

## CHAPTER VII

### Ministry of Home Affairs

The Royal Audit Authority issued the audit reports of the following agencies under the Ministry of Home Affairs during the year 2001.

1. Dzongkhag Administration, Dagana;
2. Dzongkhag Administration, Lhuntse;
3. Dzongkhag Administration, Mongar;
4. Dzongkhag Administration, Punakha;
5. Dzongkhag Administration, Trashigang;
6. Dzongkhag Administration, Trongsa;
7. Dzongkhag Administration, Tsirang; and
8. Dzongkhag Administration, Samdrup Jongkhar.

**Table 1.26: Nature of observations and the amount involved**

Sl.No	Nature of observations	Amount involved (Nu. millions)	%
1	Irregular award of work on contract	8.73	16.12
2	Excess payments	3.11	5.74
3	Non-enforcement of contract clauses	1.77	3.27
4	Outstanding revenue	0.77	1.42
5	Misutilization of revenue/ funds collected	0.10	0.18
6	Outstanding advances	39.52	73.00
7	Non-accountal of stock	0.06	0.11
8	Unauthorised issue of cement to private parties	0.08	0.15
<b>Total</b>		<b>54.14</b>	<b>100</b>

The above table represents the actual scenario at the time of issuing the audit reports in 2001. The updated version of the contents of the above table is given under each observation in bold *Italic*.

### Major findings.

#### 1 Irregular award of work on contract.

It was observed that the construction of 8 double unit staff quarters were awarded without inviting tender to Gups and Chimis by the Mongar Dzongkhag Administration. It was explained that this was decided in the 53<sup>rd</sup> DYT. Whether the decision of the DYT can overrule the government standing rules were not known. The result of the decision was however very distinct and clear i.e. constructions were not completed on time.

Similarly, the renovation of Trashigang Jr. High School was awarded to two contractors directly without inviting tenders. The work was valued at Nu. 0.73 million.

The Dzongkhag Tender Committees of Trashigang, Mongar and Samdrup Jongkhar also awarded works to contractors not within the authority of

the committee. Such award of works relate to the construction of BHU worth over Nu. 8 millions in Kanglung, construction of Science Block in Mongar, Construction of BHU in Gomdar etc.

**The Dzongkhag Administration, Mongar had represented that in keeping with the Policy of Decentralization and to make the Geog Yargye Tshogchung (GYT) members responsible and accountable for the construction and maintenance of service facilities some works were awarded to Gups and Chimis on work order basis at the estimated cost.**

The award of work to non-licensed contractors was in deviation to the provisions outlined in the Procurement Manual. Therefore, officials involved in the process must still be held accountable.

**The Dzongkhag Administration, Trashigang stated that the works were awarded on work order basis since the scope of works were small and fulfilling tender formalities would have meant delay in renovation and that the contractor to whom the work was awarded had proven record of delivering quality products.**

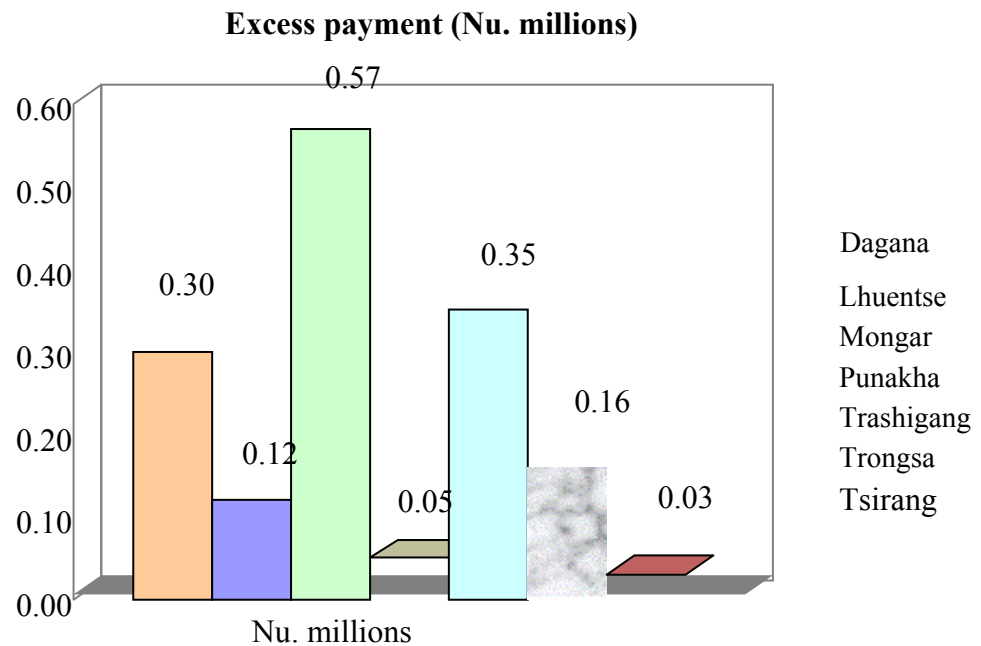
Direct Contracting shall be exercised only in line with the relevant clauses in the Procurement Manual. Therefore, officials involved in the process must still be held accountable.

