



On the occasion of the first birth anniversary of
HRH Gyalsey Jigme Namgyel Wangchuck,
the Anti-Corruption Commission
joins the nation in offering our
heartiest felicitations and prayers
for the long life, good health and
happiness of His Royal Highness.

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INTRODUCTION

The year 2016 was an auspicious year for Bhutan. It marked the birth year of *Guru Rinpoche*, 400th anniversary of *Zhabdrung*'s arrival in Bhutan, birth of HRH the *Gyalsey* and completion of 10 years of His Majesty's glorious reign.

HRH *Gyalsey* Jigme Namgyel Wangchuck, born on 5 February 2016, was a special and precious New Year gift from His Majesty the *Druk Gyalpo* and Her Majesty the *Gyaltsuen*. It brought boundless joy to the Bhutanese people and assured them of the continuity of the Wangchuck dynasty.

It has been a decade of historic change for Bhutan marked with extraordinary and exemplary leadership, laying the foundations for a strong and vibrant democracy. For ACC, His Majesty is a source of inspiration and motivation in carrying out its critical mandate of fighting corruption in the country. His Majesty constantly reminds our people of the dangers of corruption, its far reaching consequences on a small society like ours, and that our nation must guard against corruption. His Majesty's address to the nation on the 107th National Day celebration at Kanglung on 17 December 2014 underscores His Majesty's deepest concerns on corruption in the country.

“The highest probable risk to development that I foresee is corruption. Our national development efforts will be hindered by unchecked corruption. The formulation of plans and programs may be done well, aimed at the well-being of the people. Impressive amount of budget may be disbursed in line with these plans. But as the activities become too numerous, oversight and monitoring may fall short, allowing some people to be corrupt. Although a large amount of resources are spent, projects may not be accomplished as designed and quality of the projects may suffer seriously. At the end, such activities may become a matter of regret and disillusionment for the people and immense loss for the government and the country.”

Spurred on by support from the highest level, Bhutan has made remarkable progress in preventing and combating corruption in the country. She has maintained the 27th position out of 176 countries and 6th rank in the Asia Pacific region in the 2016 Transparency International Corruption Perception Index (TI-CPI).

For ACC, year 2016 was also a ‘year of significant achievement’ in the international efforts against corruption. ACC Bhutan, for the first time, in

collaboration with the Asian Development Bank (ADB) and the Organization for Economic Cooperation and Development (OECD), hosted the 21st Steering Group Meeting, 14th Regional Seminar and the 2nd Law Enforcement Network Meeting of ADB/OECD Anti-Corruption Initiative for Asia and the Pacific. It was a proud moment for Bhutan to host such a major international event which saw the gathering of more than 150 delegates from around the globe consisting of anti-corruption practitioners, development experts, representatives from government and business.

It is fundamental for ACC to remain trustworthy, credible, strong and effective. To this end, institution building was another priority area wherein the Commission pursued an inward looking strategy to resolve HR issues, build organization capacity and strengthen internal processes and controls. The Commission revised the organizational structure and the Terms of Reference for the departments, divisions and services, recruited additional staff enhancing the staff strength to 85 (excluding project staff, drivers and ESP), developed internal policies and procedures related to various functions, and initiated ICTization of some of the work processes.

Mounting backlog of complaints qualified for investigation has been a pressure point for ACC. 529 backlog complaints qualified for investigation which was carried forward from the past (2006-2015), have been reviewed comprehensively and reconciled to 165. In the reporting period, 25 out of the 352 complaints received have qualified for investigation. In addition, two complaints qualified for Discreet Enquiry have been upgraded for investigation taking the total complaints qualified for investigation to 27.

The Commission has assigned 63 cases for investigation which included backlog complaints qualified for investigation, re-assignment of stalled cases and new priority cases. Operations in Phuentsholing on corrupt business practices have wound up. Similarly, many Thimphu land cases have been completed, among others. A total of 31 cases have been forwarded to the Office of the Attorney General (OAG) for prosecution.

Prevention and education efforts are key factors in fighting corruption. ACC administered anti-corruption tools such as Corruption Risk Management (CRM) and Integrity Diagnostic Test (IDT) in public agencies as part of mainstreaming anti-corruption measures, published research reports on corruption and system studies, and also engaged citizens in building anti-corruption consciousness in order to empower them to act against corruption.

The year 2016 also saw the phase out of a decade long cooperation between the Swiss Agency for Development and Cooperation (SDC) and ACC with the closure of SDC office in Bhutan. SDC has been the major donor partner for ACC supporting its institutional capacity building. The support from SDC has been felicitous when the country was establishing parliamentary democracy and provided greater prospects for establishing a strong foundation to prevent corruption in the country.

The Annual Report 2016 is the 10th report being submitted in accordance with section 169 (1) of ACAB 2011, which states “*The Commission shall, as provided for in the Constitution, submit an annual report on its policies and performance to the Druk Gyalpo, the Prime Minister and Parliament.*” The report covers the period from January to December 2016.

This report has four sections, excluding introduction and conclusion as follows:

SECTION 1: ACC AS AN INSTITUTION

Presents an update on the Commission’s priorities reported in the last annual report which is aimed at building and reinforcing ACC as a trustworthy institution. It also highlights ACC’s collaboration and networking with the national stakeholders and international development partners.

SECTION 2: ACC’S PERFORMANCE

Presents ACC’s annual performance. It takes stock of prevention and education measures, complaints and referral management, case backlogs and investigation of cases.

Bhutan’s international standing in terms of TI-CPI ranking in 2016 is also highlighted.

SECTION 3: THE RESOLUTIONS OF PARLIAMENT

Outlines the parliamentary resolutions pertaining to ACC and their implementation status.

SECTION 4: RECOMMENDATION

Presents the key recommendation on establishment of the Office of the Ombudsman which ACC believes is critical to enable ACC to focus on its core constitutional mandate while sustaining the momentum and building on the gains made thus far and is based on the experience it has gained over the decade of its existence.

1 April 2016

Implemented the revised organizational structure

SECTION 1:

ACC AS AN INSTITUTION

This section presents an update on the Commission's priorities reported in the last annual report which is aimed at building and reinforcing ACC as a trustworthy institution. It also highlights ACC's collaboration and networking with the national stakeholders and international development partners.

147

Total staff strength to be achieved by 2020 (excluding Drivers & GSP/ESP)

23

Additional staff recruited

85

Total Staff strength as of December 2016 (excluding 2 project staff on contract, 8 Drivers & 3 ESP)



SECTION 1: ACC AS AN INSTITUTION

1.1 The Commission's Priorities: An Update

To address HR issues confronting ACC and also to ensure balanced focus and attention to all elements of ACC's functions, the Commission had adopted an inward looking strategy and identified immediate and long term priorities in the last annual report 2015. Update on the same for the reporting period are presented below:

1.1.1 Immediate priorities

Organizational re-structuring and staffing

The Commission initiated the re-structuring and staffing as early as September 2015. It involved progressive consultations and meetings, both within ACC (staff, HRC and Commission meetings) and with the Royal Civil Service Commission (RCSC). The revised Organizational Structure and staffing proposals along with recruitment plan (2016 – 2020) was shared with RCSC for endorsement in January 2016, subsequently endorsed in March 2016, and implemented in ACC with effect from 1 April 2016.

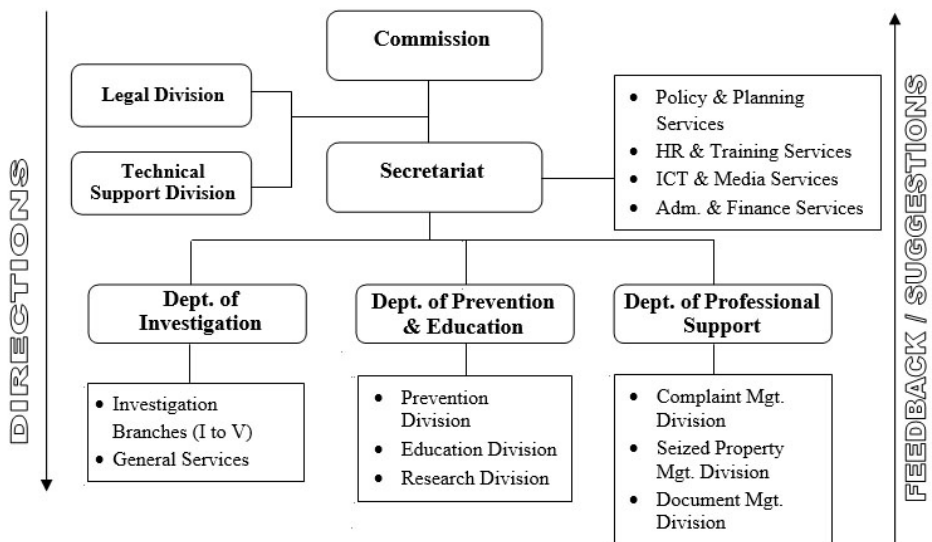


Figure 1.1: Organizational Structure

The Organization has been restructured to align along the three primary functions of investigation, prevention and public education. It is intended to streamline the core functions of ACC so as to make it more practical, effective and sustainable in the fight against corruption (See **Figure 1.1**).

Against the revised staff strength of 151 proposed by ACC, RCSC endorsed 147 (excluding drivers & GSP/ESP) which is to be achieved by 2020.

ACC recruited 26 staff in total during the reporting period i.e. five in January - March and another 21 in April – December i.e. two Directors, three Chiefs, 15 Officers (Professional & Management position category in P2 – P5) and six staff (Supervisory and Support Category in S2 – S4) through open competition and transfers (See **Table 1.1**).

Table 1.1: Recruitment status 2016

Department	Staff Strength: 2020	Existing	Recruited	Separated/ Transferred	Total Staff Strength
Secretariat Services:					
Secretariat	1	1	0	1	0
Policy & Planning Services	6	3	0	1	2
ICT & Media Services	4	1	2	0	3
HR & Training Services	3	2	1	1	2
Admin. & Finance Services:					
Administration	2	2	0	0	2
Accounts	2	1	1	1	1
Library	1	0	1	0	1
Pool (including PS/PAs)	5	3	2	0	5
Technical Support Division	17	8	0	0	8
Legal Division	15	7	1	0	8
Dept. of Investigation	60	25	11	2	34
Dept. of Prevention & Edn.	21	6	6	0	12
Dept. of Professional Support	10	7	1	1	7
TOTAL	147	66	26	7	85
Staff strength including 3 Commission Members, 2 Project staff, 8 drivers and 3 ESP					101

Three of the 26 recruits were in-service from within ACC (2 chiefs promoted as Directors and one Dy. Chief as Chief Integrity Promotion Officer) and hence additional staff inducted in ACC was 23. Further, four staff left ACC in 2016 i.e. one Director and two officers on voluntarily resignation and one officer on transfer.

After accounting for the seven separations/transfers through internal promotions and transfers, resignations, and inter-agency transfer in 2016, the net gain was 19 additional staff, increasing ACC staff strength from 66 as of December 2015 to 85 as of December 2016 against the planned staff strength of 94 for the year. To provide certain flexibility in HR management, the above recruitment included five on contract service.

The nine post vacancies which could not be filled in 2016 will be included in the 2017 recruitment.

The four staff who left ACC were all at the senior level with years of experience in ACC which is a cause for concern in terms of institution building. Further, given that corruption occurs in all areas, ACC requires individuals with diverse professional backgrounds. However, except for three officers, the 2016 in-service recruitment in position levels, P2 – P5 level were all from the teaching profession. Attracting professionals from other sectors is a challenge and both RCSC and ACC need to be more proactive in this matter.

Operationalize Investigation Management System (IMS)

IMS, a software system to enhance the management of complaints and cases in ACC, which could not be fully deployed is being developed. Drawing lessons from the IMS development experience, the new system named as Complaint and Investigation Management System (CIMS) is being developed in-house with the technical assistance from the Malaysian Anti-Corruption Commission. It is web-based and uses the latest technologies.

CIMS Project which started in April 2016 is expected to be completed by June 2017. It is being executed in phases by four dedicated IT personnel (two regular employees, and two project employees on contract) under the guidance and support of the Steering Committee. The Complaint Management module has been completed and is being implemented.

Professionalize Internal Operations of ACC

An integral part of displaying professional excellence is to put in place systems, develop and administer policy and procedures, best practice guidelines/manuals and standards to guide ACC's day to day operations. In the reporting year, the Commission carried out the following initiatives:

Seized Property Information System: A database system has been developed in-house and all the seized properties and evidence are centralized and inventoried in the Seized Property Information System which is being managed by a separate, dedicated division, Seized Property Management Division. This allows investigators to professionalize and focus on their core function and at the same time, minimizes the risk of ACC being criticized for unprofessional management of seized items.

Similarly, Document Management Division has been created to manage centrally all the complaints and case documents.

Adoption and Implementation of Policies and Procedures: To strengthen the internal processes and controls, the Commission finalized and implemented 14 policy and procedures documents, and about 50 forms and templates related to management of complaints and cases in ACC. Staff concerned have also been briefed and trained on the revised/updated policies and procedures.

Further, the Commission has established two new committees – *Screening Committee* and *Investigation Committee* in an effort to enhance the management of complaints and cases. The Screening Committee prioritizes the complaints qualified for investigation based on the prioritization guidelines while the Investigation Committee guides Investigation teams and facilitates the Commission in directing and controlling the investigation of cases. The Committees ensures collective decision making process, provides a system of checks and balances and ensures transparency and fairness in the management of complaints and cases in ACC.

ISO (International Organization for Standardization) 9001 Certification: ACC volunteered for the ISO 9001 certification with the support of Bhutan Standards Bureau (BSB) and United Nations Industrial Development Organization (UNIDO). Implementation of ISO 9001 is towards professionalizing and

benchmarking ACC's best practices and systems as per international standards. This is in line with the Commission's priority to build ACC as an institution of high repute with high standards of performance. With the technical support of the Federation of Indian Chambers of Commerce and Industry (FICCI) Quality Forum, ACC has developed QMS manual and also trained its staff on the requirements and standards to improve its systems related to the core functions of prevention, education and investigation. The certification process started in April 2016 and is yet to be completed.

Enhancing Coordination and Networking with Critical Key Partners

With RCSC: As per the directive of the National Assembly during the 5th Session of the Second Parliament for RCSC and ACC to mutually resolve the HR issues as per resolution No. 11.1 of the 2nd Session of the Second Parliament, an Memorandum of Understanding (MoU) has been signed between the two agencies on 5 August 2016. It establishes a guiding framework of collaboration between the two agencies to:

- Resolve HR issues confronting ACC mutually;
- Promote ethics and integrity in the civil service, and strengthen & streamline administrative actions; and
- Facilitate in fulfilling respective mandates through exchange of information between the parties.

The MoU underpins the importance of constitutional bodies working together with greater cooperation to achieve a common goal.

With OAG: ACC has maintained constant dialogue with OAG on prosecution of cases and judgment implementations both at the working level as well as at the management level.

Without undermining the independence of either agency in performing its respective functions and duties, ACC sees opportunities for the two agencies to enhance trust and cooperation for effective functional relationship through clear and effective communication and decision making process.

With CBI, India: ACC's proposal to visit Central Bureau of Investigation (CBI) and sign an MoU in the reporting year did not materialize. Considering the

benefits, the effort is still on-going and possibilities are being explored. Notwithstanding this, five ACC staff were trained on Cyber Crime Investigation (Advanced) and Computer Forensics conducted by CBI in Delhi in September 2016.

1.1.2 Long term priorities

Branding ACC as an Employer of Choice

The Human Resource Master Plan (HRMP) 2015-2020 which was adopted in December 2015 outlines proposals for branding ACC as an Employer of Choice. The Commission is continuously striving to enhance work environment by strengthening the internal work culture, providing the employees with professional and personal development opportunities and the chance to make a difference in the society.

In the reporting year, the Commission undertook the following initiatives:

- Implemented the revised organizational structure and the recruitment plan to facilitate the process of attracting, recruiting and retaining professionals in ACC. Years of ‘*doing more with less*’ in ACC has been slightly eased with increase in the staff strength and subsequent improvement in people and workload management.
- Instituted induction training for the new recruits and overhauled the mandatory training for professionals in terms of its relevancy and comprehensiveness. These are critical processes which can improve employee retention and contribute to brand enhancement.
- Streamlined internal working processes with clear policies and guidelines.
- Prioritized the staff welfare scheme in an effort to promote an internal culture that truly values people as key to its success. ACC Semso Policy was finalized and adopted. Further, a Child Day Care facility is also being explored for children of ACC staff.
- Revamped ACC website to effectively communicate information about ACC to website visitors, and also at the same time promote ACC.

Financial Security

Annual Report 2015 highlighted the concerns of ACC in sustaining anti-corruption programs and institutionalizing ethics and integrity promotion measures across agencies. The concern was exacerbated by the high dependency on external funding and its major donor partner, SDC phasing out in September 2016.

The issue was discussed in the 7th Session of the 2nd Parliament. While there was no specific resolutions on funding alternatives for ACC, the Parliament supported the budget for the Financial Year, 2016-17 as submitted. Out of the total budget of Nu. 139.080 million, RGoB's contribution was Nu. 103.330 million (i.e. 74% of the total budget) including HRD budget which is normally not financed under RGoB budget. With SDC winding up its support, its contribution to ACC annual budget for FY 2016-17 decreased to 24% as compared to 58% in the previous financial year. Further, the Parliament recommended for ACC, RCSC and Ministry of Finance "to work in consultation with each other and look for measures to resolve the issue."

However, while funding support has been extended in FY 2016-17, the need for assured annual budgetary allocation for ACC that is not dependent on the discretion of the government of the day needs to be put in place. In this manner, the ability of ACC to carry out its mandate independently will not be jeopardized.

