REDCL reported that Fund Manual was revised and enforcement started from January 2017. Additionally REDCL mentioned that it started to produce monthly reporting of the progress of the business activities. The actual implementation of the provisions of the fund manual is yet to be verified.

**Recommendation 3 has been partially implemented:** A write off policy was not in place to ensure that genuine cases of non-performing projects are properly identified and appropriately dealt with. For this REDCL has drafted the Write-off policy Manual 2017 which is yet to be finalized.

**Recommendation 4 has been implemented:** Comparatively, the remunerations of the employees of the BOIC were observed to be higher than most counterparts in similar agencies. But now the employees of the succeeding agency (REDCL) are paid as per the pay scale of State Owned Enterprise (SoE).

**Recommendation 5 has been implemented:** RAA noted that disbursement of funds should be expedited as planned to achieve the overall objectives of the revolving funds. For this the REDCL reported that constant follow-up is being done with BDBL since the disbursement is being done by BDBL. During verification of records made available by REDCL it was noted that there were no delays in disbursement of projects funds between the approval and disbursements. It was also noted that there were focal person appointed as fund counselors in each Dzongkhag to expedite the activities as planned.

**Recommendation 6 has been implemented:** RAA noted that the service rules needs to be reviewed and revised for the new entity (REDCL) and not use the one developed for the employees of BOIC. New service rule for REDCL has been developed.

**Recommendation 7 has been partially implemented:** Although the institutional arrangements were clearly defined in contracts and MoUs assigned with relevant institutes and agencies, these arrangements were not properly disseminated to all level of administration involved in the whole cycle of implementation and monitoring of the projects. For this the MoUs were revised and signed in June 2016 with relevant stakeholders. The revised MoUs noted the roles and responsibilities defined and disseminated to all the ground staff.

**Recommendation 8 has been partially implemented:** Although in principle institutional arrangements were made via MoUs and Contracts to expedite obtaining clearances, it was observed that the whole process was very cumbersome and had huge implications on timely implementation of the projects. For this MoUs is being revised and other alternatives like waiving off requirement of license for Agricultural activities were institutionalized in collaboration with Department of Cottage and Small industries (DCSI).

**Recommendation 9 has been implemented:** Most of the local administration officials were unaware of their roles and responsibilities in terms of monitoring the projects in line with MoUs signed by their parent agencies. For this REDCL management reported of completing sensitization program to all 20 Dzongkhags.

**Recommendation 10 has been partially implemented:** Funds to a large number of approved projects were not disbursed due to issues related to documentation formalities like obtaining clearances, not having a standard timeline for service delivery and unclear work distribution. For this REDCL reported that every officer of REDCL now has their own ToR regarding the job responsibilities. It is also reported that if all the documents are submitted in complete by the clients, the projects are appraised and approved within two weeks. However, service delivery standards are not developed.

**Recommendation 11 has been partially implemented:** It was observed that there were no mechanisms in place to monitor the progress of RF II projects with no follow up efforts from the fund management team at the BOIC. For this the REDCL reported that the monitoring is planned for RF II projects which will start from August 2017.

**Recommendation 12 has been partially implemented:** The IT system used to store client information and to prepare fund disbursement order need to be properly integrated to avoid manual data-punching causing data redundancy, erroneous information and time overrun. The REDCL reported that they are exploring the new IT system.

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**Committee's Recommendation**

- 6) REDCL should immediately implement efficient monitoring in coordination with relevant stakeholders and to institute measures to strictly comply on recovery of funds given by BoIC and the succeeding entity (REDCL).**
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## **Chapter II: Performance Audit Report on Employment Generation and Promotion Initiatives**

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The audit was carried out with an overall objective to ascertain whether due regard was given in ensuring economy, efficiency and effectiveness in generation and promotion of employments in the country, in particular the effectiveness of employment generation and facilitation programs undertaken by the MoLHR including the adequacy and effectiveness of institutional, coordination and monitoring mechanism over the implementations of those initiatives and covered the period from 2010 to 2016. The final report was issued on 20th February 2017.

