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Royal Audit Authority

9<sup>th</sup> Plan Review - Chukha Dzongkhag



Performance Audit Report

April 2009





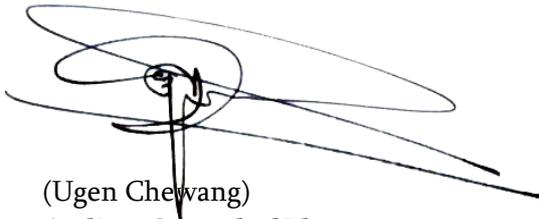
and activities of the Dzongkhag, the RAA is of the opinion that many of the recommendations will be relevant to other Dzongkhags as well. As such, the Ministry may review and determine the extent of its relevance and applicability to other Dzongkhags and issues appropriate directives accordingly.

The RAA would remain grateful if Your Excellency could also kindly direct the Dzongkhag Administration, Chukha to submit a detailed Action Plan with clear and definite time frame for implementing the audit recommendations and instituting appropriate controls, corrective measures and management practices **on or before 30<sup>th</sup> June 2009**. We are also of the view that the implementation of certain recommendations which involves agencies other than the Dzongkhag Administration warrant intervention and initiatives from the higher authority.

We would also like to acknowledge the cooperation and assistance extended to the team by the officials of the Dzongkhag Administration, Chukha which facilitated timely completion of our assignments.

We remain ever grateful to Your Excellency for providing continuous support to the RAA in fulfilling our role on auditing and reporting on the economy, efficiency and effectiveness in the use of public resources.

Yours most respectfully,



(Ugen Chewang)  
**Auditor General of Bhutan**

**Copy to:**

1. The Hon'ble Lyonchhoen, Royal Government of Bhutan for kind information.
2. The Hon'ble Secretary to His Majesty the King, His Majesty's Secretariat, Tashichho Dzong, Thimphu for kind information.
3. The Hon'ble Minister, Ministry of Finance, Thimphu.
4. The Hon'ble Speaker, Gyalyong Tshogdu, Thimphu.
5. The Hon'ble Chairperson, Public Accounts Committee, Gyalyong Tshogdu, Thimphu.
6. The Chairperson, Royal Civil Service Commission, Thimphu.
7. The Secretary, Ministry of Home and Cultural Affairs, Thimphu.
8. The Secretary, Ministry of Finance, Thimphu.
9. The Secretary, GNH Commission, Thimphu.
10. All Dzongdags for information and necessary actions.
11. The Head, Policy and Planning Division, Dzongkhag Administration, Chukha for necessary actions.
12. Office copy.

*Every individual must strive to be principled.  
And individuals in positions of responsibility must even strive harder*

## TITLE SHEET

1. Name of the Report : **Performance Audit of the Chukha Dzongkhag  
(Ninth Five-Year Plan Review)**
2. Executing Agency : Chukha Dzongkhag
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4. Period Covered by Audit : July 2002- June 2007
5. Schedule of Audit : September 2008-November 2008
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7. Name of Supervising Officer : i) Tashi, Chief Audit Officer

## **Disclaimer Note**

The audit was confined to conformity with economy, efficiency & effectiveness of the activities carried out by the Chukha Dzongkhag. This audit was based on audit planning and criteria set by the Royal Audit Authority and facts and information made available and accessible to the audit team by the Dzongkhag Administration, Chukha.

This is also to certify that the auditors during the audit had neither yielded to pressure, nor dispensed any favor or resorted to any unethical means that would be considered as violation of the Royal Audit Authority's Code of Good Conduct, Ethics and Secrecy.

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# 1

## Executive Summary

### *Why RAA did this study?*

Article 25.1 of the Constitution of the Kingdom of Bhutan and Chapter 1, Section 3 of the Audit Act of Bhutan 2006, specifically states that ***“There shall be a Royal Audit Authority to audit and report on the economy, efficiency and effectiveness in the use of public resources”***. In line with this important constitutional responsibility, the RAA is required to examine whether the Government agencies are doing the right things in the right and least expensive way. In doing so, the RAA not only looks at “what has been done”, but also “what has not been done” to achieve the organizations’ ultimate objective. The performance audits of the agencies are even more valid given the fact that the government is severally constrained by its scarce resources.

The performance audit or the audit of 3Es (Economy, Efficiency and Effectiveness) of the Chukha Dzongkhag was selected since the topic scored highly on the following performance audit selection criteria:

- » Overall estimated audit impact on the agencies and the Government;
- » Financial Materiality;
- » Significance of the programme to the overall development of the country; and
- » Potential Risks to Good Management.

Besides, Chukha Dzongkhag is one of the highest beneficiaries in the allocation of the 9<sup>th</sup> Five-Year Plan outlay with Nu.1,445.45 million next to Trashigang with Nu.1,452.80 million of the total of Nu.17,120.79 million for twenty Dzongkhags. The need for such audit was also felt and discussed extensively during the Second Session of the First Parliament.

The main objective of conducting the performance audit of the Chukha Dzongkhag was to review, assess and recommend on the extent to which the Dzongkhag met its Ninth Plan’s Objectives of enhancing quality of life of the people and ensuring balanced Gewog development. It is also to ascertain that in the process of achieving its objectives, the due regard has been given to 3Es. Therefore, the audit focused on the following lines of inquiry:

- » Completion of the assigned activities as per the Ninth FYP;
- » The unexecuted or altered activities in the Ninth FYP;
- » The condition of the infrastructures or facilities created;
- » The activities/programme proposed are Gewog-based; and
- » The system of budgeting and execution.

*What RAA found?*

Against the total plan outlay of Nu.1,445.453 million for the entire Chukha Dzongkhag (inclusive of Gewogs) for Ninth Five-Year Plan, only Nu. 961.134 million (inclusive expenditure for ad-hoc activities) was incurred during the Plan period which is 66.49% of the allocated budget. The Ninth Five-Year Plan witnessed involvement of the Gewogs in formulating their own development plans though the proportion of outlay for Gewogs' plan was marginal. The outlay for eleven Gewogs under Chukha Dzongkhag during the Ninth Plan for their gewog-specific activities was 7.03% of the total outlay for entire Dzongkhag as exhibited in the **Table 1.1**. The marginal allocation for the Gewog plan activities were largely attributed to the constraint in the capacity of the Gewog Administrations.

**Table 1.1: 9<sup>th</sup> Plan Outlay vis-à-vis Expenditure (2002-03 to 2006-07)**

*Figures in million Nu.*

Agency	Initial Plan Outlay	Revised Outlay	Expenditure	% achieved
Dzongkhag	1,343.886	1,541.321	910.229	67.73
Gewogs	101.567	89.864	50.906	50.12
<b>TOTAL</b>	<b>1,445.453</b>	<b>1,631.185</b>	<b>961.135</b>	<b>66.49</b>

*Source: PPD, Dzongkhag Administration, Chukha*

Besides, the Chukha Dzongkhag also witnessed several notable achievements aimed at improving the quality of life and income of the people:

- ✓ The statistics indicate overall improvement in the priority sectors – Social Sectors, both in Health and Education. Over 90% population of the Chukha Dzongkhag now have access to the primary health care services within three hours walking distance with extensive increase in Outreach Clinics during the Ninth FYP (with 38 in 2002 to 47 in 2008).
- ✓ The health activity/programme conducted at the Dzongkhag level had likely contributed and facilitated in improving the general health indicators in the country.
- ✓ With the own initiatives of the Dzongkhag, the PPWF (Poor Patient Welfare Fund), DHF (Disability Help Fund), etc. was initiated with the objectives to provide financial assistance to poor patients during times of needs and to support disabled people in the Dzongkhag.
- ✓ The enrolment in schools under Chukha Dzongkhag has gradually increased over the years (from 12,720 students in 2003 to 15,398 students in 2007).
- ✓ Initiatives taken by the Dzongkhag also includes development of new terracing for paddy cultivation under Bjabchho Gewog. Such initiatives has direct bearing on the livelihood of the people and contribute towards food self sufficiency in the Dzongkhag.

