Performance Audit Report of 'Chiphen Rigpel Project'

APRIL 2016

About the Audit

The Royal Audit Authority (RAA) had conducted the audit under the mandate bestowed by the

- Constitution of the Kingdom of Bhutan;
- The Audit Act of Bhutan 2006; and
- The Clause 9 of Master Agreement.

Audit Objective

The overall objective was to ascertain whether due regard was given in ensuring economy, efficiency and effectiveness in the operations of 'Chiphen Rigpel Project'.

The specific objective:

1. To ascertain the adequacy and compliance to legal and policy instruments in place;

2. To assess whether due care was exercised in the identification, preparation and appraisal of the project, and the requirement has emerged on need-based or based on overall developmental policies of the Government;

Specific objectives

3   To identify whether the operations were carried out with due regard to economy and efficiency and in accordance with applicable rules and procedures of RGOB;

4   To review whether the planned activities and programmes had been implemented as agreed and completed on time;

5   To assess that the programmes and activities undertaken were relevant and had benefited the stakeholders;

6   To ascertain whether proper mechanism had been instituted for the sustainability of the programmes and activities.

Audit Scope

- The audit covered the period from inception (2008) till June 2014.

- Audit mainly covered the initiation, planning, execution, completion and post implementation phase of the project.

- The review focused, among others primarily on ascertaining the conceptualization and implementation of the project.

Audit Limitations

- Absence of adequate documentation and records pertaining to the Project.
- Absence of itemized cost break-up for each project components which has constrained RAA from giving an objective conclusion of analysis with regard to the Project's economy aspect.

Project Conceptualization

Nov, 2008	**NASSCOM's** annual retreat held in Thimphu.
14th Jan, 2009	NIIT submitted a proposal to the Government offering its Services.
6th Feb, 2009	GNHC → Secretary, MoFA Thimphu, to explore possibilities of GoI financing the proposal in addition to their 10th Plan commitment.
14th Feb, 2009	**MoU** signed & NIIT was identified as the Education Partner, for implementing Project.
17th Feb, 2009	DITT→NIIT to draft contract document of the Project.
11th Mar, 2009	Signed the **Master Agreement**
30th Jun – 3rd July 2009	Hon'ble PM visits India, GoI mutually agreed to incorporate project into 10th Five Year Plan as additional GoI grant.

