

CHAPTER III

Ministry of Finance

The Royal Audit Authority conducted the audit of the following agencies under the Ministry of Finance during the year 2000:

1. Ministry of Finance, Hqrs;
2. Regional Revenue and Customs Office, Phuntsholing;
3. Regional Revenue and Customs Office, Samtse;
4. Regional Revenue and Customs Office, Gaylephu; and
5. Duty Free Shop, Thimphu;

Table 1.10: Showing audit observations by different categories

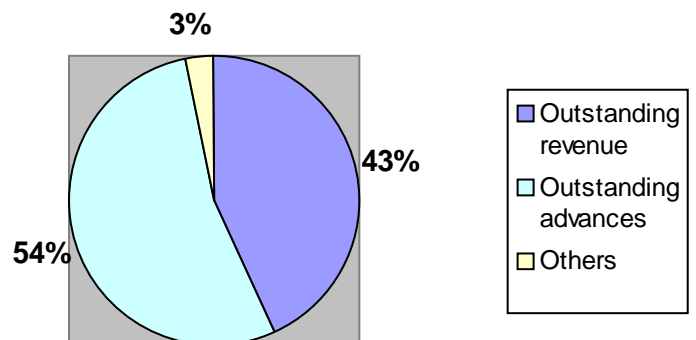
Nature of observation	Number of observation	%	Amount (Nu. in million)	%
Excess payments	7	15	0.65	0.34
Irregular Payments	1	2	1.91	1.01
Misappropriation	2	4	0.18	0.09
Outstanding revenue	26	55	82.90	43.63
Outstanding advances	10	21	100.76	54.52
Loss of revenue	1	2	0.78	0.41
Total	47	100	187.18	100.00

Amount Involved (Nu.187.18m)

Major findings:

1. Excess payment

Government Fund amounting to Nu. 0.65 million were paid more than what was actually admissible under the rules in force.



Such excess payments are categorized as follows:

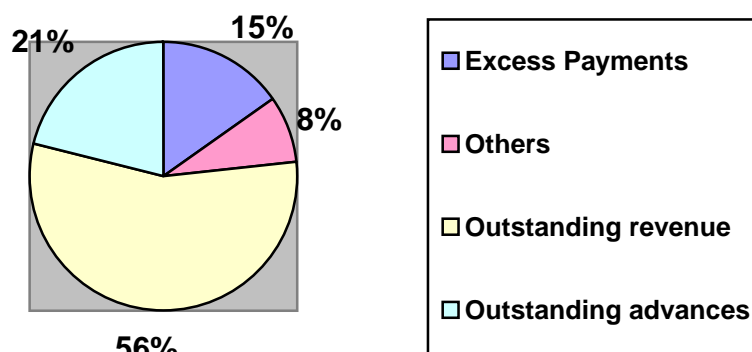
Table 1.11 : Showing the excess payments by nature and amount

Agency	Nature of excess payments (Nu. in million)			
	DSA for treatments outside Bhutan	Payments to contractors	Payment of DSA to officials	Total
RRCO,Galephu		0.13		0.13
RRCO, Samtse		0.045		0.045
RRCO,P/Ling		0.01		0.01
Ministry of Finance	0.38		0.08	0.46
Grand total	0.38	0.185	0.08	0.645

a) Excess payment to contractors

The Royal Audit Authority detected that the RRCO, Gelephu accepted claims of about Nu. 0.13 million made by the contractors for works not carried out in the construction of staff quarters at Kalikhola and Rangapani Check posts. Similarly, the RRCO, Samtse had paid about Nu. 0.044 million to the contractor for works not performed in the construction of fencing around Jitti Check post.

Audit Observations (%)



Acceptance of claims by the contractors for works actually not executed would tantamount to collusion and therefore perpetration of fraud by both the contractor and the management.

b) Excess Payment of DSA for treatments outside Bhutan

The Ministry of Finance had overpaid about Nu. 0.38 million in terms of DSA to patients and escorts in Thailand and New York for their treatment abroad. Likewise, the Ministry of Finance had overpaid Nu. 0.08 million on account of DSA to the officials of Revenue and Customs who had traveled abroad.

