

Royal Bhutan Army

The Royal Bhutan Army is headed by the following personnel in the various capacities in the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Goongleon Gongma Lam Dorji	Chief Operations Officer (COO)
2.	Colonel Sangye Penjor	Officiating Deputy COO
3.	Lt. Colonel Sonam Tshering	Defence Accounts Officer

Summary of the significant observations is given in the table below:

Table 1.38 showing summary of the observations by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Non-levying of liquidated damages	0.485	2.27	13
2.	Excess payment	0.658	3.29	6
3.	Inadmissible/irregular payments	0.080	0.37	8
4.	Shortage of ration	0.389	1.78	11
5.	Irregularities in the issue of ration	0.265	1.21	18
6.	Shortage of cash	0.374	1.71	11
7.	Outstanding advance	19.500	89.12	1
8.	Payment for works not executed	0.056	0.26	14
	Total	21.807	100.00	

Major findings:

1. Non-levying of liquidated damages - Nu.0.485 million.

Various Wings of the Royal Bhutan Army including the Headquarter, Lungtenphu 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 respective wings 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.0.485 million. Brief detail of each instances are as follows:

A. The construction work of one unit Officer Quarter at Samarzingkha awarded to M/s Cee Dee Construction, Thimphu was delayed by 30 days without any recorded justified hindrances. Therefore, the contractor was liable for a liquidated damages amounting to Nu.0.035 million.

Auditee's response: *The RAA was intimated that the Defence Accounts Officer was requested to deduct the liquidated damages and deposit to Audit Recoveries Account.*

Who is accountable?: *The amount of liquidated damages must be deposited into Audit Recoveries Account. Therefore, until such time the amount is received in the RAA the accountability is fixed on the Defense Accounts Officer.*

B. M/s Sangay Enterprise, Thimphu was placed the supply order for the supply of angle posts, struts and concertina wire valuing Nu.5.667 million for fencing of Command Centre, Daifam. Despite granting three times time extension, supplies could not be completed within a stipulated time frame. Thus liquidated damages amounting to Nu.0.190 million though liable to be imposed as per the contractual terms were overlooked.

Auditee's response: *The RBA management stated that the orders placed were huge and that it was not possible for the supplier to supply the stores in time owing to the then security situation.*

Who is accountable?: *Since there were no justified hindrances recorded, the response given is not tenable. Therefore, liquidated damages amounting to Nu.0.190 million must be recovered and deposited into Audit Recoveries Account with commercial interest the responsibility of which shall fall on the construction committee.*

C. Various Fire Wood Supplier to the Army Headquarter, Lungtenphug were not levied the liquidated damages valuing Nu. 0.075 million though required by the supply order for the delay in supply of firewood.

Auditee's response: *The RBA stated that the contractor supplies firewood as per resources made available by the Department of Forestry and as per their requirement. It was also stated that after verifying the ground realities the liquidated damages were considered by RBA and also that the contractor had never failed to meet their requirement.*

Who is accountable?: *The justification submitted is not tenable because one cannot afford to make mockery of the contractual terms & conditions framed by one self. Therefore, liquidated damages amounting to Nu. 0.075 million with commercial interest must be deposited into Audit Recoveries Account and the responsibility of which shall fall on the Defense Accounts Officer.*

D. M/s Jain Metal, Phuntsholing was placed the supply order for the supply of utensils. The supply was delayed by 18 days for which liquidated damages amounting to Nu.0.025 million was not imposed.

Auditee's response: *It was stated that the dealer had asked for the time extension but the dealing officer was on leave and the one officiating was not aware of the processing formalities. The response also stated that the delay had not affected their requirement.*

Who is accountable?: *One should respect the terms and conditions in the agreement. The responsibility to recover the liquidated damages with commercial interest be deposited into Audit Recoveries Account. Responsibility shall fall on Wing Commander & Purchasing Committee.*

E. M/s Bhutan Sports Goods Company, Thimphu had delayed the supply of goods by 67 days for which it was liable for a liquidated damage of Nu.0.022 million.

Auditee's response: *It was stated that the supply order did not stipulate the deadline for the complete supply of goods and that the supplier had completed the entire supply within the stipulated deadline of 25th February 2002.*

Who is accountable?: *The reply is not tenable as the date in one of the challans was 15th March, 2002. The amount of liquidated damages with commercial interest be deposited into Audit Recoveries Account. Responsibility shall fall on Wing Commander & Purchasing Committee.*

F. M/s R. Penjor Tshongkhang who was placed the supply order to supply utensils valuing Nu. 0.896 million within 45 days was delayed by 4 days. Thus it was liable for a liquidated damages of Nu.0.063 million.

