

PRESS RELEASE

FIXING ACCOUNTABILITY AGAINST CONTRACTORS / CONSULTANTS ON AUDIT ISSUES

In addition to the current practice of fixing accountability on the civil servants for lapses reported in Audit Reports, , the need for extending the accountabilities to the private sector were expressed at various forums in order to enhance the accountability mechanism in the overall utilization of the public resources. Accordingly, a Guidelines has been developed based on series of suggestions and feedbacks discerned from various stakeholders engagement including the Legislators, executives, regulators, implementers, citizens etc., to ingrain sense of responsibility, ownership and accountability in the utilization of public resources.

RAA has conducted several rounds of consultative meetings with the Construction Development Board (CDB) and other key stakeholders. The draft Guidelines on fixing Accountability on contractors and consultant was uploaded in RAA's website as an **EXPOSURE DRAFT** in February 2018 seeking valuable comments and feedback from the citizenry. The RAA also made presentation to various stakeholders including the members of BCCI in December 2017 as a part of audit awareness programme.

Further, the Memorandum of understanding (MoU) has been signed on 26 June 2018 between the CDB and RAA in true spirit of collaborative spirit toward enhancing accountability. The Guidelines will come into effect from 01 July 2018 to help promote good governance which is one of the pillars of our development philosophy of GNH.

The primary objectives of holding the contractors/ consultants accountable are to:

- To enhance accountability mechanism in government operations and utilization of public resources; and
- To promote accountability, ownership and ethical business in both public and private sectors.

Types of observations where the accountability can be fixed on the contractors/ consultants

- The contractors shall be held accountable for the audit observations pertaining to irregularities including excess payments, double payments, inadmissible payments, defective and substandard executions of works and any other irregularities where the nature of the observation warrants the contractors to be obliged to make good the amount or necessary actions;
- Similarly, the consultants shall be held accountable for the audit observations pertaining to irregularities including excess payments, double payments, inadmissible payments, ineffective supervision of works, faulty designs, and any other irregularities where the nature of the observation warrants the consultants to be obliged to make good the amount or necessary actions;
- The contractors /consultant shall also be held accountable for any violation of the PRR and the contract documents;

Renewal of registration certificate

- The CDB shall include a mandatory requirement to check whether the contractor/ consultant applying for renewal of registration certificate have any unresolved audit observations in their Information System as on date of application, and
- In case the contractors/ consultants have unresolved audit issues, the CDB shall refrain from the renewal of Registration Certificate till the audit issue has been satisfactorily resolved.

Procedures to settle audit observations

- The CDB may direct the contractor/consultant who are held accountable to directly contact the concerned agency to resolve the audit observations; ;
- The agencies concerned shall submit the details of action taken including recoveries made, justifications and supporting documents to the RAA for its review;
- The amount determined as recoverable from the contractor/ consultant may either be directly deposited into designated Audit Recoveries Account maintained with the Bank of Bhutan or deposited with the nearest RAA's regional office along with applicable penalty of 24% per annum *if any*, under intimation to RAA;
- As usual, the RAA shall acknowledge the amount deposited into the Audit Recoveries Account and update the *e-Zotin*;
- As to defective/ substandard execution of works, where contractor/ consultant is held directly accountable, the responsibility to rectify the defective/substandard works will rest with the contractor/ consultant. The agency concerned upon verification and satisfaction of the rectifications done should furnish evidences to RAA for further review;
- Additional justifications and supporting documents from the concerned agencies, *if any*, shall also be reviewed by RAA and decide appropriately on the acceptability of the responses to resolve the audit issues.

Fixing of accountability against the contractor and consultant is expected to enhance sense of accountability, ownership and responsibility in the public sector and contribute towards improvement in quality of construction works.
