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ROYAL AUDIT AUTHORITY

Bhutan Integrity House

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources

REVIEW REPORT OF PERFORMANCE AUDIT REPORTS

October 2020

*"Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder".
- His Majesty the King Jigme Khesar Namgyel Wangchuck*



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ROYAL AUDIT AUTHORITY

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Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



RAA/ (AG-SP)/03/2020/ 171

Date: 27 / 10 / 2020

The Hon'ble Speaker
National Assembly of Bhutan
Thimphu

Subject: Submission of Review Report of Six Performance Audit Reports

Your Excellency,

In accordance with Section 42(b)(2) of the Rules of Procedures of Public Accounts Committee, the Royal Audit Authority (RAA) has the honour to submit the review reports of the following six Performance Audit Reports:

1. Review of Judiciary System and Practices
2. Performance Audit Report on Housing Development-Adequacy and Affordability
3. Performance Audit Report on Food self-sufficiency & Security
4. Performance Audit Report on Road Maintenance Works
5. Performance Audit Report on Microfinancing, and
6. Performance audit on Urban Planning and Development in Thimphu Throm

Based on the Management Action Plan and Action Taken Report received from the concerned agencies, the RAA has conducted the desk review followed by field visits, wherever required.

The status of the reports as of 30 September 2020 are detailed in Exhibits enclosed herewith for kind perusal.

Thanking you and looking forward to Your Excellency's continued support.

Yours respectfully,

(Tashi)
Auditor General of Bhutan

Copy to:

1. The Hon'ble Prime Minister, Royal Government of Bhutan for kind information
2. The Hon'ble Chief Justice, Supreme Court of Bhutan, *in respect of* review report of review of Judiciary System and Practices



རྒྱལ་གཞུང་རྩིས་ཞིབ་དབང་འཛིན།
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3. The Hon'ble Chairperson, National Council of Bhutan for kind information
4. The Hon'ble Opposition Leader, National Assembly of Bhutan for kind information
5. The Governor, Royal Monetary Authority, *in respect of review report of Performance Audit Report on Microfinancing*
6. The Hon'ble Chairperson, Public Accounts Committee, 3rd Parliament of Bhutan (7 Copies)
7. The Secretary, MoWHS, Thimphu, *in respect of review report of Performance Audit Report on Housing Development-Adequacy and Affordability, Road Maintenance Works and Urban Planning and Development in Thimphu Throm*
8. The Secretary, Ministry of Agriculture & Forests, *in respect of review report of Performance Audit Report on Food Self-sufficiency and Security*
9. The Secretary, National Land Commission Secretariat, *in respect of review report of Performance Audit Report on Food Self-sufficiency and Security and Housing Development-Adequacy and Affordability*
10. The Chief Executive Officer, BDBL, *in respect of review report of Performance Audit Report on Microfinancing*
11. The Chief Executive Officer, REDCL, *in respect of review report of Performance Audit Report on Microfinancing*
12. The Thrompon, Thimphu Thromde, *in respect of review report of Performance audit on Urban Planning and Development in Thimphu Throm*

Abstract of Review Reports

A. Review of Judiciary System and Practices

Review of Judiciary System and Practices was conducted to ascertain the operational efficiency and effectiveness of the Judiciary in delivery of fair, just, and equitable justices on time for the period covering from 2012-13 to 2016-17. The final report was issued on 02 July 2019.

The report contained 37 observations under three broad categories and 17 recommendations which are aimed at supporting the judiciary in its efforts and initiatives of its system and processes in achieving its goals of rendering timely delivery of fair, just, and equitable justices.

After 1st review of Management Action Plan (MAP) and Action Taken Report (ATR) submitted by the Judiciary, two recommendations are considered fully implemented, eight partially implemented and seven recommendations not implemented.

The statuses of the recommendations are attached as **Exhibit – A**.

B. Performance Audit Report on Housing Development-Adequacy and Affordability

Performance Audit Report on Housing Development-Adequacy and Affordability was conducted with the overall objective of the audit was to ascertain the effectiveness of national housing development activity including home ownership programmes in providing adequate, affordable and livable housing in urban centers for the period covering from 01 January 2013 to 31 December 2017. The final report was issued on 20 March 2019.

The report contained 26 observations under nine broad categories and 15 recommendations which are aimed at addressing the issues of housing development.

After 1st review of MAP and ATR submitted by the MoWHS, NHDCL, NLCS and RMA, six recommendations are considered fully implemented, three partially implemented and six recommendations not implemented.

The statuses of the recommendations are attached as **Exhibit – B**.

C. Performance Audit Report on Food Self-sufficiency and Security

The Performance Audit Report on Food Self-sufficiency and Security was conducted with the overall objective to ascertain the efficiency and effectiveness of Ministry of Agriculture and Forests (MoAF) in enhancing food self-sufficiency and security by making various kinds of food available

through improved production, and access to food for the period covering from 2012-13 to 2016-17. The final report was issued on 11 February 2019. The report contained 18 observations and 14 recommendations which are intended to address the shortcomings and deficiencies thereby enhancing efficiency and effectiveness of the Ministry in enhancing food security.

After 2nd review of ATR submitted by the MoAF, NLCS and GNHC, five recommendations are considered fully implemented, seven partially implemented and two recommendations not implemented.

The statuses of the recommendations are attached as **Exhibit-C**.

D. Performance Audit Report on Road Maintenance Works

Performance Audit Report on Road Maintenance Works was conducted with the overall objective of the audit was to ascertain the economy, efficiency and effectiveness of Department of Roads (DoR) in the operation and management of road maintenance works for the period covering from 2013-14 to 2017-18. The final report was issued on 25 October 2019.

The report contained 23 observations under three broad categories and eight recommendations which aimed at enhancing efficiency and effectiveness in road maintenance works.

After 1st review of MAP and ATR submitted by the Ministry of Works and Human Settlement (MoWHS), two recommendations are considered fully implemented, five partially implemented and one recommendation not implemented.

The statuses of the recommendations are attached as **Exhibit – D**.

E. Performance Audit Report on Microfinancing

Performance Audit Report on Microfinancing was conducted with the overall audit objective was to, 'ascertain the efficiency and effectiveness of microfinancing services in terms of agricultural development, poverty alleviation, women empowerment and entrepreneurship for the period covering from 01 January 2014 to 31 December 2018. The final report was issued on 25 October 2019.

The report contained 18 observations under three broad categories and six recommendations which are aimed at addressing the issues in microfinance.

After 1st review of MAP and ATR submitted by the RMA, BDBL and REDCL, two recommendations are considered fully implemented, two partially implemented and two recommendations not implemented.

The statuses of the recommendations are attached as **Exhibit – E**.

F. Performance audit on Urban Planning and Development in Thimphu Throm

Performance Audit Report on Bhutan Chamber of Commerce and Industry was conducted with the objectives to ascertain whether there exists appropriate institutional framework for effective and efficient urban planning and development and whether urban planning and development initiatives are in compliance to standards and norms for the period covering 2013-14 to 31.12.2017-18. The final report was issued on 27 December 2019.

The report contained 18 observations under two broad categories and 11 recommendations in order to mitigate the challenges faced and enhance efficiency and effectiveness in urban planning and development in Thimphu Throm, and to objectively guide and ensure proper and timely implementation of other plans in the pipeline for the country.

After 1st review of MAP and ATR submitted by the MoWHS and Thimphu Thromde, eight recommendations are considered partially implemented and three not implemented.

The statuses of the recommendations are attached as **Exhibit – F**.

EXHIBIT-A

Review Report on Review of Judiciary System and Practices

Audit Report : Review of Judiciary System and Practices (AIN: 16001)				
Date of Issue : 02 July 2019				
Name of Agency (s) : Royal Courts of Justice				
No. of Review : 1 st Review				
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
3.1	<p>Judiciary should review and implement those provisions of the Judicial Service Act not yet implemented</p> <p>The Judicial Service Act provides a framework for administering the Judiciary personnel however, RAA observed some provisions in the Act which are still not implemented attributable to various factors. Full implementation of the Act will further ensure the maintenance of dignity and competence of the Judiciary officials to discharge their duties effectively, efficiently, and independently.</p> <p>Therefore, the Judiciary should review and initiate implementation of following provisions that were not implemented:</p> <p>(a) Recruitment of graduates with a year of national legal course into the pool of Bench Clerks can qualitatively strengthen the competency of the Courts. Therefore, Judiciary should initiate and coordinate with the RCSC to redesign the entry-level recruitment system of the Bench Clerks</p>	<p>In order to implement the provisions of the JSA, the Judiciary initiated that drafting of five rules pertaining to HRD, Ethics and Integrity, Appointment and Promotion, HR Recruitment and Transfer of Service.</p> <p>The draft Rules of the Judiciary, 2020 is attached here as Annexure I.</p> <p>The rules will be implemented once it is endorsed by the Judicial Service Council</p> <p>a) During the 23rd National Judicial Service Council meeting, the upgradation for the entry level requirement of the Bench Clerks from Class 12 with DNL to General Graduate with DNL with certain reformatations to the existing DNL Course. The Council considered the proposal and has decided to conduct a consultative meeting with relevant stakeholders namely the RCSC, RIM and Ministry of Finance. The Minutes of the 23rd RJSC meeting is attached here as annexure II.</p>	<p>No timeline provided</p>	<p>Partially Implemented</p> <p>RAA appreciates Judiciary for coming up with the draft Rules of Judiciary 2020 on human resource development, ethics and integrity, appointment and promotion, recruitment of human resource and transfer of service.</p> <p>However, since the draft rules are yet to be endorsed by the Judicial Service Council, the recommendation is considered partially implemented.</p> <p>Meanwhile, Judiciary should provide a timeline for full implementation of the recommendation.</p>

Audit Report : Review of Judiciary System and Practices (AIN: 16001)			
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<p>as per Section 55 and 56 of the Judicial Service Act;</p> <p>(b) Prolonged stay of judicial personnel in a particular place may result in unwarranted development and the diversification of experience and knowledge sharing may not be achieved. Therefore, Judiciary should ensure transfer of Judiciary Service Personnel as required by Section 225 of the Act and Judiciary Support Personnel as required by BCSR in the best interest of Judiciary.</p> <p>(c) The performance of judicial system is largely dependent on its human resource. Therefore, the Judiciary should develop rules for managing human resource and executing other administrative affairs. The rules may include:</p> <ul style="list-style-type: none"> Rules specifying the payment of sitting fees to the members of National Judicial Commission and Royal Judicial Service Council as per Section 18 and 41 of the Judicial Service Act of Bhutan 2007 in consultation with the Government; 	<p>b) In compliance to the Section 225 of JSA, the Judicial Service Council has transferred 128 Bench Clerks.</p> <p>c) Drafted Rules for Human Resource Development, Appointment, Promotion, and Transfer</p> <ul style="list-style-type: none"> The Judiciary as per the recommendation of the RAA, adopted the Rules and Regulations for the Payment of Sitting Fees to the Members of the NJC and RJSC. However, the Ministry of Finance issued a notification to establish a uniform guideline with the Government Agencies for matters relating to sitting fees. Therefore, the Rules and Regulation has been repealed and the payment of sitting fees has been discontinued as communicated by MoF vide letter No. <i>MoF/LD-General/2019/880</i> dated 24th December, 2019. As per PCS, rules and regulations has been drafted and is awaiting endorsement. 		

Audit Report : Review of Judiciary System and Practices (AIN: 16001) Date of Issue : 02 July 2019 Name of Agency (s) : Royal Courts of Justice No. of Review : 1 st Review				
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1 st Review
<ul style="list-style-type: none"> Rules specifying the eligibility for fast-track promotions as per Section 208(d) of the Judiciary Service Act of Bhutan 2007; and Rules specifying the selection, appointment and recruitment as per Section 72, 80 and 84 of the Judicial Service Act of Bhutan 2007. 		<ul style="list-style-type: none"> The Rules for specifying the eligibility for fast-track promotions, selection, appointment and recruitment have been drafted. The Rules specifying the selection, appointment and recruitment has been drafted and is awaiting endorsement. However, ambiguities will exist as long as the BCSR is not amended. Judicial Service Act, when enacted in 2007 was supposed to cover all judicial personnel but the amended 2010 BCSR only exempts Rabjam and above. 		
3.2	<p>Judiciary should consider appointing Drangpon Rabjams from persons having served as an Advocate</p> <p>The Judiciary’s intent to mobilise finest law professionals into the Judicial Service is commendable however, the position structure and experiences required for certain posts cannot be compromised. The existence of position gaps within Judicial Service Personnel may necessitate an</p>	<p>The Judiciary and OAG are currently deliberating on matters pertaining to recruiting advocates as Drangpon Rabjams.</p>	<p>No timeline provided</p>	<p>Partially Implemented</p> <p>Since the recommendation is being pursued by the Judiciary and OAG, the recommendation is considered partially implemented.</p> <p>Meanwhile, Judiciary should provide a timeline for full implementation of the recommendation.</p>

Audit Report : Review of Judiciary System and Practices (AIN: 16001) Date of Issue : 02 July 2019 Name of Agency (s) : Royal Courts of Justice No. of Review : 1 st Review				
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1 st Review
	<p>interim measure to consider implementing the option empowered by Section 74 of the Service Act to appointing Drangpon Rabjams from among persons who has served as an Advocate for seven or more years in succession.</p> <p>The Judiciary should consider improving the position gaps within Judicial Service Personnel by taking advantage of this option.</p>			
3.3	<p>Government should establish proper legal framework for instituting Notary Public Offices in the country</p> <p>Establishing proper legal framework for the Notary Public Offices and separating the citizen services from litigious matters may enable the Judiciary to maintain the independence of Courts in adjudication. Establishing and authorising private notary offices can also benefit the Judiciary in concentrating its resources on adjudication of the cases.</p>	<p>The Judiciary has been providing notary services for the interest of the Public as per the Executive Order issued by the Chief Justice of Bhutan. However, if any other institution is deemed to be appropriate to provide such services, the Judiciary is willing to hand over the responsibilities to the institution. If the services are to be provided by any other institution other than the courts, then a proper legal framework for instituting Notary Public Office in the country should be in place. Developing this legal</p>	<p>No timeline provided</p>	<p>Not Implemented</p> <p>While it has been noted that the responsibility of establishing a legal framework for instituting Notary Public Offices in the country do not lie with the Judiciary, the onus of apprising and proposing the need to the Government is with the Judiciary.</p> <p>As such, the Judiciary may consider proposing the need to the Government for appropriate action.</p>

