

## Review Report of the compliance of the Previous Reports.

The Royal Audit Authority (RAA) so far excluding the Annual Audit Report (AAR) 2003 had issued three (3) AARs Viz: AAR 2000, AAR 2001 & AAR 2002.

The status of the report is constantly being followed-up both at the RAA Headquarters and in the field by the audit inspection team. All the previous AARs have been reviewed and accordingly, the RAA is pleased to incorporate the status of those previous AARs in the AAR 2003. Consolidated status is as presented here below:

Status of compliance of AAR 2000, AAR 2001 & AAR 2002 (Nu. in million)

Table 1.1

Sl. No.	Agency	AAR 2000			AAR 2001			AAR 2002			Total			
		Amount reported	Amount settled	Balance unsettled	Amount reported	Amount settled	Balance unsettled	Amount reported	Amount settled	Balance unsettled	Amount reported	Amount settled	Amount unsettled	% of unsettled amount
1	Ministry of Home Affairs	67.89	50.33	17.56	54.09	43.573	10.517	78.11	27.43	50.68	200.09	121.33	78.757	39.36
2	Ministry of Communications	107.54	98.34	9.20	138.88	131.98	6.90	35.61	17.72	17.89	282.03	248.04	33.99	12.05
3	Ministry of Finance	187.18	180.23	6.95				67.40	51.56	15.84	254.58	231.79	22.79	8.95
4	Ministry of Agriculture	26.04	24.203	1.837	1.57	1.44	0.13	18.10	10.857	7.243	45.71	36.50	9.21	20.15
5	Ministry of Trade & Industry	113.02	92.75	20.27	24.91	2.883	22.027	240.87	204.71	36.16	378.8	300.34	78.457	20.71
6	Ministry of Foreign Affairs				40.69	8.85	31.84	3.21	0.00	3.21	43.9	8.85	35.05	79.84
7	Ministry of Health & Edu.	115.00	113.63	1.37	22.67	17.20	5.47	139.27	132.62	6.65	276.94	263.45	13.49	4.87
8	Judiciary	1.03	0.84	0.19				1.52	0.00	1.52	2.55	0.84	1.71	67.06
9	Royal Bhutan Army				20.688	17.531	3.157	1.94	0.00	1.94	22.628	17.53	5.097	22.53
10	Royal Bhutan Police				75.35	73.26	2.09	1.93	0.10	1.83	77.28	73.36	3.92	5.07
11	Royal Body Guard							0.65	0.33	0.32	0.65	0.33	0.32	49.23
12	Autonomous agencies	19.16	18.461	0.699	100.46	93.12	7.34	6.51	1.18	5.33	126.13	112.76	13.37	10.60
13	Royal Mon. Authority	130.97	130.96	0.01							130.97	130.96	0.01	0.008
14	Royal Ins. Corp. of Bhutan	161.52	0.76	160.76							161.52	0.76	160.76	99.53
15	State Trading Corp. of Bhutan	57.83	0.00	57.83							57.83	0.00	57.83	100.00
16	Bhutan National Bank							2.15	0.10	2.05	2.15	0.10	2.05	95.35
17	Tala Hydro Projects	73.97	64.29	9.68							73.97	64.29	9.68	13.09
18	Dungsum Cement Project	33.40	33.40	0.00							33.4	33.40	0.00	0.00
19	Druk Air Corporation							0.34	0.00	0.34	0.34	0.00	0.34	100.00
20	Penden Cement Authority							8.44	0.00	8.44	8.44	0.00	8.44	100.00
21	Druk Seed Corporation							16.99	14.68	2.31	16.99	14.68	2.31	13.60
22	Food Corporation of Bhutan							5.53	2.60	2.93	5.53	2.60	2.93	52.98
23	Forestry Dev. Corporation				56.747	0.597	56.15	8.05	1.34	6.71	64.797	1.937	62.86	97.01
24	Handicraft Dev. Corporation							1.26	0.59	0.67	1.26	0.59	0.67	53.17
25	Bhutan Board Products Ltd.				176.51	116.82	59.69				176.51	116.82	59.69	33.82
26	Army Welfare Project				20.43	0	20.43				20.43	0.00	20.43	100.00
27	Bhutan Post				60.50	56.29	4.21				60.5	56.29	4.21	6.96
28	BBSC				15.93	15.33	0.60				15.93	15.33	0.60	3.77
	<b>Total</b>	<b>1094.55</b>	<b>808.19</b>	<b>286.36</b>	<b>809.42</b>	<b>578.87</b>	<b>230.55</b>	<b>637.88</b>	<b>465.82</b>	<b>172.06</b>	<b>2541.85</b>	<b>1852.88</b>	<b>689.0</b>	<b>27.11</b>

Either not audited or observation not significant enough to incorporate in AAR

More than two years have elapsed since the first AAR 2000 was released by this authority. It was expected that at least the issue raised in this report would have been resolved by now. However, our review revealed otherwise.

None of the government agencies have fully resolved the issues brought to their attention. Yet the overall scenario of three AARs put together the government agencies including Armed Forces & Judiciary comparatively has better compliance than the corporations. However, the Royal Monetary Authority (RMA) is found to be an exception, which had resolved all the pending unresolved issues.

Considering the amount settled or amount unsettled as a yardstick to measure accountability, transparency and efficiency the then Ministry of Health & Education could be commended for it has only 4.87% of the issues yet to be resolved, followed by the Royal Bhutan Police with 5.07 % and Ministry of Communications with 12.05 %. The Ministry of Foreign Affairs, Judiciary & Royal Body Guard on other hand has about 79.84 %, 67.06% and 49.23% respectively to close the chapter.

