



# **Annual Audit Report 2011**

---

**(IN FULFILLING THE CONSTITUTIONAL RESPONSIBILITY)**

**Royal Audit Authority**



© Royal Audit Authority

ISBN 978- 99936- 674-4-5

Royal Audit Authority  
Kawajangsa  
Thimphu  
Bhutan  
P.O. Box 191  
Tel: + 975 2 322111/322833/324961/328729  
Fax: +975 2 323491  
[www.bhutanaudit.gov.bt](http://www.bhutanaudit.gov.bt)





### *Vision*

“A Premier Audit Institution that promotes value for money in government operations and contribute towards good governance”.

### *Mission*

“To audit without fear or favour or prejudice on the prudent and effective use of public resources and report to the Parliament and Stakeholders for enhancing transparency and accountability in the government”.









## THE AUDITOR GENERAL'S PERSPECTIVE

The year 2011 had been brimful of joy and happiness in celebrating historic and eventful Royal Wedding in the Nation. It had ushered in yet another hope for the people of Bhutan and as the nation continues to reverberate with the joyous celebrations, the Royal Audit Authority would like to offer our sincere prayers and wishes for the health and happiness of our beloved King and the Queen. Under the benevolent guidance of His Majesty the King, may our nation continue to be the haven of peace, joy and happiness for all time to come.



The year had also been special for the Royal Audit Authority. I had the highest of privilege and honour to receive *Bura Marp* from His Majesty the King during the National Day Celebration on December 17, 2011 in recognition of the RAA's service to the nation. I feel humbled and dedicate this to all members of the Royal Audit Authority for their dedicated services in supporting me as a team. I would urge our colleagues and staff members to keep up the good work. The award was special and the result of our collective efforts and therefore, it must further deepen our commitment to serve the nation.

Under the benevolent leadership of His Majesty the King and the continued support of the Government, the Royal Audit Authority continues to attain success and achievements in fulfilling its mandate as enshrined in the Constitution of the Kingdom of Bhutan and have been able to deliver the services to the public without fear, favour or prejudice.

The Annual Audit Report 2011 (AAR 2011) is the second Annual Audit Report issued after my appointment as the first Auditor General of Bhutan under the Constitution of the Kingdom of Bhutan in July 2010. In fulfillment of my responsibilities, it is my pleasure to submit the AAR 2011 which is prepared in line with Section 69 to 73 of the Audit Act of Bhutan 2006 and as required under the Article 25.5 of the Constitution of the Kingdom of Bhutan. The AAR 2011 is a consolidated summary of significant unresolved audit findings compiled from 824 audit reports issued during the year. Besides, it also includes certification of Annual Financial Statements of the Royal Government of Bhutan for the fiscal year 2010-11, RAA's overall accomplishments and activities, chapters on two performance audit reports and recommendations.

The Royal Audit Authority as the Supreme Audit Institution of Bhutan has large mandate in ensuring that the public resources are accounted for and managed properly by those entrusted with management of public funds. On this account, as an external oversight mechanism providing assurance and advisory services, the Royal Audit Authority provides independent views on the quality of public sector activities and stewardship of public funds.

In the process of conducting the financial audit of Annual Financial Statements of the Royal Government of Bhutan for the year ended June 2011, the Royal Audit Authority noted that the Government had not utilized capital budget of Nu. 5,693.737 million representing 27.8% of the revised capital budget of Nu. 20,480.584 million. This has been the trend since past few years. The variations of such huge magnitude indicate that many planned programmes were either may not





## THE AUDITOR GENERAL'S PERSPECTIVE

have been implemented or pace of implementation of capital works were slow. It may also indicate that lack of adequate planning and prioritization could have contributed to short execution of the planned activities. There is a need therefore, to carry out proper analysis of under-utilization of capital budget and address the problems through timely and appropriate interventions.

Of late the nation has witnessed INR (Rupee) crunch and important decisions were taken responding to the crises. The impact of these decisions on the overall economy and financial standing will be known in the near future. The government and authorities concerned may need to institute effective mechanism to study and diagnose the symptoms and initiate timely and systematic interventions to avoid similar crises.

In line with the provisions of the Audit Act of Bhutan 2006, the Annual Audit Report in its draft form was circulated to the agencies concerned in January 2012. The draft report had significant irregularities of Nu. 1,766.708 million of which Nu. 996.567 million representing over 56% were either resolved fully or substantially upon receipt of responses and action taken reports rendering it not significant for inclusion in the Annual Audit Report 2011. The Annual Audit Report therefore contains only significant audit findings remaining unresolved as on February 15, 2012. I would like to express my sincere thanks and appreciation for the prompt actions and responses on the draft AAR 2011.

The Annual Audit Report 2011 contains significant unresolved irregularities involving Nu. 770.141 million which is 12.99% more than amount of irregularities reported in 2010. It has 46% of the irregularities categorized under Shortfalls, Lapses and Deficiencies, 37% under Mismanagement, 15% under Violation of Rules and Regulations and 2% under Fraud, Corruption and Embezzlement.

The unresolved cases of Fraud, Corruption and Embezzlement have significantly reduced as compared to amount reported in AAR 2010. However, unlike in the past, fraud and corruption cases resolved based on recoveries and actions taken have been reported separately in *Exhibit II* as information to the readers. Thus, the cases reported are those cases for which either the recoveries are yet to be made or appropriate actions are yet to be taken by the concerned authorities.

As a process of strengthening auditing functions and audit resource management system, the RAA has embarked on a project on development of Audit Resource Management System (ARMS) funded by Asian Development Bank (ADB). The project is being undertaken by our in-house team of IT professionals led by an external consultant. It is a comprehensive system expected to integrate major functions encompassing auditing, reporting, documentations, field audit monitoring, HR and asset management, quality assurance, follow up and others.

During the year, the Royal Audit Authority launched Procurement Audit Manual, Construction Audit Manual and Revised Performance Audit Guidelines. The manuals and guidelines were developed in-house by a group of experts. It is expected that these manuals and guidelines will ensure that processes and the audit reports meet the requisite quality standards and assist our





## THE AUDITOR GENERAL'S PERSPECTIVE

auditors in ensuring economy, efficiency and effectiveness of audit and maintaining uniformity and consistencies of approaches in the audit process. The appreciation for RAA's work of developing manuals and guidelines had already started to pour in as the donor such as World Bank had expressed interest in replicating it in other donor assisted countries.

In gearing towards improving services of the Royal Audit Authority and also for achieving the goals envisaged in our Strategic Plan 2010-15, the officials of RAA signed performance compact with the Auditor General. This marked the commitments of officials in fulfilling the responsibilities assigned to them and the pledge to hold themselves accountable in discharging their responsibilities.

In accordance with Section 86 of the Audit Act of Bhutan, the independent peer review of the Royal Audit Authority was carried out by the Office of the Comptroller and Auditor General of India in 2010. The peer review report issued in 2011 highlighted some of the best practices the RAA has adopted and also indicated areas for improvement through their recommendations. The recommendations are being discussed and action plans prepared for implementation.

As in the past, a separate chapter is dedicated for recommendations for improving the accounts, operations and financial management system in the Government and other audited agencies. The recommendations were drawn on the basis of overall findings and deficiencies noted in the operations of audited agencies during the year. I hope the government and others as in the past will find the recommendations helpful in initiating corrective measures and achieving economy, efficiency and effectiveness in its operations.

I would like to acknowledge the support of the Parliament rendered to RAA in reviewing and deliberating on the past Annual Audit Reports and individual audit reports, which had enabled RAA to resolve most of the pending issues. The Parliamentary directives and follow up procedures render effective mechanism in promoting accountability in the public services at large.

Lastly, I would like to once again acknowledge the support and cooperation rendered by our audited agencies, particularly in providing prompt responses to the draft Annual Audit Report 2011, which facilitated the timely compilation and preparation of the report. Further, I would like to reassure that the entire members of the Royal Audit Authority are always committed to provide timely and quality services to the public.

(Ugen Chewang)  
**Auditor General of Bhutan**



## Table of Contents

CHAPTER 1: ACCOMPLISHMENTS OF THE ROYAL AUDIT AUTHORITY .....	1
1. Achievements in terms of auditing .....	1
2. Achievements in terms of reporting .....	3
3. Achievements in terms of professional development .....	3
4. Achievements in terms of enhancing service delivery system .....	5
5. Achievements in terms of international cooperation .....	5
6. Independent external audit of the Royal Audit Authority .....	6
7. Peer review of the Royal Audit Authority .....	6
8. Royal Audit Authority launched its first newsletter .....	6
9. RAA team won the National Inter-Sectoral Ozone Quiz Competition .....	6
CHAPTER 2: SUMMARY OF AUDIT FINDINGS .....	7
1. Fraud, Corruption and Embezzlement .....	8
2. Mismanagement .....	9
3. Violation of Laws and Rules .....	10
4. Shortfalls, Lapses and Deficiencies .....	11
CHAPTER 3: CERTIFICATION OF ANNUAL FINANCIAL STATEMENT .....	14
CHAPTER 4: DETAILED AUDIT FINDINGS .....	21
1. MINISTRIES .....	21
1.1 Ministry of Information & Communications .....	21
1.2 Ministry of Foreign Affairs .....	26
1.3 Ministry of Works and Human Settlement .....	30
1.4 Ministry of Health .....	37
1.5 Ministry of Agriculture & Forests .....	39
1.6 Ministry of Economic Affairs .....	45
1.7 Ministry of Finance .....	47
1.8 Ministry of Education .....	49
1.9 Ministry of Home & Cultural Affairs .....	50
1.10 Ministry of Labour and Human Resources .....	51
2. DZONGKHAGS .....	52
3. GEWOGS .....	74
4. AUTONOMOUS BODIES .....	88
5. CORPORATIONS .....	98
6. FINANCIAL INSTITUTIONS .....	105
7. NON GOVERNMENTAL ORGANISATIONS .....	112
8. POLITICAL PARTIES .....	113
CHAPTER 5: SUMMARY OF PERFORMANCE AND THEMATIC AUDITS .....	116
CHAPTER 6: RECOMMENDATIONS .....	121
Exhibit – I: AUDITORS’ REPORT ON THE AUDIT OF ACCOUNTS & OPERATIONS OF RAA .....	125
Exhibit – II: Resolved case of Fraud, Corruption & Embezzlement .....	128
Exhibit – III: Glossary of Terms .....	129



# CHAPTER 1

## ACCOMPLISHMENTS OF THE ROYAL AUDIT AUTHORITY

The Royal Audit Authority (RAA) derives its mandate from Article 25.1 of the Constitution of the Kingdom of Bhutan, which states that, "There shall be a Royal Audit Authority to audit and report on the economy, efficiency and effectiveness in the use of public resources." Article 25.4 of the Constitution further provides that "The Royal Audit Authority shall, without fear, favour or prejudice, audit the accounts of all departments and offices of the Government, including all offices in the Legislature and the Judiciary, all public authorities and bodies administering public funds, the police and the defense forces as well as the revenues, public and other monies received and the advances and reserves of Bhutan."

The Royal Audit Authority was instituted as an autonomous body in 1985 and as a constitutional body in December 2005. Under the Auditor General, the Authority is at the



moment manned by 234 staff with diverse professional background. It has four regional offices strategically located across the Kingdom. In line with the provisions of the Constitution of the Kingdom of Bhutan, the Royal Audit Authority started performance audits and theme based audits, besides the routine financial, propriety and compliance audits. A brief account of the activities and initiatives as a part of the accomplishments of the Royal Audit Authority during the year is given below:

### 1. Achievements in terms of auditing

The Royal Audit Authority had conducted 743 audits during the year including one special audit and 5 performance based audits and 21 statutory audits as shown in the Table 1.1. The continued focus on the risk based approach which involves detailed audit planning and programming prior to the field audit had enabled increase in the number of audits.

Sl. No.	Types of audit	No. of audits
1	Financial audits	633
2	Certification audits as required by donor funded projects	104
3	Special audit	1
4	Performance audits	5
	<b>Total</b>	<b>743</b>

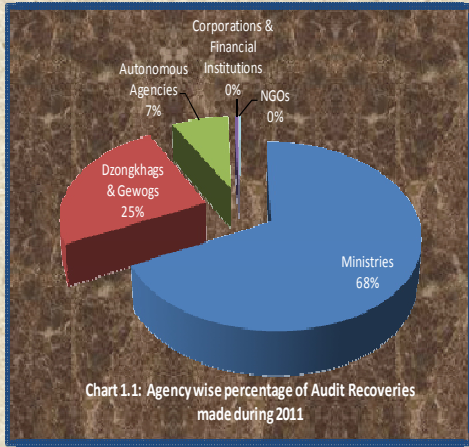
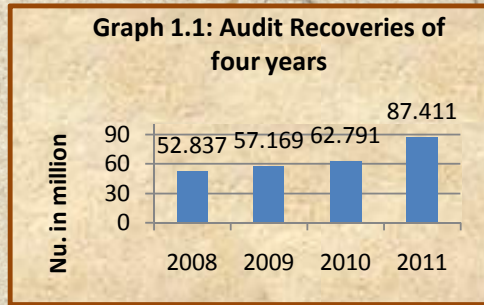
Table 1.1: Types & number of audits conducted

The efficacy of focused approach and risk based audit is not only felt in the wider coverage of audit, but has apparently led to increased effectiveness reflected through increased amount of audit recoveries during the year. The Royal Audit Authority had recovered a record high of Nu. 87.411 million in 2011. The recoveries during 2011 had increased by 39.21% over the recoveries made in 2010. The sharp increase was mainly due to rigorous follow up done by the RAA and also responsive actions taken by the audited agencies in



resolving the pending audit issues. The trends of Audit Recoveries for the last four years are as given in the Graph 1.1:

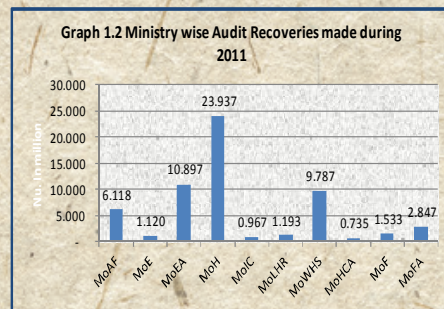
Further, the Parliamentary directive to impose 24% penal interest on overdue outstanding advances and recoverable amounts reflected in the audit reports prompted the audited agencies to initiate actions in recovering and depositing the amounts into audit recoveries account.



During 2011, the recoveries of Nu. 59.134 million was made from the Ministries accounting for 68% of the total recoveries. The recoveries from Dzongkhags and Gewogs amounted to Nu. 21.402 million representing 25% of the total recoveries and the recoveries of Nu. 6.410 million was made from the Autonomous Agencies which accounted for over 7% of the total recoveries made during the year. The audit recoveries from Corporations & Financial Institutions and Non Governmental organizations are negligible. However, it is to be noted that the recoveries that need to be made in respect of Corporations & Financial Institutions are not required to be accounted for in the Audit

Recoveries Account maintained by the Royal Audit Authority but have been accounted for in their respective Recoveries Accounts.

Of the 10 Ministries which accounted for Nu. 59.134 million representing over 68% of the total recoveries during 2011, the Ministry of Health had the highest recovery of Nu. 23.937 million followed by Ministry of Economic Affairs, Ministry of Works and Human Settlement and Ministry of Agriculture and Forests with the recoveries of Nu. 10.897 million, Nu. 9.787 million and Nu. 6.118 million respectively. The ministry wise audit recoveries made during 2011 is given in Graph 1.2.



The top four ministries had made total recoveries of Nu. 50.739 million which accounted for over 85% of the amount recovered from 10 Ministries and over 58% of the total recoveries made during the year.



## 2. Achievements in terms of reporting

In order to ensure desired impact of the audit and that the essence of our audits is not jeopardized through time lags, the Royal Audit Authority ensured that the audit reports are not only addressed to appropriate authorities but also transmitted on time. During the period, the Royal Audit Authority issued 824 audit reports as shown in Table 1.2.

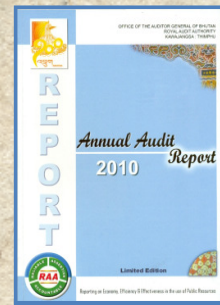
Sl. No.	Types of audit	No. of reports
1	Financial audits	719
2	Certification audits as required by donor funded projects	99
3	Special audit	1
4	Performance audits	5
	<b>Total</b>	<b>824</b>

Table 1.2: Types & number of reports issued

In order to ensure that the auditing processes produce appropriate results, the Royal Audit Authority prioritized the importance of conducting the follow up of audit reports. Therefore in 2011, besides 824 reports, the Royal Audit Authority also issued 289 follow up reports of the prior audit reports and 21 statutory audit reports. In 2011, the Royal Audit Authority also conducted special audit of Directorate of Lottery, Ministry of Finance. The number of reports issued in 2011 stands highest in terms of reports issued by the Royal Audit Authority over the years. Besides, the increase in number of audits carried out during the year, the issuance of separate audit reports for Gewog LC and CD Accounts had increased the number of reports issued during the year.

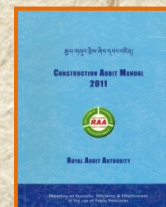
In line with Section 48(b) of the Audit Act of Bhutan 2006, the Royal Audit Authority endorsed 30 audit reports containing significant indicators of cases of fraud and corruption to Anti-Corruption Commission during the period. The most significant ones among these reports included the serious fraud and corrupt practices reflected in the reports of Road Network Project, Department of Roads, Ministry of Works and Human Settlement and Road Safety & Transport Authority, Ministry of Information and Communications.

During the year, the Annual Audit Report 2010 was submitted to His Majesty the King, the Prime Minister and the Parliament. Considering the significant observations and recommendations made, the performance audit reports of Operations of National Pension & Provident Fund, Civil Service Trainings, Human Resource Management of the Ministry of Education and audit reports on computers and peripherals, compliance to the Multilateral Environment Agreements and operations of Education Development Project (EDP) implemented by the Ministry of Education were submitted and deliberated in the Parliament. In discharging of advisory service of the Royal Audit Authority, AG's Advisory Series 2011 on Enhancing Internal Audit System in the Royal Government of Bhutan was also submitted to the Government.



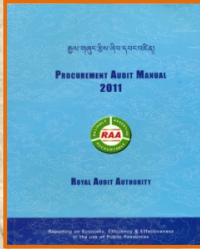
## 3. Achievements in terms of professional development

The professional development is an important factor that determines the quality of audit products and services. The Royal Audit Authority has always attached top priority to professional development so that the quality of our products and services is not compromised at any point of time. While it is important to understand that intuitive qualities play a major role, it is nevertheless crucial to set an enabling as well as compelling

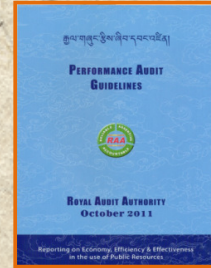




environment to ensure professionalism in every aspect of our work. In line with this, the Royal Audit Authority had developed and launched Construction Audit Manual, Procurement Audit Manual and Performance Audit Guidelines during the year.



The audit manuals and guidelines were drafted in response to the manifold increase in the plan outlay of the Royal Government of Bhutan and the increased volume and magnitude of activities that demand audit scrutiny. It is expected to ensure effectiveness of audit in promoting better management of the resources and enhancing accountability in the governance system by aiding the auditors in effective planning and programming of the audits.



In gearing towards digitalization and automation of auditing functions, a project on development of Audit Resources Management System (ARMS) funded by Asian Development Bank (ADB) was started by our team of IT professionals and external consultant. The project is in the process of developing System Requirement Specifications (SRS) involving various stakeholders within the organization.

The RAA in its pursuit of enhancing institutional and human capabilities of delivering the mandates, trainings are conducted on a continuous basis. During the year, 43 officials availed ex-country and 9 officials were sent for long term courses. The RAA conducted 22 in-house trainings catering to 313 participants in accordance with our Continuing Professional Development Policy. The in-house training also included training of 10 internal auditors from various Ministries on internal control assessment. The training was intended to strengthen internal audit units of various agencies so that RAA can rationalize and prioritize its work on the basis of work done by the internal auditors. The RAA is also committed to continuously support the internal audit units through organizing similar trainings in future.



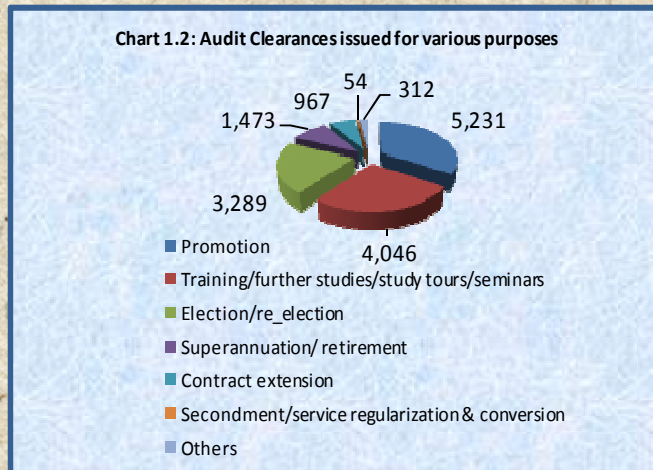
The preparatory works for the construction of Audit Training Centre at Tsirang which was endorsed by the 87<sup>th</sup> Session of the National Assembly are on the verge of completion. The milestone achievement in the year included completion of architectural, structural and other technical drawings and approach road to the centre.

Recognizing the need to maintain quality of audits, the Quality Assurance Unit was upgraded into full-fledged Division headed by the Assistant Auditor General. At the moment, every audit report that is prepared by the functional Divisions has to go through quality checks by the Quality Assurance Division before it is issued. The Division is expected to ensure that the audit reports issued by RAA are complete in all respects conforming to international best practices and standards.



#### 4. Achievements in terms of enhancing service delivery system

In our continued modest attempt to augment the Government Policy of enhancing public service delivery system, audit clearance certificates for various purposes are issued online. This system had benefitted civil servants especially those posted in Dzongkhags to obtain



the audit clearance certificates without having to visit the RAA Headquarter and the Regional Offices. It is felt that the online system would have reduced the travel costs and minimized the disruption of the day to day functioning of offices. During the year, the Royal Audit Authority had issued 15,372 audit clearance certificates for various purposes as shown in Chart 1.2.

The Royal Audit Authority launched Video Conferencing facilities in March 2011 to facilitate internal meetings with the regional offices and between the regional offices. It is also expected to facilitate Audit Entry and Exit conferences and review meetings with the audited agencies in future.

#### 5. Achievements in terms of international cooperation

In order to keep abreast of new development taking place in auditing profession, it is essential for RAA to maintain sound professional linkages particularly with Supreme Audit Institutions around the world. In line with this objective, the RAA had further boosted its efforts in integrating itself into various international forums and organizations.

The Royal Audit Authority became a member of International Organization of Supreme Audit Institutions (INTOSAI) Working Group on Environmental Auditing (WGEA). As a member of WGEA, the RAA expects to strengthen the institutional capacity in carrying out the environmental audits through active involvement and participation in the Working Group and sharing experiences and contributing to the work plan projects of developing guidance and reference materials.

The Auditor General led a three member delegation to attend INTOSAI Working Group Meeting on IT Audit in Sun City, South Africa in April 2011. The Auditor General also led a three member delegation to 14<sup>th</sup> Meeting of the International Organization of Supreme Audit Institutions (INTOSAI) Working Group on Environmental Auditing (WG14) held in Buenos Aires, Argentina in November 2011. The Deputy Auditor General led a five member delegation to Malaysia to study Accountability Index at the National Audit Department of Malaysia in August 2011. The RAA officials attended the ASOSAI Seminar on "How to integrate ethics and integrity into the Auditing Practices of an SAI" which was held in Seoul, Republic of Korea in October 2011.



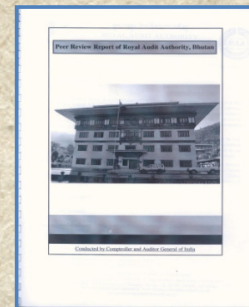
## 6. Independent external audit of the Royal Audit Authority

In line with the Audit Act of Bhutan 2006, the accounts and operations of the Royal Audit Authority for the Fiscal Year ended 30<sup>th</sup> June 2011 was audited by M/s S R I Associates, Chartered Accountants, Kolkata. The Auditor's report along with certified Receipts & Payments Statement of the Royal Audit Authority is given in **Exhibit I**. The appointment of auditors was done based on the selection of auditors made by the Public Accounts Committee on behalf of the Parliament as required under the Audit Act.

## 7. Peer review of the Royal Audit Authority

The independent Peer Review of Royal Audit Authority was carried out by the Office of the Comptroller and Auditor General of India in two phases during November and December 2010. The report was issued to the RAA in May, 2011. The report highlighted some of the best practices the RAA has adopted and also made several recommendations for further improvements of the system. A copy of the report each was submitted to His Majesty the King, Prime Minister, Speaker and other stakeholders of the Royal Audit Authority.

The recommendations are being discussed and action plans drawn for implementation.



## 8. Royal Audit Authority launched its first newsletter

The Royal Audit Authority launched its first biannual Newsletter for dissemination of information on events and developments taking place in Royal Audit Authority. It is expected to serve as forum for information exchange for transparency of the Institution which provides vital assurances on transparency and accountability in the utilization of the public resources. The copies of newsletter were distributed to various stakeholders across the country.

## 9. RAA team won the National Inter-Sectoral Ozone Quiz Competition

The RAA team won the National Inter-Sectoral Ozone Quiz Competition on "Ozone and General Environment" which was organized as a part of celebration of launching HCFC Phase-out Management Plan (HPMP) by the National Environment Commission in 2011. A four member team from RAA participated in the competitions held amongst ten sectoral teams from various agencies.



\*\*\*\*\*

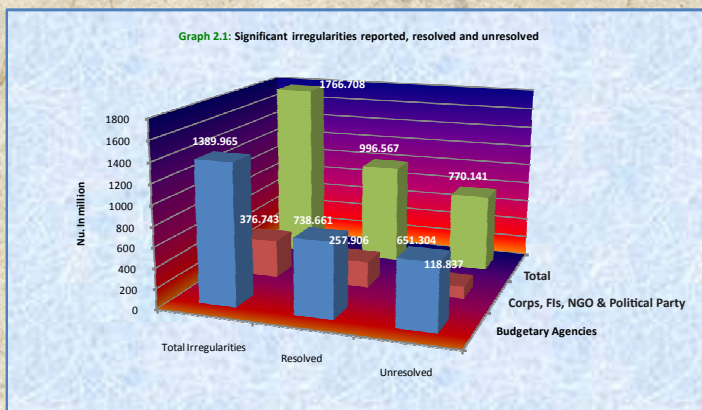


# CHAPTER 2

## SUMMARY OF AUDIT FINDINGS

The Annual Audit Report 2011 (AAR 2011) has been compiled from 824 audit reports issued during the year. The report includes a chapter on the certification of the Annual Financial Statements of the Royal Government for the fiscal year ended June 30, 2011, significant unresolved observations of reports issued during the year and a chapter on performance and thematic audits. The Report also includes chapters on the audit of accounts and operations of the RAA and accomplishments made by it during the year.

In the process of carrying out the audit of Annual Financial Statements, the Royal Audit Authority had also reviewed the utilization of the budget approved by the National Assembly for the Fiscal Year ended June 2011 to ascertain that the planned work for the period had been carried out as envisaged during the submission of the budget. The review of the capital budget revealed that the government had utilized Nu. 14,786.847 million as against the revised capital budget of Nu. 20,480.584 million thereby resulting into underutilization of Nu. 5,693.737 million (27.8% of the revised capital budget). This would indicate that some of the planned works, which were capital in nature, were not carried out or the progress of such works were slow. Such a huge variance would have inevitably impeded the progress of implementation of planned activities with consequential impact on the timely delivery of services to the intended beneficiaries.



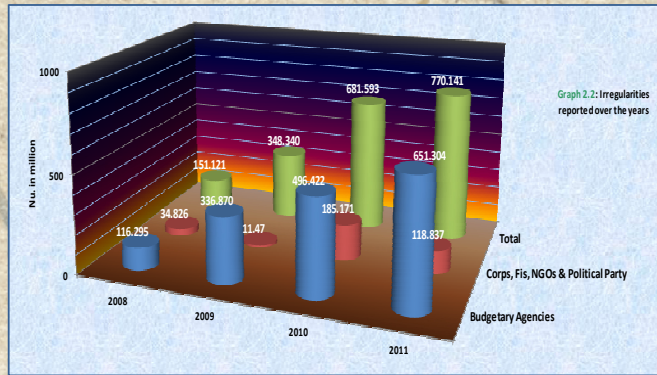
The relevant excerpt of the Draft Annual Audit Report was circulated to all the agencies concerned in January 2012 as required under the Audit Act of Bhutan 2006 for factual confirmation and further responses. A timeframe of one month was given to respond to the draft AAR 2011. The draft

report had significant issues of Nu. 1,766.708 million. However, audit findings involving Nu. 996.567 million representing about 56 % were either resolved fully or substantially based on the action taken and responses received from the agencies as shown in Graph 2.1.

The total unresolved significant issues reflected in the Annual Audit Report 2011 amounted to Nu. 770.141 million. The report contains unresolved significant issues pertaining to all Ministries, 14 Dzongkhags, 21 Gewogs of 11 Dzongkhags, 8 Autonomous Bodies, 7 Corporations, 2 Financial Institutions, one Non Governmental Organization and one Political Party. As compared to the past years, the irregularities amounting to Nu. 770.141 million is the highest figure reported by the Royal Audit Authority in its Annual Audit Reports. The comparative figures of irregularities reported over the past three years are given in Graph 2.2.

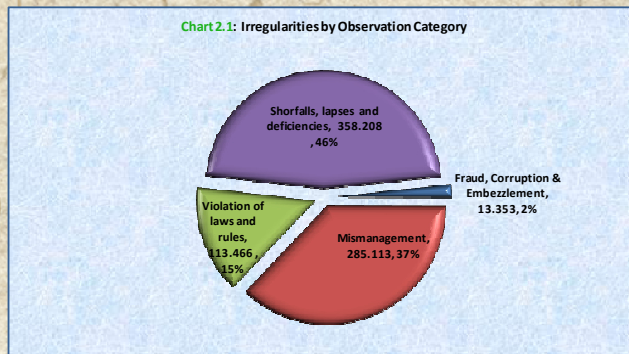


The Royal Audit Authority had reported unresolved significant irregularities of Nu. 151.121 million in 2008, Nu. 348.340 million in 2009 and Nu. 681.593 million in 2010. In 2011, the amount of irregularities had increased to Nu. 770.141 million, an increase of 12.99% from previous year. The increase in the amount



of total irregularities can be attributed to the increased number of audits conducted and reports issued in comparison to previous years. However, it is worthwhile to note that huge amount of total irregularities are represented by few agencies.

The highest amount of irregularities was reported under Ministry of Information & Communications with Nu. 234.670 million followed by Ministry of Foreign Affairs with Nu. 202.720 million and Ministry of Works and Human Settlement with Nu. 72.562 million. These three Ministries represented over 66% of the total irregularities. Under the Corporations, Financial Institutions, NGO & Political Party, the highest amount of irregularities are reported under Penden Cement Authority Limited with Nu. 57.402 million followed by Bhutan National Bank Limited with Nu. 46.568 million.



The observations in Annual Audit Report have been grouped into four broad categories. A summary of the irregularities by categories is given in Chart 2.1 and detailed summary is appended in Tables 2.1 & 2.2 at the end of this chapter. The highest amount of irregularities of Nu. 358.208 million is reported under the

category, Shortfalls, Lapses and Deficiencies followed by Nu. 285.113 million under the category, Mismanagement. The amount of Nu. 113.466 million is reported under the category, Violation of Laws and Rules and Nu. 13.353 million is reported under the category, Fraud, Corruption & Embezzlement. A summary of the irregularities under these categories is given below:

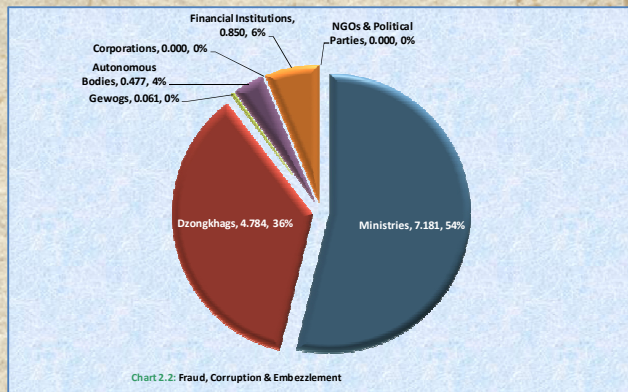
### 1. Fraud, Corruption and Embezzlement

The Royal Audit Authority reported strong indicators of fraud, corruption and embezzlement cases in some of the agencies during the year. The total amount reported under this category amounted to Nu. 13.353 million, with Ministries representing 54% followed by Dzongkhags with 36% of the total irregularities reported under this category as shown in Chart 2.2. However, there were several cases of fraud, corruption and embezzlement amounting to Nu. 3.235 million which were resolved upon recovery of



amounts and action taken based on the audit reports. These cases are excluded from the main report and have been reflected separately in *Exhibit II* as information to the readers.

As depicted in the Chart 2.2, of the total amount of Nu. 13.353 million reported under this category, an amount of Nu. 5.565 million pertained to Ministry of Foreign Affairs and Nu. 1.206 million pertained to Ministry of Works and Human Settlement.



Under the Dzongkhags, Dzongkhag Administration, Punakha had the highest amount of Nu. 3.291 million followed by Dzongkhag Administration, Dagana with Nu. 1.419 million and Dzongkhag Administration, Trashiyangtse with Nu. 0.074 million.

Under the Financial Institutions, both Bhutan National Bank Limited and Bhutan Development Bank Limited had irregularities of Nu. 0.540 million and Nu. 0.310 million respectively under this category.

Under the Gewog Administrations, the Gewogs of Khebesa and Deorali under Dzongkhag Administration, Dagana had reported figure of Nu. 0.021 million & 0.026 million respectively. The Gewog Administration, Chengmari under Samtse had a case involving Nu. 0.014 million.

The highest amount of cases of fraud, corruption and embezzlement reported under Autonomous Agencies pertained to Centre for Bhutan Studies with Nu. 0.438 million followed by National Commission for Women & Children with Nu. 0.039 million.

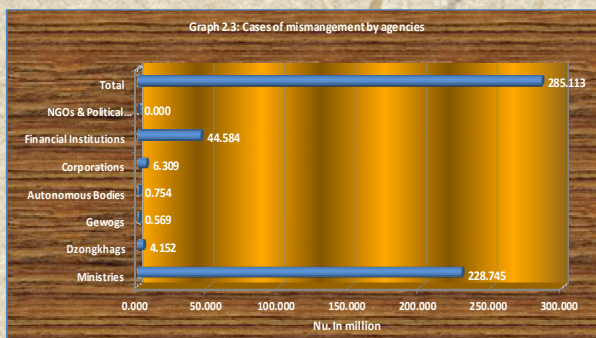
The two agencies under Non Governmental Organization and Political Party did not have any cases reported under this category.

## 2. Mismanagement

The total irregularities under this category amounted to Nu. 285.113 million. As can be seen in the Graph 2.3, Ministries had the highest amount irregularities reported under this category. The Ministry of Information and Communications had highest amount of Nu. 213.240 million representing over 74% of the total amount reported under this category. The mismanagement of revenue constituting outstanding revenues of Nu. 146.649 million pertaining to Road Safety and Transport Authority and under utilization of fund amounting to Nu. 57.716 million under Department of Civil Aviation were the two significant irregularities which had contributed to this category. It is followed by Financial Institutions with Nu. 44.584 million, which is solely represented by Bhutan National Bank Limited.