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	Therefore, Government intervention is necessary to establish private notary offices in the country to provide certain notary services as may be appropriate as well as instituting a proper system of regulating their services.	framework is not the responsibility of the Judiciary. The Parliament must consider an appropriate law and pass it.		<p>Until such time, the recommendation shall remain not implemented.</p> <p>Meanwhile, Judiciary should provide a timeline for implementation of the recommendation.</p>
3.4	<p>Declaration of Conflict of Interest should be made mandatory</p> <p>While there is requirement to declare conflict interest by judicial personnel in a Court Case, in absence of clear guidelines and process established, there are no evidences and documentations of strict implementation of this important requirement. Judiciary should institute a system, requiring its Judiciary personnel concerned/connected to a case, to mandatorily declare conflict of interest that they might or might not have in a case. In addition, a system with guidance to deal when the Judicial personnel has a conflict of</p>	<p>Conflict of interest must be understood in the Bhutanese context and the Judiciary is in the process of endorsing the Guideline on Conflict of Interest.</p> <p>To be further deliberated and endorsed during the Judges conference.</p>	No timeline provided	<p>Partially Implemented</p> <p>RAA appreciates Judiciary for coming up with the draft guideline on Conflict of Interest. However, since the draft guideline is yet to be endorsed during the Judiciary Conference, the recommendation is considered partially implemented.</p> <p>Meanwhile, Judiciary should provide a timeline for full implementation of the recommendation.</p>

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	<p>interest in a case should also be established clearly.</p> <p>Development of Guideline and Standard Form to be completed by judicial personnel connected to a case, irrespective of existence of conflict of interest or otherwise, is one of ways to ascertain the existence and avoid conflict of interest situations. Thus, fair and equitable delivery of justice can be ensured, whilst enhancing transparency in the Judiciary system.</p> <p>In this regard, Judiciary may like to refer the Model Guideline on Managing Conflict of Interest in the Public Sector 2017 issued by the Anti-Corruption Commission (ACC).</p>			
3.5	<p>Judiciary should ensure implementation of internal evaluation system and keeping track record of the lower Courts</p> <p>The 22nd Judicial Conference resolved to institute a system to monitor and evaluate the lower Courts as an internal check-and-</p>	<p>An Executive order by CJB dated 11th July, 2018 was issued to keep a track record of cases of lower courts.</p> <p>A guideline to evaluate performance of lower courts has been developed and accordingly implemented.</p>		<p>Implemented</p> <p>It has been reported that a guideline for evaluating performance of lower courts was developed and being implemented.</p>

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	<p>balance mechanism to promote the judicial integrity, which was not implemented. This initiative may entail visiting of assigned Courts once in a year and observe the hearings, holding discussions with the Court Officials, and evaluate their performance status along with challenges faced.</p> <p>The Judiciary should consider developing appropriate guidelines, systems and procedures for internal evaluation and monitoring track records of lower Courts.</p>			<p>In view of the above, the recommendation is considered implemented.</p> <p>However, the implementation of the same will be reviewed upon submission of the report in the next review.</p>
3.6	<p>Royal Judicial Service Council should implement Section 32 of the Judicial Service Act 2007</p> <p>Since the Royal Judiciary Service Council has the legal duty to review laws from time to time and submit to Parliament to ensure that they are in keeping with the changing situation and propose amendments and modifications thereto as and when</p>	<p>According to Article 1(13) read with 1(10) and 10(1) of the Constitution, the Judiciary does not have the authority to legislate/amend laws. Until the establishment of a Law Reform Commission, the Judiciary will continue to review the laws as and when necessary with the objective to strengthen the justice system in line with the needs of our progressive society.</p>	<p>No timeline provided</p>	<p>Not Implemented</p> <p>The response has been noted, however, Judiciary should provide documents related to Law Review Task Force and guidelines developed, if any for RAA’s further review.</p> <p>Further, Judiciary may also comment on whether the establishment of Law Review Task Force is in line with the Judicial Act 2007.</p>

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necessary, it should institute proper system to discharge this important function.	Law Review Task Force has been established and they have the mandate to review the laws made by Parliament.		Until such time, the recommendation shall remain not implemented. Meanwhile, Judiciary should provide a timeline for implementation of the recommendation.
3.7 Judiciary should consider establishing a National Standard for Court proceedings The Judiciary on 18 th National Judicial Conference 2007 has resolved to complete Case adjudication within 12 months. However, the Judiciary may need to come up with standardised and comprehensive time and service delivery standards having regard to nature and complexities of the cases. The adoption and implementation of these standards is also likely to have positive impact in the use of Court resources and to avert the abuse of system by litigants. The standards, among others, may include: • Normal time standards for adjudication;	The CCPC is the national standard court proceedings. The Judiciary has been following this Act and we do not know what other national standard court proceeding should be in place. If there are other needs, the National Assembly must consider and pass it. The Judiciary is ready to take up.	No timeline provided	Not implemented While the due process to be followed in the issuance of summon orders is prescribed, there are no maximum limits on the numbers of summon orders to be issued. Further, the time gaps to be maintained between two summon orders is not specified. Therefore, RAA reiterates the Judiciary in coming up with the standardised and comprehensive time and service delivery standards. Until such time, the recommendation shall remain not implemented.

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	<ul style="list-style-type: none"> • Time standards for different stages of proceedings; • Time standards and time gaps for issuing summon orders; • Maximum number of rebuttals to be admitted by the Court; and • Maximum number of summon orders to be issued by the Courts. 			Meanwhile, Judiciary should provide a timeline for implementation of the recommendation.
3.8	<p>Appeal System should be rationalized to render it more efficient</p> <p>The current practice of appeal system lacks compliance with the requirements of CCPC 2001 particularly during registration after miscellaneous hearing, resulting in unrestricted registration of all types of appeal cases. Adjudication of frivolous cases provides respite to the defaulter, consumes Court resources and causes undue delays in delivery of justice. Hence, Judiciary should ensure compliance with the requirements of CCPC 2001 on registration of appeal cases.</p>	<p>Appeal is a matter of right and Courts cannot limit it until provisions in the law are amended.</p> <p>Moreover, appeal system will fail if it is rationalized as per RAA’s recommendation. The National Assembly may amend the appeal provisions to have it rationalized.</p> <p>Until the provisions in the law with regard to appeal are amended, the Judiciary will not be able to rationalize it.</p>	No timeline provided	<p>Not Implemented</p> <p>It has been noted that an appellate court can accept appeals where lower Court had made an egregious error with respect to some factual issues. However, the petitions accepted in general were neither of law nor of factual errors as observed by the audit. The appeal petitions were mostly generic.</p> <p>RAA is not stressing on the numbers of petitions, rather emphasizing on the acceptance of all appeal cases by appellate courts without limiting the</p>

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	<p>The Judiciary should also review and enforce the requirement of the law categorising nature of cases where an appeal system is misused to ensure strict enforcement and greater compliance of the law.</p>			<p>appellate process to issues of law and egregious errors by the lower courts.</p> <p>Therefore, RAA still urges Judiciary to review and streamline the appeal processes for greater compliance.</p> <p>Further, Judiciary should provide a timeline for implementation of the recommendation.</p>
3.9	<p>Case Hearings Calendar in the Courts should be implemented</p> <p>The main cause for unscheduled hearing in Courts still remain the complex coordination amongst range of parties involved in judicial proceedings. However, such practice if continued indefinitely may encourage manipulation and harassment creating disharmony and reduced trust and confidence in the system.</p> <p>Judiciary should spearhead and embrace collaborative approach with all relevant parties involved to render faster and</p>	<p>Hearing Calendars are being implemented except that it is operated offline now. The Judiciary in the process of making it online to grant access to all our litigants through Case Management System and e-litigation pilot project.</p> <p>The online hearing calendar will be implemented with the e-litigation pilot project</p>	No timeline provided	<p>Partially Implemented</p> <p>The recommendation is considered partially implemented since the case hearing calendars are being implemented offline and very soon going be online.</p> <p>Meanwhile, Judiciary should provide a timeline for full implementation of the recommendation.</p>

Audit Report : Review of Judiciary System and Practices (AIN: 16001) Date of Issue : 02 July 2019 Name of Agency (s) : Royal Courts of Justice No. of Review : 1 st Review				
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	<p>effective services. With clear delineation of responsibilities and accountabilities of each party, the compliance to hearing calendar would positively contribute in proving better service and gaining trust and confidence.</p> <p>Therefore, Hearing Calendar should be implemented as envisaged.</p>			
3.10	<p>Re-registration of decided cases should be avoided</p> <p>Currently, whether to admit or dismiss the cases in registry of the Courts is purely decided based on the jurisdiction of the Court, legal standing of the case and the admissibility of the petitioner as per CCPC 2001. With due regard to these conditions, the current system, however, is inadequate to detect whether the suit or issue in suit is already decided or pending before other competent Court. Therefore, the Registry of the Courts should have proper verification system in place to prevent re-registration of</p>	<p>All request for re-registration of cases henceforth are being dismissed and the finality of Judgment is being respected by the Supreme Court.</p> <p>An executive order has been issued to all courts to dismiss all re-registered cases.</p> <p>This is currently being implemented.</p>		<p>Implemented</p> <p>Since an executive order has been issued to dismiss re-registered cases, the recommendation is considered implemented.</p>

Audit Report : Review of Judiciary System and Practices (AIN: 16001) Date of Issue : 02 July 2019 Name of Agency (s) : Royal Courts of Justice No. of Review : 1 st Review				
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	a suit or issue in suit that is already decided or which is under subjudice. For this purpose, the registry should make effective use of information systems (CIS/CMS).			
3.11	<p>Proper System for Enforcement of Judgments should be instituted</p> <p>At present there is no mechanism to monitor and ascertain the status of implementation of judgments. Justice can be considered delivered only upon enforcement of judgment. Although most parties comply with a judgment issued by a Court, some might ignore mainly in civil cases, as Judiciary’s current practice/system does not warrant enforcement of all the judgments.</p> <p>Therefore, the Judiciary should institute a proper system specifying enforcement procedures to follow-up and enforce judgments of civil cases. The unused feature of CMS on judgment can also be used to maintain proper records.</p>	<p>It is not the Judiciary’s mandate to enforce Judgements. Therefore, there is a need to institute a separate institution for enforcement such as Enforcement Department/Division.</p> <p>The National Assembly may pass/recommend relevant laws to institute this.</p> <p>Currently it’s being implemented by Court Registrars as an additional responsibility.</p>	No timeline provided	<p>Not Implemented</p> <p>It has been noted that the mandate to enforce judgement did not lie with the Judiciary, however, the onus of proposing to the Parliament for a separate institution is with the Judiciary.</p> <p>While doing so, the Judiciary may take into consideration the cross border judgement enforcement and reporting on the status of judgment enforcement after the deadline.</p> <p>Until such time, the recommendation shall remain not implemented.</p>

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	<p>Further, the judgments from the Courts have legal effect only domestically. Judiciary must institute proper system where enforcement of judgments by Royal Courts of Justice are rendered difficult in cross-border scenarios.</p> <p>Judiciary may also look into possibility of placing requirements to report back on the status of enforcement of judgment immediately after the deadline for enforcement of judgment.</p>			<p>Meanwhile, Judiciary should provide a timeline for implementation of the recommendation.</p>
3.12	<p>Possibility of capturing Information of other stakeholders in the CMS should be considered</p> <p>One main flaw in the development of CMS is non capturing of information from relevant stakeholders. CMS does not incorporate critical information on individuals from RBP and MoHCA, which would facilitate easy access to requisite information especially during the</p>	<p>There is a program of Justice Sector System Integration under the Justice Sector Program implemented by all justice sector agencies. The GNHC and OAG are taking lead on the development of the system.</p> <p>To be implemented when the system is developed</p>	No timeline provided	<p>Partially Implemented</p> <p>Since the development of system is under process, the recommendation is considered partially implemented.</p> <p>Meanwhile, Judiciary should provide a timeline for full implementation of the recommendation.</p>

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Recommendation		Action Taken/ To be Taken	Timeline	Status on 1 st Review
	<p>registration and referencing for decision-making. Availability of accurate and timely data is necessary for policy and strategic management decisions.</p> <p>Since CMS is still being developed, the Judiciary may look into the possibility of capturing information from various stakeholders.</p>			
3.13	<p>Judiciary should ensure accurate and comprehensive Case Information</p> <p>Despite having an information management system in place, Judiciary lack accuracy and comprehensiveness in case information for making informed decisions. The Judiciary should improve information system with accurate, reliable and comprehensive information for timely and better decision making.</p>	<p>CMS is fully functional and e-litigation pilot project is on the way.</p> <p>The draft rules and regulation for e-Litigation has been attached here as annexure.</p>		<p>Partially Implemented</p> <p>RAA appreciates Judiciary for coming up with the draft rules and regulations for e-litigation.</p> <p>However, the implementation of the rules and regulation will be reviewed after finalization of the same.</p> <p>In view of the above initiative, the recommendation is considered partially implemented.</p>

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Recommendation		Action Taken/ To be Taken	Timeline	Status on 1 st Review
				Meanwhile, Judiciary should provide a timeline for full implementation of the recommendation.
3.14	<p>Accessibility of Judgments to Public should be enhanced</p> <p>As stipulated in Section 96A of CCPC (Amendment) Act 2011, the judgment of the Court should be made accessible in the public domain which shall include libraries. This would also promote transparency and accountability in the delivery of justice and facilitate scope for research in law and justice system in the country.</p>	<p>The Judiciary website has Judgements of landmark cases but due to storage issues, it became difficult to upload the judgments of all cases. However, an e-archive system has been developed and it will soon be active to host all Judiciary documents along with judgments.</p> <p>Soon to be implemented with its launch.</p>		<p>Partially Implemented</p> <p>Since an e-archive system has been developed and ready to be launched, the recommendation is considered partially implemented.</p> <p>Meanwhile, Judiciary should provide a timeline for full implementation of the recommendation.</p>
3.15	<p>Procedures for availing legal aid services should be prescribed</p> <p>The provisions in the Constitution and other Laws on legal aid services are not implemented. A clearly defined system and procedure needs to be instituted to provide legal aid services in both civil and criminal suits; along with clear definition of the term</p>	<p>There are lots of ambiguities with regard to legal aid. There is a clarity required on who is the implementing agency and who are the “indigent” person. There are no criteria on who should get the aid. Moreover, the Judiciary has been receiving a sum of Nu. 0.1M annually for legal aid. If Judiciary is to give access to</p>		<p>Not Implemented</p> <p>Although it may be the responsibility of the State to provide legal aid to secure justice, the Judiciary being an institution carrying out legal activities should apprise and propose to the Parliament for a need to designate a Public legal office to provide legal aid</p>

