

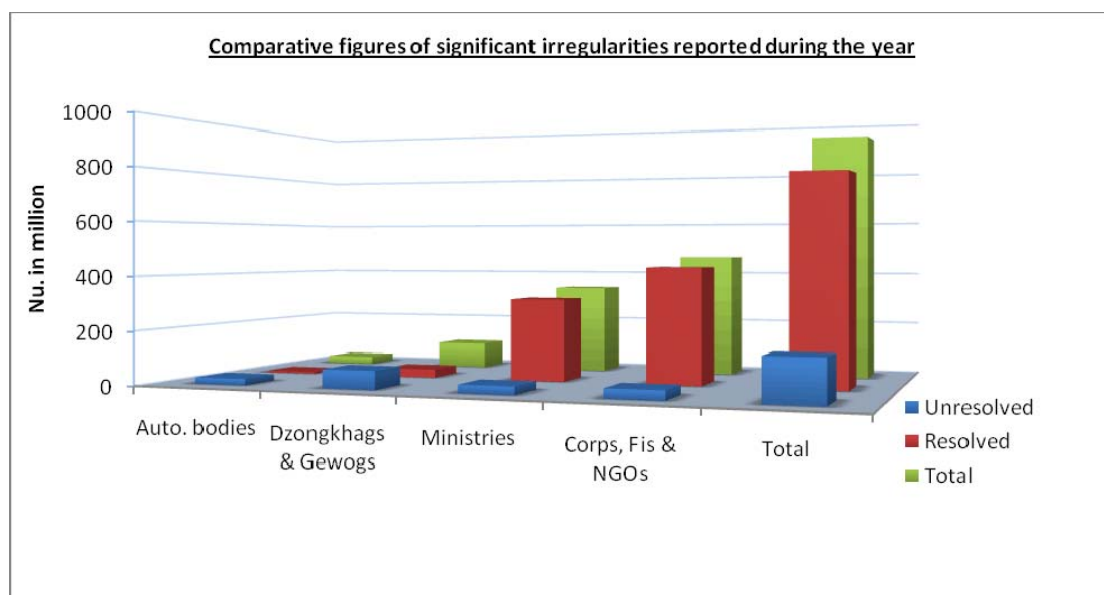
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SUMMARY OF AUDIT FINDINGS

The Annual Audit Report 2008 contains summary of unresolved significant audit findings and recommendations of 431 audit reports issued during the year. The total significant irregularities from these reports amounted to Nu. 932.177 million. In line with the Audit Act of Bhutan 2006, the draft Annual Audit Report was circulated to the agencies concerned in January 2009. *During the year, the agencies provided responses and documents evidencing compliance to the audit issues and recoveries where applicable were deposited into Audit Recoveries Account leading to settlement of 83.79 % of the significant irregularities amounting to Nu 781.056 million.* The amount of irregularities resolved out of the total significant irregularities is shown in the table and the chart below:

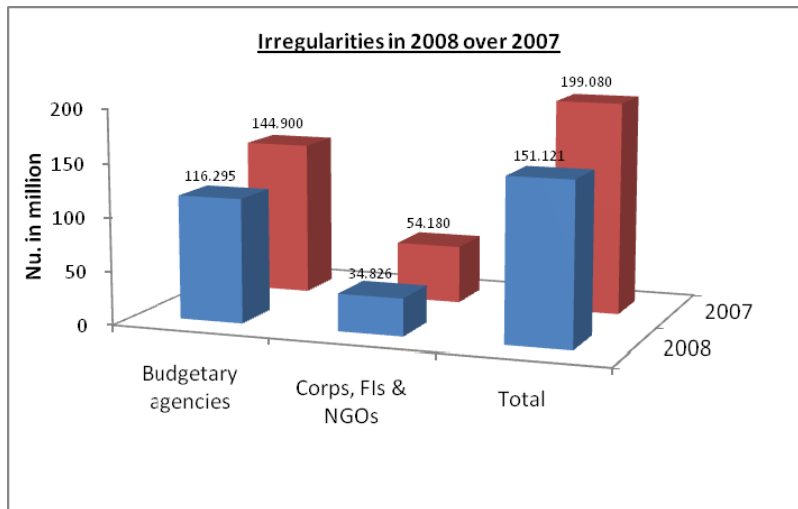
(Nu. in million)

