

OFFICE OF THE AUDITOR GENERAL OF BHUTAN
ROYAL AUDIT AUTHORITY
KAWAJANGSA : THIMPHU



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Annual Audit
2014 *Report*



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



ANNUAL AUDIT REPORT 2014

(IN FULFILLING THE CONSTITUTIONAL RESPONSIBILITY)

Royal Audit Authority

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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 Royal Audit Authority is pleased to publish its Annual Audit Report (AAR) for the year 2014. The AAR 2014 is the Fifth Annual Audit Report issued after I assumed the office as the first Auditor General of Bhutan under the Constitution of the Kingdom of Bhutan. As I complete my tenure in July 2015, this will also be the last Annual Audit Report that I would be submitting in fulfilling my responsibilities. The Annual Audit Report 2014 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. It is a consolidated summary of significant unresolved audit findings of the Royal Audit Authority compiled from 692 audit reports issued during the year.



The Royal Audit Authority is committed to further boost its efforts in delivering its mandates under the benevolent leadership of His Majesty the King, continued support of the Royal Government of Bhutan and sustained cooperation from the audited agencies. The Royal Audit Authority as the Supreme Audit Institution of Bhutan has a huge responsibility to audit and report on the economy, efficiency and effectiveness in the use of public resources.

The RAA had carried out the certification audit of Annual Financial Statements of the Royal Government of Bhutan for the year ended June 2014. It was noted that the Government had not utilized capital budget of Nu. 2,820.201 million against the revised budget of Nu. 19,488.953 million. The issue of non-utilization of capital budget was raised in the successive Annual Audit Reports in the past since it would have implications on effective and optimal use of borrowed fund and also on debt-service burden on the government.

The relevant excerpt of the Draft Annual Audit Report was circulated to all the agencies concerned in January 2015 as required under the Audit Act of Bhutan 2006. The draft report had significant issues involving Nu. 1,705.502 million. However, audit findings involving Nu. 1,071.189 million representing 62.81% were either resolved fully or substantially or not considered for inclusion based on the action taken and responses received from the agencies. The total unresolved significant issues reflected in the Annual Audit Report 2014 amounted to Nu. 634.313 million as on March 31, 2015.

As in the past years, the RAA pursued its professional and organizational systems development at the same pace and vigor. The web-enabled Audit Resource Management System (ARMS) funded by Asian Development Bank (ADB) was developed successfully and was launched on 15th July 2014. The system is being pilot-run for selected audits. The construction of Professional Development Centre at Tsirang had already begun and is expected to come into function by 2016-17.



THE AUDITOR GENERAL'S PERSPECTIVE



The RAA launched the 'Policy on Outsourcing of Audit Services' on 10th February 2015 developed under Capacity Development project of RAA funded by Austrian Development Cooperation. Through the outsourcing policy, the audit of Civil Society Organizations, Religious Organizations and other smaller donor assisted projects shall be outsourced to the private professional accounting firms. The RAA expects to enhance and derive value added partnership in delivering its mandates besides ensuring adequate audit coverage and freeing its resources to undertake more focused and thematic audits. The development of 23 manuals and policy document have also been completed and will be launched very soon.

The RAA in its efforts to provide objective system to evaluate performance of auditors and to enhance the overall auditing system had implemented the "Audit Performance Evaluation Management System". It is a monitoring and assessment tool that attempts to embrace holistic approach in managing and assessing performance of audit teams and individual auditors. The RAA has also finalised and published the List of Agencies under RAA's jurisdiction for 2014-15. It contains agencies falling under the jurisdiction of the Royal Audit Authority as per the Audit Act of Bhutan 2006. The list will be updated annually and shall form basis for preparation of the Annual Audit Schedules and Plans for all Divisions and Regional Offices.

The RAA signed a cooperative agreement with the INTOSAI Development Initiative (IDI) focused on the IDI Global Programme on Specialised Audits like Public Debt Audit of Lending and Borrowing Frameworks. The RAA expects to further strengthen its professional and organizational capacity in the areas of public debt. The programme will be delivered over a period of four years.

Four senior officials of the RAA were awarded with the International Standards of Supreme Audit Institutions (ISSAI) Facilitator Certificates in Performance Auditing, Financial Auditing and Compliance Auditing after having successfully completed the ISSAI Certification Programme initiated by the IDI. The accredited facilitators will support ISSAI implementation activities at national, regional and international levels. It is my pleasure to report that the independent performance assessment of RAA was completed in April to September 2014 by the Office of the Auditor General of Norway (OAGN) and the INTOSAI Development Initiative (IDI) using the Supreme Audit Institution Performance Measurement Framework (SAI-PMF). An independent assessment will render basis for strengthening as well as gauging the performance in future.

The RAA has made audit recoveries amounting to Nu. 115.628 million in 2014. A huge amount of audit recoveries made every year can be attributed to focused audit and vigorous follow-up actions initiated at various levels. It also reflects the efforts of audited agencies to settle the outstanding issues by initiating vigorous recovery measures in making good of the losses sustained by the government.



THE AUDITOR GENERAL'S PERSPECTIVE



Separate Chapters on Review of Implementation of 10th Five Year Plan and Audit of Government Provident Fund have been dedicated in this report. The RAA had undertaken review of 10th Five Year Plan of agencies which were included for Annual Audit Schedule 2014-15. While issues and findings at the agency level were issued to relevant agencies, the issues and findings specific to Dzongkhag Administrations have been synthesized and reported in the AAR 2014. The findings of the audit of Government Provident Fund have also been reported along with the possible causes of irregularities and recommendations to remedy the control deficiencies noted in the Public Expenditure Management System (PEMS) as a matter of urgency to enhance integrity and reliability of information generated by the system.

As the nation's conscience keeper, the RAA is placed with huge responsibility in promoting transparency and accountability in the public operations through its work of auditing and reporting. At the time when nation was preparing to undergo transformation in governance structure, the Royal Kasha of His Majesty issued on 31st December 2005 specifically Commanded to strengthen the functions and responsibilities of the RAA in keeping with the provisions under the Constitution. Setting priorities as per the Royal Command, we embarked on various institutionalization initiatives to render enhanced capability of RAA to shoulder the sacred responsibilities. I was also fortunate to be bestowed with another opportunity to provide leadership to this institution with my appointment as the first Auditor General under the Constitution in July 2010. Hopefully, in over nine years' period, we have been able to realize positive and useful results. It gives me immense pleasure to report that we have laid down basic framework of accountability in the public operations and have gained confidence of our stakeholders and audited agencies in our work. This, I believe is the prerequisite for RAA to further pursue our goals of promoting good governance in the system.

I would like to offer my humble gratitude to His Majesty the Fourth Druk Gyalpo and His Majesty the King for the trust and confidence bestowed on me to provide leadership to this august institution. Towards the end of my term as Auditor General, I take this opportunity to acknowledge unwavering support we received from all stakeholders throughout my tenure. I would like to acknowledge the support of the successive Parliaments and the Public Accounts Committee for rendering conducive environment to work in and facilitating fruitful engagements in working towards a common goal. I would pray that RAA receives similar support in future and further help this institution to work effectively in delivering its mandates. Parliamentary directives had undoubtedly added impetus to our efforts in promoting transparency and accountability in the public operations. I would also like to thank the successive governments for their sincere political will to promote our society to one that upholds principles of good governance. And to all audited agencies and other stakeholders, their co-operations and support had always been very instrumental in bolstering the spirit of this institution to strive for newer heights.



THE AUDITOR GENERAL'S PERSPECTIVE



I would also like to acknowledge the support and cooperation rendered by our audited agencies for providing prompt responses to the draft Annual Audit Report 2014, which had facilitated timely compilation and preparation of the report. I sincerely commend the positive attitude of all audited agencies and facilitating us in delivering our mandates.

Lastly I would like to make a humble prayer for the RAA to attain new height of success in promoting accountability and transparency in public operations and continue to fulfill the aspirations of our King, Country and People.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

(Ugen Chewang)
Auditor General of Bhutan

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CHAPTER 1

ACCOMPLISHMENTS OF THE ROYAL AUDIT AUTHORITY

The Royal Audit Authority derives its mandates from the 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.”* The 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 defence forces as well as the revenues, public and other monies received and the advances and reserves of Bhutan”.*

The 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 237 staff with diverse professional background. It has 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 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 summarized below:



1. ACHIEVEMENTS IN TERMS OF AUDITING

The Royal Audit Authority had completed 616 audits during the year as shown in the Table 1.1. The number includes only those audits which were completed within 31st December 2014 and excludes those that were already started and under progress at the close of the year. The Annual Audit Plan of the RAA is prepared at the start of every financial year. It contains the Annual Audit Schedules of the Divisions and Regional Offices and the indicative Audit Thrust Areas which are determined on the basis of experiences of the past auditing periods and current audit priorities.

Sl. No.	Types of Audits	No. of Audits
1	Financial Audits	508
2	Compliance Audits	100
3	Performance Audits	2
4	Special Audits	6
Total		616

Table 1.1 Audits completed in 2014

2. ACHIEVEMENTS IN TERMS OF REPORTING

Audit Reports are the immediate output of the Royal Audit Authority. The audit reports are issued upon completion of the particular audit and it is addressed to appropriate authorities to take timely actions on issues contained in the reports. The RAA adheres to the prescribed timeframe in issuing reports after completion of the field audit to ensure that those responsible initiate timely actions.

During the period, the Royal Audit Authority issued 692 audit reports as shown in the Table 1.2. These comprised of 599 financial audit reports, 84 compliance audit reports, three performance audit reports and six special audits conducted under special directives of the Auditor General and stakeholders. The financial audit reports pertain to the financial audit of Letter of Credit Accounts, Current Deposit Accounts, Revolving Fund Accounts, etc. of budgetary agencies and the accounts and operations of non-budgetary agencies such as Corporations and Financial Institutions, Civil Society Organizations, Political Parties, etc. It also includes audit reports for certification of donor-assisted projects implemented by various agencies, both budgetary and non-budgetary.

Sl. No.	Type of Audits	No. of Audits
1	Financial Audits	599
2	Compliance Audits	84
3	Performance Audits	3
4	Special Audits	6
Total		692

Table 1.2 Audit Reports issued in 2014

During the year, the RAA also issued 27 statutory audit reports pertaining to the Corporations and Financial Institutions. The statutory audit of these corporations and financial institutions were carried out by the firms of Chartered Accountants empanelled by the Royal Audit Authority. As per Section 72(2) of the Companies Act of the Kingdom of Bhutan 2000, the Auditor General is the ex-officio auditor of the government and government controlled companies. These reports are issued under the signatory of the Auditor General.

Further, the RAA also carried out Micro Assessment of three Implementing Partners (IPs) under the UN Development Assistance Framework (UNDAF): Bhutan One Programme (2014-18). The assessments were carried out to provide an overall assessment of the Implementing Partners' financial management capacity through review of funds flow, accounting policies and procedures, internal controls, reporting and monitoring and information systems.

In order to ensure that the auditing processes produce appropriate results, and also to expedite the settlement of the outstanding issues, follow up of audit reports are carried out at various stages and levels. In 2014, the Royal Audit Authority also issued 508 follow up reports by respective follow up sections in the OAAOs and Follow-Up & Clearance Division of the RAA, HQ.

In line with Section 48(b) of the Audit Act of Bhutan 2006, the Royal Audit Authority endorsed 12 audit reports containing 22 cases which indicated existence of fraud and corruption to the Anti-Corruption Commission during the period.

During the year, the Annual Audit Report 2013 was submitted to His Majesty the King, the Prime Minister and the Parliament. The Public Accounts Committee in its 3rd Session of the 2nd Parliament, presented the issues contained in the AAR 2013 including a set of recommendations on the review reports of the Annual Audit Reports 2008, 2009 and 2010 and the implementation status on past resolutions.

During the year, the National Council's Good Governance Committee tabled the Performance Audit Report on Leasing of Government Land, GRF Land and Mines to the 12th Session of the National Council. The

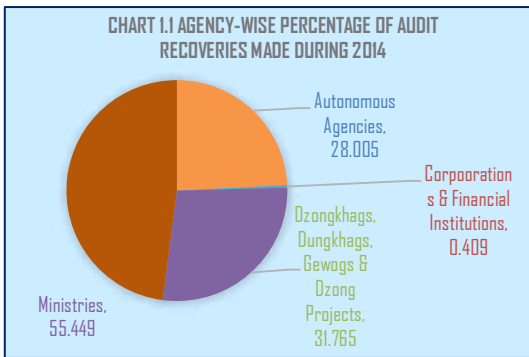
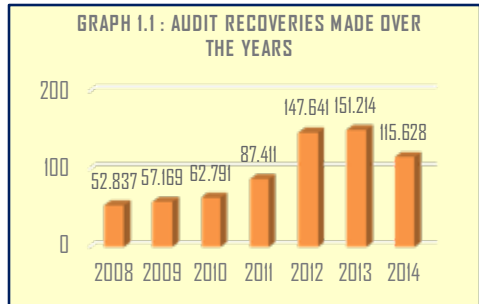


National Council also deliberated on the Performance Audit Report on Mining & Quarrying Sector in Bhutan in the 14th Session of the National Council in November 2014.

3. AUDIT RECOVERIES

The Royal Audit Authority had recovered Nu. 115.628 million in 2014. The recoveries during 2014 had slightly decreased by 24% from 2013.

During the year audit recoveries of Nu. 55.449 million was made from Ministries accounting for almost 48% of the total recoveries. The recoveries from Dzongkhags and Gewogs was Nu. 31.765 million representing about 27% and Nu. 28.005 million representing about 24% were recovered from the Autonomous Bodies as depicted in Chart 1.1.

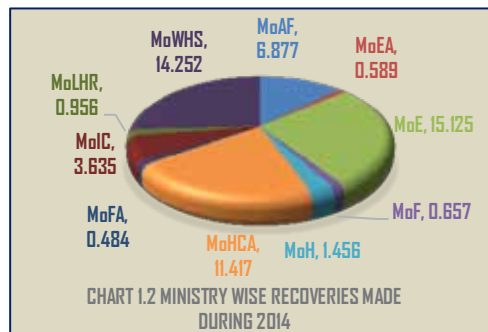


The audit recoveries from Corporation & Financial Institutions and Others are negligible. However, it is to be noted that the recoveries that need to be made in respect of these agencies are required to be accounted for in their respective Recoveries Account. As such, the total amount of audit recoveries accounted for in the Audit Recoveries Account maintained by the Royal Audit Authority does not include recoveries made from these agencies.

The highest audit recoveries amongst 10 Ministries, representing 27.3% of the recoveries aggregating to Nu. 15.125 million was made from Ministry of Education, followed by Ministry of Works & Human Settlements with Nu. 14.252 million representing 25.7% and Ministry of Home & Cultural Affairs with Nu. 11.417 million representing 20.6% as shown in Chart 1.2.

The top three Ministries accounted for over 73.6% aggregating to Nu. 40.795 million made from ministries and over 35.3% of the total audit recoveries made during the year.

The huge audit recoveries made was mainly due to rigorous follow up done by the RAA at various stages & levels and because of increasing government expenditure in various sectors as experienced in the past. Besides, the Parliamentary directives to impose 24% penalty on overdue outstanding advances and recoverable amounts reflected in the audit reports had expedited settlement of various pending issues. Lastly, settlements of audit issues were also



expedited through responsive actions taken by the audited agencies in settling the pending issues.

4. ACHIEVEMENTS IN TERMS OF PROFESSIONAL AND INSTITUTIONAL DEVELOPMENT

The Royal Audit Authority acknowledges that competent professionals are essential for ensuring the quality of products and services delivered and therefore, top priority is attached to professional development. While it is important to understand that intuitive qualities play a major role, it is nevertheless crucial to set an enabling and as well as compelling environment to ensure professionalism.

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, 30 officials availed ex-country training including seminars, workshops and meetings, five officials including two for Indian Accounts & Audit Service and three were sent for Master's Degree. Besides, the RAA also facilitated eight in-house training programmes catering to 198 auditors & staff on different topics & subjects. These in-house training programmes were conducted by the in-house experts in accordance with the Continuing Professional Development Policy of the Royal Audit Authority.

The RAA awarded the contract for construction of its Professional Development Center at Tsirang in October 2014 and handed over the project sites to contractors for two work packages. Package 'A' consisted of construction of the Academic Block and Package 'B' included the construction of Hostels. A Progress Meeting for the project was held on 31st December 2014. It focused on the physical achievements and issues pertaining to both the Project Implementation Unit and executing firms. The project is estimated to cost around Nu. 193 million and is entirely financed by the Government of India under Project Tied Assistance. The construction of training center was endorsed by the 87th Session of the National Assembly and the center is expected to come into function by 2016-17.



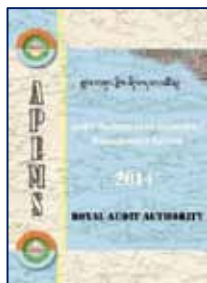
The web-enabled Audit Resource Management System (ARMS) was launched on 15th July 2014. The ARMS consists of six major modules and 44 sub-modules. The Audit Management Module with its six sub-modules is the most important and largest comprising of modules on strategic planning, audit scheduling, audit planning, detailed audit programming, audit execution, field audit monitoring, reporting, follow-up, quality assurance, audit team performance evaluation, etc. The user trainings were conducted in June 2014 and the system is being pilot-run for selected audits.

The project was funded by Asian Development Bank (ADB) and developed by the in-house team of IT professionals with professional guidance of an external consultant. With the completion of pilot phase, the system is expected to go fully functional in automating various functionalities.

The RAA launched the 'Policy on Outsourcing of Audit Services' on 10th February 2015. The policy document is one of the 22 audit manuals and two policy documents being developed under Capacity Development



project of RAA funded by Austrian Development Cooperation through Global Call for proposals initiated by the International Organization of Supreme Audit Institutions (INTOSAI)–Donor Secretariat, under INTOSAI Development Initiatives (IDI). The remaining audit manuals and policy document are being finalized and will be printed for implementation.



The RAA in its efforts to improve the techniques for measuring performance of auditors and to enhance the overall auditing system had implemented the “Audit Performance Evaluation Management System”. It is a tool that attempts to embrace holistic approach in managing and assessing audit teams and individual performances and is aimed to streamline our work processes and promote professionalism in the delivery of services by adhering to professional standards or practices in the work we do. It is expected to boost morale of performers through appropriate recognition and to provide opportunities for others to improve and enhance through a system of constant evaluation and feedback. The system is being implemented with the Annual Audit Schedule 2014-15.

The RAA has also finalised and published the List of Agencies under RAA's jurisdiction for 2014-15. The List is a compilation of all agencies that require auditing by the Royal Audit Authority through the mandates of the Audit Act of Bhutan 2006 and other relevant legislations and agreements. The agencies are categorized on the basis of the priority for audit as well as the size and complexities of the agencies along with the maximum man days required to complete the audit. The list will be updated annually and shall form basis for preparation of the Annual Audit Schedules and Plans for all Divisions and Regional Offices.