The Commission, in the reporting year, has initiated work on the endowment fund for ACC and the proposal is expected to be completed in 2017. The endowment fund proposal will seek to address the social security needs of ACC staff to enable them to live in dignity and without having to depend on the goodwill of others after a lifetime of dedicated service in ACC in the fight against corruption in the country. The scheme will also address the ability of ACC to attract and retain qualified and experienced professionals which is a challenge right now.

Reduce Backlog of Complaints

In the Annual Report 2015, a backlog of 529 complaints qualified for investigation (2006 – 2015) was reported. Consequently, one of the key priorities of the Commission is to reduce the backlog to at least 40% by July 2020. In the

reporting year, the Commission did a comprehensive review and reconciliation of the backlog complaints, and also streamlined its internal procedures to deal with it.

The details of backlog complaints review report is presented in Section 2 of this report.

Professionalize and Enhance Management of Complaints and Investigations

Professionalism is key to making ACC an effective, credible and strong institution so that it continues to enjoy public trust and confidence in the fight against corruption in the country. The Commission is constantly striving for improving professionalism in the management of Complaints and Investigations. In the reporting year, the Commission carried out internal reforms to enhance public's understanding on how ACC handles complaints, makes investigation decisions, and prioritizes cases. New technological solutions were also embraced that can help ACC work faster and more efficiently.

Enhance Prevention and Awareness Programs

As reported in the last annual report, the Commission engaged youth, CSOs and media in enhancing education and awareness programs on corruption prevention. The Commission also revised the Gift rules and Asset Declaration rules to mainstream these corruption prevention measures in the governance systems.

The details of the initiatives taken by the Commission in the reporting year is presented in Section 2 of this report.

1.2 Strategic Focus for the Year 2017

In the reporting year, without prejudice to the pursuit of ACC's core functions, the Commission continued with its inward looking strategy. The Commission streamlined the internal control processes and strengthened management controls in an effort to make ACC more effective and efficient. Reducing backlog of complaints qualified for investigation was another priority which required constant and continued efforts of the Commission. Backlog cases were assigned

and stalled cases were re-assigned which limited the capacity of ACC to take up new cases. So, for the year 2017, while other functions will continue, the Commission will adopt an outward looking strategy and focus on investigation of cases – both proactive and complaint based.

Effective law enforcement is essential to deter corruption and break the cycle of impunity. Corruption cases have to be successfully investigated to ensure the credibility of anti-corruption efforts and sustain public confidence in the fight against corruption in the country.

The following will be the strategic considerations of the Commission for the year 2017:

- **Follow ups on the inward looking strategy:** Initiatives taken by the Commission as part of its inward looking strategy will continue such as adoption and implementation of internal policy and procedures related to day-to-day operations of ACC, ICTization of work processes, staff recruitment and trainings, and branding ACC as an employer of choice, etc. ACC endowment fund will be a key priority of the Commission.
- **Outward focus:** Investigation, although not the best and sustainable way of fighting corruption in the long run, will continue to be the face of ACC for the time being. Therefore, the Commission will step up its investigation efforts not only to reduce the case backlogs, but will also:
 - ✓ Take on new cases based on surveillance and intelligence gathered in areas of strategic importance.
 - ✓ Prioritize and pursue cases based on risks, investment of huge public fund, etc.
 - ✓ Penetrate more into Local Governance and remote areas by reinforcing its presence in the Dzongkhags and Gewogs.
 - ✓ Be more proactive and not base its investigations on complaints alone.

1.3 Working in Partnership

The Commission has been working with the national stakeholders and the counterparts in the region and beyond in making concerted efforts to tackle the scourge of corruption.

1.3.1 National Networking

As mentioned under Section 1.1.1 above, ACC signed an MoU with RCSC in August 2015. The MoU has provided greater latitude to ACC in recruiting its staff and it is expected to be one of the mechanisms to address HR issues in ACC.

Recognizing the critical role of media in raising awareness on anti-corruption measures and corruption issues, ACC met with the media firms for a half day meeting. The meeting was the first of its kind, and provided a platform for both Media and ACC to discuss strategies to foster greater partnership and cooperation in the fight against corruption. For sustained engagement with media, one of the Commission's priorities in the reporting year was to finalize and implement the communication strategy. However, it could not be done as ACC was unable to recruit a Media and Communication Officer as planned.

1.3.2 Regional and International networking

As mandated under Section 24 (i) of ACAB 2011, ACC has endeavored to build institutional linkages with effective anti-corruption agencies in the region and beyond to enhance its capacity to prevent and combat corruption in the country.

ADB/OECD Anti-Corruption Initiative for Asia and the Pacific

ACC in collaboration with ADB and OECD hosted the 21st Steering Group Meeting, 14th Regional Seminar and the 2nd Law Enforcement Network (LEN) Meeting of ADB/OECD Anti-Corruption Initiative for Asia and the Pacific in Thimphu from 8-10 November, 2016. The overall theme of the event was '*Development with Values: Social Fence against Corruption*' consistent with the country's development philosophy of Gross National Happiness (GNH).

The steering group meeting brought together about 70 delegates from 23 member countries/jurisdictions, advisory group, secretariat and other international organizations. The meeting discussed the recent anti-corruption developments

and also reviewed the Initiative's program of work for the next three years (2018-2020).

The seminar and LEN meeting saw 91 foreign delegates consisting of anti-corruption practitioners, development experts, representatives from government and business from 22 member countries and territories. 66 national participants from government, constitutional bodies, autonomous agencies, CSO, private firms, Local Government, development partners and media attended the seminar. The Hon'ble Prime Minister graced the opening session of the seminar.

The three-day successful event showcased Bhutan's strong political will and the country's commitment in fighting corruption to the regional and international counterparts. The event also provided an opportunity to learn from regional and international counterparts and at the same time create greater awareness among the general public on anti-corruption measures and corruption issues.

At the sidelines of the meetings and seminar, ACC also had bilateral discussions with the anti-corruption and law enforcement agencies/authorities of ADB, Malaysia, Israel, Thailand, Singapore and United Kingdom, and a CSO from Philippines aimed to build and strengthen cooperation.

Anti-Corruption Commission (ACC) of the People's Republic of Bangladesh

A seven-member delegation, led by the Chairman of ACC of the People's Republic of Bangladesh visited ACC Bhutan in January, 2016. While ACC Bangladesh shared its practice of citizenry engagement in preventing corruption, ACC Bhutan presented its experiences and challenges in mainstreaming integrity measures.

Following the visit, the two agencies are planning to sign an MoU by June, 2017. Besides sharing and learning from best practices and experiences on prevention and education, establishing linkage with ACC Bangladesh is also towards seeking cooperation in fighting transnational crimes.

Basel Institute on Governance (BIG) of Switzerland

BIG has been engaged in supporting numerous preventive and capacity building programs of ACC and was funded by SDC as part of the overall SDC support to ACC. As reported in the Annual Report 2015, ACC is working on signing an MoU with BIG. The MoU is expected to be signed by June, 2017.

National Anti-Corruption Commission (NACC) of Thailand

NACC and ACC agreed to renew the MoU which was signed in 2014. The MoU expires on 6 February 2017 and is expected to be renewed by June, 2017. Through this MoU, the two agencies expect to strengthen, promote and enhance cooperation between the two countries to prevent and combat corruption.

Malaysian Anti-Corruption Commission (MACC) of Malaysia

MACC is one of the key regional partners who has been supporting ACC in capacity development and enhancing professionalism. As part of the MoU and bilateral meetings, MACC provided technical assistance to develop CIMS, e-diary and ACC Drive. The technical teams from the two agencies also exchanged visits for experience sharing and learning.

National Accountability Bureau (NAB) of Pakistan

ACC participated in the SAARC Nations' Seminar on Anti-Corruption held in Islamabad, Pakistan which was organized by NAB, Pakistan's apex anti-corruption organization. The forum was initiated to strengthen cooperation and assistance in fighting corruption amongst SAARC countries. Formation of a SAARC Anti-Corruption Forum (SAARC-ACF) has been recommended by the seminar to cooperate in preventing and combating corruption in the region.



21st Steering Group Meeting, 14th Regional Seminar and the 2nd Law Enforcement Network Meeting of ADB/OECD Anti-Corruption Initiative for Asia and the Pacific, 8-10 November, 2016, Thimphu.

SECTION 2:

ACC'S PERFORMANCE

This section presents ACC's annual performance. It takes stock of prevention and education measures, complaints and referral management, case backlogs and investigation of cases. Bhutan's international standing in terms of TI-CPI ranking in 2016 is also highlighted.

92.928

 m (Nu.)

Total expenditure for the reporting period

5.932

 m (Nu.)

Total investment in HRD. 19 staff trained

4690

Citizens attended Gewog Advocacy Programs

2130

Civil servants took the Integrity Diagnostic Test



SECTION 2: ACC'S PERFORMANCE

2.1 Annual Performance

The total expenditure for the reporting period was Nu. 92.928 million of which Nu. 44.072 million was for the period January-June 2016 and Nu. 48.856 million for July-December 2016.

2.1.1 Human Resource Management

As mentioned above under the Commission's priorities in Section 1 of this report, ACC recruited 26 staff in total i.e. five in January - March and another 21 in April – December as given in **Table 2.1** below:

Table 2.1: Recruitment

Directors (EX3)	Chiefs (P1)	Officers (P2-P5)			Support staff (S)		Total
		New	In-service/ On transfer	New-on contract	In-service/ on Transfer	New-on contract	
2	3	3	10	2	3	3	26

Three of the above 26 recruits were in-service from within ACC and hence additional staff inducted in ACC was 23. However, four staff left ACC on resignation and transfer. So, in the reporting year, the net gain was 19, increasing the staff strength from 66 as of December 2015 to 85 as of December 2016 against the total strength of 94 planned for the year. Attraction and retention of professionals at mid and senior levels as well as recruiting in-service professionals with diverse experience continues to be a challenge.

In the reporting period, ACC adopted its HRMP 2020 towards rebranding ACC as an "Employer of Choice" and a "Learning Organization". As mentioned under the Commission's priorities in Section 1 of this report, recruitment of staff on contract, branding of ACC and improving work environment to motivate and attract staff; drafting proposal on endowment fund; finalizing competency framework for ACC by roles and position; and instituting induction program and

buddy system to coach new staff are some of the interventions initiated to implement HRMP.

2.1.2 Human Capital Development

Investment in development of human capital is a necessity for ACC in carrying out its core mandates. In the reporting period, 68 ACC staff attended HRD Programs: 19 staff in 13 short-term ex-country trainings & regional/international seminars/workshops, and 49 in 19 in-country training programs. Three staff returned after completing masters programs while another three are still undergoing their long-term studies in Australia and India. The total investment in Human Capital Development in 2016 was Nu. 5.932 million which is less than that of 2015 with Nu. 11.875 million as the two mandatory courses in Hong Kong and Malaysia are being merged as one basic training on anti-corruption studies and deferred to April 2017. The training is being conducted by the Malaysian Anti-Corruption Academy (MACA) in Malaysia.

2.1.3 Embedding integrity in ACC

Following the principle of “Lead by Example”, ACC has always focused on building itself to be an incorruptible institution with a robust system of transparency, accountability, professionalism and proper checks and balances. As required of other agencies, numerous anti-corruption and integrity promotion measures have been implemented in ACC.

Gift declaration was strictly implemented in ACC and 45 gifts were declared by the staff during this reporting period. Most of the gifts declared were those received from institutions at the time of ADB/OECD meeting/seminar mentioned above. The Asset Declaration compliance rate in 2016 was 100% for ACC staff for the declaration year, 2015.

The Ethical Code of Conduct has been adopted in letter and spirit by all the staff. Staff are required to sign the code as part of ensuring professional conduct and behavior while discharging their day to day responsibilities. In the reporting period, there was not a single complaint on breach of the code of conduct. The code is being reviewed to ensure it is relevant and effective.

The regular IDT and CRM is scheduled to be administered in ACC latest by June 2017. It was last administered in October 2014.

2.1.4 Auditing of ACC

The Royal Audit Authority (RAA) audited the accounts and operation of LC Account and the operation of SDC funded project for July 2015 to June 2016. The Auditor's Report on the financial statements in respect of both LC and Project accounts noted that, "ACC had generally maintained proper books of accounts and the financial statements were in agreement with the accounting records. Accordingly, RAA has issued unmodified (clean) report" through AIN:14052.

2.1.5 The Civil Service Awards 2016

In the reporting period, four officials received the Civil Service Award comprising three bronze medals and one Silver medal. So far, 31 staff received the award since the commissioning of such awards in 2013.

2.1.6 Commemoration of ACC's 11th Foundation Day, 31 December 2016

The 11th ACC Foundation Day was commemorated on 31 December 2016 at Zomlingthang, Punakha. The day was observed on the theme 'United in Spirit and Purpose against the Social Menace – CORRUPTION' with events and team building exercises to enhance greater spirit of comradeship amongst ACC members towards building a happy, harmonious and corruption free society. It also provided an opportunity for ACC family to decompress and reinvigorate itself.

2.2 Public Education - *Building an informed and awakened citizenry by engaging the citizens and raising anti-corruption consciousness.*

As enshrined in the Constitution, citizens have the fundamental duty to uphold justice and to act against corruption. For them to be able to fulfill these fundamental duties, they need to be empowered with information, knowledge and skills in fighting corruption. Creating an informed and awakened citizenry to empower them to act against corruption is one of the strategies pursued by ACC to prevent and combat corruption in the country. For this, some of the significant

activities pursued are advocacy program for various target audiences, dissemination of information and communication materials and capitalizing on existing platforms to raise awareness against corruption.

2.2.1 Gewog Awareness and Advocacy Programs

In the reporting year, ACC completed the second round of Gewog Awareness and Advocacy Program in 27 Gewogs of Samtse and Sarpang Dzongkhags. The program was attended by 4,690 participants. The participants were educated particularly on ACC's complaint management system, the information required while filing a complaint and the role that each individual must play in building a corruption free society. The program will be continued in other remaining Gewogs.

2.2.2 Interactive Sessions

ACC continues to explore new ways of fighting corruption. One effective way is to engage different target groups in interactive sessions to spread anti-corruption messages. The objective is to create awareness on the ills of corruption, reinforce the need for incorruptibility and help them realize the important role that they play in building a happy, harmonious and corruption free society.

HIGHLIGHTS

27

Gewogs under Sarpang and Samtse Dzongkhags covered by Gewog Advocacy and Awareness Program

8

Interactive sessions held covering 4925 participants

4

Schools - Radhi MSS, Samtse HSS, and Central Schools at Yadhi and Sarpang volunteered to pilot the Integrity Club

In the reporting period, ACC reached out to the target groups as given below in **Table 2.2**.

Table 2.2: Interactive sessions

No. of sessions	Target groups	No. of Participants	Remarks
1	University Graduates	2,229	15 th National Graduates Orientation Program (NGOP) 2016 at RIM, Thimphu
4	Students and Staff	2,277	Yangchenphug HSS, Rinchen HSS (Thimphu), Jangchubling LSS (Sarpang), Samtse HSS & Tendruk Central School
2	Trainees and Instructors	324	Jigme Wangchuck Power Training Center, Dekiling & Samtse College of Education
1	Police Officers	33	Annual Conference of the Superintendents of Police in Thimphu
1	Youth in general	62	Gelephu

2.2.3 Behavioral Change Program

Embedding Ethics and Integrity in Public Service

ACC cannot and must not be the only crusader of anti-corruption efforts if corruption is to be tackled in a sustainable manner. It is important for the agencies to take ownership in mainstreaming anti-corruption measures in their governance systems proactively. To that effect, ACC, in collaboration with RCSC, has trained 10 officials on Certified Integrity Officer's Course in Malaysia in 2015. As an outcome of this training, a standard guideline on Managing Ethics and Integrity is being developed by this team and subsequently Training of Trainers for HR Managers is planned to be conducted by June 2017.

RCSC has also redefined the role of HRO to include that of an "Integrity Advocate" as well since July 2016. Promoting ethics and integrity in the civil service is one of the areas under the MoU signed between RCSC and ACC.

Establishment of Integrity Clubs in Schools

With an aim to promote right attitudes and values that influence ethical behavior and good character among youth, and to enlist youth support and commitment in

the fight against corruption, the Guidelines for establishment of Integrity Clubs in Schools and Educational Institutes, 2016 was launched by the Honorable Minister, Ministry of Information and Communications (MoIC) during the commemoration of the International Anti-Corruption Day. With the endorsement and support of the Ministry of Education, four schools, namely, Radhi MSS, Samtse HSS, and Central Schools at Yadhi and Sarpang have volunteered to pilot the Integrity Club and will undertake activities designed to promote values such as integrity, trust, respect, ownership, leadership, teamwork, gratitude, generosity and patriotism. Thereafter, ACC will review the effectiveness of the Clubs and using the lessons learned, ACC would like to roll out the program to other educational institutions.

2.2.4 Commemorating the 13th International Anti-Corruption Day (IACD)

“No country is immune, and every country bears a responsibility to end it.

Corruption strangles people, communities and nations. It weakens education and health, undermines electoral processes and reinforces injustices by perverting criminal justice systems and the rule of law. By diverting domestic and foreign funds, corruption wrecks economic and social development and increases poverty. It harms everyone, but the poor and vulnerable suffer most.

The theme of this year’s observance is “Corruption: An impediment to the Sustainable Development Goals”. Goal 16 urges substantial reductions in corruption and bribery and the development of effective, accountable and transparent institutions at all levels. The UN Convention against Corruption, buttressed by its peer review mechanism, is mobilizing action for honest, transparent, accountable governance, but far more is needed.

On International Anti-corruption Day, let us reaffirm our commitment to ending the deceit and dishonesty that threaten the 2030 Agenda and our efforts to achieve peace and prosperity for all on a healthy planet.” – Secretary General, United Nations, 9th Dec. 2016

IACD celebration is an important occasion to raise people’s awareness on corruption issues and promote anti-corruption programs. The 13th IACD was commemorated in Gelephu on 9 December on the theme “*Corruption: An impediment to the Sustainable Development Goals*”. The commemoration was graced by the Hon’ble Minister, MoIC.

