

ཐུལ་གཞུང་ཚེས་ཞིབ་དབང་འཛིན།

ROYAL AUDIT AUTHORITY

*Bhutan Integrity House*

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



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

# REVIEW REPORT OF PERFORMANCE AUDIT REPORTS

**May 2021**

*"Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder".  
- His Majesty the King Jigme Khesar Namgyel Wangchuck*



ཀྲུལ་གཞུང་ཕྱི་སྲིད་འཛིན་པ་ལྷན་ཁག་།  
**ROYAL AUDIT AUTHORITY**  
*Bhutan Integrity House*

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



RAA/AG-SP/03/2021/040

Date: 4<sup>th</sup> May 2021

The Hon'ble Speaker  
National Assembly of Bhutan  
Thimphu.

**Subject: Submission of Review Report of two Performance Audit Reports**

Your Excellency,

In accordance with Section 42(b)(2) of the Rules of Procedures of Public Accounts Committee, the Royal Audit Authority (RAA) has the honour to submit the review report of the following two Performance Audit Reports:

1. Performance Audit Report on Revenue collection & Management in Thromdes
2. Performance Audit Report on Bhutan Chamber of Commerce and Industry

Based on the Management Action Plan and Action Taken Reports received from the concerned agencies, the RAA conducted the desk review followed by field visits, wherever required.

The status of the reports as of 30<sup>th</sup> April 2021 are detailed in Exhibits enclosed herewith for kind perusal.

Thanking you and looking forward to Your Excellency's continued support.

Sincerely,

(Tashi)

**Auditor General**

Copy to:

1. The Hon'ble Prime Minister, Royal Government of Bhutan for kind information
2. The Hon'ble Chairperson, National Council of Bhutan for kind information
3. The Hon'ble Opposition Leader, National Assembly of Bhutan for kind information
4. The Hon'ble Chairperson, Public Accounts Committee, 3<sup>rd</sup> Parliament of Bhutan (6 Copies)
5. The Secretary, Ministry of Finance, *in respect of review report on performance audit report on Revenue Collection & Management in Thromdes*
6. The Secretary, Ministry of Works and Human Settlement, *in respect of review report of performance audit report on Revenue Collection & Management in Thromdes*
7. The Thrompons- Thimphu Thromde, Phuentsholing Thromde, Gelephu Thromde and Samdrup Jongkhar Thromde *in respect of review report of performance audit report on Revenue Collection & Management in Thromdes*
8. The Secretary General, Bhutan Chamber of Commerce and Industry *in respect of review report of performance audit report on Bhutan Chamber of Commerce and Industry*

## Abstract of Review Reports

### **I. Performance Audit Report on Revenue Collection and Management in Thromdes**

The Performance Audit Report on Revenue Collection and Management in thromdes was conducted with the overall objective to assess the efficiency and effectiveness of revenue collection and management for the period covering from 01 July 2012 to 30 June 2017. The final report was issued on 25 May 2018.

The report contained 22 observations under two broad categories and 14 recommendations which are intended to address the shortcomings and deficiencies thereby enhancing efficiency and effectiveness of revenue collection and management in Thromdes.

After 3<sup>rd</sup> desk review of Action Taken Report (ATR) submitted by the Thimphu thromde, three recommendations are considered implemented and 11 recommendations are partially implemented.

In case of Phuentsholing and Gelephu Thromdes, five recommendations are considered implemented, eight partially implemented and one recommendation not implemented. Meanwhile, Samdrup Jongkhar thromde has implemented five recommendations, five partially implemented and one recommendation not implemented.

The statuses of the recommendations are attached as **Exhibit – A**.

### **II. Performance Audit Report on Bhutan Chamber of Commerce & Industry**

The Performance Audit Report on Bhutan Chamber of Commerce and Industry was conducted with the overall objective to ascertain the economy, efficiency and effectiveness of the operations of Bhutan Chamber & Industry (BCCI) in private sector development for the period covering 01.01.2013 to 31.12.2017. The final report was issued on 15 August 2018.

The report contained 31 observations under five broad categories and 15 recommendations which are aimed at enhancing economy, efficiency and effectiveness in addressing operations of the BCCI.

After 4<sup>th</sup> desk review of ATR submitted by the Bhutan Chamber of Commerce & Industry (BCCI), ten recommendations are considered implemented and five are partially implemented.

The statuses of the recommendations are attached as **Exhibit – B**.