Project Conceptualization

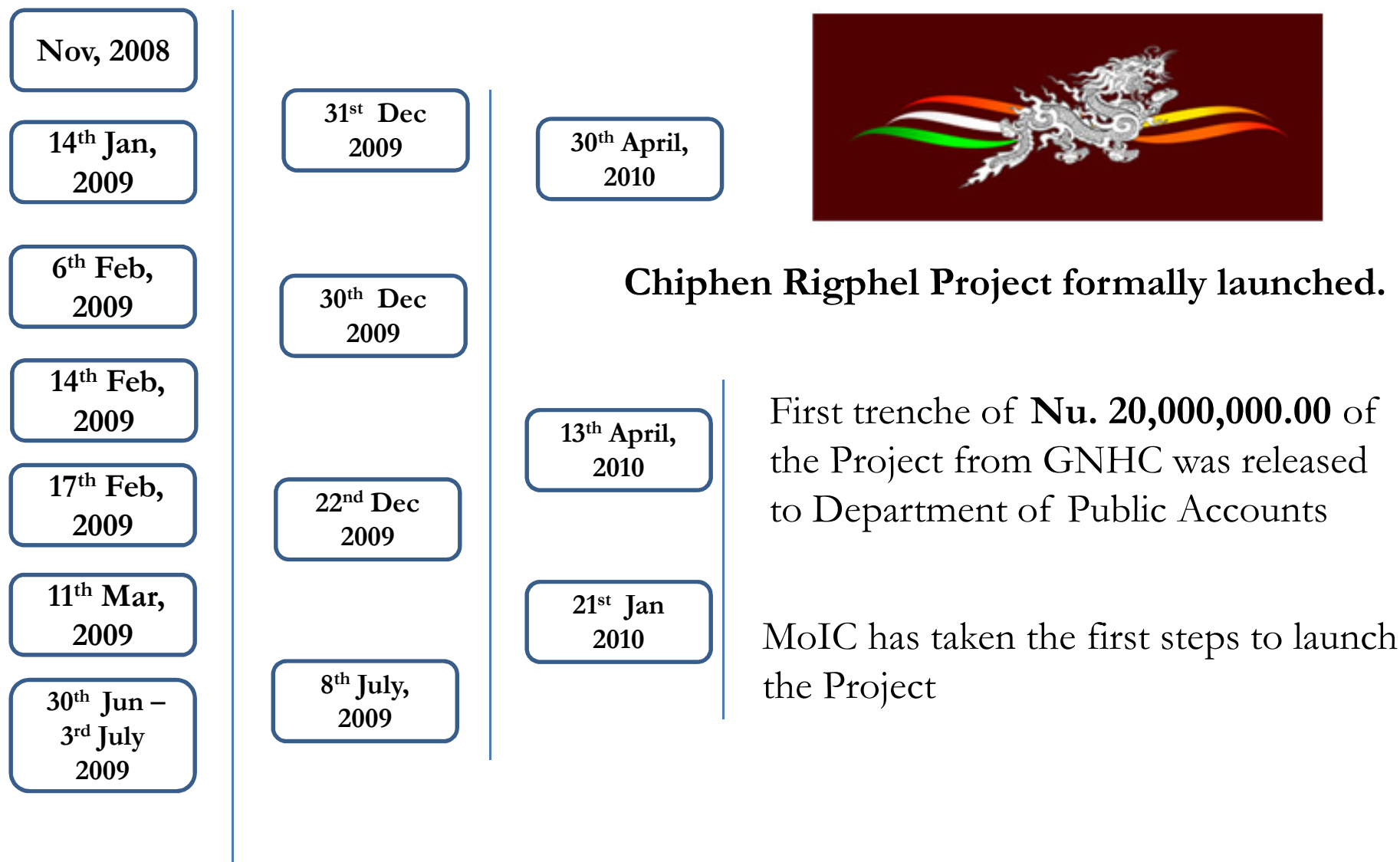|	
Nov, 2008	
14th Jan, 2009	**31st Dec 2009**
6th Feb, 2009	
14th Feb, 2009	**30th Dec 2009**
17th Feb, 2009	
11th Mar, 2009	**22nd Dec 2009**
30th Jun – 3rd July 2009	**8th July, 2009**

Meeting with Hon'ble Prime Minister, in presence of Mrs. Rama, GM, NIIT, India, explained that the project was approved for financing by the Government of India, approval of the proposal was delayed, as the proceedings were anomalous from established norms, and involved identification of a firm without competitive bidding.

MoIC, receives letter from NIIT, detailing the breakdown of consideration of INR 2.053 billion for supply of goods and services for the acceptance.

Memorandum of Understanding (MoU) on Development of Information & Communication Technology (ICT) in Bhutan signed, and agreed to the early implementation of Project.

DIT →Secretary, MOFA, Thimphu, to seek firming up on the financing of the Project (2.05 billion) with the relevant officials in India.

Project Conceptualization

Nov, 2008

14th Jan, 2009

6th Feb, 2009

14th Feb, 2009

17th Feb, 2009

11th Mar, 2009

30th Jun – 3rd July 2009

31st Dec 2009

30th Dec 2009

22nd Dec 2009

8th July, 2009

30th April, 2010

13th April, 2010

21st Jan 2010

Chiphen Rigphel Project formally launched.

First trenche of **Nu. 20,000,000.00** of the Project from GNHC was released to Department of Public Accounts

MoIC has taken the first steps to launch the Project

Chiphen Rigpel Project Audit

The Chiphen Rigpel Project was aimed at enabling Bhutan as a Knowledge-based society by leveraging technology and education. The project was intended and designed to impact each stratum of the Bhutanese society in the remotest part of the country

Project Components

1. **Enabling E-Governance (RIM)**

2. **Empowering Teachers (MoE)**

3. **Taking ICT to Schools (MoE)**

4. **Enhancing Employable Skills**

   i. *TTIS (MoLHR)*
   ii. *Vulnerable Youth (YDF)*
   iii. *Tertiary Educational Institutions (RUB)*

5. **Reaching the Unreached (DIT)**

6. **E- Waste Management (NEC)**

Project Cost

The Project was funded by GoI with Nu. 2.052 billion over and above the 10th Five Year Plan commitment as additional GoI grant.

