

རྒྱལ་ཁཚུངས་ཕྱི་མིའི་དབང་འཛིན།
Royal Audit Authority



Review Report of Performance Audits



March 2024

Reporting on Economy, Efficiency and Effectiveness



རྒྱལ་ཁབ་ལྷན་ཁྲིམས་ཞིབ་དཔང་འཛིན།
ROYAL AUDIT AUTHORITY

Bhutan Integrity House

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



RAA/(AG-SP)/03/2024/063

Date: 27 March 2024

The Hon'ble Speaker
National Assembly of Bhutan
Gyalyong Tshogkhang, Thimphu

Subject: Submission of Review Report of five Performance Audits

Your Excellency,

Pursuant to Section 42(b) of the Rules of Procedures of the Public Accounts Committee, 2017, the Royal Audit Authority (RAA) has the esteemed privilege to present the review report for the following five Performance Audit Reports:

1. Performance Audit on Provision of Drinking Water in Thimphu Municipality (AIN: 14732)
2. Performance Audit on Revenue Collection and Management in Thromdes (AIN: 15086)
3. Performance Audit Report on Food Self-Sufficiency & Security (AIN: 15651)
4. Performance Audit on Housing Development-Adequacy and Affordability (AIN: 15831)
5. Performance Audit of Microfinancing (AIN: 16179)

Following the receipt of Action Taken Reports (ATR) from the agencies concerned, the RAA conducted the desk reviews and the current statuses of the reports as of 15 March 2024 are detailed in the enclosed *Exhibits* for Your Excellency's kind reference.

Thank you.

Yours respectfully,

(Tashi)
Auditor General

Copy to:

1. The Hon'ble Prime Minister of Bhutan, Gyalyong Tshogkhang, Thimphu;
2. The Hon'ble Chairperson, National Council of Bhutan, Thimphu;
3. The Hon'ble Opposition Leader, Gyalyong Tshogkhang, Thimphu;
4. The Hon'ble Chairperson, Public Accounts Committee, Gyalyong Tshogkhang; and
5. The Hon'ble Members, Public Accounts Committee.

"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

1. Performance Audit Report on Provision of Drinking Water in Thimphu Municipality

The Performance Audit of Provision of Drinking Water in Thimphu Municipality was conducted with an overall objective to ascertain the effectiveness of Thimphu Thromde in providing safe, adequate, reliable and equitable drinking water to its population and covered the period from 2010 to 2016. The report was issued on 14 August 2017 and was discussed in the 11th Session (Joint Session) of the Second Parliament.

The RAA noted a series of concerning issues. The water supply distribution in the municipality exhibited unequal distributions among the users, illegal tapping, unauthorised connections, and multiple connections per dwelling. Approximately Nu. 28.49 million worth of water has been lost in the distribution network between the financial years 2010-2011 to 2015-2016 and Nu. 20.37 million of revenue was lost due to the failure to collect water charges in some areas of the municipality. Additionally, the RAA has observed instances of non-compliance with the water regulations and water quality requirements. The absence of a national drinking water master plan and a monitoring system for the water network further compounded the challenges. To address these issues, the RAA issued 15 recommendations to Thimphu Thromde, the erstwhile Ministry of Works and Human Settlement and the erstwhile NEC.

In the sixth desk review, the RAA sought ATRs from Thimphu Thromde, the Department of Water (the erstwhile NEC), and the Ministry of Infrastructure and Transport (MoIT) who were responsible for implementing the recommendations. The RAA received responses from the Department of Human Settlement, MoIT. However, the RAA has not received the ATRs from the Department of Water and Thimphu Thromde. After the sixth desk review, ten recommendations are considered implemented, and five are partially implemented.

The details of the status of the recommendations in the sixth desk review are attached as **Exhibit - A**.

2. Performance Audit Report on Revenue Collection and Management in Thromdes

The Performance Audit of Revenue Collection and Management in Thromdes was conducted with the overall objective to assess the efficiency and effectiveness of revenue collection and management for the period covering from 01 July 2012 to 30 June 2017. The report was issued on 25 May 2018 and was discussed in the 2nd Session (Joint Session) of the Third Parliament.

The RAA noted absence of a reliable central registry for revenue sources and weak internal controls in revenue management in all four Thromdes. Thromdes also lacks strategic plans for financial sustainability, and there was no clear grant phase-out plan between the Ministry of Finance and individual Thromdes. The Taxation Policy 1992, was not revised for 26 years, posing further challenges. To address these issues, the RAA made 14 recommendations. All 14 of them were applicable to Thimphu and Phuentsholing Thromdes, while Gelephu Thromde had 13 relevant recommendations, and Samdrup Jongkhar Thromde had 11.

In the fifth desk review, the RAA sought ATRs from all four Thromdes. The RAA received responses from Phuentsholing and Gelephu Thromdes. Despite reminders, the RAA has not yet received the ATRs from Thimphu and Samdrup Jongkhar Thromdes. Regarding Thimphu Thromde, six recommendations are considered implemented, and eight are partially implemented. In the case of Phuentsholing Thromde,

ten recommendations are considered implemented, and four are partially implemented. Gelephu Thromde has nine recommendations implemented and four are partially implemented. Samdrup Jongkhar Thromde has implemented seven recommendations, and four partially implemented.

The details of the status of the recommendations in the fifth desk review are attached as **Exhibit - B**.

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

The Performance Audit of Housing Development – Adequacy and Affordability was conducted with the overall objective of ascertaining the effectiveness of national housing development activity including home ownership programs in providing adequate, affordable, and livable housing in urban centers for the period covering from 01 January 2013 to 31 December 2017. The report was issued on 20 March 2019 and was discussed in the 5th Session (Joint Session) of the Third Parliament.

The RAA noted a lack of legislation specifically for housing development in Bhutan and a lack of a strategic focus on housing development at the policy level. There was also a lack of a central agency responsible for coordinating housing development activities of the various entities. Further, housing needs assessment was not carried and informal settlements were grappling with substandard living conditions with the rents in the core areas becoming unaffordable. The RAA provided 15 recommendations that are aimed at addressing the issues of housing development.

After the fifth desk review of ATRs submitted by the Ministry of Infrastructure & Transport and National Housing Development Corporation Ltd., nine recommendations are considered implemented and six are partially implemented.

The details of the status of the recommendations in the fifth desk review are attached as **Exhibit – C**.

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

The Performance Audit of Food Self-sufficiency and Security was conducted with the overall objective to ascertain the efficiency and effectiveness of the erstwhile 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 and was discussed in the 5th Session (Joint Session) of the Third Parliament.

The RAA noted inadequate institutional arrangement and integrated approach in achieving Food and Nutrition Security Policy, inadequate land classification and agriculture zones for effective regulations and monitoring of land use and management, inadequate crop compensation and insurance schemes to address crop damages and losses to wildlife and natural calamities, and non-maintenance of the National Food Security Reserve and SAARC Food Security Reserve. The RAA made 14 recommendations to address the shortcomings and deficiencies.

After the third desk review, nine recommendations are considered implemented and five partially implemented. The details of the status of the recommendations in the fifth desk review are attached as **Exhibit - D**.

5. Performance Audit Report on Microfinancing

Performance Audit of Microfinancing was conducted with the overall audit objective to ascertain the efficiency and effectiveness of microfinancing services in terms of agricultural development, poverty alleviation, women empowerment and entrepreneurship. The audit was conducted covering the period from 01 January 2014 to 31 December 2018. The report was issued on 25 October 2019 and was submitted to the 3rd Session (Joint Session) of the Third Parliament but it was not deliberated.

The report contained various shortcomings including a lack of strategic focus on microfinance development, issues of sustainability of Bhutan Development Bank Ltd. (BDBL), increasing trend of non-performing loans in BDBL, a huge number of litigation cases, and inadequate monitoring of loan projects. Six recommendations were provided in the report to address the issues in microfinancing processes and systems.

After the fourth desk review, all recommendations are considered fully implemented. The details of the status of the recommendations in the fifth desk review are attached as **Exhibit - E**.

EXHIBIT-A

**Review Report on Performance Audit of
Provision of Drinking Water in Thimphu Municipality**

Audit Report : Performance Audit Report on Provision of Drinking Water in Thimphu Municipality (AIN: 14732) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thimphu Thromde, Ministry of Infrastructure and Transport, Department of Water No. of Review : 6 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in brief	Status of Last Review	Action Taken	Timeline	Status of Review
4.1	Thimphu Thromde should provide a reliable and equitable water supply to its population	<p>Partially Implemented</p> <p>While RAA commends the efforts of Thimphu Thromde in addressing the water shortages, there are still water shortages and unequal distribution of water supply in most of the areas.</p> <p>Despite adequate drinking water, some residents do not get adequate drinking water. This is due to the fact that the Thromde has not come up with the proper planning and distribution network taking into consideration the size of population, user group and the concept of equity while planning the water supply.</p> <p>The RAA reaffirms that Thromde should develop a strategic water distribution plan which would provide a clear direction towards achieving reliable and equitable water supply to its population.</p>	<p>Thimphu Thromde</p> <p>Response not received.</p>		<p>Partially Implemented</p> <p>The recommendation shall remain as partially implemented, maintaining the <i>status quo</i> from the previous review, until Thromde provides an update on any progress made.</p> <p>The RAA sought Action Taken Report vide Letter No. RAA/DPCA/PAD (Review-Drinking Water)2024/1186 on 1 January 2024.</p>

