

PART- II

CHAPTER II

A Review of the AAR 2000

Introduction

The Annual Audit Report 2000 that was published in the beginning of the year received a lot of comments on the media and the Internet. The Royal Audit Authority made an attempt to evaluate the follow up status on the observations that featured in the Annual Audit Report 2000.

We are pleased to produce the status of those observations for the information of all. Most of the unresolved issues pertain to the outstanding advances. It is to be mentioned that an advance, which is not adjusted/recovered within the legitimate timeframe permissible by rules, are good as misuse of funds for private gains. We expect all overdue be settled in order not to be recognized as misuse.

A summary of the status of AAR 2000 at different dates are shown in the Table 1.1 below:

Sl.No	Agency	Nu. millions			Balance as on 31.3.03
		Amount reflected in AAR 2000.	Amount adjusted/recovered as at 7.10.02	Amount adjusted/recovered after issue of draft of this report in October 2002	
1	Ministry of Communications	107.56	65.99	20.93	20.64
2	Ministry of Home Affairs	67.89	20.26	25.23	22.40
3	Ministry of Agriculture	26.04	1.87	13.10	11.07
4	Ministry of Health & Education	115.00	49.19	46.72	19.09
5	Ministry of Trade & Industry	113.02	15.99	76.76	20.27
6	Ministry of Finance	187.18	69.94	106.89	10.35
7	Auto. Body	19.24	1.12	11.19	6.93
8	Dungsam Cement Project	33.40	11.04	22.36	0.00
9	Tala Hydro Project	73.97	46.11	0.00	27.87
10	Judiciary	1.03	0.31	0.53	0.19
11	Fin. Institutes	343.14	9.72	119.22	214.195
	Total	1087.47	291.54	442.93	353.01

An agency wise review of the observations included in the Annual Audit Report 2000 is thus elaborately presented in the tables:

Ministry of Communications

Table 1.2: Showing the status of observations Included in the AAR 2000

Sl No	Observation	Nu. millions		
		Amt. Reflected in Report	Amount Recovered/ Adjusted	Balance as on 31.3.03
1	Excess payments	4.42	0.14	4.28
2	Outstanding Advances	39.17	37.75	1.42
3	Irregular payments	17.42	17.07	0.35
4	Outstanding Revenue	9.83	5.90	3.93
5	Tendering Losses	8.6	6.09	2.51
6	Loss of revenue	11.34	5.33	6.01
7	Award of work on work order basis	3.72	3.72	0.00
8	Irregular purchases	10.67	9.89	0.78
9	Government property issued to private parties	0.97	0.88	0.09
10	Non accountal of stocks	0.22	0.15	0.07
11	Misutilization of budget	1.2	0	0.00
TOTAL		107.56	86.92	20.64

After several round of meetings at various levels total adjustments/ recoveries to the tune of Nu. 86.92 millions were effected thereby leaving a current balance of Nu. 20.64 millions

Serial number 11 “misutilization of budget”.

Though the budget mis-utilized at that point of time was later put back to its intended purpose the manner in which the fund was handled has to be justified and the person involved shall still be held accountable.

Ministry of Home Affairs

Table 1.3: Showing the status of observations included in the AAR 2000

Sl No	Observation	Nu. millions		
		Amt. Reflected in Report	Amount Recovered/ Adjusted	Balance as on 31.3.03
1	Excess payment	3.73	1.79	1.94
2	Misappropriation	2.11	1.93	0.18
3	Outstanding advance	45.80	38.96	6.84
4	Outstanding revenue	1.09	0.85	0.24
5	Irregular payments	3.12	1.96	1.16
6	Award of work on cut of points	12.04	0	12.04
Total		67.89	45.49	22.4

The Dzongkhags had informed the RAA that necessary adjustments and recoveries as deemed appropriate were made. The RAA is also informed that some of the Dzongkhags had brought forward outstanding advances in the latest audit reports thereby nullifying the balances in old reports. The current balances of other Dzongkhags where the balances of outstanding advances were not brought forward stands at Nu.6.84 millions. The overall balance yet to resolve is Nu. 22.4 millions.