It is dismaying to note that corporations such as State Trading Corporation of Bhutan Limited, Druk Air Corporation, Penden Cement Authority and Army Welfare Project had never taken actions on the AARs issued so far. On the other hand the RMA, Bhutan Broadcasting Service Corporation and Bhutan Post do deserve our commendation for their prompt actions had resolved the audit issues substantially.

The RAA would like to inform that till satisfactory action all issues raised in our reports will continue to be pursued. We shall now present the year wise reviews hereafter.

## Review of Annual Audit Report 2000

The AAR 2000 was the first of its kind. In the overall scenario the report has only about 26.16% of its observation yet to be resolved fully. There is no improvement in the State Trading Corporation of Bhutan Limited as no actions were reported taken so far. The Royal Insurance Corporation of Bhutan with 99.53 % of the issues yet to be resolved is not any better.

### Ministry of Home Affairs AAR 2000

Sl.No.	Nature of observation	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Excess Payments	3.73	2.36	1.37
2.	Misappropriation	2.11	1.93	0.18
3.	Outstanding advance	45.80	42.07	3.73
4.	Outstanding Revenue	1.09	0.90	0.19
5.	Irregular payments	3.12	3.07	0.05
6.	Award of work on cut off points	12.04	0.00	12.04
	<b>Total</b>	<b>67.89</b>	<b>50.33</b>	<b>17.56</b>

The Ministry of Home Affairs made adjustment/recovery of 74.13 % with a balance of Nu.17.56 million. Action taken report on the award of work on cut off points and outstanding advances are the more significant.

#### Ministry of Finance AAR 2000

Sl. No.	Nature of observation	Nu. in million.		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Excess payments	0.65	0.62	0.03
2.	Irregular payments	1.91	0.00	1.91
3.	Misappropriation	0.18	0.00	0.18
4.	Outstanding revenue	82.90	78.07	4.83
5.	Outstanding advances	100.76	100.76	0.00
6.	Loss of revenue	0.78	0.78	0.00
	<b>Total</b>	<b>187.18</b>	<b>180.23</b>	<b>6.95</b>

The current balance of the Ministry of Finance stands at Nu. 6.95 million after the adjustment/recovery of more than 96.29%. Efforts of the DRC were appreciated to resolve pending revenue issues, most of which pertained to ineffective control periods earlier to the year 2000. Still a substantial amount of outstanding revenue is yet to be recovered and deposited in the Audit Recoveries Account. Since revenue unaccounted is viewed a serious offence, efforts must be made to clear the issue at the earliest.

#### Ministry of Health & Educations AAR 2000

Sl. No.	Nature of observation	Nu. in million.		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Excess expenditure	0.363	0.34	0.02
2.	Irregular payment	5.25	4.16	1.09
3.	Outstanding revenue	0.49	0.23	0.26
4.	Outstanding advance	100.9	100.90	0.00
5.	Uneconomic purchases	8.00	8.00	0.00
	<b>Total</b>	<b>115.00</b>	<b>113.63</b>	<b>1.37</b>

The Ministry of Health and Education has made significant adjustment/recovery of more than 98.81 % thereby leaving a balance of Nu. 1.37 million. The RAA appreciated the dedicated efforts made by the accountable officials of the concerned Ministry.

#### Ministry of Communications AAR 2000

Sl. No.	Nature of observation	Nu. in million.		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Irregular payment	17.42	17.30	0.12
2.	Excess payment	4.42	4.42	0.00
3.	Outstanding advance	39.17	37.57	1.60
4.	Outstanding revenue	9.83	6.26	3.57
5.	Tendering losses	8.6	7.87	0.73
6.	Loss of revenue	11.34	9.06	2.28
7.	Award of work on work order	3.72	3.72	0.00
8.	Irregular purchases	10.67	9.90	0.77
9.	Govt. property issued to private	0.97	0.84	0.13
10.	Non accountal of stocks	0.2	0.20	0.00
11.	Misutilisation of budget	1.2	1.2	0.00
	<b>Total</b>	<b>107.54</b>	<b>98.34</b>	<b>9.20</b>

The present status of the figure remains at Nu. 9.20 million after the adjustment/recovery of more than 91.45 %. While the Ministry had made a commendable effort, yet the critical area of revenue and advances need its further effort.

#### Ministry of Trade & Industry AAR 2000

Sl. No.	Nature of observation	Nu. in million.		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Irregular payment	0.45	0.45	0.00
2.	Misappropriation	0.26	0.13	0.13
3.	Outstanding advance	102.95	90.05	12.90
4.	Outstanding revenue	7.05	0.72	6.33
5.	Loss of revenue	1.40	1.40	0.00
6.	Non-accountal of stock	0.91	0.00	0.91
	<b>Total</b>	<b>113.02</b>	<b>92.75</b>	<b>20.27</b>

The current amount yet to be recovered/adjusted for the Ministry of Trade and Industry stands at Nu. 20.27 million with 82.07 % adjusted/ recovered. The RAA urges further effort be made to account the advances and revenue, which are lying, unsettled for several years.

#### Ministry of Agriculture AAR 2000

Sl. No.	Nature of Observation	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Excess Payments	0.58	0.22	0.36
2.	Losses due to tendering and procurement lapses	0.42	0.42	0.00
3.	Outstanding Advance	13.09	12.23	0.86
4.	Misappropriation	0.12	0.12	0.00
5.	Outstanding revenue	0.53	0.46	0.07
6.	Irregular Payment	1.83	1.66	0.17
7.	Wasteful expenditure	2.46	2.46	0.00
8.	Award of work without inviting tenders/quotations	7.01	6.633	0.377
	<b>Total</b>	<b>26.04</b>	<b>24.203</b>	<b>1.837</b>

The Ministry of Agriculture has made significant adjustment/ recovery of 92.95 % leaving a balance of Nu. 1.837 million. The RAA commends the Ministry in its efforts to clear almost all the issues.

