

Audit Report: Report on 'Performance Audit of Gewog Development Grant (GDG)
Schedule of Audit: September 1, 2015 to December 30, 2015
Date of Issue: April 2016
Period covered by Audit: 2013-14 to 2014-15
Name of Agency: Ministry of Finance

Sl. No.	Recommendation	Action taken (as per the detailed action plan/report submitted).	Status/Progress of corrective actions taken by the audited agency	Reasons for non-completion of action on any recommendations
4.1	<p>THE GOVERNMENT MAY REVIEW THE GDG GUIDELINE REQUIRING TO ALIGN THE ACTIVITIES EXECUTED UNDER THE GRANT TO THE LONG-TERM NATIONAL GOALS</p> <p><i>The review of activities showed that majority of the activities executed through the Grant were more of recurrent in nature, without significant contribution to economic activities. Almost all the activities implemented through GDG were very similar to the normal planned activities yielding no significant new ideas or innovative ventures. Thus, the use of scarce public resources was not optimized despite sizable amount of resources being spent on projects or activities that do not have a long-term impact. Therefore, there should be a provision in the GDG Guideline that seeks to promote not only the decentralization process, but also foster local economic growth, generate employment and enhance income opportunities for the rural communities.</i></p>	<p><i>The Ministry of Finance sought directives of the Government on the two recommendations.</i></p> <p><i>The government vide letter No C-3/116/508, dated 9th Nov. 2016 has conveyed to the Ministry of Finance that it has decided not to consider the recommendation.</i></p> <p>Letter is attached for kind reference.</p>	<p><u>Not implemented</u></p>	<p><i>Government is of the view that in the larger and future interest of strengthening decentralization and empowerment of LGs, it does not seem appropriate to intervene or alter it.</i></p>

<p>4.2</p>	<p>THE GOVERNMENT MAY REVIEW THE EXISTING SYSTEM OF ALLOCATION OF GDG</p> <p><i>In the current system, each Gewog were allocated GDG fund of Nu. 2.00 million annually. The allocation of Grant does not consider the factors like, poverty incidences, population size, level of economic development, geographical coverage, etc. The consideration of these parameters may promote equitable distribution of Grants and balanced development across the country. Thus, the Government may look into considering these factors to ensure equity and fairness in distributing the Grant to each Gewog. Further, the requirement of the Guidelines to equally distribute the Grant amongst the Chiwogs irrespective of number of households, populations and Chiwog sizes encourages the use of the fund on numerous fragmented activities where it will be difficult to create significant impact and benefit. Thus, the provisions of the Guidelines may be revisited to encourage the usage of the Grant on large activities with long-term economic impact/benefit and to provide optimum benefits to the people and country at large.</i></p>	<p><i>The Ministry of Finance sought directives of the Government on the two recommendations.</i></p> <p><i>The government vide letter No C-3/116/508, dated 9th Nov. 2016 has conveyed to the Ministry of Finance that it has decided not to consider the recommendation.</i></p> <p>Letter is attached for kind reference.</p>	<p><u>Not implemented</u></p>	<p><i>Government is of the view that in the larger and future interest of strengthening decentralization and empowerment of LGs, it does not seem appropriate to intervene or alter it.</i></p>
<p>3</p>	<p>4.3 THE GOVERNMENT MAY REVIEW FUNDING OF NEW FARM ROADS THROUGH GDG</p> <p><i>Many of the Gewogs have identified farm roads as their priority needs and the Grant was spent mainly on construction or improvement of farm roads. With limited funds, quality standards were not met in many cases and most of the newly constructed farm roads were either completely unpliable or pliable only during certain period of the year. If the Grant allocated for a Gewog is spent on the construction of farm road, it may not be sufficient even for construction of 1 km. farm road with required specification and quality as prescribed under Farm Road Development Guidelines 2014, thus, wasting funds and resources in constructing farm roads yielding no benefits to the public. Thus, considering the farm roads as priority needs of the Gewogs and also the sizeable amount required for the construction of farm roads, the Government should institute a proper mechanism to address the imminent and priority needs of the Gewogs and also relook into the</i></p>	<p><i>The Ministry of Finance has requested the MoAF to implement the recommendation or assist LG to accordingly implement the recommendation.</i></p>	<p><u>Not Implemented</u></p>	<p><i>Implementation status, if any from MoAF, is yet to be received.</i></p>

