

རྒྱལ་གཞུང་ཚེས་ཞིབ་དབང་འཛིན།

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

May 2022

*"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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RAA/(AG-SP)/03/2022/017

Date: 10 May 2022

The Hon'ble Speaker  
National Assembly of Bhutan  
Thimphu

**Subject: Submission of Review Report of 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 report of the following two Performance Audit Reports:

1. Performance Audit Report on Implementation and Management of National Broadband Fiber Network
2. Performance Audit Report on the Operations of Natural Resource Development Corporation Ltd.

Based on the Management Action Plans (MAP) and Action Taken Reports (ATR) 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 April 2022 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 Chairperson, National Council of Bhutan for kind information
3. The Hon'ble Opposition Leader, National Assembly of Bhutan for kind information

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4. The Hon'ble Chairperson, Public Accounts Committee, 3<sup>rd</sup> Parliament of Bhutan (6 Copies)
5. The Secretary, Ministry of Information and Communication, *in respect of review report* on Performance Audit Report on Implementation and Management of National Broadband Fiber Network
6. The Secretary, Ministry of Agriculture and Forests, *in respect of review report* on performance Audit Report on the Operations of Natural Resource Development Corporation Ltd.
7. Chief Executive Officer, Druk Holding and Investment, *in respect of review report* on performance Audit Report on the Operations of Natural Resource Development Corporation Ltd.
8. Chief Executive Officer, Bhutan Power Corporation Limited, *in respect of review report* on Performance Audit Report on Implementation and Management of National Broadband Fiber Network
9. Chief Executive Officer, Natural Resources Development Corporation, *in respect of review report* on performance Audit Report on the Operations of Natural Resource Development Corporation Ltd.
10. Director, Department of Information Technology and Telecom, MoIC, *in respect of review report* on Performance Audit Report on Implementation and Management of National Broadband Fiber Network
11. Director, Bhutan InfoComm and Media Authority, *in respect of review report* on Performance Audit Report on Implementation and Management of National Broadband Fiber Network
12. Office copy
13. Guard file

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## Abstract of Review Reports

### **Review of Performance Audit Report on Implementation of Management of National Broadband**

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The Performance Audit Report on Implementation of Management of National Broadband was conducted to ascertain the economy, efficiency and effectiveness in the implementation and management of national broadband fiber network for the period covering from 1 July 2008 till 30 June 2018. The final report was issued on 7 September 2020.

The report contained 22 observations under seven broad categories and five recommendations which are aimed at enhancing efficiency and effectiveness of operation and management of national broadband fiber network.

After 1<sup>st</sup> review of Action Taken Reports (ATR) submitted by Department of Information and Technology, Bhutan Power Corporation and Bhutan InfoComm and Authority, the DITT has implemented one recommendation and two partially implemented, while BPC has implemented one recommendation. In case of BICMA, one recommendation has been fully implemented.

The statuses of the recommendations are attached as **Exhibit – A1, A2 & A3**.

### **Review of Performance Audit Report on the Operations of Natural Resources Development Corporation Limited**

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Performance Audit Report on the Operations of Natural Resources Development Corporation Limited was conducted with the objectives to assess the adequacy of existing legal and institutional framework of NRDCL in delivering its mandate; and to review NRDCL's efficiency and effectiveness in fulfilling its primary mandates to make natural resources available, accessible and affordable to the general public for the period covering from 01 January 2013 to 31 December 2020. The final report was issued on 2 August 2021.

The report contained 24 observations under nine broad categories and 11 recommendations which are aimed to address areas where issues were identified and guide the management to correct the deficiencies and problems.

After 1<sup>st</sup> review of ATRs submitted by Natural Resources Development Corporation, Ministry of Agriculture and Forest and Druk Holding and Investment, the NRDCL has partially implemented nine recommendations. In case of MoAF, one recommendation has been partially implemented, while DHI has not implemented the recommendation.

The statuses of the recommendations are attached as **Exhibit – B1, B2 & B3**.

# **EXHIBIT-A**

**Review Report of Performance  
Audit Report on Implementation  
and Management of National  
Broadband Fiber Network**

<b>Audit Report</b>	: Performance Audit Report on Implementation and Management of National Broadband Fiber Network
<b>AIN</b>	: 16761
<b>Date of Issue</b>	: 7 September 2020
<b>Name of Agency(ies)</b>	: Department of Information Technology and Telecom, Fiber Network Division, Bhutan Power Corporation Limited & Bhutan InfoComm and Media Authority
<b>Responsible Agency</b>	: <b>Department of Information Technology and Telecom, Fiber Network Division</b>
<b>No. of Review</b>	: 1 <sup>st</sup> Review

Rec. No.	Main Recommendation	Sub Recommendation	Management Action Plan	Timeline	Action Taken	Status of Review
4.1	<p><b>DITT should revise the existing agreement</b></p> <p>The RAA noted that the agreement between RGoB and BPCL for implementing national broadband masterplan implementation project and Operations and Management of National OPGW/ADSS assets, 2011 needs to be segregated as it consists of both the implementation and operational aspects which lacked clarity. This had led to lapses in management of project funds, O&amp;M funds and depreciation funds. Therefore, DITT should review and revise the current agreement to ascertain the validity of the existing clauses and incorporate new clauses. There is also a need to provide clarity on the issue of ownership and sustainability of the fiber</p>		<p>Develop a separate SOP for the management of O&amp;M funds</p> <p>Develop SOP for the management of depreciation funds.</p> <p>Develop SOP for collecting penalties and compensation pertaining to fiber optic cable.</p> <p>Revise agreement.</p>	01/07/2021 to 30/06/2023	<p>DITT and BPC in collaboration developed a combined SOP for the management of O&amp;M and Depreciation fund, Guidelines for third party damage and realignment costs and drafted an amendment agreement between DITT and BPC. The above mentioned documents have been signed by DITT Director and shared with BPC for their CEO's signature through letter DITT/DoTS/40(9)(2)/2021-2022/772 dated 6th January, 2022. However, the signed copies from BPC could not be collected due to the previous and ongoing lockdown. DITT has been planning to provide updates on the MAP to RAA after these documents were signed by both the parties. Please find attached the draft copies of the SOPs and the amendment agreement.</p>	<p><b>Implemented</b></p> <p>It has been noted that the agreement between DITT and BPCL was signed on 6 January 2022. Further, SOPs and guidelines were developed for O&amp;M, depreciation and third party damage and realignment costs.</p> <p>In view of the above, the recommendation is considered implemented.</p>

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	<p>assets as the stakeholders are made to contribute towards the maintenance of the national fiber infrastructure. DITT should also develop a separate Standard Operating Procedures (SOP) for the management of O&amp;M funds including controls such as format for financial report, frequency of financial reporting, tracking, etc. Similarly, DITT should develop SOP for the management of depreciation fund. A SoP should also be developed for collecting penalties and compensation pertaining to fiber optic cable.</p> <p>Moreover, while revising the agreement, DITT, in collaboration with BPCL, should review the existing cost components and rework on the percentage of O&amp;M fund considering the contextual situation in the ground and in</p>					

