

Chapter III Performance Audit Reports

The Royal Audit Authority during the year had issued 8 VFM reports.

1. Value For Money Audit/ Performance Audit Report on Central Stores

The Royal Audit Authority apart from conducting propriety audit of the agencies also conducts Value For Money (VFM) Audit and other theme based audit as required of it by the General Auditing Rules & Regulations of the Royal Government of Bhutan. The RAA during the year conducted (VFM) audit of the Central Stores under the Ministry of Works & Human Settlement, the Ministry of Agriculture, the Ministry of Health and Ministry of Education. Some of the significant VFM audit findings Ministry/Department wise are as under:

A. Ministry of Works & Human Settlement

Tender Evaluation System-a huge consumer of time

Prior to the commencement of Financial Years, the Central Stores asked the agencies under the Ministry to submit their yearly material requirement plan. On receipt of the requisitions from the Field Road Maintenance Divisions (FRMD), the Central Store, Phuntsholing compiled the requisitions for the materials required by the FRMD and open tenders are then invited through advertisement in the national newspaper, Kuensel. The tenders received from the suppliers valuing Nu. 100,000.00 and below were opened at the Central Store level while materials valuing more than Nu. 100,000.00 were forwarded to the Ministry and Department for the purpose of evaluation.

On review of the time taken from the receipt of the requisitions from the FRMD and actual delivery of material at site, it was noticed that it takes about 5 to 6 months in the process. As a result only 6 months time is left with the FRMD in a Financial Year for execution of the works. Time consumed for completion of typical tendering formalities to final award of work and receipts of goods at site are as summarized under:

Table 1.3 showing the time consumed for completion of typical tendering formalities to final award of work and receipt of goods.

Sl. No	Particulars	Date	Nos. of days
1.	Date of received of annual requirement from Divisions	12.8.2003	
2.	Time taken to prepare Tender		4
3.	Time taken for the advertisement, sale of tender and time allowed to bid the tenders		17
4.	Time taken to forward the tender to Ministry for opening and evaluation		2
5.	Time taken to evaluate the tenders in Ministry		15
6.	Receive of tenders from Ministry		10
7.	Time taken to process for awarding Notice and collection of performance security		3
8.	Time allowed for submitting performance guarantee		10
9.	Time taken for collecting performance security		6
10.	Issue of procurement order	9.10.2003	1
11.	Time allowed for delivery of materials		45
	Total		113

Auditee's Response:

The management submitted that the comments of the audits in regard to substantial time consumed for evaluation of tender is noted. The possibility to improve the evaluation system

will be submitted to the HQ, for instituting a comprehensive procedure, keeping in line with the procurement system of the Government.

RAA's Comments:

The Ministry should analyse and evaluate the pros and cons of such a lengthy but time consuming system. This system perhaps could be improved if the Ministry coordinates them in earnest effort.

B. Ministry of Agriculture

Excess procurement: Blockage/wastage of fund - Nu. 15.960 million

On review of purchases vis-à-vis sales for the past three financial years, it was seen that the Agriculture Central Store, Phuentsholing had made excessive purchases in the first two years as summarized under:

Table 1.4 showing the excessive purchases made by Agricultural Central Stores, Phuentsholing.

Year	Opening Balance (Nu. Million)	Purchases (Nu. Million)	Total (Nu. Million)	Sales (Nu. Million)	Closing stock (Nu. Million)
2000-01	3.627	12.480	16.107	10.367	5.740
2001-02	5.740	13.267	19.007	9.812	9.190
2002-03	9.190	2.200	11.39	10.357	1.030
Total	18.557	27.947	46.504	30.536	15.960

It was noted that despite the huge opening stock balance valuing Nu.3.627 million, excessive purchases were made during 2000-01 and 2001-2002. Excessive purchases in the two years as tabulated above and in the years before resulted in the following wasteful resources:

- Patented drugs worth Nu.0.720 million had become date expired in the year 2001-02 & 2002-03. However, drugs valuing Nu.195, 484.90 were written-off by the Hon'ble Minister, Ministry of Agriculture
- Non-patented drugs worth Nu.0.774 million were lying in the stock (slow moving)
- Some slow moving non-patented drugs like zinc sulphate, iodine crystal and chloral hydrate were purchased in the year as early as 1997-98.