#### Autonomous & Independent agencies AAR 2000

Sl. No.	Nature of observation	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Excess payment	0.28	0.28	0.00
2.	Tendering and procurement lapses/irregular purchases	0.61	0.61	0.00
3.	Outstanding advance	13.05	12.351	0.699
4.	Outstanding revenue	5.22	5.22	0.00
	<b>Total</b>	<b>19.16</b>	<b>18.461</b>	<b>0.699</b>

The Autonomous and Independent agencies include National Assembly Secretariat, Cabinet Secretariat, NCCA, RCSC, NWAB, National Museum, and the Institute of Zorig Chusum. A balance of Nu. 0.699 million yet to be recovered with 96.35% of the total amount adjusted/recovered. The outstanding advance of Nu. 0.699 million have to be recovered from NWAB & National Museum. The RAA would like to commend the other autonomous agencies for their efforts to clear all the issues.

#### Judiciary AAR 2000

Sl. No.	Nature of observation	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Irregular payment of residential telephone bills	0.39	0.20	0.19
2.	Outstanding revenue	0.64	0.64	0.00
	<b>Total</b>	<b>1.03</b>	<b>0.84</b>	<b>0.19</b>

The balance amount of Nu. 0.19 million needs to be accounted with 18.55% adjusted/recovered of the total amount.

#### Dungsum Cement Project AAR 2000

Sl. No.	Nature of observation	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Outstanding revenue	0.48	0.48	0.00
2.	Outstanding advance	7.42	7.42	0.00
3.	Excess payment	0.27	0.27	0.00
4.	Non-accountal of stock	0.17	0.17	0.00
5.	Wasteful expenditure	24.95	24.95	0.00
6.	Non-levy of liquidated damages	0.11	0.11	0.00
	<b>Total</b>	<b>33.40</b>	<b>33.40</b>	<b>0.00</b>

Dungsum Cement Project has adjusted/ recovered 100% of the issues/observation that were reflected in the AAR 2000.

#### Tala Hydroelectric Project Authority AAR 2000

Sl. No.	Nature of observation	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Irregular payment	43.34	43.34	0.00
2.	Excess payment	20.52	20.52	0.00
3.	Recoverable amount from contractor	9.68	0.00	9.68
4.	Non-levy of liquidated damages	0.43	0.43	0.00
	<b>Total</b>	<b>73.97</b>	<b>64.29</b>	<b>9.68</b>

Tala Hydroelectric Project Authority made a significant adjustment/recovery of more than 86.91 % leaving a balance of Nu. 9.68 million. The RAA appreciates the positive understanding of the management in resolving the issues and significant improvements introduced in the management of the project.

## Financial Institutions AAR 2000

Sl. No.	Nature of observation	Nu. in million			Agency
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04	
1.	Contract awarded based on cut-off points	47.81	0.00	47.81	RICB
2.	Irregular award of work	61.00	0.00	61.00	RICB
3.	Uneconomic purchase	6.50	0.10	6.40	RICB
4.	Loss due to purchase made from unauthorised suppliers	0.36	0.00	0.36	STCB
5.	Non-realisation of sale proceeds	0.85	0.00	0.85	STCB
6.	Irregular payment of bonus to contractors	0.125	0.00	0.125	RICB
7.	Irregular payment of advances	7.70	0.00	7.70	RICB
8.	Irregular payment of Insurance claim	5.00	0.00	5.00	RICB
9.	Irregular payment of donations	0.090	0.00	0.093	RICB
10.	Other irregular payments	1.08	0.174	0.906	RICB
11.	Works executed without inviting tenders	11.85	0.00	11.85	RICB
12.	Outstanding advances against contractors	18.94	0.00	18.94	RICB
13.	Excess payment	7.66	6.15	1.51	RICB/ RMA/ STCB
14.	Non- accountal of stocks	4.201	0.431	3.77	RICB/ RMA/ STCB
15.	Irregular sale of vehicles	0.087	0.00	0.087	RICB
16.	Execution of substandard works	0.77	0.77	0.00	RMA
17.	Wasteful expenditure	3.879	3.879	0.00	RMA
18.	Monetary policy failure	112.50	112.50	0.00	RMA
19.	Irregular payment of deferential interest	7.71	7.71	0.00	RMA
20.	Avoidable expenditure	3.8	0.00	3.80	STCB
21.	Physical verification of stocks	48.4	0.00	48.40	STCB
	<b>TOTAL</b>	<b>350.312</b>	<b>131.714</b>	<b>218.598</b>	

The Financial Institutions comprises of RICB with a balance of Nu. 160.76 million from a total of Nu. 161.52 million reported, RMA with a balance of only Nu. 0.01 million from the total of Nu.130.97 million reported. The balance of STCB remains same at Nu.57.83 million.

The figure of STCB remains same as was reported at Nu. 57.83 million. The accountability, efficiency and effectiveness is better off in corporate culture appear belied judging from the rate of compliance to the Annual Audit Report 2000.

## Review of Annual Audit Report 2001

This is the second Annual Audit Report released by the Royal Audit Authority in sequel to the AAR 2000.

Among the government ministries, as of date the Ministry of Trade & Industry, Ministry of Foreign Affairs and the Ministry of Health & Education have the highest amount of issues to be resolved with 88.43%, 78.25% and 24.13% respectively.

Apart from the government agencies the Army Welfare Project had not attended/ responded to any of the issues incorporated in the Annual Audit Report 2001. The Bhutan Board Products Limited has about 34% to be resolved fully.