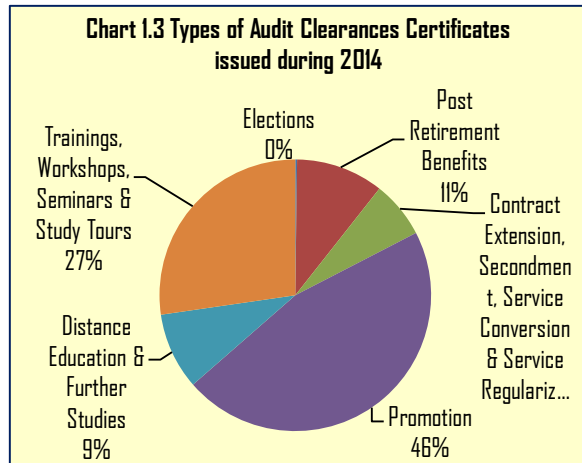


The RAA signed a cooperative agreement with the INTOSAI Development Initiative (IDI) focused on the IDI Global Programme on Specialised Audits like Public Debt Audit of Lending and Borrowing Frameworks. The Programme aims to support Supreme Audit Institutions in strengthening professional and organizational capacity in conducting in-depth and effective audit of Lending and Borrowing Frameworks, and to provide blended training solutions involving theoretical learning through e-courses and hands-on-learning through joint pilot audits. The programme will be delivered over a period of four years.

Four senior officials of the RAA were awarded with the International Standards of Supreme Audit Institutions (ISSAI) Facilitator Certificates in Performance Auditing, Financial Auditing and Compliance Auditing after having successfully completed the ISSAI Certification Programme initiated by the IDI. The ISSAI certification programme has been an intensive programme for developing participant's knowledge and skills in understanding ISSAIs, using ISSAI Compliance Assessment Tools (iCAT) and facilitating ISSAI implementation in Supreme Audit Institutions. The accredited facilitators will support ISSAI implementation activities at national, regional and international levels.

5. ACHIEVEMENTS IN TERMS OF ENHANCING SERVICE DELIVERY SYSTEM

During the year, the RAA had issued 14,529 Audit Clearances for various purposes as shown in Chart 1.3. As required by the Audit Act of Bhutan 2006 and Bhutan Civil Service Rules and Regulations, the RAA is charged with the responsibility of holding the officials accountable until either the recoveries are effected or appropriate actions are taken on the accountable official for the lapses uncovered during auditing. This process of certification of public officials and civil servants serves as an important tool for Royal Audit Authority to strengthen accountability in the overall governance system and instil a sense of accountability and responsibility in the officials in discharging their duties.



The Online Clearance System is integrated with the database of Royal Civil Service Commission and Ministry of Home and Cultural Affairs in sharing information and details of the applicants.

6. ACHIEVEMENTS IN TERMS OF INTERNATIONAL COOPERATION

In order to stay abreast with latest developments in the 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.

During the year, the Royal Audit Authority hosted the visit of the new Comptroller & Auditor General of India. The Memorandum of Understanding between the Royal Audit Authority and the Office of the Comptroller & Auditor General of India was renewed during the visit. It shall extend collaboration in areas of mutual interest and benefits. The MoU identified areas of cooperation such as training of two Audit Officers of the RAA at the National Academy for Audit and Accounts, India annually, to depute experts from the Office of the C&AG, India to train auditors in relevant fields, and to attach auditors of the RAA for infrastructure auditing.

A three member delegation led by the Auditor General attended the 16th Meeting of the INTOSAI Working Group on Environmental Auditing (WEGA) from 29th September to 2nd October 2014 in the Philippines. The meeting provided member Supreme Audit Institution with a broader knowledge and experience on current environmental issues and served as a forum for sharing environmental audit experiences. The RAA became member to INTOSAI in 1985 and WGEA in October 2011.

The Auditor General led a six member delegation to State Audit Office of Vietnam from 5th – 8th August 2014, on the invitation from the Auditor General of the State Audit of Vietnam. During the visit, the two offices reviewed areas of cooperation to be extended in future. The discussions were held on mutual agreement on delivering benefits like exchange of information, audit materials, expertise and knowledge to provide value added services.

7. 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 30th June 2014 were audited by M/s S. Ghose & Co. LLP. The Auditor's report along with audited Receipts & Payments Statement of the Royal Audit Authority is provided 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.

8. SENSITIZATION AND AWARENESS PROGRAMME

In an effort to promote awareness on the accountability and transparency in the use of public resources, the Office of the Assistant Auditor General, Tsirang conducted an Audit Awareness Programme in Sarpang Dzongkhag. The Programme was attended by 21 School Principals who were acquainted with the historical evolution of the Royal Audit Authority, its mandates, roles and responsibilities as one of the constitutional bodies in promoting accountability, transparency and effectiveness in the use of public resources.

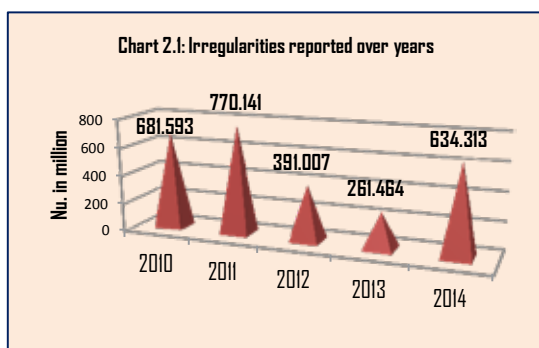
CHAPTER 2

SUMMARY OF AUDIT FINDINGS

The Annual Audit report 2014 has been compiled from 692 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 30th, 2014, significant unresolved observations of reports issued during the year and a chapter on government payroll and provident fund. The report also includes chapters on the audit of accounts and operations of the RAA, accomplishments during the year and a summary on review of Tenth Five Year Plan pertaining to Dzongkhags.

In the process of carrying out audit of Annual Financial Statements, the Royal Audit Authority had also reviewed utilization of the budget approved by the National Assembly for the Fiscal Year ended June 2014. It was noted that as against the revised capital budget of Nu. 19,488.953 million, the Government had utilized Nu. 16,668.752 million resulting in underutilization of budget amounting to Nu. 2,820.201 million (14.47%). Since more than 4% of the overall expenditure are financed through loans, the underutilization of fund would have implication on effective and optimal use of borrowed fund and also on the debt-service burden on the government.

The relevant excerpts of the draft Annual Audit Report were circulated to all agencies concerned in January 2015 as required under the Audit Act of Bhutan 2006. The draft report had significant issues involving Nu. 1,705.502 million. However, audit findings involving Nu.



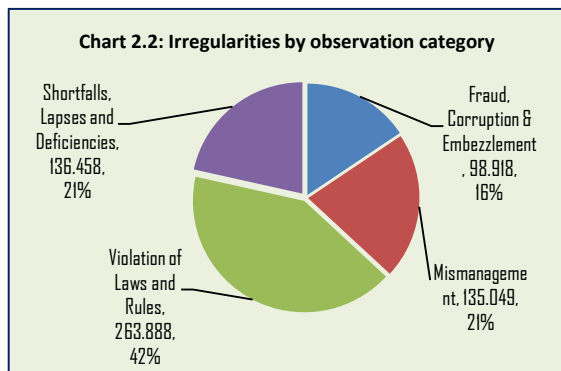
1,071.189 million representing 62.81% were either resolved fully or substantially or not considered for inclusion based on the action taken and responses received from the agencies. The total unresolved significant issues reflected in the Annual Audit Report 2014 amounted to Nu. 634.313 million. The report contains unresolved significant issues pertaining to seven Ministries, 13 Dzongkhags, 12 gewogs of seven Dzongkhags, 8 Autonomous Bodies, seven Corporations,

five Financial Institutions and one political party. As compared to the irregularities of Nu. 261.464 million reported in Annual Audit Report 2013, the irregularities have increased by 142.60%. A comparative figures of irregularities reported over the past three years is given in Chart 2.1.

Under the budgetary agencies, the highest amount of irregularities is reported under Autonomous Bodies with Nu. 239.491 million followed by Ministry of Information and Communications with Nu. 85.668 million and Dzongkhags with Nu. 27.587 million.

Under the non-budgetary agencies, Dungsom Cement Corporation Limited has the largest amount of reported irregularities of Nu. 179.726 million representing 77.22% of the total irregularities reported under non budgetary agencies followed by Bhutan National Bank Limited with irregularities of Nu. 29.927 million.

The observations in Annual Audit Report have been grouped into four broad categories. A



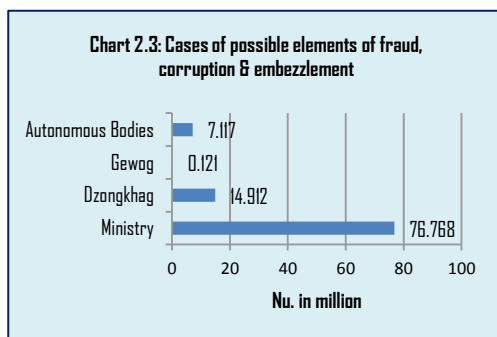
summary of the irregularities by categories is given in Chart 2.2 and detailed summary as appended in Tables 2.1 & 2.2 at the end of chapter. The highest amount of irregularities of Nu. 263.888 million is reported under the category, Violation of Laws and Rules followed by Nu. 136.458 million under the category, Shortfalls, Lapses and Deficiencies and Nu. 135.049 million under the category, Mismanagement. The amount of Nu. 98.918 million is

reported under the category, Fraud, Corruption and Embezzlement.

The RAA attempted to analyze the possible causes for elements of fraud and corrupt practices and other irregularities under different categories. Though this diagnostic review is not exhaustive, it may be taken as pointer to the existence of loopholes and weaknesses in the control system which may need to be remedied to curb its recurrences. The category wise synopsis of lapses and deficiencies are as described below:

1. Fraud, Corruption and Embezzlement

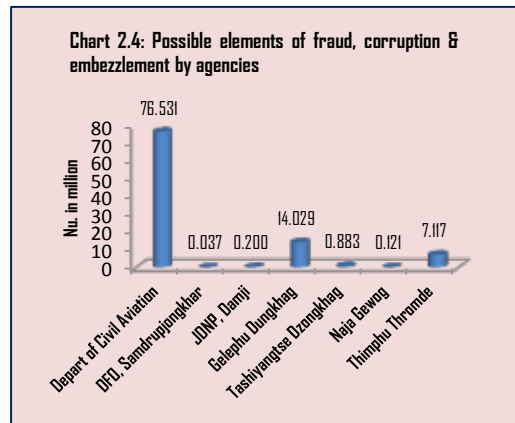
The Royal Audit Authority reported possible elements of fraud, corruption and embezzlement cases pertaining to some agencies during the year. The total amount reported under this category amounted to Nu. 98.918 million of which Nu. 76.768 million pertained to Ministries, representing highest proportion of 78%, followed by Dzongkhags with Nu. 14.912 million representing 15% of the total irregularities reported under this category. The Autonomous Bodies had Nu. 7.117 million representing 7%, and Gewogs with Nu. 0.121 million which is less than 1% of the total irregularities under this category as shown in Chart 2.3.



1.1 Comparison by agencies

The irregularities reported under Fraud, Corruption and Embezzlement had mostly occurred in the areas of construction and procurement. The possible elements of fraud, corruption and embezzlement by agencies are depicted in Chart 2.4 and briefly highlighted below:

a) The Department of Civil Aviation under the Ministry of Information and Communications had irregularities amounting to Nu. 76.531 million under this category. The irregularities pertained to payment made for items of work at analyzed rate in the construction of Gelephu Domestic Airport. The rate was fixed in deviation to the terms of the contract resulting in irregular claims of Nu. 55.354 million. Further, the department had also erroneously adopted the measurement of concertina wire fencing resulting in overpayment of Nu. 21.177 million.



b) Jigme Dorji National Park, Damji under the Ministry of Agriculture & Forests had irregularity amounting Nu. 0.200 million on account of payment made without receiving the goods. The management had not received 500 copies of Management Plan booklet and 830 copies of Takin Survey Report valuing Nu. 0.200 million from M/s Kuensel Corporation Ltd.

c) The Divisional Forest Office, Samdrupjongkhar had irregularity amounting to Nu. 0.037 million on account of irregular payment of salary. It was noted that the salary was credited to the accounts of the employee who had separated from service and the dealing accountant.

d) The Dzongkhag Administration, Trashiyangtse had a case of misuse of cash amounting to Nu. 0.883 million from the refundable fund collected from the public on account of cost of excess land during land resurvey in 2001-2002.

e) The Dzongkhag Administration, Sarpang had cases of irregularities amounting to Nu. 14.029 million pertaining to operations of the Losal Cinema Hall. There were numerous cases indicating corrupt practices in the management of Losal Cinema Hall by the Dungkhang Administration, Gelephu as briefly explained below:

- Advances amounting to Nu. 10.637 million were found not adjusted and there were instances of manipulations of records for adjustments of advances;
- There was a shortage of timbers valuing Nu. 0.143 million in the maintenance work of cinema hall;
- The electrical works valuing Nu. 0.596 million were found not executed at site;
- Amount of Nu. 0.587 million was found misappropriated by submitting fictitious labour payment bills in the maintenance work of cinema hall;
- Inferior quality of foams valuing Nu. 0.042 million were procured;
- The Dungkhang Administration had not accounted the cash withdrawal amounting to Nu. 0.528 million;

- Fictitious claims amounting to Nu. 0.037 million were made by official on account of TA/DA;
 - The management had not recovered amount of Nu. 0.096 million for the supply of items other than ones specified in the BoQ;
 - Payment of Nu. 0.103 million was made for the work of roofing of Janta Bakery Building, which actually did not have any roof;
 - There was an attempted case of diverting funds amounting to Nu. 0.602 million into personal bank account. However, the bank had not accepted the deposit;
 - There was a case of diversion of funds amounting to Nu. 0.536 million into the bank account of Sershong Community Group, which was solely operated by the Dungpa; and
 - Interest amounting to Nu. 0.122 million earned was not accounted in the books of accounts.
- f) The Gewog Administration, Naja under Paro Dzongkhag had irregularity amounting to Nu. 0.121 million. The hire charges were not accounted in the books of accounts;
- g) The Thromde Administration, Thimphu had irregularities of Nu. 7.117 million. The irregularities mainly occurred from the deficiencies in revenue management as briefly explained below:
- Revenues amounting to Nu. 5.006 million were not deposited on a daily basis as required by Revenue and Accounting Manual 2004 resulting in possible misuse of cash;
 - Penalties amounting to Nu. 0.711 million were not imposed for non deposit of revenues on time. It was noted that the dealing official had retained cash collections for almost two financial years;
 - There were cases of unreconciled differences in the amount of cheques collected and deposited aggregating to Nu. 0.091 million;
 - Cheque amounting to Nu. 0.017 million was found not deposited into bank;
 - Cheques amounting to Nu. 0.351 million were deposited but not credited resulting in non deposit of revenues;
 - Fines and penalties amounting to Nu. 0.676 million were not levied for dishonored cheques due to insufficient balances; and
 - Revenues amounting to Nu. 0.265 million were not deposited into bank.

1.2 Possible causes of irregularities

The main causes for above irregularities are as indicated below:

a) Lack of due diligence and competence

Most of the cases reported under Fraud, Corruption and Embezzlement were apparently fuelled by failure to exercise due diligence by officials entrusted with the responsibilities. The incorrect analysis of rates and use of nomenclature for items of work in the BOQs by officials have resulted in cost implications to the government.

The designs, drawings, estimates and BoQs were not scrutinized by the appropriate authority to ensure technical soundness. The estimates, technical specification and modality of quantification process adopted and quantities reflected in the BoQs were flawed rendering scope for manipulations. Thus, exercising due diligence and professional competence is critical to render more objective decisions and to prevent cost burden to the government.

b) Poor supervision, monitoring and internal control

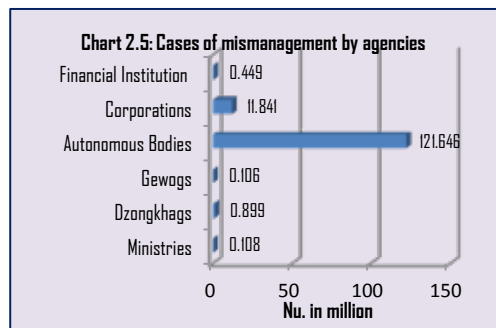
The mere existence of rules and guidelines do not guarantee or ensure appropriateness of procedures or process being followed. The enforcement of rules and guidelines needs to be ensured through appropriate monitoring and control systems or safeguards. The cases of possible fraud and corruption as discussed above are deeply rooted in inadequacies of monitoring and internal control mechanisms.

The laxity on the part of management manifested in poor safeguards and internal control system have apparently paved way for collusions, misuse and misappropriation of funds, manipulations and unlawful payments at the cost of the government.

2. Mismanagement

The total irregularities under this category amounted to Nu. 135.049 million of which 90.10% is represented by the Autonomous Bodies with irregularities of Nu. 121.646 million followed by Corporations with irregularities of Nu. 11.841 millions reported under this category.

Others represent very negligible proportion of irregularities reported under this category as can be seen from Chart 2.5.



2.1 Comparison by agencies

The irregularities amounting to Nu. 122.236 million representing 90.51% pertained to areas of construction and procurement, followed by Nu. 11.932 million representing 8.84% falling under revenue management. The irregularities of Nu. 0.132 million fall under financial management. The irregularities reported under the category of mismanagement by agencies are as briefly explained below:

- a) The DHI-Infra Limited under Corporations had irregularity of Nu.11.342 million on account of non-recovery of cost difference from the withdrawing bidder;

- b) The Bhutan Postal Corporation Limited had irregularity of Nu. 0.390 million on account of non-collection of rent;
- c) The Food Corporation of Bhutan Limited had irregularity of Nu. 0.109 million on account of outstanding rent;
- d) The Thromde Administration, Thimphu had irregularities amounting to Nu. 10.724 million. It pertained to non-compliance to the provision of Land Act 2007 and excess/short and non-levy of fines and penalties on land tax defaulters;
- e) The Gaeddu College of business Studies under the Royal University of Bhutan had irregularity of Nu. 0.403 million on account of short account of electricity charges;
- f) The Secretariat, Bhutan Education City had irregularities of Nu. 110.184 million on account of avoidable and wasteful expenditure. There were also irregularities of Nu. 0.035 million on account of unjustified payment in the procurement;
- g) The Dzongkhag Administration, Samtse had irregularity of Nu. 0.200 million on account of outstanding taxes;
- h) The Dzongkhag Administration, Monggar had irregularity of Nu. 0.564 million on account of non-realization of penalty and other recoveries;
- i) The Dzongkhag Administration, Sarpang had irregularities of Nu. 0.086 million. The irregularities were delegation of accounting responsibilities to an unqualified personnel, non-collection of revenue, maintenance cost of Losal Cinema Hall met from Shershong Community Group;
- j) The Dzongkhag Administration, Dagana had irregularity of Nu. 0.049 million on account of non-recovery of advances upon termination of contract;
- k) The Ministry of Information and Communication had irregularity of Nu. 0.062 million on account of non-collection of fines and penalties;
- l) The Ministry of Agriculture & Forests had irregularities of Nu. 0.046 million. The irregularities pertained to issuance of uniforms and boots to forestry officials who were on long term studies, diversion of funds and non-utilization of machineries issued to farmers;
- m) The Darla Gewog under Chukha Dzongkhag had irregularity of Nu. 0.061 million on account of non-remittance of rural taxes collected; and
- n) The Phuentsholing Gewog under Chukha Dzongkhag had irregularity of Nu. 0.045 million on account of non-deposit and non-collection of rural taxes.

