

Ministry of Communications.

The Royal Audit Authority during the year 2002 had issued thirteen inspection reports of agencies under the Ministry of Communications. The following officials headed the ministry and the departments under it in the year 2002:

Sl. No	Name of Office bearers	Designation
1.	Dasho Leki Dorji	Deputy Minister as head of the ministry
2.	Lt. Dasho Dorji Tenzin	The then Secretary for first half of year.
3.	Lt. Yeshey Tshering	The then Director, Road Safety & Transport Authority
4.	Tshering Dorji	Director General, Department of Urban Development & Housing & Officiating Secretary.
5.	Rinchen Dorji	Director, Department of Roads
6.	Phala Dorji	Director, Department of Civil Aviation
7.	Dorji Choden	Head, National Quality Control Authority
8.	Pem Tsewang	Head, Administration & Finance Division.

The following table exhibits the summary of the findings in a consolidated form:

Table 1.11 showing summary of the observation by category code and the amount involved.

Sl.No	Agencies	Amount (Nu.Million)	%	Category code
1.	Extra & wasteful Expenditure.	19.16	53.81	5
2.	Outstanding Revenue.	11.35	31.87	2
3.	Outstanding advances.	2.04	5.73	1
4.	Loss of Revenue.	1.15	3.23	4
5.	Unsatisfactory execution of works/use of materials against specification.	0.73	2.05	10
6.	Misappropriation.	0.48	1.35	9
7.	Outstanding hire charges.	0.30	0.84	18
8.	Non-levying of liquidated damages.	0.19	0.53	13
9.	Double payment to the contractor.	0.13	0.37	6
10.	Inadmissible payment.	0.08	0.22	8
	Total	35.61	100	

Major Findings:

1. Non-levying of liquidated damages Nu.0.19 million.

The contract clause stipulates the completion deadlines for any construction works failing which the contractors shall be penalised by way

of imposing liquidated damages. However, the following contractors were not penalised:

- A.** The work on construction of temporary water supply scheme, Phase 1 at Changiji Housing Project was awarded to M/s Alpine Builders with a stipulated completion period of 3 months.

However, the work was not completed as required for which the contractor was liable for a liquidated damages @ 0.1% of the contract price for every day of delay (as per the contract document).

The total amount of liquidated damages comes to Nu.0.13 million.

Auditees response: *It was stated that the work is still under progress and upon completion the amount of damages would be deposited into audit recoveries account.*

Who is accountable?: *Until such time the amount of liquidated damages is deposited into audit recoveries account members of the technical committee would be held accountable.*

- B.** M/s Green Wood Manufacturing Company (GWMC) was placed the supply order for the supply of flush doors, shutters and ply veneer for the total value of Nu.0.63 million with the stipulated supply time of 2 months approximately.

A review of the records suggests that M/s GWMC had not supplied the materials on time for which the supplier was liable for liquidated damages of Nu.0.06 million as per the Procurement Manual.

Auditees response: *The management stated that a nominal penalty amount shall be charged and deposited into audit recoveries account.*

Who is accountable?: *Until such time the amount of liquidated damages is deposited into audit recoveries account Executive Engineer, Estimate & Planning is held accountable.*

2. Extra & wasteful expenditure Nu.19.65 million.

The Ministry of Communications had incurred an extra & wasteful expenditure amounting to Nu.19.65 million. The auditors noted that such expenditures were incurred due to lack of proper planning and advance studies. Agency wise details of extra & wasteful expenditure incurred are given in the table 1.12:

Table 1.12 showing agencies that made extra & wasteful expenditure.

Sl. No.	Agencies responsible	Amount (Nu.million)	Para Ref.
1.	Department of Roads.	11.74	D
2.	Department of Urban Development & Housing.	3.56	B
3.	Department of Urban Development & Housing.	2.28	C
4.	Department of Urban Development & Housing.	1.58	A
	Total	19.16	

The descriptive details of each transaction are as under:

A. Extra Expenditure due to change in specifications Nu.1.58 million.

One of the contracts for the construction work of Government Housing Project at Changjiji was awarded to M/s Rinson Construction. A closer scrutiny of running bills revealed a huge item where specifications were changed from those originally reflected in the drawings. All those items changed were paid at analysed rates (usually higher than tendered rate) and these changes had cost the Government Exchequer an extra financial burden to the tune of Nu.1.58 million.

The auditors noted that it was due to lack of proper planning and inadequate investigation at initial stages. The DUDH management admitted the lapses in the planning and preparation of estimates.

Auditees response:

It was submitted that an efforts will be made to improve the quality of the estimates within the constraints faced by the department. The department noted that the reasons for the lack of clarity in the drawings and errors in the estimates is the total absence of communications between the architects, the structural engineers, the estimators and the engineers who eventually supervise the construction work at the planning stage. It was also stated that 55% of the extra amount was incurred due to the instruction of the Council of Cabinet Ministers (CCM). The DUDH also submitted that proper co-ordination is now in place and that similar lapses are not repeated in future.

