

5

RECOMMENDATIONS

The Audit Act of Bhutan 2006 specifically states, “It shall be duty of the authority to promote economy, efficiency and effectiveness in the use of public resources through its reports and **recommendations**”. While the final output of the RAA is its audit reports, the final outcome is the extent of compliance to its audit recommendations. Besides, the acceptability of the audit recommendations is also an indication of quality audits.

Therefore, one of the best ways of adding value to auditing and reporting is by providing appropriate recommendations.

Based on the types of irregularities that surfaced during the year, the RAA had also given the probable causes of such irregularities. Moving a step further from the causes, the RAA had come out with several recommendations that would help to improve the Government accountability machinery and ensure economy, efficiency and effectiveness in the use of public resources. Since the contributory factors under Chapter 4 have

included some of the major factors from all the reports issued during the 9th Five Year Plan, the same approach had been taken while framing the recommendations. While RAA had been recommending various measures through the individual audit reports, AG’s Advisory Series and during the process of auditing, an attempt had been made to summarise all the recommendations, as follows:

Audit Recommendations:

- ✍ Need for proper planning, feasibility studies.....*
- ✍ Proper coordination*
- ✍ Systematic reviewing and updating of rules and regulations*
- ✍ Contract agreement and enforcement*
- ✍ Strengthening internal control and system*
- ✍ Disciplinary actions*
- ✍ Due diligences to be exercised over sanctioning of advances*

5.1 Need for Proper Planning, Feasibility Studies, Supervision, Monitoring and Evaluation

The lack of proper planning, feasibility studies, supervision, monitoring and evaluation had been identified as one of the main contributory factors to the irregularities. Frequent changes and ad-hoc decisions were primarily as a result of inadequate studies, consultation and

planning. Since absence of proper planning and feasibility study impede the quality as well as economy, efficiency and effectiveness in the uses of resources, there is a need at all levels to properly study, plan, and implement the activities

with adequate supervision, monitoring and evaluation. Besides, there is a need to:

- » Avoid situations of implementing too many activities with few engineers;
- » Site and supervising engineers should prioritise and schedule their works to ensure their continuous presence, at least at critical junctures;
- » Measurement of works should be carried out as required at right times and duly recorded in the MB;
- » Site engineers must not incorrectly certify the bills or applications for release of secured or other advances to the Contractors;
- » Hindrance Register should be maintained accurately;
- » Construction materials including timber should be thoroughly checked for both quality and quantities and availability for consumption at site;
- » Movement of materials from construction site should be restricted;
- » Site Order Books must be properly filled while visiting the sites.

Standard and Quality Control Authority should also develop a mechanism to independently supervise and monitor

construction activities with reference to quality of works in the field and quality of construction materials used.

5.2 Need for Proper Coordination amongst Various Agencies

Coordination amongst various agencies would help synchronize activities and avoid overlappings and duplications. There had been many instances of avoidable expenditures due to improper coordination. Lack of proper coordination not only burdens the government exchequer but also causes several inconveniences to those affected by it. Therefore, the Government should look

for ways to coordinate its activities in order to avoid overlappings, duplications and avoidable expenditures. Perhaps, one of ways could be either for the Ministry of Finance or the GNH Commission to study the overall budget for the entire activities for Five Year Plans and look for areas where opportunities for coordination could prevail.

5.3 Systematic Reviewing and Updating of Rules, Regulations and Manuals

Rules, Regulations and Manuals need to be reviewed and updated periodically to render them relevant and practicable. It may be appropriate to constitute

designated Committees with clear mandates and Terms of Reference for such purposes. Continuous review of rules and regulations through institution of

feedback mechanism would help understand whether the rules and regulations are practicable and relevant.

Besides, the relevant agencies should provide trainings or guidance on the new rules or manuals to maintain consistency and uniformity in application.

5.4 Contract Agreements and Enforcements

Contract agreement should be clear and unambiguous. The procuring agencies should incorporate all essential elements, terms and conditions. All terms of payments including the contractors' obligations should be precisely specified. Since there is always a tendency to exploit loopholes in the agreements, the procuring agencies must understand all the provisions incorporated in the

agreements. Where certain terms and conditions in the agreements are complex, appropriate legal opinion should be sought before signing the contract agreement. Development of additional sample Contract Agreements with all relevant matters included for different types of works may help in ensuring consistency and comprehensiveness of the contract agreements.