Audit Report : Performance Audit Report on Provision of Drinking Water in Thimphu Municipality (AIN: 14732) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thimphu Thromde, Ministry of Infrastructure and Transport, Department of Water No. of Review : 6 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in brief	Status of Last Review	Action Taken	Timeline	Status of Review
		Until such time, the status of the recommendation shall remain the same. Further, the Thimphu Thromde should provide a definite timeline for implementation of the recommendation.			
4.2	Thimphu Thromde should establish a robust system to monitor and supervise the water distribution network	<p>Partially Implemented</p> <p>The status of recommendation shall remain the same until the Thimphu Thromde comes up with a robust monitoring system for water distribution networks.</p> <p>Further, the Thimphu Thromde should provide a definite timeline for implementation of the recommendation.</p>	<p>Thimphu Thromde</p> <p>Response not received.</p>		<p>Partially Implemented</p> <p>The recommendation shall remain as partially implemented, maintaining the <i>status quo</i> from the previous review, until Thromde provides an update on any progress made.</p> <p>The RAA sought Action Taken Report vide Letter No. RAA/DPCA/PAD (Review-Drinking Water)2024/1186 on 1 January 2024.</p>

Audit Report : Performance Audit Report on Provision of Drinking Water in Thimphu Municipality (AIN: 14732) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thimphu Thromde, Ministry of Infrastructure and Transport, Department of Water No. of Review : 6 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in brief	Status of Last Review	Action Taken	Timeline	Status of Review
4.3	Thimphu Thromde should maintain and safeguard the water distribution network	<p>Partially Implemented</p> <p>The Thimphu Thromde as per RAA's last comments should furnish the reports of inappropriate laying of water distribution pipes and non-functional bulk meters.</p> <p>Similarly, the blueprint of the water network system of the core city and Dechencholing in GIS should be updated while the digitisation of infrastructure for North and South Thimphu is completed and updated as well.</p> <p>The guidelines and SoPs for O&M of the water supply system so developed should be shared with the RAA for further review.</p> <p>Until such time, the status of the recommendation shall remain the same.</p>	<p>Thimphu Thromde</p> <p>Response not received.</p>		<p>Partially Implemented</p> <p>The recommendation shall remain as partially implemented, maintaining the <i>status quo</i> from the previous review, until Thromde provides an update on any progress made.</p> <p>The RAA sought Action Taken Report vide Letter No. RAA/DPCA/PAD (Review-Drinking Water)2024/1186 on 1 January 2024.</p>

Audit Report : Performance Audit Report on Provision of Drinking Water in Thimphu Municipality (AIN: 14732) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thimphu Thromde, Ministry of Infrastructure and Transport, Department of Water No. of Review : 6 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in brief	Status of Last Review	Action Taken	Timeline	Status of Review
4.9	Coordination amongst the relevant agencies and authorities should be strengthened	<p>Partially Implemented</p> <p>While taking note of the response, the RAA would appreciate receiving the reports or initiatives of the relevant agencies in implementing water management activities to provide reliable and safe drinking water to the beneficiaries and also to ensure sustainable development and management of water resources in the country.</p> <p>Until such time, the status of the recommendation shall remain the same.</p>	<p>Department of Water</p> <p>Response not received.</p> <p>However, the RAA noted that the mandate of the erstwhile Water Resource Coordination Division of the erstwhile NEC has been transformed as Department of Water (DoW) under the Ministry of Energy and Natural Resources.</p> <p>Therefore, the RAA sought ATR from the DoW accordingly. Nonetheless, the RAA has not received any response.</p>		<p>Partially Implemented</p> <p>The recommendation shall remain as partially implemented, maintaining the <i>status quo</i> from the previous review, until DoW provides an update on any progress made.</p> <p>The RAA sought Action Taken Report vide Letter No. RAA/DPCA/PAD (Review-Drinking Water)2024/1188 on 1 January 2024.</p>

Audit Report : Performance Audit Report on Provision of Drinking Water in Thimphu Municipality (AIN: 14732) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thimphu Thromde, Ministry of Infrastructure and Transport, Department of Water No. of Review : 6 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in brief	Status of Last Review	Action Taken	Timeline	Status of Review
4.10	The Ministry should develop the master plan for drinking water supply	<p>Partially Implemented</p> <p>The status of the recommendation shall remain the same until the water master plan for drinking water supply is developed.</p> <p>The Thimphu Thromde in coordination with the Ministry should provide a definite timeline for implementation of the recommendation.</p>	<p>Ministry of Infrastructure and Transport</p> <p>The Ministry of Infrastructure and Transport (the erstwhile MoWHS) responded that the Royal Commission for Urban Development in collaboration with MoIT and Thimphu Thromde has prepared the Water Services Master Plan for Thimphu consisting of drinking water, wastewater and stormwater in 2022-2023. The Plan was released for implementation to Thimphu Thromde vide letter no. RCU/Thimphu/2023-2024/890 dated 2nd November 2023.</p> <p>The Master Plan was shared with the RAA for verification.</p>		<p>Implemented</p> <p>The recommendation is considered implemented as the Ministry has developed a Water Services Master Plan.</p> <p>However, the implementation of the plan will be reviewed in the future.</p>

EXHIBIT-B

**Review Report on Performance Audit of
Revenue Collections and Management in Thromdes**

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
4.2	Thromdes should formulate strategies towards financial sustainability	<p>Partially Implemented</p> <p>RAA would like to re-emphasise all the thromdes to come up with a long-term financial plan and revenue targets in order to gear towards financial sustainability.</p> <p>Until such time, the recommendation shall remain partially implemented for all four Thromdes.</p> <p>Meanwhile, three Thromdes - Thimphu, Phuntsholing and Samdrup Jongkhar have not submitted the Action Taken Reports (ATR) despite sending a letter seeking a status update for the unresolved audit recommendations on 25 November 2021.</p>	<p>Thimphu Thromde Response not received.</p> <p>Phuentsholing Thromde With the decision of consolidating all tax collections (Land and Property Taxes) and deposits into the Property Tax System of the Ministry of Finance, Thromdes' long-term financial plan needs a revisit. The other revenue collecting sources like leasing of land, service fees and charges, penalties, etc. comprising around 70% of the total revenue generation is challenging Thromde's long-term plan for financial sustainability. Further, the current expenditure on an average comes to about 70-75% of the total collection and for the current financial year the expenditure has an increment of 15% of the total expenditure to the salary increment and therefore, financial sustainability continues to</p>		<p>Partially Implemented for all four Thromdes.</p> <p><i>For Phuentsholing and Gelephu Thromde:</i></p> <p>The RAA acknowledges the proactive initiatives taken by the Phuentsholing and Gelephu Thromde Offices to ensure financial sustainability.</p> <p>The primary rationale behind the recommendation was the perceived risk of Thromdes becoming excessively reliant on government subsidies, and not having a long-term plan to achieve financial sustainability as envisaged by the Thromde Finance Policy.</p> <p>Recognising the importance of ensuring Thromdes' financial sustainability, the RAA felt the</p>

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
			<p>remain a big concern. Nevertheless, Thromde has planned for the following strategies to move forward towards financial sustainability:</p> <p>Outsourcing of critical services: Considering outsourcing critical services to the private sector, reducing the workforce while maintaining Thromdes' role in monitoring.</p> <p>With the land and property taxes taken up, Thromde is emphasising on leasing out underutilised state land (vacant land with no immediate plans) and infrastructure to private individuals and companies for enhancing revenue generation. This is done by creating a conducive environment and ease of doing business. A clear SOP and TATs have been established to facilitate public services.</p>		<p>need to develop strategies, especially in light of the government's plan to gradually phase out subsidies.</p> <p>However, two significant developments have now taken place which shall be considered in further pursuit of this recommendation:</p> <p>(i) The major revenue streams for Thromdes (land and property tax) have undergone centralisation under the MoF due to recent tax reforms and government's plan to phase out grants and subsidies to Thromdes in future may require a relook.</p> <p>(ii) Discussions are currently under progress between the MoF and Thromdes to assess the feasibility of phasing out the</p>

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
			<p>Thromde is also working on increasing the service charges for waste collection and water as the current charges are very minimal and will be taken up in the upcoming Thromde Tshogde. Thromde has come up with a detailed fee-collecting plan.</p> <p>Rental collections: Proactive strategy with planned and organised manner to prevent non-payments and relaxed mode of such payment. The timely increments have also been implemented as per Tenancy Act.</p> <p>Gelephu Thromde Gelephu Thromde has developed the ARMS system. On the way forward, Thromde intends to enhance revenue sources such as:</p> <ol style="list-style-type: none"> 1. Rental fees for telcos; 		<p>grants and subsidies which is supposed to be concluded by 15 March 2024. This impending dialogue holds the potential to provide a different context for this recommendation.</p> <p>Therefore, the RAA decided to keep the implementation status of this recommendation as <i>status quo</i> until the outcomes of the MoF-Thromde's meeting scheduled for 15 March 2024 are shared with the RAA.</p> <p>Subsequent to the decision made during the upcoming MoF-Thromdes meeting, the RAA will reassess the relevance and practicality of the recommendation in collaboration with the respective Thromde Offices and accordingly update the implementation status.</p>

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
			2. Leasing of land to BPC for transformers; and 3. Charges for plant saplings and sewerage tanker. Samdrup Jongkhar Thromde Response not received.		For the Phuentsholing and Gelephu Thromdes, the ATRs submitted for this review will be taken into account for the next review without requiring a new submission. <i>For Thimphu and Samdrup Jongkhar Thromdes:</i> The RAA has not received any response from Thimphu and S/Jongkhar Thromdes despite reminders. The RAA sought Action Taken Report from Thimphu Thromde vide letter No. RAA/DPCA/PAD (Review-Revenue Collection/2024/1216 on 5 January 2024; and from S/Jongkhar Thromde vide letter No. RAA/ DPCA/PAD (Review-Revenue Collection/2024/1218 on 5 January 2024.