**Chukha Dzongkhag also witnessed several notable achievements aimed at improving the quality of life and income of the people.**



- ✓ The available statistics on the Agriculture as exhibited in the **Table 1.2** also indicated a gradual increase in production of both cash crops and cereals under the Dzongkhag.

- ✓ With increased Rural Water Supply Scheme (RWSS) from 110 in the beginning of the Ninth FYP to 199 towards the end, almost over 62% of the population of the Dzongkhag now have access to piped drinking water supply, thus improving the quality of life of the people.

**Table 1.2: Cereals and Cash Crops production (in MT) under Chukha Dzongkhag**

Crops	2003	2004	2005	2006	2007
<b>Cereals:</b>					
Paddy	1,765	1,507	3,249	3,580	2,567
Maize	3,543	2,163	6,094	6,929	6,805
Wheat	596*	323	1,624	713	962
Barley	N/A	N/A	161	125	137
<b>Cash Crops:</b>					
Potato	3,308	7,705	5,599	5,081	4,887
Mandarin	3,473	5,675	8,155	5,171	5,264
Mango	4	N/A	41	2	N/A
Cardamom	N/A	73.4	408	1,057	564

\*including production of Barley

Source: Agriculture Statistics, MoA

While it is encouraging to see some of the commendable progresses as highlighted above, the RAA also observed certain inherent weaknesses in the system resulting from the lack of coordination and proper planning of developmental activities. Non-availability of funds was cited as a major constraint

impeding the execution of planned activities. The RAA attributes under-achievement of planned activities during the Ninth FYP mainly to poor planning and lack of adequate monitoring. As evident from the **Table 1.3**, the financial progress during the plan period was far short from the acceptable standard. However, the expenditure figure during the extended period of Ninth FYP (2007-08) has escalated significantly. During the financial year 2007-2008 alone, Nu. 300.733 millions

**Table 1.3: Sector-wise (incl. Gewogs) 9<sup>th</sup> Plan Outlay vis-à-vis Expenditure (2002-03 to 2006-07)**

Figures in million Nu.

Sector	Plan Outlay	Expenditure (2002-07)	Expenditure (2007-08)	% achiev. (2002-07)
Agriculture	79.810	44.814	26.221	56.15
Livestock	38.515	27.590	2.826	71.63
Forestry	35.954	11.797	3.922	32.81
Education	640.658	517.251	184.786	80.74
Health	215.545	147.336	41.947	68.36
General Administration (Establishment + Current Cost, Trade and Industry)	142.948	125.471	20.046	87.77
Civil (UDH, Suspension bridge/mule tracks)	292.023	86.876	20.985	29.75
<b>TOTAL</b>	<b>1,445.453</b>	<b>961.135</b>	<b>300.733</b>	<b>66.49</b>

Source: PPD, Dzongkhag Administration, Chukha

was spent for the development activities representing 31.29% of the entire expenditure incurred during the plan period. It is indicative that most of the development activities were deferred at the last moment of the plan implicating serious flaws in the system.

**Some of the significant deficiencies and weaknesses observed were as briefly outlined below:**

- ✘ Overall, the Chukha Dzongkhag had only 66.49% financial achievement during the Ninth FYP. As evident from the **Table 1.3**, the Civil Sector has suffered huge set back in achievement of its targets, scoring only 29.75% of its outlay.
- ✘ There were many cases of planned activities not being implemented at all, not implemented as scheduled and implementing unplanned activities.
- ✘ Some of the infrastructures or developmental activities undertaken during the Ninth FYP, especially those activities executed involving community participation could not sustain over a period of time in delivering continued services.
- ✘ There were fundamental flaws in the system while planning the developmental activities. No preliminary studies were carried out before budgeting for the activities.
- ✘ The RAA also observed several sub standard works resulting in wastage of huge government's resources.
- ✘ Non-availability of vital information viz., financial year-wise expenditures and revised budget for Ninth FYP for the Chukha Dzongkhag was also seen as a major set back in monitoring the progress of the activities.
- ✘ During planning and budgeting, the activities like construction of RNR Centers and new water supply schemes for Gewog's Center overlaps from and within the Dzongkhag Administration's central programme.
- ✘ The monitoring mechanism was lacking and the Gewog's performance in execution of its planned activities was generally poor.
- ✘ With drifting rural-urban migration evident, it calls for a need to address and curb such trend.
- ✘ The communication gap between the central ministry and the concerned sectors under the Dzongkhag hampered effective coordination.
- ✘ Lack of proper coordination between the Dzongkhag and the concerned ministries and several other relevant agencies like GNH Commission, Department of Roads in case of construction of road infrastructures had severally hampered implementation of planned activities.
- ✘ The Dzongkhag also lacked required indicators specific to Dzongkhag for the effective monitoring and evaluation based on its output/performance.

## *What RAA recommends?*

Based on the review, findings and analysis, the RAA offered certain recommendations with an attempt to address the identified deficiencies and weaknesses. Some of the significant recommendations requiring immediate attentions are:

- ❖ Planning developmental activities should be carried out involving all relevant stakeholders. Prior to the preparation of proposal on the activities, proper assessment of environmental and feasibility studies should be done to prepare realistic plans.
- ❖ Prioritize plan activities and minimize ad-hoc activities.
- ❖ As revealed through the survey of the beneficiaries, the developmental activities should be prioritized and focused on needs such as farm roads, etc. and restrain from preparing long list and thus making it too ambitious.
- ❖ The central ministries should support the activities based on the annual work plans submitted by the Dzongkhag so that the ministries' plans and programmes are convergent to the plans and programmes at the Dzongkhag level. The institution of such mechanism will address the problems and priorities of the Dzongkhag.
- ❖ There is a need to augment the capacity of the Gewog Administration to commensurate with their huge responsibilities of formulating and implementing their own developmental plans.
- ❖ In line with the government policy of decentralization and devolution of power and authority to the grass-root level, certain activities like constructions of RNR Centres, RWSS, etc., which are more gewog based, should be included in the plans of the Gewog so as to ensure close monitoring and proper accountability. However, before implementation of such initiatives, the administration should be equipped and well strengthened.
- ❖ A need for an engineer at the Gewog level should be reviewed. A placement of engineer at the Gewog level depending on the quantity of construction activities, would facilitate smooth implementation of the plans and programmes of the Gewogs.
- ❖ Strict monitoring and evaluation mechanism at various levels – Central, Dzongkhag and Gewog should be instituted.
- ❖ The mechanism of evaluation based on agreed indicators/output for each sector under the Dzongkhag should be identified to measure the performance of the Dzongkhag/Sectors/Gewogs. Their performance should be measured using the selected indicators, e.g. for Gewog, it can be gauged using poverty incidence rate specific to gewog and various other indicators.
- ❖ Information system on integrated database for financial management should be instituted to ensure accurate, consistent and real time basis reporting and monitoring.

The detailed recommendations are given on Chapter 5 of this report.

# 2

## Introduction

Of all the 20 Dzongkhags, Chukha is a highest contributor to the GDP of the country, contributing over Nu. 6.17 billion<sup>1</sup> revenue to the national exchequer during the financial year 2006-07 alone, representing 60.8% of the total. It has enjoyed unprecedented rank as a top revenue earner. Paradoxically, it has the fourth highest number of people living below poverty line. There are 13,700 poor Bhutanese people living under Chukha Dzongkhag, representing 9.4% of the total poor. The poverty incidence rate for Chukha is 20.3%<sup>2</sup>.

The Dzongkhag also has the highest share of road network with 486.3 kilometres<sup>3</sup>, accounting for 10.7% of the total road network. The road infrastructure has inevitably played a key role in the progress and economic growth of the country and has always been one of the priority areas in all the successive five year plans. However, such infrastructures could not deliver much benefit to the residence of the Dzongkhag to address the high poverty incidence rate. Chukha is also the main entry points for import and commercial hub of the country. Major hydro power plants and other industrial plants, which are key source of national income are also located in the Dzongkhag. Indeed, it is endowed with such comparative advantage to foster rapid economic growth for the Dzongkhag. Despite all such endowments, the Chukha Dzongkhag is a home to many poors which reckons for concerted efforts from the policy makers and administrators to narrow such viciousness.

