

## **ANNEXURE TO MAIN REPORT**

### **MANAGEMENT REPORT CONTAINING DEFICIENCIES AND LAPSES OBSERVED IN COURSE OF AUDIT OF RAA'S BUDGETARY OPERATIONS TOGETHER WITH RECOMMENDATIONS FOR THE IMPROVEMENT**

Period Covered 1<sup>st</sup> July 2000 to 30<sup>th</sup> June 2001

#### **1. Adequacy and correctness of accounting records and internal controls in general:**

##### **i) Fixed Assets Register and Stock Register**

Recently Fixed Asset Register has been introduced by the RAA for the new purchases of fixed assets but opening balances of the same are not incorporated therein.

It is suggested to keep proper records of all fixed assets in the Fixed Assets Register and also the unserviceable and damaged fixed assets with proper marking.

Stock Register, as maintained by the RAA does not contain the date of Stock received and issued.

It is suggested to keep records of all the dates regarding receipts and issues of stocks.

##### **Reply:**

Fixed Asset Register had been maintained with complete details as per the form No. 9.4c. Opening balances are also taken correctly. Dates of stocks received and issued are rectified for further compliance as per the recommendation.

##### **ii) Expenditure incurred out of imprest**

Irregularities pointed out in our earlier report have been mostly rectified during this period of audit.

##### **iii) Pay and Allowances**

Monthly pay sheets prepared by the Accounts Department was now certified by the Competent authority before releasing payments to the incumbents. Bank transfer of personal emoluments must be certified by the department concern.

It is suggested to introduce computerized pay slip system for each employee.

##### **Reply:**

Statement of bank transfer of Pay and Allowances are also certified, besides the Certification signature by the head of finance section & the Passing Authority in the Salary sheet.

Presently, pay slips are mutually prepared and issued to the individual. In future, computerised pay slips system will be introduced as the Department of Budget & Accounts

had already appointed IT firm to install an accounting package in every budgetary organisation.

**iv) Maintenance of Cash Book and Sub – Ledger**

Numerous over writings, cuttings, erasing and application of white ink in Cash Book and Sub – Ledgers are observed by us. Entries corrected have not been authenticated by the person who is doing the same. It is also suggested that at the side of each entry in cashbook and Sub – Ledgers, the person who is making the postings should sign.

**Reply:**

Newly RIM passed out personnel is assigned in the account section. They are fresh in handling the job, due to which they make mistakes. However, instructions have been given to make the entry correctly and they should sign on the cashbook for every correction.

**v) Maintenance of Building**

Regarding Maintenance of Building, it is the system of RAA to make payments to DNP on estimated basis and booked those payments as actual expenses.

It is suggested to book these payments as Advance for Maintenance of Buildings and whenever final bills will be raised by DNP these advances will be adjusted. Release of payments on the basis of estimated claims cannot be considered as actual expenses.

**Reply:**

Observations have been noted for future compliance.

**vi) Notes on vouching**

a) We have observed the following irregularities in course of cash vouching.

Sl. No.	Vr. No & date	Head of A/c.	Amount (Nu.)	Remarks
1	19 of 12/07/00	Per. Emol.(1.01)	6,500.00	Excess payment of half day earned leave of Nu.108.33 paid to Tshering Dorji, Auditor is included in Nu.6,500.00
2.	27 of 09/01/01	Travel (11)	7,500.00	Excess payment of DA Nu. 500.00 on 06/12/2000 included in Nu.7,500.00
3	105 of 19/12/01	Maint. Of vehicle	140,450.00	Supply order was given to Chowdhary Brothers for Tyres & tubes on 17/1/01 and they have supplied the materials on 21/1/01. But, no EMD for Nu.2,809.00 was deposited to RAA for such supply before 17/01/01.

**Reply:**

The excess payment of Nu.608.33 was recovered and deposited into Audit Recovery account.

**2. Compliance with Accounting Budgetary and Reporting norms of the Government.**

- i) The office of the Royal Audit Authority is having an effective Budgetary Control System and statement of variance analysis was sent to the appropriate authority within the stipulated time.

In course of checking it is noticed that certain re-appropriation of budget allocations were made and it is informed to us that the said re-appropriations were made with the approval of the competent authority.