2.2 Possible causes of irregularities

The main causes for above irregularities are as indicated below:

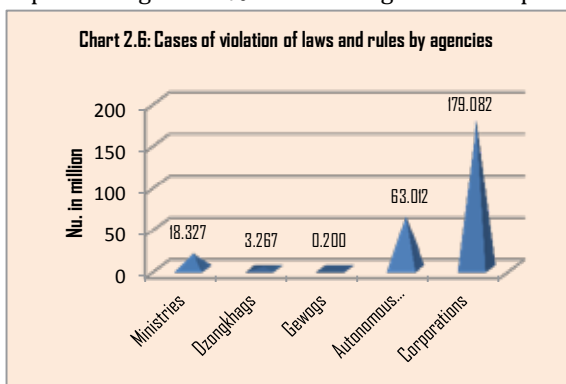
Non-enforcement of rules

One of the major causes of irregularities under mismanagement was non-enforcement of relevant rules in the management of funds, revenues and contracts. Poor enforcement of these applicable rules have apparently impeded efficiency and effectiveness in the delivery of mandates of the agencies concerned besides, depriving government of timely collection of revenues.

Non-compliance to applicable rules defeats the very objectivity of having guiding rules and regulations in place. When such practices become endemic to the system, complacencies breed in rendering scope for bypassing channels which may not be in the interest of the government.

3. Violation of Laws and Rules

The total irregularities reported under this category amounted to Nu. 263.888 million. As depicted in Chart 2.6, the irregularities under Corporations amounted to Nu. 179.082 million representing 67.86% of the irregularities reported under this category.



Dungsum Cement Corporation Limited was the lone agency representing Corporations with the irregularities of Nu. 179.082 million.

Under Autonomous Bodies, the irregularities of Nu. 61.233 million pertained to Royal University of Bhutan, followed by Nu. 1.253 million under the Thromde Administration, Phuentsholing. The irregularity of Nu. 0.526 million pertained to the Bhutan Education City Secretariat.

The amount under Ministries are represented by the Ministry of Health with Nu. 9.345 million followed by Nu. 8.163 million under the Ministry of Information and Communications and Nu. 0.679 million under the Ministry of Works and Human Settlement. The irregularity of Nu. 0.140 million pertained to Ministry of Agriculture and Forests.

The irregularities of Nu. 3.267 million was represented by Dzongkhags and Nu. 0.200 million by Gewogs.

3.1 Comparison by agencies

The irregularities of Nu. 261.817 million had occurred in the areas of construction and procurement representing 99.41%, followed by revenue management with Nu. 1.253 million. The irregularities of Nu. 0.292 million fall under financial management. The irregularities under violation of laws and rules by agencies are as briefly explained below:

- The Dungsum Cement Corporation had irregularities of Nu. 179.082 million reported under this category. The irregularities pertained to incorrect rate analysis resulting in

excess payment, irregularities in rate analysis of item of works resulting in excess payment & irregular payment for additional 6% overhead and contingencies for analyzed rates on additional items;

- b) The College of Natural Resources, Gaeddu College of Business Studies, Royal Institute for Health Sciences, Paro College of Education, Samtse College of Education and Institute of Language and Cultural Studies, Taktse, under the Royal University of Bhutan had irregularities of Nu. 61.233 million. The irregularities pertained to payment of refundable deposits without obtaining equivalent releases, expenditure not commensurate with expected output/outcome, unreasonable grant of time extension and short recovery of liquidated damages, abnormal grant of time extension, non-levy of liquidated damages, over payment and missing furniture;
- c) The Thromde Administration, Phuentsholing had irregularity of Nu. 1.253 million pertaining to overdue taxes and revenue;
- d) The Ministry of Health had irregularities of Nu. 9.345 million. The irregularities pertained to procurement of various drugs and medicines at the higher price from the suppliers other than lowest evaluated bidders resulting in huge financial implications to the government;
- e) The Ministry of Information and Communications had irregularities of Nu. 8.163 million. The irregularities pertained to improper rate analysis of earthwork, excess computation of payable amount for earthwork excavation over areas due to flaws in the analysis of rate, incorrect rate analysis with resultant overstatement of final bill, application of wrong rate in fencing works with resultant excess claims, irregular booking and utilization of unspent funds & excess payment due to variation in measurements;
- f) The Ministry of Works and Human Settlement had irregularities of Nu. 0.679 million. The irregularities pertained to unrealistic rate analysis resulting in excess payment in labour contract, delay in completion of construction and non-levy of liquidated damages;
- g) The Ministry of Agriculture and Forests had irregularities of Nu. 0.140 million. The irregularities pertained to short-deduction of liquidated damages, under-utilization of air compressor machine and short-deposit of employees' salary and deposit of salary in personal account of the dealing official;
- h) The Dzongkhag Administrations, Sarpang, Trashiyangtse, Chhukha, Dagana and Samtse had irregularities of Nu. 3.267 million. The irregularities pertained to non-recovery of liquidated damages and 20% penalty, payment without approval, non-compliance to Procurement Rules & Regulations, non-surrender of balance for closed work fund, payment for incomplete works and delay in construction, non-deduction of rebate,

payment without receiving goods, delay in construction and liable liquidated damages and payment without executing work; and

- i) The Gewog Administration, Lunana under Gasa Dzongkhag had irregularity of Nu. 0.200 million on account of irregular adjustment of advance.

3.2 Possible causes of irregularities

The main causes for above irregularities are as indicated below:

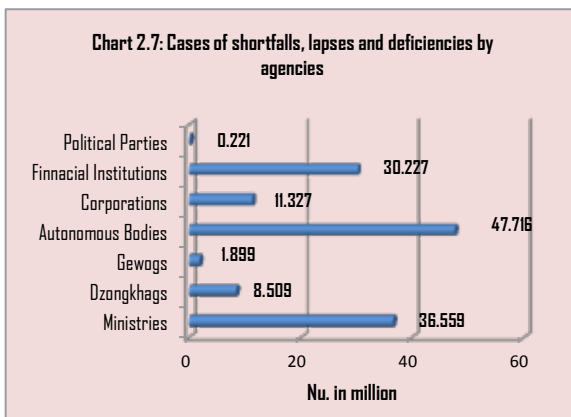
Poor enforcement of rules and regulations

The lapses and irregularities reported under this category mostly occurred in the areas of construction and procurement. Most of these issues have been apparently resulted from weak enforcement of relevant rules such as procurement rules in the management of work contracts and procurement of goods. Besides, inconsistencies in the rate analysis for additional items works and application of coefficient had resulted in huge cost implication to the government.

The enforcement of procurement rules was apparently marred by inadequate control and monitoring mechanisms to ensure minimal compliances to the requirements of the relevant rules. The flouting of rules not only impedes economy, efficiency and effectiveness in the procurement but also provide opportunities to resort to undesired practices.

4. Shortfalls, lapses and deficiencies

The irregularities under shortfalls, lapses and deficiencies amounted to Nu.136.458 million. As depicted in Chart 2.7, the Autonomous Bodies had the highest amount of irregularities of Nu. 47.716 million followed by Ministries with Nu. 36.559 million and Financial Institutions with Nu. 30.227 million. The irregularities under Corporations was Nu. 11.327 million followed by Nu. 8.509 million under Dzongkhags, Nu. 1.899 million under Gewogs and Nu. 0.221 million under Political Parties.



4.1 Comparison by agencies

Out of the total irregularities of Nu. 73.846 million under financial management, the irregularities of Nu. 38.172 million pertained to outstanding advances representing 51.69% followed by irregularities of Nu. 29.981 million occurring in the area of constructions and

irregularities of Nu. 9.514 million under store management. The irregularities with significant amount under Shortfalls, lapses and deficiencies by agencies are as briefly explained below:

- a) The National Land Commission Secretariat had irregularities of Nu. 35.827 million. The irregularities pertained to non-reconciliation of revenue from sales and outstanding advances;
- b) The College of Natural Resources, Gaeddu College of Business Studies, and Institute of Language and Cultural Studies, Taktse under the Royal University of Bhutan had irregularities of Nu. 6.908 million. The irregularities pertained to double payment, inadmissible payment, excess payment, unjustified payment on account of additional employment of quality control engineer and short payment to contractor;
- c) The Thromde Administration, Thimphu had irregularities of Nu. 3.914 million. The irregularities pertained to outstanding advances and improper maintenance of Land Thromde Property Register and non-maintenance of Building Thromde Property Register with resultant non-collection of taxes;
- d) The Ministry of Finance had irregularities of Nu. 18.403 million. The irregularities pertained to excess payment to the contractor, payment without rate analysis, non-payment of house rent, difference in revenue generated between Bhutan Customs Clearance remitted at Regional Revenue and Customs Office, Phuentsholing and Liaison and Transit Office, Kolkota on account of clearing charges, difference in CIF value, outstanding advances, outstanding taxes and non-realization of taxes;
- e) The Ministry of Foreign Affairs had irregularities of Nu. 12.856 million. The irregularities pertained to inadmissible payment of Children's Education Allowance, non-deduction of TDS from local recruits' salary incomes and outstanding advances;
- f) The Ministry of Agriculture and Forests had irregularities of Nu. 4.178 million. The irregularities pertained to excess payments, excess payment of porter charges, outstanding advances, outstanding material secured advance, non-reconciliation of accounts and non-availability of distribution list and acknowledgement for equipment issued from Cooperative Development Fund under Rural Livelihood Project Phase II;
- g) The Bhutan National Bank Limited had irregularity of Nu. 29.927 million on account of bad and non-performing loans from 11 clients, payable to the government;
- h) The State Trading Corporation of Bhutan Limited had irregularities of Nu. 5.510 million on account of shortage/excess in physical balance of stock;
- i) The Food Corporation of Bhutan Limited had irregularities of Nu. 4.004 million. The irregularities pertained to the operation of auction yard, shortages of food grains at bulk go-down and overdue sundry debtors;

- j) The DHI-Infra had irregularity of Nu. 1.000 million on account of non-forfeiture of earnest money deposit from the withdrawing bidder;
- k) The Dzongkhag Administration, Sarpang had irregularities of Nu. 1.524 million. The irregularities pertained to non/short recovery of advances and penalty, non-accountal of 15 money receipt books and non-recovery of advances;
- l) The Dzongkhag Administration, Chhukha had irregularities of Nu. 1.463 million. The irregularities pertained to excess payments, inadmissible salary payments to employees and non-reconciliation of revenue collections; and
- m) The Dzongkhag Administration, Trashigang had irregularities of Nu. 1.174 million. The irregularities pertained to non-refund of penalty, excess payment and non-deduction of rebates.

4.2 Possible causes of deficiencies

a) Non regulation of advances as per FRR 2001

The issues of excessive grant of advances and non-adjustment within timeframe are generally pervasive across many agencies. Despite requirement to liquidate advances within the financial year as per Financial Rules and Regulations (FRR) 2001, the enforcement of the rules are apparently weak. The accumulation of overdue advances are direct blockage of funds, which otherwise could be spent in other priority areas.

To tone up financial discipline in the agencies concerned, granting of advances must be regulated as per the provisions of the FRR 2001 and strict enforcement of the rules must be ensured through appropriate follow-up mechanisms to liquidate within the stipulated timeframe.

b) Lack of supervision and monitoring

One of the seepages in the government coffer is the wasteful and unfruitful expenditures in the constructions and procurement by way of excess/over payment, double payment, inadmissible payments etc. in the constructions/procurement undertaken by the agencies. These mainly occur due to inadequate supervision and monitoring, resulting in enhanced claims over and above the legitimate claims.

These expenditures incurred without providing commensurate values to the government is a direct waste of resources. The agencies concerned must prevent such wastages through strengthening monitoring and supervision controls in the management of construction projects.

Table 2.1: Summary of Annual Audit Report 2014 with categories of irregularities and amount involved with respect of budgetary agencies

Sl. No.	Category	MoIC	MoF	MoFA	MoH	MoA	MoWHS	MoEA	Dzongkhags	Gewogs	Autonomous	Total
1	Fraud, Corruption & Embezzlement	76.531	0.000	0.000	0.000	0.237	0.000	0.000	14.912	0.121	7.117	98.918
1.1	Forgery & tampering of documents	-	-	-	-	-	-	-	-	-	-	0.000
1.2	Malpractices & abuses	21.177	-	-	-	0.200	-	-	2.206	0.121	0.091	23.795
1.3	Misappropriation	-	-	-	-	-	-	-	1.411	-	7.026	8.437
1.4	Intentional double bookings/irregular/unauthorised payments	55.354	-	-	-	0.037	-	-	0.536	-	-	55.927
1.5	Non/short accountal	-	-	-	-	-	-	-	10.759	-	-	10.759
2	Mismanagement	0.062	0.000	0.000	0.000	0.046	0.000	0.000	0.899	0.106	121.646	122.759
2.1	Mismanagement of funds	-	-	-	-	-	-	-	-	-	110.184	110.184
2.2	Mismanagement of properties	-	-	-	-	0.046	-	-	-	-	0.335	0.381
2.3	Mismanagement of human resources	-	-	-	-	-	-	-	-	-	-	0.000
2.4	Mismanagement of revenue and taxes	0.062	-	-	-	-	-	-	0.899	0.106	11.127	12.194
3	Violation of laws & rules	8.163	0.000	0.000	9.345	0.140	0.679	0.000	3.267	0.200	63.012	84.806
3.1	Violation of service rules	-	-	-	-	-	-	-	0.185	-	-	0.185
3.2	Violation of budgetary norms	-	-	-	-	0.092	-	-	0.572	-	0	0.664
3.3	Violation of accounting norms	-	-	-	-	-	-	-	0.083	0.200	4.989	5.272
3.4	Violation of procurement norms	8.163	-	-	9.345	0.048	0.679	-	2.427	-	57.497	78.159
3.5	Violation of Acts, Directives and Policies	-	-	-	-	-	-	-	-	-	0.526	0.526
4	Shortfalls, lapses and deficiencies	0.912	18.403	12.856	0.000	4.178	0.000	0.210	8.509	1.899	47.716	94.683
4.1	Over/inadmissible/irregular/double payments	0.912	0.191	0.405	-	0.467	0	0.061	5.043	1.732	6.417	15.228
4.2	Non maintenance of records	-	-	-	-	0	-	-	-	-	-	0.000
4.3	Improper maintenance of records	-	-	-	-	-	-	-	-	-	-	0.000
4.4	Non/improper recording in books	-	-	-	-	-	-	-	-	-	-	0.000
4.5	Non-reconciliation/certification of balances	-	9.936	-	-	-	-	-	0.846	-	16.611	27.393
4.6	Irregularities in advances	-	7.839	0.682	-	3.402	-	0.149	1.426	0.167	24.286	37.951
4.7	Irregularities in recoveries	-	0.437	-	-	-	-	-	-	-	0.402	0.839
4.8	Irregularities in disposal & auction	-	-	-	-	-	-	-	0.725	-	-	0.725
4.9	Irregularities in property management	-	-	-	-	-	-	-	0	-	-	0.000
4.10	Non/short deductions	-	-	11.769	-	-	-	-	0.29	-	-	12.059
4.11	Non cooperation	-	-	-	-	-	-	-	-	-	-	0.000
4.12	Shortfalls & uneconomical operations	-	-	-	-	-	-	-	0.179	-	-	0.179
4.13	Missing documents/receipts	-	-	-	-	0.309	-	-	-	-	-	0.309
		85.668	18.403	12.856	9.345	4.601	0.679	0.210	27.587	2.326	239.491	401.166

Nu. in million

Table 2.2 : Summary of Annual Audit Report 2014 with categories of irregularities and amount involved with respect of non budgetary agencies

Sl. No.	Category	DCCL	DHI Infra	STCBL	FCBL	Bhutan Post	BPCL	NRDCL	BNBL	NPPF	BDBL	BoBL	RMA	DPT	Total
1	Fraud, Corruption & Embezzlement	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
1.1	Forgery & tampering of documents	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
1.2	Malpractices & abuses	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
1.3	Misappropriation intentional/double bookings/irregular/unauthorised	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
1.4	Non/short accountal	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
1.5	Non/short accountal	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
2	Mismanagement	0	11.342	0.000	0.109	0.390	0.000	0.000	0.000	0.449	0.000	0.000	0.000	0.000	12.290
2.1	Mismanagement of funds	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
2.2	Mismanagement of properties	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
2.3	Mismanagement of human resources	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
2.4	Mismanagement of revenue and taxes	0	11.342	-	0.109	0.390	-	-	-	0.449	-	-	-	-	12.290
3	Violation of laws & rules	179.08	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	179.082
3.1	Violation of service rules	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
3.2	Violation of budgetary norms	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
3.3	Violation of accounting norms	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
3.4	Violation of procurement norms	179.08	-	-	-	-	-	-	-	-	-	-	-	-	179.082
3.5	Violation of Acts, Directives and Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
4	Shortfalls, lapses and deficiencies	0.644	1.000	5.510	4.044	0.000	0.129	0.000	29.927	0.000	0.300	0.000	0.000	0.221	41.775
4.1	Over/inadmissible/irregular/double payments	0.644	-	-	-	-	0.051	-	-	-	-	-	-	-	0.695
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.6	Irregularities in advances	-	-	-	-	-	-	-	-	-	-	-	-	0.221	0.221
4.7	Irregularities in recoveries	-	-	-	0.927	-	-	-	-	-	-	-	-	-	0.927
4.8	Irregularities in disposal & auction	-	1.000	-	-	-	-	-	-	-	-	-	-	-	1.000
4.9	Irregularities in property management	-	-	5.510	3.117	-	-	-	-	-	-	-	-	-	8.627
4.10	Non/short deductions	-	-	-	-	-	0.078	-	-	-	-	-	-	-	0.078
4.11	Non cooperation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.12	Shortfalls & uneconomical operations	-	-	-	-	-	-	-	29.927	-	0.300	0	-	-	30.227
4.13	Missing documents/receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		179.726	12.342	5.510	4.153	0.390	0.129	0.000	29.927	0.449	0.300	0.000	0.000	0.221	233.147

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 2013-14 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). The RAA has issued qualified audit opinion based on pending review and confirmation of the discrepancies noted on account of mismatch between Employees' contributions (6.a) reported under Receipt and Payments statements of the budgetary agencies and the monthly PF schedules generated from Payroll module of the PEMS. There were also differences in the amount withdrawn as per cashbook and bank as indicated from the Bank Reconciliation Statement for which the impact could not be ascertained.

