

Ministry of Home & Cultural Affairs

The Royal Audit Authority during the year 2003 had issued 35 inspection reports of agencies under the Ministry of Home & Cultural Affairs. The following officials headed the ministry and the departments under it in the first half of year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Thinley Gyamtsho	Minister
2.	Dasho Pema Wangchuk	Secretary
3.	Dasho Dr. Sonam Tenzin	Director General, Department of Immigration & Census
4.	Dasho Tshering Wangda	Director General, Law & Order Division
5.	Nob Tshering	Head, Administration & Finance Division

The following officials headed the ministry and the departments under it in the later half of year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Jigme Y Thinley	Minister
2.	Dasho Pelden Wangchuk	Secretary
3.	Dasho Dr. Sonam Tenzin	Director General, Department of Immigration & Census
4.	Dasho Tshering Wangda	Director General, Law & Order Division
5.	Nob Tshering	Head, Administration & Finance Division

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

Table 1.2 showing summary of the observations by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding advance	31.222	39.14	1
2.	Excess/double/over payment	2.993	3.75	6
3.	Non-levying of liquidated damages	1.914	2.40	13
4.	Wasteful expenditure	0.496	0.62	5
5.	Outstanding rural taxes	0.168	0.21	2
6.	Shortage of revenue	0.045	0.06	9
7.	PoL misuse/shortage	0.240	0.30	9
8.	Shortage of stationery /stores	0.502	0.63	9
9.	Fictitious booking of expenditure	0.419	0.53	17
10.	Misuse of government fund	0.126	0.16	9
11.	Procurement of works/goods without tendering	1.040	1.30	3
12.	Non-collection of hire charges	0.000		18
13.	False verification	2.15	2.70	7
14.	Termination of contract-accounts unsettled	0.750	0.94	7
15.	Payment for works not executed	0.118	0.15	14
16.	Non-deduction/recovery	0.243	0.30	15
17.	Manipulation in BoQ-Over payment	0.729	0.91	6
18.	Non-accountal of advance	0.087	0.11	16

19.	Inadmissible payment	0.434	0.54	8
20.	Non-production of document	2.341	2.93	18
21.	Award of work on cut-off point basis	33.756	42.32	7
	Total	79.773	100.00	

Major findings:

1. Outstanding advance - Nu. 31.222 million.

Most Dzongkhags had in their books of accounts a sum of Nu.31.222 million lying outstanding against different employees, suppliers and contractors. Advances of some Dzongkhags were very old and dated as far back as 1997-1998. It was apparent from the records that accumulation of advances was due to release of subsequent/frequent advances without liquidating the initial advances. Some Dzongkhags did not mention the purpose for which the advances were given. Dzongkhag wise summary of the amounts are as given in the Table:

Table 1.3 showing the agency wise amount of outstanding advances

Sl. No.	Dzongkhag	Amount (Nu. Million)
1.	Dzongkhag Adm. Thimphu	7.351
2.	Dzongkhag Adm. Lhuentse	2.975
3.	Dzongkhag Adm. Dagana	0.446
4.	Dzongkhag Adm. Mongar	3.362
5.	Dzongkhag Adm. Pemagatshel	0.747
6.	Dzongkhag Adm. Trashigang	8.376
7.	Dzongkhag Adm. Tsirang	5.996
8.	Dzongkhag Adm. Wangduephodrang	0.029
9.	Trongsa Dzong Renovation Project	0.500
10.	Dzongkhag Adm. Punakha	1.246
11.	Dzongkhag Adm. Wangduephodrang	0.194
	Total	31.222

Auditee's response:

Some Dzongkhags did not respond. Some of the Dzongkhag had stated that it is rigorously pursuing the recovery and that the RAA would be intimated about its outcome

Who is accountable?:

All advances given prior to 30th June 2003 must be recovered with commercial interest of 16 % p.a. and deposited into Audit Recoveries Account. The accountability to collect/adjust and deposit, therefore, is fixed on the respective Dzongdags, Drawing & Disbursing Officer & Finance Officer. Irrecoverable advances if any must be treated as per the Guidelines in the FRR 2001.

2. Excess/over/double payment - Nu. 2.993 million.

Some Dzongkhags had made payments of Nu. 2.993 million in excess of what was actually admissible as exhibited in the summary Table 1.4:

Table 1.4 .showing agencies that made the excess payments.

Sl. No.	Dzongkhag	Payment made to:	Amount (Nu. Million)
1.	Dzongkhag Adm. Thimphu	M/s FDCL	0.254
		Contractors	0.045
2.	Dzongkhag Adm. Lhuentse	M/s Sonam Jamtsho Construction.	0.045
3.	Dzongkhag Adm. Dagana	M/s Karma Samdrup Construction.	0.130
		M/s Tenzin Construction	0.027
4.	Dzongkhag Adm. Mongar	M/s East West Construction	0.124
		M/s Jigme dorji Construction	0.559
		M/s Jomo Shaykher Construction, Khaling	0.751
5.	Dzongkhag Adm. Pemagatshel	M/s Kunzang Construction	0.530
		M/s Dolma Construction	0.128
		M/s Sonam Jaipo Construction	0.099
6.	Dzongkhag Adm. Haa	M/s Ricky Construction	0.226
7.	Dzongkhag Adm. Wangdue	Apprentice teachers	0.055
8.	Dzongkhag Adm. Tsirang	AFO, Kezang Wangdi	0.020
	Total		2.993

The agency wise details of transactions are as follows:

A. M/s Sonam Jamtsho Construction, Gorgan who was awarded the construction of six-block additional classrooms in Tangmachu Higher Secondary School was paid excess amount of Nu.0.045 million. This excess payment was found out when the second running account bill was verified in comparison with the measurement book.

