

PAC Recommendations (To be deliberated at the end of PAC Chair's presentation)

1. Underutilization of budget

- i. The government may explore opportunities to adopt modern budgeting process to minimize or eliminate inefficiencies built within our current budgeting process, if any. The Ministry of Finance may conduct appropriate studies to ascertain the absorption capacity and the technical capabilities within the budget implementing agencies to ensure that the budget proposed by the ministries and line agencies commensurate with their ability to carry out the planned activities.
- ii. In order to ensure that a budget reflects macro-economic and fiscal policies besides sector concerns, this august Joint Sitting of the Parliament may wish to review the necessity to involve Hon Members of Parliament of National Assembly in the stage of budget formulation so that the legislature can adequately review before the Hon Finance Minister actually presents to the House. While involvement of Parliamentarians is quite normal in the budget formulation stage in other countries, PAC recognizes that Bhutanese parliamentarians are barred from participating in the budget preparation process by our laws. The National Assembly Act of the Kingdom of Bhutan 2008, Section 240 states that '*the Budget, Appropriation Bill and Supplementary Appropriation Bill shall not be referred to any committee*'. Therefore, the collective wisdom of the House may prevail on the outcome of this deliberation.
- iii. In line with the recent Mid-Term Review exercise conducted by the government under the Chairmanship of the Hon'ble Prime Minister, the PAC recommends the Government to analyze the reasons for the huge amounts of unutilized budget in both the initial two years of the plan and non-implementation of activities vis-à-vis the implementation capabilities at the organizational as well as grassroots level and initiate proper corrective measures.

2. Fixation of Accountability and oversight responsibility on the heads of budgetary bodies (per Sections 182 and 183 of the Public Finance Act 2007)

Public Finance Act of Bhutan 2007:

Section 182: *Each person shall be held personally responsible for any loss sustained by the Government due to acts of fraud or negligence on his part.*

Section 183: *Heads of budgetary bodies shall bear oversight responsibility for any loss sustained by the Government due to lack of:*

- (a) *proper internal control system in their respective organizations; or*
- (b) *timely action or direction to check such losses.*

Table 7 (P.7) shows a list of twenty two agencies with issues under Fraud, Corruption and Embezzlement of Nu.43.333 million, which is 6.37% of total irregularities mentioned in Annual Audit Report 2010. The highest is with Ministry of Health, with

Nu.12.345 million. The PAC recommends the government (Lhengye Zhungtshog) to enforce the above Sections 182 and 183 of PFA 2007.

3. Follow-up of past Annual Audit Reports up to 2009

It may be recalled that the 5th Session had resolved that all the old unresolved irregularities up to AAR 2006 should be resolved by the Committee formed as per the Public Finance Act 2007. However, despite the efforts put in by RAA as spearheading agency, the old unresolved irregularities, particularly up to AAR 2006 could not be resolved. Therefore, it is once again submitted to the House for necessary direction.

4. Lack of administrative actions from the Government and RCSC against irregularities reported in the Audit Reports (both past and present Audit Reports) – A Follow-up to the Resolution from the 5th Session

The Parliament should take provide stern directions on the government and responsible Agency RCSC to take needful and timely actions to resolve Audit observations. Audit observations are not resolved on mere recovery of government money misused by the officials but should be accompanied with necessary administrative actions as per Sections 182 and 183 of the Public Finance Act of Bhutan 2007.

5. Old unresolved lease rental issue of Trowa Theatre, Changjiji – A Follow-up to the Resolution from the 5th Session

The Government should resolve this long pending issue with the proprietor of Trowa Theatre regarding the lease rental of land on which the Trowa Theatre is built.

6. MSO Loan outstanding of Nu.7.6 million as of June 30, 2011, with NPPF – A Follow-up to the Resolution from the 5th Session

The Parliament should take decision on who should clear the loan amount of Nu.7.6 million with the NPPF.

7. Fixation of Accountability and oversight responsibility on the heads of budgetary bodies (per Sections 182 and 183 of the Public Finance Act 2007)

The Government should enforce the above provisions of Public Finance Act of Bhutan 2007 on the heads of budgetary bodies based on the PAC's Reports on Hearings conducted for the following issues:

- i. Gaylongkhar-Minjiwoong Farm Road Construction, Jomotsangkha, Samdrupjongkhar Dzongkhag; and
- ii. Basic Skills development Project, Ministry of Labour & Human Resources.

8. Nimshong-Nabjikorphu Farm Road Construction

This is the second report on failure in farm road construction by our contractors, after the Gaylongkhar-Minjiwoong Farm Road construction in Jomotsangkha under

Samdrupjongkhar Dzongkhag. Considering the overall theme of the 10 FYP's as Poverty Alleviation which is supported with huge outlay on development of rural accessibility through extensive construction of farm roads in the country, the Parliament cannot remain complacent on such issues. The concerns raised here are very similar to the issues surfaced from the Gaylongkhar-Minjiwoong case. The PAC submits to the House for appropriate review on the matter with the concerned agencies through a Committee Hearing.

9. Compliance with Multilateral Environmental Agreements

The PAC shall conduct follow-up meetings with the relevant agencies, and shall propose to the relevant agencies to formulate necessary guidelines for proper coordination between the focal agency and the implementing agencies. The PAC also submits to the House for necessary deliberation on the need for some policy or system in place for the government to follow before signing the agreements.