Auditee's response: *The RBA management stated that the liquidated damages for 4 days shall be recovered.*

Who is accountable?: *The responsibility to recover and deposit into Audit Recoveries Account shall fall on Wing Commander.*

G. In Ramitey, Phuntsholing M/s Gyeltshen Construction was awarded the construction work of approach road. The work was not completed within the stipulated time frame and was granted time extension. On reviewing the hindrance register it was observed that 40 days was not a justified hindrance. Therefore, liquidated damages amounting to Nu.0.075 million must be recovered and deposited into Audit Recoveries Account.

Auditee's response: *The management submitted that the final bill is not settled yet.*

Who is accountable?: *The responsibility to recover the liquidated damages with commercial interest and deposit into Audit Recoveries Account shall fall on Wing Commander & Site Engineer.*

2. Excess payment - Nu. 0.658 million

A. A scrutiny of pay bills revealed that the pay on promotion was not fixed as per Integrated Pay Scales approved by His Majesty the King on 1st July 1990. It was observed that the RBA has prepared a fixed chart showing the lump sum pay to be given at the time of promotion and the same has been continuing since 1st July 1999 in contravention to Principles of pay fixation para 10, sub para (b), (c) and (d). This had resulted into excess payment of Nu.0.244 million.

Auditee's response: *The response stated that the length of commissioned service on promotion is adequately protected to admit the enhanced financial benefits to the newly promoted members of the armed forces bringing parity in terms of pay and allowances. It was also stated that considering the inherent drawbacks in the pay fixation, the detailed study would be undertaken in consultation with higher authorities to modify or rectify the drawbacks where necessary.*

Who is accountable?: *Since the management had agreed the anomalies in pay fixation, the responsibility to recover the excess payment and deposit into Audit Recoveries Account falls on Defense Accounts Officer.*

B. M/s Lhab Dorji, Fire wood supplier for Wing 8 had billed twice for the same supply of firewood thus resulting in the double payment of Nu.0.101 million. This double payment must be recovered with commercial interest and deposited into Audit Recoveries Account.

Auditee's response: *The RBA stated that the excess/double payment made to the Firewood supplier is being reviewed and that the matter is also being pursued with the concerned Wing 8. However, Wing 8 had submitted that double payments were made.*

Who is accountable?: *Double payment made must be deposited with commercial interest into Audit Recoveries Account and the responsibility of which shall fall on Wing Commander.*

C. Wangdue Forest Division, Lobesa had awarded M/s Kencho Construction a contract for supply of firewood in the locality of Punakha, Wangdue and Lobesa @ of Nu.2600.00 per truck load. On the contrary MTC, Tencholing had awarded the contract to the same company at the higher rate of Nu.2945.00 per truck load thus resulting in the excess payment of Nu.0.157 million.

The rate of Nu.2945.00 per truck load is the higher rate quoted by Nado but authorized M/s Kencho Construction (whose quoted rate was Nu.2750.00 per Truck Load) to supply and concurred by the Board of Officer's Committee.

Auditee's response: *The management submitted that contract was not given to the one who quoted the lowest because of serious inconvenience caused in the past. Nado requested Kencho to supply firewood on his behalf as he was not able to do so. The Board had agreed to it since it found Kencho more capable in terms of experience, transport and man power. The RBA HQ submitted that the rate of Wangdue Forest Division is for 8 Cubic Metre where as the rate of RBA is that 11.12 Cubic Metre. The RBA stated that the decision had benefited the organization.*

Who is accountable?: *The reply is not tenable since the standard carrying capacity of the truck is 8 Cubic Metres. Therefore, the Wing Commander is held accountable to recover the excess payment made and deposit into Audit Recoveries Account.*

D. Wing IX-Central Headquarter, Gelephug had made excess payment of Nu.0.024 million for items either less executed than recorded in the Measurement Book or not executed at all. This excess payment was made to the contractor M/s Choten Tshering Construction for the work on repeater station at Setipokra.

