

CHAPTER XII

Autonomous Agencies

The Royal Audit Authority issued the audit reports of the following autonomous agencies during the year 2001.

1. Bhutan Olympic Committee;
2. Royal Bhutan Polytechnic;
3. National Driving Training Institute;
4. National Women Association of Bhutan;
5. National Commission for Cultural Affairs;
6. Dzongkha Development Commission;
7. Royal Institute of Management; and
8. Royal Technical Institute

Total observations (Nu. millions)

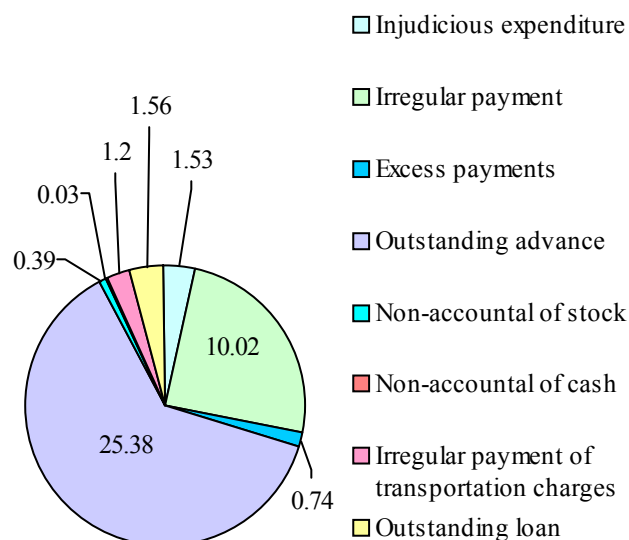


Table 1.52: Showing audit observations by different categories and the amount involved

Sl.No	Nature of Observations	Amount (Nu. million)	%
1	Injudicious expenditure	1.5	2
2	Excess payment	0.7	1
3	Outstanding advances	25.4	25
4	Purchases made from other than the lowest bidder	4.1	4
5	Purchases made without inviting quotations/tenders	1.4	1
6	Wasteful expenditure	0.2	0
7	Execution of extra works without prior approval	11.5	11
8	Non-enforcement of contract clauses	2.7	3
9	Irregular award of contract	46.0	46
10	Outstanding Revenue	4.2	4
11	Non accountal of cash	0.0	0
12	Irregular payment	1.2	1
13	Outstanding loan	1.6	2
	Total	100.5	100

Major Findings.

1 Injudicious expenditure of Nu.1.529 millions.

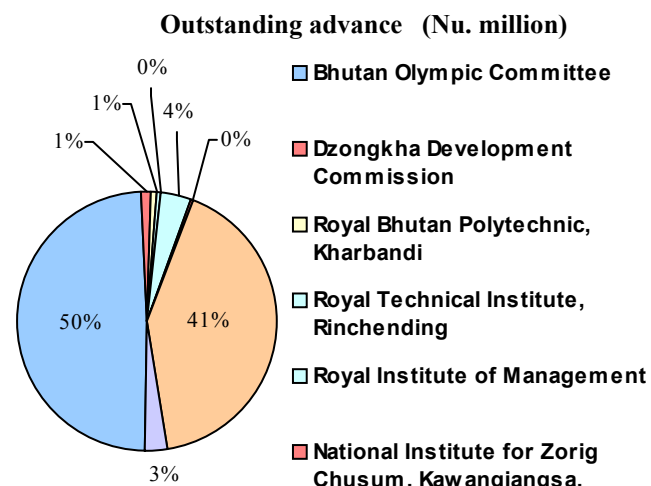
The National Driving Training Institute had incurred over Nu. 1.5 millions for the repair and maintenance of two old and obsolete vehicles for three

years. No cost benefit analysis were carried out to determine the alternative of purchasing new vehicles rather than spending huge amounts on the repair and maintenance of very old and obsolete vehicles.

2 Excess payment of Nu. 0.738 million.

It was observed that the National Commission for Cultural Affairs had paid over Nu. 0.29 million on account of works not executed by the contractors. Payment amounting to Nu. 0.337 million were also made by the management of the Royal Bhutan Polytechnic on account of the excise duty which were not included in the bids of the suppliers. Excess payments were also observed during the audit of Bhutan Olympic Committee, Royal Bhutan Polytechnic and the Royal Technical Institute pertaining to payment of DSA, excess payment due to wrong application of exchange rate and hire charges etc.

Those responsible agencies have been depositing the excess payments on a case by case basis. After the issue of the draft of this report approximately Nu.0.36 million is deposited into the Audit Recoveries Account.



3 Outstanding Advances of Nu. 25.386 millions.

As on the date of audit, advances to the tune of Nu. 25.386 millions were outstanding in the books of accounts of various autonomous agencies as detailed in the table below.

