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ACCOUNTABILITY AND ACHIEVEMENTS OF THE ROYAL AUDIT AUTHORITY

1.1 Mandate of the Royal Audit Authority

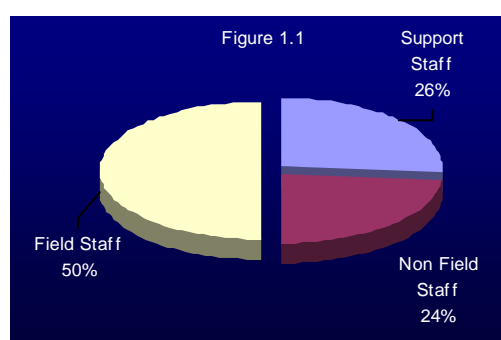
The Royal Audit Authority is mandated to conduct the audit of Government and other agencies under its audit jurisdiction and report without fear, favour or prejudice on the economy, efficiency and effectiveness in the use of public resources. The Royal Audit Authority seeks to promote accountability by ascertaining, evaluating and reporting on as to whether the public resources are handled properly and in compliance with laws, rules and regulations and assess whether the agencies within its audit jurisdiction, achieve the purposes for which they were established and for which public resources have been made available to them.

1.2 Budget of the Royal Audit Authority

During the fiscal year 2004-05, the Royal Audit Authority had been provided with a total budgetary support of Nu. 58.514 million including UNDP assistance of Nu 4.026 million, HELVETAS assistance of Nu.1.560 million and DANISH assistance of Nu. 5.809 million. Against approved budget of Nu 58.514 million, the actual expenditure amounted to Nu.55.907 million. Over all saving of Nu 2.607 million was mainly due to spill over of capital expenditure.

1.3 Staff Strength

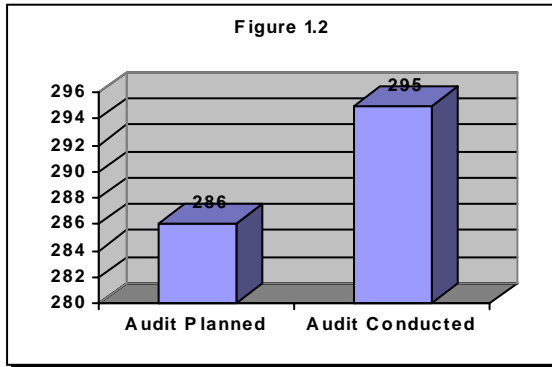
Total manpower strength of the Royal Audit Authority during the year 2004-05 was 172 as against 155 in the previous year. Out of the total strength of 172, 45 were support staff comprising of drivers, caretakers, administrative support staff, etc.



1.4 Accomplishment and achievements

1.4.1 Audits conducted, Reports and Audit Clearance Certificates issued

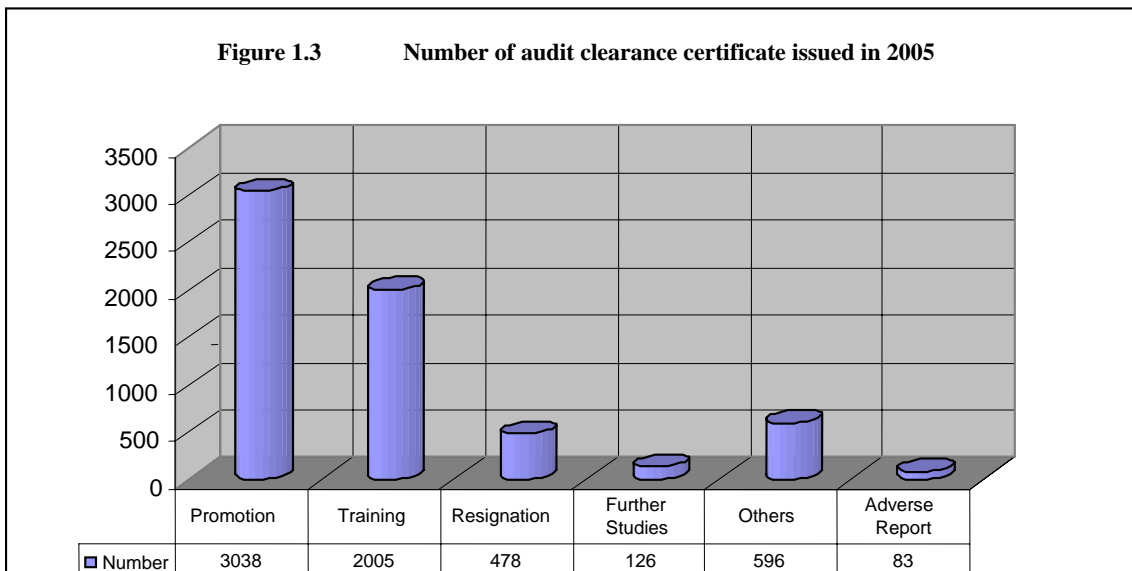
Out of 286 audits planned in 2005, the RAA conducted 295 audits during the year (an achievement of over 103%)



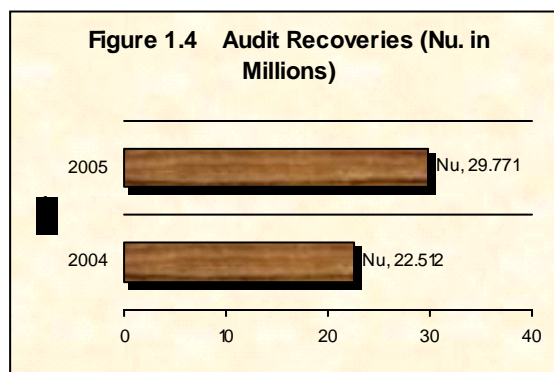
comprising of 200 normal audits, 4 performance audit, 6 special audit and 85 project certifications. The RAA issued 392 reports comprising of 255 normal audit, 3 performance audit, 23 statutory audit, 111 project certifications and 1 report on certification of Annual Financial Statements. Besides the RAA also issued 213 Follow-up

reports during the year.

In the year **2005**, a total of **6,243 Audit Clearance Certificates** were issued. i.e. **3,038** for Promotion, **2005** for Training, **478** Resignation, **126** for Further Studies, **195** for Study Tours, **187** for Contract Extension, **106** for Workshops, **60** for Re-election, **24** for Seminars, **11** for Secondment, **9** for Election and **4** for Superannuation. **83** Clearances were rejected for various reasons. i.e. **80** for having Adverse Reports and **3** for incomplete information.



1.4.2 Audit Recoveries increase by 32% to Nu. 29.771 million



In the year 2005, Audit Recoveries amounted to **Nu. 29.771 million** as against **Nu. 22.512 million** in 2004, an increase by over 32% as compared to 2004, indicating increased compliance and effective follow up mechanism.

1.4.3 RAA completes Audit Awareness at the Grass Root Level

In keeping with the decentralization policy of the Government, the RAA continued its audit awareness programmes amongst people at the grass root levels about their roles, responsibilities and accountability in the decision making process. The RAA completed the audit awareness programme in the remaining 5 Dzongkhags not covered in earlier years for members of DYT, GYT, Gaydrungs and Dzongkhag officials. The programme also included visits to higher and middle secondary schools located in the respective Dzongkhags.

1.4.4 Professional Development in the RAA

The RAA is committed to highest professional standards. To achieve this, the organization has been pursuing continuous professional development programmes. During the year a total of 131 auditors availed in-house trainings in Auditing in an IT Environment, IT audits and ICT related fields. A total of 57 auditors have availed Ex-country trainings comprising of three long term courses in IA&AS, MSc in Environmental Auditing and Civil Engineering other short term trainings including performance and IT auditing.

1.4.5 International Cooperation

Auditing profession must keep abreast of the socio-economic developments and reforms as well as industrial and technological advancements. The move by the RAA towards adoption of emerging concepts led to exchange of ideas and experiences with the other Supreme Audit Institutions (SAIs) and greater cooperation in the fields of trainings, conferences and special delegations to other SAIs. During the year:

- ✚ The Auditor General led a six member delegation to the Auditor General's Office of Nepal and the Office of the Commission for the Investigation of Abuse of Authority (CIAA) of Nepal in January, 2005.
- ✚ The Auditor General attended the 18th UN/INTOSAI Inter-regional Seminar on Government Auditing on the topic "Symposium on the Application of ICT in Audit of E-government held in Vienna, Austria on April 15.

- ✚ The Royal Audit Authority hosted the 14th Meeting of the INTOSAI Standing Committee on IT Audit from 27th – 29th April 2005. 50 delegates from 22 countries including 2 delegates from the INTOSAI Development Initiative attended the meeting.
- ✚ The 5th Indo-Bhutan IT Audit Training inaugurated on 20 June 2005 was conducted by two senior level resource persons, Mr. V.Ravindran, Accountant General of Kerala and Mr. N.K. Sah, Dy. Director, from the Office of the Comptroller and Auditor General (C&AG) of India.
- ✚ The Auditor General attended the Focus Group Meeting of the ‘IDI Strategic Planning 2007 onwards’ from 27th – 29th June.
- ✚ The Auditor General led a three member delegation to the 35th ASOSAI Governing Board Meeting at Kunming, China from 5th – 8th September 2005. On his way back and on the invitation of the Commissioner of Audit of Macau, Auditor General visited the Macau Commission on Audit and Commission against Corruption.
- ✚ Deputy Auditor General led a delegation to the Supreme Audit Institution of Japan on 14th October.
- ✚ The Auditor General also led a delegation to the 10th Meeting of the INTOSAI Working Group on Environmental Auditing at Moscow from 27th October – 1st November.
- ✚ The ASOSAI Training Specialist from the RAA joined 5 other instructors from Pakistan, Indonesia, China and Philippines and designed and delivered a course on ‘Dealing with Fraud and Corruption in Auditing’ at Lahore, Pakistan to 28 participants from the Supreme Audit Institutions of Asia.

1.5 Internal and external audits of the RAA

The external audit of accounts and operations of the RAA for the financial year 2004-2005 was conducted by M/s L.B.Jha & Co. Chartered Accountants. Auditors’ Reports and the Financial Statements are enclosed as *Annexure-A*.

The Office of the Assistant Auditor General, Tsirang conducted the internal audit of the RAA Head Quarters on a rotational basis. The RAA Head Quarter conducted the internal audits of its three Regional Offices.

1.6 Other Important activities

1.6.1 *Special Audit of Semtokha Dzong Conservation Project and Chhukha Dzong Construction Project*

In keeping with the resolutions of the 84th session of the National Assembly of Bhutan, the Royal Audit Authority conducted special audits of the Semtokha Dzong Conservation Project and Chhukha Dzong Construction Project. The special audit reports would be tabled at the 85th session of the National Assembly.

1.6.2 Appointment of the Auditor General as a Constitutional Post holder

As envisaged in the draft Constitution of the Kingdom of Bhutan, His Majesty the Druk Gyalpo appointed Mr. Ugen Chewang, the new Auditor General as a constitutional post holder with effect from January 1, 2006.

1.6.3 Appointment of the former Auditor General as the first Chief Election Commissioner

The former Auditor General, Dasho Kunzang Wangdi was transferred and appointed as the first Chief Election Commissioner of Bhutan. His appointment as the Chief Election Commissioner of Bhutan is the recognition of selfless contribution made by him to the nation.

1.6.4 The Audit Act 2006

As envisaged in the draft Constitution of the Kingdom of Bhutan, the Audit Act has been finalized and submitted to the Government for tabling at the 85th session of the National Assembly.

1.6.5 UN International Anti-Corruption Day

The Royal Audit Authority observed 9th December 2005 as the second UN International Anti- Corruption day. H. E. Lyonpo Sangay Ngedup, the Hon'ble Prime Minister of Bhutan was the Chief Guest to mark the occasion. The event also witnessed the release of the Performance Audit Guidelines by the Hon'ble Prime Minister of Bhutan.

1.7 RAA's Future Strategies

1.7.1 Performance Audit – a way forward

Performance auditing has been recognized as one of the most important tools in promoting public accountability. The Supreme Audit Institutions across the globe have adopted performance auditing as one of their main functions. While the importance of other forms of audits can not be undermined, the RAA shall increasingly direct its attention and efforts towards performance audit and report on the economy, efficiency and effectiveness in the use of public resources.

With an assistance of US \$ 0.125 million from the UNDP to strengthen the institutional capacity of the RAA in conducting Performance Auditing, the RAA has as a modest beginning developed a Performance Audit Guidelines. Besides, during the year 21 officials had availed trainings on Performance audit related fields in India, USA and the United Kingdom.

1.7.2 Centralized Follow up Division for effective follow up of reports

Effectiveness of auditing not only depends on the quality of auditing but equally on as to how the audit recommendations are implemented. While audit reports

have been receiving increasing Government, public and media attention through publication of Annual Audit Reports and a Public Accounts Committee has been established to review the AARs and other special reports submitted to the Parliament, a centralized Follow-up Division has been established in July 2005 in the RAA to ensure continuous and effective follow up of audit reports through more focused attention. It would also ensure a uniform and standard approach in following up the audit reports.

1.7.3 Development of Audit Manuals towards enhancing professionalism.

Quality of audit works depends on audit approaches and methodologies used and quality assurance system in place. Towards this, in addition to existing broad Guidelines and Manuals, Committees have been formed to develop specific Audit Manuals relative to different categories of organizations covering also specialized field of audit. The RAA expects to develop 12 such Manuals by the end of 2006.

1.7.4 IT Audit –challenge lying ahead

Ninth five year plan has witnessed unprecedented ICT development activities in the country. Document entitled BIPS clearly outlines priority attached on the development of ICT. The RAA can no longer afford to ignore these developments. Accordingly, Seventh Annual Audit Conference recognizing the ICT developments adopted various strategies and established a Core Group to develop ICT auditing capabilities of the RAA.

1.7.5 Financial Audit- a constructive and balanced auditing

Presently financial audits conducted are confined to the certification of the Annual Financial Statements of the Government and various externally assisted projects. For a more comprehensive auditing and reporting on the accounts, operations and performance (achievements) of agencies, the RAA has decided to certify the financial statements compiled by all line Ministries and Agencies. Through this process the RAA shall express opinion on the true and fairness of the financial statements and ascertain the adequacy and reliability of accounting and internal control systems instituted by the agencies which would contribute to a more constructive and balanced reporting.

CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2004-2005

2.1 Summary of Report

The Financial Rules and Regulations 2001 and the General Auditing Rules and Regulations require the Royal Audit Authority to certify the Annual Financial Statements of the budgetary operations of the Government.

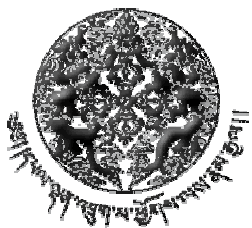
Accordingly the RAA audited the consolidated Annual Financial Statements of the Royal Government of Bhutan for the Financial Year 2004-2005 in accordance with the generally accepted auditing standards and General Auditing Rules and Regulations.

The Royal Audit Authority is pleased to report that the Annual Financial Statements depicted a true and fair view of the budgetary operations of the government. The Annual Financial Statements of the Government are attached.

The original approved budget appropriation of Nu. 13,939.499 million was revised upward to Nu. 17,014.742 million with estimated resource gap of Nu. 1,069.07 million. The actual expenditure amounted to Nu. 13,858.572 million. The difference in the revised budget and the actual outcome is attributable to the non-receipt of the anticipated external loans and grants projected in the revised outlay.

Significant recommendations included the following:

- ✚ More detailed reporting of the debt position of the Government in terms of debt absorption and repayment capacity including the consolidated repayment schedules covering a five year period; and
- ✚ Measures to be initiated to improve the BAS to ensure timely preparation and submission of audited accounts.



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ROYAL AUDIT AUTHORITY

(A Clean Public Service - Nation's Pride)



RAA(PPD-CERT-AFS)2006/9752

April 13, 2006

The certificate of the Auditor General on the Annual Financial Statements of the Royal Government of Bhutan for the Financial Year 2004-2005

1. The Royal Audit Authority audited the Annual Financial Statements of the Royal Government of Bhutan for the Financial Year 2004-2005 attached hereto, under my direction in accordance with the provision under Chapter XI, Section 11.1.1.2 of the Financial Rules and Regulations (FRR) 2001 and the General Auditing Rules and Regulations (GARR), 1989.
2. The Annual Financial Statements as prescribed under Chapter XI, Section 11.1.1.4 are the responsibility of the Ministry of Finance. The RAA's responsibility is to express an opinion on these financial statements based on audit conducted by it.
3. The RAA has conducted the audit in accordance with the generally accepted auditing standards and the General Auditing Rules and Regulations. These standards require that the RAA plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes determining on the test basis, evidence supporting the amounts and disclosures in the financial statements. The RAA believes that its audit provides a reasonable basis for its opinion.
4. Based on the examination of accounts and records made available and information and explanations provided to the auditors, the RAA reports that in its opinion the Annual Financial Statements fairly present the budgetary operations of the Royal Government for the year ended 30th June 2005 and the position of debts and equity portfolio of the Government as on that date.
5. The RAA noted that the Annual Financial Statements do not include the Statement of Operations on Refundable Deposit Accounts, Revolving and Trust Fund as specified under the Financial Rules and Regulations, 2001.

(Ugen Chewang)
Auditor General of Bhutan

SUMMARY OF AUDIT OBESERVATIONS 2005

The audit findings and recommendations constitute the single most significant source of input to the Annual Audit Report. As in the past, attempts were made to incorporate only matters of potential significance depending on the nature of audit findings and amounts involved. The total amount of irregularities reported in financial terms as per audit reports issued during 2005 had reduced by Nu. 105.059 million indicating an overall reduction of 28.44 % as compared to the AAR 2004 as summarized graphically and as well as shown in the Table 3.1 below:

Figure 3.1

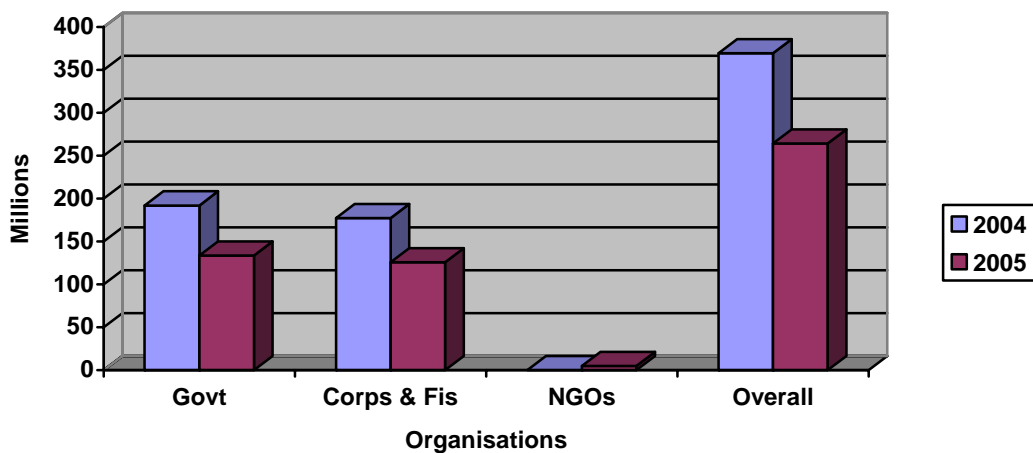


Table 3.1 showing comparative figures (Nu.in million)

SL. No.	Category of Agencies	Amount 2005	Amount 2004	Amount Difference	%
1	Government and its instrumentalities	133.566	192.002	(58.436)	30.43
2	Corporations & Financial Institutions	125.788	177.337	(51.549)	29.06
3	Non-Government Agencies	4.926	0*	4.926	100
	Total	264.280	369.339	(105.059)	28.44

***No significant irregularities noted. In 2005 more reports of NGOs were issued.**

As would be noted from the above table 3.1, irregularities reported in the Government and its instrumentalities including the Ministries, Departments, Dzongkhags, Geogs, Judiciary, Armed Forces, Autonomous Bodies and Rabdeys have reduced by Nu. 58.436 million (30.43%). Similarly, the total amount of irregularities in the Corporations and Financial Institutions reduced by Nu. 51.549 million. However, the figures may not be comparable as the agencies audited and period covered would differ. Nonetheless, subject to the effect, if any, of such differences the reduction in the total amount of irregularities may be regarded as

an indication of improvement in the accounts and operations of agencies audited by the RAA.

The findings of audit for 2005 are reported separately under the Ministries, Departments and Autonomous Bodies; Corporations & Financial Institutions and Non-Government Organisations. The separation of the findings is made in view of the distinct mandates, objectives, accountabilities and sources of financing of the organizations. Besides the audit observations are also classified under the broad categories of observations as per the nature of the irregularities.

MINISTRIES, DZONGKHAGS, GEOGS, ARMED FORCES AND AUTONOMOUS BODIES

3.1 Summary of Audit Findings

The RAA issued a total of 361 audit reports of the Government and its instrumentalities which included Ministries, Departments, Divisions, Units, Dzongkhags, Autonomous Agencies, Judiciary, Rabdeys and Armed Forces. Significant irregularities noticed in these agencies in financial terms aggregated to Nu 133.591 million. This represents a reduction of 30.42% as compared to Nu. 192.002 million reported in the Annual Audit Report 2004.

The reduction in the amount of significant irregularities was due to extensive follow-up by the Royal Audit Authority, improved compliance by the agencies and resultant effective settlement of audit findings. The RAA also reports that the irregularities in procurement, advances and management of construction projects still featured as significant and prominent issues which require attention of the Government. The significant findings for the year 2005 are summarized in Table 3.2 and as briefly discussed hereunder:

Table 3.2 showing summary of AAR 2005 agency wise, category wise and the amount involved (Nu.in million)

Code	Category of irregularities	MOA	MoFA	MoE	MoH	MoF	ML&HR	MW&HS	MI&C	MTI	MoHCA	Dzos	Geogs	AFs	Auto	Total
1.2	Malpractices and abuses	0.423				0.094						1.183	0.373	0.309		2.382
1.3	Tax evasion											0.226				0.226
2.1	Misappropriation								0.316			0.265		0.061		0.642
2.2	Intentional double bookings/irregular & unauthorised payments					0.036										0.036
2.3	Non/short accountal							0.110				0.102	0.587	0.043		0.842
3.1	Mismanagement of fund	0.273										0.080				0.353
3.2	Mismanagement of properties							0.481								0.481
3.4	Mismanagement of revenues and taxes	1.194				0.036						1.009	0.129			2.368
4.3	Violation of accounting norms					1.488						1.619		0.667		3.774
4.4	Violation of procurement norms	0.186		3.160			9.359	8.655		0.331	1.443	8.476	1.875	1.866	0.254	35.605
4.5	Violation of Acts, Directives & Policies					0.270						0.578		1.455		2.303
4.6	Violation of others laws, rules and regulations											0.874				0.874
5.1	Over/Inadmissible/Irregular/Double payments.	0.197			0.067		0.059	1.123			0.030	4.037	0.624	0.958	0.454	7.549
5.4	Non/improper recording in books													0.154		0.154
5.5	Non reconciliation/certification of balances							0.182								0.182
5.6	Irregularities in advances	2.129	3.264	2.912	3.477	11.788	2.222	4.255				21.054	4.941	3.331	2.573	61.946
5.7	Irregularities in recoveries							3.714	4.720			0.125				8.559
5.9	Irregularities on property managements										0.086	0.350				0.436
5.11	Non/short deductions			0.064				0.275				0.147		3.318	0.235	4.039
5.12	Shortfalls & uneconomical operations							0.815								0.815
Total for year 2005		4.402	3.264	6.136	3.544	13.712	11.640	19.610	5.036	0.331	1.559	40.125	8.529	12.162	3.516	133.566
Total for year 2004		7.122	29.226	0.400	4.880	2.878	4.170	36.504	0.927	0.094	29.226	52.747	5.417	25.793	2.692	192.002

3.1.1 Malpractices and abuses

Cases of malpractices and abuses included payments disbursed without execution of works, payment made for materials not received, acceptance of inferior goods, acceptance of substandard works, wages partially paid and payments made to the contractor in respect of works awarded on contract but actually carried out by the department. Such cases reported during the year aggregated to Nu.2.382 million.

The irregularities had occurred mainly due to absence of adequate internal controls and lack of proper monitoring and supervision mechanism. Proper system of check and balance and greater transparency in procurements would have minimized scope of such malpractices and abuses in these organizations.

3.1.2 Tax evasion

The RAA noted that the Municipal Office, Punakha had short collected property transfer tax amounting to Nu.0.226 million from the sale of building and land worth Nu. 5.230 million by way of under declaration of sale value. Under declaration of sale value of land and buildings being collusive in nature occurred in absence of proper mechanism to prevent such practices.

3.1.3 Misappropriation

The RAA detected misappropriation cases involving Nu.0.642 million in various government agencies viz., Kurichu Lower Secondary School, Mongar and Dagana Dzongkhags, MTC and Wing VI, RBA, W/phodrang, Department of Civil Aviation and the Department of National Properties. Inadequate internal controls particularly supervisory controls, segregation of duties, internal audits and surprise checks had facilitated misappropriation of funds by employees besides lack of appropriate actions by the administrative agencies concerned on the defaulters.

3.1.4 Non/short accountal

Rural taxes, insurance premium, goods and celebration money aggregating to Nu.0.842 million were short accounted. The agencies which were responsible for such irregularities were:

Table 3.3 showing the agency responsible for non/short accountal (Nu. in million)

SI.No.	Agency Responsible	Amount	Remarks
1	Geogs	0.587	Non accountal/collection of rural taxes, insurance and other collections
2	Mechanical Division, Thimphu & Regional Workshop, Hesothangkha	0.110	Shortage of HSD and non accountable of bill
3	Dzongkhag Administration, Samtse	0.102	Procured goods not accounted
4	Wing XVI, RBA	0.043	Celebration money not accounted
Total		0.842	

Inadequate internal controls particularly supervisory and accounting controls as well as absence of proper instructions and accountability regarding rural collections at Geogs resulted in such lapses.

3.1.5 *Mismanagement of fund*

The RAA noted cases of mismanagement of government fund amounting to Nu.0.353 million. Nu.0.198 million of training funds of Sakten Wildlife management was found utilized by official from the HQ and funds for the purchase of two sets of computers as institutional support to NCD was utilized for the purchase of furniture. Lack of strict budgetary discipline led to use of funds for purposes other than specified in the approved budget.

3.1.6 *Mismanagement of revenue & taxes*

The RAA noted cases of non/short collections as well as short deposits of revenues and taxes amounting to Nu. 2.368 million. The Ministry of Agriculture and the Dzongkhags had the highest amounts of Nu. 1.194 million and Nu. 1.009 million respectively. Lack of effective follow up on the part of collecting agencies had resulted in short/non-collection of taxes, lease rents and sale proceeds of farm products. Further, inadequate supervisory controls had also contributed in short deposits of amounts collected by the Dzongkhags.

3.1.7 *Violation of accounting norms*

The RAA had observed cases of payments made against improper supporting documents. These included Nu.1.578 million paid on the basis of abstract of goods issued statement sent through fax, against hand receipts, adjustments of advances made based on mere simple statement instead of proper accounts and non receipt of acknowledgement of amount received from the payee. The

Dzongkhags and Ministry of Finance had topped the list with amounts of Nu.1.619 million and Nu.1.488 million respectively. These have occurred mainly due to non enforcement of minimum requirements for supporting expenditure and adjustment of advances as prescribed in the Financial and Accounting Manual 2001.

3.1.8 Violation of procurement norms

The RAA noted cases of the violation of procurement norms of the government by various agencies. Total amounts involved amounted to Nu.35.605 million as summarized below:

Table 3.4 showing the agency responsible violation of procurement norms (Nu. in million)

Sl.No.	Agency Responsible	Amount
1	Ministry of Labour & Human Resources	9.359
2	Ministry of Works & Human Settlement	8.655
3	Dzongkhags	8.476
4	Ministry of Education	3.160
5	Others agencies	5.955
Total		35.605

Significant issues in the violation of procurement norms included:

- ✚ Purchase of equipment and extension kits by the Education Central Stores, Phuentsholing through collusive bidding amounting to Nu.3.160 million;
- ✚ Award of balance works of Zorig Chusum, Trashiyangtse and non-recovery of cost difference of Nu.9.086 million by the Ministry of Labour and Human Resources;
- ✚ Improper evaluation of bids, award of contract to the highest evaluated bidders, non- levy of liquidated damages and payment of inadmissible cost index amounting to Nu.8.655 million in the Ministry of Works and Human Settlement;
- ✚ Award of works by imposing arbitrary cut off point of awarding the work to the bidder whose rate was nearest to the Technical Sanction amount of Nu.7.859 million by the Dzongkhag Administration, Samtse; and
- ✚ Award of works to other than the lowest evaluated bidders, procurement without tender, award through lucky dips in geogs, procurement without requirement, non levy of liquidated damages, excessive procurement, grant of unjustified advances and purchase from the dependent of the civil servants who had authority over it.

Main reasons for the violation of procurement norms were lack of internal controls and proper system of check and balance in the organisations; lack of effective internal audit functions, lack of transparency in decisions, improper constitution of tender committees, collusive bidding through connivances; inactions on reported cases of violation of procurement norms and non-updation of procurement rules.

3.1.9 Violation of Acts, Directives & Polices

Three agencies listed in the table had not complied with the Acts, Directives and Polices issued by the Government. Total amount involved was Nu.2.303 million as summarized below:

Table 3.5 showing the agency violation of Acts, Directives & Polices (Nu. in million)

SI.No.	Agency Responsible	Amount	Remarks
1	RBP	1.455	Import of uniform without custom seal & vehicle number
2	Punakha & Tsirang Dzongkhag	0.578	Availability of timbers without permit and non collection of rents at enhanced rate
3	RRCO, Phuentsholing	0.270	Non enforcement of court verdict
Total		2.303	

Lack of effective enforcement of Government policies by the enforcement authorities resulted in such violations.

3.1.10 Inadmissible and Irregular Payments

Inadmissible and irregular payments amounted to Nu.7.549 million during the year 2005. Significant inadmissible payments pertained to the following agencies:

Table 3.6 showing the agency responsible over/inadmissible/irregular/double payments (Nu. in million)

SI.No.	Agency Responsible	Amount	Remarks
1	MW & HS	1.123	Non adjustment of advances and payment of cost index
2	Dzongkhags	4.037	Vacation salary, DSA payment, leave encashment, overtime allowances, LTC, hire charges, etc.
3	Armed Forces	0.958	Payment of one month DA on paid on transfer and TA/DA paid on tour to locations under the same area of responsibility etc.
Total		6.118	

The irregularities had occurred mainly due to absence of adequate internal controls and lack of proper monitoring and supervision mechanism. Proper system of check and balance and greater transparency in decision making process would have minimized scope of such irregularities.

3.1.11 Irregularities in advances

Advances aggregating to Nu. 61.946 million had been lying with the suppliers, contractors, third parties and officials pending adjustments and recoveries. Of the total advances of Nu. 61.946 million, 33.98% pertained to the Dzongkhags, 19.02% to the Ministry of Finance and 47% pertained to other agencies. The RAA noted that the advances had reduced to Nu.61.946 million in 2005 as against Nu 98.079 million reported in 2004. Irregularities in advances occurred mainly due to inadequate follow-up and non-enforcement of contract terms and payment of fresh advances to officials before the liquidation of old advances.

3.1.12 Irregularities in recoveries

The Ministry of Information and Communications and Ministry of Works & Human Settlement had not realized Nu.8.434 million for hire charges of machineries, annual renewal fees from the vehicle owners. Non-enforcement of Government directives on hiring of machineries, inadequate follow-up and lack of supervisory control resulted in non-realisation of such hire charges and fees.

3.1.13 Non /short deductions

Out of Nu.4.039 million reported, Nu.3.318 million accounted for non-deduction of health contribution by the Armed Forces and the balance amount were due to non deduction of Tax Deduction at Source (TDS). The irregularities occurred due to non-enforcement of government directives.

CORPORATIONS & FINANCIAL INSTITUTIONS

3.2 Summary of Audit Findings

The RAA issued a total of 22 audit reports of Corporations and the Financial Institutions in 2005. Significant irregularities were noticed in nine of these Corporations and Financial Institutions. Total irregularities in financial terms aggregated to Nu 125.788 million. Over 79% of total irregularities pertain to the advances sanctioned by the Financial Institutions which include cases of non performing loans and irregularities in granting of loans.

Since lending operations constitute main activities of the financial institutions, it is inevitable that there will be instances of non-performing loans accumulated over time. Nonetheless, there is need to ensure that such non performing loans are kept within the limits and such cases do not arise due to improper management decisions or other managerial inadequacies.

