

## **ASSET & LIABILITY VERIFICATION PROTOCOL**

### **Background**

Public servants as custodians of public resources should ensure that the resources are used for the benefit of the people. Asset declaration is an important corruption prevention and a public accountability tool. Declaration of income, asset and liabilities ensures that the custodians of public resources lead a lifestyle that is within their lawful means.

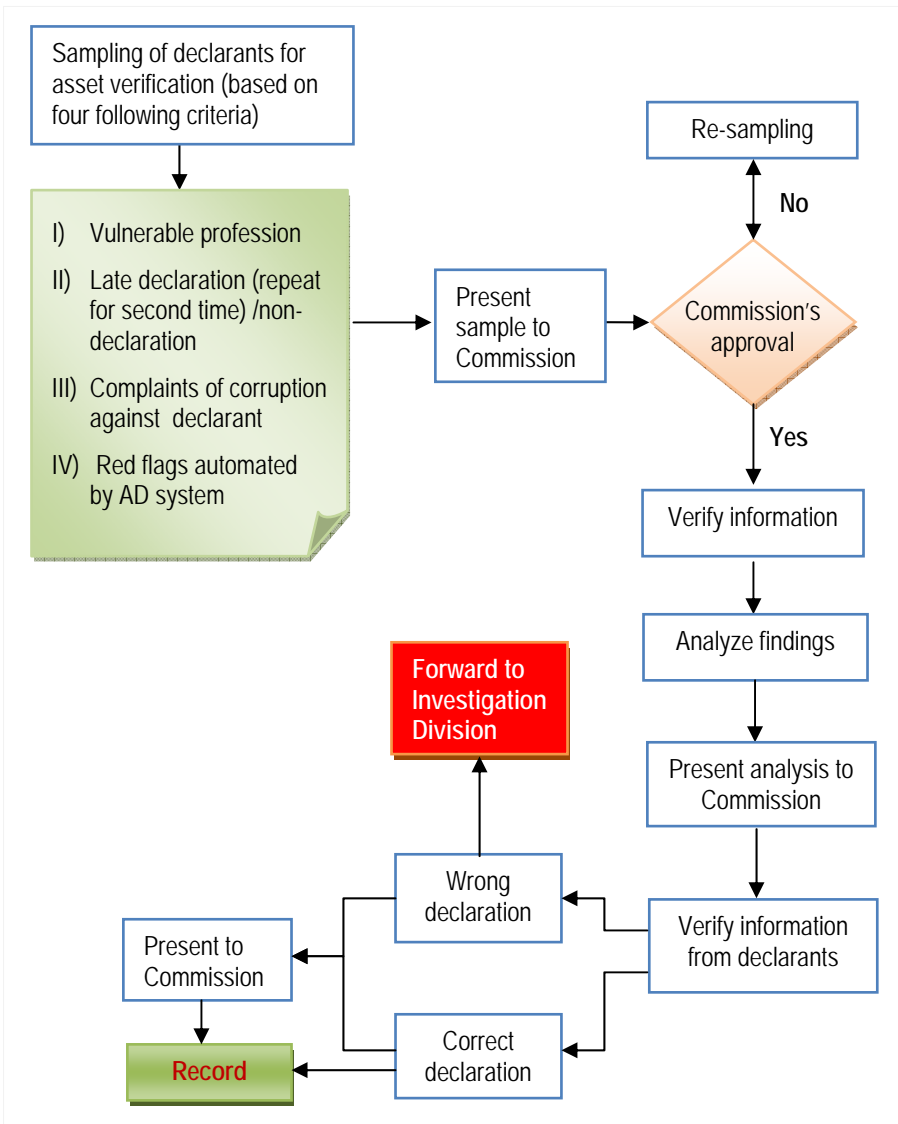
Although the need to declare assets and liabilities existed within the civil service for a long time, it, however, became legally binding and effective only in 2006 with the enactment of the Anti-Corruption Act of Bhutan 2006. Public servants, their spouse(s) and dependents of all organizations that use public resources are required to declare their assets and liabilities.

The efficacy of asset declaration lies in its verification. Mere collection of asset declaration information without verification becomes a bureaucratic chore. It is, therefore, crucial that the authenticity of AD information is verified objectively, effectively and transparently. A statistically representative sample size of declarants will have to be selected based on a clear rationale. The findings will be the basis for enforcing sanctions as defined by the Anti-Corruption Act 2006 and the asset declaration rules in force. An effective verification process would not only prompt greater compliance but also lead to the establishment of an effective network of information sharing infrastructure supported by a strong database, ultimately discouraging public servants from abusing public resources. Transparency International also confirms that content verification of AD and its access to public has reduced corruption.

Verification of asset declaration is a time consuming process. There are approximately 25,000 public servants who file their asset declarations to various agencies. However, unlike now where every public servant has to declare their asset, the new anti-corruption act (currently under parliamentary review) will only require public servants in vulnerable posts and professions to declare their assets and liabilities. As of now, the ACC administers 480 schedule I public servants' asset declarations. The administration of other public servants' asset declarations is decentralized to the agencies. Verification will be based on statistically representative number of asset declarations and a transparent verification protocol. An effective verification will demand a robust database and a smooth information sharing network.

### **Asset Verification**

Verification shall be based on two parameters, "completeness" and "correctness". Completeness is defined in the context of this protocol as submission of complete form, complete in all respects including filling up of mandatory fields. Correctness is defined as authenticity of the information provided by a declarant. The authenticity of the information shall be cross-checked with the custodians of such information. The verification process is given in Figure 1



## Asset Verification Frequency

The declarations shall be verified annually in May.