Agency Group	Total significant irregularities reported	Total resolved	% resolved
Ministries	337.927	307.691	91.05
Dzongkhags & Gewogs	98.648	35.850	36.34
Autonomous Bodies	29.408	6.147	20.90
Corporations, Financial Institutions & NGOs	466.194	431.368	92.53
Total	932.177	781.056	83.79



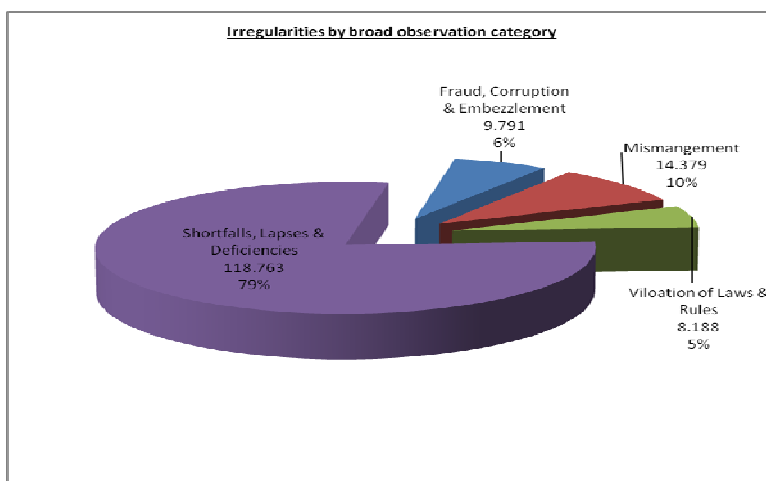
The total unresolved significant irregularities reported in the Annual Audit Report 2008 is Nu. 151.121 million. The unresolved significant irregularities was only about 16% of the total significant irregularities of Nu. 932.177 million reported during the year. On aggregate, the ministries, corporations, financial institutions and non-governmental organisations managed to settle over 90% of the significant irregularities pointed out. As compared to Nu. 199.080 million in 2007, the total unresolved significant irregularities of Nu. 151.121 million in 2008 was lower by about 24.09%. Comparative figures of

unresolved significant irregularities in 2007 and 2008 by agency categories are given in the chart below.



Aided by the momentum gained by the Follow up Division in reviewing the audit reports along with the strong support rendered by the agencies concerned, the Royal Audit Authority was able to resolve a significant number of irregularities. While the lapses per se do

not appear to indicate a decreasing trend at the moment, the seriousness of the managements in resolving audit issues had been increasing. The Royal Audit Authority hopes that the positive attitude of the agencies towards auditing and their continued support would ultimately contribute towards promoting economy, efficiency and effectiveness in the use of public resources in the long run. The other reason for the decrease in irregularities in the Annual Audit Report 2008 was due to the significant decrease in the amounts against the corporations and financial institutions. The Royal Audit Authority had studied the cases reflected against the corporations and financial institutions and the lapses pertaining to their normal commercial operations were excluded based on the improved compliances and follow up initiatives.