Auditee's response: *The Dzongkhag Administration, Lhuentse had submitted that the excess amount paid would be recovered and deposited into Audit Recoveries Account.*

Who is accountable?: *The accountability to recover the excess payment and deposit into Audit Recoveries Account is fixed on the site engineer.*

B. The Dzongkhag Administration, Dagana had awarded the construction of RNR Centre at Tshangkha to M/s Karma Samdrup Construction. On comparison the physical measurement and the billed quantity revealed excess payment to the tune of Nu.0.130 million.

Auditee's response: *The Dzongkhag Administration had submitted that such instances had occurred because of the frequent changes and dearth of engineers in the Dzongkhag. However, the Dzongkhag had stated that the contractor was intimidated of the excess payment made and that the contractor had agreed to deposit the same.*

Who is accountable ?: *The accountability to recover the excess payment and deposit into Audit Recoveries Account is fixed on the Dzongdag, Dzongkhag Engineers and Finance Officers.*

C. The Dzongkhag Administration, Dagana had awarded the construction of RNR Center at Drujaygang to M/s Tenzin Construction. On verification of the Measurement Book and the claimed bill revealed that an amount of Nu.0.027 million was found paid in excess of what was actually admissible.

Auditee's response: *The Dzongkhag Administration had submitted that the contractor was reminded to deposit the excess amount paid.*

Who is accountable ?: *The accountability to recover the excess payment and deposit into Audit Recoveries Account is fixed on the Dzongdag, Dzongkhag Engineers and Finance Officers*

D. The Dzongkhag Administration, Thimphu had over paid the hire charges of K-500 machine to M/s Forestry Development Corporation. The actual number of days worked as recorded in the Log Book was only 24 days but paid for 30 days, thus resulting into excess payment of Nu.0.066 million. The Dzongkhag also paid a sawing charge at a higher rate aggregating to Nu.0.188 million approximately to M/s Loiten Nidup. Hand sawing charges @ Nu.67/cft was paid instead of M/s FDCL's rate of Nu.20.50/cft without adequate justifications.

Auditee's response:

The RAA was intimated that a letter was sent seeking for clarification on this matter to M/s FDCL and submitted that the phrases "extracted timber" indicates only the actual work done at site which is not true. Other activities such as corridor cleaning, line installation and shifting also indicate the work done at site.

With regard to payment of sawing charge at a higher rate it was submitted that a rate of Nu.67/cft was actually a negotiated rate. M/s Loiten Nidup, a lowest bidder amongst three had quoted a rate of Nu.72/cft but the Dzongkhag had negotiated to Nu.67/cft. The Dzongkhag had also submitted that while Wangchuk's rate of Nu.20/cft was arrived at by providing him with departmental power chain saw the rate of M/s Loiten Nidup was without providing the same.

Who is accountable?:

The rate of Nu.20.50/cft is that of M/s FDCL and not referring to that of Wangchuk. Therefore, over payment must be recovered and deposited into Audit Recoveries Account for which Sonam Gyeltshen, Deputy Ranger and Finance Section are held accountable.

E. The Dzongkhag Administration, Thimphu also made an over payment of Nu.0.045 million approximately to various contractors involved in the construction and renovation of toilets and teachers quarters.

Auditee's response:

The Dzongkhag Administration, Thimphu had not responded on this issue as of date.

Who is accountable?:

All overpayments must be recovered and deposited into Audit Recoveries Account. Therefore, until such time all over payments made are received in audit the accountability shall be fixed on Dorji Sangye, Section Officer & Sangay Wangchuk, Assistant Engineer.

F. The Dzongkhag Administration, Mongar had paid an excess amount of Nu.0.124 million to M/s East West Construction for deviated quantities and for item of works paid at different rates ignoring the applicability of the Bhutan Schedule of Rates.

Auditee's response:

The Dzongkhag authorities had not responded specifically on the issue.

Who is accountable?:

The accountability to recover the excess payment and deposit into Audit Recoveries Account is fixed on the Dzongdag, Dzongkhag Engineers and Finance Officers.

G. The Dzongkhag Administration, Mongar had paid excess amount of Nu.0.559 million to M/s Jigme Dorji Construction, Lhuentse. For additional works instead of paying at Bhutan Schedule of Rates (BSR) plus/minus contractor's percentage put at tender of 2.61% it was actually paid at BSR plus 50% thus resulting into over payment of Nu.0.277 million. On cross checking of the labour escalation payment it revealed an over payment of Nu. 0.033 million due to overstatement of the quantity of work done. During the physical verification at site it was found that the measurement were recorded and payment made at a higher side. Earth work excavation over rock areas was found paid at the rate other than the BSR plus/minus contractor's offered rate thus resulting in over payment of Nu.0.249 million.

Auditee's response: *The Dzongkhag authorities had not responded specifically on the issues raised but consented to recover and deposit the amount.*

Who is accountable?: *The accountability to recover the excess payment and deposit into Audit Recoveries Account is fixed on the Dzongdag, Dzongkhag Engineers and Finance Officers.*

H. The Dzongkhag Administration, Mongar had also paid excess amount of Nu.0.751 million to M/s Jomo Shaykher Construction, Khaling. The company which was already given 29.10% Cost Index was again allowed another 25% Cost Index resulting into over payment of Nu.0.751 million.