The significant findings for the year 2005 are summarized in Table 3.7 and briefly discussed hereunder:

Table 3.7 showing summary of AAR 2005 Corporation and Financial Institutes, category wise and amount involved (Nu. in million)

Code No.	Category of irregularities	Kuensel	Bhutan Post	BAIL	PCAL	BPCL	BNBL	BDFC	BoBL	RICBL	Total
2.1	Misappropriation			2.123					0.396		2.519
5.1	Over/inadmissible/ Irregular/double payments		0.258								0.258
5.6	Irregularities in advances	3.875	2.052								5.927
5.7	Irregularities in recoveries						0.450				0.450
5.12	Shortfalls and uneconomical operations	4.391	0.067	1.730	0	0.124	7.037	71.94	14.679	16.098	116.066
5.14	Pending disputes and court cases				0.568						0.568
	Total	8.266	2.377	3.853	0.568	0.124	7.487	71.94	15.075	16.098	125.788

3.2.1 Misappropriation

The RAA noted cases of misappropriation involving Nu. 2.519 million in the Bhutan Agro Industries Ltd. and the Bank of Bhutan. Inadequate internal controls particularly lack of adequate supervisory controls, segregation of duties, internal audits and surprise checks had facilitated misappropriation of funds.

3.2.2 Mismanagement of fund

Cases of mismanagement of fund related to staff loan which had become over due in the Bhutan National Bank Ltd. involving 16 staff loan accounts with over due range of up to 18 months. Three Staff Loan Accounts had Over Due (OD) range of 13 to 18 months and eleven Staff Loan Accounts had Over Due (OD) range of 1 to 3 months. Thirty- two Staff Loan had either incomplete documents or the loan amounts exceeded the insured value of vehicles. Irregularities occurred due to inadequate follow up and lack of due diligence in granting staff loans.

3.2.3 Inadmissible and Irregular Payments

Inadmissible and irregular payments noted amounted to Nu.0.258 million in respect of procurements made by the Bhutan Postal Corporation Ltd. The Corporation had made payments to contractor and supplier irregularly in excess of value of actual work done and at higher rates. The irregularities had occurred mainly due to absence of adequate internal controls particularly supervisory and accounting controls.

3.2.4 Irregularities in advances

Advances aggregating to Nu.5.927 million had been lying with the suppliers, contractors, third parties and officials pending adjustments and recoveries. Of the total advances of Nu. 5.927 million, 3.875 million pertained to Kuensel Corporation and balance of Nu. 2.052 million to Bhutan Postal Corporation Ltd. While imprest advance paid by the Bhutan Postal Corporation were being adjusted from time to time, there were bad cases of advances paid to suppliers. Accumulation of advances mainly occurred due to inadequate follow-up and lack of proper mechanism put in place to ascertain the credentials/credit worthiness of customers and suppliers.

3.2.5 Shortfalls and uneconomical operations

Shortfalls and uneconomical operations related to operating loss sustained in respect of City Bus Operation of Bhutan Postal Corporation, poor extraction percentage of juice, over due debtors balances, non performing loan balances of the Financial Institutions and deduction of Tax at Source in India on interest income. Of the total amounts of shortfalls and uneconomical operations of Nu. 116.066 million, Nu. 71.940 million pertained to the BDFC. Inadequate follow up of loans, improper appraisals of loan applications, inadequate documentations, lack of proper credit control procedures etc. are some of the main reasons attributable to the reported cases of shortfalls and uneconomical operations.

NON GOVERNMENT ORGANIZATIONS

3.3 Summary of Audit Findings

The RAA issued a total of 9 audit reports of the Non- Government Organizations during the year 2005. Total irregularities observed in financial terms aggregated to Nu 4.926 million. Non-maintenance of records, violation of procurement norms and misappropriation were the major irregularities noted in the NGOs.

The significant findings for the year 2005 are summarized in Table 3.8 and briefly discussed hereunder:

Table 3.8 showing summary of AAR 2005 NGOs, category wise and amount involved (Nu. in million)

Code	Category of irregularities	CAB	RSPCA	BCCI	NWAB	Total
2.1	Misappropriation	0.830				0.830
4.3	Violation of accounting norms				0.074	0.074
4.4	Violation of procurement norms		0.303	0.132	1.014	1.449
5.1	Over/Inadmissible/Irregular/Dou ble payments.				0.170	0.17
5.2	Non maintenance of records		0.881		1.338	2.219
5.3	Improper maintenance of records					
5.6	Irregularities in advances			0.157		0.157
5.11	Non/short deductions				0.027	0.027
5.14	Pending disputes and court cases					
	Total	0.830	1.184	0.289	2.623	4.926

3.3.1 Misappropriation

The RAA noted cases of misuse of cash and misuse of position involving Nu. 0.830 million in the Construction Association of Bhutan. The General Secretary failed to provide proper accounts in respect of the Imprest Account maintained with the Bank of Bhutan, Thimphu which was closed on 12th January 2005 with book balance of Nu.0.680 million. Neither the cash was available for physical verification nor were any documents made available to vouch for any expenditure incurred. Further a sum of Nu. 0.150 million was paid towards the consultancy fee to M/S GDL, the proprietor of which was the General Secretary of the Association. Detailed Terms of Reference and other requisite documentations were not made available.

The irregularities had occurred due to absence of proper system of check and balance. Adequate internal controls particularly supervisory controls would have acted as deterrent against perpetration of such irregularities.

3.3.2 *Violation of Procurement Norms*

The RAA noted instances of violation of procurement norms involving a total amount of Nu. 1.449 million in three NGOs. Of the total amount, BIOMASS Briquetting Project of the NWAB alone had cases of violation of procurement norms involving Nu. 1.014 million.

Lack of proper procurement system had resulted in non-adherence of standard procurement norms.

3.3.3 *Non/Improper maintenance of records*

Cases of non maintenance and improper maintenance of records pertained to the BIOMASS Briquetting Project of the NWAB and the RSPCA. RSPCA did not have proper records of money receipts for the donations collected during the initial phase of its establishment, the BIOMASS Briquetting Project of the NWAB did not maintain proper accounts of project funds and revenue generated from the Plant.

The irregularities had occurred mainly due to lack of accounting staff and absence of adequate check and balance mechanism.

3.4 Recommendations:

Over the years there have been improvements in the financial management system of the Royal Government particularly in record keepings, internal controls and compliances in the operations and management. The Royal Government is particularly committed towards greater transparency, accountability, efficiency and professionalism in the operations and use of public resources. One of the most significant achievements in terms of strengthening internal controls has been the introduction of Internal Auditing Units in the Ministries, Corporations and Financial Institutions. As the Government puts more efforts in establishing proper system of check and balance, fraud, corruption and errors are expected to be minimized, public operations would be handled in a more efficient, orderly and effective manner, reliability of accounting records would be secured besides obtaining value for money in the utilization of public resources.

Notwithstanding the achievements made so far including measures initiated to combat and eliminate corruption, based on the review of accounts and operations of various agencies the RAA is of the opinion that the following issues would need to be addressed in ensuring greater accountability, transparency and efficiency in the use of public resources and achieving the intended goals through an improved system of check and balance.

3.4.1 Strengthening internal controls and internal auditing function

An adequate system of internal controls prevents errors and frauds, ensures carrying out activities in an efficient and orderly manner, ensures compliance to laws, rules & regulations and special directives, secures accuracy and reliability of accounts and helps achieve the goals set by the organizations. Therefore, it is imperative that proper systems of check and balance are established in various agencies.

Amongst others, internal auditing is one of the most significant elements of internal controls. It would help the organizations to continuously review the internal control systems and report on the accounting errors, deficiencies in record maintenance, inefficiencies in the use of resources and other malpractices. An efficient internal auditing system would also provide deterrence against fraud and corruption and assist in instituting timely and effective remedial measures. The RAA observed that the internal auditing functions in the government would need to be reorganized and strengthened, in particular:

- ✚ Adequacy of internal auditors should be ascertained having regard to volume of operations of each Ministry and agencies. The present strength of a single internal auditor or a team of two would hardly be adequate to systematically review the internal controls, accounts and operations of the Ministry and dependent departments/units.
- ✚ Appropriate internal auditing guidelines, manuals and standards should be developed to enable the Internal Auditors perform their functions efficiently and effectively and achieve the purpose for which they have been established.
- ✚ There should be proper professional development for the Internal Auditors.

3.4.2 Need to up date the Financial Rules and create greater awareness.

Although the Government has issued the updated Financial Rules and Regulations 2001, there is a need to constantly review the applicability of some of the financial rules and regulations and update them regularly to render them more responsive and relevant in the changing times. A proper and effective feed back mechanism may be instituted to evaluate the relevance and effectiveness of financial rules. Procurement Manual is one of such important rules needed to be reviewed and updated periodically.

Besides, awareness programmes on the Financial Rules and Regulations particularly at the geog levels would help understand accountability issues at grass

root levels as audit reports of geogs brought out several cases of improprieties and non-compliances.

3.4.3 Need for more detailed Planning

Irregularities, inefficiencies and wastages had also occurred due to implementation of activities including procurements and constructions without adequate planning. Materials and equipment were being bought without knowing and ascertaining the actual need and specifications of items required. Consequently, too expensive or too cheap items and at times in excessive quantity were bought resulting in wastages and blockages. Constructions were either differed or abandoned as there was change in site selection or funds were inadequate. The RAA recommends that organizations must be required to carry out adequate planning and designing before executing the works to avoid inefficiencies and wastages.

3.4.4 Inadequate supervision in construction works

Many instances of irregularities in constructions works were also due to insufficient engineering staff available with the procuring agencies eg. Dzongkhags. In some cases works were either not supervised at all or adequate supervision were lacking. Over payments, substandard works, impropriety of transactions etc. executed were partly attributable to inadequate supervision of works. Too many activities planned for implementation with limited technical back up had also resulted in lapses and wastages. Since all works must be subject to adequate supervision particularly for quality assurances and cost controls, it is recommended that the Government require the implementing agency to assess and ensure the availability of the technical staff to carry out such implementations before according project approvals and release of funds.

3.4.5 Need for timely actions on the reported cases of serious nature

There has been an increased compliance by the Ministries and Agencies on the recovery of amounts misappropriated or embezzled by the employees. However Ministries and organizations must initiate appropriate administrative or other actions as per the rules against perpetrators of fraud and misappropriations in future.

DETAILED FINDINGS

MINISTRIES

4.1 Ministry of Agriculture

The Royal Audit Authority during the year had issued 37 reports of agencies under the Ministry of Agriculture. The total significant irregularities pointed out in the agencies under the Ministry of Agriculture aggregated to Nu 4.402 million as summarized below:

Table 4.1 showing the observations with category code and amount involved (Nu. in million)

Sl.No	Observations in brief	Amount	Category code
1	Irregularities in advance	2.129	5.6
2	Over/Inadmissible/Irregular/Double Payment	0.197	5.1
3	Violation of procurement norms	0.186	4.4
4	Mismanagement of revenue and taxes	1.194	3.4
5	Mismanagement of Fund	0.273	3.1
6	Mismanagement of Property		3.2
7	Malpractices and Abuses	0.423	1.2
8	Misappropriation		2.1
9	Violation of Service Rules		4.1
	Total	4.402	

As noted above major irregularities pertained to advances, mismanagement of revenue and taxes while there were a few instances of malpractices and abuses. The detailed reports of significant irregularities are presented hereunder:

4.1.1 Irregularities in advances – Nu.2.129 million

Advances amounting to Nu 2.129 million as shown below remained un-adjusted or not recovered from the suppliers, contractors and officials:

Table 4.2 showing the Advances not adjusted (Nu. in million)

SI.No	Agencies	OBA	Settled	Bal	IR No and Date	Who are accountable?
1	Secretariat, Ministry of Agriculture	0.550	0.237	0.313	RAA/RTICD(MO A-SECT) 2003-05/7197 dated 10/10/05	Sonam Wangdi, DS and Pema Y. Rinzin AFO
2	Central Machinery Unit, Bumthang	2.055	0.665	1.373	IR(23)BT/CMU-Bum/2004-05/2535 dated 25/11/05	Sonam Wangd, Deputy Secretary and individuals concerned
3	Divisional Forest Office, Bumthang	0.045	0.002	0.043	IR(29)BT/DFO-Bumthang/2005/2536 dated 25/11/05	Rattu Wangchuk, DFO and Dy. Chief Accountant, Bhumika Nepal
4	RNR- MOA	3.512	3.265	0.247	RAA/RTICD(IR-EC-RNR-ESP)04-05/7636 dated 10/11/05	Dr. Pema Chhophel, National Co-Director and Dorji Dradul, Chief Research Commu. Officer
5	Department of Survey and Land Records	0.777	0.624	0.153	IR/RAA(DSLR-MoA)/RTICD/2005/4117 dated 1/2/05	Yogesh Rai, Deputy Chief Accountant
Total		6.939	4.793	2.129		

4.1.2 Excess payment of Nu.0.197 million

The Park Management, Bumdeling Wildlife Sanctuary had made excess payment of Nu. 0.165 million on the purchase of CGI sheets from M/s Kota Shopping Centre, Trashigang. Besides 2% TDS of Nu.0.015 million was not deducted from the bills of the supplier. Instead, Nu.0.016 million was directly remitted to the DRC out of the budget without realizing from the supplier.

Who is Accountable?

Tshewang Samten former DCA is held accountable.

4.1.3 Violation of Procurement Norms – Nu. 0.186 million

The following agencies under the Ministry of Agriculture had not levied liquidated damages amounting to Nu. 0.186 million, for delays in supply of materials in contravention to terms and conditions of tender:

Table 4.3 showing cases of violation of procurement norms (Nu. in million)

Sl.No	Agency	Amount	IR No. & Date	Who are accountable?
1	National Soil Service Centre, Semtokha	0.047	RAA/RTICD(IR-DAN-DNRM-MoA)04-05/7503 dated 31/10/05	Chencho Norbu, Program Director of NSSC and Nidup Peljor
2	Ministry of Agriculture	0.139	RAA/RTICD(IR-EC-RNR-ESP)04-05/7636 dated 10/11/05	Dr. Pema Chhophel, National Co-Director and Dorji Dradul, Chief Research Commu. Officer
Total		0.186		

The National Soil Service Centre (NSSC), Semtokha had not imposed liquidated damages amounting to Nu. 0.047 million for delay in supply of computer and stationeries in contravention to terms and conditions of tender. Similarly the Procurement Section of the Ministry of Agriculture had not imposed liquidated damages amounting to Nu. 0.098 million for the delay in supply of computers, printers and its accessories, lab equipment and field equipment.

4.1.4 Mismanagement of Revenue and Taxes – Nu. 1.194 million

The following agencies under the Ministry of Agriculture had not realized sale proceeds, and lease rent amounting to Nu.1.194 million:

Table 4.4 showing the agencies which had irregularities in taxes and Revenue (Nu. in million)

Sl.No	Agency	Amount	IR No. & Date	Who are Accountable ?
1	RNR-RC Yusipang	0.207	IR(RTICD-RNRRC-MoA) 2004/4049 dated 21/1/05	Kezang Tshomo, Programme Officer
2	Divisional Forest Office, Gedu	0.747	IR/RAA/MOA(DFO-Gedu)/ TICD/2004/5864 dated 4 th July 2005	Sonam Tshering, DFO
3	Divisional Forest Office, Samtse	0.240	RAA/RTICD(DFO-SAMTSE)2002-04/5968 dated 14/7/05	Sonam Tshering, former DFO and Pasang W. Norbu DFO
Total		1.194		

The details of irregularities are discussed hereunder:

- ✚ The management of RNR-RC Yusipang had not realized the sale proceeds of apples sold from its orchard to Tshering Zangmo, Bonday, Paro amounting to Nu.0.207 million;
- ✚ The BBPL had deposited lease rent of Nu 2.209 million as against the outstanding of Nu. 2.956 million leaving a balance of Nu. 0.747 million besides fine of Nu. 4.100 million;

- ✚ Against the total unrealized forest lease rent of Nu. 0.774 million, the DFO, Samtse reported the recovery and deposit of Nu. 0.534 million leaving a balance of Nu. 0.240 million pertaining to M/s Bhutan Board Products Ltd; and
- ✚ As per the prevailing system, the royalty is paid by FDCL only when the timbers are sold and TROCO issued by the DFO. However, the sale of timbers mostly takes place much later after the logging operations leading to deterioration of timber and higher cull percentage resulting to loss of revenue to the Government.

4.1.5 *Mismanagement of Fund – Nu.0.273 million*

The following agencies under the Ministry of Agriculture had not surrendered closing balances of cash and diverted fund as under:

Table 4.5 showing the mismanagement of fund. (Nu.in million)

SI.No	Agency	Amount	IR No. & Date	Who are accountable?
1	Sakteng Wildlife Sanctuary, Tashigang	0..248	IR/OAAG-SJ/SWS(IR-84) 2005/3875 dated 14/11/05	Singay Jamtsho and Dr. Sangay Wangchuk and Pema, the Park Manager
2	Brown Swiss Cattle & Horse Breeding Programme, Bumthang	0.025	IR(03)BT/BSCHB P/2004-05 /2064 dated 31/1/05	Karma Phuntsho former accountant presently the accountant, Royal Court of Justice, Chhukha
Total		0.273		

The details of mismanagement of funds are discussed hereunder:

- ✚ The Assistant Personnel Officer of the Ministry of Agriculture, Singay Jamtsho had availed one month training on Office Records Storage and Retrievals at Sunrise Training Institute, Pune in India incurring an expenditure of Nu. 0.197 million under SDS project for Sakteng Wildlife Sanctuary (SWS). No provision was there to provide training to the personnel not belonging to the Park Management. However, the Administration submitted that it was not appropriate to state that he is not belonging to SWS management as he was partly engaged in managing the wildlife sanctuary;
- ✚ The Sakteng Wildlife Sanctuary Project, Tashigang had purchased equipment/furniture worth Nu. 0.051 million and issued it to the Nature Conservation Division (NCD), HQ, as against the Grant Agreement to support the NCD with two sets of computers as institutional support. The Administration submitted that it was done in order to maintain NCD office up to standard level as per the order of the Ministry; and

- The cash closing balance of Nu. 0.025 million for the financial year 2002-03, which was brought forward as opening balance in the financial year 2003-04 had not been surrendered to the DBA as on the date of audit (15.12.04).

4.1.6 *Non utilization of slaughter house*

Brovilla slaughter house constructed at a cost of Nu. 2.500 million in Samdrupjongkhar in 1993 had been kept idle for many years as reported by the RVL Khaling. Further, two ESP staff were permanently engaged to look after the slaughter house incurring an annual expenditure of Nu. 0.080 million.

The Administration submitted that they are interested to use it as there is no other facility for hygienic meat processing in the region if allowed to operate as envisaged

Who is Accountable?

Dr. Jambay Dorji, Regional Veterinary Officer is held accountable.

4.1.7 *Malpractices and Abuses – Nu.0.423 million*

There were instances of malpractices and abuses in the following agencies of the Ministry of Agriculture in the form of booking expenditure without executing the work and submission of false bills and adhoc and arbitrary deductions of claims:

Table 4.6 showing cases of the malpractices and abuses (Nu. in million)

SL No.	Agency	Amount	IR No. & Date	Who are accountable?
1	Land Use and Natural Resources Planning II Project, Ministry of Agriculture	0.423	RAA(AG-SP)2005/6715 dated 31/8/05	Karma Thinley, Tang Gup; Pelzang Wangchuk, Project Manager, Danida Project, PPD, MOA; Dzongdag Kunzang N. Tshering, Bumthang Jigme Dorji, DAO, Bumthang; Sonam Wangdi, Dy. Secretary, and Pema Y. Rinzin, Finance Officer, AFD, MOA.
2	Divisional Forest Office, Tsirang	-	IR/RAA-04/Report-27/2004-05/575 dated 11/2/05	Kaka Tshering, DFO
Total		0.423		

- The Land Use and Natural Resources Planning II Project in the Ministry of Agriculture had booked the entire amount of advance of Nu. 0.423 million given to Tang Geog through the Dzongkhag Administration, Bumthang for the construction of a bridge over River Tang as expenditure. Based on the

feedback received from the Liaison Office of Denmark (LOD), the RAA carried out an investigation on the construction of a bridge at Pralang under Tang Geog and noted that the bridge was not constructed. As intimated by the department of Local Governance, Tang Gup has been directed to deposit the balance amount; and

- ✚ The Divisional Forest Officer, Tsirang restricted the TA/DA claims of officials by cutting down the amount to almost half of actual claims on ad-hoc basis, although the officials had performed tours in line with chapter 21 on Travel Rules and Regulations of BCSRR 2002. It was stated that the amounts had been cut down for sustaining the travel budget till the end of fiscal year.

4.1.8 Non accountal of closing cash balance – Nu.0.034 million

The closing cash balance of Nu. 0.034 million for the financial year 2003-04 was neither surrendered to the Department of Budget and Accounts nor physically available during the audit. On enquiry it was stated to have been used by the Accountant, Karma Tshewang. Although the money was later deposited in the RAA, any administrative action taken against the accountant besides the suspension is yet to be communicated to the RAA.

Who is Accountable?

Karma Tshewang, Accountant is held accountable for misappropriating the amount and DFO, Paro is held accountable for non- initiating administrative actions.

4.1.9 Encashment of earned leave prematurely

The Chief Human Resources Officer of the Ministry of Agriculture had allowed some officials of the Secretariat to encash earned leave prematurely by crediting their leave account in advance.

Who is Accountable?

Kinga Wangdi, Chief Human Resources Officer is held accountable.

4.2 Ministry of Finance

The Royal Audit Authority during the year had issued 12 reports of agencies under the Ministry of Finance. The total significant irregularities pointed out in the agencies under the Ministry of Finance aggregated to Nu 13.712 million as summarized below:

Table 4.7 showing the observations with category code and amount involved (Nu. in million)

Sl.No	Observations in brief	Amount	Category code
1	Malpractices and abuses	0.094	1.2
2	Intentional double bookings/irregular/unauthorized payments	0.036	2.2
3	Mismanagement of Revenue and taxes	0.036	3.4
4	Violation of Accounting Norms	1.488	4.3
5	Violation of Acts/Directives/Policies	0.270	4.5
6	Irregularities in advances	11.788	5.6
Total		13.712	

As noted above major irregularities pertained to advances, violation of accounting norms and intentional double bookings/irregular/unauthorized payments, mismanagement of revenue and taxes while there were a few instances of malpractices and abuses. The significant irregularities are presented in detail hereunder:

4.2.1 Malpractices and abuses - Nu. 0.094 million

The Regional Revenue and Customs Office (RRCO), Gelephu had cases of malpractices and abuses amounting to Nu.0.094 million as summarised below:

Table 4.8 showing the cases of malpractices and abuses (Nu. in million)

SL. No	Name of Department	Amount	IR. No. & Date	Who are accountable?
1	Regional Revenue and Customs Office, Gelephu	0.066	IR/RAA-04/Report-28/04-05/771 dated 01/05/2005	Rinzin Gyeltshen, Accountant
2	Regional Revenue and Customs Office, Gelephu	0.028	IR/RAA-04/Report-28/04-05/771 dated 01/05/2005	Rinzin Gyeltshen, Accountant
Total		0.094		

✚ The RRCO, Gelephu had deposited Nu.0.024 million out of Nu.0.091 million withdrawn but not recorded in the Cash Book. The recoverable balance stood at Nu.0.066 million; and

- ✚ Rinzin Gyeltshen, Accountant had not handed over cash balance of Nu.0.028 million to his successor while proceeding to Malaysia for training.

4.2.2 *Intentional double bookings/irregular/unauthorized payments- Nu.0.036 million*

In spite of pointing out in earlier audit reports, the Liaison & Transit Office (LTO), Kolkata had paid telephone rental and call charges of its employees amounting to Nu.0.079 million till March 2005. However, Nu.0.043 million for telephone 22473981 was regularised vide MOF letter No.MoF/IAS/2G/2005-06/2022 dated 1.11.05 as it was being used for internet connection. The balance amount of Nu.0.036 million was assured to be recovered from the concerned officials.

Who is Accountable?

Kesang Dorji, LTO, and Tenzin Lhendup, FO.

4.2.3 *Outstanding Personal Income Tax (PIT) -Nu.0.036 million*

The additional tax for the income year 2003 amounting to Nu.0.036 million had not been realized by the RRCO, Gelephu.

Who is accountable?

Karma Lhatu, Sr. Tax Officer and Tshewang Tashi, Regional Director are held accountable.

4.2.4 *Adjustment of imprest account of RBE, Bangkok on the strength of statement - Nu.1.448 million*

The Ministry of Finance had adjusted an amount of Nu.1.448 million merely on the strength of a simple statement submitted/ forwarded by the RBE, Bangkok

Who is accountable?

Letho, Dy. Secretary, Sonam Leki, Senior Finance Officer, RBE, Bangkok, Chening Peldon, Finance Officer and Tshewang Tenzin, Sr. Accountant are held accountable.

4.2.5 *Non-enforcement of Court Verdict -Nu.0.270 million*

As per the verdict of the Dungkhag Court, Phuentsholing, M/s Lhaden Liquor Shop had been instructed to pay the outstanding amount of Nu.1.400 million. An amount of Nu. 1.130 million was found deposited leaving a balance of Nu.0.270 million. The Administration submitted that they were awaiting final decision from the Ministry of Finance as the vendor had approached the Ministry for write off of the amount through the DRC.

Who is accountable?

Choizang Tashi, Regional Director and Kipchu Tshering, Head Excise are held accountable.

4.2.6 Irregularities in advances - Nu. 11.788 million

The Ministry of Finance and the Department of National Properties had unadjusted advances amounting to Nu.11.788 million as summarised below:

Table 4.9 showing the unadjusted advances (Nu. in million)

SL. No.	Name of Department	Amount	IR. No. & date	Who are accountable?
1	Department of National Properties	0.084	IR(24)GG-DNP/2005/7949 dated 07/12/2005	Letho, Dy. Secretary, AFD and Tshering Penjor, Senior Accountant
2	Secretariat, Ministry of Finance	11.704	IR(GG-MOF)2005/8051 dated 20/12/2005	Letho, Dy. Secretary, AFD and Chening Peldon, Finance Officer
Total		11.788		

- ✚ The Department of National Properties had the outstanding advances of Nu.0.116 million. Subsequently, the Administration deposited/adjusted Nu. 0.032 million leaving a balance of Nu.0.084 million; and
- ✚ The Secretariat, Ministry of Finance had the outstanding advances of Nu.45.298 million. Subsequently, the Administration adjusted/deposited Nu.33.594 million leaving a balance of Nu.11.704 million.

4.3 Ministry of Information & Communications

The Royal Audit Authority during the year had issued 6 reports of agencies under the Ministry of Information & Communications. The total significant irregularities pointed out in the agencies under the Ministry of Information & Communications aggregated to Nu 5.036 million as summarized below.

Table 4.10 showing the observations with category code and amount involved (Nu. in million)

Sl.No	Observations in brief	Amount	Category code
1	Irregularities in recoveries	4.720	5.7
2	Misappropriation	0.316	2.1
3	Violation of Acts, Directives and Policies norms	0	4.3
Total		5.036	

Major irregularities noted in the Ministry of Information and Communications pertained to the recoveries of taxes. Besides, there were a few instances of misappropriation of office cash and revenue collections. The significant irregularities are presented in detail hereunder:

4.3.1 Outstanding motor vehicles taxes - Nu.4.720 million

The Road Safety & Transport Authority, Phuentsholing had an outstanding amount of Nu.5.230 million on account of Annual Renewal Fee of vehicles for the last two years. The administration subsequently reported recovery of Nu.0.510 million leaving a balance of Nu 4.720 million.

Who is accountable?

Karma Pemba, RTO and Chimi Penjor, Registration & Licensing Officer are held accountable.

4.3.2 Misappropriation - Nu.0.316 million

The Department of Civil Aviation had instances of misappropriation of Nu.0.316 million as summarized below:

Table 4.11 showing cases of misappropriation (Nu.in million)

SL No.	Agency	Amount	IR No & Date.	Who are accountable?
4.1	Civil Aviation	0.165	IR/DSA/CICD/-08/2005/4995 dated 13/4/05	<i>Kinzang Lhendup, Accountant</i>
4.2	-do-	0.151	-do-	<i>Kinzang Lhendup, Accountant</i>
Total		0.316		

✚ A sum of Nu.0.200 million was found short during physical verification of cash. Subsequently, Nu.0.035 million was deposited into Audit Recoveries Account; and

✚ The Department of Civil Aviation had not deposited revenue amounting to Nu.0.151 million in the Revenue Account.

The Administration submitted that since Kinzang Lhendup failed to settle the shortage within the stipulated time, the case had been forwarded to the Ministry of Finance for the final decision.

4.3.3 Commercial vehicles plying even after the completion of life span.

10 number of vehicles registered as taxi in 1997 under RSTA, Phuentsholing were still plying as taxi as per the registration records in violation to the Road Safety and Transport Regulations. Subsequently, 6 vehicles had reportedly been

converted into private vehicles. The whereabouts of 4 other vehicles were yet to be ascertained.

Who is accountable?

Chimi Penjor, Registration and Licensing Officer is held accountable.

4.4 Ministry of Foreign Affairs

The Royal Audit Authority during the year had issued 1 report of the Ministry of Foreign Affairs. Major irregularities pertained to outstanding advances of Nu.5.678 million lying against embassies, suppliers, official of MoFA and other parties as on 30/6/2005. The Ministry submitted that the updated figure after adjustment was Nu.3.264 million and that too were on-going advances paid to individuals traveling to various SAARC/BIMSTEC meetings/seminars and transfers of officials to missions and this would be settled within the financial year 2005-2006.

Who is Accountable?

Pema Wangchuk, Dy. Secretary, AFD Head and Ngawang Lhamo, AFO are held accountable.

4.5 Ministry of Labour and Human Resources

The Royal Audit Authority during the year had issued 3 reports of the Ministry of Labour and Human Resources. The total significant irregularities pointed out in the agencies under the Ministry of Labour and Human Resources aggregated to Nu 11.640 million as summarized below.

Table 4.12 showing the observations with category code and amount involved (Nu. in million)

Sl.No	Observations in brief	Amount	Category code
1	Violation of procurement norms	9.359	4.4
2	Irregularities in advances	2.222	5.6
3	Over/inadmissible/irregular/double payments	0.059	5.1
Total		11.640	

As would be noted from the above table major irregularities in the Ministry of Labour and Human Resources pertain to violation of procurement norms and irregularities in advances. The detailed reports of significant irregularities are presented hereunder:

4.5.1 Violation of procurement norms -Nu.9.359 million

The Ministry of Labour and Human Resources had instances of violation of procurement norms aggregating to Nu.9.359 million as summarized below:

Table 4.13 showing cases of violation of procurement norms (Nu.in million)

SL. No.	Inspection Report No.	Amount	Who are accountable?
1.1	IR(SCD-MoLHR)2005/5286 dated 05/05/05	0.208	Tandin Dorji, Programme Officer
1.2	- do -	9.086	Pema Gyeltshen, Project Manager, PIU
1.3	- do -	0.065	Samten Wangdi, Accountant
Total		9.359	

- ✚ The Ministry had procured Distance Learning Equipment worth Nu.0.208 million based on the rates offered by two bidders in deviation to the Procurement Manual;
- ✚ The contract on expansion of the Institute of Zorig Chusum, Tashiyangtse awarded to M/s Norgay Constructions was terminated for breach of contract by the contractor. The tender was re-floated and the contract was awarded to M/s Gongphel Construction at contract price of Nu.17.969 million. The contract price quoted by M/s Norgay Construction was 13.258 million and further at the time of rescinding the contract, it was assessed that 33% of the work as completed. The balance 67% of the actual work was awarded at a cost difference of Nu.9.086 million. The cost difference was recoverable from M/s Norgay Construction as per the clause 53.1 of the conditions of the contract; and
- ✚ The VTI, Samthang had realized liquidated damages of Nu.0.101 million as against the realizable amount of Nu.0.166 million resulting to short realization of Nu.0.065 million.

4.5.2 Unadjusted advances amounting to Nu.2.222 million

The Ministry had total outstanding advances of Nu.2.222 million.

Table 4.14 showing cases of irregularities in advances (Nu. in million)

Sl. No.	Name of officials/suppliers/others	Amount	Remarks
1	Ms. Bhutan Power Corporation	0.068	Estimate cost
2	Tshering Tobgay, DHR	0.006	Training advance
3	Norgay Construction	2.128	VTI, construction at TIZC
4	Executive Engineer, DoR	0.020	Personal advance
Total		2.222	

Who is accountable?