Chukha Dzongkhag was established in April 1987, coinciding with the beginning of the Sixth FYP. The Dzongkhag has one drungkhag namely, Phuentsholing and eleven Gewogs viz. Chapcha, Bjachho, Bongo, Getena, Geling, Dungna, Metakha, Logchina, Dala, Sampheling and Phuentsholing with 14,482 households and 74,387<sup>4</sup> populations. Rugged terrain and lack of motorable roads posed considerable problem in delivering developmental services to the people in these Gewogs.

The Dzongkhag covers an area of about 1,802 square kilometers with elevations ranging from 200 to 3,500 m above sea level. Cultivable agricultural land forms only around nine percent of the total area of the Dzongkhag. Majority of the people depend on livestock and subsistence agricultural farming. Mangoes, mandarin, potatoes and cardamom are the principal cash crops in the Dzongkhag. Despite favorable climatic conditions, farm productivity is low due to terrain conditions and lack of adequate farm infrastructure in particular, the farm roads.

<sup>1</sup> National Revenue Report 2006-07, DRC, MoF

<sup>2</sup> Poverty Analysis Report 2007, NSB

<sup>3</sup> Statistical Year Book of Bhutan 2007, NSB

<sup>4</sup> Population & Housing Census of Bhutan 2005, Office of the Census Commissioner, RGoB

During the Ninth FYP, the Dzongkhag was allocated with the total outlay of Nu.1,445.453 million, of which only Nu. 101.567 million was earmarked for the eleven Gewogs.

The objectives of the Ninth FYP for the Dzongkhag were as follows:

- ✧ Enhance quality of life of the people in the Dzongkhag;
- ✧ Promote ownership of the development activities;
- ✧ Preserve and promote tradition, culture and environment; and
- ✧ Ensure balanced Gewog development.

So in ascertaining the extent of achieving its objectives, the RAA conducted the performance audit for the Chukha Dzongkhag and reported its findings as detailed in the succeeding Chapters.

## 3

## COMMON FINDINGS

## 3.1 POOR PLANING

## 3.1.1 No preliminary studies conducted for developmental activities

For any developmental activities involving huge investment, it is indeed a pre-requisite to conduct preliminary studies before proposing for inclusion in the Plan. In many cases, it was observed that the developmental activities were proposed based on the mere decision arrived at in the DYT. Though the DYT is the highest decision making body that concern socio-economic development in the Dzongkhag, its decision should be appropriately backed with preliminary studies before being proposed for inclusion in the plan. Such hasty decisions had led to inclusion of all activities in the Plan making it more ambitious and thus leading to underachievement of the plan. There were many cases of the proposed activities not being executed, either due to constraints in capacities or disputes arising among the beneficiaries. Budgeting of activities were also done based on simple insights and experience leading to, in some cases, the extravagant allocation of government's scarce resources. As a result, the government's scarce resources were not put to optimum use, thereby depriving government of its investment in other profitable and needy portfolios – huge opportunity costs.

## 3.1.2 Proposal of activities not based on the needs of the public

The feedback of beneficiaries represented by the elected local government leaders through questionnaires indicated that the primary needs of the public under their Gewogs as farm roads. In fact, the beneficiaries expressed overwhelming need for the farm roads. However, during the Ninth FYP, only 11.25 km of farm roads were constructed under Chukha Dzongkhag as indicated in the **Table 3.1**. Budget constraints were cited as the reasons for limited farms roads constructions. The study indicated that proposal of long list of activities and improper prioritization leading to budget being allocated for activities that remained unexecuted at the end of plan has forgone the opportunity of proposing farm roads due to unavailability of budget at the inception of the plan.

**Table 3.1: Farm Roads constructed during the Ninth FYP under Chukha Dzongkhag**

Gewog	Farm Road	Km.	Financing
Bjachho	Zero pt. to Bjachho Goenpa	5.70	KR-II
Chapcha	1. H/way to Paga 2. Zongthu to Koma	3.24 2.31	DRDP
	<b>TOTAL</b>	<b>11.25</b>	

### 3.1.3 Overlap in the proposal of activities in the Plan

During the Ninth FYP, the activities like construction of RNR Centers and new water supply schemes for Gewog's Centers were found to be overlapping from and within Dzongkhag Administration's central programme. Various Sectors like Agriculture, Livestock and Forestry under the Dzongkhag proposed plans for constructions of RNR Centers under their respective sector plan. However, such activities were actually common to all these sectors and overlap each others plan.

Overlapping activities in the 9<sup>th</sup> Five Year Plan  
Cases of Double Budgeting

There were also cases of double budgeting, like the construction of new water supply scheme for the community school, BHU and RNR Center by the Gewog Administration, Getena, which was also budgeted by the Health Sector, Dzongkhag Administration during the Ninth FYP. The audit attributes such lapses to absence of proper system of communication and coordination between the sector in the Dzongkhag and the Gewogs.

### 3.1.4 Lack of understanding of the objectives of the Plan by the key machineries

The survey of key machineries for implementation of the plan at the Gewog level also indicated that some of the respondents do not have clear understanding of the objectives of the plan. Frequent changes of the key personnel in the Gewog administration during the span of five-year plan came out as strong reasons for such low understanding of the plan objectives. The low percent achievement of only 50.12% during the Ninth FYP at the Gewog level can also be attributed to such phenomenon and institutional set up.

## 3.2 EXECUTION

### 3.2.1 Under-achievement of Planned Targets

The summary of Dzongkhag and the Gewog's plan outlay vis-à-vis the expenditure incurred during the 9<sup>th</sup> FYP is exhibited in the Table 3.2 and the Table 3.3 respectively. As evident from these Tables, the aggregate of 66.49% only was achieved against the total outlay of Nu. 1,445.453 million as deduced from the

Table 3.2: Sector-wise 9<sup>th</sup> Plan Outlay vis-à-vis Expenditure for the Dzongkhag (2002-03 to 2006-07)

Figures in million Nu.

Sector	Plan Outlay	Expenditure (2002-07)	% achiev.
Agriculture	49.705	30.002	60.36
Livestock	35.000	27.220	77.77
Forestry	25.909	10.899	42.07
Education	625.258	512.586	81.98
Health	207.454	143.300	69.08
Roads (Suspension bridge/mule tracks)	5.398	0.000	0.00
Trade and Industry	1.000	0.000	0.00
UDH	145.599	35.071	24.09
Administration	248.563	151.151	60.81
<b>TOTAL</b>	<b>1,343.886</b>	<b>910.229</b>	<b>67.73</b>

Source: PPD, Dzongkhag Administration, Chukha

financial achievement figure. The achievement of Gewogs was even lesser with financial performance recording 50.12% only. One of the main constraints reported that affects the implementations of planned activities was the non-availability of fund. The RAA attributes for such lowly performance mainly to poor planning and lack of adequate monitoring.

As also evident from the **Table 1.3** under the Executive Summary,

most of the activities of the Ninth FYP were carried out during the extended period of the plan. Therefore, it is evident that most of the activities were not completed as scheduled. This reflects poor and ineffective planning during the formulation of the plan. The Ninth Plan for the Dzongkhag also appeared very ambitious for the given capacities of the administration.

The extent of activities completed in each of the past five years were not known as the Planning Unit at the Dzongkhag does not record proper bifurcation of expenditures incurred by each Sector and of the Gewog administrations. The records were also not available at the central authority, i.e. GNH Commission. The recording of expenditures, only in a cumulative column by the Planning Unit does not provide sufficient evidence on the implementation schedules of the plans.

### 3.2.2 Ad-hoc activities undertaken

The Chukha Dzongkhag had executed many ad-hoc activities worth Nu.18.358 million during the Ninth FYP as exhibited in **Annexure A**. While the ad-hoc activities undertaken by the Dzongkhag may have been unavoidable in certain cases, its execution had huge budgetary implications on the planned programmes. One of the reasons for non-achievement of the planned targets during the 9<sup>th</sup> FYP could also be due to such ad-hoc activities.