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	Bhutan.					
4.3	<p><b>DITT should take initiatives to improve the management of the national broadband fiber network</b></p> <p>Effective and efficient management of national broadband fiber network would ultimately result in meeting the intended objectives of national broadband master plan. Currently, the RAA observed several lapses including weak monitoring mechanism in the overall management of the National Broadband Fiber Network that need to be improved.</p> <p>DITT, being the representative of the government and the</p>	<p>➡ ensure that BPCL maintains separate accounts for O&amp;M and depreciation funds;</p>	<p>Send a letter to BPCL asking them to maintain separate O&amp;M and depreciation accounts.</p> <p>Ask BPC to submit bank statements of both O&amp;M and depreciation accounts.</p> <p>Implement the clauses from the contract agreement between DITT and BPC, which are relevant to these activities.</p>	01/07/2021 to 30/06/2022	<p>DITT before releasing the O&amp;M and Depreciation funds to BPC collects the details of the O&amp;M and depreciation accounts, the O&amp;M expenditure of the previous year and also collects the bank statements of the depreciation funds available.</p>	<p><b>Partially Implemented</b></p> <p>The response has been noted. However, the DITT should share the complete set of documents received from BPCL for releasing the funds for RAA's review and verification.</p> <p>Until such time, the recommendation shall remain partially implemented.</p>



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Rec. No.	Main Recommendation	Sub Recommendation	Management Action Plan	Timeline	Action Taken	Status of Review
	custodian of the infrastructure, should exercise due diligence and be vigilant in the overall management of the network.					
		<p>➡ monitor the allocation of dark fibers to operators and institute measures &amp; technologies to ensure efficient utilization of fibers which would help in sustaining the scarce fiber resources;</p>	<p>-Lease fibers as per the Bhutan Telecommunication and Broadband Policy.                      -Lease additional fibers as per the decision made during the 12th SCC meeting.                      -Lease dummy fibers between gewogs/terminals wherever feasible instead of leasing more than one pair in a single trunk from the substation                      -Monitoring and allocation of dark fibers is a continuous process. DITT shall ensure that the above mentioned activities are carried out to ensure utilization of fibers which would help in</p>	On going	<p>Following activities are being carried out continuously to ensure efficient utilization of fibers:                      -Lease fibers as per the Bhutan Telecommunication and Broadband Policy.                      -Lease additional fibers as per the decision made during the 12th SCC meeting.                      -Lease dummy fibers between gewogs/terminals wherever feasible instead of leasing more than one pair in a single trunk from the substation.</p>	<p><b>Partially Implemented</b></p> <p>While the recommendation shall be considered partially implemented, the DITT is required to submit the monitoring report and measures instituted for efficient utilization of fibers.</p> <p>DITT should also provide the details of additional fibers leased out with the location and stretches.</p> <p>Regarding the implementation of Wavelength Division Multiplex (WDM), the DITT may mention the stakeholders who have</p>

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			<p>sustaining the scarce fiber resources.</p> <p>-Stakeholders are already implementing WDM (Wavelength division multiplex) technologies in their network in which one core of fiber can be used for multiple services and such technologies could support in use of less number of fiber cores by the stakeholders. DITT shall continue to encourage use of such technologies. -With the current pandemic and limited budget, the department will propose additional measures and technologies in the 13th Five Year Plan.</p>			<p>started implementing the technology.</p> <p>Meanwhile, the DITT should provide a definite timeline for implementation of the recommendation.</p>

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		<p>➔ implement key controls and processes needed for prudent financial management such as periodic financial reporting, periodic release of fund after proper verification, and preparation of required financial statements of the national broadband fiber network;</p>	<p>- Since the project is completed, no payment shall be done for the project. However, since the O&amp;M and Depreciation fund has to be made every year, the recommendation provided shall be implemented whenever O&amp;M and depreciation payments are made. There is no start or completion date for this activity since this activity has to be carried out every year.</p> <p>- BPC shall be asked to submit the O&amp;M expenditure along with bank statements of the O&amp;M and depreciation accounts before releasing the O&amp;M and depreciation funds</p>	Ongoing	<p>DITT before releasing the O&amp;M and Depreciation funds to BPC collects the details of the O&amp;M and depreciation accounts, the O&amp;M expenditure of the previous year and also collects the bank statements of the depreciation funds available.</p>	<p><b>Partially Implemented</b></p> <p>While taking note of the response, the fact is that there is no proper maintenance of financial records which had in fact led to mismanagement of depreciation fund in BPCL.</p> <p>Therefore, RAA reiterates that a proper financial records are maintained and come up with the periodic reporting of the funds and releases.</p> <p>Until such time, the recommendation shall remain partially implemented.</p> <p>Meanwhile, the DITT should provide a definite timeline for implementation of the recommendation.</p>

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		<ul style="list-style-type: none"> <li>➡ assess reliability and availability of fiber network based on monthly network availability reports submitted by Telcos and ISPs;</li> </ul>	<ul style="list-style-type: none"> <li>- DITT shall continue to assess reliability and availability of fiber networks based on the reliability reports collected from ISPs and BPC every quarter.</li> <li>- The same will be discussed in the Technical Coordination meetings and the National Fiber Coordination Committee meetings to resolve any issues.</li> </ul>	On going	DITT collects monthly reports from the ISPs and Telcos and publishes the report on the department's website quarterly.	<p><b>Implemented</b></p> <p>It has been noted that the DITT has carried out the assessments on reliability and availability of fiber networks for Telcos and ISPs. The quarterly reports for the same have been published on the website as well.</p> <p>In view of the above actions taken, the recommendation is considered implemented.</p>
		<ul style="list-style-type: none"> <li>➡ effectively use FMS for efficient identification of fiber faults and develop protocol for</li> </ul>	<ul style="list-style-type: none"> <li>-FMS for the National fiber network already established and the O&amp;M of the FMS is handed over to BPC.</li> <li>- Strengthening of FMS will require additional funding,</li> </ul>	01/07/2021 to 30/06/2022	<p>FMS continues to provide SMS alerts when the fibers being monitored are disrupted.</p> <p>DITT developed a SOP for Network Operation of Gewog/Dungkhag Network Extension which clearly defines</p>	<p><b>Partially Implemented</b></p> <p>While the DITT has developed an SOP for Network Operation of Gewog/Dungkhag Network Extension with the defined roles and</p>

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		resolving internet and fiber equipment issues in GCs and CCs with clear delineation of roles and responsibilities of FND, Dzongkhag ICT and CCs;	which will be taken up in the 13th Five-year plan. - Already started working with dzongkhags - O&M of GC and CC internet were dropped by Dzongkhags due to budget ceiling. However, dzongkhags will be requested to provision the budget from the next fiscal year and the ceiling will be considered by MoF if it is due to inclusion of the O&M of GC and CC internet.		roles and responsibilities of FND, Dzongkhag ICT and CCs. The same SOP was also shared with RAA.	responsibilities of FND, Dzongkhag ICT and CCs, the effective monitoring of fiber faults has not been established in FMS as it only took care of one core out of 24 cores in a cable.  Since there is a plan of expansion of FMS in 13th FYP, the recommendation shall be considered partially implemented.
		➡ incorporate advanced features in FMS to generate comprehensive management reports;	The current features available in the FMS is enough to carry out the monitoring of National Fibers. However, the department shall look into adding additional features if any based on availability of funds. There is no	On going	The current FMS only monitors one core out of 24 cores in a cable and doesn't provide alerts when the fiber cores which are not monitored by FMS are disconnected. DITT in collaboration with BPC has studied the expansion of the scope of the FMS. The overall expansion cost (the cost to monitor all fiber cores in ADSS	<b>Not Implemented</b> Since the DITT has listed expansion of FMS as one of the activities to be implemented in 13th FYP, the recommendation shall remain as not implemented.  Meanwhile, DITT should