Auditee's response: *The Dzongkhag had informed the RAA that the case in question is forwarded to the Dzongkhag Court, Mongar for which the verdict is awaited.*

Who is accountable?: *It is a lapse on the part of technical professionals to commit such errors. Therefore, Dzongdag, approving authority & technical personnel involved in this must be held accountable besides recovering the amount and credit into Audit Recoveries Account.*

I. The Construction of Hostel Block-II (Girls Hostel & Toilet) at Nangkhon Higher Secondary School, Pemagatshel was awarded to M/s Kuenzang Construction. On verification of measurement of work done as per final bills with the specification of the drawings revealed an over payment of Nu.0.116 million. Block I & II though constructed at the same topographical feature of the land, Block II had shown higher quantum of work done amounting to Nu.0.414 million which must be recovered and deposited into audit recoveries account.

Auditee's response: *The Dzongkhag management had not responded on this issue as of date.*

Who is accountable?: *The accountability to recover the excess payment and deposit into Audit Recoveries Account is fixed on the Dzongdag, Dzongkhag*

Engineers and Finance Officers.

J. The Construction of Hostel Block-I (Boys Hostel & Toilet) at Nangkhor Higher Secondary School, Pemagatshel was awarded to M/s Dolma Construction. The auditors while verifying the value of work done with that of specification found excess payment amounting to Nu. 0.128 million being made.

Auditee's response: *The Dzongkhag management had not responded on this issue as of date.*

Who is accountable?: *The accountability to recover the excess payment and deposit into Audit Recoveries Account is fixed on the Dzongdag, Dzongkhag Engineers and Finance Officers.*

K. M/s Sonam Jaipo Construction was awarded the extension works of Khar Community School. The rebate of 31.72% was given in the quoted rate. However, the Dzongkhag Administration, Pemagatshel while making the payment had not deducted the rebate offered, thus resulting in excess payment of Nu.0.099 million.

Auditee's response *The Dzongkhag Administration, Pemagatshel had not responded on this issue as of date.*

Who is accountable?: *The accountability to recover the excess/over payment and deposit into Audit Recoveries Account is fixed on the Dzongdag, Dzongkhag Engineers and Finance Officers.*

L. M/s Ricky Construction was awarded the work of resurfacing and black topping of parking area at Lower market, Ha. The audit team had found that the engineers had not applied the standard technical formulae of Department of Road (DoR) specification. This had resulted in the excess payment of Nu.0.226 million to the contractor.

Auditee's response: *The Dzongkhag had informed the RAA that they were not aware of the application of standard technical formulae of DoR Specification*

Who is accountable?: *Ignorance of the rules & specification is not an excuse expected from the qualified technical personnel. Therefore, the amount must be recovered and deposited into audit recoveries account and the accountability for which is fixed on the Dzongkhag Engineer M.B. Mongar and Mahindra Rai.*

M. The Dzongkhag Administration, Tsirang had admitted Nu.0.020 million in excess to Kezang Wangdi, Assistant Finance officer on account of disbursing the wages to Dzongkhag dancers.

Auditee's response: *The response from the Dzongkhag is still awaited in audit.*

Who is accountable?: *The amount must be recovered and deposited into audit recoveries account for which Kezang Wangdi is held accountable*

N. The Dzongkhag Administration, Wangdue had made double payment of salary amounting to Nu.0.055 million to the apprentice teachers under it.

Auditee's response: *The Dzongkhag Administration, Wangdue had not responded on this matter as of date.*

Who is accountable?: *Amount of double payment aggregating to Nu.0.055 million must be recovered with commercial interest of 16% p.a. from the concerned teachers and deposited into Audit Recoveries Account. The responsibility to do so is fixed on the Finance Officer since it is a lapse on their part.*

3. Non-levying of liquidated damages - Nu.1.914 million.

Various Dzongkhag Administrations had awarded construction works to the contractors with stipulated deadline for completion. However, most of the contractors had failed to complete but for which the various Dzongkhags as detailed in the Table 1.5 had leniently not imposed the penalty thus giving undue favor to the contractors. Such leniency had cost the government in terms of opportunity cost to the amount of Nu.1.914 million.

Table 1.5 showing Dzongkhags that did not levy liquidated damages to the contractors

Sl. No.	Dzongkhag Administrations	Name of Contractors involved.	Amount (Nu. Million)
1.	Lhuentse	M/s Tsheltrim Construction, Autsho	0.011
2.	Dagana	M/s Karma Samdrup Construction	0.161
		M/s Temzin Construction	0.106
3.	Thimphu	M/s Leki Dorji Construction	0.409
4.	Mongar	M/s East West Construction	0.170
		M/s Daejung Construction, Chaskhar	0.014
		M/s Yangrig Construction	0.196
		M/s Jomo & Shaykhar Co. Khaling	0.360
5.	Haa	M/s Sherub Wangchuk	0.021
		M/s Gado Construction, Samtse	0.021
		M/s Khandu Construction, Haa	0.085
6.	Wangdue	M/s Gaseb Gyeltshen Construction	0.344
7.	Tsirang	M/s Gelep Construction	0.016
	Total		1.914

Auditee's response:

Some of the Dzongkhags had submitted to recover the amount of liquidated damages as worked out by audit and deposit into Audit Recoveries Account.