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
4.3	Ministry of Finance (MoF) in coordination with Thromdes should prepare grant phase-out plan	<p>Partially Implemented</p> <p>The four thromdes - Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar until they come up with the appropriate documents or plans in coordination with MoF, the recommendation shall remain partially implemented for all the thromdes.</p> <p>Meanwhile, three thromdes- Thimphu, Phuentsholing and Samdrup Jongkhar have not submitted the Action Taken Reports (ATR) despite sending a letter seeking status update for the unresolved audit recommendations on 25 November 2021.</p>	<p>Ministry of Finance</p> <p>The MoF has not responded to the RAA. However, it was noted (Through Phuentsholing Thromde) that the MoF has written a letter to all four thromdes stating that the Ministry has formed a Task Force constituting members from DTA, DRC, DMDF, AASB and DPBP to review this recommendation. The letter has requested all four Thromdes to present to the Task Force, no later than 15th March 2024, on:</p> <ol style="list-style-type: none"> 1. Revenue realisation and actual expenditure incurred for at least 5 FYs; 2. Projection of revenue and expenditure for the next 5 FYs; 3. Projection of loss in revenue due to centralisation of property tax; 		<p>Partially Implemented for all four Thromdes</p> <p>Similar to recommendation 4.2, this recommendation shall remain as partially implemented for all four Thromdes until a way forward decision is reached through the ongoing dialogue between MoF and Thromde Offices. The ATRs submitted for this Review by Phuentsholing and Gelephu Thromdes will be considered for the next review without requiring a new submission. Thimphu and Samdrup Jongkhar Thromdes are required to submit ATRs for the next review to evaluate the implementation status of this recommendation.</p>

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
			<p>4. Areas where fees and charges could be enhanced to increase revenue;</p> <p>5. Inventory of assets and liabilities of the Thromde; and</p> <p>6. Financial sustainability plan.</p> <p>Thimphu Thromde Response not received.</p> <p>Phuentsholing Thromde MoF in coordination with Thromdes should prepare a grant phase-out plan: to coordinate with MOF and submit the report by 15th March 2024. However, the grant phase-out plan will be difficult to initiate with the recent changes in property and land tax collection system. As of now, the revenue collection after deducting land and property tax is sufficient to cover the current expenses for the</p>		

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
			<p>Thromde (mainly to deliver the day-to-day services). Thromde has scheduled a meeting with MoF in the mid of February to discuss this matter.</p> <p>Gelephu Thromde Thromde has prepared the Grant Phase Out Plan and to improve financial reporting framework as per letter no: MoF-DPBP/Rules/2023-2024/474 dated 19th January 2024.</p> <p>Samdrup Jongkhar Thromde Response not received.</p>		
4.4	Thromdes should develop a revenue management strategy	<p>Partially Implemented</p> <p>The four thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar until they comes out with the revenue management strategy, the recommendation shall remain</p>	<p>Thimphu Thromde Response not received.</p> <p>Phuentsholing Thromde The Thromde Administration has already set the target for increasing the revenue generation for the current financial year by 3% from</p>		<p>Partially Implemented for Thimphu Thromde</p> <p>The recommendation will remain <i>status quo</i> for Thimphu Thromde as the RAA has not received any responses for this review. The RAA sought Action</p>

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
		<p>partially implemented for all the thromdes.</p> <p>Meanwhile, three thromdes - Thimphu, Phuntsholing and Samdrup Jongkhar have not submitted the Action Taken Reports (ATR) despite sending a letter seeking status update for the unresolved audit recommendations on 25 November 2021.</p>	<p>the previous year. However, this will remain a great challenge until the objective of financial autonomy for the Thromdes is not realised properly. The Thromde Administration is exploring ways and means to enhance revenue generation. For instance, recently a service charge for valuation of property (for loan, visa processing, court case, any purpose) has been introduced and have also been taking stringent action of delay payments by imposing penalties. Thromde is currently working on reviewing the charges for water and waste collection and is considering the possibility of increasing them.</p> <p>Gelephu Thromde Thromde decided to maintain a threshold revenue amounting to Nu. 10 million. It will also explore avenues to reduce controllable expenses like establishing basic</p>		<p>Taken Report vide letter No. RAA/DPCA/PAD (Review-Revenue Collection/2024/1216 on 5 January 2024.</p> <p>Implemented for Phuentsholing Thromde</p> <p>This recommendation is considered implemented for Phuentsholing Thromde, as the Thromde Office has established revenue targets and devised various strategies to manage the revenues. Furthermore, the Thromde Office is currently in discussions with the MoF regarding future strategies that could meet some aspects of this recommendation.</p> <p>Implemented for Gelephu Thromde This recommendation is considered as implemented for</p>

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
			<p>automobile workshops to reduce the maintenance cost of Thromde vehicles.</p> <p>Moreover, to enhance the revenue source, initiatives listed under recommendation 4.2 were implemented.</p> <p>Samdrup Jongkhar Thromde</p> <p>Response not received.</p>		<p>Gelephu Thromde, given that the Thromde Office has established a minimum revenue threshold and devised strategies to control the expenses where possible. Furthermore, the Thromde Office is currently in discussions with the MoF regarding future strategies that could meet some aspects of this recommendation.</p> <p>Partially Implemented for Samdrup Jongkhar Thromde</p> <p>The recommendation will remain <i>status quo</i> for S/Jongkhar Thromde in absence of ATR. The RAA sought Action Taken Report vide letter No. RAA/ DPCA/PAD (Review-Revenue Collection/2024/1218 on 5 January 2024.</p>

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
4.6	MoF and Thromdes should review and improve the financial reporting framework	<p>Partially Implemented</p> <p>While taking note of the response, the other three thromdes may consider adopting accrual accounting in a phase-wise and systematic manner in coordination with MoF.</p> <p>Besides, thromdes should implement key controls and processes needed for prudent financial management such as 1. revenue projections based on a thorough study of revenues collected in the past years and sources of revenue, 2. standard and uniform formats for financial reports, 3. preparation of required financial reports, 4. proper maintenance of supporting documents, 5. verification of financial reports, and 6. defined lines of reporting.</p>	<p>Ministry of Finance As highlighted under Recommendation 4.3, the MoF has formed a Task Force to review this Recommendation and the work is under progress.</p> <p>Thimphu Thromde Response not received.</p> <p>Phuentsholing Thromde As mentioned under Recommendation 4.3.</p> <p>Gelephu Thromde Thromde prepared the grant phaseout plan and improved financial reporting framework as per MoF's letter no. MoF-DPBP/Rules/2023-2024/474 dated 19th January 2024.</p> <p>Samdrup Jongkhar Thromde Response not received.</p>		<p>Partially Implemented for all four Thromdes</p> <p>As specified under recommendation 4.3, the implementation status of this recommendation shall remain <i>status quo</i> for all Thromdes. The final determination will be contingent upon the outcome of the ongoing dialogue between the MoF and the Thromde Offices.</p>

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
		Until such time, the recommendation shall remain partially implemented for all the thromdes.			
4.7	Thromdes should strengthen expenditure control mechanisms	<p>Partially Implemented</p> <p>Thimphu Thromde should furnish the review report on the detailed analysis of the expenditures and its identification areas where cost reduction and cost control measures can be possible.</p> <p>Until such exercise is carried out and a report is furnished to RAA, the recommendation shall remain as partially implemented.</p> <p>Meanwhile, Thimphu Thromde should provide an expected timeline for the implementation of this recommendation.</p>	<p>Thimphu Thromde Response not received.</p> <p>Phuentsholing Thromde Fiscal measures taken are: introduction of energy efficiency of municipal assets such as usage of solar street lights, censored lights and water management, encouraging smart payment systems to fast service and avoid leakages, HR management (clear SOP for individual (regular/MR employee). Pay & Allowances to rise due to pay revision by Nu. 18 million- HR management (clear SOP for individual regular/MR employees – Multitasking/Lay off Travel, Fuel & Maintenance - Encourage the use of pool vehicles</p>		<p>Partially Implemented For Thimphu Thromde</p> <p>The recommendation will remain in a <i>status quo</i> for Thimphu Thromde as the RAA has not received any responses for this review. The RAA sought Action Taken Report vide letter No. RAA/DPCA/PAD (Review- Revenue Collection/2024/1216 on 5 January 2024.</p> <p>Implemented for Phuentsholing Thromde</p> <p>The recommendation is considered as implemented</p>

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
			<p>for all official tours/No personal car to be entertained. Car-pooling in case of more than one official attending the same meeting. Fuel & maintenance of vehicles – To tap on the leakages to not allow to carry out non-developmental activities like office maintenance, procurement of furniture, beautification, fencing, etc. unless extra-ordinary approval is granted by the Head of agency upon adequate justification.</p> <p>Refrain from printing annual reports, sending hard copies of official correspondences including notifications and circulars and encourage use of ICT tools to disseminate the copies. Encourage all officials to process official correspondences through emails and Govt circulars and notifications to be circulated through emails.</p>		<p>noting that the Thromde Office has reviewed and carried out the detailed analysis of their expenditure and identified areas where cost reduction and cost control measures can be possible. However, the outcomes of such initiatives are subject to be assessed during the Follow-up Audits in future, if any.</p> <p>Implemented for Gelephu Thromde The recommendation is considered as implemented noting that the Thromde Office is exploring avenues to reduce controllable expenses and has also developed austerity measures. However, the outcomes of such initiatives are subject to be assessed during the Follow-up Audits in future, if any.</p>