The report contained 23 specific observations and nine recommendations. These recommendations were drawn from the observations and intended to enhance greater accountability, improved decision-making and effective implementation of plans and programmes in the Ministry.

Based on the observations and findings, RAA had made 9 recommendations as follows:

1. Strategic response to unemployment situation should be developed in collaboration with GNHC and other relevant agencies
2. The MoLHR should develop an Employment Responsibility System (ERS)
3. Labour market need assessment should be conducted
4. MoLHR should establish a robust system to monitor and supervise the programmes
5. MoLHR should conduct a detailed study on unemployed youth and come up with a strategy to provide employment to the chronic jobseekers
6. Ensure sustainable employment generation and facilitation programmes through proper studies
7. Strict enforcement of Regulations on Bhutanese Overseas Employment Agent [BOEAs] 2013 should be ensured
8. The MoLHR should bring changes in the existing process of conducting labour force survey for improvement
9. The information management system maintained for employment facilitation programmes should be updated

### **Committee's Observation**

Prior to this Performance audit by the RAA, National Council during its 16<sup>th</sup> Session and National Assembly during its 8<sup>th</sup> session deliberated on the issue related to unemployment and provided several recommendations for the Government to implement. Likewise the Performance

Audit also came out with similar recommendations that of National Council and National Assembly.

For the audit report issued by the RAA, it was found that out of 9 recommendations, committee felt that 5 recommendations were partially implemented and 4 recommendations were fully implemented.

**Recommendation 1 has been partially implemented:** The 11<sup>th</sup> plan target of maintaining unemployment rate at 2.5% or under and full employment at 97.5%, youth unemployment target of 2.5%, female youth unemployment at 2.5% were set in discussion with the GNHC. Therefore, all programs implemented by MoLHR to achieve the target have full support of GNHC. Likewise for the 12<sup>th</sup> FYP, NKRA and SKRA are being developed in consultation with the GNHC.

Further, employment creation targets for the priority economic sectors of RNR, Tourism, Mining, CSI, Hydropower and power, Trading, IT/ITES, Manufacturing and Construction are identified by the government as Jewels in the EDP 2016.

**Recommendation 2 has been partially implemented:** The Ministry holds regular consultations with all stakeholders in the public and private so as to have some of the employment responsibility placed on the various agencies. In the 12<sup>th</sup> plan, with a view to take this process even further, the agencies are now being given a fixed employment target to be achieved during the plan period. Likewise, the Ministry has also come up with an action plan with relevant sectors.

**Recommendations 3, 5 and 6 have been partially implemented:** The points raised under these three recommendations relate to whether MoLHR carries out adequate studies for its programs and interventions. Following are the list of in-depth surveys and studies, some annual, done by MoLHR in relation to labour market need and youth unemployment.

1. Labour Force Surveys
2. Establishment Surveys
3. National HRD Advisory Series with focus on graduates, TVET and labour market dynamics'
4. National Workforce Plan (NWFP) 2016
5. National HRD Advisory developed under theme 'An assessment of school-to-work transition support programs'
6. Employment Creation Task Force Report (ECTF 2015)

**Recommendation 4 has been fully implemented:** For in-country programs implemented by the Ministry, focal officers make frequent visits to ensure the success of the programs. The monitoring and supervisions are carried out by regional offices and officials from the headquarters monitor and supervise the program. Likewise, for the overseas employment

programs, due to huge expenses involved for travel and daily allowances, the focal officers from the Department at least try and visit countries where Bhutanese are placed once a year. The Department has currently conducted monitoring visits in India, Middle East, Thailand and Japan.

The Ministry has also operationalized the tracking and monitoring system of jobseekers who have availed various programs of the Department.

**Recommendation 7 has been fully implemented:** The Department has been strictly enforcing the Regulations on Bhutanese Overseas Employment Agents (BOEAs) 2013. The Ministry has suspended four BOEAs out of the eleven registered agents for contravening the provisions of the regulation. The regulation was reviewed by the legal unit of the Ministry and accordingly the Department has amended the security deposit from Nu 100,000 to Nu 500,000.