Who is accountable?:

With exception to the extra expenditure incurred due to instructions of the CCM other response is not tenable, therefore, the head of the engineering cell in the Department of Urban Development & Housing is held accountable to make good the differences.

B. Extra expenditure due to variation in quantities Nu.3.56 million.

The Construction of Low Cost Housing Complex at Changjiji had huge variations between the estimated and actual executed quantities ranging from 20.47 % to 1425 %. This variation had entailed an extra expenditure to the Government Exchequer by Nu.3.56 million.

Auditees response:

It was submitted that an effort will be made to improve the quality of the estimates within the constraints faced by the department. The department noted that the reasons for the lack of clarity in the drawings and errors in the estimates is the total absence of communications between the architects, the structural engineers, the estimators and the engineers who eventually supervise the construction work at the planning stage. The DUDH also submitted that proper co-ordination is now in place and that similar lapses are not repeated in future.

Who is accountable?:

The response is not tenable, therefore, the head of the engineering cell in the Department of Urban Development & Housing is held accountable to make good the differences.

C. Extra expenditure due to execution of more additional/extra items Nu.2.28 million.

The Construction of Low Cost Housing Complex at Changjiji by Department of Urban Development and Housing had substantial number of extra items paid to the contractor for each block. The rates for these extra items were analysed on the basis of market rate which is normally higher than the quoted rates.

Had there been proper assessment during the preparation of estimate the expenditure would have been lower than the expenditure actually incurred by Nu.2.28 million.

Auditees response:

It was submitted that an efforts will be made to improve the quality of the estimates within the constraints faced by the department. The department noted that the reasons for the lack of clarity in the drawings and errors in the estimates is the total absence of communications between the architects, the structural engineers, the estimators and the engineers who eventually supervise the construction work at the planning stage.

Who is accountable?: *The response is not tenable, therefore, the members of the tender committee are held accountable to make good the extra expenditure.*

D. Injudicious selection of sites resulting into avoidable extra and wasteful expenditure of Nu.11.74 million.

For the construction of Puna-Tsangchu Bridge, a committee of the Department of Roads recommended designing and constructing new bridge at the location of the old Bazam site. The bridge was to be constructed with the financial assistance of Helvetas. M/s Kelwang Consultancy was awarded the work of sub-soil investigation and accordingly the RGoB incurred Nu.0.93 million on this account.

The construction work was awarded to M/s Singye Construction and M/s S.P.Malik & Company. Later on, it was felt that the bridge could not be constructed according to the relevant drawings as the axis line passed directly through the Chorten of the old Bazam Bridge (cantilever bridge). In order to protect the historically significant Chorten (stupa), the site for the bridge was shifted by 11 metres down stream.

Due to shifting of an alignment an additional cost amounting to the tune of Nu.10.81 million had to be borne by the RGoB (Helvetas declined to bear this additional cost) and the cost incurred for sub-soil investigation of Nu.0.93 million also was wasteful.

Auditees response: *The Department of Roads agreed that the site at the original location of the Bazam was the most suitable provided the existing chorten (stupa) is dismantled. The new location was shifted 11 metres down stream as it fell within the acceptable area of influence of the previous bore holes and the conclusion was that the soil and rock conditions would not vary substantially within such a short distance.*

Who is accountable?: *Since additional financial burden of Nu.10.81 million had to be borne by RGoB, the responsibility is fixed on the members of the tender committee and the site selection team for professional and technical lapses and the Ministry for lack of supervision.*

3. Outstanding revenue Nu.11.35 million.

The Regional Offices of the Road Safety and Transport Authority (RSTA) had revenue outstanding of Nu. 11.35 million not collected from various agencies as outlined in the table 1.13:

Table 1.13 showing outstanding revenue against each agency.

Sl. No.	Agencies responsible	Amount (Nu.Million)	Remarks
1.	RSTA, Phuntsholing.	2.63	Renewals & Registration fees.
2.	RSTA, Thimphu.	8.34	-do-
3.	RSTA, Gelephu.	0.38	Registration fees.
	Total	11.35	

The descriptive details of each transaction are as under:

- A.** The Road Safety and Transport Authority, Regional Office, Phuntsholing had revenue outstanding aggregating to Nu.2.63 million.

Auditees response:

The management had stated that an action is being taken to effect recoveries through notifications, reminders etc. The RSTA Headquarters had informed the RAA that new registration of vehicles for those defaulters have been totally stopped and the system is now being computerised through dial-up connections to all regional offices. It had also stated that write-off proposal have been submitted to the Ministry of Finance.