**Table 3.3: Gewog-wise 9<sup>th</sup> Plan Outlay vis-à-vis Expenditure (2002-03 to 2006-07)**

*Figures in million Nu.*

Gewog	Plan Outlay	Expenditure (2002-07)	% achievement
Bjachho	10.133	9.791	96.62
Bongo	14.987	6.466	43.14
Chapcha	10.597	8.002	75.51
Dala	8.291	4.900	59.10
Dungna	9.062	2.004	22.11
Geling	9.056	1.817	20.06
Getena	7.523	3.704	49.24
Logchina	9.761	1.841	18.86
Metakha	7.046	4.727	67.09
Phuentsholing	9.073	4.553	50.18
Sampheling	6.038	3.101	51.36
<b>TOTAL</b>	<b>101.567</b>	<b>50.906</b>	<b>50.12</b>

*Source: PPD, Dzongkhag Administration, Chukha*

Figure 1 below depicts the general effects of undertaking ad-hoc activities:

Figure 1: Showing effects of undertaking ad-hoc activities



### 3.2.3 Poor workmanship for those works engaging community work force

With the objectives of instigating the feeling of ownership and sustainable usage of the infrastructure created, the government had introduced the system of community participation or beneficiary schemes for the development of small scale activities like construction of Community Schools, Rural Water Supply Schemes, etc. However, the quality of the works involving communities were generally found to be poor as noted below:

The quality of the works involving communities were generally found to be poor

- a) The developmental works executed through community involvement were usually found to be time consuming as compared to the directly implemented projects or activities. The main reason for the delays was the shortages of labour input needed during the implementation process, since such activities usually come during the peak farming activities.
- b) The works were normally found to be of poor quality and sub-standard since the labourers engaged by the community were unskilled workers, who don't have required experience in such construction. The skilled workers required for the construction, viz. masons, carpenters, etc. were reluctant to work due to low wage rates and as a result such work were handled by the unskilled workers.
- c) Such works and activities have led to extra burden for the government as the infrastructure created needs repeated renovation

and maintenance. These activities also tax the communities hard when the maintenance has to be carried out by them.

#### **3.2.4 Lack of capacity**

With the decentralization policy, more activities were proposed by the public at the grass-roots level, and accordingly more activities were planned during the Ninth FYP at both Dzongkhag and Gewog levels. However, many of the plans and programmes remained unimplemented at the end of the Plan. On examination of such phenomenon, it was understood that while more activities were planned at the grass-root levels, it was not adequately augmented with capacity development to implement the enormous responsibilities. Many of the respondents also raised concerns on the requirement of engineer at the Gewog level for smooth implementation of their activities.

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### **3.3. MONITORING AND EVALUATION**

#### **3.3.1 Inadequate communication and coordination**

One of the major reasons for the under-achievement of plans by the Dzongkhag was also due to lack of appropriate mechanisms of communication, interaction and coordination between the central government agencies, Dzongkhag and the Gewog administration. The communication void existed has likely hampered smooth monitoring, leading to under achievement of planned programmes.

The coordination and cooperation at all levels are important for smooth communication and dissemination of information during the implementation of the planned targets. The communication of new roles and responsibilities, progress made, problems encountered and lessons learnt is important not only to ensure that stakeholders at all levels are adequately informed, but also to avoid duplication of work and redundancy of information.

The only communication and monitoring mechanism religiously followed was the mid-term review of the plan and that too lacked adequate follow-up and back-up services. There were duplication of the planned activities between the sectors in the Dzongkhag and the central ministry due to the absence of such mechanisms.

### **3.3.2 Lack of monitoring by GYT**

The function of the Gewog Yargay Tshogchung is to discuss and submit the monthly progress reports to the Dzongkhag Administration on sectors including on financial and administration matters, performances of civil servants, etc. *Clause 9.3 of the GYT Chathrim 2002*

As mandated by the GYT Chathrim, the GYT is responsible for the progress and performance monitoring of the planned activities in the Gewog. The GYT should also convene monthly meetings with technical staff and other persons responsible for the implementation to review the progress in the implementation of every activity and to take timely corrective actions when required. However, in practice, such monitoring mechanism was lacking and the Gewog's performance in the execution of its planned activities was generally poor which can partly be attributed to the lack of such mechanism in place, in addition to the lack of capacity of the Gewog's Administration.

### **3.3.3 Inadequate monitoring of activities by the erstwhile Planning Commission**

The Commission is responsible for planning, coordinating and monitoring the five year plans and programmes for the entire country. It is imperative for the Commission to monitor the implementation of development activities by instituting an effective monitoring and reporting system. However, even the existing monitoring mechanism by the GNH Commission was not found to be adequate. Furthermore, records of the essential financial information, viz., revised budgets and actual expenditures were not found maintained. The Commission needed strengthening the mechanism of monitoring the developmental activities and maintain such information which are vital for proper monitoring and appropriate decision-making.

### **3.3.4 Non-availability of financial year-wise expenditures**

Non-availability of vital information viz., financial year-wise expenditures and the revised budget for Ninth FYP for the Chukha Dzongkhag was also seen as a major set back in monitoring the progress of the activities. The cumulative financial figure available at the Dzongkhag also do not confirm to the figures available from the Ministry of Finance. The figures reported contradict even between the Planning Unit and concerned sectors under the same Dzongkhag. Specific cases of variations are reported in Chapter 4. Therefore, the correctness of the financial figures reported could not be confirmed.

**3.4 FINANCIAL REPORTING VARIATIONS**

**3.4.1 Variations in reporting of financial figures – between the Dzongkhag and the MoF**

The expenditure figures of the Dzongkhag’s Ninth FYP made available from the Planning Unit, Dzongkhag Administration, Chukha and the Ministry of Finance do not correspond to each other. Although the specific activity wise variations could not be comprehended due to differences in reporting style and format, the total summation varies as high as 10.84% as exhibited in the **Table 3.4**. On close examination, it was noted that some of the expenditures incurred by the independent agency like the Dzong Construction Project was not fully captured by the Dzongkhag thus understating its expenditure figure.

*Table 3.4: Variations in expenditure reported for the 9<sup>th</sup> FYP (2002-03 to 2006-07) between the Dzongkhag Adm. and the MOF\**

*Figures in million Nu.*

Agency	Expenditure (MOF)	Expenditure (Dzo.)	Diff. Amount	% Diff.
Dzongkhag	1,008.043	910.229	97.814	10.75
Gewogs	57.274	50.906	6.368	12.51
<b>TOTAL</b>	<b>1,065.317</b>	<b>961.135</b>	<b>104.182</b>	<b>10.84</b>

*\*Source: Annual Financial Statements, MoF*

Likewise, some errors in expenditure figures reported by the Dzongkhag were also noted. Such apathy on the part of official responsible for having fed wrong information in the system has potential for adverse affect in decision making.

**3.5 UNBALANCED DEVELOPMENT**

**3.5.1 Unbalanced Developmental activities amongst Gewogs**

While one of the main objectives for the Dzongkhag during the Ninth FYP is to ensure balanced Gewog development, there still exist conspicuous gaps among its Gewogs in terms of developmental activities.

There exist huge disparities amongst Gewogs under the Dzongkhag. While some of the Gewogs like Chapcha, Bjachho, Phuentsholing and Dala are fairly developed as compared to Getena, Metakha and Geling, the share of developmental activities were also more for comparatively better off Gewogs. The backwardness on these Gewogs were characterized by lack of motorable roads which viciously pose considerable problem in delivering developmental services to these Gewogs. As a result, such unhealthy trend as rural-urban migration from backward Gewog to fairly developed Gewog has emerged.