The Dzongkhag Administration, Samtse had submitted that the contract work awarded to M/s Gado Construction, Samtse could not be started on time because of three reasons. Firstly, the Dzongkhag could not finalize the site for construction since Dzongkhag Authorities were on a month long tour to Sombeykha. Secondly the procedure to get the skilled labour approved was a very lengthy process since the approval has to be given by the Ministry of Home Affairs and Dzongkhag Administration, Chukha and thirdly the site for the construction of toilet initially planned had to be reoriented as desired by Lam Neten.

With regard to the work awarded to M/s Yangrig Construction, the Dzongkhag Administration, Mongar submitted that after liquidating the outstanding advances, the final bill amount was not enough to recover the penalty. However, the Dzongkhag had submitted that the contractor is reminded with the notice to make necessary deposit.

The Dzongkhag Administration, Mongar had informed the RAA that the issue with M/s Jomo & Shaykher Company is forwarded to the Dzongkhag Court, Mongar for which the verdict is awaited.

Who is accountable?:

Contract agreement is a legally binding document and terms and conditions as stipulated must be respected. The accountability to recover the liquidated damages and deposit into Audit Recoveries Account is fixed on respective Dzongdags, Dzongkhag Engineers and Finance Officers except for the Dzongkhag Administration, Haa whose accountability is fixed on site engineer I.B. Rai and G.M. Rai.

4. Wasteful Expenditure – Nu. 0.496

A. The Dzongkhag Administration, Dagana had awarded the construction of RNR Center at Drujaygang to M/s Tenzin Construction. It was found that after completing the construction of RNR Center one retaining wall was built at the cost of Nu.0.140 million. However, during the physical verification only about 0.5 metres of the wall above the ground could be visible since the wall was constructed of *some loose stone fillings*. But the contractor had claimed for Random Rubble Masonry (RRM) and the Dzongkhag had entertained it. Four metres of very sTable looking soil is visible at the same level as that of the plinth protection and the drain which means the wall was not

very necessary. Therefore, a sum of Nu.0.140 million was found wasteful which must be recovered from the contractor.

Auditee's response: *The Dzongkhag Administration had agreed that there was a flaw in the construction of retaining walls and agreed to recover the amount from the contractor.*

Who is accountable?: *The wasteful expenditure as agreed must be recovered and deposited into Audit Recoveries Account. Therefore, until such time the amount is received in audit the accountability is fixed on the site engineer.*

B. The Dzongkhag Tender Committee, Tsirang had awarded the timber extraction contract to M/s Gelep Construction whose total quote was found the lowest. The timber include Bumthang Bluepine, Trongsa Hemlock and Wangdue Chirpine. The other bidder M/s Phub Tshewang Construction quoted the lowest for the timber item Trongsa Hemlock. Had the contract for this particular item was given to M/s Phub Tshewang Construction the government would have saved Nu.0.356 million.

Auditee's response: *The Dzongkhag Administration, Tsirang submitted that the availability of Trongsa Hemlock in Chendebji Forestry Management Unit is below the approach feeder road, which is very difficult to bring to the road head.*

Who is accountable?: *The response is not supported with documentary evidence, therefore the difference amount must be recovered and deposited into audit recoveries account. The dealing official is held accountable for such lapses.*

5. Outstanding rural tax - Nu.0.168 million.

A. On examination of the revenue records of the Dzongkhag Administration, Dagana found that the rural taxes amounting to Nu.0.118 million remained uncollected for the year 2001 & 2002.

Auditee's response: *The Dzongkhag had submitted that it will follow-up with the concerned gups and appraise the RAA upon realization of dues.*

Who is accountable?: *The dues must be recovered with penal interest of 24 % p.a. and deposited into Audit Recoveries Account. The responsibility to deposit, therefore, shall be fixed on dzongdag & revenue in-charge*

B. The Dzongkhag Administration, Thimphu had an outstanding rural life insurance of Thimphu town aggregating to Nu.0.050 million approximately.

Auditee's response: *The Dzongkhag had stated that the Revenue In-charge is pursuing the matter.*

Who is accountable?: *The dues must be recovered with penal interest of 24 % p.a. and deposited into Audit Recoveries Account. The responsibility to deposit, therefore, shall be fixed on Mindu, Revenue In-charge*

6. Shortage of revenue - Nu. 0.045 million.

Revenue amount of Nu.0.045 million collected as rural taxes was found not deposited into Royal Government Revenue account. The accountant of Dagana Dzongkhag had not deposited the tax, which was apparently misused.

Auditee's response: *The Dzongkhag administration had stated that it will take all necessary steps in realizing the balance amount from the defaulters*

Who is accountable?: *The amount of shortage must be deposited into Audit Recoveries Account with penal interest of 24 % p.a. for which the responsibility to do so falls on the Dzongkhag Accountant besides taking administrative action against him.*

7. POL misuse/shortage - Nu. 0.240 million.

On examination of HSD issue register vis-à-vis the fuel requisition note revealed 8,100 litres of diesel charged as issued to the Dzongkhag (Dagana) vehicle by forging the signature of dzongdag and 1,125 litres of diesel were charged as issued by manipulating the quantity of fuel requisitioned. Further, a sum of Nu.0.037 million received through sale of HSD was not accounted. The value of total shortage/misuse comes to Nu.0.240 million.