Audit Report : Review of Judiciary System and Practices (AIN: 16001) Date of Issue : 02 July 2019 Name of Agency (s) : Royal Courts of Justice No. of Review : 1 st Review				
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
	<p>‘indigent person’. There is also need to establish the system of identifying indigent persons requiring legal aid services.</p> <p>Adequate awareness amongst public should also be created of the availability of legal aid services.</p>	<p>legal aid, will this meagre amount be adequate?</p> <p>The Judiciary is of the concern that if Judiciary provides legal aid, it will contradict the primary function of the Judiciary which is mainly to adjudicate and not litigate and could lead to affecting the neutrality of the Court causing Public distrust. Therefore, the judiciary recommends appointing an appropriate agency to look after matters relating to legal aid.</p> <p>Until there is a clear rule/guideline/criterion for legal aid, the Judiciary will not be able to implement it.</p>		<p>services to an indigent person for both civil and criminal suits.</p> <p>Until such time, the recommendation shall remain not implemented.</p> <p>Meanwhile, Judiciary should provide a timeline for implementation of the recommendation.</p>
3.16	<p>Judiciary should institute a system to monitor, evaluate and report the inconsistencies in Judgments</p> <p>While appeal system provides assurance of delivery of justice, the Judiciary may benefit from critical analysis of appeal cases</p>	<p>The Judgements are awarded by the Judges after verifying and evaluating the basis and nature of the cases. The cases might be of similar nature but the facts will vary from one case to other and so the Judges award Judgments on the basis</p>		<p>Not Implemented</p> <p>While the response has been noted, RAA still feel the need for a proper system of monitoring, evaluating and reporting the inconsistencies in</p>

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	<p>and ascertaining the reasons leading to reversal of decisions particularly those containing factual and technical inadequacies. Through such analysis, the Judiciary may be able to take corrective steps to enhance qualitative aspects of the judgments of the lower courts.</p> <p>The Judiciary should institute a system to monitor, evaluate and report on any inconsistencies in judgments between different levels of Courts, in order to aspire public confidence and further enhance the credibility of the Judiciary.</p>	<p>of law and within the ambit of the powers and functions available to them.</p> <p>The right to appeal is also provided to the litigants in case they are not satisfied with the Judgement of the Lower Courts.</p>		<p>judgements between different levels of Courts.</p> <p>Until such system is instituted, the recommendation shall remain not implemented.</p> <p>Meanwhile, Judiciary should provide a timeline for implementation of the recommendation.</p>
3.17	<p>Judiciary may consider possibilities of conducting periodic peer review of its system and practices</p> <p>Periodic peer review of judicial system and practices by peer organisations may help the Judiciary identify areas where further improvements may be possible. Peer reviews usually provide assurances as to whether system and practices followed</p>	<p>The Judiciary has been conducting this from time to time as deemed necessary.</p>		<p>Partially Implemented</p> <p>A peer review of its systems and practices is being conducted on a periodic basis, as reported by the Judiciary.</p> <p>In view of the above, the recommendation is considered partially implemented.</p>

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<p>accord with the international standards and best practices. This would also supplement the internal reviews of lower Courts proposed to be conducted in the Judiciary and lend added credence to system, practices and services rendered by the judiciary. The RAA has noted that Judiciary initiated for integrity scan in cooperation with BNLI and Anti-Corruption Commission (ACC). Further, a survey on access to Justices in Bhutan was also carried out by Institute of Management Studies for BNLI 2012. The report highlighted that slightly over 81% were satisfied with the way courts dispensed justice.</p> <p>Judiciary, may therefore, look into the possibility of conducting peer review of its systems and practices by peer organisations on a periodic basis.</p>				<p>However, full implementation of the recommendation will be considered upon review of the Peer Review Report by the RAA.</p>

EXHIBIT-B

**Review Report of Performance
Audit Report on Housing
Development- Adequacy and
Affordability**

Exhibit-B

Audit Report : Performance Audit Report on Housing Development- Adequacy and Affordability (AIN: 15831)				
Date of Issue : 20 March 2019				
Name of Agency (s) : MoWHS, NLCS, NHDCL, NPPF, Thimphu Thromde, Phuntsholing Thromde, Phuntsholing Dungkhag				
No. of Review : 1 st Review				
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
1.1	<p>Enactment of housing development Act</p> <p>There is positive correlation between countries having legislation on housing development and outcomes in housing provision. For instance, Singapore is one of the pioneers in terms of housing development and home ownership. Similarly, Canada is also one of the countries making good progress in housing development. Both of these countries have legislations specific to housing development.</p> <p>There is no legislation specifically for housing development in Bhutan. National Housing Development Policy 2002, do not have legal teeth. Given the grim situation of housing in urban centers, a separate legislation may be desirable in order to generate adequate focus and outcomes.</p> <p>Therefore, MoWHS must propose for the enactment of a housing development act for Bhutan.</p>	<p>MoWHS</p> <p>The Ministry proposed a budget of Nu.2.5m for the drafting of the National Housing Bill during the current fiscal year. However, the budget was not approved.</p>	<p>Completion date June 2021</p>	<p>Not Implemented</p> <p>Since the drafting of the National Housing Bill is yet to be started, the recommendation is considered not implemented.</p>

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Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
<p>1.2 Need to revise and implement National Housing Policy</p> <p>Most of the provisions of National Housing Development Policy 2002 are obsolete and outdated due to changes in institutional set-up. The process of review of National Housing policy was said to be initiated by MoWHS. There is an imminent need to adopt and implement it.</p> <p>Therefore, MoWHS should expedite revision and implement the revised National Housing Policy 2002.</p>	<p>MoWHS</p> <p>The 49th Lhengye Zhungtshog held on 4th February 2020 approved the National Housing Policy.</p> <p>The MoWHS with the support of the ADB developed the Housing Finance Strategy as part of implementation of the National Housing Policy. The draft strategy has been submitted to the Ministry of Finance.</p> <p>The policy document has also been circulated to all relevant agencies to implement.</p>	<p>May 2018 to June 2021</p>	<p>Implemented</p> <p>The recommendation is considered implemented since the National Housing Policy 2020 was approved and distributed to the local governments and relevant stakeholders for implementation.</p>
<p>1.3 Need to review, adopt and implement draft Human Settlement Policy 2015</p> <p>The draft Human Settlement Policy of Bhutan 2015 is submitted by the MoWHS to the Cabinet but it is not yet adopted. The draft policy amongst others contains many important provisions such as:</p>	<p>MoWHS</p> <p>The National Human Settlement Policy was approved on 15 August 2019. The policy is being currently implemented.</p>	<p>No time line provided</p>	<p>Implemented</p> <p>Since the National Human Settlement Policy was approved on 15 August 2019 and is being implemented, the recommendation is considered implemented.</p>

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Recommendation		Action Taken/ To be Taken	Timeline	Status on 1 st Review
<ul style="list-style-type: none"> • Creating enabling environment for Home-ownership • Preservation and promotion of indigenous architecture and heritage sites • Environment protection through, water resource management, waste management and disaster risk reduction <p>The draft National Human Settlement Policy 2015 must also be harmonized with respect to provisions of other policies such as revised draft of National Housing Policy. For instance, the rental affordability benchmark of 30% as per National Housing Policy whereas it is 35% of household income as per Draft National Human Settlement Policy.</p> <p>It is therefore recommended that the draft Human Settlement Policy of Bhutan 2015 be not only adopted and implemented but also harmonized with extant policies, since the current housing situation has imminent need for policy intervention.</p>				
1.4	Need to develop livability index As it was discussed in the preceding sections of this report, though the policies highlight	MoWHS This was dropped from the Management Action Plan (MAP) in discussion with the	No timeline provided	Not Implemented It was found that there are many informal settlements in and around

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No. of Review	: 1 st Review		
Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
<p>the need to develop livable houses, nowhere it was defined what livability means. There is a need for a clear set of dimensions that define livability. Without a defined benchmark it is not measurable and difficult to monitor and regulate livability of houses. There are pockets of informal settlements both in Phuntsholing and Thimphu Thromdes where livability is compromised in terms of basic amenities such as water supply, sanitation, living space and safety of structures. The authorities concerned must either improve the living conditions of the informal settlements or eliminate the informal settlements in a phased manner.</p> <p>The RAA recommends development of a comprehensive livability index and accordingly enforce its implementation.</p>	<p>RAA. The Ministry suggested that this be taken up by either National Statistical Bureau (NSB) or Gross National Happiness Commission (GNHC) as the index would cut across all the sector.</p> <p>However, on the livability of the housing, the Bhutan Building Regulation 2018 prescribes certain minimum requirements in buildings. These requirements; aspects of livability such as safety, sanitation, hygiene, etc. are further confirmed during issuance of Occupancy Certificate.</p>		<p>Thimphu and Phuntsholing Thromdes. The households in this category have shelters of substandard quality, unsafe and unhygienic neighborhood environment.</p> <p>Although the thromdes are aware of the situations, there existed no strategies to improve the situation.</p> <p>Thimphu Thromde responded of having plans to build a low income housing to ease out informal settlements and stated the importance of having a detailed study for doing away with the informal settlements.</p> <p>As such, MoWHS in collaboration with the relevant stakeholders may consider developing a strategy to control the informal settlements.</p> <p>Until such time, the recommendation shall remain not implemented.</p>

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No. of Review	: 1 st Review			
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
				Further, the MoWHS should provide a timeline for development of strategy to control the informal settlements.
1.5	<p>Need to establish central regulating and coordinating agency for housing development</p> <p>Currently housing development functions are handled by various agencies such as NHDCL, NPPF, Banks and private developers in a scattered manner without a sense of focus and common direction. This is apparently due to lack of a central regulating and coordinating agency.</p> <p>There is lack of coherent and sustained efforts by agencies such as NPPF, NHDCL and Banks who are undertaking housing development. There are rooms for potential collaborations in terms of designing, financing and building. However, there is no platform for the agencies to come together to collaborate. It is therefore recommended that MoWHS establish a central regulating and coordinating agency under it so that the complimentary functions are harnessed and</p>	<p>MoWHS</p> <p>This was dropped from the MAP in discussion with the RAA. The Policy recommends the Government to establish a dedicated Division/Department within the Ministry to oversee and address housing related issues in the country. Therefore, the discussion within the Ministry is underway.</p>	No timeline provided	<p>Not Implemented</p> <p>MoWHS is yet to establish a dedicated Division/Department to oversee and address housing related issues in the country as per the National Housing Policy 2020.</p> <p>Until such time, the recommendation shall remain not implemented.</p> <p>Meanwhile, MoWHS should provide a timeline for implementation of the recommendation.</p>

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guided towards a common purpose of housing development.			
<p>1.6 Necessity for housing needs assessment and clear road map for housing development</p> <p>It was revealed that there were no records of housing needs assessment being carried out at the National level. There are no records, if any of housing needs being assessed at the national level either with the MoWHS or the Thromdes of Thimphu and Phuntsholing. NHDCL has a needs assessment division but have not carried out any needs assessment except for the Special housing project in Phuntsholing.</p> <p>Therefore, there is a requirement to assess the housing needs at the National level based on requisite parameters such as population and economic indicators. Based on the needs assessment, the government may in collaboration with key stakeholders such as NHDCL come up with a clear road map including funding arrangements.</p>	<p>MoWHS</p> <p>The DHS completed housing market assessment of Thimphu, Phuntsholing, Gelephu and Samdrup Jongkhar Thromdes. The Department plans to extend study to other Dzongkhags during the current and subsequent FYs.</p> <p>NHDCL</p> <p>NHDCL has done the report on “conceptual smart governance framework for addressing affordable housing and home ownership.” The report has been submitted for blessings (attached).</p> <p>ADB has consented to fund the affordable housing project phase I, which will start in January 2021 (annexures). Also an additional funding proposal has been submitted to MoF to relocate the people</p>	<p>August 2019 to June 2022</p> <p>January 2021 to July 2024</p>	<p>Partially Implemented</p> <p>It has been reported that both the institutions, MoWHS and NHDCL have either carried out the housing needs assessment or survey for the affordable housing.</p> <p>However, RAA recommends the requirement of needs assessment at the National level in collaboration with the relevant stakeholders and to come up with a clear road map along with the funding arrangements.</p> <p>In order to address the issue, the establishment of a dedicated housing development and regulatory agency is of paramount importance.</p>

Exhibit-B

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No. of Review : 1 st Review			
Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
	<p>residing in the temporary shelter at Amochu, Phuentsholing (annexures).</p> <p>However, the report suggested that the National Housing Development and Regulatory Authority (NHDRA) should initiate the survey.</p> <p>The ADB has already initiated the survey as the part of NHDCL’s affordable housing project.</p>		In view of the initiatives taken by the two institutions, the recommendation is considered partially implemented.
<p>2.1 Need for a comprehensive home ownership policy</p> <p>Despite clear statements of intent in the respective policy documents, Home ownership was not pursued with vigor. The NHDCL and NPPF had piloted housing constructions with the aim of promoting home ownership with varying degrees of success. There apparently is no momentum in the direction of home ownership.</p> <p>In order to promote home ownership, RAA recommends MoWHS to develop a comprehensive home ownership policy.</p>	<p>MoWHS</p> <p>This was dropped from the MAP in discussion with the RAA. The Revised National Housing Policy covers both rental housing and home ownership.</p> <p>Therefore, need for separate home ownership policy was not necessary.</p>		<p>Implemented</p> <p>The recommendation is considered implemented since the need for a comprehensive home ownership policy is covered in NHP 2020.</p>