Auditee's response:

The Ministry of Agriculture in response to the Draft Annual Audit Report provided the following clarifications:

“The Dzongkhag Administrations and Central Programmes submit Indents for medicines and instruments based on the target in the 5 Year Plans and budget proposal submitted to the Ministry of Finance. However, the actual lifting of the medicines/ instruments, compared to the indents submitted, is on the lower side. It has been observed that there is substantial gap between the budget proposal submitted and approved budget, which results in non-lifting of medicines/ instruments by the Dzongkhags/ Central Programmes. During 2000-01 and 2001-02, several new drugs and instruments were added to the Drugs/ instruments lists, by replacing the old and ineffective drugs/ instruments. Considering poor quality of the instruments available in the region, it was also decided to import critical instruments, considering the long life and quality. However, due to inadequate budget provision with the Dzongkhags and Central Programmes and lack of awareness about the new medicines/ instruments, the off take was limited, resulting in accumulation of stock. This issue was discussed in several forums and by constant follow up, the end users was made aware about the benefits of new drugs/ instruments. From the findings of the RAA also, it may be seen that the closing stock at the end of 2002-2003 financial year was only Nu. 1.03 million, which

clearly shows that the medicines/ instruments were disposed off within 2002-2003 financial year.

With regard expired drugs this to submit that majority of the expired drugs had accumulated over a long period of time. Prior to write-off of Nu. 0.195 million worth drugs during 2002-03, no drugs/ instrument were written off in the earlier years. The Livestock Central Store handles approximately Nu. 10.00 million to 12.00 million worth of medicines/ instruments annually. Considering the time period of approximately 15 years, the value of expired medicines worked out to approximately Nu. 0..050 million per annum. Compared to Nu. 10.00 to 12.00 million worth of medicines and instruments handled by the Central Stores annually, the expired drugs constitute a negligible portion.

RAA's Comments:

Such audit findings in the Ministry inspite of having substantial number of highly qualified personnel including agricultural economists and highly paid financial consultant is unexpected. Therefore, appropriate officials should be given the challenges in the areas of stores management and material requirement planning in order that the above situation is not just addressed, but addressed well.

C. Ministry of Education

C.1 Blockage of Fund-Nu.32.756 million

There was a stock balance valuing Nu. 32,756,908.66 even after meeting the Textbooks & Reference books requirement for the academic year 2004 due to excessive purchases made during the financial years 2001-2002 and 2002-2003. The fund blockage had resulted due to direct purchases made on the basis of Curriculum & Professional Support Division's statistic survey. The actual compilation of requisition had been done only for the academic year 2004 and prior to that no compilation had been carried out by the Education Central Store. However, the books were issued to the schools as per the Issue Criteria approved by the CAPSD and Procurement Board of Committee.

Purchase of excessive quantities would not only result in blockage of fund but also increases the probabilities of books becoming obsolete owing to change of syllabus etc. The Royal Audit Authority noted surrender of obsolete books worth Nu. 0.274 million to the Department of National Properties on 13th January, 2004.

MoE's response:

The frequent change of syllabus, which is beyond the control of the Procurement Unit had resulted into huge quantity of books becoming either out of syllabus or redundant. The other reason attributed to huge stock balance was the practice of issue criteria based on the expected life of textbooks policy both by the stores and schools. However, the management assured that only required items and quantities shall be procured and avoid huge stock balance in the future.

RAA's Comments:

Responses given are not substantiated with facts, figures and analysis. The RAA would like to appraise on the action taken to account for the huge sum of precious public fund that is being abused.

C.2 Books supplied in poor packing conditions resulting in huge repacking cost- Nu.2.232 million

The text books for the academic year 2004 supplied by M/s Phama Printers were found packed in beer cartons and were lying in very poor condition.

The Central Store had incurred an additional expenditure of Nu. 2.232 million for purchasing cartoons and waterproof canvas tarpaulin for repackaging the books and stationery for the last three years.

MoE's response:

The unpacking of the supplies is necessary to confirm the quality and quantity mentioned on the packet. The purchase of packing materials is indispensable in order to facilitate proper repacking to ensure the safety of the goods and specifications requisitioned by the schools. However, the management stated that it will improve and standardize the packing terms and conditions by incorporating it in the supply order.

RAA's comments:

It is felt that expenditure can be minimised if the packaging terms & conditions with the suppliers are standardized & stipulated to suit further distributions to schools and also to curb unnecessary expenditure on procurement of repackaging materials.

C.3 Acceptance of rates quoted above the MRP: Financial Implication Nu. 0.314 million

On physical verification of library books supplied for the academic year 2004 it was noted that the rates charged for some of the library books purchased from M/s. KMT Printing Press were higher than the MRP printed on the books. The total value amounted to Nu. 0.314 million.

Usually quotation rates are lower than printed price (MRP) when bulk quantities are purchased. Eg. Advanced Dzongkha Dictionary – MRP Nu. 390, tendered rate Nu. 950. It is not understood as to how the Education Procurement Committee had accepted rate above the MRP.

MoE's response:

The Procurement Unit had followed ICB procedure for the supply of library books after the selections done by the NIE/ CAPSD, Paro and completed all the formalities in consultation with World Bank Procurement Specialist. It mentioned that the Procurement Unit was not aware that the rates should be lower than the MRP since the awards were based on open tender and the purchaser has no right to negotiate with the bidders as in the case of direct purchase.

RAA's Comments:

The Guideline spells out that reasonableness of rates quoted should be ascertained. It is the responsibility of the Procurement Committee to ensure that procurements are prudently made.