\*\*\*\*\*

# **EXHIBIT-A**

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

**Audit Report** : Performance Audit Report on Revenue Collection & Management in Thromdes (AIN: 15086)  
**Date of Issue** : 25 May 2018  
**Name of Agency (s)** : Thromdes- Thimphu, Phuentsholing, Gelephu and Samdrup Jongkhar  
**No. of Review** : 3<sup>rd</sup> Review

Rec. No.	Rec. in Brief	RAA's Last Status	Action Taken/ To be Taken	Timeline	RAA's Latest Status
4.2	Thromdes should formulate strategies towards financial sustainability	<p><b>Partially Implemented</b></p> <p>While the Thromdes are working towards enhancing the revenues for its financial sustainability, the financial viability and sustainability is not ensured without a proper strategic direction.</p> <p>As such, the Thromdes should formulate strategies towards financial sustainability and prepare long term financial plans in order to attain financial viability and reduce dependence on the annual grants.</p> <p>Therefore, the status of the recommendation shall remain partially implemented until the Thromdes come up with the financial sustainability plans or long term road maps or revenue targets to achieve the government policy of Thromdes financial sustenance.</p>	<p><b>Thimphu thromde</b></p> <p>From amongst the revenue sources for Thromde the only reliable dependent sources are the property taxes, service charges for water and parking fee collections. The other sources like the 3% sales tax depends on how well the economy does, the scrutiny fees and charges also depends on how many new constructions are approved. These sources can go up or down depending on the economy and can't be dependent on them.</p> <p>The proposal submitted to the Government to revise the tax rates is very important. Thromde has established vegetable markets in zones to facilitate during Lockdowns and these will be managed by the Asset Manager and will earn rental income for Thromde. Even the meat shops are relocated from private buildings to these vegetable markets for hygiene issues, earning better revenue from</p>	July 2019 to June 2020	<p><b>Partially Implemented</b></p> <p>Although Thimphu thromde has a potential for its revenue growth and financial sustainability, it lacked a proper strategic direction which is a cause of concern with the government's plan to phase out the subsidies and Thromdes' continual dependence on grants.</p> <p>While RAA appreciates Thimphu thromde's efforts towards enhancement of revenues and curtailment of infructuous expenditures, the thromde may not be able to attain financial viability without a long term financial plan and revenue targets.</p> <p>RAA therefore reiterates Thimphu thromde to come up with a long-term financial plan in order to attain financial viability and reduce dependence on annual grants.</p>

			<p>them. Equally important is to curtail unnecessary expenses for sustainability of the Thromde. Reduce expenses on vehicle O&amp;M by replacing the old vehicles and apportioning budgets to division heads to control misuse. Outsourcing of services like water distribution and treatment plants to increase efficiency and reduce losses in the system. Outsourcing of management of sewer network system and treatment plants for better efficiency and reduction in operation expenses.</p> <p>Pursue with the Government to obtain HR autonomy where Thromde can hire and fire employees and incentivize them based on performance which will also reduce wasteful expenditures.</p>		<p>In case of Phuentsholing, Gelephu and Samdrup Jongkhar Thromdes, the recommendations shall remain status quo in the absence of Action Taken Reports (ATR).</p> <p>RAA had sent letters seeking status update for the unresolved audit recommendations to the Executive Secretaries of three thromdes vide letter No. RAA/FuCD/(J38)/PA Report/Thromdes/2021/575 dated 19<sup>th</sup> April 2021.</p>
4.3	Ministry of Finance (MoF) in coordination with Thromdes should prepare grant phase out plan	<p><b>Not Implemented</b></p> <p>The status of the recommendation shall remain the same since the coordination meeting between the Ministry of Finance and Thromdes with regard to annual grants and the phase out plans is not yet conducted.</p> <p>The RAA reiterates that the MoF and Thromdes should work closely to assess the financial positions of</p>	<p><b>Thimphu thromde</b></p> <p>Thromde in consultation with the Ministry of Finance has already phased out the grant subsidy on recurrent expenses starting first year of the 12th FYP. Whereas for phasing out subsidy on capital expenses will not be feasible considering the huge budget required to complete the infrastructure development within the city.</p>	No timeline provided	<p><b>Partially Implemented</b></p> <p>It has been reported that Thimphu thromde had phased out the grant subsidy on current expenditure since its first year of 12<sup>th</sup> FYP in consultation with MoF, while the subsidy on capital grant is still received by the thromde.</p> <p>Regarding Thimphu thromde’s reservation on phasing out of the</p>