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No. of Review : 1 st Review				
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
2.2	<p>Need to promote conduciveness for ownership of condominiums</p> <p>One obvious set back in the pursuit of home ownership is the lack of clear rights and safeguards in owning a part of a home or so called condominiums. Currently, prospective owners of parts of multi-unit housing structures are not ensured of their rights and safeguards of ownership of land, sharing of expenditure of maintenance of common spaces such as corridors, plumbing, parking space etc.</p> <p>Therefore, there is a need to enact legislations clearly stipulating legal ownership rights and obligations associated with home ownership in the current situation of multi-unit buildings in urban centers.</p>	<p>MoWHS</p> <p>This was dropped from the MAP in discussion with the RAA.</p> <p>The National Housing Policy mentions the need for Housing Act, encompassing all aspects of housing development and management relating to real estates and condominiums and the amalgamation of the Tenancy Act with the National Housing Act. Therefore, condominiums and related issues will be addressed together in the Housing Act.</p>	No timeline provided	<p>Not Implemented</p> <p>It has been reported that the condominiums and related issues will be addressed in the Housing Act.</p> <p>However, until the National Housing Act comes into force, the recommendation shall remain not implemented.</p> <p>Meanwhile, MoWHS should provide a timeline for implementation of the recommendation.</p>
3.1	<p>Need to develop strategies to control rural-urban migration</p> <p>Although the population of Bhutan grew at modest rates, the urban population grew at substantially higher rates due to rural-urban migration. Conversely there is the issue of</p>			<p>Not Implemented</p> <p>The recommendation shall not be pursued further as the issue will be taken into consideration during selection of performance audit topics for the next audit.</p>

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Recommendation		Action Taken/ To be Taken	Timeline	Status on 1 st Review
<p>Gungtongs in the rural areas of many dzongkhags.</p> <p>This demographic changes have acted as double edged sword. It has let to increasing pressure on infrastructures such as housing in the urban areas and underutilization of the houses and land in rural areas. The RAA recommends the government to develop strategies to control the rural urban migration in the medium to long term. Some of the interventions may include:</p> <ul style="list-style-type: none"> • Reviewing and ascertaining the key reasons for rural-urban migration and making efforts to control and reverse the situation; • Creating conducive and attractive environment in rural areas by establishing facilities & infrastructures, providing job opportunities, incentives, subsidies etc.; • Introducing schemes to attract unemployed youth to work in rural setting; and • Decongestion of urban centres through balanced economic developments.- Cabinet 				

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No. of Review	: 1 st Review			
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
4.1	<p>Releasing state land for housing development on long-term lease</p> <p>The scarcity and cost of land are one of the main causes impeding affordable housing construction. Due to the sheer size and unsurmountable terrain land is a scare resource in landlocked Bhutan. Further with strong commitment to conservation, large patches of land are covered by forests. High cost of land when factored into the cost of housing it becomes unaffordable.</p> <p>In order to increase land for development and reduce its cost, releasing land on lease basis apparently is one of the practicable options. Leasing could be a sustainable solution to managing and retaining the state ownership of scarce land.</p> <p>Therefore, the NLCS may explore the desirability and possibility of considering release of land on long-term lease for housing development in urban areas.</p>	<p>NLCS</p> <p>Except for some private educational institutions and business activity no proposal on lease of State land for construction of Housing complex was received by NLCS so far. Maximum period of lease is for 30 years as per the Land Act 2007.</p> <p>The recommendation is not implementable.</p>	NA	<p>Not Implemented</p> <p>While RAA recommended only to explore the possibility of releasing land on long-term lease for housing development in urban areas, NLCS responded that the recommendation is not implementable.</p> <p>As such, NLCS should provide justification or reasons behind not implementable of the recommendation for RAA’s reference and record.</p> <p>Until such time, the recommendation shall remain not implemented.</p>
4.2	<p>Promote land use certificate system</p>	NLCS		Implemented

Exhibit-B

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	<p>Limited land resource needs to be optimally utilized. One of the main reasons for higher cost of land is due to apparent speculative land holding. Thus the land is left under-developed in the hope of getting better prices in future resulting in spiking of land prices. In order to get best value out of the available land there is need to start issuing land use certificate particularly for state-owned lease land in place of the current user right certificate. The current system encourages speculative holding and underutilization of land.</p> <p>Therefore RAA recommends NLCS to consider replacing user right certificate with land use certificate.</p>	<p>All the land allotted on freehold to the National Housing Development Corporation Limited (NHDCL) have been converted to land use certificate. NLCS has replaced the user right certificates issued before with land use certificates.</p>		<p>The recommendation is considered implemented since the user right certificate has been replaced with land use certificate.</p>
4.3	<p>Need to come up with real estates in the outskirts of Thimphu Thromde</p> <p>Thimphu thromde is already overcrowded and has exceeded its carrying capacity. In a recent conference on ‘Well-tempered Bhutan- creating GNH cities and villages’ organized by RIGGS and Bhutan Foundation, Professor Jonathan F.P. Rose recommended on imposing moratorium on</p>	<p>NHDCL</p> <p>NHDCL will start the project in 2021 with ADB funding. 150 units are proposed in the outskirts of the Thimphu. The places identified in the report are Nakulung, Nabiphu, Wangbama and Namseling as per page 29 of the report.</p>	<p>July 2021 to July 2023</p>	<p>Partially Implemented</p> <p>While RAA commends NHDCL for the initiatives, it requires the coordinated efforts of the other relevant agencies as well.</p> <p>There are many agencies contribution to housing development</p>

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<p>construction within Thimphu thromde. While there may be need to review the composition of the population and its impact on the carrying capacity of the city, there is increasing pressure of the population. One plausible solution for decongestion could be allocating land from the outskirts of the Thimphu urban core for real estate development.</p> <p>Further, transportation is another cost that adds to the housing affordability. The government may add trunk infrastructure like roads and public transportation system to and from these real estates to make the housing affordable and attractive. The relevant authorities and institutions such as MoWHS, NLC, NHDCL, Financial Institutions and Thimphu Thromde may work together to come up with real estates in the outskirts of Thimphu Thromde.</p>	<p>However, it has been submitted for further directives (enclosed report & annexures ADB project plans).</p>		<p>in Bhutan but working in silos with different mandates.</p> <p>Therefore, in order to address the issue, the establishment of a dedicated housing development and regulatory agency is of paramount importance.</p> <p>In view of NHDCL’s initiative, the recommendation is considered partially implemented.</p>
5.1	Need to consider establishing housing financial institution	RMA	Implemented
		1.The ADB had programmed \$17m (using sector development program lending	It has been reported that RMA upon discussion with the ADB mission

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Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
<p>Many developing countries in Asia have dedicated housing financial institutions while Bhutan does not have one. Having a separate financial institution for housing, could improve access to and reduce cost of housing finance.</p> <p>RMA had submitted a proposal to the Cabinet, subsequent to undertaking feasibility study in collaboration with ADB for establishing a housing financial institution in Bhutan. The ADB had even set-aside budgets in its Country Operations Business plan (COBP) 2018-2020. The funding if approved, is going to be channelized through concessional windows intending to reduce the housing loan interest rates to as low as 4%.</p> <p>Therefore, there is a need to consider the establishment of housing financial institution with possible funding arrangement from external sources. At a time when, NHDCL is faced with dearth of funding this could be a viable solution in providing low cost housing finance. The RMA could take the lead role in</p>	<p>modality) for “Housing Finance Program” during its COBP 201-2020.</p> <p>2.The ADB in its next mission from 9-12 April 2018 had discussed with the MoF on the program. It was reported that the program earmarked for 2018 commitment in the previous year’s COBP cannot be processed as a standalone project in 2018 and was dropped from the COBP.</p> <p>3.The ADB during its latest mission from 1-30 April 2019 had discussed on “Affordable Housing Development Project” for which, \$50m credit line will be provided to NHDCL. The NHDCL will construct 1,500 new units for civil servants in 20 Dzongkhags but prioritized locations are Nganglam, S/Jongkhar, Tsirang and Samtse.</p> <p>4.The ADB mission discussed with the RMA on establishment of a National Housing Finance entity, which latter opined it as premature at the moment. It was reported that the NHP 2020 warrants the RMA to:</p> <p>a. Explore the establishment of a NHF entity to provide finance towards affordable housing development; and</p>		<p>opined that the establishment of housing financial institution is not required at the moment.</p> <p>Further, the housing loans are being provided by the financial institutions and the need for a separate Housing Finance entity is not a requirement on prioritization.</p> <p>However, RMA may consider establishing housing financial institution as warranted in the NHP 2020 at the appropriate time.</p> <p>In view of the above, the recommendation is considered implemented.</p>

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No. of Review		: 1 st Review		
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
	establishment of housing financial institution.	<p>b. Develop and enforce suitable financing mechanisms to promote affordable housing.</p> <p>Taking cognizance of current housing market scenario where the financial institutions (banks and non-banks) provide financing requirements, the need for a separate Housing Finance entity is not a requirement on prioritization.</p>		
5.2	<p>Need to explore the possibility of NPPF collaborating with NHDCL for funding for affordable housing development</p> <p>Drawing from the success of HDB-CPF financing arrangement of Singapore, there is potential of NHDCL-NPPF collaboration. NHDCL is mandated with housing development for civil servants and NPPF is concerned with social safety-net of its members. While both the institutions undertake housing development involving similar functions, there is scope for convergence of efforts. NPPF can fund the NHDCL for construction of housing for civil servants like the one special housing project in Phuntsholing. NHDCL-NPPF</p>	<p>NHDCL</p> <p>For the special housing project in Phuentsholing, NHDCL has already taken Nu.890 million loan for 506 units.</p> <p>Again NHDCL is exploring with NPPF but the interest rate is high for the housing loan, which is not feasible considering the affordability.</p> <p>NHDCL has already explored ADB’s concessional loan of USD 30 million and the discussion has reached an advance stage.</p>	<p>July 2020 to July 2024</p>	<p>Partially Implemented</p> <p>It has been noted that NHDCL is exploring funds for affordable housing development through ADB and MoF.</p> <p>Further, the collaborations between NPPF and NHDCL is underway as reported by the NHDCL.</p> <p>In view of the above, the recommendation is considered partially implemented.</p>

Exhibit-B

Audit Report : Performance Audit Report on Housing Development- Adequacy and Affordability (AIN: 15831)				
Date of Issue : 20 March 2019				
Name of Agency (s) : MoWHS, NLCS, NHDCL, NPPF, Thimphu Thromde, Phuntsholing Thromde, Phuntsholing Dungkhag				
No. of Review : 1 st Review				
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
	collaboration could yield necessary impact through scale and specialization of functions. Therefore, there is need for NHDCL and NPPF to explore effective mechanisms to collaborate in development of housing for the civil servants and members. NHDCL could propose the move for collaboration.	The discussion with Ministry of Finance is ongoing to take additional loan from NPPF for an affordable housing project.		
6.1	Need to adopt draft Construction Industry Policy 2018 Housing development goes hand-in-hand with development of the Construction Industry. Mechanization of construction methods and domestic production of construction materials are two main activities that shall catalyze construction industry in general and housing development in particular. There is a need to initiate programs for domestic production of construction materials of items, based on strategic economic advantage. The Draft Construction Industry Policy 2018 outlines strategies and statements for development of the Industry.	MoWHS The National Construction Industry Policy was approved by the 49th Lhengye Zhungtshog held on 4th February 2020. As part of its implementation, the National Construction Bill is being drafted, and other activities such as establishment of Engineering Council, etc. being initiated.		Implemented The recommendation is considered implemented since the National Construction Industry Policy 2020 was approved by the Cabinet and distributed to the relevant agencies for implementation.

Audit Report	: Performance Audit Report on Housing Development- Adequacy and Affordability (AIN: 15831)
Date of Issue	: 20 March 2019
Name of Agency (s)	: MoWHS, NLCS, NHDCL, NPPF, Thimphu Thromde, Phuntsholing Thromde, Phuntsholing Dungkhag
No. of Review	: 1 st Review

Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
<p>Therefore, there is a need to adopt and implement the Draft Construction Industry Policy 2018 with urgency to generate necessary focus and achieve outcomes for the industry. The adoption and implementation of the draft Construction Industry Policy 2018 is likely to:</p> <ul style="list-style-type: none"> • Accelerate the pace of mechanization of construction industry • Encourage innovative construction practices • Promote production and use of domestic construction materials • Reduce the cost of construction materials • Improve the quality of construction • Promotion of Construction Industry • Create positive impact on balance of trade and influx of foreign laborers <p>The MoWHS should take the lead role to push for the adoption and implementation of Construction Industry Policy 2018.</p>			

EXHIBIT-C

**Review Report of Performance
Audit Report on Food Self-
sufficiency and Security**

Audit Report	: Performance Audit Report on Food Self-sufficiency & Security (AIN: 15651)
Date of Issue	: 11 February 2019
Name of Agency (s)	: Ministry of Agriculture and Forest, National Land Commission Secretariat and Gross National Happiness Commission
No. of Review	: 2 nd Review

Status on 1st Review		Action Taken/ To be Taken after 1st Review	Timeline	Status on 2nd Review
4.1	<p>Ministry should establish proper institutional linkages for an integrated approach to achieve food security</p> <p>Partially Implemented</p> <p>While RAA appreciated the development of RNR enterprise development guideline, the full implementation of the guideline through coordinated and integrated approach of all relevant agencies will be reviewed upon submission of the implementation status/ reports to the RAA.</p> <p>In view of the above, the recommendation is considered partially implemented.</p>	<p>White paper developed for school and hospital feeding program.</p> <p>To develop a common framework for cooperation on various fields of common interest, and enhance and expand agricultural technologies (farm mechanization and post-production) with focus on replicable agro-technologies, entrepreneurial development and employment generation. A multi-sector consultation meeting (MoAF, MoEA, MoLHR) was organized. MoU is drafted with relevant stakeholders.</p> <p>MoAF started rice fortification program in collaboration with the MoE and MoH.</p> <p>Guideline for Enterprise development in RNR sector developed.</p>	2019 to 2020	<p>Partially Implemented</p> <p>RAA noted that the MoAF has come up with various initiatives and programs and involved other relevant stakeholders such as MoLHR, MoEA, MoF and MoFA. The tripartite MoU was found drafted between MoAF, MoEA and MoLHR. Further, the Ministry also has plans to engage with Armed forces and Nunneries.</p> <p>While RAA commends the various initiatives and programs, the implementation for the same will be reviewed upon submission of the implementation status/ reports to the RAA.</p> <p>Until such time, the recommendation shall remain status quo.</p>