Under the Corporations, Penden Cement Authority Limited had the highest amount of irregularity with Nu. 3.069 million followed by Bhutan Postal Corporation Limited with Nu. 2.815 million and Bhutan Broadcasting Service Corporation Limited with Nu. 0.326 million.

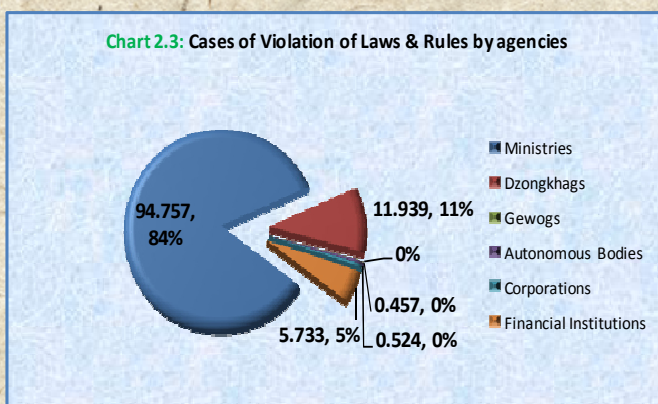


The Dzongkhag Administrations, Punakha and Sarpang had irregularities of Nu. 3.145 million and Nu. 1.007 million respectively reported under this category.

The Gewog Administrations of Doongna and Metakha under Chukha, Chuboo under Punakha, Sipsoo under Samtse and Khaling under Trashigang had total irregularities of Nu. 0.569 million reported under this category. The Gewog Administration, Chuboo under Punakha had highest amount of Nu. 0.181 million followed by Gewog Administration, Khaling under Trashigang with Nu. 0.130 million, Gewog Administration, Sipsoo under Samtse with Nu 0.097 million and Gewog Administrations, Doongna and Metekha under Chukha with Nu. 0.077 million and Nu. 0.084 million respectively.

### 3. Violation of Laws and Rules

The total irregularities reported under this category amounted to Nu. 113.466 million. As depicted in the Chart 2.3, the Ministries constituted 84% of the irregularities reported under this category. The Ministry of Works and Human Settlement had highest irregularities of Nu. 47.032 million which constituted 41.45% of the amount reported under this category followed by Ministry of Information and Communications with Nu. 18.753 million, Ministry of Economic Affairs with Nu. 12.279 million and Ministry of Health with Nu. 11.924 million.



Amongst Dzongkhags, the Dzongkhag Administration, Trashiyantse had the highest amount of Nu. 6.320 million reported under this category. The Dzongkhag Administrations, Sarpang and Punakha had irregularities of Nu. 3.807 million and Nu. 1.076 million respectively.

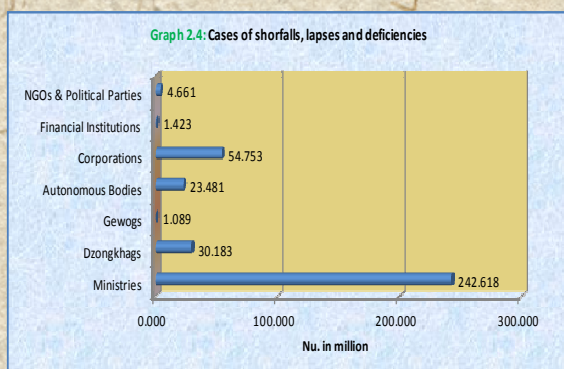
The Gewog Administration, Drametse under Mongar is the only Gewog which had monetized value of irregularities amounting to Nu. 0.056 million. However, the Gewog Administration of Metakha, Phunthsholing, Bjachog and Sampheling under Chukha, Sipsoo under Samtse, Pemathang and Phunthsholing under Samdrupjongkhar also had reported cases under this category.



Under the Financial Institutions, the Bhutan Development Bank Limited had irregularities of Nu. 5.074 million reported under this category followed by Bhutan National Bank Limited with Nu. 0.659 million. Under the Autonomous Bodies, the National Commission for Women and Children had irregularities of Nu. 0.262 million followed by Centre for Bhutan Studies with Nu. 0.195 million.

#### 4. Shortfalls, Lapses and Deficiencies

The irregularities under shortfalls, lapses and deficiencies amounted to Nu. 358.208 million. As depicted in the Graph 2.4, the Ministries had the highest amount of irregularities of Nu. 242.618 million reported in this category. The Ministry of Foreign Affairs had the highest amount of Nu. 196.779 million followed by Ministry of Works and Human Settlement with Nu. 24.324 million, Ministry of Agriculture and Forests with Nu. 9.466 million and Ministry of Education with Nu. 8.372 million.



Under the Corporations, only two corporations, Penden Cement Authority Limited and Natural Resources Development Corporation Limited had irregularities of Nu. 54.333 million and Nu. 0.420 million respectively.

Under the Dzongkhags, the Dzongkhag Administration, Trongsa had the highest irregularities of Nu. 9.732 million followed by Dzongkhag Administration, Chukha with Nu. 9.327 million and Dzongkhag Administration, Trashiyangtse with Nu. 3.311 million.

Under the Dzongkhags, the Dzongkhag Administration, Trongsa had the highest irregularities of Nu. 9.732 million followed by Dzongkhag Administration, Chukha

The highest amount of irregularities from the Gewog Administrations pertained to Gewog Administration, Doban under Sarpang with Nu. 0.560 million followed by Gewog Administration, Drametse under Mongar with Nu. 0.230 million, Gewog Administration, Tendu under Samtse with Nu. 0.119 million, and Gewog Administrations, Lingzhi and Soe under Thimphu with Nu. 0.102 million and Nu. 0.078 million respectively.

Under the Financial Institutions, Bhutan National Bank Limited had irregularities of Nu. 0.785 million and Bhutan Development Bank Limited had irregularities of Nu. 0.638 million.

The cases of shortfalls, lapses and deficiencies for the Autonomous Bodies included among others, Nu. 19.922 million pertaining to National Commission for Women & Children followed by Tourism Council of Bhutan with Nu. 2.260 million and Judiciary with Nu. 0.729 million.

The amount of Nu. 4.661 million reflected under Non Governmental Organizations and Political Parties included Nu. 4.217 million pertaining to Druk Phuensum Tshogpa and Nu. 0.444 million pertaining to Bhutan Chamber of Commerce and Industries.



Sl. No.	Categories of irregularities	MoC	MoFA	MoWHS	MoH	MoAF	MoEA	MoF	MoE	MoHCA	MoLHR	Dzongkhags	Gewogs	Autonomous	Total
<b>1</b>	<b>Fraud, Corruption &amp; Embezzlement</b>	<b>0.000</b>	<b>5.565</b>	<b>1.206</b>	<b>0.000</b>	<b>0.353</b>	<b>0.000</b>	<b>0.000</b>	-	<b>0.000</b>	<b>0.057</b>	<b>4.784</b>	<b>0.061</b>	<b>0.477</b>	<b>12.503</b>
1.1	Forgery & tampering of documents	-	-	-	-	-	-	-	-	-	0.057	-	-	-	0.057
1.2	Malpractices & abuses	-	0.278	1.206	0.000	0.353	-	-	-	-	-	4.335	-	0.158	6.330
1.3	Misappropriation	0.000	-	0.000	0.000	-	-	-	-	-	-	-	-	0.319	0.319
1.4	Non/short accountal	-	5.288	-	-	-	-	-	-	-	-	0.449	0.061	0.000	5.798
<b>2</b>	<b>Mismanagement</b>	<b>213.240</b>	<b>0.000</b>	<b>0.000</b>	<b>4.539</b>	<b>0.781</b>	<b>0.000</b>	<b>10.185</b>	-	<b>0.000</b>	-	<b>4.152</b>	<b>0.569</b>	<b>0.754</b>	<b>234.220</b>
2.1	Mismanagement of funds	57.716	-	-	4.539	0.781	-	-	-	-	-	3.145	0.258	-	66.439
2.2	Mismanagement of properties	-	-	-	-	-	-	-	-	-	-	1.007	0.311	-	1.318
2.3	Mismanagement of human resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.4	Mismanagement of revenue and taxes	155.524	-	-	-	-	-	10.185	-	-	-	-	-	0.754	166.463
<b>3</b>	<b>Violation of Laws and Rules</b>	<b>18.753</b>	<b>0.376</b>	<b>47.032</b>	<b>11.924</b>	<b>3.838</b>	<b>12.279</b>	<b>0.000</b>	-	<b>0.555</b>	-	<b>11.939</b>	<b>0.056</b>	<b>0.457</b>	<b>107.209</b>
3.1	Violation of service rules	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.2	Violation of budgetary norms	-	-	0.058	-	-	-	-	-	-	-	-	-	0.457	0.515
3.3	Violation of accounting norms	13.080	-	-	1.797	-	-	-	-	-	-	0.512	-	-	15.389
3.4	Violation of procurement norms	5.673	-	46.974	10.127	3.838	-	-	-	0.555	-	11.427	0.056	-	78.650
3.5	Violation of Acts, Directives and Policies	-	0.376	-	-	-	12.279	-	-	-	-	0.000	-	-	12.655
<b>4</b>	<b>Shortfalls, lapses and deficiencies</b>	<b>2.677</b>	<b>196.779</b>	<b>24.324</b>	<b>0.206</b>	<b>9.466</b>	<b>0.294</b>	<b>0.384</b>	<b>8.372</b>	<b>0.116</b>	-	<b>30.183</b>	<b>1.089</b>	<b>23.481</b>	<b>297.371</b>
4.1	Over/inadmissible/irregular/double payments	0.000	6.759	-	-	0.468	0.000	0.000	0.000	-	-	3.457	0.180	0.137	11.001
4.2	Non maintenance of records	-	-	-	-	-	-	-	0.143	-	-	-	-	-	0.143
4.3	Improper maintenance of records	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.4	Non/improper recording in books	-	0.058	-	-	-	-	-	-	-	-	-	-	-	0.058
4.5	Non-reconciliation/certification of balances	-	-	1.240	-	0.255	-	-	-	-	-	3.141	-	-	4.636
4.6	Irregularities in advances	0.000	8.224	23.084	0.206	4.882	0.294	0.384	8.229	-	-	22.165	0.790	2.878	71.136
4.7	Irregularities in recoveries	-	-	-	-	3.861	-	-	-	-	-	-	-	-	3.861
4.8	Irregularities in disposals & auctions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.9	Irregularities in property management	-	-	-	-	-	-	-	0.000	-	-	-	-	0.183	0.183
4.10	Non/short deductions	-	-	-	-	-	-	-	-	0.116	-	0.665	-	2.189	2.970
4.11	Non cooperation	-	181.738	-	-	-	-	-	-	-	-	-	-	-	181.738
4.12	Shortfalls & uneconomical operations	2.677	-	-	-	-	-	-	-	-	-	0.755	-	18.094	21.526
4.13	Missing documents/receipts	-	-	-	-	-	-	-	-	-	-	-	0.119	-	0.119
		<b>234.670</b>	<b>202.720</b>	<b>72.562</b>	<b>16.669</b>	<b>14.438</b>	<b>12.573</b>	<b>10.569</b>	<b>8.372</b>	<b>0.671</b>	<b>0.057</b>	<b>51.058</b>	<b>1.775</b>	<b>25.169</b>	<b>651.304</b>

Nu. in million



Table 2.2: Summary of Annual Audit Report 2011 with categories of irregularities and amount involved with respect to Corporations, Financial Institutions, NGO and Political Party.													
Sl. No.	Categories of Irregularities	PCAL	Bhutan Post	BPCL	DHI	NRDCL	BBSCL	Druk Air	BDBL	BNBL	BCCI	DPT	Total
<b>1</b>	<b>Fraud, Corruption &amp; Embezzlement</b>	-	-	-	-	-	-	-	0.310	0.540	-	-	0.850
1.1	Forgery & tampering of documents	-	-	-	-	-	-	-	0.310	0.540	-	-	0.850
1.2	Malpractices & abuses	-	-	-	-	-	-	-	0.310	0.540	-	-	0.850
1.3	Misappropriation	-	0	-	-	-	-	-	-	-	-	-	-
1.4	Non/short accountal	-	-	-	-	-	-	-	-	-	-	0.000	-
<b>2</b>	<b>Mismanagement</b>	<b>3.069</b>	<b>2.815</b>	-	-	-	<b>0.326</b>	<b>0.099</b>	-	<b>44.584</b>	-	-	<b>50.893</b>
2.1	Mismanagement of funds	0.000	2.815	-	-	-	-	-	-	44.584	-	-	47.399
2.2	Mismanagement of properties	-	-	-	-	-	-	-	-	-	-	-	-
2.3	Mismanagement of human resources	-	-	-	-	-	0.326	-	-	-	-	-	0.326
2.4	Mismanagement of revenue and taxes	3.069	-	-	-	-	-	0.099	-	-	-	-	3.168
<b>3</b>	<b>Violation of service rules</b>	<b>0.000</b>	-	<b>0.524</b>	-	-	-	-	<b>5.074</b>	<b>0.659</b>	-	-	<b>6.257</b>
3.1	Violation of service rules	-	-	-	-	-	-	-	-	-	-	-	-
3.2	Violation of budgetary norms	-	-	-	-	-	-	-	-	-	-	-	-
3.3	Violation of accounting norms	-	-	-	-	-	-	-	-	-	-	-	-
3.4	Violation of procurement norms	-	-	0.524	-	-	-	-	5.074	0.659	-	-	6.257
3.5	Violation of Acts, Directives and Policies	-	-	-	-	-	-	-	0.000	-	-	-	-
<b>4</b>	<b>Shortfalls, lapses and deficiencies</b>	<b>54.333</b>	-	-	<b>0.420</b>	-	-	-	<b>0.638</b>	<b>0.785</b>	<b>0.444</b>	<b>4.217</b>	<b>60.837</b>
4.1	Over/inadmissible/irregular/double payments	-	-	-	-	-	-	-	0.638	-	-	-	0.638
4.2	Non maintenance of records	-	-	-	-	-	-	-	-	-	-	-	-
4.3	Improper maintenance of records	-	-	-	-	-	-	-	-	-	-	-	-
4.4	Non/improper recording in books	-	-	-	-	-	-	-	-	-	-	-	-
4.5	Non-reconciliation/certification of balances	0.000	-	-	-	-	-	-	-	-	-	-	-
4.6	Irregularities in advances	49.651	-	-	-	-	-	-	-	-	-	1.351	51.002
4.7	Irregularities in recoveries	-	-	-	-	-	-	-	-	-	-	-	-
4.8	Irregularities in disposals & auctions	-	-	-	-	-	-	-	-	-	-	-	-
4.9	Irregularities in property management	-	-	-	-	-	-	-	-	-	-	-	-
4.10	Non/short deductions	-	-	-	-	-	-	-	-	-	-	-	-
4.11	Non cooperation	-	-	-	-	-	-	-	-	-	-	-	-
4.12	Shortfalls & uneconomical operations	4.682	-	-	-	0.420	-	-	-	0.785	0.444	2.866	9.197
<b>Total</b>		<b>57.402</b>	<b>2.815</b>	<b>0.524</b>	<b>0.000</b>	<b>0.420</b>	<b>0.326</b>	<b>0.099</b>	<b>6.022</b>	<b>46.568</b>	<b>0.444</b>	<b>4.217</b>	<b>118.837</b>

Nu. in million



# CHAPTER 3

## CERTIFICATION OF ANNUAL FINANCIAL STATEMENT

The Annual Financial Statement (AFS) of the budgetary operation of the Royal Government of Bhutan for the Fiscal Year 2010-11 was audited by the Royal Audit Authority (RAA) as required under the Audit Act of Bhutan 2006 and the Public Finance Act of Bhutan 2007. The Audit was conducted in accordance with the RAA's Auditing Standards and the Generally Accepted Auditing Standards (GAAS). As can be comprehended from the appended certificate of the Auditor General on the Annual Financial Statements of the Royal Government of Bhutan, the RAA has issued an unmodified (clean) report.

The RAA had carried out the certification of the individual Letter of Credit (LC) accounts of the budgetary agencies in line with the Audit Act of Bhutan 2006. The budgetary agencies included those that were accorded priority based on its categorization and included in the Annual Audit Schedules 2010-11. The recommendations and observations made at the agency level are considered depending upon the materiality while certifying the consolidated statements.

The approved budget for the Fiscal Year 2010-11 of the Royal Government was Nu. 31,586.779 million against an estimated resources of Nu. 26,774.538 million with a fiscal deficit of Nu. 4,812.241 million. Given that the scheduled loan repayment of Nu. 2,348.059 was lower than the project-tied borrowings of Nu. 3,351.806 million, the resource gap was estimated at Nu. 3,808.494 million. During the year, the outlay was revised to Nu. 35,237.088 million and the resources to Nu. 30,549.658 million. At the end of the Fiscal Year, the actual expenditure reported was Nu. 29,811.181 million against the realized resources of Nu. 28,171.759 million resulting into a fiscal deficit of Nu. 1,639.422 million. The project-tied borrowings of Nu. 3,110.010 million had exceeded the actual loan repayment of Nu. 2,816.042 million by Nu. 293.968 million thereby reducing the actual resource gap to Nu. 1,345.454 million.

As against revised capital budget of Nu. 20,480.584 million, the actual expenditure reported was Nu. 14,768.847 million with resultant underutilization of capital budget of Nu. 5,693.737 million which is 27.8% of the revised capital budget.

The Government debt as on June 2011 was Nu. 48,619.178 million which was about 63.77% of Gross Domestic Product (GDP)

The certificate of the Auditor General and the Financial Statements are appended herewith.





རྒྱལ་ཁབ་ཕྱི་སྲིད་འཕེལ་རྒྱུ་ལྷན་ཁག་  
ROYAL AUDIT AUTHORITY  
Bhutan Integrity House

Reporting on Economy, Efficiency & Effectiveness in the use of Public Resources



RAA/GGD(MoF-01)/2012/1133

March 27, 2012

**AUDITOR GENERAL'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF THE ROYAL GOVERNMENT OF  
BHUTAN FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

The Royal Audit Authority (RAA) has audited the accompanying Annual Financial Statements of the Royal Government of Bhutan (RGoB), which comprise the Consolidated Receipts and Payments Statement, other statements and schedules forming part of the Financial Statements for the financial year ended 30<sup>th</sup> June 2011, as required under the Audit Act of Bhutan 2006.

**Responsibility of the Ministry of the Finance for the Financial Statements**

The Ministry of Finance is responsible for preparation and fair presentation of these Financial Statements in accordance with the Public Finance Act 2007 and Financial Rules and Regulations 2001. This responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**RAA's responsibility**

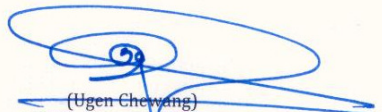
The RAA's responsibility is to express an opinion on these Financial Statements based on its audit. The RAA conducted the audit in accordance with RAA's Auditing Standards and Generally Accepted Auditing Standards. Those standards require that the RAA plans and performs the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatements.

**Scope of Audit**

An Audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on auditor's judgment, including the risk of material misstatements of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the entity's internal control.

**Opinion**

Based on the examination of accounts and records made available and information and explanation provided to the auditors, the RAA reports that in its opinion, the said Annual Financial Statements together with explanatory information provided in Tables and Schedules attached thereto *present fairly*, in all material respect the financial operations of the Royal Government of Bhutan for the financial year ended 30<sup>th</sup> June 2011 and the position of the Outstanding Loans, Equity Portfolio of the Government, Refundable Deposits, Revolving and Trust Funds as on that date as required by the Public Finance Act 2007 and Financial Rules and Regulations 2001 in the manner so required.

  
(Ugen Chewang)  
Auditor General of Bhutan

*"Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder."  
- His Majesty The King Jigme Khesar Namgyel Wangchuck*

P.O. Box: 191, Kawangjangsa, Thimphu : Bhutan. Tel: 322111 / 322833, Fax: 323491.  
Website: [www.bhutanaudit.gov.bt](http://www.bhutanaudit.gov.bt) email: [info@bhutanaudit.gov.bt](mailto:info@bhutanaudit.gov.bt)





དངུལ་རྩིས་ལྷན་ཁག།  
**ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF FINANCE  
TASHICHHO DZONG**



21<sup>st</sup> December 2011

**STATEMENT OF RESPONSIBILITY**

The Annual Financial Statements (AFS) of the Royal Government of Bhutan (RGoB) for the Fiscal Year 2010-11 have been prepared by the Department of Public Accounts (DPA), Ministry of Finance (MoF) in accordance with the provisions of the Public Finance Act of the Kingdom of Bhutan 2007 and the Financial Rules and Regulations 2001.

The financial statements are prepared based on the monthly accounts of the budgetary bodies recorded in the Public Expenditure Management System (PEMS) and information received from other relevant agencies and organizations. The AFS presents the financial position of the RGoB as at 30<sup>th</sup> June 2011.

We accept the responsibility for the reliability and completeness of the financial statements.

[Wangdi Norbu]  
**Finance Minister**  
Ministry of Finance

[Nim Dorji]  
**Director**  
Department of Public Accounts



**Financial Statements of the Royal Government of Bhutan for the Fiscal Year  
ended 30<sup>th</sup> June 2011**

<b>Table 2: CONSOLIDATED RECEIPTS &amp; PAYMENTS STATEMENT FOR THE FY 2010-2011</b>					
<b>(Nu. in million)</b>					
<b>Sl.No.</b>	<b>RECEIPTS</b>	<b>AMOUNT</b>	<b>Sl.No.</b>	<b>PAYMENTS</b>	<b>AMOUNT</b>
<b>i</b>	<b>Opening Balances</b>	<b>1,361.079</b>	<b>i</b>	<b>Expenditure</b>	<b>29,521.905</b>
	i) Cash	27.744		i) Current	14,735.058
	ii) Bank	1,333.335		ii) Capital	14,786.847
<b>ii</b>	<b>Internal Revenue</b>	<b>17,458.797</b>	<b>ii</b>	<b>Repayment of Loans</b>	<b>2,816.042</b>
	i) Tax Revenue	11,593.488		i) Internal	674.677
	ii) Non Tax Revenue	5,865.309		ii) External	2,141.365
<b>iii</b>	<b>External Grants</b>	<b>10,497.727</b>	<b>iii</b>	<b>Lendings</b>	<b>986.679</b>
	i) Cash	8,901.136		i) To Individuals	-
	ii) Kind	1,596.591		ii) To Corporations	986.679
<b>iv</b>	<b>Borrowings</b>	<b>3,110.010</b>	<b>iv</b>	<b>Other Payments</b>	<b>6,145.206</b>
	i) Internal	499.375	<b>v</b>	<b>Increase in Advances/Suspense</b>	<b>8,300.810</b>
	ii) External	2,610.635	<b>vi</b>	<b>Closing Balances</b>	<b>15.626</b>
<b>v</b>	<b>Recovery of Loans</b>	<b>1,893.285</b>			
<b>vi</b>	<b>Miscellaneous Receipts</b>	<b>6,360.441</b>		i) Cash	-
<b>vii</b>	<b>Decrease in Advance/Suspense</b>	<b>7,104.929</b>		ii) Bank	15.626
	<b>TOTAL RECEIPTS</b>	<b>47,786.268</b>		<b>TOTAL PAYMENTS</b>	<b>47,786.268</b>

Source: DPA, DRC, BoB, Spending Agencies



**Table 1: FINANCING AND VARIANCE FOR THE FY 2010-2011**

	Nu. in million			% VARIANCE	
	Original Budget	Revised Budget	Actual Outcomes	Original Vs Revised	Revised Vs Actual
<b>A RESOURCES</b>	<b>26,774.538</b>	<b>30,549.658</b>	<b>28,171.759</b>	<b>14.1%</b>	<b>-7.8%</b>
<b>I. Domestic Revenue</b>	<b>15,816.334</b>	<b>16,962.551</b>	<b>17,458.797</b>	<b>7.2%</b>	<b>2.9%</b>
i. Tax	10,139.976	11,097.886	11,593.488	9.4%	4.5%
ii. Non-Tax	5,676.358	5,864.665	5,865.309	3.3%	0.0%
<b>II. Other Receipts (Net)</b>	<b>53.066</b>	<b>273.112</b>	<b>215.235</b>	<b>414.7%</b>	<b>-21.2%</b>
<b>III. Grants</b>	<b>10,905.138</b>	<b>13,313.995</b>	<b>10,497.727</b>	<b>22.1%</b>	<b>-21.2%</b>
i. Programme grants	1,905.700	1,883.794	1,781.161	-1.1%	-5.4%
a) GoI	1,400.000	1,400.000	1,400.000	0.0%	0.0%
b) Other Donors	505.700	483.794	381.161	-4.3%	-21.2%
ii. Project-tied grants	8,999.438	11,430.201	8,716.566	27.0%	-23.7%
a) GoI	6,668.180	7,861.469	6,482.768	17.9%	-17.5%
c) Other Donors	2,331.258	3,568.732	2,233.798	53.1%	-37.4%
<b>B OUTLAY</b>	<b>31,586.779</b>	<b>35,237.088</b>	<b>29,811.181</b>	<b>11.6%</b>	<b>-15.4%</b>
<b>I. Total Expenditure</b>	<b>32,427.398</b>	<b>36,113.557</b>	<b>29,521.905</b>	<b>11.4%</b>	<b>-18.3%</b>
i. Current	15,158.869	15,632.973	14,735.058	3.1%	-5.7%
ii. Capital	17,268.529	20,480.584	14,786.847	18.6%	-27.8%
<b>II. Net Lending</b>	<b>(840.619)</b>	<b>(876.469)</b>	<b>(906.605)</b>	<b>4.3%</b>	<b>3.4%</b>
<b>III. Advance/Suspense(Net)</b>	<b>-</b>	<b>-</b>	<b>1,195.881</b>		
<b>C OVERALL BALANCE</b>	<b>(4,812.241)</b>	<b>(4,687.430)</b>	<b>(1,639.422)</b>	<b>-2.6%</b>	<b>-65.0%</b>
<b>D FINANCING</b>	<b>4,812.241</b>	<b>4,687.430</b>	<b>1,639.422</b>	<b>-2.6%</b>	<b>-65.0%</b>
<b>Net Borrowings</b>	<b>1,003.747</b>	<b>758.310</b>	<b>293.968</b>	<b>-24.5%</b>	<b>-61.2%</b>
i. Borrowings	3,351.806	3,106.369	3,110.010	-7.3%	0.1%
ii. Repayments	2,348.059	2,348.059	2,816.042	0.0%	19.9%
<b>RESOURCE GAP</b>	<b>(3,808.494)</b>	<b>(3,929.120)</b>	<b>(1,345.454)</b>	<b>3.2%</b>	<b>-65.8%</b>

Source: Department of Public Accounts



Sl.No.	LENDER AND PROJECTS	Loan Committed		Opening balances as on 01/07/2010	W I T H D R A W A L S				Total Liability incurred during the year	REPAYMENTS DURING THE YEAR			Closing Balances as on 30/06/11	Closing Balance in USD	Ratio of Debt to GDP
		Curr.	Amount		Principal	Interest & Charges accrued during the year		Principal		Interest & S/Charges	Total				
						Interest	Fees & Charges								
A	INTERNAL	Nu.	2,252,398	1,051,815	499,375	59,131	558,506	674,677	59,131	733,808	876,513	19,495	1.1%		
i	Bank of Bhutan	Nu.	499,375	-	499,375	1,281	500,656	499,375	1,281	500,656	-	-	-		
ii	National Pension and Provident Fund	Nu.	1,063,023	637,815	-	35,080	35,080	106,302	35,080	141,382	591,513	11,822	-		
iii	Bhutan Health Trust Fund	Nu.	690,000	414,000	-	22,770	22,770	69,000	22,770	91,770	345,000	7,673	-		
B	EXTERNAL: Government of India	Rs.	79,760,034	18,277,571	7,951,810	1,497,557	9,449,367	1,581,841	1,497,557	3,079,398	24,647,540	548,210	32.3%		
C	EXTERNAL: Other than Govt	Nu.	-	16,048,518	5,246,849	218,788	5,508,741	559,524	474,809	1,034,333	23,095,125	513,682	30.3%		
i	International Development Association (IDA)	XDR	103,437	73,333	18,051	0,540	18,591	-1,100	0,540	-1,640	90,284	143,724	-		
ii	Asian Development Bank (ADB)	XDR	140,356	92,868	12,145	1,442	13,587	2,603	1,442	4,045	102,410	163,027	-		
iii	Asian Development Bank (ADB)	USD	51,000	13,347	25,749	0,084	25,877	-	0,128	0,128	39,096	39,096	-		
v	International Fund for Agriculture Dev (IFAD)	XDR	32,631	18,931	2,557	0,585	3,122	0,501	0,585	1,086	20,967	33,378	-		
vi	Government of Austria (GoA)	Euro	89,628	47,455	18,675	1,051	20,361	2,940	1,686	4,626	63,190	91,004	-		
vii	Government of Denmark (GoD)	Euro	13,009	8,456	-	-	-	1,301	-	1,301	7,155	10,304	-		
viii	Japan International Cooperation Agency (JICA)	JPY	3,576	1,720	0,970	0,219	1,189	-	0,219	0,219	2,690	33,149	-		
	<b>Grand Total</b>	Nu.	-	35,377,904	13,698,034	1,775,476	15,516,614	2,816,042	2,031,497	4,847,539	48,619,178	1,081,388	63.8%		
	Note: Exchange rates used for conversion:	USD	XDR	KWD	EURO	JPY(1000)	-	-	-	-	-	-	-		
	GDP (Source: NSB)	Nu.	44,9600	71,5722	64,7500	554,0500	-	-	-	-	-	-	-		
		Nu.	-	76,241,260	-	3,9210	-	-	-	-	-	-	-		

Source: Department of Public Accounts



Table 24: STATEMENT OF GOVERNMENT EQUITY PORTFOLIO AS OF 30TH JUNE 2011

		Amount (Nu. in million)											
Sl. No	Corporations	Shareholding as on 30/06/2010				Investment			Divestment/Transfer		Shareholding as on 30/06/2011		
		No. of shares	Value (Nu)	% Holding	Face value	No. of shares	Amount (Nu)	No. of shares	Amount (Nu)	No. of shares	Value (Nu)	% Holding	
<b>I</b>	<b>Manufacturing</b>		<b>44,446.632</b>									<b>44,446.632</b>	
1	Army Welfare Project	25000	25,000	100%	1,000							25,000	100%
2	Bhutan Agro Industries Limited	290,636	29,064	100%	100							29,064	100%
3	Wood Craft Centre Limited	-	98.820	100%								98.820	100%
4	Kuensel Corporation	255,000	25,500	51%	100							25,500	51%
5	Druk Holding & Investments Ltd	442,682,486	44,268,249	100%	100							44,268,249	100%
<b>II</b>	<b>Trading</b>		<b>15,000</b>									<b>15,000</b>	
6	Food Corporation of Bhutan	15,000	15,000	100%	1,000							15,000	100%
<b>III</b>	<b>Services</b>		<b>154,430</b>									<b>154,430</b>	
7	Bhutan Postal Corporation	235,952	23,595	100%	100							23,595	100%
8	Bhutan Broadcasting Service Limited	1,308,351	130,835	100%	100							130,835	100%
<b>IV</b>	<b>Financial Institutions</b>		<b>187,000</b>									<b>187,000</b>	
9	Bhutan Development Finance Corp	187,000	187,000	93.50%	1,000							187,000	93.50%
	<b>TOTAL</b>		<b>44,803.063</b>									<b>44,803.063</b>	



# CHAPTER 4

## DETAILED AUDIT FINDINGS

### 1. MINISTRIES

#### 1.1 Ministry of Information & Communications

During the period the Royal Audit Authority (RAA) had issued 16 audit reports of the Ministry of Information & Communication and its Departments, Divisions and Units. There were 59 observations pointed out in the reports, involving Nu. 523.840 million, out of which 29 observations amounting to over Nu. 8.577 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 515.263 million.