# 4 SPECIFIC FINDINGS

## 4.1 AGRICULTURE SECTOR

### 4.1.1 Huge variation in expenditure reported by the Planning Unit and the Agriculture Sector – misleading information

There is a huge variation in the expenditure figure of agriculture programme reported by the Planning Unit, Dzongkhag Administration and the Agriculture Sector of the Dzongkhag as exhibited in **Table 4.1**. As evident from the table, the variations were glaring to the extent of 120.50% in the case of Gewog's programmes. The expenditure figure made available by the Agriculture Sector

*Table 4.1: Expenditure incurred during the Ninth FYP(2002-07) under the Agriculture Programme*

*Figures in million Nu.*

Agency	As reported by the Planning Unit	As reported by the Agriculture Sector	Diff. Amt.	Diff. (in %)
Dzongkhag Programme	30.002	36.071	6.069	20.23
Gewog programme	14.812	32.661	17.849	120.50
<b>TOTAL</b>	<b>44.814</b>	<b>68.732</b>	<b>23.918</b>	<b>53.37</b>

would record the achievement at 86.12% as against the achievement figure of 56.15% reported by the Planning Unit. With such misleading information, the decision based on it would be costly and inappropriate. It indicates lack of proper coordination amongst the Units under the Dzongkhag which impede proper monitoring.

### 4.1.2 Improper construction of Farm Roads resulting into huge maintenance cost and destruction to the environment

The results of bad drainage conditions are not always immediately apparent and considerable damage and unnecessary expense can be caused through neglect - *Section 4 clause 4.1 of the Road Maintenance*

During the Ninth FYP, the Dzongkhag constructed 11.25 kms of farm roads as exhibited in the **Table 3.1 (page 8)** under Bjachho and Chapcha Gewogs. On site visit, it was observed that the conditions of the roads were very poor to the extent that commuting during the monsoon is practically impossible. The causes of such bad shaped roads were understood to have been the result of non provision of proper drainage and base course work at certain stretch of roads. As evident from **Photograph 4.1 & 4.2**, the formation of corrugation on the roads resulting into further deterioration of the conditions of roads were mainly due to absence of proper drainage system. Therefore, the immediate requirement of maintenance and the monsoon restorations works were felt necessary for the infrastructures to deliver continued services and to provide value for money spent on these roads.

**Photograph 4.1: Conditions of farm road from Highway to Paga Goenpa**



**Photograph 4.1(a)**



**Photograph 4.1(b)**

**Photograph 4.2: Conditions of farm road from Zero Point to Bjachho Goenpa**



**Photograph 4.2(a)**



**Photograph 4.2(b)**

A handbook on Road Sector Development and Environmental Friendly Road Construction emphasizes on minimal damage to the environment during road construction. The constitution also provides for maintaining 60% of forest cover for all times to come.

As per the Technical Guidelines issued by the Engineering Division, MoA, the implementation of farm roads construction should observe Environmental Codes of Practice of Department of Roads (DoR). However, in the construction of farm road from Highway to Paga Goenpa, the excavated materials were thrown over the hills deviating from the practice as seen in **Photograph 4.3**.



**Photograph 4.3: Excavated materials thrown over hills**

The Dzongkhag had also not sought for technical guidance from the DoR. The DoR in turn is mandated to provide technical guidance and support to the Dzongkhag in the construction of farm roads to ensure that they are constructed in the best possible way without any negative effect on the environment. Therefore, it is indicative that there lacked proper coordination between the two agencies.

### 4.1.3 Diversion of fund for the construction of RNR Center - from Geling to Darla Gewog

Prior to the submission of the proposal of developmental activities of Gewogs through their GYT forum, it is prerequisite for the GYT to also amicably decide on the modalities of execution and the site location of the activities. Without such proper preliminary assignments, the activities could be budgeted only to be left unexecuted at the end of the plan, reflecting very poorly on the performance of the Administration.

The fund for construction of RNR Center earmarked for Geling Gewog was diverted to Darla Gewog. The reason cited for such diversion of fund was due to the disputes among the public of Geling for the site selection. The poor achievement exhibited by Geling Gewog of Nu.1.817 millions i.e. 20.06% (ref. Table 3.3) is also partly due to its inefficiency in monitoring and solving disputes among its public. *The construction of Gup's office was also delayed in this Gewog for the same reason.*

## 4.2 EDUCATION SECTOR 4.2.1 Poor workmanship in the construction of Mebesa Community School

Mebesa Community Primary School under Bjabchho Gewog was constructed during the Ninth FYP at a cost of Nu 0.527 million (excluding labour cost). The materials for the construction were provided by the government and the labour contributed by the community.

The side wall had also reportedly been collapsed several times posing risk to the students studying inside the classroom.

On site visit, it was observed that the quality of the construction was very poor – formation of cracks on the wall as depicted in the **Photograph 4.4** and pot holes developed on the floor of the classroom. The side wall had also reportedly been collapsed several times posing risk to the students studying inside the classroom.

*Photograph 4.4: Mebesa Community Primary School under Bjachho*



*Photograph 4.4(a): The adjacent wall which collapsed several times*



*Photograph 4.4(b): Crack developed on the walls*

The constructions involving communities were generally of poor quality deviating from the principle of economy, efficiency and effectiveness in the delivery of services. The audit attributes it to lack of adequate monitoring and technical support from the Dzongkhag during the construction.

#### **4.2.2 Execution of ad-hoc activities**

During the Ninth FYP, the Education Sector under Chukha Dzongkhag had executed several ad-hoc activities as exhibited in **Annexure A**. While it was understood that some of the activities executed were unavoidable, most occurred due to improper planning during the inception of the plan.

The construction of Chungkha Lower Secondary School had to be suspended and fund diverted for expansion of Kamji Lower Secondary School. As a result, the construction of Girls' Hostel at Kamji was executed as ad-hoc activities. Non availability of enough government land was cited as the reason for suspension of the construction at Chungkha. Such problems should have been envisaged during the formulation of the plan which would otherwise avoid such ad-hoc activities. On the other hand, if proper site had been identified by negotiating with the community, the fund should not have been diverted. Besides, the execution of ad-hoc activities has its own ill-effects as explained through **Figure 1 (Page 12)**.

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### **4.3 HEALTH SECTOR**

#### **4.3.1 Planned activities not executed**

- a) The reconstruction of Dungna BHU II budgeted for the Ninth FYP had to be cancelled as it was decided midway through the Plan period to upgrade it to serve as the first level referral center for three Gewogs on the instruction of the Hon'ble Minister, MoH. Such ad-hoc decisions in the midst of Plan had severally hampered achievement of the planned targets. FYP is a strategic plan and therefore warrants detail study from the very inception to implement it smoothly.
- b) The re-construction of Tsimalakha Hospital planned for the Ninth FYP could not be carried out due to non-availability of budget from the government. The achievements of planned activities are more of budget driven which demands prioritization to be of paramount importance. Besides, it also reflects lack of proper planning and coordination between the Dzongkhag and the parent ministry.

#### **4.3.2 Unsustainable developmental activities – RWSS, Getena Geog Center no more serviceable**

During the Ninth FYP, the Gewog Center, Getena was provided with drinking water supply together with the adjacent village of Bachu under Getena. However, on site visit, it was observed that the infrastructures could not sustain over a period of time in delivering its service as depicted in **Photograph 4.5**. Such incidences reflect improper needs assessment and ineffective use of scarce resources.

**Photograph 4.5: RWSS, Getena Gewog's Center**



**Photograph 4.5 (a): Water Tap near Gup's Office**



**Photograph 4.5 (b): Damaged pressure tank**

It also implicates a serious breach in inculcating ownership to the community. Therefore, the primary objective of community participation, to enhance the capacity of the Bhutanese communities to take command of their own affairs to be sustainable remained defeated.

#### **4.3.3 Lack of proper coordination between the Central Agency and the Sectors at the Dzongkhag level**

The achievement of planned activities to a large extent also depends on the availability of the fund.

The availability of budget at the parent ministry was not made known during the budget preparation at the Dzongkhag level, rather they were distributed to the Dzongkhag at the time of implementation of its centrally planned activities. Such practices undermine coordinated programming, planning and budgeting. As a result, several of the health programmes like TB control programme, etc. had to be reflected as ad-hoc activities under the Dzongkhag Health Sector as exhibited in **Annexure A**.