*Exhibit-A*

		<p>the Thromdes and formulate grant phase out plans with the timelines.</p>	<p>However, in few projects where the capital grant is not sufficient Thromde has been meeting the balance fund requirement from the revenue.</p>	<p>subsidy on capital grant, although it may not be done in totality at the present, it can be possible in phase wise manner as done with the current grant.</p> <p>As such, RAA recommended thromdes and MoF to work closely to assess the financial position of the thromdes, the viability, ability and capacity of thromdes to generate revenues and formulate a grant phase out plan for each thromde along with the timelines.</p> <p>Until such time, the recommendation shall remain status quo. Meanwhile, Thimphu thromde should provide a timeline for implementation of the recommendation.</p> <p>In case of Phuentsholing, Gelephu and Samdrup Jongkhar Thromdes, the recommendations shall remain status quo in the absence of Action Taken Reports (ATR).</p> <p>RAA had sent letters seeking status update for the unresolved audit recommendations to the Executive Secretaries of three thromdes vide letter No. RAA/FuCD/(J38)/PA</p>
--	--	-----------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

					Report/Thromdes/2021/575 dated 19 <sup>th</sup> April 2021.
4.4	Thromdes should develop revenue management strategy	<p><b>Partially Implemented</b></p> <p>While RAA appreciates the Thromdes for the initiatives taken to enhance the revenue generations, the Thromdes are yet to come up with the overall revenue management strategies with the revenue targets.</p> <p>Since the Thromdes are spending more than their revenues and dependent on grants, the Thromdes should develop a holistic revenue management strategy to meet the targets taking into considerations the existing taxes, fees, charges, new charges etc.</p> <p>As such, the status of the recommendation shall remain the same until the Thromdes come up with the holistic revenue management strategy.</p>	<p><b>Thimphu thromde</b></p> <p>Thromde Tshogde is not authorised to revise some of fees and charges already being applied to the service users such as water and parking fees. The proposal to meet the actual expenses for providing such services were submitted to ministry of finance and are not approved even after many months.</p> <p>Considering this situation, unless the ministry is proactive in approving the proposals received through the Tshogde there is no scope to work on revenue enhancement strategy.</p>	July 2019 to June 2020	<p><b>Partially Implemented</b></p> <p>RAA noted Thimphu thromde’s efforts towards enhancement of revenues and curtailment of infructuous expenditures, however, the Thimphu thromde without an overall revenue management strategy would not be able to resolve the deep seated financial challenges that they are facing currently.</p> <p>Therefore, in order to address those issues, Thimphu thromde should develop a holistic and practical revenue management strategy to meet the set target which would allow the thromde to be proactive rather than reactive.</p> <p>Until such time, the recommendation shall remain status quo.</p> <p>In case of Phuentsholing, Gelephu and Samdrup Jongkhar Thromdes, the recommendations shall remain status quo in the absence of Action Taken Reports (ATR).</p> <p>RAA had sent letters seeking status update for the unresolved audit</p>

					recommendations to the Executive Secretaries of three thromdes vide letter No. RAA/FuCD/(J38)/PA Report/Thromdes/2021/575 dated 19 <sup>th</sup> April 2021.
4.6	MoF and Thromdes should review and improve financial reporting framework	<p><b>Partially Implemented</b></p> <p>While RAA appreciates the thromdes for their initiatives, the thromdes in consultation with MoF should review the financial reporting and may consider adopting accrual accounting system besides implementing the key controls and processes such as, 1. Revenue projections based on thorough study of revenues collected in the past years and sources of revenue, 2. Standard and uniform formats for financial reports, 3. Preparation of required financial reports, 4. Proper maintenance of supporting documents, 5. Verification of financial reports, 6. Defined lines of reporting.</p> <p>Until such time, the recommendation shall remain partially implemented for all the thromdes.</p>	<p><b>Thimphu thromde</b></p> <p>Accrual system of accounting is still not implemented. The ministry of finance is still figuring out whether such a system should be adopted for the Thromdes.</p> <p>Based on the recommendations of the Royal Audit, Thromde has implemented the key controls and processes needed for the prudent financial management.</p> <p>Revenue projections based on the past performance and revenue sources are always monitored to match the expenses. Thromde now has implemented ePEMS for the purpose of standard reporting to the ministry for capital works starting from July 2020.</p>	17 March 2019 to June 2020	<p><b>Partially Implemented</b></p> <p>Thimphu thromde reported that the MoF is still working on the accrual system of accounting in thromdes.</p> <p>Meanwhile, Thimphu thromde is yet to implement the key controls and processes needed for prudent financial management such as 1. Revenue projections based on thorough study of revenues collected in the past years and sources of revenue, 2. Standard and uniform formats for financial reports, 3. Preparation of required financial reports, 4. Proper maintenance of supporting documents, 5. Verification of financial reports, 6. Defined lines of reporting.</p> <p>Until such time, the recommendations shall remain status quo.</p> <p>In case of Phuentsholing, Gelephu and Samdrup Jongkhar Thromdes, the recommendations shall remain</p>