Pema Gyeltshen, Project Manager, PIU, & Samten Wangdi, Accountant are accountable.

4.5.3 Irregular payment - Nu.0.059 million

The Ministry had paid Nu.0.059 million on account of traveling expenses without travel authorization and travel claims.

Who is accountable?

Pema Gyeltshen, Project Manager, PIU & Samten Wangdi, Accountant are held accountable.

4.6 Ministry of Education

The Royal Audit Authority during the year had issued 8 reports of the Ministry of Education. The total significant irregularities pointed out in the agencies under the Ministry of Education aggregated to Nu 6.136 million as summarized below.

Table 4.15 showing the observations with category code and amount involved (Nu. in million)

Sl. No	Observation in brief	Amount	Category code
1	Violation of procurement norms	3.160	4.4
2	Irregularities in advance	2.912	5.6
3	Non/short deduction	0.064	5.11
	Total	6.136	

As would be noted from the above table, violation of procurement norms and irregularities in advances were the most significant irregularities noted by the RAA in the Ministry of Education. The detailed reports of significant irregularities are presented hereunder:

4.6.1 Acceptance of non-complying bids - Nu. 3.160 million

Education Central Stores, Phuentsholing had procured equipment and extension kits valuing Nu.3.160 million at exorbitant rates. The rates paid were much higher than the rates prevailing in market. The procurement was not based on open bidding. Bids were opened and evaluated irregularly by the Departmental Level Tender Committee (DLTC) instead of Ministerial Level Tender Committee (MLTC). The 7% security deposits amounting to Nu.0.221 million were not deposited by the winning bidders as per the terms and conditions of the contract.

The statement obtained from one of the bidders, M/s Tshering Yangchen Enterprise revealed that the firm had never participated in the bids whereas the Committee members had shown it as one of the bidders in their comparative statement. The Administration submitted that every formality had been observed but failed to produce the payment made to Bhutan Broadcasting Service Ltd for airing the notification.

Who are accountable?

Penjor Dorji, Procurement Officer; Nado Rinchen, Administrative Officer; Dawa Wangchuk, Assistant Planning Officer; Tashi Tobgye, Dy. Secretary, AFD; Tshewang Tandin, Director; Tshewang Dorji, Finance Officer, and Sonam Pemo, Assistant Planning Officer are held accountable.

4.6.2 Unjustified accumulation of advances amounting to Nu. 2.912 million

The Ministry of Education had outstanding advances of 7.337 million. Subsequently, the Ministry of Education reported to have recovered and adjusted Nu.4.425 million thereby leaving a balance of Nu.2.912 million.

Who are accountable?

Sonam Dorji, Project Accountant; Tshewang Dorji, Finance Officer, and Tashi Tobgye, Dy. Secretary are held accountable.

4.6.3 Non-deduction of TDS - Nu.0.064 million

The Ministry of Education had not deducted 2% and 3% TDS amounting to Nu. 0.064 million as required under the taxation rules.

Who are accountable?

Tashi Tobgye, Dy. Secretary, AFD; Tshewang Dorji, Finance officer, and Sonam Nima, Project Accountant are held accountable.

4.7 Ministry of Health

The Royal Audit Authority during the year had issued 5 reports of the Ministry of Health. The total significant irregularities pointed out in the agencies under the Ministry of Health aggregated to Nu 3.544 million as summarized below.

Table 4.16 showing the observations with category code and amount involved (Nu. in million)

Sl. No	Observation in brief	Amount	Category code
1	Over/Inadmissible/Irregular payments	0.067	5.1
2	Irregularities in advances	3.477	5.6
Total		3.544	

As would be noted from the above table, major irregularities pertain to advances. The detailed reports of significant irregularities are presented hereunder:

4.7.1 *Over/Inadmissible/Irregular payments amounting to Nu.0.067 million*

The Ministry of Health had entertained payments which were not admissible under the extant financial rules.

Table 4.17 showing the cases of over/inadmissible/irregular payments (Nu.in million)

SL No.	Agency	Amount	IR No.	Who are accountable?
1	Ministry of Health (MoH)	0.040	IR (SCD-MoH, IA)2005-06/7927 of 6/12/2005	Nado Drukpa, Head, AFD and Bikash Thapa, DCFO
2	- do -	0.027	- do -	Dr. Pema Choden, DMO, Haa , and Dr. Kapila Mani Sharma, Tsimalakha Hospital
Total		0.067		

- ✚ TA/DA amounting to Nu. 0.112 million was paid in excess of entitlements. Subsequently, Nu.0.072 million was deposited into Audit Recoveries Account leaving a balance of Nu.0.040 million; and
- ✚ The Ministry of Health had entertained more than 60% of the actual DSA of a particular place for travel in Bangladesh during field trips resulting in excess payment of Nu. 0.054 million. Subsequently, Nu.0.027 million was deposited into Audit Recoveries Account leaving a balance of Nu.0.027 million.

4.7.2 *Unjustified accumulation of advances Nu.3.477 million*

The Ministry of Health had outstanding advances of Nu.3.503 million against various officials and government agencies. Most of the advances were lying outstanding for more than three financial years. Subsequently, a sum of Nu.0.026 million was adjusted leaving a balance of Nu.3.477 million.

Who is accountable?

Nado Drukpa, Head, AFD and Bikash Thapa, DCFO are held accountable.

4.8 Ministry of Works and Human Settlement

The Royal Audit Authority during the year had issued 15 reports of the Ministry of Works and Human Settlement. The total significant irregularities pointed out in the agencies under the Ministry of Works and Human Settlement aggregated to Nu 19.610 million as summarized below:

Table 4.18 showing the observations with category code and amount involved (Nu. in million)

Sl.No	Observations in brief	Amount	Category code
1	Irregularities in advance	4.255	5.6
2	Irregularities in recoveries	3.714	5.7
3	Non reconciliation & Certification of balances	0.182	5.5
4	Violation of procurement norms	8.655	4.4
5	Over/Inadmissible/Irregular/Double payment	1.123	5.1
6	Malpractice and abuses	0	1.2
7	Irregularities in property management	0	5.9
8	Shortfall and uneconomical operations	0.815	5.12
9	Non/short deduction	0.275	5.11
10	Mismanagement of properties	0.481	3.2
11	Non/short accountal	0.110	2.3
Total		19.610	

As would be transpired from the above table major irregularities in the Ministry of Works and Human Settlement pertained to violation of procurement norms, irregularities in advances and irregularities in recoveries. Shortfall & uneconomical operations and mismanagement of properties were other major lapses. The detailed reports of significant irregularities are presented hereunder:

4.8.1 *Unadjusted advances of Nu 4.255 million*

The Ministry, departments and agencies listed below had advances of Nu.11.919 million lying unadjusted against various government agencies, private parties, staff and officials. Against Nu.11.919 million pointed out, the agencies have reportedly settled Nu.7.664 million in total leaving unadjusted balance of Nu.4.255 million.

Table 4.19 showing cases of outstanding advances (Nu. million)

Sl.No	Agency	OBA	Settled	Bal	IR No and Date	Who are accountable?
1.	Filed Division, Trongsa	3.372	1.472	1.900	IR(02)BT/2005/2433 dated 13/9/05	Dak Tshering, DCFO
2.	Central Store, Phuentsholing	5.367	3.097	2.270	IR/DSA/CICD-07/2005/4852 dated 31/3/05	R.K. Sawar, Chief Accountant
3	Regional Workshop, Hesothingkha	0.116	.068	0.048	IR/RAA-04/Reports-08/05-06/156 dated 21/9/05	K.B.Gurung, AFO,
4	Department of Urban Development & Engineering Services	3.064	3.027	0.037	IR/DSA/CICD-12/2005/4333 dated 24/2/05	Kinley Namgay, Accountant
Total		11.919	7.664	4.255		

4.8.2 *Recoverable amount - Nu.3.714 million*

The amount of Nu.13.422 million shown as outstanding recoveries at the time of audit by various agencies had reportedly recovered Nu.9.708 million as on 31/1/2006 leaving a balance of Nu.3.714 million as tabulated below:

Table 4.20 showing cases of outstanding recoverable (Nu. in million)

Sl.No	Agency	Amount	Settled	Bal	IR No. and Date	Who are accountable?
1.	Secretariat, MoW&HS	0.170	0	0.170	IR/DSA/CICD-26/2005/6541 dated 19/8/05	Dak Tshering, DCFO
2	Suspension Bridge Programme	0.689	0.020	0.669	RAA/CERT/CIC D-02/2005/6068 dated 27/7/05	Dak Tshering, DCFO
3	Regional Workshop, Hesothingkha	12.563	9.688	2.875	IR/RAA-04/Reports-08/05-06/156 dated 21/9/05,	Tshewang Dorji, Project Manager
Total		13.422	9.708	3.714		

4.8.3 Non-reconciliation of WFP remittances - Nu.0.182 million

Reconciliation of the sale of WFP food commodities vis-à-vis the amount remitted by the DoR revealed non-remittance of Nu.0.182 million by the concerned dealing officers.

Who is accountable?

Ugyen Mama Dorji, AFO is held accountable.

4.8.4 Violation of procurement norms - Nu.8.655 million

The agencies listed in the table below under the Ministry of Works & Human Settlement had not complied with the Procurement norms as stipulated in the Procurement Manual.

Table 4.21 showing cases of violation of procurement norms (Nu. in million)

SL No.	Agency	Amount	IR No & Date	Who are accountable?
1	Department of Urban Development and Engineering Services	0.298	IR/DSA/CICD-12/2004/4333 dated 24/2/05	T.M. Abram, JE
2	Department of Urban Development and Engineering Services	0.169	IR/DSA/CICD-12/2004/4333 dated 24/2/05.	Karma Yoezer
3	Department of Roads	0.178	IR/DSA/CICD-02/2005/7810 dated 25/7/05	Karma Rinzin, Project Manager
4	Department of Roads	0.00	-do-	Karma Rinzin, Project Manager
5	Department of Urban Development and Engineering Services	1.001	IR/DSA/CICD-12/2004/4333 dated 24/2/05	T.M. Abram, Junior Engineer
6	FRMD, Thimphu	0.108	IR/DSA/CICD-04/2005/6414 dated 9/8/05	C.B.Mongar, AE
7	FRMD, Thimphu	3.461	-do-	Pema, AE, Chador Gyeltshen, and C.B.Mongar
8	-do-	0.929	-do-	The Ministerial Level Tender Committee
9	-do-	1.513		The Ministerial Level Tender Committee
10	-do-	0.998	-do-	C.B.Mongar, AE
Total		8.655		

- ✚ The Department of Urban Development & Engineering Services had not imposed liquidated damages amounting to Nu.0.298 million for 30 days delay in construction of two blocks residential building, Phase II at

Pemaling, Phuentsholing. Similarly liquidated damages amounting to Nu Nu.0.090 million for 26 days of delay was not levied on M/s Wangchuk Construction;

- ✚ The DUD&ES could not impose penalty on M/s Gyeltshen Furniture for delay of 275 days in supplying prefabricated doors and windows frames due to non inclusion of penalty clause. Non inclusion of penalty clause resulted to a loss of Nu.0.169 million to the government;
- ✚ The Department of Roads had not levied the penalty for one month delay on the construction of Semtokha-Rangchu Bridge on Thimphu Babesa Expressway. The Administration stated that with introduction of monthly milestone contract system, it was not fair to levy penalty for phase works. However, based on new system the contractor was made to pay Nu. 0.028 million;
- ✚ The Department of Roads had not imposed penalty for the delay on construction of Thimphuchu Bridge on Thimphu-Babesa Expressway which was delayed by 1.5 months. The Administration stated that with introduction of monthly milestone contract system, it was not fair to levy penalty for phase works. The Administration was asked to impose the penalty;
- ✚ The deviation for some of the items on the construction of three residential buildings at Pemaling, Phuentsholing had exceeded by 100% amounting to Nu.1.001 million;
- ✚ The Field Road Maintenance Division, Thimphu had not imposed the penalty amounting to Nu.0.108 million on account of delay in completion of construction of Yangthang-Yangtho Goenpa feeder road. The Administration stated that the work got delayed due to non issuance of clearance by the National Environment Commission (NEC). Since the requirement of environmental clearance from the NEC is a pre-requisite for any road construction, the Division was asked to deposit the liquidated damages;
- ✚ A review of approved estimates as per technical sanctions for works executed departmentally by the FRMD, Thimphu revealed an inadmissible payment of Nu.3.461 million. The cost index was found computed on the items not required, items not used and variation of cost index for the same items. The Division had submitted that cost index was applied based on the instruction of the HQ. The views of Ministry and the Department of Roads were yet to be received;
- ✚ Non compliance to Clause 2.2 of the Procurement Manual by the Ministerial Level Tender Committee while evaluating the bids for the award of construction of Takchu Goenpa Road to the highest bidder had resulted into financial loss of Nu.0.929 million to the government.
- ✚ Out of 5 bidders who submitted their bids for the improvement work on road above the High Court, two lowest bidders were rejected on the

ground for not submitting the registration form by one and other for submission of the bid without the signature of the witness. The work awarded finally to M/s Ringdol Construction at Nu. 5.123 million also did not fulfill the bid criteria (bid security validity) as such the government had to bear a financial loss of Nu.1.513 million due to improper evaluation; and

- ✚ Had the Field Road Maintenance Division, Thimphu substituted v-shape drain construction for storm water drain on Takchu-Goenpa Feeder Road, the government could have saved Nu.0.998 million. The RAA had advised the Division to seek the views of the Ministry on the matter.

4.8.5 Over/Inadmissible/Irregular/Double payment - Nu.1.123 million

The following Department and Division under the Ministry of Works and Human Settlement had irregular and inadmissible payments amounting to Nu. 1.123 million:

Table 4.22 showing cases of over/inadmissible/irregular payments (Nu. in million)

SL. No.	Agency	Amount	IR No & Date	Who are accountable?
1	Department of Urban Development and Engineering Service	1.065	IR/DSA/CICD-12/2004/4333 dated 24/2/05	Tshering Penjor, JE
2	FRMD, Phuentsholing	0.058	IR/DSA/CICD-12/2005/6436 dated 10/8/05	Tsheten Dorji, Executive Engineer
Total		1.123		

- ✚ M/s T & K Construction had availed advances for the construction of three Blocks Residential buildings and upon completion a sum of Nu.1.065 million was found adjusted as work done for the work not executed. The management admitted the excess payment and was advised to deposit the amount in Audit Recoveries Account.
- ✚ The cost index of 10.59% paid to the contractor by the FRMD, Phuentsholing was not in line with cost index of the Department of Roads. The difference in the cost index had resulted into an excess payment of Nu. 0.058 million.

4.8.6 Acceptance of defective works

M/s R. D. Construction, Contractor for the Base Course Work (BCW) at Samtegang Feeder Road had provided 130 mm thickness for the BCW at various stretches against the required 150 mm resulting into acceptance of sub-standard work.

Who is accountable?

Kado Drupa, AE was held accountable.

4.8.7 *Missing dozer bucket*

The unaccounted Bull Dozer Bucket lying in the SBS Complex, Phuentsholing had been unauthorizedly taken by Karma Gyeltshen, Assistant Store Officer. The Administration submitted that the matter was reported to the Director, Department of Roads and decision was awaited.

Who is accountable?

Director, DOR and Store Officer are held accountable.

4.8.8 *Shortfall and uneconomical operations – Nu.0.815 million*

Instances of uneconomic operation of machines and short receipts of materials amounting to Nu.0.815 million observed under the Ministry of works and Human Settlement are as listed below:

Table 4.23 showing shortfall and uneconomical operations (Nu. in million)

SL No.	Agency	Amount	IR No & Date	Who are accountable?
1	Mechanical Division, Thimphu	US \$ 0.006	IR/DSA/CICD-20/6233 dated 29/7/05	Tandin Wangyel Assistant Engineer
2	-do-	0.815	-do-	Sonam Dorji, Joint Director
Total		US\$0.006 + 0.815		

✚ The Mechanical Division, Thimphu had short receipt of spare parts worth US\$ 0.006 million and SG\$ 148.00 respectively against the advances released to various suppliers. Further, acceptance of partial shipment and non levy of liquidated damages for delayed supply of spare parts was in violation of the agreement. The Administration reported that supply of spares from M/s Costex Corporation had been completed and other suppliers are under detail scrutiny. The RAA had asked the Administration to levy liquidated damages for the delays in accordance with the agreement; and

✚ A scrutiny of income expenditure statement of Stone Crusher Machine installed at Lingmethang for supplying stone aggregates to Road Maintenance Sections of Eastern Region revealed a loss of Nu.0.815 million. Further, the Ministry of Works and Human Settlement demanded and received one crusher from Japanese Grant in 2005 for utilization at Thimphu-Babesa Express way. However, the Division could not use the equipment for intended purposes as the works on express way were awarded to the contractors. The Division responded that they had identified the utilization of newly acquired crusher in the vicinity of Kilikar area as the quartzite tested was found unsuitable for use. The Division promised that once the crusher is operationalised the Division would not only cover up the losses incurred earlier but would also make

substantial revenues. The RAA had requested the Ministry to take appropriate measures to ensure optimal use of the machinery.

4.8.9 *Non/short deduction - Nu.0.275 million*

Instances of non/short deduction of voids and house rent amounting to Nu.0.275 million observed under the Ministry are listed below:

Table 4.24 showing cases of non/short deductions (Nu. in million)

SL No	Agency	Amount	IR No & Date	Who are accountable?
1	FRMD, Phuentsholing	0.043	IR/DSA/CICD-12/2005/ 6436 dated 10/8/05	Sonam Lhaden, Junior Engineer
2	Department of Urban Development and Engineering Services	0.232	IR/DSA/CICD-12/2004/ 4333 dated 24/2/05	Phuntsho Wangdi, AE to follow –up and officials concerned as per the Audit Report.
Total		0.275		

- ✚ Due to non-deduction of 15% void from stone boulders of 100mm excess payment of Nu.0.043 million was made to the Contractor. The Administration had accepted the excess payment and was advised to deposit the amount. However, the amount has not been deposited; and
- ✚ An amount of Nu.0.232 million was short collected due to deduction of house rent @ 30 % of gross salaries of the officials instead of applying prescribed rate on the actual carpet area. After issue of the audit observation, the Administration submitted that the concerned AFDs are directly responsible to deduct the rent as per the rules.

4.8.10 *Mismanagement of properties - Nu. 0.481 million*

Poor coordination between the Project Management and the Mechanical Division had caused hiring of private excavator for Nu.0.481 million despite the availability of Division's excavators as shown in the table below:

Tale 4.25 showing cases of mismanagement of properties (Nu.in million)

SL No	Agency	Amount	IR No & Date	Who are accountable?
1	Mechanical Division, DoR, Thimphu	0.311	IR/DSA/CICD-20/6233 dated 29/7/05	Bharat Darji, Executive Engineer
2	-do-	0.170	-do-	Bharat Darji, Executive Engineer
Total		0.481		

- ✚ The Express Highway Project management had hired Excavator from M/s Rinson Construction for 2 months for Nu.0.311 million instead of deploying the machinery of the Mechanical Division which was lying idle thereby incurring loss to the Division; and

- The Field Road Maintenance Division, Thimphu had hired 12 MT Excavator from M/s Tsheden Hiring Unit for 18 days for Nu. 0.170 million for the construction of road around 108 Chortens at Dochula Pass when the departmental machinery was available at the Regional Workshop, Hesothangkha.

4.8.11 Non/short accountal - Nu.0.110 million

The Ministry had instances of short/non accountals aggregating to Nu.0.110 million as summarized below:

Table 4.26 showing cases of non/short accountal (Nu. in million)

SL No	Agencies	Amount	IR No & Date	Who are accountable?
1	Mechanical Division, DoR, Thimphu	0.040	IR/DSA/CICD-08/05-06/156 dated 21/9/05	Kinzang Norbu, OEA and Karma Lotey, Assistant Engineer
2	Regional Workshop, Hesothangkha	0.070	IR/DSA/CICD-08/05-06/156 dated 21/9/05	Tshering Nidup, PLO
Total		0.110		

- The bill raised by the Thimphu Fleet for Nu.0.040 against the Executive Engineer, Thimphu was found unaccounted and remained uncollected; and
- Tshering Nidup, Pay Loader Operator had handed over 1,930 liters HSD to his successor D.B. Ghalley, Section Officer against the balance stock of 4,452 liters resulting into short handing over of 2,552 liters amounting to Nu.0.070 million.

4.9 Ministry of Trade and Industry

The Royal Audit Authority during the year had issued 5 reports of agencies under the Ministry of Trade & Industry. The total significant irregularities pointed out in the agencies under the Ministry of Trade & Industry aggregated to Nu 0.331 million as summarized below:

Table 4.27 showing the observations with category code and amount involved (Nu. in million)

Sl.No	Observations in brief	Amount	Category Code
1	Mismanagement of human resources		3.3
2	Shortfalls and uneconomical operations		5.12
3	Mismanagement of fund		3.1
4	Malpractices and abuses		1.2
5	Violation of procurement norms	0.331	4.4
Total		0.331	

While as per the above table major irregularity in the Ministry of Trade and Industry was violation of procurement norms, irregularities at SL Nos. 1 & 2 of the Statement have significant implication both in financial term as well as utilisation of human resources. The detailed reports of significant irregularities are presented hereunder:

4.9.1 DGM Field staff remaining idle

The Department of Geology & Mines (DGM) had executed deposit works on geotechnical investigations such as bridge foundation, soil stability and mineral exploration etc. on receipt of written request both from the public and private sector once the estimated cost was deposited into MTI in advance. However, the DGM took up the works depending upon the convenience and availability of their work force.

Some of the deposit works rejected by the DGM were found subsequently awarded to M/s Kelwang Consultancy Firm. There were instances that DGM staffs were remaining idle during the period when the works were taken up by the consultancy firm for which proper reasons were not on record. Besides the DGM staff were working for M/s Kelwang Consultancy Firm. The RAA was of the view that by keeping the staff idle the DGM had been encouraging them taking up the work of private consultant.

Who is accountable?

Dorji Wangda, Director, DGM is held accountable.

4.9.2 Non-achievement of goals and objectives

Out of 38 plots available under the Industrial Estate in Samdrup Jongkhar since 2003, only 18 plots were leased out to private parties. While approval of the Ministry for the drawing in respect of 3 plots was being obtained, remaining plots were yet to be leased out, except one plot earmarked for the construction of office building. The returns accrued from the investment and its utilization was not satisfactory.

Who is accountable?

Binod Pradhan, Officiating Regional Director is held accountable.

4.9.3 Irregular award and implementation of sub-soil investigation twice for the same proposed bridge site by two different agencies

The sub-soil investigation of the following proposed bridge sites were carried out twice; once by DGM and the other by M/s Kelwang Consultancy Firm:

Table 4.28 showing irregular award of works (Nu. in million)

Sl. No.	Executed by	Name of proposed bridge site	Work award/ request letter No. and date	Actual start and end date	Amount
1.	M/s Kelwang Consultancy Firm	(a) Semtokha Rongchu, Ngabe Rongchu	DOR/BD99-2000/work-40/1120 dated 20.9.99	Jan'00-April'00	1.836
		(b) Mangdechu, Bjeezam, Wachey Zam,, Chamkhar Zam, Kuri Zampa	JICA	May'00-Sept'00	1.800
2.	Dept. of Geology & Mines	(a) Semtokha Rongchu, Ngabe Rongchu	DOR/BD/RBS/20.3/200 2-03/956/ dated 01.10.02	8.10.02-26.11.03 - do -	1.025
		(b) Mangdechu, Bjeezam, Wachey Zam, Chamkhar Zam, Kuri Zampa		01.01.98-31.3.98 19.12.97-19.1.98 20.01.98-15.2.98 16.12.97-15.2.98	1.485

Had either M/s Kelwang Consultancy Firm or the DGM done thorough and professional job, the Government could have saved 50% of what was spent.

The DGM in their reply stated that the work for (a) was taken up on the request of the DOR and it was not aware of the subsoil investigation carried out twice for the same site and the work for (b) was taken up on contract between PCI/Docon and DGM. Further, the work was done with good intention and for the benefit of the organization.

The DOR, Roads and Bridge Division in their reply stated that there are two stages in the design of bridge i.e. Basic Design Study and Detail Design Study. For works in (a) M/s Kelwang Consultancy had carried out the drilling works up to a depth of 10 meter only for data used in the conceptual and preliminary design, whereas, the DGM carried out drilling at greater depth for the design of foundations. Regarding the work for (b) the DGM carried out the drilling works on one bank, whereas M/s Kelwang Consultancy was engaged by the Japanese Consultancy firm to carry out the drilling works on the other bank during the *Detail Design Stage*. For Mangdechu Bridge, the drilling works were carried out on both banks and at different locations and greater depth.

Who is Accountable?

Phuntsho Wangdi, the then Superintending Engineer, DOR (Bridges) is held accountable.

4.9.4 Malpractices and abuses

There were instances of malpractices and abuses under the Ministry of Trade & Industry as summarized below:

4.9.4a Execution of Geo-tech-investigation work of M/s Kelwang Consultancy Firm by DGM and its staff

The Department of Roads since 1999 had awarded 12 Geo-tech investigation works to M/s Kelwang Consultancy Firm without verifying its technical and professional competency. The consultancy firm had executed nine of such works engaging technical personnel and equipment of the Department of Geology & Mines. This is clearly an indication of vested interest of those awarding the works to the firm not having technical competency.

Who is Accountable?

Dorji Wangda, Director, DGM and Phuntsho Wangdi, Superintending Engineer, DOR (bridges) are held accountable.

4.9.4b Kalesore, Dolomite investigation done for BCCL without deposit of estimated cost

The DGM had carried out Dolomite exploration works at Kalesore from November 21, 2003 to March 15, 2004 based on the request of Bhutan Carbide and Chemicals Ltd. (BCCL) and approval of the Secretary, MTI. The works were executed involving three officials; one Geologist, one Senior Technical Officer and one Surveyor for 249 man-days without charging fees as applicable.

The execution of deposit works without charging fees to the BCCL as against the normal practice of collecting fees in advance particularly when substantial mandays were involved tantamounted to extending undue favour to the BCCL and loss to the Government.

Who is Accountable?

Dorji Wangda, Director, DGM is held accountable.

4.9.4c New Geo-tech Consultancy firm established

On closure of M/s Kelwang Consultancy Firm due to cancellation of license on 31st December 2002, by way of non-renewal, another firm namely; M/s N & M Consultancy firm bearing license number 1016356 was established. The Ex-General Manager of M/s Kelwang Consultancy Firm, N. B. Dhital was the Executive Director of M/s N & M Consultancy. N.B Dhital was a former employee of the Department of Geology Mines.

The un-executed sub-soil investigation works previously awarded by PCI/Japan to M/s Kelwang Consultancy Firm were taken up by the new firm, as under:

Table 4.29 showing unexecuted works awarded were taken by new firm (Nu.in million)

Sl. No.	Geo-tech service provided to	Nature of work	Location	Start & End Date	Amount	Remarks
1.	YDF	Foundation soil investigation	Above swimming pool	April 03-June 03	0.410	YDF had awarded the work to N&M Consultancy, as it was cheaper to DGM's rate. No sub-soil investigation report was available with YDF
2.	THPA	Coring & non-coring drilling	Pressure shaft & drainage Gallery at Sinchikha	Dec 03-May 04	2.335	The work was awarded to N&M Consultancy at four times higher than DGM's estimate
3.	PCI/Japan	3 No. Bridge foundation	Sunkosh, Wakleytar, Tangmachu	June 04-Nov 04	2.768	Left over work of M/s Kelwang Consultancy taken up by N&M Consultancy

Who is Accountable?

Dorji Wangda, Director, DGM is held accountable.

4.9.5 Irregular procurement of Diamond Core Bits -Nu. 0.331 million

The Diamond Core Bits valuing Nu. 0.331 million were purchased from M/s Laxmi Enterprise in October 1999 in spite of its low performance appraised by Drilling Engineers. The appraisal was based on samples tested at Basochu field, which gave low performance of 16m only against the standard bits which should give 30m to 40m. The procurement and use of Diamond Core Bits, which did not meet the standard norm was an uneconomical purchase.

The MTI and DGM officials stated that after placing the supply order and when the materials were ready to be dispatched, a team consisting of a representative from AFD, MTI, Director DGM and two technical officers who had carried out technical analysis had visited the company for pre-inspection. The company was asked to dispatch it on being satisfied with the quality.

However, this statement does not hold good in absence of adequate evidence of the improved performance capacity of the equipment as the test results had indicated otherwise. A mere inspection of the equipment would not ensure the quality by any standard.

Who is Accountable?

Dorji Wangda, Director, DGM and Dungtu, Procurement Officer are held accountable.

4.10 Ministry of Home and Cultural Affairs

The Royal Audit Authority during the year had issued 2 reports of agencies under the Ministry of Home & Cultural Affairs. The total significant irregularities pointed out in the agencies under the Ministry of Home & Cultural Affairs aggregated to Nu 1.559 million as summarized below:

Table 4.30 showing the observations with category code and amount involved (Nu. in million)

Sl.No	Observations in brief	Amount	Category code
1	Over/Inadmissible/Irregular/Double payment	0.030	5.1
2	Irregularities in property management	0.086	5.9
3	Violation of procurement norms	1.443	4.4
Total		1.559	

As would be transpired from the above table, major irregularity in the Ministry of Home and Cultural Affairs related to the violation of procurement norms. The detailed reports of significant irregularities are presented hereunder:

4.10.1 Excess payment of DSA – Nu.0.030 million.

The Office of the Census Commission made excess payment of DSA to the enumerators during the Population and Housing census amounting to Nu.0.069 million. Against Nu.0.069 million pointed out, Nu. 0.039 million was deposited into the Audit Recoveries Account leaving a balance of Nu.0.030 million

Who is accountable?

Lungten Dorji, Head AFD is held accountable.

4.10.2 Short account of the statue worth Nu. 0.086 million.

During the physical verification of Statues and artifacts of Taksang Monastery in presence of the project engineer and the caretaker, one number 3 feet Guru Dorji Drolo statue valued at Nu. 0.060 million and one number Langchen Palge Sange statue valuing Nu.0.026 million were found missing. The Administration stated that the payment for the cost of statues was made on the basis of written receipts of Dasho Wangchuk on the bills.

Who is accountable?

Kinley Gyeltshen, Damchoe T. Dukpa, Dasho Lham Dorji, Dzongdag and Dasho Wangchuk are held accountable.

4.10.3 Violation of procurement norms-Nu.1.443 million

Taksang Reconstruction Project had violated the procurement norms on the purchase of steel and CGI sheets amounting to Nu.1.443 million as detailed below:

Table 4.31 showing the violation of procurement norms (Nu.in million)

SI No	Agencies	Amount	IR No. & Date	Who are accountable?
1 &2	Taksang Reconstruction Project	0.211	IR(DSA-GG-64) 2005/6405 dated 8.8.05	Kinley Gyeltshen, Project Engineer
		1.232		
Total		1.443		

✚ The Taksang Reconstruction Project had purchased excessive steel worth Nu.0.211 million. The balance stock was found lying in the open air. The management responded that the excessive procurement of steel rods was done due to the fact that during the construction of main Kuenrey, the Committee had decided to build Kuenrey with RCC framed structure with traditional wall with stone mortar. Thus the project proceeded for purchasing steel rods with actual estimate of steel required for the building. However, in the actual implementation again it was decided that the building was to be reconstructed in traditional way without using the RCC frames. The left over steel rods can be used for the reconstruction of toilets, kitchens and bridges for the renovation of Zangtopalri Lhakhang and Zimchung Sarpo; and

✚ Out of 4,112 pieces of CGI sheets procured for the project only 748 pieces were used. The balance 3,364 pieces valuing Nu.1.232 million were mostly used for purposes not intended for. Further, 540 pieces were found issued to various lhakhangs as per the orders of the Project Manager. The management informed that the camps of carpenters, woolaps and 3 big work sheds had to be provided with CGI sheet roofing as per the instruction of the Project Manager. This was because during summer/rainy season it was difficult to work and reside with temporary roofing such as bamboo mats and tarpaulin which needed frequent changing. The excess other than 540 pieces was utilized during the re-construction of Taksang Pelphu.

