

5

RECOMMENDATIONS

The Article 44 of the Audit Act of Bhutan, 2006 mandates the Authority to promote economy, efficiency and effectiveness in the use of public resources through its reports and recommendations. Accordingly, the Royal Audit Authority based on the audits conducted by it, provides observation specific recommendations and general recommendations. The individual audit finding in an audit report is usually the anatomy of the audit criteria, the condition, the cause, the effect and the recommendations. The findings are researched to establish the cause effect relationship so as to enable the auditors to provide appropriate recommendations that will not only solve the problem but address the root cause and mitigate future occurrences. Apart from the recommendations in the individual reports, the Royal Audit Authority also formulates the AG's Advisory Series to report on the findings and recommendations of significant and frequently occurring issues requiring timely attention of the Government and the AG's Occasional Paper to report on the single most significant issues with due focus. The recommendations in the Annual Audit Report on the other hand include mostly the broad and general recommendations that can be applied across the board, based on the findings and recommendations included in the audit reports. Regrettably, the Royal Audit Authority had to refocus its recommendations on many of the areas and issues covered under the earlier Annual Audit Reports due to occurrence of similar nature of lapses.

Performance measures and reporting system should be strengthened

Generally, there is lack of well defined performance measures and reporting system across the agencies. Many of the agencies either do not identify their performance indicators to gauge the success of the organisations in achieving their objectives or there are no mandates requiring time bound performance reporting to higher authorities or the stakeholders. There is also absence of credible assessments of impacts of programmes, schemes and projects. Globally, the information paper on developments in performance measurement structures in public sector entities, November 2008 issued by the International Federation of Accountants reported that there was little coordinated information available about the ways in which public sector entities set financial and non-financial objectives, measure performance and report on results. As such, it would not be too late to strengthen or institute a standard system of performance measures and reporting system across the agencies.

An appropriate performance measures appositely with the SMART (Specific, Measurable, Attainable, Realistic and Time bound) attributes if in place could enhance decision making

processes, improve internal accountabilities, assist in developing and setting strategic plans and objectives and ultimately increase the performance of the organisation. The prevalence of systematic performance measures and reporting systems will also enable the Royal Audit Authority to launch a full fledged performance audit of the agencies and accordingly report on the economy, efficiency and effectiveness in the use of public resources to the stakeholders.

Integrated database/information management system should be instituted

The integrated database for information management system and networks should be set up to aid real time decision-making which would ultimately enhance delivery of services. Institution of such systems would minimise administrative burden and reduce red-tapism. The agencies should also promote extensive use of information and communication technologies including the use of internet and web-portals. Use of such facilities would enhance communication, interaction and coordination amongst various stakeholders and also promote transparency in delivery of services.

A case point on delivery of text-books to schools around the country is illustrated in diagram 5.1 evidencing how a delay in delivery of text-books to schools can be minimised using ICT services.