The day was commemorated with the following activities:

- Launched two anti-corruption posters on “Development with Values” and “Reporting Corruption to ACC”.
- Young Volunteers in Action (Y-VIA) of Gelephu performed role plays on corruption in HR sector, construction sector and complaints management procedures of ACC.
- Three youths shared their views on corruption.
- Broadcasted two TV Advisory videos on corruption by the Hon’ble Prime Minister and the Chairperson of ACC.
- Published the Chairperson’s message in Kuensel in both Dzongkha and English.

About 500 participants (136 youths, 151 guests, 200 audience) attended IACD program. The day concluded with the signing of pledges against corruption by 156 volunteers from all walks of life.

2.2.5 Information, Education and Communication (IEC) Materials

In the reporting year, in addition to those activities mentioned above in Section 2.2.4, ACC worked on developing an Anti-Corruption Mascot which will be used to deliver information and advocate anti-corruption messages on national TV, BBSC. ACC is also working on developing Radio Programs targeted at rural pockets of society so as to empower them to act as an agent of change in the fight against corruption. Such initiatives are being undertaken as part of ACC’s efforts to create an awakened citizenry and help them understand and realize the shared responsibility in fighting corruption.

2.3 Prevention - Mainstreaming anti-corruption measures effectively in sectoral plans and in public/private institutions.

Together with public education and behavioral change programs, it is imperative that systemic changes are brought about so as to minimize opportunities for corruption. This can be achieved through robust prevention programs that identify the weak links in governance systems and strengthen systems to minimize or eliminate corruption opportunities. Prevention programs include research and systemic studies, implementation of anti-corruption measures such as CRM and

IDT in various agencies, Asset Declaration, strengthening Judicial Integrity, Social Accountability (SAc) and the Private Sector Integrity Program (PSIP).

2.3.1 Implementation of National Integrity and Anti-Corruption Strategy (NIACS)

Corruption Risk Management (CRM)

CRM is an in-house risk assessment and management tool that ACC has been pursuing since 2010. ACC facilitates the conduct of CRM in agencies either upon their requests or proactively based on the vulnerability of services.

In the previous reporting year (2015), CRM was conducted in four agencies: State Trading Corporation of Bhutan Ltd. (STCBL), Bhutan Council for School Examination and Assessment (BCSEA), Gasa and Punakha Dzongkhag Administrations. Three agencies (STCBL, Gasa and Punakha Dzongkhag Administrations) have submitted their Implementation Progress Report to ACC. After the conduct of CRM, STCBL has developed their Procurement Manual, e-Portal for STCBL business products, instituted Grievance Redress Mechanism and conducted sensitization workshop on ethics, employee Code of Conduct and Human Values for their employees, among many others. Similarly, Gasa Dzongkhag Administration has also conducted awareness sessions on ethics and integrity to staff of the dzongkhag, schools and gewog leaders.

HIGHLIGHTS

17

Local Government
Agencies
conducted CRM
facilitated by ACC

34

Agencies
conducted IDT
facilitated by ACC

283

Courts officials
(Bench Clerks,
Drangpons & Court
Registrars) trained on
Judicial Ethics and
Integrity

92.6%

AD compliance rate for
Schedule I

Table 2.3: Implementation status of CRM action plan

Agency	No. of Recommendations provided	No of Risks prioritized	Compliance Rate (%)
STCBL	27	10	87.5
Gasa Dzongkhag Adm.	22	10	55
Punakha Dzongkhag Adm.	21	10	34

One of the reasons/challenges for weak implementation could be due to insufficient will and ownership to mitigate the prioritized risks in respective agencies. Another challenge for ACC is not being able to do systematic follow-up despite its request to agencies to seek further technical support from ACC. Recognizing this shortfalls, ACC plans to review CRM and IDT methodology and follow up mechanisms in the coming financial year.

In the reporting period, ACC facilitated the conduct of CRM in 17 Local Government agencies (16 Dzongkhag Administrations and Gelephu Thromde). Based on the vulnerability and enormous financial investment, Procurement and Construction services was chosen for CRM. Around 627 Dzongkhag and Thromde Staff participated in CRM workshops.

Some of the common risks identified through CRM exercises were biased need assessment to suit certain firms/vested interests; favoritism/nepotism during the evaluation and award of tender; collusion among the bidders; solicitation of bribe during the implementation of contract; embezzlement through manipulation of bills/payments; non-declaration of conflict of interest by committee members; and sharing of privileged information. The probable causes for these risks were identified as lack of adequate checks and balances; lack of integrity; higher discretion at the individual level; and lack of proper procurement plan and human resource capacity in administration of procurement services.

Some mitigation measures, among others, recommended against the risks identified were development of Standard Operating Procedures for procurement service, declaration of Conflicts of Interest and strengthening its management mechanism, institution of grievance redress mechanism and rigorous training and education on ethics and integrity. ACC will monitor the implementation progress

of CRM Action Plans of these agencies on a bi-annual basis. Till date 47 CRMs have been conducted in 41 agencies.

Integrity Diagnostic Test (IDT)

IDT is also a preventive organizational self-assessment tool that identifies organizational strengths and weaknesses based on the four pillars of integrity viz. Compass, Character, Conscience and Control. The administration of IDT was made mandatory for agencies through its integration in the agencies' Annual Performance Agreement (APA). *'To conduct IDT'* and *'Implement recommendations drawn from it'* were included as one of the mandatory objectives of agencies' APA 2015-2016 and 2016-2017 respectively.

To this end, ACC facilitated the conduct of IDT in 34 agencies which included 16 Dzongkhags, nine Ministries, eight Autonomous agencies and one Thromde in the reporting period. A total of 2,130 civil servants including five Secretaries and nine Dzongdags took the test. The average IDT score of these 34 agencies is 83.59 percent.

Figure 2.1 represents the average score of the 20 organizational statements as assessed by the representative stakeholders of the 34 agencies. This gives a snapshot of the existing integrity practices/trend in these agencies and in the public sector in general. As indicated by the figure, agencies seem to have strong sense of ownership and direction in terms of operating their core mandates substantiated by good score on Organization's vision and mission, Members obeying laws and rules, Employees' respect and responsiveness to their stakeholders, etc. However, the organizations lack anti-corruption competencies/systems substantiated by low score on elements like Access to Grievance Redress Channels, Enforcement of checks and balances, Members' ethical culture, etc. Based on the IDT findings, Action Plans were drawn up to bring systemic interventions in terms of mainstreaming effective integrity programs in the respective agencies. ACC will monitor its implementation progress bi-annually which would also form one of the basis for assessing the agency's APA, 2016-2017.

From 2012 till date, 69 IDTs have been conducted in 56 agencies. ACC plans to review and upgrade the tools viz. CRM and IDT in the next reporting period.

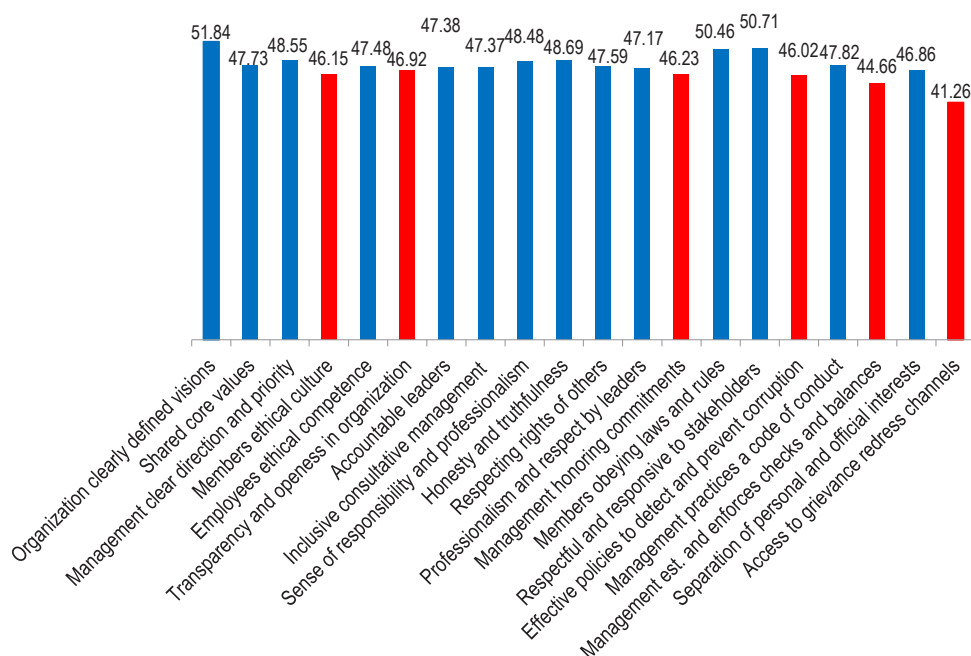


Figure 2.1: Average score for each organizational statement

2.3.2 Strengthening Judicial Integrity

“Rule of law, fairness and independence would remain as the three basic principles for the judiciary in the country. It is important for the judiciary to reform, when required, to meet the expectation of the people. It is the judiciary’s role to render fair justice, protect the innocent, and ensure access to justice, for which judicial official must maintain people’s trust and confidence in the institution. Everyone in the judiciary be it young or old should practice thadamtshi and leyjudrel everyday with the highest integrity and sincerity. It is also the responsibility of the judicial personnel to work with integrity and ethics in order to gain and further strengthen the public confidence in the Judiciary.” - Her Royal Highness Ashi Sonam Dechan Wangchuck, President, Bhutan National Legal Institute.

Following the launch of the Judicial Integrity Scan Report by the Honorable Chief Justice of Bhutan and development of Judicial Ethics and Integrity module, 226 Bench Clerks of all the Dzongkhags and Dungkhag Courts, 31 Dungkhag Drangpons and Court Registrars and 26 Dzongkhag Dranpons were trained on judicial integrity and ethics in three batches by the Justices of the High Court, Drangpons and officials from BNLI and ACC. This training aimed to enhance the knowledge on judicial principles and values, empower the court personnel to understand and to enable them to resolve ethical dilemmas at work place and to broaden the anti-corruption and ethical awareness of the judicial personnel. Besides sharing of technical knowledge, Royal Court of Justice (RCJ) and ACC enhanced understanding and practices of due diligence with the participants.

The trainings were jointly organized with financial support of Nu 3.00 million from SDC and supplemented by BNLI.

2.3.3 Facilitating clean and ethical business transactions

The Transparency International's Global Corruption Report 2009 highlights that “while the private sector can be a source of dynamic innovation and growth, it can also fail to live up to its potential, if corruption goes unchecked, and turn into a destructive force that undermines fair competition, stifles economic growth and political development and ultimately undercuts its own existence.”

Already, signs of unethical business practice including corruption are becoming apparent in the private sector. So far, 672 and 596 complaints were lodged against the Private Sector and Corporations respectively. The alleged corruption offences concern abuse of power (by executives, managers, etc.) for private gains to the detriment of investors; employees and society at large; nepotism/favoritism in human resource management; collusion (bid rigging) and bribery in award of contracts; embezzlement; exploiting legal loopholes or seeking to influence political decision making illicitly; conflict of interest; elite capture of resources through concessions; etc.

While a holistic roadmap in line with the World Economic Forum principles is in place, ACC is strategizing its implementation from the 2016 – 2017 financial year onwards.

2.3.4 Enhancing transparency and accountability in community based organizations and Local Governments

Over the past years, ACC has received the highest complaints against the Local Governments. Almost half the complaints are shared with agencies for administrative actions and sensitization. During the reporting period, 119 out of 352 complaints, which is the highest are against the Local Governments.

With enhanced decentralization - increasing resources and more authority to Local Governments coupled with daily interface with citizens in development programs and service delivery, the Local Governments are more vulnerable to corruption. To minimize corruption risks, proactive controls need to be in place. Social accountability tool is one of the mechanisms that provides space for citizens to actively engage in decision making processes for enhancing transparency and accountability in community based organizations and the Local Governments.

Towards institutionalizing SAc in Local Governments, six participants from Royal Institute of Management (RIM), Bhutan Transparency Initiative (BTI), Bhutan Network for Empowering Women (BNEW), Dept. of Local Government (DLG) and ACC have been exposed to its concepts, trends and practices in the Philippines. Further, to overcome weak institutionalization of SAc, a national consultation workshop held from 20 – 21 July 2016 agreed to:

- Develop community awareness program for raising the awareness among the community on their responsibilities and entitlements;
- Carry out a study on the functioning of Zomdu, recognizing the importance of Zomdu in Local Governments and due to the challenges faced in mobilizing the citizen to attend one;
- Initiate capacity development program for Tshogpa with the increasing role of Tshogpa in representing the interest of the community;
- Carry out study on the effectiveness of community contracting protocol as one of the entry points for citizen engagement;
- Initiate SAc training for service providers so as to bring them on board in appreciating the importance of the initiative;

- Explore better communication channel to create awareness among the communities; and
- Develop citizen charter for the services provided by the Local Government to enhance transparency and accountability.

DLG closely coordinates with RIM and ACC to test SAc approaches in several government projects and activities as well as to develop the necessary manual for its application so that stakeholders are on the same page while engaging in the activities.

2.3.5 Strengthening Accountability Culture

Asset Declaration (AD) is an important preventive tool implemented since 2006. It is basically aimed at promoting public trust through accountability and detecting illicit enrichment by public officials. AD Rules developed in 2008 was revised in 2012 owing to some unrealistic penalty provisions. Further, to provide greater clarity in the Rules and to improve AD compliance, ACC initiated the revision of AD Rules 2012 in 2016. This has widened the scope of AD to facilitate the identification and management of Conflict of Interest (CoI) situations. Accordingly, ACC embarked on enhancing the online AD system incorporating feedback and comments received from declarants and AD administrators. The revised AD Rules shall be enforced from 2017 declaration and for its effective implementation, ACC plans to train all Asset Declaration Administrators (ADAs) within May, 2017.

As part of building in-house capacity, ACC in collaboration with Dr. Tilman Hoppe, an anti-corruption expert from Germany conducted a two day training on “Financial and CoI verification of AD” for 24 officials of ACC including the Commission members on 14 and 15 November 2016.

Keeping in mind the National Council Resolution on the need to develop an IT-based information sharing system among oversight institutions, tax authorities, and property registration authorities, ACC drafted a paper on issues to be considered while linking AD online system with other databases. The Commission plans to come up with a concept paper for data linking in the financial year 2017-2018 which will be shared with the relevant agency to spearhead such initiatives.

AD Compliance

AD compliance rates both for Schedule I and II have been observed to be generally improving yearly. For Schedule I declarants, although AD compliance had been weak in the initial period of its enforcement, compliance generally improved over the years particularly in 2015 and 2016 (refer **Figure 2.2**). This is basically due to the rigorous advocacy in 2014 and 2015. ACC continues to seize opportunities to advocate on the AD system to the local leaders and the heads of religious organizations, wherever possible.

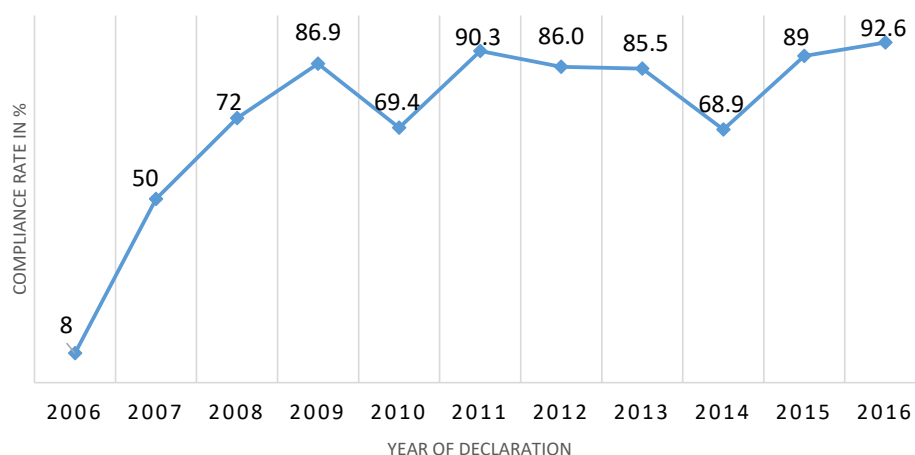


Figure 2.2: Compliance rates from 2006-2015

The total number of Schedule I declarants increased from 436 to 462 and Schedule II from 18,060 in 2014 to 19,793 in 2015. Of the 462 Schedule I declarants, 428 (92.6 %) filed their declarations within the declaration period indicating an increase of 2.2% in the compliance rate. However, there were 34 (7.3 %) late/non declarants of which, three did not file (actual non declarants) for the year 2015. Similarly, out of the 19,793 total covered persons under Schedule II, 17,525 (88.54%) filed their declarations on time while 2,268 (11.46%) fall under late and non-declarants as per the report received from 178 agencies. The report also recorded that penalties amounting to Nu. 55,125 from Schedule I and Nu. 475,995 from Schedule II (Total Nu. 531,120) has been collected till date from the late declarants and the amount has been deposited in the government revenue account as required by AD Rules 2012.

Disproportionate Asset (DA)

Possible illicit enrichment is detected by the system in the form of DA. As flagged off by the system, there were 157 (34%) declarants with DA in Schedule I which was significantly higher than the previous years. However, after the verification, all 157 DA cases were dropped as most of DA were due to vehicles imported by the parliamentarians as an entitlement, increase in the Current Market Value of the properties, declaring spouse properties for the first time and typographical errors, etc.

Similarly, there were 3,169 (16%) declarants with DA in Schedule II. Unlike in the past, a new methodology using the concept of inflow and outflow was applied to verify these DA cases. Due to time constraint, lack of human resource and other competing priorities, only 1,500 (approximately 50%) DA flagged off by the system could be verified of which 1,446 (96.4%) got dropped while 54 (3.6%) fell under Discreet Enquiry (DE) or further action. It should be pointed out here that had the existing method of DA verification been applied, all DA cases would have been dropped. Since the new AD Rules have not been implemented, ACC for the moment decided to defer taking action on those 54 declarants who fall under DE. They will however be under the “watch list” for future reference. The lessons learnt from the concept of inflow and outflow methodology will be applied for systemic improvement in the new AD system.