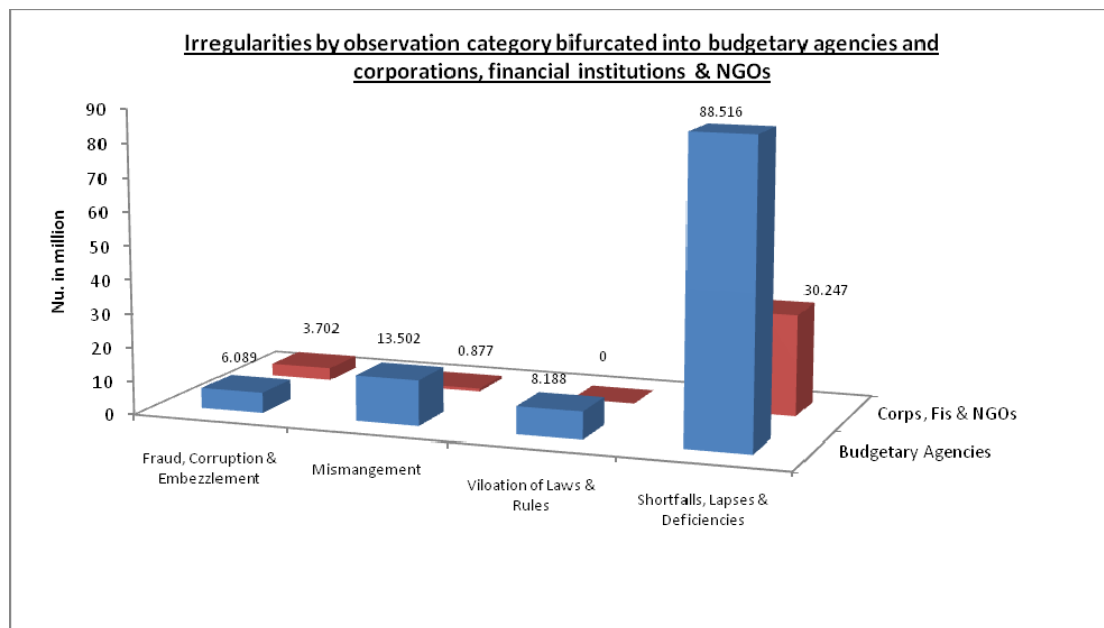


The total irregularities in the Annual Audit Report has been broadly classified into four categories in line with the observation categories coded in the Audit Information Management System (AIMS) depending upon their nature as shown in the Table 4.1 and 4.2 given at the end of this

chapter. The amounts of irregularities under these categories are shown in the chart above.

The highest amount of unresolved significant irregularities of Nu. 118.763 million representing about 79% of the total irregularities is reported under the shortfalls, lapses and deficiencies followed by Nu. 14.379 million under mismangement. An amount of Nu. 9.791 million was reported under fraud, corruption and embezzlement and an amount

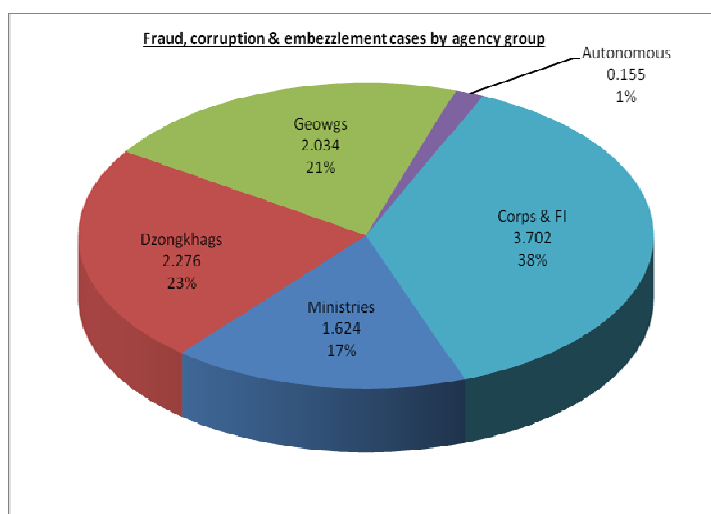
of Nu. 8.188 under violation of laws and rules. The total irregularities by categories bifurcated into budgetary agencies and corporation, financial institutions and NGOs are given in the graph below:



A brief summary of the irregularities under each of the four observation categories is given below:

4.1 Fraud, Corruption & Embezzlement

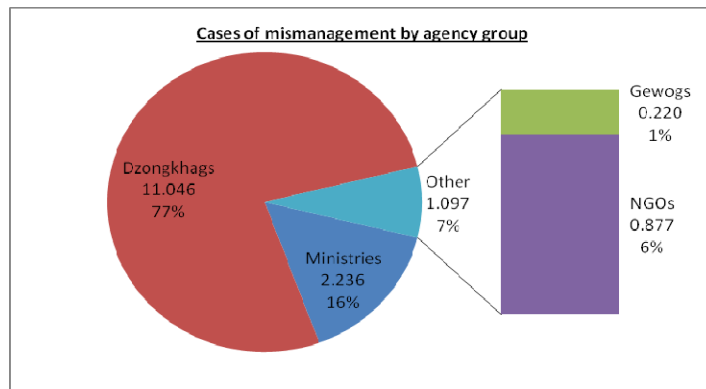
During the year, the Royal Audit Authority detected few sporadic cases of indicators of fraud, corruption and embezzlement with monetary involvement of Nu. 9.791 million. The amount included cases of misappropriation, fictitious payments and claims, non-accountal of funds, properties and taxes, payments for works not executed and materials not provided etc. The cases of fraud, corruption and embezzlement by agency group are given in the chart below:



The aggregate cases in the Dzongkhag Administration of Dagana, Lhuentse, Mongar, Pemagatshel, Samtse, Trashiyangtse, Tsirang and Zhemgang amounted to Nu. 2.276 million representing about 23.25 % of the total cases. The Bhutan Development Finance Corporation Ltd. under the Corporation and Financial Institutions (Corps & FI) had Nu. 3.702 million. The

aggregate of seventeen Gewogs had cases amounting to Nu. 2.034 million. The aggregate cases of Ministry of Agriculture, Ministry of Foreign Affairs, Ministry of Health and Ministry of Labour and Human Resources amounted to Nu. 1.624 million. Under autonomous bodies, the cases involving Nu. 0.155 million pertained to the Royal University of Bhutan.

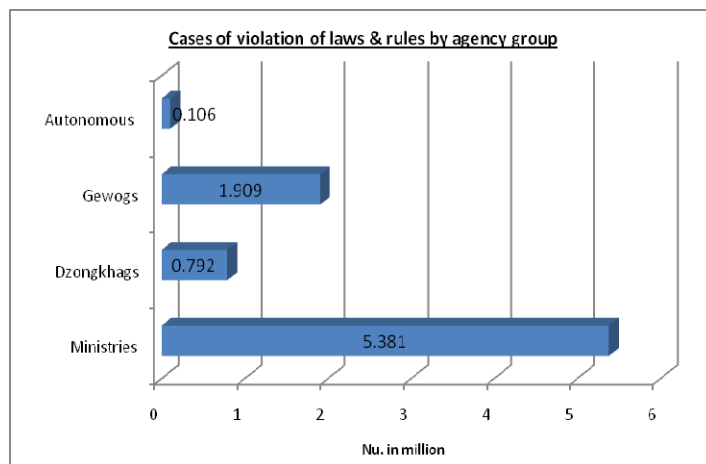
4.2 Mismanagement



Under the mismanagement of funds, properties and taxes, there were cases such as retention of huge balances, non/under utilisation of properties, unauthorised issue of materials, outstanding sale proceeds and other revenues, non-levy and collection of taxes, duties, fines and penalties, non-deposit of sale

proceeds etc. The monetary involvement under this broad category amounted to Nu. 14.379 million with the aggregate of three Dzongkhags representing 77% of the total irregularities as shown in the chart above. The Dzongkhag Administration of Tsirang, Trashiyangtse and Mongar had in aggregate irregularities of Nu. 11.046 million under mismanagement of funds, revenue and taxes. Under ministries, the Ministry of Agriculture, Ministry of Finance and Ministry of Information & Communication had aggregate irregularities of Nu. 2.236 million. The aggregate of Kurtoe Gewog under Lhuentse Dzongkhag and Nangkor Gewog under Zhemgang Dzongkhag had mismanagement of properties and taxes of Nu. 0.220 million and the Youth Development Fund under the non-governmental organisation had mismanagement of funds of Nu. 0.877 million.

4.3 Violation of Laws & Rules

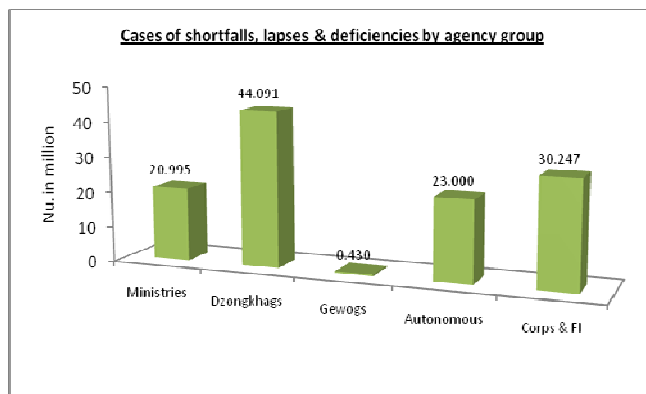


The violation of laws and rules include cases of violation of accounting norms such as payment without supporting documents, payment without approval, excess booking etc. and violation of procurement norms such as non-deduction of rebates, liquidated damages, execution of sub-standard works, abnormal delay in completion of works etc.