Sl. No.	Component	Price (Nu. in Million)
1	Infrastructure	202.18
2	Infrastructure for Community Information Centers	114.66
3	Services	1,573.75
4	Service Tax	162.10
	Total for the Project	2,052.70

Project Infrastructure

Sl. No.	Components	Total No of Sites	No. of Sites visited
1	Enabling E-Governance	7	4
2	Empowering Teachers	7	6
3	Enhancing Employable Skills	8	5
4	Engaging Vulnerable Youths	3	1
5	Tertiary Institute go Hi-Tech	5	4
6	ICT at Schools	168	63
7	Reaching the Unreached	131	44
	Total	329	127

Project Services

| Sl. No.	Components / services	Training/certifications/Schools/sites	Terms of execution
1	Training of Government officials *(Enabling E-Governance)*	7000 Civil Representatives	3.5 years
2	Taking ICT to Government Secondary(High, Middle and Lower) schools on BOT(Build, Operate & Transfer) basis *(ICT at Schools)*	168 Schools	5 years
3	Raising Morale and Motivating Teachers *(Empowering Teachers)*	5000 Teachers	3.5 years
4	Education for employment to build knowledge society *(Enhancing Employable Skills & Engaging Vulnerable Youths)*	11 centers	4 years
5	Reaching the unreached	261 Stations	5 years

ACHIEVEMENTS

- Established over 200 computer training laboratories.
- Setup 131 Hiwel Playground Learning Station
- Developed and provided course materials for the training.
- Reported to have trained and certified more than 32,318 participants in the field of basic as well as advanced ICT courses excluding the school students.