5.5 Strengthening Internal Controls

Existence of adequate internal controls and proper system of check and balance help ensure adherence to rules and regulations, implementing activities in an efficient and orderly manner, secure accuracy and reliability of accounting records and financial statements and

safeguard the assets of the organisations. Strong internal controls also act as deterrent against perpetration of fraud and corruption. The management at all levels should be made aware of the need, concepts and essential elements of internal controls.

5.6 Strengthening the Internal Audit System

Internal audit is an essential element of internal controls and an important management tool to continuously review and monitor the operations of internal controls. As such, there is a need to further strengthen the internal auditing

system and also extend to other larger organisations besides the ministries. While strengthening the internal audit system, the government must recognise the importance of independence of internal auditors from their management.

5.7 Disciplinary Actions to be taken by the Agencies

For certain recurring observations like excess, over, inadmissible and double payments, non-deduction of TDS, non-

levy of liquidated damages etc., the agencies must take disciplinary actions against the defaulters. Disciplinary actions

for recurring violations and inactions would act as deterrent for the future.

5.8 Due Diligence to be Exercised over Sanctioning of Advances

In general, the grant of lavish advances and their poor subsequent follow up mechanism had resulted into accumulation of huge outstanding advances. As such, there is a need to exercise due diligence in sanctioning advances and institute appropriate mechanism to ensure timely liquidations.

5.9 Strict Compliance to Liquidated Damages Clause

There is a general tendency of leniency on the part of various ministries and agencies in incorporating or in enforcing the liquidated damages clause. As a result, agencies either do not impose liquidated damages or impose lesser amounts for delays in timely completion of constructions, supplies and services. The justifications given by the contractors and

suppliers for the delays were easily accepted by agencies without proper review and investigation.

Therefore, the agencies should seriously consider the need for strictly enforcing the liquidated damages clause to ensure timely completion of constructions, supplies and services.

5.10 Agencies to Exercise control over TA/DA

Several cases of excess payments of travelling and daily allowances, payments of travelling and daily allowances without performing tours and other related cases had been detected and the significant ones reported in AAR 2007. In most of the instances the RAA found out such payments could have been controlled merely by exercising a bit of due diligence by the sanctioning and immediate authorities. The mere fact that the

defaulters have signed on the Attendance Register gives indication that the sanctioning and immediate authorities were totally aware of such illegitimate payments. Yet, it is not known why they have sanctioned and authorised the payments.

Therefore, the authorities at various levels should exercise due diligence and control to prevent such fraudulent cases from becoming a general practice.

5.11 Budget & Accounting System (BAS) needs to be Improved

The finance personnel are still having problems with the Budget & Accounting System. Several cases of unreconciled differences in the BAS have been detected

and reported in AAR 2007. The Ministry of Finance should study the problems and improve the system to avoid recurrence of such problems. If the problems are with

the dealing personnel then the Ministry should put in concerted efforts to improve

the competency of the finance personnel in using the BAS.

5.12 Improve/Institute Quality Assurance System

The procuring agencies must ensure that they are supplied with quality goods and wherever applicable as per approved samples. The agencies should prepare proper specifications of goods by involving people with relevant expertise and every goods must be checked upon receipt. Besides, they must also ensure that the goods perform as per the specifications especially with regard to the life and durability of the goods. For example, every toner cartridge must print the number of pages that they are required to print etc.

Currently there is not much control on the flow of spurious, duplicate and sub-standard items into the country. There is

neither proper grading system of materials imported nor do adequate facilities exist to conduct quality tests at the entry points. There is a need to prescribe and maintain minimum standards in all imported products.

On a wider perspective, the government should also look into ways of establishing a mechanism to regulate the flow of duplicate and fake goods into the country. While certain efforts are being undertaken by the Standard and Quality Control Authority to inform the public of the various duplicate and fake goods available in the market, yet such goods are still being used and are freely available in the Bhutanese Market.