**Recommendation 8 is fully implemented:** The survey methodologies and the questionnaire were also reviewed by the World Bank team in 2014. Every year the survey methodologies are being reviewed by the sampling experts from the National Statistics Bureau while obtaining survey clearance. The Ministry has currently reworked on the survey methodologies and sample size for the upcoming Labour Force Survey 2017 in collaboration with the World Bank and the National Statistics Bureau.

**Recommendation 9 is fully implemented:** Each jobseeker profile has employment status which can be updated either by the jobseeker or the employer. However neither the jobseekers nor the employer updates on the employment status regularly due to lack of incentive. This was addressed through enhancement of Job Portal System. The updated system checks activity of jobseeker and automatically deactivates a jobseekers account if the accounts are dormant. It also informs the jobseeker via email to update their profile. The Ministry has completed developing and operationalized Bhutan Labour Market Information System and databases for some employment and training schemes.

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#### **Committee's Recommendation**

- 7) The Labour Force Survey should be carried out by an independent agency and not by the Ministry of Labour and Human Resources to avoid the conflict of interest.**
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### **Chapter III:        Performance Audit Report on Food Corporation of Bhutan Limited (FCBL)**

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This performance audit report covered the operations and management of Food Corporation of Bhutan Ltd (FCBL) for the period 2011 to 2015. While the overall objective of the audit was to ascertain economy, efficiency and effectiveness in the operation of FCBL, the specific objectives revolved around reviewing of legal and policy framework, review the adequacy and effectiveness of institutional framework, review of corporate governance system practiced and ascertain the efficiency in the management, operation and internal control system.

While auditing the FCBL, RAA besides reviewing legislations, governing acts, rules and regulations, government circulars, executive orders and other policy directives also reviewed minutes of Board meetings, held discussions with the Chief Executive Officer (CEO), Senior Management and a number of employees, observed the procurement process and conducted an Employee's' Satisfaction Survey (RSS) through structured questionnaire.

The RAA while carrying out the audit observed many significant contributions of the FCBL and at the same time observed a number of shortfalls. Under the Legal, Policy and Institutional Framework, the RAA observed 4 major deficiencies; three major deficiencies under procurement management system, three major deficiencies in store management and another three major deficiencies under human resource management.

Based on the deficiencies observed, the RAA had made 9 recommendations which are as follows:

1. Government should provide clarity in the powers and responsibilities of authorities
2. Board of Directors should be provided with adequate autonomy to effectively discharge its functions as the governing body of the FCBL
3. Government should allocate adequate funds for maintenance of NFSR and SAARC Food Security Reserve
4. Minimum level of National Food Security Reserve should be maintained
5. FCBL should institute a system to report both its social and commercial activities
6. FCBL should improve its human resource policies and management
7. FCBL should develop adequate modern facilities for storage, transportation and basic food processing
8. FCBL should strengthen Internal Control System
9. FCBL should formulate an integrated and realistic procurement Planning framework based on supply-demand chain approach.

## Committee's Observation

It was observed that out of 9 recommendations, 5 recommendations have been partially implemented and 4 recommendations are fully implemented.

**Recommendations 1 and 2 have been partially implemented:** The FCBL could not provide any action taken report on this recommendation as it is not directed towards them. This recommendation is directed towards the Government for which the MoF as the portfolio ministry and the MoAF as the sector ministry should have taken the responsibilities of furnishing the RAA with action taken report. However, the RAA did not receive any further comments on this resolution from the two ministries. Therefore, during a consultative meeting between PAC, RAA and the FCBL, it was agreed that the PAC would write to the two ministries to provide further comments on it. Based on the clarifications sought by the PAC, the MoF informed that they recognize the anomalies and discrepancies between the guidelines and the revised Companies Act, 2016. The MoF is therefore in the process of revising the existing guidelines and develop a comprehensive Corporate Governance Guidelines for SOEs which would be in consistent with the Companies Act, 2016, DHI Charter and other relevant laws and best practices. The MoF considers this as priority and a multi sectoral consultation would be conducted before finalizing the guidelines by June 2018.