C.4 Comparative analysis of expenditure of having its own trucks with the Central Store vis-à-vis the charges on hire of private trucks

A comparative analysis for maintaining cost of Government owned trucks with the Education Central Store vis-à-vis cost of hiring of private trucks as per the PWD hire rate 2002-2003 was carried out by the Audit Team. The analysis revealed that the cost for hiring of private trucks would be much cheaper than maintaining Government vehicles owned by the Central Store. The departmental expenditure amounted to Nu. 2.879 million whereas the hire of private vehicles would have incurred Nu. 1.063 million, thus indicating that hiring would have been cheaper by Nu. 1.063 million.

MoE's response:

The Procurement Unit refuted the observations of RAA on hiring the vehicles as an alternative to having its own fleet of vehicles. They reasoned it out that in view of the convenience, timeliness of delivery and nature of the goods it supplies, it is rational to have its own fleet of vehicles. They proposed RAA to carrying out in-depth study on privatization of transportations and convey the findings to them for future compliance.

RAA's Comments:

It was unfortunate for the agency to outrightly challenge the recommendation of the RAA without any justification. In view of the withdrawal of all such heavy pool vehicles by the government the RAA reserves its comments for the time being to be reviewed in the next audit.

C.5 Quality assurance problems

i. Acceptance of Books supplied without implementing the required improvement

M/s KMT Press had supplied 10,000 copies 'Ruto Zami' booklet for Non-formal Education Division. The Audit Team physically verified the books and compared with the approved sample. Verification revealed that the sample copy of 'Ruto Zami' booklet contained remarks requiring some improvement on pages 3, 4, 5 & 6 by the Non-Formal Education Division but the booklets were supplied without effecting improvements on required pages. The Central Store did not care to check if the changes were affected.

MoE's Response:

The Procurement Unit stated that though the CAPSD had recommended the quality assurance, the UNICEF which had funded the supply of 10,000 copies of "Ruto Zami" verbally directed the stores to accept the supplies and accordingly the store took delivery of the supplies as per supply order.

RAA's Comments:

The accountability system must be there in place no matter who had funded the procurement. The procurement unit should be held answerable for accepting the books without having made the improvements as directed.

ii. Quality of stationery not as per the samples

The physical verification and quality testing of stationery items procured for the Academic Session 2004 was carried out in current audit. Quality check of some books carried out by using testing equipment for checking Gram Square Meter (GSM) indicated that some books supplied were not as per the approved sample.

MoE's Response:

As for the quality check, it stated that due to lack of appropriate equipment to check, they have a mechanism to control the quality of goods by forming a committee involving officials from the Ministry and the selection committee members. It stated that the store had managed to purchase an electronic GSM measurement which too does not give accurate GSM measurement. During the sample selection, the ministerial tender committee selects the paper items based on having met the minimum specified GSM in the bidding document irrespective of variation in the GSM measurement at the time of sample selection.

The management, however, affirmed that it will not compromise the quality and ensure all necessary testing methods while accepting the goods hereafter.

RAA's Comments:

The procurement committees are instituted to ensure that any procurement made gives best Value For Money.

iii. Text printed on the last cover page

M/s KMT Yangkhil had reprinted and supplied 1,285 Concise Physics books for ICSC-Class IX textbooks containing 255 pages during the academic year 2002. However, all the above text books had text printed on the last cover page.

MoE's Response:

On physical verification, it was found that 1285 copies of Concise Physics ICSE for Class IX text book was supplied by M/s KMT Yangkhil, which was published by M/s Selina Publishers, New Delhi.

RAA's comments:

The response is not to the points raised. The Ministry may investigate and comment whether such a system of accepting text books printed on the last cover page amounting to millions of Ngultrum is a sound procurement system.

RAA's general comments:

Central Stores, Department of Education, Phuntsholing lacks total professionalism, competency and other stores management perspectives. The above findings are conclusive testimony of a very poor and weak stores management. Such a system should not be allowed to perpetuate and therefore needed to be revamped. The RAA is hopeful of seeing a rejuvenated Central Stores management the next time it carries out the similar exercise.

2. Value For Money audit on the Government Policy on freezing the procurement of new vehicles

2.1 The Government Policy

With the budget deficit at all time high and the spiraling cost relating to the maintenance of vehicles, the Royal Government of Bhutan decided to impose a freeze on the procurement of any type of vehicles regardless of any source of funding with effect from 10th July, 2001. The Ministry of Finance had also notified all ministries and agencies withdrawing the budget already allocated for procurement of vehicles including those funded by the projects.

2.2 The Scope of audit

The Royal Audit Authority conducted the performance and compliance audit of the decision to freeze the procurement. The scope of the audit also included the examination of purchases made without approval of the Ministry of Finance, if any, and justification for the purchase of new vehicles. The RAA, accordingly examined the records maintained by the Ministry of Finance, Department of Aid & Debt Management and State Trading Corporation of Bhutan Limited.