The Dzongkhag which were involved in awarding works on ‘cut off point basis’ did not respond.

Ministry of Agriculture

Table 1.4: Showing the status of observations included in the AAR 2000

Sl N	Observation	Nu. millions		
		Amt. reflected in Report	Amount Recovered/ Adjusted	Balance as on 31.3.03
1	Excess payment	0.58	0.22	0.36
2	Losses due to tendering and procurement lapses	0.42	0.35	0.07
3	Outstanding Advance	13.09	11.83	1.09
4	Misappropriation	0.12	0.12	0.00
5	Outstanding Revenue	0.53	0.00	0.07
6	Irregular payment	1.83	0.10	0.17
7	Wasteful expenditure	2.46	0.00	2.46
8	Award of work without inviting tender	7.01	0.16	6.85
Total		26.04	14.97	11.07

The current balance of the Ministry of Agriculture stands at Nu.11.07 millions i.e. reduced by more than 50% after the issue of draft of this report in October 2002.

Ministry of Health and Education

Table 1.5: Showing the status of the observations included in the AAR 2000

Sl. No	Observation	Nu. millions		
		Reflected in Report	Amount Recovered/ Adjusted	Balance as on 31.3.03
1	Excess expenditure	0.36	0.31	0.05
2	Irregular Payment	5.25	4.13	1.12
3	Outstanding revenue	0.49	0.23	0.26
4	Outstanding advance	100.9	83.24	17.66
5	Uneconomic purchases	8.00	8.00	0
Total		115.00	95.91	19.09

After the issue of the draft of this report in October 2002, the Ministry of Health and Education had initiated numerous actions either to adjust or recover where appropriate. After necessary adjustment and recovery where possible the current balance as per the records of the RAA stands at Nu.19.09 millions.

Ministry of Trade and Industry

Table 1.6: Showing the status of observations included in the AAR 2000

Sl. No	Observation	Nu. millions		
		Amount reflected in Report	Amount Recovered/ Adjusted	Balance as on 31.3.03
1	Irregular payment	0.45	0.45	0.00
2	Misappropriation	0.26	0.08	0.13
3	Outstanding advance	102.95	17.58	12.90
4	Outstanding revenue	7.05	0.72	6.33
5	Loss of revenue	1.4	1.40	0.00
6	Non-accountal of stock	0.91	0.00	0.91
Total		113.02	92.75	20.27

After the issue of the draft of this report in October 2002, the Ministry of Trade & Industries have recovered/ adjusted to the tune of Nu.92.75 millions thereby leaving a balance of Nu. 20.27 millions

Ministry of Finance

Table 1.7: Showing the status of observations included in the AAR 2000

Sl. No	Observation	Nu. millions		
		Reflected in Report	Amount Recovered/ Adjusted	Balance as on 31.3.03
1	Excess Payments	0.65	0.62	0.03
2	Irregular Payments	1.91	0.00	1.91
3	Misappropriation	0.18	0.18	0.18
4	Outstanding Revenue	82.90	78.07	4.83
5	Outstanding advances	97.40	94.00	3.40
6	Loss of revenue	0.78	0.78	0.00
Total		187.18	176.83	10.35

The Ministry of Finance had initiated measures to recover/adjust as appropriate after the issue of draft of this report i.e. October 2002. The present status of the figure stands at Nu. 10.35 millions. It includes Nu.4.83 millions of revenue outstanding of the Department of Revenue & Customs.

Services of some officials involved in masterminding the misappropriation cases were terminated.

Autonomous Body

Table 1.8: Showing the status of observations included in the AAR 2000

Sl. No	Observation	Nu. millions		
		Reflected in Report	Amount Recovered/adjusted	Balance as on 31.3.03
1	Excess payment	0.27	0.27	0.00
2	Outstanding advances	13.05	11.96	1.09
3	Outstanding revenue	5.30	0.08	5.22
4	Irregular purchases	0.61	0	0.61
Total		19.23	12.31	6.92

Most of the advances outstanding and revenue outstanding pertains to the National Women Association of Bhutan (NWAB) for which no action is reported to have taken.