Table 1.53: Showing the outstanding advance against various agencies

Sl.No	Name of the Agency	Amount(Nu. millions)		
		Total amount	Recovered	Balance
1	Bhutan Olympic Committee	12.55	12.35	0.20
2	Dzongkha Development Commission	0.31	0.31	-
3	Royal Bhutan Polytechnic, Kharbandi	0.19	0.16	0.03
4	Royal Technical Institute, Rinchending	0.09	0.07	0.02
5	Royal Institute of Management	1.06	0.01	1.05
6	National Institute for Zorig Chusum, Kawangjangsa, Thimphu	0.06	-	0.06
7	National Commission for Cultural Affairs Secretariat	10.39	8.16	2.23
8	NWAB	0.73		0.73
Total		25.38	21.06	4.32

4 Irregularities in contracting and procurement processes

a) Purchases made from other than the lowest bidder, Nu. 4.13 millions.

The Royal Bhutan Polytechnic procured educational equipment valuing over Nu. 4.13 millions from bidders other than the lowest. Reasons for non-acceptance of the lowest bid were not on record. Similarly, the Royal Technical Institute awarded the work to the 6th lowest bidder and as a result suffered a loss of Nu. 0.046 million.

b) Purchases made without inviting quotations/tenders.

The Bhutan Olympic Committee had procured computers and sports goods worth over Nu. 0.85 million without following the prescribed procurement formalities. This had deprived the BOC of the competitive market rates. Similarly the BOC awarded contract of the maintenance of sports complex worth Nu. 0.24 million without inviting tender. Tenders and quotations were also not called by the Royal Bhutan Polytechnic in the purchase of Kelvinator dehumidifier worth Nu. 0.445 million from M/s Bhutan Automobile, P/ling.

c) Wasteful expenditure.

The Bhutan Olympic Committee had paid Nu. 0.24 million towards the consultancy fees for the construction of a stadium at Chang Lingmethang, which was later decided to be abandoned in the meeting of the executive members. The expenditure of Nu. 0.24 million was therefore a waste of resources.

d) Execution of extra works without prior approval and estimates.

The management of the Royal Bhutan Polytechnic allowed the contractors to execute extra works worth over Nu. 11.46 millions without the prior approval from the competent authority. The management explained the approval for additional works as substitute for the approval of extra works.

The issue in question was regularized with ex-post facto approval accorded by the competent authority.

e) Non-enforcement of contract clauses.

During the audit of the Royal Bhutan Polytechnic observed that the management had not enforced the contract clause on the forfeiture of 10% performance security of over Nu. 1.4 millions although the suppliers had breached the terms of the contract. Similarly, the management did not enforce clauses on the levy of liquidated damages for the delay in supply of materials by the suppliers. This amounted to about Nu. 1.28 millions.

f) Irregular award of contract.

It was observed that educational equipment and administrative support equipment in package-II, III.V, VI, VII, VIII, and IX valued Nu. 46.00 millions were procured based on bids submitted by one or two suppliers.

Re-tenders as required by the Financial Manual were not invited and such purchases were mostly carried out at the end of the financial year.

5 Outstanding Revenue Nu. 4.182 millions.

The books of accounts of the National Women Association of Bhutan revealed outstanding sale proceeds of yarns amounting to over Nu. 4 millions. These are old debts and realization of outstanding sale proceeds looks doubtful. Salary tax and health contributions amounting to Nu. 0.14 million were not deducted by the Royal Technical Institute.

6 Catering Services: Charging too much?

It is observed that hotels and restaurants providing catering services to the government agencies besides charging 10% Bhutan Sales Tax and 10% service charge also levy 10% catering and 30% out catering charges. This impinges on the limited government resources. A clear cut policy is needed to be issued by the concerned authorities.

7 Non accountal of stock.

It was observed that artifacts and radiator heaters worth Nu. 0.33 million were not accounted by the National Commission for Cultural Affairs during physical verification. Similarly, physical verification revealed shortages of finished products and yarns worth Nu. 0.058 million.

The NWAB had informed the RAA that finished products and yarns to the tune of Nu.0.03 million had been accounted for thereby leaving a balance of Nu.0.03 million.

8 Non accountal of cash.

Physical count of the cash with the management of NWAB revealed cash shortages of Nu. 0.038 million.

The NWAB had informed the RAA that the above figure included Nu.0.024 million issued in the form of Cheque by the Ministry of Foreign Affairs which eventually was dishonored. The money must be deposited in the ARA.

9 Irregular payment of transportation charges.

Over Nu. 1.2 millions were incurred as transportation charges to export back the materials and items used during the expo 2000 held in Hanover, Germany. It was observed that transportation charges of personal effects of the officials who attended the expo 2000 were also paid from the expo 2000 fund.

10 Outstanding loan Nu. 1.566 millions.

The NWAB had granted loans to rural people from the IFAD and ACB funds. As on the date of audit, a sum of Nu. 1.566 millions were not recovered from the beneficiaries of the loan.