**Exhibit-A**

					<p>status quo in the absence of Action Taken Reports (ATR).</p> <p>RAA had sent letters seeking status update for the unresolved audit recommendations to the Executive Secretaries of three thromdes vide letter No. RAA/FuCD/(J38)/PA Report/Thromdes/2021/575 dated 19<sup>th</sup> April 2021.</p>
4.7	<p>Thromdes should strengthen expenditure control mechanisms</p>	<p><b>Partially Implemented</b></p> <p>While taking note of the responses, the Thromdes are yet to review and carry out the detailed analysis of their expenditures and identify areas where cost reduction and cost control measures can be possible.</p> <p>Therefore, the status of the recommendation shall remain partially implemented until the Thromdes carry out the detail analysis of expenditures and come up with the control measures.</p>	<p><b>Thimphu thromde</b></p> <p>The expenditure control mechanisms should be understood in 2 ways, one for recurrent budget and the other for capital works. The outsourcing of waste management and parking fee collections are mainly to control the operating costs due to inefficiencies in service delivery, which will directly impact the sustainability of the thromde. The outsourcing of other services is also being studied to help thromde achieve more self-sufficiency through reduction of costs due to manpower and fuel costs.</p> <p>Regarding the expenditure control on execution of capital works through contractors, are mainly to ensure joint measurement after the work item is completed and avoid release of payments without proper verification.</p>	1 July 2018	<p><b>Partially Implemented</b></p> <p>The response has been noted. However, Thimphu thromde should furnish the review report on the detailed analysis of the expenditures and its identification areas where cost reduction and cost control measures can be possible.</p> <p>Until such exercise is carried out and report furnished to RAA, the recommendation shall remain status quo.</p> <p>Meanwhile, Thimphu thromde should provide expected timeline for completion of the recommendation.</p> <p>In case of Phuentsholing, Gelephu and Samdrup Jongkhar Thromdes, the recommendations shall remain</p>

**Exhibit-A**

			Adequate number of engineers are recruited on contract basis and the division is advised not to overload some of the engineers, which has resulted in inferior quality of works and also number of oversight cases where excess payments have occurred in the past.		status quo in the absence of Action Taken Reports (ATR).  RAA had sent letters seeking status update for the unresolved audit recommendations to the Executive Secretaries of three thromdes vide letter No. RAA/FuCD/(J38)/PA Report/Thromdes/2021/575 dated 19 <sup>th</sup> April 2021.
4.9	Thromdes should consider revision of taxes, fees and charges	<p><b>Partially Implemented</b></p> <p>While taking note of the responses, the Thromdes should propose for revision of taxes which was initiated since 2014.</p> <p>The Thromdes in consultation with the MoF and MoWHS should also consider revising fees and charges.</p> <p>As such, the status of the recommendation shall remain partially implemented until the taxes, fees and charges are revised.</p>	<p><b>Thimphu thromde</b></p> <p>The draft proposal to revise the property taxes based of valuations were done jointly with MoWHS and ADB and has been submitted to the cabinet for approval. Hope the Government will table the tax bill in the upcoming parliament session.</p> <p>Thromde has submitted water tariff revision to the ministry of finance for approval based on the increase in cost due to O&amp;M cost of the water and sewer treatment plants. The approval is awaited. The parking fee revision has been endorsed by the Tshogde and submitted to ministry of finance for approval.</p>	No timeline provided	<p><b>Partially Implemented</b></p> <p>The recommendation shall remain status quo until the revision of taxes, fees and charges.</p> <p>Meanwhile, Thimphu thromde should provide a timeline for implementation of the recommendation.</p> <p>In case of Phuentsholing, Gelephu and Samdrup Jongkhar Thromdes, the recommendations shall remain status quo in the absence of Action Taken Reports (ATR).</p> <p>RAA had sent letters seeking status update for the unresolved audit recommendations to the Executive Secretaries of three thromdes vide letter No. RAA/FuCD/(J38)/PA</p>