Audit Findings

COMMON FINDINGS
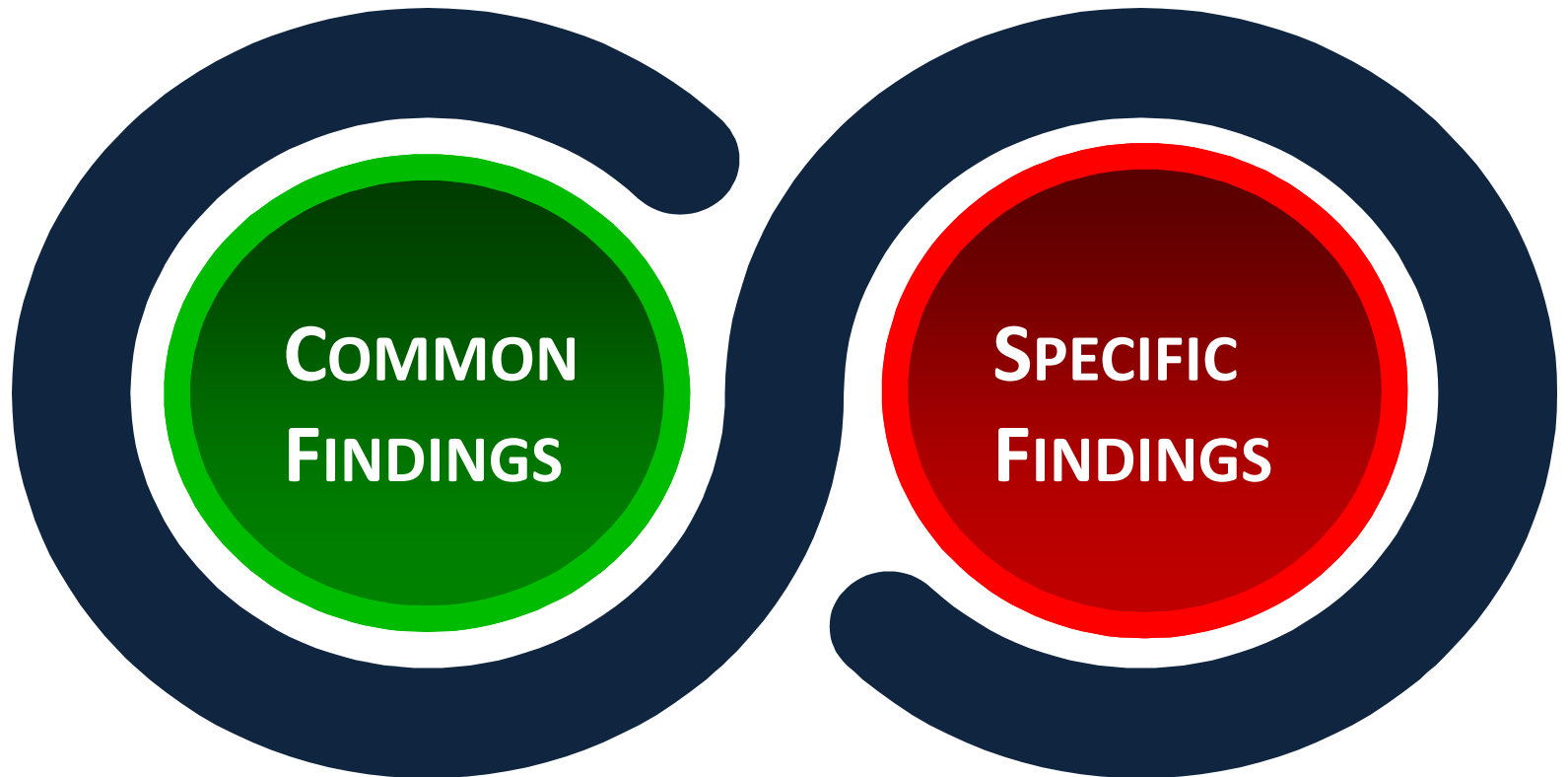
SPECIFIC FINDINGS

COMMON FINDINGS

1. Inadequacies in the Master Agreement

Unclear specification of goods and services and Bill of Quantities
- Didn't contain the specification of goods and services and Bill of Quantities.
- This has allowed the NITT with complete discretion in terms of what specification of equipment is to be delivered.

Defective payment clause
- All payments under this agreement were made as per the payment schedule and milestones defined.
- The payment was made on Tranches and percentage basis.
- Master Agreement did not contain and specify the sectoral cost break- up (budget) and itemized cost on each components of the project.
- Cost detailing the break-up submitted by the NIIT to MoIC, was not used as a basis for signing of the Master Agreement and the payment at a later date.

2. Lack of Sustainability Plan

- NIIT in association with DIT didn't have any sustainability plan as required by the Master Agreement, although fund of Nu. 5.41million had been specifically allocated.
- Maintenance of computer laboratories, PLS institutes, colleges and community centers.
- The Project employed 181 Bhutanese ICT graduates.

3. Lack of clarity in setting of project targets and components

- The Project's objective to transform Bhutan from subsistence economy to information rich economy was not realized.

- The idea of creating Bhutan as a "Knowledge based society" was not properly planned.

Actual Vs Target for each of the project component

Sl. No.	Components	Targets Nos.	Actual Nos.	Left out	Remarks
1	Training on Enabling E-governance	7,200	16,116	8,910	Teachers excluded
2	Training of Teachers	5,000	7,067	2,067	Private teachers excluded
3	ICT to High & Middle Sec. schools	168	169	1	Private schools excluded
4	No. of Certification of youths under vocational and tertiary institutes	25,600	NA	NA	Non availability of data
5	Reaching the unreached	131	NA	NA	Project proposed 261 sites

Courtesy: Annual Education Statistics 2010 & Statistical yearbook 2010

4. Need assessment not carried out adequately during the conceptualization of the Project

- The DIT, MoIC have not carried out proper need analysis on ICT situation in the country.
- The implementing agencies were never involved at the time of project conceptualization, and did not carry out whether such activities were required or not.

Course materials shelved (lying idle) in the Colleges

"In nutshell, if the college is offered with similar project through NIIT, I will recommend to go for but NOT USING SAME BUSINESS MODEL of the first phase of CRP Project"

-College Authorities

5.   Improper evaluation of the services rendered by the project

- The review of handing-taking and relevant documents revealed that there is no mechanism instituted for evaluating the services/outputs of the projects to ensure that intended outputs were delivered and value for money ensured.
- Most of the implementing agencies did not evaluate the actual impact created by the Project.

Improper evaluation of outputs of the projects			
SL No.	Name of Components	Implementing agencies	Lapses/Deficiencies
1	Enabling E-governance	RIM & DIT	Training not conducted based on the projected/targeted participants as per the implementation and Education Process Management & System Integration Design Report.
2	Empowering Teachers	MoE	Ineligible candidates trained
3	Enhancing Employability skills	MoLHR	Basic ICT skills trained and not trained based on market needs.
4	Tertiary institute go-Hi tech.	RUB	Basic ICT Courses were offered which were already instituted in the colleges
5	Reaching the unreached	DIT	Most PLS lying idle as there were no visitors/users due to non-feasibility of locations
Courtesy: RAA analysis and document review			

6. Lack of ownership after the completion of the project

- There was lack of clear directives from the government on the ownership of non-expandable property, while the detailed handing taking document between the NIIT and concern agencies reflect that the properties were officially handed over to the respective agencies.