ARMED FORCES

4.11 Royal Bhutan Army

The Royal Audit Authority during the year had issued 5 reports of the Royal Bhutan Army. The total significant irregularities pointed out in the various wings under the Royal Bhutan Army amounted to Nu. 6.126 million as summarised below:

Table 4.32 showing the summary of the observations by category code and the amount involved (Nu. in million)

Sl. No.	Observations in brief	Amount	Category code
1	Misappropriation	0.061	2.1
2	Short/non accountal	0.043	2.3
3	Over/Inadmissible/Irregular/Double payments	0.872	5.1
4	Non/Short deductions	2.362	5.11
5	Irregularities in advances	0.101	5.6
6	Violation of accounting norms	0.667	4.3
7	Violation of procurement norms	1.866	4.4
8	Non/Improper recording in books	0.154	5.4
Total		6.126	

As noted from the above table major irregularities pertained to non-deduction of health contribution, violation of procurement norms while there were few instances of over/irregular payments and malpractices and abuses. The detailed reports of significant irregularities are presented hereunder:

4.11.1 *Misappropriation - Nu. 0.061 million*

The following wings of Royal Bhutan Army had misappropriation cases involving Nu. 0.061 million as shown below.

Table 4.33 showing misappropriation cases (Nu. in million)

Sl. No.	Wings/locations	Amount	IR No. & date	Who are Accountable?
1	MTC & Wing VI W/Phodrang	0.029	IR/RAA-04/Report-44/2005-06/137 of 13.9.05	Major D. S. Wakley
2	MTC & Wing VI W/Phodrang	0.032	IR/RAA-04/Report-44/2005-06/137 of 13.9.05	Major Goem Thinley, Adjutant
Total		0.061		

✚ The out going officer in-charge Maj. D.S. Wakley had not handed over the balance fund of Nu. 0.029 million to the incoming officer in-charge Major Goem Thinley; and

- ✚ Verification of the various documents and cash balance of MTC & Wing VI Wangdue Phodrang revealed that there was a cash shortage of Nu. 0.032 million.

4.11.2 *Non/Short accountal - Nu. 0.043 million*

Amounts received from the RBA HQ for the troops @ Nu. 25.00 per head for celebrating three auspicious occasions aggregating to Nu. 0.043 million was found not accounted for in any of the cash registers maintained by Wing XVI, without which its proper utilization could not be ascertained.

Who is Accountable?

Lt. Col. S.L.Chencho, Commander is held Accountable.

4.11.3 *Over/Inadmissible/Irregular/Double payments - Nu. 0.872 million*

The following Wings under the Royal Bhutan Army had instances of over/irregular/ inadmissible payments.

Table 4.34 showing over/inadmissible/irregular/double payments (Nu.in million)

Sl. No.	Wings/locations	Amount	IR No. & date	Who are Accountable
1	Wing XVI, Gelephu	0.029	IR/RAA-04/Report-50/2005-06/219 of 21.10.05	<i>Lt. Col. SL Chencho, Commander</i>
2	Wing XVI, Gelephu	0.563	IR/RAA-04/Report-50/2005-06/219 of 21.10.05	<i>Lt. Col. SL Chencho, Commander</i>
3	Wing IX, Gelephu	0.028	IR/RAA-04/Report-72/2005-06/220 of 21.10.05	<i>Major Dorji Gyeltshen, Adm. Officer</i>
4	MTC & Wing VI W/Phodrang	0.252	IR/RAA-04/Report-44/2005-06/137 of 13.09.05	<i>Lt. Col. Dorji Khandu, Personnel Officer</i>
Total		0.872		

- ✚ Wing XVI had procured firewood at the higher rate of Nu. 270.00 per m3 against the lowest quoted rate of Nu.260.00 per m3 resulting into excess payment of Nu. 0.029 million;
- ✚ Wing XVI had paid a sum of Nu. 0.563 million to the officers/troops as DA for one month on their transfer to the wing from different locations which is not covered under by the rules;
- ✚ Wing IX had procured firewood at the higher rate of Nu. 270.00 per m3 against the lowest quoted rate of Nu. 260.00 per m3 resulting into excess payment of Nu. 0.028 million; and

- The MTC & Wing VI had paid TA/DA to the officers/troops amounting to Nu. 0.252 million for the visits made to the locations under the same area of responsibility which was not admissible.

4.11.4 *Non/Short deductions-Nu. 2.362 million*

The following Wings of Royal Bhutan Army had not deducted 1% health contribution from pay bills of officers/staff for the last two financial years amounting to Nu. 2.362 million.

Table 4.35 showing non deduction of Health Contribution (Nu.in million)

Sl.No	Wings/locations	Amount	IR No. & date	Who are Accountable
1	Wing XVI, Gelephu	0.549	IR/RAA-04/Report-50/ 2005-06/219 of 21.10.05	Lt. Col. Dorji Khandu, Personnel Officer
2	CHQ & Wing IX, Gelephu	0.827	IR/RAA-04/Report-72/ 2005-06/220 of 21.10.05	Lt. Col. Dorji Khandu, Personnel Officer
3	Wing XII, W/Phodrang	0.423	IR/RAA-04/Report-71/ 2005-06/130 of 12.09.05	Lt. Col. Dorji Khandu, Personnel Officer
4	MTC & Wing VI, W/Phodrang	0.563	IR/RAA-04/Report-44/ 2005-06/137 of 13.09.05	Lt. Col. Dorji Khandu, Personnel Officer
Total		2.362		

4.11.5 *Irregularities in Advances - Nu. 0.101 million*

The following Wings of Royal Bhutan Army had irregularities in advances as shown in the table below:

Table 4.36 showing irregularities in advances (Nu.in million)

Sl. No.	Wings/locations	Amount	IR No. & date	Who are Accountable?
1	Wing XVI, Gelephu	0.030	IR/RAA-04/Report-50/ 2005-06/219 of 21.10.05	Lt. Col. SL. Chenko, Commander
2	MTC & Wing VI W/Phodrang	0.071	IR/RAA-04/Report-44/ 2005-06/137of 13.9.05	Major Geom Thinley, Adjutant
Total		0.101		

- The Wing Commander had paid an advance of Nu. 0.030 million to the officials of the Wing XVI without booking in the sub-ledger; and
- There was unjustified accumulation of advances amounting to Nu. 0.071 million against the officials, troops, and recruits of MTC & Wing VI.

4.11.6 Violation of accounting norms - Nu. 0.667 million

The Central Head Quarter (CHQ), Wing IX and MTC & Wing VI had violated the accounting norms as shown below:

Table 4.37 showing violation of accounting norms (Nu.in million)

Sl. No.	Wings/locations	Amount	IR No. & date	Who are Accountable?
1	CHQ & Wing IX, Gelephu	0.573	IR/RAA-04/Report-72/2005-06/220 of 21.10.05	Sangay, DCA
2	MTC & Wing VI, W/Phodrang	0.094	IR/RAA-04/Report-44/2005-06/137of 13.9.05	Major D.S. Wakley and Gopa Lhatu Tshering
Total		0.667		

- ✚ The CHQ & Wing IX had surrendered the unspent balance of Nu. 0.573 million to the Defense Accounts Officer, AHQ Lungtenphu. However, the acknowledgement receipts had not been obtained from the AHQ, and
- ✚ The MTC & Wing VI had made payment of Nu. 0.094 million to various parties without bills, receipts, etc.

4.11.7 Violation of procurement norms-Nu. 1.866 million

There were instances of violation of procurement norms in various Wings of the Royal Bhutan Army as shown below:

Table 4.38 showing violation of procurement norms (Nu.in million)

Sl. No.	Wings/locations	Amount	IR No. & date	Who are Accountable?
1	Wing XII, W/Phodrang	0.080	IR/RAA-04/Report-71/ 2005-06/130 of 12.9.05	Major Sonam Dorji, OC, Construction
2	Wing IV, Yonphula	1.786	RAA/OAAG-SJ/RBA-Yonphula (IR-79)2005/3877 of 15.11.05	Lt. Col. Tandin Gyeltshen, and Ugyen Wangdi, JE
Total		1.866		

- ✚ Wing XII had procured construction materials in excess of actual requirement resulting to blockage of fund of Nu. 0.080 million; and
- ✚ Wing IV had paid mobilization advance to the contractor amounting to Nu.1.786 million without obtaining bank guarantee.

4.11.8 Non/Improper recording in books - Nu. 0.154 million

Advances amounting to Nu. 0.154 million paid to officials and other parties were found not accounted in the sub ledger.

Who is Accountable?

Major Goem Thinley and Wangchuk, DCA are held accountable.

4.12 Royal Bhutan Police

The Royal Audit Authority during the year had issued 6 reports of the Royal Bhutan Police. The total significant irregularities pointed out in various Divisions under the Royal Bhutan Police amounted to Nu. 6.036 million as summarised below:

Table 4.39 showing the summary of observations with category code and amount involved (Nu. in million)

Sl. No.	Observations in brief	Amount	Category code
1.	Malpractices and abuses	0.309	1.2
2.	Over/Inadmissible/Irregular/Double payments	0.086	5.1
3.	Non/short deductions	0.956	5.11
4.	Irregularities in Advances	3.230	5.6
5.	Violation of Acts, Directives and Policies	1.455	4.5
Total		6.036	

As noted from the above table major irregularities pertained to advances, non deduction of health contribution, Violation of Acts, Directives and Policies while there were few instances of malpractices and abuses. The detailed reports of significant irregularities are presented hereunder:

4.12.1 Malpractices and abuses - Nu. 0.309 million

There were instances of malpractices and abuses in various divisions of the Royal Bhutan Police as shown below:

Table 4.40 showing malpractices and abuses (Nu.in million)

Sl. No.	Division	Amount	IR No. & date	Who are Accountable?
1	RBP, Division VIII, S/Jongkhar	0.056	RAA/OAAG-SJ/BBP(IR-83)2005/3838 of 2.11.05	Sangay Regal, JE
2	Police Training Centre, Jigmeling	0.080	IR/RAA-04/report-18/2005-06/336 of 28.12.05	Lt. Col. Tandin Wangdi, Adm. Officer and Sonam Wangdi, Electrical Engineer
3	Division V, Gelephu	0.144	IR/RAA-04/Report-49/2005-06/335 of 28.12.05	Tshering Phuntsho, JE
4	Police Training Centre, Jigmeling,	0.029	IR/RAA-04/Report-18/2005-06/336 of 28.12.05	Lt. Col. Tandin Wangdi, Adm. Officer, Sonam Tenzin, SO, Yeshey Norbu, Electrical Engineer and Sonam Wangdi
Total		0.309		

- ✚ The contractor had not executed the compound wall construction worth Nu. 0.056 million at Nganglam Police Station. However, the payment had been certified by the site engineer for works not executed;
- ✚ A sum of Nu. 0.080 million was paid to M/s Druk Chapcha Construction for supply of 2 sets of essential spare parts for the diesel generator. However, on verification of documents it was found that the supplier had not supplied the above 2 sets of essential spare parts;
- ✚ On physical verification of one unit officer's quarter at Sarpang, it was found that the works worth Nu.0.144 million were defective and needed to be rectified; and
- ✚ A sum of Nu.0.060 million and Nu.0.039 million were paid to M/s Durga Hardware Electrical. However, on cross-checking of the bills with the store records, the materials worth Nu.0.029 million were found not received by PTC, Jigmeling.

4.12.2 Over/Inadmissible/Irregular/Double payments - Nu.0.086 million

Various Divisions of the Royal Bhutan Police had instances of over/irregular/excess /inadmissible payments as shown in the table below:

Table 4.41 showing over/inadmissible/irregular/double payments (Nu.in million)

Sl. No.	Division	Amount	IR No. & date	Who are Accountable?
1	Division VIII, S/Jongkhar	0.062	RAA/OAAG-SJ/BBP(IR-83) 2005/3838 of 2.11.05	Sangay Regal, JE
2	Division VI, Tsirang	0.024	IR/RAA-04/Report-63/2005-06/265 of 2.11.05	Lt. Col. Tandin Wangdi, Adm. Officer and Major Wangdi Norbu, Pay & Accounts Officer
Total		0.086		

- ✚ The RBP, S/Jongkhar had not deducted the cost of lintel beam pertaining to the brick works of 20 units ORS, 2 units NCO and PS cum lock-up building at Nganglam resulting into an excess payment of Nu. 0.062 million; and
- ✚ The officials and troops of RBP Division VI, Tsirang had claimed TA/DA of Nu.0.024 million for traveling within 10 kilometers from the duty station which was in contravention to the rule.

4.12.3 Non/short deductions-Nu. 0.956 million

There were instances of non deduction of 1% health contribution from pay bills of various Divisions under the Royal Bhutan Police as shown below:

Table 4.42 showing non/short deduction by various Divisions (Nu. in million)

Sl.No	Divisions	Amount	IR No. & date	Who are Accountable?
1	Police Training Centre, Jigmeling	0.152	IR/RAA-04/Report-18/2005-06/336 of 28.12.05	Lt. Col. Tandin Wangdi, Adm. Officer
2	Division V, Gelephu	0.611	IR/RAA-04/Report-49/2005-06/335 of 28.12.05	Lt. Col. Tandin Wangdi, Adm. Officer
3	Division II, Punakha	0.193	IR/RAA-04/Report-51/2005-06/270 of 7.11.05	Lt. Col. Tandin Wangdi, Adm. Officer
Total		0.956		

4.12.4 Irregularities in advances –Nu. 3.230 million

The sub-ledger of RBP, HQ revealed that advances amounting to Nu.5.855 million were lying outstanding as on 30.06.2004 against private parties, officials and agencies. The Administration had indicated the adjustment of Nu.2.625 million leaving a balance of Nu.3.230 million.

Who is Accountable?

Lt. Col. Tandin Wangdi, Adm. Officer and Maj. Wangdi Norbu, PAO are held accountable.

4.12.5 Violation of Acts, Directives and Policies Nu.1.455 million

As per the customs rules and regulations, for every consignment passing through the check post the challans should be produced to the Customs authority. However, the procurement bills and challans of Police uniforms worth Nu.1.455 million neither had vehicle numbers nor custom seals.

Who is Accountable?

Lt. Col. Tandin Wangdi, Adm. Officer is held accountable.

DZONGKHAGS

4.13 Dzongkhag Administration, Samtse

The Royal Audit Authority during the year had issued 1 report pertaining to the Dzongkhag Administration, Samtse. The total significant irregularities pointed out in the Dzongkhag amounted to Nu. 9.678 million as summarised below:

Table 4.43 showing the summary of observations with category code and amount involved (Nu. in million)

Sl. No	Observations in brief	Amount	Category code
1	Over/Inadmissible/Irregular/Double payment	0.196	5.1
2	Non/short accountal	0.102	5.9
3	Violation of procurement norms	7.894	4.4
4	Malpractices and abuses	0.461	1.2
5	Irregularities in advances	0.957	5.6
6	Mismanagement of Revenue and taxes	0.068	3.4
Total		9.678	


As noted from the above table major irregularities pertained to violation of procurement norms, advances, malpractices and abuses while there were few instances of over/irregular payments. The detailed reports of significant irregularities are presented hereunder:

4.13.1 Inadmissible/over/excess payment – Nu. 0.196 million

The Dzongkhag Administration, Samtse had made inadmissible payments of Nu.0.196 million as listed below:

Table 4.44 showing inadmissible/over/excess payment (Nu.in million)

Sl. No.	Inspection Report No.	Amount	Who are Accountable?
1	IR(09)D5/SA/2002/4061 dated 26.1.05	0.088	Sangay Dorji, DE and Kelzang Wangchuk, JE
2	-do-	0.039	Sangay Dorji, DE and Pema Namgyel, JE
3	-do-	0.029	Sangay Dorji, DE and Kelzang Wangchuk, JE
4	-do-	0.040	Phuntsho Wangdi, Finance Officer, Kuenzang Nidup, Deputy Chief Accountant and Dorji Wangdi, Senior Accountant
Total		0.196	

 The contract work for the construction of six classroom blocks at Dorokha Lower Secondary School was awarded to M/s Tergo Construction, Haa.

Physical verification of works and detailed verification of contractor's bill revealed over payment amounting to Nu.0.088 million;

- ✚ The contract for the prefabricated wooden house construction at the Royal Guest House was awarded to M/s Green Wood Manufacturing Corporation. Joint measurement of actual work executed revealed over payment amounting to Nu. 0.039 million;
- ✚ The re-roofing work of Dogap Lhakhang and Sengdyen Community Primary School was awarded to M/S K.S. Construction, Haa. Physical verification of works revealed over payments amounting to Nu.0.029 million; and
- ✚ The Dzongkhag staffs while attending the training on census and immigration in the Ministry of Home & Cultural Affairs and the Royal Court of Justices were paid DSA of Nu.1000 per day, which was not admissible resulting in irregular payment of Nu.0.050 million. The Administration had deposited Nu.0.010 million leaving a balance of Nu.0.040 million.

4.13.2 Non/short accountal – Nu.0.102 million

The Dzongkhag Administration had procured various materials amounting to Nu.0.102 million but stock entries for the items procured were not found, without which the genuineness of payments made could not be ascertained.

Who is Accountable?

Naiten Dorji, Adm. Officer is held accountable.

4.13.3 Violation of procurement norms - Nu.7.894 million

The Dzongkhag Administration, Samtse had fraudulently violated the guidelines stipulated in the Procurement Manual in awarding the following works:

Table 4.45 showing violation of procurement norms (Nu.in million)

Sl. No.	Inspection Report No.	Amount	Who are Accountable?
1	IR(09)D5/SA/2002 /4061 dtd 26.1.05	3.783	<i>Dasho Sherab Gyeltshen, former Dzongdag, Tshering Nidup, Dzongkhag Engineer, R.S Pillia, Former Finance Officer, Phuntsho Wangdi, Former Asst. Fiance Officer, Pema Namgyel, Junior Engineer and Namgay Tshering, JE</i>
2	-do-	3.096	<i>Dasho Sherab Gyeltshen, former Dzongdag, Tshering Nidup, Dzongkhag Engineer, R.S Pillia, Former Finance Officer, Phuntsho Wangdi, Former Asst. Fiance Officer, Pema Namgyel, Junior Engineer and Namgay Tshering, JE</i>
3	-do-	0.980	<i>Naiten Dorji, Administrative Officer, R.S Pillai, Finance Officer, Pema Namgyel, Junior Engineer, Karma Dendup, District Education Officer and Sangay Dorji, District Agriculture Officer</i>
4	-do-	0.035	<i>Sangay Dorji, DE and Kelzang Wangchuk, JE</i>
Total		7.894	

- ✚ The contract for the construction of Science Laboratory at Samtse Middle Secondary School was awarded to M/s Jigme Dorji Construction. Before the bids were opened the Tender Committee had unscrupulously decided to award the work to the nearest but above the Technical Sanction amount of Nu.3.783 million;
- ✚ The contract for the construction of Lupon's quarter at Samtse Middle Secondary School was awarded to M/s Lhaba Construction, Samtse. Before the bids were opened the tender committee had unscrupulously decided to award the work to the bidder whose quoted rate was near but below the Technical Sanction amount of Nu.1.896 million. After the award of work additional work amounting to Nu.1.200 million was given to the same contractor. Dasho Dzongdag accorded technical sanction for this additional work, which was not proper;
- ✚ The contract for the construction of Lhaxhang at Sipsu was awarded to M/s K.P.Construction. Before the bids were opened the tender committee had unscrupulously decided to award the work to the bidder whose quoted rate was 5 % below the nearest Technical Sanction amount; and
- ✚ The contract for the construction of six classroom blocks at Dorokha Lower Secondary School was awarded to M/s Tergo Construction, Haa. Time extension for more than six months was given without maintaining hindrance registers. Therefore, liquidated damages of Nu.0.035 million as worked out in audit needed to be imposed.

4.13.4 Malpractices and abuses- Nu.0.461 million

The Dzongkhag Administration, Samtse had cases of malpractices and abuses amounting to Nu.0.461 million as listed below:

Table 4.46 showing malpractices and abuses (Nu.in million)

Sl. No.	Inspection Report No.	Amount	Who are Accountable?
1	IR(09)D5/SA/2002/4061 dtd 26.1.05	0.038	Sangay Dorji, DE and Kelzang Wangchuk, JE
2	-do-	0.025	
3	-do-	0.045	
4	-do-	0.214	Sangay Dorji, DE and A.T.G. Verghese, JE
5	-do-	0.110	Tshering Wangdi, Dumtoe Gup and Kesang Wangchuk, JE
6	-do-	0.029	
Total		0.461	

- ✚ The re-roofing work of Dogap Lhakhang and Sengdyen Community Primary School was awarded to M/s KS Construction, Haa. Physical verification of works revealed payment of Nu.0.038 million for works not executed;
- ✚ The contract for the construction of six class room blocks at Dorokha Lower Secondary School was awarded to M/s Tergo Construction, Haa. Physical verification of works revealed payment of Nu.0.025 million for works not executed;
- ✚ The contract for the construction of three unit class room blocks at Sengden Community Primary School was awarded to M/s Tergo Construction, Haa. Physical verification of works revealed payment of Nu.0.045 million for works not executed;
- ✚ The contract for the construction of farm road from Kuchidiana to Kado under Nainital Geog was awarded to M/s Dezung Construction. Physical verification of works revealed payment of Nu.0.214 million for works not executed;
- ✚ The Dzongkhag Administration, Samtse had spent Nu.0.499 million for the construction of mule track from Namchu Zam to Rangtse. Nu.0.220 million was paid in respect of skilled labour. However, during the joint physical verification by Dzongkhag officials, Geog officials and the auditors, it was observed that mule track was left incomplete from Chehthrap to Tendungay, Garthay Khola to Jabchu and from Chego to Rangtse. In terms of quantity only half of the work valuing Nu. 0.110 million was completed, thereby resulting in payment of Nu. 0.110 million for works not executed; and
- ✚ A sum of Nu. 0.298 million was spent for the construction work of Menduling Community School, out of which Nu. 0.125 million was

towards the payment for skilled labourers. However, during the physical verification 10% of the construction work was found not completed resulting to payment of Nu.0.029 million for works not executed.

4.13.5 Irregularities in advances – Nu.0.957 million

Dzongkhag Administration, Samtse had in their books of accounts a sum of Nu.0.957 million lying outstanding. Some of the advances dated as far back as Financial Year 1997-1998.

Who is Accountable?

Sonam Phuntsho, Finance Officer and Kuenzang Nidup, Deputy Chief Accountant are held accountable.

4.13.6 Mismanagement of revenue and taxes – Nu.0.068 million

Verification of records pertaining to Municipal tax collections and deposits for the year 2001 to 2004 revealed outstanding taxes amounting to Nu.0.068 million. Non deposit of taxes on time attracts 24 % penal interest per annum as per rules in force. Subsequently, some defaulters had cleared the dues with 24% penal interest.

Who is Accountable?

Sangay Tenzin, JE is held accountable.

4.14 Dzongkhag Administration, Dagana

The Royal Audit Authority during the year had issued 1 report pertaining to the Dzongkhag Administration, Dagana. The total significant irregularities pointed out in the Dzongkhag amounted to Nu. 2.824 million as summarised below:

Table 4.47 showing the summary of the findings by category, category code and the amount involved (Nu. in million)

Sl. No	Observations in brief	Amount	Category code
1	Over/Inadmissible/Irregular/Double payments	0.936	5.1
2	Violation of other laws, rules and regulations	0.874	4.6
3	Mismanagement of Revenue & Taxes	0.050	3.4
4	Malpractices and abuses	0.495	1.2
5	Misappropriation	0.229	2.1
6	Non/short deduction	0.078	5.11
7	Irregularities in Advances	0.090	5.6
8	Violation of Procurement norms	0.072	4.4
Total		2.824	

As noted from the above table major irregularities pertained to violation of laws, rules and regulations, over/inadmissible/irregular payments, malpractices and abuses, misappropriation. The detailed reports of significant irregularities are presented hereunder:

4.14.1 *Over/Inadmissible/Irregular/Double payments – Nu. 0.936 million*

The Dzongkhag Administration, Dagana had made over/inadmissible / irregular / double payments of Nu. 0.0.936 million as shown in table below:

Table 4.48 showing over/inadmissible/irregular/double payments (Nu.in million)

Sl. No.	Inspection Report No. & Date	Amount	Who are Accountable?
1	AIN: 5923, IR/RAA-04/Report-05/ 04-05/5418 dated 18/05/05	0.447	Tshechu, AFO
2		0.339	I.B.Rai, Site Engineer, V.K.Babu, Site Engineer, Gyem Dorji, AE, Lungten Thinley, DE and J.N.Pradhan, Site Engineer
3		0.074	Dr. Birdhoj Rai, DLO, Pema Chofil, DAO, Phuntsho Tobgay, DzFO, Kinzang Namgay, ADLO
4		0.051	Tashi Gyeltshen, Adm. Officer, and Tshechu, FO
5		0.025	Tandin Wangdi, AE and J.N.Pradhan, DE
Total		0.936	

- ✚ The Dzongkhag Administration, Dagana had 29 cases of vacation salary of Nu.0.447 million paid to teachers which were not as per rules;
- ✚ Muster Roll payments of Nu. 0.339 million for renovation of Pangna-Thangna irrigation channel under Drujeygang Geog made to skilled labourers were not adequately supported by documentary evidences. In few instances payment were shown to have been made towards free labour contribution;
- ✚ Dzongkhag had incurred an expenditure of Nu. 0.074 million on account of DSA, TA, refreshment, stationery, opening & closing ceremony expenses in conducting farmers' training over and above the ceilings fixed by the MoA;
- ✚ The Dzongkhag had 18 cases of winter salary paid to the Apprentice Teachers amounting to Nu. 0.051 million which were not as per rules; and
- ✚ During verification of Daga Town Site Development works carried out by M/s Tenzin Construction, Thimphu, it was noticed that the wall damaged due to contractor's own negligence and complacence had been paid Nu.0.025 million by the Dzongkhag. As the contractor was asked to

reconstruct the wall at his own cost, the payment borne by the Government was inappropriate. The Dzongkhag had agreed with the findings while responding to the report.

4.14.2 Violation of other Laws, Rules and Regulations – Nu. 0.874 million

For renovating Pangna-Thangna irrigation channel, an agreement had been drawn up amongst the beneficiaries to contribute free labour and impose penalty at the rate of Nu. 50 per day for absence.

As per the agreement a sum of Nu.0.913 million was collectible from absentees. Out of which Nu.0.039 million was only collected leaving a balance of Nu 0.874 million.

From the amount of Nu.0.039 million already collected, the Mangi Ap Thinley Wangchuk had reportedly carried out construction of retaining wall for Nu.0.033 million. However, upon physical verification conducted by the RAA the expenditure incurred against the retaining wall was found to be Nu.0.006 million only.

Who is Accountable?

Thinley Wangchuk, Mangi Ap and Pema Dorji, Lajab are held accountable.

4.14.3 Mismanagement of Revenue & Taxes – Nu. 0.050 million

Revenue amounting to Nu.0.086 million for the period covering from March 2003 till 30th June 2004 was deposited less/short by the Dzongkhag as summarised below:

Table 4.49 showing mismanagement of revenue and taxes (Nu.in million)

Sl.No	Revenue Head	Amount
1	Rural & other taxes	0.033
2	Urban Taxes	0.031
3	Other	0.003
4	Outstanding urban taxes	0.019
Total		0.086

Subsequently, Nu.0.036 million was deposited into Audit Recoveries Account leaving a balance of Nu.0.050 million.

Who is Accountable?

Tashi Gyeltshen, Adm. Officer, Karma Yoezer, Rev. Asstt., and Wangchuk, Rev. Asstt. are held accountable.

4.14.4 Malpractices and Abuses – Nu. 0.495 million

The Dzongkhag Administration, Dagana had cases of malpractices and abuses amounting to Nu.0.495 million as summarised below:

Table 4.50 showing malpractices and abuses (Nu.in million)

Sl. No.	IR No. & Date	Amount	Who are Accountable?
1	IR/RAA-04/Report-05/04-05 / 5418 dated 18/05/05	0.344	Tshechu, AFO, Lungten Thinley, DE and J.N.Pradhan, DE
2	-do-	0.151	Tshechu, AFO, Lungten Thinley, DE and J.N.Pradhan
Total		0.495	

- ✚ For the construction of Ventilated Improved Pit (VIP) and Pour Flush (PF) toilet in 10 schools under the Dzongkhag, DBA had released a budget of Nu. 0.141 million and RWSS Central Store had supplied materials worth Nu. 0.203 million. However, it was found that construction was never carried out and the budget for the year had lapsed; and
- ✚ Contractor Chitra Maya Subedi was paid Nu.0.304 million for extracting and transporting 2,800 cft of timber. This payment included Nu.0.151 million for 1,391.25 cft of timber which was not supplied.

4.14.5 Misappropriation – Nu. 0.229 million

The Dzongkhag Administration, Dagana had cases of misappropriation amounting to Nu.0.231 million as summarised below:

Table 4.51 showing cases of misappropriation (Nu.in million)

Sl. No.	IR No. & Date	Amount	Who are Accountable?
1	IR/RAA-04/Report-05/04/05 / 5418 dated 18/05/05	0.157	Gyem Dorji, AE and J.N.Pradhan, DE
2		0.046	Tashi Tenzin, former Store In-charge and Shyam Kumar Ghalley present Store In-charge
3		0.026	Gyem Dorji, AE and J.N.Pradhan, DE
Total		0.229	

- ✚ On comparison of theoretical vis-à-vis actual consumption of materials for the renovation of Pangna-Thangna irrigation channel, it was noticed that substantial quantity of cement and sand were issued in excess of actual requirement. On verification of Material at Site Register, there was shortage of materials worth Nu. 0.157 million;
- ✚ HSD worth Nu.0.044 million was not handed over by the former Store In-Charge Tashi Tenzin to the present Store In-charge, Shyam Kumar Ghalley. Further, an amount of Nu.0.003 million, being the cost of 183

litres of HSD issued to private parties was not remitted to the Accounts Section of the Dzongkhag by the incoming Store In-Charge; and

- ✚ Out of 997.02 cft of sawn timber for re-roofing of Daga Dzong only 861.48cft had been found transported to the Dzong premises resulting in shortage of 135.54cft valuing Nu.0.026 million.

4.14.6 Non/Short Deduction – Nu.0.078 million

There was short deduction of house rent from the staff occupying the government quarters. It was also found that no rent was deducted from some of the staff. The total of such non/short deduction amounted to Nu.0.224 million.

Subsequently, the Dzongkhag Administration had deposited Nu.0.146 million into Audit Recoveries Account.

Who is Accountable?

Rinchen Dorji, former Dzongrab and Tshechu, AFO are held accountable.

4.14.7 Irregularities in Advances – Nu.0.090 million

The Dzongkhag Administration had outstanding advances amounting to Nu.0.144 million out of which Nu.0.054 million had been settled leaving a balance of Nu. 0.090 million.

Who is Accountable?

Rinchen Dorji, former Dzongrab and Tshechu, AFO are held accountable.

4.14.8 Violation of Procurement Norms – Nu.0.072 million

The Daga Town Site Development works was to be completed on or before 17th April 2004 but it was completed on 27th August 2004 thereby resulting in 58 days delay for which the liquidated damage of Nu.0.072 million was not levied.

Who is Accountable?

Lungten Thinley, former DE, J.N.Pradhan, DE and Pema Chofil, DAO are held accountable.

4.15 Dzongkhag Administration, Tsirang

The Royal Audit Authority during the year had issued 1 report pertaining to the Dzongkhag Administration, Tsirang. The total significant irregularities pointed out in the Dzongkhag amounted to Nu. 1.310 million as summarised below:

Table 4.52 showing the summary of the findings by category, category code and the amount involved (Nu. in million)

Sl.No	Observation in brief	Amount	Category Code
1	Irregularities in advances	0.361	5.6
2	Over/Inadmissible/Irregular/Double payments	0.615	5.1
3	Violation of Procurement norms	0.052	4.4
4	Mismanagement of Revenue & Taxes	0.199	3.4
5	Violations of Acts, Directives and Policies	0.048	4.5
6	Irregularities on Property Management	0.035	5.9
Total		1.310	

As noted from the above table major irregularities pertained to over/inadmissible/irregular payments, advances while there were few instances of mismanagement of revenue and taxes. The detailed reports of significant irregularities are presented hereunder:

4.15.1 Irregularities in advances – Nu. 0.361 million

The Dzongkhag Administration, Tsirang had over due advances amounting to Nu.0.361 million out of total advances of Nu.9.304 million.

Who is Accountable?

Lhundup Wangchuk, Dzongdag and Rudra Mani Dhimal, FO are held accountable.