	<p>utilization of GDG for construction of farm roads and ensure prudent and effective utilization of the GDG.</p>			
4	<p>4.4 THE GEWOG ADMINISTRATIONS SHOULD CARRY OUT NEED ASSESSMENT AND SITUATION ANALYSIS IN SELECTION OF GDG ACTIVITIES</p> <p>While reviewing the GDG activities, it was noted that Nu.31.854 million worth of activities had failed to render its intended benefits due to various circumstances such as, non-availability of funds, poor quality works, lack of roads and electricity, etc. The implementations of such activities providing no value for money were attributed to poor coordination and lack of proper planning during selection of activities. Therefore, the Gewog Administrations should look into utilizing the funds judiciously by carrying out adequate need assessment and situation analysis on the activities proposed by the public.</p>	<p>The Ministry of Home & Cultural Affairs as central agency for the LG authorities has been requested to implement the relevant recommendations. The action report from the Department of Local Governance has been shared to the PPD, Ministry of Finance, copy of which is shared herewith.</p> <p>MoHCA’s Action taken: The local Government Rules and Regulations 2012 Chapter 12 “ Zomdu”, clearly states the procedures of Zomdu, it’s quorum, attendance, notice to the general public, decision and minutes of Zomdu. The rules also provides for the process of decisions on identification and prioritization of activities to be technically backstopped by the technical officials of the Dzongkhags.</p> <p>MoHCA’s Recommendations: The minutes of the Zomdu may be set as one of minimum conditions for the Gewogs to access from the DNB, MoF in the guidelines, while the same is being reviewed.</p>	Not Implemented	<p>Implementation status, if any from MoHCA is yet to be received.</p>
5	<p>4.5 THE DZONGKHAG ADMINISTRATIONS SHOULD INSTITUTE PROPER MONITORING MECHANISM</p> <p>The review of cases showed that there is a need to appoint a focal person in the Dzongkhag to monitor the GDG activities especially during the allocation of funds and selection of activities. Lack of focal person or competent officers monitoring the activities resulted in non-fulfillment of requirement stated in the GDG</p>	<p>The Ministry of Home & Cultural Affairs as central agency for the LG authorities has been requested to implement the relevant recommendations. The action report from the Department of Local Governance has been shared to the PPD, Ministry of Finance, copy of which is shared herewith.</p>	Not Implemented	<p>Implementation status, if any from MoHCA is yet to be received.</p>

	<p><i>Guideline 2014 such as, requirement for consultation with public, proposals for selection of activities, submission of progressive & annual reports and monitoring quality of works executed by the community contractors. Therefore, the Dzongkhag Administrations should institute a proper mechanism during allocation/selection of activities which include:</i></p> <p><i>a) Requirement for written and justified proposals from the Chiwogs for particular activities signed by the respective households in the Chiwogs;</i></p> <p><i>b) Maintenance of signed minutes of GT endorsement for every activity;</i></p> <p><i>c) Letter of Award (Community contract);</i></p> <p><i>d) Monitoring mechanism such as names of working committees for each activity; and</i></p> <p><i>e) All necessary public clearances.</i></p> <p><i>These mechanisms would ensure transparency in allocation and distribution of GDG funds. It will also promote accountability amongst the community.</i></p>	<p>MoHCA’s Action:</p> <p><i>The local Government Rules and Regulations 2012, Chapter 17 “Monitoring and Evaluation” Clearly states the Dzongkhag Tshogdu and Gewog Tshogde shall, subject to the monitoring and evaluation system and procedures formulated by the GNHC, conduct monitoring and evaluation of the development policies, plans and projects.</i></p> <p><i>The rules also spells out the composition of the Monitoring and Evaluation Committee at the Dzongkhag and Gewog levels and it’s duties and frequencies. The ministry upon review found out that such committees are formed in all the Dzongkhags and Gewogs.</i></p> <p>MoHCA’s Recommendations: <i>While GDG Guideline, the Section 8 of the guidelines may also incorporate M & E to be conducted as per the provisions of the LG act and it’s rules and regulation.</i></p>		
<p>6</p>	<p>4.6 THE GEWOG & DZONGKHAG ADMINISTRATIONS SHOULD ENSURE COMPLIANCE TO GDG GUIDELINE IN IMPLEMENTATION OF ACTIVITIES FUNDED THROUGH THE GRANT</p> <p><i>On review of activities implemented under the Grant, it was observed that 38 activities had not fully complied with the requirement of GDG Guidelines 2014. Such cases clearly indicated that the provisions of Guidelines were not observed properly while initiating, endorsing and approving the activities. This also showed that GDG activities were not monitored adequately by the agencies concerned. The Dzongkhag Administrations should ensure compliance to the requirements of the Guidelines and enhance monitoring of activities and promote transparency in utilization of Grant.</i></p>	<p>MoHCA’s Recommendation:</p> <p><i>As in recommendation 4.5 above, while the Dzongkhag and Gewog level M& E Committee monitors the development policies, plans and projects, the activities under Grant and it’s Compliance could also be monitored.</i></p>	<p><u>Not Implemented</u></p>	<p><i>Implementation status, if any from MoHCA is yet to be received.</i></p> <p><i>RAA opines that the MoHCA being one of the nodal agency should take responsibility in implementation of recommendation.</i></p>