					Report/Thromdes/2021/575 dated 19 <sup>th</sup> April 2021.
4.10	Thromdes should exercise due diligence and prudence in the management of government land	<p><b>Partially Implemented</b></p> <p>The status of the recommendation shall remain the same with Thimphu Thromde since the lease rent of Nu.225,246.52 has not been realized and no appropriate actions taken for the expired short term lease.</p> <p>In case of P/ling Thromde, the cases are being reviewed and in the process of resolving. As such, the recommendation is considered partially implemented.</p>	<p><b>Thimphu thromde</b></p> <p>Leasing of state land has been stopped with the notification from MoWHS. However, some landowners have occupied the state land without approval prior to the above notification from MoWHS and refused to vacate even with several notices from Thromde.</p> <p>Thromde has now successfully removed the structure near the City Bus terminal belonging to Aum Phub Zam and extended the bus parking. Similarly, the excess land occupied by Dorji Tshering located above Memorial Chorten has been partly cleared to construct the road in the area. However, some excess land still remains with them towards the valley side which needs to be further taken up with NLCS.</p> <p>For the case of Chophel, the land ownership of 500 sft. is not enough to even make a small room. Considering this scenario, thromde has recommended for regularization of about 2000 sft more. Pending this</p>	No timeline provided	<p><b>Partially Implemented</b></p> <p>The recommendation shall remain status quo until Thimphu thromde realizes lease rent of Nu.225,246.52 and appropriate actions taken accordingly. The audit could not verify the partial action taken in this regard in the absence of dealing persons.</p> <p>In case of expired short term lease behind Sunday market area, the thromde failed to take further course of action as assured in the audit report.</p> <p>Meanwhile, Thimphu thromde is should provide a timeline for implementation of the recommendation.</p> <p>In case of Phuentsholing thromde, the recommendation shall remain status quo in the absence of Action Taken Report (ATR).</p> <p>RAA had sent letter seeking status update for the unresolved audit recommendations to the Executive Secretary of Phuentsholing thromde</p>

**Exhibit-A**

			<p>approval from NLCS, thromde could not take action based on the RAA.</p> <p>The realization of the lease rent amounting to Nu. 225,246.52 is being processed with the individual plot owners and will be deposited with ARA within next 3 months.</p>		<p>vide letter No. RAA/FuCD/(J38)/PA Report/Thromdes/2021/575 dated 19<sup>th</sup> April 2021.</p>
4.11	<p>Thromdes should institute mechanism to ensure equality and uniformity in application of taxes, charges, fees, etc.</p>	<p><b>Partially Implemented</b></p> <p>The Thimphu Thromde is yet to furnish a proof of Nu.559,865.85 collected as vacant land taxes.</p> <p>The RAA emphasizes on the sewerage charges without sewer line connection. Levying 50% of water bill as sewerage charges without sewer connection is not only illogical but also unfair to the residents. While RAA acknowledges the responsibility of Thromde to provide one-time free vacuum tanker service, the fact is that the residents are rather overly charged for the service which is supposed to be free of charge. The RAA reaffirms that the residents need to be charged on the services availed by them.</p> <p>With regard to lease rent of Kuensel Corporation Ltd., the Thimphu</p>	<p><b>Thimphu thromde</b></p> <p>Based on the audit recommendations, thromde is verifying the list of vacant land tax payable and pursue with the individual plot owner to deposit within next 3 months.</p>	<p>No timeline provided</p>	<p><b>Partially Implemented</b></p> <p>The Thimphu thromde besides furnishing a proof of Nu.559,865.85 collected and deposited into revenue account should review the regulations where there are ambiguities and consider developing robust procedures for application of taxes, fees and charges addressing the issues in observation 3.2.1.3 of the audit report.</p> <p>Until such time, the recommendation shall remain status quo.</p> <p>Meanwhile, Thimphu thromde should provide a timeline for implementation of the recommendation.</p> <p>For other three thromdes, the recommendation was considered implemented during the 2<sup>nd</sup> review.</p>