Auditee's response: *The management agreed that it was a commission of error on their part and submitted that such mistakes would not be repeated in the future.*

Who is accountable?: *The excess payment must be deposited into Audit Recoveries Account. Therefore, until such time the amount in question is received in audit the Commander, Central HQ is held accountable.*

E. Wing IX- Central Headquarter, Gelephug had awarded contract work on "Construction work of drainage and water reservoir tanks" to M/s Rinson Construction. It was found that Nu.0.032 million was paid in excess of what was actually admissible.

Auditee's response: *The management agreed that it was a commission of error on their part and submitted that such mistakes would not be repeated in the future. The RBA HQ informed the RAA that the responsible officials would be intimated for recovery.*

Who is accountable?: *The excess payment must be deposited into Audit Recoveries Account. Therefore, until such time the amount in question is received in audit Wing Commander & Site Engineer are held accountable.*

F. In Ramitey, Phuntsholing, firewood contractor was paid an excess sum of Nu.0.014 million approximately than what was actually admissible.

Auditee's response: *The management submitted that it was not the case of excess payment but stated that at times the supplier had loaded more than 8 Cubic Meter (specified quantity) thereby charging on pro-rata basis. The RBA HQ informed the RAA that in future it would ensure to make payments within the standard carrying capacity.*

Who is accountable?: *The justification submitted by RBA Wing of Ramitey is not tenable in audit because the capacity of the truck is clearly indicated. Therefore, excess payment must be recovered and deposited into Audit Recoveries account for which the Zepon, RBA, Phuentsholing is held accountable.*

G. Similarly, firewood supplier of Haa, Demo Company (Rinchen Khandu) was paid excess amount of Nu.0.086 million. The payment made for 14m³ per truck load was against the carrying capacity of 10m³.

Auditee's response: *It was submitted that Army Headquarter had instructed them to take 14m³ as the carrying capacity and not 10m³ as taken by auditors. It was stated that instruction to take 10m³ came after the contractual duration was completed. The RBA HQ submitted that the carrying capacity is now standardized.*

Who is accountable?: *Since similar issue/irregularities was raised in previous audit specifying the standard capacity of the truck management's justification cannot be accepted in audit now. Therefore, the Wing Commander is held accountable until such time the excess payment made is received in audit.*

3. Inadmissible/irregular payment - Nu.0.080 million.

Notwithstanding the circular issued by the Ministry of Finance disallowing the rental charges of residential phone bills, the same in respect of officials and staff of Army Head Quarter and Security Forces amounting to Nu. 0.080 million were paid from office. These charges stand recoverable.

Auditee's response: *The RBA stated that the matter has been submitted to the Chief Operations Officer and that the outcome would be submitted.*

Who is accountable?: *The whole of the amount must be recovered and deposited into Audit Recoveries Account for which the responsibility shall fall on the Defense Accounts Officer.*

4. Shortage of ration worth - Nu.0.389 million.

A. During physical verification of Ration Store of Army Headquarter, a Lungtenphu ration worth Nu.0.229 million was found short.

Auditee's response: *The management had submitted that a proposal to form a Board of Officers to review the shortages at Ration Store, to form a base for permissible loss percentage in all ration store, loss on transit, handling & spillage losses is already being initiated and that the board's recommendation would soon be submitted to the RAA*

Who is accountable?: *The course of action proposed would formalize only future losses but not replenish past losses. Therefore, the equivalent value of past losses beyond the normally accepted norms should be recovered from the responsible officials and accountability of which shall fall on Zepon, HQ.*

A. Similarly, physical verification of Ration Store at Wing V-Shabesa a ration shortage worth Nu.0.145 million approximately was observed.

Auditee's response: *The RAA was informed that the shortage is an old outstanding case which was given as loan to individuals. It was also stated that an effort is being put in to realize the amount. The RBA HQ submitted that the Internal Audit Office would take up the case and the RAA would be intimated of its outcome*

Who is accountable?: *Until such time the value of shortages is received in audit, Wing Zoepon and the Wing Commander are held accountable.*

B. The physical verification of ration store at Nganglam in presence of Major Dezang Dhendup and Captain Tenzin Dorji, former and current Quarter Master respectively was conducted. A ration shortage valuing Nu.0.015 million was observed.