2.3 The audit findings:

A. Third country imports

Ironically, the Ministry of Finance as a controlling authority had issued 156 Import Authorizations burdening the government exchequer to the tune of Nu.186.812 million. Of this total amount Nu.131.580 million (101 vehicles) were met from the RGoB fund and the rest from the various projects (55 vehicles).

B. Imports from India

The Royal Government of Bhutan has also procured 96 vehicles of Indian make costing Nu.56.649 million. The Finance Secretariat had no knowledge on the procurement of these many vehicles except for 29 Mahindra Boleros and 30 Eicher Trucks although budgetary releases were made by the Department of Budget & Accounts. Out of the 96 vehicles 84 were procured from the RGoB fund and the rest from the various projects. There is no rule, which allows the government organization to purchase Indian vehicles without informing the Ministry of Finance or for that matter the Department of Budget and Accounts.

The above figures do not include the number of vehicles procured by agencies from dealers other than the STCBL without informing the Ministry of Finance, if any.

Break-up of the third country imports are exhibited below agency wise:

Table 1.5 showing the break-up of third country imports agency wise.

Sl.No.	Name of agency	No.of vehicles	Amount (Nu.Million)
1.	Armed Forces	29	36.876
2.	Central Monastic Body	6	6.780
3.	Judiciary	5	5.782
4.	HM's Secretariat	1	0.914
5.	Ministry of Agriculture	12	12.056
6.	Ministry of Education	14	14.427
7.	Ministry of Finance	26	37.718
8.	Ministry of Foreign Affairs	5	5.135
9.	Ministry of Health	15	19.989
10.	Ministry of Home & Cultural Affairs	5	5.288
11.	Ministry of Information & Communications	3	4.331
12.	Ministry of Labour & Human Resources	5	6.436

13.	Ministry of Works & Human Settlement	3	3.796
14.	Ministry of Trade & Industry	18	17.708
15.	National Assembly of Bhutan	1	1.382
16.	Army Welfare Project (RGoB)	1	1.110
17.	Royal Civil Service Commission	1	1.281
18.	Autonomous Bodies	5	4.659
19.	Royal Advisory Council	1	1.234
	Total	156	186.812

Break-up of the vehicles procured from India are exhibited in the table below:

Table 1.6 showing the break up of the vehicles procured from India.

Sl.No	Name of agency	No.of vehicles	Amount (Nu.Million)
1.	Armed Forces	29	13.481
2.	Autonomous bodies	1	0.244
3.	Central Monastic Body	2	0.619
4.	Ministry of Agriculture	3	1.601
5.	Ministry of Education	7	5.831
6.	Ministry of Finance	31	19.411
7.	Ministry of Health	7	3.736
8.	Ministry of Home & Cultural Affairs	2	1.317
9.	Ministry of Works & Human Settlement	6	4.624
10.	Ministry of Trade & Industry	6	4.513
11.	Royal Audit Authority	2	1.267
	Total	96	56.649

In response to the Draft Annual Audit Report, Hon'ble Finance Minister had given the following justifications:

“The government order to freeze import of any type of vehicles regardless of source of funding was issued on 10 July 2001. But the freeze on import of project funded vehicles was lifted by the CCM during its 145th session on 12 March 2002. Thus, the number of project vehicles imported within the period of freeze was only 5 and not 55.

The import of 29 numbers of vehicles for the Armed Forces could not be avoided in view of the prevailing security situation in the south then.

Also, import of utility vehicles for essential services like ambulances etc., became necessary in preparation for the likely conflict in the south.

The purchase of vehicles of Indian make by various government agencies financed either through project fund or RGoB fund are normally done with the approval of the Ministry of Finance. Without the approval of the Ministry no budget will be released by the Department of Budget & Accounts. Although there is no centralized information system within the secretariat as approvals for purchase of vehicles under projects are sometimes processed through the DADM and under RGoB funds are processed through the DBA, there is a system of obtaining approval of the Ministry of Finance in place. There may be one or two cases where the government agency may have purchased the vehicles directly from STCBL without the knowledge of the Ministry. But in general, the approval of the Ministry is always obtained.

It may be noted that the import of vehicles by the government as a whole, did reduce by 53.02% in the first year immediately after the freeze was imposed and by 52.56% and 51.16% during the second and third subsequent years.

While the objective of the government policy to freeze the import of new vehicles could not be achieved fully, which would be unrealistic in any way, the fact that we were able to reduce it

by more than 50% during the three subsequent years had helped to reduce government expenditure to a large extent.”

RAA’s Comments:

Since the circular freezing the purchases came into effect from July 2001 the financial year immediately prior to it was chosen as the base year to ascertain the effectiveness of its enforcement. While there has been little reduction compared with the base year the circular was not strictly enforced. Instead of stricter enforcement of the government directives more new vehicles were being purchased year after year resulting in reduced impact.