Dungsam Cement Project

Table 1.9: Showing the status of observations included in the AAR 2000

Sl. No	Observation	Nu. millions		
		Reflected in Report	Amount Recovered/adjusted	Balance
1	Outstanding revenue	0.488	0.488	0
2	Outstanding advance	7.415	7.415	0
3	Excess payments	0.268	0.268	0
4	Non accountal of stock	0.17	0.17	0
5	Wasteful expenditure	24.949	24.949	0
6	Liquidated damages	0.112	0.112	0
TOTAL		33.402	33.402	

The RAA is informed that advances outstanding were recovered by the project. The amount reflected under wasteful expenditure was regularized by the board.

Tala Hydroelectric Project Authority (THPA).

Table 1.10: Showing the status of observations included in the AAR 2000

Sl. No	Observation	Nu. millions		
		Reflected in Report	Amount Recovered/ adjusted	Balance
1	Irregular payments	43.33	43.33	0.00
2	Excess payments	20.518	20.518	0.00
3	Recoverable from contractor	9.683	0.00	9.683
4	Liquidated damages	0.434	0.434	0.00
Total		73.965	46.1	9.683

The RAA is informed of all settlements except Nu.9.683 millions shown as recoverable from contractors which is subjudice in the court of law in Chimakothe

This would be reviewed by the RAA in the next audit.

Judiciary

Table 1.11: Showing the status of observations included in the AAR 2000

Sl No	Observation	Nu. millions		
		Amt. reflected in Report	Amount Recovered/ Adjusted	Balance as on 31.3.03
1	Irregular payment of residential telephone bills	0.39	0.24	0.15
2	Outstanding revenue	0.64	0.60	0.04
Total		1.03	0.84	0.19

The current balance yet to be resolved/accounted for stands at Nu. 0.19 million

Financial Institutions

Table 1.12: Showing the status of observations included in the AAR 2000

Sl No	Observation	Nu. millions			Agency
		Amount reflected in report	Recovered /adjusted	Balance as on 31.3.03	
1	Contract awarded based on cut-off points	40.17	0	40.17	RICB
2	Irregular award of work	61.00	0	61.00	RICB
3	Uneconomic purchases	6.50	0	6.50	RICB
4	Loss due to purchase made from unauthorized suppliers	0.36	0	0.36	STCB
5	Non-realization of sale proceeds	0.85	0	0.85	STCB
6	Irregular payment of bonus incentive to contractors	0.125	0	0.125	RICB
7	Irregular payment of advances	7.70	0	7.70	RICB
8	Irregular payment of insurance claims	5.00	0	5.00	RICB
9	Irregular payment of donation	0.093	0	0.093	RICB
10	Other irregular payments	1.08	0	1.08	All
11	Works executed without inviting tenders	11.9	0	11.9	RICB
12	Outstanding advances against contractors	18.94	0	18.94	RICB
13	Excess payment	6.96	5.15	0.80	STCB
14	Non-accountal of stocks	4.21	0.53	3.68	STCB
15	Irregular sale of vehicles damaged	0.087	0	0.087	RICB
16	Execution of substandard works	1.88	0	1.88	RMA
17	Wastage expenditure	3.879	3.05	0.84	RMA
18	Monetary Policy Failure	112.5	112.5	0.00	RMA
19	Irregular payment of differential interest	7.71	7.71	0.00	RMA
20	Avoidable expenditure	3.8	0	3.8	STCB
21	Non-accountal of stocks	48.4	0	48.415	STCB
	Total	343.135	128.94	214.195	

The RAA reported observations involving Nu. 343.135 millions of the Corporations and Financial institutions i.e. RICB, STCB and RMA in the Annual Audit Report 2000. Except for the RMA which has taken appropriate action issues have been substantially resolved, it is regretted to note that no adequate follow-ups action were taken by the RICB and the STCB on the issues raised in the AAR..

It is to be noted that advances outstanding beyond the period admissible under rules must be fully accounted or will be treated as misuse for personal reasons.