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
			<p>Rationalise servings of meals and refreshments during regular office meetings, tendrels, joining, farewell, and promotion expenses from the Government.</p> <p>Encourage participation & ownership on the National celebrations from private and corporate bodies (partial funding).</p> <p>Thromde made an effort to make a comprehensive analysis on the current water management system including assessment, capacity, infrastructure, gaps, future plans and costing. The analysis to tap our surface water and put less dependence on the boring water, which have proved to be very expensive.</p> <p>Gelephu ThromdeThromde is exploring avenues to reduce controllable expenses like establishing basic automobile</p>		<p>Partially Implemented for Samdrup Jongkhar Thromde</p> <p>The recommendation will remain <i>status quo</i> for Samdrup Jongkhar Thromde as the RAA has not received any responses. The RAA sought Action Taken Report vide letter No. RAA/DPCA/PAD (Review-Revenue Collection/2024/1218 on 5 January 2024.</p>

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
			<p>workshops to reduce the maintenance cost of Thromde vehicles.</p> <p>Thromde is also exercising financial prudence as required by the MAX system.</p> <p>Thromde has also developed and implemented austerity measures (annexure attached).</p> <p>Thromde has piloted outsourcing waste management in one of the Demkhong.</p> <p>Samdrup Jongkhar Thromde Response not received.</p>		
4.9	Thromdes should consider revision of taxes, fees and charges	<p>Partially Implemented</p> <p>Thromdes should continue proposing revision of the taxes which was initiated since 2014. Further, thromdes in</p>	<p>Thimphu Thromde Response not received.</p> <p>Phuentsholing Thromde</p>		<p>Implemented for all Thromdes</p> <p>The recommendation is considered implemented for all Thromdes, given that the recent</p>

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
		<p>coordination with MoF and MoWHS should also consider revising fees and charges which are long due for revision.</p> <p>Until such time, the recommendation shall remain partially implemented for all the thromdes.</p> <p>Meanwhile, three thromdes-Thimphu, Phuntsholing and Samdrup Jongkhar have not submitted the Action Taken Reports (ATR) despite sending a letter seeking status update for the unresolved audit recommendations on 25 November 2021.</p>	<p>Revision of taxes done and taxes such as land and property taxes are to be deposited into the revenue account of the Ministry of Finance. The Government has revised the lease rent and is in implementation from 15th January 2024.</p> <p>Gelephu Thromde Addressed by the revised Property Tax Act 2022.</p> <p>Samdrup Jongkhar Thromde Response not received.</p>		<p>tax reforms have centralised the land and property tax collections under the MoF, rendering this recommendation partially irrelevant in the current context. Ongoing discussions on the way forward between the MoF and Thromdes are in progress (expected to conclude on 15 March 2024) which may address other aspects of the recommendation.</p> <p>Although Thimphu and Samdrup Jongkhar Thromde did not respond to the RAA's follow-up notice, the aforementioned developments apply to all four Thromdes, and thus the decision is applied across all Thromdes.</p>
4.10	Thromdes should exercise due diligence and prudence in the	Partially Implemented While RAA noted the initiatives of Gelephu thromde with regard to management of government	<p>Thimphu Thromde Response not received.</p> <p>Phuentsholing Thromde</p>		Partially Implemented for Thimphu Thromde

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
	management of government land	<p>land, the actions taken by Thimphu and Phuentsholing thromdes on encroachment of government land should be furnished for RAA's verification.</p> <p>Until such time, the recommendation shall remain partially implemented for Thimphu and Phuentsholing Thromde.</p> <p>Meanwhile, Thimphu and Phuentsholing Thromdes have not submitted the Action Taken Reports (ATR) despite sending a letter seeking status update for the unresolved audit recommendations on 25 November 2021.</p>	<p>The Thromde Administration has taken numerous actions and notifications on the encroachment issues and other issues related to land management and administration. The evidence and documents can be availed from the Land Division under Thromde. As per our record, there are 56 cases of encroachment and excess land issues and 44 cases are pending with the OGZ. The remaining 12 cases have been issued with a notice for removal of structure and given time till 31st January 2024. After 31st January 2024, the Thromde will initiate the next course of action (disconnection of services).</p> <p>Gelephu Thromde Not applicable as the recommendation was not issued to Gelephu Thromde.</p>		<p>The recommendation will remain in a <i>status quo</i> for Thimphu Thromde as the RAA has not received any responses. The RAA sought Action Taken Report vide letter No. RAA/DPCA/PAD (Review-Revenue Collection/2024/1216 on 5 January 2024.</p> <p>Implemented for Phuentsholing Thromde</p> <p>The recommendation is considered as implemented given that around 79% of the pending cases have been forwarded to the competent authority and the remaining cases are under a rigorous follow-up by the Thromde Office.</p>

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
			Samdrup Jongkhar Thromde Not applicable as the recommendation was not issued to SJ Thromde.		
4.11	Thromdes should institute mechanisms to ensure equality and uniformity in application of taxes, charges, fees, etc.	Partially Implemented Except for Thimphu thromde, the recommendation has been considered for other three thromdes during the 2nd review. In the case of Thimphu Thromde, appropriate actions should be taken as per the RAA's status/comments of the review report. Until such time, the recommendation shall remain partially implemented. Meanwhile, Thimphu Thromde has not submitted the Action Taken Report (ATR) despite sending a letter seeking status	Thimphu Thromde Response not received. Phuentsholing Thromde Not Applicable as the recommendation was found implemented during the 2nd Review. Gelephu Thromde Not Applicable as the recommendation was found implemented during the 2nd Review. Samdrup Jongkhar Thromde Not Applicable as the recommendation was found		Partially Implemented for Thimphu Thromde The recommendation will remain in a <i>status quo</i> for Thimphu Thromde as the RAA has not received any responses. The RAA sought Action Taken Report vide letter No. RAA/DPCA/PAD (Review-Revenue Collection/2024/1216 on 5 January 2024.

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
		update for the unresolved audit recommendations on 25 November 2021.	implemented during the 2nd Review.		
4.13	Thromdes concerned should deposit the amount not accounted	<p>Partially Implemented</p> <p>While the response has been noted, RAA could not validate the money deposit slips in the absence of detailed information.</p> <p>As such, Gelephu Thromde may refer Table- 19 and annexure-VIII of the audit report and confirm the non-accountal deposit of Nu.181,550.89 into Audit Recoveries Account.</p> <p>Meanwhile, Thimphu Thromde failed to furnish proof of Nu.76,986.00 deposited into revenue account and trace out the remaining balance of Nu.527,830.00 as per the RAA’s last status of the review report.</p>	<p>Thimphu Thromde Response not received.</p> <p>Phuentsholing Thromde The latest audit report on revenue management showed the outstanding revenue collections from lease land, water bills, and land tax have been settled. The annexure 19 of the Performance Audit (ATR 2018) on details of non-accounted revenue receipts in Phuentsholing Thromde is part of the overall outstanding lists.</p> <p>Gelephu Thromde Thromde has deposited the amount as detailed below:</p>		<p>Partially Implemented for Thimphu Thromde</p> <p>The recommendation will remain <i>status quo</i> for Thimphu Thromde as the RAA has not received any responses. The RAA sought Action Taken Report vide letter No. RAA/DPCA/PAD (Review-Revenue Collection/2024/1216 on 5 January 2024.</p> <p>Partially Implemented for Phuentsholing Thromde The RAA takes note of the response of the Thromde Office on having settled all the pending cases substantiated by latest audit reports. The RAA will, however, need an assurance on:</p>

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
		In the case of Phuentsholing Thromde, no Action Taken Report (ATR) has been submitted despite sending a letter seeking status update for the unresolved audit recommendations on 25 November 2021.	1. Nu. 11,4015.32 (dated 05/08/2019) 2. Nu. 20,450.10 (dated 21/01/2020) Copy of deposit slip attached. S/Jongkhar Thromde Not applicable as the recommendation was not issued to SJ Thromde.		(i) what actions were taken against the responsible officials, and (ii) how will the Thromde Office ensure such errors are not occurred henceforth. In light of above, the recommendation shall remain as partially implemented and will be assessed in next follow-up review. Partially Implemented for Gelephu Thromde While the RAA has taken cognizance of Nu. 134,465.42 recovered and deposited by the Thromde Office, no information has been furnished regarding: (i) when Thromde Office will deposit the balance amount of Nu. 47,085.47 (<i>Total Amount as per Table 19 in the Audit Report minus the deposited amount</i>),

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
					<p>(ii) what actions were taken against the responsible officials, and (iii) how Thromde Office will ensure such errors do not occur henceforth.</p> <p>In light of the above, the recommendation shall remain as partially implemented and will be assessed in the next follow-up review.</p>
4.14	Thromdes concerned should vigorously follow-up the outstanding revenue	<p>Partially Implemented</p> <p>RAA would like to reiterate the thromdes- Thimphu, Gelephu and Phuentsholing that despite having adequate legal mechanisms with clear enforcement actions, thromdes have not taken actions as per the standing rules.</p> <p>Further, there were no prescribed procedures to annul the thram of</p>	<p>Thimphu Thromde Response not received.</p> <p>Phuentsholing Thromde The Thromde Administration has recently instituted a system of annually checking and verifying the timely payment of land and property (carried out in the month of December). Accordingly, the Thromde Administration has listed 83 land tax defaulters until December 2024. Accordingly, the</p>		<p>Partially Implemented for Thimphu Thromde</p> <p>The recommendation will remain in a <i>status quo</i> for Thimphu Thromde as the RAA has not received any responses. The RAA sought Action Taken Report vide letter No. RAA/DPCA/PAD (Review- Revenue Collection/2024/1216 on 5 January 2024.</p>