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 2013-14. The recommendations and observations made at the agency level are considered depending upon the materiality while certifying the consolidated Receipts and Payments Statement.

The approved budget for the Fiscal Year 2013-14 of the Royal Government was Nu.34,215.836 million against estimated resources of Nu. 29,982.834 million with a fiscal deficit of Nu. 4,233.002 million. During the year, the outlay was revised to 36,367.917 million and the resources to Nu. 33,171.752 million. At the end of the Fiscal Year, the actual outlay reported was Nu. 33,522.834 million against the realized resources of Nu. 37,819.123 million resulting into a fiscal surplus of Nu. 3,253.978 million.

As against the revised capital budget of Nu. 19,488.953 million, the actual expenditure was Nu. 16,668.752 million with resultant underutilization of capital budget of Nu. 2,820.201 million, which was 14.47% of the revised capital budget.

The government debt as on 30th June 2014 was Nu. 108,370.354 million, of which Nu. 2,913.441 million accounts for domestic debt and Nu. 105,456.913 million for external debt.

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



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ROYAL AUDIT AUTHORITY
Bhutan Integrity House

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



AUDITOR GENERAL'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF THE ROYAL GOVERNMENT OF BHUTAN FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

The Royal Audit Authority (RAA) has audited the accompanying Annual Financial Statements of the Royal Government of Bhutan (RGoB) for the Financial Year ended 30 June 2014, which comprise of:

- i. Consolidated Receipts & Payments Statement and schedules forming part of it;
- ii. Summary of Original and Revised Budget Estimates and Variations with actual outcome;
- iii. Statement of Outstanding Loans;
- iv. Statement of Equity Portfolio of the Government;
- v. Summary Statement of Arrears of Revenue;
- vi. Statement of the operations of Refundable Deposits Account, Revolving & Trust Funds; and
- vii. Government Consolidated Account Reconciliation Statement.

The audit was conducted by the RAA as required under the Audit Act of Bhutan 2006 and the Public Finance Act of Bhutan 2007.

Responsibility of the Ministry of Finance for the Financial Statements

The Ministry of Finance is responsible for preparation 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. These standards require that the RAA plans and perform 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 judgement, 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.

"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: 323451.

Website: www.bhutanaudit.gov.bt; email: info@bhutanaudit.gov.bt

As per the information made available by the DPA, there are 560 Letter of Credit (LC) Accounts and 195 Project Letter of Credit (PLC) Accounts. Of the total, the RAA had audited and issued report for 181 LC Accounts and 30 PLC Accounts as on 3 March 2015 for the Fiscal Year ended 30 June 2014. These audited agencies comprise mostly of bigger agencies. For those accounts that are yet to be audited, the RAA had relied upon the year end accounts submitted by the respective agencies.

The RAA believes that the audit evidence obtained by it is sufficient and appropriate to provide a basis for its qualified audit opinion.

Basis of "Qualified" Audit Opinion

1. *There were cases of mismatch between Employees' contribution (6.a) reported under Receipts and Payments statements of the budgetary agencies and the monthly PF schedules generated from Payroll module of the PEMS. Further, inconsistent number of employees under monthly PF schedules was observed, which apparently indicated circumvention of accounting module wherein in lieu of using payroll module, the budgetary agencies had used Accounts Module to prepare monthly salary. Pending review and reconciliation of these differences, the exact extent of impact of which in these accounts is not ascertainable.*
2. *The Bank Reconciliation Statements for the year under review indicated that the amount withdrawn reported as per cash book was less than that of the amount reported as per Bank to the tune of Nu.1,113,410,385.19. Pending review and confirmation of such difference in the PEMS and with respective budgetary agencies, the exact extent of impact of which in these accounts is not ascertainable.*

Opinion

In RAA's opinion, *except* for the effect of the matters referred in the *Basis of Qualified Audit Opinion* paragraph, the Consolidated Receipts & Payments Statement together with the schedules attached thereto, including the Notes to Accounts present fairly, in all material respect the financial operations of the Royal Government of Bhutan for the year ended 30 June 2014 and the position of the Outstanding Loans, Equity Portfolio of the Government, Refundable Deposits, Revolving & Trust Funds as on that date as required by the Public Finance Act 2007 and the Financial Rules & Regulations 2001 in the manner so required.

(Ugen Chewang)
Auditor General of Bhutan

Dated: 31 March 2015
Place: Thimphu



"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.dhufanaudit.gov.bt Email: info@dhufanaudit.gov.bt



དམངས་ཚེས་ལས་ཁུངས།
དངུལ་ཚེས་ལྷན་ཁག།
DEPARTMENT OF PUBLIC ACCOUNTS
MINISTRY OF FINANCE



31st December 2014

STATEMENT OF RESPONSIBILITY

The Annual Financial Statement (AFS) of the Royal Government of Bhutan (RGoB) for the Fiscal Year 2013-14 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 Bhutan, 2007, Public Finance (Amendment) Act, 2012 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 30th June, 2014.

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

(Namgay Dorji)
Finance Minister
Ministry of Finance

(Choiten Wangchuk)
Director General
Department of Public Accounts

THIMPHU, BHUTAN, Post Box No. 270, Phone: PABX 322604 / 322641 / 322951, Fax: 334994

**ANNUAL FINANCIAL STATEMENTS OF THE ROYAL GOVERNMENT OF BHUTAN
CONSOLIDATED RECEIPTS AND PAYMENTS STATEMENT OF THE ROYAL GOVERNMENT OF BHUTAN FOR THE YEAR ENDED 30 JUNE 2014**

RECEIPTS	SCHEDULES		AMOUNTS IN MILLION		PAYMENTS	SCHEDULES		AMOUNTS IN MILLION	
	2013-14	2012-13	2013-14	2012-13		2013-14	2012-13		
Opening Balance									
(i) Cash	(5,816,814)	(2,064,428)	Expenditure						
(ii) Bank	(5,816,814)	-	i) Current						
Internal Revenue	23,244,610	21,101,691	ii) Capital						
(i) Tax Revenue	16,182,774	15,403,118	Repayment of Loans						
(ii) Non Tax Revenue	7,061,836	5,698,573	i) Internal						
External Grants	14,236,383	9,562,637	ii) External						
(i) Cash	13,812,314	9,345,037	Lendings						
(ii) Kind	424,039	217,600	i) To individuals						
Borrowings	1,534,544	16,463,456	ii) To Corporations						
(i) Internal	-	12,892,456	Other payments						
(ii) External	1,534,544	3,571,001	Increase in Advances/suspense						
Recovery of Loans			Closing Balance						
Other Receipts	1,902,650	1,873,229	i) Cash						
Decrease in advances/suspense	6,636,290	7,029,715	ii) Bank						
TOTAL RECEIPTS	8,408,341	11,127,555	TOTAL PAYMENTS	65,093,855	50,145,974	(5,816,814)	65,093,855	(5,816,814)	65,093,855

Summary of variance for FY 2013-2014

Notes to Account


(Director General)
Department of Public Accounts
Ministry of Finance

Director General
Department of Public Accounts
Ministry of Finance
Thimphu : Bhutan



(Chief Accounts Officer)
Department of Public Accounts
Ministry of Finance

Chief Accounts Officer
Department of Public Accounts
Ministry of Finance
Thimphu : Bhutan



SUMMARY OF VARIANCE BETWEEN BUDGET ESTIMATES AND ACTUAL OUTCOME FOR THE FY 2013-14

Application of funds	Budget Estimates		Actual Outcome	Variation Percentage		Sources of Fund		Budget Estimates		Actual Outcome	Variation Percentage	
	Original	Revised		Original/Revised	Actual/Revised	Original	Revised	Original/Revised	Actual/Revised			
A. Expenditure	36,113,865	31,215,044	34,609,083	-13.99%	-6.94%	-18.46%	21,460,885	21,860,885	23,244,610	-8.25%	13.64%	13.92%
i. Current	19,160,114	18,726,091	17,941,151	-2.27%	-6.16%	-4.17%	15,124,769	15,353,552	16,112,774	0.11%	5.10%	5.40%
ii. Capital	16,953,751	12,488,953	16,667,932	14.95%	-1.68%	-14.47%	6,336,116	6,507,333	7,081,836	-9.44%	8.04%	8.52%
B. Repayments	2,798,102	2,798,102	2,576,855	0.00%	-7.02%	-6.37%	2,354,218	2,417,792	1,962,650	-15.62%	-17.86%	-27.34%
i. Internal	175,303	175,303	175,302	0.00%	0.00%	0.00%	8,109,513	11,179,828	14,206,353	37.86%	79.55%	27.34%
ii. External	2,522,799	2,522,799	2,401,553	0.00%	-7.02%	-7.02%			13,812,314	0.00%		
C. Lending	696,189	870,665	979,661	-13.03%	-13.03%	0.00%	2,666,588	2,624,289	1,534,544	5.91%	-42.45%	-45.67%
D. Advances			244,920	0.00%			2,666,588	2,624,289	1,534,544	5.91%	-42.45%	-45.67%
E. Miscellaneous Payments			6,298,130				12,436	131,042	6,636,290	0.00%		
F. Surplus			3,253,978				(4,224,516)	(3,129,987)	-			
Total Payments	39,528,156	41,543,811	47,554,447				39,528,156	41,543,811	47,554,447			


 (Director General)
 Department of Public Accounts
 Ministry of Finance

Director General
 Department of Public Accounts
 Ministry of Finance
 Thimphu : Bhutan


 (Chief Accounts Officer)
 Department of Public Accounts
 Ministry of Finance

Chief Accounts Officer
 Department of Public Accounts
 Ministry of Finance
 Thimphu : Bhutan


 (Auditor General)
 Royal Audit Authority



SUMMARY STATEMENT OF GUARANTEE DEBT OF THE GOVERNMENT FOR THE YEAR ENDED 31ST MARCH, 2014
(Amounts in Million Ngulums)

Sl. No.	LIBOR/LAID INSTRUMENT	Loan Contracted		Outstanding balances as on 31/3/14	Principal	Interest & Charges		Total liability outstanding on 31/3/14	REPAYMENTS DURING THE YEAR		Closing balances as on 31/3/14
		Guaranteed	Apparent			Interest	Fee & Charges		Principal	Interest & Charges	
		Rs.	Ngulums	Ngulums	Ngulums	Ngulums	Ngulums	Ngulums	Ngulums	Ngulums	Ngulums
1	HYPERMORALS	0	0	0	0	0	0	0	3,402,285,798,448	3,402,285,798,448	0
2	Multi-Risk Insurance (MIRA)	0	0	0	0	0	0	0	178,817,641,756	178,817,641,756	0
3	Subsidiary Pension and Provident Fund	0	0	0	0	0	0	0	1,310,972,330	1,310,972,330	0
4	Subsidiary Health Fund	0	0	0	0	0	0	0	11,548,400,000	11,548,400,000	0
5	Banking Deposits	0	0	0	0	0	0	0	3,236,791,679,282	3,236,791,679,282	0
6	Other Deposits	0	0	0	0	0	0	0	8,98,323,917,484	8,98,323,917,484	0
7	Government of India	0	0	0	0	0	0	0	1,52,74,84,27,454	1,52,74,84,27,454	0
8	Government of Nepal	0	0	0	0	0	0	0	3,02,13,46,62,175	3,02,13,46,62,175	0
9	Government of Bhutan	0	0	0	0	0	0	0	1,87,54,91,31,176	1,87,54,91,31,176	0
10	Government of Japan	0	0	0	0	0	0	0	1,02,47,12,00,000	1,02,47,12,00,000	0
11	Government of Denmark	0	0	0	0	0	0	0	14,44,17,13,648	14,44,17,13,648	0
12	Government of Norway	0	0	0	0	0	0	0	495,780,124,000	495,780,124,000	0
13	Government of Australia	0	0	0	0	0	0	0	1,15,03,16,121	1,15,03,16,121	0
14	Government of Canada	0	0	0	0	0	0	0	2,92,763,312,193	2,92,763,312,193	0
15	Government of New Zealand	0	0	0	0	0	0	0	5,002,843,400	5,002,843,400	0
16	Government of Sweden	0	0	0	0	0	0	0	2,52,13,000,000	2,52,13,000,000	0
17	Government of Korea	0	0	0	0	0	0	0	18,52,32,312,312	18,52,32,312,312	0
18	Government of Singapore	0	0	0	0	0	0	0	2,473,118,818,818	2,473,118,818,818	0
19	Government of South Africa	0	0	0	0	0	0	0	1,62,13,000,000	1,62,13,000,000	0
20	Government of United Kingdom	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
21	Government of Hong Kong	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
22	Government of Germany	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
23	Government of France	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
24	Government of Italy	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
25	Government of Spain	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
26	Government of Netherlands	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
27	Government of Belgium	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
28	Government of Greece	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
29	Government of Ireland	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
30	Government of Portugal	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
31	Government of Luxembourg	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
32	Government of Cyprus	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
33	Government of Slovakia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
34	Government of Slovenia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
35	Government of Hungary	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
36	Government of Czech Republic	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
37	Government of Poland	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
38	Government of Estonia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
39	Government of Latvia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
40	Government of Lithuania	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
41	Government of Malta	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
42	Government of Bulgaria	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
43	Government of Romania	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
44	Government of Croatia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
45	Government of Serbia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
46	Government of Montenegro	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
47	Government of Albania	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
48	Government of Kosovo	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
49	Government of Bosnia and Herzegovina	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
50	Government of Macedonia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
51	Government of Albania	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
52	Government of Kosovo	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
53	Government of Bosnia and Herzegovina	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
54	Government of Macedonia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
55	Government of Albania	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
56	Government of Kosovo	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
57	Government of Bosnia and Herzegovina	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
58	Government of Macedonia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
59	Government of Albania	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
60	Government of Kosovo	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
61	Government of Bosnia and Herzegovina	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
62	Government of Macedonia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
63	Government of Albania	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
64	Government of Kosovo	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
65	Government of Bosnia and Herzegovina	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
66	Government of Macedonia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
67	Government of Albania	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
68	Government of Kosovo	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
69	Government of Bosnia and Herzegovina	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
70	Government of Macedonia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
71	Government of Albania	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
72	Government of Kosovo	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
73	Government of Bosnia and Herzegovina	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
74	Government of Macedonia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
75	Government of Albania	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
76	Government of Kosovo	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
77	Government of Bosnia and Herzegovina	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
78	Government of Macedonia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
79	Government of Albania	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
80	Government of Kosovo	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
81	Government of Bosnia and Herzegovina	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
82	Government of Macedonia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
83	Government of Albania	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
84	Government of Kosovo	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
85	Government of Bosnia and Herzegovina	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
86	Government of Macedonia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
87	Government of Albania	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
88	Government of Kosovo	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
89	Government of Bosnia and Herzegovina	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
90	Government of Macedonia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
91	Government of Albania	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
92	Government of Kosovo	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
93	Government of Bosnia and Herzegovina	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
94	Government of Macedonia	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
95	Government of Albania	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
96	Government of Kosovo	0	0	0	0	0	0	0	1,00,00,000,000	1,00,00,000,000	0
97	Government of Bosnia and Herzegovina	0	0	0	0	0	0	0	1,00,00,000,000	1	

STATEMENT OF GOVERNMENT EQUITY PORTFOLIO FOR THE YEAR ENDED 30 JUNE 2014

Sl. No	Direct Shareholding Corporations	Shareholding as on 30/06/2014			Investment			Shareholding as on 30/06/2014		
		No. of shares	Value (Nu)	% Holding	Face value	No. of shares	Amount (Nu)	No. of shares	Amount (Nu)	% Holding
I	Manufacturing	25,000	47,576,068,364.00	100%	1,000	-	25,000	47,576,068,364.00	100%	
1	Army Welfare Propts	25,000,000.00	25,000,000.00	100%	100	-	25,000,000.00	25,000,000.00	100%	
2	Bhutan Agros Industries Limited	260,636	260,636.00	100%	100	-	260,636	260,636.00	100%	
3	Construction Development Corp	4,213,830	401,363,000.00	100%	100	20,000,000.00	421,363,000.00	100%		
4	National Housing Development Corp	2,648,092	2,648,092,104.00	100%	1,000	-	2,648,092	2,648,092,104.00	100%	
5	Wood Craft Centre Limited	255,000	25,500,000.00	100%	100	-	255,000	25,500,000.00	100%	
6	Karnal Corporation	443,281,142	44,328,114,200.00	100%	100	-	443,281,142	44,328,114,200.00	100%	
7	Drak Holding & Investments Ltd	15,000,000.00	15,000,000.00	100%	1,000	-	15,000,000.00	15,000,000.00	100%	
8	Food Corporation of Bhutan	154,448,300.00	154,448,300.00	100%	100	-	154,448,300.00	154,448,300.00	100%	
9	Bhutan Postal Corporation	255,502	25,595,200.00	100%	100	-	255,502,000.00	25,595,200,000.00	100%	
10	Bhutan Broadcasting Service Limited	1,508,331	1,508,331,000.00	100%	100	-	1,508,331	1,508,331,000.00	100%	
IV	Financial Institutions	207,000	207,000,000.00	95.67%	1,000	-	207,000	207,000,000.00	95.67%	
11	Bhutan Development Bank	207,000	207,000,000.00	95.67%	1,000	-	207,000	207,000,000.00	95.67%	
	TOTAL	-	48,072,396,664.00	-	-	-	-	48,072,396,664.00	-	


 (Director General)
 Department of Public Accounts
 Ministry of Finance


 (Chief Accounts Officer)
 Department of Public Accounts
 Ministry of Finance

Director General
 Department of Public Accounts
 Ministry of Finance
 Thimphu : Bhutan

Chief Accounts Officer
 Department of Public Accounts
 Ministry of Finance
 Thimphu : Bhutan