Statement of variance analysis for the year 2000 – 2001 is enclosed with the Statement of Accounts in Annexure.

- ii) Financial Reporting to DBA

The Royal Audit Authority has submitted to DBA the following Statements within the stipulated time and the submissions were more or less regular.

- a) Monthly Receipts & Payments Statement with Progressive figures.
- b) Statement of Monthly current & capital expenditure.
- c) Monthly Trial Balance.
- d) Budget Variance Analysis Statement.
- e) Details of funds received through letter of credit.
- f) Monthly Bank Reconciliation Statement.

**3. Inventory Control and related record keeping.**

- i) Internal Control System of inventory of stationary is not adequate. Stock book was not maintained in proper way. GRN is prepared but not regularly. The following purchases were entered in the stock book without Goods Receipts Note:

Sl. No.	Vr. No. Date	Amount (Nu.)	Remarks
1.	55 of 17/07/00	11,180.00	Purchase of Furniture
2.	58 of 17/07/00	5,300.00	- do -
3.	76 of 24/07/00	5,550.00	Purchase of carpets
4.	18 of 2/08/00	4,668.00	Purchase of spare parts
5.	25 of 4/8/00	2,825.00	Purchase of Tyres
6.	36 of 8/8/00	1,625.00	Purchase of materials
7.	37 of 8/8/00	1,430.00	- do -
8.	54 of 11/08/00	33,090.00	Purchase of furniture
9.	65 of 14/08/00	600.00	- do -
10.	72 of 20/10/00	33,400.00	Photocopy paper
11.	105 of 19/2/01	140,450.00	Purchase of tyres & tubes

The system of issuing Goods Issue Note (GIN) against each issue is not in existence. It is also suggested to introduce Bin Cards for each item of stores for proper control. Computerised Inventory accounting should be implemented for the entire inventories.

- iii) We have checked and verified the stores items physically during the course of our audit. The details of short/excess items found in course of such verification is annexed to this reports for scrutiny.

**Reply:**

Presently GRN & GIN is prepared for every receipt and issue. Notes are attached on the receipts challan and requisition form when issued. Bin Cards system requires spacious rack for each item of stores for which there is no space to keep the rack for each item. However, we will abide the recommendation on availability of space in the near future.

**4. Audit Recoveries Account**

We have checked the related Cash Book of Audit Recoveries from 01/07/2000 to 30/06/01 and deposits to the Ministry of Finance during the year. The performance of RAA as regards the amounts collected and deposited including bank charges during the year is shown below:

<b>Year</b>	<b>Amount collected (Nu.)</b>	<b>Amount Deposited to MOF (Nu.)</b>	<b>Bank Charges (Nu.)</b>
2000 – 2001 (ending 30/06/2001)	13,779,410.58	12,201,169.47	11,715.00

It is observed that certain direct deposits were made by the auditees during the year in the bank account No. SBA/09/1/02 with Bank of Bhutan, the details of which are not available for our verification. Monthly-unidentified deposits as per Bank Statements are mentioned below for proper follow up.

<b>Year – 2000 - 2001</b>	<b>Unidentified Deposits (Nu.)</b>
July 2000	11,771.00
August 2000	19,690.80
September 2000	98,092.80
October 2000	5,850.00
December 2000	2,000.00
January 2001	350.00
February 2001	36,260.00
March 2001	27,366.60
April 2001	197,279.94
May 2001	88,241.29
June 2001	29,430.15
<b>Total</b>	<b>516,332.58</b>

Royal Audit Authority should intimate the Auditees at the time of issuing memo's for audit recoveries, for submission of their details of deposits to RAA forth with. In spite of several circulars issued in this respect it is noted that the same type of irregularity as pointed out in our last report have not been regularised.

It is reported that the balance in Audit Recoveries Account No. SBA 09/1/02 with Bank of Bhutan as on 30<sup>th</sup> June 2001 Nu.2,049,275.78 has been reconciled.

The latest position in Audit Recoveries Account is annexed with the Statement of Accounts for the year ended 30/06/2001.

**Reply:**

The Divisions are informed about the unidentified deposits through office memorandum and Divisions are intimating the Finance Section for their related deposits. Every measure is taken to identify the deposits. We are also advising Ministries / organisations by issuing circulars.