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
		<p>those defaulting taxpayers in coordination with the NLCS.</p> <p>As such, the above thromdes should report the actions taken as per the Enforcement of Thromde tax laws besides imposing fines and penalties.</p> <p>Until such time, the recommendation shall remain partially implemented for all the three thromdes.</p> <p>Meanwhile, Thimphu and Phuentsholing Thromdes have not submitted the Action Taken Reports (ATR) despite sending a letter seeking status update for the unresolved audit recommendations on 25 November 2021.</p>	<p>defaulters were to make the payment of the tax with penalty by the end of January 2024 and as of 30th January 2024, 78 defaulters have paid the tax with penalties. The remaining 5 have some issues which need to be resolved for payment of the tax. The RAA team can verify the data with the Land Division for confirmation of the information.</p> <p>Gelephu Thromde Thromde pursued the cases and recovered as far as possible. However, 9 cases could not be resolved out of 105 and has been referred to NLCS for further directives/action.</p> <p>Samdrup Jongkhar Thromde Not applicable as the recommendation was not issued to SJ Thromde.</p>		<p>Implemented for Phuentsholing Thromde</p> <p>The recommendation is considered implemented for Phuentsholing Thromde, as the Thromde Offices have actively addressed overdue revenue. The RAA appreciates Thromde's efforts in recovering dues from approximately 94% of defaulters, including penalties, and also in forwarding the remaining cases to a competent authority. Furthermore, the centralisation of land and property tax collections under the MoF has resulted in the partial inapplicability of the recommendation in the current context.</p> <p>Implemented for Gelephu Thromde</p>

Audit Report : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086) Date of Issue of the Report : 25 May 2018 Name of Agency(s) : Thromdes-Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar No. of Review : 5 th Review Date of Review : 14 March 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Actions Taken	Timeline	Status of Review
					The recommendation is considered implemented for Gelephu Thromde, as the Thromde Offices have actively addressed overdue revenue. The RAA appreciates Thromde's efforts in recovering dues from approximately 91% of defaulters and in forwarding the remaining cases to a competent authority. Furthermore, the centralisation of land and property tax collections under the MoF has resulted in the partial inapplicability of the recommendation in the current context.

EXHIBIT-C

**Review Report on
Performance Audit of 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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
4.1	Ministry should establish proper institutional linkages for an integrated approach to achieve food security	<p>Partially Implemented</p> <p>While RAA noted the Ministry’s numerous initiatives and programs, there still exists inadequacy in institutional linkages amongst relevant sectors such as Ministries, the erstwhile Gross National Happiness Commission (GNHC), National Land Commission Secretariat (NLCS), Bhutan Chamber of Commerce and Industries (BCCI), Farmers Cooperatives, Food Corporation of Bhutan Limited (FCBL) and other relevant agencies to take ownership in implementation of the FNS policy and other issues related to food security.</p> <p>As such, the Ministry should lead and coordinate the overall implementation of food security policy and strategic action plans while the MoH should lead and coordinate the</p>	<p>Enhancing Food and Nutrition Security is the primary objective of the Ministry of Agriculture and Livestock. On the part of the Ministry every effort is being explored towards effective delivery of this function. Accordingly, the Food and Nutrition Security Policy 2014 was reviewed and revised in 2023. The Food and Nutrition Security Policy 2023 outlines 11 strategic policy Interventions, implementing arrangements, and monitoring and evaluation. Recognizing the importance of integrated approach, the 11th Strategic Policy Interventions focuses on “collaboration and partnership” and articulates measures to strengthen integrated approach to achieve food security. Further, the draft agri-food sector strategy provides delineation of the</p>	2019 to 2020	<p>Implemented</p> <p>The recommendation is considered implemented as the Ministry has recognised the criticality of integrated approach in achieving food security and has established mechanisms for collaboration and partnership between key stakeholders in the FNS Policy 2023 under Strategic Policy Intervention 11 (from the review of the FNS Policy 2023).</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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
		<p>implementation of nutrition security programs.</p> <p>Therefore, until establishing proper institutional linkages among relevant agencies and the sectors involved in the planning, monitoring, and evaluation for implementation of FNS Policy, the recommendation shall remain status quo.</p>	<p>responsibilities for different sectors in achieving food security.</p> <p>As part of the program in enhancing institutional linkages, following activities are currently being undertaken in the Ministry:</p> <p>1. Linking FGs and Coops with schools, hospitals and other institutes. These initiatives are aimed at providing institutes with domestically produced agricultural commodities catering to both the food and nutritional requirements while also establishing assured markets for FGs and Coops. These initiatives need further support to ensure consistent supply and sustainable operation. 27 new schools were linked with FGs and Coops in the FY 2022-2023.</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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<p>2. Vegetable and fruits supply to Gyalsung sites. The ministry will be collaborating with the local government and farming communities to supply fruits and vegetables to the Gyalsung sites in the country. The ministry has undertaken an assessment to study the production potential in the farming communities in the vicinity of the Gyalsung academies and mapped out supplementary production sites in the neighboring districts.</p> <p>3. Engagement of private sectors and SOEs, Private sectors and SOEs enterprises are encouraged to augment government interventions in enhancing food security in the country in the areas of commercial production, value chain, product development and marketing. The Ministry collaborates with Farm Machinery Corporation Limited, Bhutan</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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			Livestock Development Corporation Limited and Food Corporation of Bhutan and private sectors. While Ministry can put in place institutional linkages for an integrated approach, the support and cooperation of various ministries, local governments, and farmers are critical.		
4.2	Ministry in collaboration with NLCS should formulate a comprehensive agriculture land classification and zones	Partially Implemented The recommendation shall remain status quo until the zoning for the entire country is completed and national zoned maps produced.	National Land Commission Secretariat (NLCS) The National Land Use Zoning (NLUZ) baseline report was formally launched on 18th September 2023 and the link is shared below for reference. As per the report, 9 macro zones, 23 micro and 23 nano zones are demarcated in the report. The exercise suggests nine (macro), 23 (micro), and 23 (nano) land uses. For example, nine macro land uses are; Agricultural Land, Cultural	July 2018 to June 2023	Implemented NLCS has prepared and launched the National Land Use Zoning (NLUZ) report on 18 September 2023. The NLUZ has been prepared with an objective to establish a harmonised national land use system in the country; to make optimum, rational and sustainable use of limited arable land; and to provide scientific basis for

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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<p>Heritage, Industrial, Nature Conservation Area (NCA), Rangeland, Rural Settlement, Sustainable Forest Management Area (SMFA), Urban and Strategic Development Zones (SDZ). The nine macro land uses (excluding SDZ) constitute about 6,210,176.574 acres (65.46%) of the country's total geographical area, and from the overall land uses, NCA constitutes 79.18%, followed by SFMA (11.63%) and agricultural land (6.59%). The rest of the land uses constitute only between 0.50% to 1.50%. Similarly, from the overall area, nature conservation (combination of NCA and SFMA) land uses constitute 60.85%, agriculture with 4.41%, industrial (0.11%), human settlements (0.76%) and others (culture and rangeland) with 0.88%.</p> <p>Under 9 macro zones, agriculture forms a primary land use zone,</p>		<p>governance and decision-making process. The NLUZ also endeavours to transform the current land use systems and procedures, resolve land use conflicts, and create zoning ordinances and policies for the future.</p> <p>In view of the above, the recommendation is considered implemented.</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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<p>under which Chhuzhing, Kamzhing and Commercial Agri-farming as sub-zones.</p> <p>Under the Chhuzhing micro zone, it is further categorised as Regulated and Protected Chhuzhing nano zones. For the protected Chhuzhing, parameter used in consultation with the MoAL is, i) Altitude below 2500 msl; and ii) A buffer of 5 meters in each plot and 10 meters between two plots, creating a minimum 10 acres contagiously (economy of scale). Chhuzhing that falls under the Regulated category may potentially accommodate the pressing conversion cases in times to come.</p> <p>However, to incentivise or intervene holistically in terms of protecting Chhuzhing of national importance as strategic land use</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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<p>entails beyond the scope of NLCS. This calls for a multisectoral (WoG) approach to come up with the TDR and relevant tools that foster citizen-centricity and practicality.</p> <p>NLUZ Baseline Report 2023 (46mb) https://www.nlcs.gov.bt/?page_id=4081</p>		
4.4	NLCS should finalise the draft National Land policy	<p>Partially Implemented</p> <p>The recommendation shall remain status quo until the National Land Policy Framework is approved.</p>	<p>NLCS</p> <p>NLCS in consultation with cross-agencies, in-house experts and importantly, under the advice of the Red-scarf panel, as directed by the OGZ, “Draft National Land Policy” is finalised.</p> <p>However, in order to seek Royal approval, a final draft has been submitted to OGZ.</p> <p>In the due course of time, NLCS explores and keeps a record of</p>	May 2019 to December 2019	<p>Implemented</p> <p>Since NLCS has finalised and submitted the Draft National Land Policy for endorsement, this recommendation is considered implemented.</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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			emerging best aspects to be incorporated at an appropriate time.		
4.5	Ministry should ensure sustainable use and management of agricultural land	<p>Partially Implemented</p> <p>While RAA appreciates the efforts being made towards reversion and conversion of wetlands, the implementation status of Agriculture Land Development Guideline (ALDG) 2017 at the Dzongkhag levels should be shared with the RAA for review.</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>	<ol style="list-style-type: none"> 1. Construction of Omshari Landmark Irrigation Project, Pemathang Gewog, Samdrup Jongkhar. 2. Construction of Rawdrang Irrigation Project, Tongzhang Gewog, Trashigang. 3. Construction of Wangringmo Irrigation Project, Ramjar Gewog, Trashigang. 4. Development of “Sustainable Land Management: Guidelines and Best Practices.” 	2019 to 2023	<p>Implemented</p> <p>The Ministry, besides construction of irrigation projects, has come out with the revised guidelines for the planning and implementation of sustainable land management in the country titled “Sustainable Land Management: Guidelines and Best Practices.”</p> <p>The guideline has been revised based on the lessons learned from four years of implementation of the first Agriculture Land Development Guidelines (ALDG) which was developed in 2017. The ALDG 2017 has put in place proper implementation modalities</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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
					<p>to bring about uniformity and consistency in implementing Sustainable Land Management (SLM) interventions, particularly land terracing. It has also guided the implementing agencies to focus SLM planning and implementation thereby enabling to bring about transformational changes at the production landscape.</p> <p>In view of the above, the recommendation is considered implemented.</p>
4.6	The Ministry should ensure maintenance of National Food Security Reserve with FCBL	<p>Partially Implemented</p> <p>While RAA appreciates the efforts taken by the erstwhile MoAF and FCBL in stocking up on essentials during the COVID-19 pandemic, the FCBL lacked in storage capacity and funds.</p>	<p>Ministry of Agriculture and Livestock (MoAL)</p> <p>Food Corporation of Bhutan Ltd. (FCBL) is mandated with the task of ensuring the national food security reserve. For FCBL to ensure this</p>	No timeline provided	<p>Partially Implemented</p> <p>While noting the initiatives undertaken by FCBL in constructing infrastructure to attain the NFSR, the RAA would like to emphasise that infrastructure development</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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
		<p>Therefore, the Ministry in collaboration with the Government and the FCBL should develop a strategy taking cognizance of 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>mandate is fulfilled, necessary resources have to be made available by the government to FCBL. FCBL management has formulated the "Infrastructure Development for National Food Security Reserve (NFSR)" to uphold the SAARC Food Security Reserve and the SAARC Food Bank, ensuring readiness for unforeseen national emergencies and natural calamities.</p> <p>In 2021, the FCBL management devised strategies for the Infrastructure Development for NFSR. FCBL's mandate includes maintaining 8253 MT of rice, 825 MT of edible oil, and 333 MT of pulses nationwide, ensuring access to essential foods during crises, sufficient for 50% of the population for three months.</p> <p>To enhance food reserve storage, warehouse construction is proposed at strategic locations such as</p>		<p>is cost intensive and not the sole strategy for achieving the NFSR.</p> <p>Thus, MoAL, in collaboration with FCBL, should devise strategies that are cost efficient and meet the requirement of NFSR. These may include a strategic approach to maintaining food security reserves based on infrastructure requirements across Dzongkhags, minimum levels of stock based on population, process of stock management, monitoring mechanisms, roles and responsibilities of regional offices etc.</p> <p>Until such strategies are formulated, the implementation status of</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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<p>Chuzom/Thimphu, Wangdue, Zhemgang, Nganglam, Samdrup Jongkhar, Gelephu, Lhuentse, and Trashiyangtse.</p> <p>The FCBL management secured Nu.110 million from the government for infrastructure development under the NFSR Budget, with a total estimated requirement of Nu.160.36 million. Of the funds received, Nu.21.59 million has been utilized for the Gelephu warehouse, leaving a balanced budget of Nu.88.41 million. Currently, funds are being used for warehouse construction in Wangdue and Nganglam based on site requirements and progress. However, the FCBL management still requires an additional Nu.71.95 million from the Ministry to construct warehouses at strategic locations, including Chuzom/Thimphu, Zhemgang, Lhuntse, and Trashiyangtse.</p>		this recommendation shall remain <i>status quo</i> from the previous review.