In the overall scenario the report has more than 28.48% of the issues further to be resolved.

**Ministry of Health & Education AAR 2001**

Sl. No.	Nature of observation	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as on 05.03.04
1.	Outstanding Advances	13.98	8.51	5.47
2.	Excess Payments	0.21	0.21	0.00
3.	Wrong booking of expenditure	2.41	2.41	0.00
4.	Non accountal of stocks	0.23	0.23	0.00
5.	Double booking of expenditure	0.29	0.29	0.00
6.	Unconfirmed advance released by GOI Project, Thimphu	0.55	0.55	0.00
7.	Non reconciliation of advances paid to suppliers and the materials received.	5.00	5.00	0.00
	<b>Total</b>	<b>22.67</b>	<b>17.20</b>	<b>5.47</b>

The Ministry of Health and Education made adjustment/ recovery of 75.87 %, leaving a total balance of Nu 5.47 million of outstanding advance to be accounted for.

**Ministry of Trade & Industry AAR 2001**

Sl. No	Nature of Observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Outstanding Revenue	8.01	2.016	5.994
2.	Outstanding Advances	12.19	0.867	11.323
3.	Wasteful expenditure	3.93	0.00	3.93
4.	Loss of stock	0.78	0.00	0.78
	<b>Total</b>	<b>24.91</b>	<b>2.883</b>	<b>22.027</b>

The Ministry of Trade and Industry has a significant balance of Nu. 22.027 million with 11.57 % adjusted or recovered. The RAA urges the Ministry to take efficient action on the settlement of the outstanding advance in particular to avoid penal actions.

**Ministry of Agriculture AAR 2001**

Sl.No	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Excess payment	0.12	0.00	0.12
2.	Outstanding revenue	0.94	0.925	0.015
3.	Non-accountal of stores	0.29	0.29	0.00
4.	Irregular payment.	0.22	0.22	0.00
	<b>Total</b>	<b>1.57</b>	<b>1.44</b>	<b>0.13</b>

The current balance of the Ministry of Agriculture is Nu 0.13 million with 91.72% of the total amount adjusted/recovered. The RAA would further encourage the Ministry for total compliance given the excellent track record.

**Ministry of Communications AAR 2001**

Sl.No	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ Adjusted	Balance amount as of 05.03.04
1.	Irregular contract management	12.44	12.44	0.00
2.	Loss arising from non-enforcement of contract clauses	4.50	2.03	2.47
3.	Outstanding Advances	20.75	20.56	0.19
4.	Outstanding Revenue	61.41	58.75	2.66
5.	Loss due to idle machinery	8.00	8.00	0.00
6.	Poor cost benefit analysis-a huge expenditure	20.00	20.00	0.00
7.	Unreconcilable hire charges	2.18	2.18	0.00
8.	Wasteful expenditure	1.30	1.30	0.00
9.	Lack of budgetary discipline	1.47	0.40	1.07
10.	Irregular payments to contractors	2.83	2.32	0.51
11.	Materials management : a need for improvement	4.00	4.00	0.00
	<b>Total</b>	<b>138.88</b>	<b>131.98</b>	<b>6.90</b>

The Ministry of Communications after adjustment/recovery of more than 95.03 % has a balance of Nu. 6.90 million. The Ministry is encouraged for total compliance.

**Ministry of Home Affairs AAR 2001**

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Irregular award of work on contract	8.73	8.73	0.00
2.	Excess payments	3.11	2.59	0.52
3.	Non-enforcement of contract clauses	1.77	0.00	1.77
4.	Outstanding revenue	0.77	0.67	0.10
5.	Misutilization of revenue/ funds collected	0.10	0.033	0.067
6.	Outstanding advances	39.47	31.45	8.02
7.	Non-accountal of stock	0.06	0.04	0.02
8.	Unauthorised issue of cement to private parties	0.08	0.06	0.02
	<b>Total</b>	<b>54.09</b>	<b>43.573</b>	<b>10.517</b>

The present status of the Ministry of Home Affairs stands at Nu 10.517 million after the adjustment/recovery of 80.56% of the total amount. The RAA finds that the Ministry will require continuous efforts to be made for attaining total compliance.

### Ministry of Foreign Affairs AAR 2001

Sl. No.	Observations	Nu. in million							Amount reflected	Amt. Recovered	Balance as on 05.03.04
		MoFA HQR.	PMB Geneva	PMB New York	RBE Dhaka	RBE Delhi	RBE Kuwait				
1.	Double/ Over Payment	0.81	-	-	-	-	-	-	0.81	0.00	0.81
2.	Outstanding advance	8.80	5.66*1	3.65	3.00	3.36	0.20		24.67	3.00	21.67
3.	Irregularities in cash closing balance	0.19	-	-	-	-	-		0.19	0.00	0.19
4.	Payment made without supporting bills	0.70	-	-	-	-	0.59		1.29	0.00	1.29
5.	Missing of disbursement vouchers	1.25	5.41	-	-	-	-		6.66	5.41	1.25
6.	Irregularities in travels abroad	0.63	-	-	-	-	-		0.63	0.00	0.63
7.	Irregular payment	2.72	0.33	-	-	0.12	-		3.17	0.00	3.17
8.	Non-accountal of Visa fee	0.28	-	-	-	-	-		0.28	0.28	0.00
9.	Non-production of quotation document	-	-	-	-	-	0.26		0.26	0.00	0.26
10.	Non remittance of statutory deductions	-	0.76*2	-	-	-	0.11		0.87	0.00	0.87
11.	Non accountal of furniture/ equipment	-	1.70	-	-	0.10	-		1.80	0.10	1.70
12.	Non recording of advances in the sub-ledger	-	-	-	-	0.06	-		0.06	0.06	0.00
	<b>Grand Total</b>	<b>15.38</b>	<b>13.86</b>	<b>3.65</b>	<b>3.00</b>	<b>3.64</b>	<b>1.16</b>		<b>40.69</b>	<b>8.85</b>	<b>31.84</b>

\*1=SFR 469339.93@ Nu 12.05 Conversion error

\*2=SFR 47976.50 @ Nu 46.33 Conversion error

The Ministry of Foreign Affairs has a balance of Nu. 31.84 million with 21.75 % of the total amount adjusted/recovered. The outstanding advances need the immediate attention. The missing disbursement vouchers of Nu. 1.25 million requires special attention.