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			completion date for this activity since the FMS shall be used continuously.		and one dark core of OPGW) is estimated at Nu. 138 Million. Whereas cost estimate for expansion of FMS to monitor fiber cores in most frequently breakage areas (particularly southern regions) is Nu. 57.3 Million. The DITT has listed expansion of FMS as one of the activities to be implemented in 13th FYP.	provide a definite timeline for implementation of the recommendation.
		☞ in collaboration with BPCL, establish proper mechanism for safe disposal of fiber optic waste; and	DITT will put up this recommendation to NFCC (National Fiber Coordination Committee) and form a working group to come up with a mechanism to dispose fiber waste.	01/07/2021 to 31/12/2022	DITT and BPC in collaboration drafted SOP for disposal of fiber optic waste. The SOP was reviewed by the NEC (National Environment Commission). Along with other SOPs, this SOP is also sent to BPC for their management's signature. PFA the draft SOP.	<b>Implemented</b>  The recommendation is considered implemented based on the development of guidelines for disposal of optical fiber waste in August 2021.  However, BPCL should ensure that safe disposal of fiber optic waste is carried out as per the guidelines.
		☞ in coordination with other relevant authorities such	These activities will require consultation with other agencies like BPC, BEA and	01/07/2021 to 30/06/2023	BPC has revised their RoW clearance frequency especially in areas that need repeated RoW clearance. BPC informed	<b>Not Implemented</b>  The DITT is yet to consult with the relevant agencies

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		as BICMA and BEA, define and implement standards for the installation of fiber including safety, clearance of vegetation and trees around the BPCL utility poles and fiber cables.	BICMA. With limited number of staffs and planned activities for the current plan, the realistic timeline to complete the tasks would be as per the deadline provided.		the department through their letter 26/BPC/ICD/FND/2021/231 dated 30th June, 2021. PFA the letter received from BPC.	and come up with the standards for installation of fiber cables.  The timeline provided for implementation of the recommendation is until 30 June 2023.
4.5	<b>Ministry of Information and Communications should continue pursuing implementation of third international internet gateway and establishing the national fiber optic redundancy</b>  Bhutan today has only two		The Ministry should keep on pursuing the implementation of alternative international internet gateway.  A deadline cannot be drawn for this activity since the completion of third gateway is depended on other countries like India and Bangladesh. The	On going	DITT is continuously pursuing the implementation of the Third International Internet Gateway. During Hon'ble Lyonchen's visit to Bangladesh from 23-25 March 2021, the Hon'ble Prime Minister of Bangladesh, Her Excellency Sheikh Hasina offered internet bandwidth to Bhutan at a friendly rate for the route under their jurisdiction	<b>Partially Implemented</b>  The response has been noted. However, the Ministry should keep on pursuing the matter and update the status to RAA. Meanwhile, the MoIC may provide a timeline for implementation of the recommendation.

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	<p>international gateways. However, both of these gateways ultimately merge which poses a high risk of complete disconnection of Internet in the country if there is a failure. This could not only affect the ability of the government to provide services to the citizens, it would also result disconnection of telecommunication services leading to chaos in case of disasters and national emergencies. Moreover, it would discourage international ICT investments in Bhutan affecting the ICT job markets and tech innovation. Furthermore, Bhutan, being in a seismic zone, is susceptible to earthquakes and also other natural disaster. Thus, it is of paramount importance that this network is not disconnected due to disasters by establishing national fiber optic</p>		<p>Department is however continuously working on the implementation of the gateway. In addition, there is no budget allocated to this initiative although it was proposed by the Ministry during the 12FYP.</p>		<p>(Comilla-Kuakata-Singapore) as a special gesture of goodwill and friendship. In line with the offer, the Ministry conducted several rounds of consultation meetings with the Embassy of India at different levels including our local ISPs/TSPs. The Indian side requested if the MoIC could write formally to the Indian Ambassador about the offer made by the Government of Bangladesh and the RGoB expected rates in light of this offer, so that the cycle can start again and the matter taken forward expeditiously. This would enable them to take up the matter with relevant agencies in India to come to a fruitful outcome at the earliest. GoB's offer was officially communicated to Bhutan on 3rd January, 2022. The offer received from GoB has been</p>	



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	redundancy. Therefore, having a third international internet gateway is critical and imperative for Bhutan and the Ministry should keep on pursuing the implementation of alternative international internet gateway and also re-examine the plan to establish the domestic fiber optic redundancy and implement reliable fiber redundancy.				shared with GoI through a note verbale on 7th January and GoI has been requested to further request their ILD operators to bring down their costs so that the cost for the full link is between USD 4 to USD 4.5. The response from GoI has not been received as of now. MoFA is constantly following up with the representatives of GoI on their response to our requests. MFA informed that EoI will inform of their decision in the next few weeks.	

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Rec . No.	Main Recommendation	Sub Recommendation	Management Action Plan	Timeline	Action Taken	Status of Review
4.4	<p><b>BPCL should institute measures to improve operation and maintenance of national broadband fiber network</b></p> <p>Having a reliable national broadband fiber network is critical for telecommunication and ICT services which could result in enhanced delivery of services, access to knowledge and skills, thereby achieving the vision of becoming a digital society. The operation and maintenance of such a backbone infrastructure is therefore critical to ensure availability and reliability of the network.</p> <p>The RAA noted several lapses with regard to operation and</p>	<p>➤ Preventive maintenance plan should be developed and implemented to ensure the proper functioning of the fiber network resulting in cost savings in the O&amp;M fund.</p>		January 1, 2021 to December 20, 2021	The office has developed the preventative maintenance manual (manual attached). As a part of target works, the office has carried out the preventative maintenance works in the year 2021 and also set target works for the year 2022. The details of the preventive maintenance works carried in the year 2021 and to be carried in the year 2022, are attached.	<b>Implemented</b>  Since the BPCL has developed the preventative maintenance manual and same has been implemented, the recommendation is considered implemented.
		<p>➤ BPCL should analyse the causes of fiber cuts and disruptions to gain insights and implement corrective measures in the plan.</p>		Yearly(at the end of year)	We have extracted the data from our online fiber issue reporting ticket system to do analysis on types of fiber faults attended by O&M team of Fiber Network Division in the year 2021. The report is attached here for your references. From the analysis, it was found that issue inside Joint box and rodent attack were found highest reported cases in term of causing the fiber network disruption and affecting the reliability. Therefore, the office has identified some of the fiber routes which have	<b>Partially Implemented</b>  While the BPCL has identified the major causes of fiber cuts and disruptions, the implementation of preventive works for 2022 is yet to be reviewed.  Regarding the installing of the anti-rodent ADSS in few of the places, the BPCL should share the status report on the effectiveness

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	<p>maintenance of the national broadband fiber network which needed improvements. In this regard, the following should be implemented.</p>	<p>➔ BPCL should strengthen internal coordination between Electricity Service Division and Fiber Network Division in order to reduce wastage of time, efforts and resources and enhance efficiency.</p>		<p>January 1, 2021 to December 20, 2021</p>	<p>reported major issues pertaining to Joint box and rodent attacks. These routes are the Division’s target works for year 2022 as a part of preventive maintenance to provide reliable fiber network services.</p> <p>The maximum number of FND’s online support ticket raised were on planned works (realignment and new connections), total of 156 in the year 2021 (report available in fiber fault analysis). Since after the office sent letter or Distribution &amp; Customer Service Department (DCSD), citing all the works that Fiber Network Division (FND) needs to coordinate with Electricity Service Divisions (ESDs) and ESDs to share the any plan or ad-hoc works that also requires fiber works, Fiber Network Division (FND) has been receiving information regarding the ESD’s planned works and fiber fault information through online ticket system or through emails. Attached some of the emails received from</p>	<p>of the same. Until such time, the recommendation shall remain partially implemented.</p> <p><b>Implemented</b></p> <p>It has been noted that the Fiber Network Division (FND), BPLC has instituted an online ticket system for information sharing on the ESD’s planned and adhoc works which includes the fiber works as well.</p> <p>The information is received either through the online ticket system or emails and accordingly it is assigned for resolving the issues.</p> <p>In view of the above initiatives, the recommendation is considered implemented.</p>