**Recommendation 3 has been partially implemented:** The draft proposal on adequate funds for maintenance of National Food Security Reserve (NFRS) and SAARC Food Security Reserve has been submitted to MoAF for review.

**Recommendation 4 has been partially implemented:** The inadequacy of the food stock based on population increase and need has been submitted to MoAF for revision.

**Recommendation 5 has been implemented:** The FCBL presents its Annual Director's Report to shareholders which also include a separate heading known as Social Activity which forms a part of social activities report. Further FCBL initiated to report on social activities separately beginning 2015.

**Recommendation 6 has been implemented:** FCBL has taken various actions to improve its human resource policies and management. The FCBL has also formulated and incorporated Service Rules and Regulations 2013 and also improved its human resource based on the size of the company where Service Rule covering transfer, promotion, recruitment and separation was amended as per the MoLHR way back in 2013. The management has also put in place welfare, performance and monitoring systems in place since 2013. Moreover, the FCBL has developed a master plan of Human Resource and the information passed to all employees. The total employee strength has also increased by 326% from 2014 till date.

**Recommendation 7 has been partially implemented:** The FCBL has renovated the ware houses in Phuentsholing, Samdrup Jongkhar and in Gelephu which are however, not adequate for long duration storage. For modern storage and transport facilities and food processing, adequate fund from the Government would be required.

**Recommendation 8 has been implemented:** The Internal Controls Division and the Regional Offices have been strengthened.

**Recommendation 9 has been implemented:** The procurement policies have been formulated and additional manpower recruited.

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**Committee's Recommendation**

- 8) 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.**
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## **Chapter IV:           Performance Audit Report on Provision of Patient Meals**

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The people of Bhutan can avail free health care services from all levels of health centers in the country. The health care service delivery is structured into three-tiered health system with hierarchy ascending from Outreach Clinic to Basic Health Units (BHU) at the primary level and District Hospitals at secondary level and the Regional Referral Hospitals to National Referral Hospitals at tertiary level.

In line with the recommendation made by the Parliament, RAA conducted the performance audit with an overall objective of ascertaining the value for money in provision of patient meals focusing on nutrition and management of patient meals. The audit also focused to ascertain whether there is efficiency in the food service system of providing patient meals; whether meals provided meet the nutritional requirement of the patients for fast recovery and overall health improvement; whether quality and safety of food for in-patients are maintained; whether food items are stored properly; and whether hospital environment encourages in-patients to eat and enjoy their meals.

The RAA after making field visits to six hospitals composing Dzongkhag, Regional Referral and National Referral has come up with the performance audit report which includes positive initiatives and best practices, deficiencies and shortcomings and recommendations.

Based on the findings to improve in-patient meals service delivery, the RAA made 10 Recommendations as follows;

1. Hospitals should ensure that hospital food meets the recommended daily nutrient
2. Hospitals should implement the different types of diet and introduce nutrient dense or fortified foods as per the patient requirement
3. Hospitals should include nutritional screening as part of their healthcare standards
4. Hospitals should review the current food indenting process and institute effective system
5. Hospitals should propose realistic budget based on historical data and trends
6. Adequate monitoring system should be instituted for patient Meals
7. Hospitals should set up a food safety and food hygiene programme
8. Hospital should embed protected mealtime principles inwards
9. Hospitals should provide awareness and education on nutrition to in-patients and staff involved in in-patient food service system
10. Hospitals should perform periodic reconciliation of food stocks

### Committee's Observations:

From the Audit Review Report, it was found that the MoH has taken audit recommendations seriously and has also submitted Action Plan with time frame and accountability statement.