## **4.4 URBAN DEVELOPMENT & HOUSING SECTOR**

### **4.4.1 Under-achievement of the planned targets**

On assessment of the financial performance of each Sector under the Dzongkhag for the Ninth FYP, it was observed that the Urban Development

and Housing Sector achieved only 24.09% of the allocated budget, as exhibited in the **Table 3.2**. The reasons cited for poor performance were of heavy workloads not commensurate with the human resources capacity of the sector, such as limited number of engineers and technical professionals.

However, the audit attributes the underachievement to poor coordination and inadequate monitoring by the Dzongkhag. Many of the planned activities like new town development and constructions were hampered due to disputes among the beneficiaries or change in policy at the time of implementation. During the planning phase of such activities, no detailed studies were conducted on the feasibility/viability of the project and the hurdles anticipated. Without such studies, the activities were proposed even without proper consultation with the beneficiaries thereby making the plan ambitious and unrealistic.

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## **4.5 DZONGKHAG ADMINISTRATION**

### **4.5.1 Unbalanced developmental activities amongst Gewogs**

Based on the site visit and the survey of the respondents from various Gewogs, it was observed that there exist huge disparities amongst the various Gewogs under the Dzongkhag. Despite some of the Gewogs like Chapcha, Bjachho, Phuentsholing and Dala being fairly developed as compared to Getena, Metakha and Geling, the share of developmental activities were also more for these comparatively better off Gewogs as evident from the **Table 3.3**. As a result, such unhealthy trend as rural-urban migration from backward Gewog (Getena) to fairly developed Gewog (Tsimalakha, Bjachho) has emerged. The backwardness on these Gewogs were characterized by lack of motorable roads which viciously pose considerable problem in delivering developmental services to these Gewogs.

### **4.5.2 Poor quality of work resulting to wasteful expenditures**

The construction of the Sampheling Gup Office at Pasakha was awarded to M/s Jamyang Construction at a tendered amount of Nu.1,075,016.96 on 25<sup>th</sup> May 2005 against the budgeted amount of Nu.0.8 million. The work was handed over to the Site Engineer, Gup and the Tshogpas on 20<sup>th</sup> January 2006. Due to poor quality of works, the contractor was instructed to rectify the defective works. The work was finally handed over to the Dzongkhag Administration on 1<sup>st</sup> January 2007 at a cost of Nu.1.2 million.

On site visit it was found that the building was fully damaged by the storm and was left abandoned. The Geog Administrations had been temporarily shifted to the nearby immigration office.

On examination, it surfaced that the main reason for such damage pertained to the poor workmanship in wood, masonry and cement works. Further the

concerned authority had not taken any measures to save the building from further damages as it was left unattended for several days, which had further worsened the situation.

**Photograph 4.6: Dilapidated Gup's Office, Sampheling Gewog**



**Photograph 4.6 (a): Full view of the Gup office damaged by the storm**



**Photograph 4.6 (b): Front view of the Gup office worst affected by the storm**

Because of the laxity from the Gewog Administration and concerned authority during the construction period and also after the damage caused by the storm, the office will have to be rebuilt and that would result into huge loss to the Government exchequers. Taking proper care even after the storm would reduce the financial burden to the government to a certain extent and would have added to the economy when rebuilding.

#### **4.5.3 Feasibility studies not carried out**

The people of the Ketokha village and the Getana Gewog depend on the mule transportations and hence the Ketokha Suspension bridge was constructed during the 9FYP to connect these two communities to the Dzongkhag Administration.

On studying the impact of the construction of the bridge to the beneficiaries, it revealed that the bridge cannot be used to the optimum during the summer. During summer the river bed rises above the mule track connecting the bridge and therefore the community had to seek alternate routes to transport their goods.

**Had the concerned authority taken proper studies prior to the planning, the benefits derived from this activity could have been optimum.**

Based on the above facts, it can be concluded that this is a clear case of poor planning and lack of proper feasibility studies. Had the concerned authority taken proper studies prior to the planning, the benefits derived from this activity could have been optimum.

#### **4.5.4 Delay in the construction of Getana Suspension Bridge**

In order to connect various peripheral villages to the Getana Gewog Center, the construction of suspension bridge was initiated during the Ninth FYP

with labour contributions from the community. However the construction was deferred in the midst of constructions period due to the following reasons:

- (a) A dispute arose among the community regarding the site selection of the bridge, due to which the community failed to contribute labour on time;
- (b) There was inadequate support of technical expertise from the Dzongkhag to monitor the construction; and
- (c) The construction materials viz. cement, ropes, planks, etc. could not be transported on time to the site due to inaccessibility.

Had the management taken into account proper planning and feasibility studies, all such problems would have been envisaged and appropriate measures instituted to avoid deferment of such activities.

During the site visit, the audit team found that the aluminium ropes and steel boards were lying scattered around without any adequate protection from theft and deterioration from excessive exposure to sun and rain as depicted in the **Photograph 4.7**.

***Photograph 4.7: The materials lying scattered without adequate protection from deterioration***



***Photograph 4.7 (a)***



***Photograph 4.7 (b)***

Such negligence from the concerned authority indicates lack of proper monitoring and supervision at site.

Upon interviewing some of the beneficiaries, it revealed that the present selected site was found quite doubtful in delivering its optimum benefits to the entire community. The mule track connecting the bridge to the main roads had to pass through the river bed. During monsoon season, the river bed rises and submerges the mule track thereby forcing people to seek alternate route by climbing down the cliff.

If the concerned authority had conducted proper studies before the implementation of the activities, the work would have been completed on scheduled time.

#### **4.5.5 Non-maintenance of the infrastructures**

The audit team visited the Gewog centers of Lokchina and Getana to physically verify some of the infrastructure created during the 9FYP.

The team observed that the infrastructures were not maintained and found to be in deteriorating conditions as depicted in the diagram below:

***Photograph 4.8: Condition of Gup office at the Getana Gewog***



***Photograph 4.8 (a)***



***Photograph 4.8 (b)***

***Photograph 4.9: Conditions of RNR's office and School under Lokchina Gewog***



***Photograph 4.9 (a): RNR's Office***



***Photograph 4.9(b): Lokchina School***

Such negligence from the concerned authority would lead to further damages to the infrastructure which could not only shorten the life of the infrastructures but could also lead to huge cost implications in the repair and maintenance of these infrastructures.



# 5

## Recommendations

Based on the observations highlighted above, the RAA recommends following course of actions:

### 5.1 PLANNING AND QUALITY

#### 5.1.1 Proper feasibility studies should be conducted

The Dzongkhag should carry out proper feasibility studies before proposing any activities in the Plan. It helps to narrow the scope of the project to identify the best solutions for implementing the activities. The main advantages for conducting proper feasibility study are:

- Provides focus to the project/activities and outline alternatives;
- Identify the reasons for not including the proposal in the plan;
- Enhances the probability of success by addressing and mitigating early on the factors that could affect the project/activities, etc.
- Facilitate smooth implementation of the planned activities by avoiding delays and other hurdles.

#### 5.1.2 Preparation of ambitious and unrealistic Plans should be avoided

Given the financial constraints faced by the government, the Dzongkhag should avoid inclusion of long list of developmental activities in the Plan. Else, the performance of the Dzongkhag could be reflected poorly at the end of Plan period when many activities remain unexecuted. It is of paramount importance to prioritize the

developmental needs by including only those that have a major impact on the community and the overall development of the country. One such activity as revealed

**The successive FYP should first prioritize the development of infrastructures such as farm road as it would not only go a long way in saving cost for any developmental activities but would also immensely benefit the communities.**

from the questionnaires distributed to the beneficiaries indicated the farm road as the primary activity. It was also observed that one of the main challenges faced by the administration in delivering developmental services to the remote Gewogs was the lack of motorable roads. As a result, the vicious cycle of poorer Gewogs remaining poor continues as the cost of developmental activities reaching remote Gewogs escalates considerably due to huge transportation cost. Therefore, the successive FYP should first prioritize the development of infrastructures such as farm road as it would

not only go a long way in saving cost for any developmental activities but would also immensely benefit the communities.