7. Unrealistic cost prepared by the NIIT Limited and accepted by RGoB indicating no value for money on engagement of NIIT Limited

- Project conceived on massive scale typically based on the proposal from the NIIT.
- MoIC did not review the cost prepared by the NIIT Limited
- MoIC pointed out that, *"RGoB do not understand the actual basis for cost approval of the project"*

Summary of project cost breakdown			
Sl. No.	Project Deliverables	Total Cost (Nu. in millions)	% of the Total Cost
1	Infrastructure	202.18	9.85
2	Infrastructure for CIC	114.66	5.59
3	Services		
	✓ Project Report & Implementation Manual	9.73	0.47
	✓ Education Process Management & System Integration Design	4.86	0.24
	✓ e-Waste Strategy and Management Report	10.81	0.53
4	Project Establishment Cost	29.66	1.44
5	Hardware Training	21.62	1.05
6	Content & Course ware	573,63	27.95
7	Software Kit	120.78	5.88
8	Manpower	439.78	21.42
9	Program Management	248.90	12.13
10	Other including audit related to quality standards & execution inclusive of mandatory audit	100.42	4.89
	✓ Management of E-Waste disposal	8.11	0.40
	✓ Sustainability Analysis & Plan	5.41	0.26
11	Service Tax	162.10	7.90
	Total for Project	**2,052.70**	**100.00**

Courtesy: Summary o f Cost break-up submitted by NIIT Limited.

Sl. No	Project deliverables	Cost (Nu.)	Deficiencies observed during implementation
1.	Audit related to quality standards & execution inclusive of mandatory audit	13.84	1. The RAA as mandated performed mandatory audit on regular basis. The audit is not able to determine the actual basis of such expenses representing 0.67% of the project cost. It is apparent from the comments of the PCC that statutory audit and other audit related cost of NITT is being financed from the project.

8. Deficiencies in Infrastructure costing

a. Non-utilization of Anti-Virus, Nu. 1.785 million

b. Inadmissible payment of Service Tax of Nu. 60.70 million
- No service tax on services for services rendered by Indian firms/companies/individuals in Bhutan w.e.f 1st July 2012.
- If already paid from 1st July 2012, was required to be adjusted from the   balance payments.
- As of September 2013, Nu. 39.5 million service tax was paid to NIIT-which was to be adjusted
- Remaining to be recovered Nu. 21.20 million

SPECIFIC FINDINGS

1. Component One: Enabling E-governance

- Lack of clarity on task analysis and curriculum mapping on enabling E-Governance component .
- Ineligible participants for the training.
- Government's Contribution not recognized by the project

- Some of the courses were not identified in the Project final scope & deliverables.
- Inconsistency in handing-taking of E-Governance Training Centers
- Inconsistency in nominations of participants

2. Component Two: Empowering teachers

- Lack of facilities to implement the knowledge gained through training.

3. Component Three: ICT to 168 schools

- No. of students studying ICT were much lower than those who were not studying.
- Courses were very similar with that of RGoB-duplication

4. Component Four: Enhancing Employable skills in a Knowledge Based Society

- Only basic courses were offered.
- Certification courses stopped after the end of project.
- Certainly didn't create the employment and helped youth to gain prospective knowledge or skills.

5.   Component Five: Reaching the Unreached

- PLS machines were lying idle.
- Learning Stations were not even opened at some sites.
- Some sites hardly any visitor.
- Location of PLS machines in Gewog Centers was inappropriate.
- lack of appropriate monitoring and supervision as to opening and closing of the machines

RAA RECOMMENDATION

- Need for a clear legal and policy framework for engaging projects that were within the capacity of government agencies/local firms
- Need for proper assessments to identify the actual requirement from the projects
- The government should encourage procurement practice that promotes competition and provides value for money
- The Master Agreement should be comprehensive and complete in all material respects
- Services rendered by the projects should be properly evaluated
- Proper supervision and monitoring of the works carried out by the projects

THANK YOU