10. Computers & Peripherals

The PAC would conduct separate meeting with relevant agencies like National Environment Commission, Ministry of Information & Communications on the issues, and report to the 8th Session of the Parliament.

11. Operations of National Pension & Provident Fund

The PAC submits the following recommendations:

- i. Need to review the present Investment Policy, 2008, which appears to be restrictive in nature;
- ii. The Board of NPPF may explore off-shore investment as it brings high yield returns, also considering our limited internal investment opportunities;
- iii. Since the NPPF is instituted without an Act, and consequently in the event of insolvency, the legal guarantee of liabilities between the NPPF and the RGoB to shelter the pension members is not understood. Therefore, there is a need for a Pension Act in the country. Further, private Pension Fund Organizations may also come up once there is a legal framework in place.

12. Audit Report on Civil Service Trainings and Ministry of Education's HRM

The PAC submits the following recommendations:

- i. The Royal Civil Service Commission as the custodian of the civil service, conduct an in-depth review of the civil service training systems and frame realistic rules and define practical procedures. PAC is informed by RCSC of their actions taken and ongoing in connection to the issues from the Audit Report;
- ii. Institute (if not already instituted) a transparent and effective monitoring and evaluation system for civil service trainings;
- iii. Fix standard accountability on the implementing agencies and enforce it diligently. It was learnt from RCSC that some of the trainees fail to return home after completion of their study or training. Some would not submit relevant

Completion Certificates. Therefore, accountability should be fixed on the supervisors or heads who were involved in processing and approving their training, besides taking action against the incumbents;

- iv. Improvise ways and means in consultation with relevant stakeholders to minimize disparities between central agencies and Dzongkhags;
- v. Harmonize the individual agency HR Master Plans with the RCSC Master Plans;
- vi. Coordination between the RCSC and other implementing agencies need to be defined and strengthened; and
- vii. It was also learnt that some of the individuals whose names were reflected in the Report were not aware of them availing such trainings. Therefore, the House may direct the PAC to conduct hearing with the RCSC and relevant organizations to confirm if they had actually availed trainings or it was only blatant fictitious in paper. The outcome of the Hearing shall be presented to the 8th Session of the Parliament.

13. Auditor General's Advisory Series 2011 on Enhancing Internal Audit System

The Committee reports that the RAA has done an intensive review although they were constrained by time and resources. Since the committee has not conducted additional hearings or reviews on the chapter, the committee is not able to make specific recommendations. Nonetheless, it is learnt from MoF that attempts were made by the government to recruit internal auditors while no candidates had actually come forward. However, the committee would like to recommend that the government give due importance to the findings of the RAA and try to improve IA system by addressing the above problems and constraints. Besides enhancing the economy, effectiveness and efficient function of the agencies a functional IA system will also go a long way in curbing corruption in the country.

14. Operations of the Education Development Project (EDP), implemented by the School Planning and Building Division (SPBD), Ministry of Education

The issues pointed out by the RAA are significant and therefore needs further deliberation. However, due to lack of time the PAC could not have any discussion with the officials of the SPBD and the Ministry of Education and hence, could not make any conclusive recommendations. Therefore, the PAC submits to the House for a need to conduct a hearing on the Education Development Project, both on LGSF and traditional type school constructions. The findings shall be presented to the 8th Session of the Parliament.

15. Provide Royal Audit Authority with legal authority to fix oversight responsibility on the heads of budgetary bodies pursuant to Sections 182 and 183 of the Public Finance Act 2007

While the RAA, based on the submission from the concerned agencies, does fix direct and supervisory accountability on issues reflected in Audit Reports, they do not fix oversight responsibility on the heads of agencies and ministries in the absence of legal mandate reposed on them. Therefore, the PAC recommends the Parliament to authorize the RAA to enforce the provisions of Section 182 and 183 of the Public

Finance Act and mention the names of oversight responsible heads in the Audit Reports.

16. Inconsistency between the Committees Act 2004 and Article 25(6) of the Constitution

The PAC proposes for review and amendment of the National Assembly Committees Act of the Kingdom of Bhutan 2004 to bring parity with the Constitution and other laws enacted after 2008.

17. PAC should present its report to both the Summer and Winter Sessions of the Parliament

Until now, the PAC had submitted its Report to the Parliament only in the Summer Session. Experience from the last few years indicate the Committee's huge backlog of reports to be submitted to the Parliament resulting into lengthy discussions during the Summer Session. Further, some issues which merit timely discussion in the Parliament often have to wait for Summer Session, rendering the issue irrelevant and insignificant for the government to take decisions. Timely decisions by the government on some matters would hinder or inhibit occurrence of similar lapses in other agencies. For instance, PAC's Report on the two Hearings should have been presented in the 6th Session and the matter closed by now. Even the Government and RCSC would have taken appropriate decisions based on the Parliamentary resolutions. Further, the PAC receives Performance Audit Reports from RAA throughout the year unlike the Annual Audit Report received in 1st Quarter of the Calendar Year. The PAC can submit a Report on the Performance Audit reports received between July and October in the Winter Session besides other issues arising from Public Hearings.

Therefore, the PAC seeks the Parliament's approval to mandate the PAC to submit its Report to both Summer and Winter Sessions of the Parliament.

Tashi Delek!