### **5.1.3 Proper coordination in Planning should be ensured**

Some of the Gewog specific developmental activities like the construction of RNR Center, etc. should be planned and executed at Gewog level with technical backstop from the Dzongkhag. It would avoid duplication of budgeting of activities by each sector – Agriculture, Livestock and Forestry. Also, it would aid proper planning and smooth implementation.

### **5.1.4 Ad-hoc activities should be minimized through proper planning**

Non-completion of planned activities within the stipulated time and budget is also attributed partly to the implementation of ad-hoc activities. Therefore, the administration should, as far as possible, abstain from taking up ad-hoc activities so that the prioritized planned activities are completed in time and are not stalled by constraints of budget. The necessity for ad-hoc activities may not arise if proper planning is carried out through detailed study.

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## **5.2 MONITORING & EVALUATION**

### **5.2.1 Effective monitoring mechanism should be instituted**

Monitoring is an important tool for ensuring proper implementation of project/activities or programmes. The success of any programme largely depends on the effective delivery system and efficient implementation at the grass-roots level. The effective delivery system and implementation warrants institution of strong monitoring mechanism which would check on delays and prolonged activities.

One of the primary deficiencies in the implementation of the planned activities as noted by the RAA is the lack of adequate monitoring at various levels – Central, Dzongkhag and Gewogs. While certain directions were provided in the DYT and GYT Chathrim on account of various reporting procedures intended to strengthen monitoring system, it was not religiously followed. The Gewog Administration should strictly adhere to its established norms of submitting quarterly reports prepared with the support from the Gewog extension staff. Such mechanism will also hold Gewog extension staff responsible in implementing Gewog specific planned activities.

**5.2.2 Reliable indicators should be identified and agreed for measurement of the performance of Gewog/Sector/Dzongkhag Administration**

The administration at each hierarchical level should agree on certain measurable indicators to gauge performance of each Gewog/sector or Dzongkhag as a whole. Therefore there is a need to establish certain selected indicators like poverty incidence rate to measure Dzongkhag's performance or Gewog's specific performance at the end of each FYP. Likewise, there could also be other feasible agreed indicators to measure the performance.

At the central level, they have their selected indicators for each sector to measure their output. Similar indicators could be used at the Dzongkhag/Gewog level to measure their output and accordingly assess their performance. Such monitoring mechanism would check on the performance of each responsible agent in implementing the planned activities and achieve their intended goals.

**5.2.3 Integrated database for financial information management system should be established**

The integrated database for financial information management system and networks should be set up. Institution of such system would enhance reliability and consistency of the financial information and aid real time decision making. The relevant authority should also promote extensive use of information and communication technologies at different levels of government including the use of internet and web-portals. Thus the authority should ensure appropriate mechanisms of communication, interaction and coordination between the central agencies, Dzongkhag and Gewog Administrations.

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**5.3 MAINTAIN QUALITY  
AND STANDARD OF  
CONSTRUCTIONS**

**5.3.1 Quality and standard of construction activities should be ensured**

The constructions of infrastructures like farm roads which involve huge cost on construction should be properly planned and executed ensuring the quality and the standard. The drainage and base course should be provided to enhance longevity in the usage of the roads. The technical assistance should also be sought from the Department of Roads to ensure quality and standards.

**5.3.2 System of planned maintenance for infrastructures should be introduced**

The Dzongkhag should judiciously plan for maintenance of infrastructures rather than creating more infrastructures which cannot be sustained in delivering continued services.

The planned maintenance will lead to early identification and correction of deficiencies, increase the service life of the infrastructure, and lower the maintenance cost over the life of the assets.

## 5.4 OTHER RECOMMENDATIONS

### 5.4.1 Capacities of Gewog Administrations should be strengthened

The under achievement of planned activities at Gewog level were very high during the Ninth FYP. As observed during the audit, such phenomenon mainly arose due to constraints in the capacity of the Gewog Administration. Therefore, there is a need to strengthen the capacity of the Gewog Administration.

One of the important measures to strengthen the Gewog Administration would be placement of technical engineers. Since most of the development activities would be executed at the Gewog level, this would expedite smooth implementation of the development activities and ensure quality construction as it would facilitate close supervision. The concerned authorities may also look into the possibilities of temporary transfer of engineers to Gewogs with several construction activities. Besides, other options/alternatives of closely supervising the constructions may also be explored.

### 5.4.2 The developmental activities should be gradually decentralize to the Gewog Administration

Once the above recommendation (5.4.1) is implemented, the authority may also review on gradually shifting the responsibilities of Dzongkhag implemented activities to the Gewog level. The Dzongkhag may assume supervisory or regulatory role over execution of planned activities. Such shift in responsibilities would lead to reduction of staff at the Dzongkhag level by placing/transferring them to the Gewogs. It would also ensure immediate accountability of the responsible staff at the Gewog level.

However, clear line of authority and job responsibilities should also be defined amongst the incumbents of the

**Unclear job descriptions of the Gups, the Chief Executive Officers (CEO) and other staff at the Gewog Administrations have severally hampered smooth implementation of developmental activities.**

administrations. Unclear job descriptions of the Gups, the Chief Executive Officers (CEOs) and other staff at the Gewog Administrations have severally hampered smooth implementation of developmental activities. The concerned authority needs to clearly define the roles and expectations of the CEOs to ensure success of Gewog's developmental activities.

#### **5.4.3 Equitable development of Gewogs may be considered**

In keeping with the policy of balanced development, one of the criteria for budget allocation to the Gewogs should be the level of backwardness of the Gewogs rather than on the easiness of the delivery of the developmental services. Priority should be given to those developmental activities that would enhance the quality of the life of the people of backward Gewogs to check on unhealthy trends such as rural-urban migration. This would also facilitate government's policy of equity and justice through equitable developmental activities.

#### **5.4.4 Flexible approach of contribution of labour by the community may be considered**

Since majority of the farmers are poor with difficulties in meeting their day to day expenses, it imposes huge burden on the farmer to contribute the work force in constructing the Community Schools, etc. Such mandatory labour force contribution may have also partly contributed towards rural-urban migration. Besides, the quality of constructions involving communities was generally poor. Therefore, there may be a need to further review procedures for labour contribution. The authorities may look into options such as:

- i. Involving them only in smaller projects by fixing monetary ceilings or criteria for constructions involving the communities;
- ii. Involving them only during the off peak farming seasons through proper synchronization of activities so that the farming activities are least disrupted;
- iii. Close supervision of the works involving the communities etc.

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## Annexure A

## Non-Plan activities undertaken during the Ninth Five-Year Plan by Chukha Dzongkhag

*Figures in million Nu.*

Sl. No.	Sector/Gewog	Non-Plan Activities	Expenditure	Remarks
1	Dzongkhag Administration	Renovation of lhakhang & Goenkhas	0.399	
		Construction of toilet at Tanalum	0.210	
		Major renovation of Tshamdra, Thadra and Dorgoenpa	0.759	
		Conversion of Dzongkhag Club House to DYT Hall	1.000	
		Construction of Tanalum Checkpost	0.256	
		Furniture for Electoral officials	0.085	
		Office equipments for Land Record section	0.068	
		Computer & peripherals for land Record	0.072	
		Computer & peripherals for census	0.050	
		<b>Sub-Total</b>	<b>2.899</b>	
2	UDH	Construction of boundary wall between P/ling and Jaigaon	1.506	
		<b>Sub-Total</b>	<b>1.506</b>	
3	Forestry	water source protection	0.164	
		Bio-Engineering work	0.050	
		creation of new nursery	0.120	
		<b>Sub-Total</b>	<b>0.334</b>	
4	Health	Maintenance of Tshimalakha Hospital	0.476	Fund Provided by DANIDA during 8th Plan
		Installation of Transformer at T/Hospital	1.000	
		Construction of deep burial pit at T/lakha Hospital	0.031	
		Construction of deep burial pit at P/ling Hospital	0.036	
		Maintenance of darla BHU	0.064	
		Maintenance Phuntsholing Hospital	0.195	
		Electrification of Bongo BHU	0.131	
		Maintenance of dzongkhag Health office	0.177	
		Maintenance of staff Qtrs.chongrykha BHU	0.157	
		Water supply at Logchina BHU	0.469	
		Rehabilitation of Chapcha BHU water supply	0.244	
		Disability prevention & Rehbilation program	0.707	
		Malaria and Dengue Control program	0.329	
		TB control program	0.382	
		Health Information system	0.079	
<b>Sub-Total</b>	<b>4.477</b>			
5	Livestock	Backyard Poultry Demo.	0.007	WWMP
		Backyard Piggery Demo.	0.054	WWMP
		Model Piggery shed	0.079	Darla & Gelling