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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<p>While maintaining a food security reserve is important to cater to the events of emergencies and calamities, with FCBL being a State-Owned Enterprise government with the Board instituted by the Ministry of Finance, MoAL does not have governance authority. MoAL collaborates with FCBL in the areas of food and crop supplies.</p> <p>FCBL</p> <p>Collaborating with the government and the Ministry, the FCBL management has formulated the "Infrastructure Development for National Food Security Reserve (NFSR)" to uphold the SAARC Food Security Reserve and the SAARC Food Bank, ensuring readiness for unforeseen national emergencies and natural calamities.</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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<p>In 2021, the FCBL management devised strategies for the Infrastructure Development for NFSR, outlined in Annexure (A). FCBL's mandate includes maintaining 8253 MT of rice, 825 MT of edible oil, and 333 MT of pulses nationwide, ensuring access to essential foods during crises, sufficient for 50% of the population for three months.</p> <p>To enhance food reserve storage, warehouse construction is proposed at strategic locations such as Chuzom/Thimphu, Wangdue, Zhemgang, Nganglam, Samdrup Jongkhar, Gelephu, Lhuentse, and Trashiyangtse. The FCBL management secured Nu.110 million from the Ministry of Agriculture & Livestock (MoAL) and the Ministry of Finance (MoF) for infrastructure development under the NFSR Budget, with a total estimated requirement of</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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<p>Nu.160.36 million. Of the funds received, Nu.21.59 million has been utilised for the Gelephu warehouse, leaving a balanced budget of Nu.88.41 million.</p> <p>Currently, funds are being used for warehouse construction in Wangdue and Nganglam based on site requirements and progress. However, the FCBL management still requires an additional Nu.71.95 million from the Ministry to construct warehouses at strategic locations, including Chuzom/Thimphu Zhemgang, Lhuntse, and Trashiyangtse.</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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat					
No. of Review : 4 th Review					
Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
4.8	The Ministry, in collaboration with the financial institutions, should come up with affordable access to credit and crop insurance schemes	<p>Partially Implemented</p> <p>The Ministry 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>	<p>MoAL</p> <p>Agriculture in Bhutan is very challenging due to the difficult terrain, high labour cost, HWC, small land holding, subsistence agriculture, climate-related disaster, cheap imports from across the border, etc. As a result, risks associated with the agriculture sector are high and therefore loans to the agriculture sector are more expensive. It is also one of the reasons for high levels of non-performing loans in the agriculture sector. Efforts have been made in the past through schemes such as Priority Sector Lending (PSL) but have not been very successful.</p> <p>On crop and livestock insurance, efforts have been made by the Ministry with RICBL since 2018. But due to the high risks involved, premiums are high which farmers</p>	2019 to 2020	<p>Partially Implemented</p> <p>The RAA acknowledges the efforts and initiatives undertaken by the Ministry in finding ways to provide affordable access to credit and crop insurance schemes to the farmers. These exhibits support towards the farmers who primarily rely on agriculture farming as their main source of income.</p> <p>However, the status of this recommendation will remain partially implemented until such schemes are approved and provided to the farmers.</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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<p>cannot afford unless subsidized by the government. However, recognizing the importance and benefits to the farmers, it was again started in 2020. The Ministry submitted the proposal to the Ministry of Finance but it was rejected since the support required from the government in the form of premium was high.</p> <p>Recognising the importance of access to affordable finance, the Ministry in 13th FYP has given this as a priority. The Ministry will be submitting to the government for their support. We have outlined this as a priority in our policy and plan. Again in 2023, the Ministry started the process in consultation with RMA, FI, and MoF. Based on the consultation, the Ministry requested RICB and Bhutan Insurance to submit proposals for selected crops and</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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<p>livestock products. RICB and BI will be submitting their final proposal, which will be presented to the Ministry and the government for support.</p> <p>Concurrently, the Ministry through the funding support of Adaptation Fund is slated to pilot HWC insurance learnings which will also help the Ministry develop affordable and workable insurance in the country.</p>		
4.9	The Ministry should intervene and strengthen strategies to address Human wildlife conflict	<p>Partially Implemented</p> <p>The Ministry 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>	<p>MoAL</p> <p>About 30-40 % of what farmers produce is lost to human-wildlife conflict. The Ministry recognizes the urgency to address the issue. Therefore, several initiatives are being implemented. The Food and Nutrition Security Policy 2023 necessitates the HWC issue to be addressed through a holistic approach leveraging innovative ideas considering both mitigation and adaptation aspects. The</p>	2020 to 2021	<p>Partially Implemented</p> <p>The RAA appreciates the initiatives undertaken by the Ministry in addressing the human wildlife conflict. Given the growing concerns regarding HWC for the farmers, it is imperative for the Ministry to formulate sustainable strategies encompassing mitigation</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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			Ministry has been implementing various measures such as an alarm and sound system to ward off approaching wild animals, digging ditches and trenches, and electric fencing. In recent times, the Ministry initiated chain link fencing. In the fiscal year 2022-2023, an electric fencing was piloted in twenty districts which is being further upscaled in the current fiscal to provide chain link in each district. Rapid Response Teams to ward off approaching wild animals are formed and active in some of the communities in Bhutan. In order for these measures to be effective, we require support and commitment of all stakeholders including local government and farming communities. For instance, in the past, addressing HWC was considered to be an exclusive responsibility of the central agencies. Therefore, through the		or adaptation measures that addresses the issues. Until the Ministry develop such strategies, the recommendation shall remain 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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			HWC Management Framework, local governments were also made to implement various measures to address the HWC in the communities of their respective jurisdiction. The Ministry is also endeavoring to institute crop and livestock insurance, and dialogues are underway with the insurance companies.		
4.10	Ministry should develop and maintain food information management system	Not implemented The Ministry is yet to come up with an integrated Food Information Management System for information collection, management and dissemination. Until such time, the status of recommendation shall remain status quo.	MoAL Availability and reliability of basic data is a constraint across all sectors in Bhutan. Developing and maintaining a food information management system would be an even bigger challenge. Currently, efforts are on strengthening the data collected by the National Statistical Bureau (NSB) annually. NSB collects agriculture and livestock information which provides information on annual	2020 to 2023	Implemented The RAA noted that the then RNR Statistics Division had developed the Mobile Operational Data Acquisition system (MoDa) in collaboration and financial support from World Food Program (WFP) to make one gateway to collect the information on agriculture. However, with the transfer of RNR Statistics Division