**Exhibit-A**

		<p>Thromde is yet to furnish the exemption letter as per the RAA’s further comments of the audit report.</p> <p>As such, the status of the recommendation shall remain the same until the above issues are reviewed and initiated.</p>			
4.13	<p>Thromdes concerned should deposit the amount not accounted</p>	<p><b>Partially Implemented</b></p> <p>The Thimphu Thromde reported that they are working on the remaining balance of Nu.527,830.00. While the amount of Nu.76,986.00 deposited into bank is yet to be verified in the books of accounts.</p> <p>In case of P/ling and Gelephu Thromdes, the non-accountal of Nu.8,433,889.21 and Nu.181,550.89 respectively should be recovered and deposited into audit recoveries account.</p> <p>Until such time, the recommendation shall remain partially implemented for all the three Thromdes.</p>	<p><b>Thimphu thromde</b></p> <p>No response</p>	<p>No timeline provided</p>	<p><b>Partially Implemented</b></p> <p>Thimphu thromde until furnishes a proof of Nu.76,986.00 deposited into revenue account and remaining balance of Nu.527,830.00 traced out, the recommendation shall remain status quo.</p> <p>Meanwhile, Thimphu thromde should provide a timeline for implementation of the recommendation.</p> <p>In case of Phuentsholing and Gelephu thromdes, the recommendations shall remain status quo in the absence of Action Taken Reports (ATR).</p> <p>RAA had sent letters seeking status update for the unresolved audit recommendations to the Executive Secretaries of two thromdes vide letter No. RAA/FuCD/(J38)/PA</p>

					Report/Thromdes/2021/575 dated 19 <sup>th</sup> April 2021.
4.14	Thromdes concerned should vigorously follow-up the outstanding revenue	<p><b>Partially Implemented</b></p> <p>While RAA noted the regular follow-up of outstanding revenues, Thromdes should report the actions taken as per the Enforcement of Thromde tax laws other than imposing fines and penalties.</p> <p>Further, a prescribed procedure to annul the thram of defaulting taxpayers so developed by NLCS should be shared with the RAA.</p> <p>Until such time, the recommendation shall remain partially implemented.</p>	<p><b>Thimphu thromde</b></p> <p>The list of defaulters has further reduced to 137 from the list of 1374 pointed out by RAA. Initial number of defaulters of 1374. However, thromde will continue to reach out to the defaulters and reduce the defaulter list to zero.</p>	1 January 2018 to 31 December 2019	<p><b>Partially Implemented</b></p> <p>RAA appreciates Thimphu thromde's efforts towards bringing down the defaulters' number at the minimum.</p> <p>However, despite having adequate legal mechanism with clear enforcement actions, Thimphu thromde has not taken actions as per the standing rules.</p> <p>Further, there were no prescribed procedures to annul the thram of those defaulting taxpayers in coordination with the NLCS.</p> <p>As such, Thimphu thromde should report the actions taken as per the Enforcement of Thromde tax laws besides imposing fines and penalties.</p> <p>Until such time, the recommendation shall remain status quo.</p> <p>In case of Phuentsholing and Gelephu thromdes, the recommendations shall remain status quo in the absence of Action Taken Reports (ATR).</p>

***Exhibit-A***

					RAA had sent letters seeking status update for the unresolved audit recommendations to the Executive Secretaries of two thromdes vide letter No. RAA/FuCD/(J38)/PA Report/Thromdes/2021/575 dated 19 <sup>th</sup> April 2021.
--	--	--	--	--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

# **EXHIBIT-B**

## **Review Report of Performance Audit Report on Bhutan Chamber of Commerce & Industry**

<b>Audit Report</b>	: Performance Audit Report on Bhutan Chamber of Commerce and Industry (AIN: 15407)
<b>Date of Issue</b>	: 15 August 2018
<b>Name of Agency (s)</b>	: Bhutan Chamber of Commerce & Industry
<b>No. of Review</b>	: 4 <sup>th</sup> Review