### Bhutan Broadcasting Corporation AAR 2001

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Debtors Management	1.67	1.07	0.6
2.	Outstanding advance	13.58	13.59	0.00
3.	Non-accountal of money	0.47	0.47	0.00
4.	Excess payment	0.21	0.21	0.00
	<b>Total</b>	<b>15.93</b>	<b>15.33</b>	<b>0.60</b>

BBS has a balance of Nu 0.60 million after the adjustment/recovery of more than 96.23 %.

### Army Welfare Project (AWP) AAR 2001

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Loss due to acceptance of rectified spirit below specifications.	0.17	0.00	0.17
2.	Commission paid not commensurate with sales generated	0.35	0.00	0.35
3.	Misappropriation	1.00	0.00	1.00
4.	Receipt of contaminated rectified spirit by	3.15	0.00	3.15

	Gelephu Distillery			
5.	Procurement of drugs and chemicals without inviting quotations	1.46	0.00	1.46
6.	Credit Policy: need for review	14.30	0.00	14.30
	<b>Total</b>	<b>20.43</b>	<b>0.00</b>	<b>20.43</b>

The current balance of AWP remains the same as reported with Nu. 20.43 million to be adjusted/recovered.

#### Bhutan Board Products Limited AAR 2001

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered /adjusted	Balance amount as of 05.03.04
1.	Idle/obsolete items of inventory	7.78	4.481	3.299
2.	Shortages of raw /finished boards financial loss	40.31	18.78	21.53
3.	Loss due to improper procurement practices	5.48	0.00	5.48
4.	Irregular payments of retirement benefits	0.81	0.00	0.81
5.	Work awarded without inviting tenders	69.74	69.74	0.00
6.	Purchase of spare parts for bulldozer	0.298	0.00	0.298
7.	Work awarded to non-licensed contractor	7.30	7.30	0.00
8.	Purchase made without quotation	11.00	11.00	0.00
9.	Avoidable expenditure	1.21	0.00	1.21
10.	Loss arising for purchase of chemical from a single source	6.93	0.00	6.93
11.	Excess payment	0.21	0.03	0.18
12.	Un-reconciled balance	14.57	0.00	14.57
13.	Hiring of private vehicle and irregularities thereof.	0.84	0.277	0.563
14.	Non-accountal of stock	0.33	0.11	0.22
15.	Outstanding advances	9.70	5.10	4.60
	<b>Total</b>	<b>176.508</b>	<b>116.818</b>	<b>59.69</b>

The current balance of BBPL remains at Nu 59.69 million with 66.18 % of the total amount adjusted/ recovered.

#### Bhutan Post AAR 2001

Sl. No.	Nature of observation	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Outstanding advances	14.53	10.32	4.21
2.	Outstanding revenue	3.50	3.50	0.00
3.	Slow moving stocks	28.88	28.88	0.00
4.	Outstanding international mail revenue	13.59	13.59	0.00
	<b>Total</b>	<b>60.50</b>	<b>56.29</b>	<b>4.21</b>

The current balance of Bhutan Post stands at Nu. 4.21 million with 93.04% adjusted/recovered.

#### Royal Bhutan Army AAR 2001

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Purchase of uniform materials without inviting quotations	5.16	5.16	0.00
2.	Purchase of materials in excess of actual requirement resulting in blockade of funds.	1.93	1.32	0.61
3.	Non-deduction of tax from suppliers	0.77	0.00	0.77
4.	Non-accountal of stock	1.016	0.390	0.626
5.	Payment without supporting bills	0.152	0.101	0.051

6.	Estimates:was it unrealistic?	2.6	2.6	0.00
7.	Award of work without floating open tender	7.735	7.735	0.00
8.	Irregular exemption of import duty	1.10	0.00	1.10
9.	Urgent purchases: an excuse to purchase materials without observing purchase formalities	0.225	0.225	0.00
	<b>Total</b>	<b>20.688</b>	<b>17.531</b>	<b>3.157</b>

The Royal Bhutan Army had made adjustment/recovery of 84.74 % leaving a balance of Nu.3.157 million. Efforts made by the present management is noteworthy in audit.

#### Royal Bhutan Police AAR 2001

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Award of contracts on cut off point basis	70.58	70.58	0.00
2.	Procurement of Ammunition boots on negotiation	1.69	1.69	0.00
3.	Purchase without floating tenders	0.99	0.99	0.00
4.	Loss arising from purchases made from other than the lowest bidder	2.09	0.00	2.09
	<b>Total</b>	<b>75.35</b>	<b>73.26</b>	<b>2.09</b>

The Royal Bhutan Police has a balance of Nu 2.09 million with 97.23 % adjusted/ recovered. Efforts made have been noTable.