STATEMENT OF GOVERNMENT EQUITY PORTFOLIO FOR THE YEAR ENDED 30 JUNE 2014

Sl. No	Shareholding through DHI	Corporations	Shareholding as on 30/06/2014			Fav. value	Pcs. of shares	Investment	Amount (Nu.)	No. of shares	Amount (Nu.)	Shareholding as on 30/06/2014	% Holding
			No. of shares	Value (Nu.)	% Holding								
I	Manufacturing												
1		Powder Cement Authority Limited	1,521,074	36,030,863,300.00	44.74%	100					36,144,060,836.82	44.74%	
2		Bhutan Board Products Limited	668,334	132,107,400.00	47.74%	100					132,107,400.00	47.74%	
3		Natural Furro Alloys Limited	300,946	66,833,400.00	28.74%	100					66,833,400.00	28.74%	
4		Natural Resource Development Corp	300,000	30,000,000.00	100%	100					30,000,000.00	100%	
5		Dzongkhag Cement Corporation	49,279,479	4,927,947,828.05	100%	100					4,927,947,828.05	100%	
6		Orin Infra	471,000	47,100,000.00	100%	100					47,100,000.00	100%	
7		Orin Infra	2,000,000	200,000,000.00	100%	100					200,000,000.00	100%	
8		Orin Hospitalary Ltd	31,500,291	31,500,291,000.00	100%	100					31,500,291,000.00	100%	
9		Orin Green Power Corporation	91,000	9,100,000.00	30%	100					15,000,000.00	30%	
10		Scrubus International Pvt. Ltd	91,000	9,100,000.00	30%	100					15,000,000.00	30%	
II	Trading												
11		State Trading Corporation of Bhutan	456,000	45,600,000.00	51%	100					91,760,500.00	51.00%	
12		Orin Air Corporation	22,252,131	11,277,408,300.00	100%	100					11,289,626,300.00	100.00%	
13		Bhutan Telecom Corporation	854,082	2,235,211,100.00	100%	100					2,235,211,100.00	100.00%	
14		Bhutan Power Corporation	8,178,979	854,082,000.00	100%	100					854,082,000.00	100.00%	
15		Thimphu Bank	195,362	8,178,979,000.00	100%	100					8,196,191,000.00	100.00%	
IV	Financial Institutions												
16		Bhutan National Bank	2,915,712	1,185,566,200.00	31.50%	100					1,585,786,200.00	31.50%	
17		Bank of Bhutan	800,000	291,371,200.00	66%	100					291,371,200.00	66.00%	
18		Royal Insurance Corporation of Bhutan	941,950	66,000,000.00	30.23%	100					1,200,000,000.00	60.00%	
		TOTAL		84,530,437,200.00							93,110,567,896.82		

(Chief Accounts Officer)
 Department of Public Accounts
 Ministry of Finance
 Department of Public Accounts
 Ministry of Finance
 Thimphu : Bhutan

(Director General)
 Department of Public Accounts
 Ministry of Finance
 Department of Public Accounts
 Ministry of Finance
 Thimphu : Bhutan



CHAPTER 4

DETAILED AUDIT FINDINGS

1. MINISTRIES

4.1.1 Ministry of Information & Communications

During the period, the Royal Audit Authority had issued 13 audit reports of the Ministry of Information & Communications and its Departments, Divisions and Units. There were 20 observations pointed out in the reports involving Nu. 138.511 million, out of which three observations amounting to Nu. 6.537 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 131.974 million.

Based on the responses received after the issue of the draft AAR 2014 and action taken by the Ministry and agencies under it, observations amounting to Nu. 46.306 million were either resolved or not considered for inclusion in the AAR 2014. The total unresolved significant irregularities amounted to Nu. 85.668 million as summarized below:

Sl. No.	Observation Category	Nu. In Million	Category Code
1	Fraud, corruption & Embezzlement	76.531	1 & 2
2	Mismanagement	0.062	3
3	Violation of Laws & Rules	8.163	4
4	Shortfalls, lapses and deficiencies	0.912	5
	Total	85.668	

1. Fraud, Corruption & Embezzlement – Nu. 76.531 million

There were cases of possible elements of fraud, corruption and embezzlement involving Nu. 10.447 millions as summarized below. However, as per the meeting held between Royal Audit Authority and Anti-Corruption Commission on 20th March 2015, it was reported that the further investigation on the cases of possible elements of fraud, corruption and embezzlement pertaining to the Department of Civil Aviation could not establish corrupt intents.

Sl. No.	Observation in brief	Nu. in million
1.1	Payment of item of work at analysed rate in deviation to the terms of the contract with resultant irregular payment	55.354
1.2	Non-accountal of unspent fund balance surrendered by Dagana Dzongkhag and misuse thereof	-
1.3	Erroneous adoption of measurements on the supply and fixing of concertina wire fencing with resultant overpayment	21.177
	Total	76.531

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

1.1 Payment of item of work at analysed rate in deviation to the terms of the contract with resultant irregular payment – Nu. 55.354 million

The Department of Civil Aviation had made irregular payments of Nu. 55.354 million on account of payment made at analysed rates which was not regulated as per the contractual provisions. The case was forwarded to Anti-Corruption Commission. Currently, the case is subjudice. *(AIN 12148; Para 1; Accountabilities: Direct: Gyem Dorji, Dy. Executive Engineer, EID No. 200702026; Supervisory: Individuals Concerned)*

1.2 Non-accountal of unspent fund balance surrendered by Dagana Dzongkhag and misuse thereof

The Senior Accounts Officer of the Ministry of Information and Communications had misused unspent fund balance of Nu. 2.206 million, surrendered by Dagana Dzongkhag by way of depositing the amounts into his personal savings account for more than one year. The amount with 24% penalty was deposited into Audit Recoveries Account. The case was forwarded to Anti-Corruption Commission. Currently, the case is subjudice. *(AIN 12427; Para 1; Accountabilities: Direct: Ugyen Tshewang, Sr. Accounts Officer, EID No. 7609010; Supervisory: Ugyen Tshewang, Sr. Accounts Officer, EID No. 7609010, Karma Tenzin, CAO, EID No. 2001047 & Dasho Kinley Dorji, Secretary, MoIC, EID No. 7807011)*

1.3 Erroneous adoption of measurements on the supply and fixing of concertina wire fencing with resultant overpayment – Nu. 21.177 million

The Department of Civil Aviation had adopted erroneous measurements in the supply and fixing of concertina wire fencing which resulted in over payment of Nu. 21.177 million in the construction of Gelephu Domestic Airport. The joint physical verification revealed execution of concertina fencing works to the extent of 2,583.70 metres. Accordingly, the value of work done as per contractor's quoted rate worked out to Nu. 1.063 million (2,583.70 metres x Nu. 411.60) only as against Nu. 22.240 million claimed and entertained for payment with resultant over payment to that extent. The case was forwarded to Anti-Corruption Commission. Currently, the case is subjudice. *(AIN 12148; Para 6; Accountabilities: Direct: Gyem Dorji, Dy. Executive Engineer, EID No. 200702026; Supervisory: Phala Dorji, DG, EID No. 7207011)*

2. Mismanagement – Nu. 0.062 million

The case of mismanagement is as indicated below:

2.1 Non-collection of fines and penalties – Nu. 0.062 million

The Regional Office, Road Safety and Transport Authority, Phuentsholing had not collected fines and penalties amounting to Nu. 0.062 million despite issue of Transport Infringement Notices. *(AIN 12313; Para 1; Accountabilities: Direct: Sherab Yoezer, Traffic In-charge, Pin No. 5094; Supervisory: Tsheten Norbu, OC, Tshimasham, Pin No. 164)*

3. Violation of laws and rules – Nu. 8.163 million

There were cases of violation of laws and rules involving Nu. 8.163 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Improper rate analysis of earthwork	1.387
3.2	Excess computation of payable amount for earthwork excavation over areas due to flaws in the analysis of rate	3.579
3.3	Incorrect rate analysis with resultant overstatement of final bill	2.647
3.4	Application of wrong rate in fencing works resultant excess claim	0.285
3.5	Excess payment due to variation in measurements	0.265
	Total	8.163

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

3.1 Improper rate analysis of earthwork – Nu. 1.387 million

The Department of Civil Aviation had approved excess claim of Nu. 1.387 million on account of wrong inclusion of 5% labour charges for separating and stacking rocks and stones by the consultant. The claim was not admissible as per the Labour Material Coefficient 2011. The case was forwarded to Anti-Corruption Commission. Currently, the case is subjudice. (AIN 12148; Para 2iia; Accountabilities: Direct: Gyem Dorji, Dy. Executive Engineer, EID No. 200702026; Supervisory: Dasho Kinley Dorji, Secretary, MoIC, EID No. 7807011, Wangdi Gyeltshen, Director, DCA, EID No. 8101036, Karma Wangchuk, CAO, DCA, EID No. 9004059, Karma Tenzin, Offtg. CAO, MoIC, EID No.2001047, Bhagi Maya, Sr. Accounts Officer, DCA, EID No. 2001019, Gyem Dorji, Dy. Executive Engineer, DCA, EID No. 200702026 & Sonam Jamtsho, Asstt. Procurement Officer, MoIC, EID No. 200602016)

3.2 Excess computation of payable amount for earthwork excavation over areas due to flaws in the analysis of rate – Nu. 3.579 million

The Department of Civil Aviation had applied analysed rate for wrong specification on earthwork in excavation which resulted in inflated claim to the extent of Nu. 3.579 million. The case was forwarded to Anti-Corruption Commission. Currently, the case is subjudice. (AIN 12148; Para 3; Accountabilities: Direct: Gyem Dorji, Dy. Executive Engineer, EID No. 200702026; Supervisory: Dasho Kinley Dorji, Secretary, MoIC, EID No. 7807011, Wangdi Gyeltshen, Director, DCA, EID No. 8101036, Karma Tenzin, Offtg. CAO, MoIC, EID No. 2001047, Gyem Dorji, Dy. Executive Engineer, DCA, EID No. 200702026 & Sonam Jamtsho, Asstt. Procurement Officer, MoIC, EID No. 200602016)

3.3 Incorrect rate analysis with resultant overstatement of final bill – Nu. 2.647 million

The contractor had made excess claim of Nu. 2.647 million in the construction of Gelephu Domestic Airport. It was observed that instead of Nu. 147.31 per cum considered for payment in the final bill, the analysed rate worked out to Nu. 59.21 per cum for quantity of 30,050 cum. The case was forwarded to Anti-Corruption Commission. Currently, the case is subjudice. (AIN 12148; Para 4; Accountabilities: Direct: Gyem Dorji, Dy. Executive Engineer, EID No. 200702026;

Supervisory: Dasho Kinley Dorji, Secretary, MoIC, EID No. 7807011, Wangdi Gyeltshen, Director, DCA, EID No. 8101036, Karma Tenzin, Offtg. CAO, MoIC, EID No.2001047, Gyem Dorji, Dy. Executive Engineer, DCA, EID No. 200702026 & Sonam Jamtsho, Asstt. Procurement Officer, MoIC, EID No. 200602016)

3.4 Application of wrong rate in fencing works with resultant excess claim – Nu. 0.285 million

The Department of Civil Aviation had applied quoted rate for form-work of the terminal building – columns, beams, slabs etc up to fifth floor level for fencing works which resulted in excess claim of Nu. 0.285 million. The payment should have been regulated with reference to analyzed or market rate. The case was forwarded to Anti-Corruption Commission. Currently, the case is subjudice. *(AIN 12148; Para 10; Accountabilities: Direct: Gyem Dorji, Dy. Executive Engineer, EID No. 200702026; Supervisory: Gyem Dorji, Dy. Executive Engineer, EID No. 200702026)*

3.5 Excess payment due to variation in measurements – Nu. 0.265 million

The Department of Civil Aviation had made excess payment of Nu. 0.265 million due to variations in measurement of terminal building and fencing works. The variations were noted during the joint measurement comprising representatives from the Department of Civil Aviation, the Anti-Corruption Commission, the Bhutan Standards Bureau and the Royal Audit Authority. Currently, the case is subjudice. *(AIN 12148; Para 11; Accountabilities: Direct: Gyem Dorji, Dy. Executive Engineer, EID No. 200702026; Supervisory: Gyem Dorji, Dy. Executive Engineer, EID No. 200702026)*

4. Shortfalls, lapses and deficiencies – Nu. 0.912 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.912 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
4.1	Double charging of excavation costs	0.198
4.2	Excess claim due to change in the width of the runway	0.714
	Total	0.912

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

4.1 Double charging of excavation costs – Nu. 0.198 million

The contractor had claimed double excavation costs of Nu. 0.198 million on account of additional earthwork excavation, to clear the line of sight from the Tower to the Runway during the opening ceremony of Gelephu Domestic Airport. However, the entire excavation works were included in the total quantity of excavation works arrived at 527,040.10 cum during the joint survey carried out between 28/10/2012 to 03/11/2012. The case was forwarded to Anti-Corruption Commission. Currently, the case is subjudice. *(AIN 12148; Para 6; Accountabilities: Direct: Karma Wangchuk, CAO, DCA, EID No. 9004059; Supervisory: Karma Wangchuk, CAO, DCA, EID No. 9004059)*

4.2 Excess claim due to change in the width of the runway – Nu. 0.714 million

The Department of Civil Aviation had entertained the claim for 50 metres width of the runway while the actual width was 40 metres only resulting into excess claim of Nu. 0.714 million in the final bill for the construction of Gelephu Domestic Airport. The case was forwarded to Anti-Corruption Commission. Currently, the case is subjudice. *(AIN 12148; Para 7; Accountabilities: Direct: Gyem Dorji, Dy. Executive Engineer, EID No. 200702026; Supervisory: Gyem Dorji, Dy. Executive Engineer, DCA, EID No. 200702026)*

4.1.2 Ministry of Finance

During the period, the Royal Audit Authority had issued 10 audit reports of the Ministry of Finance and its Departments, Divisions and Units. There were 42 observations pointed out in the reports involving Nu. 325.139 million, out of which 17 observations amounting to Nu. 305.512 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 19.627 million.

Based on the responses received after the issue of the draft AAR 2014 and action taken by the Ministry and agencies under it, observations amounting to Nu. 1.224 million were either resolved fully or substantially. The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 18.403 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	18.403	5
	Total	18.403	

1. Shortfalls, lapses and deficiencies – Nu. 18.403 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 18.403 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Excess payment to the contractor	0.191
1.2	Non-payment of house rent	0.036
1.3	Difference in revenue generated between Bhutan Customs Clearance remitted at RRCO, Phuentsholing and LTO, Kolkata on account of clearing charges	6.592
1.4	Difference in CIF value	3.344
1.5	Outstanding advances	7.839
1.6	Outstanding taxes	0.251
1.7	Non-realization of taxes payable	0.150
	Total	18.403

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

1.1 Excess payment to the contractor – Nu. 0.191 million

The Regional Revenue & Customs Office, Phuentsholing had made excess payment of Nu. 0.191 million for the improvement of parking area and drainage at main gate, check post complex RRCO, Phuentsholing. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. (AIN 12154; Para 1.1; Accountabilities: Direct: Dawa Drukpa, Account Assistant, EID No. 9107027; Supervisory: Ugyen Namgyel, Regional Director, EID No. 9101155)

1.2 Non-payment of house rent – Nu. 0.036 million

The former Speaker of the Parliament had not paid house rent of Nu. 0.036 million for the months of May and June 2013 despite several reminders by the Department of National Properties. *(AIN 12422; Para 4; Accountabilities: Direct: Jigme Tsheltrim, Former Speaker, CID No. 11510000927; Supervisory: Nima Tshering, DG, EID No. 7110007)*

1.3 Difference in revenue generated between Bhutan Customs Clearance remitted at RRCO, Phuentsholing and Liaison & Transit Office, Kolkota on account of clearing charges – Nu. 6.592 million

The Liaison & Transit Office under Department of Revenue & Customs at Kolkota, India had difference in the revenue generated amounting to Nu. 6.592 million between Bhutan Customs Clearance remitted at RRCO, Phuentsholing and Liaison & Transit Office, Kolkota on account of clearing charges. *(AIN 12093; Para 4; Accountabilities: Direct: Karma Loday, Liaison Transit Officer, EID No. 8905058; Supervisory: Karma Loday, Liaison Transit Officer, EID No. 8905058)*

1.4 Difference in Cost Insurance and Freight value – Nu. 3.344 million

The Liaison & Transit Office under Department of Revenue & Customs at Kolkota, India had difference in the Cost Insurance and Freight (CIF) value by Nu. 3.344 million between the record maintained by the LTO, Kolkota and RRCO, Phuentsholing. *(AIN 12093; Para 5; Accountabilities: Direct: Karma Loday, Liaison Transit Officer, EID No. 8905058; Supervisory: Karma Loday, Liaison Transit Officer, EID No. 8905058)*

1.5 Outstanding advances – Nu. 7.839 million

The Secretariat, Ministry of Finance had overdue outstanding advances of Nu. 7.839 million lying against various staff and officials. *(AIN 12253; Para 2; Accountabilities: Direct: Zimpon Wom Karma Jamtsho, EID No. 9009130, Tshewang Tenzin, Asst. Accounts Officer, HMS, EID No. 9206018, Kelzang Tshering, Accountant, HMS, EID No. 200707013, Kinley Khenrab, Accountant, EID No. 8707059, Dorji Penjor, Adm Officer, HMS, EID No. 200604007, Sonam Wangdi, CAO, EID No. 8607100; Supervisory: Sonam Wangdi, CAO, EID No. 8607100)*

1.6 Outstanding taxes – Nu. 0.251 million

The Regional Revenue & Customs Office, Bumthang had overdue outstanding taxes of Nu. 0.251 million against various tax payers. *(AIN 12457; Para 1; Accountabilities: Direct: Jamyang Tsheltrim, Assistant Tax Officer, EID No. 201101049; Supervisory: Anok Kumar Rai, Regional Director, EID No. 9811014)*

1.7 Non-realization of taxes payable – Nu. 0.150 million

The Regional Revenue & Customs Office, Bumthang had not realized taxes of Nu. 0.150 million from M/s U Dee Furniture & U Dee Construction, Bumthang for the income years 2011 & 2012. It was observed that the tax clearance for years 2012 and 2013 had been issued based on the agreement drawn between the taxpayer and RRCO, Bumthang. *(AIN 12457; Para 4;*

Accountabilities: Direct: Jamyang Tsheltrim, Assistant Tax Officer, EID No. 201101049; Supervisory: Anok Kumar Rai, Regional Director, EID No. 9811014)

4.1.3 Ministry of Foreign Affairs

During the period, the Royal Audit Authority had issued 8 audit reports of the Ministry of Foreign Affairs and its Departments, Embassies, Missions, Divisions and Units. There were 14 observations pointed out in the reports involving Nu. 13.875 million, out of which four observations amounting to Nu. 0.849 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 13.026 million.