Based on the responses received after the issue of draft AAR 2011 and action taken by the Ministries and concerned agencies under it, observations amounting to Nu. 280.593 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 234.670 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	213.240	3
2	Violation of laws and rules	18.753	4
3	Shortfalls, lapses and deficiencies	2.677	5
	<b>Total</b>	<b>234.670</b>	

#### 1. Mismanagement – Nu. 213.240 million

There were cases of mismanagement involving Nu. 213.240 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Under-utilization of funds	57.716
1.2	Renewal of motor vehicles without annual renewal fees	0.575
1.3	Discrepancies in the issue of receipts	6.907
1.4	Renewal of motor vehicles with insufficient annual renewal fees	0.578
1.5	Renewal of driving licenses without fees	0.161
1.6	Renewal of driving license with non existent and erroneous receipts	0.654
1.7	Outstanding fees	146.649
	<b>Total</b>	<b>213.240</b>

The cases of mismanagement are as indicated below:



### **1.1 Under utilization of funds – Nu. 57.716 million**

---

The Department of Civil Aviation had cases of under utilization of funds amounting to Nu. 57.716 million under various capital and current activities. It was found that the underutilization of funds ranged from 0.30% to 79% under current activities and from 48.11% to as high as 99.94% under capital activities. (AIN: 9888, Para 2; Accountabilities: Direct: Tshering Dekar, Assistant Accounts Officer, EID No. 200901044 and Karma Wangchuk, Chief Administrative Officer, EID No. 9004059; Supervisory: Phala Dorji, Director General, EID No. 7207011)

### **1.2 Renewal of motor vehicles without annual renewal fees – Nu. 0.575 million**

---

The comparison of revenue receipts issued for Motor Vehicle Annual Renewal fees as per Revenue Management System (RMS) with that of the revenue receipts reflected in the Registration and License Information System (RaLIS) of Regional Office, RSTA, Thimphu, revealed that 863 motor vehicles during the period 2005-06 to 2010-11 were renewed as per RaLIS without corresponding renewal fees amounting to Nu. 0.575 million reflected in RMS. The RAA opines that either the vehicles were renewed without collecting renewal fees or the renewal fees collected was not deposited into RGR account. The case was forwarded to the Anti Corruption Commission. Further review on the issue is still being conducted both by the RAA and RSTA to ascertain the exact position. (AIN: 9976, Para 1.2.1; Accountabilities: Direct: Individuals concerned; Supervisory: Dophu Dukpa, RTO, EID No. 7806007)

### **1.3 Discrepancies in the issue of receipts – Nu. 6.907 million**

---

- a) The Regional Office, RSTA, Thimphu had numerous discrepancies in the issue of receipts in the renewal of vehicles as recorded in the RaLIS and RMS. There were instances where same receipt numbers were issued to two different vehicles with different dates and amounts. The case was forwarded to the Anti Corruption Commission. Further review on the issue is still being conducted both by the RAA and RSTA to ascertain the exact position. (AIN: 9976, Para 1.2.1.1, 1.2.1.2 & 1.2.1.3; Accountabilities: Direct: Individuals concerned; Supervisory: Dophu Dukpa, RTO, EID No. 7806007)
- b) The revenue receipts which were issued against the renewal of motor vehicles amounting to Nu. 5.898 million captured in the RaLIS maintained by Regional Office, RSTA, Thimphu were not reflected against the vehicles renewals in the RMS. Further, it was noted that those receipts numbers were not available in the list of revenue receipt books issued by the Department of Revenue and Customs. The case was forwarded to the Anti Corruption Commission. Further review on the issue is still being conducted both by the RAA and RSTA to ascertain the exact position. (AIN: 9976, Para 1.2.3; Accountabilities: Direct: Individuals concerned; Supervisory: Dophu Dukpa, RTO, EID No. 7806007)
- c) The revenue receipt numbers which were issued by the Regional Office, RSTA, Thimphu reflected against vehicle renewals in the RaLIS did not appear in the RMS nor such receipt numbers existed in the list of revenue receipt books issued by the Department of Revenue & Customs. Further, it was noted that the field length of the receipt numbers depicted in the RaLIS varied from 2 to 13 characters as against 9 characters for Thimphu and 7 characters for Paro. The vehicle renewals with such inconsistent receipt numbers amounted to Nu. 1.009 million. The case



was forwarded to the Anti Corruption Commission. Further review on the issue is still being conducted both by the RAA and RSTA to ascertain the exact position. (AIN: 9976, Para 1.2.4; Accountabilities: Direct: Individuals concerned; Supervisory: Dophu Dukpa, RTO, EID No. 7806007)

#### **1.4 Renewal of motor vehicles with insufficient annual renewal fees – Nu. 0.578 million**

---

The Regional Office, RSTA, Thimphu had a short realization of annual renewal fees amounting to Nu. 0.578 million on account of renewal of motor vehicles. The instances were noted where fees for the renewal of motor vehicles charged were less than the prescribed rates. The case was forwarded to the Anti Corruption Commission. Further review on the issue is still being conducted both by the RAA and RSTA to ascertain the exact position. (AIN: 9976, Para 1.2.2; Accountabilities: Direct: Individuals concerned; Supervisory: Dophu Dukpa, RTO, EID No. 7806007)

#### **1.5 Renewal of driving licenses without fees – Nu. 0.161 million**

---

On comparison of revenue receipts for renewal of Driving License fees as per RMS and receipts referred against each Driving License in the RaLIS, it was noted that the Regional Office, RSTA, Thimphu had renewed the Driving Licenses against revenue receipts issued for purposes other than Driving License renewals. It indicated that the Driving Licenses were renewed either without collecting Driving License renewal fees or that the Driving License renewal fees were not accounted for in the RMS. The discrepancies in collection on account of renewal fees for Driving License amounted to Nu. 0.161 million. The case was forwarded to the Anti Corruption Commission. Further review on the issue is still being conducted both by the RAA and RSTA to ascertain the exact position. (AIN: 9976, Para 1.3.1; Accountabilities: Direct: Individuals concerned; Supervisory: Dophu Dukpa, RTO, EID No. 7806007)

#### **1.6 Renewal of driving license with nonexistent and erroneous receipts – Nu. 0.654 million**

---

The cross check of receipts numbers reflected in the RaLIS against Driving License renewals with that of receipt numbers reflected in the RMS maintained by Regional Office, RSTA, Thimphu showed that the receipt numbers reflected in the RaLIS did not appear in the RMS. Further, those receipts numbers were not available in the list of revenue receipt books issued by the Department of Revenue & Customs. The collection through such receipts amounted to Nu. 0.654 million. The case was forwarded to the Anti Corruption Commission. Further review on the issue is still being conducted both by the RAA and RSTA to ascertain the exact position. (AIN: 9976, Para 1.3.2; Accountabilities: Direct: Individuals concerned; Supervisory: Dophu Dukpa, RTO, EID No. 7806007)

#### **1.7 Outstanding fees – Nu. 146.649 million**

---

The Regional Office, RSTA, Thimphu had outstanding revenue of Nu. 146.649 million on account of vehicle renewal fees from vehicles falling due for renewal on or before 31<sup>st</sup> December 2010. The aging analysis showed that out of 7031 vehicles due for renewal, 1960 vehicles were due for 5-10 years, 304 vehicles due for 10-15 years and 135 vehicles had remained due for more than 15 years. The case was forwarded to the Anti Corruption Commission. Further review on the issue is still being conducted both by the RAA and RSTA to ascertain the exact position. (AIN: 9976, Para 3; Accountabilities: Direct: Individuals concerned; Supervisory: Dophu Dukpa, RTO, EID No. 7806007)



## 2. Violation of Laws and Rules – Nu. 18.753 million

There were cases of violation of laws and rules involving Nu. 18.753 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Procurement without tender/quotation	5.673
2.2	Non achievement of planned target	13.080
	<b>Total</b>	<b>18.753</b>

The cases of violation of laws and rules are as indicated below:

### 2.1 Procurement without tender/quotation – Nu. 5.673 million

- a) The Road Safety and Transport Authority, Thimphu had procured office equipment worth Nu. 3.185 million without calling quotations from M/s USD Enterprise, Thimphu based on the supply contract awarded by the Ministry of Home and Cultural Affairs. However, no documents were produced for verifications. (AIN: 9670, Para 1; Accountabilities: Direct: Tashi Norbu, Director, EID No. 8303003; Supervisory: Tashi Norbu, Director, EID No. 8303003)
- b) The Secretariat, Ministry of Information and Communications had procured Registration Certificate Printing Machines and its accessories worth Nu. 2.488 million based on the quotations carried out by the Ministry of Home and Cultural Affairs. The necessary documents for verification and validation of the prices paid for the equipment were not made available to audit. (AIN: 9830, Para 2.1; Accountabilities: Direct: Sonam Jamtsho, Asstt. Procurement Officer, EID No. 200602016 & Tashi Norbu, Director, RSTA, EID No. 8303003; Supervisory: Tashi Norbu, Director, RSTA, EID No. 8303003)

### 2.2 Non achievement of planned target – Nu. 13.080 million

The Road Safety and Transport Authority, Thimphu had not carried out construction works planned for financial year 2009-10 with the budget outlay of Nu. 19.00 million. Further it was also noted that from the budget of these construction activities, the amount of Nu. 3.120 million and Nu. 2.800 million were re-allocated and utilized for Development of Yongphula Domestic Airport and Extension of WAN Building, MoIC, Thimphu respectively leaving balance of Nu. 13.080 million unutilized. (AIN: 9670, Para 5; Accountabilities: Direct: Tashi Norbu, Director, EID No. 8303003; Supervisory: Tashi Norbu, Director, EID No. 8303003)



### 3. Shortfalls, Lapses and Deficiencies – Nu. 2.677 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 2.677 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Variations in collection of renewal fees	2.677
3.2	Lack of appropriate controls in revenue management	-
	<b>Total</b>	<b>2.677</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:

#### 3.1 Variations in the collection of renewal fees – 2.677 million

The Regional Office, RSTA, Thimphu had under collection of annual vehicle registration fees amounting to Nu. 2.677 million during the year 2009-10. The difference was worked out based on the comparison of estimated collectible amount as per Registration and License Information System (RaLIS) with amounts worked out applying the minimum annual registration fees of each vehicle type and actual collections made as per Revenue Management System (RMS). The registration fees collected as per the RMS was Nu. 36.409 million and amount collectible as per RaLIS was Nu. 39.085 million. The case was forwarded to the Anti Corruption Commission. Further review on the issue is still being conducted both by the RAA and RSTA to ascertain the exact position. (AIN: 9976, Para 1.1; Accountabilities: Direct: Individuals concerned; Supervisory: Dophu Dukpa, RTO, EID No. 7806007)

#### 3.2 Lack of appropriate controls in revenue management

The review of RaLIS and RMS of Regional Office, RSTA, Thimphu had revealed deficiencies, irregularities and lapses of serious nature involving manipulation of receipts in the collections, accountal, and recording of revenue. It was apparent that such practices and irregularities had occurred due to inadequacies in internal controls. The case was forwarded to the Anti Corruption Commission. (AIN: 9976, Para 4; Accountabilities: Direct: Individuals concerned; Supervisory: Dophu Dukpa, RTO, EID No. 7806007)



## 1.2 Ministry of Foreign Affairs

During the period the Royal Audit Authority had issued 9 audit reports of the Ministry of Foreign Affairs and its Departments, Divisions and Units. There were 31 observations pointed out in the reports, involving equivalent of Nu. 210.628 million out of which 6 observations amounting to over Nu. 3.475 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 207.153 million.

Based on the responses received after the issue of draft AAR 2011 and action taken by the Ministries and concerned agencies under it, observations amounting to Nu. 4.433 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 202.720 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	5.565	1&2
2	Violation of laws and rules	0.376	4
3	Shortfalls, lapses and deficiencies	196.779	5
<b>Total</b>		<b>202.720</b>	

### 1. Fraud, Corruption and Embezzlement – Nu. 5.565 million

There were cases of fraud, corruption and embezzlement involving Nu. 5.565 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Non reconciliation of USD special account/ shortages	5.288
1.2	Discrepancies in maintenance of books of accounts on USD account and cash shortage	0.150
1.3	Double payment of medical expense	0.128
<b>Total</b>		<b>5.565</b>

The cases of fraud, corruption and embezzlement are as indicated below:

#### 1.1 Non reconciliation of USD Special Account/shortages – Nu. 5.288 million

The Royal Bhutanese Embassy, Bangkok had unreconciled difference/shortage of USD 100,716.36 in the Special Account maintained with the Bangkok Bank for the financial years 2008-09, 2009-10 and 2010-11. The difference had occurred in the total receipts of US \$ and the payment recorded as per cashbook after adjusting the closing cash and bank balances at the end of financial year. The case was forwarded to the Anti Corruption Commission. (AIN: 9764, Para 1.1; Accountabilities: Direct: Chenda Topgay, Head of Chancery, EID No. 2009054; Supervisory: Chenda Topgay, Head of Chancery, EID No. 2009054)

#### 1.2 Discrepancies in maintenance of Books of Accounts on USD account and cash shortage – Nu. 0.150 million

The Royal Bhutanese Embassy, Bangkok had cash shortage of US \$ 2,856.67 in the USD Accounts for the year ended 30<sup>th</sup> June 2010. The recasting of the cash book by the audit



showed that there was a cash balance of US \$ 3,057.96 against the balance of US \$ 201.29 shown as per the cashbook maintained by the Embassy. It was noted that the cashbook was not maintained properly for the financial year 2009-10. The case was forwarded to the Anti Corruption Commission. (AIN: 9764, Para 2; Accountabilities: Direct: Yeshe Dorji, Finance Officer, EID No. 7801011; Supervisory: Chenda Topgay, Head of Chancery, EID No. 2009054)

### **1.3 Double payment of medical expenses – Nu. 0.128 million**

The Royal Bhutanese Embassy, Bangkok had made double payment of Thai Baht 78,985.00 on account of medical expenses for staff and family members. It was noted that same invoices were paid twice. The case was forwarded to the Anti Corruption Commission. (AIN: 9764, Para 2; Accountabilities: Direct: Yeshe Dorji, Finance Officer, EID No. 7801011; Supervisory: Chenda Topgay, Head of Chancery, EID No. 2009054)

## **2. Violation of Laws and Rules – Nu. 0.376 million**

There was a case of violation of laws and rules involving Nu. 0.376 million as indicated below:

### **2.1 Payment of representational grant not in line with Foreign Service Entitlement Rules – Nu. 0.376 million**

The Royal Bhutanese Embassy, Dhaka had made inadmissible payment of US \$ 7,163.44 on account of representational grant to the officials. The claims were made without accounting at least 50% of the representational grant drawn for a particular month as required by the Foreign Service Entitlement Rules. It was also noted that the claims made were not supported with necessary bills in some cases. (AIN: 9364, Para 2; Accountabilities: Direct: Individuals concerned; Supervisory: Dasho Bap Kesang, Ambassador, EID No. 7812008)

## **3. Shortfalls, Lapses and Deficiencies – Nu. 196.779 million**

There were cases of shortfalls, lapses and deficiencies involving Nu. 196.779 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Irregular payment	6.759
3.2	Unjustified incidental expenses entertained to officials	-
3.3	Outstanding advance	8.224
3.4	Non Production of supporting documents	181.738
3.5	Non carry forward of bank balance in cash book	0.058
	<b>Total</b>	<b>196.779</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:

### **3.1 Irregular payment – Nu. 6.759 million**

- a) The Royal Bhutanese Embassy, Bangkok had made irregular payment of Representational Grant amounting to US \$ 14,880.00. It was noted that RG claims were not supported by the bills in contravention to the Foreign Service



**Entitlement Rules & Regulations.** (AIN: 9764, Para 4; Accountabilities: Direct: Individuals concerned; Supervisory: Individuals concerned)

- b) The Royal Bhutanese Embassy, Bangkok had made irregular payment of Children Education Allowance amounting to US \$ 33,840.00. The Embassy had not produced necessary documents confirming the details of children to authenticate the payment. (AIN: 9764, Para 5; Accountabilities: Direct: Individuals concerned; Supervisory: Individuals concerned)
- c) The Royal Bhutanese Embassy, Brussels had made irregular payment of Representational Grant amounting to EURO 17,607.46. It was observed that the representational grants were paid without observing the provisions of the Foreign Service Entitlement Rules & Regulations which requires account of atleast 50% of the representational grant drawn for a particular month before claiming the grant for subsequent month. (AIN: 9795, Para 2; Accountabilities: Direct: individuals concerned; Supervisory: Sonam Tobden Rabgye, Ambassador, EID No. 7903021)
- d) The PMB, New York had made irregular payment of USD 11,477.00 on account of allowance for Home Leave Travel Passage. The payments were made without supporting documents such as air tickets and boarding passes in contravention to the Foreign Service Entitlement Rules and Regulations 2002. The case was forwarded to the Anti Corruption Commission. (AIN 9199; Para No. 1; Accountability: Direct: Lhatu Wangchuk, Ambassador, EID No. 6801002 and Tshewang C. Dorji, Counselor, EID No. 9101137; Supervisory: Lhatu Wangchuk, Ambassador, EID No. 6801002)
- e) The PMB, New York had made irregular payment of representational grant amounting to USD 46,160.00 to various officials. The payments were made without submitting 50% expenditure bills as required by the Foreign Service Entitlement Rules and Regulations 2002. (AIN 9199; Para No. 2; Accountability: Direct: Individuals concerned; Supervisory: Daw Penjor, Ambassador, EID No. 8003042)

### **3.2 Unjustified incidental expenses entertained to officials on transfers**

The Royal Bhutanese Embassy, Dhaka had paid abnormally high incidental expenses to the officials who were transferred/ superannuated from RBE, Dhaka. It was noted that the incidental expenses were 107% to 144% higher than the transportation cost. (AIN: 9364, Para.3; Accountabilities: Direct: Ugyen Dorji, Counsellor, EID No. 9407073 and Yeshey Dorji, Ex-Finance Officer, EID No. 7003001; Supervisory: Yeshey Dorji, Ex-finance officer, EID No. 7003001 and Jigme Namgyel, DCAO, EID No. 9601070)

### **3.3 Outstanding Advances – Nu. 8.224 million**

- a) The Royal Bhutanese Embassy, Bangkok had outstanding advances of Nu. 4.284 million against various officials and private parties. (AIN: 9764, Para 10; Accountabilities: Direct: Individuals concerned; Supervisory: Individuals concerned)
- b) The Royal Bhutanese Embassy, Brussels had outstanding advance of EUR 53,988.70 against various officials and private parties. (AIN: 9795, Para 5;



*Accountabilities: Direct: Sonam Tobden Rabgye, Ambassador, EID No. 7903021; Supervisory: Sonam Tobden Rabgye, Ambassador, EID No. 7903021)*

- c) The PMB, New York had outstanding advances of USD 16,561.26 against various private parties. *(AIN 9199; Para No. 3; Accountability: Direct: Individuals concerned; Supervisory: Daw Penjor, Ambassador, EID No. 8003042)*

### **3.4 Non production of supporting documents – Nu. 181.378 million**

---

- a) The Royal Bhutanese Embassy, Bangkok had not produced supporting documents for expenditure amounting to US \$ 3,430,316.26 incurred during the financial years 2008-09, 2009-10 and 2010-11. The details of periodic submission of accounts to the Ministry of Finance and to other offices were not made available to RAA. Further, the maintenance of accounting records was not proper and was in deviation to the Financial Rules and Regulations. The case was forwarded to the Anti Corruption Commission. *(AIN: 9764, Para 1.2; Accountabilities: Direct: Chenda Toppay, Head of Chancery, EID No. 2009054; Supervisory: Chenda Toppay, Head of Chancery, EID No. 2009054)*
- b) The Royal Bhutanese Embassy, Brussels had made direct payment of medical insurance premium amounting to EURO 24,670.50 to the individuals instead of making payment to the insurance companies. Further, the payments were not supported with the bills/receipts of the insurance companies. *(AIN: 9795, Para 1; Accountabilities: Direct: Sonam Tobden Rabgye, Ambassador, EID No. 7903021; Supervisory: Sonam Tobden Rabgye, Ambassador, EID No. 7903021)*

### **3.5 Non carry forward of bank balance in the cash book – Nu. 0.058 million**

---

The Royal Bhutanese Embassy, Bangkok, had not carried forward the bank balance of US \$ 1,097.40 in the cash book for subsequent financial year in deviation to the Financial Rules and Regulations. Further, differences were also noted between the closing bank balance as per cashbook and closing bank balance as per bank statement, which needed to be reconciled. *(AIN: 9764, Para 11; Accountabilities: Direct: Gyembo, First Secretary, EID No. 9610061; Supervisory: Chenda Toppay, Head of Chancery, EID No. 2009054)*



### 1.3 Ministry of Works and Human Settlement

During the period the Royal Audit Authority had issued 23 audit reports of the Ministry of Works and Human Settlement and its Departments, Divisions and Units. There were 68 observations pointed out in the reports, involving Nu. 295.978 million, out of which 37 observations amounting to over Nu. 14.537 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 281.441 million.

Based on the responses received after the issue of draft AAR 2011 and action taken by the Ministry and agencies concerned under it, observations amounting to Nu. 208.879 million were either resolved fully or substantially. The unresolved significant irregularities amounted to Nu. 72.562 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	1.206	1&2
2	Violation of laws and rules	47.032	4
3	Shortfalls, lapses and deficiencies	24.324	5
	<b>Total</b>	<b>72.562</b>	

#### 1. Fraud, Corruption and Embezzlement – Nu. 1.206 million

There were cases of Fraud, Corruption and Embezzlement involving Nu. 1.206 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Misuse of fund	-
1.2	Manipulation of measurement to draw excess money resulting in loss of interest	0.772
1.3	Inadmissible Payments	0.434
1.4	Defective wire mesh and provision of mesh type other than specification	-
	<b>Total</b>	<b>1.206</b>

The cases of fraud, corruption and embezzlement are as indicated below:

##### 1.1 Misuse of fund

The Japan Fund for Poverty Reduction, ADB funded Project implemented by Department of Roads had a case of misuse of project fund amounting to Nu. 0.555 million. It had occurred due to release of advances from the Department into the savings account of Mr. Karma Chophel, Accountant and making fictitious adjustments. Though the amount was subsequently recovered and deposited into Audit Recoveries Account, appropriate action was yet to be taken. The case was forwarded to the Anti Corruption Commission. The case is currently being reviewed by Office of the Attorney General. (AIN: 9363, Para 1; Accountabilities: Direct: Karma Chophel, Accountant, EID No. 9206001; Supervisory: Tshewang Dorji, Sr. Accounts Officer, EID No.9811005)



## **1.2 Manipulation of measurement in 17<sup>th</sup> IPC to draw excess money resulting in loss of interest – Nu. 0.772 million**

---

The 17<sup>th</sup> IPC submitted by contractor in the construction of package GT-03 under the Road Network Project was manipulated to increase the value of work done. The measurement sheet indicated the value of actual work done of Nu. 3.002 million against which the abstract cost sheet attached with bills showed work done value of Nu. 7.613 million thereby, enhancing the value of work done by Nu. 4.611 million. The payment for enhanced value of work done was subsequently adjusted in the 18<sup>th</sup> & Final IPC after a lapse of 247 days. Thus the entertainment of manipulated bills had resulted in an undue interest free financial benefit amounting to Nu. 0.772 million by way of interest accrued. (AIN: 9887, Para 4; Accountabilities: Direct: Sonam N. Wangdi, Project Manager, EID No. 8907168; Supervisory: C.K. Pradhan, Project Coordinator, EID No. 8102022)

## **1.3 Inadmissible payment – Nu. 0.434 million**

---

- a) The Road Network Project under package GT-02 had made inadmissible payment of Nu. 0.145 million in the execution of gabion wire mesh. This had occurred due to discrepancies noted in the gabion wire mesh in terms of mesh opening and thickness of wire mesh, binding wire & selvedge wire between the technical specifications and the materials actually used at site. Though the amount was subsequently recovered and deposited into Audit Recoveries Account, appropriate action was yet to be taken. (AIN: 9887, Para 5.1; Accountabilities: Direct: Sonam N. Wangdi, Project Manager, EID No. 8907168; Supervisory: C.K. Pradhan, Project Coordinator, EID No. 8102022)
- b) The Road Network Project under package GT-04 had made inadmissible payment of Nu. 0.434 million in the work of supplying and placing rock filled gabion. This had occurred due to discrepancies in the gabion wire mesh in terms of mesh opening, and thickness of mesh wire, binding wire & selvedge wire between the technical specifications and the materials actually used at site. (AIN: 9887, Para 5.2; Accountabilities: Direct: Sonam N. Wangdi, Project Manager, EID No. 8907168; Supervisory: C.K. Pradhan, Project Coordinator, EID No. 8102022)

## **1.4 Defective wire mesh and provision of mesh type other than specification**

---

The Road Network Project had used inferior GI wire mesh valuing Nu. 1.413 million which did not conform to the technical specifications for the Gabion works. It was also noted that the GI wire used in the gabion boxes were found rusted within a period of 14 months indicating use of lower zinc coated GI wires. The amount was recovered and deposited into Audit Recoveries Account but appropriate actions are yet to be taken. (AIN: 9887, Para 5.3; Accountabilities: Direct: Sonam N. Wangdi, Project Manager, EID No. 8907168; Supervisory: C.K. Pradhan, Project Coordinator, EID No. 8102022)

## **2. Violation of Laws and Rules – Nu. 47.032 million**

---

There were cases of violation of laws and rules aggregating to Nu. 47.032 million as summarized below:



Sl. No.	Observation in brief	Nu. in million
1	Execution of substandard work	-
2	Improper preparation of estimates resulting in abnormal deviation and extra financial burden to the government	36.609
3	Irregularities in granting of time extension despite substantial reduction in scope of work	4.997
4	Irregularities in execution of gabion works	-
5	Excess/overpayment	0.218
6	Inadmissible payment	1.524
7	Insufficient frequency of tests performed for bituminous binder resulting in poor quality surface dressing	-
8	Acceptance of defective works	3.626
9	Delay in completion of construction of Amochu bridge	-
10	Wrong booking of expenditure	0.058
11	Non utilization of machinery	-
<b>Total</b>		<b>47.032</b>

The cases of violation of laws and rules are as indicated below:

### **2.1 Execution of sub-standard works**

The Monsoon Restoration Work on Tingtibi-Gomphu road under the Field Division, Department of Roads, Zhemgang was poorly constructed and cracks were visible all along the drain which required rectification. (AIN: 9301, Para 2; Accountabilities: Direct: Samdrup Tshering, Junior Engineer, EID No. 200507203; Supervisory: Needup Dorji, Dy. Executive Engineer, EID No. 8908092)

### **2.2 Improper preparation of estimates resulting in abnormal deviations and extra financial burden to the Government – Nu. 36.609 million**

The Detailed Design of the project highway was carried out by M/s Druk Consultancy, Thimphu in association with GEOCE Consultant (P) Limited, Kathmandu, Nepal at an agreed consultancy fee of Nu. 12.790 million. It was found that there were huge variations between the estimated and executed quantities in the item of work – “soil and rock excavation”. The quantities of rock excavated exceeded by as high as 820.70% and 517% over the estimated quantities. The faulty BOQ had allowed huge financial benefit of Nu. 36.609 million in respect of Package FR-08 due to substantial increase in the quantum of rock excavation and abnormally high rate of Nu. 424.81 per cubic meter against the departmental estimate of Nu. 155.86 per cubic meter. Thus, the improper preparation of estimates coupled with improper evaluation of bids had cost the government huge extra financial burden and the project had not achieved value for money in the consultancy works. (AIN: 9887, Para 1; Accountabilities: Direct: Nidup Chong, DPC, EID No. 200601098; Supervisory: Tshering Wangdi “A”, CE, S&DD, EID No. 8102021)

### **2.3 Irregularities in granting of time extension despite substantial reduction in scope of work – Nu. 4.997 million**

The Road Network Project had granted inadmissible time extension of 70 days to the contractor in the construction of 14.983 KM Autsho-Gumdrang farm road in Lhuentse. It was noted that the scope of work was reduced by 39.42% from the initial volume of work



and the time extension of 22 days approved on account of delayed possession of site was not justified as the site was accessible through the existing farm road. Thus, the inadmissible grant of time extension of 70 days for completion of the work had resulted in waiving off of liquidated damages amounting to Nu. 4.997 million. (AIN: 9887, Para 3; Accountabilities: Direct: Sangay Dorji, Project Manager, EID No. 9907125; Supervisory: C.K. Pradhan, Project Coordinator, EID No. 8102022)

#### **2.4 Irregularities in the execution of gabion works**

---

The gabion works in FR-01 executed under the Road Network Project were seen bulged out at some locations indicating either unsound design or construction defects as the structures had failed to withstand the pressure caused by landslides and debris. It was also noted that the gabion works at one place was completely damaged by the landslides. (AIN: 9887, Para 8; Accountabilities: Direct: Kamal Chhetri, Project Manager, EID No. 9207105; Supervisory: C.K. Pradhan, Project Coordinator, EID No. 8102022)

#### **2.5 Excess/Overpayment - Nu. 0.218 million**

---

The Road Network Project had made excess payment of Nu. 0.218 million under the contract package GT-03 in the work of applying prime coat. It was noted that the quantity of prime coat for same area of surface to be primed was found included in three IPCs with varying quantities. (AIN: 9887, Para 4; Accountabilities: Direct: Sonam N. Wangdi, Project Manager, EID No. 89070168; Supervisory: C.K. Pradhan, Project Coordinator, EID No. 8102022)

#### **2.6 Inadmissible payment - Nu. 1.524 million**

---

- a) The Road Network Project had made inadmissible payment of Nu. 0.350 million in the work of supplying and applying prime coat on WMM. It was found that the average application rate of 1.070 liter/m<sup>2</sup> was used instead of the rate of 0.90 liter/m<sup>2</sup> specified by the Team Leader. The average rate was determined on the basis of 4 tests conducted against the 24 tests required to be conducted as per the technical specifications. (AIN: 9887, Para 13; Accountabilities: Direct: Sonam N. Wangdi, Project Manager, EID No. 89070168; Supervisory: C.K. Pradhan, Project Coordinator, EID No. 8102022)
- b) The inadmissible payment of Nu. 1.050 million was made in the work of supplying and applying tack coat for 1<sup>st</sup> and 2<sup>nd</sup> Layer wearing course for the contract package BT-04 under the Road Network Project. The project management had allowed the manual application of emulsion resulting to higher application rate of 0.7 liter/m<sup>2</sup> contrary to the technical specifications. It was noticed that similar works under other packages were found paid at 0.2 liter/m<sup>2</sup>. (AIN: 9887, Para 14; Accountabilities: Direct: Sonam N. Wangdi, Project Manager, EID No. 89070168; Supervisory: C.K. Pradhan, Project Coordinator, EID No. 8102022)
- c) The Road Network Project had made inadmissible payment of Nu. 0.124 million under the contract package GT-04 in the work of supplying and applying of bituminous binder. The rate of application used was 1.30 liter/m<sup>2</sup> for the entire stretch against the average corrected spray rate of 1.28 liter/m<sup>2</sup> on the basis of test reports approved by the Material Engineer. (AIN: 9887, Para 15.1; Accountabilities: Direct: Sonam N. Wangdi, Project Manager, EID No. 89070168; Supervisory: C.K. Pradhan, Project Coordinator, EID No. 8102022)



## **2.7 Insufficient frequency of tests performed for bituminous binder resulting into poor quality of surface dressing**

---

The Road Network Project had not carried out requisite number of tests for bituminous binder as specified in the technical specification. As a result, it had affected the quality of surface dressing. It was found that the number of tests performed for 10mm bituminous binder was just 17 as against the 54 tests required as per the technical specification. (AIN: 9887, Para 15.2; Accountabilities: Direct: Sonam N. Wangdi, Project Manager, EID No. 89070168; Supervisory: C.K. Pradhan, Project Coordinator, EID No. 8102022)

## **2.8 Acceptance of defective work – Nu. 3.626 million**

---

- a) The Road Network Project had released the amount of Nu. 0.779 million prior to the submission of rectification report. The amount was initially withheld by the project for defective works of undulations and over lapping joints of laid DBSD at particular chainage. Further, on physical verification of the site, the defective works which were reported to have been rectified still showed the same defects. (AIN: 9887, Para 16.2; Accountabilities: Direct: Sonam N. Wangdi, Project Manager, EID No. 89070168; Supervisory: C.K. Pradhan, Project Coordinator, EID No. 8102022)
- b) The Road Network Project had accepted the defective work valuing Nu. 2.847 million in the work of compacting sub base under the contract package FR-01. It was noted the sub base was executed with loose & segregated materials and the ridges at hairpin bend and curves were noted. Further, the oversized materials were used at some locations. (AIN: 9887, Para 18; Accountabilities: Direct: Kamal Chhetri, Project Manager, EID No. 9207105; Supervisory: C.K. Pradhan, Project Coordinator, EID No. 8102022)
- c) The Department of Roads, Field Division, Trashigang had not carried out the rectification works in the resurfacing works at Tshelingore-Pemagatshel road carried out by M/s Phuntsho Rabten Construction. Several defects such as cracks and potholes on the road were noticed during physical verifications. (AIN: 9542, Para 2; Accountabilities: Direct: Tshering Phuntsho, Junior Engineer, EID No. 200707072; Supervisory: Pema Choeda, Assistant Engineer I, EID No. 9707055)

## **2.9 Delay in completion of construction of Amochu Bridge**

---

The construction of Amochu Bridge under the Field Division, Department of Roads, Phuentsholing was considerably delayed as only 45.78% of the works were completed towards the end of the stipulated contract period. The Ministerial Level Tender Committee had recommended for termination of the contract and the contractor was given 30 days to prepare for handing over of the work. The management is required to forfeit the performance security amount of Nu. 17.534 million and expedite the assessment of the pending works. (AIN: 9886, Para 3; Accountabilities: Direct: Kinzang Dorji, Project Engineer, EID No. 9207045; Supervisory: Nirala Rai, Principal Engineer, EID No. 9411011)

## **2.10 Wrong booking of expenditure – Nu. 0.058 million**

---

The Field Division, Department of Roads, Phuentsholing had wrongly booked the current expenditure of Nu. 0.093 million under capital expenditure. This had resulted in



overstatement of capital expenditure and understatement of current expenditure. The balance unadjusted expenditure amounted to Nu. 0.058 million. (AIN: 9886, Para 9; Accountabilities: Direct: Mamta Pradhan, Assistant Accountant I, EID No. 9611002; Supervisory: Niralal Rai, Principal Engineer, EID No. 9411011)

### 2.11 Non utilization of machinery

The sweeping machine donated by Asian Development Bank in 2004 to the then Thimphu City Corporation had remained idle since 2008. The management justified that the machine was not suitable owing to the undulation of the existing road condition and had proposed for auctioning. However, RAA deemed that proper study as to the functionality and utility of the machines was not done properly by the Thimphu City Corporation prior to its procurement. (AIN 9773; Para 4; Accountabilities: Direct: Tshewang Dhendup, Assistant Mechanical Transport Officer, EID No. 2101117; Supervisory: Tashi Tshering, Mechanical Transport Officer, EID No. 9301043)

## 3. Shortfalls, Lapses and Deficiencies – Nu. 24.324 million

There were cases under shortfalls, lapses and deficiencies aggregating to Nu. 24.324 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Non reconciliation of CD Accounts	-
3.2	Non reconciliation of balances	1.240
3.3	Non adjustment of mobilization and secured advances	23.084
	<b>Total</b>	<b>24.324</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:

### 3.1 Non-reconciliation of CD Accounts

The Phuentsholing City Corporation had not reconciled the opening and closing balances of two CD Accounts maintained by it. The differences were noted when comparing the balances as per the bank statement and the balances as per the Receipts and Payments Statement. (AIN: 9494, Para 1; Accountabilities: Direct: Sonam Tshewang, AAO, EID No: 9110023; Supervisory: R. B. Ghalley, Assistant Accounts Officer, EID No. 8801083)

### 3.2 Non reconciliation of balances – Nu. 1.240 million

The Field Division, Department of Roads, Phuentsholing had an unexplained difference of Nu. 1.240 million in the opening bank balance for the month of June 2011. Further, as against the total budget release of Nu. 253.434 million made by the Department of Public Accounts, the Division had accounted for Nu. 251.054 million only resulting into excess bank balance of Nu. 2.380 million. The impact of unexplained difference and excess bank balance could not be ascertained in audit as the Division had withdrawn the entire bank balance of Nu. 35.400 million in cash on 30<sup>th</sup> June 2011 and had made huge cash payments. The unutilized cash balance of Nu. 29.139 million was however found remitted to DPA. (AIN: 9886, Para 1; Accountabilities: Direct: Mamta Pradhan, Assistant Accountant I, EID No. 9611002; Supervisory: Niralal Rai, Principal Engineer, EID No. 9411011)



### **3.3 Non adjustment of mobilization and secured advances - Nu. 23.084 million**

---

The Field Division, Department of Roads, Phuentsholing had not adjusted the mobilization and secured advances amounting to Nu. 23.084 million released to the contractor in the construction of Amochu Bridge even after termination of contract due to poor performance of the contractor. (AIN: 9886, Para 4; Accountabilities: Direct: Mamta Pradhan, Assistant Accountant I, EID No. 9611002; Supervisory: Niralal Rai, Principal Engineer, EID No. 9411011)



## 1.4 Ministry of Health

During the period the Royal Audit Authority had issued 23 audit reports of the Ministry of Health and its Departments, Divisions and Units. There were 24 observations pointed out in the reports, involving Nu. 19.617 million, out of which observations amounting to over Nu. 1.026 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 18.591 million.

