

Audit Report : Performance Audit Report on Bhutan Chamber of Commerce and Industry (AIN: 15407)				
Date of Issue : 15 th August, 2018				
Name of Agency (s) : Bhutan Chamber of Commerce & Industry				
No. of Review : 1 st Review				
Recommendations		Action taken (as per the detailed action plan/report submitted)	Status/progress	Reasons for non-completion of action
1.1	<p>Need for legal recognition of BCCI</p> <p>Currently BCCI lacks a legal basis for existence and operation. Its operations are not governed by any law as such and legally it is in a state of quandary. Going by the International good practices, there are business chambers which are governed by specific chamber laws like in Japan and Thailand. There are also chamber that are not regulated by specific chamber laws and are registered under other laws like in USA and Singapore.</p> <p>There is an imminent need for BCCI to have a legal recognition so that it shall have legitimacy over operations such as representations, establishing institutional linkages, organizing trade fairs, membership fee collections and even the day to day operations. BCCI must insist on enactment of BCCI bill or get registered under Civil Society Organizations Act 2007 as directed by the Parliament. With a comprehensive mandate and legal teeth, BCCI will have a renewed sense of direction and purpose in pursuit of its objectives. In fact, having a comprehensive legal mandate can have an enormous impact on resolving most of the issues reported herein.</p>	<p>A process has already been started with the establishment of BCCI CGs for collective views and guidance in formulating an appropriate document for the BCCI. This will be taken as the priority issue.</p>	<p>Partially Implemented</p> <p>Since the BCCI is in the process of formulating appropriate documents, the recommendation is treated as partially implemented.</p>	<p>The time frame for implementation of the recommendation is from January 2019 to December 2019.</p>

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1.2	Need to revise and update BCCI Charter If Chamber Bill do not get enacted as an Institutional legislation, then BCCI must update its Charter. Operations of BCCI are governed by the BCCI Charter. However, the Charter has not been updated or amended with change in the legal and policy environment. The BCCI charter must be comprehensively amended with specific focus on the following: <ul style="list-style-type: none"> ▶ Outdated provisions such as article 8.2, 10.1.1, 11.3.4 which conflict with the extant laws of the land; ▶ There are no details of election process of President, Vice-President and regional representatives; ▶ Terms of President, Vice-Presidents and other members are increased to five years without amendment of the BCCI Charter which states that it is only three years; ▶ BCCI Charter do not have terms of references of Vice-Presidents; ▶ BCCI Charter also need to include well-defined organization structure with clear lines of reporting; and ▶ BCCI Charter do not spell out anything on the working modality and processes 	This shall be revisited and put into place within the given deadline.	Not Implemented	The time frame for implementation of the recommendation is from January 2019 to December 2019.

Exhibit - A

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	<p>between BCCI and sector specific associations.</p> <p>BCCI Charter lacks adequate details and the provisions as mentioned above. Therefore, it is recommended to amend the BCCI Charter to address (not limited to) the issues.</p>			
1.3	<p>Need to institutionalize strategic planning framework</p> <p>BCCI do not have a documented strategic and long-term plan. BCCI undertakes an annual planning exercise which is largely confined to annual programmes and activities. The programmes and activities either provide a remote or no linkage with the BCCI's objectives stated in its Charter.</p> <p>As a relatively large institution, it is important to chart its direction as to where it wants to position within a given time frame and with given resources. It is recommended, that BCCI start a strategic planning process by mapping its resources against its long-term objectives. The annual plans must be drawn from the strategic plans and the individual work plans must provide clear linkage with annual plans.</p>	<p>The policy division has been tasked to prepare the strategic planning framework for the institution.</p>	Not Implemented	<p>The time frame for implementation of the recommendation is from January 2019 to June 2020.</p>
1.4	<p>Need to draft it's on financial manual governing its financial operations</p>	<p>The administration and finance division (AFD) is already in the</p>	Partially Implemented	<p>The time frame for implementation of the</p>