Who is accountable?:

Until such time the amount of outstanding with Commercial Interest is received in the RAA or the write-off obtained from the Ministry of Finance, the Regional Transport Officer, Phuntsholing is held accountable.

- B.** The Road Safety and Transport Authority, Regional Office, Thimphu on similar account as above had an outstanding revenue aggregating to Nu.8.34 million including outstanding counter rent of Nu.0.02 million.

Auditees response:

The management responded stating that a sum of Nu.0.02 million approximately was received and deposited. The RSTA Headquarters had informed the RAA that new registration of vehicles for those defaulters have been totally stopped and the system is being computerised through dial-up connections to all regional offices. It had also stated that write-off proposal have been submitted to the Ministry of Finance.

Who is accountable?:

Until such time the amount of outstanding with Commercial Interest is received in audit or the write-off obtained from the Ministry of Finance, the Regional Transport Officer, Thimphu and Accountant are held accountable.

- C. The Road Safety and Transport Authority, Regional Office, Geleghu also had outstanding revenue amounting to Nu.0.38 million on account of vehicle registration fee. The over due amount beyond the period admissible must draw a Commercial Interest from the officer responsible for the lapses.

Auditees response: *The management submitted that it shall initiate appropriate actions as per RSTA Rules and Regulation Act 1999.*

Who is accountable?: *Until such time the amount of outstanding with Commercial Interest is received in audit or the write-off obtained from the Ministry of Finance, the Regional Transport Officer, Gelephu is held accountable.*

4. Loss of Revenue Nu.1.15 million.

A. Irregular assessment and realization of late fee-resultant loss of revenue Nu.0.87 million.

There is a rule that imposes a penalty of Nu.100 per day for vehicles that turns up late for renewal after a lapse of one-month grace period. However, the Director and the Regional Transport Officers do waive off certain percentage of penalty on a case by case basis. But in RTO, P/ling the officials responsible for assessing the penal amount had not calculated exactly with a resultant short levy of penalty by Nu.0.87 million.

Auditees response: *The RSTA submitted that while there is provision to impose penalty, in many cases penalty amounts to even more than the cost of vehicle due to which the owners do not turn up for payment, however, it was submitted that with vigorous campaigning such instances are on the decreasing trend.*

Who is accountable?: *Since no satisfactory response was submitted, the responsibility for the lapse is fixed on Ministry and the Regional Transport Officer, Phuntsholing.*

B. Non-levying of 5% ownership transfer taxes-resultant loss of revenue Nu.0.28 million.

The Road Safety and Transport Regulation Act 1999 required ownership transfer tax and transfer fee to be collected while transferring the ownership of vehicles. However, in three of the instances the RSTA HQ had not abided to the requirement with the resultant revenue loss of Nu.0.28 million.

Auditees response: *It was stated that M/s Kuenga Travels was asked to pay Nu.0.28 million.*

Who is accountable?: *Until such time the amount in question is now received in audit with Commercial Interest the responsibility is fixed on the concerned dealing officer, Road Safety & Transport Authority.*

6. Unsatisfactory execution of works/use of materials against the specification by the contractor Nu. 0.73 million.

The City Corporation, P/ling had awarded River Protection works worth Nu.4.49 million to the contractor. During the physical verification at site by the auditors it was noticed that the compaction of the soil was not properly done by the contractor since spots of undulations were clearly visible. The value of such works amounted to Nu.0.15 million approximately. Thus auditors had the reason to suspect the quality of works executed, quality of supervision/monitoring given to the works etc.

The City Corporation, P/ling had awarded river protection works to the contractors in six packages. As per the tender specification the wire mesh should have been 4mm diameter & 100mm x 100 mm complete. In contravention to this specification contractors in all six packages had supplied wire mesh of 130mm x 130 mm and in some cases wire mesh were above 170mm x 170 mm but all were paid for 100m x 100mm. The City Corporation, P/ling had not rejected the material. The total payment for the supply of these materials aggregated to Nu.0.58 million.

Auditors believe that supplying of materials against the specification would not only have the financial implications but would also have a bearing on the quality of work output. The cost difference must be made good by the officials who had failed to check the materials properly.

Auditees response: *The City Corporation, Phuntsholing had submitted that the contractors were asked to rectify the flaws and deposit the difference amount of supplying wrong specification of steel wire mesh.*

Who is accountable?: *Until such time the flaws reported were rectified and the amount in question is deposited now with Commercial Interest into audit recoveries account the responsibility is fixed on the Thrompon, City Corporation, Phuntsholing.*

7. Double payment to the contractor Nu.0.13 million.

The City Corporation, P/ling had made the following double payments to the contractors valuing Nu.0.13 million:

- A.** Bill for excavation of 30 running metre valuing Nu.0.02 million was paid twice to the contractor justifying that the excavated trenches were flooded for which the contractor had to excavate repeatedly.
- B.** There was a double payment for the excavation of trenches for the pipes and cabbies amounting to Nu.0.02 million.
- C.** Similarly, double payment of Nu.0.09 million was made to M/s Chapcha Engineering Company for the work on providing and laying hand packed stone masonry and for other works which was already paid.