Audit Report : Performance Audit Report on Food Self-sufficiency & Security (AIN: 15651) Date of Issue : 11 February 2019 Name of Agency (s) : Ministry of Agriculture and Forest, National Land Commission Secretariat and Gross National Happiness Commission No. of Review : 2 nd Review				
Status on 1 st Review		Action Taken/ To be Taken after 1 st Review	Timeline	Status on 2 nd Review
4.2	<p>Ministry in collaboration with NLCS should formulate a comprehensive agriculture land classification and zones</p> <p>Partially Implemented</p> <p>The recommendation is considered partially implemented since the National Land Use Zoning Implementation Guidelines 2018 is launched and 1st phase of zoning is being implemented.</p> <p>However, the zoning for entire country would be carried out and national zoned maps will be produced only by 2021 in the 2nd phase of the project.</p> <p>The time line given for implementation of the recommendation is from 2018-2023.</p>	<p>The NLCS with support of TWG members from various stakeholders including MoAF has completed the Land Use Land Cover (LULC) of Samtse Dzongkhag and initiated suitability analysis of zones. The actual plan was to complete the pilot zoning in the FY 2019-2020 and carry out in 7 more Dzongkhags in this FY. However, due to the COVID 19 situation in the country, the plan has been rescheduled to complete suitability study analysis of Samtse Dzongkhag and LULC of 4 more western Dzongkhag this FY.</p>	<p>July 2018 to June 2023</p>	<p>Partially Implemented</p> <p>NLCS reported that they have completed the Land Use Land Cover (LULC) for Samtse Dzongkhag and initiated suitability study analysis.</p> <p>Meanwhile, the completion of suitability study analysis for Samtse Dzongkhag and LULC for four western Dzongkhags is scheduled in the current FY 2020-2021.</p> <p>However, until the zoning for entire country is completed and national zoned maps produced, the status of recommendation shall remain status quo.</p>

Audit Report : Performance Audit Report on Food Self-sufficiency & Security (AIN: 15651) Date of Issue : 11 February 2019 Name of Agency (s) : Ministry of Agriculture and Forest, National Land Commission Secretariat and Gross National Happiness Commission No. of Review : 2 nd Review				
Status on 1 st Review		Action Taken/ To be Taken after 1 st Review	Timeline	Status on 2 nd Review
4.4	<p>NLCS should finalize the draft National Land policy</p> <p>Partially Implemented</p> <p>It has been noted the NLCS has drafted a new National Land Policy Framework and stakeholder consultation is in the process.</p> <p>In view of the above, the recommendation is considered partially implemented.</p>	<p>National Land Policy Framework Developed and the draft NLP is under review by the Royal Secretariat.</p>	<p>May 2019 to December 2019</p>	<p>Partially Implemented</p> <p>Since the draft National Land Policy Framework is under review by the Royal Secretariat, the recommendation shall remain status quo.</p>
4.5	<p>Ministry should ensure sustainable use and management of agriculture land</p> <p>Partially Implemented</p> <p>While RAA appreciates the Ministry for coming up with various policy interventions and initiatives, it should be effectively implemented considering the</p>	<p>Reversion of fallow land (wet land) to cultivate areas is one of the Key Performance Indicators (KPIs) for the RNR Sector 12th FYP (53000 acres as the total target).</p> <p>Wet land conversion progress in last two financial years as follows as based on the APA reporting system:</p>	<p>2019 to 2023</p>	<p>Partially Implemented</p> <p>While RAA appreciates the efforts being made towards reversion and conversion of wet lands, the implementation statuses of Agriculture Land Development Guideline (ALDC) 2017 at the Dzongkhag levels should be shared with the RAA for review.</p>

Audit Report	: Performance Audit Report on Food Self-sufficiency & Security (AIN: 15651)
Date of Issue	: 11 February 2019
Name of Agency (s)	: Ministry of Agriculture and Forest, National Land Commission Secretariat and Gross National Happiness Commission
No. of Review	: 2 nd Review

Status on 1 st Review		Action Taken/ To be Taken after 1 st Review	Timeline	Status on 2 nd Review
	<p>increasing area of fallow land in the country.</p> <p>The implementation period is from 2019 to 2023.</p> <p>Until such time, the recommendation shall remain partially implemented.</p>	<p>FY 2018-2019 was 462.50 acres FY 2019-2020 was 558.70 acres</p> <p>This target will continue to be the APA target of the Ministry on annual basis.</p> <p>Guideline developed. It's been implementing by agriculture sector at the dzongkhag levels.</p> <p>SLM technologies promoted through GEF-LDFC and GCF projects. Budget provision and SLM programs in the NOP flagship program.</p>		<p>Similarly, the review report of KPIs should also be shared with the RAA.</p> <p>Until such time, the status of the recommendation shall remain status quo.</p>
4.6	<p>The MoAF should ensure maintenance of National Food Security Reserve with FCBL</p> <p>Not Implemented</p> <p>The MoAF in collaboration with the Government and the FCBL in particular</p>	<p>National food security reserve is implemented upon approval of the government, which is the response to the COVID-19 situation.</p>	<p>No timeline provided</p>	<p>Partially Implemented</p> <p>While RAA appreciates the efforts taken by the MoAF and FCBL in stocking up of essentials during the COVID-19 pandemic, the FCBL lacked in storage capacity and fund.</p>

Exhibit-C

Audit Report	: Performance Audit Report on Food Self-sufficiency & Security (AIN: 15651)		
Date of Issue	: 11 February 2019		
Name of Agency (s)	: Ministry of Agriculture and Forest, National Land Commission Secretariat and Gross National Happiness Commission		
No. of Review	: 2 nd Review		
Status on 1 st Review	Action Taken/ To be Taken after 1 st Review	Timeline	Status on 2 nd Review
<p>should ensure maintenance of NFSR fulfilling the requirement under SAARC Food Security Reserve and the SAARC Food Bank.</p> <p>The MoAF and FCBL should provide a definite time frame for implementation of the recommendation.</p> <p>Until such time, the recommendation shall remain as not implemented.</p>			<p>Therefore, the MoAF in collaboration with the Government and the FCBL should develop a strategy taking cognizance the NFSR on the requirement to maintain SAARC Food Security Reserve and the SAARC Food Bank in preparedness for unforeseen national emergencies and natural calamities.</p> <p>Further, a definite timeline should be provided in order to come up with a strategy.</p>
<p>4.8</p> <p>Ministry in collaboration with the financial institutions should come up with affordable access to credit and crop insurance schemes</p> <p>Partially Implemented</p> <p>With the introduction of PSL with inclusion of modality of PLS insurance</p>	<p>Ministry fully collaborated in the development of the Priority Sector Lending (PSL) with RMA. The PSA document in place.</p> <p>Also MoAF in collaboration with RICBL is coming up with insurance scheme.</p> <p>PSL attached (Cabinet letter)</p>	<p>2019 to 2020</p>	<p>Partially Implemented</p> <p>MoAF reported that the proposal has been submitted to the Cabinet and approval for the same is awaited.</p> <p>Until such time, the status of the recommendation shall remain status quo.</p>

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Date of Issue : 11 February 2019				
Name of Agency (s) : Ministry of Agriculture and Forest, National Land Commission Secretariat and Gross National Happiness Commission				
No. of Review : 2 nd Review				
Status on 1st Review	Action Taken/ To be Taken after 1st Review	Timeline	Status on 2nd Review	
<p>for farmers through RMA and financial institutions, it is expected that there will be growth in the agriculture sector and supplement in enhancing food self-sufficiency and security.</p> <p>While RAA noted some reservations from the insurance companies on the crop insurance schemes, it is felt necessary for the farmers to protect from unforeseen risks due to natural calamities.</p> <p>As such, the MoAF and government should come up with the affordable crop insurance schemes in collaboration with the financial institutions for agriculture development and growth.</p>				
4.9	Ministry should intervene and strengthen strategies to address Human wildlife conflict	National Human-Wildlife Conflict Management Strategy of Bhutan (2018-2028), reviewed.	2020 to 2021	Partially Implemented

Audit Report : Performance Audit Report on Food Self-sufficiency & Security (AIN: 15651) Date of Issue : 11 February 2019 Name of Agency (s) : Ministry of Agriculture and Forest, National Land Commission Secretariat and Gross National Happiness Commission No. of Review : 2 nd Review				
Status on 1 st Review		Action Taken/ To be Taken after 1 st Review	Timeline	Status on 2 nd Review
	<p>Not implemented</p> <p>The Ministry has reported that a new National Human- Wildlife Conflict Management Strategy of Bhutan (2018-2028) is developed for addressing the human wildlife conflicts.</p> <p>However, the implementation status of the same will be reviewed on submission of the status/ progress reports.</p> <p>The time line given for implementation of the recommendation is from 2020 to 2023.</p>	<p>Crop and livestock insurance schemes submitted to the Cabinet and directions received from the Cabinet/ Endowment fund for compensation of crop and livestock damages developed and submitted.</p>		<p>MoAF reported that the proposal has been submitted to the Cabinet and approval for the same is awaited.</p> <p>Until such time, the status of the recommendation shall remain status quo.</p>
4.10	<p>Ministry should develop and maintain food information management system</p> <p>Not implemented</p>	<p>RNR/ Agriculture statics incorporated the import of the major RNR commodities. RNR states in an annual publication.</p>	<p>2020 to 2023</p>	<p>Not implemented</p> <p>The Ministry is yet to come up with an integrated Food Information Management System for information collection, management and dissemination.</p>

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No. of Review	: 2 nd Review

Status on 1st Review		Action Taken/ To be Taken after 1st Review	Timeline	Status on 2nd Review
	The time line given for implementation of the recommendation is from 2020 to 2023.			Until such time, the status of recommendation shall remain status quo.
4.11	<p>Ministry should maintain comprehensive market information</p> <p>Partially Implemented</p> <p>The DAMC reported that Agricultural market Information System (AMIS) is almost complete and in a final stage of launching. However, the DAMC is in talk with RSEB to explore potential import of online auction prices.</p> <p>The status of the recommendation shall remain partially implemented until the AMIS is officially launched.</p>	AMIS established and already launched on 24 June 2020. The AMIS focusing on the price of selected commodities in the major markets is the online system.	2018 to 2019	<p>Implemented</p> <p>The recommendation is considered implemented since the online AMIS developed contains information on market prices of varied food commodities both for local and international, auction prices, market reports on exports and imports.</p> <p>However, the Ministry may strengthen the market information system taking into consideration the demand and supply, current market situation and forecasts and come up with a strategy based on cost of production to improve price fluctuations.</p>

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Status on 1 st Review		Action Taken/ To be Taken after 1 st Review	Timeline	Status on 2 nd Review
4.12	<p>Ministry should establish a robust system and strengthen its monitoring roles</p> <p>Not Implemented</p> <p>The amendment of Co-operative Act is in the process and the time line given for implementation of the recommendation is from 2020 to 2021.</p>	M&E system for Coops/ FGs instituted and completion report submitted to RAA in July, 2020.	2020 to 2021	<p>Implemented</p> <p>The recommendation is considered implemented with the institution of M&E system for Coops/ FGs and submission of evaluation report.</p>
4.13	<p>Ministry should conduct training need analysis and impact assessment</p> <p>Not Implemented</p> <p>The RAA was informed that the training need analysis has been carried out besides maintaining the repository for trainings imparted.</p> <p>The Ministry is yet to come out with the impact assessment to ascertain</p>	To be completed in current FY and the budget to carry out this activity has already been approved.	2020 to 2023	<p>Not Implemented</p> <p>Ministry is yet to carry out the activity and report the same to the RAA.</p> <p>Until such time, the status of the recommendation shall remain status quo.</p>

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Status on 1st Review		Action Taken/ To be Taken after 1st Review	Timeline	Status on 2nd Review
performance gap and skills deficits of the farmers.	Since the time line provided for implementation of the recommendation is from 2020 to 2023, the status shall remain as not implemented.			

EXHIBIT-D

Review Report of Performance Audit Report on the Road Maintenance Works

Audit Report : Performance Audit Report on Road Maintenance Works (AIN: 16163)			
Date of Issue : 25 October 2019			
Name of Agency (s) : Department of Roads, Ministry of Works and Human Settlement			
No. of Review : 1 st Review			
Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
<p>4.1 The DoR should develop a periodic maintenance plan that can aid in effective road management</p> <p>The current RSMP does not provide sufficient strategies to effectively manage periodic maintenance works in the country. Presently, about 74.74% and 72.69% of backlogs for PNH and SNH respectively in terms of periodic maintenance were identified during the review. Additionally, with current funding levels, the roads in the country particularly SNHs will continue to deteriorate, which will result in higher costs of maintenance in the future.</p> <p>Having a periodic maintenance plan will aid the DoR in defining goals and objectives along with performance levels required for maintenance as well as time frames within which such targets are to be met. Therefore, the RAA recommends the DoR to develop a periodic maintenance plan that will serve as a benchmark to assess the department’s strength, weaknesses, opportunities and</p>	<p>Maintenance Division (DoR) conducted the analysis of the road condition data 2019 collected through the RAMS and prepared the resurfacing plan for 2020-2021 FY. The report was presented in the 4th DoR Quarterly Meeting wherein it was decided that the henceforth the report shall serve as a basis for future budget proposal for resurfacing works.</p> <p>Additionally the budget proposal for resurfacing works submitted by RO for the FY 2020-2021 was prioritized using the aforementioned plan.</p>	<p>01/03/2020 to 01/07/2020</p>	<p>Implemented</p> <p>DoR, MoWHS has developed a periodic maintenance plan for the financial year 2020-2021. The 4th DoR quarterly meeting of 12 FYP held from 17 to 19 February 2020 decided to prepare a long term periodic maintenance plan for 13 FYP as well using the data from the assets management system towards the end of 12 FYP.</p> <p>In view of the above, the recommendation is considered implemented.</p> <p>However, the DoR, MoWHS while preparing a long term plan for 13 FYP may take into consideration the chainage and location.</p>

Audit Report : Performance Audit Report on Road Maintenance Works (AIN: 16163) Date of Issue : 25 October 2019 Name of Agency (s) : Department of Roads, Ministry of Works and Human Settlement No. of Review : 1 st Review				
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1 st Review
<p>threats. Moreover, the exercise in preparation of maintenance plan may help the department in estimating cost and coming up with long term plans to address issues of back logs in periodic maintenance of roads. Further, RAA recommends the DoR to draw realistic operational plan stipulating maintenance schedules for routine and periodic maintenances. The plan will allow management to measure whether the activities therein are achieved. It will further assist management to develop accurate forecasts of maintenance and budget for it.</p>				
4.2	<p>The DoR should strategize to improve efficiency in restoration of monsoon damages.</p> <p>Instances were noted, where the DoR and ROs took 264 days from the date of damage till the date of award of work pertaining to monsoon restoration work due to lengthy bureaucratic process. The majority of delay was taken during field assessment by the</p>	<p>MD has developed a SoP which covers the procurement of equipment hiring for clearing landslides as well as the completion of the restoration works for the damaged structures.</p> <p>DoR started the implementation of SoP from FY 2020-2021.</p>	2020-2021	<p>Partially Implemented</p> <p>The recommendation is considered partially implemented since the DoR, MoWHS has developed a SOP for monsoon damage and restoration works and started implementing from FY 2020-2021.</p> <p>However, the full implementation of SOP will be reviewed upon</p>