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<p>Currently BCCI do not have its own financial manual. It is following the RGoB financial rules and regulations pertaining to financial operations. Although broad principles of financial propriety and prudence could be replicable, specific practices and accounting treatments may not be applicable. Operations of BCCI are different from that of a government entity since the organizational structure and goals are different.</p> <p>It is therefore recommended to draft a financial manual that suits and shall regulate the financial operations of the organization.</p>	<p>process of drafting the financial manual of the chamber.</p>	<p>The recommendation is partially implemented since the drafting of financial manual of the chamber is in the process.</p>	<p>recommendation is from January 2019 to December 2019.</p>
<p>1.5 Internal audit function need to be instituted</p> <p>BCCI do not have an independent internal audit function instituted so far. System of supervision and monitoring is generally lacking in BCCI due to which there were several issues on financial impropriety. Status of funds and revenues of regional offices including stock of revenue receipts were not monitored. There are instances of missing records of money receipts, which highlighted the absence of proper control procedures in printing, issuance and custody of cash value documents such as money receipts.</p>	<p>As per OD document, the finance section will visit the regional offices within a year and offer corrective measures and check.</p>	<p>Implemented</p> <p>It was noted that the OD report of 2017 recognized the importance of internal audit function. It was recommended for the institution of internal audit cell but to have a dedicated person for the work was not found justifiable.</p> <p>As such, the finance section was entrusted with the responsibility of the internal controls and risk oversight.</p>	

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	<p>With internal audit function, management have the option to take timely corrective actions and reduce risks of fraud and misstatements. It is therefore recommended to institute an internal audit function which should be independent of the management, reporting directly to the President.</p>		<p>In view of the above, the recommendation was considered as implemented. However, the BCCI should come out with the clear roles and responsibilities of the internal audit cell in the financial manual to ensure effective internal control system.</p>	
2.1	<p>Need to develop system of assessment and protocols before undertaking projects</p> <p>Most of the projects had remote or no linkage with the mandates of BCCI, thereby failing to make desirable impact. BCCI must amongst others:</p> <ul style="list-style-type: none"> ▶ Properly assess any projects that they undertake individually or in partnerships with others. BCCI must ensure that they undertake projects that are in sync with its objectives and having direct linkage in promoting its own mandates that can deliver value and benefits to its members; and ▶ Undertake in-depth researches and prefeasibility studies before implementing projects such as ODTP. 	<p>The research division shall develop the assessment system and protocols before undertaking projects.</p>	<p>Not Implemented</p>	<p>The time frame for implementation of the recommendation is from January 2019 to December 2019.</p>

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<p>2.2 BCCI must undertake training needs assessment of the private sector entities</p> <p>BCCI needs to step up its efforts in terms of HR development of the private sector. BCCI do not have data on the trainings needs of the private sector entities to begin with. BCCI must undertake a training needs assessment of the private sector entities with special focus on the medium and small enterprises which do not fall under the jurisdiction of any other sector specific associations. BCCI must accordingly design courses that can address these needs.</p>	<p>The private sector HR division has already initiated the training needs assessment of the private sector entities and it is ongoing activity.</p>	<p>Partially Implemented</p> <p>The RAA noted the institution of private sector HR division and initiation of the training need assessment.</p> <p>However, the audit recommendation stands partially implemented unless the BCCI develops and deliver the trainings as per the need assessment.</p>	<p>The time frame for implementation of the recommendation is from January 2019 to December 2019.</p>
<p>3.1 Long term financial sustainability of BCCI must be reviewed</p> <p>Operations of BCCI are financially unsound. It is merely surviving on the government grants. Annual membership fees collected are not able to cover the pay and allowance expenses of the BCCI secretariat. The regional offices are into deficit spending. Trade fairs are expenditure intensive and net revenues generated are meagre.</p>	<p>Two separate divisions such as AFD and ERD within the GAD has been tasked to:</p> <ol style="list-style-type: none"> a. Come out with appropriate strategies for AMF mobilization b. Explore new revenue sources as permitted within chamber's mandate 	<p>Partially Implemented</p> <p>Since the initiative is in the process, the recommendation is considered as partially implemented.</p>	<p>The time frame for implementation of the recommendation is from January 2019 to June 2020.</p>