4.15.2 Over/Inadmissible/Irregular/Double Payments – Nu.0.615 million

The Dzongkhag Administration, Tsirang had made over / inadmissible / irregular / double payments of Nu.0.615 million as summarised below:

Table 4.53 showing over/inadmissible/irregular/double payments (Nu. Million)

Sl.No	IR No & Date	Amount	Who are Accountable?
1	IR/RAA-04/Report -01/2005-06/ 7373 dated 20/03/2005	0.160	Lhundup Wangchuk, Dzongdag and Rudra Mani Dhimal, FO
2	-do-	0.187	Karchung, DAO, Dhendup Tshering, DzFO and Sangay ADzFO
3	-do-	0.099	Lhaten Dorji, AE and Lhapchu Dorji, DE
4	-do-	0.056	Choki Dorji, JE and Lhapchu Dorji, DE
5	-do-	0.052	Thukten Tshering, Store In-charge
6	-do-	0.028	Lhundup Wangchuk, Dzongdag and Rudra Mani Dhimal, Finance Officer
7	-do-	0.033	Choki Dorji, JE and Lhapchu Dorji, DE
Total		0.615	

- ✚ Dzongkhag Administration, Tsirang had 22 cases of payment of inadmissible vacation salary to teachers amounting to Nu.0.301 million. The Administration had deposited Nu.0.141 million leaving a balance of Nu.0.160 million;
- ✚ The Dzongkhag had incurred an expenditure of Nu. 0.187 million on account of DSA, TA, refreshment, stationery, opening & closing ceremony expenses in conducting farmers' training over and above the ceilings fixed by the MoA;
- ✚ M/s K.T Construction was paid at the higher rate of Nu. 1,912.24 per cubic metre as against quoted rate of Nu.1,385.00 per cubic metre for the construction of RRM in superstructure of the Royal Guest House resulting into over payment of Nu.0.099 million;
- ✚ M/s Younten Construction who was awarded the work of improvement of Dratshang ground was paid inadmissible amount of Nu.0.056 million for providing and laying of RRM in CM1:4. This was jointly verified and agreed by the substitute site engineer Phub Dorji;
- ✚ The Dzongkhag had paid the suppliers at rates higher than the quoted rates resulting into excess payment of Nu.0.052 million for the purchases of stationery and equipment;
- ✚ The Dzongkhag had paid an inadmissible TA/DA of Nu.0.050 million on account of travels performed within the radius of 10km. not in accordance with travel rules and regulations of BCSRR 2002. Subsequently, Nu.0.022 million was deposited into Audit Recoveries Account leaving a balance of Nu.0.028 million; and
- ✚ The joint physical verification of the works carried out in Dratshang Ground showed an excess payment of Nu.0.033 million.

4.15.3 Violation of Procurement Norms – Nu.0.052 million

The Dzongkhag Administration had not deducted 5% void amounting to Nu.0.052 million in compaction work of sports stadium.

Who is Accountable?

Dorji Khandu, AE and Lhapchu Dorji, DE are held accountable.

4.15.4 Mismanagement of Revenue & Taxes – Nu.0.199 million

The Dzongkhag had cases of mismanagement of revenue and taxes amounting to Nu. 0.199 million as summarised below:

Table 4.54 showing mismanagement of revenue and taxes (Nu. million)

Sl.No	Observation In Brief	Amount	Who are Accountable?
1	Short deposit of revenue	0.171	<i>Gyeltshen, Revenue in-charge</i>
2	Less deposit of sale proceeds from auctioning of timber off cuts	0.028	<i>Gyeltshen, Revenue in-charge</i>
Total		0.199	

- ✚ The Dzongkhag Administration had short deposited revenue amounting to Nu.0.171 million; and
- ✚ The Dzongkhag Administration had deposited Nu.0.178 million against the total sale proceeds of Nu.0.206 million on auction of Timber off cuts and other wastages resulting to short deposit of Nu.0.028 million.

4.15.5 Violations of Acts, Directives and Policies – Nu.0.048 million

The Dzongkhag Administration had three cases of non-collection of rent at revised rates and one case of non-collection of rent for two months. The total amount worked out was Nu.0.048 million.

Who is Accountable?

Tshewang Jigme, Administrative Officer is held Accountable

4.15.6 Irregularities on Property Managements– Nu.0.035 million

The Dzongkhag Administration had shortage of office equipment, furniture and other government properties valuing Nu.0.035 million.

Who is Accountable?

Thukten Tshering, Store Incharge is held accountable

4.16 Dzongkhag Administration, Pemagatshel

The Royal Audit Authority during the year had issued 1 report pertaining to the Dzongkhag Administration, Pemagatshel. The total significant irregularities pointed out in the Dzongkhag amounted to Nu. 0.329 million as summarised below:

Table 4.55 showing the observations in brief with category code and amount involved (Nu. in million)

SI.No	Observations in brief	Amount	Category code
1	Irregularities in advance	0.300	5.6
2	Over/Inadmissible/Irregular/Double payment	0.029	5.1
Total		0.329	

As noted from the above table major irregularities pertained to advances while there were few instances of over/inadmissible/irregular payments. The detailed reports of significant irregularities are presented hereunder:

4.16.1 *Irregular advances - Nu. 0.300 million*

Advances of Nu.0.632 million were lying outstanding against the officials, suppliers and contractors. Subsequently, the Administration had deposited/adjusted Nu.0.332 million leaving a balance of Nu.0.300 million.

Who is Accountable?

Namgay, Dasho Dzungda and Tenzin Jamtsho, Finance Officer are held accountable.

4.16.2 *Over/Inadmissible/Irregular/Double payment - Nu.0.029 million*

The Dzongkhag Administration, Pemagatshel had paid inadmissible vacation salary of Nu.0.339 million to its teachers. Subsequently, the Administration had deposited Nu.0.310 million into Audit Recoveries Account leaving a balance of Nu.0.029 million.

Who is Accountable?

Tenzin Jamtsho, Finance Officer is held accountable.

4.17 Dzongkhag Administration, Trashigang

The Royal Audit Authority during the year had issued 1 report pertaining to the Dzongkhag Administration, Trashigang. The total significant irregularities pointed out in the Dzongkhag amounted to Nu. 1.792 million as summarised below:

Table 4.56 showing the observations in brief with category code and amount involved (Nu. in million)

Sl.No	Observations in brief	Amount	Category code
1	Irregularities in advances	0.714	5.6
2	Over/Inadmissible/Irregular/Double payment	1.078	5.1
Total		1.792	

As noted from the above table major irregularities pertained to over/inadmissible/irregular payments and advances. The detailed reports of significant irregularities are presented hereunder:

4.17.1 Irregular in advances - Nu. 0.714 million

Advances aggregating to Nu.1.042 million were lying outstanding against the officials, suppliers and contractors. Subsequently, the Administration had deposited/adjusted Nu.0.328 million leaving a balance of Nu.0.714 million, which included advances dating back to 1980s and early 90s.

Who is Accountable?

Phuntsho Gyelchen, Drawing and Disbursing Officer, Tashi Wangyel, Former Assistant Finance Officer and Sonam Tobgay, Present Finance Officer are held accountable.

4.17.2 Over/Inadmissible/Irregular/Double payment - Nu. 1.078 million

The Dzongkhag Administration, Trashigang had paid inadmissible vacation salary of Nu.1.078 million to the teachers.

Who is Accountable?

Tashi Wangyel, Former Finance Officer and Sonam Tobgay, Present Finance Officer are held accountable.

4.18 Dzongkhag Administration, Trashiyangtse

The Royal Audit Authority during the year had issued 3 Reports pertaining to the Dzongkhag Administration, Trashiyangtse. The total significant irregularities pointed out in the Dzongkhag amounted to Nu. 0.680 million as summarised below:

Table 4.57 showing the observations in brief with category code and amount involved (Nu. in million)

Sl.No	Observations in brief	Amount	Category code
1	Over/Inadmissible/Irregular/Double payment	0.286	5.1
2	Malpractices and abuses	0.024	3.4
3	Irregular advances	0.370	5.6
Total		0.680	

As noted from the above Statement major irregularities pertained to over/inadmissible/ irregular payments and advances while there were a few instances of malpractices and abuses. The detailed reports of significant irregularities are presented hereunder:

4.18.1 *Over/Inadmissible/Irregular/Double payment - Nu. 0.286 million*

There were few instances of inadmissible payments made by the Dzongkhag Administration aggregating to Nu. 0.286 million as summarised below:

Table 4.58 showing over/inadmissible/irregular/double payments (Nu. in million)

Sl. No.	Agency	Amount	IR No & Date	Who are Accountable?
1	Rigsum Goenpa, Trashiyangtse	0.099	RAA/OAAG-SJ/OD(IR-82)2005 /3789 dated 20/10/05	Dawa, JE
2	Dzongkhag Administration, Trashiyangtse	0.187	RAA/OAAG-SJ/TY(IR-36)2005 /2983 dated 7/3/05	Munesh Sharma, AFO
Total		0.286		

- ✚ M/s Pema Gyeltshen Construction had been paid a sum of Nu.0.099 million in excess by applying the item rates of another contractor in the final bill; and
- ✚ Teachers under the Dzongkhag Administration, Trashiyangtse were paid vacation salary amounting to Nu.0.274 million in contravention to Rules. The outstanding balance after deposit into ARA stood at Nu.0.187 million.

4.18.2 Malpractices and abuses - Nu.0.024 million

- ✚ The Dzongkhag Forestry Officer had claimed Nu.0.010 million for creation of nursery at Tshenkharla Geog Centre which was already created out of the fund from RNR-RC, Wyenkhar;
- ✚ Muster Roll payment of Nu.0.010 million was shown towards construction of fencing at Chorten Kora without actually executing the work; and
- ✚ Further the official had claimed Nu.0.054 million by way of providing lunch 4 times a day for 5 days and Muster Roll payment for 5 days as against actual 3 days of fire fighting work.

Subsequently, the Administration deposited Nu.0.050 million in Audit Recoveries Account leaving balance of Nu.0.024 million.

Who is Accountable?

Sonam Gyeltshen, DZFO is held accountable.

4.18.3 Irregularities in advance – Nu.0.370 million

Advances aggregating to Nu.0.906 million were lying outstanding against the officials, suppliers and contractors as on 30/6/04. Subsequently, the Administration had deposited/adjusted Nu.0.536 million leaving a balance of Nu.0.370 million.

Who is Accountable?

Choida Jamtsho, Drawing and Disbursing Officer and Munesh Sharma, Finance Officer are held accountable.

4.19 Dzongkhag Administration, Samdrup Jongkhar

The Royal Audit Authority during the year had issued 1 report pertaining to the Dzongkhag Administration, Samdrup Jongkhar. The total significant irregularities pointed out in the Dzongkhag amounted to Nu. 4.915 million as summarised below:

Table 4.59 showing the observations in brief with category code and amount involved (Nu. in million)

Sl.No	Observations in brief	Amount	Category code
1	Over/Inadmissible/Irregular/Double payment	0.530	5.1
2	Mismanagement of Revenue and taxes	0.042	3.4
3	Irregularities in advances	4.343	5.6
Total		4.915	

As noted from the above table major irregularities pertained to over/inadmissible/irregular payments and advances while there were few instances of mismanagement of revenue and taxes. The detailed reports of significant irregularities are presented hereunder:

4.19.1 *Over/Inadmissible/Irregular/Double payment - Nu. 0.530 million*

The Dzongkhag Administration, Samdrup Jongkhar had paid inadmissible vacation salary of Nu.0.539 million to its teachers. Subsequently, the Administration had deposited Nu. 0.009 million into Audit Recoveries Account leaving a balance of Nu.0.530 million.

Who is Accountable?

Lok Nath Sharma, Former Finance Officer and Kezang Lhamo, Present Assistant Finance Officer are held accountable.

4.19.2 *Mismanagement of revenue and taxes - Nu.0.042 million*

The Dzongkhag Administration had outstanding municipal taxes of Nu.0.047 million, out of which Nu.0.005 million was deposited leaving a balance of Nu. 0.042 million.

Who is Accountable?

Mrs. Pema Chokey, Junior Engineer is held accountable.

4.19.3 Irregularities in advances - Nu. 4.343 million

Advances aggregating to Nu. 4.977 million were lying outstanding against the officials, suppliers and contractors. Subsequently, the Administration had deposited/adjusted Nu.0.634 million leaving a balance of Nu.4.343 million.

Who is Accountable?

J.N. Pradhan, Ex-DE (Presently at Dagana) and Sonam Tobgay, Ex-Finance Officer (Presently at RIM) are held accountable.

4.20 Dzongkhag Administration, Chhukha

The Royal Audit Authority during the year had issued 1 report pertaining to the Dzongkhag Administration, Chhukha, including the Geog Administration, Chapcha, Bongo, Phuntsholing and Dungna. The total significant irregularities pointed out in the Dzongkhag amounted to Nu. 0.278 million as summarised below:

Table 4.60 showing the observations in brief with category code and amount involved (Nu. in million)

Sl.No	Observations in brief	Amount	Category code
1	Over/Inadmissible/Irregular/Double payments	0.122	5.1
2	Irregularities in advances	0.105	5.6
3	Mismanagement of revenue & taxes	0.051	3.4
Total		0.278	

As noted from the above table major irregularities pertained to advances, over/inadmissible/irregular payments while there were few instances of mismanagement of revenue and taxes. The detailed reports of significant irregularities are presented hereunder

4.20.1 Over/Inadmissible/Irregular/Double payments -Nu.0.122 million

The Dzongkhag Administration, Chhukha had instances of Over / Inadmissible / Irregular /Double payments amounting to Nu.0.122 million as summarized below:

Table 4.61 showing over/inadmissible/irregular/double payments (Nu.in million)

Sl. No.	IR No & Date	Amount	Who are Accountable?
1	IR(08)GG/DAC/2003/5459 dated 24/05/05	0.029	Sonam Choden, HA and Rinzin Wangmo, Teacher
2		0.093	Karma T. Namgyal, Dungpa
Total		0.122	

- ✚ A Health Assistant was paid Nu.0.021 million on account of TA/DA while she was attached to JDWNRH. The amount was not admissible as she was attached to the General Hospital and had not joined her place of posting at Getana BHU. Further, a teacher was paid TA/DA of Nu.0.008 million from the Dzongkhag while attending Bhutan Amateur Athletic Federation (BAAF). The amount was payable by the Bhutan Olympic Committee; and
- ✚ The Dungkhag Administration, Phuntsholing had paid the residential telephone charges of the Dungpa and the Administrative Officer amounting to Nu.0.093 million in contravention to the rules.

4.20.2 Irregularities in advances -Nu. 0.105 million

The Dzongkhag Administration, Chhukha had outstanding advances of Nu.2.268 million. Subsequently, Nu. 0.041 million was deposited into Audit Recoveries Account and Nu. 2.122 million was adjusted leaving a balance of Nu. 0.105 million.

4.20.3 Mismanagement of revenue & taxes -Nu.0.051 million

The Geog Administration, Chapcha had not deposited the rural taxes of Nu.0.026 million collected for the Year 2003 in to the Geog's Current Account till the date of audit. Further, Phub Dawa, the former Gup had withdrawn a sum of Nu.0.025 million from the current account without assigning any reasons for the withdrawal.

Who is Accountable?

Former Gup, Phub Dawa and Revenue In-charge Dorji are held accountable.

4.21 Dzongkhag Administration, Punakha

The Royal Audit Authority during the year had issued 1 report pertaining to the Dzongkhag Administration, Punakha. The total significant irregularities pointed out in the Dzongkhag amounted to Nu. 2.378 million as summarised below:

Table 4.62 showing the observations in brief with category code and amount involved (Nu. in million)

Sl.No	Observations in brief	Amount	Category code
1	Tax evasion	0.226	1.3
2	Mismanagement of fund	0.080	3.1
3	Violation of accounting norms	0.041	4.3
4	Violation of procurement norms	0.320	4.4
5	Violation of Acts, Directives and Policies	0.530	4.5
6	Over/Inadmissible/Irregular/Double payment	0.186	5.1
7	Irregularities in advances	0.897	5.6
8	Malpractice and abuses	0.098	1.2
Total		2.378	

As noted from the above table major irregularities pertained to advances, violation of Acts, Directives and Policies, Violation of Procurement Norms, Tax Evasion while there were a few instances of over/inadmissible/irregular payments. The detailed reports of significant irregularities are presented hereunder:

4.21.1 Tax evasion – Nu.0.226 million

The Municipal Office, Punakha had realized property transfer tax of Nu.0.035 million on the sale of a building on the declared sale value of Nu.0.700 million as against actual valuation of Nu.5.230 million of the land and building as assessed by the bank. This had resulted in evasion of tax amounting to Nu.0.226 million.

Who is Accountable?

Tashi Dargay, Dzongrab as the Chairman of the Dzongkhag Municipal Authority, Mrs. Kunzang Wangmo, the seller and Mrs. Yeshey, the buyer are accountable.

4.21.2 Mismanagement of fund – Nu.0.080 million

An expenditure of Nu.0.080 million was incurred on account of purchase of Tashi Khadar/ordinary Khadar during the Fiscal Year 2004-2005. In total approximately 400 Khadars were procured in deviation to procurement norms and mostly found issued to Dzongrab Tashi Dargay, which appeared beyond reasonable limit.

Who is Accountable?

Tashi Dargay, Dzongrab is held accountable.

4.21.3 Violation of accounting norms – Nu.0.041 million

Nu.0.041 million was reimbursed to Tashi Dargay, Dzongrab on account of expenditure incurred for entertaining the Dzongkhag's official guests and direct purchases made by the incumbent. However, reimbursement was made on the strength of hand written bill, without sanction order and the claim was made and passed by himself.

Who is Accountable?

Nima Tshering Dzongdag, Tashi Dargay, Dzongrab and Pema Wangda, Finance Officer are held accountable.

4.21.4 Violation of procurement norms – Nu.0.320 million.

There were instances of violation of procurement norms amounting to Nu 0.320 million as shown below:

Table 4.63 showing violation of procurement norms (Nu.in million)

Sl. No.	IR No. & Date	Amount	Who are Accountable?
1	IR/RAA-04/Report-02/2005-06/8175 dated 29.12.2005	0.147	Tashi Dargay, Dzongrab
2	-do-	0.173	Aku Dorji, Dzongkhag Engineer
Total		0.320	

- ✚ Dzongrab Tashi Dargay had made purchases goods of Nu. 0.147 million related to the VVIP/VIP from M/s Tashi Delek General Shop, Khuruthang, the proprietor of which was the son of Dzongrab Tashi Dargay in defiance to Civil Service Rules and Regulations; and
- ✚ Seven contract works awarded to various contractors were not completed within the time stipulated in the contract agreement for which liquidated damages amounting to Nu.0.173 million were not levied. The hindrance registers were also not maintained.

4.21.5 Violation of Acts, Directives and Policies – Nu.0.530 million

One storied Bhutanese type house belonging to Dzongrab Tashi Dargay was under construction in Eusakha. During the site visit the auditors found 18 pieces of broad leaf timber, which was not as per the timber permit and marked by the Punakha Range office. Further, 36 number joist of ceiling fixed were completely seasoned timber, which would not have got seasoned according to the date of permit obtained. The ceiling had 37 number of Mixed Conifer timber but the permit did not have such trees marked by the Department of Forest.

The auditors also observed that for the purpose of Dzongrab's own construction, a rural housing building timber had been obtained in the name of Mrs. Zangmo of

Serigang under Kabji Geog, which was highly irregular in terms of Revised Forest and Nature Conservation Rule. On comparison of total quantity timber obtained and usage at the construction site, 1,780 cft of timber was found missing.

Who is Accountable?

Tashi Dargay, Dzongrab is held Accountable.

4.21.6 Over/Inadmissible/Irregular/Double payment – Nu.0.186 million

There were instances of over and inadmissible payments of Nu.0.186 million as shown below:

Table 4.64 showing over/inadmissible/irregular/double payments (Nu.in million)

Sl. No.	IR No. & Date	Amount	Who are Accountable?
1	IR/RAA-04/Report-02/2005-06/ 8175 dated 29.12.2005	0.086	<i>Tashi Dargay, Dzongrab</i>
2		0.100	<i>Pema Wangda, Finance Officer</i>
Total		0.186	

- ✚ Verification of the hotel bills vis-à-vis the quoted rates for the year 2004 – 2005 revealed excess payments of Nu.0.086 million to different hoteliers. Nu. 0.069 million and Nu.0.017 million was found paid to M/s Ugyen Canteen, Khuruthang and M/s Hotel Kinga, Khuruthang respectively over and above their quoted rates; and
- ✚ The Dzongkhag Administration, Punakha had disbursed inadmissible vacation salary amounting to Nu. 0.100 million to teachers who had not rendered the minimum service of seven months in the academic year.

4.21.7 Irregularities in advances- Nu. 0.897 million

Advances aggregating to Nu.0.897 million were lying over due for adjustment against the officials, contractors and suppliers. The administration had been giving huge salary/personal advances without heeding to the issues raised by the audit earlier.

Who is Accountable?

Tashi Dargay, Dzongrab and Pema Wangda, Finance Officer are held accountable.

4.21.8 Malpractices and abuses – Nu. 0.098 million

There were instances of malpractices and abuses amounting to Nu.0.098 million in the Dzongkhag as listed below:

Table 4.65 showing malpractices and abuses (Nu.in million)

Sl. No.	IR No. & Date	Amount	Who are Accountable?
1	IR/RAA-04/Report-02/2005-06/8175 dated 29.12.2005	0.037	Sherab Singye, Electrical Engineer
2	-do-	0.037	Sherab Singye, Electrical Engineer and Tashi, Site Engineer
3	-do-	0.024	Tshering Gyelpo, Junior Engineer
Total		0.098	

- ✚ M/s Druk Khenphen Construction, Thimphu Contractor of Toewang Gup office had been paid Nu. 0.037 million for items of electrical works not actually executed;
- ✚ M/s R.D Construction, Punakha Contractor of Talo Gup office had been paid Nu.0.037 million for items of works not actually executed; and
- ✚ M/s Dangkop Construction, Punakha Contractor of work of drainage at Khuruthang had been paid Nu.0.024 million for items of works not actually executed.

4.22 Dzongkhag Administration, Haa

The Royal Audit Authority during the year 2005 had issued 1 report pertaining to the Dzongkhag Administration, Haa. The total significant irregularities pointed out in the Dzogkhag amounted to Nu. 0.322 million as summarised below:

Table 4.66 showing the observations in brief with category code and amount involved (Nu. in million)

Sl. No.	Observation in brief	Amount	Category code
1.	Malpractices & abuses	0.053	1.2
2.	Non/Short deductions	0.069	5.11
3.	Violation of procurement norms	0.075	4.4
4.	Irregularities in recoveries	0.125	3.4
Total		0.322	

As noted from the above table major irregularities pertained to irregularities in recoveries, violation of procurement norms while there were a few instances of non/short deductions and malpractices and abuses. The detailed reports of significant irregularities are presented hereunder:

4.22.1 *Malpractices & abuses -Nu.0.053 million*

The work of stone back filling of the Gabion Wall along the Katsho Stream was awarded to M/s Rinchen Khandu Construction, Haa. On physical verification it was found that the work was not executed while the payment of Nu.0.053 million for the same had been released.

Who is Accountable?

M.B. Mongar, DE and Mahindra Rai, Site Engineer are held accountable.

4.22.2 *Non/Short deduction -Nu.0.069 million*

The construction of Breast Wall amounting to Nu. 0.167 million was awarded to the contractor in addition to the construction of the urban road. However, the payment vouchers revealed that the payment was made without deducting the rebate offered by the contractor amounting to Nu.0.069 million.

Who is Accountable?

M.B Mongar, DE and Mahindra Rai, Site Engineer are held accountable.

4.22.3 *Violation of procurement norms -Nu. 0.075 million*

The Construction of Water Bound Macadam works of the Urban Road was delayed by 227 days. After allowing 169 days delay for various reasons recorded in the hindrance register, non deduction of liquidated damages for the remaining 58 days amounting to Nu.0.075 million was not found justified.

Who is Accountable?

M.B Mongar, DE and Mahindra Rai, Site Engineer are held accountable.

4.22.4 *Irregularities in recoveries -Nu. 0.125 million*

The Dzongkhag Administration, Haa had instances of irregularities in recoveries of Nu.0.125 million as summarized below:

Table 4.67 showing irregularities in recoveries (Nu.in million)

Sl. No.	IR No & Date	Amount	Who are Accountable?
1	IR(DSA-GG)Haa/2005/7331 dated 18/10/05	0.020	Karma Thinley, former Principal
2	-do-	0.105	Dechen Wangmo, DCFO
Total		0.125	

✚ A sum of Nu.0.020 million was paid as advance to the proprietor of M/s Rigsar Press, Thimphu for providing quality magazines from the School Development Fund account. The school had neither received the magazines nor was the sum refunded even after a lapse of two years; and

- A total of Nu.0.147 million was lying outstanding as of 30th June 2005, out of which Nu.0.042 million was adjusted and transferred to the Ministry of Agriculture leaving a balance of Nu.0.105 million.

4.23 Dzongkhag Administration, Zhemgang

The Royal Audit Authority during the year had issued 1 report of the Dzongkhag Administration, Zhemgang. The total significant irregularities pointed out in the Dzongkhag amounted to Nu. 1.815 million as summarised below:

Table 4.68 showing the observations in brief with category code and amount involved (Nu. in million)

Sl. No.	Observations in brief	Amount	Category code
1.	Violation of procurement norms	0.063	4.4
2.	Over/ inadmissible/ irregular/ double payments	0.021	5.1
3.	Irregularities in advances	1.731	5.6
4.	Irregularities on property management	0	5.9
5.	Malpractices and abuses	0	1.2
Total		1.815	

As noted from the above table major irregularities pertained to advances while there were few instances of violation of procurement norms. The detailed reports of significant irregularities are presented hereunder:

4.23.1 Violation of procurement norms – Nu. 0.063 million

The Dzongkhag Administration, Zhemgang had instances of violation of procurement norms valuing Nu.0.063 million as summarized below:

Table 4.69 showing violation of procurement norms (Nu.in million)

Sl. No.	IR No & Date	Amount	Who are Accountable?
1	IR(39)BT/ZAD/2003-04/2413 dated 01.09.05	0.022	Pema Jungney, Dzongrab and K.D. Gyeltshen, Store Officer
2		0.041	Pema Jungney, Dzongrab and K.D. Gyeltshen, Store Officer
Total		0.063	

- The Dzongkhag Administration, Zhemgang had not levied liquidated damages of Nu.0.022 million for the failure of suppliers to supply materials within the stipulated time; and
- The Dzongkhag Administration, Zhemgang had procured materials worth Nu.0.772 million from the Geog LC. However, the liquidated damages of

Nu.0.041 million had not been levied on the suppliers for the delayed supply of materials.

4.23.2 *Over/ inadmissible/ irregular/ double payments – Nu.0.021 million*

M/s Sanga Cement Agent, Zhemgang was paid excess amount of Nu.0.021 million against the supply of cement during the financial year 2003-04.

Who is Accountable?

K.D. Gyeltshen, Store Officer is held accountable.

4.23.3 *Irregularities in advances – Nu.1.731 million*

The Dzongkhag Administration, Zhemgang had outstanding advances of Nu.2.222 million lying against various individuals and contractors. The advances were given prior to the close of the financial year 2003-04.

The Dzongkhag administration had informed that they had recovered Nu.0.491 million leaving a balance of Nu.1.731 million.

Who is Accountable?

Pema Jungney, Dzongrab and Jigme Namgyal, Finance Officer are held accountable.

4.23.4 *Irregularities on property management*

The Bhutan Urban Development Project under the World Bank had supplied one Cesspool vacuum tanker truck valued at 0.896 million to the Dzongkhag Administration, Zhemgang on 7th January 2002 with the objectives of cleaning the septic tanks in the Dzongkhag. On verification of the log book, the audit had noted that the vehicle was lying off road since 18.09.02.

Who is Accountable?

B.B. Mongar, Project Engineer is held accountable.

4.23.5 *Malpractices and abuses – Nu. 0.023 million*

An amount of Nu.0.047 million was paid to Karma Chogyal, MRT on account of wages of skilled laborers for the construction of Out Reach Clinic at Kamati under Bjoka Geog, Dzongkhag Administration, Zhemgang. However, on enquiry from the labourers, it was found that only the amount of Nu.0.024 million was received by them. The balance amount of Nu.0.023 million was not paid to the labourers even after ten months.

The amount was subsequently deposited into Audit recoveries Account. The administrative action against the defaulting official is awaited.

Who is Accountable?

Sangye Thinley, Dzongdag is held responsible to take administrative action.

4.24 Dzongkhag Administration, Monggar

The Royal Audit Authority during the year had issued 1 report of the Dzongkhag Administration, Monggar. The total significant irregularities pointed out in the Dzongkhag amounted to Nu. 1.955 million as summarised below:

Table 4.70 showing the observations in brief with category code and amount involved (Nu. in million)

Sl. No.	Observations in brief	Amount	Category code
1.	Irregularities in advances	1.869	5.6
2.	Misappropriation	0.036	2.1
3.	Mismanagement of revenue and taxes	0.050	3.4
Total		1.955	

As noted from the above table major irregularities pertained to advances, while there were cases of misappropriation and mismanagement of revenue and taxes. The detailed reports of significant irregularities are presented hereunder

4.24.1 Irregularities in advances – Nu. 1.869 million

The Dzongkhag Administration, Monggar had outstanding advances of Nu.2.378 million against the employees, contractors and suppliers. Most advances pertained to the financial years 2000-01 and 2001-02. Subsequently, the amount of Nu.0.509 million had been adjusted and recovered leaving a balance of 1.869 million.

Who is Accountable?

Tappo, Dzongrab and Loknath Dahal, Finance Officer are held accountable

4.24.2 Misappropriation – Nu. 0.036 million

The cash balance of Nu. 0.036 million pertaining to the School Development Fund was not handed over by the former head teacher Chimi Dorji to the present head teacher of Kurichu Lower Secondary School, Gyelpozing, Monggar.

Who is Accountable?

Chimi Dorji, former head teacher is held Accountable.

4.24.3 *Mismanagement of revenue and taxes – Nu.0. 050 million*

Municipal Taxes of Nu.0.091 million were not collected for the year ending 2004. Subsequently, the Dzongkhag Administration had deposited Nu.0.041 million leaving the balance of Nu.0.050 million.

Who is Accountable?

Tashi Norbu Sherpa, Assistant Engineer is held accountable.

4.25 Dzongkhag Administration, Thimphu

The Royal Audit Authority during the year 2005 had issued 2 Reports pertaining to the Dzongkhag Administration, Thimphu. The total significant irregularities pointed out in the Dzongkhag amounted to Nu.9.631 million as summarised below:

Table 4.71 showing the observations in brief with category code and amount involved (Nu. in million)

Sl. No.	Observations in brief	Amount	Category code
1.	Malpractices & abuses	0.052	1.2
2.	Over/inadmissible/irregular/double payments	0.216	5.1
3.	Violation of accounting norms	1.578	4.3
4.	Irregularities in property management	0.315	5.9
5.	Mismanagement of revenue	0.549	3.4
6.	Irregularities in advances	6.921	5.6
Total		9.631	

As noted from the above table major irregularities pertained to advances, violation of accounting norms, mismanagement of revenues while there were a few instances of over/inadmissible/irregular payments and irregularities in property management. The detailed reports of significant irregularities are presented hereunder:

4.25.1 *Malpractices and abuses -Nu. 0.052 million*

The cross verification of specifications provided with that of actual items provided in construction of girls and boys Aqua Privy Toilet at Jigme Namgyel Lower Secondary School showed that the CGI sheets and Ridges provided in construction were of 28 SWG instead of 24 SWG. This had resulted in payment for inferior item amounting to Nu.0.052 million.

Who is Accountable?

Sonam Penjor, Junior Engineer and Kinley Penjor, DE are held accountable.