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					the ESDs regarding their realignment/shifting plans.	
		<ul style="list-style-type: none"> <li>➤ BPCL should develop clear protocols for imposing fines and penalties in case of fiber disruptions caused through human interventions.</li> </ul>		January 1, 2021 to January 1, 2021	Final guideline is endorsed by BPC’s management and shall be shared with DITT. Attached here the final copy of guideline and some of the implemented guideline at the field. The third party damage and realignment compensation collected in the year 2021 is accounted to O&M fund. The total 2021 O&M expenditures is deducted by the total compensation received. Its shown in the expenditures statement of 2021 enclosed	<p><b>Implemented</b></p> <p>Since the guidelines on third party damage compensation and realignment cost recovery for fiber optic asset is developed and accordingly implemented, the recommendation is considered implemented.</p>
		<ul style="list-style-type: none"> <li>➤ The realignment charges for the shifting fiber cables and the fines and penalties collected for fiber damages should be accounted for in the O&amp;M fund.</li> </ul>				
		<ul style="list-style-type: none"> <li>➤ BPCL should ensure to clearly segregate the O&amp;M expenditure statement of 18 fiber cores funded by RGoB and 6 fiber cores allotted to BPCL.</li> </ul>		Yearly(at the end of year)	The expenditures statement submitted to the DITT via letter no.26/BPC/MoIC/2022/42 dated march 14, 2022, we have segregated the O&M expenditures for 18 cores fiber and 6 cores fiber. The copy of statement enclosed.	<p><b>Implemented</b></p> <p>With the segregation of O&amp;M expenditure of 18 fiber cores funded by RGoB and 6 fiber cores of BPCL, the recommendation is considered implemented.</p>

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		<ul style="list-style-type: none"> <li>➤ BPCL should contribute Nu.0.300 million to FND which was not contributed earlier for training funds.</li> </ul>		January 1, 2021 to June 30, 2021	The reimbursement of fund was carried as per the recommendation and the payment details were submitted to your good office through our letter no. 09/ICD/BPC/2018/vol-I/25 dated August 2, 2021. Since there is no further action to be taken, the recommendation is considered as closed.	<p><b>Implemented</b></p> <p>The refund of Nu.0.300 million on account of training expense was made to FND by the BPCL on 11 May 2021.</p> <p>Therefore, the recommendation is considered implemented.</p>

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4.2	<p><b>BICMA should strengthen its regulatory functions</b></p> <p>The Information Communications and Media Act of Bhutan 2018 provides BICMA with a mandate to</p> <ul style="list-style-type: none"> <li>maintain and promote competition for the ICT services market,</li> <li>regulate infrastructure sharing,</li> <li>protect consumers of ICT services by monitoring tariff and quality of ICT services,</li> <li>set standards for ICT services,</li> <li>ensure universal access to all ICT services at affordable rates.</li> </ul> <p>However, the RAA observed that while the regulatory framework for the management of telecommunications and ICT services are adequately provided in the ICM Act, there is a limited enforcement of these provisions by BICMA. Thus, there is a need to</p>		<p>Tariff implementation monitoring.</p> <p>Monitoring and evaluation of QoS for mobile.</p>	April 2021 and will be conducted quarterly a year	<p>Along with the submission made to the Royal Audit Authority (RAA) vide BICMA/RAA/2021-2022/982 dated 23rd December 2021, the additional information is also being submitted as follows along with the attachments:</p> <p><b>1. Telecom Quality of Services</b></p> <ul style="list-style-type: none"> <li>Regularly monitors the Quality of Service (QoS) of telecom services and also requires Telecom operators to submit monthly QoS Operation Support System (OSS) generated reports. Based on the monitoring results and systems reading the quarterly reports are also published and actions taken to improve the services.</li> <li>The quarterly reports on QoS monitoring is also available from the website link <a href="https://www.bicma.gov.bt/bicmanew/?page_id=168">https://www.bicma.gov.bt/bicmanew/?page_id=168</a></li> <li>Also carries out field monitoring whenever the formal complaints on the QoS are received from the users.</li> <li>Issued Directives to Telecom Operators to</li> </ul>	<p><b>Implemented</b></p> <p>The BICMA besides regular monitoring of QoS of the telecom and cable television services had fined two telecos, BTL and TICL for failing to meet the quality services as per the standards during the lockdown period.</p> <p>It has also been reported that BICMA carries out the monitoring based on the system reports submitted by the telecos on priority basis and the quarterly reports are published on the website.</p> <p>While there is a budget constraint for BICMA to sensitize and issue awareness on the BICMA’s activities through National Television, the social awareness is being mostly</p>

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	<p>enhance the visibility of BICMA’s role in the regulation of the national broadband fiber network and strengthen its regulatory functions and monitoring mechanisms. These may include extending the assessment of quality of services across the country, implement strategies to ensure affordable telecommunication &amp; ICT services and to promote competitive ICT market.</p>				<p>improve the QoS vide Director no. BICMA/Legal/2022/2011 on 24th February 2022.</p> <ul style="list-style-type: none"> <li>● Imposed penalties to BTL and TICL for not meeting the key performance standards during the lockdown period which the penalty had been paid by Telcos later.</li> <li>● Issued letter to submit the expansion plan to enhance QoS of telecom services vide letter no.BICMA/SMD/KPI/2021-2022/1120, 1119 dated 26th January 2022.</li> <li>● The telcos have shared concern on enhancing the mobile QoS due to telcom not being able to acquire the telecom sites from concerned agencies like Thromde, Dzongkhag and local government. The site expansion and densification is the only way to enhance mobile QoS. Thus, BICMA has collaborated with other government agencies (Thromdes) in facilitating the telecom site acquisition to improve QoS of telecom services. The meeting was also held with Thromde on 31st March 2022. All the concerned agencies should come together and facilitate the telcos to enhance</li> </ul>	<p>covered through the print and social medias.</p> <p>In view of the above actions taken, the recommendation is considered implemented.</p> <p>However, the BICMA should not confine their regulatory functions just on the complaints but could go beyond and can be proactive rather than being reactive in monitoring.</p>



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					<p>mobile QoS by facilitating site access approval.</p> <ul style="list-style-type: none"> <li>● Is also developing the Quality of Service Regulation/Guidelines where the telecom operators need to fulfill the technical benchmarks at all times.</li> <li>● Covered numerous awareness articles in Kuensel dated 2nd February and 8th April 2022 on the mobile quality of services urging the public to lodge complaints.</li> </ul> <p><b>2. Cable Television Services</b></p> <ul style="list-style-type: none"> <li>● Issued directives and notifications on a regular basis to Cable Operators to improve the quality of cable television services in the country (Vide letter no. BICMA-MCD/CATV/2021/554,563,1213,1261,1285,1327).</li> <li>● Issued press releases for the public on the details of TV channel and contacts to lodge complaints if required on 23<sup>rd</sup> March, 2022 vide letter no. BICMA/PR/2022/1256.</li> <li>● Published Quarterly report on cable TV services (first quarterly report from January-March, 2022).</li> </ul>	