<b>Rec. No.</b>	<b>Rec. in Brief</b>	<b>RAA's Last Status</b>	<b>Action Taken/ To be Taken</b>	<b>Timeline</b>	<b>RAA's Latest Status</b>
1.1	Need for legal recognition of BCCI	<b>Partially Implemented</b> While RAA appreciates the initiatives taken so far for legitimacy of the Chamber's existence, the status of the recommendation shall remain the same until the bill is passed by the Parliament and Charter endorsed by the AGM.	During the BCCI way-forward presentation to the Hon'ble Tengye Lyonpo on 15 <sup>th</sup> November 2019, the Chamber was directed to work on amendment of the existing charter wherever necessary, as adopting a Bill would take tremendous amount of time. As directed, the BCCI worked extensively on reviewing the obsolete provisions in the existing Charter and proposed additional provisions that will allow Chamber to function as per the changing situation. The amended Charter is ready to be tabled in the next Executive Committee (EC) meeting and subsequently to Annual General Meeting (AGM) for final endorsement. Both these events are due on June 2021.  As an alternative measure to strengthen the legal statute of the Chamber, the Ministry of Economic Affairs directed BCCI to work on a	1 January 2019 to 31 December 2019	<b>Partially Implemented</b> The RAA awaits for the endorsement of the amended Charter 2021 by ECM and final concurrence by the AGM, the recommendation shall remain status quo.

			<p>chapter to be included in Trade and Investment Bill (TIB). The BCCI submitted list of broad functions and roles to be inserted in the same Bill. The Chamber also reviewed the TIB to see whether by having a chapter in the Bill will actually address the legal statute of BCCI. The Chamber is of the opinion that the Bill, unless the scope of engagement of the collaborating agencies is broadened and described in it, the Bill, in its present context, does not really offer the legal provision to strengthen the Chamber. The response of the Chamber in regard to creating provision on BCCI in the TIB was submitted to the Office of Director General, Department of Trade in November 2020.</p> <p>The Chamber, in one of the bilateral consultations with the MoEA was advised and assured about the Ministry seeking for legal opinion of the Office of the Attorney General on the validity of the Royal Charter of BCCI 1996. The Chamber is anticipating an advice from MoEA on this matter.</p>		
1.2	Need to revise and update BCCI Charter	<p><b>Partially Implemented</b></p> <p>The response has been noted. However, the status of the</p>	<p>The existing charter has been amended with relevant by-laws framed out. The amended charter (BCCI Charter 2021) shall be tabled for endorsement in the</p>	1 January 2019 to 31 December 2019	<p><b>Partially Implemented</b></p> <p>The RAA awaits for the endorsement of the amended</p>

**Exhibit-B**

		recommendation shall remain the same until it is endorsed by the AGM and copy shared with the RAA.	109 <sup>th</sup> ECM for final concurrence of the same in the 33rd Annual General Meeting (AGM).		Charter 2021 by ECM and final concurrence by the AGM, the recommendation shall remain status quo.
1.3	Need to institutionalize strategic planning framework	<p><b>Partially Implemented</b></p> <p>The response has been noted. However, the status of the recommendation shall remain the same until it is approved by the Executive Committee and copy shared with the RAA.</p>	<p>The Chamber has already drawn-up broad SPF that has been endorsed by its EC during the 108<sup>th</sup> EC meeting (electronic copy is shared for kind reference). This document is well aligned with the Chamber’s broad objective as outlined in its Charter. Drawn out from the ‘Way-Forward Document’, the Chamber has gone a step further by formulating a different level of strategic interventions.</p> <p>Further, the Chamber is working on detailed action plan to support the implementation of the strategic plan. To ensure independent views and recommendations, the Chamber shall involve external expertise while formulating the detailed action plan. To briefly touch upon the general outline, the SPF shall look at essential aspects as follows:</p> <ul style="list-style-type: none"> <li>i. Objectives of the BCCI</li> <li>ii. Institution’s Vision and Mission statements</li> <li>iii. Goals and strategies thrust</li> <li>iv. Core competencies and opportunities</li> </ul>	1 January 2019 to 31 December 2020	<p><b>Partially Implemented</b></p> <p>While RAA appreciates BCCI for coming up with the strategic planning framework, the BCCI may consider developing the strategic plan 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 the annual plans.</p> <p>Until such time, the recommendation shall remain status quo.</p>