Based on action taken by the Ministry and agencies under it after the issue of the draft AAR 2014, observations amounting to Nu. 0.170 million were resolved. The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 12.856 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	12.856	5
	Total	12.856	

1. Shortfalls, lapses and deficiencies – Nu. 12.856 million

The RAA had repetitively raised issue on inadmissible payment of Children’s Education Allowance and non deduction of TDS in the audit reports of all the embassies. The status of issue remained same as the the Ministry was supposed to take up the issue with MoF and RCSC and intimate the outcome of meeting. Further, the RAA had also written to MoFA, MoF & RCSC vide letter No. RAA(AG-SP)2013/430 dated 13/02/2013 for review and amendment of the Foreign Service Rules & Regulation 2002 but till date no response was received.

There were cases of shortfalls, lapses and deficiencies involving Nu. 12.856 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Inadmissible payment of Children’s Education Allowance	0.405
1.2	Non-deduction of TDS from local recruits’ salary incomes	11.769
1.3	Outstanding advances	0.682
	Total	12.856

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

1.1 Inadmissible payment of Children’s Education Allowance – Nu. 0.405 million

The Royal Bhutan Consulate, Kolkota, Royal Bhutanese Embassy, Brussels and Permanent Mission of Bhutan to the United Nations, Geneva had made inadmissible payments of Nu. 0.405 million on account of Children’s Education Allowance. It was found that children education allowances were paid for those children who were studying in various government schools in Bhutan. As per the Foreign Service Rules and Regulations, such allowances are payable if the children are not in receipt of free education either in Bhutan or abroad. The details are as shown in the table below:

Sl. No.	Embassy	Amount (Nu. in million)	AIN & Para No.	Accountabilities	
				Direct	Supervisory
1	Royal Bhutan Consulate, Kolkota	-	12258; Para 1	Nim Dorji, Dy. Chief Accounts Officer, EID No.7905009	Nim Dorji, Dy. Chief Accounts Officer, EID No.7905009
2	Royal Bhutanese Embassy, Brussels	0.176	12197; Para 2	Sangay Chewang, Minister Counselor, EID No. 9101149	Sonam Tsong, Ambassador, EID No. 800022)
3	Permanent Mission of Bhutan to the United Nations, Geneva	0.229	12571; Para 2	Pema Wangdi, Counsellor (tutor), EID No. 9901003	H.E. Daw Penjo, Kutshab, EID No. 8003024
Total		0.405			

1.2 Non-deduction of TDS from local recruits' salary incomes – Nu. 11.769 million

The Royal Bhutanese Embassy, Brussels, Permanent Mission of Bhutan to the United Nations, New York and Geneva had not deducted TDS amounting to Nu. 11.769 million from the salaries of various local recruits working in the Embassies. The non-deduction of TDS on salary was in contravention to the Rules on the Income Tax Act of the Kingdom of Bhutan 2001. The details are as shown in the table below:

Sl. No.	Embassy	Amount (Nu. in million)	AIN & Para No.	Accountabilities	
				Direct	Supervisory
1	Royal Bhutanese Embassy, Brussels	2.436	12197; Para 1	Gerlie Aguac, Private Secretary, EID No.RBE/BRU/LR/090801, Ala Buceatchi, Recentionist, EID No.RBE/BRU/LR/100401, Edilberto Bruno, Chauffer, EID No.RBE/BRU/LR/100101 & Kelzang, Driver, EID No. RBE/BRU/LR/090803	Sonam Tsong, Ambassador, EID No. 800022
2	Permanent Mission of Bhutan to the United Nations, New York	4.123	12381; Para 1	Kinzang, Head of Chancery, EID No. 9711020	Kunzang C. Namgyel, Kutshab, EID No. 8001018
3	Permanent Mission of Bhutan to the United Nations, Geneva	5.210	12571; Para 2	Madam Buraga Victoria, EID. No. PMBGNE 001, Ms. Amal Elia Abdulahad, EID No. PMBGNE 002, Mr. Gilberto Quinto, EID No. PMBGNE 003 & Mr. Demuni De Silva, EID No. PMBGNE 004	H.E. Daw Penjo, Kutshab, EID No. 8003024
Total		11.769			

1.2 Outstanding advances – Nu. 0.682 million

- a) The Royal Bhutanese Embassy, Bangkok had overdue outstanding advances of Nu. 0.148 million against various officials. (*AIN 12260; Para 2; Accountabilities: Direct: Tashi Wangchuk, Counsellor, EID No. 8601069, Thinley Norbu, Third Secretary, EID No. 200211057, Tshering Tobgay, Third Secretary, EID No. 2102018 & Sonam Pelzom, Third Secretary, EID No. 200211056; Supervisory: Chitem Tenzin, Head of Chancery, EID No. 8708042*)
- b) The Permanent Mission of Bhutan to the United Nations, New York had overdue outstanding advances of Nu. 0.534 million against various officials. (*AIN 12381; Para 1; Accountabilities: Direct: Kinzang, Head of Chancery, EID No. 9711020; Supervisory: Kunzang C. Namgyel, Kutshab, EID No. 8001018*)

4.1.4 Ministry of Health

During the period, the Royal Audit Authority had issued 20 audit reports of the Ministry of Health and its Departments, Divisions and Units. There were 31 observations pointed out in the reports involving Nu. 42.860 million, out of which 20 observations amounting to Nu. 30.788 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 12.072 million.

Based on the responses received after the issue of the draft AAR 2014 and action taken by the Ministry and agencies under it, observations amounting to Nu. 2.727 million were either resolved fully or substantially. The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 9.345 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	9.345	4
	Total	9.345	

1. Violation of laws and rules – Nu. 9.345 million

The RAA had observed inadequacies in the existing procurement system as well as weak internal controls including supervisory and monitoring controls, lack of effective contract management impeding economy, efficiency and effectiveness in the procurement of drugs and non drugs, and delivery of services to general public at large. Similar issues were raised in the past audit reports. The management was recommended to review and revamp procurement systems and practices. While the the management has attempted to implement and streamline the processes, there is still much room for further improvement.

There were cases of violation of laws and rules involving Nu. 9.345 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Procurement of Neostigmine 0.5mg/ml inj (1ml) at higher rate than the lowest evaluated rate with resultant excess payment	1.146
1.2	Procurement of Adrenaline 1m/ml inj at higher rate than the lowest evaluated rate with resultant excess payment	0.170
1.3	Procurement of Methylegometrine 125 mcg tab at higher rate from other firms than the lowest evaluated rate with resultant excess payment	7.010
1.4	Procurement of Chloramphenicol 1g inj at higher rate from other firms than the lowest evaluated bidder with resultant excess payment	0.138
1.5	Procurement of Frusemide inj at higher rate from other firms than the lowest evaluated bidder with resultant excess payment	0.044
1.6	Procurement of Podophyllum resin 25g at higher rate from other firms than the lowest evaluated bidder with resultant excess payment	0.307
1.7	Procurement of Zinc Sulphate 10 mg tab at higher rate from other firms than the lowest evaluated bidder with resultant financial implication	0.530
Total		9.345

The cases of violations, laws and rules are as indicated below:

1.1 Procurement of Neostigmine 0.5mg/ml inj (1ml) at higher rate than the lowest evaluated rate with resultant excess payment - Nu. 1.146 million

The Department of Medical Services had made excess payment of Nu. 1.146 million for purchase of 10,300 vials of Neostigmine 0.5mg/ml inj. from M/s Karma Tshongkhag in 2011-12 at the rate of Nu. 115 per vial, as the lowest evaluated bidder failed to supply at the rate of Nu. 3.74 per vial. *(AIN 12072; Para 5.1; Accountabilities: Direct: Tandin, Ex-CPO, DVED, EID No. 200501119; Supervisory: Ugyen Dopfu, Director General, DMS, EID No. 8901064)*

1.2 Procurement of Adrenaline 1mg/ml injection at higher rate than the lowest evaluated rate with resultant excess payment - Nu. 0.170 million

The Department of Medical Services had made excess payment of Nu. 0.170 million for purchase of 7,101 vials of Adrenaline 1mg/1ml Injection. It was observed that instead of purchasing from the lowest evaluated bidder M/s KSD Medical at Nu. 2.88 per vial, the order was placed to M/s Karma Tshongkhag the 4th lowest bidder at his quoted amount of Nu. 20.50 per vial in 2010-2011 resulting in overpayments of Nu. 0.125 million. In 2011-2012, the purchase of 9,600 vials was made from M/s KMT at Nu. 7.59 per vial which resulted in overpayments of Nu. 0.045 million. *(AIN 12072; Para 5.2; Accountabilities: Direct: Tandin, Ex-CPO, DVED, EID No. 200501119; Supervisory: Ugyen Dopfu, Director General, DMS, EID No. 8901064)*

1.3 Procurement of Methylegometrine 125 mcg tablet at higher rate from other firms than the lowest evaluated rate with resultant excess payment – Nu. 7.010 million

The Department of Medical Services had made excess payment Nu. 7.010 million on account of purchase of 108,760 Methylegometrine 125 mcg tablet. It was observed that the purchase was made from M/s Karma Thsongkhang 3rd lowest at his quoted rate of Nu. 6.50 as against the lowest quoted price of Nu. 0.63/tablet resulting in excess payment of Nu. 2.878 million in 2010-2011. For the fiscal year 2011-2012, the purchase was also made from same firm at the reduced rate of Nu. 0.60/tablet which resulted in excess payment of Nu. 4.132 million. *(AIN 12072; Para 5.3; Accountabilities: Direct: Tandin, Ex-CPO, DVED, EID No. 200501119; Supervisory: Ugyen Dophu, Director General, DMS, EID No. 8901064)*

1.4 Procurement of Chloramphenicol 1g injection at higher rate from other firms than the lowest evaluated bidder with resultant excess payment – Nu. 0.138 million

The Department of Medical Services had made excess payment of Nu. 0.138 million on account of purchase of 10,318 Chloramphenicol 1g injection. It was observed that upon default of supply by the lowest evaluated bidder at the rate of Nu. 17.25 per vial, the purchase was made from M/s Karma Thsongkhang at his quoted rate of Nu. 28.80 per vial. For the subsequent year, the purchase was made from open market at the rate of Nu. 19.00 per vial. This had resulted in excess payment of Nu. 0.119 million and Nu. 0.019 million respectively for fiscal years 2010-2011 and 2011-2012. *(AIN 12072; Para 5.4; Accountabilities: Direct: Tandin, Ex-CPO, DVED, EID No. 200501119; Supervisory: Ugyen Dophu, Director General, DMS, EID No. 8901064)*

1.5 Procurement of Frusemide injection at higher rate from other firms than the lowest evaluated bidder with resultant excess payment – Nu. 0.044 million

The Department of Medical Services had made excess payments of Nu. 0.044 million on account of purchase of 13,757 Frusemide injections from the open market. It was observed that upon default of supply by the lowest evaluated bidder at the rate of Nu. 1.33 per vial, the purchase was made from M/s Karma Thsongkhang at its quoted rate of Nu. 2.96 per vial. For the subsequent year, the purchase was made from same firm at the rate of Nu. 19.00 per vial as against its quoted rate of Nu. 2.96 per vial. This had resulted in excess payments of Nu. 0.022 million and Nu. 0.022 million for the years 2010-11 and 2011-12 respectively. *(AIN 12072; Para 5.5; Accountabilities: Direct: Tandin, Ex-CPO, DVED, EID No. 200501119; Supervisory: Ugyen Dophu, Director General, DMS, EID No. 8901064)*

1.6 Procurement of Podophyllum resin 25g at higher rate from other firms than the lowest evaluated bidder with resultant excess payment – Nu. 0.307 million

The Department of Medical Services had made excess payment of Nu. 0.307 million on account of purchase of Podophyllum resin 25g. It was observed that the purchase was made from the open market at the rate of Nu. 2,860.00 against the offered rate of Nu. 485.00 by M/s KSD which resulted in excess payment of Nu. 0.142 million for 60 units and Nu. 0.165 million for 70 units respectively for the fiscal years 2010-2011 and 2011-2012. *(AIN 12072; Para 5.6; Accountabilities:*

Direct: Tandin, Ex-CPO, DVED, EID No. 200501119; Supervisory: Ugyen Dophu, Director General, DMS, EID No. 8901064)

1.7 Procurement of Zinc Sulphate 10 mg tablet at higher rate from other firms than the lowest evaluated bidder with resultant financial implication - Nu. 0.530 million

The Department of Medical Services, Thimphu had made excess payment of Nu. 0.530 million on account of purchase of 445,000 tablets of Zinc Sulphate 10 mg tablet. It was observed that as against the lowest evaluated bidder M/s KSD with a quoted rate of Nu. 0.06 per tablet, the purchase was made from M/s Karma Tshongkhong at the rate of Nu. 1.25 per tablet. This had resulted in financial implication of Nu. 0.530 million in the fiscal year 2010-2012. *(AIN 12072; Para 5.7; Accountabilities: Direct: Tandin, Ex-CPO, DVED, EID No. 200501119; Supervisory: Ugyen Dophu, Director General, DMS, EID No. 8901064)*

4.1.5 Ministry of Agriculture & Forests

During the period, the Royal Audit Authority had issued 83 audit reports of the Ministry of Agriculture & Forests and its Departments, Divisions and Units. There were 115 observations pointed out in the reports involving Nu. 25.066 million, out of which 48 observations amounting to Nu. 12.996 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 12.070 million.

Based on the responses received after the issue of the draft AAR 2014 and action taken by the Ministry and agencies under it, observations amounting to Nu. 7.469 million were either resolved or not considered for inclusion in the AAR 2014. The total unresolved significant irregularities amounted to Nu. 4.601 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.237	1 & 2
2	Mismanagement	0.046	3
3	Violation of laws and rules	0.140	4
4	Shortfalls, lapses and deficiencies	4.178	5
	Total	4.601	

1. Fraud, Corruption & Embezzlement – Nu. 0.237 million

There were cases of possible elements of fraud, corruption and embezzlement involving Nu. 0.237 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Irregular payment of salary	0.037
1.2	Payment without supply of goods	0.200
	Total	0.237

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

1.1 Irregular payment of salary – Nu. 0.037 million

The Divisional Forest Office, Samdrup Jongkhar had made intentional irregular payment of Nu. 0.037 million to Mr. Tsheten Wangchuk, Forester for three months (October, November & December 2012) even after his resignation from the service. The net pay of Nu. 0.007 million after deductions for the month of October 2012 was credited in to saving account of Mr. Tsheten Wangchuk and Nu. 0.014 million for months of November and December 2012 was deposited into saving account of Mr. Dechen Dorji, Accountant. The case was forwarded to the Anti-Corruption Commission. *(AIN 11866; Para 2; Accountabilities: Direct: Dechen Dorji, Accountant, EID No. 9404030; Supervisory: Kaka Tshering, CFO, EID No. 8205001)*

1.2 Payment without supply of goods – Nu. 0.200 million

The Jigme Dorji National Park, Damji had made payment of Nu. 0.200 million to M/s Kuensel Corporation Limited, Thimphu without receiving 500 copies of Management Plan and 830 copies of Takkin Survey Report. (AIN 12341; Para 6; Accountabilities: Direct: Tshering Wangchuk, Accountant, EID No. 200207191; Supervisory: Phuntsho Thinley, Former CFO, EID No. 200301023)

2. Mismanagement – Nu. 0.046 million

There were cases of mismanagement involving Nu. 0.046 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Issuance of uniforms and boots to forestry officials on long term studies	0.046
2.2	Diversion of fund	-
2.3	Non-installation of machineries issued to farmers	-
Total		0.046

The cases of mismanagement are as indicated below:

2.1 Issuance of uniforms and boots to forestry officials on long term studies – Nu. 0.046 million

The Department of Forest & Park Services had issued uniforms and boots worth Nu. 0.046 million to forestry officials who were on long term studies outside the country. Since the officials were on long term studies, issuance of uniforms were not justifiable. (AIN: 12242; Para 1.4; Accountabilities: Direct: Ugyen Tshering, SFR, EID No. 200208042, Samten, Wangchuk, FO, EID No. 200701026, Dorji Wangdi, FO, EID No. 200901192, Kinley Wangmo, FO, EID No. 200507174, Dorji Wangchuk, SFR, EID No. 8911025, Rinchen Wangdi, FR, EID No. 200607105, Phurpa, Jr. Instructor, EID No. 9808039, Thsering Tempa, Associate Lecturer, EID No. 200401061, Dophu, SFR, EID No. 200308078, Ugyen Tenzin, SFR, EID No. 2108031, Singye Wangchuk, FR, EID No. 200308087 & Pema Dendup, FR, EID No. 200308102; Supervisory: Kaka Tshering, CFO, EID No. 8205001, Kinley Tshering, CFO, EID No. 9612006, Tenzin Wangchuk, CFO, EID No. 9612010, Pankey Dukpa, CFO, EID No. 8611058, Ngawang Norbu, Director, EID No. 9901090, Akey Dorji, DzFO, EID No. 8711001, Nima Tshering, DzFO, EID No. 9211046, Karma Tempa, DzFO, EID No. 9507088 & Norbu Wangdi, DzFO, EID No. 9710028)

2.2 Diversion of fund

The Department of Agricultural Marketing and Cooperatives instead of providing soft loans to selected Gewogs in Zhemgang and Sarpang Dzongkhags had diverted fund of Nu. 0.329 million by procuring equipment for Dzongkhags under the Co-operative Development Fund. The utilization of Co-operative Development Fund for purchasing equipment was not covered under objectives of the Project. (AIN 12568; Para 1.2; Accountabilities: Direct: Dawa Tshering, Dy. CMO, EID No. 2101028; Supervisory: Dorji Dhradhul, Director, EID No. 9209027)

2.3 Non-installation of machineries issued to farmers

The agriculture machineries worth Nu. 0.363 million supplied to the farmers group at Bongo Gewog under Chhukha Dzongkhag from the Project “Farm Road to support poor farmers’ livelihood” had not been installed and were left exposed to all weather conditions. The Agriculture Machinery Centre, Paro was responsible for installing the machineries. (AIN 12570; Para 2; Accountabilities: Direct: Ugyen Sha, Agriculture Extension Officer, EID No. 200607163; Supervisory: Sonam, DAO, EID No. 9801092)

3. Violation of laws and rules – Nu. 0.140 million

There were cases of violation of laws and rules involving Nu. 0.140 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Short deduction of liquidated damages	0.048
3.2	Under-utilization of air compressor machine	-
3.3	Short deposit of employees’ salary and deposit of differences in the personal account	0.092
Total		0.140

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

3.1 Short levy of liquidated damages – Nu. 0.048 million

The Regional Livestock Development Centre, Wangduephodrang had made less deduction of liquidated damages amounting to Nu. 0.048 million for delay in blacktopping of approach road from old Wangdue town to Regional Livestock Centre, Rubesa. The management instead of deducting 0.06% had deducted only 0.05% from the final bill of Nu.8,760,139.09 resulting in short-levy of liquidated damages to that extent. (AIN 12259; Para 1; Accountabilities: Direct: Thinley Wangchuk, AE, EID No.200307020; Supervisory: Dr. Bir Dor Rai, PD, EID No.2001031)

3.2 Under-utilization of air compressor machine

The Jigme Dorji National Park, Damji had procured one Air Compressor machine at a cost of Nu. 0.030 million in 2011 to repair tyres and tubes of pool vehicle during emergencies. The machine was not put to use till date and was at the verge of getting rusted due to non-utilisation resulting in waste of resources. (AIN 12341; Para 5a; Accountabilities: Direct: Sonam Chopel, Former Adm., EID No. 20120600266, Thinley Dorji, Former Adm., EID No. 9809012 & Kinley Tshering, Former CFO, EID No. 9612006; Supervisory: Phuntsho Thinley, Former CFO, EID No. 200301023 & Kinley Tshering, Former CFO, EID No. 9612006)

3.3 Short deposit of employees’ salary and deposit of differences in the personal account – Nu. 0.092 million

The Divisional Forest Office, Samdrup Jongkhar had made unauthorized deduction from the salary of staff amounting to Nu. 0.092 million and deposited into the saving account of Mr. Dechen Dorji, Accountant. The Accountant stated that short deposits in the account of the individuals were due to deductions made from the net pay for contributions for farewell parties, semso to staff and recovery of temporary advances. No evidence was available to authenticate the expenditures.