Auditee's response: *The RBA HQ submitted that the Internal Audit Office would take up the case and the RAA would be intimated of its outcome.*

Who is accountable?: *The value of shortages must be recovered and deposited into Audit Recoveries Account. Therefore, until such time the amount in question is received in audit, Major Dezang Dhendup & Captain Tenzin Dorji are held accountable.*

5. Irregularities in the issue of ration - Nu.0.265 million.

A. Issue of ration on loan to officers/troops - Nu.0.189 million.

During physical verification of Ration Store of Army Headquarter, a Lungtenphu ration worth Nu.0.189 million was found given on loan to the officers/troops. But the same amount was neither found returned nor its equivalent cost recovered till the date of audit.

Auditee's response: *The management submitted that it is usually the officers who take extra quantity of ration in advance and subsequently reimburse through adjustment on monthly or quarterly ration authorization. It was also submitted that it is on the process of adjustment and that such practices shall be minimized in future. The RBA HQ had informed the RAA that the latest balance is about Nu.0.070 million.*

Who is accountable?: *The value of ration as stated to have recovered will have to be verified. Therefore, until such time the Zoepon, HQ shall be held accountable.*

B. Double issue of free ration worth - Nu.0.012 million.

Free ration worth Nu.0.012 million was found issued twice.

Auditee's response: *It was submitted that the officers to whom the ration was issued twice were informed to deposit its equivalent value.*

Who is accountable?: *The equivalent value must be recovered from the concerned officials and deposit into Audit Recoveries Account. Therefore, Zoepon, HQ is held accountable to do so.*

C. Transit loss - Nu.0.064 million.

I. Ration items like Dalda, Milk Powder and Tea leaf amounting to Nu.0.036 million were shown as transit loss. The RAA is doubtful whether transit losses could actually occur to those items, which are usually packed in sealed containers.

Auditee's response: *The management submitted that losses occurred due to the distribution procedures to the various outpost and sub-units. It was also stated that at times there are situation whereby the packed ration items weighed less than the net weight printed on the tins/bags.*

Who is accountable?: *Since such heavy transit losses were not observed in other wings and locations under similar conditions & environment, management's justification cannot be accepted in audit. Therefore, the Wing Zoepon is held accountable for such a heavy losses.*

II. Similarly, Wing IV, Nganglam had also reflected huge quantities of ration items as transit losses. The value of such losses amounted to Nu.0.028 million. The RAA is doubtful whether transit losses could actually occur to those items, which are usually packed in sealed containers.

Auditee's response: *The RAA was informed that the HQ would consult the concerned Wing.*

Who is accountable?: *Since such heavy transit losses were not observed in other wings and locations under similar conditions & environment, management's justification cannot be accepted in audit. Therefore, Major Dezang Dhendup is held accountable for such a heavy losses.*

6. Shortage of cash - Nu.0.374 million.

A. On verification of miscellaneous cashbook maintained by the Defence Accounts Office for the collection and deposit of money it was found that there was a short deposit of Nu.0.015 million.

Auditee's response: *The RBA had submitted that the amount is being included and updated in the ration sale proceeds accounts submitted to the Ministry of Finance.*

Who is accountable?: *Until such time the issue in question is satisfactorily verified & resolved or the short deposit received in audit Defense Accounts Officer is held accountable.*

B. The physical verification of cash balances at Wing 1-Tendu conducted in presence of Captain Thinley Rabjur, Officer-in-charge revealed a cash shortage of Nu.0.072 million.

Auditee's response: *The RBA informed the RAA that No.796 Captain Thinley Rabjor is answerable to the cash shortage and that the wing is facing acute shortage of Imprest Fund. The RBA HQ informed that the concerned Wing would be instructed to inform the recovery status.*

Who is accountable?: *The amount of cash shortage must be recovered and deposited into Audit Recoveries Account and the accountability of which shall fall on Captain Thinley Rabjor.*

C. The closing cash balance of Imprest Fund pertaining to Wing III-Gunitsawa as on 30.10.02 was Nu.0.071 million approximately. But the same was not produced for physical verification stating that the cash balance is with Major SB Rai who was on leave at the time of audit.

Auditee's response: *The RAA was informed that out of Nu.0.071 million, Nu.0.006 million have been recovered from the officer concerned and the balance still lying outstanding against the officer and that the concerned officer is reminded to deposit the same. The RBA HQ informed that the concerned Wing would be instructed to inform the recovery status.*

Who is accountable?: *Until such time the balance amount is deposited into Audit Recoveries Account the Wing Commander is held accountable*

D. A review of Handing/Taking between Major Thinley Tobgay and Major DS Wakhley in MTC, Tencholing revealed less handing over of cash/closing balance by Nu.0.058 million.