To implement the audit's recommendations, there are 6 activities in the Action Plan as follows;

- 1) Presentation of Audit recommendation to Biannual Health Conference in September 17
- 2) Revise Patient Diet Guidelines in consultation with selected district Hospitals and Department of Public Health in December 2017
- 3) Provide training to Hospital kitchen staff (Regional Referral Hospitals and 60 bedded Hospitals for initial phase) from December 2017 to January 2018
- 4) Implement daily record of patient meals requirement distribution in the health centers in January 2018
- 5) Review the implementation in August 2018

As guided by the time frame for implementing Action Plans, so far 7 recommendations (1, 2, 3, 4, 5, 6, and 7) are **partially implemented** and 3 recommendations (8, 9, and 10) are **not implemented**. It is noted that within August 2018, all activities will be implemented and consequently address the audit recommendations.

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### Committee's Recommendation

- 9) **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.**
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## **Chapter V: Performance Audit Report on School Feeding Programme**

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In line with the recommendation made by the Parliament, The RAA conducted the performance audit with an overall objective to ascertain the economy, efficiency, and effectiveness in the management of school feeding with a specific focus on nutrition covering the RGoB fully funded schools for two financial periods; 2014-2015 and 2015-2016 excluding WFP funded as well as Central Schools. The RAA after having visited 16 schools report has come up with report with positive initiatives or achievements by the Education Ministry, deficiencies and shortcomings and recommendations.

Based on the above findings and to improve the school feeding services, the RAA had made 13 recommendations as follows;

1. Standard Dietary Requirement for schoolchildren should be developed
2. Need to institute mechanism to monitor nutritional status of school children
3. Strong quality control system must be instituted in school Feeding Management
4. Supply of fortified rice to schools
5. Food Commodity Reports should be used effectively for preparing Food Release Note
6. Need for proper storage facilities for food items
7. FCBL should ensure that best before or expiry dates are indicated on food commodities supplied to schools
8. School cooks should be trained in preparation of proper foods
9. Schools should carry out periodic reconciliation of stocks
10. Proper segregation of duties should be instituted in school mess management
11. Effective use of bulk electric cookers should be made
12. Nutrition Education should be provided to School children
13. Feedback system should be instituted in schools

### **Committee's Observations**

From the Audit Review Report, it was found that The Ministry of Education has taken audit recommendations seriously and has also submitted Action Plan with time frame and accountability statement. The activities included in Action Plan will be implemented by the end of 2018. Based on the time frame of the Action Plan, so far 2 recommendations( 8 and 9) were implemented, 4 recommendations (1, 2, 4, and 7 ) were partially implemented and 7 recommendations( 3, 5, 6, 10, 11, 12, and 13) were not implemented.

**Recommendation 1 has been partially implemented:** Initiated Dietary assessments, integrated approach of school health, agriculture and feeding, review of current food basket and is expected to complete by June 2018.

**Recommendation 2 has been partially implemented:** School Health and Nutrition Division (SHND) have initiated to develop Standard operating procedure to monitor nutritional status of school children. Common questionnaire has also been developed for field monitoring. The Division has completed two Dzongkhags and is expected to remaining Dzongkhags by June 2018.

**Recommendation 3 has not been implemented:** MoH reported that MoU in order to ensure food commodities to schools are of good qualities and quantity will be signed by November 2018.

**Recommendation 4 has been partially implemented:** MoH has initiated interventions to prevent nutritional related problems in schools but the actual implementation is not assessed and is in the progress of implementation and is expected to be complete by December 2017.

**Recommendation 5 has not been implemented:** The action plans submitted by the Ministry does not specify any interventions. However the plan is expected to be complete by December 2017.

**Recommendation 6 has not been implemented:** Ministry reported that they will review the current practice and decentralize some items from the food basket. It is expected to be complete by February 2018.

**Recommendation 7 has been partially implemented:** The Ministry reported of having initiated quality and quantity control check to ensure the quality of the commodities.

**Recommendation 8 has been implemented:** The Ministry reports that it is an yearly activity. It is reported that trainings were conducted in July 2017 and next training is scheduled for during winter break.

**Recommendation 9 has been implemented:** The monitoring has been done through monitoring plan which has been developed. During the monitoring visits, check and balance of stock entry is being assessed and monitored regularly.