Consequently, the initial objective of the government circular freezing the purchase of new vehicles could not be materialized even partially.

Coming to the disagreement on the number of project funded vehicles, auditors at the time of auditing despite inquiry were not given the copy of the government order lifting the ban on procurement of vehicles funded through projects. Even now the RAA is not given the office order other than one correspondence exchanged between the Secretary, Ministry of Finance and the Secretary, Cabinet Secretariat. Therefore, the number of project vehicles i.e.55 taken into account at the time of audit stands correct. The rationality for procurement of 5 import vehicles through the project during the freezing period was neither provided nor situations explained. The Ministry of Finance by not allowing the agencies to procure imported vehicles again during the FY 2004-2005 had put all civil servants, public and auditors into a confusing situation no matter what objectives are being pursued. Further, it revealed from the response of the Ministry that there is urgent need to improve its management as charity begins at home.

3. Value for Money Audit of Personnel Actions

The Royal Audit Authority had carried out the audit of Personnel Actions such as Promotions, Out-of-turn promotions, training etc to assess the fairness and transparency in the system. However, the Royal Civil Service Commission, the guardian of all the civil servants for the reasons best known to them did not provide access to the records to the audit for fair assessment. All observations reflected in the reports are the results of cooperation rendered by line ministries and agencies.

3.1 Promotion

The Bhutan Civil Service Rules and Regulations 2002 Chapter 16, the promotion policy clause states *“the promotion rules and regulations shall facilitate selection and placement of the best suited candidate based on merit to carry out the responsibilities of a higher position and safeguard against disparities in granting promotion”*. But the Meritorious Promotion rule No. 9 shall be applied if a civil servant fulfils the rules & regulations of the Meritorious Promotion.

On scrutiny of the Service Books of the Civil Servants and other related documents of various ministries and agencies for the last five years (i.e. 1.6.1998 –30.6.2003), it was noticed that various ministries and agencies had granted normal promotions to 3,123 employees and meritorious promotions to 179 employees.

3.2 Meritorious Promotions

As per the Bhutan Civil Service Rules and Regulations, the Meritorious Promotion rule No. 9 states, “civil servants may be considered for faster promotion relaxing the minimum required

experience prescribed under the rule No. 4 when he has proven potential to assume the responsibilities of a higher position, when”:

- i. *his past performance has been consistently outstanding;*
- ii. *exceptional act or service in the interest of the public contributing economy, efficiency, or other improvement in the government operations performance; and*
- iii. *meets the promotion criteria prescribed under clause No. 3.*

On examinations of the information and records provided by various ministries and agencies revealed that 179 civil servants were granted meritorious promotion as under:

Table 1.7 showing agencies which had granted meritorious promotions.

Sl. No	Name of Ministry	No. of Case	Period
1.	Ministry of Agriculture	51	1998-2003
2.	Ministry of Finance	14	1998-2003
3.	Ministry of Trade and Industry	12	1998-2003
4.	Ministry of Health	27	1998-2003
5.	Ministry of Education	18	1998-2003
6.	Ministry of Works and Human Settlement	19	1998-2003
7.	Ministry of Information & Communications	17	1998-2003
8.	Ministry of Labour and Human Resources	3	1998-2003
9.	Ministry of Foreign Affairs	3	1998-2003
10.	Ministry of Home and Cultural Affairs	12	1998-2003
11.	Royal Audit Authority	2	1998-2003
12.	National Finance Service	1	1998-2003
	Total	179	

Note: based on the records of the Ministry concerned

It was, however, noted that records including account of meritorious/outstanding performance of the civil servants were not available with the ministries/agencies.

In the absence of such records of meritorious acts performed by each individual with the concerned ministries and agencies, it was not possible to confirm that the meritorious promotions granted were just, fair and free from nepotism and red-tapism.

Few of the ministries who responded to the reports are summarized as under:

Auditee’s response:

In response to the draft audit report, the Ministry of Labour and Human Resources stated that the RCSC has prematurely promoted the officials and had submitted copies of recommendation letters for premature promotions.

The Ministry of Health clarified that the candidates for meritorious promotions are screened through several administrative layers starting from the proponents to the Departments, the Promotion Committee and the Ministry. Further, consultation between the Ministry and RCSC is done before such promotions are finally reviewed and granted by the Royal Civil Service Commission. Therefore, there is a system in place that provides checks and balances and ensures that meritorious promotions granted were just, fair and free from nepotism and red-tapism.

RAA’s comments:

The Ministry of Health despite having advised had not made available the details of outstanding accomplishments of officials to justify the meritorious promotions granted.

3.3 Appointments to higher posts

The table below shows the relevant Cadre, Grade and Designation under the Administrative Cadre of the Civil Service Rules and Regulations.

Table 1.8 showing relevant cadre, grade and designation under Administrative Cadre.