Based on the responses received after the issue of draft AAR 2011 and action taken by the Ministries and concerned agencies under it, observations amounting to Nu. 1.922 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 16.669 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	4.539	3
2	Violation of laws and rules	11.924	4
3	Shortfalls, lapses and deficiencies	0.206	5
<b>Total</b>		<b>16.669</b>	

### 1. Mismanagement - Nu. 4.539 million

There were cases of mismanagement involving Nu. 4.539 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Avoidable demurrage charges	0.163
1.2	Mismanagement of fund	4.376
<b>Total</b>		<b>4.539</b>

The cases of mismanagement are as indicated below:

#### 1.1 Avoidable demurrage charges - Nu. 0.163 million

The Medical Supply Depot, Phuentsholing had incurred avoidable expenditure of Nu. 0.163 million on account of demurrage charges for late clearance of consignments from the Regional Revenue and Customs Office. Some consignments had taken as long as 33 days to get cleared. (AIN: 9498, Para 1; Accountabilities: Direct: Dawa Dukpa, Asstt. Accountant, EID No: 9107027; Supervisory: Chakchu Tshering, Sr. Procurement Officer, EID No. 8803095)

#### 1.2 Mismanagement of fund - Nu. 4.376 million

The release of funds for the Health Liaison Office, Kolkata was made through Account Payee Demand Draft amounting to Nu. 4.376 million in favour of Health Liaison Officer. The fund was not accounted for immediately but was paid to office in two installments through the savings cheques of Health Liaison Officer. The demand draft was prepared on 6<sup>th</sup> April, 2009 and the payments through cheques were made on 25<sup>th</sup> April, 2009 and 4<sup>th</sup> June 2009. The case was forwarded to the Anti Corruption Commission. (AIN: 9700, Para 3; Accountabilities: Direct: Tshewang Samdrup, Ex-Health Liaison Officer, EID 7702011; Supervisory: Tshewang Samdrup, Ex-Health Liaison Officer, EID 7702011)



## 2. Violation of Laws and Rules – Nu. 11.924 million

There were cases of violation of laws and rules involving Nu. 11.924 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Procurement without tender /quotation	10.127
2.2	Non carry forward of fuel balances	0.076
2.3	Payment without approved budget	1.721
	<b>Total</b>	<b>11.924</b>

The cases of violation of laws and rules are as indicated below:

### 2.1 Procurement without tender/quotation – Nu. 10.127 million

The transactions for the procurement of named patient drugs and non quoted drugs amounting to Nu. 10.127 million pertaining to the financial year 2008-2009 made by the Health Liaison Office, Kolkata could not be trailed through books of accounts since the fund releases from the DVED were made to personal savings account of Health Liaison Officer. The enquiry revealed that the officer concerned procured the drugs and the bills were submitted directly to the DVED. The case was forwarded to the Anti Corruption Commission. (AIN: 9700, Para 2; Accountabilities: Direct: Tshewang Samdrup, Ex-Health Liaison Officer, EID 7702011; Supervisory: Tshewang Samdrup, Ex-Health Liaison Officer, EID 7702011)

### 2.2 Non carry forward of fuel balances – Nu. 0.076 million

The Central Regional Referral Hospital, Gelephu had not carried forward the fuel balance amounting to Nu. 0.076 million to the next fuel recoupment statement for the various vehicles maintained by the hospital. (AIN: 9608, Para 1; Accountabilities: Direct: Individuals concerned; Supervisory: Karma Yeshe, Administrative Officer, EID No. 8604082 and Pema Dorji, Administrative Officer, EID No. 200605019)

### 2.3 Payment without approved budget – Nu. 1.721 million

The Secretariat, Ministry of Health had made payment of Nu. 1.721 million on account of long term training cost of an official without provision of the budget. The training was approved under the funding of WHO and the Ministry had sought approval from the Gross National Happiness Commission to internally adjust the interim fund requirement until the funds were released from WHO. However, it was found that no reimbursements were made from WHO to LC account. (AIN: 9889, Para 2; Accountabilities: Direct: Tshering Dema, Budget Officer, EID No. 200501094; Supervisory: Mindu Dorji, Officiating Chief HRO, EID No. 8204036)

## 3. Shortfalls, Lapses and Deficiencies – Nu. 0.206 million

The case of shortfalls, lapses and deficiencies involving Nu. 0.206 million is as indicated below:

### 3.1 Outstanding Advances – Nu. 0.206 million

The Secretariat, Ministry of Health had outstanding advances of Nu. 0.206 million against various officials. (AIN: 9889, Para 3; Accountabilities: Direct: Individuals concerned; Supervisory: N.B. Mongar, Accounts Assistant I, EID No. 9704061)



## 1.5 Ministry of Agriculture & Forests

During the period the Royal Audit Authority had issued 81 audit reports of the Ministry of Agriculture & Forests and its Departments, Divisions and Units. There were 171 observations pointed out in the reports, involving Nu. 41.108 million, out of which 137 observations amounting to over Nu. 18.177 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the Draft AAR 2011 amounted to Nu. 22.931 million.

Based on the responses received after the issue of the draft AAR 2011 and action taken by the Ministry and agencies concerned under it, observations amounting to Nu. 8.493 million were either resolved fully or substantially. The unresolved significant irregularities amounted to Nu. 14.438 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.353	1&2
2	Mismanagement	0.781	3
3	Violation of laws and rules	3.838	4
4	Shortfalls, lapses and deficiencies	9.466	5
<b>Total</b>		<b>14.438</b>	

The cases of fraud, corruption and embezzlement are as indicated below:

### 1. Fraud, Corruption and Embezzlement – Nu. 0.353 million

There were cases of fraud, corruption and embezzlement involving Nu. 0.353 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Acceptance of inferior goods	-
1.2	Payment for works not executed	0.353
<b>Total</b>		<b>0.353</b>

The cases of fraud, corruption and embezzlement are as indicated below:

#### 1.1 Acceptance of inferior goods

The National Warm Water Fish Culture Center, Gelephu had accepted inferior quality of CGI Sheets in the construction of Master Hatchery shed and Re-modeling of Poultry shed to Piggery shed. (AIN: 9525, Para 1.3; Accountabilities: Direct: Damchoe Pelzang, ALO, EID No. 7601037 and Chengay, Engineer, EID No:2007108; Supervisory: Karma Gyeltshen, Officiating Program Director, EID No.7600015)

#### 1.2 Payment for works not executed – Nu. 0.353 million

The Divisional Forest Office, Mongar had made payment for works not executed amounting to Nu. 0.353 million in the Major Renovation work of Sherichu Forest Check Post. On



enquiry, the RAA found that the works were never carried out but claims were entertained against fictitious bills. It was also found that the management had taken over the completed work which actually never existed. (AIN: 9630, Para 1; Accountabilities: Direct: Thinley Dorji, Chief Forestry Officer, EID No. 7407019; Supervisory: Thinley Dorji, Chief Forestry Officer, EID No. 7407019)

## 2. Mismanagement – Nu. 0.781 million

There were cases of mismanagement involving Nu. 0.781 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Short collection	0.425
2.2	Other mismanagement of funds	0.060
2.3	Non utilization of budget fund	-
2.4	Discrepancy in balance fund	0.296
	<b>Total</b>	<b>0.781</b>

The cases of mismanagement are as indicated below:

### 2.1 Short collection – Nu. 0.425 million

The Bhutan Agriculture and Food Regulatory Authority had an unreconciled difference of Nu. 0.425 million between the fees to be collected as per permits issued and the fees collected and deposited as per the revenue statement. The Authority had not maintained proper records for collection of fees. (AIN: 9222, Para 2.6; Accountabilities: Direct: Durga Das Rai, Accounts Asstt. II, EID No. 200307142; Supervisory: Karma Dorji, Executive Director, EID No. 7511002)

### 2.2 Other mismanagement of funds – Nu. 0.060 million

The Decentralized Natural Resource Management Project implemented by Policy & Planning Division, Ministry of Agriculture and Forests had under reported the unadjusted PW advances amounting to Nu. 0.060 million in the books of accounts. (AIN: 9331, Para 2; Accountabilities: Direct: Phuntsho Zangmo, Project Accountant, EID No. 9107123; Supervisory: Phuntsho Zangmo, Project Accountant, EID No. 9107123)

### 2.3 Non utilization of budget fund

The Secretariat, Ministry of Agriculture & Forests had cases of under-utilization of funds ranging from 40% to 100% of the budget allocated for different categories of expenditure. The substantial deviation had occurred either due to overestimation of the budget requirement or failure to implement the activities by the Secretariat. (AIN: 9741, Para 3; Accountabilities: Direct: Kencho Thinley, Sr. Planning Officer, EID No. 2101044; Supervisory: Tenzin Chopel, Chief Planning Officer, EID No. 9402076)

### 2.4 Discrepancy in balance fund – 0.296 million

The Sustainable Land Management Project implemented by National Soil Service Centre, had not reconciled the fund balance pertaining to the releases made to the Lumang Gewog. As per the release and expenditure, the Gewog was supposed to have the balance of Nu. 0.296 million but the Gewog had surrendered only Nu. 0.002 million to the Department of



Public Accounts as lapsed funds. There was no information regarding the details of differences in the balances. (AIN: 9820, Para 1; Accountabilities: Direct: Rinchen Phuntsho, Geog Accountant, EID No.200807253; Supervisory: Jangchuk Wangdi, 9907141, Lumang Gup, CID No. 11506006212)

### 3. Violation of Laws and Rules – Nu. 3.838 million

There were cases of violation of laws and rules involving Nu. 3.838 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Execution of sub-standard work	-
3.2	Non levy of liquidated damages	0.052
3.3	Non renewal of contract	-
3.4	Non functional water supply line	1.756
3.5	Irregularities in construction of approach road	2.030
	<b>Total</b>	<b>3.838</b>

The cases of violation of laws and rules are as indicated below:

#### 3.1 Execution of sub-standard work

- a) The package I of the construction carried out by the Royal Manas National Park, Gelephu awarded to M/s Tenzin Geleg Construction, Gelephu had showed deficiencies in the execution of various items of work. The management was asked to get the works rectified. (AIN: 9467, Para 1.1; Accountabilities: Direct: Sangay Tenzin, FR, EID No: 200407263; Supervisory: Tenzin Wangchuk, Park Manager, EID No.9612010)
- b) The package II of the construction carried out by the Royal Manas National Park, Gelephu awarded to M/s Jimba Construction, Gelephu had showed various deficiencies in the execution of CGI sheet, acrylic distemper and drain. The management was asked to get the works rectified. (AIN: 9467, Para 1.2; Accountabilities: Direct: Sangay Tenzin, FR, EID No: 200407263; Supervisory: Tenzin Wangchuk, Park Manager, EID No.9612010)

#### 3.2 Non levy of liquidated damages – Nu. 0.052 million

The Regional Livestock Development Center, Wangdue had not levied liquidated damages amounting to Nu. 0.052 million for the delay in the completion of construction of water supply at the Center. (AIN: 9772, Para 3.2; Accountabilities: Direct: Sagan Pradhan, Site Engineer, EID No. 21213000279; Supervisory: Dr. Bir Doj Rai, RVO, EID No. 20011031)

#### 3.3 Non renewal of contract

The Jigme Dorji National Park, Damji had not renewed the contract term of five forest guards who were employed on contract in contravention to the service rules and regulations in force. (AIN: 9362, Para 12; Accountabilities: Direct: Prakash Chettri, EID No. 9908068 and Tashi Phuntsho, EID No. N.A, Supervisory: Phuntsho Thinley, Chief Forest Officer, EID No. 200301023)



### 3.4 Non functional water supply line – Nu. 1.756 million

The water supply line at Regional Livestock Development Center, Wangdue constructed at the cost of Nu. 1.756 million was found to be non functional. It was found that the sustainability of the water source was not studied and the reservoir tank was placed below the existing office hindering the flow of water. (AIN: 9772, Para 4; Accountabilities: Direct: Sujan Pradhan, Site Engineer, EID No. 21213000279; Supervisory: Dr. Bir Doj Rai, RVO, EID No. 20011031)

### 3.5 Irregularities in construction of approach road – Nu. 2.030 million

The work of construction of approach road to Regional Livestock Development Center, Wangdue was not executed as per the drawing and the BOQ. The BOQ specified 3 meters of carriage width against which only 2.80 meters was executed at site. As such the payment of Nu. 2.030 million on account of formation cutting was injudicious. (AIN: 9772, Para 5; Accountabilities: Direct: Sujan Pradhan, Site Engineer, EID No. 21213000279; Supervisory: Dr. Bir Doj Rai, RVO, EID No. 20011031)

## 4. Shortfalls, Lapses and Deficiencies – Nu. 9.466 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 9.466 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
4.1	Outstanding advances	4.882
4.2	Non reconciliation of balances	0.255
4.3	Improper recording of revenue collection	-
4.4	Inadmissible payment	0.174
4.5	Excess payment	0.229
4.6	Irregular payment of Travelling and Daily Allowances	0.065
4.7	Wrong fixation of pay	-
4.8	Non supply of medicines and equipment	3.861
4.9	Unreconciled difference in stock balances	-
<b>Total</b>		<b>9.466</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:

### 4.1 Outstanding Advances – Nu. 4.882 million

- a) The National Feed & Fodder Development Programme, Bumthang had outstanding advances of Nu. 1.856 million against officials and contractors. (AIN: 9703, Para 1; Accountabilities: Direct: Deki Lhamo, Accountant, EID No. 200907012; Supervisory: Jambay Gyeltshen, Programme Director, EID No. 9801088)
- b) The Strengthening of Livestock Development Initiatives Project implemented by the Department of Livestock had outstanding advances of Nu. 0.065 million against various suppliers, contractors and officials. (AIN: 9643, Para 2; Accountabilities: Direct: Individuals concerned; Supervisory: Sithar Dorji, Project Director, EID No.9507136)



- c) The Department of Livestock had outstanding advance of Nu. 1.096 million against the supplier for the supply of Avian Influenza Personal Protective Equipment. It was also noted that the advance was released without assessing the estimated cost of the equipment. (AIN: 9680, Para 3; Accountabilities: Direct: Karma Rinzin, PD, HCAH, EID No: 9901056; Supervisory: Dr. Karma Tenzing, CLO, EID No.9603004)
- d) The Department of Forests and Park Services had outstanding advance of Nu. 1.800 million against M/s STCBL for the supply of Toyota Fortuner for the Secretariat. (AIN: 9768, Para 6; Accountabilities: Direct: Kencho Wangmo, Accountant, EID No. 9604081; Supervisory: Loknath Dahal, Accounts Officer, EID No. 2001006)
- e) The Department of Agriculture had outstanding advances of Nu. 0.065 million against various officials and parties. (AIN: 9605, Para 2; Accountabilities: Direct: Dhendup Dukpa, DAO III, EID No. 7108011; Supervisory: Tenzin Drugyel, SAO, EID No. 2005001110 and Tenzin, Civil Engineer, EID No. 9801115)

#### **4.2 Non reconciliation of balances – Nu. 0.255 million**

The Department of Agriculture had the difference of Nu. 0.255 million in the fund balance of budgetary releases and expenditure due to booking of “other payments” against the budgetary releases. (AIN: 9605, Para 1; Accountabilities: Direct: Pema Tamang, Accountant, EID No. 8602002; Supervisory: Chimi Rinzin, CAO, EID No. 20011027 and Kinley Tshering, CHO, EID No. 9901075)

#### **4.3 Improper recording of revenue collection**

The Bhutan Agriculture and Food Regulatory Authority had not recorded revenues based on its defined categories. The collections of permit fees were shown as inspection fees in the revenue collection and deposit schedule. With such practice of improper recording, collections and deposits of different categories of revenues could not be ascertained. (AIN: 9222, Para 2.7; Accountabilities: Direct: Durga Das Rai, Accounts Asstt. II, EID No. 200307142; Supervisory: Karma Dorji, Executive Director, EID No. 7511002)

#### **4.4 Inadmissible Payment – Nu. 0.174 million**

The inadmissible payment of Nu. 0.174 million was made by the Livestock Breeding Programme, Yusipang in the construction of 3 bedroom staff quarter at Yusipang. The inadmissible payment had occurred due to errors in quantification of items of works in the BOQ which was neither corrected by the evaluation committee nor by the contractor while quoting the rates. (AIN: 9332, Para 3.5; Accountabilities: Direct: Kinlay Nidup, site Engineer, GoI Project, DOL, CID No. 11508004102; Supervisory: Dr. D. B. Rai, Program Director, EID No.9901057)

#### **4.5 Excess Payment – Nu. 0.229 million**

An overpayment of Nu. 0.229 million was made by the National Livestock Breeding Programme, Yusipang in the construction of 2 bedroom staff quarter at Yusipang. The overpayment had occurred due to payment for inadmissible raise in height of RRM in foundation. (AIN: 9332, Para 2.6; Accountabilities: Direct: Kinlay Nidup, site Engineer, GoI Project, DOL, CID No. 11508004102; Supervisory: Dr. D. B. Rai, Program Director, EID No.9901057)



#### **4.6 Irregular Payment of Travelling and Daily Allowances – Nu. 0.065 million**

---

The Secretariat, Ministry of Agriculture and Forests had made irregular payment of TA/DA amounting to Nu. 0.065 million. It was noted that the TA/DA were paid to some of the officials and support staff without actually performing the tours. (AIN: 9701, Para 1; Accountabilities: Direct: Individuals concerned; Supervisory: Individuals concerned)

#### **4.7 Wrong fixation of pay**

---

The Department of Livestock had cases of variations in the basic pays of employees due to wrong fixation of pay during annual increment. An instance of pay being fixed beyond the maximum ceiling of the pay scale was also noted. The RAA was not able to carry out detailed scrutiny of the pay fixation as the relevant documents were not produced despite requisition submitted by the audit team. (AIN: 9680, Para 2; Accountabilities: Direct: Sangay Yangley, HRO, EID No: 2101020; Supervisory: Kinga Wangdi, Chief HR Officer, EID No.8304042)

#### **4.8 Non supply of medicines and equipment – Nu. 3.861 million**

---

The Livestock Central Stores, Phuentsholing had not received medicines and equipment valuing Nu. 3.861 million from various suppliers. The goods were to be supplied within 30 days from the date of issue of the supply order. (AIN: 9736, Para 1; Accountabilities: Direct: Dorji Tshering, Assistant Store Officer, EID No. 9608089 and Kaka Wangchuk, Store Officer, EID No. 8005044; Supervisory: Kaka Wangchuk, Store Officer, EID No. 8005044)

#### **4.9 Unreconciled difference in stock balances**

---

The Livestock Central Stores, Phuentsholing had unreconciled differences in the stock balances of medicines and instruments reflected by the Drug Movement Software System and the Manual Stock Register. (AIN: 9736, Para 2; Accountabilities: Direct: Tshewang Choden, Adm. Assistant, EID No. 8602053 and M.M. Sali, Sr. Adm. Assistant, EID No. 8009007; Supervisory: Kaka Wangchuk, Store Officer, EID No. 8005044)



## 1.6 Ministry of Economic Affairs

During the period the Royal Audit Authority had issued 17 audit reports of the Ministry of Economic Affairs and its Departments, Divisions and Units. There were 25 observations pointed out in the reports, involving Nu. 34.655 million, out of which 19 observations amounting to over Nu. 10.930 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 23.725 million.

Based on the responses received after the issue of draft AAR 2011 and action taken by the Ministry and concerned agencies under it, observations amounting to Nu. 11.152 million were either resolved fully or substantially. The unresolved irregularities amounted to Nu. 12.573 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	-	1&2
2	Violation of laws and rules	12.279	4
3	Shortfalls, lapses and deficiencies	0.294	5
<b>Total</b>		<b>12.573</b>	

### 1. Fraud, Corruption and Embezzlement

There were cases of fraud, corruption and embezzlement as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Non accountal of cash receipts in the cash book	-
1.2	Heavy retention of monthly cash balances and booking of cash balances as surrendered to DPA	-
<b>Total</b>		<b>-</b>

The cases of fraud, corruption and embezzlement are as indicated below:

#### 1.1 Non-accountal of cash receipts in the cashbook

The Secretariat, Ministry of Economic Affairs had not accounted the amount of Nu. 0.091 million on account of recoveries and refunds of advances in the cash book. The advance accounts were, however, adjusted in the memorandum register after issue of non-revenue receipts on receipt of cash. The amount with penal interest was fully deposited, however, appropriate action was not taken. The case was forwarded to the Anti Corruption Commission. (AIN: 9717, Para 2; Accountabilities: Direct: Benitta Chhetri, Assistant Accounts Officer, EID No. 9906001; Supervisory: Sonam Leki, Deputy Chief Accounts Officer, EID No. 8307028)

#### 1.2 Heavy retention of monthly cash balances and booking of cash balance as surrendered to DPA

The Secretariat, Ministry of Economic Affairs had booked the year end closing balance of Nu. 0.098 million as surrendered to Department of Public Accounts, which actually was not surrendered. Further, huge monthly cash balances were maintained contravening the



financial norms. Though the amount was deposited in full, appropriate action was yet to be taken. The case was forwarded to the Anti Corruption Commission. (AIN: 9717, Para 3; Accountabilities: Direct: Benitta Chhetri, Assistant Accounts Officer, EID No. 9906001; Supervisory: Sonam Leki, Deputy Chief Accounts Officer, EID No. 8307028)

## **2. Violation of Laws and Rules – Nu. 12.279 million**

The case of violation of law and rules involving Nu. 12.279 million is as indicated below:

### **2.1 Consumers overcharged due to failure of POL dealers to carry out products transit insurance – Nu. 12.279 million**

The Ministry of Economic Affairs had made the transit insurance of POL products mandatory along with the revised pricing structure of petroleum products effective from July 2009. However, the Department of Trade had not enforced the directives of the Ministry resulting into overcharging of customers by Nu. 12.279 million. The customers were overcharged as the transit insurance element was inbuilt in the pricing structure without actually incurring transit insurance costs of POL products. (AIN: 9765, Para 1; Accountabilities: Direct: Individuals concerned; Supervisory: Dopfu Tshering, Chief Trade Officer, EID No. 7903017)

## **3. Shortfalls, Lapses and Deficiencies – Nu. 0.294 million**

There was a case of shortfalls, lapses and deficiencies involving Nu. 0.294 million as indicated below:

### **3.1 Outstanding advances – Nu. 0.294 million**

The Department of Geology and Mines had not carried forward the outstanding advances of Nu. 0.294 million to the subsequent financial year for necessary adjustment and recoveries. The outstanding advances pertained to the financial years 2008-09 & 2009-10. (AIN: 9786, Para 1.1; Accountabilities: Direct: Individuals concerned; Supervisory: Sonam Leki, Dy. Chief Accounts Officer, EID No. 8307028)



## 1.7 Ministry of Finance

During the period the Royal Audit Authority had issued 16 audit reports of the Ministry of Finance and its Departments, Divisions and Units. There were 37 observations pointed out in the reports, involving Nu. 25.554 million out of which 31 observations amounting to over Nu.8.919.million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 16.635 million.

Based on the responses received after the issue of draft AAR 2011 and action taken by the Ministry and agencies concerned under it, observations amounting to Nu. 6.066 million were either resolved fully or substantially. The unresolved significant irregularities amounted to Nu. 10.569 million as summarized below:

Sl. No.	Observation Category	Nu. in Million	Category Code
1	Mismanagement	10.185	3
2	Shorfalls, lapses and deficiencies	0.384	5
<b>Total</b>		<b>10.569</b>	

### 1. Mismanagement - Nu. 10.185 million

There were cases of mismanagement involving Nu. 10.185 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Outstanding taxes	0.340
1.2	Non remittance of TDS	0.950
1.3	Non collection of BST on cement sold	8.895
<b>Total</b>		<b>10.185</b>

The cases of mismanagement are as indicated below:

#### 1.1 Outstanding taxes - Nu. 0.340 million

- a) The Regional Revenue and Customs Office, Samdrup Jongkhar had not collected Business Income Tax and Corporate Income Tax amounting to Nu. 0.063 million for the years 2003 to 2009 from various business and corporate entities. (AIN: 9496, Para 2.1; Accountabilities: Direct: Nidup Gyeltshen, Joint collector, EID No.9610072; Supervisory: Kesang Dorji, Regional Commissioner, EID No. 7608013)
- b) The Regional Revenue and Customs Office, Bumthang had outstanding taxes of Nu. 0.110 million collectible from various business entities for the income years 2009 and 2010. (AIN: 9231, Para 1; Accountabilities: Direct: Individuals concerned; Supervisory: Bimal Kumar Pradhan, Joint Collector, EID No. 9610074)
- c) The Regional Revenue & Customs Office, Bumthang had outstanding taxes of Nu. 0.167 million on account of Bhutan Sales Tax, Business Income Tax and Personal Income Tax. (AIN: 9872, Para 1; Accountabilities: Direct: Kedar Kr. Nepal, Asstt. Collector, EID No. 9904040; Supervisory: Bimal Kumar Pradhan, Joint Collector (Tax), EID No. 9610074)



## **1.2 Non remittance of TDS – Nu. 0.950 million**

---

The Department of National Properties had not remitted the 3% TDS amounting to US \$ 18,095.53 for various supplies made by the suppliers under the World Bank funded IDI Grant project. The non remittance was in deviation to the Income Tax Act of the Kingdom of Bhutan 2001. (AIN: 10014, Para 1; Accountabilities: Direct: Sonam Thinley, Accountant, EID No. 200507252; Supervisory: Dhendhen Dhondup, Chief Program Officer, EID No. 7210011)

## **1.3 Non collection of BST on cement sold without BSTEC – Nu. 8.895 million**

---

The Regional Revenue and Customs Office, Samtse had not collected BST on cement sold amounting to Nu. 8.895 million from M/s Penden Cement Authority Limited, Gomtu pertaining to the income years 2006, 2007 and 2008. (AIN: 9243, Para 1; Accountabilities: Direct: Pema Dorji, Assistant Tax Officer, EID No. 20071107; Supervisory: Sonam Jamtsho, Regional Director, EID No. 9308020)

## **2. Shortfalls, Lapses and Deficiencies – Nu. 0.384 million**

---

There was a case of shortfalls, lapses and deficiencies involving Nu. 0.384 million as indicated below:

### **2.1 Outstanding advances – Nu. 0.384 million**

---

The Liaison & Transit Office, Royal Bhutan Customs, Kolkata had outstanding advances of Nu. 0.384 million against various officials and parties. (AIN: 9218, Para 1.2; Accountabilities: Direct: Tenzin Norbu, EID No. 8607064, Jambay Dorji, EID No. 7105009 and Kinzang Dorji, EID No. Supervisory: Tenzin Norbu, EID No. 8607064, Jambay Dorji, EID No. 7105009)



## 1.8 Ministry of Education

During the period the Royal Audit Authority had issued 10 audit reports of the Ministry of Education and its Departments, Divisions and Units. There were 39 observations pointed out in the reports, involving Nu. 129.789 million, out of which 15 observations amounting to over Nu. 13.908 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 115.881 million.

Based on the responses received after the issue of the draft AAR 2011 and action taken by the Ministry and the concerned agencies under it, observations amounting to Nu. 107.509 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 8.372 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	8.372	5
	<b>Total</b>	<b>8.372</b>	

### 1. Shortfalls, Lapses and Deficiencies – Nu. 8.372 million

There were cases under shortfalls, lapses and deficiencies involving Nu. 8.372 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Outstanding advances	8.229
1.2	Payment without supporting documents	0.143
	<b>Total</b>	<b>8.372</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:

#### 1.1 Outstanding advances – Nu. 8.229 million

- a) The Secretariat, Ministry of Education had outstanding advances of Nu. 0.095 million against various employees and suppliers. (AIN:9481, Para 2; Accountabilities: Direct: Individuals concerned; Supervisory: Individuals concerned)
- b) The Education Development Project had outstanding advances of Nu. 8.134 million against various parties. (AIN: 9313, Para 15; Accountabilities: Direct: Tashi Tshering, Accountant, EID No.9807016 & Dewakar Lama, Deputy Executive Engineer, EID No. 8808002; Supervisory: Pema Yangden, Senior Accounts Officer, EID No.2001008 & Karma Sonam, Chief Engineer, EID No. 9107112)

#### 1.2 Payment without supporting documents – Nu. 0.143 million

The Education Development Project had paid idle charge for LGSF workers amounting to Nu. 0.143 million without supporting documents such as approval, salary sheet and attendance register. The case is under sub-judice. (AIN: 9313, Para 10; Accountabilities: Direct: Diwakar Lama, Deputy Executive Engineer, EID No.8808002; Supervisory: Karma Sonam, Chief Engineer, EID No.9107112)



## 1.9 Ministry of Home & Cultural Affairs

During the period the Royal Audit Authority had issued 11 audit reports of the Ministry of Home & Cultural Affairs and its Departments, Divisions and Units. There were 15 observations pointed out in the reports, involving Nu. 10.956 million, out of which 10 observations amounting to over Nu. 0.434 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 10.522 million.

Based on the responses received after issue of the draft AAR 2011 and action taken by the Ministry and concerned agencies under it, observations amounting to Nu. 9.851 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 0.671 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.555	4
2	Shortfalls, lapses and deficiencies	0.116	5
Total		0.671	

### 1. Violation of Laws and Rules – Nu. 0.555 million

There was a case of violation of laws and rules involving Nu. 0.555 million as indicated below:

#### 1.1 Non levy of liquidated damages – Nu. 0.555 million

The Royal Bhutan Police, HQs, Thimphu had not levied liquidated damages amounting to Nu. 0.555 million for the failure of supplier to supply the goods within the stipulated time. It was found that unjustified time extension was given to the supplier as the goods supplied did not conform to the specifications. (AIN: 9710, Para 1; Accountabilities: Direct: Individuals concerned; Supervisory: Brigadier Kipchu Namgyel, CID No. 10103001998)

### 2. Shortfalls, Lapses and Deficiencies – Nu. 0.116 million

There was a case under shortfalls, lapses and deficiencies involving Nu. 0.116 million as indicated below:

#### 2.1 Non deduction of TDS – Nu. 0.116 million

The Royal Bhutan Police, Division IV, Samtse had not deducted TDS amounting to Nu. 0.116 million on account of payment of rent for the quarters occupied by the RBP personnel in contravention to the Income Tax Act 2001. (AIN: 9746, Para 1; Accountabilities: Direct: Tshewang Norbu, Peljab, CID No. 10903002772; Supervisory: Sonam Tshering, Lt. Col., SP, CID No.11608002118)



## 1.10 Ministry of Labour and Human Resources

During the period the Royal Audit Authority had issued 21 audit reports of the Ministry of Labour and Human Resources and its Departments, Divisions and Units. There were 36 observations pointed out in the reports, involving Nu. 14.176 million, out of which 23 observations amounting to over Nu. 9.769 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 4.407 million.

Based on the responses received after the issue of draft AAR 2011 and action taken by the Ministry and agencies concerned under it, observation amounting to Nu. 4.350 million were either resolved fully or substantially. The unresolved significant irregularities amounted to Nu. 0.057 million as summarized below:

Sl. No.	Observation Category	Nu. In Million	Category Code
1	Fraud, Corruption & Embezzlement	0.057	1&2
	<b>Total</b>	<b>0.057</b>	

### 1. Fraud, Corruption and Embezzlement - Nu. 0.057 million

There was a case of fraud, corruption and embezzlement involving Nu. 0.057 million as indicated below:

#### 1.1 Manipulation of records - Nu. 0.057 million

The Samthang Institute of Automobile Engineering had a case of manipulation of records which had resulted in irregular adjustment of advances amounting to Nu. 0.057 million. The advance amount recovered from various officials was used for adjustment of advances lying against accountant and the mess captain. The case was forwarded to the Anti Corruption Commission. (AIN: 9692, Para 3; Accountabilities: Direct: Bhim Bdr. Gurung, Accountant, EID No. 20307152; Supervisory: Bumchu Wangdi, Principal, EID No. 771006)



## 4. DZONGKHAGS

### 2.1 Dzongkhag Administration, Bumthang

During the period the Royal Audit Authority had issued 2 audit reports of the Dzongkhag Administration, Bumthang. There was one observation pointed out in the reports, involving Nu. 2.959 million which was not resolved prior to compilation of draft Annual Audit Report 2011.

Based on the responses received after issue of the draft AAR 2011 and action taken by the Dzongkhag, observations amounting to Nu. 2.000 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 0.959 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.959	5
Total		0.959	

#### 1. Shortfalls, Lapses and Deficiencies – Nu. 0.959 million

There was a case under shortfalls, lapses and deficiencies involving Nu. 0.959 million as indicated below:

##### 1.1 Outstanding advances – Nu. 0.959 million

The Dzongkhag Administration had outstanding advances of Nu. 0.959 million against various officials and private parties. (AIN: 9235, Para 1, Accountabilities: Direct: Individuals concerned; Supervisory: Sonam Tshering, Dzongrab, EID No. 9308054 and Wangchuk, Accounts Officer, EID No. 200701130)

### 2.2 Dzongkhag Administration, Chukha

During the period the Royal Audit Authority had issued 4 audit reports of the Dzongkhag Administration, Chukha. There were 30 observations pointed out in the reports, involving Nu. 10.193 million, out of which 21 observations amounting to over Nu. 0.587 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in draft AAR amounted to Nu. 9.606 million.

Based on the responses received after issue of the draft AAR 2011 and action taken by the Dzongkhag, observations amounting to Nu. 0.055 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 9.551million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.224	4
2	Shortfalls, lapses and deficiencies	9.327	5
Total		9.551	



## 1. Violation of Laws and Rules – Nu. 0.224 million

The case under violation of laws and rules involving Nu. 0.224 million is as indicated below:

### 1.1 Non levy of liquidated damages – Nu. 0.224 million

The Dzongkhag Administration had not levied liquidated damages of Nu. 0.224 million for the delay in the supply of materials by the suppliers in deviation to the terms and conditions of the supply contract. (AIN: 10001, Para 2.3; Accountabilities: Direct: Karma Dendup, Ex-DEO, EID No. 9308087; Supervisory: Karma Dendup, Ex-DEO, EID No. 9308087)

## 2. Shortfalls, Lapses and Deficiencies – Nu. 9.327 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 9.327 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Excess payment	1.083
2.2	Outstanding advance	8.072
2.3	Non reconciliation of revenue receivables and actual collections	0.172
2.4	Excess WFP ration balance	-
2.5	Poor quality of hostels in Lokchina and Dungna	-
	<b>Total</b>	<b>9.327</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:

### 2.1 Excess Payment – Nu. 1.083 million

- a) The Dzongkhag Administration had made excess payments of Nu. 0.822 million in various construction works carried out in the financial year 2009-10. The excess payments had occurred due to differences in the quantities claimed for payment and the quantities executed at site and erroneous calculations made by the site engineers. (AIN: 9721, Para 1.1; Accountabilities: Direct: Individuals concerned; Supervisory: Kinzang, District Engineer, EID No.8212033)
- b) The Dzongkhag Administration had made excess payment of Nu. 0.050 million in the construction of Urban Road Site Development and Caretaker's quarter at Gedu. The excess payment had occurred due to payment at higher rates than quoted rates of RRM for retaining walls. (AIN: 9721, Para 1.4; Accountabilities: Direct: Tshewang Tenzin, Deputy Executive Engineer, EID No. 9009027; Supervisory: Kinzang, District Engineer, EID No.8212033)
- c) The Dzongkhag Administration had made excess payment of Nu. 0.111 million in the construction work of fencing around Metekha Community Primary School. The excess payment had occurred due to provision of 286 angle posts against the total payment made for 368 angle posts. (AIN: 10001, Para 1.1; Accountabilities: Direct: Chura Muni Bhattarai, Junior Engineer, EID No. 200807182; Supervisory: Jamyang Dorji, District Engineer, EID No. 9207043)



- d) The Dzungkhag Administration, Phuentsholing had made excess payment of Nu. 0.100 million in the construction of multipurpose hall at Darla Middle Secondary School. The excess payment had occurred due to execution of items of work not as per the specifications. (AIN: 10001, Para 1.5; Accountabilities: Direct: Dorji, Junior Engineer, EID No. 200507209; Supervisory: Jamyang Dorji, District Engineer, EID No. 9207043)

## **2.2 Outstanding Advances – Nu. 8.072 million**

---

- a) The Dzungkhag Administration had outstanding advances of Nu. 7.961 million against the officials and private parties. (AIN: 9721, Para 2.1; Accountabilities: Direct: Individuals concerned; Supervisory: Pema Dorji, Dzongrab, EID No.9607074)
- b) The Dzungkhag Administration had outstanding advances of Nu. 0.111 million against various officials. (AIN: 10001, Para 2.1; Accountabilities: Direct: Individuals concerned; Supervisory: Not indicated)

## **2.3 Non reconciliation of revenue receivable and actual collections – Nu. 0.172 million**

---

The comparison of the revenue receivables and actual collections made showed that the Dzungkhag had un-reconciled difference of Nu. 0.172 million indicating under collection of revenue. The total revenue receivables were calculated from the strength of students for token fee, records of tender sale, records of medical certificate issued and computation of rents based on carpet area. (AIN: 9721, Para 3.1; Accountabilities: Direct: Individuals concerned; Supervisory: Pema Dorji, Dzongrab, EID No.9607074)

## **2.4 Excess WFP ration balance at Metakha Community School**

---

Metakha Community School had excess balance of ration stock lying in the store. It was noted that the ration stock was not accounted in the stock register since long time. Further, there was also shortage of various WFP stock. (AIN: 9721, Para 4.1; Accountabilities: Direct: Tshering, Principal, EID No. 9808159; Supervisory: Karma Dendup, DEO, EID No.9308087)

## **2.5 Poor quality of hostels in Lokchina and Dugna**

---

The Lower Secondary Schools at Dugna and Lokchina have very poor quality hostels of unhygienic conditions for 143 students residing in it. The Dzungkhag Administration needs to initiate plans to improve the living conditions of the students. (AIN: 9721, Para 4.2; Accountabilities: Direct: none ; Supervisory: Pema Dorji, Dzongrab, EID No.9607074)

## **2.3 Dzungkhag Administration, Dagana**

During the period the Royal Audit Authority had issued one audit report of the Dzungkhag Administration, Dagana. There were 28 observations pointed out in the report, involving Nu. 3.736 million, out of which 17 observations amounting to over Nu. 0.247 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 3.489 million.