Auditee's response: *The Dzongkhag Administration had stated that proper response to this issue would be submitted after obtaining justification from the concerned dealing person.*

Who is accountable?: *The dealing person Tashi Tenzin must deposit the value of shortages/misuse into the Audit Recoveries Account besides administrative action against him.*

8. Shortage of stationery/stores - Nu.0.502 million.

A. The Dzongkhag Administration, Dagana had short accounted stationery worth Nu.0.046 million. The cost of the stationery must be recovered and deposited into Audit Recoveries Account.

Similarly, during the physical verification stationery worth Nu.0.137 million were found short. The physical verification was conducted in presence of the store in-charge, Tashi Tenzin.

Auditee's response: *The Dzongkhag Administration had stated that proper response to this issue would be submitted after obtaining justification from the concerned dealing person.*

Who is accountable?: *The dealing person Tashi Tenzin must deposit the value of shortages/misuse valuing Nu.0.183 million into the Audit Recoveries Account.*

B. On a joint physical verification of Rural Water Supply Scheme (RWSS) of the Dzongkhag Administration, Wangduephodrang, it revealed shortages of materials valuing Nu.0.098 million. It includes 496 bags of cement and 193 metres of chicken wiremesh.

Auditee's response: *It was submitted that 496 bags of cement is issued on a returnable basis in good faith to avoid getting set. With regard to the shortage of wiremesh it was submitted that it was actually issued to the client on urgent and ad hoc basis because of other priorities.*

Who is accountable?: *The justification is after thought & not supported by documentary evidence, therefore, equivalent amount be deposited into Audit Recoveries Account*

C. The Dzongkhag Administration, Punakha was accorded sanction of 7500 cubic feet of timber for renovation of some schools. These timbers were unloaded at M/s Druk Integrated Wood Complex & M/s Dhendup Wood Based Industries for sawing. Out of 5790.61 cubic feet of sawn timber, only 3001.39 cubic feet were found accounted resulting into shortages of 2789.22 cubic feet of timber valuing Nu.0.221 million.

Auditee's response: *The Dzongkhag Administration, Punakha had not responded on this issue as of date.*

Who is accountable?: *Rinchen Dorji, former Dzongkhag Education Officer and his Assistant Phuntsho Dukpa are held accountable to deposit the value of shortages as worked out by audit.*

9. Fictitious booking of expenditure - Nu.0.419 million.

A. Out of Nu.0.565 million received by Dzongkhag Administration, Dagana from National Environment Commission for Geog Environmental Plan, an expenditure of Nu.0.039 million was found reported without actually having executed the activities.

Auditee's response: *The Dzongkhag Administration submitted that due to limited time only 90% of planned activities could be completed at the closing of financial year but booked the whole amount in anticipation of completing the remaining work by July/August. It was also stated that the amount in question was released in favor of Chencho Tshering, former Assistant Finance Officer currently in the Department of Budget & Accounts.*

Who is accountable?: *Chencho Tshering who is responsible according to the Dzongkhag must deposit this amount into Audit Recoveries Account with commercial interest of 16% p.a. besides taking administrative action against him.*

B. The Dzongkhag Administration, Pemagatshel had booked Nu. 0.380 million on account of miscellaneous expenditure but without actually incurring it. On enquiry it was stated that the amount was retained by Kinga Dorji, the cashier.

Auditee's response: *The Dzongkhag Administration had not responded on this issue as of date.*

Who is accountable?: *The amount should be recovered by dzongdag besides investigating the matter as to who is responsible for the fraud and take administrative action accordingly.*

10. Misuse of Government fund - Nu.0.126 million.

A. A sum of Nu.0.044 million was shown as paid to M/s Rabten Agency being 75% of the quoted amount for the supply of one number Pionjor Machine. On enquiry it was found that Nu.0.044 million was retained by the dealing accounts personnel.

Auditee's response: *The Dzongkhag Administration, Dagana had stated that it has already reminded the concerned responsible person, Karpo, currently in the Ministry of Health & Education to settle the issue.*

Who is accountable?: *Using of government fund for personal purpose is highly irregular and needs justification. Further, Karpo is advised to deposit the amount into Audit Recoveries Account with commercial interest of 16% p.a. The dzongdag must initiate administrative action against him.*

B. The Dzongkhag Administration, Wangduephodrang had made excess payment of Nu.0.082 million due to erroneous calculation of pay bills pertaining to the teachers of Tencholing Primary & Nobding Lower Secondary School.

Auditee's response: *It was submitted that a sum of Nu.0.082 million has to be collected from Chhimi Dorji, former Senior Accountant who has agreed to pay back since the money was misused by him.*

Who is accountable?: *The above amount must be deposited into Audit Recoveries Account with commercial interest of 16% p.a. and the accountability for which is fixed on Chhimi Dorji, former Accountant currently in Samtse Dzongkhag.*

11. Procurement of works / goods without tendering - Nu.1.04 million.

Various Dzongkhags had procured goods and services without opting for competitive bidding as required under the Procurement Norms. Summary of such transaction is exhibited in the Table 1.6:

Table 1.6. showing agencies who procured goods without tendering.