## 2 Excess

**payments: where lies the problem? Payee or the payer?**

It is not unusual to observe that payments are released to the contractors, suppliers and employees in excess of what are actually admissible. It is usually in the form of payments entertained towards cost of works not performed, goods not delivered, payment not

in accordance with the rules in force and paying twice for the same thing.



**Table 1.27: Showing the Dzongkhag wise instances of excess payments**

Sl. No	Agency	Excess payment on account of	Nu. millions		
			Total amount	Recovered	Balance
1	Dagana	Inadmissible allowance to surveyors, to contractor for works not executed in the constructions at Emirey School, etc	0.30	0.30	Nil
2	Lhuentse	Works not executed of the construction of Resource Centre in Tangmachu High School and excess payment of stipend to the Principal of Tangmachu High School	0.12	Nil	0.12
3	Mongar	Inadmissible payment of halt charges to teachers on transfer, double payment of leave encashment, double payment of transfer allowances, excess payment of stipends, payments of inadmissible cost index & for works not executed	0.58	0.20	0.38
4	Punakha	Payment of residential telephone bills from the government fund	0.05	Nil	0.05
5	Trashigang	Excess payment of stipend, excess payment of salary to apprentice teachers, payment for works not executed etc	0.35	0.04	0.31
6	Trongsa	Payment for works not executed in the constructions of head teachers quarters at Tshangkha Jr. and Primary Schools, Bemji Primary School, fencing work at RNR centre and BHU Construction at Tongtofey, CGI roofing at Kuenga Raptan palace and Construction of Dzongdag's residence	0.18	0.18	Nil
7	Tsirang	Double payment of salary to apprentice teachers, and payments for works not executed in the construction of BHU at Tsirangdara	1.53	0.50	1.04
<b>Total</b>			<b>3.11</b>	<b>1.22</b>	<b>1.90</b>

***Most of the instances of excess payment have either been recovered or adjusted thereby leaving a current balance of Nu. 0.79 million.***

### 3 Non-enforcement of contract clauses.

The contract for the construction of Khoma Primary School under Lhuntse Dzongkhag awarded to M/s Rabgay Construction Company had to be rescinded since the contractor did not complete the work on the agreed time. The Company did not pay the liquidated damages amounting to Nu. 1.2 million imposed by the Dzongkhag Administration.

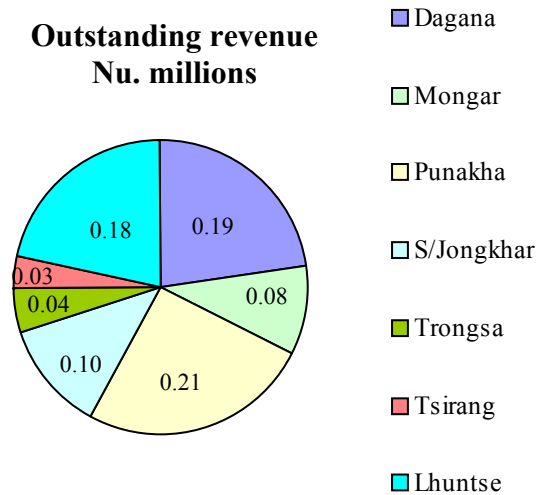
Similarly, the Construction of Nagor Primary School under Mongar Dzongkhag contracted to M/s Druk Construction Company was not completed as agreed in the contract agreement. Review of time extensions granted to the contractor did not justify the non-completion of the construction on time. The Dzongkhag Administration had therefore failed to invoke the clause on the liquidated damages of the contract agreement and did not levy liquidated damages amounting to Nu. 0.57 million.

The delay in the completion of the work by the contractor therefore prompts the question of the proper evaluation of contractors financial and technical capabilities at the pre-evaluation phase vis a vis the reasonableness of the estimates and the contract duration.

### 4 Revenue Management: a need for improvement

#### a) Outstanding revenue.

It was observed that revenue amounting to Nu. 0.77 million were not collected by the agencies under the Ministry of Home Affairs. It was also observed that revenue arising from statutory deductions such as salary tax, house rent and health contributions were not deducted.