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					<ul style="list-style-type: none"> <li>● Issued warning to Cable Operators which received maximum number of subscriber complaints vide letter no. BICMA-MCD/CATV/2022/1327 dated 1<sup>st</sup> April, 2022).</li> <li>● Imposed fines and penalties to Multi-Service Operators (Vide letter no. BICMA-MCD/MSO/2022/1203 dated 17th February, 2022 and BICMA/MCD/MSO/2021/5731 dated 03 May, 2021).</li> </ul> <p><b>3. Any Other Enforcement Activities</b></p> <ul style="list-style-type: none"> <li>● Regularly monitors the unauthorized frequency spectrum usage and interferences among the spectrum users.</li> <li>● Regularly monitors the Electromagnetic Field Radiation Emission from the telecom towers and certifies the respective mobile site stations.</li> </ul>	

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# **EXHIBIT-B**

**Review Report of Performance  
Audit Report on the  
Operations of NRDCL**

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Rec. No.	Main Recommendation	Sub Recommendation	Management Action Plan	Timeline	Action Taken	Status of Review
4.2	<p><b>The NRDCL should ensure reinforcing clear coordination mechanisms in consultation with MoAF and MoEA</b></p> <p>The NRDCL as the SOE involved in extraction of natural resources, its business operations are highly regulated and is obliged to comply with range of laws, rules and regulations, directives and orders of different agencies. It also needs to collaborate with multiple agencies in operating its business and delivering its services. The inadequacies noted in coordination with various agencies and stakeholders were found to cause impediments in attaining efficiency of its operations and in the delivery of its services. The coordination needs to be strengthened specifically with the following agencies and stakeholders.</p>	<p><b>i. Department of Forest and Park Services</b></p> <p>As the overall regulatory body, the department coordinates with the company throughout the process of developing FMP, AOP, and extractions and disposal from depots. There is a need for collaboration in estimating market demands based on which the annual extraction quantities are determined. NRDCL faces challenges of not matching the demands and resulting in huge balances of unsold stock. During the extraction and transporting, there is a need for a coordinated approach in scheduling the NRDCL's plan of extraction on the basis of markings done by the DoFPS. Further, when the timbers are allotted from the depots, the presence of forest personnel are required to clear the 70</p>	<p>Coordination meetings will be conducted with DoFPS at least once in a year to discuss and resolve the issues.</p> <p>Production targets will be fixed in consultation with the DoFPS.</p>	Dec 2021 and repeated every year	<p>A co-ordination meeting with DoFPS on timber target setting and other related issues was conducted on 6 - 7, January, 2022. A copy of letter is attached <b>as annexure - i.</b></p> <p>Following the coordination meeting, the DoFPS vide letter no.583 dated 15.01.2022 has shared the timber production and scientific thinning targets for 2022. The target for 2022 is fixed at 3.36 million Cft in standing volume equivalent to 1.76 million Cft in log volume from FMUs, adhoc areas, outside FMUs along with 122 hectares of identified thinning sites across various divisions. The volume of lops and tops target for extraction is fixed at 1.95 million Cft which is inclusive of undisposed lops</p>	<p><b>Partially Implemented</b></p> <p>The coordination meeting between NRDCL and DoFPS has been noted.</p> <p>However, the NRDCL should make an arrangement with the DoFPS to have a mandatory coordination meeting to discuss the coordination and collaboration problems faced, which can be done either through MoU or executive order.</p> <p>Until such time, the recommendation shall remain partially implemented.</p>

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		consignments. The efficiency of NRDCL depends on the availability of officials from the DoFPS and any delay caused in completion of work by DoFPS affects the efficiency of the company. Further, there is also a need to collaborate with the department in safeguarding the plantations/regenerations through regular monitoring and enforcement of penal provisions of FNCRR 2017 for any offences perpetrated to the plantations/regeneration work carried out.			and tops from 2021 and those that will be generated from 2022 timber extraction activities. The letter for fixation of target by DoFPS is attached as <b>annexure - ii.</b>	
		<b>ii. Association of Wood Based Industries</b> The formation of AWBI has no legal basis as it is not registered under any legal instruments. Notwithstanding its status, it is seen to be actively	With regard to coordination with DoFPS in relation to allotment of timber to AWBI as per the TEDM, NRDCL shall review the existing TEDM and submit to the DoFPS for required revision.	Dec 2021	The TEDM 2019 has been reviewed point by point and the feedback for revision was submitted to FRMD, DoFPS during the coordination meeting in January 2022. Since NRDCL and AWBI are guided by same TEDM, DoFPS has been requested	<b>Partially Implemented</b>  Since the review and revision of TEDM 2019 has been initiated, the recommendation is considered partially implemented.

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		engaged in obtaining the allotments as an association representing the whole wood-based industries. As such, NRDCL coordinates with AWBI in allotment of timbers as per TEDM. The timbers allotted are lifted by saw millers from NRDCL's depots after making payments. There had been occasions when saw millers failed to lift the timber beyond the maximum time allowed and the company not being able to invoke penalty clauses as per TEDM apparently due to lack of accountability mechanism.			to organize a meeting. A copy of reviewed feedback shared to DoFPS is attached herewith as <b>annexure - iii</b>	However, the full implementation shall be considered upon reviewing the revised TEDM.
		<b>iii. National Resources Pricing Committee</b> As per the Executive Order 2007, the prices are to be	NRDCL will work closely with the MoAF in implementing the guidelines on NRPC issued by the Ministry	Dec 2021 to April 2022	The matter was discussed during the co-ordination meeting held on January 6 <sup>th</sup> and 7 <sup>th</sup> , 2022 and it was informed that the DoFPS is	<b>Partially Implemented</b> The response has been noted. However, the recommendation shall

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		determined by NRPC after factoring in the actual cost incurred by NRDCL in extractions. In order to ensure that prices are not solely driven by the cost submitted by NRDCL, there is also a need for a mechanism of assessing and revalidating by an independent body to assess efficiency of cost. The collaboration with NRPC is essentially required to ensure affordability of prices and that additional costs resulting from its inefficiencies are not passed down to consumers.	and take up with the Ministry for timely revision of NRPC rates in accordance with the guidelines.		planning for separate meeting on NRPC very soon. Meanwhile, the details on costing is being worked by the NRDCL management for submission to the NRPC as and when asked.	remain partially implemented until the decisions of DoFPS is shared with RAA.
		<b>iv. Office of Consumer Protection, Ministry of Economic Affairs</b>  As per Executive Order 2007, MoEA is required to	NRDCL will intimate the OCP on any changes in the NRPC rates.	Sep 2021 and continuous process	The NRDCL management vide letter No, NRDCL/HO/FRD/PMS/02/2021/1058 dated 07.09.2021 has notified the OCP on prevailing NRPC	<b>Partially Implemented</b>  While OCP implements and plans to monitor the timber prices, there is no defined or agreed