Sl. No.	Grade	Cadre	Designation
1.	1	AC	Secretary
2.	2	AC	Joint Secretary
3.	3	AC	Director
4.	4	AC	Joint Director/Deputy Secretary
5.	5	AC	Deputy Director
6.	6	AC	Under Secretary
7.	7	AC	Assistant Director

On the contrary, it was noticed that the Ministries and Departments have appointed officials of lower grade to hold the post of Directors and Joint Directors. A few instances noted were as under:

Table 1.9 showing instances of lower grade officials appointed to hold the post of higher grades.

Ministry of Agriculture					
Sl No.	Name	Grade	Employee ID No.	Position Held	Department
1.	Thuji Tshering	5	9111030	Joint Director	Secretariat
2.	Dorji Wangchuk,	4	8103046	Director	Secretariat
Ministry of Foreign Affairs					
1.	Daw Penjo	4	8003024	Director	Bilateral Division
Ministry of Education					
1.	Chador Wangdi	5	7906001	Joint Director	Program Division
2.	Karma L. Dorji	5	9106044	Joint Director	School Planning & Building Division
3.	Rinzin Namgyel Dorji	6	9108109	Joint Director	Teacher Development Division
4.	Tshering Dolkar	6	9012007	Joint Director	Career Education & Counselling Division
Ministry of Finance					
1.	Sangay Zam	4	8304028	Director	Department of Revenue and Customs
2.	Nim Dorji	5	8801019	Director	Sustainable Development Secretariat
Ministry of Labour and Human Resources					
1.	Tshering Tobgay	5	9201056	Director	Department of Human Resources
2.	Sangay Dorjee	5	8901005	Director	Bhutan Vocational Qualification Authority
Ministry of Trade & Industry					
1.	Sonam P. Wangdi,	5	8709026	Dy. Secretary	Secretariat
2.	Chimmy Pem	5	8801007	Joint Director	Department of Tourism
3.	Kunzang Norbu	5	8607074	Joint Director	Department of Tourism
Ministry of Health					
1.	Rinchen Dorji	7	7703020	Joint Director	Drugs, Vaccines & Equipment Division.
2.	Sonam Dorji Wangdi	5	9102019	Joint Director	Quality Assurance & Standardise Division.
3.	Dr. Sonam Ugyen	5	9106025	Joint Director	Information & Communication Bureau
4.	Dorji wangchuk	4	7601026	Director	National Institute of Traditional Medicines
5.	Dr. Chenchu Dorji	5	8908045	Director	Royal Institute of Health Sciences

The placement of lower grade officials at the higher posts is not in line with administrative cadre prescribed under the Bhutan Civil Service Rules and Regulations. Besides, their appointments to the higher post imply certain privileges that are not available to their respective grades. Such practices may jeopardise the transparency, fairness across Civil Service and may demoralise other senior, eligible and more deserving civil servants in other organisation whose cases are kept in abeyance for want of vacancies.

If such services demand for such posts, the concerned ministries and departments must put up requisition to the Royal Civil Service Commission for Inter-ministerial transfers involving mainly administrative positions first. Only if no candidate suitable is available opportunity must be given to lower grades.

Though all the ministries have been provided with the copies of the report only the Ministry of Health had responded as summarized below:

The Ministry of Health clarified that the civil servants from lower grades were appointed to the higher posts in consultation with the RCSC during the restructure exercises to fill up the posts approved as per the restructure. This has happened mainly due to the shortage of civil servants with appropriate grades in the Ministry or overall government pool to fill in the vacant/created posts. The situation is not only relevant to Health but also government in general; and this will be automatically rectified over a period of time.

RAA's Comments:

There is no record showing that the Ministry had referred the matter to the Royal Civil Service Commission to fill up the vacant posts. Besides, it appeared that RCSC had not made any effort or had failed to uphold the principle of equal opportunity and consideration of all eligible officers across the Civil Service. The consequent of which there are posts without appropriate candidates and persons meriting promotions without vacancies.

3.4 Appointment of Officiating Directors

The Ministry of Labour and Human Resources had appointed several officials as Officiating Directors for unspecified duration who were in grade 5 as under:

Table 1.10 showing instances of lower grade officials being appointed as Officiating Directors.

Sl. No	Name	Designation	Emp. ID No.	Gr.	Cadre	Division	Appt. Order/ Office Order No. & Date
1	Sangay Dorji	Offtg. Director	8901005	5	TC-10	Bhutan Vocational Qualification Authority.	RCSC/MIS-4/2004/ 3307 dated 16/01/2004
2	Karma Tshering	Offtg. Director	8709033	5	TC-10	Department of Employment.	RCSC/MIS-4/2004/ 3307 dated 16/01/2004
3	Tshering Tobgay	Offtg. Director	9201056	5	SC-5	Department of Human Resources	RCSC/MIS-4/2004/ 3307 dated 16/01/2004

As per the Royal Civil Service Rules and Regulations, the Directors' grade should be in Grade III (AC-15). However, the Ministry of Labour and Human Resources had 3 officiating Directors whose grades are below their designations.