Based on the responses received after issue of the draft AAR 2011 and action taken by the Dzungkhag, observations amounting to Nu. 1.457 million were either resolved fully or



substantially. The total unresolved significant irregularities amounted to Nu. 2.032 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	1.419	1&2
2	Shortfalls, lapses and deficiencies	0.613	5
<b>Total</b>		<b>2.032</b>	

## **1. Fraud, Corruption & Embezzlement - Nu. 1.419 million**

There were cases of fraud, corruption and embezzlement involving Nu. 1.419 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Collusive price fixing	1.374
1.2	Excess payment	-
1.3	Payment made for works not executed	0.045
<b>Total</b>		<b>1.419</b>

The cases of fraud, corruption and embezzlement are as indicated below:

### **1.1 Collusive price fixing - Nu. 1.374 million**

The Dzongkhag Administration had made irregular payment of Nu. 1.374 million in the construction of Drubkhag at Shathong Gonpa. This had occurred due to tampering of original cost abstract sheet used for evaluation of bids. On comparison with the duplicate copy of cost abstract sheet, it was noted that the duplicate copy did not contain 25% cost index but it was added on the bid price reflected in the original cost sheet indicating the case of collusion and manipulations. The case was forwarded to the Anti Corruption Commission. (AIN: 9469, Para 1.1; Accountabilities: Direct: Tashi Penjor, Assistant Engineer, EID No. 9607028; Supervisory: Pema Rinzin, Officiating District-Engineer, EID No. 9607015)

### **1.2 Excess payment**

- a) The Dzongkhag Administration had made excess payment of Nu. 0.802 million in the construction of Six Unit Classroom Block, 64 bedded girls' hostel and site development works at Daga Higher Secondary School. The excess payment had occurred due to differences in the rates of items claimed and actually executed at site. Further, though the contract was awarded to M/s Kuenwang Engineering Construction, the work was actually carried out by M/s Rokha Construction without obtaining necessary approvals from the Dzongkhag. The case was forwarded to the Anti Corruption Commission and the amount was recovered and deposited into Audit Recoveries Account. Appropriate action is yet to be taken. (AIN: 9469, Para 1.2; Accountabilities: Direct: Tashi Penjor, Assistant Engineer, EID No. 9607028; Supervisory: Pema Rinzin, Officiating District Engineer, EID No. 9607015)
- b) The Dzongkhag Administration had made excess payment of Nu. 0.074 million in the construction of office cum pool vehicle parking area at Daga Dzong. The excess payment had occurred due to payment made for items of work not conforming to specifications. The amount was recovered and deposited into Audit Recoveries



Account. Appropriate action is yet to be taken. (AIN: 9469, Para 1.4; Accountabilities: Direct: M.K. Rizal, Municipal Engineer, EID No. 2107158; Supervisory: Pema Rinzin, Officiating District Engineer, EID No. 9607015)

### **1.3 Payment made for works not executed - Nu. 0.045 million**

- a) The Dzongkhag Administration had made payments for works not executed amounting to Nu. 0.204 million in the construction of double unit staff quarter at Nimtola Primary School. This had occurred due to differences in the rates of specified CGI sheet and CGI sheet actually provided by the contractor. The amount of Nu. 0.185 million was settled during follow up meeting and the amount of Nu. 0.019 million was recovered and deposited into Audit Recoveries Account. Appropriate action is yet to be taken. (AIN: 9469, Para 1.5; Accountabilities: Direct: Karchung, Assistant Engineer, EID No. 9807047; Supervisory: Pema Rinzin, Officiating District Engineer, EID No. 9607015)
- b) The Dzongkhag Administration had made payments for works not executed amounting to Nu. 0.045 million in the plantation work at Devitar area covering four hectare and nursery creation at Daragoan under Lhamoizingkha Dungkhag. It had occurred due to non execution of fencing work. (AIN: 9469, Para 1.6; Accountabilities: Direct: Karchung, Assistant Engineer, EID No. 9807047; Supervisory: Pema Rinzin, Officiating District Engineer, EID No. 9607015)

## **2. Shortfalls, Lapses and Deficiencies -Nu. 0.613 million**

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.613 million as indicated below:

### **2.1 Excess Payment - Nu. 0.613 million**

- a) The Dzongkhag Administration had made excess payment of Nu. 0.072 million in the construction of six unit classroom at Gesarling Lower Secondary School. The excess payment had occurred due to execution of certain items of works in deviation from the drawing and design incorporated in the contract. (AIN: 9469, Para 4.4; Accountabilities: Direct: Karma Choida, Assistant Engineer, EID No. 200507223; Supervisory: Pema Rinzin, Officiating District Engineer, EID No. 9607015)
- b) The Dzongkhag Administration had made excess payment of Nu. 0.277 million in the construction of 3 unit classroom at Zinchela Community Primary School. The excess payment had occurred due to differences in the quantities claimed and actually executed at site. (AIN: 9469, Para 4.6; Accountabilities: Direct: Karma Choida, Assistant Engineer, EID No. 200507223; Supervisory: Pema Rinzin, Officiating District Engineer, EID No. 9607015)
- c) The Dzongkhag Administration had made excess payment of Nu. 0.264 million in the construction of 6 unit classroom and 64 bedded hostels for boys and girls at Drujeygang Middle Secondary School. The excess payment had occurred due to lesser quantities of work executed at site. (AIN: 9469, Para 4.7; Accountabilities: Direct: Pema Rinzin, Officiating District Engineer, EID No. 9607015; Supervisory: Pema Rinzin, Officiating District Engineer, EID No. 9607015)



## 2.4 Dzongkhag Administration, Gasa

During the period the Royal Audit Authority had issued 2 audit reports of the Dzongkhag Administration, Gasa. There were 15 observations pointed out in the reports, involving Nu. 0.519 million, out of which 12 observations amounting to over Nu. 0.324 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR amounted to Nu. 0.195 million.

Based on the responses received after issue of the draft AAR 2011 and action taken by the Dzongkhag, observations amounting to Nu. 0.073 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 0.122 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.122	5
<b>Total</b>		<b>0.122</b>	

### 1. Shortfalls, Lapses and Deficiencies -Nu. 0.122 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.122 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Outstanding advance	0.067
1.2	Non deduction of liquidated damage	0.055
<b>Total</b>		<b>0.122</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:

#### 1.1 Outstanding advances - Nu. 0.067 million

The Dzongkhag Administration had outstanding advances of Nu. 0.067 million against various officials. (AIN: 9122, Para 2.1, Accountabilities: Individuals concerned, Supervisory: Sangay Dhendup, DCA, EID No. 200807011)

#### 1.2 Non deduction of liquidated damages and voids - Nu. 0.055 million

The Dzongkhag Administration had not deducted the liquidated damages and voids amounting to Nu. 0.055 million in various construction works at Tsachu. The liquidated damages were applicable for delay in the completion of the work within the stipulated time. (AIN 9848; Para No. 4; Accountability: Direct: Karma, Junior Engineer, EID No. 201001736 and Tshering Tashi, Assistant Engineer, EID No. 200801082; Supervisory: Samser Rai, District Engineer, EID No. 8102026)

## 2.5 Dzongkhag Administration, Haa

During the period the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Haa. There were three observations pointed out in the report, involving Nu. 0.036 million, out of which 1 observations was resolved prior to compilation of draft



Annual Audit Report 2011. The unresolved significant observation reflected in the draft AAR 2011 amounted to Nu. 0.036 million.

Based on the responses received after issue of the draft AAR 2011 and action taken by the Dzongkhag, observations amounting to Nu. 0.036 million were either resolved fully or substantially. The significant irregularity reported is as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	-	3
<b>Total</b>		-	

## 1. Violation of Laws and Rules

The case under violation of laws and rules is as indicated below:

### 1.1 Non rectification of defective works

The Dzongkhag Administration had not carried out the rectification of defective works noted in the construction of wooden bridge funded by JICA at Girina. It was noted that the gabion wall had collapsed. (AIN: 9940, Para 2; Accountabilities: Direct: V.V. Thomas, Site Engineer, EID No. 7812010; Supervisory: Lapchu, District Engineer, EID No. 8601092)

### 2.6 Dzongkhag Administration, Mongar

During the period the Royal Audit Authority had issued 2 audit reports of the Dzongkhag Administration, Mongar. There were 29 observations pointed out in the reports, involving Nu. 37.982 million, out of which 20 observations amounting to over Nu. 28.947 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 9.035 million.

Based on the responses received after issue of the draft AAR 2011 and action taken by the Dzongkhag, observations amounting to Nu. 7.042 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 1.993 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.512	4
2	Shortfalls, lapses and deficiencies	1.481	5
<b>Total</b>		<b>1.993</b>	

### 1. Violation of Laws and Rules – Nu. 0.512 million

There was a case of violation of laws and rules involving Nu. 0.512 million as indicated below:



### **1.1 Irregular adjustment of advance and booking of expenditure for non supply of goods – Nu. 0.512 million**

The Dzongkhag Administration had made irregular advance and booking of expenditure amounting to Nu. 0.512 million without receiving the drudgery equipment. The amount was found adjusted against the Dzongkhag Agriculture officer. (AIN: 10015 , Para 2.2, Accountabilities: Direct: Jigme Tenzin, Dzongkhag Agriculture Officer, EID No. 200701100; Supervisory: Sangay Wangchuk, Dzongrab, EID No. 7907016)

## **2. Shortfalls, Lapses and Deficiencies – Nu. 1.481 million**

There were cases of shortfalls, lapses and deficiencies involving Nu. 1.481 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Excess payment	0.504
2.2	Pending liabilities to suppliers	0.510
2.3	Outstanding advances	0.467
	<b>Total</b>	<b>1.481</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:

### **1.1 Excess/Over payment – Nu. 0.504 million**

The Dzongkhag Administration had made excess payment of Nu. 0.504 million in the construction of 12 meter span RCC slab bridge at Lharichu. The excess payment had occurred due to less deductions of running bills amount from the final bill. (AIN: 10015 , Para 1.2, Accountabilities: Direct: Tashi Norbu Sherpa, Engineer, EID No. 8707040; Supervisory: Tshering Nidup, Dzongkhag Engineer. EID No. 8605041)

### **1.2 Pending liabilities to suppliers – Nu. 0.510 million**

The Dzongkhag Administration had pending liabilities of Nu. 0.510 million on account of textbooks, library books and stationeries supplied to various schools under the Dzongkhag. (AIN: 10015, Para 3.1, Accountabilities: Direct: Karma Sonam Chopel, DEO, EID No. 9607071; Supervisory: Karma Sonam Chopel, DEO, EID No. 9607071)

### **1.3 Outstanding advances – Nu. 0.467 million**

The Dzongkhag Administration had outstanding advances of Nu. 0.467 million against various officials, suppliers and contractors. (AIN: 10015, Para 4.1, Accountabilities: Direct: Individuals concerned; Supervisory: Sangay Wangchuk, Dzongrab, EID No. 9801113)

### **2.7 Dzongkhag Administration, Paro**

During the period the Royal Audit Authority had issued 1 audit report of the Dzongkhag Administration, Paro. There were 5 observations pointed out in the reports, involving Nu. 0.058 million and no observation was resolved prior to compilation of draft Annual Audit Report 2011. The total unresolved significant observation reflected in the draft AAR 2011 amounted to Nu. 0.054 million.



Based on the responses received after issue of the draft AAR 2011 and action taken by the Dzongkhag, observations amounting to Nu. 0.054 million were either resolved fully or substantially. The significant irregularity reported is as summarized below:

Sl. No.	Observation Category	Nu. in Million	Category Code
1	Violation of laws and rules	-	4
Total		-	

## 1. Violation of Laws and Rules

There was a case of violation of laws and rules as indicated below:

### 1.1 Construction of buildings not done as per the approved drawings

There were variations in the construction of RCC structure buildings approved by the Dzongkhag Administration. It was found that the verandahs on attic and extension/additional rooms were constructed in deviation to approved drawings. (AIN: 9946, Para 5, Accountabilities: Direct: Individuals concerned; Supervisory: Sangay Tenzin, DE, EID No. 8808028)

### 2.8 Dzongkhag Administration, Pemagatshel

During the period the Royal Audit Authority had issued 2 audit reports of the Dzongkhag Administration, Pemagatshel. There were 8 observations pointed out in the reports, involving Nu. 0.791 million, out of which 5 observations amounting to over Nu. 0.176 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR amounted to Nu. 0.615 million.

Based on the responses received after issue of the draft AAR 2011 and action taken by the Dzongkhag, observations amounting to Nu. 0.207 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 0.408 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.408	4
Total		0.408	

## 1. Shortfalls, Lapses and Deficiencies – Nu. 0.408 million

There was a case of shortfalls, lapses and deficiencies involving Nu. 0.408 million as indicated below:

### 1.1 Non deduction of rebate – Nu. 0.408 million

The Dzongkhag Administration had not deducted the 25% rebate amounting to Nu. 0.408 million offered by the contractor in the construction of Principal's Quarter at Gashari Primary School under Nganglam Dungkhag. (AIN: 9989, Para 1.1; Accountabilities: Direct: Tshewang Rinzin, Site Engineer, EID No. 9301052; Supervisory: Lungten Thinley, Dzongkhag Engineer, EID No. 8501094)



## 2.9 Dzongkhag Administration, Punakha

During the period the Royal Audit Authority had issued 2 audit reports of the Dzongkhag Administration, Punakha. There were 69 observations pointed out in the reports, involving Nu. 21.132 million, out of which 38 observations amounting to over Nu.2.226 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 18.906 million.

Based on the responses received after the issue of draft AAR 2011 and action taken by the Dzongkhag Administration, observations amounting to Nu. 9.964 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 8.942 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	3.291	1&2
2	Mismanagement	3.145	3
3	Violation of laws and rules	1.076	4
4	Shortfalls, lapses and deficiencies	1.430	5
<b>Total</b>		<b>8.942</b>	

### 1. Fraud, Corruption and Embezzlement – Nu. 3.291 million

There were cases of fraud, corruption and embezzlement involving Nu. 3.291 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Inadmissible payment	0.068
1.2	Payment for works not executed	2.745
1.3	Payment without receipt of goods	-
1.4	Acceptance of inferior quality of goods	0.029
1.5	Non accountal of fund	0.449
<b>Total</b>		<b>3.291</b>

The cases of fraud, corruption and embezzlement are as indicated below:

#### 1.1 Inadmissible payment – Nu. 0.068 million

The Dzongkhag Administration had made inadmissible payment of Nu. 0.068 million in the construction of 6 unit classroom block at Bjibjokha Lower Secondary School. The payment was made for various items of work which were not executed at site. (AIN: 9216, Para 1.2.1, Accountabilities: Direct: Choki, Junior Engineer, EID No. 200507217; Supervisory: Kinga Dorji, District Engineer, EID No. 8201066)

#### 1.2 Payment for works not executed – Nu. 2.745 million

- a) The Dzongkhag Administration had released an amount of Nu. 2.675 million against the final bill of Nu. 3.914 million submitted by the contractor in the construction of BHU approach road in Goenshari Gewog. During the site verification, it was noted that only 40% - 50% of the work was completed. (AIN:



9216, Para 1.3, Accountabilities: Direct: Choki, Junior Engineer, EID No. 200507217; Supervisory: Kinga Dorji, District Engineer, EID No. 8201066)

- b) The Dzongkhag Administration had made payment for works not executed amounting to Nu. 0.053 million in the resurfacing and widening of approach road to Punakha hospital. It had occurred due to payment made for various items of work not carried out at site. The amount was recovered but the appropriate action is yet to be taken. (AIN: 9216, Para 1.4, Accountabilities: Direct: Jigme Tenzin, Junior Engineer, EID No. 200507190; Supervisory: Kinga Dorji, District Engineer, EID No. 8201066)
- c) The Dzongkhag Administration had made payment for works not executed amounting to Nu. 0.025 million in the construction of RNR Centre at Lingbu Gewog. It had occurred due to less execution of work at site. (AIN: 9216, Para 1.5, Accountabilities: Direct: Jigme Tenzin, Junior Engineer, EID No. 200507190; Supervisory: Kinga Dorji, District Engineer, EID No. 8201066)
- d) The Dzongkhag Administration had made payment for works not executed amounting to Nu. 0.045 million in the construction of RNR Centre at Goenshari Gewog. It had occurred due to payment for various items of work not executed at site. (AIN: 9216, Para 1.7, Accountabilities: Direct: Choki, Junior Engineer, EID No. 200507217; Supervisory: Kinga Dorji, District Engineer, EID No. 8201066)
- e) The Dzongkhag Administration had made payment of Nu. 0.096 million for various items of work which were not provided in the construction of Dining Hall at Talo Shedra. This included the roofing work which was carried out using inferior quality of CGI Sheet. The amount was deposited into Audit Recoveries Account but appropriate action is yet to be taken. (AIN: 9216, Para 1.9, Accountabilities: Direct: Choki, Junior Engineer, EID No. 200507217; Supervisory: Kinga Dorji, District Engineer, EID No. 8201066)

### **1.3 Payment without receipt of goods**

---

- a) The Dzongkhag Administration had made payment of Nu. 0.012 million without receiving the goods. Against the total quantity of 55 nos. of textbooks to be supplied to Punakha Higher Secondary School, it had received only 31 nos. The amount was deposited into Audit Recoveries Account but appropriate action is yet to be taken. (AIN: 9216, Para 1.6, Accountabilities: Direct: Chandra Maya, Accounts Assistant, EID No. 9709053; Supervisory: Pemo, Assistant Accounts Officer, EID No. 2007010127)
- b) The Dzongkhag Administration had made payment of Nu. 0.009 million without receiving the books by Bjibjokha Lower Secondary School. The amount was deposited into Audit Recoveries Account but appropriate action is yet to be taken. (AIN: 9216, Para 1.8, Accountabilities: Direct: Chandra Maya, Accounts Assistant, EID No. 9709053, Karma Lhaden, Accounts Assistant, EID No. 9404035; Supervisory: Pemo, Assistant Accounts Officer, EID No. 2007010127)

### **1.4 Acceptance of inferior quality of goods - Nu. 0.029 million**

---

The Dzongkhag Administration had accepted inferior quality of CGI sheet valuing Nu. 0.029 million in the construction of Administrative Block at Nawakha. (AIN: 9216, Para 1.10, Accountabilities: Direct: Tshering Yangzom, Junior Engineer, EID No. 200407021; Supervisory: Kinga Dorji, District Engineer, EID No. 8201066)



## 1.5 Non accountal of cash/fund – Nu. 0.449 million

- a) The Dzongkhag Administration had not accounted the cash amounting to Nu. 0.449 million in the cash book which was received on account of refund of advances and deposit works during the financial year 2009-10. The case was forwarded to the Anti Corruption Commission. (AIN: 9216, Para 2.1, Accountabilities: Direct: Dorji Bidha, Cashier, EID No. 2007029; Supervisory: Pemo, Assistant Accounts Officer, EID No. 200701127)
- b) The Dzongkhag Administration had not accounted the amount of Nu. 0.011 million in the CD Account No. 69 maintained with the Bank of Bhutan. The amount was deposited into Audit Recoveries Account but appropriate action is yet to be taken. (AIN: 9216, Para 2.2, Accountabilities: Direct: Dorji Bidha, Cashier, EID No. 2007029; Supervisory: Pemo, Assistant Accounts Officer, EID No. 200701127)

## 2. Mismanagement – Nu. 3.145 million

There was a case of mismanagement involving Nu. 3.145 million as indicated below:

### 2.1 Payment over and above release – Nu. 3.145 million

The Dzongkhag Administration had unreconciled difference of Nu. 3.145 million in the Refundable Deposit Account resulting in payment over and above the actual releases by the Department of Public Accounts. (AIN: 9216, Para 3.5, Accountabilities: Direct: Pemo, Assistant Accounts Officer, EID No. 2007010127; Supervisory: Pemo, Assistant Accounts Officer, EID No. 2007010127)

## 3. Violation of Laws and Rules – Nu. 1.076 million

There were cases of violation of laws and rules involving Nu. 1.076 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Procurement without inviting open tender	-
3.2	Excess payment	0.072
3.3	Non deduction of rebate	0.095
3.4	Short deduction of liquidated damage	0.909
	<b>Total</b>	<b>1.076</b>

The cases of violation of laws and rules are as indicated below:

### 3.1 Procurement without inviting open tender

The Dzongkhag Administration had not called open tender for the transportation of boulders in the construction of River Bank Protection works at Phochu and Mochu. The works were awarded to various contractors based on the spot quotations. It was noted from the records that the Dzongkhag had sufficient time for inviting open tender. Further, Materials at Site register was not maintained at the site to authenticate receipt of boulders and its actual usage. (AIN: 9216, Para 4.3, Accountabilities: Direct: Prakash Gautam, junior Engineer, EID No. 201001179; Supervisory: Kinga Dorji, District Engineer, EID No. 8201066)



### 3.2 Excess payment – Nu. 0.072 million

The Dzongkhag Administration had made excess payment of Nu. 0.072 million in the construction of substation for monk retirement centre at Tshochasa. This had occurred due to error in deduction while making final payment. (AIN: 9216, Para 4.6(iii), Accountabilities: Direct: Tashi Norbu, Executive Engineer, EID No. 9212071; Supervisory: Kinga Dorji, District Engineer, EID No. 8201066)

### 3.3 Non deduction of rebate – Nu. 0.095 million

The Dzongkhag Administration had not deducted 5% rebate offered by the contractor amounting to Nu. 0.095 million in the construction of substation for monks retirement centre at Tshochasa. (AIN: 9216, Para 4.6(iv), Accountabilities: Direct: Tashi Norbu, Executive Engineer, EID No. 9212071; Supervisory: Kinga Dorji, District Engineer, EID No. 8201066)

### 3.4 Short deduction of liquidated damages – Nu. 0.909 million

The Dzongkhag Administration had made short deduction of liquidated damages amounting to Nu. 0.909 million for delay in the completion of construction of multipurpose hall at Shengana. The completion was delayed by 265 days. Against the applicable liquidated damages of Nu. 0.951 million, the Dzongkhag had levied liquidated damages of Nu. 0.042 million resulting into short deduction. (AIN: 10007, Para 15; Accountabilities: Direct: Cheden, Junior Engineer, EID No. 200807180; Supervisory: Kinga Dorji, District Engineer, EID No. 8201066)

## 4. Shortfalls, Lapses and Deficiencies – Nu. 1.430 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 1.430 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
4.1	Excess payment	0.619
4.2	Inadmissible payment of salary	0.408
4.3	Outstanding advance	0.403
4.4	Non production of records relating to operation of Field Training Centre	-
	<b>Total</b>	<b>1.430</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:

### 4.1 Excess payment – Nu. 0.619 million

- a) The Dzongkhag Administration had made excess payment of Nu. 0.050 million on account of Daily Subsistence Allowance to the participants for training on Installation of Fire Alarm & Smoke Detection System. The excess payment had occurred due to payment of DSA at higher rates. (AIN: 9216, Para 5.12, Accountabilities: Direct: Tashi Norbu, Executive Engineer, EID No. 9212071; Supervisory: Kinga Dorji, District Engineer, EID No. 8201066)



- b) The Dzongkhag Administration had made excess payment of Nu. 0.377 million in the construction of warden and matron quarter at Shengana Lower Secondary School. The excess payment had occurred due to errors of computations in the final bills submitted by the contractor. (AIN: 10007, Para 5; Accountabilities: Direct: Cheden, Junior Engineer, EID No. 200807180; Supervisory: Kinga Dorji, District Engineer, EID No. 8201066)
- c) The Dzongkhag Administration had made excess payment of Nu. 0.090 million in the improvement of farm road from Silipang to Logaodama Primary School. The excess payment had occurred due to payment made for excess quantities which were not admissible. (AIN: 10007, Para 7; Accountabilities: Direct: Prakash Gautam, Assistant Engineer, EID No. 101001179; Supervisory: Kinga Dorji, District Engineer, EID No. 8201066)
- d) The Dzongkhag Administration had made excess payment of Nu. 0.102 million in the construction of meeting hall at Talo Gewog. It was noted that few items of works were paid in excess as compared to actual quantities executed at site. (AIN: 10007, Para 14; Accountabilities: Direct: Tashi Norbu, Junior Engineer, EID No. 200307035; Supervisory: Kinga Dorji, District Engineer, EID No. 8201066)

#### **4.2 Inadmissible payment of salary - Nu. 0.408 million**

The Dzongkhag Administration had made inadmissible payment of Nu. 0.408 million on account of salary to the official who was on long term study leave. It was noted that full salary was paid for the period beyond the duration of one year in contravention to BCSRR. (AIN: 9216, Para 5.3, Accountabilities: Direct: Dr. G.P Dhakal, GDMO, EID No. 200307035; Supervisory: Tappo, Dzongrab, EID No. 7004002)

#### **4.3 Outstanding advances - Nu. 0.403 million**

The Dzongkhag Administration had outstanding advances of Nu. 0.403 million against various officials, suppliers and contractors. (AIN: 9216, Para 5.5, Accountabilities: Direct: Individuals concerned; Supervisory: Individuals concerned)

#### **4.4 Non production of records relating to operation of Field Training Centre**

The Dzongkhag Administration had not produced records relating to the operation of Field Training Centre which was used to house the trainees of the Royal Institute of Health Sciences during their field training period. The records pertained from the period from inception till October 2009. The case was forwarded to the Anti Corruption Commission. (AIN: 9216, Para 5.1; Accountabilities: Direct: Dorji Wangchuk, Adm, EID No. 7702012; Supervisory: Kinzang N. Tshering, Dzongda, EID No. 8310001)

#### **2.10 Dzongkhag Administration, Samtse**

During the period the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Samtse. There were 8 observations pointed out in the report, involving Nu. 6.489 million, out of which 7 observations amounting to over Nu. 5.040 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 1.449 million.



Based on the responses received after the issue of draft AAR 2011 and action taken by the Dzongkhag Administration, observations amounting to Nu. 0.031million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 1.418 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	1.418	5
<b>Total</b>		<b>1.418</b>	

### **1. Shortfalls, Lapses and Deficiencies – Nu. 1.418 million**

There was a case under shortfalls, lapses and deficiencies involving Nu. 1.418 million as indicated below:

#### **1.1 Outstanding advances – Nu. 1.418 million**

The Dzongkhag Administration had outstanding advances of Nu. 1.418 million against officials, suppliers and private parties. (AIN: 9480, Para 2, Accountabilities: Direct: Individuals concerned; Supervisory: Paras Moktan, Accounts Officer, EID No. 9411005)

#### **2.11 Dzongkhag Administration, Sarpang**

During the period the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Sarpang. There were 21 observations pointed out in the report, involving Nu. 7.280 million, out of which 9 observations amounting to over Nu. 1.873 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 5.407 million.

Based on the responses received after the issue of draft AAR 2011 and action taken by the Dzongkhag Administration, observations amounting to Nu. 0.240 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 5.167 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	1.007	3
2	Violation of laws and rules	3.807	4
3	Shortfalls, lapses and deficiencies	0.353	5
<b>Total</b>		<b>5.167</b>	

### **1. Mismanagement – Nu. 1.007 million**

There was a case of mismanagement involving Nu. 1.007 million as indicated below:

#### **1.1 Equipment/ materials kept idle – Nu. 1,007 million**

Of the total release of Nu. 1.100 million for the construction of Leokhop-Dekiling Irrigation channel, Nu. 0.467 million was paid for the procurement of HDPE pipes and Nu. 0.540



million was paid for hire of earthmoving machineries. However, it was found that work was not completed and the materials were lying at site. (AIN: 9410, Para 2.4; Accountabilities: Direct: Gomchen, Gup, CID No. 11303002652; Supervisory: I.B. Chettri, Assistant Engineer, EID No.8707043)

## **2. Violation of Laws and Rules – Nu. 3.807 million**

There was a case of violation of laws and rules involving Nu. 3.807 million as indicated below:

### **2.1 Non stacking of blasted rock – Nu. 3.807 million**

The contract for the formation cutting work in the construction of Dolungang-Pangkhey Farm Road under Dovan Gewog required the contractor to collect and stack blasted rocks within the periphery of 1,500 m from the excavation point in order to reuse it at the later stage. It was noted that the excavated stones for the entire road length of 8,460 m was not stacked. The quantity of stone for the entire stretch of road should have been 41,495.21 m<sup>3</sup> valuing Nu. 3.807 million. (AIN: 9410, Para 3.2.2; Accountabilities: Direct: Yadav Bhattarai, Assistant Engineer, EID No. 20040709; Supervisory: Sangay Dorji, District Engineer, EID No.8212024)

## **3. Shortfalls, Lapses and Deficiencies – Nu. 0.353 million**

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.353 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Excess payment	0.168
3.2	Non maintenance of records in the renovation of Mougaoon Hindu Temple	-
3.3	Outstanding advances	0.185
	<b>Total</b>	<b>0.353</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:

### **3.1 Excess Payment – Nu. 0.168 million**

The Dzongkhag Administration had made excess payment of Nu. 0.168 million in the construction of 3 KM Harew-Muga Farm Road. The excess payment had occurred due to acceptance of work without meeting minimum standards and claims made by the contractors for higher quantities than actually executed at site. (AIN: 9410, Para 1.6; Accountabilities: Direct: H.B Panda, Gup, CID No. 11307000111; Supervisory: I.B Rai, Assistant Engineer, EID No.7803040)

### **3.2 Non maintenance of records in the renovation of Mougaoon Hindu Temple**

The Gewog Administration, Dovan had not maintained records of expenditures on labour, materials and transportations incurred in the major renovation of Mougaoon Hindu Temple which was executed departmentally under the funding of Constitutional Development Grant. Further, it was noted that the technical & financial sanctions and administrative approval were not obtained as required. (AIN: 9410, Para 3.1; Accountabilities: Direct: Yadavlal Bhattarai, Assistant Engineer, EID No. 20040709; Supervisory: M.B Ghalley, Gup, CID No. 11305001749)



### 3.3 Outstanding advances – Nu. 0.185 million

The Dzongkhag Administration had outstanding advances of Nu. 0.185 million against various officials. (AIN: 9410, Para 4.1; Accountabilities: Direct: Individuals concerned; Supervisory: Phuntsho Gyelchen, Dzonggrab, EID No.7410020)

#### 2.12 Dzongkhag Administration, Trashiyangtse

During the period the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Trashiyangtse. There were 33 observations pointed out in the report, involving Nu. 10.799 million, out of which 13 observations amounting to over Nu. 0.219 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 10.580 million.

Based on the responses received after the issue of draft AAR 2011 and action taken by the Dzongkhag Administration, observations amounting to Nu. 0.875 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 9.705 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.074	1&2
2	Violation of laws and rules	6.320	4
3	Shortfalls, lapses and deficiencies	3.311	5
<b>Total</b>		<b>9.705</b>	

#### 1. Fraud, Corruption & Embezzlement – Nu. 0.074 million

There were cases of fraud, corruption and embezzlement involving Nu. 0.074 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Payment for works not executed	-
1.2	Acceptance of defective works	0.046
1.3	Payment made without receiving goods	0.028
<b>Total</b>		<b>0.074</b>

The cases of fraud, corruption and embezzlement are as indicated below:

#### 1.1 Payment made for works not executed

The Dzongkhag Administration had made payment for works not executed amounting to Nu. 0.034 million in the maintenance of Bumdeling BHU. It was found that the contractor was paid without executing the work of providing & fixing Bhukhare and GI fitting clamps. The amount was deposited into Audit Recoveries Account and appropriate action is yet to be taken. (AIN: 9802, Para 1.11; Accountabilities: Direct: Gopal Rana, Assistant Engineer, EID No.



9807101; Supervisory: Jigme Tshering, District Engineer, EID No. 200401022 & Phuntsho, DEO, EID No. 9607081)

## **1.2 Acceptance of defective works – Nu. 0.046 million**

The Dzongkhag Administration had accepted the defective work valuing Nu. 0.046 million in the construction of Principal's quarter at Thragom. It was found that some items of works were not executed as per the specifications which required immediate rectifications. (AIN: 9802, Para 1.16; Accountabilities: Direct: Tshewang Jurme, Assistant Engineer, EID No. 200807184; Supervisory: Jigme Tshering, District Engineer, EID No. 200401022 & Phuntsho, DEO, EID No. 9607081)

## **1.3 Payment made without receiving goods – Nu. 0.028 million**

The Dzongkhag Administration had made payment of Nu. 0.028 million without receiving goods. The payment was made for 4 nos. of panel heaters which was not received by the Dzongkhag. (AIN: 9802, Para 8; Accountabilities: Direct: Namgyel Dorji, Accounts Officer, EID No. 200701137; Supervisory: Sonamla, Dzongrab, EID No. 7310015)

## **2. Violation of Laws and Rules – Nu. 6.320 million**

There were cases of violation of laws and rules involving Nu. 6.320 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Non levy of liquidated damage	0.081
2.2	Payment made for closed work	6.239
	<b>Total</b>	<b>6.320</b>

The cases of violation of laws and rules are as indicated below:

### **2.1 Non-levy of liquidated damages – Nu. 0.081 million**

The Dzongkhag Administration had not levied liquidated damages of Nu. 0.081 million for delay in the completion of various construction works in deviation to the terms and conditions of contracts. (AIN: 9802, Para 11; Accountabilities: Direct: Jigme Tshering, District Engineer, EID No.200401022,; Supervisory: Jigme Tshering, District Engineer, EID No. 200401022)

### **2.2 Booking of incomplete works under closed works – Nu. 6.239 million**

The Dzongkhag Administration had booked the sum of Nu. 6.239 million as final expenditure under closed works for various incomplete constructions as on June 30, 2011. The amount was found deposited into Refundable Deposit Account for future payments. (AIN: 9802, Para 13; Accountabilities: Direct: Phuntsho, DEO, EID No. 9607081; Supervisory: Dangay Duba, Dzongdag, EID No. 8905099)



### 3. Shortfalls, Lapses and Deficiencies – Nu. 3.311 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 3.311 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Excess payment	0.062
3.2	Non deduction of rebate	0.202
3.3	Outstanding advance	0.078
3.4	Non reconciliation of funds	2.969
	<b>Total</b>	<b>3.311</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:

#### 3.1 Excess payment – Nu. 0.062 million

The Dzongkhag Administration had made excess payment of Nu. 0.062 million in the construction of three units classroom at Chakidemi Community Primary School. The excess payment had occurred due to payment made for works not/less executed. (AIN: 9802, Para 1.7; Accountabilities: Direct: Purna Bahadur Rai, Assistant Engineer, EID No. 8908077 and Dhan Bir Rana, Electrical Engineer, EID No. 20060812; Supervisory: Jigme Tshering, District Engineer, EID No. 200401022 & Phuntsho, DEO, EID No. 9607081)

#### 3.2 Non deduction of rebate – Nu. 0.202 million

The Dzongkhag Administration had not deducted rebate amounting to Nu. 0.202 million in the construction of Lichen-Gangkhar Farm Road as offered by the contractor. (AIN: 9802, Para 1.19 Accountabilities: Direct: Kirtiman Rai, Assistant Engineer-II, EID No. 200307023; Supervisory: Jigme Tshering, District Engineer, EID No. 200401022)

#### 3.3 Outstanding advances – 0.078 million

The Dzongkhag Administration had outstanding advances of Nu. 0.078 million against various officials and private parties. (AIN: 9802, Para 6; Accountabilities: Direct: Individuals concerned; Supervisory: Namgyel Dorji, Accounts Officer, EID No. 200701137)

#### 3.4 Non reconciliation of funds – Nu. 2.969 million

The Dzongkhag Administration had unreconciled fund balance of Nu. 2.969 million which was neither found surrendered to Department of Public Accounts nor recorded as expenditure. (AIN: 9802, Para 7; Accountabilities: Direct: Sangay Dorji, Accountant, EID No. 200207190; Supervisory: Namgyel Dorji, Accounts Officer, EID No. 200701137)



## 2.13 Dzongkhag Administration, Trongsa

During the period the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Trongsa. There were 10 observations pointed out in the report, involving Nu. 9.866 million, out of which no observation was resolved prior to compilation of draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 9.811 million.