4.25.2 *Over/inadmissible/irregular/double payments -Nu. 0.216 million*

The Dzongkhag Administration, Thimphu had instances of over/inadmissible/irregular /double payments amounting to Nu.0.216 million as summarized below:

Table 4.72 showing over/inadmissible/irregular/double payments (Nu.in million)

Sl. No.	IR No & Date	Amount	Who are Accountable?
1	IR(DSA-GG) Thimphu/2005/7654 dated 14/11/05	0.076	Ugyen Yangzom, Kushuchen CPS, Sangay Choden, Choden LSS, Sapna Subba, Thinleygang MSS & Tandin Wangdi, Thinleygang MSS and Kinchho Norbu, Sr. Administrative Officer
2	-do-	0.082	Kinchho Norbu, Sr. Administrative Officer
3	-do-	0.058	Yeshey Dorji, Adm. Assistant and Tenzin Gyeltshen, Dzongrab
Total		0.216	

- ✚ In contravention to rules, Dzongkhag Administration, Thimphu had disbursed Nu.0.136 million on account of vacation salary to the teachers. The Dzongkhag Administration had recovered and deposited Nu.0.060 million in RAA leaving a balance of Nu.0.076 million;
- ✚ In contravention to the rules, leaves were credited to the officials on probation and a total of Nu. 0.194 million were disbursed as leave encashment during the two fiscal years. The administration had subsequently deposited Nu.0.112 million in RAA leaving a balance of Nu.0.082 million; and
- ✚ The payments of overtime allowance for the financial year 2003-04 and 2004-05 for the National Work Force employed in TMD revealed cases where payments were made to individuals who were not listed in the appointment orders. The names were not even found recorded in the monthly pay rolls. Further, some workers had used the thumb impressions to claim the overtime allowance while they had signed to draw their monthly salary. The total payment amounted to Nu. 0.058 million.

4.25.3 *Violation of accounting norms -Nu. 1.578 million*

An amount of Nu.12.159 million was paid based on abstract of goods issued statement sent through fax by the Administrative Officer of Education Central Stores, Phuentsholing. Original bills and receipts were not enclosed and the abstract was also not verified by the DEO/Head of schools. Out of which Nu.10.580 million was adjusted leaving a balance of Nu.1.578 million.

Who is Accountable?

Payment of such nature was in violation of accounting norms. Sonam Tshering, DEO and D.K. Rai Finance Officer are held accountable.

4.25.4 Irregularities in property management -Nu. 0.315 million

The Tashichhodzong Maintenance Division had procured 96,974kgs of cold twisted deformed steel bars at a total cost of Nu.1.989 million. On joint physical verification, only 81,600.49 kgs of cold twisted deformed bars were available at the site resulting into shortage of 15,373.51kgs valuing Nu.0.315 million.

Who is Accountable?

Karma Tenzin, JE and Tenzin Gyeltshen, Dzongrab are held accountable.

4.25.5 Mismanagement of revenues -Nu. 0.549 million

The Sale Proceeds of cement amounting to Nu.0.549 million (Nu.0.077 million from M/s USD Construction and Nu.0.471 million from M/s Druk Penden Cement) was not realized.

Who is Accountable?

Karma Tenzin, JE and Tenzin Gyeltshen, Dzongrab are held accountable.

4.25.6 Irregularities in advances -Nu. 6.921 million

The Dzongkhag Administration, Thimphu had an outstanding balance of Nu.10.147 million. Subsequently adjustment/deposit of Nu.3.226 million was indicated leaving a balance of Nu. 6.921 million.

Who is Accountable?

Dophu Reddy, Dzongrab and D.K. Rai, Finance Officer are held accountable for the financial year 2003-2005 and Dasho Sherap Gyeltshen and D.K.Rai are held accountable for earlier advances.

4.26 Dzongkhag Administration, Lhuentse

The Royal Audit Authority during the year had issued 1 report pertaining to the Dzongkhag Administration, Lhuentse. The total significant irregularities pointed out in the Dzongkhag amounted to Nu.2.218 million as summarised below:

Table 4.73 showing the observations in brief with category code and amount involved (Nu. in million)

Sl. No.	Observation in brief	Amount	Category code
1.	Over/Inadmissible/Irregular/Double payments	0.186	5.1
2.	Irregularities in advances	2.032	5.6
Total		2.218	

As noted from the above table major irregularities pertained to advances while there were a few instances of over/inadmissible/ irregular payments. The detailed reports of significant irregularities are presented hereunder

4.26.1 Over/Inadmissible/Irregular/Double payments -Nu. 0.186 million

The Dzongkhag Administration, Lhuentse had instances of Over / Inadmissible / Irregular /Double payments amounting to Nu.0.186 million as summarized below:

Table 4.74 showing Over/Inadmissible/Irregular/Double payments (Nu.in million)

Sl. No.	IR No. & Date	Amount	Who are Accountable?
1	GG/OAAG-BT/IR(12)2005/4503 dated 09/03/05	0.155	Rinchen Leyda, JE and BP Adhikari, Officiating DAO
2	-do-	0.031	Phunstho Wangdi, AFO
Total		0.186	

- ✚ The Dzongkhag Administration had hired an excavator and a compressor while constructing the farm road at Minjey. The cross verification of the payment of hire charges with the machines' Log Books showed an excess payment of Nu.0.155 million; and
- ✚ The Dzongkhag Administration had paid LTC of Nu. 0.045 million to its staff while on probation which was not admissible. Subsequently, Nu. 0.014 million was deposited in to ARA leaving a balance of Nu. 0.031 million.

4.26.2 Irregularities in advances -Nu. 2.032 million

The Dzongkhag Administration had outstanding advances of Nu.2.051 million. Subsequently the administration had deposited Nu.0.019 million in RAA leaving a balance of Nu.2.032 million.

Who is Accountable?

Phunstho Wangdi, AFO is held accountable.

GEOGS

4.27 Geog Administration under Dagana Dzongkhag

The Royal Audit Authority during the year had issued 11 reports pertaining to the Geog Administration under Dagana Dzongkhag. The total significant irregularities pointed out in various Geogs under the Dzongkhag amounted to Nu. 7.185 million as summarised below:

Table 4.75 showing the observations with category code and amount involved (Nu. in million)

Sl. No.	Observation in brief	Amount	Category code
1	Over/Inadmissible/Irregular/Double payments	0.305	5.1
2	Violation of procurement norms	1.625	4.4
3	Irregularities in advances	4.418	5.6
4	Non/short accountal	0.587	2.3
5	Malpractices & Abuses	0.250	1.2
Total		7.185	

As noted from the above table major irregularities pertained to advances, violation of procurement norms, non/short accountal, while there were a few instances of over/irregular /inadmissible payments and malpractices and abuses. The detailed reports of significant irregularities are presented hereunder:

4.27.1 *Over/Inadmissible/Irregular/Double payments- Nu.0.305 million*

The Geog Administrations under Dagana Dzongkhag had made over/inadmissible/ irregular/double payments of Nu.0.305 million as summarized below:

Table 4.76 showing the geogs which had over/inadmissible/double payment (Nu.in million)

Sl. No.	Geogs	Amount	IR No and Date	Who are Accountable?
1	Goshi	0.122	IR/RAA-04/Report-05 (G4)2004-05/758, 09/05/05	Pema Chofil, DAO and Nima Wangdi, Gup
2	Goshi	0.163	IR/RAA-04/Report-05 (G4)2004-05/758, 09/05/05	Namgay Wangdi, Gup
3	Drujegang	0.020	IR/RAA-04/Report-05 (G2)2004-05/756, 09/05/05	Tashi, Gup
Total		0.305		

✚ The Geog Administration, Goshi made an excess payment of Nu.0.122 million on account of hire charges of excavators deployed in the construction of the Balakgang farm road;

- ✚ The Geog Administration, Goshi had made an over payment of Nu.0.163 million out of Government and public funds to the contractor while constructing the Balakgang Community School; and
- ✚ The Geog Administration, Drujegang had made an unjustified Muster Roll payment of Nu.0.020 million while constructing toilets at Pangna Community School.

4.27.2 Violation of procurement norms - Nu. 1.625 million

The Geog Administration under Dagana Dzongkhag had violated the procurement norms amounting to Nu.1.625 million as summarized below:

Table 4.77 showing the geogs which had violated procurement norms (Nu. in million)

Sl. No.	Geogs	Amount	IR No and Date	Who are Accountable?
1	Goshi	0.157	IR/RAA-04/Report-05 (G4)2004-05/758, 09/05/05	Pema Chofil, DAO
2	Drujegang	0.775	IR/RAA-04/Report-05 (G2)2004-05/756, 09/05/05	Tashi, Gup
3	Drujegang	0.200	IR/RAA-04/Report-05 (G2)2004-05/756, 09/05/05	Tashi, Gup
4	Dorona	0.393	IR/RAA-04/Report-05 (G1)2004-05/755, 09/05/05	Sarkar Singh Mongar, Gup
5	Dorona	0.100	IR/RAA-04/Report-05 (G1)2004-05/755, 09/05/05	Sarkar Singh Mongar, Gup
Total		1.625		

- ✚ The Geog Administration, Goshi had procured explosives a controlled item worth Nu.0.157 million without assessing the requirements;
- ✚ The Geog Administration, Drujegang had awarded the construction of 6 unit classrooms at Pangna Community School through lucky dip among 20 local participants at a contract price of Nu.0.775 million in deviation to the Procurement Manual and the GYT Chathrimis;
- ✚ The Geog Administration, Drujegang had not levied liquidated damages of Nu.0.200 million for delay of 143 days on construction of one block 6 unit classroom at Pangna Community School;
- ✚ The Geog Administration, Dorona had awarded the construction of 3 unit classrooms directly on a lump sum labour contract of Nu.0.393 million in deviation to the Procurement Manual; and
- ✚ The Geog Administration, Dorona had not levied liquidated damages of Nu.0.100 million for the delay in the construction of classrooms at Nimtola Community School as agreed by the contractor.

4.27.3 Irregularities in advances - Nu.4.418 million

The following Geog Administrations under Dagana Dzongkhag had unadjusted advances of Nu.4.418 million:

Table 4.78 showing the geogs which had irregularities in advances (Nu.in million)

SI.No	Geogs	OBA	Settled	Balance	IR No and Date	Who are Accountable?
1	Goshi	0.444	0.000	0.444	IR/RAA-04/Report-05 (G4) 2004-05/758 dt. 09/05/05	Namgay Wangdi, Gup, Kinlay Namgay AAEO and P.B. Mongar, AS
2	Trashiding	0.503	0.000	0.503	IR/RAA-04/Report-05 (G8) 2004-05/762 dt. 09/05/05	Neykorpa, Gup
3	Tshendagang	0.472	0.000	0.472	(IR/RAA-04/Report-05 (G11) 2004-05/765 dt. 09/05/05	Dungchen, Gup
4	Tseza	0.340	0.000	0.340	IR/RAA-04/Report-05 (G9) 2004-05/763 dt. 09/05/05	Dhendup, Gup
5	Khebesa	0.470	0.000	0.470	IR/RAA-04/Report-05 (G6) 2004-05/760 dt. 09/05/05	Lhawang Dorji, Gup
6	Kana	0.564	0.000	0.564	IR/RAA-04/Report-05 (G5) 2004-05/759 dt. 09/05/05	Dorji, Gup
7	Lajab	0.100	0.000	0.100	IR/RAA-04/Report-05 (G7) 2004-05/761 dt. 09/05/05	Tashi, Gup
8	Drujegang	0.541	0.000	0.541	IR/RAA-04/Report-05 (G2) 2004-05/756 dt. 09/05/05	Sangay Dendup, Gup
9	Gesarling	0.080	0.000	0.080	IR/RAA-04/Report-05(G3) 2004-05/757 dt. 09/05/05	Nandala Orari, Gup
10	Dorona	0.110	0.050	0.060	(IR/RAA-04/Report-05 (G1) 2004-05/755 dt. 09/05/05	Sarkar Singh Mongar, Gup
11	Tshangkha	0.844	0.000	0.844	IR/RAA-04/Report-05 (G10) 2004-05/764 dt. 09/05/05	Tshechu, AFO
Total		4.468	0.050	4.418		

4.27.4 Non/short accountal - Nu.0.587 million

The following Geog Administrations under Dagana Dzongkhag had non/short accountal of Nu.0.587 million:

Table 4.79 showing the geogs which had non/short accountal (Nu.in million)

Sl. No.	Geogs	Amount	IR No and Date	Who are Accountable?
1	Goshi	0.038	IR/RAA-04/Report-05 (G4) 2004-05/758 dt. 09/05/05	Namgay Wangdi, Gup
2	Trashiding	0.029	IR/RAA-04/Report-05 (G8) 2004-05/762 dt. 09/05/05	Neykorpa, Gup
3	Tsendengang	0.039	IR/RAA-04/Report-05(G11) 2004-05/765 dt. 09/05/05	Nidup Wangdi, Gup
4	Drujegang	0.037	IR/RAA-04/Report-05 (G2) 2004-05/756 dt. 09/05/05	Sangay Dorji, Former Gup
5	Drujegang	0.342	IR/RAA-04/Report-05 (G2) 2004-05/756 dt. 09/05/05	Tashi, Gup
6	Drujegang	0.031	IR/RAA-04/Report-05 (G2) 2004-05/756 dt. 09/05/05	Tashi, Gup
7	Gesarling	0.022	IR/RAA-04/Report-05 (G3) 2004-05/757 dt. 09/05/05	Gem Dorji, AE and Sherub Dorji, Accountant
8	Gesarling	0.025	IR/RAA-04/Report-05 (G3) 2004-05/757 dt. 09/05/05	Sangay Dendup, Gup
9	Dorona	0.024	IR/RAA-04/Report-05 (G1) 2004-05/755 dt. 09/05/05	Sarkar Singh Mongar, Gup
Total		0.587		

- ✚ The Geog Administration, Goshi had not deposited a sum of Nu.0.038 million collected on account of rural taxes into the Geog's Current Deposit Account;
- ✚ The Geog Administration, Trashiding had not collected Nu. 0.029 million from the public on account of rural life insurance;
- ✚ The Geog Administration, Tshendagang had not collected Nu.0.039 million on account of rural life insurance;
- ✚ The Geog Administration, Drujegang had collected and accounted only Nu.0.081 million against the agreed contribution of Nu.300.00 per household amounting to Nu.0.118 million for the construction of Gup's Office;
- ✚ The public of Pangna, Thangna and Pangserpoo under Drujegang had contributed Nu.1,300.00 per household to supplement the Government contribution for construction of Pangna Community School. Out of the total public and Government contribution of Nu.1.042 million, Nu.0.700 million was released to the contractor. The balance amount of Nu.0.342 million was yet to be accounted for;

- ✚ The rural taxes of Nu.0.031 million pertaining to Drujegang refunded by the Regional Revenue & Customs Office was not accounted in the Geog's CD account;
- ✚ The Geog Administration, Gesarling had not paid Nu.0.022 million to the labourers on Muster Roll while the schemes where labourers were engaged had already been completed;
- ✚ The rural taxes for the year 2002 and 2003 amounting to Nu.0.025 million pertaining to Gesarling were not accounted in the Geog's Current Deposit Account; and
- ✚ The Geog administration, Dorona had not collected a sum of Nu.0.024 million from the public on account of the rural life insurance.

4.27.5 Malpractices & abuses - Nu.0.250 million

The Geog Administration, Drujegang had constructed only one block 2 unit teachers' quarter as against the budget provision of Nu.0.500 million for construction of one block 2 unit teachers' quarter, toilets, and playfield and approach road.

Who is Accountable?

Tashi, Gup is held accountable.

4.28 Geog Administrations under Sarpang Dzongkhag

The Royal Audit Authority during the year had issued 5 reports of the Geog Administration under the Sarpang Dzongkhag. The total significant irregularities pointed out in the various Geogs under the Dzongkhag amounted to Nu.0.697 million as summarised below:

Table 4.80 showing the observations with category code and amount involved (Nu. in million)

Sl. No.	Observations in brief	Amount	Category code
1	Irregularities in advances	0.523	5.6
2	Mismanagement of revenues and taxes	0.129	3.4
3	Over/ inadmissible/ irregular/ double payments	0.045	5.1
Total		0.697	

As noted from the above table major irregularities pertained to advances, mismanagement of revenues and taxes while there were a few instances of over/irregular /inadmissible payments. The detailed reports of significant irregularities are presented hereunder:

4.28.1 Irregularities in advances – Nu. 0.523 million

The Geogs of Chuzagang and Umling had outstanding advances of Nu.0.523 million as summarized below:

Table 4.81 showing the irregularities in advances (Nu. in million)

Sl.No	Geogs	OBA	Settled	Balance	IR No and Date	Who are Accountable?
1	Chuzagang	0.024	0	0.024	IR/RAA-04/Report-04 (G2)2004-05/494 dated 13.01.05	Karma Tenzin, JE Kinjang Choeda, AAEO and Karma Yoezer, Gup
2.	Umling	0.499	0	0.499	IR/RAA-04/Report-04 (G14)2004-05/506 dated 13.01.05	Karma Tenzin, JE Kinjang Choeda, AAEO and Tshering Dorji, Gup
Total		0.523	0	0.523		

4.28.2 Mismanagement of revenues and taxes – Nu. 0.129 million

The following Geog Administration under Sarpang Dzongkhag had not collected rural life insurance amounting to Nu.0.129 million:

Table 4.82 showing the mismanagement of revenues and taxes (Nu.in million)

Sl. No.	Geogs	Amount	IR No and Date	Who are Accountable?
1	Deorili	0.038	IR/RAA-04/Report-04(G4)2004-05/496 dated 13.01.05	Passang Sherpa, Gup
2	Jigmechholing	0.051	IR/RAA-04/Report-04(G8)2004-05/500 dated 13.01.05	Tshering Wangdi, Gup
3	Lhamoyzingkhag	0.040	IR/RAA-04/Report-04(G9)2004-05/501 dated 13.01.05	Nima Wangdi, Gup
Total		0.129		

- ✚ The Geog Administration, Deorali had not collected the rural life insurance amounting to Nu. 0.038 million during the year 2003 & 2004; and
- ✚ Similarly the Geog Administrations, Jigmechhoeling and Lhamoyzingkha had not collected rural life insurance of Nu.0.051 million and Nu. 0.040 million respectively.

4.28.3 *Over/ inadmissible/ irregular/ double payments – Nu. 0.045 million*

The Geog Administration, Jigmechhoeling had made the payment of Nu.0.045 million over and above the actual entitlements for farmers’ training as specified by the Ministry of Agriculture.

Who is Accountable?

Dorji Dukpa, DLO and Kinga Dhendup, ALEO are held accountable.

4.29 Geog Administration under Haa Dzongkhag

The Royal Audit Authority during the year 2005 had issued 3 Reports pertaining to the Geog Administration under Haa Dzongkhag. The total significant irregularities pointed out in various Geogs under the Dzongkhag amounted to Nu.0.363 million as summarised below:

Table 4.83 showing the observations with category code and amount involved (Nu. in million)

Sl.No	Observations in brief	Amount	Category code
1	Overpayment /Inadmissible/Irregular/ Double payment	0.274	5.1
2	Malpractices and abuses	0.089	1.2
Total		0.363	

As noted from the above table major irregularities pertained to over/irregular /inadmissible payments while there were a few instances of malpractices and abuses. The detailed reports of significant irregularities are presented hereunder:

4.29.1 *Over/Inadmissible/Irregular/ Double payment-Nu. 0.274 million*

The following Geog Administrations under Haa Dzongkhag had inadmissible / over / irregular payments of Nu.0.274 million:

Table 4.84 showing over/inadmissible/irregular/double payment (Nu.in million)

Sl. No.	Geogs	Amount	IR No and Date	Who are Accountable?
1	Esu	0.020	IR(DSA-GG/Esu geog)2005/ 7349 dated 19/10/05	M.B. Mongar, Dzongkhag Engineer and I.B. Rai, Site Engineer
2	Samar	0.254	IR(DSA-GG/Samar geog) 2005/7345 dated 19/10/05	M.B. Mongar, DE and Tenzin Wangda, Site Engineer
Total		0.274		

- ✚ In deviation to the contract agreement the Geog Administration, Esu had paid Nu.0.020 million to the labourers engaged by the contractor for the construction of wooden bridge in Gerena; and
- ✚ The Geog Administration, Samar had made excess payment of Nu.0.074 million to the contractor on the construction of 4.6 km farm road between Nubgang to Langpa. Further, additional road cutting works amounting to Nu.0.180 million was also given to the same contractor but this item was already included in the original Bill of Quantity and actually paid for. Therefore, this was the case of inadmissible excess payment, which stood recoverable.

4.29.2 Malpractices and abuses- Nu. 0.089 million

The Geog Administration, Samar had paid a sum of Nu.0.089 million to the site engineer Tenzin Wangda for procurement of materials and cement for the construction of Water Supply Scheme in the Geog. However, these items were not available during the physical verification.

Who is Accountable?

Tenzin Wangda, Site Engineer is held accountable.

4.30 Geog Administration under Thimphu Dzongkhag

The Royal Audit Authority during the year 2005 had issued 5 reports pertaining to the Geog Administration under Thimphu Dzongkhag. The total significant irregularities pointed out in various Geogs under the Dzongkhag amounted to Nu.0.284 million as summarised below:

Table 4.85 showing the observations with category code and amount involved (Nu. in million)

Sl.No	Observations in brief	Amount	Category code
1	Malpractice and abuses	0.034	1.2
2	Violation of procurement norms	0.250	4.4
Total		0.284	

As noted from the above table major irregularities pertained to the violation of procurement norms. The detailed reports of significant irregularities are presented hereunder:

4.30.1 Malpractice and abuses- Nu. 0.034 million

The Geog Administration, Toep had made fictitious Muster Roll payment of Nu.0.126 million for 931 days on the renovation of irrigation channel at Goemkha, Lamjekha and renovation of rural water supply scheme at Tokha. Subsequently, Nu.0.092 million was deposited in Audit Recoveries Account leaving a balance of Nu.0.034 million.

Who is Accountable?

Prem Rai, A.E and Dorji Norbu, Gup are held accountable.

4.30.2 Violation of Procurement norms- Nu. 0.250 million

The Geog Administration, Geney had paid an excess secured advance of Nu. 0.250 million to the contractor for the construction work of Gup's office by way of falsely certifying the value of materials brought at site by the site engineer. Further, even after lapse of 18 months of awarding the contract, the work had not been started.

Who is Accountable?

Lobzang, Site Engineer, Karma Gyeltshen, Gup and Kinley Penjor, DE are held accountable.

AUTONOMOUS BODIES

4.31 Bhutan Olympic Committee

The Royal Audit Authority during the year 2005 had issued 1 Report of Bhutan Olympic Committee. Major irregularities pertained to outstanding advances of Nu.1.734 million lying against the employees and the suppliers. Subsequently, an amount of Nu.0.070 million was adjusted leaving a balance of Nu.1.664 million.

Who is Accountable?

Tshering Namgay, Chief Accountant is held accountable.

4.32 Royal University of Bhutan

The Royal Audit Authority during the year 2005 had issued 3 Reports of agencies under the Royal University of Bhutan. The total significant irregularities pointed out aggregated to Nu.1.852 million as summarized below:

Table 4.86 showing the summary of observations with category code and amount involved (Nu. in million)

Sl. No	Observation in brief	Amount	Category code
1	Violation of procurement norms	0.254	4.4
2	Over /Inadmissible/ irregular payments	0.454	5.1
3	Irregularities in advance	0.909	5.6
4	Non/ short deduction	0.235	5.11
Total		1.852	

As noted above major irregularities pertained to advances, inadmissible payments and violation of procurement norms. The detailed reports of the significant observations are presented hereunder:

4.32.1 Violation of procurement norms – Nu. 0.254 million

The National Institute of Education, Samste had incurred an excess expenditure of Nu.0.254 million by awarding the supply of computers to a bidder other than the lowest evaluated bidder.

Who is Accountable?

Gopila Krishnan, Dy. Chief Accountant, K.R. Nair, Asstt. Finance Officer, G. S. Sharma, Administrative Officer and Thubten Gyatsho, Director are held accountable.

4.32.2 Over/Inadmissible/Irregular payment - Nu. 0.454 million

The Royal University of Bhutan had instances of over/inadmissible/irregular payment amounting to Nu.0.454 million as summarized below:

Table 4.87 showing Over/Inadmissible/Irregular/Double payments (Nu.in million)

Sl.No	Agency	Particulars	Amount	IR No.	Who are Accountable?
1	Natural Resource Training Institute (NRTI), Lobesa	Salary and teaching allowance	0.138	IR (RTICD-NRTI)2003/468 8 of 18/3/2005	Dorji Wangchuk, Director and Wangmo, Sr. Accountant
2	Sherubtse College, Kanglung	Teaching allowance	0.024	RAA/OAAG-SJ/Shercol (IR-11)2005/3193 of 5/4/2005	Dorji Tshering, Principal, Wangchuk Rinzin, Lecturer, Dipayen Dey, Lecturer and Sonam, Chief Accountant
3	Sherubtse College, Kanglung	Teaching allowance	0.048	RAA/OAAG-SJ/Shercol (IR-11)2005/3193 of 5/4/2005	Dorji Tshering, Principal, Kesang Namgyel, Adm. Officer and Sonam, Chief Accountant
4	National Institute of Education, Paro	TA/DA, Poter & Pony charges	0.138	IR/SCD/NIE-Paro/2005/624 0 of 1/8/2005	Dorji Wangchuk, CO, CAPSD, Zinpai Zangmo, CO, CAPSD, Wangchuk Rabten, Jt. Director, Thinley Wangmo, PO, YGCD, Tshering Dolkar, Jt. Director, Rinchen Dorji, Course Director, NIE, Paro, Dr. Jagar Dorji, Director, Pintsho Choden, Principal, NIE Paro, and Gopi Chhetri, Principal, NIE Paro
5	Sherubtse College, Kanglung	Excess payment to contractor	0.106	RAA/OAAG-SJ/Shercol (IR-11)2005/3193 of 5/4/2005	Dorji Tshering, Principal and Sonam, Chief Accountant
Total			0.454		

✚ The Natural Resources Training Institute (NRTI), Lobesa paid a sum of Nu. Nu.0.103 million as teaching allowance when the officials were engaged on official works during vacation period which was not admissible as per rules. Similarly, the Institute had paid teaching allowance of Nu.0.059 million during the period of study/training and leave, which was not admissible. The management had recovered Nu.0.024 million leaving a balance of Nu.0.035 million ;

✚ Sherubtse College, Kanglung had paid teaching allowance of Nu.0.052 million during study/training and medical leave, which was not admissible as per rules. Further, lecturers serving less than required number of months in a particular academic year were irregularly paid full salary.

Subsequently, an amount of Nu.0.028 million had been adjusted leaving a balance of Nu.0.024 million;

- ✚ S. Kannan, Tutor Librarian was paid teaching allowance of Nu.0.048 million since 9th October 2003 to 30th June 2004 which was not admissible as per rules;
- ✚ The National Institute of Education Paro had paid TA/DA, porter and pony charges amounting to Nu.0.147 million beyond the entitlements. Subsequently, Nu 0.009 million was deposited into Audit Recoveries Account; and
- ✚ The Sherubtse College had paid transportation charges for fire wood at 20 m³ per truck load instead of 12 m³ per truck load as agreed between the Divisional Forest Office, Trashigang and the contractor resulting in over payment of Nu.0.106 million.

4.32.3 Irregularities in advances - Nu. 0.909 million

The Royal University of Bhutan had cases of irregularities in advances amounting to Nu.0.909 million as summarized below:

Table 4.88 showing irregularities in advance (Nu.in million)

Sl.No	Agency	Amount	IR No. & Date	Who are Accountable?
1	National Institute of Education, Paro	0.493	IR/SCD/NIE-Paro/2005/6240 of 1/8/2005	Shyam Pradhan, Sr. Accountant, Norbu Dendup, Finance Officer, Dr. Jagar Dorji, Director, Pintsho Choden, Principal, NIE Paro, and Gopi Chhetri, Principal, NIE Paro
2	Sherubtse College, Kanglung	0.416	RAA/OAAG-SJ/Shercol (IR-11)2005/3193 of 5/4/2005	Sonam, Chief Accountant
Total		0.909		

- ✚ The National Institute of Education, Paro had outstanding advances of Nu.2.903 million against staff and trainees of the Institute. Subsequently, Nu. 2.410 million had been adjusted or accounted; and
- ✚ Sherubtse College had outstanding advances of Nu.0.170 million and Nu.0.268 million in LC Account and Welfare fund account respectively aggregating to Nu.0.438 million. Subsequently, Nu.0.022 million had been adjusted.

4.32.4 Non/short deduction - Nu.0.235 million

The Royal University of Bhutan had instances of non/short deduction of house rent and health contribution amounting to Nu.0.235 million as summarized below:

Table 4.89 showing non/short deductions (Nu. in million)

Sl.No	Agency	Particulars	Amount	IR No. & Date	Who are Accountable?
1	National Institute of Education (NIE), Paro	House rent	0.103	IR/SCD/NIE-Paro/2005/6240 of 1/8/2005	Chhimi Rinzin, Warden, Phuntsho Dema, Provost Ladies Hostel, Rinchen Tshewang, Warden, Dr. Jagar Dorji, Director and Gopi Chhetri, Principal, NIE Paro
2	National Institute of Education (NIE), Paro	House rent	0.042	IR/SCD/NIE-Paro/2005/6240 of 1/8/2005	Tshewang Dendup, Electrician, LB Chhetri, driver, Pema Tenzin, driver, Chitra Bir Ghaley, driver, Dr. Jagar Dorji, Director and Gopi Chhetri, Principal, NIE Paro
3	Sherubtse College, Kanglung	Health Contribution	0.090	RAA/OAAG-SJ/Shercol (IR-11)2005/3193 of 5/4/2005	Sonam, Chief Accountant
Total			0.235		

- ✚ House rent amounting to Nu.0.103 million from the warden and matrons of NIE, Paro were not deducted during the financial years 2002-2003 and 2003 -2004;
- ✚ NIE, Paro did not deduct the house rent on carpet area basis w.e.f. July 2003 but continued to deduct @ 20% of the basic pay resulting in under-deduction of Nu.0.042 million; and
- ✚ Health contribution of 1% amounting to Nu.0.090 million was not deducted from the monthly salary of lecturers of Sherubtse College, Kanglung under Colombo Plan.

CORPORATIONS

4.33 Kuensel Corporation Ltd., Thimphu.

The Royal Audit Authority during the year had issued 1 report pertaining to Kuensel Corporation, Thimphu. The total irregularities pointed out aggregated to Nu. 8.266 million as summarized below:

Table 4.90 showing the summary of observations with category code and amount involved (Nu.in million)

Sl. No.	Observations in brief	Amount	Category code
1.	Shortfalls & uneconomical operations	4.391	5.12
2.	Irregularities in advances	3.875	5.6
Total		8.266	

As noted above major irregularities pertained to outstanding sundry debtors and advances. The detailed reports of significant irregularities are presented hereunder:

4.33.1 Shortfalls & uneconomical operations - Nu.4.391 million

Sundry debtors balances aggregating to Nu.8.725 million as on 25.5.2005 consisted of Nu.5.917 million recoverable from the government organizations and Nu.2.808 million from private parties. Out of the total amount, Nu.5.474 million pertained to the year 2004 and the balance Nu.3.251 million related to the years 1999 to 2003.

Against the total debtors of Nu.8.725 million, the management intimated collection of Nu.4.334 million leaving a balance of Nu.4.391 million.

Who is accountable?

Tshewang Dorji, CCU In-Charge, and Chenchu Tshering, Dy. Managing Director are held accountable.

4.33.2 Irregularities in advances - Nu. 3.875 million

Advances aggregating to Nu.10.896 million were recoverable from employees, suppliers and other parties as of 31 May 2005, out of which the management had intimated recovery/adjustment of Nu.7.021 million leaving balance of Nu.3.875 million.

Who is accountable?

Thinley Dorji, General Manager (F) Chenchu Tshering, Dy. Managing Director are accountable.