It is unfair and depriving of opportunities of those deserving & eligible candidates of the country. Such system would encourage the nepotism and favouritism.

The appointment to officiate on a long term basis does not cover in the Bhutan Civil Service Rules and Regulations. Usually officers are appointed to officiate for a short duration pending appointments decisions or when the incumbents are out of station.

Ministry's response:

The Ministry of Labour and Human Resources (MoLHR) stated that the Royal Civil Service Commission had appointed three officiating directors since they had been heading the respective organisations as head of the organisations before establishment of MoLHR. The officiating directors were appointed with the view to retain those experienced officials.

RAA's Comments:

Such practice lacked transparency, fairness and deprived opportunities of other deserving & eligible candidates within the country. Such a practice is fraught with evidence of nepotism and favouritism. It also deprived more deserving candidates the opportunity to rise or rewarded.

3.5 Training

The Bhutan Civil Service Rules and Regulations 2002, deal with two types of training:

- In-country Training (BCSRR Chapter 11); and
- In-service Training Abroad (BCSRR Chapter 12).

For the purpose of the study of Personnel Action Audit, the Royal Audit Authority has focused on the In-service Trainings.

3.5.1 Government Policy

The In-service training policy shall facilitate appropriate training and development of human resource so that employees become optimally useful to fulfil the requirement for educated human resource of the country towards attaining the national goal of self-reliance, enhance the efficiency capability and quality of existing personnel.

As per the training rules and regulations the term training shall apply to:

- a. Formal university degree courses at the postgraduate level;
- b. Institutional courses (attachments, certificate and diploma courses); and
- c. Study tours, workshops, and seminars outside the country.

3.5.2 Frequency of training

Review of the training undergone by various officials and staff from different ministries and agencies revealed that some individuals had availed number of training, workshops, seminars and study tour maximum up to eleven times within the period of five years (1998 to 2003) as summarized in the table 1.11:

Table 1.11 showing agencies which had high frequency of training opportunities for officials.

Sl. No.	Name of Ministry	Highest frequency Case	Period
1.	Ministry of Agriculture	6 times	1998-2003
2.	Ministry of Trade and Industry	11 times	1998-2003
3.	Ministry of Health	9 times	1998-2003
4.	Ministry of Education	10 times	1998-2003
5.	Ministry of Labour and Human Resources	6 times	1998-2003

Note: *The term trainings included university and institutional courses, study tours, seminars and workshops.*

Though a copy of the reports has been provided, no ministries and agencies had responded.

RAA's Comments

The Royal Audit Authority is of the opinion that every civil servant should have access to equal opportunities for professional development. The above indicate that there is a need to prescribe maximum limit or minimum interval between the trainings even for short durations so that training opportunities are fair and just. A frequency of eleven times of trainings in five years indicates on an average of more than 2 trainings a year which appears quite high.

4. Performance Audit of Rural Water Supply Scheme in Haa Dzongkhag

The Royal Audit Authority had conducted the Performance Audit of Rural Water Supply Schemes (RWSS) under Dzongkhag Administration, Haa for the period from 01-07-2001 to 30-06-2004 which had a total budget of Nu. 237.900 million. Such audit was conducted to ascertain the procedures and benefits accruing to the rural communities under the scheme. The RAA had examined the procedures and practices of implementation.

The objective of the audit was to ascertain that the water supply schemes were executed as per the plan, the water supply had benefited the community and the water source had been identified in the right place and provided safe drinking water.

In the overall scenario achievement of new schemes are commendable.

Findings:

Of the numerous findings included non-implementation of some rehabilitation schemes thereby depriving the beneficiaries of the benefits. As per the survey guidebook issued by the Public Health Engineering Division, the normal survey is required to be carried out during the lean season of the year but on the contrary the survey was conducted during the monsoon season. This is evidenced from the project information sheet. It was further made worse by survey team selecting the wrong source of water supply.

The PHE, Division had developed a non-standard drawing for rural water supply during April 2002 and RWSS Project Standardization Manual to be used as guide in the construction. Although there is provision for sedimentation tank in the manual under reference but no such tanks were found constructed in most of the schemes.

As per WHO Guidelines Bacteriological testing should be carried out either in Dzongkhag hospital or nearest BHU laboratories. However, the Dzongkhag Administration, Haa had not maintained any record to suggest evidence of bacteriological testing.

The audit team visited water supply projects and found no caretakers were appointed except in one project only. This probably had resulted intake tanks filled with sand and leaves thereby blocking the outflow of water. Some of the intake tanks had developed cracks and leakages.