ACC has completed revising AD Rules 2012 and collecting feedback/comments from the key agencies and the general public. The revision of the online system is in progress and will be implemented from 2017 declaration onwards.

2.3.6 Systemic Studies

Proactive Studies: Facilitating evidence based systemic improvement

In 2015, ACC in collaboration with RIM and RUB carried out empirical studies in two sectors namely: HRM and Mining to facilitate evidence based systemic improvement. While key findings and recommendations of these two findings were presented in the Annual Report 2015, the reports were published and launched in the reporting period as detailed below:

Launch of HRM Research Report

HRM Research report titled *"Towards Enhanced Transparency and Accountability in Human Resource Management Processes in the Civil Service: A Matter of Favoritism"* was launched jointly by the Chairperson of RCSC and Chairperson of ACC on 25 May 2016 at RCSC.

RCSC has given due significance to the findings and recommendations of the research. A detailed review of the recommendations has been carried out by RCSC in terms of its viability for implementation and was shared with ACC. Some of the notable recommendations implemented among others as part of the civil service reform are:

- RCSC has issued an Executive Order for implementation of the new ToR which also requires HR Officers to function as Integrity Officers in the respective agencies and the Annual Performance Targets of HR Officers are now based on this new ToR.
- HR Audit Unit in RCSC secretariat is proposed to be strengthened and upgraded to HR Audit Division. RCSC has also announced the vacancy for Chief of the Division.
- RCSC has undertaken a study on utilization of specialists and subsequently issued a notification on 7 July 2016 for effective utilization of specialists.
- RCSC has instructed one of its divisions to review the curriculum and Ethics and Integrity programs with RIM.
- Integrity vetting process is in practice for selection to executive positions.
- Implementation of MaX (New Performance Management for Excellence) and Individual Work Plan (IWP) will address a number of issues identified by HRM research.

The Mining Research report titled *"Improving Business Environment: The Case of the Mining Industry in Bhutan"* was launched by the Hon'ble Lyonpo, Ministry of Economic Affairs (MoEA), ACC Chairperson and Director for Cooperation, SDC on 22 June 2016 at the Ministry. Around 45 participants from Parliament,

DGM, SDC, Constitutional and autonomous bodies, media, corporation and representatives from relevant stakeholders attended the launch.

Following the report launch, DGM has reviewed the report and developed an action plan to implement the recommendations. Some of the recommendations such as revision of mineral rent and royalty and the formation of Mining Regulatory Authority (MRA) had already been approved by the government earlier. Other activities reflected in the action plan include digitization of all geological information and reports; creating a data base for mines and mineral information; development of Standard Operating Procedures (SOP) for different mining procedures and Service Charter. The drafting of SOP and Service Charter is already underway.

In the transition period until the establishment of MRA, RCSC has approved the creation of a Mineral Development Division (MDD) in DGM along with the Mining Division (MD). Amendments to the Mines and Mineral Management Act 1995 have been made and submitted for deliberation in the upcoming parliament session. The draft Mineral Development Policy 2017 is being revised and submitted to the Cabinet for approval.

In implementing the recommendations, two levels of task force were formed by the Ministry. A high level Empowered Task Force for Mining Sector Reform is an inter-ministerial one that comprises of the Secretary or Director General/Director of the relevant Ministry or agencies and is chaired by the Secretary, MoEA. A working level Technical Team for Mining Sector Reform comprising of all the heads of divisions in DGM with members from PPD, MoEA and a member each from National Environment Commission Secretariat (NECS), Dept. of Roads (DoR) and Dept. of Forest and Park Services (DoFPS) will be proposed to the government for approval.

Empirical Research on Public Road Construction

One of the key proactive systemic research undertaking of ACC for 2016-17 FY is a Systemic Review of Road Construction for Enhanced Transparency and Accountability. Internationally, construction is singled out as the sector most prone to corruption by a number of studies. Studies also highlight the devastating impact of corruption in construction such as asset misappropriation, financial

misrepresentation, corruption and bribery, money laundering, industrial espionage and information, product piracy and counterfeiting. In fact, corrupt practices can be found at every phase in construction projects.

Construction is also identified as one of the major corruption prone areas in Bhutan by ACC-RIM Scoping Research 2015 and is further substantiated by ACC Annual Report 2015 where complaints about corruption in the construction sector was the third highest with 32 complaints from March to December 2015. Proliferation of undesirable practices such as fronting and collusion, lack of real competition among the contractors, fragmentation of design and construction process, very low levels of productivity, poor quality of construction and high cost of construction are identified as some of the issues among others that plague the construction industry in Bhutan according to a study conducted by the People's Project in 2009.

Considering all these and given the vital role road sector plays in the socio-economic development in the country, ACC decided to conduct an empirical research on Public Road Construction with the aim to:

- Evaluate the processes where corruption and illegality are most likely to occur in the project life cycle of road construction.
- Delineate the causes and effects of corruption and illegal activities in road construction.
- Evaluate the costs of corruption in road construction.
- Provide recommendations to enhance transparency and accountability in road construction.

As of December 2016, a research team has been formed comprising members from the College of Science and Technology (RUB), Public Procurement Policy Division (MoF), Department of Roads (MoWHS) and ACC. The team finalized the research proposal and is currently in the process of developing the research tools. The study is expected to be completed by June 2017.

3rd National Integrity Assessment (NIA)

The first and second NIA was conducted in 2009 and 2012 respectively in collaboration with the National Statistical Bureau (NSB). Although the third NIA

should have been conducted in 2015, it had to be postponed as the research team was engaged in HRM and Mining Sector research mentioned above.

NIA is a service oriented survey whereby services provided by the public agencies are considered for assessment. Every corruption prone unit and its processes are analyzed to assess the level of integrity and corruption in the organization. The survey respondents are those who have either availed or provided the services thereby giving actual and authentic assessment with clear focus. It thus provides a status of the organization in terms of transparency, accountability, internal control of corruption and other wrongdoings in the process of service delivery. The findings from the survey and commensurate recommendations can be used for improving the performance of an organization through corrective and preventive measures. This study is designed to benefit agencies in terms of improving service delivery irrespective of the nature and size of an organization.

The third NIA was planned for the 2016-17 FY and as of December 2016, activities such as capacity development of the core research team, enhancement of methodology, listing of organizations and services and testing and finalization of questionnaires have been completed. Field data collection also began with the use of Computer Aided Personal Interview (CAPI) apps on mobile tablets. The use of mobile tablets greatly contributes to time efficiency, data screening and cleaning, and quality assurance while also reducing costs as it removes the need to print large numbers of questionnaires for any research. This in turn will contribute to the paperless office initiative.

The third NIA targets to assess about 80 public organizations and 215 types of external and internal services covering more than 10,800 respondents. It will also assess, to some degree, the integrity of the policy making process.

Reactive Studies: Emanating from complaints and investigations

Review to Strengthen Systems Related to Trade and Customs in Bhutan

Review of systems and recommendations for strengthening them are inherent to all investigations to prevent recurrence of similar lapses and problems, improve services and strengthen internal control systems. A reactive study to review the

systems related to trade and customs was undertaken following the investigations that ACC launched in Phuentsholing in 2015.

Given the complexity of the study, an expert was engaged with support from ADB to study existing systems related to trade and commerce including customs duties, taxation policy and its administration, licensing and monitoring, among others. Officials from the Department of Revenue and Customs (DRC), Department of Trade (DoT) and ACC worked closely with the expert during the course of the study. The purpose of the study was to streamline the governance of trade and commerce; customs and excise administration and address issues such as revenue leakage, entrenched corruption, fraud in tax and repatriation of Indian Rupees. Implementation of the recommendations from this study is expected to enhance service delivery, revenue collection and also reduce corruption opportunities.

The report titled "*Review to Strengthen the Systems Related to Trade and Customs in Bhutan*" was formally presented to the Secretaries of MoEA and MoF and staff of relevant agencies on 27 October 2016 at MoEA. The study identified the following issues:

- Lack of transparency and availability of public information;
- Lack of cross-training of field staff especially in corruption awareness – ethics and integrity;
- Absence of coordination framework between Border Control Agencies and key commercial border stakeholders at both national and regional levels;
- Risks of collusion and corruption between traders and officers at border posts;
- Non enforcement of mandatory pre-clearance procedures;
- Fronting;
- Lack of performance awards and incentives;
- Absence of code of conduct and service standards;
- Lack of declaration and management of conflict of interest; and
- Non enforcement of asset declaration and gifts.

Based on the above issues, the study proposed the following recommendations:

- Improve transparency of routine procedures;
- Provide cross training of field staff;
- Establish Joint and National Border Committees;
- Implement extensive remote control procedures using RAMIS;
- Implement mandatory pre-clearance facilitation;
- Early implementation of risk management;
- Undertake macro-economic review of foreign exchange and banking environment that extends beyond the administration of import and business license system;
- Re-institute team incentives rather than individual-based incentives;
- Develop code of conduct and service standards;
- Declare and manage conflict of interest;
- Enforce asset declaration and gift rules more stringently and monitor deviations; and
- Provide awareness training for prevention of bribery and corruption.

Upon presentation of the findings, the two Ministries were requested to review the report and undertake the following:

- Identify recommendations that are already implemented/underway;
- Identify recommendations that require further consultation; and
- Develop action plan.

The two Ministries were also requested to submit a detailed report to ACC after six months.

2.3.7 Follow-up on the Systemic Recommendations

As per the System Study Protocol, a follow-up exercise by ACC on the implementation status of the systemic recommendations should be done within six months after the sharing of the recommendations. However, due to human resource shortage, such timely follow-up could not be carried out in the past.

In line with the resolution of the 15th session of the National Council on the need to report on the review of actions taken by agencies concerned on the recommendations made and also to assess the progress that agencies made in implementing the recommendations, a stock taking of all system studies that were not followed up was done and a follow-up exercise was carried out in the reporting period. In total, follow-up on the implementation status of recommendations from three proactive and four reactive system studies was done.

The three proactive system studies included the study on the Foreign Workers Recruitment System of MoLHR (2013), Management of Refundable and Non-Revenue Deposits in the Department of Public Accounts under MoF (2011) and the Implementation of HIV/AIDS Program funded by Global Fund in the Headquarters, RBA (2011). The four reactive system studies included the study of the Recruitment System in Druk Air Corporation Limited, Paro (2015), Monitoring of all CSOs by CSOA (2015), Fraud and Embezzlement involving a Messenger of Bhutan Postal Corporation Ltd. (2015) and Corruption in the Procurement of Medical Equipment in MoH (2010).

From the total of 47 recommendations, it was verified that 38 recommendations were fully implemented, 6 partially implemented and 3 not implemented (See **Table 2.4**). Overall there is an implementation rate of 87.2% on the 47 recommendations provided by ACC to the seven agencies. Implementation status of the systemic recommendations by the seven agencies is depicted in **Figure 2.3**.

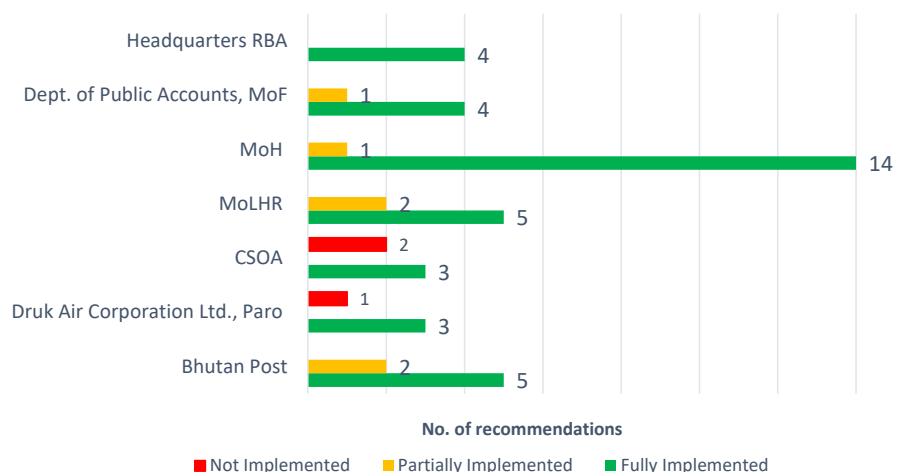


Figure 2.3: Implementation status of the systemic recommendations

The following are the systemic recommendations not yet implemented:

Table 2.4: Recommendations that were not implemented

Agency	ACC Recommendations	Reason(s) for Non-Implementation
Druk Air Corporation Ltd., Paro	Standardize weightage for marks for similar competencies required. It was observed that weightings for final selection for academics (class X, XII and Degree) for positions requiring similar competencies were not applied consistently.	DCL, Paro is going through a major OD exercise which will result in the changes in the service manual and even the existing positions. Once OD exercise is through, the recommendations would be taken into account.
Civil Society Organization Authority	Making it mandatory for the Chairperson of the Board to sign on any formal correspondence to ensure the involvement of the Board Members in decision making thereby promoting transparency and accountability.	CSOA, during its 14 th Authority meeting, decided that at this juncture it is difficult to implement as the particular guidelines/directives is not prescribed in CSO Rules and Regulation. In most cases CSO Board Management delegates most of its power to the Secretariat. However, the board decided that the proposed measure would be looked into while revising CSO Rules and Regulations 2010.
	Monitor the flow of funding from international sources. CSOA may make it mandatory for CSOs to submit their bank statements annually to CSOA for assessing and monitoring the flow of money.	The recommendation needs to be further deliberated since the bank statements are primary evidentiary document which are required to be examined during the Annual Audit of CSOs. The audit records are therefore submitted to CSOA for its reference. The 14 th CSOA meeting also deliberated that the fund flow and monitoring needs to be further discussed with GNHC in the forthcoming Annual Govt.-CSO Meet

Timely and systematic follow-up by ACC and greater ownership by the institutions in implementing the recommendations could bring bigger impact in plugging loopholes that give rise to corruption opportunities and in overall strengthening of systems.

2.4 Complaints and Investigations – *Expose and deter corruption by effective investigation without fear and favor*

This segment covers details of all complaints received, managed and investigated during the reporting period. Comparisons to previous years are made in the analysis.

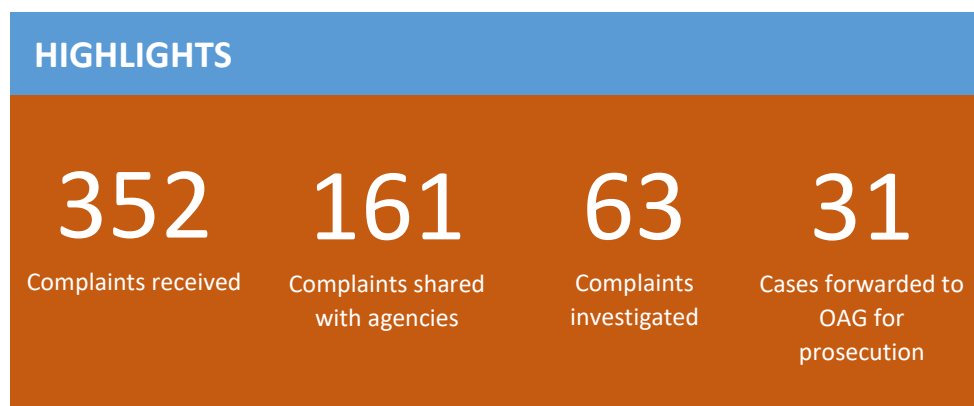
2.4.1 Complaints and Referrals Management

Complaints on alleged or suspected corruption offences form one of the main basis for the anti-corruption efforts of ACC – be it investigation, public education or prevention measures. Over the years, complaint management in ACC has been strengthened with more staff, new technologies being deployed and putting in place proper policies and procedures.

The Compliant Management Division in ACC receives, registers and processes all complaints including referrals from agencies. In the reporting period, ACC has received 352 complaints with an average of 29 complaints per month which has decreased as compared to the previous year with an average of 31 complaints per month.

Modes of complaints

As shown in **Figure 2.4**, the predominant modes of complaints are through ACC Website and Post comprising 32.4% and 32.1% each of the total complaints received. The complaints through post also include referrals from RAA, RBP and other agencies.



Complaints via website is increasing year by year and the trend may be due to development in Information Technology coupled by ease of lodging complaints. Walk-in complaints have also increased from 19.8% in 2015 to 25.6% in 2016. This is an encouraging sign for ACC as it indicates the trust and confidence of the public in ACC. This positive development can also be attributed to vigorous public education program conducted by ACC.

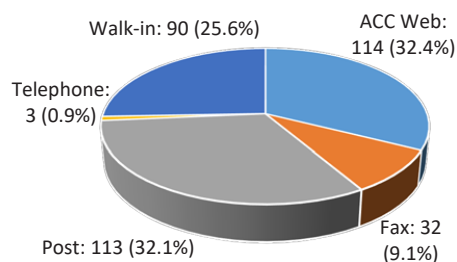


Figure 2.4: Percentage of complaints received through various modes

Though ACC Website was the predominant mode of filing complaints, the quality of complaints received by Post was better given that 60% (15) of the complaints that qualified for investigation was by Post while only 24% (6) was from Walk-in, 12% (3) from Website and 4% (1) by Fax.

Known Vs Anonymous Complaints

From the 352 complaints received during the report period, 58.2% were from anonymous sources and 41.8% were from known sources. For three consecutive years, the number of complaints from known sources has been declining and this trend may be largely due to the fear of reprisal.

From the complaints that qualified for investigation, 72% (18 out of 25) was from known sources while only 28% (7 out of 25) was from the unknown sources indicating that the quality of complaints is better when sources make known their identity which in turn enables ACC to enrich information on the complaint. Further, on disaggregation of the 205 anonymous complaints, 61% (125) pertained to abuse of power which substantiates, to some extent, the point about the fear of reprisals that people have.