**Recommendation 10 has not been implemented:** During the workshop in December 2017, all mess in charges will be briefed and trained accordingly. It is expected to complete it in February 2018.

**Recommendation 11 has not been implemented:** The Ministry reported having plans to monitor the ineffective use of electric cooker and hence put in place the more effective methods and is expected to complete in June 2018.

**Recommendation 12 has not been implemented:** The Ministry reported having plans to enhance the Nutrition Education and intends to complete by June 2018.

**Recommendation 13 has not been implemented:** The action plans submitted by the Ministry does not specify any interventions.

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**Committee's Recommendation**

**10) The Ministry of Education needs to develop standard School Food Menu using the Bhutan Dietary Guidelines for School Children 2015 developed by the Ministry of Health**

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## Chapter VI: Performance Audit Report on Tourism Sector

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The Performance Audit Report on Tourism Sector was conducted with an overall objective to ascertain and report on the economy, efficiency and effectiveness in the operation and management of tourism sector covering the period from 2011 to 2015. The final report was issued on 21<sup>st</sup> December 2016.

The report contained 14 specific observations under four broad categories and seven recommendations that were generally drawn from the observations and intended to enhance greater accountability, improved decision-making and effective implementation of plans and programmes in the tourism sector.

Based on the observations and findings, RAA had made seven recommendations as follows:

1. TCB should prioritize the finalization of Tourism Policy and Act.
2. TCB should strengthen coordination and monitoring mechanism.
3. Information sharing mechanism should be instituted for TCB, DRC and RTIO.
4. TCB should regulate regional tourists in conformity to its principle of 'High Value, Low Impact'.
5. TCB should institute proper internal control mechanism in tariff regulations.
6. TCB should integrate tourism activities in Dzongkhag Plans.
7. TCB should review its pricing structure timely to make it more responsive to the pace of global economic developments.

### Committee's Observations:

It was observed that from a total of 7 recommendations given by RAA, 4 recommendations (2, 3, 4 and 7) are implemented while 3 recommendations (1, 5 and 6) are partially implemented.

**Recommendation 1 has been partially implemented:** TCB reported that it is in the process of drafting a tourism policy for submission to GNHC during the current financial year which will be followed by drafting of tourism bill during the first year of 12th FYP. Both the documents are in drafting stage.

**Recommendation 2 has been implemented:** To strengthen monitoring and coordination mechanism, TCB has initiated several measures. TCB reported that the guideline for monitoring was approved in July 2017 and is being used for monitoring. A total of 74 guides were monitored in the month of September, a total of 10 accommodation facilities and restaurants were monitored in August 2017 and 14 existing tour operators has been monitored and 77 new tour operators have been inspected and registered with TCB since July.

**Recommendation 3 has been implemented:** To institute information sharing mechanism among TCB, DRC and RTIO, TCB reported that a meeting was held between TCB, DRC and RTIO on 18th July 2017. The meeting was to discuss and develop mechanisms to ensure regular sharing/dissemination of information amongst the three organizations related to tour operation. The following outcomes and the recommendations from the meeting were reported being implemented.

- Set up a mechanism for effective coordination between TCB and MoEA to address the concerns of the TCB while at the same time fulfilling the mandate of the MoEA;
- TCB to issue sectoral clearance with one month validity for issuance of new Tour Operator's license issued by MoEA;
- TCB to either send compiled valid list of Tour Operators to RTIO for the purpose of renewal during renewal or to send a list of delinquent tour operators so that the RTIO could instruct the operator to obtain TCB clearance.
- MoEA in consultation with the TCB to prepare a Note to Tengye Lyonpo seeking the cabinet's intervention in resolving the licensing authority issue.

**Recommendation 4 has been implemented:** For TCB to regulate regional tourists in conformity to its principle of 'High Value, Low Impact', following mechanisms are being initiated.