Sl. No.	Agency	Amount (Nu. Million)	Remarks
1.	Thimphu Dzongkhag	0.130	Power Chain Saw
2.	Pemagatshel Dzongkhag	0.457	Materials
3.	Thimphu Dzongkhag	0.299	Supply of Doleps
4.	Hospital Administration, Punakha	0.154	Grocery items
	Total	1.040	

Brief descriptive details of transactions are given below:

A. The Dzongkhag Administration, Thimphu had procured one number Power Chain saw for the logging activities related to the renovation of Simtokha Dzong without opting for competitive bidding. The cost of Power Chain Saw was Nu.0.130 million.

Auditee's response: *The Dzongkhag had submitted that the Power Chain Saw was procured without observing purchase formalities since the renovation of the dzong was executed departmentally.*

Who is accountable?: *Procurement formalities must be respected. Sonam Gyeltshen, Deputy Ranger & former Dzongdag, Dasho Karma Dorji who had authorized the procurement shall be held accountable for overlooking the formalities.*

B. The Dzongkhag Administration, Pemagatshel had direct procurement of materials valuing Nu.0.457 million in contravention to norms prescribed in the Procurement Manual.

Auditee's response: *The Dzongkhag had not responded on this issue as of date.*

Who is accountable?: *Procurement rules must be followed. Officials responsible for making the procurement without observing rules are held accountable.*

C. The Dzongkhag Administration, Thimphu for the renovation of Simtokha Dzong had awarded the contract for the supply of Dolep (Flat stone) directly to M/s Gyeltshen Tshongkhang, Paro without respecting the procurement formalities. The value of the supplies was Nu.0.299 million.

Auditee's response: *The Dzongkhag Administration had submitted that the work was directly given to M/s Gyeltshen Tshongkhang since he was a prominent supplier of quality Doleps for Punakha Dzong Renovation Project.*

Who is accountable?: *The response given is not tenable in audit because the Royal Government is deprived of the benefits of competitive bidding. Therefore, former Dzongdag, Dasho Karma Dorji who authorized the award shall stand accountable.*

D. The Hospital Administration, Punakha had procured grocery items classified as patient diet valuing Nu.0.154 million without observing procurement formalities.

Auditee's response: *The management submitted that the requirement of patient diet is not in bulk quantity, therefore, procured on piecemeal basis as and when need arises within the purview of procurement ceiling. However, the management submitted that in future all formalities would be strictly complied with.*

Who is accountable?: *In order to use the government's scarce resources in a most economical manner the prescribed procurement procedures must be followed strictly.*

12.Non-collection of hire charges.

The Power Chain saw procured by the Dzongkhag Administration, Thimphu were taken by the Engineer-In Charge at site for felling of trees, cross cutting etc. But the records revealed that such works were awarded on contract immediately after the royalty was paid. No hire charges were collected from the contractor who used the equipment for 7 months.

Auditee's response: *The Dzongkhag had submitted that the use of Power Chain Saw in the forest was closely monitored. Some experienced people were called to properly handle the machine and negotiated the rates. The rates paid were purely for manual purpose and not the machine.*

Who is accountable?: *The justification submitted is not tenable in audit since such works were awarded on contract. Therefore, hire charges as applicable must be worked out and deposited into Audit Recoveries Account and the responsibility to so shall be fixed on Sonam Gyeltshen, Deputy Ranger.*

13. False verification - Nu.2.15 million.

M/s Leki Dorji Construction on 23rd April 1999 was awarded the construction work of BHU-III at Lingshi with a completion period of 6 months. The work was not completed till date of audit (24.8.02). The contractor was paid 75% secured advance amounting to Nu.2.15 million for materials stated to have brought at site. But the site verification revealed that the materials were not brought at site and the one who verified the claim of secured advance was not the concerned engineer in charge.

Auditee's response: *The Dzongkhag Administration, Thimphu had not responded on this issue as of date.*

Who is accountable?: *Payment of secured advance without actually having the material brought at site is viewed seriously. Former Dzongdag and Dzongkhag Engineer are held accountable.*

14. Termination of contract-non settlement of advances - Nu.0.75 million.

A. Similarly, the contract on construction of Thinleygang Primary School awarded to M/s Druk Ngawang Construction was terminated but outstanding due of Nu.0.470 million was not settled.

Auditee's response: *The Dzongkhag Administration, Thimphu had not responded on this issue as of date.*

Who is accountable?: *The Dzongkhag Authorities or the Dzongkhag Tender Committee shall be held accountable for this lapse. The whole of the advance must be recovered with commercial interest of 16% p.a. and deposited into Audit Recoveries Account.*

B. M/s Jomo & Shaykher Company, Khaling was awarded the construction of BHU II at Balam and made the advance payment of Nu.3.608 million. However, the total

amount of bill was only Nu.3.319 million thereby leaving a recoverable balance of Nu.0.280 million. The amount is yet to recover from the contractor.

Auditee's response: *The Dzongkhag Administration, Mongar had written that the contractor was reminded several times to report to the Dzongkhag for discussion and settlement of the issues. Since the contractor had failed to report, the Dzongkhag had decided to pursue the matter through the court of law in Bhutan and intimate the RAA when the case is over.*

Who is accountable?: *Granting of huge advance is in itself a breach of financial rule, therefore the authority that approved the payment shall stand accountable to recover the amount and deposited into Audit Recoveries Account.*

15. Payment for works not executed - Nu.0.118 million.

A. During the site visits conducted jointly by the audit team and the Dzongkhag (Mongar) Site Engineer revealed that some works were not executed though payments were made. The value of works not executed but amount paid comes to Nu.0.032 million.