The total irregularities with Autonomous Bodies, Gewogs, Dzongkhags and Ministries under this category amounted to Nu. 8.188 million as shown above:

The irregularities of Nu. 0.106 million under Autonomous Bodies pertained to the Royal University of Bhutan on account of non-deduction of liquidated damages. The aggregate of six Gewogs viz. Getana under Chukha, Drujegang and Lhamoizingkha under Dagana and Dragteng, Langthel and Tangsibji under Trongsa amounted to Nu. 1.909 million. The aggregate of Dzongkhag administration of Chukha, Dagana, Lhuentse and Trongsa amounted to Nu. 0.792 million. The aggregate of Ministry of Agriculture, Ministry of Education, Ministry of Labour and Human Resources and Ministry of Works and Human Settlement constitute the highest cases of irregularities under the category violation of laws and rules with Nu. 5.381 million.

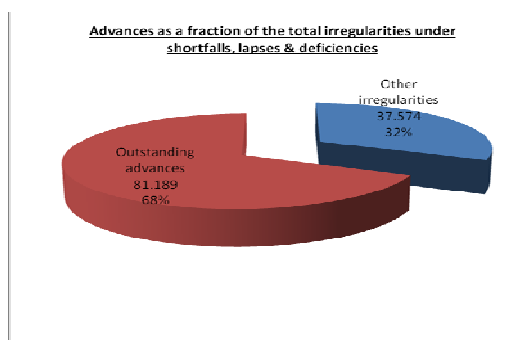
4.4 Shortfalls, Lapses & Deficiencies



The highest amount of irregularities of Nu. 118.763 million is reported under the category shortfalls, lapses & deficiencies. The irregularities included cases of excess payments, inadmissible payments, double payments, non/or improper maintenance of records, missing documents, non/or short deductions, irregularities in

advances etc. The amount of irregularities by agency category is shown in the chart above.

The aggregate of thirteen Dzongkhags had the highest cases of irregularities under this category followed by the aggregate of four corporations and two financial institutions. The irregularities of Bhutan Olympic Committee, Centre for Bhutan Studies and the Royal University of Bhutan under the Autonomous Bodies amounted to Nu. 23.000 million. The amount of Nu. 20.995 million reflected against the ministries are the aggregate figures of 9 ministries excluding the Ministry of Economic Affairs. The Getana Gewog under Chukha and Nangkor under Zhemgang has aggregate shortfalls, lapses and deficiencies of Nu. 0.430 million.



About 68% of the irregularities under the shortfalls, lapses and deficiencies were on account of outstanding advances. The outstanding advances alone amounted to Nu. 81.189 million out of the total irregularities in advances of Nu. 81.737 million. The outstanding advances as a fraction of the total irregularities under the category shortfalls, lapses and deficiencies is shown in the chart above.

Table 4.1: Summary of AAR 2008 with category of irregularities and amount involved in respect of the budgetary agencies

(Nu. in million)