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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			production figures, land area under cultivation, and farming labor dynamics to support planning processes in the Ministry. The Ministry is also liaising with the NSB in incorporating agricultural information in the Bhutan Statistical Database System which is being currently developed.		to the National Statistics Bureau from MoAL, NSB has been instructed to come up with the Bhutan Statistical Data System (BSDS) as a central data repository. Further, all the systems under the MoAL will be integrated under the BSDS system. In view of the above, the recommendation is considered implemented.
4.14	The Ministry should conduct training need analysis and impact assessment of Farmers' training	Partially Implemented Since the recommendation has been initiated, it is considered partially implemented. However, the full implementation of the same shall be reviewed upon submission of the reports.	MoAL The training and capacity development initiatives in the Ministry is guided by the HRD Master Plan which is developed corresponding to the FYP of the Ministry and seeks to align itself to the long-term goals, objectives, and initiatives related to the development of an organization's	2020 to 2023	Partially Implemented The actions initiated by the Ministry are related to the overall capacity development of the employees of the Ministry. The recommendation pertains to training needs and impact assessments of the training provided to farmers. Until some actions

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 Livestock, Food Corporation of Bhutan Ltd., and National Land Commission Secretariat No. of Review : 4 th Review Date of Review : 20 February 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<p>human resources. However, in the actual rollout of the plan, most of the training is supported through projects. Capacity building from the government side is not a priority. However, for the Ministry, it is very important to conduct training of different natures. Impact assessment in the form of monitoring and evaluation is done to project-funded activities. The Ministry will still accord importance on conducting training of different natures to different stakeholders. The PPD has already included an impact assessment and need analysis for the upcoming 13FYP, however, it is subject to funding approval.</p>		<p>are initiated to ensure that capacity development programs for farmers are achieving their intended objectives, the recommendation shall remain partially implemented.</p>

EXHIBIT-D

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

Audit Report : Performance Audit Report on Housing Development- Adequacy and Affordability (AIN: 15831) Date of Issue of the Report : 20 March 2019 Name of Agency (s) : Ministry of Infrastructure and Transport, National Land Commission Secretariat, National Housing Development Corporation Ltd., National Pension & Provident Fund No. of Review : 5 th Review Date of Review : 7 Mar 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
1.1	Enactment of housing development Act	Partially Implemented The response has been noted. However, the recommendation shall remain partially implemented until the enactment of the housing bill.	MoIT PPD, MoIT has completed the drafting of the National Housing Bill in July 2023. However, owing to the second last session of the 3rd Parliament held in June-July 2023, we did not submit the Bill as advised by the Hon’ble Minister as submission of the bill during the last parliament session would entail repetition of the whole process again when the next government comes in. The draft final bill was shared to the RAA on 19th September 2023 via email and the receipt of the same was acknowledged.		Partially Implemented Until the Housing Bill is passed by the Parliament, the implementation status of the recommendation shall remain as partially implemented. The RAA will, however, assess the implementation status of this recommendation in the next review to monitor the progress of the Bill and other activities initiated by the stakeholders.
1.4	Need to develop livability index	Partially Implemented	MoIT Proposed to be carried out in the 13 th FYP.	June, 2024	Partially Implemented The RAA acknowledges the Ministry’s effort of proposing

<p>Audit Report : Performance Audit Report on Housing Development- Adequacy and Affordability (AIN: 15831) Date of Issue of the Report : 20 March 2019 Name of Agency (s) : Ministry of Infrastructure and Transport, National Land Commission Secretariat, National Housing Development Corporation Ltd., National Pension & Provident Fund No. of Review : 5th Review Date of Review : 7 Mar 2024</p>					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
		<p>The proposal for development of livability index by June 2023 has been noted.</p> <p>The purpose of a livability index is to provide individuals and organisations with a comprehensive understanding of the living conditions in a particular location and to identify areas where improvements can be made to enhance the quality of life for residents.</p> <p>Therefore, it is expected that the livability index that is going to be developed will address all those issues.</p>			<p>the development of livability index in the 13th FYP. It is expected that the livability index, once developed and implemented, will provide individuals and organisations with a comprehensive understanding of the living conditions in a particular location, and to identify areas where improvements can be made to enhance the quality of life for residents.</p> <p>Thus, until such an index is developed, the recommendation shall remain as partially implemented.</p>
1.6	Necessity for housing needs assessment and clear road map for housing development	<p>Partially Implemented</p> <p>The response has been noted. However, with the establishment</p>	<p>MoIT</p> <p>The activities have been proposed in the 13th FYP.</p>		<p>Partially Implemented</p> <p>The RAA acknowledged the successful completion of the</p>

<p>Audit Report : Performance Audit Report on Housing Development- Adequacy and Affordability (AIN: 15831) Date of Issue of the Report : 20 March 2019 Name of Agency (s) : Ministry of Infrastructure and Transport, National Land Commission Secretariat, National Housing Development Corporation Ltd., National Pension & Provident Fund No. of Review : 5th Review Date of Review : 7 Mar 2024</p>					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
		<p>of the Housing Section under erstwhile MoWHS, they should come up with a clear road map including funding arrangements.</p> <p>Until such time, the recommendation shall remain partially implemented.</p>	<p>National Housing Development Corporation Ltd. (NHDCL) Housing needs assessment was carried out by the MoIT in 2021. A needs assessment for affordable housing was also carried out by NHDCL in 2023 to understand the requirements in the Dzongkhags and accordingly plan our Corporate Strategic Plan. The draft Plan was submitted to the Board in November 2023 and the management was instructed to seek clarity on the initiatives related to housing by the Government in the 13th FYP from the Cabinet Secretary so that we can align our Corporate Strategic Plan with the Government initiatives related to housing development. Directives were</p>	<p>By July 2024</p>	<p>housing need assessment by the NHDCL and MoIT. However, having a clear road map for housing development, including funding arrangement, would ensure there is a minimum strategic focus for housing developments in the country.</p> <p>Therefore, until such a road map is developed, or the activities proposed in the 13th FYP (Sl. No. 1-4 in the response) are endorsed in a manner that would adequately suffice the requirements, the recommendation shall remain as partially implemented.</p>

Audit Report : Performance Audit Report on Housing Development- Adequacy and Affordability (AIN: 15831) Date of Issue of the Report : 20 March 2019 Name of Agency (s) : Ministry of Infrastructure and Transport, National Land Commission Secretariat, National Housing Development Corporation Ltd., National Pension & Provident Fund No. of Review : 5 th Review Date of Review : 7 Mar 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<p>sought from the Cabinet Secretary and we are waiting for a response. NHDCL also sought directives from the MoIT, DHS on the initiatives planned for the 13th Five-Year Plan about Housing. It was learned that the draft 13th FYP of MoIT was presented to the C4CS. Following are the activities related to housing: These activities are still in the draft stage and yet to undergo screening based on the tools developed by the MoF.</p> <ol style="list-style-type: none"> 1. Formulation/revisions of policies/legislations/standards for affordable housing. 2. Integration of systems for construction approval, tenancy, and plan inventory. 		

Audit Report : Performance Audit Report on Housing Development- Adequacy and Affordability (AIN: 15831) Date of Issue of the Report : 20 March 2019 Name of Agency (s) : Ministry of Infrastructure and Transport, National Land Commission Secretariat, National Housing Development Corporation Ltd., National Pension & Provident Fund No. of Review : 5 th Review Date of Review : 7 Mar 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<p>3. Spatial plans for the National Capital Region and Linked Urban centers.</p> <p>4. Construction of affordable housing including the road map, and strategy.</p> <p>The policy initiatives such as sl. No. 1 and 4 will give a clear direction to NHDCL on taking the initiative further. A further inquiry was also made on the status of the National Housing Policy Implementation Plan for which no response was received. NHDCL also submitted a collaboration note to the MoIT and agreed to work together in matters related to housing development.</p>		

Audit Report : Performance Audit Report on Housing Development- Adequacy and Affordability (AIN: 15831) Date of Issue of the Report : 20 March 2019 Name of Agency (s) : Ministry of Infrastructure and Transport, National Land Commission Secretariat, National Housing Development Corporation Ltd., National Pension & Provident Fund No. of Review : 5 th Review Date of Review : 7 Mar 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
2.2	Need to promote conduciveness for ownership of condominiums	Partially Implemented The preparation of rules and regulations for condominiums has been noted. However, the recommendation shall remain partially implemented until the finalisation of condominium rules and regulations.	MoIT The activities have been proposed in the 13 th FYP. NHDCL The RAA did not receive a response on this recommendation from NHDCL.		Partially Implemented The recommendation shall remain as partially implemented until the condominium rules and regulations is finalised and endorsed for enforcement.
5.2	Need to explore the possibility of NPPF collaborating with NHDCL for funding for affordable housing development	Partially Implemented The response has been noted. However, RAA would like to know what steps were taken by the team and management to address the policy-level issues that may have been identified, and whether any progress has been made since the proposal was put on hold. It may also be important for NHDCL to explore alternative solutions or	NHDCL <i>Home Ownership as a Core Activity for 2022 for NHDCL:</i> Based on the discussion with NPPF and the erstwhile MoWHS on the Home Ownership Proposal during the year 2021, NHDCL management decided to take this up as one of the Core Activities for the financial year 2022. Hence, this has been incorporated as one of the Core Activities in		Partially Implemented The RAA appreciated the NHDCL's efforts of pushing forward the home ownership proposal and also its engagement in discussions with NPPF for exploring potential collaboration avenues. However, considering: (i) the NHDCL Board's decision to temporarily suspend the home