(AIN 11866; Para 1; Accountabilities: Direct: Dechen Dorji, Accountant, EID No. 9404030; Supervisory: Kaka Tshering, CFO, EID No. 8205001)

4. Shortfalls, lapses and deficiencies – Nu. 4.178 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 4.178 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
4.1	Excess payment	0.336
4.2	Excess payment of porter charges	0.131
4.3	Outstanding advances	3.346
4.4	Outstanding material secured advance	0.056
4.5	Non-reconciliation of accounts	-
4.6	Non-availability of distribution list and acknowledgement for equipment	0.309
	Total	4.178

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

4.1 Excess payment – Nu. 0.336 million

- a) The Divisional Forest Office, Lobeysa had made excess payment of Nu. 0.223 million in the construction of Range Office at Nobding. The excess payment had occurred due to improper verification of items of work executed at site. (AIN 12244; Para 1.1; Accountabilities: Direct: Thinley Gyeltshen, Dy.EE, EID No. 8502086; Supervisory: Kencho Dukpa, CFO, EID No. 8711039)
- b) The National Post Harvest Centre, Paro had made excess payment of Nu. 0.037 million on account of non-deduction of the excess claims on wood works. The excess payment had occurred due to improper verification of bills by the site engineer. (AIN 12164; Para 3; Accountabilities: Direct: Thinley Gyeltshen, Engineer, EID No. 88602085; Supervisory: Dechen Tshering, Dy.Chief Postproduction Officer, EID No. 200401054)
- c) The Renewable Natural Resource Research & Development Centre, Bajo had made excess payment of Nu. 0.076 million in water supply works and compound lighting system for National Citrus Nursery and Repository Block at RNR Sub-Centre, Tsirang. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. (AIN 12296; Para 1; Accountabilities: Direct: Thinlay Gyamtsho, Principal Engineer, EID No. 9901080; Supervisory: Yadunath Bajgai, Offtg. PD, EID No. 9901084)

4.2 Excess payment of porter charges - Nu. 0.131 million

The Department of Forest & Park Services had made excess payment of Nu. 0.131 million on account of porter charges to officials during the field assessment, hot spot mapping and socio-

ecological survey conducted in various Dzongkhags. The excess payment had occurred due to payment of porter charges in excess of their entitlement. *(AIN 12242; Para 2; Accountabilities: Direct: Norbu Wangdi, SFO, EID No. 2008801027; Supervisory: Ngawang Norbu, Director, UWICE, EID No. 9901090)*

4.3 Outstanding advances – Nu. 3.346 million

- a) The Divisional Forest Office, Bumthang had overdue outstanding advances of Nu. 0.262 million against the staff. *(AIN 12195; Para 3; Accountabilities: Direct: Karma Phuntsho, Accountant, EID No. 8901101; Supervisory: Dhendup Tshering, CFO, EID No. 9810005)*
- b) The Department of Agriculture had overdue outstanding advances of Nu. 3.084 million against various staff. *(AIN 12174; Para 3; Accountabilities: Direct: Wangda Dukpa, PD, EID No. 9901062, Gyembo Tshering, PD, EID No. 9605004 & Karma Thinley, PD, EID No. 9901086 Supervisory: Tenzin Drugyal, DCAO, EID No. 20050110, Kinley Trsering, CHO, EID No.9901079 & Karma Tshethar, OCAO, EID No. 9901079)*

4.4 Outstanding material secured advance – Nu. 0.056 million

The Nature Recreation & Eco-Tourism Division, Department of Forests & Park Services had not recovered/adjusted material secured advance amounting to Nu. 0.056 million from the final bill for Electrification & Maintenance Work at Royal Botanical & Recreational Park, Lamperi. *(AIN 12153; Para 5; Accountabilities: Direct: Rinchen Gyeltshen, Accountant, EID No. 200207172; Supervisory: Karma Tshering, CFO, EID No. 9003020)*

4.5 Non-reconciliation of accounts

The Agriculture Machinery Centre, Paro had un-reconciled figure of Nu. 0.089 million between the sale proceeds as per the inventory system and overall cash received/deposited into respective accounts. The difference had occurred mainly due to inadequate stores management system and improper documentation of various advance receipts and sales. *(AIN 12135; Para 1; Accountabilities: Direct: Karma Wangdi, Accountant, EID No. 200907017; Supervisory: Karma Thinley, PD, EID No. 9901086)*

4.6 Non-availability of distribution list and acknowledgement – Nu. 0.309 million

The Department of Agricultural Marketing and Cooperatives had not produced the distribution list and acknowledgement of beneficiaries for equipment worth Nu. 0.309 million for audit verification. The equipment were issued from Co-operative Development Fund under Rural Livelihood Project Phase II. *(AIN 12568; Para 1.3; Accountabilities: Direct: Dawa Tshering, Dy. Chief Marketing Officer, EID No. 2101028; Supervisory: Dorji Dhradhul, Director, EID No. 9209027)*

4.1.6 Ministry of Works & Human Settlement

During the period, the Royal Audit Authority had issued 23 audit reports of the Ministry of Works & Human Settlement and its Departments, Divisions and Units. There were 37 observations pointed out in the reports involving Nu. 81.839 million, out of which 18 observations amounting to Nu. 5.267 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 76.572 million.

Based on the responses received after the issue of the draft AAR 2014 and action taken by the Ministry and agencies under it, observations amounting to Nu. 75.893 million were either resolved or not considered for inclusion in the AAR 2014. The total unresolved significant irregularities amounted to Nu. 0.679 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.679	4
	Total	0.679	

1. Violation of laws and rules – Nu. 0.679 million

There were cases of violation of laws and rules involving Nu. 0.679 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Unrealistic rate analysis resultant excess payment in the award of labor contract works	0.400
1.2	Delay in construction and non-levy of liquidated damages	0.279
	Total	0.679

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

1.1 Unrealistic rate analysis resultant excess payment in the award of labor contract works – Nu. 0.400 million

The Regional Office, Department of Roads, Lobeyasa had made excess payment of Nu. 0.400 million due to unrealistic rate analysis. The incorporation of 5% for tools in the labour contract was in contravention to the labour contract agreement signed between the labour contractor and the Chief Engineer of the Regional Office, Lobeyasa. (AIN 12238; Para 3; Accountabilities: Direct: G. M. Rai, Chief Engineer, EID No. 8212026; Supervisory: G. M. Rai, Chief Engineer, EID No. 8212026)

1.2 Delay in construction and non-levy of liquidated damages – Nu. 0.279 million

The Regional Office, Department of Roads, Zhemgang had not levied liquidated damages of Nu. 0.279 million for delay of over 14 months in the construction of 12 meters span Tekrichu Zam on Gomphu-Panbang Road. (AIN 12210; Para 1; Accountabilities: Direct: Em Nath Chhetri, Project Manager, EID No. 8401039; Supervisory: Parvat Rai, Chief Engineer, EID No. 2101066)

4.1.7 Ministry of Economic Affairs

During the period, the Royal Audit Authority had issued 20 audit reports of the Ministry of Economic Affairs and its Departments, Divisions and Units. There were 13 observations pointed out in the reports involving Nu. 0.285 million, out of which three observations amounting to Nu. 0.075 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014.

The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 0.210 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	-	3
2	Shortfalls, lapses and deficiencies	0.210	5
	Total	0.210	

1. Mismanagement

The case of mismanagement is as indicated below:

1.1 Construction materials lying idle

The Department of Trade had construction materials worth Nu. 9.093 million lying idle at site since 2012. The construction materials were purchased for relocating the POL Depot from Dechencholing to a new location at Thinchupangkha. (*AIN 12219; Para 1; Accountabilities: Direct: Tshering, Sr. Trade Officer, EID No. 20040204; Supervisory: Sonam Wangchuk, Director, EID No. 9011083*)

2. Shortfalls, lapses and deficiencies – Nu. 0.210 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.210 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Payment made for incomplete works	0.061
2.2	Outstanding advances	0.149
	Total	0.210

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

2.2 Payment made for incomplete works – Nu. 0.061 million

The Department of Geology and Mines had made payment of Nu. 0.061 million for works not completed. The works were ongoing during the physical verification. (*AIN 12133; Para 1b; Accountabilities: Direct: Sangay Tshering, Offgt. Chief Engineer, EID No. 200401042; Supervisory: Ugyen Wangda, Offgt. Director, EID No. 7905030*)

2.4 Outstanding advances – Nu. 0.149 million

The Department of Geology and Mines had overdue outstanding advances of Nu. 0.149 million against various staff. *(AIN 12224; Para 2; Accountabilities: Direct: Ngawang Norbu, Head Drilling, EID No.7912012, Ugyen Wangda, Head, EID No. 7905030, T.P.Thapa, Geologist, EID No. 800707014, Nidup Dorji, Account Asst., EID No. 200707014, C.R Gurung, Geologist, EID No. 7905025 & Tika Tamang, CID No. 10308001869; Supervisory: Ugyen Wangda, Chief Geologist, EID No. 7905030)*

4.2 DZONGKHAGS

4.2.1 Dzongkhag Administration, Sarpang

During the period, the Royal Audit Authority had issued three audit reports of the Dzongkhag Administration, Sarpang. There were 30 observations pointed out in the reports involving Nu. 17.837 million, out of which two observations amounting to Nu. 1.317 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014.

The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 16.520 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	14.029	1 & 2
2	Mismanagement	0.086	3
3	Violation of laws and rules	0.881	4
4	Shortfalls, lapses and deficiencies	1.524	5
	Total	16.520	

1. Fraud, Corruption and Embezzlement - 14.029 million

There were cases of possible elements of fraud, corruption and embezzlement involving Nu. 14.029 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Withdrawal and non-adjustment of funds	10.637
1.2	Anomaly in purchase of timber and shortages	0.143
1.3	Non-execution of electrical works and siphoning of funds	0.596
1.4	Misappropriation of fund through submission of fictitious bills	0.587
1.5	Purchase of inferior quality of foam, non-supply of complete quantity and excessive reporting	0.042
1.6	Non-accountal of withdrawal	0.528
1.7	Fictitious payment of TA/DA	0.037
1.8	Non-deduction of cost difference	0.096
1.9	Payment for Works not-executed	0.103
1.1	Attempt to divert funds into Personal Savings Account	0.602
1.11	Collusion of Officials and Diversion of funds for misappropriation	0.536
1.12	Non-accountal of interest received	0.122
	Total	14.029

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

1.1 Withdrawal and non-adjustment of funds – Nu. 10.637 million

The Administrative Assistant of the Dungkha Administration, Gelephu had withdrawn an amount of Nu. 10.637 million from the Losal Cinema Hall Current Deposit account, reportedly to meet expenditures relating to court registration fee, payment to advocates, travelling and daily allowances and other miscellaneous expenses pertaining to litigation at District Court, Sikkim.

A note sheet was submitted to Dungkha for approval to adjust the expenditures incurred during the hearing of case at District Court, Gangtok, Sikkim. The following adjustments were made:

- Receipts amounting to Nu. 3.191 million (30% of 10.637 million) were submitted on account of fees paid to six advocates who were supposedly involved in the lawsuit filed for repatriation of money. It was revealed that Ajay Rathi was the only rightful advocate who represented the case with the State Bank of India, Gangtok, Sikkim. However, the signature of Ajay Rathi reflected in the note sheet and the official letter addressed to the Administrative Assistant by Ajay Rathi was not same. The signatures of other five advocates were also doubtful;
- The Administrative Assistant produced evidences of agreement drawn and receipts obtained from the six advocates. However, the signatures in the agreement were different from signatures in the acknowledgement receipt of the same advocates; and
- An amount of Nu. 4.004 million (75% of 5.339 million) were reported as paid to Cheytrim, declaring him as the nephew of late Dezang Chhoka. However, the directive to pay the amount was not on record.

In absence of legitimate documents supporting the expenditure, the advance availed by Administrative Assistant had remained unaccounted and unadjusted in the books of accounts. The case was forwarded to Anti-Corruption Commission. *(AIN 12304; Para 1 & 3 of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungkha, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)*

1.2 Anomaly in purchase of timber and shortages – Nu. 0.143 million

There were anomalies and shortages in the purchase of timber by Dungkha Administration, Gelephu amounting to Nu. 0.143 million for maintenance of Losal cinema hall. As against the total purchase of timber worth Nu. 0.215 million from M/s Daimary Saw Mill, Assam for 734 cft @Nu. 300 per cft, only 244.09 cft of wood works amounting to Nu. 0.073 million including 20% wastage were carried out at site resulting into shortage of timber. The case was forwarded to Anti-Corruption Commission. *(AIN 12304; Para 5.1 of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungkha, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)*

1.3 Non-execution of electrical works – Nu. 0.596 million

The Dungkhag Administration, Gelephu had not executed electrical works valuing Nu. 0.596 million in the maintenance of Losal cinema hall. As against the total purchase valuing Nu. 0.774 million, only Nu. 0.177 million worth of electrical items were found used at site. The case was forwarded to Anti-Corruption Commission. *(AIN 12304; Para 5.2 of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)*

1.4 Misappropriation of fund through submission of fictitious bills – Nu. 0.587 million

There was a case of misappropriation amounting to Nu. 0.587 million under the Dungkhag Administration, Gelephu by submitting fictitious labour payment bills for the maintenance works of Losal Cinema Hall. As against the total labour payment of Nu. 0.700 million, only Nu. 0.113 million worth of work was executed. The case was forwarded to Anti-Corruption Commission. *(AIN 12304; Para 5.3 of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)*

1.5 Purchase of inferior quality of foam, non-supply of complete quantity and excessive reporting – Nu. 0.042 million

The Dungkhag Administration, Gelephu had made payment of Nu. 0.042 million on purchasing foams for the maintenance works of Losal Cinema Hall. It was observed that the foams were of inferior quality with higher rates and the supply was incomplete. Neither the procurement norms were followed nor custom clearance obtained on the face of the invoice for purchases from Assam, India. The case was forwarded to Anti-Corruption Commission. *(AIN 12304; Para 5.4 of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)*

1.6 Non-accountal of withdrawal – Nu. 0.528 million

- a) The Dungkhag Administration, Gelephu, had not accounted withdrawal of Nu. 0.400 million in the cash book. The case was forwarded to Anti-Corruption Commission. *(AIN 12304; Para 6 of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)*
- b) The Dungkhag Administration, Gelephu, had not accounted an amount of Nu. 0.128 million in the books of accounts of Losal Cinema Hall, which was disbursed by Gelephu Thromde on account of compensation for demolition of Janta Bakery Shop. The case was forwarded to Anti-Corruption Commission. *(AIN 12304; Para 7 of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)*

1.7 Fictitious payment of TA/DA – Nu. 0.037 million

The Dungkhag Administration, Gelephu had made fictitious TA/DA payment of Nu. 0.037 million to the Administrative Assistant and staff on account of travel to Sikkim to attend court from 6th to 25th April 2013. However, all the legal cases were completed before 6th April 2013, for which the above claim was not authentic and justifiable. The case was forwarded to Anti-Corruption Commission. *(AIN 12304; Para 12 of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)*

1.8 Non-deduction of cost difference – Nu. 0.096 million

The Dungkhag Administration, Gelephu had not deducted the cost difference of Nu. 0.096 million in roofing of Naitai Hotel building. The contractor had claimed an amount of Nu. 0.116 million on account of providing steel trusses as specified in the BoQ. However, the contractor had actually provided timber trusses amounting to Nu. 0.020 million, thereby resulting in overpayment. The case was forwarded to Anti-Corruption Commission. *(AIN 12304; Para 10 of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)*

1.9 Payment for works not executed – Nu. 0.103 million

The Dungkhag Administration, Gelephu had made payment of Nu. 0.103 million for roofing of Janta Bakery Building. It was observed that the payment was fictitious as the building never had a roof. The case was forwarded to Anti-Corruption Commission. *(AIN 12304; Para 11 of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)*

1.10 Attempt to divert funds into personal savings account – Nu. 0.602 million

The Dungpa, Gelephu in violation to the Court order had attempted to deposit a sum of Nu. 0.602 million accumulated in the savings account of the deceased Dezang Chhoka to his personal account instead of depositing into Losal cinema hall account. Although his attempt was unsuccessful, the act was a deliberate attempt to divert the amount to his personal savings account. The case was forwarded to Anti-Corruption Commission. *(AIN 12304; Para 1 of Part 2; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003)*

1.11 Collusion of Officials and diversion of funds for misappropriation – Nu. 0.536 million

The Dungpa & Administrative Assistant of Gelephu Dungkhag Administration had colluded and diverted a sum of Nu. 0.536 million from Losal Cinema Hall's CD Account into Sershong Community Group account which was solely operated by the Dungpa. The account was supposed to be closed after completion of Sershong Community's activities but was kept active, which was a deliberate attempt to misappropriate the funds. The case was forwarded to Anti-Corruption Commission. *(AIN 12304; Para 2 of Part 2; Accountabilities: Direct: Sonam Norbu, Administrative*

Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)

1.12 Non-accountal of interest received – Nu. 0.122 million

The Serchong Community Group Account operated by the Dungpa, Dungkhag Administration, Gelephu had earned interest amount of Nu. 0.122 million over a period of two years. However, the interest amount was not accounted for in the Losal Cinema Hall's books of accounts. The case was forwarded to Anti-Corruption Commission. (AIN 12304; Para 3 of Part 2; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)