Complaints by Type of Corruption

Complaints on “Abuse of functions” by public servants still continue to be the

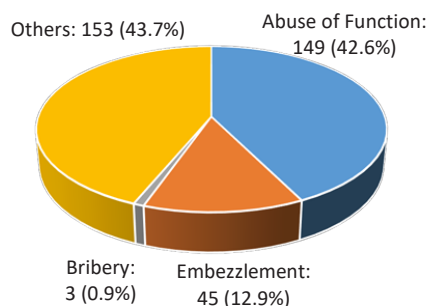


Figure 2.5: Percentage of types of complaints received

predominant type of alleged corruption comprising of 42.6% (149) of the total complaints as shown in **Figure 2.5**. The largest number of complaints received in the reporting period pertains to “Others” category comprising 43.7% (153) which includes those complaints that were either grievances or those that did not constitute a corruption offence *per se* but were the means to corrupt acts such as deception, coercion, forgery, collusion, etc. Substantial resources are spent on dealing with such complaints which affect the efficiency and effectiveness of ACC.

Allegations of embezzlement is also considerable, comprising 12.9% (45 complaints) of the total complaints. As in the past, allegation of bribery is the least with only 0.9%. Complaints pertaining to bribery is the least every year given that bribery is perpetrated in secrecy between two parties and very difficult to detect.

Complaints by Area of corruption

The trend of complaint by area is similar to the previous year with highest complaints on “Resources” (funds and properties) followed by “Any others” category as shown in **Figure 2.6**. The ‘Any other’ category includes those complaints which are not related to corruption or complaints which does not fall in any of the categorized areas.

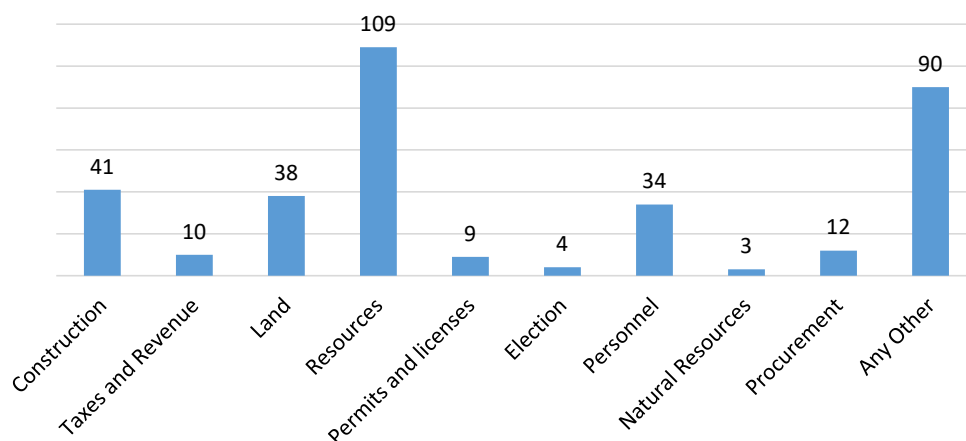


Figure 2.6: Complaints by area of corruption

“Construction” and “land” related complaints are the next highest category. The complaints relating to “Personnel” have more than doubled from 16 in 2015 to

34 in 2016 while complaints pertaining to “*Procurement*” have decreased from 20 in 2015 to 12 in 2016.

Complaints received Dzongkhag-wise

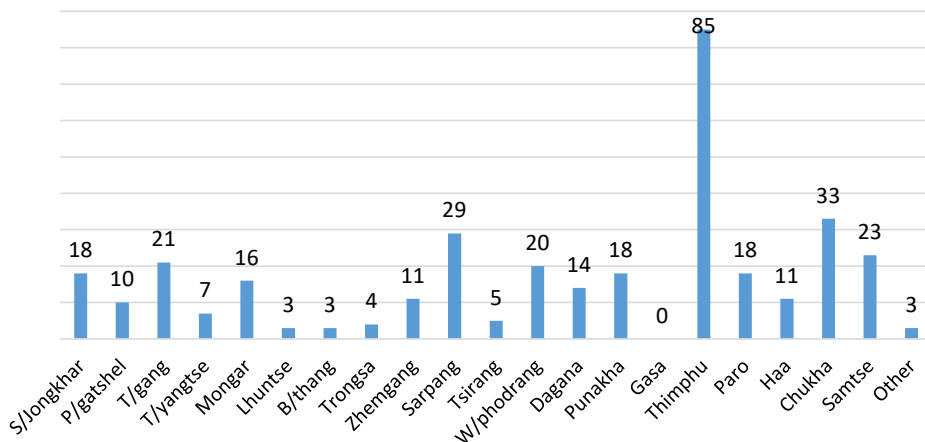


Figure 2.7: Complaints against Dzongkhags

Figure 2.7 shows the complaints received by ACC against each dzongkhag in the reporting year. As in the previous year, complaints against Thimphu Dzongkhag was the highest (85 complaints) followed by Chukha Dzongkhag (33 complaints) and Sarpang Dzongkhag (29 complaints). Dzongkhags with the least number of complaints were Lhuntse and Bumthang with three complaints each and no complaint was received against Gasa Dzongkhag. This pattern of complaints, i.e. remote dzongkhags having lesser number of complaints may be attributed to lesser economic activities in those dzongkhags coupled with smaller population and perhaps a lower level of public awareness on corruption and knowledge of where and how to report corrupt practices.

Complaints received Agency-wise

Complaints lodged against Local Governments continue to be the highest with 119 complaints constituting 33.8% of the total complaints. The complaints lodged against Local Governments has increased from 79 complaints in 2015 to 119 complaints in 2016. No complaints were received against the Legislature and the Ministry of Foreign Affairs (MoFA).

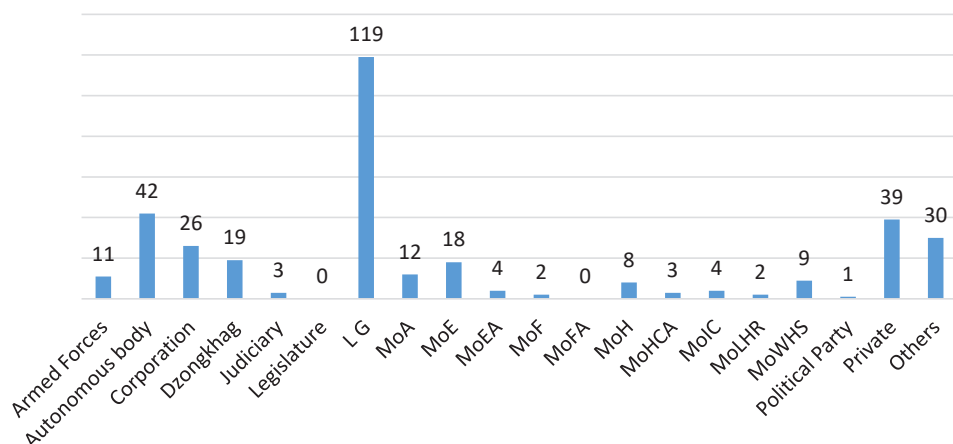


Figure 2.8: Complaints against agencies

With greater devolution of powers, responsibilities and resources to the local level from the central government, there can also be corresponding transfer of corruption opportunities. Although decentralization processes can help strengthen accountability by bringing government closer to the people, decentralization can also present corruption risks especially when there is weak internal governance systems, passive citizens, lack of civic oversight and poor transparency and accountability. Local Governments are more susceptible to corruption as it is at the local level where citizens and the public sector interact most regularly and directly. When corruption occurs locally, the impact on citizens' lives can be the most damaging, with the poorest being hit the hardest.

Transparency, accountability and integrity must be put at the heart of Local Governance systems so that the risks of corruption are reduced. Citizens can participate in and influence policy design and implementation for the common good, and hold local officials to account for their decisions.

Actions on Complaints

Actions taken on complaints received in the reporting period is presented in **Figure 2.9**. Of the 352 complaints received, decisions were taken on 339 complaints. Decisions on the remaining 13 complaints are pending as it requires additional information.

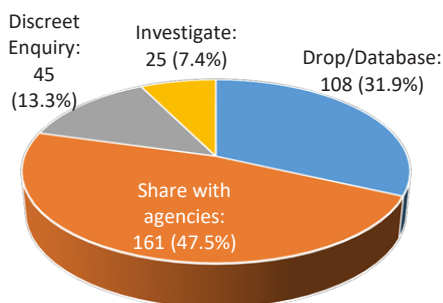


Figure 2.9: Actions on complaints

161 complaints (47.5%) were shared with the relevant agencies i.e. 126 for administrative action and 35 for sensitization.

25 complaints qualified for investigation including the two ATRs upgraded for investigation.

Status of the Complaints shared and Action Taken Report (ATR) received from respective agencies

Complaints are shared for action with the relevant agencies when these complaints are perceived to be administrative in nature and not corruption per se. Agencies concerned are required to examine the allegations and submit an ATR to ACC within a month. However, if the agency during its examination of the complaint finds any corruption element, the agency is required to return the complaint with the information obtained to ACC for its further necessary action.

Of the 126 complaints shared for action, ACC received 69 (54.8%) Action Taken Reports. ACC reviewed 48 of these ATRs of which 39 have been endorsed and closed, two ATRs upgraded for investigation, and one upgraded for Discreet Enquiry. Summary of the status of complaints shared for action are as given in **Table 2.5**.

Table 2.5: Action taken on ATRs received

Complaints shared for Action	Action Taken on the ATRs Received							ATRs not Received	
	ATRs Reviewed				Under Review	Total			
	Closed	Upgraded for Investigation	Upgraded for Discreet Enquiry	Deferred for additional action					
126	39	2	1	6	21	69	54.76%	57	45.24%

In addition to the above, ACC on following up with the agencies concerned, received 64 ATRs of which 54 pertains to complaints shared for action in 2015 and 10 shared in 2014 and before. 58 ATRs have been closed and four have been upgraded to investigation.

Closure of a good number of ATRs within the reporting period can be attributed to the strengthening of Complaint Management Division with additional staff.

Referrals from RAA

RAA, in accordance with Section 67 of the Audit Act of Bhutan 2006, refers Audit Reports to ACC when there are suspicions of corruption. RAA has referred six audit reports to ACC. During the bilateral meetings held bi-annually, status and follow-up actions on the referrals are discussed. Audit reports reflected below for the years, 2010 - 2015 were those cases pending either follow up action, review by OAG or under trail in the year, 2015. Actions and decisions taken in 2016 on the referrals are as given in **Table 2.6**.

Table 2.6: Outcomes of RAA referrals

Year	No. of Reports brought forward					Status	
		ACC	OAG	Under Trial	Shared With Agencies	Closed	Remarks
2010	7	1	0	0	1	5	AIN:8510 has been shared with MoF for administrative action. AIN:7886 has been adjudicated which shall be submitted in ACC-RAA Bilateral Meeting for formal closure.
2011	2	0	1	1	0	0	
2012	5	1	1	1	2	0	RAA to take up AIN: 10788 and AIN: 10552
2013	1	1	0	0	0	0	
2014	7	1	1	1	3	1	RAA to take up AIN:12503, 12608 and 12636
2015	12	3	1	3	4	1	RAA to take up AIN 12657, 12943 and 12916, 12932 shared with MoH
2016	6	5	0	0	1	0	RAA to review AIN: 13489
	40	12	4	6	11	7	
	%	30	10	15	27.5	17.5	

Review, Reconciliation and Status of Backlog Complaints Qualified for Investigation

There was mounting backlog of complaints qualified for investigation mainly due to human resource constraint and engagement in priority cases. In the reporting year, ACC gave priority to these backlog complaints and implemented measures to resolve it.

A dedicated team undertook a thorough review and reconciliation of the complaints qualified for investigation, the outcome of which is presented in **Table 2.7**. Confirming a total of 555 backlog complaints qualified for investigation from 2006 to December 2015 (*529 as reported in 2015 Annual Report & 26 cases in the month of January-March, 2011 that was not accounted for in the Annual report of 2015*), the former Commission had undertaken a detailed review of the backlogs through a mop-up exercise and decided to drop 273 complaints qualified for investigation and another nine complaints had already been investigated (total = 282). However, the status was neither reflected nor reported then and hence not accounted for in the Annual Report 2015.

From the remaining 273 (555 - 282) backlog complaints qualified for investigation, the Commission has closed 108 complaints (60 dropped and 48 repeated complaints) thereby making the total dropped to 390 (282 + 108). Therefore, the total complaints for 2006 – 2015 that remain open for investigation after the 2016 review and reconciliation is 165 as shown in **Table 2.7**.

Table 2.7: Action taken on the backlog of complaints qualified for investigation

As reported in Annual Report 2015				Action taken after the review		Remarks
Year	Complaints qualified for investigation	Assigned for investigation	Backlog	Dropped/ Repeat	Current Backlog	
2006	47	9	38	34	4	
2007	97	20	77	66	11	
2008	36	21	15	6	9	
2009	77	20	57	45	12	
2010	45	15	30	18	12	
2011	122	13	109	95	14	
2012	108	14	94	61	33	
2013	56	12	44	29	15	
2014	47	13	34	12	22	
2015	42	11	31	5	26	
Total	677	148	529	371	158	
Jan – March 2011	26		26	19	7	Not accounted in Annual Report 2015
Total	703	148 (21.1%)	555 (78.9%) =	390 (55.5%) +	165* (23.5%)	*Pending after the review

Maximum number of complaints closed pertains to 2013 and before (354 out of 390) and was based on the following grounds:

- Repeated complaints;
- Administrative in nature which were shared with relevant agencies;
- Absence of corruption elements;
- Lack complaint details; or
- Old cases which had lost time relevance and difficult to obtain evidence.

As of December 2016, the backlog of complaints qualified for investigation stood at 172 as shown below in **Table 2.8**.

Table 2.8: Backlog of complaints qualified for investigation

Year of Complaint	Backlog Complaints Qualified for Investigation (No. of Complaints)	Assigned for Investigation (No. of Cases)	Balance for Investigation (No. of Complaints)
2006 - 2015	165	9 <i>(includes 12 complaints)</i>	153 <i>(165-12)</i>
2015 complaints upgraded for investigation in 2016 (on review of ATRs)	4	1	3
2016	25	11	14
2016: Proactive cases (two offshoot + one intel based)		3	
2016: Upgraded for investigation from DE	2	-	2
Total	196	24	172

2.4.2 Investigation of Cases

In 2015, almost the entire investigative resources had been diverted to investigating fronting and commercial bribery cases in Phuentsholing. About 39 cases, at varying stages of completion, have been carried over to 2016 of which 16 were related to Phuentsholing cases and 11 were Thimphu land cases. These ongoing and spill over cases of 2015 and before, which represents nearly 62% of

the total cases handled (See **Figure 2.10**), also adversely impacted the capacity to take on more cases in 2016.

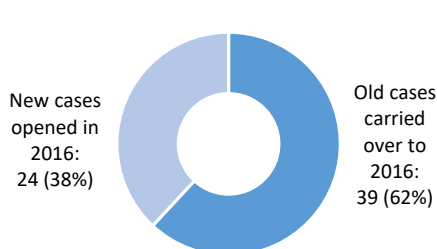


Figure 2.10: No. of cases handled in 2016

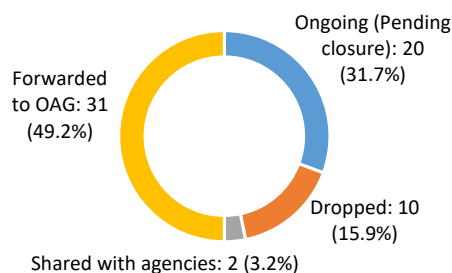


Figure 2.11: Investigation outcomes/status as of Dec. 2016

In the reporting period, ACC assigned 24 new cases (including three proactive cases) for investigation bringing the total case load to 63 cases in 2016 as shown below in **Table 2.9**.

Table 2.9: Investigation of cases, its outcomes and status in 2016

	Old	New	Total No. of Cases	%
Cases carried over to 2016	39		39	62%
New cases assigned in 2016		24	24	38%
Total case load			63	100%
Outcome/Status Distribution				
(1) Forwarded to OAG	26	5	31	49%
(2) Shared with Agencies for Administrative action	2	0	2	3%
(3) Dropped/Closed	6	4	10	16%
(4) On-going (pending closure)	5	15	20	32%
Total			63	100%

During the reporting period, ACC forwarded 31 cases to OAG for prosecution (**Annex 1**). Out of this, 26 (83%) are cases assigned prior to 2016. The prosecution referral accounts for 72% of the total cases completed (excluding 20 ongoing cases). 10 cases were dropped as corruption could not be established.

As of December 2016, 20 cases were still ongoing (pending closure), out of which, 5 are old cases and 15 assigned during the period. ACC is optimistic that the significant portion of these cases will be completed and actions thereafter decided by the end of June 2017.

Table 2.10: Key operational statistics

	2016
No. of cases referred to OAG	31
No. of people examined during investigation	412
No. of people charged	166
No. of people detained during investigation	9
Average no of days in detention ¹	24.8
No. of search & seizure conducted	7
No. of Freeze Orders issued	5
No. of civil servants suspended	0

2.4.3 ACC cases with OAG and in Courts

As of December 2016, there are 30 cases with the Office of the Attorney General (**Annex II**) and 41 cases with different courts (**Annex III**). During the reporting period, the Royal Court of Justice has issued verdicts on 10 cases. Out of 51 people charged, 38 have been convicted, 8 have been acquitted and judgement on 5 have been deferred (See **Figure 2.12**). The time taken in prosecution and adjudication of corruption cases undermines the deterrence impact that investigations are designed to have.