Tap stand without water, non-execution of maintenance works, in-adequate water yield from the source, provision of internal house water facilities in deviation to the scheme, provision of excess and shortage of tap stands, non provision of facilities to some of the houses etc were some other problems detected by the audit team.

Auditee's Response:

The Dzongkhag stated that during the seasons for survey the three technical personnel comprising of one Junior Engineer, one mason and a plumber have to be engaged in the

construction of the already approved project and in the process, the surveys are always delayed. It further stated that the surveys would have been done during the right seasons if the manpower strength were improved.

The Dzongkhag submitted that in almost all the schemes, the provision of settling tank was overlooked at the time of survey and therefore not included in design & estimates. However, it had assured that it would incorporate in future schemes.

With regard to non-testing of water, the Dzongkhag stated that since water testing kits have been brought recently, the documents could not be produced to audit. However, now the training was also given recently, the Dzongkhag is now on track in performing tests henceforth.

The Dzongkhag stated that caretakers were appointed but they had gone for resettlement under Samtse Dzongkhag. However, it stated that almost 95% of the caretakers are functional.

As for the lack of maintenance, it stated that the Dzongkhag is totally relying on the committee formed at the village level to look after the RWS schemes after it is handed over to the beneficiaries. However, those maintenance works which cannot be carried out at the village could be referred to the Dzongkhag. However, the maintenance by the Dzongkhag is subject to the availability of the manpower.

The Dzongkhag stated that the excess or shortage of number of tap stands were either due to the materials for taps which were not constructed were issued to other people who are need of it upon approval of the competent authority or disputes among the family members which had led to have separate tap stands at their own expenses.

RAA's comments:

The Dzongkhag should ensure that the survey is carried out at appropriate season. Bacterial testing as per WHO Guidelines must be carried out to ensure that the water is fit for human consumption. Auditors during the site visit had found no caretakers except one in Balamna, therefore, the statement that almost 95% of the caretakers are functional needed further fact finding exercise.

5. Value for Money Audit on the Procurement System of Drugs and Non-drugs by the Ministry of Health

The Performance Audit on the Procurement System of Drugs and non-drugs were conducted with a view to ascertain the adequacy of the present internal check and balance system relating to procurement, ascertain the accountability and responsibility amongst the dealing officials, ascertain as to whether procurement has been undertaken economically and efficiently and finally to recommend improvements in the procurement systems wherever possible.

5.1 Comparative analysis of drugs and non-drugs procured on the basis of CIF Phuntsholing with that of CIF Thimphu-likely savings of Nu.3.168 million

Comparative analysis of drugs and non-drugs procured on the basis of CIF Phuntsholing with that of CIF Thimphu was conducted to study the cheaper means of procurement to the government. In order to do this items purchased CIF Phuntsholing were added with over head cost incurred by the Medical Supply Depot, Phuntsholing. An analysis revealed that procurements if made CIF Thimphu would have been cheaper by Nu.3.168 million for the Financial Years under review.

5.2 Loss of Nu.0.920 million due to payment of different rates for similar items

The Drugs, Vaccine and Equipment Division had procured medical equipment from two different suppliers at different rates although the items were of same standard and in the same financial year. The government as a consequence had incurred avoidable expenditure of Nu.0.920 million.

5.3 Other findings:

In addition to the above two significant findings numerous other irregularities were observed which included high frequency of movement of pool vehicles, purchased non-drug items lying idle, procurement of expired drugs valuing over Nu.1.218 million in three financial years, late delivery of drugs and uneconomical maintaining of government fleet of trucks.

Auditee's Response:

The management stated that while there are advantages in shifting MSD to DVED, there are also other factors that impede shifting of MSD to the DVED. It stated that a brief study was done in 1999-2000 with regard to this but it revealed hardly any cost difference. However, detailed discussions were carried out but decision to shift to Thimphu was put on hold till date.

With regard to the payment of different rates for the same items, it stated that though it serves the same purpose, there are certain features that differ from each other such as degree of automation and sophistication. It stated such decisions are made by the Tender Selection Committee formed in consultation with the Department and the Ministry.

As to the audit observation on frequent movement of pool vehicles, the management stated that since the nature of supplies being special, delivery of supplies has to overrule other requirements. It has further substantiated with numerous reasons leading to high frequency of movement of the pool vehicles. With regard to the expired drugs, it submitted that accurate quantification cannot be made due to various reasons such as emerging diseases, change in morbidity patterns, change of prescribers, prescribing trend, up gradation of health facilities etc. It reasoned that since medical supplies are life saving in nature, it is better that some of these are kept in excess rather than compromising on the patient's life.

RAA's Comments:

For the procurement of the drugs and non-drugs, it is recommended that the procurement be based on the CIF, Thimphu which is cheaper than CIF, Phuentsholing. The detailed Material Requirement Planning should be prepared while floating the tenders as a remedial measure to avoid avoidable expenditures in future. Further, the Ministry must institute sound inventory management system for economizing the use of drugs and vehicles.