4.34 Bhutan Postal Corporation Ltd., Thimphu.

The Royal Audit Authority during the year had issued 1 report pertaining to Bhutan Postal Corporation Ltd., Thimphu. The total significant irregularities pointed out aggregated to Nu.2.377 million and SDR 0.144 million as summarized below:

Table 4.91 showing the summary of observations with category code and amount involved (Nu. in million)

Sl. No.	Observations in brief	Amount	Category code
1	Shortfalls & uneconomical operations	SDR 0.144 & Nu. 0.067	5.12
2	Irregularities in advances	2.052	5.6
3	Over/inadmissible/irregular/double payments	0.258	5.1
Total		SDR 0.144 & Nu. 2.377	

As noted above major irregularities pertained to loss by City Bus service operation, decline in income from transport operations, inadmissible payments and outstanding advances. The detailed reports of the significant irregularities are presented hereunder:

4.34.1 Shortfalls & uneconomical operations Nu.0.067 million & SDR 0.144 million

Bhutan Postal Corporation Ltd. had instances of shortfalls and uneconomical operations amounting to Nu. 0.067 million and SDR 0.144 million as summarized in the table below:

Table 4.92 showing shortfalls & uneconomical operations (Nu.in million)

Sl.No	Observations in brief	Amount	IR No. & Date	Who are accountable
1	Decline in income from transport operation	-	IR/DSA/CICD-20/2005/8046 ,20/12/05	Karma Tshering, General Manager, APD and Achyut Bhandari, Managing Director
2	Undue settlement of claims of SDR	SDR 0.144		Leela Pradhan, Manager, Foreign Post and Sonam Tshering, Sr. Regional Manager
3	Debtors from sale of Philatelic items	0.067		Cheda Dukpa, Sr. Manager, and Jigme Tenzin, Dy. Managing Director
Total		0.067 & SDR 0.144		

✚ Analysis of income from transport operations vis-à-vis its expenditures for the years 2001 to 2003 revealed as under:

Table 4.93 showing decrease in income (Nu. in millions)

Sl.No	Particulars	2001	2002	2003	% increase/(decrease) in 2003 over 2001
1	Income	18.727	19.038	17.717	(5.4%)
2	Expenses	15.797	15.367	17.105	8.3%
3	Net Income	2.930	3.672	0.612	(79.1%)

While the income and net income from the transport operations reduced by 5.4 % and a massive 79.1 % respectively, expenses on the other hand had increased by 8.3 %. The management's latest response indicated that cost control initiatives had been undertaken to increase profitability;

- ✚ The Corporation's SDR Accounts showed claims receivable of SDR 0.144 million from various countries on account of International Mail Revenue; and
- ✚ The corporation had debtors amounting to Nu.1.347 million as of 31 December 2004 from sale of philatelic items. Subsequently, the management had received a sum of Nu.1.280 million leaving a balance of Nu.0.067 million.

4.34.2 Irregularities in advances - Nu. 2.052 million

Advances aggregating to Nu.4.848 million, excluding imprest advances, were lying unadjusted as of 31 Dec. 2004. Subsequently Nu.2.796 million had been adjusted/recovered leaving balance of Nu.2.052 million.

Who is accountable?

Sonam Palden, Finance Manager, and Jigme Tenzin, Dy. Managing Director are held accountable.

4.34.3 Over/inadmissible/irregular/double payments - Nu.0.258 million

Bhutan Postal Corporation Ltd. had instances of over / inadmissible / irregular / double payments amounting to Nu.0.258 million as summarized in the table below:

Table 4.94 showing over/inadmissible/irregular/double payments (Nu.in million)

Sl.No	Observations in brief	Amount	IR No.	Who are accountable?
1	Overpayment	0.162	IR/DSA/CI CD-20/2005/80	Sangay Norbu Sr. Regional Manager, and Karma Tshering, General Manager, APD
2	Payment not covered by agreement	0.096	46 ,20/12/05	Kaluram Chhetri, Store In-Charge, Karma Tshering, General Manager, APD
Total		0.258		

- ✚ Excess payment of Nu.0.162 million was made to M/s K.C. Construction due to recording of measurements in the MB in excess of actual quantity of work done; and
- ✚ The rates charged by M/s Balaji Sales Corporation, Jaigoan, India, who had agreed to offer 25% discount on the Company's Price list for the supply of TATA/Telco brand spare parts worth Nu. 0.384 million had exceeded the rates mentioned in the Price List by Nu. 0.096 million. The genuineness of the spare parts supplied could not be ascertained in absence of Part/Serial Numbers on the products.

4.35 Bhutan Agro Industries Ltd., Wangchutaba, Thimphu.

The Royal Audit Authority during the year had issued 1 report pertaining to Bhutan Agro Industries Ltd., Wangchutaba, Thimphu. The total significant irregularities pointed out aggregated to Nu.3.853 million as summarized below:

Table 4.95 showing the summary of observations with category code and amount involved (Nu.in million)

Sl. No.	Observations in brief	Amount	Category code
1	Misappropriation	2.123	2.3
2	Shortfalls & uneconomical operations	1.730	5.12
Total		3.853	

As noted above major irregularities pertained to misappropriation of sale proceeds and shortfall and uneconomical operations. The detailed reports of the significant irregularities are presented hereunder:

4.35.1 Misappropriation - Nu.2.123 million

Based on the management investigation report in 2002 stock shortage and misappropriation of sale proceeds amounting to Nu.2.123 million was found committed by the following three officials and the case was forwarded to the Court.

Table 4.96 showing non/short accountal (Nu.in million)

SL. No.	Name, designation and address	Amount	Who are accountable?
1	Tashi Dorji, sales Assistant, Liaison Office, Thimphu	0.176	<i>Tashi Wangdi, Dy. Manager (F) and Phurba Wangdi, Deputy Manager (Marketing)</i>
2	Rinzin Dorji, Liaison Officer, Phuentsholing	0.737	
3	Pema Chopel, Liaison Officer, Thimphu	1.210	
Total		2.123	

4.35.2 Shortfalls & uneconomical operations Nu. 1.730 million

Bhutan Agro Industries Ltd., Wangchutaba, Thimphu had instances of shortfalls & uneconomical operations as summarized in the table below:

Table 4.97 showing shortfalls & uneconomical operations (Nu.in million)

Sl. No.	Observations in brief	Amount	IR No. &Date	Who are accountable?
1	Abnormal variation in use and consumption of material	-	IR(RTICD-BAIL)2005-06/7413, 6 /10/05	Ugyen Rinzin, Dy. General Manager (W), and Gyem Dorji, Managing Director
2	Production without clearing the stock balance	-		
3	Outstanding receivables	1.730		Jigme Norbu, Procurement Manager and Ugyen Rinzin, DGM (Works)
Total		1.730		

- As against 60 metric tones of orange and pineapple shown as issued and consumed in extraction of juice and pulp, recovery percentage had been 44.30% and 39.97 % respectively:

Table 4.98 showing recovery percentage from fruits

Sl.No	Name of fruit	Quantity issued /consumed	Quantity extracted	Difference	
				Quantity	Percentage
1	Orange	55,201 Kg	24,455 Kg	30,746 Kg	55.70%
2	Pineapple	4,816 Kg	1,925 Kg	2,891 Kg	60.03%

The extraction records did not enumerate the reasons for the difference;

- 155 units of canned vegetables Asparagus (cut) 450gm were produced in the months of April, May and June 2002 in addition to the available stock balance of 1,835 units. In 2003 the company had produced 199 units thereby accumulating the stock quantity to 2,262 units when the total sale for the year was only 96 units against the target sale of 780 units. The management reported that the stock balance had been reduced; and
- A total sum of Nu.1.730 million including penalty @ 17% was receivable from the Contract Farmers (contract term expired, i.e., more than 5 years) as of 30 June 2005 as under:

Table 4.99 showing outstanding receivables from contract farmers (Nu. in million)

Sl.No	Dzongkhag	Amount	Penalty	Total
1	Thimphu	0.413	0.343	0.756
2	Paro	0.521	0.453	0.974
Total		0.937	0.796	1.730

4.36 Penden Cement Authority Ltd., Gomtu, Samtse.

The Royal Audit Authority during the year had issued 1 report of the Penden Cement Authority Ltd., Gomtu, Samtse. The total significant irregularities pointed out aggregated to Nu.0.568 million as summarized below:

Table 4.100 showing the summary of observations with category code and amount involved (Nu.in million)

Sl. No.	Observation in brief	Amount	Category code
1.	Pending disputes & court cases	0.568	5.14
2.	Shortfalls & uneconomical operations	-	5.12
Total		0.568	

As noted above major irregularities pertained to pending disputes & court cases and delay in execution of work. The detailed reports of the significant irregularities are presented hereunder:

4.36.1 Pending disputes & court cases - Nu.0.568 million

Out of debtors aggregating to Nu.0.825 million as of 30 November 2004 recoverable through the Court, Nu.0.257 million was subsequently recovered leaving debtors receivable of Nu. 0.568 million.

Who is accountable?

S.R. Maity, Sr. General Manager, Finance Division and Sonam Rinchen, General Manager, Sales & Marketing are held accountable.

4.36.2 Shortfalls & uneconomical operations

No liquidated damage was imposed though the Contractor had delayed the commencement of the work by 20 days for construction of Toe Wall for the protection of pipeline below channel 65 and 72. The management submitted that the matter had been taken up with the Construction Development Board for the recovery of the liquidated damages.

Who is accountable?

S.R. Maity, Sr. General Manager, Finance Division is held accountable.

4.37 Bhutan Power Corporation Ltd.

The Royal Audit Authority during the year had issued 4 reports pertaining to the Electricity Services Division, Bhutan Power Corporation Ltd. The major irregularities pointed out aggregated to Nu. 0.124 million as summarized below:

Table 4.101 showing outstanding energy charges (Nu.in million)

Sl.No	Agency	Amount	IR No. & Date	Who are accountable?
1	Trashiyangtse	0.077	RAA/OAAG-SJ/BPCTY(IR-28)2005/3551, 08/08/05	Nandu Rai, Manager
2	Punakha	0.047	IR/RAA-04/Report-56/2005-06/282,18/11/05	Drakchu Dorji, Manager
Total		0.124		

- ✚ Electricity Services Division, Trashi Yangtse, had an outstanding of Nu.0.077 million receivable from the consumers. Dues were more than 90 days old. The management submitted that it will be sent to the board for write off; and
- ✚ Out of outstanding amount of Nu.0.526 million receivable from the consumers pertaining to the period from 1 July 2002 to 24 Oct. 2005, Nu.0.479 million was subsequently recovered leaving a balance of Nu.0.047 million.

FINANCIAL INSTITUTIONS

4.38 Bhutan National Bank Ltd. (BNBL), Head Office, Thimphu.

The Royal Audit Authority during the year had issued 1 report pertaining to the Bhutan National Bank Ltd. (BNBL), Head Office, Thimphu. The total significant irregularities pointed out aggregated to Nu.7.487 million as summarized below:

Table 4.102 showing the summary of observations with category code and amount involved (Nu.in million)

Sl. No.	Observations in brief	Amount	Category code
1	Mismanagement of funds	-	3.1
2	Irregularities in recoveries	0.450	5.7
3	Shortfalls & uneconomical operations	7.037	5.12
Total		7.487	

As noted above major irregularities pertained to lapses in staff loan account, amount recoverable and double taxation on bank's earning from time deposit. The detailed reports of the significant irregularities are presented hereunder:

4.38.1 *Mismanagement of funds*

Three Staff Loan Accounts had Over Due (OD) range of 13 to 18 months and eleven Staff Loan Accounts had Over Due (OD) range of 1 to 3 months. Against staff loan of Nu.0.255 million sanctioned on 30.07.2004, the vehicle was purchased only in January 2004 and loan documents were prepared only in Nov. 2005. Thirty two Staff Loan had either incomplete documents or the loan amounts exceeded the insured value of vehicles.

Who is accountable?

Sonam Penjore, Credit Head, and Kipchu Tshering, Managing Director are held accountable.

4.38.2 *Irregularities in recoveries-Nu.0.450 million*

An amount of Nu.0.450 million was not recovered from M/s Himalayan Fruits Products since September 2001

Who is accountable?

Lhaki Wangmo, Dorji Dukpa and L.P. Giri, Banking Head are held accountable.

4.38.3 Shortfalls & uneconomical operations -Nu. 7.037 million

During the years 2001 to 2003 the bank had not recognized interest income aggregating to Nu.7.037 million representing of tax deducted at source by the banks in India apparently in absence of a Double Taxation Agreement between India and Bhutan.

Who is accountable?

Karma, Deputy Managing Director, and Kipchu Tshering, Managing Director are accountable.

4.39 Bhutan Development Finance Corporation Ltd. (BDFCL), Head Office, Thimphu.

The Royal Audit Authority during the year had issued 1 report pertaining to the Bhutan Development Finance Corporation Ltd. (BDFCL), Head Office, Thimphu. The total significant irregularities pointed out aggregated to Nu.71.94 million as summarized below:

Table 4.103 showing the shortfalls and uneconomical operations (Nu.in million)

Sl.No	Observation in brief	Amount	IR No. & Date	Who is accountable?
1	Non-Performing Term Loan	1.036	IR (05)/CFID/200 5/5453, 20/05/05	Ugyen Dhendup, General Manager, Credit Operations and Namgay Dorji, Manager, Legal Officer
2	Seventy six Frozen Loan Accounts	20.427		Ugyen Dhendup, General Manager, Credit Operations and Namgay Dorji, Manager, Legal
3	290 Non-Performing Loans (NPL)	33.983		Ngawang Gyetse, Managing Director and Ugyen Dhendup, General Manager for Credit Operations
4	Overdue/irregularities in sanctioning of Loan	16.494		Ugyen Dhendup, GM, Credit Operations; Binay Moktan, PE; Sonam Letho, PM; Sangay Dorji, PM; Tashi Penjor, GM, Branch Operations; Karma T. Dorji, PO; Nim Phetu, GM, Phuentsholing; Tshewang Norbu, WRM; Phub Dorji, DCO, Thimphu Branch; Tenzin Tashi, DCO, Paro; and Yeshey Jamtsho, DCA, Haa
Total		71.94		

The details of irregularities are discussed hereunder:

- ✚ A total loan of Nu.1.180 million including interest of Nu.0.380 million and penalty of Nu.0.030 million respectively was recoverable from one of the clients. The loan was initially sanctioned in 1992 under the Entrepreneurship Development Programme (EDP) Scheme. In spite of rescheduling loan twice, no repayments were received and the case is under sub-judice since May 2003. The loan status as of 28th February 2006 as per the latest report of the management was Nu.1.036 million;
- ✚ 29 loan accounts with total loan balance of Nu.2.957 million under Agriculture Lending Department (ALD) and 47 loan accounts with total loan balance of Nu.17.470 million under the Industrial Lending Department (ILD) were frozen as of 10 Sept. 2004. Some of these loans were sanctioned in 1993. Aging analysis of loan accounts under ALD could not be undertaken due to lack of adequate information. The management's latest response indicated that the total frozen loan accounts have been reduced to 57 through recoveries and write offs;
- ✚ As of 11 Sept. 2004, there were 290 NPL clients totaling to Nu.121.596 million. Against a total loan recoverable balance of Nu.701.30 million from 1,535 clients, NPL in terms of amount and clientele percentages were 17.34 % and 18.89% respectively. The management's latest response indicated that the total non-performing loans have been reduced to 150 out of 290 with a total NPL of Nu.33.983 million. 112 loan accounts were reported to be closed while 28 loan accounts were updated and regularized; and
- ✚ Cases of overdue loan accounts and sanctioning of loan in excess of sanctioning limit noted were as summarized below:

Table 4.104 showing over due/irregularities in sanctioning of loans(Nu.in million)

Sl. No	Nature of Irregularity	Amount	IR Para No	Remarks
1	Housing loans of Nu.3.800 million sanctioned in excess of sanctioning limit of Nu.2.500 million based on same project appraisal report to two different clients, Loan over due by 8 and 9 months and amount over due of Nu.0.677 million.	0.677	I(10)	Loan account of one of the clients reported to be up-to-date while the other account was reported to have been improved.
2	One client had Housing Loan of Nu.0.220 million over due against Nu.1.8 million sanctioned.	0.220	I(12)	The latest response of the management reported that the account has been updated.
3	Term loan of Nu.1.630 million sanctioned between May 2002 to May 2003 for a Piggery Farm at Phuentsholing. The project was in a very poor state with only four grown-up pigs and two piglets as noted during site visit on 31.08.2004.	0.046	IV(6)	The latest response of the management reported the closure of the project since 2004. The management further reported that strategies to resolve the case are being under taken.
3	Over due Term loan account. 5 installments over due. Two term loan accounts sanctioned in 2001 merged into one in 1996 with extended repayment period up to 31.12.2005.	0.145	IV(10)	The management submitted that the account has been closed.
4	Overdue Term Loan Accounts with 330 clients, valuing Nu.4.018 million at Phuentsholing Branch	4.018	IV(11)	49 accounts were Term Expired ,9 accounts were on OD for more than six installments and 32 accounts with 3-5 installments OD. 16 clients had not paid even a single installment and 5 of these were Term Expired Loan Accounts.
5	Overdue Term Loan Accounts with 311 clients, valuing Nu.2.555 million at Thimphu Branch	2.555	V(1)	OD loans ranging from 1-15 months Term Expired
6	Overdue Term Loan Accounts with 559 clients, valuing Nu.7.708 million at Paro Branch	7.708	VI(3)	Overdue ranged from 7-27 Quarters (Agriculture Purpose loan), 5-10 Quarters (Housing purpose loan), 2-8 years (Animal Husbandry and local trade purposes loan).
7	Overdue Term Loan Accounts with 90 clients, valuing Nu.1.125 million at Haa Branch	1.125	VII(2)	
Total		16.494		

4.40 Bank of Bhutan Ltd. (BOBL), Head Office, Phuentsholing

The Royal Audit Authority during the year had issued 2 reports pertaining to the Bank of Bhutan Ltd. (BOBL), Head Office, Phuentsholing. The total significant irregularities pointed out aggregated to Nu.15.075 million as summarized below:

Table 4.105 showing the summary of observations with category code and amount involved (Nu.in million)

Sl. No.	Observations in brief	Amount	Category code
1.	Shortfalls & uneconomical operations	14.679	5.12
2.	Misappropriation	0.396	2.1
Total		15.075	

As noted above major irregularities pertained to misappropriation and shortfalls and uneconomical operations of the bank. The detailed reports of the significant observations are presented hereunder:

4.40.1 Shortfalls & uneconomical operations - Nu. 14.679 million

The Bank of Bhutan Ltd. (BOBL), Head Office, Phuentsholing had instances of loans sanctioned to borrowers with defaulting records, term expired loan, excess liquidity, unclaimed deposit and under utilization of software as summarized in the table below:

Table 4.106 showing shortfalls & uneconomical operation (Nu. in million)

Sl.No	Observations in brief	Amount	IR No. &Date	Who are accountable?
1	Loans sanctioned to borrowers with defaulting records with other Financial Institutions	0.540	IR(02)/CFID/20 05/7460 27/10/05	Tenzin Dorji, Branch Manager, Mongar, H.B. Gurung, Branch Manager, Bazaar Branch, Phuentsholing and Ugyen Wangdi, Acting General Manager, Credit Department
2	Term Expired loan	10.847	IR(02)/CFID/20 05/7460 27/10/05	Ugyen Wangdi, AGM, Credit Department; G.P. Sharma, DMD, Credit Operation; Tendri Wangdi, BM, Paro Branch; and Kiran Gurung, DGM.
3	Excess liquidity	-	IR(02)/CFID/20 05/7460 27/10/05	G.P. Sharma, Dy. Managing Director and Tshering Dorji, Managing Director
4	Un-utilization of Software programme	-	IR(02)/CFID/20 05/7460 27/10/05	Pasang Tshering, Dy. Managing Director and Tshering Dorji, Managing Director
5	Unclaimed deposit	3.292	IR(02)/CFID/20 05/7460 27/10/05	Damber Tamang, Sr. Staff Officer and Pasang Tshering, Dy. Managing Director
Total		14.679		

The details of irregularities are as discussed hereunder:

- It was observed that the BOBL had sanctioned loans to borrowers having defaulting records with other Financial Institution. Three loans (two ML and one MO) with total amount of Nu.0.514 million were sanctioned to a defaulting client of RICBL in December 1999. No repayment was received. Case was referred to Court on 28 January 2004, thereafter Nu.0.056 million was received. Nu.0.540 million was outstanding. Against two ML, 34 installments were due and MO was term expired with balance amount of Nu.0.037 million. As per the court verdict the client was instructed to repay Nu.0.009 million per month w.e.f. June 2004.

The management submitted that the loan was sanctioned to a client with defaulting records with a view to support EDP graduates sponsored by EPC and to augment the Government policy to develop the private sector. Further, the response stated that the loan accounts are regularized and are being monitored strictly.

A Working Capital loan of Nu.0.200 million was sanctioned to a hotelier of Phuentsholing in March 2001 under the Miscellaneous Overdraft Scheme when he had loan outstanding with the RICBL. The loan had become term expired. The case was referred to the Phuentsholing Dungkhang Court in January 2005; and

- The bank had Term Expired Loans as summarized below:

Table 4.107 showing term expired loans (Nu.in million)

SL No	Nature of irregularity	Amount	IR Para No	Remarks
1	Term Expired loan with total outstanding of Nu.1.1 million (as of 30.09.2004) receivable from one client who had absconded.	1.100	1.4	Loan of Nu.0.240 million was sanctioned on 24 April 1990 with initial term till 24.04.1995.
2	Term Expired Loan of Nu.0.469 million as of 29.11.2004. BPCL did not route the running account bills of its contractor through the BOBL, Paro against undertaking issued by it.	0.469	1.6	Case forwarded to the Court.
3	Out of NPAs as of 30 Sept. 2004 of Nu.177.080 million NPA amounting to Nu.9.278 million were with 92 absconded borrowers.	9.278	1.8	The matter was referred to the Ministry of Finance by the management.
Total		10.847		

- Bank had excess liquidity during the last five years (1999 to 2003), to the extent that more than 70% of its total deposited monies were not invested. While only 17% of the total deposits were invested in the form of loans

and advances in 1999, this percentage had marginally increased to 21% in 2003.

The management submitted the following justifications.

“BOBL being a Government controlled bank is mandated to provide banking services to the general mass and inculcate saving habits in the country while operating within the norms of a commercial bank. This has put the BOBL at a cross road, the first mandate does not give us room to control deposit receipts nor plan our deposit mix for interest expenditure, while the commercial nature of our operation requires us to operate within the prudential norms set by the RMA.

As per the RMA Prudential Regulations 2002, for effective liquidity management the commercial banks are required to maintain a Cash Reserve Ratio (CRR) at the rate specified by the RMA from time to time (which at present stands at 13% of total deposits less the cash balance) and Statutory Liquidity Ratio (SLR) @ 20% of total liabilities, excluding capital funds and liabilities to the RMA.

This leaves the BOBL with term investment fund equal to 67% of its total deposit. In 2005, the bank in an average has invested 29.16% in loans and advances, 7.09 in Govt. securities and equity leaving an excess liquidity of 38.75%. With a large deposit base of Nu.12,351.681 million, 38.75% works out to Nu.7,786.276 million.

The BOBL with a view to diversify and expand its advances portfolio as suggested by the RAA, observing the limits set by the RMA on single largest borrower and ten largest borrowers exposure limit have enhances the delegation of power of branch heads effective from 01/01/2006. The deposit and advances budget have been drawn in consultation with the branch heads from the year 2005. We have also revised interest rates on some of our loan schemes from 01/07/2005 and introduced a fresh scheme called ‘Consumer loan’ from January 2006. With the given measures taken in the year 2005 and early 2006, the BOBL hope to have a larger and diversified loan investment portfolio. As regards to other in country investment avenues, in particular Government Securities and equity market we see very little opportunities forth coming.

The BOBL as the premier commercial bank with the above social mandates is making every effort to manage its treasury as effectively as possible. We request the RAA to review our investment plan in correlation to the low keyed investment & security market within the country”; and



The Bank had designed a Druk Banker Software Programme during 1995 to 1998 at a cost of Nu.2.275 million for complete computerization of the banking operations. Further, a provision of Nu.6.45 million was created in 2000 for soft-ware up-gradation.

Out of 26 branches, software was installed only in 4 Branches. Besides, the reliability of the software in these 4 branches was also questionable as the system-generated figures had to be backed up with manual calculations.

The management submitted that it has recently computerized two more branches and would be computerizing another two branches very shortly. It also stated that new computers and printers had been supplied to all the branches during the year 2005.

- ✚ The Bank had unclaimed deposits of Nu.3.292 million as of 31.12.2003 (increased to Nu.6.900 million as of 31.12.2004) lying in various accounts accumulated since as far back as 1989.

The management submitted that with the approval accorded in the 147th Board Meeting, the balances not claimed for more than three years are appropriated to the Profit & Loss Account.

4.40.2 Misappropriation - Nu.0.396 million

An amount of Nu.1.2 million was pending recovery through the Royal Court of Justice, Monggar on account of misappropriation of fund at BOBL, Monggar Branch. Subsequently, Nu.0.804 million was reported as recovered by the Bank leaving a balance of Nu.0.396 million.

Who is accountable?

Janga Rana, Administrative Officer and Pasang Tshering, Dy. Managing Director are held accountable.

4.41 Royal Insurance Corporation of Bhutan Ltd. (RICBL), Head Office, Phuentsholing

The Royal Audit Authority during the year had issued 1 report pertaining to the Royal Insurance Corporation of Bhutan Ltd. (RICBL), Head Office, Phuentsholing. The total significant irregularities pointed out aggregated to Nu.16.098 million as summarized below:

Table 4.108 showing shortfalls and uneconomical operations (Nu.in million)

Sl.No	Observations in brief	Amount	IR No. & Date	Who are accountable?
1	Sanctioning of additional loan to a defaulting client	0.850	RAA (IR-07)CFID/2005/7896, 2/12/05.	Dhendup Norbu, Manager, Kinzang Dorji, Manager, Sangay Dorji, Dy. Manager, Nado Gyeltshen, General Manager, Surajit Dutta, General Manager and Lamkey Tshering, Managing Director
2	Defaulted Loan	11.154		Dhendup Norbu, Manager, Kinzang Dorji, Manager, Sangay Dorji, Dy. Manager, Surajit Dutta, General Manager, Nado Gyeltshen, General Manager and Lamkey Tshering, Managing Director
3	Overdue Loan	4.094		Karma Phuntsho, Dy. Manager, Sangay Wangdi, Pema Yangchen, Surajit Dutta, General Manager and Lamkey Tshering, Managing Director
4	MOU for marketing of Integrated Insurance Management System (IIMS) - all in favor of TCS	-		Tshering Gyeltshen, General Manager and Lamkey Tshering, Managing Director
Total		16.098		

The details of irregularities are discussed hereunder:

- One of the clients at S/Jongkhar who was sanctioned an additional loan of Nu.0.850 million as a renovation loan had utilized the loan proceeds to regularize his irregular Card Loan account with OD amount of Nu.0.142 million. His Business Loan as of 28 Feb. 2005, was Term Expired with total loan outstanding of Nu.0.463 million;

✚ During the period 2000-2003 a total loan of Nu.11.154 million was sanctioned to one of the clients under eight different schemes. The borrower defaulted all these loan accounts and the overdue amount as on 28 Feb. 2005 stood at Nu.9.332 million and the loan balance was Nu.14.759 million. Out of these, four loan accounts were “*Term Expired*”. Machinery purchased for Nu.1.076 million as well as other vehicles pledged against the above loans were not hypothecated to the RICBL. The cases were forwarded to the Royal Court of Justice, Thimphu Dzongkhag in the year 2003;

✚ Total loan amounts aggregating to Nu.46.578 million were lying overdue against 829 loan accounts as on 31 Dec. 2004. The period of overdue ranged from one month to as high as 61 months. Fifty two (52) loan accounts out of 829 overdue loan accounts were Term Expired accounts aggregating to Nu.5.237 million (11.25% of total OD). As compared to total loan outstanding of Nu.1.328 million, the overdue balance of Nu.1.328 was kept within 3.51% which was appreciable.

The management’s latest response indicated that the recovery percentage as on 31/12/05 is 91.21 % (42.483 million) and balances are being constantly followed up with the clients; and

✚ RICBL had entered into an Agreement/Memorandum of Understanding (MOU) with M/s TATA Consultancy Services (TCS), India for marketing of IIMS, which was developed in-house at RICBL. However, terms of the Agreement/MOU especially in terms of sharing sale proceeds of the system was not found favorable for the RICBL. Further, it was observed that the RICBL had shared an Intellectual Property Rights (IPR) with the TCS, which was ultimately sold to the TCS at Nu.4.2 million without the consent of the Board. Further, TCS had revoked sale proceeds of Nu.0.727 million, which was already remitted to the RICBL on account of the product sold but not implemented by the buyer, M/s General Motors Acceptance Corporation (GMAC), USA though the MOU did not provide for the revocation of sale proceeds.

NON GOVERNMENTAL ORGANISATIONS

4.42 Construction Association of Bhutan

The Royal Audit Authority during the year had issued 1 report of the Construction Association of Bhutan. The total significant irregularities pointed out aggregated to Nu.0.830 million as summarized below:

Table 4.109 showing misappropriation (Nu.in million)

Sl.No	Observation in brief	IR No. & Date	Amount	Who are Accountable?
1	Misuse of cash	RAA(IR-05)CFID/2005/8010 dated 14.12.05	0.680	Game Tshering, General Secretary
2	Other misappropriation	RAA(IR-05)CFID/2005/8010 dated 14.12.05	0.150	
Total			0.830	

✚ The Construction Association of Bhutan had maintained an Imprest Account (CD/9422) with the Bank of Bhutan, Thimphu which was operated by the General Secretary. The funds were transferred to this account from the main Account (18005018) maintained with the Bhutan National Bank and from the six Withholding Accounts maintained with the BOB branches located at Phuentsholing, Punakha, Mongar, Bumthang, Trashigang and Gelephu.

The Imprest Account maintained with the Bank of Bhutan, Thimphu was closed on 12th January 2005 with book balance of Nu.0.680 million. However, neither the cash was available for physical verification nor any documents were made available to vouch for any expenditure incurred; and

✚ The Construction Association of Bhutan had transferred the amount of Nu. 0.150 million from the CAB OD Account No. 18005018 to the CD Account No. 9313 pertaining to the GDL- National Consulting Firm maintained with the Bank of Bhutan, Thimphu as advance towards conducting the feasibility study. However, the documents such as contract agreement, proposals outlining objectives and purpose, approval, output reports etc. related to the feasibility studies were not produced for scrutiny and as such, the audit could not ascertain the authenticity of the advance released.

The management submitted that the payment of Nu. 0.150 million was the consultancy fee which pertained to the appropriation of the National Construction Consortium working fund of Nu. 0.230 million as explained in the 2004 current status report.

Besides not producing the related documents for further scrutiny, the audit had also established that the General Secretary of the Association was the proprietor of the GDL- National Consulting Firm bearing License No. 1013646, thereby raising the question on conflict of interest.

4.43 Royal Society for the Protection and Care of Animals

The Royal Audit Authority during the year had issued 1 report of the Royal Society for the Protection and Care of Animals. The total significant irregularities pointed out aggregated to Nu.1.184 million as summarized below:

Table 4.110 showing the summary of observations with category code and amount involved (Nu.in million)

Sl. No.	Observations in brief	Amount	Category code
1	Violation of Procurement Norms	0.303	4.4
2	Non-maintenance of records	0.881	5.2
Total		1.184	

As noted above major irregularities pertained to procurement without tenders and non maintenance of records. The detailed reports of the significant observations are presented hereunder:

4.43.1 Violation of procurement norms – Nu. 0.303 million

The Royal Society for the Protection and Care of Animals had procured Office Equipment and Furniture worth Nu. 0.303 million without inviting quotations. The management justified that the office equipment have been purchased from M/S Peljorkhang since it is an authorized dealer of Dell computer in Bhutan. As for the furniture, it stated that it had bought from M/s Better Products being an agent of BPPL.

Who is Accountable?

Dr. Kinley Dorji, Treasurer is held accountable.

4.43.2 Non maintenance of records – Nu. 0.881 million

A sum of Nu. 0.881 million was collected on account of donations made to the Royal Society for the Protection and Care of Animals by various organizations and individuals during the period since inception to June 2002. However, the actual amount collected could not be authenticated in the absence of money receipts issued for the collections. The management stated that the lapses had occurred during the initial phase of the Society when there was no fixed staff. The

other reason attributed was documents being misplaced when the office was housed in the office of the Department of Agriculture.

Who is Accountable?

Sonam Choden, Asstt. Manager and Tashi Payden T, Executive Director are held accountable.

4.44 Bhutan Chamber of Commerce and Industry

The Royal Audit Authority during the year had issued 1 report of the Bhutan Chamber of Commerce and Industry. The total significant irregularities pointed out aggregated to Nu.0.289 million as summarized below:

Table 4.111 showing the summary of observations with category code and amount involved (Nu.in million)

Sl. No.	Observations in brief	Amount	Category code
1	Irregularities in advances	0.157	5.6
2	Violation of procurement norms	0.132	4.4
Total		0.289	

As noted above major irregularities pertained to grant of excessive advances and procurement without tender. The detailed reports of the significant observations are presented hereunder:

4.44.1 Irregularities in advances – Nu. 0.157 million

An amount of Nu. 0.157 million was lying outstanding against the officials of the Bhutan Chamber of Commerce and Industry. It was also noted that the fresh advances were released without liquidating the old advances.