**5. Compliance with applicable laws, Rules & Regulations i.e., the RCSC Rules.**

i) Statutory Liabilities

We are highlighting below the instances of delay occurred in payment of statutory liabilities:

Particulars	Amount (Nu.)	Date of Deduction	Date of Deposition
Salary Tax	2,700.00	26/07/2000	06/09/2000
- do -	3,000.00	28/09/2000	18/10/2000
Health Cont.	500.00	28/09/2000	18/10/2000

RAA has the system of deduction of TDS as per the prescribed rates of RGOB, but no TDS were deducted in following cases.

Sl. No.	Vr. No & Date	Amount (Nu.)	Remarks
1.	25 of 4/8/00	2,825.00	Tyre purchased from Ajit Service Centre.
2.	27 of 4/8/00	10,720.75	Spare parts from Sonam Automobile Workshop
3.	36 of 8/8/00	1,625.00	Stores items purchased from Zomlha Enterprise
4.	37 of 8/8/00	1,430.00	Materials from Khyingkhar
5.	40 of 8/8/00	4,000.00	Stationary from CPZ Ent.
6.	90 of 23/8/00	18,100.00	Painting from Phurba Painting
7.	115 of 29/9/00	2,800.00	Stationary from Ugyen
8.	107 of 25/9/00	1,990.00	Materials from Pekhang
9.	32 of 11/9/00	8,500.00	Furniture from Jatshog.

It is suggested to deposit the statutory liabilities within the specified time as per the provisions of Revised Taxation Policy 1992 and necessary care should be taken regarding deduction of taxes at the time of making payments.

ii) Telephone Register:

Telephone Register is maintained for the year 2000 – 2001 includes many entries on account of “ Private Calls”, but we have not seen any recovery is made for the said calls from office telephones. We are mentioning below the month wise private calls made from office telephones:

Month	STD	ISD	Total
7/2000	13	1	14
8/2000	16	2	18
9/2000	51	1	52
10/2000	28	-	28
11/2000	25	-	25
12/2000	16	-	16
1/2001	-	5	5
3/2001	-	1	1

In course of checking of telephone bills it is found that following telephone calls were made to different countries, the reasons for these telephone calls could not be explained to us.

Date	Telephone No.	Place	Amount (Nu.)
13/9/2000	3178422722	USA	336.68
21/9/2000	2126860864	USA	278.35
26/9/2000	2076970652	United Kingdom	723.36
26/9/2000	7187520965	USA	150.02
28/9/2000	2126860864	USA	243.34
28/9/2000	5169978389	USA	418.35
16/10/2000	2076970632	United Kingdom	764.68
6/11/2000	3178422722	USA	500.62
22/11/2000	3178422722	USA	476.68

Effective steps should be taken to control the private calls from office telephones and in applicable cases recoveries should be made for private calls.

**Reply:**

**i) Statutory Liabilities**

The delay had occurred due to calculation mistakes in ledger totalling, which was detected during the preparation of monthly accounts and it has been immediately deposited in the Govt. Revenue Account.

This Authority had received the circular at a later date. The Finance section had deducted 2% TDS from 1<sup>st</sup> October 2000 only after attending the Workshop on 29<sup>th</sup> and 30<sup>th</sup> September 2000. This is to inform again that, the suppliers had to pay the tax to the Government at the end of the Calendar year or produce the TDS certificate obtained from the agencies, which will prove that RAA had not deducted the tax from the supplier's bills. However, a letter has been sent to Regional Revenue & Customs Office, Thimphu informing the above cases with details (Copy enclosed).

Presently, TDS are deducted promptly and above points will still be noted for future compliance.

**(ii) Telephone Register**

A sum of Nu.10,412.00 was recovered and deposited into Audit Recovery Account on account of private calls, pointed out in the last audit report, period July 1998 to June 2000. Nu.4,516.70 was also recovered and deposited, against the private calls pointed out in the current audit report, period July 2000 to June 2001. Administration & Finance Division is taking every measure to control the private call.