Based on the responses received after the issue of draft AAR 2011 and action taken by the Dzongkhag Administration, observations amounting to Nu. 0.079 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 9.732 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	9.732	5
Total		9.732	

### 1. Shortfalls, Lapses and Deficiencies – Nu. 9.732 million

The case under shortfalls, lapses and deficiencies involving Nu. 9.732 million is as indicated below:

#### 1.1 Outstanding advances – 9.732 million

The Dzongkhag Administration had outstanding advances of Nu. 9.732 million against various officials, suppliers and contractors. (AIN: 10010, Para 1.1; Accountabilities: Direct: Individuals concerned; Supervisory: Younten Dorji, Assistant Accounts Officer, EID No. 200901056)

## 2.14 Dzongkhag Administration, Zhemgang

During the period the Royal Audit Authority had issued 2 audit reports of the Dzongkhag Administration, Zhemgang. There were 37 observations pointed out in the reports, involving Nu. 2.417 million, out of which 28 observations amounting to over Nu. 0.940 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR amounted to Nu. 1.477 million.

Based on the responses received after the issue of draft AAR 2011 and action taken by the Dzongkhag Administration, observations amounting to Nu. 0.448 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 1.029 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	-	3
2	Violation of laws and rules	-	4
3	Shortfalls, lapses and deficiencies	1.029	5
Total		1.029	



## 1. Mismanagement

The case under mismanagement is as indicated below:

### 1.1 Absence of control over government properties

The Dzongkhag had not maintained updated records of equipment and properties issued to various officials. It was noted that in some cases, the equipment were not returned even after the officials were transferred elsewhere. (AIN: 9337, Para 3; Accountabilities: Direct: Individuals concerned; Supervisory: Karma Drukpa, Dzongdag, EID No.9507066)

## 2. Violation of Laws and Rules

There were cases of violation of laws and rules as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Non completion of work	-
2.2	Non rectification of work	-
	<b>Total</b>	-

The cases of violation of laws and rules are as indicated below:

### 2.1 Non completion of work

The Dzongkhag Administration had not completed various items of works in the construction of principal's quarter at Khomsar which was taken up departmentally. Further, it was noted that in respect of completed items of work, there were numerous defects which needed rectification. (AIN: 9337, Para 8; Accountabilities: Direct: Binod Kumar Subba, Junior Engineer, EID No. 20050213 and Kunzang Jurme, Gup, Bardo; Supervisory: Kezang Penjor, District Engineer, EID No.8603063)

### 2.2 Non rectification of work

- a) The Dzongkhag Administration had not rectified various works in the construction of two unit staff quarter at Yebilabtsa Middle Secondary School. It was found that several defects were identified for rectification during handing over of the work and the contractor was asked to carry out the rectification works. However, several defects were noted even after the rectifications carried out by the contractor. (AIN: 9829, Para 1.1; Accountabilities: Direct: Yangki, AE-III, EID No. 2107178; Supervisory: Kezang Penjor, District Engineer, EID No. 8603063)
- b) The Dzongkhag Administration had accepted various defective works in the construction of four unit PF toilet, Renovation of office building and construction of water supply which needed rectifications. (AIN: 9829, Para 1.2; Accountabilities: Direct: Binod Kumar, Junior Engineer, EID No. 200507213; Supervisory: Kezang Penjor, District Engineer, EID No. 8603063)
- c) The Dzongkhag Administration had accepted various defective works in the construction of four unit PF toilet at Khomshar CPS. It was noted that there were



cracks in the plinth height, leakage from the joints of PVC pipes and 32 mm PVC waste pipes were not provided at site. (AIN: 9829, Para 1.4; Accountabilities: Direct: Binod Kumar, Junior Engineer, EID No. 200507213; Supervisory: Kezang Penjor, District Engineer, EID No. 8603063)

### 3. Shortfalls, Lapses and Deficiencies – Nu. 1.029 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 1.029 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Outstanding advance	0.784
3.2	Delay in construction of girls' hostel at Langdurbi	-
3.3	Non payment of muster roll	0.245
	<b>Total</b>	<b>1.029</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:

#### 3.1 Outstanding Advances – Nu. 0.784 million

The Dzongkhag Administration had outstanding advances of Nu. 0.784 million against various officials, suppliers and contractors. (AIN: 9337, Para 18; Accountabilities: Direct: Individuals concerned; Supervisory: Til Bahadur Ghaley, Accounts Officer, EID No.200701133)

#### 3.2 Delay in construction of girls hostel at Langdurbi

There was a delay of one year in the completion of construction of girls hostel with attached matron's quarter at Langdurbi Community Primary School, which was carried out departmentally. As against the estimated amount of Nu. 2.303 million, the Gup had submitted total claim of Nu. 2.800 million. However, only Nu. 1.913 million was paid as of date of audit and the case of excess claims made by the Gup remains yet to be resolved with the Dzongkhag. It was noted that the payments stated to have been made to the local labourers through muster rolls were not supported by acknowledgement and details of payees. Further, several defects were noted which needed rectifications. (AIN: 9337, Para 17; Accountabilities: Direct: Binod Kumar Subba, Junior Engineer, EID No. 200502013; Supervisory: Kezang Penjor, District Engineer, EID No.8603063)

#### 3.3 Non payment of muster roll – Nu. 0.245 million

The Dzongkhag Administration had not paid muster roll amounting to Nu. 0.245 million in the construction of Principal's quarter at Khomshar. It was found that the work was already completed and the cash was retained by the District Education Officer. (AIN: 9829, Para 1.3; Accountabilities: Direct: Kinley Namgyal, District Engineer, EID No. 9607075; Supervisory: Kinley Namgyal, District Engineer, EID No. 9607075)



### 3. GEWOGS

#### 3.1 Gewogs under Chukha Dzongkhag

##### Doongna Gewog

During the period, the Royal Audit Authority had issued two audit reports of the Gewog Administration, Doongna. There was one observation pointed out in the report involving over Nu. 0.091 million, out of which no observation was resolved prior to compilation of draft Annual Audit Report 2011. The total unresolved significant irregularities amounted to Nu. 0.077 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.077	5
Total		0.077	

#### 1. Mismanagement - Nu. 0.077 million

There was a case under mismanagement aggregating to Nu. 0.077 million as indicated below:

##### 1.1 Wasteful expenditure-Nu. 0.077 million

The Gewog Administration had paid Nu. 0.077 million for the renovation works of Ngalachung irrigation channel. Various defects were noted indicating that the site engineer and the Gewog Administration had taken over the works without proper verification of the quality of the works. Further, due to non-preparation of the drawing and estimate, the utilization of 70 bags of cement for irrigation channel renovation works could not be authenticated. [AIN: 9754; Para: 1, Accountabilities: Direct: Chura Muni Bhattacharai, JE, EID No. 200807182; Supervisory: Lam Dorji, Gup, CID No. 10206001251]

##### Metakha Gewog

During the period, the Royal Audit Authority had issued two audit reports of the Gewog Administration, Metakha. There were four observations pointed out in the report involving over Nu. 0.113 million, out of which observations amounting to Nu. 0.029 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant irregularities amounted to Nu. 0.084 million as summarized below:

Sl. No.	Observation category	Nu. in million	Category Code
1	Mismanagement	0.084	3
2	Violation of Laws and Rules	-	4
Total		0.084	



## 1. Mismanagement – Nu. 0.084 million

There was a case under mismanagement aggregating to Nu. 0.084 million as indicated below:

### 1.1 Muster roll worth Nu. 0.084 million was booked without payment

The Gewog Administration had disbursed an amount of Nu. 0.084 million to former Metakha Gup, Kinzang Dorji on account of muster roll payments for various works carried out by the villagers. However, on enquiry to the Gewog Administrative Officer, it was stated that the above payments were not yet disbursed to the labourers since the above works were not completed by the villagers. The above muster roll amount was withdrawn and kept with the former Gup to avoid the lapse of fund which was irregular. [AIN: 9756; Para: 1, Accountabilities: Direct: Kinzang Dorji, Gup, CID No. 10210000167; Supervisory: Kinzang Dorji, Gup, CID No. 10210000167]

## 2. Violation of Laws and Rules

There were cases of violation of laws and rules as summarized below:

Sl. No.	Observations in brief	Nu. in million
2.1	CGI sheet not provided as specified in BoQ	-
2.2	Incomplete construction work of irrigation channel at	-
<b>Total</b>		-

The cases of violation of laws and rules are as indicated below:

### 2.1 CGI sheet not provided as specified in BoQ

The Gewog Administration had accepted the CGI sheet valuing Nu. 0.250 million which did not conform to the specifications in the construction of Out Reach Clinic at Guminā village. As per the BoQ, the CGI sheet specified was 0.63 mm against which the CGI sheets measuring only 0.30 mm were provided at site. [AIN: 9756; Para: 2, Accountabilities: Direct: Tashi Pelden, JE, EID No. 200807171; Supervisory: Kinzang, DE, EID No. 8212033]

### 2.2 Incomplete construction work of irrigation channel at Goenpa

The Gewog Administration had not completed the construction of irrigation channel at Goenpa which pertained to the financial year 2009-10. Further, various items of works executed at site were not as per specifications. [AIN: 9756; Para: 4, Accountabilities: Direct: Lam Dorji, GAO, EID No. 200804060; Supervisory: Kinzang Dorji, Gup, CID No. 10210000167]

### Phuentsholing Gewog

During the period, the Royal Audit Authority had issued two audit reports of the Gewog Administration, Phuentsholing. There were four observations pointed out in the report involving over Nu. 0.006 million. The total unresolved significant irregularities are as summarized below:



Sl. No.	Observations in brief	Nu. In million	Category Code
1	Violation of Laws and Rules	-	4
2	Shortfalls, Lapses and Deficiencies	-	5
<b>Total</b>		-	

## 1. Violation of Laws and Rules

There was a case under violation of laws and rules as indicated below:

### 1.1 Irregularities in the Construction of RWSS at Khurigaon and Amingaon

The Gewog Administration had executed substandard work in the construction of RWSS at Khurigaon and Amingaon for 29 households which were constructed departmentally. It was found that the quality of work executed at site was not commensurate with the quantity of cement issued to work. [AIN: 9758; Para: 3, Accountabilities: Direct: Kelzang Wangmo, Engineer, EID No. 200705081; Supervisory: Chandra Bahadur Galey, Gup, CID No. 10211000579]

## 2. Shortfalls, Lapses and Deficiencies

There was a case under shortfalls, lapses and deficiencies as indicated below:

### 2.1 Irregular Advance Payment and Incomplete ORC construction

The Gewog Administration had paid irregular advances to the contractor in the construction of 20 seating capacity Out Reach Clinic at Panbari. It was noted that the payment of secured advance was made without any supporting documents. Further, in violation of budgetary norms, an additional Nu.0.400 million was booked as advance to the contractor and the amount was withheld for more than a year to avoid the lapse of fund. It was also noted that the work was completely stopped from 26/5/2010. [AIN: 9758; Para: 1, Accountabilities: Direct: Yonten Norbu, Engineer, EID No. 200507210; Supervisory: Chandra Bahadur Galey, Gup, CID No. 10211000579]

### Bjagchhog Gewog

During the period, the Royal Audit Authority had issued two audit reports of the Gewog Administration, Bjagchhog. There were three observations pointed out in the report. The total unresolved significant irregularities are as summarized below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Mismanagement	-	3
2	Violation of Laws and Rules	-	4
<b>Total</b>		-	



## 1. Mismanagement

There was a case under mismanagement as indicated below:

### 1.1 Non completion of construction works

The Gewog Administration had not completed the construction of Lhakhang which was given on lumpsum contract to a local contractor at Nu. 0.200 million for the period of three months. It was observed that the construction works remained incomplete even after the time extension. The committee stated that the work remained incomplete due to shortage of fund. [AIN: 9750; Para: 1.3, Accountabilities: Direct: Rinchen Khandu, Chairman, CID No. 10202001000; Supervisory: Rinchen Khandu, Chairman, CID No. 10202001000]

## 2. Violation of Laws and Rules

There was a case under violation of laws and rules as indicated below:

### 2.1 Deviation from the approved drawing and design

The Gewog Administration had changed the approved drawing and design of the Lhakhang without obtaining prior approval from the Department of Culture. It was also noted that the size of Lhakhang was reduced and windows in the front elevation was removed. [AIN: 9750; Para: 1.1, Accountabilities: Direct: Rinchen Khandu, Chairman, CID No. 10202001000; Supervisory: Rinchen Khandu, Chairman, CID No. 10202001000]

### Samphelling Gewog

During the period, the Royal Audit Authority had issued two audit reports of the Gewog Administration, Samphelling. There was one observation pointed out in the report. The total unresolved significant irregularity is as summarized below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Violation of Laws and Rules	-	4
Total		-	

## 1. Violation of Laws and Rules

There was a case under violation of laws and rules as indicated below:

### 1.1 Execution of substandard works

The Gewog Administration had not carried out the work of construction of RWSS as per the standard and with expected level of workmanship. [AIN: 9760; Para:1, Accountabilities: Direct: Shiv Kumar Uraon, Tech., EID No. 8608023; Supervisory: Mani Kumar Rai, Gup, CID No. 10201001106 ]



### 3.2 Gewogs under Dagana Dzongkhag

#### Tsangkha Gewog

During the period, the Royal Audit Authority had issued two audit reports of the Gewog Administration, Tsangkha. There were two observations pointed out in the report involving over Nu. 0.018 million. The total unresolved significant irregularity is as summarized below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Short falls, Lapses and Deficiencies	-	5
<b>Total</b>		-	

#### 1. Shortfalls, Lapses and Deficiencies

There was a case under shortfalls, lapses and deficiencies as summarized below:

Sl. No.	Observations in brief	Nu. in million
1.1	Execution of substandard works	-
<b>Total</b>		-

The case of shortfalls, lapses and deficiencies is as indicated below:

#### 1.1 Execution of substandard works

The Gewog Administration had carried out substandard work in the construction of Out Reach Clinic at Salamji. It was observed that cracks were developed between the wall and the plinth protection. Further, the painting and distempering works were found carried out poorly and unspecified materials were found used. [AIN: 9594; Para 1: Accountabilities: Direct: Chundu Dorji, Engineer, EID No. 200707082; Supervisory: Kadhar Kumar Rai, Gup CID No. 1031000771]

#### Khebesa Gewog

During the period, the Royal Audit Authority had issued two audit reports of the Gewog Administration, Khebesa. There were two observations pointed out in the report involving over Nu. 0.021 million. The total unresolved significant irregularities amounted to Nu. 0.021 million as summarized below:

Sl. No.	Observations in brief	Nu. in million	Category
1	Fraud, Corruption and Embezzlement	0.021	2
<b>Total</b>		0.021	



## 1. Fraud, Corruption and Embezzlement – Nu. 0.021 million

There were cases of fraud, corruption and embezzlement involving Nu. 0.021 million as summarized below:

Sl. No.	Observations in brief	Nu. in million
1.1	Non accountal of taxes	0.021
1.2	Non production of Bank Statement	-
<b>Total</b>		<b>0.021</b>

The cases of fraud, corruption and embezzlement are as indicated below:

### 1.1 Non accountal of taxes - Nu.0.021 million

The Gewog Administration had not accounted the rural taxes amounting to Nu. 0.021 million collected during 2009. It was neither accounted for in the cash book nor could the deposits be verified from the bank statements. [AIN: 9582; Para 1: Accountabilities: Direct: Karma Tshering, Gup, CID No. 10306001659; Supervisory: Karma Tshering, Gup, CID No. 10306001659]

### 1.2 Non production of Bank Statement

The Gewog Administration had not produced bank statements relating to the deposits and withdrawals from the CD Account for verification except for the fund balance shown in the cash book. [AIN: 9582; Para 1.2: Accountabilities: Direct: Karma Tshering, Gup, CID No. 10306001659; Supervisory: Karma Tshering, Gup, CID No. 10306001659]

## Deorali Gewog

During the period, the Royal Audit Authority had issued two audit reports of the Gewog Administration, Deorali. There were three observations pointed out in the report involving over Nu. 0.029 million. The total unresolved significant irregularities amounted to Nu. 0.026 million as summarized below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.026	1 & 2
<b>Total</b>		<b>0.026</b>	

## 1. Fraud, Corruption & Embezzlement – Nu. 0.026 million

There was a case under fraud, corruption and embezzlement involving Nu. 0.026 million as indicated below:

### 1.1 Non accountal of rural taxes - Nu. 0.026 million

The Gewog Administration, Deorali had neither accounted the rural tax amounting to Nu. 0.026 million in the cash book nor deposited into the Gewog CD Account. Further, Gewog Administration had also failed to produce the cash for physical verification. [AIN: 9570; Para: 1, Accountabilities: Direct: Pasang Sherpa, Gup, CID No. 11304001729; Supervisory: Pasang Sherpa, Gup, CID No. 11304001729]



### 3.3 Gewogs under Mongar Dzongkhag

#### Drametse Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration Drametse. There were two observations pointed out in the report involving over Nu. 0.803 million, out of which irregularities amounting to Nu. 0.517 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant irregularities amounted to Nu. 0.286 million as summarized below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Violation of Laws and Rules	0.056	4
2	Shortfalls, Lapses and Deficiencies	0.230	5
<b>Total</b>		<b>0.286</b>	

#### 1. Violation of Laws and Rules – Nu. 0.056 million

There was a case under violation of laws and rules involving Nu. 0.056 million as indicated below:

##### 1.1 Excess payment due to incorrect rate analysis- Nu. 0.056 million

The Gewog Administration had made excess payment of Nu. 0,056 million to M/s. Gongphel Equipment Hiring unit, S/Jongkhar on account of payment of idle charges of excavator for 4 days in the construction of Farm road from Waichur to Woongkhar. [AIN: 9370; Para: 2, Accountabilities: Direct: Karma Tenzin, Gewog Accountant, EID No. 200807263; Supervisory: Hemraj Chetri, Engineer, EID No. 9907160]

#### 2. Shortfalls, Lapses and Deficiencies – Nu. 0.230 million

There was a case under shortfalls, lapses and deficiencies involving Nu 0.230 million as indicated below:

##### 2.1 Non-adjustment of advances - Nu. 0.230 million

The Gewog Administration had outstanding advances of Nu. 0.230 million against the ex-Gup, Yeshi Wangdi as of 30<sup>th</sup> June, 2010. [AIN: 9370; Para: 1, Accountabilities: Direct: Karma Tenzin, Gewog Accountant, EID No. 200807263; Supervisory: Karma Tenzin, Gewog Accountant, EID No. 200807263]

### 3.4 Gewogs under Punakha Dzongkhag

#### Chuboog Gewog

During the period, the Royal Audit Authority had issued three audit reports of the Gewog Administration, Chuboog. There was one observation pointed out in the report involving over Nu. 0.181 million, out of which no observation was resolved prior to the compilation of the draft Annual Audit Report 2011. The total unresolved significant irregularities amounted to Nu. 0.181 million as summarized below:



Sl. No.	Observations in brief	Nu. in million	Category Code
1	Mismanagement	0.181	3
<b>Total</b>		<b>0.181</b>	

### **1. Mismanagement – Nu. 0.181 million**

The case of mismanagement involving Nu. 0.181 million is as indicated below:

#### **1.1 Under utilization of materials - Nu. 0.181 million**

The Gewog Administration had not used HDPE pipe, EI elbow etc. valuing Nu. 0.181 million which were procured for the renovation works of RWSS at various places. [AIN: 9965; Para: 1, Accountabilities: Direct: Chedhen, Engineer, EID No. 200870180; Supervisory: Sonam Tobgay, Gup, CID No. 110011001746]

### **3.5 Gewogs under Samtse Dzongkhag**

#### **Tendu Gewog**

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Tendu. There was one observation pointed out in the report involving over Nu. 0.119 million, out of which no observation was resolved prior to the compilation of draft Annual Audit Report 2011. The total unresolved significant irregularities amounted to Nu. 0.119 million as summarized below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Short falls, Lapses and Deficiencies	0.119	5
<b>Total</b>		<b>0.119</b>	

### **1. Shortfalls, Lapses and Deficiencies – Nu. 0.119 million**

There was a case under shortfalls, lapses and deficiencies involving Nu. 0.119 million as indicated below:

#### **1.1 Non-production of records - Nu. 0.119 million**

The Gewog Administration, Tendu had not produced records, documents and information pertaining to the Rural Tax Collections and CD fund for the year 2009 amounting to Nu. 0.119 million. [AIN: 9524; Para 1: Accountabilities: Direct: Chitra Singh Mongar, Gup, CID No. 11216002816; Supervisory: Chitra Singh Mongar, Gup, CID No. 11216002816]

#### **Chengmari Gewog**

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Chengmari. There were two observations pointed out in the report involving over Nu. 0.164 million, out of which irregularities amounting to Nu. 0.020 million were either resolved or not considered significant for inclusion in the draft Annual Audit Report 2011.



Based on the responses received after the issue of draft AAR 2011 and action taken by the Gewog Administration, observations amounting to Nu. 0.126 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu.0.014 million as summarized below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption and Embezzlement	0.014	1&2
<b>Total</b>		<b>0.014</b>	

### **1. Fraud, Corruption and Embezzlement - Nu. 0.014 million**

There was a case under fraud, corruption and embezzlement involving Nu. 0.014 million as indicated below:

#### **1.1 Non-accountal of revenue - Nu. 0.014 million**

The Gewog Administration, Chengmari had not accounted revenue amounting to Nu. 0.140 million. It was found that cash book was not maintained for proper accountal of collections. The case was forwarded to the Anti Corruption Commission. The amount of Nu. 0.125 million was recovered and deposited into CD Account leaving the balance of Nu. 0.014 million. [AIN: 9510; Para: 1, Accountabilities: Direct: Meena Thapa, Gup, CID No. 11204000074; Supervisory: Meena Thapa, Gup, CID No. 11204000074]

#### **Sipsu Gewog**

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Sipsu. There were three observations pointed out in the report involving over Nu. 0.109 million, out of which no observation was resolved prior to the compilation of draft Annual Audit Report 2011. The total unresolved significant irregularities amounted to Nu. 0.097 million as summarized below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Fraud, Corruption and Embezzlement	-	1&2
2	Mismanagement	0.097	3
3	Violation of laws and rules	-	4
<b>Total</b>		<b>0.097</b>	

### **1. Fraud, Corruption and Embezzlement**

The case of fraud, corruption and embezzlement is as indicated below:

#### **1.1 Non accountal of HDPE pipe**

The Gewog Administration had not accounted HDPE pipe valuing Nu. 0.012 million procured for the construction of irrigation channel from Gangatey and Hangay. The amount was deposited into Audit Recoveries Account. [AIN: 9523; Para: 1.3, Accountabilities: Direct: Kinzang Dorji, Assistant Engineer, EID No. 9807036; Supervisory: Ranjit Gurung, CID No. 11214001297]



## **2. Mismanagement – Nu. 0.097 million**

The case of mismanagement involving Nu. 0.097 million is as indicated below:

### **2.1 Wasteful expenditure – Nu. 0.097 million**

The Gewog Administration had made wasteful expenditure of Nu. 0.097 million in the construction of PCC channel and RCC intake at source. It was found that HDPE pipeline was installed over the concrete channel right from the catchment area and passed through the intake tank. [AIN: 9523; Para: 1.2, Accountabilities: Direct: Kinzang Dorji, Assistant Engineer, EID No. 9807036; Supervisory: Ranjit Gurung, CID No. 11214001297]

## **3. Violation of Laws and Rules**

The case of violation of laws and rules is as indicated below:

### **3.1 Execution of substandard works**

The Gewog Administration had accepted the substandard works in the construction of irrigation channel from Gangatey to Hangay. The poor quality of works included suspension of HDPE pipes by the GI Pipes, improper and defective joints, temporary support by wooden pegs etc. which required rectifications. [AIN: 9523; Para: 1.1, Accountabilities: Direct: Kinzang Dorji, Assistant Engineer, EID No. 9807036; Supervisory: Ranjit Gurung, CID No. 11214001297]

### **3.6 Gewogs under Sarpang Dzongkhag**

#### **Dovan Gewog**

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Dovan. There was one observation pointed out in the report involving over Nu. 0.570 million, out of which no observation was resolved prior to compilation of the draft Annual Audit Report 2011. The total unresolved significant irregularities amounted to Nu. 0.560 million as summarized below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.560	5
<b>Total</b>		<b>0.560</b>	

### **1. Shortfalls, Lapses and Deficiencies – Nu. 0.560 million**

There was a case under shortfalls, lapses and deficiencies involving Nu. 0.560 million as indicated below:

#### **1.1 Outstanding Advances - Nu. 0.560 million**

The Gewog Administration had outstanding advances of Nu. 0.560 million against various employees. [AIN: 9445; Para: 1, Accountabilities: Direct: Individual concerned; Supervisory: MB Ghalley, Gup, CID No. 11305001749]



### 3.7 Gewogs under Samdrupjongkhar Dzongkhag

#### Pemathang Gewog

During the period, the Royal Audit Authority had issued two audit reports of the Gewog Administration, Pemathang. There was one observation pointed out in the report. The unresolved significant irregularity is as summarized below:

Sl. No.	Observations in brief	Nu. In million	Category Code
1	Violation of Laws and Rules	-	4
Total		-	

#### 1. Violation of Laws and Rules

There was a case under violation of laws and rules as indicated below:

##### 1.1 Lapses in the maintenance of farm road from Kharbandi to Dungkarling

The Gewog Administration had not constructed collection chambers in the maintenance works of farm road from Kharbandi to Dungkarling resulting into shortage of hume pipes. Further, the road gradient had exceeded the limit prescribed in the guideline. [AIN: 9404; Para: 1, Accountabilities: Direct: Udai Chand Homagai, Junior Engineer, EID No. 200407017; Supervisory: P. R.Dhungyel, Gup, CID No. 11108000520]

#### Phuntshothang Gewog

During the period, the Royal Audit Authority had issued two audit reports of the Gewog Administration, Phuntshothang. There were three observations pointed out in the report involving over Nu. 0.019 million. The unresolved significant irregularity is as summarized below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Violation of Laws and Rules	-	4
Total		-	

#### 1. Violation of Laws and Rules

There was a case under violation of laws and rules as indicated below:

##### 1.1 Non-rectification of defective works

The Gewog Administration had not carried out the rectification of defective works in the construction of Bhawaney ORC. [AIN: 9405; Para: 2.1, Accountabilities: Direct: G. Kurikesu, Dy. Executive Engineer, EID No. 8011020; Supervisory: Sangay Wangdi, Gup, CID No. 11109003034]



### 3.8 Gewogs under Thimphu Dzongkhag

#### Lingzhi Gewog

During the period, the Royal Audit Authority had issued two audit reports of the Gewog Administration, Lingzhi. There were two observations pointed out in the report involving over Nu. 0.153 million, out of which observations amounting to Nu. 0.051 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant irregularities amounted to Nu. 0.102 million as summarized below:

Sl. No.	Observations in brief	Nu. In million	Category Code
1	Short falls, Lapses and Deficiencies	0.102	5
Total		0.102	

#### 1. Shortfalls, Lapses and Deficiencies – Nu. 0.102 million

There was a case under shortfalls, lapses and deficiencies involving Nu. 0.102 million as indicated below:

##### 1.1 Inadmissible Payment to unskilled labour - Nu. 0.102 million

The Gewog Administration had made inadmissible payment of Nu. 0.102 million to unskilled labours in the construction and maintenance works of wooden bridge and mule track under Lingzhi Gewog. The payment was in deviation to the resolution of National Assembly. Further, the muster roll payments were not certified by the gewog accountant, which indicated that the actual disbursement of payment was not made by the accountant. The attendance register was also not maintained by the site engineer to authenticate the daily presence of these labourers. [AIN: 9611; Para: 1, Accountabilities: Direct: Wangdi, Gup, CID No. 11408000189; Supervisory: Wangdi, Gup, CID No. 11408000189]

#### Soe Gewog

During the period, the Royal Audit Authority had issued four audit reports of the Gewog Administration, Soe. There was one observation pointed out in the report involving over Nu. 0.078 million, out of which no observation was resolved prior to compilation of the draft Annual Audit Report 2011. The total unresolved significant irregularities amounted to Nu. 0.078 million as summarized below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Short falls, Lapses and Deficiencies	0.078	5
Total		0.078	

#### 1. Shortfalls, Lapses and Deficiencies – Nu. 0.078 million

There was a case under shortfalls, lapses and deficiencies involving Nu. 0.078 million as indicated below:



### 1.1 Inadmissible Payment to unskilled labour - Nu.0.078 million

The Gewog Administration had made inadmissible payment of Nu. 0.078 million to unskilled labours in the construction and maintenance works of wooden bridge and clearing of mule track under Soe Gewog. The payment was in deviation to the resolution of National Assembly. Further, the muster roll payments were not certified by the Gewog accountant, which indicated that the actual disbursement of payment was not made by the accountant. The attendance register was also not maintained by the site engineer to authenticate the daily presence of these laborers. [AIN: 9610; Para: 1, Accountabilities: Direct: Kencho Dorji, Gup, CID No. 11404000117; Supervisory: Kencho Dorji, Gup, CID No. 11404000117]

### 3.9 Gewogs under Trashigang Dzongkhag

#### Khaling Gewog

During the period, the Royal Audit Authority had issued two audit reports of the Gewog Administration, Khaling. There was one observation pointed out in the report involving over Nu. 0.130 million, out of which no observation was resolved prior to compilation of the draft Annual Audit Report 2011. The total unresolved significant irregularities amounted to Nu. 0.130 million as summarized below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Mismanagement	0.130	3
Total		0.130	

### 1. Mismanagement - Nu. 0.130 million

The case of mismanagement involving Nu. 0.130 million is as indicated below:

#### 1.1 Excess payments - Nu. 0.130 million

The Gewog Administration had made excess payment of Nu. 0.130 million to M/s Kuenthop Enterprises, Thimphu in the procurement of materials for the construction of Rural Water Supply Scheme at Barshong and Manizor. It was found that the rate paid for procurement of pipes were for Druk Pipe brand but materials supplied at site were SQCA approved brand. The rate paid for Druk Pipe was higher than the SQCA approved brand which resulted in excess payment. [AIN: 9136; Para: 1.1, Accountabilities: Direct: Lakjey, AE, EID No. 9601034; Supervisory: Kinzang Tobgay, Gup, CID No. 11505002830]

### 3.10 Gewogs under Tsirang Dzongkhag

#### Rangthangling Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Rangthangling. There was one observation pointed out in the report. The unresolved significant irregularity is as summarized below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Short falls, Lapses & Deficiencies	-	5
Total		-	



## 1. Shortfalls, Lapses and Deficiencies

There was a case under shortfalls, lapses and deficiencies as indicated below:

### 1.1 Non - collection of property

The Gewog Administrative Officers were issued with one laptop and one digital camera each from the office of Gross National Happiness Commission, Thimphu for use in their respective Gewogs. However, some of the Gewogs had neither inventorised the above equipment nor were handed over to the respective Gewogs on their transfer. [AIN: 9253; Para: 1, Accountabilities: Direct: Nima Dorji Gyeltshen, GAO, EID No. 200804020; Supervisory: Kamal Kumar Mongar, Gup, CID No. 11809001607]

#### 3.11 Gewogs under Wangdue Dzongkhag

##### Kazhi Gewog

During the period, the Royal Audit Authority had issued three audit reports of the Gewog Administration, Kazhi. There were two observations pointed out in the report. The unresolved significant irregularity is as summarized below:

Sl. No.	Observations in brief	Nu. in million	Category Code
1	Mismanagement	-	3
Total		-	

### 1. Mismanagement

The case of mismanagement is as indicated below:

#### 1.1 Non-collection of rural tax

The Gewog Administration had not collected rural taxes for the year 2010. [AIN: 9434; Para: 2, Accountabilities: Direct: Tashi Phuntsho, Gup, CID No. 119080001409; Supervisory: Tashi Phuntsho, Gup, CID No. 119080001409]



## 4. AUTONOMOUS BODIES

### 4.1 Royal University of Bhutan

During the period the Royal Audit Authority had issued 13 audit reports of the Royal University of Bhutan. There were 28 observations pointed out in the reports, involving Nu. 11.761 million, out of which 23 observations amounting to over Nu. 7.428 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 4.333 million.

Based on the responses received after the issue of draft AAR 2011 and action taken by the management, observations amounting to Nu. 4.240 million were either resolved fully or substantially. The total unresolved irregularities amounted to Nu. 0.093 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.093	5
Total		0.093	

#### 1. Shortfalls, Lapses and Deficiencies - Nu. 0.093 million

There was a case of shortfalls, lapses and deficiencies involving Nu. 0.093 million as indicated below:

##### 1.1 Outstanding advances - Nu. 0.093 million

The Sherubtse College, Kanglung had outstanding advances of Nu. 0.093 million against various officials and private parties. (AIN: 9345, Para 1.1; Accountabilities: Direct: Individuals concerned; Supervisory: Singye Namgyel, Director, EID No. 8002011)

### 4.2 Drug Regulatory Authority

During the period the Royal Audit Authority had issued one audit report of the Drug Regulatory Authority. There were 12 observations pointed out in the report, involving Nu. 32.632 million, out of which no observation was resolved prior to compilation of draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 32.632 million.

Based on the responses received after the issue of the draft AAR 2011 and action taken by the management, audit observations amounting to Nu. 31.878 million were either resolved fully or substantially. The total unresolved irregularities amounted to Nu. 0.754 as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.754	3
Total		0.754	



## 1. Mismanagement – Nu. 0.754 million

There was a case of mismanagement involving Nu. 0.754 million as indicated below:

### 1.1 Difference between revenue realizable and deposits – Nu. 0.754 million

There was an unreconciled difference of Nu. 0.754 million in the revenue collectible and the deposits made by the Drug Regulatory Authority. The total revenue collectible as per records was Nu. 2.137 million against which actual deposit made was only Nu. 1.383 million. (AIN: 9418, Para 8; Accountabilities: Direct: Kunzang Dorji, Regulatory Officer, EID No. 200901173 and Sonam Lhamo, Accountant, EID No. 9704050; Supervisory: Sonam Dorji, Drug Controller, EID No. 9102019)

### 4.3 Judiciary

During the period the Royal Audit Authority had issued 33 audit reports of the Royal Court of Justice. There were 15 observations pointed out in the reports, involving Nu. 2.444 million, out of which 12 observations amounting to over Nu. 0.076 million were resolved prior to compilation of draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 2.368 million.