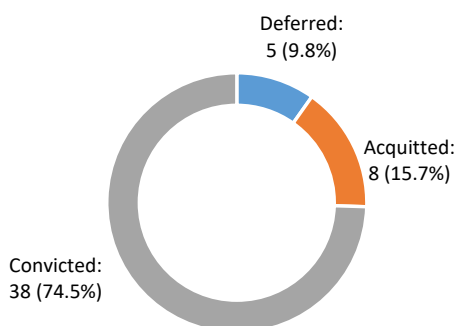


Figure 2.12: Prosecution outcomes

¹ Including days under detention by RBP prior to handing over the case to ACC

2.4.4 Discreet Inquiries

Investigation entails investment of manpower, time and financial resources. Therefore, as part of the diligence process, ACC also conducts discreet inquiries on complaints that requires enrichment of information. This process, which is in-built in the complaint assessment mechanism, assists ACC in deciding whether or not a particular complaint needs to be escalated to a full-fledged investigation.

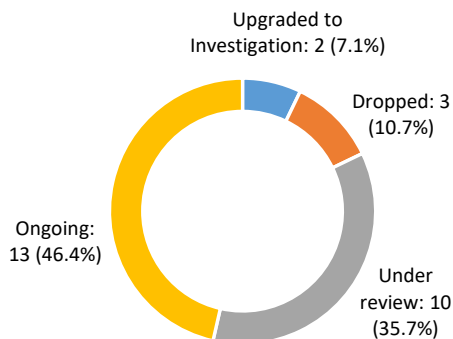


Figure 2.13: Outcome of Discreet Enquiries

As of December 2016, 28 out of the 45 complaints qualified for discreet inquiry have been assigned for discreet inquiries/information enrichment. Out of these, 3 complaints have been dropped, 2 have been upgraded to investigation, 10 are pending review and 13 were ongoing.

2.4.5 Major Case Highlights

Case #1: Aminang Land Case

Although this case was litigated and verdict passed by the High Court in favour of the accused, ACC investigated it based on the complaint received in 2009. The case involves a prominent local businessman (accused) from Gedu, who deceptively claimed government land named Emalakha measuring 11.75 acres as his private land by interchanging the name of the land from Emalakha to Aminang. Investigation found that Emalakha was originally a Tsamdro belonging to a lady, who had also built a wooden house on that land. Later, the land was taken over by the Ministry of Agriculture (MoA) and the lady was paid a depreciated cost for her wooden structure. From 1984-1989, the MoA used the land as a calf-rearing centre. Later in 1989, the land was handed over to the Department of Forest (DoF) and DoF even carried out forestation.

It was found that Dzongkhag Administration, Chukha verified Emalakha as a government land and leased it to one Indian contracting firm in 1998 during the construction of Tala Hydropower project. Investigation established that the accused knowingly with the intention to deceive the government claimed Emalakha as Aminang, which is his original land under Bongo Gewog,



Chukha Dzongkhag. The accused was found to have planted orange trees in Aminang some 11 to 12 years back.

Case # 2: Collusion and bribery at TCC in connection to illegal regularization of government land

This investigation was based on the written

request made by RAA, National Land Commission Secretariat (NLCS) and Thimphu City Corporation (TCC). The case pertains to illegal registration of 46.88 decimals of government land at Tshalumaphey, Semtokha, in the name of a private individual. Investigation found that sometime in 2005, a private individual had purchased a plot measuring 63.12 decimals from the wife of a Revenue clerk working in Thimphu Dzongkhag Administration. It was during the period when the *Thram* record for municipal area was being handled by TCC. The investigation revealed that a TCC official had fraudulently surveyed the same plot as 110 decimals and collected three payments between May and June 2006 totalling Nu. 2.050 million from the private individual. However, the amounts were neither deposited into the government account nor was it proportional to the prevailing government-approved rate applied for excess land. The investigation also found that another TCC employee had knowingly assisted the parties in fraudulently processing the ownership certificate based on a false and manipulated record. The irregularity was later discovered by NLCS in 2009 when the private individual approached NLCS for proper *Lagthram*. By then, the authority to issue such title document was reverted to NLCS. It was only when NLCS rejected the excess land registration that the private individual brought up

the issue of payments made to TCC official. The investigation established that Nu. 2.050 million was paid to TCC official as bribe in exchange for illegally registering the excess land of 46.88 decimals. The evidence established that the private individual arranged these clandestine payments to the official after TCC had regretted his application to regularize the excess land.

Additionally, ACC found that the very plot, which the private individual purchased is a subject of another investigation. This same plot was illegally measured on government land by the revenue clerk during the New Sathram Compilation Survey (NSC) in 2000 and registered in his wife's name. The investigation revealed that, during NSC survey time, the revenue clerk had first processed a sale deed purporting to have bought 10 decimals from one lady from Talakha. After transferring the Thram, he then measured 63.12 decimals on empty government land at a different location and registered it in his wife's name.

Case # 3: Illegal registration of Tsamdro at Debsi Phakha, Chang Gewog, Thimphu

This case is an investigation into allegation of illegal registration of *Tsamdro* at Debsi Phakha, Chang Gewog, Thimphu involving a former Thimphu Dzongkhag Land Record Officer (LRO) and former *Gup*.

Investigation found that two plots measuring 0.90 and 2.82 acres on Debsi community *Tsamdro* were fraudulently registered in the name of the *Gup*'s mother between 2000 and 2005. The same plots were later fragmented and sold to 19 individuals.



In reality, one of the plots registered in the name of the *Gup*'s mother was found to be located in Punakha and already declared as Punakha land during *Thed-Thimphu* separation in mid 1980s. Survey record also proved that the *Gup*'s mother was unable to locate the plot during 1988 Detail Survey. Contrary to what the accused had

claimed and measured, investigation found that the actual location of the other plot in the old *Chazhag Thram* of the *Gup*'s mother was found to be near Babesa and not at Debsi. Investigation revealed that the *Gup* forged and tampered the Detail Survey map, field *Kappa* form of New *Sathram* Compilation (NSC) and arranged falsified community clearance to conceal and change the location of the above plots to Debsi. This was done to make it appear in official record that these plots originally existed in Debsi and were surveyed in 1988. The accused successfully carried out such illegal acts with the help of the former *Gup* (who was also investigated by the Commission for numerous land fraud cases in Thimphu) in exchange for receiving 50 decimal plot as gratification. The accused was also assisted by a former LRO of Thimphu Dzongkhag Administration, who helped him in processing the illegal registration despite knowing that one of the plots was officially declared by the *Gup*'s mother as located in Punakha. Although, the accused initially claimed that the plots under investigation were substitute land granted against his ancestral land taken over by DANTAK in Babesa, he eventually admitted to having illegally registered *Tsamdro* at Debsi Phakha under Chang Gewog, Thimphu.

Case # 4: Fraud and embezzlement in Food Corporation of Bhutan Limited (FCBL), Phuentsholing

ACC received this case from FCBL after observing significant shortage in their food inventory worth Nu. 3.116 million. The shortage came to light during the physical stock taking for handing-taking over between their store employees.



The investigation established that the former Manager of Food Grain, was responsible for the shortages to the extent of Nu. 2.519 million. The accused was found to have manipulated records in the inventory database to conceal the

shortage, particularly sugar, which formed major portion of the missing items. In one instance, the accused had booked false credit sale of 36 MT sugar to a customer and the same credit memo was deleted from the system. In another incident, the accused was found to have falsified 15 MT credit sale of sugar worth Nu. 472,800 to one local retailer in Phuentsholing. When the internal auditing team started making inquiry into this irregularity, the accused and his son had discreetly arranged cash and persuaded the vendor to deposit the money to FCBL.

Case # 5: Corporate embezzlement

Cases of corporate malfeasance is a serious cause for concern as it can result in catastrophic business failures, loss of public confidence and trust. It also has social and economic consequences on the society as a whole. ACC, over the years, has investigated many cases of embezzlement in corporations and financial institutions in the country such as RICBL, FCBL, Bhutan Telecom, BNBL, etc. The investigation has revealed common embezzlement schemes and also common techniques for concealing such embezzlement.

In all the embezzlement cases investigated by ACC, the embezzlers have held positions of trust with ready access to cash, books of accounts, records and other assets. They were familiar with controls and safeguards and were able to exploit whatever weaknesses existed. Many of them were also performing end-to-end jobs. They committed the theft alone and took increasing amounts over a long period of time.

Part of the fund management process (*where embezzlement took place*) usually involved collection of funds, recording it in the books of accounts and depositing the collections in the bank. At the end of the month, reconciliation was done by comparing the accounting records and the bank statement. However, the reconciliation was done by another official based on the documents submitted by the embezzlers. The modus operandi (See **Figure 2.14**) adopted by embezzlers was simple – the funds collected instead of depositing it in the bank account of the company as required, they misused it. They then either falsified the accounting records (*fictitious entries in manual/computerized system*) or manipulated the bank statements or both so that the cash transactions matched during reconciliation, thereby concealing the embezzlement. The embezzlers were in a position both to perpetrate and to conceal embezzlement of funds in the normal course of their duties. In the financial institutions, the embezzlement is taken to another level by sanctioning fake loans, showing loan repayments which are fictitious, manipulation of transactions in the personal bank accounts, etc. This raises concerns as to whether adequate controls are in place in the loan disbursement system and its procedures to prevent fraud. This also highlights the vulnerabilities of the banking system and procedures to fraud as the staff are able to manipulate transactions in the clients' bank accounts quite easily.

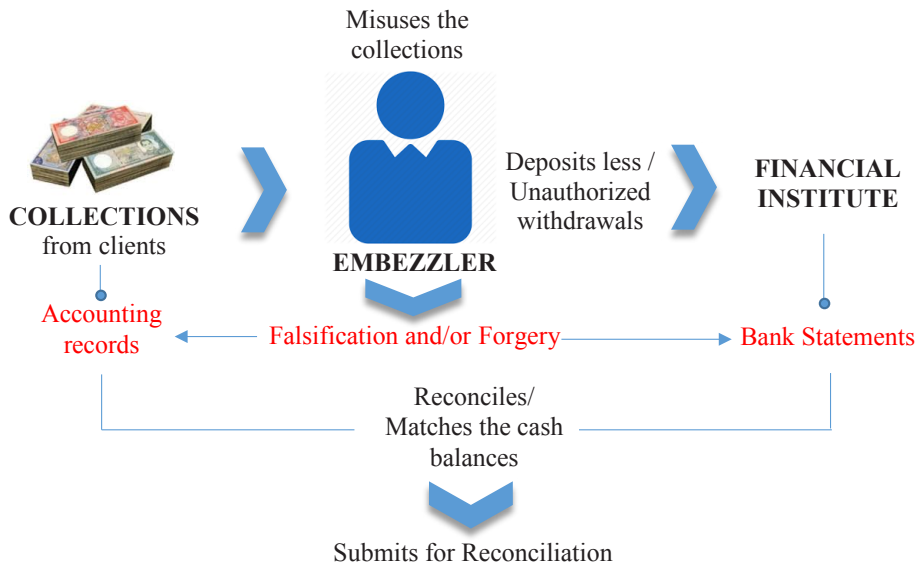


Figure 2.14: Modus operandi of corporate embezzlement

System deficiencies coupled with lax management provides a breeding ground for corrupt practices. Therefore, the internal controls must be effective and made a cornerstone of successful management. Internal controls are systems, policies, procedures and practices that are used to detect or prevent malpractices. Internal controls promote operational efficiency and encourage adherence to prescribed managerial policies and procedures as well as laws, rules and regulations.

One of the main factors of an effective internal control system is segregation of duties. No individual should have control over entire parts of the accounting system/ financial transactions (end-to-end job) like the embezzlers had. Effective segregation of duties creates a check and balance for the business. Not only does it have different levels of checks built in to prevent fraud, it also allows for different people to look at situations and make sure that accurate information is disclosed.

2.5 International Standing

This segment presents ACC's international standing in relation to TI-CPI rankings.

2.5.1 Transparency International- Corruption Perception Index (TI-CPI) 2016

TI-CPI 2016 ranked Bhutan as 27th cleanest country with a score of 65 (from a scale of 0-100 where 0 equals the highest level of perceived corruption and 100 equals the lowest level of perceived corruption). Over two-thirds of the 176 countries and territories in this year's index fall below the midpoint of scale of 0 (highly corrupt) to 100 (very clean). The global average score is 43, indicating Bhutan's score of 65 as above average. The majority of Asia Pacific countries sit in the bottom half of CPI 2016. 19 out of 30 countries in the region scored 40 or less out of 100. The region also has countries that are in the top twenties of CPI like New Zealand, Singapore, Australia and Hong Kong. In the Asia and the Pacific region, Bhutan has maintained the 6th rank like in the last five years.

In comparison to TI-CPI 2015, Bhutan's position and score has remained the same, despite the increase in the number of countries/territories participating in CPI 2016 as compared to CPI 2015. Bhutan has featured in TI-CPI for the eleventh successive year since 2006 and over the years, Bhutan has made remarkable improvement in the rank and score. **Table 2.11** shows Bhutan's ranking and score in the last five years.

Table 2.11: TI's progressive CPI ranking and score for Bhutan in the last five years

Year	Global Ranking	No. of participating countries	Score (0 -100)	Asia Pacific Ranking	No. of Surveys Used	Confidence Range
2012	33	176	63	6	3	57- 69
2013	31	177	63	6	4	59 - 67
2014	30	175	65	6	4	62 - 68
2015	27	168	65	6	4	61 - 69
2016	27	176	65	6	5	62 - 69

CPI is a composite index that uses data from 13 different surveys conducted by various organizations. This year, data from five sources, besides perceptions of business people and country experts, was used to calculate Bhutan's score; these sources are: World Bank Country Policy & Institutional Assessment (CPIA); World Economic Forum Executive Opinion Survey (EOS); Global Insight

Country Risk Ratings, Bertelsmann Stiftung's Transformation Index; and Democracy Projects for Bhutan.

CPI 2016 highlights the connection between corruption and inequality, which feed off each other to create a vicious circle between corruption, unequal distribution of power in society, and unequal distribution of wealth. Higher-ranked countries tend to have higher degrees of press freedom, access to information about public expenditure, stronger standards of integrity for public officials, and independent judicial systems. Performance of the lower ranked countries are attributed to unaccountable governments, lack of oversight, insecurity and shrinking space for civil society, pushing anti-corruption action to the margins in those countries. High-profile corruption scandals, in addition to everyday corruption issues, continue to undermine public trust in government, the benefits of democracy and the rule of law in the lower ranked countries.

Bhutan's performance can be attributed to the blessings and support from the Golden Throne and strong political will from the leaders in the fight against corruption. Bhutan has been quite successful in its democratic reforms: Institutions with the mandate to promote democratic governance have attested their capacity of fulfilling their critical mandate in a just, fair and transparent manner; and ACC maintaining 90% conviction rate by persons charge sheeted and rigorous efforts on prevention through embedding ethics and integrity culture in the overall governance system, have also contributed to a large extent.

As indicated by the TI survey which measures the effectiveness of overall governance mechanism of the country, fighting corruption demands concerted efforts from all stakeholders to build systems of integrity. Controlling corruption will only be effective if all the agencies cooperate and collaborate against the menace.

Notwithstanding such international trends on the level of corruption, ACC remains committed to tackling corruption in a holistic manner and maintain the score of 65, if not improve, and strive towards attaining the 20th position by 2020.

SECTION 3: THE RESOLUTIONS OF PARLIAMENT

This section outlines the parliamentary resolutions pertaining to ACC and their implementation status.



SECTION 3: THE RESOLUTIONS OF PARLIAMENT

3.1 Resolution of the 7th and 8th Sessions of the Second Parliament-National Assembly

1. *The House repealed the recommendation on “the suggestion to earmark a certain percentage of budgets by the government to the Anti-Corruption Commission as per the provisions of relevant Acts due to the yearly suspension of donor funds”, since the government has provided adequate funds for this time.*

This resolution pertains to ACC preparing for its financial sustainability with the development partners withdrawing its support. While the government has supported the anti-corruption plans and programs by providing required funds, more than 58% of its total annual budget were supported by its development partners since its inception. So, in the absence of external funding and being totally dependent on RGoB funding, ACC is concerned about the financial security to sustain its anti-corruption efforts in the future.

Preliminary analysis of ACC’s annual budget for the last few years indicates that at the minimum, ACC needs to be provided with an annual budget of about 0.23 - 0.25% of the annual national budget.

2. *The House on the recommendation that “the RCSC and the Ministry of Finance should work out to allow the ACC to send its staff for ex-country training through the government fund”, recommended the Anti-Corruption Commission, Ministry of Finance and Royal Civil Service Commission to work in consultation with each other and look for measures to resolve the issue.*

ACC will initiate proposal discussion with the Ministry of Finance and the Royal Civil Service Commission as part of the 12th Plan preparation to sustain the HRD programs and enable itself to be effective and credible institution. HRD budget requirement is expected to increase as additional staff recruitment will continue, at least till July 2020 as planned and inductees will have to be trained.

The structural changes, recruiting more staff, strengthening internal processes and controls, and the continued change management process form part of the institution building process that seeks to make ACC more effective and efficient

in delivering its mandates. This demands that techniques, technologies and competencies be constantly upgraded so as to keep pace with the ingenuity of the corrupt. Therefore, continued investment in HRD becomes critical for ACC. Consequently, it calls for a guaranteed budget on HRD programs for ACC which may be difficult in the face of changing governments and limited budgets.

Over the last 11 years, ACC has made substantial investments in building the capacities of its staff and its allies through short and long term trainings availed both in-country and outside. The capacity development programs were supported by various development partners namely, SDC, GoI, DANIDA, UNDP, ADB, FBI, World Bank, ACRC Korea and RGoB.

A total investment of Nu. 107.15 million has been made in HRD in the last 10 years (as of June 2016). Of the total, 87% of the total investments in HRD were generously supported by SDC while the remaining were from other development partners. With the withdrawal of support from SDC, as reported in the last Annual Report 2015, the resource gap for HRD will have to be met from RGoB. ACC had received RGoB funding on HRD in its initial years and with the withdrawal of the SDC, ACC received Nu. 4.5 million from RGoB (as requested) for FY 2016-2017. Continued support is expected to be provided for the FY, 2017 -2018 as the budget proposal has been endorsed during the budget meeting between ACC and the Department of Budget.