Auditee's response: *The Dzongkhag Administration, Mongar admitted that there were some lapses during the measurement and also at the time of passing the bills for payment.*

Who is accountable?: *The amount must be deposited without further delay and the responsibility to do so falls on the site engineer.*

B. The Dzongkhag Administration, Pemagatshel had paid Nu.0.016 million to M/s Jamyang Construction for the item of electrification work not actually executed.

Auditee's response: *The Dzongkhag Administration, Pemagatshel had not responded on this issue as of date.*

Who is accountable?: *The Engineer In-charge who verified the bill is held accountable, besides recovering the amount from the contractor and depositing into audit recoveries account.*

C. The estimated quantity for "providing & fixing dressed wood work in partition with frame" was 1.404 cubic metre, however, the bill claimed and paid was for 14.42 cubic metre resulting into excess payment of Nu.0.070 million. A physical verification of the partition with frame works revealed that actual timber used was only 1.59 cubic metre.

Auditee's response: *The RAA was informed that the Punakha Dzongkhag Administration had asked the contractor M/s S.T. Construction to deposit the amount as worked out by audit.*

Who is accountable?: *Such instances only indicates collusive act of conduct between the site-engineer and the contractor, which deserve disciplinary action. The amount must be recovered with commercial interest of 16% p.a. and the responsibility to do so is fixed on the site-in-charge Kinley Dorji, Junior Engineer of the dzongkhag.*

16. Non-recovery/deduction - Nu. 0.243 million.

A. M/s Jomo & Shaykher Company, Khaling who were awarded the construction of BHU II at Balam were issued materials valuing Nu. 0.115 million from the Dzongkhag Store but the equivalent amount was not deducted from the final bill.

Auditee's response: *The Dzongkhag Administration had written that the contractor was reminded several times to report to the Dzongkhag for discussion and settlement of the issues. Since the contractor had failed to report, the Dzongkhag had decided to pursue the matter through the court of law in Bhutan and intimate the RAA when the case is over.*

Who is accountable?: *It is an indication of poor control system in place. Therefore Dzongkhag Engineers, Finance Officer & Store Officer are held accountable besides recovering the amount from the contractor and deposited into audit recoveries account.*

B. Verification of the pay bills of Ugyen Dorji High School revealed that house rent from teachers occupying the government quarters were not deducted. The total of non-deduction worked out to Nu.0.128 million.

Auditee's response: *The Dzongkhag administration had submitted that Ugyen Dorji High School has the highest number of boarder students in the country and considering the vulnerability of the students the Dzongkhag and School Administration had decided to provide vacant quarters to those selected teachers who otherwise were staying in the rented house to shoulder additional responsibilities in making a better and effective school.*

Who is accountable?: *Since there is no such rule to exempt from paying rentals the amount as worked out by audit must be recovered and deposited into audit recoveries account. All teachers who took the payment are held accountable.*

17. Manipulation in the BOQ – resultant over payment - Nu.0.729 million.

The construction of Hostel Block-1(Boys hostel and toilet) at Nangkhon Higher Secondary School, Pemagatshel was awarded to M/s Dolma Construction at his quoted amount of Nu. 3.877 million. Verification by the audit team unveiled the manipulation technique used by the contractor to befool the Tender Committee and the evaluation team.

It transpired from the tender documents that M/s Dolma Construction had manipulated by correcting among others the quantity of earthing from 64 numbers to 1 number and accordingly included the amount for 1 number in the total bid amount resulting into understatement of gross bid amount by Nu.0.437 million (63 Nos.@ Nu.6,590). The gross bid amount of the next lowest evaluated substantially responsive bid was inclusive of the cost for 64 numbers thus overstating his bid amount by 0.332 million. If there was no manipulation and had the evaluation team exercised its judgement with more vigilance the decision could have gone the other way.

Considering the above facts that award was obtained with manipulation, the quantum of work measured and paid as per the final bill resulted in over payment of Nu.0.729 million.

Auditee's response: *The Dzongkhag Administration had not responded on this issue as of date.*

Who is accountable?: *The over payment made as a result of manipulation must be recovered and deposited into audit recoveries account. It is therefore, the responsibility of the Tender Committee and the evaluation team to recover the amount.*

18. Non-accountal of advances - Nu. 0.087 million.

On reviewing an accounting record the Dzongkhag Administration, Pemagatshel had not reflected in the Sub-Ledger an advance payment of Nu. 0.087 million.

Auditee's response: *The Dzongkhag Administration had not responded on this issue as of date.*

Who is accountable?: *The amount must be recovered or adjustment affected. The responsibility shall fall on Dzongkhag Finance Officer.*

19. Inadmissible payment - Nu.0.434 million.

Various Dzongkhags had made inadmissible payment to various individuals and third parties amounting to Nu.0.434 million as briefly shown in the table below:

Table 1.7 showing Dzongkhags that made inadmissible payments..

Sl. No.	Dzongkhags	Amount (Nu. Million)	Paid to
1.	Haa	0.019	Aum Nim Dem
2.	Haa	0.103	Teachers
3.	Haa	0.100	Dzongkhag officials
4.	Wangduephodrang	0.184	
5.	Wangduephodrang	0.028	
	Total	0.434	

Brief details of the transactions are given below:

A. The Hon'ble Secretary, Ministry of Health & Education had on 2nd October, 2000 issued an office order to stop paying teaching allowances to Aum Nim Dem who was relieved from Ugyen Dorji High School to take up the post of Dzongkhag Education Officer. However, on the contrary the Dzongkhag Administration, Haa had paid the inadmissible Teaching Allowance for 5 months amounting to Nu.0.019 million.