#### Autonomous Agencies AAR 2001

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Injudicious expenditure	1.5	0.00	1.5
2.	Excess payment	0.73	0.51	0.22
3.	Outstanding advances	25.4	24.53	0.87
4.	Purchases made from other than the lowest bidder	4.00	4.00	0.00
5.	Purchases made without inviting quotations/tenders	1.40	0.96	0.44
6.	Wasteful expenditure	0.20	0.20	0.00
7.	Execution of extra works without prior approval	11.5	11.50	0.00
8.	Non-enforcement of contract clauses	2.7	0.00	2.70
9.	Irregular award of contract	46.0	46.00	0.00
10.	Outstanding Revenue	4.2	4.19	0.01
11.	Non accountal of cash	0.03	0.03	0.00
12.	Irregular payment	1.2	1.20	0.00
13.	Outstanding loan	1.6	0.00	1.60
	<b>Total</b>	<b>100.46</b>	<b>93.12</b>	<b>7.34</b>

The Autonomous agencies include NCCA, Royal Bhutan Polytechnic, Institute of Zorig Chusum, BOC, RTI, RIM, NDTI, DDC, and NWAB. The total balance to be recovered stands at 7.34 million with 92.70% adjusted/recovered. Efforts made are found noTable, all observations in particular the issue of outstanding loan of 1.60 million must be resolved at the earliest.

## Forestry Development Corporation Limited AAR 2001

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Excess payment	1.52	0.247	1.273
2.	Payment on behalf of contractors	0.135	0.00	1.135
3.	Award of work without approval	0.054	0.044	0.01
4.	Irregular Payment of advances	2.598	0.00	2.598
5.	Booking of fictitious expenditure	0.62	0.00	0.62
6.	Shortage of timber stock	1.43	0.00	1.43
7.	Fictitious muster roll payment	1.12	0.00	1.12
8.	Booking of expenditure through manipulation	0.32	0.00	0.32
9.	Irregular booking of depreciation	0.11	0.00	0.11
10.	Irregular increase in logging rates	0.11	0.00	0.11
11.	Direct allotment of contract for production	20.70	0.00	20.70
12.	Misappropriation	0.905	0.00	0.905
13.	Payment without supporting documents	1.922	0.00	1.922
14.	Negotiated sale of timber	23.32	0.00	23.32
15.	Fictitious payment	0.72	0.00	0.72
16.	Non realization of bills	1.163	0.306	0.857
	<b>Total</b>	<b>56.747</b>	<b>0.597</b>	<b>56.15</b>

The FDCL which had a significant balance of Nu 56.15 million with adjustment/recovery of 1.1% of the total amount is far from satisfactory.

## Review of Annual Audit Report 2002

The status of AAR 2002 is not very comfortable. Agencies such as the Ministry of Foreign Affairs, Judiciary, Royal Bhutan Army, Druk Air Corporation and Penden Cement, have none of the issues attended to. All have 100% of the issues to be resolved.

The situation of the Bhutan National Bank, Royal Bhutan Police, Forestry Development Corporation Ltd, Food Corporation of Bhutan and Autonomous agencies with 95.35%, 94.82%, 83.35%, 52.98% and 81.87% of the issues pending respectively are not the most favourable.

At the middle of the scale are the Ministry of Home Affairs, the then Ministry of Communications, Royal Body Guard, with 64.88%, 50.24%, 49.23%, respectively.

The then Ministry of Health & Education, Ministry of Trade and Industry, Ministry of Agriculture, Ministry of Finance and the Druk Seed Corporation should be commended for it has resolved more than 95%, 84%, 60%, 76% and 86% of the issues.

**Ministry of Trade and Industry AAR 2002**

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Outstanding Advance.	128.43	100.57	27.86
2.	Purchases without approval.	25.33	25.33	0.00
3.	Energy Losses.	16.69	16.69	0.00
4.	Wasteful expenditure.	13.13	13.13	0.00
5.	Payment against defective materials.	10.00	10.00	0.00
6.	Outstanding revenue.	9.30	1.71	5.59
7.	Loss due to non-inclusion of penalty clauses.	7.16	7.16	0.00
8.	Loss of Revenue.	7.06	6.86	0.20
9.	Avoidable purchase.	5.87	5.87	0.00
10.	Non-levy of liquidated damages.	5.40	4.89	0.51
11.	Excess payment.	4.63	4.63	0.00
12.	Bad Debts.	4.26	4.26	0.00
13.	Recoverable amount.	2.39	2.39	0.00
14.	Award of work to contractors without valid license.	0.79	0.79	0.00
15.	Non-enforcement of contract terms.	0.31	0.31	0.00
16.	Non-deduction of Tax.	0.12	0.12	0.00
	<b>Total</b>	<b>240.87</b>	<b>204.71</b>	<b>36.16</b>

The Ministry of Trade and Industry has a balance of Nu. 36.16 million with 84.99 % of the total amount recovered or adjusted. Special efforts must be made for the accounting of the outstanding advances and the revenue. The performance by category is being found noteworthy.

**Ministry of Health and Education AAR 2002**

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Outstanding advance.	138.48	132.33	6.15
2.	Non-deduction of taxes.	0.25	0.01	0.24
3.	Excess payment.	0.21	0.11	0.10
4.	Shortage of materials.	0.12	0.09	0.03
5.	Wrong booking of expenditure.	0.13	0.00	0.13
6.	Irregular/inadmissible payment.	0.08	0.08	0.00
	<b>Total</b>	<b>139.27</b>	<b>132.62</b>	<b>6.65</b>

The Ministry of Health and Education made significant recoveries /adjustment of 95.23% leaving a balance of Nu 6.65 million. The Ministry is being appreciated for its full cooperation and effort to resolve the issues fully.