Audit Report : Performance Audit Report on Road Maintenance Works (AIN: 16163) Date of Issue : 25 October 2019 Name of Agency (s) : Department of Roads, Ministry of Works and Human Settlement No. of Review : 1 st Review				
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
	<p>DoR followed by release of budget from MoF.</p> <p>As such, DoR needs to review the current practice for further enhancing the efficiency and effectiveness in monsoon restoration works. The DoR should develop/prescribe detailed responsibility and time frame to ensure that highway maintenance activities are timely and effective. In addition, the department should establish SoP to respond appropriately and consistently to requests from ROs in order to improve efficiency in road maintenance.</p>			submission of the implementation report.
4.3	<p>The DoR should maintain and analyse records of possible price escalation due to non-restoration of damaged structure on time</p> <p>The RAA noted untimely restoration of priority structures under P1 and P2 category that may have higher cost implication to the government. In absence of records on damaged structures that are further</p>	<p>Department has completed the assessment of monsoon damages for 2019-2020 FY and restoration works have been approved/executed depending on priority basis due to limited budget.</p> <p>Similar assessment shall be conducted for 2020-2021 FY after the monsoon season and the verification team in addition to verifying the monsoon damages this FY,</p>	2020-2021	<p>Implemented</p> <p>It was noted that the Department had carried out monsoon damages assessment for FY 2019-2020 and assured to carry out the same for FY 2020-2021.</p> <p>In view of the action taken and assurance provided, the</p>

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Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
<p>deteriorated over time, the decisions taken may not be appropriate. Moreover, the DoR cannot authenticate the degree of structures deteriorated and price escalated over time.</p> <p>Therefore, the RAA recommends the DoR to maintain the rate of deterioration of the unattended structures and analyze cost escalation over time. It is vital for the Department to report to MoF on the cost escalation due to non-funding of priority monsoon damaged structures. The RAA also recommends updating the road inventory as a prerequisite to carry out such analysis.</p>		<p>must also assess those damages which could not be restored in the previous year.</p> <p>The details of monsoon damages shall then be compared and analyzed for possible price escalation due to non-restoration of damages structures on time.</p>		<p>recommendation is considered implemented.</p> <p>However, the Department may consider including the category code/ priority during the assessment.</p>
4.4	<p>The DoR should develop a comprehensive Information Management System</p> <p>Strategic asset planning and prioritization can occur if there is access to reliable, accurate and complete data. Lack of data impedes capturing and analyzing data to model scenarios for strategic planning and decision making. Road assets are crucial components that must be assessed on a timely manner to</p>	<p>Department has instructed the Regional Offices to submit information on the details of cost and time of construction and cost and time for major maintenance works on the road vide letter No. DoR/CE(MD)/2020-2021/RMM&GIS-01/ dated 06/08/2020.</p> <p>Maintenance Division shall then compile and feed these information into the Road</p>	2020-2021	<p>Partially Implemented</p> <p>The recommendation is considered partially implemented since the action is being initiated and in the process.</p>

Audit Report : Performance Audit Report on Road Maintenance Works (AIN: 16163) Date of Issue : 25 October 2019 Name of Agency (s) : Department of Roads, Ministry of Works and Human Settlement No. of Review : 1 st Review				
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1 st Review
<p>have better governance and realization of its values over the period.</p> <p>The DoR have experienced preventive road maintenance and prioritization challenges during several budget cycles. Nonetheless, the department is yet to develop data or performance analysis to address them. In absence of a comprehensive information management system, the department lacks proper maintenance planning, prioritization of roads for maintenance, assessment of their achievements and challenges impeding prompt decisions and improvements in performing their maintenance operations.</p> <p>Thus, the RAA recommends the DoR to develop and maintain a comprehensive road asset management system that accurately records the quantum and conditions of their road asset, maintenance effort and cost. This will provide the essential data to the management to make informed decisions including planning and proper distribution of the budget. The database should contain information on roads for ease of reference of</p>		<p>Asset Management database wherein all the assets are georeferenced.</p>		

Audit Report	: Performance Audit Report on Road Maintenance Works (AIN: 16163)			
Date of Issue	: 25 October 2019			
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No. of Review	: 1 st Review			
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
	<p>maintenance works such as road category, date of construction, surface type (bitumen, gravel), gradient (flat, hilly), average width, traffic flow, date of last maintained, number of culverts lined, date inventory last updated, among others.</p>			
4.5	<p>The DoR should develop a guideline/SOP for proper and effective coordination during emergencies</p> <p>Absence of an overall framework/guideline/SoP for coordination and collaboration amongst stakeholders during emergencies poses a serious risk to the management as it will lead to lack of proper guidance, procedures and coordination of maintenance activities. It will also result in unstandardized way of carrying out maintenance at the various ROs of the DoR.</p> <p>Therefore, there is a need for the DoR to develop a guideline/SOP for relevant stakeholders to effectively and efficiently carry out their maintenance activities during</p>	<p>Maintenance Division prepared a draft SOP and presented to the Departmental Coordination Committee (DCC) meeting on 29/06/2020. DCC members decided to share the SOP with all the officials at HQ and Regional Offices for their comments.</p> <p>MD shall arrange a stakeholder meeting at the earliest to further discuss and finalize the SOP.</p>	<p>01/12/2020 to 30/12/2021</p>	<p>Partially Implemented</p> <p>DoR reported that they have developed a SOP and draft is being shared with the stakeholders for comments.</p> <p>However, until the draft SOP is finalized and start implementing, the recommendation shall remain partially implemented.</p>

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No. of Review	: 1 st Review			
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
	emergency situations in order to delineate clear roles and responsibilities of all stakeholders and to institute accountability mechanism.			
4.6	<p>The DoR should strengthen the internal control for hiring of machineries /equipment</p> <p>The review revealed inadequacies in hiring of machineries/equipment indicating ineffective internal control in the process. Therefore, the DoR should bring in uniformity in practices across all ROs that would help in achieving economy and effectiveness in the hiring of machineries/equipment as a whole and also strengthen internal control in the process of hiring.</p> <p>Further, inadequacies were noted in quantifying the slips leading to probable adjustment of quantity based on input resources as provided in <i>Para 3.3.4</i>. Thus, the DoR should explore and study the possibility of coming up with a scientific</p>	<p>Office order issued vide letter No. DoR/CE(Mtc)/2019-20/W02/871 dated 25/03/2020 and ROs have complied.</p> <p>Office order issued vide letter No. DoR/CE(Mtc)/2019-20/W02/872 dated 25/03/2020 to all ROs for compliance.</p> <p>Office order issued vide letter No. DoR/CE(Mtc)/2019-20/W02/847 dated 17/03/2020 to all ROs for compliance.</p> <p>Office order issued vide letter No. DoR/CE(Mtc)/2019-20/W02/856 dated 18/03/2020 to all ROs for compliance.</p>	2020-2021	<p>Partially Implemented</p> <p>RAA noted that the inadequacies in hiring of machineries/equipment were well deliberated during 4th DoR quarterly meeting held from 17 to 19 February 2020.</p> <p>The office orders to that effect were also issued to all ROs for strict compliance.</p> <p>In view of the above, the recommendation is considered partially implemented. However, the compliance to that will be verified in the next review.</p>

Audit Report : Performance Audit Report on Road Maintenance Works (AIN: 16163) Date of Issue : 25 October 2019 Name of Agency (s) : Department of Roads, Ministry of Works and Human Settlement No. of Review : 1 st Review				
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1 st Review
	method to capture the exact quantity of slips cleared.			
4.7	<p>The DoR and ROs must ensure compliance to the prescribed standards for maintenance of roads</p> <p>Although the Road Rules and Regulations, 2016 facilitate road construction and maintenance with proper technical specifications and standards to bring uniformity in the country, the DoR did not comply with prescribed standards pertaining to road pavements, carriage width, formation width, road cross fall/cambers, and drains.</p> <p>The current roads pavements particularly SNH are not suitable for existing traffic loads that has resulted in untimely deterioration of roads. This accelerates the depreciation process of the roads leading to wearing and tearing of road pavement ultimately causing a huge cost implication to the government exchequer on account of periodic maintenance.</p>	<p>DoR have started to review the maintenance standard established in other counties to understand the methodology and procedure as to how to go about.</p> <p>At present, MD is reviewing a document published by Ministry of Transportation & Highways, UK on standards for road and bridges maintenance services.</p>	2020-2021	<p>Not Implemented</p> <p>DoR is in the process of reviewing the standards and the timeline for implementation of the recommendation is from 2020-2021.</p> <p>As such, the status of the recommendation shall remain not implemented.</p>

Audit Report	: Performance Audit Report on Road Maintenance Works (AIN: 16163)			
Date of Issue	: 25 October 2019			
Name of Agency (s)	: Department of Roads, Ministry of Works and Human Settlement			
No. of Review	: 1 st Review			
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
	Thus, the DoR should ensure compliance to road pavement standards and other requirements on PNHs and SNHs including regular and timely conduct of mandatory road component testing to protect the structural integrity of the road.			
4.8	<p>The DoR should standardize and strengthen its monitoring and supervision roles of routine maintenance works</p> <p>Presently, there is lack of adequate inspection/monitoring and supervision on the routine maintenance works. Moreover, the supervising officials for quantifying the routine maintenance works have not maintained any standard inspection documents. Inadequate monitoring and supervision of the labourers/Contract groups are attributing to ineffective routine maintenance works.</p> <p>The absence of a standard format for inspections may lead to lack of uniformity and inconsistency in carrying out the maintenance works efficiently, thus, not</p>	<p>Annual road maintenance plan was prepared and followed by ROs during 2019-2020 FY.</p> <p>HQ inspected the compliance made by ROs and presented a report to DCC on 02/07/2020.</p> <p>The plan for 2020-2021 FY is being prepared by ROs after incorporating the decisions of the DCC.</p> <p>Online reporting system using Google Sheet has been initiated since 2019-2020 FY and the same shall be improved in coming years.</p> <p>An inspection team from HQ was formed and detail inspection with field visit was</p>	2020-2021	<p>Partially Implemented</p> <p>DoR reported that they have prepared annual maintenance plan for the FY 2019-2020 and the plan for 202-2021 is being prepared as well.</p> <p>The online reporting system is also being initiated, while the DoR is yet to develop a system on monitoring and inspection for routine maintenance works.</p> <p>Until such system is developed and reviewed by the RAA, the recommendation shall remain partially implemented.</p>

Audit Report : Performance Audit Report on Road Maintenance Works (AIN: 16163)			
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No. of Review : 1 st Review			
Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
enabling management to make informed decisions. Therefore, to ensure efficacy of the PBMS initiated by the DoR as well as to ensure compliances to the contract agreement, there should be an adequate inspection/monitoring with proper documentation of inspection carried out by site engineers since monitoring and supervision ensure that resources spent provide value for money.	conducted for all the ROs to check the compliance against the target achieved. DCC was also conducted to review the findings of the verification team.		

EXHIBIT-E

Review Report of Performance Audit Report on Microfinancing

Audit Report	: Performance Audit Report on Microfinancing (AIN: 16179)			
Date of Issue	: 25 October 2019			
Name of Agency (s)	: RMA, BDBL, REDCL, RENEW and BAOWE			
No. of Review	: 1 st Review			
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
1	<p>RMA should provide comprehensive policy direction for microfinance development</p> <p>There is a strong need for a comprehensive policy to generate adequate focus on microfinance development. For instance, there is no clear linkage between distribution of microfinance services and poverty incidence whereas microfinance is considered as a tool to alleviate poverty by providing finance to the poor sections of the society. Similarly, the agriculture sector is an important contributor to the national economy and it receives only about 5% of total loans. Today Bhutan is facing high rate of youth unemployment but there is no MFI dedicated to youth entrepreneurship.</p> <p>There is no policy objective at the national level as to what outcome microfinance intends to achieve except</p>	<p>The RMA has developed the following policy documents:</p> <ol style="list-style-type: none"> 1. National Financial Inclusion Strategy (NFIS) 2018-2023 2. National Financial Literacy Strategy (NFLS) 2018-2023 3. Regulations for Micro Loan Institution 2014 4. Rules and Regulations for Deposit Taking MFIs 2016 5. Financial Inclusion National Action Plan 2019-2023 (FINAP) 6. Press release on Microfinance issued on 30 December 2016 <p>Further, we would like to inform that the RMA will be developing revised strategic document on microfinance institutions, which will be submitted to the RAA once it is approved by the RMA board.</p>	No timeline provided	<p>Partially Implemented</p> <p>RAA appreciates the RMA for coming up with various policy documents for microfinance development.</p> <p>However, as assured the revised strategic document on microfinance institutions should be shared with the RAA for review.</p> <p>Further, the RMA should provide a definite timeline for development of revised strategic document.</p> <p>Until such time, the recommendation shall remain partially implemented.</p>

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Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
for rules and regulations for deposit taking and non-deposit taking MFI's. It is therefore imperative for RMA as a regulating authority to come up with a comprehensive policy and strategies to promote microfinance development in addition to the extant rules and regulations.			
2 REDCL and BDBL need to develop strategies for sustainability Sustainable operations are key to delivery of micro-financial services efficiently and effectively. It was learnt that both the BDBL and REDCL are not generating enough profits to offset the operational costs. For instance, BDBL suffered overall losses in five years (2014-2018). Similarly, for REDCL, revenues are not able to cover the operational costs for the first two years of operation. There is need for the BDBL and REDCL to come up with strategies to optimize the performance through cost effective	REDCL REDCL was upgraded to a CSI Bank from 21 February 2020 and after becoming CSI Bank, the interest rate has also increased from 4% to a minimum of 5% per annum. As per the Credit Manual, the interest rate for non-formal loan is 5%, 7% for cottage, small and non-seasonal export financing and 8% for seasonal export financing. Also, since 100% of the shares is owned by MoF, there is zero cost of fund for the Bank and therefore, the issue of sustainability may not arise in the coming years.	01/01/2019 to 21/02/2020	Not Implemented RAA noted that the measures taken up by the two institutions, REDCL and BDBL were based on the current situation and not intended for future sustainability. Therefore, the REDCL and BDBL should come up with the strategies for sustainable operations of the micro financial services. Until such time, the recommendation shall remain not implemented.