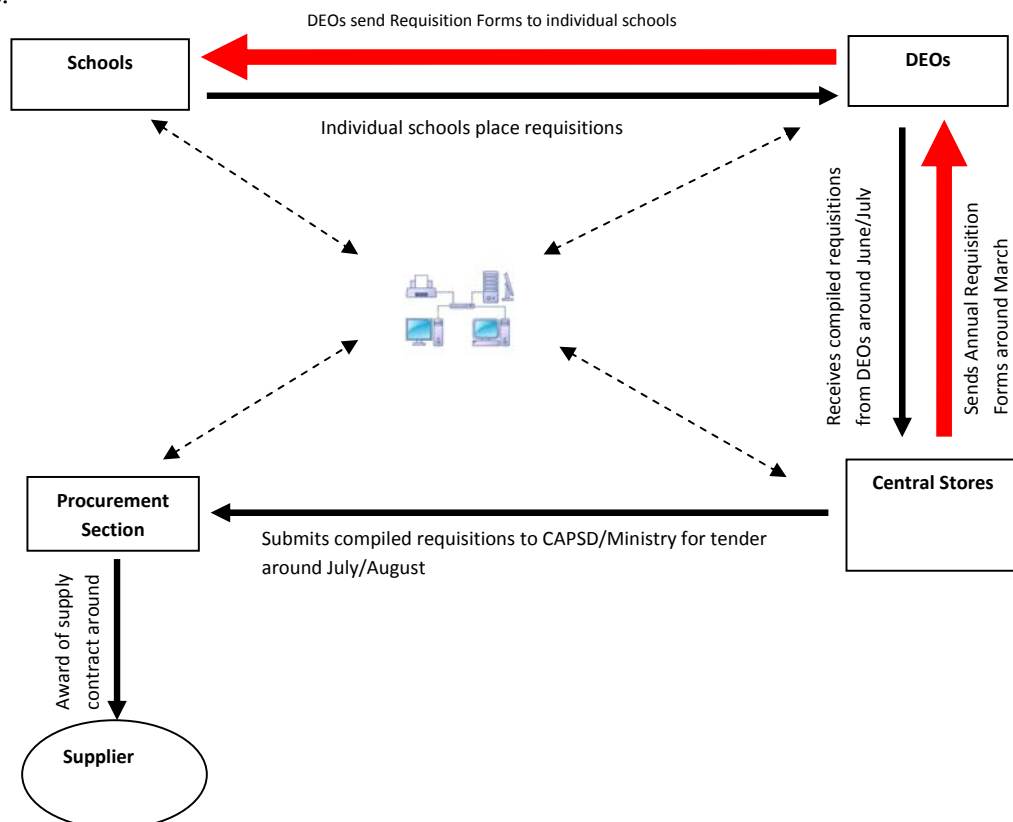


Figure 5.1(above): Diagram depicting actual flow of information from placement of Requisition Forms from Central Stores to award of supply contract to the Supplier

The conventional flow of information (represented by continuous line in the diagram) from transmittal of requisition forms for textbooks to placement of orders to the suppliers lead to loss of considerable time. However, if ICT services are availed in the form of institution of integrated information management system which is as represented in the diagram by perforated arrows, considerable time would be saved as the stakeholders can retrieve the required information on real-time basis enhancing fast and effective delivery of services.

IT Security policy should be enhanced

With the unprecedented pace of development, the use of information technology is becoming a part and parcel of the operations of many agencies. While the technology can be of enormous assistance, it could also lead to disasters if required security precautions are not adopted by the users. At the moment, most of the agencies do not have IT security policies in place. IT security policies, procedures and standards are important in establishing sound internal controls. The presence of a security policy is an indication of commitment of an organisation to information security. Therefore the institution of IT policies, principles or standards applicable to ones IT environment needs to be given top priority.

Number and mix of engineers should be strengthened

As the major chunk of the budget goes into the construction industries every year and in view of the increased budgetary allocation in the construction activities especially in the construction of roads, there is a need to strengthen the number of engineers in the Dzongkhags. The increased allocation must be matched by adequate technical backstopping. It was found that a site engineer often managed as many as ten sites or even more located at different places and directions. It was also not uncommon to attribute the lapses in the construction to the inadequacy in number of engineers. Therefore, the Royal Audit Authority believes that there is a strong need to strengthen the existing pool of engineers in the Dzongkhags. The inadequacy of engineers is also felt by the central technical agencies. The recent executive order of the Royal Government regulating a maximum of five sites per engineer in the Dzongkhags would definitely go a long way in improving the quality of constructions and minimising lapses. However, if efforts to increase the number of engineers or alternatives are not accorded priority, many of the construction activities in the 10th Five Year Plan could receive serious setbacks.

Similarly, the Royal Audit Authority had also noted lack of specialised skills in construction industry. Some of the serious lapses observed by the Authority over the years were attributed to the lack of specific skilled manpower and knowhow. As the country strides through an

unprecedented era of rapid development, many activities requiring the state of the art technology become inevitable. As such while planning the quantity, quality and the types of human resource requirement of the country in the long run, it would be prudent to establish an appropriate system of resource sharing and consultations within and across the agencies besides outsourcing.

Proper studies, consultations and planning in the construction activities needs improvement

Changes and ad hoc decisions were the results of inadequate studies, lack of consultations and poor planning. There were cases of abnormal deviations from the original drawings and estimates and unfortunately the cases are becoming increasingly rampant. Such practices not only impede the quality but also affect the economy, efficiency and effectiveness in the use of public resources. The payments of millions of Ngultrum as consultancy fees do not fetch the equivalent value for money when their works cannot be put to use due to frequent changes and ad hoc decisions. As such there is a need at all levels to properly study, plan and implement the activities with adequate supervision, monitoring and evaluations. At the same time, a penalty clause for the consultancy services must be standardised to check on the preparation of unrealistic designs, drawings and estimates by the consultants.

Bhutan Standard Specification & Bhutan Schedule of Rates needs to be reviewed

The Royal Audit Authority would like to reiterate the need to review the Bhutan standard specification and the Bhutan Schedule of Rates (BSR) especially in relation to the calculation of base rates and the standards for traditional works including restoration and conservation of such works. Materials like timber, sand and boulders which are available in all areas are also considered for calculating Base Rate of border areas. Materials that are produced in the border areas or imported and required to be transported to other construction areas in different parts of the country may be included in the calculation of base rate of border areas. Alternatively, costs of materials available in other parts of the country should be taken out first from the base rate and instead local costs included while adjusting the base rates.

Likewise, the Base Rate of labour of Nu. 100 per day adopted in the BSR may not be applicable throughout Bhutan, particularly in border towns where usually lower rates of daily wage are paid for non-national labourers. In fact the overall BSR needs to be reviewed by reflecting the changes in the material and labour cost.

While the Government has been emphasising so much on the need to preserve and maintain the traditions and customs of the country, the existing BSR cannot be strictly applied for traditional structures and restoration and conservation of such works. Though the Government has now updated and revised the Procurement manual and Standard Bidding Documents, the BSR have not been updated to incorporate the above issues.