<p>7</p>	<p>4.7 THERE SHOULD BE ADEQUATE AWARENESS ON THE AVAILABILITY OF FUND AND ACTIVITIES THAT CAN BE FUNDED THROUGH GDG</p> <p><i>In order to ensure that local community reaps the optimum benefits from the Grant by enjoying discretionary choice and flexibility in using the fund for range of activities of their needs, it is necessary to encourage involvement of local people in designing, implementation, and supervision of activities. Thus, to encourage active participation of the public, it is vital to enhance the awareness to general public and communities on the availability of fund and activities that can be funded through the GDG.</i></p> <p><i>Adequate awareness should also be created to enable the local people and their leaders to identify projects or activities having greater and desired impacts to its Gewog's socio-economic development.</i></p> <p><i>It may, therefore, be desirable that appropriate awareness campaigns are carried out including open forum and panel discussions, media publications, direct discussions with the community, dissemination of information through Dzongkhag and Gewog authorities.</i></p>	<p>MoHCA's Action:</p> <p><i>The local Governments, Dzongkhags and Gewogs are required to put in place the public notice boards at the conspicuous locations to disseminate information to the public pertaining to the budget, activities, progress and others.</i></p> <p><i>The Dzongkhag Tshogdu and Gewog Tshogde members are also required to apprise public of their respective constituencies of the resolutions adopted within fifteen days after the receipt of the minutes as per section 165 of the Local Government Rules and Regulations 2012.</i></p>	<p><u>Not Implemented</u></p>	<p><i>Implementation status, if any from MoHCA is yet to be received.</i></p> <p><i>RAA opines that the MoHCA being one of the nodal agency should take responsibility in implementation of recommendation.</i></p>
<p>8</p>	<p>4.8 THE GOVERNMENT SHOULD STRENGTHEN THE CAPACITY OF GEWOG ADMINISTRATIONS</p> <p><i>There are major setbacks in the implementation of GDG activities across the Gewogs. Some of the shortcomings include, inappropriate allocation of funds, poor reporting procedures, inadequate monitoring, weak financial control and poor record keeping. On inquiry with the Gewog Administrations, they argued that lack of awareness on the GDG Guidelines, non-availability of training opportunities in office management, incompetency in financial & accounting applications, and lack of knowledge on design, drawings and estimates of works were the biggest hurdle for officials in the Gewog Administrations. Therefore, in order to fully achieve the intended objectives of GDG, there is a need to augment the capacity of both local leaders and officials in the Gewog Administrations through adequate trainings.</i></p>	<p>MoHCA's actions:</p> <p><i>In 2015-16 financial year capacity needs assessment of the LG functionaries was conducted and the Department has also in place the Integrated Capacity Building Plan (ICBP), with the curriculum and training materials for ten core training required for the LG functionaries.</i></p> <p><i>Based on the fund availability, supply-driven capacity building activities are conducted by the Department. Since financial year 2013-14, Capacity Development Grant for the Dzongkhags and Gewogs is being initiated to promote</i></p>	<p><u>Implemented</u></p> <p><i>The Ministry has stated that the capacity Development Grant for the Dzongkhags and Gewogs is being initiated to promote demand-driven capacity development activities.</i></p>	

		<i>demand-driven capacity development activities.</i>		
9	<p>4.9 THE GEWOG ADMINISTRATIONS SHOULD MAINTAIN STOCK AND FIXED ASSET REGISTER AND ENSURE PROPER MAINTENANCE AND UPKEEP OF THE ASSETS</p> <p><i>The maintenance of inventory is necessary for promoting and ensuring proper accountability, custody and control over community assets. However, many Gewogs have not maintained the inventory of stocks and infrastructures created through the GDG. Infrastructures such as farm roads, irrigation channels and many others were also not properly maintained. The assets or infrastructures created, if not maintained would result into wastage of resources spent for its creation. The Gewog administrations in compliance to the Financial Rules & Regulations 2001 and Property Management Manual should maintain Fixed Asset Register to record all non-expendable properties with complete details such as, cost of acquisition, specifications, depreciation, present location, etc. An effective system of periodic maintenance of assets is vital for its continued delivery of services and thus, the Gewog Administrations should ensure proper upkeep of assets or infrastructures by seeking and provisioning budgetary support for timely maintenance or it should be properly handed over to the communities and a mechanism for periodic maintenance of the assets instituted.</i></p>	<p>MoHCA’s Recommendation:</p> <p><i>The Gewog Administration in compliance with the Financial Rules and Regulations 2001 and property Management Manual should maintain Fixed Asset Register to record all Non-expendable properties with complete details such as, cost of acquisition, specifications, depreciation, present location, etc.</i></p>	<u>Not Implemented</u>	<i>Action taken by the MoHCA in reiterating the recommendations as per the provisions of the rules and regulations, if any, is awaited.</i>