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		monitor the timber prices and also issue public notification of prices in all forms of media. There were no evidences of monitoring of prices carried out by Office of Consumer Protection, Ministry of Economic Affairs. There is a need to scale up monitoring role to enforce the NRPC rates.			rate for timber, sand and stone. As a follow up action, the OCP had prepared a plan of action for monitoring the NRPC rates and carried out some field inspection as well. Few saw millers in Thimphu and Wangduephodrang were penalized for charging more than NRPC rates for sawn timber. Further, Office of OCP will be intimated on any changes in the NRPC rates. A copy of letter to discuss the issue with OCP is attached <b>as annexure – iv</b>	mechanism for coordinating with NRDCL and DoFPS for future plans.  Until such mechanism is put in place, the recommendation shall remain partially implemented.
4.4	<b>The NRDCL should institute robust cost control measures to enhance profitability</b>  The analysis of financial statements showed that that the profitability over the years have not been consistent. Even with increase in sales, there had been instances of dwindling profits indicating that the company had not been able to optimise its		<b>Action Taken:</b> 1. Fixed expenses limited to approved Budget 2. Quarterly budget utilization and variance if any reviewed and reported <b>Action to be taken:</b> 1) Review item-wise expense and identify possible reductions.	Nov 2021 to June 2022	3. Fixed expenses limited to approved Budget 4. Quarterly budget utilization and variance if any reviewed and reported  The review and study of expenses is in progress. Expense review and analysis are focused on the following:	<b>Partially Implemented</b>  Since the expense review and analysis is being initiated, the recommendation shall be considered partially implemented.  However, the full implementation shall be considered upon review



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	<p>returns due to its inability to contain cost. The main driver of inconsistent profitability had been the cost which had shown erratic trends at company level as well as at individual unit level. Comparisons between different units/regions producing same products, also showed differences in the proportion of different costs to its production. If the management have proper cost accounting system in place then it could help in avoiding losses arising due to many factors, such as low demand, competitive conditions, change in technology and seasonal demand for the product. There is an opportunity for the company to optimise costs through appropriate cost control measures. Therefore, the company should review and reinforce the current cost control measures to attain cost effectiveness of its operations across business units as well at the overall company level.</p>		<p>2) Review and identify commercially not viable operation sites and report for policy decision on cost vs mandate of making resources available and accessible.  Review and analyze cost per unit and fix standard unit cost based on set production threshold and site conditions.</p>		<p>i) Region wise and product/activity wise                      ii) Standardization of unit cost based on volume, nature of business (planned &amp; ad-hoc), site condition, transportation distance (forest road &amp; highway).                      iii) Exploring the possibilities of reducing in the controllable expenses.</p> <p>We would like to inform that the review study is expected to complete by May 2022.</p>	<p>of the reports that is expected to be completed by May 2022.</p>

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4.5	<p><b>The NRDCL should optimise the utilisation and management of machineries and equipment</b></p> <p>NRDCL has a wide range of machines and vehicles which are an integral part of the company’s daily operation in carrying out its mandates. Most of the machines are job-specific machines that are not commonly used or available in the market. Over the years, the company had not been able to achieve optimum utilisation of its machineries and equipment. The NRDCL has developed standard operating procedure for machineries between 2015 and 2020. In order to ensure optimal utilisation and effective management of the machineries and equipment, the company needs to focus on following:</p>	<p>i. Developing a clear strategy for utilisation, repair &amp; maintenance, replacement and dispose-off based on the life span and working condition of the machineries;</p> <p>ii. Exploring the possibility of establishing a dedicated workshop or collaborating with relevant parties to provide timely repair and maintenance of the machineries;</p> <p>iii. Instituting a system of certifying the operators in collaboration with relevant agencies; and</p> <p>iv. Ensuring availability of spare parts based on maintenance plan at each regional offices.</p>	<p>i. Review and revise the Machinery Replacement Plan annually.</p> <p>ii. Review and revise the machinery utilization factor, which shall include the utilization strategy based on the practical field conditions.</p> <p>iii. Review and revise the SOP/guidelines for repair and maintenance of machines and spare parts.</p> <p>iv. There already is a plan to establish a workshop, for which study will be conducted.</p>	Nov 2021 to July 2022	<p>i.ii.iii. Machinery replacement plan and machine utilization factor along with SOP/guidelines are being holistically studied and the draft report is ready. The same will be presented to Management for finalization</p> <p>iv. Draft report on proposal of strengthening mechanical service unit centrally is also included in the above the report. A copy of draft report is attached as <b>annexure – v.</b></p>	<p><b>Partially Implemented</b></p> <p>The recommendation is considered partially implemented since the draft report for managing and optimizing the use of machineries and equipment has been developed.</p> <p>However, the full implementation shall be considered upon finalization of the report and accordingly implemented.</p>

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			Either a centralised or mobile workshop will be established based on feasibility study report.			
4.6	<p><b>The NRDCL should institute a system of operationalising its CSP through annual plans</b></p> <p>The Corporate Strategic Plan as a strategic document provides overall direction of the company from the period 2019 to 2030. The targets are cascaded down to Annual Performance Compacts of the company which is signed with the DHI on an annual basis and further cascaded down to division levels. However, the compacts are only targets and do not specify strategies to be pursued in the form of specific activities that are assigned to divisions and individuals. Thus, there is a missing link as far as annual plans are concerned. The company does not have a 72 system of having a separate</p>		The operation plan for the CSP will be developed and implemented annually.	Nov 2021 to March 2022	<p>The company is in the process of revising the CSP itself to align it with revised DHI road map 2.0.</p> <p>However, CSP operational plan is drafted and ready for approval. A copy is attached herewith as <b>annexure –vi</b> for kind reference</p>	<p><b>Partially Implemented</b></p> <p>The response has been noted. However, the recommendation shall remain partially implemented until the approval of CSP operational plan.</p>

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	annual plan to operationalise the strategies of the Corporate Strategic Plan. The performance targets are evaluated at the compact levels but the fact that all strategies are not reflected in the compacts, and there is no system of preparing annual plans, there is no basis of monitoring and evaluation of annual activities. Therefore, there is a need to operationalise the strategic intents through annual plans which could be delegated to divisions and individuals within the organisation. The compacts could be derived from the operational plan.					
4.7	<p><b>The NRDCL should reinforce its credit management system and ensure robust credit follow-up mechanism</b></p> <p>The Credit Policy developed for regulation and management of credit is found deficient in terms of covering all aspects of credit management. There were</p>		Review and revise the credit policy	Dec 2021 to March 2022	The Credit Policy has been reviewed, revised and circulated for implementation. A copy of the Credit Policy is attached herewith as <b>annexure – vii</b> for kind reference.	<p><b>Partially Implemented</b></p> <p>While taking note of the revision in credit policy, the NRDCL needs to collect the long pending receivables immediately.</p> <p>Until such time, the</p>

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	<p>conflicting clauses on eligibility of customers for credit. The RAA noted total receivables amounting to Nu. 104 million from 228 customers as on 30th September 2020. The policy does not prescribe any procedure for assessing credit worthiness of general customers. A minimum procedure would enable the company to safeguard from risk of loss arising from customers' inability to pay the debt. The RAA noted that no such assessments were carried out prior to approval of credit. The inability of the company to realise its receivables within reasonable timeframe not only have adverse impact on its liquidity position but also would potentially affect its financial performance if required to be written off. As such, there is a need for the company to review its existing policy and reinforce the whole credit management systems to regulate its credits and receivables more efficiently</p>					<p>recommendation shall remain partially implemented.</p>