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Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
operations and innovative methods of revenue generation.	<p>BDBL</p> <p>The main challenge of BDB is the low capital. The management is processing a USD 20 million soft loan from the ADB. The government has agreed to inject USD 7.5 million. Further, the bank is processing issuance of Nu.1 billion bond with the RMA and MoF. With this, Capital Adequacy Ratio (CAR) and the liquidity position will improve significantly. The issue of high NPL affecting the sustainability of the bank was also raised as another issue. This is due to high loan provisioning and high cost of operations. The social mandate of the bank warrants spreading its service across the country to the unreached especially in the remote part of the country. To facilitate this, the bank had to increase the number of branch and gewog field offices and provide banking services through Farmers Outreach Banking (FOB) services. However, the</p>	No timeline provided	Further, the REDCL and BDBL should provide a definite timeline for implementation of the recommendation.

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Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
	management is implementing a NPL reduction strategy soon.		
<p>3 REDCL Need to align loan approval with cropping patterns</p> <p>The loans received at the right time in part will determine success rate of the loan projects. It was observed that the disbursement of loans for agricultural projects were not made as per the general cropping patterns of Bhutan. It could lead to inefficiency if loans are not disbursed at the right time. It could also lead to diversion of the loan funds into non-productive activities and consumption.</p> <p>Therefore, there is a need for REDCL to ensure that the loans are disbursed at the time of need and especially as per cropping patterns for agricultural projects.</p>	<p>From the start of 2019 as REDCL and continuingly being practiced as the CSI Bank, NCSIDBL is approving and disbursing the agricultural loans as per cropping pattern of the agricultural activities as recommended by the concerned agriculture officer. Otherwise, based on the recommendation of the concerned agencies, the approval and disbursement is being done apart from cropping pattern.</p>	01/01/2019 to 21/02/2020	<p>Implemented</p> <p>RAA while reviewing the loan disbursement statement for the year 2019 found that the REDCL had mostly disbursed the agricultural loans during the vegetable cultivation season which is from January to June.</p> <p>In view of the above, the recommendation is considered implemented.</p> <p>Hence the disbursement of agricultural loans should be in accordance with the seasonal requirement in order to promote agricultural production.</p>
<p>4 BDBL and REDCL need to institute robust monitoring of loan projects</p>	BDBL	01/01/2019 to 21/02/2020	Partially Implemented

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Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
<p>Robust monitoring mechanism helps in maintaining the quality of the loans and creating positive socio-economic impact on the clients. There is a direct relation between monitoring, loan quality and socio-economic impacts of micro credit. For instance, non-monitoring of the loan projects leads to increase in the number of NPL's. With high number of NPL's the likelihood of litigation of cases increases and accordingly costs increase. Seizure of land & property and their subsequent auctions result in negative socio-economic impact on the clients.</p> <p>Consistent rise in NPL's will also threaten the sustainable operations of the banks in the long-run. Most of the issues reported herein are mainly caused by non-monitoring of the loan projects. Therefore, there is a need to institute a robust mechanism of monitoring of loan projects at BDBL and REDCL.</p>	<p>The bank has instituted following strategies for monitoring of loan projects:</p> <ol style="list-style-type: none"> Branch offices are categorized into different categories based on the client and business volume. Loan appraisal system has been strengthened with the loan officers trained in loan appraisals. Adopted a robust follow-up system. Legal division strengthened and instituted a legal committee chaired by CEO. Legal personnel placed in the branch offices with high NPLs to facilitate loan recovery through litigation. Introduced phase wise disbursement of loans to ensure the clients do not divert the funds. Seeks assistance of the Gups and gewogs' Tshogpas to verify the credibility and whereabouts of the clients. Instituted various level of credit committee. The credit facilities are provided based on location of the activity/ project and 		<p>BDBL has instituted the monitoring controls over the loan projects with various strategies, while REDCL has come up with the Recovery and Monitoring Unit for monitoring, verification and recovery of the loans.</p> <p>In view of the above, the recommendation is considered partially implemented for both the institutions.</p> <p>However, the BDBL and REDCL should ensure implementing the same and share the monitoring reports to RAA for further review.</p>

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Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
	<p>not on the permanent address of the applicants for supervision and monitoring.</p> <p>j. CBS and digital platforms used are used to facilitate monitoring the clients.</p> <p>REDCL</p> <p>NCSIDBL has recently instituted the Recovery and Monitoring unit who will be solely responsible for the monitoring, verification and recovery of the loan amounts.</p> <p>However, as of now, with the implementation of Monetary Measure in response to COVID 19 in effect, the robust monitoring and recovery is yet to start their full-fledged work.</p>		
<p>5 REDCL need to review the current MoU between BDBL and REDCL</p> <p>As can be seem from the issues highlighted intend of the Memorandum of understanding (MoU) between REDCL</p>	<p>REDCL</p> <p>The MoU between BDBL and REDCL was executed to have the post-sanction services delivered by BDBL on behalf of REDCL for which an agreed commission was paid to BDBL at the end of the year. Now, with</p>	<p>01/01/2019 to 21/02/2020</p>	<p>Implemented</p> <p>The recommendation is considered implemented since the REDCL was upgraded to NCSIDBL and there was</p>

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Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
	and BDBL could not be implemented. BDBL did not carry out the post sanction services as agreed in the MoU yet REDCL continued making the payment of the fees as agreed. Further, the fees were not determined at specific activity level. There is a need for REDCL to review the MoU in the light of the above issue and determine a better working modality and discontinue payment of the commission for the activities not carried out such as follow-up, recovery and legal services.	the upgradation of REDCL to NCSIDBL, the post-sanction services have been taken over by the Bank. Therefore, the MoU between REDCL and BDBL stands null and void.		no requirement for the revision of the MoU between the BDBL and RDCL.
6	BDBL need to update the interest rates of loans Although it is the responsibility of the client to update the loan interest to the reduced rate, it is also incumbent on the bank to ensure that the benefits of the reduced rates are passed on to the clients who are mostly rural-based. It was also observed that incorrect interest rates were applied to various loan types. BDBL must	The management would like to inform that during the time of audit there were 12,639 loan accounts and not 21,125 accounts with interest discrepancies. During the review of the data reflected in annexure-IV, it has been found that 8,815 accounts have been reflected twice. Out of 12,639 accounts, 6,508 have been closed as on June 2020.	No timeline provided	Not Implemented Since the Credit Review Unit under the Credit Department, BDBL is working on the interest rate discrepancies and would be rectified within the year 2020, the recommendation is considered not implemented.

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Recommendation		Action Taken/ To be Taken	Timeline	Status on 1st Review
ensure that the loan data is updated with reference to correct interest rates upon intimation to RAA.		<p>The 141st Board Meeting held on 31 March 2017 approved the revised new lending rates and the following requirements have to be fulfilled by the clients to avail the revised interest rates:</p> <ol style="list-style-type: none"> a. Receive the duly filled up application from client. b. Ensure the loans are regular without default. c. Execute the addendum to existing loan agreement and d. Make necessary changes in the system by referring the process and procedures. <p>Based on the above directive, the bank through the media disseminated the information. The bank has updated the interest rate for majority of the clients who have reported to the bank and have performing loans. The remaining clients who have non-performing loans (NPLs) have not updated their dues and hence their interest rates have not changed.</p>		Therefore, the BDBL should furnish the rectified accounts as per the Annexure-IV of the audit report at the end of the year 2020.

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	The Credit Review Unit under the Credit Department is also working on the interest rate discrepancies. The correction of the interest discrepancies has been included in the Annual Performance Compact of the BDB wherein all the interest discrepancies have to be corrected within the 2020.		

EXHIBIT-F

**Review Report of Performance
Audit Report on Urban
Planning and Development in
Thimphu Throm**

Audit Report : Performance Audit Report on Urban Planning & Development (AIN: 16269)			
Date of Issue : 27 December 2019			
Name of Agency (s) : Department of Human Settlement, MoWHS and Thimphu Thromde			
No. of Review : 1 st Review			
Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
<p>4.1 The Government should develop a clear institutional Framework for implementation of the TSP</p> <p>With regard to the Institutional Framework of urban planning and development in <i>Thimphu Throm</i>, especially in the context of implementing the TSP, there is a need for relevant authorities to bring about clarity and institute a proper framework specifically for urban planning and development. In TSP's regard, it appears, majority of the confusion was not because of the clarity in the governance institutional framework but due to weak inter agency coordination in communication, reporting and monitoring processes between the agencies involved in implementing the TSP. Some of the deviations made to the TSP have become an accepted norm in other <i>Thromde</i> plan implementations as well. Therefore, the RAA recommends the government to:</p>	<p>MoWHS</p> <p>DHS has intimated and written to PPD, MoWHS to write to the government to table the Spatial Planning Bill vide letter no. MoWHS/DHS/CDRD/Adm/2020-2021/2453 dated 13 July 2020.</p> <p>Accordingly, it was informed that the PPD had submitted the Spatial Planning Bill to the Cabinet on 11 April 2019 for approval of the Cabinet to submit to the 2nd Session of the 3rd Parliament. However, the Cabinet had kept the Bill on hold.</p> <p>As part of the approved work plan for the FY 2020-2021, the CRDD, DHS is undertaking the activity to develop a Monitoring and Evaluation Framework for planning and development of human settlements. The activity is being initiated with support from the World Bank.</p>	<p>July 2020 to June 2021</p>	<p>Partially Implemented</p> <p>RAA noted that the Spatial Planning Bill has been put up to the Cabinet on 11 April 2019 and it is yet to be deliberated in the Parliament.</p> <p>Meanwhile, the development of Monitoring and Evaluation Framework for planning and development of human settlements is being initiated with support from the World Bank.</p> <p>Further, the Department of Human Settlement, MoWHS in coordination with Thimphu Thromde has initiated ground surveys for the review of Thimphu Structure Plan – 2002-2027 as reported by the Thimphu Thromde.</p> <p>In view of the above, the recommendation is considered partially implemented.</p>

Audit Report : Performance Audit Report on Urban Planning & Development (AIN: 16269) Date of Issue : 27 December 2019 Name of Agency (s) : Department of Human Settlement, MoWHS and Thimphu Thromde No. of Review : 1 st Review				
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1 st Review
i. Expedite the enactment of the Spatial Planning Bill to minimize more irreparable damage being done to development plans currently being implemented. ii. Improve the urban planning and development institutional framework with proper and defined communication strategy, timely reporting of the activities to relevant agencies, and timely monitoring in the form of audits and reviews carried out by oversight agencies. These actions would not only help the implementation of TSP but will also guide the other development plans being implemented across the country and development plans in the pipeline.		Thimphu Thromde As submitted during the PAC sitting, the Ministry of Works & Human Settlement is already working on it. Moreover, the Department of Human Settlement under MoWHS in close coordination with the Thimphu Thromde has already initiated ground surveys for the review of the Thimphu Structure Plan – 2002-2027. Upon review of the same, there will be a clear institutional framework.		
4.2	The Government should consider adequate representation of stakeholders in Thromde decision making To ensure proper implementation of the TSP, and any other urban development matters, it is felt that there needs to be	MoWHS DHS has intimated and written to PPD, MoWHS to write to the government to table the Spatial Planning Bill vide letter	Completion date July 2020	Partially Implemented RAA noted that the Spatial Planning Bill has been put up to the Cabinet on 11 April 2019 and it is yet to be deliberated in the Parliament.

Audit Report : Performance Audit Report on Urban Planning & Development (AIN: 16269)				
Date of Issue : 27 December 2019				
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Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review	
<p>proper representation of stakeholders. Especially where majority of the stakeholders are influential players in the successful implementation of the development plans. In the case of TSP, the primary stakeholders are the landowners and permanent residents of <i>Thimphu Throm</i>. However, at the <i>Thromde Tshogde</i> these stakeholders are underrepresented.</p> <p>Therefore, the RAA opines that the residents of <i>Thimphu Throm</i> should be properly represented in the <i>Thromde Tshogde</i>, the highest decision making body of all matters related to the <i>Thromde</i> developments. The ministry responsible for urban development is urged to take up this matter with the government to ensure adequate representation of stakeholders in making decisions related to implementation of spatial plans.</p>	<p>no. MoWHS/DHS/CDRD/Adm/2020-2021/2453 dated 13 July 2020.</p> <p>To this effect, the Ministry vide letter no. MoWHS/PPD/DHS/06/238 dated 10 August 2020 has written to the Hon’ble Cabinet Secretary seeking government’s directives on the above mentioned subject.</p> <p>Thimphu Thromde</p> <p>As reported by the MoWHS during the PAC meeting, we are of the understanding that this issue shall be taken up with the Election Commission by the central agencies such as MoWHS and MoHCA.</p>		<p>The letter has also been written to the Hon’ble Cabinet Secretary on 10 August 2020 seeking government’s directives on the adequate representation of stakeholders in Thromde decision making and the response is awaited.</p> <p>In view of the above, the recommendation is considered partially implemented.</p>	
4.3	MoWHS and Thimphu Thromde should carry out comprehensive review of TSP and DCRs	MoWHS	July 2020 to June 2021	Partially Implemented

Audit Report : Performance Audit Report on Urban Planning & Development (AIN: 16269) Date of Issue : 27 December 2019 Name of Agency (s) : Department of Human Settlement, MoWHS and Thimphu Thromde No. of Review : 1 st Review				
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1 st Review
<p>As evident from the issues in this report, a primary cause of the deviations, which is difficult to assess now, over the implementation period of TSP was the absence of timely review, audit and monitoring of the activities, agencies, the TSP document and the pertinent regulations. Moreover, a serious issue appears to be the inaccurate slope analysis carried out in the TSP, which could potentially pose serious risks in the future if it not addressed immediately.</p> <p>The following recommendations are made in this regard.</p> <ol style="list-style-type: none"> i. It is suggested that MoWHS and <i>Thimphu Thromde</i>, together with relevant agencies carry out a comprehensive review of the TSP and DCRs and accordingly take necessary action. ii. Relevant rules and regulations like DCR and other important regulations like ‘lift rules’ and ‘guidelines for differently 		<p>The review of TSP is initiated by the MoWHS and Thimphu thromde in July 2020.</p> <p>Topographical survey and geotechnical study for Thimphu was initiated in May 2020 and scheduled for completion in August 2021.</p> <p>Thimphu Thromde</p> <p>The Department of Human Settlement in close coordination with the Thimphu Thromde has already initiated the household survey (with effect from 21st September 2020) which will serve as a basis for the review of the TSP. The household surveys are being carried out with the help of De-Suups and Teachers on a voluntary basis. Besides, topographical surveys are also being carried out and scheduled to be completed by the end of June 2021. While reviewing the TSP, DCRs too shall be reviewed simultaneously. As a standard practice worldwide, the</p>		<p>It has been noted that the review of TSP and Topographical survey & geotechnical study for Thimphu is being initiated.</p> <p>Similarly, the review of DCRs would also be carried out while reviewing the TSP, as reported by Thimphu Thromde.</p> <p>In view of the above, the recommendation is considered partially implemented.</p>