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	<p>There is an impending risk of financial unsustainability given the current practice of financial management. Therefore, BCCI must review its long term financial sustainability and devise strategies to enhance current revenue base and identify new sources of revenue. There is also a need to review the operation of regional offices since they are expenditure intensive.</p>	<p>c. Assess operation gaps office and expenditure involved for corrective interventions</p>		
3.2	<p>Need to strengthen control over revenue management</p> <p>Revenue management practices are weak in BCCI. There are issues of inadequate monitoring over printing, usage and custody of money receipts. In absence of defined membership base, it is important to strengthen controls over collection of membership fees. Given poor revenue performance as against a huge potential there are risks of revenue pilferage through current system of management.</p> <p>In view of the issues observed BCCI must:</p> <ul style="list-style-type: none"> ▶ Device ways and means of authenticating and adding more security features on money receipts; ▶ Institute and strengthen controls over printing, usage and custody of revenue/money receipts; 	<p>Based on the recommendation of RAA, the following arrangement are being made:</p> <ul style="list-style-type: none"> a. Printing of money receipts shall be done at Kuensel Corporation with new serial numbers b. The procurement unit that is responsible to print the money receipts shall hand over the custody of the same to membership unit, finance section. c. The finance section shall monitor collection, deposit and remittances of revenues from the regional offices. d. Based on the additional response sent to RAA, the management 	<p>Partially Implemented</p> <p>Since the initiative is in the process, the recommendation is considered as partially implemented. However, in regard to the missing revenue receipt booklets, 4 out of 19 booklets could be traced out and same was verified during joint physical verification conducted on 20/12/2018. The balance of 15 receipt booklets are yet to be traced out and verified by the RAA.</p>	<p>The BCCI is still looking for the missing revenue receipt booklets. As such, the BCCI should make an attempt to produce the missing receipt booklets for audit verification within the timeframe, i.e. January 2019 to December 2019.</p>

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	<ul style="list-style-type: none"> ▶ Monitor collection, deposit and remittance of revenues from the regional offices within defined periods of time; ▶ Trace out missing money receipts (19 booklets) <p>It is therefore recommended to institute the controls and systems to enhance revenue management of BCCI.</p>	<p>has sent the relevant staff to the regional offices to trace out the missing money receipts. Five booklets of money receipts were found from SamdrupJongkhar regional office. (Attached herewith the details)</p>		
3.3	<p>Need to strengthen controls over revenue recognition and follow up mechanism on trade fair revenues</p> <p>BCCI had not recognized receivables amounting to Nu.1.908million from four parties from various trade fairs between 2013 and 2017. BCCI must institute a system of accurate recognition of revenue and timely follow-up processes for revenues from trade fairs. It must expedite the recovery of Nu.1.908 million from the debtors.</p> <p>There is also a need to review the PIP agreements to include penalty clauses amongst others with the view to encourage prompt payments.</p>	<p>The PIP agreement has been reviewed and a penalty clause has also been incorporated as per the recommendation of RAA. With reference to the realization of receivable amounting to Nu.1.908 million from four parties, receivables from three parties (Mr. Raj, M/s National Polymer Group, B/desh) and BCCI canteen) have been realized. However, with regard to M/s Alpha Associates, the BCCI has been consistently following up with the party and shall continue to do until 31st December, 2018. The BCCI shall put up to the Executive Committee for further directive if the party fails to pay the receivables amount within the stipulated</p>	<p>Partially Implemented</p> <p>While the RAA noted the recovery of amount from three parties, the BCCI must expedite in recovering Nu.1,266,748.00 from M/s Alpha Associates and RAA intimated accordingly. Until such time, the recommendation shall remain as partially implemented.</p>	<p>The time frame for implementation of the recommendation is from January 2019 to December 2019.</p>