As per Cash Book only Nu.0.139 million was shown as closing balance where as on computation of balance by the audit team the same should have been Nu.0.198 million thus resulting in a shortage of Nu.0.058 million.

Auditee's response: *The management refuted the finding of the RAA stating that there was no difference as worked out by the auditing team and requested the audit to verify during the next audit.*

Who is accountable?: *The response refuting the audit observation should be substantiated with facts and figures. Since that was not done the amount must be recovered and deposited into Audit Recoveries Account with Commercial Interest and for which Major Thinlay Tobgye & Major D.S Wakley are held accountable.*

E. In Lhamoyzingkha a sum of Nu.0.123 million was not carried forward as opening balance in the subsequent month thereby resulting in the cash shortage.

Auditee's response: *It was submitted that the said amount was not accounted during the handing/taking over between Lt. Colonel Phub Dorji and Major Dorji Wangchuk. The RAA was also informed that the previous commandant Lt. Colonel Dorji Khandu had agreed to sort it out with Army Headquarter. The RBA HQ informed the RAA that the Defence Accounts Officer would verify the accounts and intimate results accordingly.*

Who is accountable?: *Until the matter is satisfactorily resolved in audit or the amount in question is deposited into Audit Recoveries Account, Lt. Colonel Phub Dorji & Major Dorji Wangchuk are held accountable.*

F. In Dagapela, a sum of Nu.0.035 was found not accounted for in the relevant Books of Accounts. Some portion of this amount was actually released for construction of generator shed.

Auditee's response: *The Security Force, Dagapela submitted that some portion of it has been utilized for the construction of generartor shed at Dagapela and that some amount has been accounted for.*

Who is accountable?: *The response submitted must be verified by the RAA, therefore, until such time the verification is done Lt. Colonel Chencho is held accountable.*

7. Outstanding advance - Nu.19.500 million.

A. The RBA-AHQ, Lungtenphu has Nu.18.805 million including Nu. 13.090 million paid to Bhutan Power Corporation was lying outstanding. The outstanding advances were found accumulated as a result of frequent release of advances without liquidating the previous advances.

Auditee's response: *The RBA submitted that the advances paid to the wings/locations were mainly for repair and maintenance of structure/deposit work for supply of powers/land compensation, Imprest fund to the wings and pay advances to the RBA personnel.*

Who is accountable?: *All overdue outstanding advances must be recovered with commercial interest of 16% p.a. and deposited into Audit Recoveries Account and the responsibility for which shall fall on the Defence Accounts Officer.*

B. Wing V-Shabesa had Outstanding advances of Nu. 0.138 million lying against officers and troops from the various accounts of Wing Administration. The accounts include NCO's account, Video Fund account, Lhakhang account and Imprest Fund account.

Auditee's response: *The management responded stating that the outstanding advances would be recovered and RAA intimated accordingly.*

Who is accountable?: *Until such time the outstanding advances are recovered with commercial interest of 16% p.a. or adjusted, Wing Commander is held accountable.*

C. Wing VI & MTC, Tencholing had Outstanding advances of Nu.0.557 million from the Centre Fund Account lying against officers, troops and recruits. The Outstanding advances were found accumulated due to frequent release of advances without liquidating the previous ones.

Auditee's response: *The management submitted that all Outstanding Advances were under process of recovery except Sawmill rental which became defunct owing to objection from Forest Department and fire accident.*

Who is accountable?: *Since the Outstanding advances were over due for recovery it must be deposited into Audit Recoveries Account with commercial interest of 16% p.a. Therefore, until such time the whole of the amount is received in audit, the Wing Commander is held accountable.*

8. Payment without execution of works - Nu.0.056 million.

A sum of Nu.0.056 million released for purchasing sand and boulders for execution of External Service Connection work at Shabesa Wing Administration was found paid to Lieutenant Colonel Pema Wangdi without having actually executed the work.

Auditee's response: *The RAA was informed that the amount was actually not paid to the Lt. Colonel but was wrongly stated and that the management would rectify. The RBA HQ submitted that suiTable response would be furnished upon arrival of Internal Auditors who are currently on tour to Paro and Haa.*

Who is accountable?: *The response of the Wing Administration is not tenable and must be recovered and deposited into Audit Recoveries Account. Therefore, until such time the amount is received in audit, the Wing Commander and the Construction Committee are held accountable.*