**Table 1.28: Showing the outstanding revenue against various agencies**

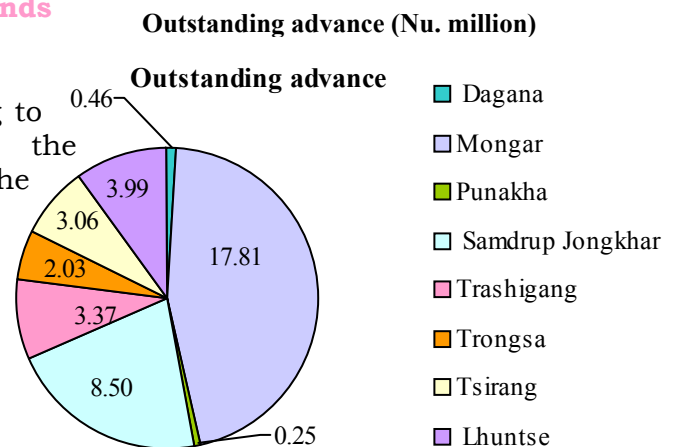
Sl.No	Dzongkhag	Outstanding revenue on account of	Nu. Millions		
			Total amount involved	Recovered	Balance
1	Dagana	Non-collection of Rural taxes from Gups	0.13	0.08	0.05
2	Mongar	Outstanding Municipal taxes	0.08	Nil	0.08
3	Punakha	Outstanding Rural taxes from Gups	0.21	0.21	Nil
4	S/Jongkhar	Outstanding Municipal taxes	0.09	0.08	0.01
5	S/Jongkhar	House rents not deducted from officials occupying government quarters	0.02	0.02	Nil
6	Trongsa	Outstanding Municipal taxes	0.04	0.03	0.01
7	Tsirang	Outstanding Rural taxes from Gups	0.03	Nil	0.03
8	Lhuntse	Non-recovery of salary tax and health contributions	0.05	0.04	0.01
9	Lhuntse	Non-recovery of house rents	0.13	0.13	Nil
<b>TOTAL</b>			<b>0.77</b>	<b>0.59</b>	<b>0.18</b>

**Recoveries to the tune of Nu.0.03 have been effected by the RAA after the issue of the draft of this report in October 2002 thereby leaving a balance of Nu.0.16 million still to be accounted for.**

**b) Misutilization of revenue/funds collected**

It was observed that revenue amounting to Nu. 0.07 million were not deposited into the government revenue account by the Dzongkhag Administration, Dagana.

Similarly, Jigme Sherubling High School did not account the closing balance of Nu. 0.03 million of the School Development fund.



## 5 Outstanding Advances.

The total amount of advances outstanding stood at Nu. 39.52 million for those agencies under the Ministry of Home Affairs as shown in the table below:

**Table 1.29: Showing the outstanding advance against various agencies**

Sl.No	Dzongkhag	Amount Nu. millions		
		Total Amount involved	Recovered/adjusted	Balance
1	Dzongkhag Administration, Dagana	0.46	0.06	0.40
2	Dzongkhag Administration, Mongar	17.81	0.00	17.81
3	Dzongkhag Administration, Punakha	0.25		0.25
4	Dzongkhag Administration, Samdrup Jongkhar (Nu. 621,596.97 written off)	8.50	4.16	4.34
5	Dzongkhag Administration, Trashigang	3.37	0.46	2.91
6	Dzongkhag Administration, Trongsa	2.03	0.58	1.45
7	Dzongkhag Administration, Tsirang	3.06	0.03	3.03
8	Dzongkhag Administration, Lhuntse	3.99		3.99
	<b>Total</b>	<b>39.47</b>	<b>5.29</b>	<b>34.18</b>

The advances reflect current updated status as of August 2002 and not necessarily based on the report issued in 2001.

Instances were also observed during the audit of the Dzongkhag Administrations, Dagana and Mongar that advances were not booked in the accounting records. The payment of Nu. 0.05 million made to the contractor as advance was neither booked nor recovered from the bills of the contractor carrying out the construction of Khibisa BHU in Dagana.

**Only Nu.3.15 millions have been adjusted/recovered after the issue of the draft of this report in October 2002 thereby leaving a current balance at Nu.31.03**

## 6 Non accountal of Stocks.

Physical verification of the stores revealed the shortages of the materials in the following Dzongkhags.

**Table 1.30: Showing the missing items and the amount involved**

<b>Sl. No.</b>	<b>Dzongkhag</b>	<b>Item</b>	<b>Amount Nu. millions</b>
1	Mongar	VVIP Guest House	0.02
2.	Punakha	CGI Sheets	0.02
3.	Trongsa	Furniture	0.02
		<b>Total</b>	<b>0.06</b>

***Only Dzongkhag Administration, Punakha had settled their issue***

## 7 Unauthorized issue of cement to private parties.

The Dzonkhag Administration, Mongar had issued cement worth Nu. 0.08 million to private parties. The materials were not returned as on the date of the audit.