All double payments to be made good with Commercial Interest in the Audit Recoveries account.

Auditees response: *The City Corporation informed the RAA that the matter is actively being pursued with the agencies to whom the payments were made.*

Who is accountable?: *Until such time the amount in question with Comercial Interest is received in audit the responsibility is fixed on the then Executive Engineer and Site Engineer, City Corporation, Phuntsholing.*

8. Inadmissible payment Nu.0.08 million.

The RSTA HQ had awarded the contract for Designing and Drafting of New Driver's Manual of 130 pages to M/s IMPACT Consultancy & Advertising for Nu.0.19 million approximately. However, on actual receipt of manual it contained only 74 pages but actually paid for 130 pages. Thus, it had resulted into inadmissible payment of Nu.0.08 million which must be accounted for in the Audit Recoveries Account.

Auditees response: *The management stated that the work was not actually based on the number of pages but on content and its component.*

Who is accountable?: *The response needed to be verified, until then the responsibility is fixed on the director, Road Safety & Transport Authority.*

9. Outstanding advances Nu.2.04 million.

The Ministry of Communications had outstanding advances amounting to Nu.2.04 million as given in the table 1.14:

Table 1.14 showing agency wise outstanding advances.

Sl. No.	Agencies responsible.	Amount (Nu.Million)
1.	Department of Roads, Headquarter.	1.78
2.	RSTA, Headquarter.	0.26
	Total	2.04

Auditees response: *It was submitted that the amount of outstanding advances are all carried over to the latest inspection reports.*

Who is accountable?: *It is immaterial whether it is brought forward or not so long the advances are not liquidated, therefore, long overdue amount be deposited with Commercial Interest, the accountability is fixed on the controlling officers and Finance Officers.*

10. Irregular acceptance of resignation of Flight Safety Officer by the Ministry.

The Department of Civil Aviation had forwarded the letter of resignation of a Flight Safety Officer to the Ministry of Communications for processing with appropriate authorities. The Civil Service Rule states that the authority to accept resignation of civil servant in grades 8 to 4 is the Chairman of the RCSC. The officer resigning was in BCSR Grade VII. The Ministry instead of getting the resignation approved from the competent authority had approved the resignation.

Analytical review of government fund invested for his studies/trainings/seminars for the last 5 years revealed that an amount of Nu.1.56 million was spent for training him to be a flight operations inspector, besides availing number of opportunities through nominations from RCSC. After his resignation, the DCA has no officer equivalent to his level of qualification and experience, and therefore, the department is handicapped to that extent.

Auditees response: *The management submitted that the resignation of flight safety officer was approved by the Secretary, Royal Civil Service Commission (RCSC).*

Who is accountable?: *The accountability is fixed on the Secretary (RCSC) and Deputy Minister, Ministry of Communications for non compliance.*

11. Misappropriation of Nu. 0.48 million.

A. Sale proceeds of taxi meter Nu.0.42 million.

The Road Safety and Transport Regulation Act 1999 required all taxis to be equipped with a taxi meter in order to fix a minimum charge. Accordingly, RSTA HQ had procured taxi meters amounting to Nu.2.27 million and supplied to its clients at the cost price. But only Nu.1.85 million approximately was realised and deposited into the Budget Fund Account resulting into non-accountal of Nu.0.42 million.

Auditees response: *The RSTA submitted that the proceeds were recovered and administrative action taken against the official at fault.*

B. Revenue shortage Nu.0.06 million.

The Road Safety and Transport Authority, Samdrupjongkhar had failed to account revenue shortage of Nu.0.06 million. This is the balance amount of Nu.0.81 million originally misappropriated less the equivalent monetary value of 20 years imprisonment of culprit.

Auditees response: *It was responded that the accountant of the Regional Transport Office, S/Jongkhar was convicted and imprisoned for 20 years.*

Who is accountable?: *Until the balance amount of Nu.0.06 million is received in audit the accountability is fixed on RTO, S/Jongkhar.*

12. Outstanding hire charges Nu.0.30 million.

The Regional Workshop, Hesothangka had not realised the hire charges of its equipment & machinery to government agencies and third parties amounting to Nu.0.30 million.

Auditees response: *The management had indicated that vigorous action would be taken to collect the outstanding hire charges.*

Who is accountable?: *Until such time the amount in question is collected and deposited the regional manager is held accountable.*

The Ministry of Communications should have exercised its mandate much more diligently and professionally in not only preventing waste of resources but setting standards for construction industry.