Audit Report : Performance Audit Report on Housing Development- Adequacy and Affordability (AIN: 15831) Date of Issue of the Report : 20 March 2019 Name of Agency (s) : Ministry of Infrastructure and Transport, National Land Commission Secretariat, National Housing Development Corporation Ltd., National Pension & Provident Fund No. of Review : 5 th Review Date of Review : 7 Mar 2024																
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review											
		approaches that could be considered, taking into account the policy context and any other relevant factors.	<p>our Annual Performance Compact (APC) which is endorsed by the Board and submitted to the Ministry of Finance.</p> <p>The timeline, sub-activities and weightage assigned in the APC 2022 are as below:</p> <table border="1"> <thead> <tr> <th>Core Activity and weightage</th> <th>Sub-activity</th> <th>Timeline</th> <th>Weightage (%)</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Home ownership proposal weightage</td> <td>Desk Review</td> <td>Q2</td> <td>1.00</td> </tr> <tr> <td>Site Analysis</td> <td>Q2</td> <td>0.60</td> </tr> </tbody> </table>	Core Activity and weightage	Sub-activity	Timeline	Weightage (%)	Home ownership proposal weightage	Desk Review	Q2	1.00	Site Analysis	Q2	0.60		ownership proposal and await government policy interventions, (ii) the MoIT's proposal of related activities in the 13 th FYP that may suffice the requirements, and (iii) the NHDCL and NPPF having jointly decided to await the finalisation of the 13 th FYP, the status of this recommendation will remain partially implemented until RAA receives full assurance of its implementation through the 13 th FYP when it is endorsed by the government.
Core Activity and weightage	Sub-activity	Timeline	Weightage (%)													
Home ownership proposal weightage	Desk Review	Q2	1.00													
	Site Analysis	Q2	0.60													

Audit Report : Performance Audit Report on Housing Development- Adequacy and Affordability (AIN: 15831) Date of Issue of the Report : 20 March 2019 Name of Agency (s) : Ministry of Infrastructure and Transport, National Land Commission Secretariat, National Housing Development Corporation Ltd., National Pension & Provident Fund No. of Review : 5 th Review Date of Review : 7 Mar 2024							
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken			Timeline	Status of Review
				Detailed report writing	Q3	2.00	
				Report submission to Board	Q3	0.40	
			<p>The Design and Planning Division worked on the homeownership proposal from April to September 2022 (The detailed work plan is attached for reference) and submitted the proposal to the board in September 2022. The proposal document is attached for reference.</p> <p>The directive from the NHDCL board is to keep the homeownership program on hold</p>				

Audit Report : Performance Audit Report on Housing Development- Adequacy and Affordability (AIN: 15831) Date of Issue of the Report : 20 March 2019 Name of Agency (s) : Ministry of Infrastructure and Transport, National Land Commission Secretariat, National Housing Development Corporation Ltd., National Pension & Provident Fund No. of Review : 5 th Review Date of Review : 7 Mar 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<p>considering that it requires policy-level decisions from the government and NHDCL will not be able to do much alone.</p> <p>Further, NHDCL also sought directives from the MoIT. It was learned that the draft 13th FYP of MoIT was presented to the C4CS. Following are the activities related to housing: These activities are still in the draft stage and yet to undergo screening based on the tools developed by the MoF:</p> <ul style="list-style-type: none"> • Formulation/revisions of policies/legislations/standards for affordable housing. • Integration of systems for construction approval, tenancy, and plan inventory. 		

Audit Report : Performance Audit Report on Housing Development- Adequacy and Affordability (AIN: 15831) Date of Issue of the Report : 20 March 2019 Name of Agency (s) : Ministry of Infrastructure and Transport, National Land Commission Secretariat, National Housing Development Corporation Ltd., National Pension & Provident Fund No. of Review : 5 th Review Date of Review : 7 Mar 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<ul style="list-style-type: none"> • Spatial plans for the National Capital Region and Linked Urban centers. • Construction of affordable housing including the road map, and strategy. <p>The policy initiatives such as sl. No. 1 and 4 will give a clear direction to NHDCL on taking the initiative further.</p> <p>A meeting with the NPPF team was also held on 26/12/23 to discuss areas of collaboration on homeownership. It was discussed that while both the agencies were working on this, it might be a good idea to understand the 13th Five-Year Plan of the new Government and align the initiatives to the Government undertakings as both the parties</p>		

Audit Report : Performance Audit Report on Housing Development- Adequacy and Affordability (AIN: 15831) Date of Issue of the Report : 20 March 2019 Name of Agency (s) : Ministry of Infrastructure and Transport, National Land Commission Secretariat, National Housing Development Corporation Ltd., National Pension & Provident Fund No. of Review : 5 th Review Date of Review : 7 Mar 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<p>had homeownership in their pledges.</p> <p>NHDCL and NPPF have collaborated in 2016 to fund the Special Housing Project which was successfully completed and helped the Government in bringing in 506 low-income Bhutanese families living across the border into Bhutan. The funding for this project was sought from NPPF at an interest rate of 7.25% which is much lower than the market rate and the Ministry of Finance stood as our guarantor. The loan amount was Nu.890 million. Further, in 2022, after the agreement signing for the ADB Housing Project, there was a requirement for counterpart funding of 7 million</p>		

Audit Report : Performance Audit Report on Housing Development- Adequacy and Affordability (AIN: 15831) Date of Issue of the Report : 20 March 2019 Name of Agency (s) : Ministry of Infrastructure and Transport, National Land Commission Secretariat, National Housing Development Corporation Ltd., National Pension & Provident Fund No. of Review : 5 th Review Date of Review : 7 Mar 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			USD. This was also sourced from NPPF on the same modality through existing collaboration. This project is aimed to increase the affordable housing stock by 1018 and is spread over 5 Dzongkhags. NHDCL and NPPF have been collaborating on funding for affordable housing and will continue to do so in future projects.		

EXHIBIT-E

**Review Report on
Performance Audit of Microfinancing**

Audit Report : Performance Audit Report on Microfinancing (AIN: 16179) Date of Issue : 25 October 2019 Name of Agency (s) : RMA, BDBL, RENEW and BAOWE No. of Review : 3 rd Review Date of Review : 30 Jan 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
2	BDBL need to develop strategies for sustainability	<p>Not Implemented</p> <p>It was noted that BDBL had sustained a total loss of Nu.580.22 million between 2014 and 2018 due to various reasons. The sustained losses may lead to capital erosion in the long run and threaten the sustainable operations of BDBL.</p> <p>As such, BDBL should come up with strategies to optimise the performance through cost effective operations and innovative methods of revenue generation and sustainability.</p> <p>Until such strategies are developed and shared with RAA, the recommendation shall remain not implemented.</p>	<p>BDBL</p> <p>From the onset of transformation reforms, the BDBL has been under continuous business review by the transformation office with particular focus on improving the bank's profitability and operational aspects.</p> <p>On August 25 2023, the Lhengye Zhungtshog, through an order, authorised the amalgamation of NCS DIBL with BDB. In post-amalgamation as of December 2023, the provisional capital adequacy ratio (CAR) stands at 22.41%, exceeding the required 12.5%, making it perhaps the highest capitalised bank in the country. The statutory liquidity stands at 40.3% surpassing the 20% requirement.</p> <p>The following operational reforms have been initiated:</p>		<p>Implemented</p> <p>Taking note of the various reforms and initiatives undertaken by BDBL for enhancing sustainable operation of the bank, this recommendation is treated as implemented.</p> <p>The RAA also noted improvement in terms of NPL as RMA has lifted the loan moratorium imposed on BDBL and allowed the bank to provide loan services from 1st January 2024.</p>

Audit Report : Performance Audit Report on Microfinancing (AIN: 16179) Date of Issue : 25 October 2019 Name of Agency (s) : RMA, BDBL, RENEW and BAOWE No. of Review : 3 rd Review Date of Review : 30 Jan 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<ul style="list-style-type: none"> i. Improved credit appraisal process at pre sanction, sanction, and post sanction levels: <ul style="list-style-type: none"> a. Introduced credit screening process at the pre-sanction. b. To minimise fund diversion from the applied purposes, the loan utilisation monitoring was incorporated into its lending practice. c. Implemented Cash Flow based lending. ii. Instituted stringent monitoring and recovery process: <ul style="list-style-type: none"> a. Follow up from the first EMI default with customers and not waiting till the loan are NPL. b. Parallel follow-up guarantors. c. Assessment of loans under viable, non-willful defaulters, viable, willful defaulters and initiate restructuring, litigation and negotiations. d. Weekly Executive NPL Committee. 		

Audit Report : Performance Audit Report on Microfinancing (AIN: 16179) Date of Issue : 25 October 2019 Name of Agency (s) : RMA, BDBL, RENEW and BAOWE No. of Review : 3 rd Review Date of Review : 30 Jan 2024					
Recom. No.	Recomm. in Brief	Status of Last Review	Action Taken	Timeline	Status of Review
			<ul style="list-style-type: none"> e. Strengthen NPL management process for active NPL and off-Balance sheet. iii. Other reforms Besides strengthening the credit operational aspects, the bank has initiated other reforms as: <ul style="list-style-type: none"> a. Implementation of revised credit manual-2023. b. Mandatory implementation of DKTN insurance on agriculture and livestock loans up to 1 million. c. Staff capacity building and sensitising to the public. iv. Financial Highlights As per provisional financial statement November 2023, the bank has reported a provisional profit of Nu. 271 million with operational efficiency of 82% indicating that the bank's cost only constitutes 82% of overall revenue and a return on equity of 10.7%. 		



www.bhutanaudit.gov.bt