2. Irregular payment

Expenditure amounting to Nu. 1.91 million were found incurred on construction of boundary walls and security rooms at private residences of the Hon'ble members of Council of Ministers.

3. Misappropriation

Audit detected that taxes collected on account of Bhutan Export Tax (BET) and the sale proceeds of seized liquor amounting to Nu. 0.178 million were misused by the officials of the RRCO's of Gelephu and Phuntsholing respectively.

1. Outstanding Revenue

Government revenue amounting to Nu. 82.9 million due from BST, Business income tax, sale proceeds, royalty, CIT etc. remained unrealized under different subsidiary organizations under the Ministry of Finance during the year 2000.

These outstanding taxes are summarized below:

Table 1.12: Showing the types of revenue outstanding by amount.

Agency	Types of revenue outstanding (Nu. in million)						
	Sale proceeds	BIT/ CIT	Custom	BST	License fees	Royalty	Total
Duty Free Shop	2.2						2.2
RRCO, Samtse		17.36				12.66	30.02
RRCO, P/Ling		38.72	1.46	8.85	1.66		50.69
Grand Total	2.2	56.08	1.46	8.85	1.66	12.66	82.91

a) Outstanding sale proceeds Nu. 2.2 million

Government revenue amounting to Nu. 2.2 million remained unrealized by the Duty Free Shop for goods sold on credit to Government agencies and to private individuals. Repeated observations were made by the audit on the issue recommending realizing in particular the old debts.

b) Unrealized Business Income Tax and Corporate Income Tax Nu. 56.08 million

Revenue earned against Business Income tax and Corporate Income tax amounting to Nu. 17.36 million were not realized by the RRCO, Samtse from the Business and Corporate Units under its jurisdiction. Similarly, the RRCO, Phuntsholing had not collected about Nu. 38.72 million from the Business and Corporate Units against the tax assessed.

While the government suffers from serious budget deficits almost every year, non-realization of such huge revenue is serious concern of the RAA as to the accountability in Revenue administration.

c) Non-realization of Royalty, Nu. 12.66 million

The audit of RRCO, Samtse had revealed that royalty amounting to Nu. 12.66 million earned from the Dolomite mining companies have been not collected.

Audit raised a serious concern over the matter.

d) Unrealized custom duty, license fee and custom duty Nu. 11.97 million

Revenue earned against license fee from the liquor vendor shop, Bhutan Sales Tax from the State Trading Corporation and the RBG Canteen amounting to Nu. 11.97 million were found unrealized by the RRCO, Phuntsholing.

The Royal Audit Authority also raised serious concern on this matter

2. Outstanding Advances

A sum of Nu. 100.76 million from the government exchequer was lying with the suppliers and individuals pending adjustments or refunds. These advances are bifurcated in the table below:

Table 1.13: Division-wise outstanding advance by amount.

Agency	Types of advance (Nu. in million)		
	Non-refund of US\$ taken as advance for medical treatment outside Bhutan	Advance to suppliers and employees	Total
Ministry of Finance	1.96	97	98.96
RRCO, P/Ling		1.62	1.62
RRCO, Samtse		0.17	0.17
RRCO, Galephu		0.012	0.012
Grand Total	1.96	98.802	100.762

It was observed that senior government officials availing the privileges of medical treatment outside the country had not refunded about Nu. 1.96 million taken as advance. One of the alarming observations is about the huge outstanding advance in the books of accounts of the Ministry of Finance.

Advances were outstanding as huge as Nu. 97 million and in the opinion of the audit was highly alarming and needed immediate attention of the government.

3. Loss of Revenue

The Royal Government suffered a loss of Nu. 0.78 million approximately because of under assessment of the cost of government vehicles allotted to the government employees.