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		dateline. Any further development on this matter in terms of recovery or further management direction shall be apprised to the RAA for record and guidance.		
3.4	BCCI should strengthen budgeting system and processes BCCI do not have a proper system of budgeting and its execution. It is recommended to strengthen budgeting systems and processes of BCCI to enhance its performance in achievement of the organizational objectives through: <ul style="list-style-type: none"> ▶ Documentation of budget processes and systems; ▶ Engagement of representatives from regional offices in the budget discussions; and ▶ Clear lines of reporting for exercising budgetary controls, monitoring and adherence to budgetary norms. 	The budget system shall be covered in the financial manual of BCCI.	Partially Implemented The recommendation is considered as partially implemented since the drafting of the financial manual of the chamber is in the process.	The time frame for implementation of the recommendation is from January 2019 to December 2019.
3.5	BCCI need to exercise prudence over infructuous expenditure BCCI had not exercised prudence over expenditures in general. It incurred substantial expenditure on hospitality and entertainment	BCCI shall be guided by the financial manual once it is put in place. BCCI also assures that due diligence shall be applied while considering accommodation of the adhoc programs.	Partially Implemented The recommendation is considered as partially implemented since the drafting of the financial manual of the chamber is in the process.	The time frame for implementation of the recommendation is from January 2019 to December 2019.

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	during the period 2015-17. Hospitality and entertainment expenditures exhausted more than 70% membership fees collected from all regional offices combined. BCCI must take initiatives to exercise prudence over infructuous expenditure and reduce hospitality and entertainment expenditure. BCCI is recommended to exercise judiciousness in making expenditures that are unnecessary and uneconomical in nature including hospitality and entertainment.			
3.6	Need to strengthen procurement function of the BCCI BCCI had not undertaken open and competitive bidding process in the procurement of services such as trade fairs, catering and vehicle hire resulting in uneconomical expenditures. BCCI must specifically undertake the following: <ul style="list-style-type: none"> ▶ Constitute procurement committees as required by PRR 2009; ▶ Depute staff with appropriate qualifications in the procurement section; ▶ Exercise due diligence in award of contracts for events management and trade fairs; 	Based on the recommendation of RAA, the following arrangements have been made: <ol style="list-style-type: none"> a. The procurement committee chaired by Secretary General has been established as per PRR 2009 b. The BCCI management has place a capable/ dedicated staff in the procurement unit form September 2018 c. The BCCI has a system that ensures required diligence while awarding contracts for fairs/events/services to ensure value for money 	Partially Implemented Since the initiative is in the process, the recommendation is considered as partially implemented.	The time frame for implementation of the recommendation is from January 2019 to June 2020.

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	<ul style="list-style-type: none"> ▶ Undertake competitive bidding processes for procurements where appropriate to derive value for money; and ▶ Immediately recover the outstanding rental charges of Nu.4800 from the canteen operator. <p>BCCI must ensure stringent and improved compliance to the requirements of procurement norms in procuring services such as event management, catering and canteen services.</p>	d. The BCCI have recovered the rental charges, however, the penalty shall be recovered from the pending bills payable to the canteen operator		
4.1	<p>BCCI must draw HR master plan</p> <p>Currently BCCI do not have HR master plan. HR master plan must align with the strategic plan that shall determine the organizational vision and HR requirements to fulfil it.</p> <p>It is recommended to draw HR master plan which amongst others should address, policies such as HR strength for a given time frame, succession plans, requisite capacities, retention policies etc.</p>	The BCCI guided by its OD plan document shall prepare the HR master plan that shall form the part of its strategy plan as recorded Recon. No.1.3	Not Implemented	The time frame for implementation of the recommendation is from January 2019 to June 2020.
4.2	<p>BCCI must ensure compliance to BCCI service rules and regulations</p> <p>HR operations of BCCI is guided by its service rules and regulations. There were several issues</p>	Wherever lapses in the past have occurred, compliance hereafter shall be adhered to.	Implemented	The submission of tour reports for official travel has been instituted and is being implemented.

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<p>of non-compliance to various provisions of the service rules and regulations. BCCI must strictly enforce provisions of service rules in the following areas amongst others;</p> <ul style="list-style-type: none"> ▶ Objective performance appraisal systems; and ▶ Submission of tour reports for official travels. ▶ <p>BCCI management must take lead role in enforcement of the provisions of its service rules and regulations.</p>			<p>However, the BCCI must ensure continuity of the same in future to avoid irrational travels.</p>	