		Model dairy shed		
		Supply of grass Chaffer	0.000	Dala & Sampheling
		Integrated demo piggery with fishery	0.097	
		GYT members training	0.044	
		Overhead Projector	0.017	WWMP
		Digital Camera	0.015	WWMP
		Staff Meeting	0.100	WWMP
		Establishment of Technology park at centres	0.093	
		<b>Sub-Total</b>	<b>0.506</b>	
6	Education	Construction of 64 beded girls hostel, Kamji LSS	1.507	
		Plant& Equipment, Phuentsholing HSS	0.277	
		Plant & Equipment, Darla MSS	0.200	
		Acquisition of Building from CHPC	1.790	
		Construction of ADM Bolck (Darla MSS)	2.755	
		Construction of RC center at Logchina	0.263	
		Construction of Hostel toilets (CHSS)	0.925	
		Re-roofing of Chungkha LSS	0.049	WFP
		Construction of Water supply line to CHSS	0.152	
		<b>Sub-Total</b>	<b>7.918</b>	
7	Bjabchho	New RWSS at Mebiarey	0.045	
		Fram road site plantation	0.015	
		Technology Park develoment	0.020	
		Afforestation	0.290	
		<b>Sub-Total</b>	<b>0.370</b>	
8	Chapcha	New RWSS at Thadrak Tsawa	0.171	
		New RWSS at Rimtek Shongri	0.170	
		New RWSS at Langneykha	0.073	
		<b>Sub-Total</b>	<b>0.414</b>	
9	Bongo	Rehabilitation of Toktowom RWSS	0.045	
		<b>Sub-Total</b>	<b>0.045</b>	
10	Dala	New RWSS at Lower saureni	0.206	
		New RWSS at Pakchina	0.206	
		New RWSS at Tabji	0.206	
		<b>Sub-Total</b>	<b>0.618</b>	
11	Geling	New RWSS at Chanachen	0.139	
		<b>Sub-Total</b>	<b>0.139</b>	
12	Metakha	New Rwss at Goempa	0.125	
		New Rwss at Yuelkha	0.125	
		<b>Sub-Total</b>	<b>0.250</b>	
13	Phuentsholing	Renovation of Toribari channel	0.223	
		Rehabilitation of RWSS at Kungkha	0.165	
		<b>Sub-Total</b>	<b>0.388</b>	
		<b>GRAND TOTAL</b>	<b>18.358</b>	

### AUDIT OBJECTIVES

The objectives of audit were:

1. To ascertain the extent to which input deliveries, activities and various targets/goals and objectives set in the Ninth Plan are achieved;
2. To identify and evaluate ad-hoc activities carried out during the Ninth Plan;
3. To identify gaps in targets and actual accomplishments;
4. To highlight the diversion of fund, if any, and ascertain its causes, impact and justifications;
5. To identify the actual implementation problems and issues, and determine the bottlenecks;
6. To evaluate and identify what methods and strategies worked best over time, and the strategies that failed; and
7. To provide recommendations for better management practices in aiding the formulation of successive Five-Year Plans.

### AUDIT SCOPE

The audit was conducted on the activities executed during the Ninth Plan. The revised budget allocated for the Ninth Plan was Nu. 74.936 billion. The audit was focus primarily on the activities resulting into creation of assets. Both physical and financial achievements were ascertained for which the revised capital budget of Nu. 43.306 billion was allocated. The financial achievements of activities for which recurrent budget of Nu.31.630 billion allocated was also ascertained. The audit would be carried out agencies-wise and the sector-wise after determining the impact of the activities proposed and the materiality of the budget allocated.

## AUDIT CRITERIA

1. Activities and programmes had been undertaken as per the work plan and within the planned budget and resources;
2. Due care is exercised in the identification, preparation and appraisal of the plan, and programmes at Dzongkhag and Geogs level have emerged from the meetings of DYT's and GYT's on need-based;
3. The assigned activities and programmes had been completed on time;
4. Proper coordination mechanism had been instituted between the implementing agencies and the Department of National Budget for timely release of fund, and the Department of Public Accounts for accurate reporting of expenditure incurred;
5. The information gathered from the central agencies and the implementing agencies are consistent and holds true;
6. The programmes and activities undertaken were relevant and had benefited the public;
7. There is efficiency and effectiveness in the delivery of services and implementation of the works;
8. Proper mechanism had been instituted for the sustainability of the programmes and activities;
9. The ad-hoc programmes carried out by the implementing agencies were routed through proper authority and were in line with the development themes;
10. There is no diversion of funds for activities that are not critical and benefits accrued only to small section of the public;
11. Approval is accorded by competent authority in the event of changes in the scope of Plan; and
12. Operations are carried out with due regard to economy and efficiency and in accordance with applicable rules and procedures and complied with the overall developmental policies of the RGoB.

## SOURCES OF AUDIT CRITERIA

1. Bhutan 2020: A Vision for Peace, Prosperity and Happiness, 1999;
2. Ninth Plan Main Document (2002-2007);
3. Ninth Plan Sector Document (2002-2007);

4. The Government Restructuring Exercise, 2000;
5. The Midterm Review of the Eighth Five Year Plan, 2000;
6. Record of the Brainstorming Session for the Formulation of the Ninth Five Year Plan, 2000;
7. Report of the Ninth Plan Core Group Visits to the Dzongkhags, 2000;
8. Development toward Gross National Happiness, 7<sup>th</sup> Round Table Meeting held in Thimphu from 7-9 November 2000;
9. Budget documents;
10. Expenditure statements;
11. Government circulars/notifications;
12. Standard norms and practices;
13. Administrative manual and operational manual of the agencies;
14. Minutes of the meetings of DYT & GYT, etc.; and
15. INTOSAI/ASOSAI Standards.

## AUDIT METHODOLOGY

- Reviewing financial management system between the MoF and the implementing agencies;
- Inspection and examination of records, documents and financial statements;
- Seeking relevant information from knowledgeable person inside and outside the organization;
- Conducting interviews and distributing questionnaires to study the impact of the developmental activities and programmes;
- Compare and contrast the financial information reported to the MoF and the information maintained at the implementing agencies;
- Review of Plan monitoring and evaluating system; and
- Conducting physical observations and site visit of the activities.

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## List of Acronyms

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AHB	Annual Health Bulletin
BHU	Basic Health Unit
CEO	Chief Executive Officer
DHF	Disability Help Fund
DRC	Department of Revenue and Customs
DRDP	Decentralized Rural Development Project
DYT	<i>Dzongkhag</i> Yargye Tshogdue/District Development Committee
GNH	Gross National Happiness
GYT	<i>Gewog</i> Yargye Tshogchung/Block Development Committee
KR-II	Kennedy Round II
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
MoA	Ministry of Agriculture
MoE	Ministry of Education
MoF	Ministry of Finance
MoH	Ministry of Health
MoHCA	Ministry of Home and Cultural Affairs
MT	Metric Ton
MTEF	Medium Term Expenditure Framework
NSB	National Statistics Bureau
Nu.	Ngultrum (Bhutanese Currency)
ORC	Outreach Clinic
PPD	Policy and Planning Division/Planning Unit
PPWF	Poor Patient Welfare Fund
RAA	Royal Audit Authority
RGoB	Royal Government of Bhutan
RNR	Renewable Natural Resources
RWSS	Rural Water Supply and Sanitation
UDH	Urban Development and Housing
WWMP	Wang Watershed Management Project