## Sampling and Sample Size for Asset Verification

A statistically representative percentage shall be sampled from 480 schedule I public servants based on (i) vulnerability of professions, (ii) failure to declare on time, (iii) complaints of corruption against declarants and (iv) difference in declarations between two consecutive years (red flags). The statistically representative sample size is taken as 10% of the declarants. All asset declarations that fall under criteria (ii), (iii) and (iv) shall be verified. After knowing the number of size under (ii), (iii) and (iv), appropriate percentage from vulnerable professions shall be chosen to make 10% sample size for verification.

In order to derive samples from vulnerable professions, stratified random sampling shall be carried out to select the required number of samples to be verified. Stratified random sampling is the process of dividing members of the population into homogeneous subgroups before sampling. Another discreet method could be to select the samples by secret ballot from the homogenous subgroups. The explanation on each criterion is given below:

### *Sampling of vulnerable professions*

Schedule I public servants hold positions of power. In the context of asset verification for schedule I public servants, the degree of vulnerability is determined by position, authority/power, nature of responsibility and tenure. Applying these vulnerability factors (to start simply, nature of responsibility has not been considered now), the schedule I public servants are categorized as shown in Table 1. They fall under 16 categories with different degrees of vulnerabilities, mainly determined by position of authority or power.

The different vulnerability categories shall be sampled by applying the stratified random sampling method for each category. The sample for the verification shall be presented to the Commission for approval.

*Table -1: Weightage accorded to various criteria*

SN	Professions	Vulnerable profession			Rank	Vulnerability Ranking	
		Authority /power	Tenure	Position			
1	Members of National Assembly	High	Low	High	3	Chairpersons and Chief Executives Officer of Corporations	1
2	Ministers, including Prime Minister	High	Low	High	3	Chairpersons and C.E.O.of financial institutions	
3	Members of National Council	High	Low	High	3	Head of Autonomous	

						Agencies	
4	Constitutional Post Holders	High	Low	High	6	Dzongdas	
5	Members of Constitutional Office holders	Low	Low	Medium	3	Heads of Armed Forces	2
6	Secretaries to the Government (Ministries & others)	High	Low	High	5	Drangpons	
7	Ambassadors & Consul	Medium	Low	Medium	1	Members of National Assembly	3
8	Head of Autonomous Agencies	High	High	High	3	Ministers, including the Hon'ble PM and	
9	Heads of Armed Forces	High	Medium	High	2	Members of National Council	
10	Gups	High	Low	High	3	Constitutional Post Holders	
11	Thrompons	High	Low	High	3	Secretaries to the Government (Ministerial & others)	
12	Dzongdas	High	High	High	1	Gups	
13	Drangpons	Medium	High	High	2	Thrompons	
14	Chairpersons and Chief Executives of Corporations	High	High	High	1	Head of NGOs	4
15	Chairpersons and C.E.O. of financial institutions	High	High	High	1	Ambassadors & Consul	5
16	Head of NGOs	Medium	High	Medium	4	Members of Constitutional Office holders	6

### **Process of Actual Verification/Field Verification**

#### ***Cross-checking information provided in asset declarations***

The information provided in the asset declarations shall be cross checked with the records maintained by relevant agencies. Information on immovable properties shall be verified from the National Land Commission and City Corporations. Similarly, movable properties shall be verified from the Road Safety and Transport Authority. Liquid asset shall be verified from the financial institutions, companies, security exchange, etc. Refer Table 2 for more information.

Table 2: Custodians of information on asset & liabilities

SN	Types of assets		Record agencies	Remarks
1	<b>Immovable properties</b>	Land, building/houses, orchards etc	National Land Commission and City Corporation	
2	<b>Movable properties</b>	Shares and stocks	Royal Securities Exchange of Bhutan.	
		Vehicles/ machineries	Road Safety Transport Authority.	
		Interest bearing deposit	Banks.	
		Commercial activities and intellectual proprieties	Ministry of Economic Affairs (MOEA) (License)	
3	<b>Income statement-</b>	Employment (salary)	Organization of declarants (pay slip).	Income earned declared extends to various sources.
		Consultancy/business	MOEA	
		Rentals (buildings)	Banks and Land Commission/City Corporation/ DRC	
		Deposit/security	Banks/ from the declared bank accounts	
		Share holdings	RSEB/ or companies of shares	
		Hire charges	RSTA/PIT	
		Other sources/sale of properties	As per sources of earnings given by the declarant/confirmed from comparison of forms.	
4	<b>Source of income</b>	Salary	Accounts section of concerned organization/Banks.	Sources of income are declared in various forms
		Saving	Banks	
		Loan	Banks	
		Rents	PIT/Land Commission	
		Interest	Banks	
5	<b>Liabilities</b>		Banks and other financial institutions.	

### **Reporting and Further actions**

A report on the verification of the samples shall be prepared and presented to the Commission. The Commission shall review the report and act in accordance with the asset declaration rules in force. Disproportionate or unexplained assets and liabilities may entail further investigation. The information shall be published in the ACC's annual report to the parliament and may also be released to the media. Important and relevant information of the report shall be shared with concerned agencies like the Department of Revenue and Customs.

### **General Application of the Protocol**

This protocol shall be a guide to the agencies in verifying their employees' AD. The agencies may amend the protocol to suit their special needs. ACC may review the agencies' protocol.

### **Revision of the Protocol**

The ACC shall review the protocol from time to time and amend it as deemed appropriate.