ACC's average expenditure on HRD in the last three years of the 11th FYP has been about Nu. 13.60 million, maximum being Nu.16.48 million in FY 2014-2015. Similarly, a total of Nu. 13.0 million has also been allocated for HRD in the current FY 2016-2017.

3. *The House passed the recommendation submitted on the plea to the Judiciary on the institution of a separate bench in the courts to prosecute corruption related cases to expedite resolving the pending corruption cases.*

With the view to facilitate speedy, fair and just judicial services to the public, the judiciary established two benches designated as criminal benches in Thimphu District Court on 22 December 2016.

4. *The House on the recommendation “to establish a division under the Department of National Properties to manage seized goods and properties*

by the law enforcement agencies including ACC”, recommended the Ministry of Finance to carry out comprehensive study in consultation with the agencies and submit a report to the House.

5. *Law enforcing agencies including ministries, commissions, departments and agencies should continue to execute their role in managing the seized goods as per the provisions of relevant laws in a fair and transparent manner. It was also resolved that timely inspection of seized goods should be carried out and report to the government to this effect.*
6. *Orders from the Supreme Court stated that seized goods involving litigations should be the responsibility of the Office of the Attorney General until the passing of court verdicts. Accordingly, the seized goods should be managed by the Office of the Attorney General. However, it should be handed over to the Department of National Properties as per procedure once the verdict is passed and if the government is given the right of possession. In the event of court verdict being passed in favor of the defendants, the responsibility to handover the seized goods should still fall on the Office of the Attorney General. The House further resolved that the government should consult the Royal Civil Service Commission to address the human resource shortage in the Office of the Attorney General.*

As per the resolution, ACC continues to maintain the seized properties and items.

7. *The House passed the recommendation submitted “to bestow the responsibility of executing restitution of government properties to the OAG as per the interpretation by the Supreme Court”.*

ACC and OAG discussed the directives and mutually agreed to handover/takeover the seized items for judgement implementation.

8. *The House passed the recommendation submitted on the ACC to continue with the outsourcing of studies and research to universities and institutes as part of prevention measures.*

Conducting research and studies help in sensitizing policy makers and citizens to prioritize anti-corruption interventions and pursue systemic corrections. As mentioned in the Section 2 of this report, ACC is in the process of conducting the 3rd National Integrity Assessment (NIA) Survey and an empirical research on

public roads construction titled “Systemic Review of Public Road Construction for enhanced Transparency and Accountability” in collaboration with such institutions where possible.

9. *If a person is found to be not guilty, the commission must intimate the respective agency and the person concerned in writing declaring his innocence.*

Where ACC has publicly notified through its orders issued under Sections 24(g), 24(h) or 107 of ACAB 2011 for suspension of business/activities, revocation of decisions taken through corrupt means and freeze of immovable properties, ACC also notifies publicly when these orders are rescinded/revoked during or after the investigation.

Apart from the above orders and where the suspected/alleged corruption offences against individuals are not substantiated during investigation, ACC notifies the same to the agencies concerned. However, once a case has been referred to OAG for prosecution, it is outside the purview of ACC.

3.2 Resolutions of the 17th Session of the National Council

1. *Educate the public on the kind of information that are mandatorily required to be furnished while lodging complaint, and the importance of substantiating the complaints with evidence.*

Public education is one of the core functions of ACC. In the gewog advocacy programs that are underway, ACC is focusing on educating the public on what to report, how to report, the information required to be furnished and the importance of evidence to substantiate a complaint. ACC has also developed and distributed posters in Dzongkha and English that provides information on the complaints management system in ACC. Further, at any interactive and technical sessions ACC holds with various target groups, similar information is provided to them as well. This aspect is also being covered in the Radio programmes being developed by ACC. It is expected that such advocacy will contribute to improving the quality of complaints received by ACC.

2. *Strengthen the procedure for seizure of properties for better transparency and accountability*

During the reporting period, ACC adopted the policy and procedures on management of seized properties and evidence. An inventory management software has been also developed to enhance management of seized properties and evidence. A separate Seized Property Management Division has also been

created to streamline ACC's internal operations related to seized items and its disposal. ACC also reviewed and revised its manual/guidelines on search and seizure operation.

Further, ACC and OAG have reached an understanding on disposal of seized items after court judgments as per the directives of the Supreme Court.

3. *Ensure effective implementation of the pending court judgements in collaboration with the OAG*

ACC has designated a legal officer as the case registrar who is responsible for maintaining the case log sheet and working in close coordination with OAG on case status and implementation of the court judgments (See **Annex IV** for list of cases pending judgment implementation). Similarly, OAG has also established the 'Property and Judgment Enforcement Section' under the Department of Justice for effective implementation of the court judgments.

4. *Identify potential areas of policy corruption in our democratic set up and suggest measures to prevent it, and include it in the Annual ACC report next year.*

Policy corruption is sophisticated and it requires thorough research in our context to develop strategies for its prevention. ACC has already initiated two research studies for the financial year 2016-2017, namely Corruption in Public Road Construction and the National Integrity Assessment 2016, and therefore could not take up the research on policy corruption in the reporting period. As requested by ACC, the National Council agreed to defer this study to the next financial year.

5. *As an extension to already existing online AD system, develop an integrated IT based information system that will facilitate automatic sharing of information on properties, liabilities and tax contributions, and a report on the status of it be submitted by the winter session of the Parliament.*

This issue has been covered under Section 2.3.5 above.

6. *Conduct an in-depth study on financial security strategies' for the ACC.*

ACC has not been able to come up with appropriate strategies for financial security of ACC other than the allocation of a percentage of the annual budget.

Preliminary analysis of ACC's annual budget for the last few years indicates that at the minimum, ACC needs to be provided with an annual budget of about 0.23 - 0.25% of the annual national budget.

SECTION 4: RECOMMENDATION

Challenges of fighting corruption is multi-faceted, and many issues have been raised and recommendations made in the past annual reports. This section contains a recommendation which ACC believes is critical and would contribute to effective utilization of its limited resources.



SECTION 4: RECOMMENDATION

4.1 Establishment of the Office of the Ombudsman

As mentioned under Section 2.4.1 of this report, 47.5% of total complaints received during the reporting period were referred to the agencies. These complaints relate to grievances arising from lack of transparency, maladministration, perceived or actual, in the public sector. When such complaints are shared with respective agencies, they are required to conduct inquiry into the matter and report to ACC for its review through an ATR. All agencies already have their own set goals and priorities to be met and are often hard pressed to devote the required attention on the complaint in a timely manner which may compromise the quality of inquiry. From the past experience, ACC noticed that there is no uniformity in the handling of such complaints amongst the different agencies with whom the complaints are shared and the action taken on the complaints of a similar nature also differed from agency to agency. Complainants too are often not satisfied when ACC asks agencies to address their complaints and insist that ACC itself investigate.

The institution of a grievance redress mechanism within an agency (as an outcome of the CRM and IDT exercises conducted in the agencies) can be used to address grievances of the employees and to some extent, those of the stakeholders. However, ACC's experience with complaints shows that the aggrieved person is loath to file a complaint in the very agency where the problem/issue arose and prefer to do so with an unconnected and unbiased third party. That is why ACC has been receiving and entertaining a large number of complaints that are administrative in nature.

Consequently, the institutional and managerial capacity of ACC is overwhelmed with administrative matters instead of dedicating its limited resources to tackling real corruption cases. Therefore, the need of the hour is to establish an adequate and effective mechanism for providing effective oversight over public administration, safeguarding individual rights and creating procedures for redress of individual grievances against the administration.

²Most countries around the world have a basic, or a locally adapted version, of an Ombudsman system in place. According to the International Ombudsman

² Anonymous, u.d., *Brief on Ombudsman*

Institute, the role of the ombudsman is to protect the general public against violation of rights, abuse of powers, unfair decisions and mal-administration. The closest relevant system at present is the Anti-Corruption Commission and the Alternative Dispute Resolution Centre. However, the latter two are by nature more criminal-oriented and adversarial in scope and intent, as opposed to the straight-forward grievances orientation of an ombudsman's mandate, which may often not fall under the formal legal domain nor require criminal-scale litigation.

The primary advantage of an ombudsman for Bhutan is that it will examine complaints from outside the offending state institution, and help to avoid conflicts of interest inherent in self-regulation. This may apply specifically to government officials as well as members of the judiciary. Finally, an ombudsman can serve as an efficient first step in a national anti-corruption strategy, by filtering issues based on their legal and criminal significance.

In order to complement the role of ACC, the Alternative Dispute Resolution Centre, and the judiciary, it is timely for the government to establish an ombudsman's office. This will require Parliamentary law, as there is presently no legal provision for an ombudsman, although Article 21.16 of the Constitution provides that "Parliament may, by law, establish impartial and independent Administrative tribunals as well as Alternative Dispute Resolution centres"

CONCLUSION

2016 was an auspicious year for Bhutan. It marked the completion of ten years of His Majesty's glorious reign. The occasion had special significance for ACC as it coincided with the International Anti-Corruption Day on 9 December 2016. On this auspicious occasion, we remain grateful to His Majesty the King for the continued anti-corruption drive and the constant guidance.

The Annual Report 2016 presents ACC's policies and performance for the reporting period. The year has been one of consolidation for ACC - looking inwards in an effort to make it a strong, effective and credible institution. ACC has gained efficiencies and responded to changing needs and demands – realigning organizational structures, re-organizing workforce, strengthening internal processes and controls, and boosting resources to improve its investigative capability and delivery of corruption prevention and education measures.

Investigation of cases included the backlog, stalled and new cases as well. ACC's investigations exposed some serious systemic corruption which were shared with the agencies concerned for anti-corruption interventions. ACC referring complaints of administrative nature to other agencies comprises bulk of the complaints received by ACC every year. Therefore, heads of the agencies have a critical role in ensuring that their internal control environment is regularly assessed and any recommendations arising out of the assessment are implemented. ACC undertook strategic research and a range of corruption prevention initiatives, and made several recommendations to strengthen public sector systems and processes - particularly in the mining sector, HR Management and Development, and Trade and Customs. ACC's constant focus has been to build a corruption-resistant system, policies and procedures in the agencies.

ACC continues to work with the Judiciary, RCSC and other public agencies to ensure there is a coordinated approach to reinforcing integrity and ethical conduct in the justice sector and across the public sector. ACC plays an important role in identifying corruption risks, and facilitating agencies on ways to prevent corruption. However, it is vital that agencies retain primary responsibility for ensuring their own integrity, as their leaders are best placed to identify and mitigate corruption risks specific to their own organizations, and to build the culture of '*zero tolerance to corruption*'.

Corruption is a cause of great concern worldwide. It is recognized as a significant phenomenon that there is a growing awareness of the need to fight it at the regional as well as international level. In the SAARC region, although deeply afflicted with corruption, forging regional coalition against corruption was never an integral part of SAARC development agenda. It was only during the 14th

Summit of SAARC Heads of State or Government held in New Delhi, India from 3 – 4 April 2007 that the issue of corruption was for the first time discussed and the Delhi Declaration issued at the end of that summit recognized corruption as *“an issue of serious concern and (Heads of State or Government) agreed to exchange information on national experience in combating corruption to effectively address this problem.”*

At the international level, Bhutan deposited its instrument of ratification of the United Nations Convention against Corruption (UNCAC) with the Secretary General of the United Nations on 21 September 2016. Subsequently, Bhutan has appointed its focal point and up to 15 governmental experts who will participate in the UNCAC review mechanism. The year also saw ACC Bhutan hosting a major international anti-corruption event of ADB/OECD Anti-Corruption Initiative for Asia and the Pacific in Thimphu, Bhutan.

Fight against corruption in the country is on the development agenda. It has been integrated in the 11th FYP as a Key Performance Indicator of the 14th National Key Result Area ‘*Corruption Reduced*’. Further, it has been incorporated in the Government Performance Management System (GPMS) with an aggregate of 5 percent. Since 2015, various anti-corruption components are being included as mandatory activities in the Annual Performance Agreements (APAs) of the agencies. ‘*To conduct Integrity Diagnostic Test for the Executives*’ and ‘*To Implement the recommendations drawn from the conduct of Integrity Diagnostic Test and Corruption Risk Management*’ are incorporated in the APAs for the financial years 2015-2016 and 2016-2017 respectively.

In conclusion, corruption deprives people of a basic common good: respect for rules, the correct functioning of economic and political institutions and transparency. If ethics and integrity are not embedded in the governance system, if moral and ethical values are not inculcated in our youth, if leaders and parents don’t lead by example, if the pace of justice is excessively slow, if basic morality is weakened by tolerance of transgressions, then a ready climate for corruption is fostered and the phenomenon of corruption will thrive. The fight against corruption requires a greater conviction that it is for the common good and above self-interest, and for the peace and prosperity in the country, and a greater awareness that this fight will provide a happy and harmonious society.

Bhutan has made remarkable progress in the fight against corruption in the country so far. But we cannot be complacent, we can and must do more. Fighting corruption is a collective responsibility! ACC would like to take this opportunity to acknowledge those who supported us and walked with us in the arduous fight against corruption.

Say No to Corruption!

ANNEX I: Cases forwarded to OAG for prosecution in 2016

Sl. No.	Case No	Case Title	Referral Date
1	13/2014 (Part 32)	P/Ling Case - Bribery and Tax Evasion involving Tama Beer Agency & Tama Enterprise	12-01-2016
2	13/2014 (Part 27)	P/Ling Case - Bribery and Tax Evasion by Leki Dema T/Khang	04-04-2016
3	07/2015	Embezzlement in RICBL Paro Branch	29-04-2016
4	05/2012	Bribery in illegal regularization of Govt. land at Tshalumaphey, Thimphu	26-05-2016
5	01/2013 (Part I)	Thimphu Land Case - Illegal registration of late Ani Norzom's land	02-06-2016
6	13/2014 (Part 35)	P/Ling Case - Bribery and Tax Evasion involving R.K Motors	20-06-2016
7	11/2015	Fraudulent DSA claim in RMA	23-06-2016
8	13/2014 (Part 21)	P/Ling Case - Bribery and Tax Evasion involving Penjor Steel	01-07-2016
9	10/2015	Embezzlement in DCCL, Nanglam	04-07-2016
10	01/2013 (Part 3)	Thimphu Land Case – Illegal registration of 132 decimals Govt. land at Gangchey and Chang Debsi	06-07-2016
11	01/2013 (Part 2)	Thimphu Land Case – Illegal transaction of 50 decimals Govt. land at Babesa	07-07-2016
12	13/2014 (Part 31)	P/Ling Case - Bribery and Unexplained wealth involving Customs Inspector	28-07-2016
13	09/2013	Embezzlement in FCBL Depot, Phuentsholing	02-08-2016
14	13/2014 (Part 42)	P/Ling Case -Tax evasion involving 18 Importers	06-09-2016
15	01/2013 (Part 4)	Thimphu Land Case – Fraudulent registration of 33 decimal Govt. land at Lungtenphu	07-09-2016
16	01/2013 (Part 5)	Thimphu Land Case – Illegal conversion and substitution of 4.5 acres land at Gangchey	07-09-2016
17	01/2013 (Part 6)	Thimphu Land Case – Illegal registration of 106 decimal Govt. land at Serbithang	16-09-2016
18	04/2016	Embezzlement involving Customs Inspectors	21-09-2016
19	01/2013 (Part 7)	Fraudulent registration of Sokzhing	29-09-2016

Sl. No.	Case No	Case Title	Referral Date
20	02/2016	Embezzlement in BNBL Paro Branch	31-10-2016
21	11/2016	Embezzlement of excess land payments in Haa Dzongkhag	31-10-2016
22	10/2009	Illegal registration of Govt. land at Emalakha, Gedu	21-12-2016
23	01/2016	Embezzlement in RICBL Head Office, Thimphu	29-12-2016
24	13/2014 (Part 37)	P/Ling Case - Tax Evasion involving Druk Tyres	29-12-2016
25	13/2014 (Part 38)	P/Ling Case - Tax Evasion involving Shah & Sons	29-12-2016
26	13/2014 (Part 39)	P/Ling Case - Tax Evasion involving Ramprit & Sha	29-12-2016
27	13/2014 (Part 40)	P/Ling Case - Bribery and Tax Evasion involving Tashi Enterprise	29-12-2016
28	01/2013 (Part 8)	Thimphu Land Case – Fraudulent registration of Govt. land at Babesa	29-12-2016
29	01/2013 (Part 9)	Thimphu Land Case – Illegal registration of Govt. land involving Revenue Clerk	29-12-2016
30	12/2016	Illegal registration of public Tsamdro at Chang Debsi, Thimphu	30-12-2016
31	13/2014 (Part 36)	P/Ling Case - Tax Evasion involving Kenpa Pvt. Ltd.	30-12-2016