Audit Report : Performance Audit Report on Urban Planning & Development (AIN: 16269)			
Date of Issue : 27 December 2019			
Name of Agency (s) : Department of Human Settlement, MoWHS and Thimphu Thromde			
No. of Review : 1 st Review			
Recommendation	Action Taken/ To be Taken	Timeline	Status on 1st Review
<p>abled-friendly construction' should be uniformly implemented.</p> <p>iii.A more realistic slope analysis of the TSP is desirable to ensure correct development activities are approved.</p>	<p>implementation of any structure plans is carried out through DCRs.</p>		
<p>4.4 MoWHS in collaboration with Thimphu Thromde should strengthen the coordination between themselves</p> <p>As evident from some of the findings in this report, many of issues hindering the efficient implementation of TSP have stemmed from weak coordination between relevant agencies, primarily the principal agencies. Therefore, it would be imperative to strengthen communication and coordination between the MoWHS and Thimphu <i>Thromde</i>. In this regard, RAA suggests instituting the following approach.</p> <p>i. A signed MoU is recommended to enhance coordination and communication between the MoWHS and <i>Thimphu Thromde</i>.</p> <p>ii. There needs to be clarity on a procedure to develop and implement urban development plans. It is suggested this</p>	<p>MoWHS</p> <p>The task shall be initiated soon and shall be completed within the stipulated time indicated in the management action plan report submitted to RAA.</p> <p>A comprehensive planning procedure and framework is being prepared for rural areas in June 2020. For urban areas, the task will be completed by June 2021.</p> <p>Thimphu Thromde</p> <p>With the review of TSP being initiated by the MoWHS in close coordination with the Thromde, the three main important issues reflected by the RAA shall be taken care and once it's done, we will inform the RAA. We are also of the</p>	<p>July 2020 to June 2021</p>	<p>Partially Implemented</p> <p>It has been reported that the signing of MoU between MoWHS & Thimphu Thromde and formation of technical committee would be carried out within the timeline provided.</p> <p>Meanwhile, a comprehensive planning procedure and framework is being prepared for rural areas in June 2020 and urban areas to be completed by June 2021.</p> <p>In view of the above, the recommendation is considered partially implemented.</p>

Audit Report : Performance Audit Report on Urban Planning & Development (AIN: 16269) Date of Issue : 27 December 2019 Name of Agency (s) : Department of Human Settlement, MoWHS and Thimphu Thromde No. of Review : 1 st Review				
Recommendation		Action Taken/ To be Taken	Timeline	Status on 1 st Review
	<p>procedure be developed involving all agencies relevant to urban planning and development.</p> <p>iii. Formation of a technical committee is urged, constituting relevant officials from both MoWHS and <i>Thimphu Thromde</i>, to carry out proper technical assessment of cases before the Ministry or the <i>Thromde Tshogde</i> makes changes to approved plan.</p>	<p>understanding that the MoH&CA is amending the Local Government Rules & Regulations 2012 which will bring out some clarifications on the roles of Thromde especially while implementing the structure/development plans or carrying out any changes in the plan related to the human settlement.</p>		
4.5	<p>Proper record keeping and efficient monitoring should be instituted</p> <p>Presently, the reporting and monitoring system is inadequate with weak documentation in the relevant agencies and lacking monitoring initiatives.</p> <p>i. The MoWHS, as the oversight body for urban matters, should conduct timely and periodic planning audits of <i>Thimphu Thromde</i> as required under the LG Act.</p> <p>ii. The MoWHS is urged to institute a standard record keeping system for, not just TSP, but also for all the urban spatial plans that are in the pipeline.</p>	<p>MoWHS</p> <p>As part of the approved work plan for FY 2020-2021, the CDRD, DHS is undertaking the activity to carry out compliance review of two LAPs in north and south Thimphu respectively.</p> <p>The record keeping of all human settlement plans (in excel) has already been initiated and updated till July 2019. Further, improvement on the structure and updating will be carried out in fiscal year 2020-2021.</p>	June 2021	<p>Partially Implemented</p> <p>The recommendation is considered partially implemented since the CDRD, DHS has started carrying out the compliance reviews for two LAPs and record keeping of plans is being initiated.</p>

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<p>4.6 MoWHS and Thimphu Thromde should carry out a resource need assessment for timely execution of development activities</p> <p>Evidently, there is a mismatch between the mandate of implementing a spatial plan like TSP and the resources allotted to relevant agencies to carry out this mandate. Although, the RAA was unable to carry out a comprehensive study to understand this issue due to limitation of information, RAA is certain there exist serious human resource and financial resource limitations that impede the smooth implementation of the development plan activities. These constrains translate to other issues like inadequacy in carrying out their roles and responsibilities, cost overrun and time overrun due to fund unavailability, and responsibility multitasking by some sectors. Further, it also becomes difficult to assess whether lapses or misgivings occurred due to resource inadequacies or</p>	<p>MoWHS</p> <p>Response not received.</p> <p>Thimphu Thromde</p> <p>The MoWHS in close coordination with the Thimphu Thromde has already initiated the ground survey, which will act as a basis while reviewing the TSP.</p> <p>As pointed out by the RAA, the Resource Need Assessment shall be carried out jointly while reviewing the TSP and shall be subject to the completion of the review of the structure plan.</p>	<p>July 2020 to June 2021</p>	<p>Not Implemented</p> <p>While there was no response from MoWHS, the Thimphu Thromde reported that the Resource Need Assessment would be carried out jointly with MoWHS during the review of TSP.</p> <p>Until such time, the recommendation shall remain not implemented.</p> <p>However, as per the Management Action Plan, the MoWHS, Thimphu Thromde, MoF and GNHC should carry out resource need assessment for execution of development activities.</p>

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	<p>whether these lapses were a result of incompetence.</p> <p>In this regard, the RAA recommends that a need assessment be carried out jointly by the principal agencies responsible for implementing the TSP.</p>			
4.7	<p>Deviations should be reviewed and reported to relevant authorities for necessary action</p> <p>The RAA confirmed substantial deviations from the original intent of the TSP like major changes made to precinct categories, regularization of deviations, no action taken on non-conforming land use and failure to implement important proposal for actions identified in the original plan. Further, RAA studied the construction of MLCPs in detail, which revealed many lapses and delays with significant financial implication as highlighted in this report.</p>	<p>MoWHS</p> <p>As part of the approved work plan for the FY 2020-2021, the CRDD, DHS is undertaking the activity to develop a Monitoring and Evaluation Framework for planning and development of human settlements. The activity is being initiated with support from the World Bank.</p>	<p>July 2020 to June 2021</p>	<p>Partially Implemented</p> <p>The recommendation is considered partially implemented since the development of Monitoring and Evaluation Framework for planning and development of human settlements is being initiated with support from the World Bank.</p>

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<p>However, the RAA was unable to eliminate the possibility of some of these deviations being made with vested interest of individual parties and not because it was genuinely required due to planning lapses or unavoidable circumstances.</p> <p>Therefore, it is recommended that:</p> <ul style="list-style-type: none"> i. The DHS, MoWHS conduct a comprehensive review of these deviations to establish whether these deviations were genuinely necessary. ii. The MoWHS should develop a framework/guideline to carry out these compliance reviews, more importantly; the framework should address how the findings will be addressed. iii. MoWHS should conduct timely Compliance and Development Reviews and <i>Thromde</i> should provide proper justifications for these reports with an action taken report. 				
4.8	MoWHS & Thimphu Thromde in consultation with relevant agencies	MoWHS Response not received.	July 2020 to June 2023	Not Implemented

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<p>should come up with action plan to address transportation issues</p> <p>The transportation system envisioned in the TSP for <i>Thimphu Throm</i> appears to be highly compromised with ‘right of way’ not maintained as planned, inadequate parking spaces, and public transportation system unable to gain popularity. Currently, with the huge increase in number of vehicles in the city many sections of the transportation network is overloaded and congested most times of the day. This situation will further deteriorate if immediate attention is not accorded to mitigate the situation.</p> <p>Therefore, it is suggested that the MoWHS and <i>Thimphu Throm</i> in consultation with other relevant authorities like the RBP and MOIC draw up an action plan to address all these issues in best possible way.</p>		<p>Thimphu Thromde</p> <p>Since the MoWHS in close coordination with us have already initiated the ground survey for the purpose of reviewing the TSP 2002-2027, transportation issues will be taken up as a part of the review of the same. Accordingly, the action plans including the investment plan addressing the transportation issue shall be finalized as a part of the new structure plan and only upon completion of the review of the TSP.</p>		<p>While there was no response from MoWHS, the Thimphu Thromde reported that the transportation issues will be taken into consideration during the review of TSP.</p> <p>As per the Management Action Plan, the Thimphu Thromde is supposed to initiate the preparation of Transportation Master Plan in consultation with MoIC and MoWHS.</p> <p>Until such time, the recommendation shall remain not implemented.</p>
4.9	<p>Housing affordability issue requires special attention</p>	<p>MoWHS</p>	<p>July 2020 to June 2021</p>	<p>Partially Implemented</p>

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<p>The RAA is of the view that, housing affordability will become a major issue if it is not accorded proper attention. There appears to be a serious mismatch between the housing unit stock entering the market and the potential demand for these units. With a huge chunk of the stock belonging to the private sector and weak acceptance of the Tenancy Act, the situation appears more alarming. Another factor contributing to this issue is seen to be conversion of residential units to commercial units there by further reducing the residential unit stock. In this regard the RAA recommends the following.</p> <p>i. The MoWHS and <i>Thromde</i> could jointly ensure the Tenancy Act is implemented and followed, since building owners depend on <i>Thromde</i> for all their utility services.</p> <p>ii. Effective monitoring and enforcement of regulations is suggested to stop residential units being converted into commercial units.</p>		<p>The task shall be initiated soon and shall be completed within the stipulated time indicated in the management action plan report submitted to RAA.</p> <p>The National Housing Policy 2020 is approved by the Lhengye Zhungtshog held on 04 February 2020 and the approval was conveyed to the Ministry on 26 February 2020.</p> <p>Thimphu Thromde</p> <p>Illegal conversion of residential units into commercial units is captured annually by making the renewal of Occupancy Certificate mandatory every year. The OC renewal team visits the site to verify any deviation from the approved drawing and precinct use of the building as per the Regulations to take appropriate actions for any deviation or conversion.</p>		<p>The recommendation is considered partially implemented since the National Housing Policy 2020 has been approved, while the joint implementation of Tenancy Act by the MoWHS and Thromde is yet to be carried out.</p> <p>In case of effective monitoring and enforcement of regulations by Thimphu Thromde on the conversion of residential units to commercial spaces, the actions taken for deviation or conversion should be submitted to RAA for further review.</p>

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iii. The MoWHS should review and update the National Housing Policy 2002.			
<p>4.10 Thimphu Thromde should enhance the sewerage treatment capacity</p> <p>Given the huge increase in population density and building construction, the sewerage treatment capacity of <i>Thimphu Throm</i> is gravely inadequate. Currently, estimates show that the operational capacity stands at 50% of the required capacity. Moreover, the sewerage master plan is not approved and is in its draft stage currently.</p> <p>Therefore, it is urged that <i>Thimphu Thromde</i> expedite approval of the sewerage master plan for <i>Thimphu Throm</i>, not only considering the current situation but also bearing in mind the potential growth of the city in the nearby future.</p>	<p>Thimphu Thromde</p> <p>The Master Plan for the sewer network and Treatment Plant are still in draft stage. We are incorporating the entire requirement to cater the population growth in future too.</p> <p>Regarding the capacity of the Treatment Plant, at the end of the 2020, Babesa 12 MLD WWTP will be operational, where it will serve the entire south Thimphu Local Area Plan.</p> <p>One MLD STP is under construction at Jungzhina, it will complete within a year, where residents at the Pamtsho, Jungshina and Babina will be benefited. At the end of 2021, almost 90% of buildings in the city will be provided with sewer connections and it will be treated at respective STP.</p>	No timeline provided	<p>Partially Implemented</p> <p>While the sewer master plan is still in draft stage, it has been reported that Babesa STP will be operational by the year end 2020 for the entire south Thimphu Local Area Plan.</p> <p>Further, one MLD STP is under construction at Jungzhina which will completed within a year benefiting the residents of Pamtsho, Jungshina and Babina.</p> <p>By the end of year 2021, almost 90% of buildings in the city will be provided with sewer connections and will be treated at respective STP.</p> <p>In view of the above, the recommendation is considered partially implemented.</p> <p>Meanwhile, Thimphu Thromde should provide a timeline for full</p>

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				implementation of the recommendation.
4.11	<p>Issues with Construction of MLCP 1 and MLCP 2 should be properly addressed</p> <p>The two cases of MCLP construction was studied by the RAA as case studies and many lapses of financial nature were noted. In this regard, the RAA recommends the following;</p> <ul style="list-style-type: none"> i. The Thromde management should provide all missing documents or information while submitting the Management Action Plan to RAA in order to validate the responses submitted. In the event of failure to submit the necessary documents the findings regarding construction of MLCP will be pursued as it is. ii. The Liquidated damage and outstanding liabilities for delay should be levied and accordingly reported in the Management Action Plan. iii. The Thromde management should provide proper justifications or actions 	<p>Thimphu Thromde</p> <p>Response not received.</p>	<p>No timeline provided</p>	<p>Not Implemented</p> <p>Deadline for progress/updates submission was 10 August 2020 as per the decision of PAC consultative meeting held on 05 August 2020, however RAA is yet to receive the updates/ progress regarding the Construction of MLCP 1 and MLCP 2 despite a reminder sent vide letter no. RAA/FuCD/PA Report/2020/1652 dated 09 September 2020.</p> <p>As such, the recommendation is considered not implemented.</p> <p>Further, Thimphu Thromde should provide a timeline for implementation of the recommendation.</p>

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	<p>in Management Action Plan with regard to Thromde’s minimal share from parking fees and other charges. If regularization is required, it should be approved by competent authorities.</p> <p>iv. The Thromde Management should institute proper inventory of parking slots.</p>			