**6. Traveling Rules, Tour Advances and related claims:**

Advances (Travel)

In course of vouching of travel advances and its adjustments, we have noticed the following irregularities:

- i) Travel authorisation was sanctioned with out mentioning date. Some of the examples are given below:

Vr. No. & date	Head of A/c.	Amount (Nu.)	Name of the Payee
86 of 23/8/00	11.00 Travel	20,150.00	N.B. Rai
97 of 25/9/00	11.00 Travel	6,000.00	Dawa Tamang
7 of 4/9/000	11.00 Travel	27,500.00	S.S. Lamba
46 of 13/9/00	11.00 Travel	7,332.00	Khandu
93 of 21/9/00	11.00 Travel	600.00	Wangchuk

- ii) Control of Tour advances allowed and adjustments thereof are not adequate. In some cases, we noted that, after the submission of adjustment, the balance amount of advance was not refunded to the office with the adjustment voucher and thereafter the Accounts Deptt. has started recovering the refundable portion of advance from their salary at monthly installment, However, we are suggesting to follow the rules strictly and unutilised portion should not be allowed to keep in their hand under any circumstances. We have noted the following irregularities during our checking:

Sub-ledger Folio No.	Name of official	Balance outstanding from	Amount (Nu.)	Remarks
004	Wangchuk, Auditor	9/5/2000	590.00	Adjustment was received for Nu. 590.00 on 8/6/2001 i.e., after 1 year
031	Chegye Norbu, Auditor	28/2/2000	100.00	No adjustment was received upto 12/3/2002
066	Gaza Wangchuk	15/2/2001	1,000.00	- do -
073	Jamtsho, ACA	20/4/2000	4,686.00	- do -
100	Karma Wangdi, Ex-Peon	13/9/2000	1,030.00	- do -
149	Phub Gyeltshen, Peon	24/8/2000	2,000.00	- do -
166	Jamba Gyeltshen	25/5/2000	640.00	Adjustment was received for Nu.640.00 on 30/5/2001 i.e., after 1 year.
171	Suk Bdr. Subba, Auditor	16/4/2001	664.00	Adjustment was received for Nu. 1,814.00 on 18/12/2001
	Suk Bdr. Subba, Auditor	27/4/2001	1,814.00	
213	R.P. Zutshi	30/06/99	3,754.22	No adjustment was received upto 12/03/2002

### Reply:

The Division Chief are informed in this regard to intimate the officials of their respective division to put the date after signing the travel authorisation. The Finance section is taking every measure to see the requirement of the Travel Authorisation.

As stated in the earlier reply of audit report, the officials are called back before completing their tour programme and sometimes, an additional advance were requested from the outstation along with the extension of their tour programme. Recovery from the salary at monthly installment had to be done when official do not go on tour for long time and stationed at Head Quarter thereafter. As such, Account section has left with no option than to recover from salary.

## 7. Vehicle Operations

i) Vehicle Log Books:

Logbooks for each vehicle are maintained and checked by us, except vehicle No. BG-01-0513 maintained at Samdrup Jongkhar. It is suggested to record fuel consumption in each Log Book for the purpose of calculating and comparing fuel consumption of each vehicle (i.e., Kilometer run per liter)

ii) Maintenance of Vehicle History Sheet:

All repairing works and additions of spare parts are not recorded in vehicle history books introduced for each vehicle. Such instances are as mentioned below:

Sl. No.	Vr. No. & Date	Amount (Nu.)	Head of A/c	Remarks
1.	68 of 15/9/2000	7,144.00	15.02 Maint of Vehicle	Purchase of tyre for BG-1-0900
2.	6 of 3/10/2000	2,260.00	- do -	Purchase for BG-1-0512
3.	25 of 4/8/2000	2,825.00	- do -	Purchase for BG-1-0581

It is suggested to take care in future so that all the repairing and cost of spare parts are recorded properly in respective vehicle History books.

**Reply:**

The Division Chief is informed to instruct the drivers to record the fuel consumption in the Log Book. Advances will be released only on the fulfilment of the requirement of the Log Book.

The vehicle repairing works and additions of spare parts are entering in the History Sheets. But only on three cases it was overlooked. Immediately this has been entered in the History Sheet of respective vehicle. Due care will be taken in the future.



For Nag & Associates  
Chartered Accountants

(I. N. NAG)  
PARTNER

Place : Thimphu

Date: 28<sup>th</sup> March 2002