It is desirable that the Government takes timely initiatives to review and update the existing BSR.

The system of community participation in the rural development activities needs to be reviewed

While the system of community participation in the rural development activities has its advantages, lack of standard and systematic approach would not only undermine the workmanship of the activities but also affect the over all productivity of the community. Due to inadequate supervision and possible mismatch of skills, the RAA noted instances of poor workmanship in the works carried through community participations. If such activities are implemented in the peak farming season, the agricultural productivity and outputs may be adversely affected. Therefore, it is important to institute a systematic and standard approach in engaging the community in such activities productively.

A systematic rural tax collection system should be instituted

Over the years, a major issue in the Gewog administrations pertained to the lapses in the collections of rural taxes. The increased mobility of the residents and the acquisition of properties in the rural and sub-urban areas by the non-residents had posed difficulties in collection of rural taxes in many Dzongkhags. The administrators of these local governments attributed difficulties in locating and collecting taxes and often ended up spending more than the taxes accrued. As such, there is a need for the Governments to review the situation and institute a systematic approach to ensure that the taxes are collected efficiently and effectively at minimum possible cost.

A systematic approach in administration of advances should be established

The Royal Audit Authority had been persistently recommending institution of a proper system of administration of advances. As payments of advances are not final expenditures, there is a general tendency to grant lavish advances by the agencies resulting into accumulation of old unadjusted advances. The poor and untimely follow up mechanism in many of the agencies had rendered difficulties in recovering or adjusting the old cases of

outstanding advances. The Royal Audit Authority had also noted cases of 100% payment of advances to the suppliers and indiscriminate payment of salary advances to the employees. There were also cases where advances were paid without recording in the books of accounts and refund of advances being misused by the dealing officials. While some secured advances to the contractors were made without taking into account or assessing the value of the materials brought at sites, there were cases of non-deduction of advances from the running bills of the contractors. All these issues being relatively rampant reflect a strong need to institute a proper system in the administration of advances.

Internal control system and the internal audit should be strengthened

The Royal Audit Authority had always been a strong proponent of strengthening the internal control mechanism of the agencies. While the efforts of some of the agencies are commendable, there is still an urgent need to tone up the control mechanism in many of the agencies. The Royal Audit Authority believes that many of the lapses noted during the year could have been avoided if appropriate levels of internal control mechanisms were in place. A prudent Internal Control System acts as a tool to ensure efficient, effective and economic utilisation of resources. It also ensures that financial interests and resources are safeguarded and reliable information is available to the management.

The internal audit being relatively an independent wing of the organization can examine and evaluate the level of compliance to the policies, rules and procedures and provide independent assurance to management on the adequacy or otherwise of the existing internal controls. As such, such mechanisms are an integral part of the organisations and even more critical to enhance their performances. The Royal Audit Authority during its audits as a standard practice assesses the internal controls and the internal audit functions to obtain a reasonable level of assurances. The intensity of the audit varies depending upon the level of assurances from such assessments. If adequate control mechanisms are instituted and the internal audit systems are ideally strengthened, the role of the Royal Audit Authority could change significantly. Away from its traditional role of transactional audit, the Royal Audit Authority can concentrate its focus over broader and larger issues of evaluating the economy, efficiency and effectiveness in the use of public resources.

Momentum in the follow up of audit reports to be maintained

In line with the directives of the 87th Session of the National Assembly, the Royal Audit Authority initiated a massive follow up exercise across the agencies to settle all the pending audit reports by December 2007 deadline. In the process, the Royal Audit Authority was able to resolve a significant number of pending audit reports. The initiatives strongly supported by

the cooperation from the agencies had continued even after the deadline. The need to resolve the pending audit reports was also reemphasised by the second Session of the first Parliament. The continued follow up drive resulted in settlement of substantial number of remaining issues.

The Royal Audit Authority is committed to the timely follow up of the audit reports and urges all the agencies to maintain the momentum gained in not only resolving the remaining old cases but also in implementing the current recommendations. Such exercise would ensure compliance with the laws, transparency and fairness in decision making, enhance speedy delivery of public services, create desired impacts of programs and projects thereby promoting greater accountability and good governance.

Follow up actions on cases of fraud and corruption needs to be reinforced

While the Royal Audit Authority had noted improved follow up initiatives from the agencies, there had been generally lack of adequate follow up initiatives on the cases of fraud and corruption. Many of the agencies had recovered the amounts pertaining to the cases of fraud and corruption. However, appropriate legal actions as required under the Law of the Land were not initiated against the perpetrators of fraud and corruption. Had the management initiated appropriate legal actions as required under the Bhutan Civil Service Rules and Regulations and the Laws of the Land, the compliance would have been even higher. Timely and appropriate legal actions would have acted as strong deterrent against perpetrators of fraud and corruption. As such, there is a need for the agencies concerned to initiate appropriate legal actions against the cases of fraud and corruption.