- Full implementation of the e-permit system commencing from November 2017 was submitted for Cabinet approval in July 2017.
- Monitoring is ongoing to ensure that e-permit holders comply with the requirements to use Bhutanese vehicle, certified guide and stay in a minimum of 3 star accommodations. Defaulters are penalized as per the relevant rules and regulations.
- In order to manage visitors in important religious sites, entry fee has been introduced in Memorial Chorten, Kyichu Lhakhang and Punakha Dzong in addition to Tashichhodzong and Taksthang.
- Additionally, Sustainable development fee collection from the regional tourists is being considered.

**Recommendation 5 has been partially implemented:** With regard to institution of proper internal mechanism in tariff regulation, the RAA reiterates that the visa to be endorsed based on the tariff deposit made group wise and not based on the availability of usable amount balance in tour operators' account maintained with TCB. Further, Controls mechanism instituted, if any, on transfer of funds out of the tour operators accounts and ensure adequate controls on flow of foreign exchange from the tour operators' accounts has not been indicated.

**Recommendation 6 has been partially implemented:** With regard to integration of tourism activities in Dzongkhag plan, TCB reported that with support from GNHC will initiate consolidation of 12 FYP programmes of Local Governments/Dzongkhags with TCB plans to integrate tourism activities in the plans. It is also informed that TCB is in the process of working with RCSC on opening of Regional Tourism Office (RTO) in east (to start with) and central regions to facilitate/support tourism development and promotion in Dzongkhags. However, details of other actions taken to promote integration of tourism activities in Dzongkhag Plans are yet to be implemented.

**Recommendation 7 has been implemented:** For TCB to review pricing policy structure timely to make it more responsive to the pace of global economic developments, TCB noted that the tariff rationalization discussion is being initiated as per Economic Development Policy.

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### **Committee's Recommendation**

**11) Tourism Council of Bhutan should expedite to formulate comprehensive tourism policy and legislation to give adequate legal teeth and ensure effective implementation of plans and programmes.**

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## **Chapter VII: Implementation status of 9<sup>th</sup> Session Resolutions (Performance Audit Reports)**

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**Resolution no. (1):** The Ministry of Economic Affairs should take the responsibility of bringing any informal trade through issuance of license. At the same time the online licensing system of Department of Trade, Department of Industries, Department of Cottage and Small Industries should be integrated with RAMIS.

### **Status:**

#### **1. Issuance of license for informal trade**

MoEA reported that informal business activities are those businesses which are carried out by an individual or household without obtaining a business license from relevant authorities and are generally outside the purview of taxation regime. Presently, there are no proper policy instruments in place to monitor or regulate informal business activities in the country.

As per the existing licensing regime, micro traders with turnover of less than Nu. 1 million are not required to pay any license fee. They can operate their business with a simple registration of the enterprise. As recommended, the registration procedures and requirements for micro trader could be followed or insisted. MoEA is also exploring the possibility of sourcing information on informal business from establishment census or other economic census which are currently being implemented by MoLHR and NSB.

#### **2. Integration of licensing with RAMIS**

Currently, MoEA has online application facilities introduced under the G2C initiative for the issuance of business licenses. In order to have a full integrated system with RAMIS, the preliminary discussions held between MoEA and DRC indicated the need for a development of new interface. The issue is currently being pursued with the Department of Revenue and Custom, Ministry of Finance.

**MoF** responded that Department of Revenue & Customs has a provision in the RAMIS for integration with the licensing system of Department of Industry, Department of Cottage and Small Industry and Department of Trade under the MoEA. As soon as their licensing systems are online, integration will be possible. Further, integration of Company Registration Module in RAMIS is also under progress. *(Please refer Annexure B for detailed response)*

**Resolution no. 4:** Adequate time and resources for the preparation of Detailed Project Report should be provided to the consultant in future projects. The consultant, management and experts should consider all reports issued and relevant studies made before taking decision for any changes, in addition to amending or upgrading provision of DPR.