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	and effectively.					
4.8	<p><b>The NRDCL should enhance research and development activities for marketing its products</b></p> <p>The NRDCL besides being the premier agency for the extracting and distribution of commercial timber has no strategies developed for marketing. Without a market analysis, the NRDCL is not able to dispose of huge volumes of timber and stone chips. On the other hand, domestic consumers were found importing huge amounts of wood-based products from neighboring countries. The crushing units were closed as the company faced shortage of demand for stone chips resulting in huge unsold stock. These were apparently fueled by inadequate market studies conducted and appropriate strategies explored to dispose-off excess quantities of the products. Therefore, the NRDCL needs to enhance</p>		<p>A draft Marketing Strategy has been prepared and it is in the process of getting finalized. In the meantime, the management is piloting with a marketing and customer service unit to promote its activities and products.</p> <p>Similarly, it is planned to strengthen the research and development activities in the company, for which preparatory works have already begun through establishment of a team. If found feasible, a separate research unit will be set up.</p>	Sep 2021 to June 2022	<p>A Marketing &amp; Customer Service Unit has been established at the NRDCL HO. from September 1, 2021 and this Unit will be taking care of the marketing activities. Further, a draft Marketing Strategy has been prepared and it is in the process of getting finalized. The draft marketing strategy is attached as <b>annexure – viii.</b></p> <p>The draft concept paper on research and development is developed and is under review. If found feasible, a separate research unit will be set up. A copy of draft concept is attached as <b>annexure ix.</b></p>	<p><b>Partially Implemented</b></p> <p>It has been reported that the Marketing and Customer Service Unit was established at the headquarter since 1 September 2021 and a draft Marketing Strategy has been developed as well.</p> <p>Similarly, a draft concept paper on research and development has been developed and is under review.</p> <p>In view of the above, the recommendation shall be considered partially implemented. However, the NRDCL needs to study the viability of separate research unit and work accordingly.</p>

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	Research and Development activities in undertaking market studies to forecast demands and develop strategies to market its products.					
4.9	<p><b>The NRDCL should strengthen its HR development initiatives and performance management system</b></p> <p>In order to sustain overall human capacity within the organisation and also drive performance through motivated workforce, the development needs of the employees must be addressed through appropriate training and development interventions, and a good work environment. The work environment and occupational safety provided to its employees at field levels need improvements. Therefore, the NRDCL should focus on strengthening HR development activities to address the capacity gaps, performance gaps and also to sustain motivated workforce by addressing the training needs</p>	<p>i. Maintenance of proper records of HR decisions;</p> <p>ii. Ensure compliance to DHI guidelines on recruitment of employees</p> <p>iii. Enforcement of OHS protocols; and</p> <p>iv. Rationalise Incentive payment such as allowances.</p>	<p>1. Training Needs Assessments will be carried out annually and training plans prepared and implemented accordingly.</p> <p>2. Proper records of HR decisions will continue to be maintained through the minutes of management meetings.</p> <p>3. DHI guidelines on recruitment of General Managers is incorporated in draft revised Service Rules and Regulations (SRR) and future recruitment will be done based on the</p>	Jan 2022 to Jul 2022	<p>1. Training Needs Assessments is currently being conducted</p> <p>2. Important HR decisions is made through executive committee meetings. Agenda and minutes of meetings are well maintained and documented.</p> <p>3. DHI guideline on recruitment of General Managers has been complied by the company. It will also be included in SRR.</p> <p>4. Enforcement of OHS protocols:</p> <p>a) The common safety gears for workers on production basis is</p>	<p><b>Partially Implemented</b></p> <p>While taking note of the responses, the decision on entitlement of uniforms and safety gears and high altitude allowance which are currently under review is awaited.</p> <p>Therefore, the recommendation shall remain partially implemented.</p>

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	<p>in a more objective way and providing conducive work environment to its employees. The following actions amongst others be considered to address the current issues:</p>		<p>SRR.                      4. Enforcement of OHS protocols:                      a. The company will provide safety gears such as helmets, safety vests and gloves for common use at the work sites for crew members of departmental cable cranes engaged on production basis (temporary engagement).                      b. OHS standard and compliance on safety measures will be enforced to private contractors through terms and conditions executed with contractor.                      c. Company will continue to monitor and enforce compliance on safety measures by NRDCL staff.</p>		<p>worked out and will be provided from 2022. The procurement process got delayed due to lockdown and is currently being processed.                      b) Office order No. NRDCL/HO/CEO/01/2022/183 dated 8<sup>th</sup> April 2022 was issued to Regional and Branch Office under NRDCL, Thimphu to ensure the enforcement of OHS to private contractors. A copy of letter is attached herewith as <b>annexure – x</b>.                      c) Office order No. NRDCL/HO/CEO/01/2022/183 dated 8<sup>th</sup> April 2022 was issued to Regional and Branch Office under NRDCL, Thimphu to monitor and enforce compliance on safety measure by</p>	



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			<p>d. Company will review the entitlement for uniforms and safety gears including quality and frequency of entitlements within the limited resources available.</p> <p>5. High altitude allowance will be paid from 2022 after incorporating in budget for 2022.</p> <p>6. With regard to the insurance schemes and risk allowance, management will study and implement if found feasible, especially taking into consideration the company's financial situation.</p>		<p>NRDCL Staff.</p> <p>d) The entitlement of uniforms and safety gears is under review.</p> <p>5. The high altitude allowance entitlement is under review.</p> <p><b>Note:</b> Due to Covid-19 situation and lack of demand for the NRDCL products, the current financial position of the company is weak. Therefore, additional entitlements, allowances and insurance schemes are also subject to improvement in the financial health of the company.</p>	
4.10	<p><b>The NRDCL should study the allocation of budget for maintenance of roads</b></p> <p>Construction of forest roads is a key component in extraction and</p>		The inventory of the road will continue to be updated annually and guidelines will be developed for allocation of budget	Nov 2021 to March 2022	Guidelines have been prepared and developed for allocation of budget for road maintenance. A copy of guidelines is attached here with as <b>annexure – xi</b>	<p><b>Partially Implemented</b></p> <p>The recommendation is considered partially implemented with the development of</p>

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	distribution of timbers from the FMUs by NRDCL. Issues were noted in terms of construction of forest roads as well as in its maintenance. One of the main issue was allocation of equal amount of maintenance budgets (Nu. 14000 per KM per annum) for all roads irrespective of varying climatic conditions, frequency of use and degree of maintenance required. Therefore, the NRDCL should maintain a comprehensive road inventory and accordingly plan the allocation of maintenance budget on a need basis.		for road maintenance based on requirement. From 2022 onwards, allocation of the budget will be done accordingly.		for kind references.	guidelines for allocation of road maintenance budget.  However, the full implementation shall be considered upon approval of the guidelines and accordingly implemented.
4.11	<b>The NRDCL should immediately formalize and use the ERP system effectively</b>  The ERP is a system developed to enhance the service efficiency and improve data management, which still remains not used fully. It was also noted that some employees do not have the required competency of feeding data in the system, which has	i. NRDCL should formalise the use of ERP system to avoid data discrepancy and facilitate data-driven decision making; and ii. All employees required to use ERP should be trained on use of ERP and feeding data into the system in order to use the system	The system has been formalized but stabilization is taking some time. However, efforts are being made continuously to get the system stabilized.  All transactions will be done through the ERP from 2022 onwards, including the	Aug 2021 to June 2022	<ul style="list-style-type: none"> <li>Systems take time to stabilize and all efforts are being made for full use of the ERP. As of January 2022, the overall ERP usage is 89%. From 2022 the accounts are also fully migrated to ERP.</li> <li>The training on ERP would also continue on need basis.</li> </ul>	<b>Partially Implemented</b>  It has been noted that the system usage as of January 2022 was 89%, however, NRDCL management should make an effort to achieve 100% usage. Until such time, the recommendation shall remain partially

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	resulted in inconsistencies in the information maintained at headquarter and regions, making the data unreliable. Thus, RAA recommends the following:	effectively.	financial statements.		<ul style="list-style-type: none"> <li>It is ensured that the final reports used for business and strategic decisions are cross-checked, reconciled and verified to rule out errors and continuous efforts are being made to improve the information management system.</li> </ul> <p>A copy of report on ERP usage is attached herewith as <b>annexure- xii.</b></p>	implemented.