Auditee's response: *The dzongkhag had informed the RAA that the incumbent is being intimated to deposit the amount.*

Who is accountable?: *The responsibility to recover and deposit the inadmissible payment made is fixed on the Senior Finance Officer.*

B. The Finance Section of the Dzongkhag Administration, Haa had admitted three (3) months notice pay to teachers on contractual appointment from India upon repatriation from their services. The agreement clearly states "**Three months notice pay shall be paid by the either party in the event of failure to give the required period of notice**" On the contrary, the Dzongkhag had paid a sum of Nu.0.103 million to three teachers in deviation to this rule. Upon expiry of the contract the said term should not have been invoked.

Auditee's response: *The Dzongkhag had stated that such payment occurred because the rule was not properly comprehended.*

Who is accountable?: *The inadmissible payment made must be recovered and deposited into audit recoveries account. Therefore, accountability for such payment is fixed on the Senior Finance Officer, Dzongkhag Administration, Haa.*

C. Verification of the travel documents pertaining to the Dzongkhag Administration, Haa revealed inadmissible payment of Nu.0.100 million on account of TA/DA & porter charges in deviation to the circular issued by the Ministry of Finance.

Auditee's response: *The Dzongkhag had stated that such payment occurred due to misinterpretation of rules and that the staffs who are paid such amount are notified to deposit the same to the RAA.*

Who is accountable?: *Any ambiguity in the rule should have been got clarified from the competent authority before making any payments related to such an account. Therefore, Senior Finance Officer is held accountable to recover and deposit into audit recoveries account.*

D. The Dzongkhag Administration, Wangduephodrang had made irregular/inadmissible payment amounting to Nu.0.184 million. Summary of such inadmissible payments are as given in the table below:

Table 1.8 showing inadmissible payments made by Wangdue dzongkhag.

Sl. No	Particulars of payment	Payees	Amount (Nu. million)
1.	Carriage charges of personal effects (Maximum side)	Dzongkhag officials while on transfer	0.025
2.	Winter salary for apprentice teachers	Apprentice teachers	0.102
3.	Payment of full DSA for the tour performed less than 12 hours of the journey.	Staff & Officials of the Dzongkhag.	0.036
4.	Payment of TA/DA, no approval with the payment voucher	Dasho Pem L. Dorji	0.021
	Total		0.184

Auditee's response: *With regard to the payment of carriage charges & full DSA in lieu of half DSA, it was submitted that it would be recovered from the concerned payees. On payment of winter salary to apprentice teachers it was submitted that the dzongkhag had not received the circular disallowing such payment, as such it would be difficult to recover from them. With regard to payment of TA/DA to Dasho Pem L. Dorji, former Dzongdag, the RAA is informed that the Dzongkhag had already written to the concerned for clarification & regularization.*

Who is accountable?: *All such irregular/ inadmissible payment must be deposited into audit recoveries account. The Drawing & Disbursing Officer is held accountable to do so since such payments could have controlled from his/her end.*

E. Tshering Wangdi, Taekwondo Coach and Jimba Tshering, Games Teacher both working at Bajo Middle Secondary School were paid daily allowance above their grade entitlement and rate thus resulting into inadmissible payment of Nu.0.028 million.

Auditee's response: *The Dzongkhag Administration, Wangdue had not responded on this matter as of date.*

Who is accountable?: *Amount of inadmissible payment aggregating to Nu.0.028 million must be recovered with commercial interest of 16% p.a. from the concerned teachers and deposited into audit recoveries account. The responsibility to do so is fixed on the Finance Officer since it is a lapse on their part.*

20. Non-production of document - Nu.2.341 million.

A sum of Nu.2.341 million was found paid to the staffs of the civil sector of the Dzongkhag Administration, Haa and to the staff of Bali, Basic Health Unit. In order to cross-check the authenticity of the payment and tours performed, Attendance Registers were sought but the same were not produced.

Auditee's response: *The Dzongkhag Administration, Haa did not precisely respond on the issues noted by audit.*

Who is accountable?: *Non-production of documents especially to cross-check the validity and authenticity of the payments made is a serious offence. Therefore, whole of the amount as worked out by audit must be recovered and deposited into audit recoveries account and the responsibility to do so shall be fixed on Dasho Dzongdag.*

21. Award of work on cut-off point basis - Nu.33.756 million.

The Dzongkhag Tender Committee, Tsirang had awarded 19 works valuing Nu.33.756 million by fixing cut-off point. The works were found awarded to the bidders whose bid value is nearest to the cut-off percentage arbitrarily set up by the tender committee. The value of works ranges from Nu.0.342 million to Nu.6.879 million. The awarding of contract works in such a fashion is not in compliance to the Procurement Manual due to which the government is deprived of the benefit of competitive bidding.

Auditee's response: *The Dzongkhag Administration, Tsirang submitted that prior to the opening of the tender documents, the committee members' fixes a cut-off percentage, which is an average of the percentages, put forth by individual members. It was also stated that they have resorted to this procedure to make the awarding of major works fair.*

Who is accountable?: *Awarding of contract works based on cut-off point is a serious breach of discipline and gross violation of the Procurement Manual. The tender committee members are jointly and collectively held accountable for failure to carry out the roles effectively.*