The management of BCCI stated that most of the advances pertain to the imprest money, salary advances and personal advances that are being adjusted from claims and salaries.

Who is Accountable?

Kinley Tenzin, Asstt. Accountant and Chhimi Dorji, Finance Officer are held accountable.

4.44.2 Violation of procurement norms – Nu. 0.132 million

The Bhutan Chamber of Commerce and Industry had come up with the idea of publishing “BCCI Business Directory 2005”, to be widely circulated at free of cost to all BCCI counterparts and other business organizations. Accordingly, the BCCI Regional Office, Phuentsholing had collected the advertisement fees

amounting to Nu. 0.132 million from the interested business units during the year 2004 and 2005 and was transferred to the Bank account No. 8418 pertaining to BCCI Head Office. However, it was found that the work of publication of the Business Directory was awarded to M/s Bhutan Media Services without inviting rates from other competent media firms in contravention to the procurement norms.

The management justified that the work was awarded directly to BMS in view of its expertise in publishing international standard Business Directory. It also stated that the BCCI did not have to bear any additional cost as it was covered in the agreement that BMS would bear all the publication expenses without BCCI having to incur any additional cost. It stated that it had received 1000 copies of well-published Business Directory.

Who is Accountable?

Karma Donnan, Project Officer and Bap Kinga, Vice President are held accountable.

4.45 National Women Association of Bhutan

The Royal Audit Authority during the year had issued 3 Reports of NWAB. The total significant irregularities pointed out aggregated to Nu.2.622 million as summarized below:

Table 4.112 showing the summary of observations with category code and amount involved (Nu.in million)

Sl. No.	Observations in brief	Amount	Category code
1.	Improper maintenance of records	0	5.3
2.	Non/short deduction	0.027	5.11
3.	Violation of Procurement norms	1.014	4.4
4.	Non maintenance of records	1.337	5.2
5.	Violation of accounting norms	0.074	4.3
6.	Over/ inadmissible/ Irregular/ double payments	0.170	5.1
Total		2.622	

As noted above major irregularities pertained to violation of procurement norms, non maintenance of records and inadmissible payment. The detailed reports of the significant observations are presented hereunder:

4.45.1 *Improper maintenance of records*

The UNDP had granted an amount of Nu. US \$ 41,990.00 for implementation of the BIOMASS Briquetting project by the NWAB. As against the grant, the NWAB had disbursed the above funds by cheque amounting to Nu. 2.014 million in favour of Project Coordinator in the form of advances during 2001 & 2002. The Project Coordinator had neither submitted expenditure statements along with necessary supporting documents to the NWAB nor maintained proper Books of Accounts as per the RGoB Rules and Regulations.

Who is Accountable?

Dasho Daw Dem, Secretary and Singye Tobgye, Project Coordinator are held Accountable.

4.45.2 *Short/non deductions – 0.027 million*

The Project management had not deducted 2% & 3% TDS amounting to Nu. 0.027 million from the national and non national suppliers respectively despite specific guidance issued by the NWAB.

Who is Accountable?

Singye Tobgay, Project Coordinator is held Accountable.

4.45.3 *Violation of Procurement norms – Nu. 1.014 million*

The Project management had purchased briquetting plant and machinery, hardware items and sawn timber amounting to Nu. 1.014 million without calling requisite quotations. It was seen that the hardware items worth Nu. 0.158 million were purchased directly from M/s Zomlha Enterprise, Thimphu.

Who is Accountable?

Singye Tobgay, Project Coordinator is held Accountable.

4.45.4 *Non maintenance of records – Nu.1.338 million*

The Project management had not maintained inventory register and log book for fixed assets, vehicle and store items worth Nu.1.338 million.

4.45.5 *Violation of accounting norms – Nu. 0.074 million*

There were instances of violation of accounting norms amounting to Nu.0.074 million under the project as summarized below:

Table 4.113 showing violation of accounting norms (Nu.in million)

Sl.No	Observations in brief	Amount	IR No. & Date	Who are Accountable?
1	Payment without bills and receipts	0.037	RAA(IR-06)CFID/2005/6923 dated 21/09/05	Singye Tobgay, Project Coordinator
2	Payment on hand receipts	0.037		
Total		0.074		

- ✚ The project management had made the payment of Nu. 0.037 million for demonstration of briquetting plant, bus fare, expenses on food and transportation charges. However, the payments were not supported by supporting documents; and
- ✚ The project management had made the payment of Nu. 0.037 million on account of hiring charges of the vehicle. However, it was noticed that the payment was made based on hand receipts on which the name of the payee was not mentioned. Further, the purpose of hiring the vehicle was not known and since no rates were mentioned, the basis for paying the hiring charges could not be authenticated.

4.45.6 *Over/ inadmissible/ irregular/double payments – Nu. 0.170 million*

There were a few instances of irregular payments amounting to Nu.0.170 million under the project as summarized below:

Table 4.114 showing over/Inadmissible/Irregular/Double payments (Nu.in million)

Sl.No	Observations in brief	Amount	IR No. & Date	Who are Accountable?
1	Unjustified payment	0.141	RAA(IR-06)CFID/2005/6923 dated 21/09/05	Singye Tobgay,, Project Coordinator
2	Payment not covered by agreement	0.029		
Total		0.170		

- ✚ The Project Co-ordinator had claimed Nu. 0.141 million on account of Traveling Allowance and Daily Allowance for his visits to various Dzongkhags and Kolkatta, India in connection with the Briquette Project during the year 2002. However, it was found that no travel authorization was prepared in all the travels and such travels/ payments were not approved by the competent authority; and
- ✚ The project had made the payment of Nu. 0.029 million to Ratan Mukherjee as salary for the months of January, February, March and April and on account of lodging claims. However, in the absence of terms of engagement, the employment status of the employee could not be ascertained and validity of payment of salary and lodging claims could not be authenticated.

PERFORMANCE AUDIT REPORT

The Royal Audit Authority has been reposed with the responsibility of evaluating and reporting on the economic, efficient and effective management of scarce resources of the Government. Systematic audits on the efficiency of systems and effectiveness of operations are conducted by the RAA to ascertain that scarce government resources such as human, financial and material are procured, protected, and utilized with due regard for economy, efficiency and effectiveness by the implementing agencies, and intended objectives/goals set are being achieved.

During the year, the Royal Audit Authority had issued three Performance Audit Reports including two reports on the performance audit of Rural Water Supply & Sanitation (RWSS) Schemes implemented by the Dzongkhag Administration Chhukha and Samtse. The Rural Water Supply and Sanitation (RWSS) Program is a part of the Danish assisted Health Sector Support Program, Phase II in Bhutan. The main objective of this program is “*A sustainable Capacity at all levels for the provision of sufficient water in terms of quantity, quality and for safe use of water among the rural population in the Dzongkhags of Bhutan*”.

The third report was on the effectiveness of the Memorandum of Understandings (MoU) signed between the Ministry of Labour & Human Resources and Private Companies.

Significant observations contained in the Performace Audit Reports are detailed below:

5.1 Rural Water Supply Scheme, Samtse & Chhukha Dzongkhags

The Rural Water Supply Schemes in both the Dzongkhags were started during the 8th Five Year Plan with a span of 5-10 years. The objective of the Scheme was to provide sufficient and safe water at home to 80-90% rural population by the year 2004. The Royal Audit Authority had audited the schemes carried out in the 8th Five Year Plan and some ongoing schemes under the 9th Five Year Plan covering the period from 1999-2004. Tables 1&2 show the number of new and rehabilitation schemes carried out during the 8th & 9th FYP.

Table 5.1 showing schemes status in 8th & 9th FYP (Samtse Dzongkhag)

Period	Plan targets			Completed			Balance			Accomplishments %			Remarks
	New	Rehab	SP	New	Rehab	SP	New	Rehab	SP	New	Rehab	SP	
8 th FYP	10	25	0	22	15	0	12	10	0	220%	60%	n/a	New schemes 220% of the target. Rehab. 40% below the target.
9 th FYP	24	13	5	10	5	0	14	8	5	43%	38%	0%	Accomplishment in the first two years.

Table 5.2 showing schemes status in 8th & 9th FYP (Chhukha Dzongkhag)

Period	Plan targets			Completed			Balance			Accomplishments %			Remarks
	New	Rehab	SP	New	Rehab	SP	New	Rehab	SP	New	Rehab	SP	
8 th FYP	20	30	50	35	13	16	0	14	34	175%	43.33%	32%	New schemes 175% of the target. Rehab. 56.67% below the target.
9 th FYP	40	18	5	11	7	3	33	15	2	27.50%	38.88%	40%	Accomplishment in the first two FY years of 9 th Plan

Of the above schemes, the RAA had reviewed 12 Schemes in each Dzongkhag. The Schemes had benefited 707 households having population of 5,065 under the Samtse Dzongkhag and 346 households with the population of 3,583 under the Chukha Dzongkhag.

One major reason that had hampered the effectiveness of the Program in both the Dzongkhag was due to site surveys of water sources undertaken in monsoon season. The Survey Guidebook issued by the Public Health Engineering Division requires the survey for the water source to be conducted during the lean season of the year. This has resulted in water sources being dried up in some five projects during lean seasons. Beneficiaries did not get water from the Scheme. They had to resort to the old method of collecting water from the ponds. Other Significant findings were as under:

5.1.1 False Muster Roll claims Nu. 0.046 million- A question of integrity

The Dzongkhag administration, Samtse had engaged Muster Roll labourers for the construction of different RWSS schemes. The RAA checked the engagement of labourers and noted that extra names had been shown as engaged involving false payment of Nu. 0.046 million. The RAA noticed such instances of false claims were due to non-existence of proper internal check and control.

5.1.2 *Non-existent Water Supply Scheme*

As per the record maintained by the Samtse Dzongkhag, Water Supply Scheme for Maney community was constructed during the 8th Plan. Upon site visit the RAA found that the Scheme which was said to have been constructed & operational in Maney was never constructed.

5.1.3 *Diversion of RWSS material to other activities*

While verifying the issues of the RWSS materials in the Samtse Dzongkhag, the RAA found materials meant for RWSS Schemes were diverted to other activities like maintenance of building, VVIP guesthouse and urban water supply etc. which were already budgeted under the RGoB funding.

The Dzongkhag Administration, Chhukha assured that they will initiate action as per the RAA's recommendations to correct the mistakes and improve the quality of water supply for the betterment of rural households.

The Dzongkhag Administration, Samtse expressed that:

- ✚ Money shown as false claim of Muster Roll was withdrawn in advance in order to avoid budget lapse which at later stage have been paid to two masons engaged for the completion of work. As Dzongkhag action was not as per the provision of the Financial Rules & Regulations, 2001, Dzongkhag has indicated not to repeat such practice.
- ✚ The Scheme was terminated due to disturbances and could not be completed; and;
- ✚ The diversion of RWSS materials happened due to excessive materials lying in the Store which have been issued for Government property maintenance.

REVIEW OF ANNUAL AUDIT REPORT 2004

The Annual Audit Report 2004 was the fifth annual report issued by the Royal Audit Authority. The total amount of irregularities reported in AAR 2004 was Nu. 369.339 million.

The status of the audit observations are constantly being reviewed not only by the field auditors at the time of auditing but also by the Follow up Division through correspondences on a continuous basis. One year after publication of AAR 2004, Nu. 236.361 million or 64 % has been adjusted/resolved leaving a balance of Nu. 132.978 million or 36 % still to be settled/resolved as graphically as well as in the statement given below:

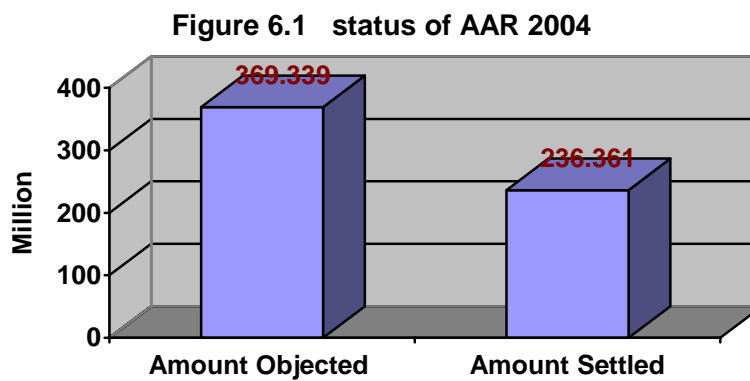


Table 6.1 showing status of compliance of Annual Audit Report 2004 (Nu.in million)

Sl. No.	Agency	Amt reported in AAR 2004	Amt recovered / adjusted	Balance	% unsettled
1	Ministry of Home and Cultural Affairs	70.805	33.177	37.628	53.14
2	Ministry of Agriculture	7.153	3.671	3.482	48.68
3	Ministry of Works and Human Settlement	36.504	23.556	12.948	35.47
4	Ministry of Education	0.400	0.030	0.370	92.50
5	Ministry of Health	4.880	0.014	4.866	99.71
6	Ministry of Finance	2.878	2.509	0.369	12.82
7	Ministry of Foreign Affairs	29.226	5.393	23.833	81.55
8	Ministry of Labour and Human Resources	4.337	4.091	0.246	5.67
9	Ministry of Trade and Industry	0.094	0.094	0	0
10	Ministry of Information and Communication	0.927	0.002	0.925	99.78
11	Judiciary	1.104	0.325	0.779	70.56
12	Royal Bhutan Army	7.336	0.232	7.104	96.84
13	Royal Body Guard	3.358	1.159	2.199	65.49
14	Royal Bhutan Police	15.099	13.660	1.439	9.53
15	Bank of Bhutan Ltd	7.251	0.093	7.158	98.72
16	Bhutan Development Finance Corporation Limited	41.443	31.123	10.320	24.90
17	Royal Insurance Corporation of Bhutan Limited	56.109	56.109	0	0
18	Bhutan Broadcasting Service Corporation Limited	4.491	3.409	1.082	24.09
19	Bhutan Postal Corporation Limited	9.462	2.586	6.876	72.66
20	Bhutan Power Corporation Limited	0.717	0.009	0.708	98.74
21	Bhutan Telecom Corporation Limited	51.237	51.237	0	0
22	Druk Seed Corporation of Bhutan Limited	4.639	2.357	2.282	49.19
23	Forestry Development Corporation Limited	1.988	0.057	1.931	97.13
24	Bhutan Football Federation	2.200	1.117	1.083	49.23
25	Cabinet Secretariat	0.160	0	0.160	100
26	Wood Craft Centre	0.332	0.067	0.265	79.82
27	Geogs under Dzongkhag Administration, Punakha	0.052	0	0.052	100
28	Geogs under Dzongkhag Administration, Tsirang	5.267	0.271	4.996	94.85
29	Geogs under Dzongkhag Administration, Wangdue Phodrang	0.098	0.013	0.085	86.73
Total		369.339	236.361	132.978	36.00

While 54.82% of irregularities reported have been resolved and may be considered satisfactory, the RAA expects that vigorous actions are initiated by the concerned agencies in following up the unresolved cases.

Some of the agencies like the Ministry of Trade and Industry, Ministry of Finance, Ministry of Labour and Human Resources, Bhutan Telecom Corporation Ltd and the Royal Bhutan Police deserve our commendation for having resolved/adjusted all or more than 80% of the amount reported.

Agency-wise summarized status are presented as follows:

MINISTRIES

Table 6.2 Ministry of Home & Cultural Affairs (Nu.in million)

Sl. No.	Observation in brief	Amount	Amount recovered/adjusted	Balance
1	Avoidable/unfruitful expenditure	2.309	-	2.309
2	False certification of bills	1.433	1.433	-
3	Excess/over/double payment	2.661	2.035	0.626
4	Outstanding advances	52.158	25.908	26.250
5	Non levy of liquidated damages	2.009	0.923	1.086
6	Irregular/inadmissible/doubtful payment	2.363	0.649	1.714
7	Shortage/Non-accountal of cash in hand	0.995	0.697	0.298
8	Irregularities in cash book	0.075	-	0.075
9	Outstanding cost of books	0.098	-	0.098
10	Blockage of government fund	2.797	-	2.797
11	Non collection of cost of land	0.210	-	0.210
12	Non levy of penal interest	0.078	-	0.078
13	Non deposit of revenue	0.127	0.088	0.039
14	Non/less deduction of house rent	0.166	0.148	0.018
15	Non-accountal of stock	0.110	0.088	0.022
16	Outstanding revenue	0.308	0.189	0.119
17	Irregularities in award of contract, tendering and procurement	2.751	1.019	1.732
18	Misappropriation of funds	0.157	-	0.157
Total		70.805	33.177	37.628

The Ministry of Home and Cultural Affairs made adjustment /recovery of 46.86% of the issues leaving the balance of Nu. 37.628 million.

Table 6.3 Ministry of Agriculture (Nu.in million)

Sl. No.	Observation in brief	Amount	Amt recovered/ adjusted	Balance
1	Inadmissible/irregular payment	0.477	0.074	0.403
2	Excess/over payment	0.030	0	0.030
3	Irregular write-off of outstanding advances	0.220	0	0.220
4	Outstanding advances	5.769	3.496	2.273
5	Non-deposit of sale proceeds into revenue account	0.234	0	0.234
6	Short deposit of cash	0.050	0	0.050
7	Irregularities in allotment of staff quarter	0.041	0.041	0
8	Non-collection of hire charges	0.272	0	0.272
9	Misappropriation/misuse of fund/embezzlement	0.060	0.060	0
Total		7.153	3.671	3.482

The Ministry of Agriculture made adjustment /recovery of 51.32 % of the issues leaving the balance of Nu. 3.482 million.

Table 6.4 Ministry of Education (Nu.in million)

Sl. No.	Observation in brief	Amount	Amt recovered / adjusted	Balance
1	Non deduction of TDS	0.061	0.026	0.035
2	Late adjustment of advance	0.037	-	0.037
3	Irregular payment	0.236	0.004	0.232
4	Non-remittance of TDS	0.066	-	0.066
Total		0.400	0.030	0.370

The Ministry of Education made adjustment /recovery of 7.50% of the issues leaving the balance of Nu. 0.370 million.

Table 6.5 Ministry of Finance (Nu. in million)

Sl. No.	Observation in brief	Amount	Amt recovered /adjusted	Balance
1	Outstanding advance	0.370	0.370	-
2	Irregular/inadmissible payment	0.750	0.464	0.282
3	Payment for works not executed	0.083	-	0.083
4	Violation of laws, rules and regulations, procedures, policies	0.258	0.258	-
5	Outstanding revenue	1.417	1.417	-
Total		2.878	2.509	0.369

The Ministry of Finance made adjustment /recovery of 87.18% of the issues leaving the balance of Nu. 0.369 million.

Table 6.6 Ministry of Health (Nu.in million)

Sl. No.	Observation in brief	Amount	Amt recovered /adjusted	Balance
1	Outstanding advances	4.725	-	3.125
2	Excess payment	0.115	0.014	0.101
3	Non deduction of TDS	0.040	-	0.040
Total		4.880	0.014	4.866

The Ministry of Health resolved 0.29% of the issues leaving the balance of Nu. 4.866 million.

Table 6.7 Ministry of Foreign Affairs (Nu.in million)

Sl. No.	Observation in brief	Amount	Amt recovered /adjusted	Balance
1	Irregular payment	10.172	2.018	8.154
2	Over payment due to incorrect application of conversion rates	0.596	-	0.596
3	Outstanding advance	15.083	-	15.083
4	Non-levying of liquidated damages	3.375	3.375	-
Total		29.226	5.393	23.833

The Ministry of Foreign Affairs made adjustment /recovery of 18.45% of the issues leaving the balance of Nu. 23.833 million.

Table 6.8 Ministry of Information and Communications (Nu.in million)

Sl. No.	Observation in brief	Amount	Amt recovered /adjusted	Balance
1	Outstanding advances	0.894	0.002	0.892
2	Non-compliance to Emission Test	Settled	Settled	Settled
3	Outstanding revenue	0.033	-	0.033
Total		0.927	0.002	0.925

The Ministry of Information and Communications has made adjustment/recovery of 0.22% of the issues leaving the balance of Nu. 0.925 million.

Table 6.9 Ministry of Works & Human Settlement (Nu.in million)

Sl. No.	Observation in brief	Amount	Amt recovered /adjusted	Balance
1	Over/excess/double payment	0.850	0.228	0.622
2	Award of work at estimated cost-extra financial implication	4.388	4.388	-
3	Non-rectification of defective works	3.295	-	3.295
4	Non-recording of work done in measurement book	1.602	-	1.602
5	Tendering lapses/unjustified rejection of bids-extra financial implication	0.321	-	0.321
6	Outstanding advance	4.185	3.148	1.037
7	Inadmissible payment	0.085	0.032	0.054
8	Illegal construction on Government land	Not settled	Not settled	Not settled
9	Non-enforcement of Acts- delay in transfer of property ownership	Not settled	Not settled	Not settled
10	Non-realization of cost differences and other penal amount on contract terminated	2.950	1.000	1.950
11	Award of supervision works on contract	13.945	13.945	-
12	Unfruitful expenditure	4.251		4.251
13	Defect found within liability period	0.038	0.038	-
14	Providing of inferior quality of CGI Sheets and poor workmanship	Not settled	Not settled	Not settled
15	Acceptance of work carried out other than specifications	0.777	0.777	-
16	Issue of permits for construction of buildings-how fair is the system?	Not settled	Not settled	Not settled
Total		36.504	23.556	12.948

The Ministry of Works & Human Settlement resolved 64.53 % of the issues leaving the balance of Nu. 12.948 million.

Table 6.10 Ministry of Trade and Industry (Nu.in million)

Sl. No.	Observation in brief	Amount	Amt recovered /adjusted	Balance
1	Outstanding advance	0.024	0.024	-
2	Over payment	0.070	0.070	-
Total		0.094	0.094	-

The Ministry of Trade & Industry made adjustment /recovery of 100% of the issues.

Table 6.11 Ministry of Labour and Human Resources (Nu.in million)

Sl. No.	Observation in brief	Amount	Amt recovered /adjusted	Balance
1	Excess payment	0.221	0.154	0.067
2	Outstanding advance	3.949	3.937	0.012
3	Review of selection system of candidates for Youth Exchange Program and Korean-Bhutan Cooperation Foundation	0.167	-	0.167
Total		4.337	4.091	0.246

The Ministry of Labour & Human Resources made a significant adjustment / recovery of 94.31% of the issues leaving the balance of Nu. 0.246 million.

ARMED FORCES

Table 6.12 Royal Bhutan Army (Nu.in million)

Sl. No.	Observation in brief	Amount	Amt recovered /adjusted	Balance
1	Inadmissible payment	0.077	-	0.077
2	Outstanding advances	4.461	-	4.461
3	Non-settlement of accounts	0.100	-	0.100
4	Release of payments without adjustments of advances	1.100	-	1.100
5	Non-deduction of liquidated damages	0.272	-	0.272
6	Shortage of ration sale proceeds	0.046	-	0.046
7	Shortage of rations	0.903	0.044	0.859
8	Shortages of hire charges	0.106	-	0.106
9	Irregular diversions of pensioners' fund	0.083	-	0.083
10	Shortage of cash	0.188	0.188	-
Total		7.336	0.232	7.104

The Royal Bhutan Army has resolved 3.16% of the issues leaving the balance of Nu. 7.104 million.

Table 6.13 Royal Body Guard (Nu.in million)

Sl. No.	Observation in brief	Amount	Amt recovered /adjusted	Balance
1	Inadmissible/irregular payment	1.205	-	1.205
2	Outstanding advances	1.284	1.159	0.125
3	Non-deduction of health contribution	0.869	-	0.869
Total		3.358	1.159	2.199

The Royal Body Guard had adjusted/recovered 34.51% of the issues leaving the balance of Nu. 2.199 million.

Table 6.14 Royal Bhutan Police (Nu.in million)

SI. No.	Observation in brief	Amount	Amt recovered/adjusted	Balance
1	Acceptance of under-sized uniforms	10.484	10.484	-
2	Non-deduction of transportation charges	0.026	0.026	-
3	Supply of poor quality geysers at Chamgang Jail	0.165	-	0.165
4	Outstanding advance	1.131	B/f to current report 1.131	-
5	Procurement without open tendering	3.293	2.019	1.274
Total		15.099	13.660	1.439

The Royal Bhutan Police had resolved 90.47% of the issues leaving the balance of Nu. 1.439 million.

FINANCIAL INSTITUTIONS & CORPORATIONS

Table 6.15 Bank of Bhutan Limited (Nu.in million)

SI. No.	Observation in brief	Amount	Amt recovered/adjusted	Balance
1	Outstanding loan	6.159	0.093	6.066
2	Overdue pending liabilities	1.034	-	1.034
3	Non-collection of CBCs and OC	0.058	-	0.058
Total		7.251	0.093	7.158

The Bank of Bhutan had resolved 1.28% of the issues leaving the balance of Nu. 7.158 million. The management should make effort in adjusting/recovering the outstanding loan and overdue pending liabilities.

Table 6.16 Bhutan Development Finance Corporation Limited (Nu.in million)

SI. No.	Observation in brief	Amount	Amt recovered/adjusted	Balance
1	Writing off of loans	12.625	12.625	0
2	Undue delay in resolving the litigation cases	22.824	14.498	8.326
3	Excess payment	0.162	-	0.162
4	Irregular sanctioning of loan	4.000	4.000	0
5	Overdue loan balances	1.180	-	1.180
6	Outstanding loans	0.652	-	0.652
Total		41.443	31.123	10.320

The Bhutan Development of Finance Corporation had not resolved 45.18% irregularities reported in the AAR 2004. The management should take actions on the remaining cases as recommended by the RAA earlier.

Table 6.17 Royal Insurance Corporation of Bhutan Limited (Nu. in million)

SI. No.	Observation in brief	Amount	Amt recovered /adjusted	Balance
1	Overdue loan outstanding	56.040	56.040	-
2	Irregular rescheduling of loan exceeding its security	-	-	-
3	Inadmissible payment of Motor Vehicle claim	0.069	0.069	-
Total		56.109	56.109	-

The Royal Insurance Corporation of Bhutan had adjusted/recovered Nu. 56.109 million leaving sl no. 2 unsettled in the above table 6.17.

Table 6.18 Bhutan Broadcasting Service Corporation Limited (Nu.in million)

SI. No.	Observation in brief	Amount	Amt recovered/ adjusted	Balance
1	Inadmissible/irregular payment	0.259	-	0.259
2	Outstanding advances	0.877	0.789	0.060
3	Pending collections	3.355	2.620	0.735
Total		4.491	3.409	1.082

The Bhutan Broadcasting Corporation had resolved 75.90% of the issues leaving the balance of Nu. 1.082 million.

Table 6.19 Bhutan Postal Corporation Limited (Nu.in million)

SI. No.	Observation in brief	Amount	Amt recovered /adjusted	Balance
1	Losses sustained by opening the Post Shop	1.599	1.599	-
2	Non-realization	7.863	0.987	6.876
Total		9.462	2.586	6.876

The Bhutan Postal Corporation had resolved 27.33% of the issues leaving the balance of Nu. 6.876 million.

Table 6.20 Bhutan Power Corporation Limited (Nu.in million)

SI. No.	Observation in brief	Amount	Amt recovered /adjusted	Balance
1	Outstanding energy charges	0.141	-	0.141
2	Embezzlement of cash	0.500	-	0.500
3	Inadmissible payment	0.031	0.009	0.022
4	Non collection of revenue	0.045	-	0.045
Total		0.717	0.009	0.708

The Bhutan Power Corporation had an adjustment/recovery of 1.26% of the issues leaving the balance of Nu. 0.708 million.

Table 6.21 *Bhutan Telecom Corporation Limited (Nu.in million)*

Sl. No.	Observation in brief	Amount	Amt recovered /adjusted	Balance
1	Direct procurement of transmission of equipment and DR MASS	51.237	51.237	-
Total		51.237	51.237	-

The Bhutan Telecom Corporation had resolved 100% of the issues.

Table 6.22 *Druk Seed Corporation of Bhutan Limited (Nu.in million)*

Sl. No.	Observation in brief	Amount	Amt recovered /adjusted	Balance
1	Fixed assets lying unutilised	1.666	1.666	-
2	Heavy stock balance of vegetable seeds	1.473	0.231	1.242
3	Outstanding advances	1.162	0.375	0.787
4	Outstanding sundry debtors	0.338	0.085	0.253
Total		4.639	2.357	2.282

The Druk Seed Corporation had made a recovery/adjustment of 50.81% of the issues leaving the balance of Nu. 2.282 million.

Table 6.23 *Forestry Development Corporation Limited (Nu.in million)*

Sl. No.	Observation in brief	Amount	Amt adjusted	Balance
1	Outstanding advances	0.425	0.057	0.368
2	Non-achievement of planned target resulting into avoidable expenditure	0.759	-	0.759
3	Non realization of Debt	0.804	-	0.804
Total		1.988	0.057	1.931

The Forestry Development Finance Corporation had resolved 2.87% of the issues leaving the balance of Nu. 1.931 million.

AUTONOMOUS BODIES

Table 6.24 *Bhutan Football Federation (BFF) (Nu.in million)*

SI. No.	Observation in brief	Amount	Amt recovered /adjusted	Balance
1	Outstanding advances	2.200	1.177	1.023
Total		2.200	1.117	1.023

The Bhutan Football Federation had adjusted /recovered 50.77% of the outstanding advances leaving the balance of Nu. 1.023 million.

Table 6.25 *Cabinet Secretariat (Nu.in million)*

SI. No.	Observation in brief	Amount	Amt recovered / adjusted	Balance
1	Outstanding advance	0.160	-	0.160
Total		0.160	-	0.160

The Cabinet Secretariat had not adjusted/recovered the outstanding advance.

Table 6.26 *Wood Craft Centre (Nu.in million)*

SI. No.	Observation in brief	Amount	Amt recovered / adjusted	Balance
1	Outstanding dues on credit sales	0.332	0.067	0.265
Total		0.332	0.067	0.265

The Wood Craft Centre had resolved 20.18% of the issues leaving a balance of Nu. 0.265 million.

Table 6.27 *Judiciary (Nu.in million)*

SI. No.	Observation in brief	Amount	Amt recovered / adjusted	Balance
1	Non deposit of revenue	0.076		0.076
2	Non-accountal of Scooter	0.026		0.026
3	Irregular/Inadmissible payment	0.121	0.117	0.003
4	Outstanding advance	0.107	0.047	0.060
5	Procurement without calling quotations	0.161	0.161	-
6	Non-deposit of collections into SBA accounts	0.613	-	0.613
Total		1.104	0.325	0.779

The Judiciary had made an adjustment/ recovery of 29.44% of the issues leaving the balance of Nu. 0.779 million.

AUDIT OF GEOG ADMINISTRATIONS

Table 6.28 *Geogs under Dzongkhag Administration, Punakha (Nu.in million)*

Sl. No.	Observation in brief	Amount	Amt recovered / adjusted	Balance
1	Adjustment made without supporting documents	0.020	-	0.020
2	Irregular booking	0.032	-	0.032
Total		0.052		0.052

The geogs under Punakha dzongkhag had not resolved any of the issues.

Table 6.29 *Geogs under Dzongkhag Administration, Tsirang (Nu.in million)*

Sl. No.	Observation in brief	Amount	Amt recovered / adjusted	Balance
1	Payment made without signing vouchers	4.775	-	4.775
2	Non collection/ deposit of rural life and housing insurance	0.386	0.234	0.152
3	Non levy of penal interest	0.019	0.017	0.002
4	Non deduction of health contribution	0.004	0.004	-
5	Non-collection/ Non-deposit of rural taxes	0.057	0.016	0.041
6	Outstanding advance	0.024	-	0.024
7	Irregular Payment	0.002	-	0.002
Total		5.267	0.271	4.996

The geogs under Tsirang dzongkhag had made an adjustment/recovery of 5.15% of the issues leaving the balance of Nu. 4.996 million.

Table 6.30 *Geogs under Dzongkhag Administration, Wangdue Phodrang (Nu.in million)*

Sl. No.	Observation in brief	Amount	Amt recovered / adjusted	Balance
1	Non-deduction of health contribution	0.023	0.013	0.010
2	Non accountal of stock (CGI sheet)	52 Nos.	-	52 Nos.
3	Excess payment	0.007	-	0.007
4	Irregular payment	0.059	-	0.059
5	Payment made for works not executed	0.009	-	0.009
Total		0.098	0.013	0.085

The geogs under Wangdue Phodrang dzongkhag had made an adjustment / recovery of 13.27% of the issues leaving the balance of Nu. 0.085 million.