Based on the responses received after issue of draft AAR 2011 and action taken by the Royal Court of Justice, the observations amounting to Nu. 1.639 million were either resolved fully or substantially. The unresolved significant irregularities amounted to Nu. 0.729 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.729	5
	<b>Total</b>	<b>0.729</b>	

## 1. Shortfalls, Lapses and Deficiencies – Nu. 0.729 million

There was a case of shortfalls, lapses and deficiencies involving Nu. 0.729 million as indicated below:

### 1.1 Outstanding advances – Nu. 0.729 million

The Royal Court of Justice, Sarpang had outstanding advances of Nu. 0.729 million against various officials and private parties. (AIN: 9229, Para 2.1; Accountabilities: Direct: Dorji Gyeltshen, Former Accountant, EID No. 200307151; Supervisory: Pemba Gyeltshen, Drangpon, EID No. 7205005)

### 4.4 National Land Commission

During the period the Royal Audit Authority had issued two audit reports of the National Land Commission. There were 6 observations pointed out in the reports, involving Nu. 2.141 million, out of which 3 observations amounting to over Nu. 1.224 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 0.917 million.



Based on the responses received after the issue of draft AAR 2011 and action taken by the Commission, observations amounting to Nu. 0.578 million were either resolved fully or substantially. The unresolved significant irregularities amounted to Nu. 0.339 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	-	1&2
2	Shortfalls, lapses and deficiencies	0.339	5
<b>Total</b>		<b>0.339</b>	

## **1. Fraud, Corruption and Embezzlement**

There was a case of fraud, corruption and embezzlement as indicated below:

### **1.1 Irregularities in regularization of excess land**

The owner of Plot No. 114/A had applied for regularization of excess land measuring 46.88 decimal and paid Nu. 2.047 million to the Thimphu City Corporation and received updated Lag Thram of the plot with the total area of 1.10 acres. Later, on application to the National Land Commission Secretariat for new Lag Thram, his plot showed only 63.12 decimals which was the area before regularization of excess land. On further scrutiny, it was noted that Thimphu City Corporation had issued the ownership certificate for 1.10 acres prior to the date of payment for excess land. It was also found that two different Lag Thram/Sa Thrams were issued for the same plot by the erstwhile Department of Survey and Land Records. In view of this, there was an indication of fraud and corruption. The case was accordingly forwarded to the Anti-Corruption Commission for further action. (AIN: 9225, Para 2.1; Accountabilities: Direct: Individuals concerned; Supervisory: Ugyen Takchu, Surveyor General, EID No. 7404016)

## **2. Shortfalls, Lapses and Deficiencies – Nu. 0.339 million**

There was a case of shortfalls, lapses and deficiencies involving Nu. 0.339 million as indicated below:

### **2.1 Outstanding advances – Nu. 0.339 million**

The National Land Commission had outstanding advances of Nu. 0.339 million against various officials and private parties. (AIN: 9225, Para 2.3; Accountabilities: Direct: Individuals concerned; Supervisory: Yangchen Wangmo, Assistant Human Resource Officer, Surveyor General, EID No. 200302002)

## **4.5 Tourism Council of Bhutan**

During the period the Royal Audit Authority had issued six audit reports of the Tourism Council of Bhutan. There were 9 observations pointed out in the reports, involving Nu. 4.090 million, out of which 2 observations amounting to over Nu. 0.036 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 4.054 million.



Based on the responses received after the issue of draft AAR 2011 and action taken by the management, observations amounting to Nu. 1.794 million were either resolved fully or substantially. The unresolved significant irregularities amounted to Nu. 2.260 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	-	4
2	Shortfalls, lapses and deficiencies	2.260	5
<b>Total</b>		<b>2.260</b>	

## 1. Violation of Laws and Rules

There was a case of violation of laws and rules as indicated below:

### 1.1 Unauthorized appointment

The Tourism Council of Bhutan had appointed three officers on contract without obtaining concurrence of the Royal Civil Service Commission. The Tourism Council though, was reconstituted as an autonomous body in January 2008, it did not have its own service rules but was governed by the Bhutan Civil Service Rules and Regulations. (AIN: 9267, Para 1; Accountabilities: Direct: Thinley Gyeltshen, Human Resource Officer, EID No. 200905036; Supervisory: Individuals concerned)

## 2. Shortfalls, Lapses and Deficiencies – Nu. 2.260 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 2.260 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Non deduction of TDS	2.189
2.2	Unjustified recoupment of fuel	0.071
<b>Total</b>		<b>2.260</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:

### 2.1 Non deduction of TDS – Nu. 2.189 million

The Tourism Council of Bhutan had not deducted TDS amounting to Nu. 2.189 million on account of refund of excess payments to various entities comprising tour operators, luxury hotels and Druk Air Corporation for tariff, booking of luxury hotels and air tickets from Druk Air. (AIN: 9267, Para 2; Accountabilities: Direct: Kumbu Dem, Sr. Accountant, EID No. 200507249; Supervisory: Individuals concerned)

### 2.2 Unjustified recoupment of fuel – Nu. 0.071 million

The ADA funded project, “Reconstruction and Technical Upgrading Project”, implemented by Tourism Council of Bhutan had made unjustified recoupment of fuel amounting to Nu. 0.071 million. It was found that the KM reading was inflated from 94,528 to 108,228 in the fuel consumption bill submitted by the drivers. (AIN: 10026, Para 2; Accountabilities: Direct:



Pema Wangyel, Driver, CID No. 11410003488; Supervisory: Karma Gayleg, Ex-Project Director, CID No. 10715000188)

#### 4.6 Centre for Bhutan Studies

During the period the Royal Audit Authority had issued two audit reports of the Centre for Bhutan Studies. There were six observations pointed out in the reports, involving Nu. 0.705 million, out of which no observation was resolved prior to compilation of draft Annual Audit Report 2011. The total unresolved significant observations amounted to Nu. 0.705 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.438	1&2
2	Violation of laws and rules	0.195	4
3	Shortfalls, lapses and deficiencies	0.072	5
<b>Total</b>		<b>0.705</b>	

##### 1. Fraud, Corruption and Embezzlement – Nu. 0.438 million

There were cases of fraud, corruption and embezzlement involving Nu. 0.438 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Payment made without receiving goods	0.119
1.2	Misuse of cash	0.183
1.3	Misuse of TA/DA payments	0.136
<b>Total</b>		<b>0.438</b>

The cases of fraud, corruption and embezzlement are as indicated below:

##### 1.1 Payment made without receiving goods – Nu. 0.119 million

The Centre for Bhutan Studies had made payment without receiving goods amounting to Nu. 0.119 million in the procurement under UNDP HACT project. It was found that the payment for 300 DVD Sony Video Camera Cassettes was made and recorded in the stock register without actually receiving it. (AIN: 9787, Para 5.1; Accountabilities: Direct: Sonam Lhamo, Store in-charge, EID No. 200406055; Supervisory: Dasho Karma Ura, President, EID No. 8903117)

##### 1.2 Misuse of cash – Nu. 0.183 million

The Centre for Bhutan Studies had a case of misuse of cash amounting to Nu. 0.183 million by the accountant. It was found that the cash was withdrawn through the cheque without preparing the payment voucher and was not accounted in the cash book. The enquiry revealed that the cash was withdrawn by the late accountant for payment of salary to the enumerators but was misused by him. The case was forwarded to the Anti Corruption Commission. (AIN 10009; Para 1; Accountabilities: Direct: Late Samdrup, Accountant, EID No. 9509037; Supervisory: Dasho Karma Ura, President, EID No. 8903117)



### 1.3 Misuse of TA/DA payments – Nu. 0.136 million

The Centre for Bhutan Studies had a case of misuse of TA/DA amounting to Nu. 0.136 million by the late accountant. It was found that the amount was booked as expenditure though not paid to the concerned officials. Later, the amount was booked as advance in the name of late accountant after payment of equivalent amount to the concerned officials. The action of the Finance Division was found irregular as necessary approval was not obtained before making the payment. The case was forwarded to the Anti Corruption Commission. (AIN: 10009, Para 3; Accountabilities: Direct: Late Samdrup, Accountant, EID No. 9509037; Supervisory: Dasho Karma Ura, President, EID No. 8903117)

## 2. Violation of Laws and Rules – Nu. 0.195 million

The case of violation of laws and rules involving Nu. 0.195 million is as indicated below:

### 2.1 Non production of documents – Nu. 0.195 million

The Centre for Bhutan Studies had made payment of Nu. 0.195 million without supporting documents. The payments made through disbursement vouchers were not backed by the necessary supporting documents as required by the Financial Rules and Regulations. (AIN: 9787, Para 5.2; Accountabilities: Direct: Late Samdrup, Accountant, EID No. 9509037; Supervisory: Dasho Karma Ura, President, EID No. 8903117)

## 3. Shortfalls, Lapses and Deficiencies – Nu. 0.072 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.072 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Lack of joint signatory for cheque payment	-
3.2	Irregularities in adjustment of advance	0.072
	<b>Total</b>	<b>0.072</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:

### 3.1 Lack of joint signatory for cheque payment

The review of the operation of the bank account of the Centre for Bhutan Studies revealed that the cheques are signed by a single official in contravention to the requirement under Financial Rules and Regulations which stipulate that the bank accounts allotted to the budgetary agencies shall generally be operated jointly. (AIN: 9787, Para 5.3; Accountabilities: Direct: Thinley Jamtsho, Research Officer, EID No. 200701810; Supervisory: Dasho Karma Ura, President, EID No. 8903117)

### 3.2 Irregularities in adjustment of advance – Nu. 0.072 million

The Centre for Bhutan Studies had a case of irregular adjustment of advance of Nu. 0.072 million taken by a researcher for meeting the expenses for the 2<sup>nd</sup> round international GNH survey. It was found that the amount of advance was transferred to late accountant on the basis of statement prepared and signed by two research officials. It was stated that advance was refunded but not updated in the system. There were no documentary evidences to



authenticate the refund to the late accountant and the RAA could not establish the truth and validity of transfer of advances made to his name. The case was forwarded to the Anti Corruption Commission. (AIN: 10009, Para 2; Accountabilities: Direct: Thinley Jamtsho, Researcher, EID No. 200701181; Supervisory: Dasho Karma Ura, President, EID No. 8903117)

#### 4.7 National Commission for Women and Children

During the period the Royal Audit Authority had issued two audit reports of the National Commission for Women and Children. There were 17 observations pointed out in the reports, involving Nu. 22.071 million, out of which 9 observations amounting to over Nu. 1.848 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations amounted to Nu. 20.223 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.039	1&2
2	Mismanagement	-	3
3	Violation of laws and rules	0.262	4
4	Shortfalls, lapses and deficiencies	19.922	5
<b>Total</b>		<b>20.223</b>	

#### 1. Fraud, Corruption and Embezzlement – Nu. 0.039 million

The case of fraud, corruption and embezzlement involving Nu. 0.039 million is as indicated below:

##### 1.1 Manipulation of bills – Nu. 0.039 million

The National Commission for Women and Children had made payment of Nu. 0.039 million on the basis of the fictitious claims made by the supplier for printing and binding of Child Care & Protection Bill, Bhutan Adoption Child Care and Operational plan for the Child Protection Bill. The supplier had manipulated the figures in computing the total cost for printing and binding of the books. (AIN: 9797, Para 5.7; Accountabilities: Direct: Tashi Jamtsho, Procurement Asstt., EID No. 9907300; Supervisory: Norbu Gyaltsen, Head AFS/HRM, EID No.7605008)

#### 2. Mismanagement

The case of mismanagement is as indicated below:

##### 2.1 Heavy retention of cash balances and payments in cash

The National Commission for Women and Children had retained heavy cash balances at the close of the month. Besides, instances of huge cash payments being made were also noted. Such practices were in deviation to the provisions of the Financial Rules and Regulations. (AIN: 9797, Para 5.10; Accountabilities: Direct: Tashi Pelki, Accountant, EID No. 9704048 and Khem Prasad Sharma, EID No. 9907789; Supervisory: Norbu Gyaltsen, Head AFS/HRM, EID No.7605008)



### 3. Violation of Laws and Rules – Nu. 0.262 million

The case of violation of laws and rules involving Nu. 0.262 million is as indicated below:

#### 3.1 Non preparation of Property Transfer Note and GIN – Nu. 0.262 million

The National Commission for Women and Children had not prepared Property Transfer Note and Goods Issue Note while transferring the equipment and furniture worth Nu. 0.262 million to RENEW Office, Women and Child Protection Unit and Forensic Medical Unit, JDWNRH in contravention to the Property Management Manual. (AIN: 9797, Para 5.11; Accountabilities: Direct: Tashi Jamtsho, Procurement Assistant, CID No. 11405000226; Supervisory: Norbu Gyaltsen, Head AFS/HRM, EID No.7605008)

### 4. Shortfalls, Lapses and Deficiencies – Nu. 19.922 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 19.922 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
4.1	Outstanding advances	1.017
4.2	Non accountal of advances	0.628
4.3	Expenditure over and above authorized amount	-
4.4	Non utilization of pepper spray	0.183
4.5	Non achievement of planned targets	18.094
	<b>Total</b>	<b>19.922</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:

#### 4.1 Outstanding advances – Nu. 1.017 million

The National Commission for Women and Children had outstanding advances of Nu. 1.017 million against various officials. The advances had remained unadjusted for over period of four years. (AIN: 9797, Para 5.4; Accountabilities: Direct: Chhoek Penjor, Sr. PO, EID No. 9910064; Supervisory: Norbu Gyaltsen, Head AFS/HRM, EID No.7605008)

#### 4.2 Non accountal of advances – Nu. 0.628 million

The National Commission for Women and Children had not maintained memorandum register for recording the advances amounting to Nu. 0.628 million released to various programme officers and other implementing agencies for carrying out the Annual Work Plan activities. (AIN: 9797, Para 5.5; Accountabilities: Direct: Tashi Pelki, Accountant, EID No. 9704048 & Khem Prasad Sharma, CID No. 11208000460; Supervisory: Norbu Gyaltsen, Head AFS/HRM, EID No.7605008)

#### 4.3 Expenditure over and above authorized amount

The National Commission for Women and Children had made expenditure in excess of the authorized limit pertaining to the UNICEF & UNFPA for the period 2008 to 2011. The expenditures were reported in the FACE forms. (AIN: 9797, Para 5.6; Accountabilities: Direct: Chhoek Penjor, Sr. PO, EID No. 9910064 & Tshewang Lham, APO, EID No. 201991026; Supervisory: Norbu Gyaltsen, Head AFS/HRM, EID No.7605008)



#### 4.4 Non utilization of pepper spray – Nu. 0.183 million

The National Commission for Women and Children had procured pepper spray worth Nu. 0.183 million under the UNFPA activity “supply of safety equipments for lady police personnel while dealing with the cases of domestic violence”. The goods were transferred to the Royal Bhutan Police. On verification, it was noted that these goods had remained unused. (AIN: 9797, Para 5.8; Accountabilities: Direct: Sonam Penjor, PO, EID No. 200201059 and Tshewang Lham, APO, EID No.201001026; Supervisory: Norbu Gyaltshen, Head AFS/HRM, EID No.7605008)

#### 4.5 Non achievement of planned targets – Nu. 18.094 million

The National Commission for Women and Children had not implemented some of the annual work plan activities under various projects of UNICEF, UNDP, UNFPA and UNIFEM involving USD 344,650.00. (Nu. 18.094 million). (AIN: 9797, Para 5.9; Accountabilities: Direct: Choeki Penjor, Sr. PO, EID No. 9910064 and Tshewang Lham, APO, EID No.201001026; Supervisory: Phintsho Choeden, Executive Director, EID No.8410005)

#### 4.8 National Environment Commission

During the period the Royal Audit Authority had issued 3 audit reports of the National Environment Commission. There were 5 observations pointed out in the reports, involving Nu. 0.560 million, out of which 3 observations amounting to over Nu. 0.090 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 0.470 million.

Based on the responses received after issue of the draft AAR 2011 and action taken by the Commission, observations amounting to Nu. 0.404 million were either resolved fully or substantially. The total unresolved significant observations amounted to Nu. 0.066 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.066	1&2
	<b>Total</b>	<b>0.066</b>	

#### 1. Shortfalls, Lapses and Deficiencies – Nu. 0.066 million

There was a case of shortfalls, lapses and deficiencies involving Nu. 0.066 million as indicated below:

Sl. No.	Observation in brief	Nu. in million
1	Inadmissible payment	0.066
	<b>Total</b>	<b>0.066</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:



## **1.1 Inadmissible payment - Nu. 0.066 million**

---

The Secretariat, National Environment Commission had made inadmissible payment of Nu. 0.066 million on account of DSA for training of two drivers. The payment was inadmissible as the drivers were sent to M/s Tashi Engineering workshop which was not recognized by the RCSC. (AIN: 9982, Para 1; Accountabilities: Direct: Pema Wangdi, Driver, EID No. 2004049 and Rinzin Norbu, Driver, EID No. 21061127; Supervisory: Tshewang Rinchen, Officiating Administrative Officer, EID No. 9901208)



## 5. CORPORATIONS

### 5.1 Bhutan Power Corporation Limited

During the period the Royal Audit Authority had issued 17 audit reports of the Bhutan Power Corporation Limited. There were 44 observations pointed out in the reports, involving Nu. 12.236 million, out of which 23 observations amounting to over Nu. 1.019 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 11.217 million.

Based on the responses received after the issue of draft AAR 2011 and action taken, observations amounting to Nu. 10.693 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 0.524 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.524	4
	<b>Total</b>	<b>0.524</b>	

#### 1. Violation of Laws and Rules – Nu. 0.524 million

There was a case of violation of laws and rules involving Nu. 0.524 million as indicated below:

##### 1.1 Abnormal delay in execution of Rural Electrification works – Nu. 0.524 million

The Green Power Development Project (RE IV) On-Grid implemented by Bhutan Power Corporation Limited had delayed the completion of various packages of Rural Electrification works under RECS, Punakha. There had been considerable time overrun ranging from 138 days to 267 days. Out of Nu. 1.439 million liquidated damages pointed out, Nu. 0.524 million stands recoverable. (AIN: 9668, Para 3; Accountabilities: Direct: Phuntsho Wangdi, Sr. Manager, CID No. 10904002297; Supervisory: Drukchu Dorji, Project Manager, CID No. 11601000412)

### 5.2 Bhutan Postal Corporation Limited

During the period the Royal Audit Authority had issued 8 audit reports of the Bhutan Postal Corporation Limited. There were 19 observations pointed out in the reports, involving Nu. 6.947 million, out of which 12 observations amounting to over Nu. 3.177 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 3.770 million.

Based on the responses received after the draft AAR 2011 was issued and action taken by the management, observations amounting to Nu. 0.955 million were either resolved fully or substantially. The total unresolved significant observations amounted to Nu. 2.815 million as summarized below:



Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	2.815	3
	<b>Total</b>	<b>2.815</b>	

## 1. Mismanagement – Nu. 2.815 million

The case of mismanagement involving Nu. 2.815 million is as indicated below:

### 1.1 Wasteful expenditure – Nu. 2.815 million

The Bhutan Postal Corporation Limited had made wasteful expenditure of Nu. 2.815 million in the introduction of “Easy Pay System” and “Online Tracking system” for accepting the monthly utility bills on behalf of service organizations and tracking of the mails.

It was noted that the online tracking system was not fully operational as it was only used as Counter Automation System. Since, Bhutan Postal Corporation already had a free system in place for counter automation, there was no such requirement to develop similar system incurring huge expenses, which had ultimately failed to function fully. As the system was not found user friendly, the management had the plan to revert back to “Meghdoot system” after incurring huge expenditure.

The application software developed for Easy Pay System could not be put on live or implemented due to non availability of data from the utility service organizations resulting into wastage of resources. It was noted that no detailed discussions and agreements with the utility service organizations were made to make the system useful and effective. (AIN: 9482, Para 1, 1.1 & 1.2; Accountabilities: Direct: Kezang Choden, IT Manager, CID No. 11105001821; Supervisory: Tseten Geltsen, Chief Executive Officer, CID No. 10802000664)

## 5.3 Natural Resource Development Corporation Limited

During the period the Royal Audit Authority had issued three audit reports of the Natural Resource Development Corporation. There were six observations pointed out in the reports, involving Nu. 4.664 million, out of which 5 observations amounting to over Nu. 4.074 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 0.590 million.

Based on the responses received after the draft AAR 2011 was issued and action taken by the management, observations amounting to Nu. 0.170 million were either resolved fully or substantially. The total unresolved significant observations amounted to Nu. 0.420 million as summarized below:

Sl. No.	Observation Category	Nu. in Million	Category Code
1	Shortfalls, lapses and deficiencies	0.420	5
	<b>Total</b>	<b>0.420</b>	



## 1. Shortfalls, Lapses and Deficiencies - Nu. 0.420 million

The case of shortfalls, lapses and deficiencies involving Nu. 0.420 million is as indicated below:

### 1.1 Non refund of security deposit – Nu. 0.420 million

The Natural Resources Development Corporation Ltd., Mongar had not refunded the security deposit amounting to Nu. 0.420 million deposited prior to 2008 by various contractors. (AIN: 9384, Para 4; Accountabilities: Direct: Namgyal, Accountant, EID No. 1880102; Supervisory: Tandin Wangchuk, Regional manager, EID No. 2231202)

### 5.4 Bhutan Broadcasting Service Corporation Limited

During the period the Royal Audit Authority had issued one audit report of the Bhutan Broadcasting Service Corporation Limited. There were 7 observations pointed out in the report, involving Nu. 352.666 million, out of which 3 observations amounting to over Nu. 351.811 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 0.855 million.

Based on the responses received after the draft AAR 2011 was issued and action taken by the management, observations amounting to Nu. 0.529 million were either resolved fully or substantially. The total unresolved significant observations amounted to Nu. 0.326 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.326	3
2	Violation of laws and rules	-	4
Total		0.326	

### 1. Mismanagement - Nu. 0.326 million

There was a case of mismanagement involving Nu. 0.326 million as indicated below:

#### 1.1 Non enforcement of training bonds and recoverable amount – Nu. 0.326 million

The Bhutan Broadcasting Service Corporation Limited had not recovered the amount of Nu. 0.326 million from one official who had availed training and had left the organization without completing the training bond period. The training bond required the incumbent to refund twice the expenses incurred by the corporation should the incumbent fail to comply with terms of the agreement. (AIN: 9705, Para 1; Accountabilities: Direct: Ashok Moktan, General Manager, Cid No. 11215003226; Supervisory: Tashi Dorji, Officiating Managing Director, CID No. 11410002210)



## 2. Violation of Laws and Rules

The case of violation of laws and rules is as indicated below:

### 2.1 Irregularities in staff promotion

The Bhutan Broadcasting Service Corporation Limited had cases of meritorious promotions given to the employees who had not served a minimum period of two years in each level as required under the BBSCL Service Rules and Regulations 2003. The records of outstanding performance supporting the promotions were not made available to the audit. (AIN: 9705, Para 5; Accountabilities: Direct: HR Committee Members; Supervisory: Tashi Dorji, Officiating Managing Director, CID No. 11410002210)

### 5.5 Druk Air Corporation Limited

During the period the Royal Audit Authority had issued one audit report of the Druk Air Corporation Limited. There were four observations pointed out in the report, involving Nu. 0.223 million, out of which no observation was resolved prior to compilation of the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 0.223 million.

Based on the responses received after the draft AAR 2011 was issued and action taken by the management, observations amounting to Nu. 0.124 million were either resolved fully or substantially. The total unresolved significant observations amounted to Nu. 0.099 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.099	3
Total		0.099	

### 1. Mismanagement - Nu. 0.099 million

The case of mismanagement involving Nu. 0.099 million is as indicated below:

#### 1.1 Non deposit of collections - Nu. 0.099 million

The Druk Air Corporation Limited had a short deposit of collection made from sales amounting to Nu. 0.099 million. The short deposit was ascertained on verification of collection and deposits statement of US Dollar and the Nepalese Rupee (NPR) pertaining to the station based in Kathmandu. (AIN: 9839, Para 4; Accountabilities: Direct: Damchu C. Lhendup, Manager, Ground Operation, CID No. 11910000975; Supervisory: Janardhan, Accounts Officer (Nepal Citizen))

### 5.6 Druk Holdings & Investment Limited

During the period the Royal Audit Authority had issued one audit report of the Druk Holding & Investment Limited. There were 4 observations pointed out in the report, involving Nu. 0.461 million, out of which no observations were resolved prior to compilation of draft Annual Audit Report 2011. The total unresolved significant observations amounted to Nu. 0.461 million.



Based on the responses received after the issue of draft AAR 2011 and action taken, observations amounting to Nu. 0.461 million were either resolved or considered not significant for inclusion in the Annual Audit Report 2011. The unresolved significant irregularity is as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	-	4
<b>Total</b>		-	

### 1. Violation of Laws and Rules

The case of violation of laws and rules is as indicated below:

#### 1.1 Variations in Annual Leave Allowances between DHI and DHI owned companies

The comparison of the DHI's Service Rules and Service Rules Guidelines for DHI owned companies indicated differences in the entitlements of Annual Leave Allowances which could be viewed as unfair for DHI owned companies. The RAA felt that there was no objectivity in approving the rule on Leave Travel Allowance for DHI employees without any ceiling or limit like that of its owned companies. As such the rule on LTC and Earned Leave for both DHI and its owned companies needs to be revisited to bring uniformity. (AIN: 9841, Para 3; Accountabilities: Direct: Karma Yonten, Chief Executive Officer, EID No. 02; Supervisory: DHI Board)

#### 5.7 Penden Cement Authority Limited

During the period the Royal Audit Authority had issued one audit report of the Penden Cement Authority Limited. There were 12 observations pointed out in the report, involving Nu. 61.320 million, out of which no observations were resolved prior to compilation of draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 61.320 million.

Based on the responses received after the draft AAR 2011 was issued and action taken by the management, observations amounting to Nu. 3.918 million were either resolved fully or substantially. The total unresolved significant observations amounted to Nu. 57.402 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	-	1&2
2	Mismanagement	3.069	3
3	Shortfalls, lapses and deficiencies	54.333	5
<b>Total</b>		<b>57.402</b>	



## 1. Fraud, Corruption and Embezzlement

The case of fraud, corruption and embezzlement is as indicated below:

### 1.1 Shortage of cement

The Penden Cement Authority Limited had shortage of 53.97 MT of cement at Samdrupjongkhar Depot which was reported in the statutory audit report. The case is under review with the legal Division. (AIN: 9832, Para 4.1; Accountabilities: Direct: Sherab Tenzin, Manager, EID No. 00067; Supervisory: Tashi Tshering, Managing Director), EID No. 001)

## 2. Mismanagement – Nu. 3.069 million

There were cases of mismanagement involving Nu. 3.069 million as summarized below:

### 2.1 Non/short imposition of penalty – Nu. 3.069 million

- a) The Penden Cement Authority Limited had not imposed the penalties amounting to Nu. 2.380 million in the supply of sub-standard coal by the suppliers. The penalties for supplying the coal which did not meet the specification were prescribed in the terms and conditions of the supply contract. (AIN: 9832, Para 2.2.1; Accountabilities: Direct: T.B Gurung, General Manager, EID No. 00006; Supervisory: Tashi Tshering, Managing Director), EID No. 001)
- b) The Penden Cement Authority Limited had not imposed penalties amounting to Nu. 0.689 million for the short supply of coal by various suppliers in contravention to the terms and conditions of the supply contract. (AIN: 9832, Para 2.2.2; Accountabilities: Direct: T.B Gurung, General Manager, EID No. 00006; Supervisory: Tashi Tshering, Managing Director), EID No. 001)

## 3. Shortfalls, Lapses and Deficiencies – Nu. 54.333 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 54.333 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Outstanding credit sales	39.959
3.2	Non reconciliation of tax free cement supplies	-
3.3	Pending delivery of portland clinker	1.895
3.4	Unpaid dividend	2.787
3.5	Debit balance against the sundry creditors account	9.692
	<b>Total</b>	<b>54.333</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:



### **3.1 Outstanding credit sales – Nu. 39.959 million**

---

The Penden Cement Authority Limited had outstanding credit sales amounting to Nu. 39.959 million lying against M/s National Hydro Power Corporation Limited (NHPCL), Delhi on account of sale of cement on credit. It was found that some of the outstanding amounts were as old as ten years. (AIN: 9832, Para 1.1; Accountabilities: Direct: Sherab Tenzin, Manager (S&M), EID No. 00067; Supervisory: Tashi Tshering, Managing Director), EID No. 001)

### **3.2 Non reconciliation of tax free cement supplies**

---

The Penden Cement Authority Limited had not reconciled the quantities of cement sold to various projects which had 5% BST exemption and its actual receipts by the project. It was found that cement valuing Nu. 330.980 million was sold to various projects which were exempted from payment of 5% BST. Of the total quantities sold to various projects, it was noted that almost 80% were sold through various agents. As the PCAL had not carried out any reconciliation of cement sold to various projects vis-à-vis actual quantities received at the sites, the RAA could not determine the authenticity of the quantities of cement sold to the projects on 5% BST exemption. (AIN: 9832, Para 1.4; Accountabilities: Direct: Sherab Tenzin, Manager (S&M), EID No. 00067; Supervisory: Tashi Tshering, Managing Director), EID No. 001)

### **3.3 Pending delivery of Portland clinker – Nu. 1.895 million**

---

The Penden Cement Authority Limited had not received 392.33 MT clinkers valuing Nu. 1.895 million from M/s JUD Cement Limited, India even after the lapse of more than a year from the date of placing the order. It was noted that the timeframe for delivery was not specified in the purchase order. (AIN: 9832, Para 2.1.1; Accountabilities: Direct: T.B Gurung, General Manager, EID No. 00006; Supervisory: Tashi Tshering, Managing Director), EID No. 001)

### **3.4 Unpaid Dividend – Nu. 2.787 million**

---

The Penden Cement Authority Limited had unpaid dividends amounting to Nu. 2.787 million which had not been disbursed to various shareholders. It was noted that some of the dividends pertained to years as far back as 1998 and 1999. (AIN: 9832, Para 3.2; Accountabilities: Direct: Alope Datta, General Manager, EID No. 0009; Supervisory: Tashi Tshering, Managing Director), EID No. 001)

### **3.5 Debit balance against the sundry creditors account – Nu. 9.692 million**

---

The Penden Cement Authority Limited had debit balances of sundry creditors amounting to Nu. 9.692 million which were yet to be recovered from various parties. (AIN: 9832, Para 3.3; Accountabilities: Direct: Alope Datta, General Manager, EID No. 0009; Supervisory: Tashi Tshering, Managing Director), EID No. 001)



## 6. FINANCIAL INSTITUTIONS

### 6.1 Bhutan Development Bank Limited

During the period the Royal Audit Authority had issued 13 audit reports of the Bhutan Development Bank Limited. There were 66 observations pointed out in the reports, involving Nu. 347.673 million, out of which 24 observations amounting to over Nu. 157.302 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 190.371 million.