**Status:** In an effort to remedy the lack of appropriate national guidelines, the Department of Hydropower and Power Systems (DHPS), MoEA through the assistance of the World Bank is in the process of formulating and finalizing a robust National Guidelines for preparation of DPR

and also to cover the construction phase of the hydropower projects. *(Please refer Annexure B for detailed response)*

**Resolution no. 5:** Besides preparing realistic DPR, the BoQ should also be prepared in line with the DPR so that changes and variations could be minimized during the execution/construction stages.

**Status:** The Department has in the Guidelines, prescribed in detail the minimum level of investigations required to be conducted for various components of the hydropower scheme. With the adoption of Guidelines, it is expected that the quality of DPR will significantly improve since the Guidelines have drawn reference to international good practices and experiences. *(Please refer Annexure B for detailed response)*

**Resolution no. 6:** It is necessary to review the relevance and applicability of Indian standards, rates and guidelines in Bhutan or should propose for appropriate modification to suit the Bhutanese requirements and conditions.

**Resolution no. 7:** The excess payment made to contractors with regard to use of lower specified materials and over/excess payment of PF component needs to be recovered.

**Status:** **PHPA I** responded that to ensure timely execution of works, replacement by equivalent material is approved on a case by case basis through proper due diligence. Variations in prices are adjusted through Price Variation Clause and not through individual price of materials procured.

As for the PF component in the analyzed rates of extra and deviated items, rates have been derived as per CWC guidelines. The 80% of wage (skilled) and 55% of wage (unskilled) labour component to cover fringe benefits and other direct/incidental charges comprise of 13 components of which employees PF is just one component. Certain categories of employees of contractors receive much higher PF allowance than 8.33 %.

Delay in start of deposition of PF contributions by contractor is a legal issue and no provision exists in contracts for adjustment for such delays or actual occurrence of expenses/entitlements of other 12 components.

However, it has been reported that the observations raised shall be reviewed for suitable management as per Contract Agreements with contractors.

**MoEA** states that the PHPA-I had taken up with RAA and the same has now been dropped from further pursuance.

On the case of over/excess payment of PF component to the contractors, the project management under the leadership of new Director (Finance) had initiated for recovery of the same from the next running bill of the contractor and accordingly the outcome will be intimated to RAA. *(Please refer Annexure B for detailed response)*

**Resolution no. 8:** The Ministry of Finance to take serious note on the remaining recommendations which were partially implemented and take necessary steps to improve the system.

**Status:** The MoF has taken various steps to improve the system (*Please refer Annexure C for detailed response*)

**Resolution no. 9:** The Ministry of Finance to identify other issues related to PEMS which were left out by RAA for necessary changes.

**Status:** The MoF is embarking on the e-Payment initiative which will gradually replace the manual check payment system for the Government. Therefore, in order to make PEMS more compatible and accommodating to the e-Payment system in the Government, the existing system (PEMS) is continuously being reviewed to identify the required enhancements.

**Resolution no. 10:** The Ministry of Finance to assign a focal person to handle issues related to PEMS by other budgetary agencies for improvement purposes.

**Status:** In order to resolve and address the issues related to PEMS, the MoF has instituted the PEMS Support and Development Section (PEMS SDS) starting March 2017. Under PEMS SDS, two units have been set up to effectively address the PEMS related issues;

- 1) **PEMS Development & Training:** This unit reviews and carries out necessary enhancement and developments in PEMS. It also conducts PEMS refreshers training from time to time.
- 2) **PEMS Client Support:** This unit provides support to PEMS users through technical backstopping and addresses any logical issues.

**Resolution no. 11:** As required by the National Environment Protection Act 2007 (41.f), the government should explore the possibilities of entrusting NECs as the focal agency for Green Climate Fund and Global Environment Facility Fund.

**Status:** *No response*

## CONCLUSION

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The PAC is able to present this synthesized report to the Parliament with the support of Royal Audit Authority and other stakeholders. The committee wishes that the House is informed and clarified enough on the audits irregularities. Further, the committee hopes for meaningful deliberation on the report especially the recommendations. The committee believes that mismanagement of public funds will be greatly reduced in the future.

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