**Exhibit-B**

			<p>v. Current operational modalities of the Chamber towards private sector development</p> <p>vi. The way forward:</p> <ul style="list-style-type: none"> <li>-Strategic plan</li> <li>-Managing/ executing the plan</li> <li>-Resources</li> <li>-Assumptions &amp; risks</li> </ul>		
1.4	Need to draft its own financial manual governing its financial operations	<p><b>Partially Implemented</b></p> <p>The response has been noted. However, the status of the recommendation shall remain the same until it is approved by the Executive Committee and copy shared with the RAA.</p>	The BCCI financial manual governing its financial operation was endorsed by the EC in its 108 <sup>th</sup> session of EC meeting.	1 January 2019 to 31 December 2019	<p><b>Implemented</b></p> <p>Since the financial manual is being developed and endorsed by the Executive Committee of BCCI, the recommendation is considered implemented.</p> <p>However, the BCCI must regulate the financial operations of the organization as per the financial manual.</p>
3.2	Need to strengthen control over revenue management	<p><b>Partially Implemented</b></p> <p>The response has been noted. However, the BCCI is yet to take the Administrative Actions against the responsible officials as per the RAA’s last further comments.</p> <p>Until such time, the status of the recommendation shall remain the same.</p>	In fact, this issue has already been resolved. Nonetheless, we are sharing a copy of the administrative action initiated by the BCCI secretariat for your ready reference.	1 January 2019 to 31 December 2019	<p><b>Implemented</b></p> <p>RAA noted that the BCCI had incorporated new features in the money receipts, delineated roles and responsibilities of the officials for printing, custody and management of money receipt booklets.</p> <p>Regarding the missing of 19 receipt booklets, the BCCI despite several attempts failed to trace out the</p>

**Exhibit-B**

					<p>same. However, the public had been notified on the missing receipt booklets through Kuensel issue on August 2018.</p> <p>Further, the BCCI had taken administrative action against the dealing person vide letter No.BCCI/GAD/AFD (PER)-01/2020/147 dated 30 September 2020.</p> <p>In view of the above, the recommendation is considered implemented.</p>
3.3	Need to strengthen controls over revenue recognition and follow up mechanism on trade fair revenues	<p><b>Partially Implemented</b></p> <p>While RAA commends the efforts of BCCI in realization the dues from M/s Alpha Associates, the appropriate decision and action of the ECM is awaited.</p> <p>Until such time, the status of the recommendation shall remain the same.</p>	<p>On the dues receivable from M/s Alpha Associate, the BCCI Secretariat has put in immense efforts to recover the dues by serving repeated formal letters and series of communications. Despite its effort, M/s Alpha Associates failed to settled the dues within the agreed deadlines.</p> <p>The BCCI Secretariat has exhausted its various means and possibilities to recover the dues from M/s Alpha Associates and the issue turned futile.</p> <p>Therefore, as per the 108<sup>th</sup> ECM held on 9<sup>th</sup> March 2021 recommended for writing-off the receivables dues and directed the BCCI Secretariat to put it up in the upcoming AGM for endorsement.</p>	1 January 2019 to 31 December 2019	<p><b>Partially Implemented</b></p> <p>The response has been noted. However, the recommendation shall remain status quo until the dues receivables from M/s Alpha Associate is written-off and endorsed by the AGM as reported by the BCCI.</p>

**Exhibit-B**

3.4	BCCI should strengthen budgeting system and processes	<p><b>Partially Implemented</b></p> <p>The response has been noted. However, since the financial manual is still in draft, the status of recommendation shall remain the same until it is approved and finalized.</p>	Incorporated in Financial Manual	1 January 2019 to 31 December 2019	<p><b>Implemented</b></p> <p>Since the financial manual is being developed and endorsed by the Executive Committee of BCCI, the recommendation is considered implemented.</p> <p>However, the BCCI must regulate the financial operations of the organization as per the financial manual.</p>
3.5	BCCI need to exercise prudence over infructuous expenditure	<p><b>Partially Implemented</b></p> <p>The response has been noted. However, since the financial manual is still in draft, the status of recommendation shall remain the same until it is approved and finalized.</p>	Included in the Financial Manual	1 January 2019 to 31 December 2019	<p><b>Implemented</b></p> <p>Since the financial manual is being developed and endorsed by the Executive Committee of BCCI, the recommendation is considered implemented.</p> <p>However, the BCCI must regulate the financial operations of the organization as per the financial manual and exercise judiciousness in making expenditures that are unnecessary and uneconomical.</p>
4.1	BCCI must draw HR master plan	<p><b>Partially Implemented</b></p> <p>The status of the recommendation shall remain the same until the development of HR master plan is completed.</p>	The master plan is in final draft and will be reviewed once before finalization.	1 January 2019 to 31 December 2020	<p><b>Partially Implemented</b></p> <p>The recommendation shall remain status quo until the draft master plan is finalized.</p>