ANNEX II: Cases under review by OAG as of December 2016

Sl. No.	Case No	Case Title	To AOG - Ref. Date	Remarks
1	04/2015	Land substitution fraud at Trongsa	17-07-2015	Returned on 31/12 2016
2	06/2015	Fraud and embezzlement related to commemoration of International Anti-Corruption Day 2014 organized by YMC	05-10-2015	
3	13/2014 (Part 43)	P/Ling Case -Tax Evasion involving Udee Clearing Agent	19-10-2015	
4	08/2015	ATM fraud	22-12-2015	
5	07/2015	Embezzlement in RICBL Paro Branch	29-04-2016	
6	05/2012	Bribery in illegal regularization of Govt. land at Tshalumphey, Thimphu.	26-05-2016	
7	01/2013 (Part 1)	Thimphu Land Case - Fraudulent registration of 1.37 acres of Govt. land at Tshalumaphey	02-06-2016	
8	11/2015	Fraudulent DSA claim in RMA	23-06-2016	
9	01/2013 (Part 3)	Thimphu Land Case – Illegal registration of 132 decimals Govt. land at Gangchey and Chang Debsi	06-07-2016	
10	01/2013 (Part 2)	Thimphu Land Case – Illegal transaction of 50 decimals Govt. land at Babesa	07-07-2016	
11	13/2014 (Part 31)	P/Ling Case - Bribery and Unexplained wealth involving Custom Inspector	28-07-2016	
12	09/2013	Embezzlement in FCBL depot, P/Ling	02-08-2016	
13	13/2014 (Part 42)	P/Ling Case - Tax Evasion involving 18 Importers	06-09-2016	
14	01/2013 (Part 5)	Thimphu Land Case - Illegal conversion and substitution of 4.5 acres land at Gangchey	07-09-2016	
15	01/2013 (Part 4)	Thimphu Land Case - Fraudulent registration of 33 decimal Govt. land at Lungtenphu	07-09-2016	
16	04/2016	Fraud and embezzlement involving Customs Inspectors	21-09-2016	

Sl. No.	Case No	Case Title	To AOG - Ref. Date	Remarks
17	01/2013 (Part 6)	Thimphu Land Case - Illegal registration of 106 decimal Govt. land at Serbithang	16-09-2016	
18	01/2013 (Part 7)	Thimphu Land Case - Fraudulent registration of 1.10 acres of Shokshing at Gyabjakha, Babesa	29-09-2016	
19	02/2016	Embezzlement in BNBL Paro Branch	31-10-2016	
20	11/2016	Embezzlement of excess land payments at Haa Dzongkhag	31-10-2016	
21	10/2009	Illegal registration of Govt. land at Emalakha, Gedu	21-12-2016	
22	01/2016	Embezzlement in RICBL Head Office, Thimphu	29-12-2016	
23	13/2014 (Part 38)	P/Ling Case - Tax Evasion involving Sha & Sons	29-12-2016	
24	13/2014 (Part 39)	P/Ling Case - Tax Evasion involving Ramprit & Sha	29-12-2016	
25	13/2014 (Part 40)	P/Ling Case - Bribery & Tax Evasion involving Tashi Enterprise	29-12-2016	
26	13/2014 (Part 37)	P/Ling Case - Tax Evasion involving Druk Tyres	29-12-2016	
27	01/2013 (Part 8)	Thimphu Land Case - Fraudulent registration of Govt. land at Babesa	29-12-2016	
28	01/2013 (Part 9)	Thimphu Land Case - Illegal registration of Govt. land involving Revenue Clerk	29-12-2016	
29	12/2016	Illegal regularization of public Tsamdro at Chang Debsi, Thimphu	30-12-2016	
30	13/2014 (Part 36)	P/Ling Case - Tax Evasion involving Kenpa Pvt. Ltd.	30-12-2016	

ANNEX III: Cases with Courts as of December 2016

Sl. No.	Case No.	Case Title	To AOG - Ref. Date	Registration date - Trial Court	Trial Court	Status as of December 2016
1	07/2012	Collusion in transportation of Fertilizer, Chemicals and Seeds from Phuentsholing (Part I Dophu Transport Service)	30-12-2013	20-05-2016	Dungkhag Court, Phuentsholing	Under trial
2	02/2014	Repatriation of Indian Currency, DPNBL, Thimphu	26-03-2014	07-04-2014	District Court (Bench II & III), Thimphu	Under trial
3	11/2014	Embezzlement involving Accounts Personnel in MoIC	11-04-2014	21-11-2014	District Court (Bench V), Thimphu	Under trial
4	12/2014	Fraud & Embezzlement in Regional Office, RICBL, P/ling	19-01-2015	08-04-2015	Dungkhag Court, Phuentsholing	Under appeal in Chukha District court since 24/08/2016.
5	14/2012	Financial Irregularities in the operation of Govt. fund through the Royal Bhutan Embassy in Thailand	05-02-2015	26-02-2016	District Court (Bench II), Thimphu	Under trial
6	05/2014	Misuse of powers and government fund by Gelephu Drungpa	09-03-2015	20-11-2015	Dungkhag Court, Gelephu	Under trial
7	13/2014 (Part 6)	P/Ling Case - Bribery & Tax evasion involving Dorji Wangmo T/Khang	08-08-2015	18-03-2016	Dungkhag Court, Phuentsholing	Under trial
8	13/2014 (Part 7)	P/Ling Case - Bribery & Tax evasion involving Rigsum Enterprise	08-08-2015	18-03-2016	Dungkhag Court, Phuentsholing	Under trial
9	13/2014 (Part 8)	P/Ling Case - Bribery & Tax evasion involving Norzang Trading	08-08-2015	18-03-2016	Dungkhag Court, Phuentsholing	Under trial

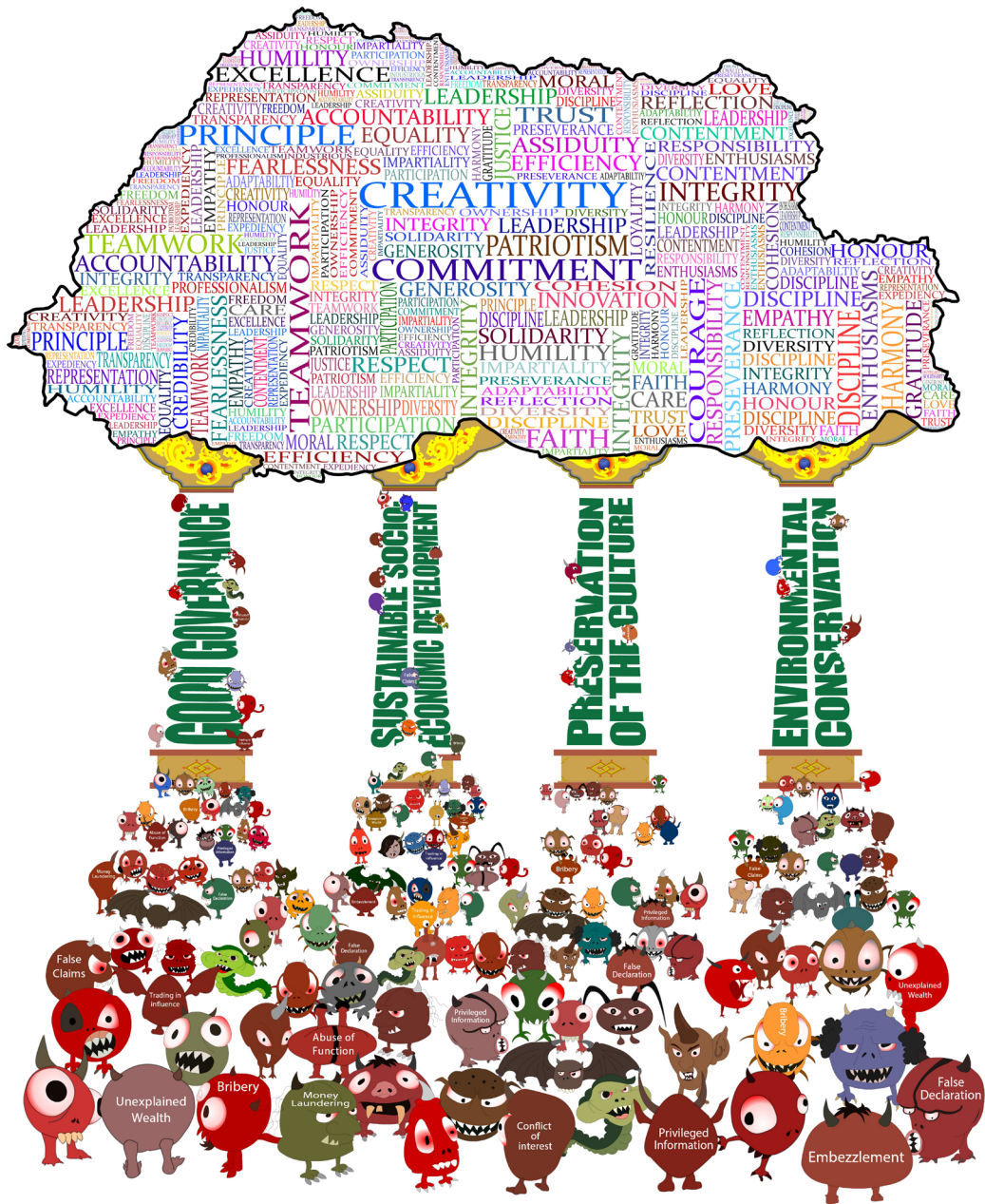
Sl. No.	Case No.	Case Title	To AOG - Ref. Date	Registration date - Trial Court	Trial Court	Status as of December 2016
10	13/2014 (Part 9)	P/Ling Case - Bribery & Tax evasion involving Rabten Pharmaceutical	08-08-2015	18-03-2016	Dungkhag Court, Phuentsholing	Under trial
11	13/2014 (Part 33)	P/Ling Case - Bribery & Tax evasion involving JPLP	08-08-2015	04-09-2015	Dungkhag Court, Phuentsholing	Under trial
12	13/2014 (Part 1)	P/Ling Case - Bribery & Tax evasion involving D.P T/Khang	25-08-2015	18-03-2016	Dungkhag Court, Phuentsholing	Under trial
13	13/2014 (Part 2)	P/Ling Case - Bribery & Tax evasion involving T. Phuentsho Enterprise	25-08-2015	18-03-2016	Dungkhag Court, Phuentsholing	Under trial
14	13/2014 (Part 3)	P/Ling Case - Bribery & Tax evasion involving Brumi Enterprise	25-08-2015	18-03-2016	Dungkhag Court, Phuentsholing	Under trial
15	13/2014 (Part 4)	P/Ling Case - Bribery & Tax evasion involving Chotaylal Sha Grocery	09-10-2015	18-03-2016	Dungkhag Court, Phuentsholing	Under trial
16	13/2014 (Part 5)	P/Ling Case - Bribery & Tax evasion involving Rabten Roadways	09-10-2015	18-03-2016	Dungkhag Court, Phuentsholing	Under trial
17	13/2014 (Part 10)	P/Ling Case - Bribery & Tax evasion involving IS Enterprise	09-10-2015	18-03-2016	Dungkhag Court, Phuentsholing	Under trial
18	01/2014	Fraud and bribery in illegal repatriation of Indian Rupee, DPNBL, Thimphu	13-10-2015	25-10-2016	District Court (Bench V), Thimphu	Under trial
19	13/2014 (Part 11)	P/Ling Case - Bribery & Tax evasion involving D.K General Shop & DK Tailoring	24-10-2015	18-03-2016	Dungkhag Court, Phuentsholing	Under trial
20	13/2014 (Part 12)	P/Ling Case - Bribery & Tax evasion involving Druk Norlha Enterprise	24-10-2015	18-03-2016	Dungkhag Court, Phuentsholing	Under trial
21	13/2014 (Part 13)	P/Ling Case - Bribery & Tax evasion involving Bhutan Steel Center	24-10-2015	18-03-2016	Dungkhag Court, Phuentsholing	Under trial

Sl. No.	Case No.	Case Title	To AOG - Ref. Date	Registration date - Trial Court	Trial Court	Status as of December 2016
22	13/2014 (Part 14)	P/Ling Case - Bribery & Tax evasion involving Sonam Cement Agent	24-10-2015	18-03-2016	Dungkhaig Court, Phuentsholing	Under trial
23	13/2014 (Part 17)	P/Ling Case - Bribery & Tax evasion involving Tee Dee Clearing Agent	24-10-2015	18-03-2016	Dungkhaig Court, Phuentsholing	Under trial
24	13/2014 (Part 18)	P/Ling Case - Bribery & Tax evasion involving Tenzin Enterprise	13-11-2015	18-03-2016	Dungkhaig Court, Phuentsholing	Under trial
25	13/2014 (Part 19)	P/Ling Case - Bribery & Illegal Repatriation of Indian Rupee involving Kundrup Enterprise	13-11-2015	18-03-2016	Dungkhaig Court, Phuentsholing	Under trial
26	13/2014 (Part 20)	P/Ling Case - Bribery & Tax evasion involving UD Beer Distributor	13-11-2015	18-03-2016	Dungkhaig Court, Phuentsholing	Under trial
27	13/2014 (Part 22)	P/Ling Case - Bribery & Tax evasion involving Y.P Enterprise & M/s Y.P Winery	13-11-2015	18-03-2016	Dungkhaig Court, Phuentsholing	Under trial
28	13/2014 (Part 30)	P/Ling Case - Bribery & Tax evasion involving Civil Servant	10-12-2015	21-01-2016	Dungkhaig Court, Phuentsholing	Under trial
29	13/2014 (Part 23)	P/Ling Case - Bribery & Tax evasion involving Yangkhor Enterprise	18-12-2015	18-03-2016	Dungkhaig Court, Phuentsholing	Under trial
30	13/2014 (Part 44)	P/Ling Case - Bribery & Tax evasion involving Custom Inspector	18-12-2015	18-03-2016	Dungkhaig Court, Phuentsholing	Under trial
31	13/2014 (Part 34)	P/Ling Case - Bribery & Tax evasion involving Gyalse Nadin Ventures	18-12-2015	27-04-2016	Dungkhaig Court, Phuentsholing	Under trial
32	13/2014 (Part 15)	P/Ling Case - Bribery & Tax evasion involving Lhayang Enterprise	23-12-2015	18-03-2016	Dungkhaig Court, Phuentsholing	Under trial
33	13/2014 (Part 16)	P/Ling Case - Bribery & Tax evasion involving Yeshey Pema Enterprise & Tyres	23-12-2015	18-03-2016	Dungkhaig Court, Phuentsholing	Under trial

Sl. No.	Case No.	Case Title	To AOG - Ref. Date	Registration date - Trial Court	Trial Court	Status as of December 2016
34	13/2014 (Part 24)	P/Ling Case - Bribery & Tax evasion involving Yangkhor Auto spare parts	30-12-2015	18-03-2016	Dungkhag Court, Phuentsholing	Under trial
35	13/2014 (Part 25)	P/Ling Case - Bribery & Tax evasion involving K.J Enterprise	30-12-2015	18-03-2016	Dungkhag Court, Phuentsholing	Under trial
36	09/2015	Deception and forgery in Bhutan Postal Corporation	30-12-2015	30-08-2016	District Court (Bench III), Thimphu	Under trial
37	13/2014 (Part 32)	P/Ling Case - Bribery & Tax evasion involving Tama Beer Agency & Tama Enterprise	12-01-2016	18-03-2016	Dungkhag Court, Phuentsholing	Under trial
38	13/2014 (Part 27)	P/Ling Case - Bribery & Tax evasion involving Leki Dema T/Khang	04-04-2016	29-08-2016	Dungkhag Court, Phuentsholing	Under trial
39	13/2014 (Part 35)	P/Ling Case - Bribery & Tax evasion involving R.K Motors	20-06-2016	29-08-2016	Dungkhag Court, Phuentsholing	Under trial
40	13/2014 (Part 21)	P/Ling Case - Bribery & Tax evasion involving Penjor Steel	01-07-2016	20-10-2016	Dungkhag Court, Phuentsholing	Under trial
41	10/2015	Embezzlement in DCCL, Nanglam	04-07-2016	17-10-2016	Dungkhag Court, Nanglam	Under trial

ANNEX IV: Cases pending for judgment implementation

Sl. No.	Case No.	Case Detail	Final Court of adjudication	Judgment date	Person from whom to restitute	Restitution (Nu.)
1	04/2007	Embezzlement of fund at YDF	High Court	15-10-2009	Singye Dorji	1,169,895.56
2	18/2008	Samtse Mining	Supreme Court	30-12-2011	Sangay Gyeltshen	43,262,980.00
					Nagay	47,844,218.42
3	4B/2010	Construction of Dagana HSS and Pangna CPS, Dagana Dzongkhag	High court	30-08-2012	Phungchung	900,000.00
4	07/2011	Fraudulent Misappropriation and embezzlement in Health Procurement Fund	Supreme Court	04-11-2013	LB Subha	4,103,761.98
5	03/2013	Embezzlement of fund at Bank of Bhutan, Punakha	High court	26-09-2014	Indra Lama	1,076,285.00
					Tshering Chodup	2,927,009.00
					Wangdi	2,001,464.00
6	10/2010	Construction of Narang BHU, Mongar	High court	14-01-2015	Ugyen Wangchuk	3,190,888.20
7	13C/2009	Ministry of Health: Bribery in Procurement of Medical Equipment and consumables	High court	11-04-2016	Rinchen Dorji	\$6,000.00
8	02/2013	Shatong Goenpa Drubkhang construction	Supreme Court	17-05-2016	Tharchen	1,035,600.64
9	01/2015	Embezzlement of fund at RICBL Dagana	High court	07-07-2016	Tandin Chogyal	789,909.1
10	11/2009	Bribery and Misuse of authority at CDCL	District Court, Thimphu High Court	06-09-2016	Sonam Dorji DN Sharma (Absconded)	1,062,517.20 To seize any properties in his name
11	05/2013	Earthquake Compensation at Naja, Paro	District Court, Paro	29-09-2016	Kinzang Tharchen Chencho	85,000.00 80,000.00
12	11/2013	Embezzlement of fund in constructing irrigation channel at Bjacho Gewog, Chukha	District Court, Chukha	12-12-2016	Gyeltshen	48,545.00



STOP CORRUPTION



ངན་ལྷན་བཀག་ཞུ་ལྷན་ཁྲིམས།
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REPORT IT!



Your NAME and CONTACT DETAILS - OPTIONAL
Anonymous complaints are entertained. However, it may limit the ACC's capability to investigate the allegations without contact information to verify or obtain further details



Witness(es) & Documentary Evidence, *if any*

CEC

Commission

Corruption Offence - Investigate

Administrative lapses - Share with Agencies

No corruption element / Inadequate information - Drop



ACC
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