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4.3	<p><b>The MoAF should develop comprehensive guidelines for functioning of NRPC</b></p> <p>Except for the Executive Order 2007, there is no proper guidelines on processes for working of the Committee through delineation of specific roles and responsibilities and also prescribing process of fixing prices of natural resources. In the absence of the guidelines, there had been numerous inadequacies in managing the affairs of the committee in terms of composition of committees, organizing meetings, recording decisions and determining the prices.</p> <p>In order to ensure proper governance of the committee and also to play an effective role as intended by the Executive Order, a proper operational guidelines delineating roles and responsibilities of the committee and the procedures for fixing the prices of natural resources should be developed.</p>		03/11/2021 to 30/12/2022	<p>The FRMD has completed drafting the first draft of NRPC guideline which shall be further discussed with relevant stakeholders including NRDCL in the coming days.</p> <p>However we assure the Guideline will be completed before December 2022 as per the dateline indicated in MAP.</p>	<p><b>Partially Implemented</b></p> <p>The MoAF reported that the draft guideline for NRPC has been developed and consultation with the relevant stakeholders would be happen in a due course of time.</p> <p>In view of the above, the recommendation is considered partially implemented.</p>

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4.3	<p><b>DHI in consultation with MoAF should pursue the government to review and reinforce the mandates of NRDCL</b></p> <p>The NRDCL has multiple mandates of social, commercial and environmental nature, thereby placing obligations to comply with multiple authorities of statutes, rules, regulations, directives and orders. As the only SOE involved in the extraction of natural resources, the role of the company was primarily intended to focus on ensuring sustainable extraction, availability, affordability and accessibility of natural resources to the public. And aptly so, the restructuring of company was directed to purposely design its operations to promote these social objectives.</p>	<p><b>i. Vertical integration</b></p> <p>NRDCL was established as premier agency for sustainable management of natural resources and has a mandate of ensuring availability, accessibility and affordability of natural resources to the general public. While extraction of sand is fully nationalised and the company has about 95% market share, NRDCL has about only 30% share of the national market for timber and insignificant share in stone operations. In the case of stone business, especially in dredging of riverbed materials, the status of NRDCL to be accepted as the authorised agency recognised in the FNCRR 2017 is contentious, thereby posing difficulty not only to the NRDCL but to other stakeholders too. Therefore, the MoAF and the NRDCL should discuss and solve the issue pertaining to the recognition of ‘authorised agency’ by involving</p>	Not received		<p>The mandate change is normally held in the Shareholder’s meeting, as they discuss the amendment of the company’s Articles of Incorporation. NRDCL will be directed to follow-up with relevant authorities, including the DoFPS, for clarity of thoughts of the regulators, clarity on the mandate itself will be carried out and issued following the general/ shareholder meeting.</p>	<p><b>Not Implemented</b></p> <p>While the response has been noted, the DHI should provide the Management Action Plan (MAP) with a definite timeline for implementation of the recommendations.</p> <p>Until such time, the recommendation shall remain not implemented.</p>

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	<p>The company currently operates timber, sand and stone business, mainly focusing on extraction with limited involvement in value addition.</p> <p>Besides its sacred mandates of delivering social outcomes, the NRDCL as a DHI-owned company, is also thrust with commercial objectives of profit-making. DHI as the commercial arm of the Royal Government of Bhutan has a mandate of <i>“holding and managing the existing and future investments of the Royal Government for the long-term benefits of the people of Bhutan”</i>. It is deemed that NRDCL is squarely responsible for contributing towards its commercial objectives as one of its owned companies and hence, has obligations to meet commercial</p>	<p>appropriate authority.</p> <p>With regard to the extraction of timbers, 70% of the market is catered to by the extractions done by community forests, private forests and individuals under rural timber allotment system. Besides, there are cases of illegal extractions that are happening across the country. With its operations catering to only 30% of the market, the NRDCL is apparently not placed at a position that would enable the company to pursue holistic strategies for sustainable management of natural resource throughout the country. Besides rendering fragmented approach in conservation, involvement of multiple players in extraction would lead to various inconsistent practices due to varying methods, skills and technologies used in extractions. This distorts the holistic and harmonized way of conservation of forest resources and also weakens the accountability system. Further, illegal</p>				

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	<p>targets. In a bid to deliver results and meet the targets, the company has been reorienting its business strategies that are seen more conflicting than reinforcing its primary social mandates.</p> <p>Mainly in the operation of timbers, the company has resorted to diversification to several natural resources and forward integration in the value chain by engaging in value adding operations. These growth strategies come at the cost of private sector development as the private businesses involved in value addition processes could be disadvantaged in terms of accessing the raw materials and competing with a government owned company. Further, with growing demands for the company to manifest financial performance, it may potentially compel the company to resort to all out bid to promote commercial ventures at the cost of social obligations and thus, undermining its primary</p>	<p>extractions could be controlled if responsibility of extractions is entrusted with one agency. There is a need for a consolidated approach to managing extraction of timbers by entrusting responsibility to a single agency such as NRDCL. This would also ensure professionalising at greater scale with both human skills and technologies to render more scientific ways of extraction as well as conservation of forests with greater responsibility and accountability in managing country's resources.</p>				
		<p><b>ii. Private Sector Development</b></p> <p>With commercial mandates thrust on the company, the company may go all out bid to expand its operations and various strategies of business growth need to be explored. With no choice of backward integration beyond extraction, the options that lie before the company are diversification of its products and forward integration in its</p>				

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	<p>mandates.</p> <p>Therefore, in order to avoid such conflicts and resulting in shift of focus from its primary mandates, there is a need to explore sustainable way of managing it. This could only start from review of its current mandates specifically from the perspective of the following:</p> <p>Therefore, there is a need for the government to review the mandates of NRDCL in the context of its primary mandates (social objectives), government policy of promoting private sector and constitutional obligations of sustainable management of natural resources. Such exercise would bring out clear understanding of its purpose and reinforce its role</p>	<p>value chain of natural resources. This involves making entry into value chain where private businesses represented by Wood Based Industries (WBI) are already present. This would unfairly induce competition with those business as they may be placed at a disadvantaged position in terms of gaining access to raw materials and this advancement could be seen conflicting with the government policy of private sector development.</p> <p>As such there is a need to review the necessity for company to engage in value addition process at the cost of developing private sector and forge ways to navigate through such competing goals in order to avoid paralysis of private businesses and placing impediments before overall national objectives in a bid to save one.</p>				



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	as an instrument for advancing social priorities in the right context.					
		<p><b>iii. Limiting delivery of primary mandates</b></p> <p>With its mandates of ensuring availability, accessibility, and affordability, NRDCL has a huge social obligation that would have profound impact on lives of every citizen. Placing increasing obligations of financial targets apparently put pressure on company to balance between the conflicting demands of social and commercial objectives that may risk the company of ultimate failure or underperformance. Though mandates are not restrictive for NRDCL to resort to all-out effort to engage in range of commercial activities related to natural resources to maximize profits, its social obligations may not receive required degree of</p>				

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		attention.				

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