**Ministry of Agriculture AAR 2002**

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Outstanding Advance.	14.92	9.09	5.83
2.	Procurement without tender.	0.02	0.00	0.02
3.	Payment without measurement.	1.01	0.02	0.99
4.	Irregular/inadmissible payment.	0.62	0.257	0.363
5.	Non-accountal of advances.	0.37	0.37	0.00
6.	Others.	0.28	0.27	0.01
7.	Irregular booking of Expenditure.	0.27	0.26	0.01
8.	Loss due to unauthorized reduction in selling rate of timber.	0.19	0.19	0.00

9.	Payment for works not executed.	0.12	0.10	0.02
10.	Irregular Diversion of fund.	0.11	0.11	0.00
11.	Excess payment.	0.07	0.07	0.00
12.	Avoidable payment.	0.06	0.06	0.00
13.	Misappropriation.	0.04	0.04	0.00
14.	Non-deductions of taxes.	0.02	0.02	0.00
	<b>Total</b>	<b>18.10</b>	<b>10.857</b>	<b>7.243</b>

The present balance of the Ministry of Agriculture remains at Nu 7.243 with 60 % of the total amount recovered or adjusted.

#### Ministry of Foreign Affairs AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Irregular/inadmissible payment	0.91	0.00	0.91
2.	Non-accountal of materials/gift items	0.69	0.00	0.69
3.	Non-recording of advances	0.66	0.00	0.66
4.	Irregular payment towards hospitality & entertainment	0.39	0.00	0.39
5.	Non-deduction of statutory liabilities	0.38	0.00	0.38
6.	Over payment	0.10	0.00	0.10
7.	Overstatement of outstanding advances	0.08	0.00	0.08
8.	Non-deposit of hard currency into govt. account	0.00	0.00	0.00
	<b>Total</b>	<b>3.21</b>	<b>0.00</b>	<b>3.21</b>

The balance of the Ministry of Foreign Affairs remains the same at Nu 3.21 million with no recoveries/adjustments.

#### Ministry of Communications AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount Recovered/adjusted	Balance amount as of 05.03.04
1.	Extra & wasteful Expenditure.	19.16	16.88	2.28
2.	Outstanding Revenue.	11.35	0.02	11.33
3.	Outstanding advances.	2.04	0.26	1.78
4.	Loss of Revenue.	1.15	0.00	1.15
5.	Unsatisfactory execution of works/use of materials against specification.	0.73	0.00	0.73
6.	Misappropriation.	0.48	0.48	0.00
7.	Outstanding hire charges.	0.30	0.00	0.30
8.	Non-levying of liquidated damages.	0.19	0.00	0.19
9.	Double payment to the contractor.	0.13	0.00	0.13
10.	Inadmissible payment.	0.08	0.08	0.00
	<b>Total</b>	<b>35.61</b>	<b>17.72</b>	<b>17.89</b>

The Ministry of Communications recovered/adjusted almost 50% of the total amount, leaving a balance of Nu 17.89 million.

**Ministry of Home Affairs AAR 2002**

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Outstanding advance.	52.52*	25.55	26.97
2.	Procurement without tendering.	16.48**	0.00	16.48
3.	Award of work in deviation to rules- loss to the exchequer.	2.79	0.00	2.79
4.	Irregular/Inadmissible payment.	2.10***	1.03	1.07
5.	Non-levying of liquidated damages.	1.29	0.05	1.24
6.	Excess/double/over payment.	1.16	0.355	0.805
7.	Outstanding Revenue.	0.93	0.137	0.793
8.	Non-deduction of taxes.	0.30	0.044	0.256
9.	Payment for works not executed.	0.27	0.15	0.12
10.	Misuse of revenue collection.	0.13	0.11	0.02
11.	Shortages of stores.	0.10	0.00	0.10
12.	Irregular Booking of advances.	0.04	0.00	0.04
	<b>Total</b>	<b>78.11</b>	<b>27.43</b>	<b>50.68</b>

\* Figures have been corrected as 52.52 million from 50.03 million.

\*\* Nu. 6.46 million transferred from Ministry of Agriculture for SEZAP activities executed by the Dzongkhags

\*\*\* Nu 0.38 million transferred from Ministry of Agriculture for SEZAP activities executed by the Dzongkhags

The Ministry of Home Affairs made a recovery of 35.12 % leaving a balance of Nu 50.68 million.

**Ministry of Finance AAR 2002**

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Outstanding tax/revenue/rental.	60.20	49.64	10.56
2.	Outstanding Advance.	4.32	0.07	4.25
3.	Avoidable expenditure.	1.06	1.06	0.00
4.	Misuse of revenue.	0.92	0.00	0.92
5.	Fictitious Expenditure claimed as tax deductible expenses.	0.36	0.27	0.09
6.	Non-imposition of penal interest.	0.29	0.29	0.00
7.	Under-assessment of Corporate Income Tax.	0.13	0.13	0.00
8.	Outstanding credit sales.	0.09	0.09	0.00
9.	Overpayment.	0.03	0.01	0.02
	<b>Total</b>	<b>67.40</b>	<b>51.56</b>	<b>15.84</b>

The Ministry of Finance has a balance of Nu 15.84 million after 76.50% of the total amount has been recovered/adjusted.

## Corporations AAR 2002

### I. Forestry Development Corporation Limited AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Direct award of construction works.	6.31	0.00	6.31
2.	Misappropriation of Cash.	1.18	1.18	0.00
3.	Inadmissible payment.	0.23	0.13	0.10
4.	Shortage of materials.	0.18	0.00	0.18
5.	Excess payment.	0.12	0.00	0.12
6.	Payment of Fictitious bills.	0.02	0.02	0.00
7.	Non-levying of penalty/liquidated damages.	0.01	0.01	0.00
	<b>Total</b>	<b>8.05</b>	<b>1.34</b>	<b>6.71</b>

The FDCL had made a recovery of only 16.65% of the total amount leaving a balance of Nu 6.71 million.