Sl. No.	Category of irregularities	MoA	MoE	MoF	MoFA	MoH	MOHCA	MoIC	MoLHR	MoWHS	Dzongkhags	Gewogs	Autonomous	Total
1	Fraud, Corruption & Embezzlement	1.088	-	-	0.293	0.134	-	-	0.109	-	2.276	2.034	0.155	6.089
1.1	Malpractices & abuses	0.150	-	-	-	0.134	-	-	-	-	0.850	1.728	0.055	3.152
1.2	Misappropriation	0.769	-	-	0.293	-	-	-	0.109	-	1.169	0.160	0.100	2.600
1.3	Non/Short accountal	0.169	-	-	-	-	-	-	-	-	0.022	0.146	-	0.337
2	Mismanagement	0.312	-	0.999	-	-	-	0.925	-	-	11.046	0.220	-	13.502
2.1	Mismanagement of fund	-	-	-	-	-	-	-	-	-	10.423	-	-	10.423
2.2	Mismanagement of Properties	0.272	-	-	-	-	-	-	-	-	-	0.052	-	0.324
2.3	Mismanagement of revenue & taxes	0.040	-	0.999	-	-	-	0.925	-	-	0.623	0.168	-	2.755
3	Violation of Laws & Rules	2.451	0.594	-	-	-	-	-	0.120	2.216	0.792	1.909	0.106	8.188
3.1	Violation of Budgetary norms	-	-	-	-	-	-	-	-	-	-	-	-	-
3.2	Violation of accounting norms	2.451	0.095	-	-	-	-	-	-	-	0.136	1.758	-	4.440
3.3	Violation of procurement norms	-	0.499	-	-	-	-	-	0.120	2.216	0.656	0.151	0.106	3.748
4	Shortfalls, Lapses & Deficiencies	6.179	1.021	0.102	5.872	0.720	0.739	0.443	2.241	3.678	44.091	0.430	23.000	88.516
4.1	Over/inadmissible/irregular/double payments	0.443	0.256	0.102	-	0.271	0.078	0.263	2.241	-	0.539	0.100	0.059	4.352
4.2	Non production/missing of documents	0.434	-	-	-	-	-	-	-	-	0.128	-	-	0.562
4.3	Non/short deductions	0.209	-	-	-	-	-	-	-	-	0.110	-	0.033	0.352
4.4	Irregularities in property management	-	0.720	-	-	-	-	-	-	-	-	-	-	0.720
4.5	Non-refund of unspent balances	0.313	-	-	-	-	-	-	-	-	-	-	-	0.313
4.6	Shortfalls & uneconomical operations	0.157	-	-	-	-	-	-	-	-	-	-	0.323	0.480
4.7	Irregularities in advances	4.623	0.045	-	5.872	0.449	0.661	0.180	-	3.678	43.314	0.330	22.585	81.737
	TOTAL	10.030	1.615	1.101	6.165	0.854	0.739	1.368	2.470	5.894	58.205	4.593	23.261	116.295

Table 4.1: Summary of AAR 2008 with category of irregularities and amount involved in respect of the Corporations, Financial Institutions & NGOs

(Nu. in million)

Sl. No.	Category of irregularities	BBSC	BDFCL	BoBL	BT	CDCL	PCAL	RICBL	YDF	Total
1	Fraud, Corruption & Embezzlement	-	3.702	-	-	-	-	-	-	3.702
1.1	Malpractices & abuses	-	-	-	-	-	-	-	-	-
1.2	Misappropriation	-	3.702	-	-	-	-	-	-	3.702
1.3	Non/Short accountal	-	-	-	-	-	-	-	-	-
2	Mismanagement	-	-	-	-	-	-	-	0.877	0.877
2.1	Mismanagement of fund	-	-	-	-	-	-	-	0.877	0.877
2.2	Mismanagement of Properties	-	-	-	-	-	-	-	-	-
2.3	Mismanagement of revenue & taxes	-	-	-	-	-	-	-	-	-
3	Violation of Laws & Rules	-	-	-	-	-	-	-	-	-
3.1	Violation of Budgetary norms	-	-	-	-	-	-	-	-	-
3.2	Violation of accounting norms	-	-	-	-	-	-	-	-	-
3.3	Violation of procurement norms	-	-	-	-	-	-	-	-	-
4	Shortfalls, Lapses & Deficiencies	1.967	-	24.977	2.169	0.606	0.487	0.041	-	30.247
4.1	Over/inadmissible/irregular/double payments	-	-	-	-	0.606	0.487	0.041	-	1.134
4.2	Non production/missing of documents	-	-	-	-	-	-	-	-	-
4.3	Non/short deductions	-	-	-	2.169	-	-	-	-	2.169
4.4	Irregularities in property management	-	-	-	-	-	-	-	-	-
4.5	Term expired/overdue/over financing of loans	-	-	24.977	-	-	-	-	-	24.977
4.6	Shortfalls & uneconomical operations	1.967	-	-	-	-	-	-	-	1.967
	TOTAL	1.967	3.702	24.977	2.169	0.606	0.487	0.041	0.877	34.826