Based on the responses received after the issue of draft AAR 2011 and action taken by the BDBL, observations amounting to Nu. 184.349 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 6.022 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.310	1&2
2	Violation of laws and rules	5.074	4
3	Shortfalls, lapses and deficiencies	0.638	5
<b>Total</b>		<b>6.022</b>	

#### 1. Fraud, Corruption and Embezzlement - Nu. 0.310 million

There were cases of fraud, corruption and embezzlement involving Nu. 0.310 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Free hand drawing of cubicles with file cabinets and executive desks	-
1.2	Sanctioning of ineligible interest free advances to suppliers	-
1.3	Fictitious payment without supply of goods	0.310
<b>Total</b>		<b>0.310</b>

The cases of fraud, corruption and embezzlement are as indicated below:

##### 1.1 Free hand drawing of cubicles with file cabinets and executive desks

The Bhutan Development Bank Limited had used freehand drawing prepared by M/s Wood World for inviting the rates from M/s Woodcraft Center in the work of furnishing the office building with cubicles and executive desks. The drawing of cubicles with file cabinets which was offered by the M/s Wood World was indicative of conflict of interest that existed between the management and the supplier. The case was forwarded to the Anti Corruption Commission. (AIN: 9471, Para 3.1.2; Accountabilities: Direct: Ugyen Dendup, Dy. Managing Director, CID No. 10802001957; Supervisory: Ngawang Gyetse, Managing Director, CID No. 10710000558)

##### 1.2 Sanctioning ineligible interest free advances to suppliers

The Bhutan Development Bank Limited had made inadmissible advance payment of Nu. 0.810 million in the work of furnishing the office building at the head office. The payment of



advances was made over and above the entitled advance. The case was forwarded to the Anti Corruption Commission. (AIN: 9471, Para 3.1.4; Accountabilities: Direct: Ugyen Dendup, Dy. Managing Director, CID No. 10802001957; Supervisory: Ngawang Gyetse, Managing Director, CID No. 10710000558)

### **1.3 Fictitious payment without supply of goods – Nu. 0.310 million**

The Bhutan Development Bank Limited had made fictitious payment of Nu. 0.310 million without actually receiving the goods. The payment was made for the short supply of various items of furnishing the Head Office with cubicles and file cabinets. The case was forwarded to the Anti Corruption Commission. (AIN: 9471, Para 3.1.5; Accountabilities: Direct: Bhawani Shankar, Dy. General Manager, Finance, CID No. 11108001006; Supervisory: Ugyen Dendup, Dy. Managing Director, CID No. 10802001957)

## **2. Violation of Laws and Rules – Nu. 5.074 million**

There were cases of violation of laws and rules involving Nu. 5.074 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Excess payment	0.839
2.2	Procurement without tender	4.235
	<b>Total</b>	<b>5.074</b>

The cases of violation of laws and rules are as indicated below:

### **2.1 Excess payment – Nu. 0.839 million**

The Bhutan Development Bank Limited had made excess payment of Nu. 0.839 million in the construction of BDFCL Head Office building. The excess payment had occurred due to payment at higher rates for dumping of soil, extra claim for refilling of excavated earth, and claim for extra quantity of retaining wall. (AIN: 9471, Para 2.4; Accountabilities: Direct: Gautam Thapa, Civil Engineer, CID No. 11211000153; Supervisory: Ugyen Dendup, Dy. Managing Director, CID No. 10802001957)

### **2.2 Procurement without tender – Nu. 4.235 million**

- a) The Bhutan Development Bank Limited had made procurement without tender amounting to Nu. 3.798 million in the furnishing of newly constructed head office building with cubicles and other accessories like cabinets and executive desks. The Corporation had invited rates only from two firms in violation to the procurement norms. The case was forwarded to the Anti Corruption Commission. (AIN: 9471, Para 3.1.1; Accountabilities: Direct: Ugyen Dendup, Dy. Managing Director, CID No. 10802001957; Supervisory: Ngawang Gyetse, Managing Director, CID No. 10710000558)
- b) The Bhutan Development Bank Limited had made direct procurement of additional furniture worth Nu. 0.437 million from the same firm M/s Wood World. The case was forwarded to the Anti Corruption Commission. (AIN: 9471, Para 3.1.7; Accountabilities: Direct: Ugyen Dendup, Dy. Managing Director, CID No. 10802001957; Supervisory: Ngawang Gyetse, Managing Director, CID No. 10710000558)



### 3. Shortfalls, Lapses and Deficiencies – Nu. 0.638 million

There was a case of shortfalls, lapses and deficiencies involving Nu. 0.638 million as indicated below:

#### 3.1 Excess payment – Nu. 0.638 million

The Bhutan Development Bank Limited had made excess payment of Nu. 0.638 million in the supply of cubicles with file cabinets. The excess payment had occurred due to differences in the sizes of cubicles installed in the Head Office building and the sizes specified in the specifications. The case was forwarded to the Anti Corruption Commission. (AIN: 9471, Para 3.1.6; Accountabilities: Direct: Ugyen Dendup, Dy. Managing Director, CID No. 10802001957; Supervisory: Ngawang Gyetse, Managing Director, CID No. 10710000558)

#### 6.2 Bhutan National Bank Limited

During the period the Royal Audit Authority had issued 5 audit reports of the Bhutan National Bank Limited. There were 18 observations pointed out in the reports, involving Nu. 142.81 million, out of which 8 observations amounting to over Nu. 73.335 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 69.475 million. The total unresolved significant irregularities amounted to Nu. 46.568 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.540	1&2
2	Mismanagement	44.584	3
3	Violation of laws and rules	0.659	4
4	Shorfalls, lapses and deficiencies	0.785	5
Total		46.568	

#### 1. Fraud, Corruption and Embezzlement – Nui. 0.540 million

The case of fraud, corruption and embezzlement involving Nu. 0.540 million is as indicated below:

##### 1.1 Sanctioning of ineligible loan – Nu. 0.540 million

The Bhutan National Bank Limited, Paro had sanctioned ineligible GE loan of Nu. 0.540 million to four employees of the Department of Civil Aviation, Paro. The pay slips submitted to the bank were manipulated. It was also noted that the actual net pay of three employees were inadequate to repay the monthly installments. Further, the current status indicated that all four loan accounts had become non performing loans. (AIN: 9844, Para 01 Accountabilities: Direct: Ugyen Dema, Appraisal Officer, CID No. 10101005186 and Kuenga Thinley, Risk Officer, CID No. 11705002062; Supervisory: Lhaki Wangmo, Branch Manager, CID No. 11410004307)



## 2. Mismanagement – Nu. 44.584 million

There were cases of mismanagement involving Nu. 44.584 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Sanctioning of loan without considering the cost of the project	-
2.2	Inadequate assessment of repayment sources against sanctioning of loans	-
2.3	Ever greening of loan accounts by sanctioning additional loans and implications on profit	11.180
2.4	Transferring of bad loan from RICBL	33.152
2.5	Rescheduling of loan without payment of outstanding overdue amounts	0.252
	<b>Total</b>	<b>44.584</b>

### 2.1 Sanctioning of loan without considering the cost of the project

The Bhutan National Bank Limited, Paro had sanctioned industrial loan in excess of the maximum ceiling of 75% of the total cost of the project. The loan was for establishment of a mini-theatre with the capacity of 80 seats. It was noted that the loan was sanctioned based on the unrealistic forecast in respect of seat utilization and income generation from it. (AIN: 9844, Para 02 Accountabilities: Direct: Individuals concerned; Supervisory: Individuals concerned)

### 2.2 Inadequate assessment of repayment sources against sanctioning of loans

- a) The Bhutan National Bank, Paro had sanctioned business loans without properly assessing the repayment capacity of the clients. This had resulted in those loans becoming bad. It was noted that while sanctioning the loans, the bank had relied more on the adequacy of the collateral securities rather than considering the actual cash flow from the business income. (AIN: 9844, Para 3.1; Accountabilities: Direct: Chodup, Recovery Officer, CID No. 11603001281; Supervisory: Lhaki Wangmo, Branch Manager, CID No. 11410004307)
- b) The review of the personal loans sanctioned during 2009 and 2010 by the Bhutan National Bank, Paro revealed default in repayment ranging from two to as high as 13 months. The repayment sources of some of the borrowers were not available and in cases where sources of repayment were indicated, the actual income earned from such sources to service the loan was not ascertained by the bank while sanctioning the loans. (AIN: 9844, Para 3.2 Accountabilities: Direct: Chodup, Recovery Officer, CID No. 11603001281; Supervisory: Lhaki Wangmo, Branch Manager, CID No. 11410004307)

### 2.3 Ever-greening of loan accounts by sanctioning additional loans and implications on profit –Nu. 11.180 million

- a) The Corporate Office, Bhutan National Bank Limited, Thimphu had sanctioned additional loans to clear off the overdue interest while rescheduling the loans which was not allowed under the Prudential Regulations 2002. It was noted that from every piecemeal sanctioning of an additional amount, the equivalent amount of accrued interest was deducted at source and the same amount was credited to loan accounts, thereby recognizing interest income and thus inflating the profit of



the bank. Such modus operandi being followed by the bank clearly indicated that the 'ever-greening of loan' was in practice. During the year 2009 and 2010, the bank had made adjustment of arrear interest to the tune of Nu. 5.450 million through sanctioning additional loans. (AIN: 9771, Para 1 Accountabilities: Direct: Tandin Dukpa, Chief, Risk Analytical Management, CID No. 10401000308; Supervisory: Tandin Dukpa, Chief, Risk Analytical Management, CID No. 10401000308)

- b) The Corporate Office, Bhutan National Bank Limited, Thimphu had sanctioned several service and tourism loans to a single borrower for different projects. As the loan accounts had categorically become defaulting, additional loans were sanctioned beyond the repayment capacity of the borrower for repayment of defaulted loan accounts to clear the interest and principal overdues. Such practice of ever-greening of loan was in contravention to the RMA Prudential Regulations and had inflated the profit of the bank by Nu. 5.730 million. (AIN: 9771, Para 3 Accountabilities: Direct: Kelden Dorji, Corporate Relationship Manager, CID No. 11910002135; Supervisory: Norbu Wangchuk, Head, Corporate Banking, CID No. 108020001417)
- c) The Corporate Office, Bhutan National Bank Limited, Thimphu had sanctioned multiple credit facilities amounting to Nu. 79.854 million to a client and its related parties. It was noted that the overdue interest arrears was adjusted from the additional loan. The practice of "ever-greening" of loan had inflated the profit of the bank to the extent of interest adjustments made and avoided the defaulted loan accounts from being categorized as bad and thereby, reducing its non performing assets. It was also noted that some of the assets pledged as security were either not comprehensively insured or hypothecated to the bank resulting in exposure of loan to huge risk. (AIN: 9771, Para 4; Accountabilities: Direct: Dorji Cheten, Customer Relationship Manager, CID No. 12006001535; Supervisory: Norbu Wangchuk, Head, Corporate Banking, CID No. 108020001417)
- d) The Corporate Office, Bhutan National Bank had extended multiple credit facilities to a client and related parties based on the collateral securities pledged. It was noted that the exposure with total loans and the credit card limit worked out to 56% and the exposure with the total loans and credit card outstanding worked out to 38%. The mortgage deed for the newly sanctioned loan was not executed and the legal stamps were not affixed on the letter of guarantee, exposing the entire loan to risk. It was found that the repayment was defaulted since last 8 months and the new loan sanctioned as personal loan was utilized to pay off the overdue amount of other non-performing loans indicating the practice of ever-greening of loan. (AIN: 9771, Para 5 Accountabilities: Direct: Kipchu Tshering, Chief Executive Officer, CID No. 10808002014; Supervisory: Kipchu Tshering, Chief Executive Officer, CID No. 10808002014)

#### **2.4 Transferring of bad loan from Royal Insurance Corporation of Bhutan Limited - 33.152 million**

---

The Corporate Office, Bhutan National Bank Limited, Thimphu had a loan of Nu. 33.152 million transferred from RICBL pertaining to a private limited company without proper appraisal of repayment capacity. The loan was sanctioned to the company to clear off the defaulting loan account maintained with the RICBL in violation of the RMA Prudential Regulations 2002. It was found that the loan account had become non performing loan with the total outstanding balance of Nu. 35.795 million. Further, the hypothecation deed for the



collateral securities pledged against the loan was not executed. (AIN: 9771, Para 2; Accountabilities: Direct: Board Credit Committee; Supervisory: Board Credit Committee)

## **2.5 Rescheduling of loan without payment of outstanding overdue amounts – Nu. 0.252 million**

The Corporate Office, Bhutan National Bank Limited, Thimphu had sanctioned additional loan of Nu. 0.252 million which was found to have been adjusted against the overdue principal and interest portion. Subsequently, the loan account was rescheduled in deviation to the RMA Prudential Regulations 2002. It was noted that additional housing loans were sanctioned frequently as and when the client put up the disbursement request instead of sanctioning loans based on the progress of the construction. It was also noted that additional housing loan was sanctioned even after the rescheduling of the loan account and completion of the construction. (AIN: 9771, Para 6; Accountabilities: Direct: Tshering Bidha, Retail Relationship Manager, CID No. 11410001415; Supervisory: Norbu Wangchuk, Head, Corporate Banking, CID No. 108020001417).

## **3. Violation of Laws and Rules – Nu. 0.659 million**

The case of violation of laws and rules involving Nu. 0.659 million is as indicated below:

### **3.1 Purchase of furniture from firms other than ones which had participated in the quotation – Nu. 0.659 million.**

The Corporate Office, Bhutan National Bank Limited, Thimphu had procured furniture from M/s Dolma Enterprise, which had not even participated in the competitive bidding. It was found that supply orders were not placed to the firms which had quoted lowest for different items. The purchase made from the firm other than the lowest bidder had resulted in the financial implication to the tune of Nu. 0.659 million to the bank. (AIN: 9771, Para 5 Accountabilities: Direct: Sonam Rabgay, Procurement Officer, CID No. 12004003593; Supervisory: Karma Deki, head, HRD, CID No. 10802001417)

## **4. Shortfalls, Lapses and Deficiencies – Nu. 0.785 million**

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.785 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
4.1	Irregular adjustment of loan disbursement and scheduling of loan	-
4.2	Payment of sitting fees to employees	0.785
	<b>Total</b>	<b>0.785</b>

### **4.1 Irregular adjustment of loan disbursement and scheduling of loan**

The Corporate Office, Bhutan National Bank Limited, Thimphu had sanctioned series of additional construction loans to a client and adjusted the overdue amount on the initial loan in deviation to the RMA Prudential Regulations 2002. It was also noted that the loan



was converted from mortgage loan to service tourism loan without approval of the credit committee and bank had rescheduled the loan three times in a year exceeding the limit of one time rescheduling in two years prescribed by the Prudential Regulations. (AIN: 9771, Para 9 Accountabilities: Direct: Kelden Dorji, Corporate Relationship Manager, Cid No. 1191000213; Supervisory: Norbu Wangchuk, Head, Corporate Banking, CID No. 108020001417)

#### **4.2 Payment of sitting fees to employees - Nu. 0.785 million**

The Corporate Office, Bhutan National Bank Limited, Thimphu had paid sitting fees amounting to Nu. 0.785 million to the members of various sub-committees from within the organization. The RAA deems that representations in various committees in a capacity of an employee of the bank do not warrant payment of sitting fees. Such payments are not stipulated in the service rules. (AIN: 9771, Para 1; Accountabilities: Direct: Dorji N. Rinchen, CID No. 11410005668; Supervisory: Kipchu Tshering, Chief Executive Officer, CID No. 10808002014)



## 7. NON GOVERNMENTAL ORGANISATIONS

### 7.1 Bhutan Chamber of Commerce and Industry

During the period the Royal Audit Authority had issued one audit report of the Bhutan Chamber of Commerce and Industry. There was one observation pointed out in the report, involving Nu. 0.444 million, which was not resolved prior to compilation of draft Annual Audit Report 2011. The total unresolved significant observations amounted to Nu. 0.444 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.444	5
	<b>Total</b>	<b>0.444</b>	

### 1. Shortfalls, Lapses and Deficiencies – Nu. 0.444 million

The case of shortfalls, lapses and deficiencies is as indicated below:

#### 1.1 Outstanding membership fees – Nu. 0.444 million

The Regional Office, Bhutan Chamber of Commerce and Industry, Phuentsholing had membership fees amounting to Nu. 0.444 million remaining unrealized from the business community. (AIN: 9693, Para 1; Accountabilities: Direct: Sonam, Assistant Accounts & Administrative Officer, CID No. 11107000736; Supervisory: Kesang Wangdi, Deputy Secretary, CID No. 11605001383)



## 8. POLITICAL PARTIES

### 8.1 DRUK PHUENSUM TSHOGPA (DPT)

During the period the Royal Audit Authority had issued one audit report of the Druk Phuensum Tshogpa (DPT). There were 11 observations pointed out in the report, involving Nu. 26.916 million out of which irregularities of Nu. 19.743 million were either resolved or considered not significant for inclusion in the draft Annual Audit Report 2011. The total unresolved significant observations reflected in the draft AAR 2011 amounted to Nu. 7.174 million.

Based on the responses received after the draft AAR 2011 was issued and action taken by the DPT Secretariat, observations amounting to Nu. 2.957 million were either resolved fully or substantially. The total unresolved significant irregularities amounted to Nu. 4.217 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.000	4
2	Shorfalls, lapses and deficiencies	4.217	5
<b>Total</b>		<b>4.217</b>	

#### 1. Violation of Laws and Rules

There were cases of violation of laws and rules as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Issuance of money receipts for filing PIT returns	-
2.2	Receipts of contributions in cash	-
<b>Total</b>		<b>-</b>

The cases of violation of laws and rules are as indicated below:

#### 1.1 Issuance of money receipts for filing PIT returns

The Secretariat, DPT had issued money receipts to two Hon'ble MPs against their 10% contribution made directly to their respective regional offices during 2009 without confirming the actual deposit of amounts to the Dzongkhag Offices. It was found that the receipts were issued for purpose of filing PIT returns. The amount was deposited into DPT's Account on 17<sup>th</sup> February 2012. (AIN: 9981; Para 3)

#### 1.2 Receipt of contributions in cash

The DPT had accepted the contributions in cash in contravention to Section 73 of the Public Election Fund Act of the Kingdom of Bhutan 2008 which stipulates that all contributions shall be made by cheques. (AIN: 9981; Para 11)



## **2. Shortfalls, Lapses and Deficiencies – Nu. 4.217 million**

There were cases under shortfalls, lapses and deficiencies involving Nu. 4.217 million as summarized below:

<b>Sl. No.</b>	<b>Observation in brief</b>	<b>Nu. in million</b>
2.1	Outstanding advances	1.351
2.2	Overdue loans and installments	2.866
	<b>Total</b>	<b>4.217</b>

The cases of shortfalls, lapses and deficiencies are as indicated below:

### **2.1 Outstanding advances – Nu. 1.351 million**

The Secretariat, DPT had outstanding advances of Nu. 1.351 million against office staff, party members and regional offices. *(AIN: 9981; Para 2)*

### **2.2 Overdue loans and installments – Nu. 2.866 million**

The DPT had current liabilities amounting to Nu. 2.866 million payable to various firms and others. The DPT secretariat had paid/adjusted the amount of Nu. 0.422 million against the total current liabilities of Nu. 3.288 million. *(AIN: 9981; Para 5)*



## **8.2 PEOPLE'S DEMOCRATIC PARTY (PDP)**

The audit of accounts and operations of People's Democratic Party (PDP) was conducted only upto 30<sup>th</sup> June 2008. The RAA had planned the audit of PDP in early 2011 for subsequent years and requested the Secretariat to provide the Financial Statements for auditing. However, the RAA was not able to carry out the audit for three subsequent years as the Secretariat, PDP had not furnished the Financial Statements despite reminders served by the RAA and cautioning the Party of its responsibility for any future complications.



# CHAPTER 5

## SUMMARY OF PERFORMANCE AND THEMATIC AUDITS

During the period, the Royal Audit Authority issued the following five performance audit reports:

Sl. No.	Name of the Performance & Thematic Audit Reports
1.	Performance audit on operations of National Pension & Provident Fund Board
2.	Performance audit on Civil Service Trainings
3.	Human Resource Management of the Ministry of Education
4.	Audit of IT controls in Revenue Accounting System
5.	Audit of Drinking Water Supply & Sanitation

*Table 6.1: Details of Performance & Thematic Audit Reports issued during the year.*

The performance audit reports on operations of National Pension & Provident Fund Board, Civil Service Trainings and Human Resource Management System were directly submitted to the Parliament and deliberated in Seventh Session of the First Parliament in May-July 2011. Accordingly only the other two reports have been incorporated in the AAR 2011 as below.

### 1. Audit of IT controls in Revenue Accounting System

The Royal Audit Authority took up the audit of IT controls in Revenue Accounting System maintained by the Department of Revenue and Customs with the following objectives:

- a) To ascertain whether the objectives of developing the Revenue Accounting System have been met;
- b) To ascertain the existence of adequate controls in order to protect data or computer resources against unauthorized modification, disclosure and loss; and
- c) To ascertain whether Revenue Accounting System contain reliable data on revenue collection and deposits.

#### 1.1 Positive findings

The RAA noted that introduction of Revenue Accounting System had enhanced the management of revenues in terms of:

- Providing timely reports and uniform procedures on the collection, deposit and account of national revenue;
- Facilitating uniform and up-to-date accounting records; and
- Simplifying the consolidation of revenue information thereby, minimizing administrative burden and government resources.



## 1.2 Lapses & deficiencies

---

- There were inadequate processing controls and non compliance to Revenue Accounting Manual which had resulted in differences in monthly reconciliation;
- The Revenue Accounting System did not capture some of the Revenue Money Receipts issued;
- The Department of Revenue and Customs had not established adequate logical access controls over Revenue Accounting System;
- The file exported from RAS during data transfer from agencies to RRCOs was transferred without safeguarding the confidentiality of the information contained in the file;
- The access to the RAS database installed in the revenue collecting agencies was not restricted or controlled;
- The RAS did not have adequate validation controls like limit checks and size checks resulting in acceptance of invalid entries;
- The password management was not effective; and
- The change management controls over RAS was not established to ensure that only authorized modifications are implemented.

## 1.3 Recommendations

---

- The Department should implement adequate processing control in order to prevent differences in bank reconciliation statements;
- Appropriate control mechanism should be adopted with adequate supervisory control to avoid delays in deposits of revenues;
- The Department should introduce e-receipts in the revenue collecting agencies for better management of the receipts and to minimize the risk of misuse of money receipts in the agencies;
- The Department should develop procedures and institute adequate access control to ensure that users have only the access needed to perform their duties;
- The access to the agency database should be restricted or should not install interfaces or tools through which the user can have direct access to the database;
- The Department should establish secure data transfer whereby the file exported from RAS is protected from unauthorized access, alteration/modification and loss so that the confidentiality of the information contained in this file is maintained;
- Data validations at different levels should be applied to ensure that only accurate and complete information is entered to reduce data errors;



- The Department should enforce effective password controls by introducing password complexity, minimum length, expiration and limitation on logon attempts; and
- The Department should establish effective change management controls to ensure that only authorized programs and authorized modifications are implemented.

## **2. Audit of Drinking Water Supply & Sanitation**

The RAA took up the audit of management of water supply sanitation in Bhutan with a special focus on the Rural Water Supply Scheme (RWSS) activities carried out during 9<sup>th</sup> Five Year Plan with the following audit objectives:

- To ascertain the extent and adequacy of drinking water and sanitation coverage and facilities as well as allocation of resources;
- To ascertain and report whether resources have been utilized economically, efficiently and effectively; and
- To assess the benefits of safe drinking water and sanitation to the communities.

### **1.4 Positive findings**

- The plan achievements of RWSS were 166.16%, 115.50% and 349.84% for new RWSS schemes, rehabilitation works and spring protection schemes respectively. The number of schemes implemented was more than what was planned but there were as many as 706 schemes which were planned but not implemented;
- Alternative technologies like roof top rain water harvesting systems, small scale electric pumping systems were introduced in places like Yongla Gonpa in Pemagatshel where water sources are not available at appropriate locations;
- In addition to the regular water schemes, 28 water supplies damaged by floods in the eastern region in 2004 have been also rehabilitated with funding of Nu. 7 million from WHO and about Nu. 2 million from UNICEF;
- In order to monitor RWSS coverage, an RWSS-MIS was developed and introduced in all 20 Dzongkhags with training provided to one Health Worker in each BHU; and
- The community planning and management workshops and the community development for health workshops was developed with the specific aim to assure community based Operation & Maintenance (O&M) of rural water supplies.

### **1.5 Lapses & deficiencies**

- As many as 13 out of 19 RWSS schemes were found completely non-functional during site visits and many schemes were also found to be deteriorating fast;
- There was unbalanced distribution of RWSS schemes amongst Dzongkhags and within the Dzongkhags;



- A total of 2,029 ad-hoc RWSS activities were undertaken during the 9<sup>th</sup> FYP resulting in a high deviation from the planned activities in terms of number and cost;
- There were inconsistency during the planning and survey conducted for the construction of RWSS schemes. Surveys were not conducted at the right season.
- The budget estimates prepared by the Gewogs and Dzongkhag Administrations were unrealistic;
- Many RWSS schemes were rendered non-functional due to various reason;
- In most schemes compliances to the RWSS sector policy were found lacking;
- Mandatory water quality testing was not done in many cases due to lack of equipment and manpower;
- There was inadequate supervision and monitoring by the implementing agencies;
- The sense of ownership of schemes amongst beneficiaries were found to be lacking;
- Most Dzongkhags have not signed MoU with the beneficiaries;
- Most places visited by the team did not have proper sanitation facilities; and
- There was lack of proper coordination and formal communication amongst agencies involved in developmental activities.

## **1.6 Recommendations**

---

- Proper planning, survey and prioritization should be carried out to ensure economy, efficiency and effectiveness in the constructions of RWSS Schemes;
- Detail studies should be conducted to establish the impact of RWSS Schemes;
- The Public Health Engineering Division should develop a detailed guideline for facilitating proper and uniform application of criteria laid down in the RWSS Sector Policy;
- The National water quality standards require to be developed in close consultation with NEC or competent authorities to ensure that a standard is set for safe drinking water;
- The Ministry should review the present system and develop mechanisms to ensure that the budget estimates are prepared appropriately capturing all the relevant costs;
- In view of the importance of drinking water and the amount of resources being allocated, the Ministry should carry out timely monitoring and periodic physical inspections to ascertain the conditions of the schemes;



- Water quality testing should be carried out at regular intervals to ensure the safety of drinking water;
- Dzongkhag-wise centralized inventory and Rural Water Supply & Sanitation Management Information System (RWSS-MIS) maintained by PHED of RWSS schemes needs to be updated accurately and regularly; and
- The supply of water and sanitation facilities needs to be seen as an integrated package with other public health activities.



# CHAPTER 6

## RECOMMENDATIONS

In accordance with Section 44 of the Audit Act of Bhutan 2006, a separate chapter on audit recommendations is kept in order to suggest course of actions for improving accounts, operations and financial management system so as to achieve economy, efficiency and effectiveness in the use of public resources. The recommendations are generic and drawn on the basis of the overall findings and deficiencies noted in the operations of audited agencies during the year. While chapter on performance audit includes specific recommendation for those agencies, these recommendations are relevant to most agencies and designed to address deficiencies and lapses that are widespread across many sectors.

It is also mentioned here that apart from the recommendations in the individual audit reports, the Royal Audit Authority also formulates AG Advisory Series to report on the findings and recommendations of significant and frequently occurring issues or on specific issues of potential significance requiring timely attention of the Government.

### **6.1 Need to achieve value for money in consultancy services**

Government incurs billions of expenditure in consultancy contracts which include ICT and designing and supervision of construction works. The RAA came across many flaws in such works including the contract agreements. Many works executed were found to be deficient and there was no real value for money in such expenditure. There were instances where IT system developed were either not used or integrated with other systems. The procuring agency did not really know as to what they wanted. The consultancy contracts for construction works were awarded without actually ascertaining the in-house capacity of the agencies concerned. Even preparation of basic drawings and designs and preparation of Terms of Reference were found awarded at huge cost. Loopholes were kept in the contracts which benefited the consultants. In most cases, there were no maximum ceilings fixed on consultancy fee payable resulting in avoidable payments for the extended periods due to delay in actual execution of works. Such works have become very lucrative for the consultants engaged in providing such consulting services as compared to the perks of engineers engaged in government agencies. This could be one of the main reasons why there is increasing trend of government engineers leaving their services.

The present system of outsourcing engineering services prove to be extremely costly affair to the government as many of such services can be carried out through existing capacity or by augmenting the existing capacity much economically. A separate study on the consultancy services is currently being carried out by the Royal Audit Authority and a report will be submitted to the government and the Parliament. However, the study should not deter timely interventions of the government on the issue.

### **6.2 Ensuring full functionality and compatibility of I.T Systems**

As most of the audited agencies gear towards automation of its business processes to enhance effectiveness and efficiency of its operations and to improve its service delivery systems, the development of various IT Systems are at an increasing trend, heralding the



leaping development of ICT sector in the country. Huge investments are made in the development and procurement of IT Systems.

While the strides in embracing information technology is laudable as agencies look forward to improving its operational efficiencies, the experiences of some of the audited agencies caution for diligent move towards computerization. As the ICT comes with huge investment cost, it is apparent that agencies heed to the standards and best practices in initiating development of IT Systems. It is to ensure that the agencies materialize the desired integration of various functionalities in totality and get the desired output from the system. The problems result in agencies not being able to realize full functionality of the system and rendering limited scope for integration with other system. This may render the IT Systems dysfunctional and may warrant discarding of systems notwithstanding huge investments made into it. Generally, there is very little or virtually no involvement of users in the user requirement specifications and system design stages which gives rise to various problems during implementation.

Therefore, to realize the full benefit of computerizations and ensuring compatibility and cost effectiveness, it is imperative that proper and complete feasibility studies, adequate consultations with the stakeholders are carried out by following standard processes in developing the systems. The Department of Information Technology & Telecom (DITT) may provide guidance and technical advices to the procuring agencies. The new system should be adequately tested and pilot run before system changeover to ensure that the system is fully functional, compatible and user friendly.

### **6.3 Ensuring compliance to government norms in execution of agreements with donors**

---

In the execution of agreements with the donors and the agencies receiving the assistance, instances were observed where certain clauses of the agreements were not in conformity with the principles of standing government norms, rules and regulations. The inconsistencies noted were inclusion of items such as performance bond guarantee, insurance, equipping site engineer's office, providing quarter for site engineers, etc. as items of work in the BOQ. Such inconsistencies render bewildering circumstances in complying by the executing agencies. It may breed inconsistencies and result in varied practices, some of which may not be desirable. The persistent differences in the governing norms would promote incongruity within the government agencies in following the rules and in some cases it may not be seen as fair to some.

In the interest of promoting consistent and uniform application of norms and rules by the agencies, and to rule out anomaly of its applications, it is imperative that agreements with the donors are drawn broadly in line with the standing norms of the Government.

### **6.4 Enhancing supervision and monitoring mechanism in the constructions**

---

The irregularities in the constructions mainly consisting of excess payments, payments made for works not executed, execution of defective works, use of inferior quality of materials, etc. have been the regular issues noted every year in almost every audited agency which had taken up the constructions. While its occurrences may be attributed to manifold increase in the developmental works and limited pool of site engineers to exercise proper supervision and monitoring, the internal controls and system of check and balance



needed to be strengthened. The losses detected by Royal Audit Authority on account of these lapses are to be made good but the risk lies if such practices become endemic in the system.

Therefore, on account of repeated lapses occurring in most of the agencies, it calls for an immediate action by the executing agencies to enhance monitoring mechanisms to ensure that such lapses do not occur. The agencies may categorize and prioritize various types of works requiring supervision and monitoring at various levels and plan and assign the works accordingly. The problem of acute shortage of engineers may be addressed. The works must be taken over after proper verification and measurements and establishing the quality of works executed.

#### **6.5 Adequate guidelines to be issued for proper implementation of framework contracting process**

---

The Procurement Rules and Regulations 2009 allow procuring agencies to enter into framework contracting for some supplies contracts for a maximum period not exceeding one year. However, the procedures and processes of procurement prescribed under this method are brief and not exhaustive. As a result there are varied practices adopted in various audited agencies.

Therefore, the RAA urges the relevant authorities to develop adequate guidelines and Standard Bidding Documents for framework contracting in the procurement to facilitate effective implementation of framework contracting method.

#### **6.6 Need to revise format for Annual Financial Statement in the Financial Rules and Regulations**

---

The Chapter 11 of the Finance & Accounting Manual prescribes the procedures for preparation of Annual Financial Statement of the Royal Government of Bhutan, which is to be certified by the Royal Audit Authority. The total receipts and expenditures of the Government during the fiscal year shall be the basis for preparation of the Annual Financial Statement. For the preparation of the AFS, the FAM prescribes various statements and schedules.

The financial statements however, do not disclose comprehensive information on the entire financial operations of the government. For example, it does not incorporate GOI funded mega hydro projects. Some benefits in-kind provided by the donors remain unincorporated in Annual Financial Statement of the Government. Moreover some of the direct disbursements made by donors but not advised for incorporation are also not captured by the national accounts.

The authorities concerned should therefore, review the adequacy of disclosure of information and appropriateness of Financial Statement presentation and take appropriate measures to improve the Financial Statement presentation such that the readers/ users of Annual Financial Statements are able to comprehend properly.



**6.7 Deposit work should also have timeline established for completion of the work**

---

The present system of entrusting deposit works does not prescribe any timeframe for completion of work. As a result, progress and timely completion of work is impeded besides non adjustment of huge advances lying with the entrusted agencies. This needs proper review and appropriate directives from the government.



**Exhibit - I: AUDITORS' REPORT ON THE AUDIT OF ACCOUNTS & OPERATIONS OF  
THE ROYAL AUDIT AUTHORITY FOR THE FISCAL YEAR ENDED 30 JUNE  
2011**

**S R I ASSOCIATES**  
CHARTERED ACCOUNTANTS

Central Plaza 41 B B Ganguly Street 3<sup>rd</sup> floor Kolkata 700012 India Tel : 033-22111175 Fax : 033-22111176 E-mail : [sasso@cal2.vsnl.net.in](mailto:sasso@cal2.vsnl.net.in)

**AUDITORS' REPORT TO THE AUDITOR GENERAL OF BHUTAN  
THE ROYAL AUDIT AUTHORITY, THIMPHU, BHUTAN.**

We have audited the attached Receipts and Payments Statement of LC Account No. 108.01 / 01 of **ROYAL AUDIT AUTHORITY OF BHUTAN** for the financial year ended on 30<sup>th</sup> June, 2011 and the annexed Expenditure Statement for the said period.

These financial statements are the responsibility of the Royal Audit Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Bhutan. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that :

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account as required under the norms of the Government (Financial Rules & Regulations), 2001 have been kept by the said authority so far as it appears from our examination of these books.
3. The Receipts and Payments Statement of LC Account No. 108.01 / 01 and the Expenditure Statement referred to in this report are in agreement with the books of account.
4. In our opinion and to the best of our information and according to the explanations given to us, the said Receipts and Payments statement and the Expenditure Statement give the information required by the Accounting, Budgetary and Reporting Norms of the Government (Financial Rules & Regulations), 2001 in the manner so required and give a true and fair view :
  - (i) in the case of Receipts and Payments Statement of the Receipts and Payments of the said authority for the financial year ended 30<sup>th</sup> June, 2011; and
  - (ii) in the case of the Expenditure Statement of the expenses of the said authority for the year ended on that date.

Place: 'Central Plaza', 3<sup>rd</sup> Floor,  
41, B. B. Ganguly Street,  
Kolkata - 700012.

Date: March 6, 2012.



**For S R I ASSOCIATES**  
Chartered Accountants.

*(Signature)*

SIGNED BY:  
**(I. PASHA)** I.PASHA, FCA, PARTNER  
S R I ASSOCIATES  
CHARTERED ACCOUNTANTS  
MEMBERSHIP NO. 013280











## Exhibit - II: Resolved case of Fraud, Corruption & Embezzlement

AIN No.	Para No.	Observation in brief	Amount (Nu. In Million)	Agency
9772	1	Acceptance of inferior goods	0.017	Ministry of Agriculture & Forests
9479	1	Shortage of cash	0.029	Ministry of Health
9700	1	Shortage of cash	0.126	Ministry of Health
9479	3	Payments of inflated amount	0.015	Ministry of Health
9389	1	Manipulation of records	0.288	Ministry of Labour and Human Resources
9486	1	Misuse of Government fund	0.130	Ministry of Labour and Human Resources
9314	1.1	Misuse of cash	1.169	Ministry of Finance
9314	1.2	Non accountal of revenue collection	0.090	Ministry of Finance
9976	2	Missing of revenue receipts	0.090	Ministry of Information & Communications
9113	1.1	Shortage of cash	0.840	Royal Institute of Management
9113	1.2	Short deposit of loan amount	0.106	Royal Institute of Management
9113	1.3	Non collection / accountal of canteen rent	0.140	Royal Institute of Management
9113	1.4	Excess refund of trainees' security deposit	0.076	Royal Institute of Management
9647	1	Non / short deposit of revenue	0.020	Bhutan Power Corporation
9644	1	Non / short deposit of revenue	0.009	Bhutan Power Corporation
9644	3	Non / short deposit of revenue	0.034	Bhutan Power Corporation
9644	2	Non / short accountal of revenue	0.038	Bhutan Power Corporation
9483	1	Misuse of cash	0.054	Bhutan Postal Corporation Limited
9793	1	Misuse of cash by using old manual cash memos & unauthorized destruction of used cash memos	-	Food Corporation of Bhutan Limited
9793	2	Injudicious use of pool vehicle	-	Food Corporation of Bhutan Limited
		<b>Total</b>	<b>3.235</b>	



### Exhibit - III: Glossary of Terms

Following words in the AAR 2011 shall mean the commission or omission of the actions stated against it.

<b>A</b>	Malpractices and abuses	Unethical and improper practices and abuses of authority by the government functionaries for payments made for the works not executed, materials not received at sites, acceptance and payments for substandard works with ulterior intention.
<b>B</b>	Misappropriation	Willful malpractice by public functionaries either for direct or indirect personal gains.
<b>C</b>	Intentional double bookings/irregular/unauthorized payment	Double/excess/irregular/unauthorized payments made intentionally for ulterior motives. Payments/booking of expenditures unauthorized duly or in excess of amount done intentionally.
<b>D</b>	Non/short accountal	Failures by the functionaries to account the government properties, funds, taxes and revenue.
<b>E</b>	Mismanagement of fund	Improper management of funds
<b>F</b>	Mismanagement of revenue and taxes	Improper management of revenue and taxes
<b>G</b>	Management of properties	Improper use and management of properties
<b>H</b>	Violation of accounting norms	Non compliance of accounting requirements in relation to maintenance of accounting records, receipts, payments including sanctioning and authorization.
<b>I</b>	Violation of procurement norms	Works and supply contracts made in deviation to procurement manuals and contract terms and agreement
<b>J</b>	Violation of Acts, Directives and Policies	Non-compliance to directives, Acts and Policies framed/issued by the government functionaries.
<b>K</b>	Over inadmissible/irregular/double payment	Payment made in excess of what was actually inadmissible, payment not as per the rules and regulations and payment made twice for the same purposes.
<b>L</b>	Non/improper recording in books	Non-updating books of accounts and improper maintenance of accounts.
<b>M</b>	Non reconciliation/certification of balances	Non-reconciliation, confirmation and certification of balances.
<b>N</b>	Irregularities in advances	Money lying in the hands of suppliers, contractors, employees and third parties beyond the reasonable period due to irregular and excess payment as well as inadequate records keeping and follow up.
<b>O</b>	Irregularities in recoveries	Non/short recovery of amounts due to government.
<b>P</b>	Irregularities in property management	Deficiencies in management, uses, physical safeguards, custody and control of properties.
<b>Q</b>	Non/short deductions	Non deduction or short deduction of taxes, rebates and advances etc. from the bills claimed.
<b>R</b>	Shortfalls and uneconomical operations	Deficiencies and lapses in the operations, resulting in inefficiencies, losses and non attainment of intended goals.

\*\*\*\*\*