### II. Food Corporation of Bhutan AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Outstanding Loans and advances.	2.85	0.42	2.43
2.	Purchases without quotation.	2.14	2.14	0.00
3.	Inadmissible payment.	0.37	0.00	0.37
4.	Recoverable amount from suppliers/transporters.	0.13	0.00	0.13
5.	Irregular payment.	0.04	0.04	0.00
	<b>Total</b>	<b>5.53</b>	<b>2.60</b>	<b>2.93</b>

The balance amount of FCB remains at Nu. 2.93 million with 47.02% of recovery made.

### III. Druk Seed Corporation AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Outstanding Sundry Debtors.	10.61	8.34	2.27
2.	An alarming production expenses than output generated.	6.02	0.00	6.02
3.	Acceptance of poor quality seeds.	0.20	0.20	0.00
4.	Irregular/inadmissible payment.	0.08	0.05	0.03
5.	Non-deduction of taxes.	0.05	0.05	0.00
6.	Non-accountal/Short accountal.	0.03	0.02	0.01
	<b>Total</b>	<b>16.99</b>	<b>14.68</b>	<b>2.31</b>

The Druk Seed Corporation has made a recovery of 86.40 % leaving a balance of Nu. 2.31 million.

**IV. Handicraft Development Corporation AAR 2002**

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Slow moving/Non-moving Stocks.	1.26	0.59	0.67
	<b>Total</b>	<b>1.26</b>	<b>0.59</b>	<b>0.67</b>

The Handicraft Development Corporation made a recovery of 46.82 % of the total amount with a balance of Nu 0.67 million.

**V. Bhutan National Bank AAR 2002**

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Award of work/supplies without quotation.	2.05	0.00	2.05
2.	Irregular payment.	0.10	0.10	0.00
	<b>Total</b>	<b>2.15</b>	<b>0.10</b>	<b>2.05</b>

The Bhutan National Bank made a recovery of 4.65 % of the total amount leaving a balance of Nu 2.05 million

**VI. Druk Air Corporation AAR 2002**

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Inadmissible payment	0.18	0.00	0.18
2.	Excess payment	0.16	0.00	0.16
	<b>Total</b>	<b>0.34</b>	<b>0.00</b>	<b>0.34</b>

The current balance of Druk Air Corporation remains the same at Nu. 0.34 million with no recovery/adjustments.

**VII. Penden Cement Authority Limited AAR 2002**

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Outstanding advance.	8.32	0.00	8.32
2.	Irregular/inadmissible payment.	0.12	0.00	0.12
	<b>Total</b>	<b>8.44</b>	<b>0.00</b>	<b>8.44</b>

The current balance of Penden Cement Authority Limited remains the same at Nu 8.44 million with no recovery/adjustments.

### Autonomous & Independent Agencies AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Outstanding advances.	5.20	1.15	4.05
2.	Outstanding credit sales.	0.60	0.00	0.60
3.	Irregular/inadmissible payment.	0.34	0.00	0.34
4.	Double/Excess payment.	0.19	0.00	0.19
5.	Payment for works not executed/without receiving the materials.	0.09	0.00	0.09
6.	Shortage of materials.	0.07	0.01	0.06
7.	Non-deduction of tax.	0.02	0.02	0.00
	<b>Total</b>	<b>6.51</b>	<b>1.18</b>	<b>5.33</b>

Autonomous and Independent Agencies include NTTA, RIM, National Museum, RTI, BOC, BFF.RBIT, Planning Commission, AWS, DDC, RAC, and DEL. The balance stands at Nu. 5.33 million with 18.13% recovery.

### Judiciary AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Award of work without tender	1.29	0.00	1.29
2.	Excess payment.	0.20	0.00	0.20
3.	Irregular/inadmissible payment.	0.03	0.00	0.03
	<b>Total</b>	<b>1.52</b>	<b>0.00</b>	<b>1.52</b>

The current balance of Judiciary remains the same at Nu. 1.52 million with no recovery/adjustments.

### Armed Forces.

#### I. Royal Body Guard AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Outstanding Advance.	0.54	0.27	0.27
2.	Shortage of POL.	0.11	0.06	0.05
	<b>Total</b>	<b>0.65</b>	<b>0.33</b>	<b>0.32</b>

The current balance of Royal Body Guard stands at Nu 0.32 million with recovery of 50.77 % of the total amount.

#### II. Royal Bhutan Police AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Defective construction.	1.13	0.00	1.13
2.	Double/Excess payment.	0.62	0.10	0.52
3.	Shortage of materials.	0.18	0.00	0.18
	<b>Total</b>	<b>1.93</b>	<b>0.10</b>	<b>1.83</b>

The current balance of Royal Bhutan Police stands at Nu 1.83 million with recovery of only 5.18 % of the total amount

### III. Royal Bhutan Army AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Double/Excess payment.	1.44	0.00	1.44
2.	Manipulation of forest permit - loss of government fund.	0.20	0.00	0.20
3.	Non-deposit of sale proceeds.	0.14	0.00	0.14
4.	Payment for works not executed.	0.02	0.00	0.02
5.	Shortage of rations/lubricants.	0.08	0.00	0.08
6.	Irregular/inadmissible payment.	0.06	0.00	0.06
	<b>Total</b>	<b>1.94</b>	<b>0.00</b>	<b>1.94</b>

The current balance of Royal Bhutan Army remains the same at Nu. 1.94 million with no recovery/adjustments.