2. Mismanagement – Nu. 0.086 million

There were cases of mismanagement involving Nu. 0.086 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Delegation of accounting responsibility to an unqualified personnel	-
2.2	Non-collection of revenue	0.086
2.3	Maintenance cost of Losal cinema hall met from Shershong Community group	-
	Total	0.086

The cases of mismanagement are as indicated below:

2.1 Delegation of accounting responsibility to an unqualified personnel

The Dungkhag Administration, Gelephu had officially delegated the charges of maintaining the books of accounts of Losal Cinema Hall from a trained Accountant to an Administrative Assistant whose primary responsibility was to look after the affairs of the Administration and not maintaining the books of accounts. The case was forwarded to Anti-Corruption Commission. (AIN 12304; Para 2 of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)

2.2 Non-collection of revenue – Nu. 0.086 million

The Dungkhag Administration, Gelephu had overdue outstanding rental charges of Nu. 0.086 million against various tenants. The case was forwarded to Anti-Corruption Commission. (AIN 12304; Para 13 of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)

2.3 Maintenance cost of Losal cinema hall met from Shershong Community group

The Dungpa and Administrative Assistant of Dungkhag Administration, Gelephu had made various payments from Shershong Community Group's bank account for the expenditure incurred on Losal cinema hall. The case was forwarded to Anti-Corruption Commission. (AIN 12304; Para 4 of Part

2; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)

3 Violation of Laws and Rules – Nu. 0.881 million

There were cases of violation of laws and rules involving Nu. 0.881 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Non-recovery of liquidated damages and 20% penalty	0.696
3.2	Payment without approval	0.185
3.3	Non-compliance to Procurement Rules & Regulations	-
	Total	0.881

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

3.1 Non-recovery of liquidated damages and 20% penalty – Nu. 0.696 million

- a) The Dzongkhag Administration had not recovered a sum of Nu. 0.566 million on account of liquidated damages and 20% penalty on value of works not completed from the contractor upon termination of contract in construction of BHU Grade II at Sarpang Seer. (AIN 12342; Para 1.3; Accountabilities: Direct: I.B. Rai, AE, EID No. 7803040; Karma Choida, JE, EID No. 200507223; Supervisory: Sangay Tenzin, DE, EID No. 8808028)
- b) The Dzongkhag Administration had not recovered a sum of Nu. 0.130 million on account of liquidated damages and 20% penalty on value of works not completed from the contractor upon termination of contract for construction of two numbers of Aqua Privy Toilets at Dekiling Lower Secondary School. The contractor is yet to comply with the verdict of the Royal Court of Justice, Sarpang. (AIN 12342; Para 2.2; Accountabilities: Direct: Chencho Wangdi, JE, EID No. 201101233; Supervisory: Sangay Tenzin, DE, EID No. 8808028)

3.2 Payment without approval – Nu. 0.185 million

The Dungkhag Administration, Gelephu had paid a sum of Nu. 0.185 million from the Losal Cinema Hall Account as TA/DA for 140 days to Administrative Assistant for frequent travel to Sikkim for legal works. There was no proper office order from the competent authority directing the Administrative Assistant to travel to Gangtok, Sikkim. The case was forwarded to Anti-Corruption Commission. (AIN 12304; Para 4 of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)

3.3 Non-compliance to Procurement Rules & Regulations

The Dungkhag Administration Gelephu had violated the Procurement Rules & Regulations in awarding the contract for the roofing works of three buildings to a contractor on lump sum amount of Nu. 1.500 million against the estimated cost of Nu. 1.745 million. Though the roofing works of Janta Bakery & Naitai Hotel Building were not approved by the Thromde, the contract was found awarded. The case was forwarded to Anti-Corruption Commission. (AIN 12304; Para 9

of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)

4 Shortfalls, Lapses and Deficiencies – Nu. 1.524 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 1.524 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
4.1	Non/short recovery of advances and penalty	1.429
4.2	Non-accountal of 15 money receipt books	-
4.3	Non-recovery of advance	0.095
	Total	1.524

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

4.1 Non-recovery of advances – Nu. 1.429 million

- a) The Dzongkhag Administration had not recovered outstanding advance of Nu. 1.032 million on account of secured advance, mobilization advance and other advances from the contractor upon termination of contract for construction of BHU Grade II at Sarpang Seer. The contractor is yet to comply with the verdict of the Royal Court of Justice, Sarpang. (AIN 12342; Para 1.2; Accountabilities: Direct: I.B. Rai, AE, EID No. 7803040; Karma Choida, JE, EID No. 200507223; Supervisory: Sangay Tenzin, DE, EID No. 8808028)
- b) The Dzongkhag Administration had not recovered secured advances of Nu. 0.397 million from the contractor upon termination of contract for construction of two numbers of Aqua Privy Toilets at Dekiling Lower Secondary School. The contractor is yet to comply with the Royal Court of Justice, Sarpang. (AIN 12342; Para 2.1; Accountabilities: Direct: Chencho Wangdi, JE, EID No. 201101233; Supervisory: Sangay Tenzin, DE, EID No. 8808028) (subjudice)

4.2 Non-accountal of 15 money receipt books

The Dungkhag Administration, Gelephu had printed 20 money receipt books out of which 15 books were not made available for verification. (AIN 12370; Para 1; Accountabilities: Direct: Pema Chedup, Administrative Assistant, EID No. 9911016; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003)

4.3 Non-recovery of advance – Nu. 0.095 million

The Dungkhag Administration, Gelephu had overdue outstanding advance of Nu. 0.095 million against various employees. The case was forwarded to Anti-Corruption Commission. (AIN 12304; Para 8 of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)

4.2.2 Dzongkhag Administration, Chhukha

During the period, the Royal Audit Authority had issued two audit reports of the Dzongkhag Administration, Chhukha. There were 35 observations pointed out in the reports involving Nu. 19.384 million, out of which 27 observations amounting to Nu. 13.107 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 6.277 million.

Based on the action taken after issue of the draft AAR 2014, observations amounting to Nu. 4.096 million were either resolved or not considered for inclusion in the AAR 2014. The total unresolved significant irregularities amounted to Nu. 2.181 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.718	4
2	Shortfalls, lapses and deficiencies	1.463	5
	Total	2.181	

1. Violation of Laws and Rules – Nu. 0.718 million

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

1.1 Non-deduction of rebate – Nu. 0.718 million

- a) The Dungkhag Administration, Phuentsholing, had not deducted 5% rebate of Nu. 0.384 million from the final bill in the construction works at Shinchula & Tashilakha. *(AIN 12144; Para 3; Accountabilities: Direct: Thinley Penjor, Municipal Engineer, EID No. 201001177; Supervisory: Tshering Chopel, DE, EID No. 8808013)*
- b) The Dzongkhag Administration had not deducted 5% rebate of Nu 0.334 million from the final bill in the construction of 4-Unit Staff Quarters at Rangaytong. *(AIN 12190; Para 11; Accountabilities: Direct: Yonten, Dungkhag Engineer, EID No. 200507210; Supervisory: Tshering Chopel, DE, EID No. 8808013)*

2. Shortfalls, Lapses and Deficiencies – Nu. 1.463 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 1.463 million as summarised below:

Sl. No.	Observation in brief	Nu. in million
2.1	Excess payments	0.507
2.2	Inadmissible salary payments to employees	0.110
2.3	Non-reconciliation of revenue collection	0.846
	Total	1.463

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

2.1 Excess payments – Nu. 0.507 million

- a) The Dzongkhag Administration had made excess payments of Nu. 0.407 million to contractors for various construction works during the year. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at sites. *(AIN 12190; Para1; Accountabilities: Direct: Chura Muni Bhattarai, Engineer, EID No. 200807182, Yonten Norbu, Dungkhag Engineer, EID No. 200507210; Supervisory: Tshering Chopel, DE, EID No. 8808013)*
- b) The Dzongkhag Administration had made excess payments of Nu. 0.100 million on account of insurance claim in the construction of Abutment for Adekha Bailey Bridge. The excess payment had occurred due to payment of Nu. 0.250 million against the quoted amount of Nu. 0.150 million. *(AIN 12190; Para 10.3; Accountabilities: Direct: Chura Muni Bhattarai, Engineer, EID No. 200807182; Supervisory: Tshering Chopel, DE, EID No. 8808013)*

2.2 Inadmissible salary payments to employees – Nu. 0.110 million

The Dzongkhag Administration had made inadmissible salary payment of Nu. 0.510 million to a contract teacher over a period of three years and seven months even after her resignation from the service. The salary was found deposited in the Principal's bank account. A sum of Nu. 0.400 million was recovered leaving a balance of Nu. 0.110 million. *(AIN 12190; Para 15; Accountabilities: Direct: Nima Tshering, Principal, EID No. 8907021; Supervisory: Nima Tshering, Principal, EID No. 8907021)*

2.3 Non-reconciliation of revenue collection – Nu. 0.846 million

The Dzongkhag Administration had un-reconciled revenue of Nu. 0.846 million on comparison of revenue collection as per the cash book vis-a-vis revenue receivable from various sources. *(AIN 12190; Para 21; Accountabilities: Direct: Cheten Dorji, ADM, EID No. 20121000852 & Tshering Chopel, DE, EID No. 8808013; Supervisory: Cheten Dorji, ADM, EID No. 20121000852 & Tshering Chopel, DE, EID No. 8808013)*

4.2.3 Dzongkhag Administration, Trashiyangtse

During the period, the Royal Audit Authority had issued three audit reports of the Dzongkhag Administration, Trashiyangtse. There were 21 observations pointed out in the reports involving Nu. 14.107 million, out of which nine observations amounting to Nu. 5.170 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 8.937 million.

Based on action taken after issue of the draft AAR 2014, observations amounting to Nu. 7.189 million were either resolved or not considered for inclusion in the AAR 2014. The total unresolved significant irregularities amounted to Nu. 1.748 million as summarised below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.883	1 & 2
2	Violation of laws and rules	0.625	4
3	Shortfalls, lapses and deficiencies	0.240	5
	Total	1.748	

1. Fraud, Corruption and Embezzlement – Nu. 0.883 million

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

1.1 Misuse of cash – Nu. 0.883 million

The Officiating Land Record Officer of the Dzongkhag Administration had misused a sum of Nu. 0.883 million out of the total refundable amount of Nu. 2.151 million collected from the public of eight gewogs on account of cost of excess land during the nationwide survey in 2001-2002. The case is subjudice. *(AIN 12503; Para 1; Accountabilities: Direct: Yeshi Lethro, Assistant Land Records Officer, EID No. 2005057; Supervisory: Sangay Duba, Dzongdag, EID No. 8905099)*

2. Violation of Laws and Rules – Nu. 0.625 million

There were cases of violation of laws and rules involving Nu. 0.625 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Non-Surrender of balance for closed work fund	0.572
2.2	Payment for incomplete works and delay in construction	0.053
	Total	0.625

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

2.1 Non-Surrender of balance for closed work fund – Nu. 0.572 million

The Dzongkhag Administration had not surrendered a sum of Nu. 0.572 million to the Department of Public Accounts on account of closed work fund balance from prior years. *(AIN 12503; Para 3; Accountabilities: Direct: Nima Dorji, Cashier, EID No. 200807265; Supervisory: Kinley Tenzin, Accounts Officer, EID No. 201201155)*

2.2 Payment for incomplete works and non-imposition of liquidated damages for delay in construction – Nu. 0.053 million

The Dzongkhag Administration had made full payment of Nu. 0.160 million for incomplete works of septic tanks and soak pit in the construction of Boys & Girls Toilets at Tarpel Community Primary School. The contract was executed at the cost of Nu. 3.289 million. Further, the contractor was liable for the liquidated damages of Nu. 0.053 million for the delay 32 days in the completion

of construction works. (AIN 12503; Para 8; Accountabilities: Direct: Namgay Tenzin, JE, EID No. 20140103497; Supervisory: Namgay Tenzin, JE, EID No. 20140103497)

3 Shortfalls, Lapses and Deficiencies – Nu. 0.240 million

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

3.1 Excess payments – Nu. 0.240 million

The Dzongkhag Administration had made excess payment of Nu. 0.240 million to contractors in various constructions. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at sites.

Sl. No.	Name of work	Amount (Nu. in million)	AIN & Para No.	Accountabilities	
				Direct	Supervisory
1	Boys & Girls Toilets at Kheni Lower Secondary School	0.105	11984; 1	Tshering Phuntsho, Engineer, EID No.9507035	Ugyen Norbu, DE, EID No. 200701037
2	Boys & Girls Toilets at Ramjar Middle Secondary School	0.098	11984; 2	Ganesh, JE, EID No. 201307265	Ugyen Norbu, DE, EID No. 200701037
3	Wanglo Farm Road	0.037	11984; 4	Tshewang Jurme, Engineer, EID No. 200807184	Ugyen Norbu, DE, EID No. 200701037
Total		0.240			

4.2.4 Dzongkhag Administration, Dagana

During the period, the Royal Audit Authority had issued three audit reports of the Dzongkhag Administration, Dagana. There were 18 observations pointed out in the reports involving Nu. 4.947 million, out of which 11 observations amounting to Nu. 2.560 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 2.387 million.

Based on the action taken after issue of the draft AAR 2014, observations amounting to Nu. 0.724 million were either resolved fully or substantially. The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 1.663 million as summarised below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.049	3
2	Violation of laws and rules	0.659	4
3	Shortfalls, lapses and deficiencies	0.955	5
Total		1.663	

1. Mismanagement – Nu. 0.049 million

The case of mismanagement is as indicated below:

1.1 Non-recovery of advances – Nu. 0.049 million

The Dzongkhag Administration had not recovered advance of Nu. 0.049 million from the contractor upon termination of contract for the construction of Basketball Court at Daga Lower Secondary School. The case is subjudice. *(AIN 11872; Para 1.5; Accountabilities: Direct: Chundu Dorji, JE, EID No. 200707082; Supervisory: Jamyang Dorji, DE, EID No. 9207043)*

2. Violation of Laws and Rules – 0.659 million

There were cases of violation of laws and rules involving Nu. 0.659 million as summarised below:

Sl. No.	Observation in brief	Nu. in million
2.1	Payment without receiving goods	0.083
2.2	Delay in construction and liable liquidated damages	0.576
	Total	0.659

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

2.1 Payment without receiving goods – Nu. 0.083 million

The Dzongkhag Administration had made payment of Nu. 0.083 million without receiving furniture for Tashiding Lower Secondary School. *(AIN 11872; Para 1.3; Accountabilities: Direct: Indraman Gurung, Principal, EID No. 8807027; Supervisory: Temba, DEO, EID No. 9811057)*

2.3 Delay in construction and liable liquidated damages – Nu. 0.576 million

The Dzongkhag Administration had not imposed liquidated damages of Nu. 0.576 million for the delay of over 11 months in the in the construction of Daga Lower Secondary School. *(AIN 11872; Para 1.2; Accountabilities: Direct: Rinchen Gyelpo, JE, EID No. 200901081; Supervisory: Jamyang Dorji, DE, EID No. 9207043)*

3 Shortfalls, Lapses and Deficiencies – Nu. 0.955 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.955 million as summarised below:

Sl. No.	Observation in brief	Nu. in million
3.1	Excess payment	0.313
3.2	Non-realization of advance on completion of work	0.642
	Total	0.955

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

3.1 Excess payment – Nu. 0.313 million

The Dzongkhag Administration had made excess payment of Nu. 0.313 million to the contractor in the construction of a science Laboratory at Daga Lower Secondary School due to wrong application of payment percentage. Verification of second stage payment (25% of total cost) recorded in MB revealed that the payment percentage was wrongly applied on gross amount of Nu. 5.563 million instead of the contract price of Nu. 4.509 million for lab building. *(AIN 11872; Para 1.1; Accountabilities: Direct: Kinzang, JE, EID No. 20100118; Supervisory: Jamyang Dorji, DE, EID No. 9207043)*

3.2 Non-realization of advance on completion of work – Nu. 0.642 million

The Dzongkhag Administration had not realized secured and mobilization advances of Nu. 0.642 million from the contractor's bill in the construction of four units Staff Quarter at Dagapela Hospital even after completion of construction. *(AIN 11872; Para 1.10; Accountabilities: Direct: Yeshey Dorji, Site Engineer, EID No. 9807057; Supervisory: Jamyang Dorji, DE, EID No. 9207043)*

4.2.5 Dzongkhag Administration, Trashigang

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Trashigang. There were 15 observations pointed out in the reports involving Nu. 4.150 million, out of which seven observations amounting to Nu. 2.355 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 1.795 million.

Based on the action taken after issue of the draft AAR 2014, observations amounting to Nu. 0.621 million were resolved. The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 1.174 million as summarised below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	1.174	5
	Total	1.174	

1. Shortfalls, Lapses and Deficiencies – Nu. 1.174 million

There were cases of shortfalls, lapses and deficiencies valuing Nu. 1.174 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Non-refund of penalty and excess payment	0.411
1.2	Excess payment	0.428
1.3	Non-deduction of rebate	0.335
	Total	1.174

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

1.1 Non-refund of penalty and excess payment – Nu. 0.411 million

The Dzongkhag Administration had made excess payment of Nu. 0.411 million including 20% penalty for works not executed in the construction of Caretaker's Residence at Chazam Lhakhang. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. *(AIN 11810; Para 1.3; Accountabilities: Direct: Chador Phuntsho, Dy. EE, EID No.9102052; Supervisory: Chador Phuntsho, Dy. EE, EID No.9102052)*

1.2 Excess payment – Nu. 0.428 million

The Dzongkhag Administration had made excess payment of Nu. 0.428 million to the contractor in the construction of Principal's Quarter at Pam Community Primary School. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. *(AIN 11810; Para 1.4; Accountabilities: Direct: Chador Phuntsho, Dy. EE, EID No.9102052; Supervisory: Chador Phuntsho, Dy. EE, EID No.9102052)*

1.3 Non-deduction of rebate – Nu. 0.335 million

The Dzongkhag Administration had not deducted rebate of Nu. 0.335 million offered by the contractor in the construction of Pam Community Primary School. *(AIN 11810; Para 1.4.1; Accountabilities: Direct: Chador Phuntsho, Dy. EE, EID No. 9102052; Supervisory: Chador Phuntsho, Dy. EE, EID No. 9102052)*

4.2.6 Dzongkhag Administration, Gasa

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Gasa. There were four observations pointed out in the reports involving Nu. 0.996 million, out of which one observation amounting to Nu. 0.092 million was resolved prior to the compilation of the draft Annual Audit Report 2014. The total unresolved significant observations reflected in the AAR 2014 amounted to Nu. 0.904 million

Based on the action taken after issue of the draft AAR 2014, observations amounting to Nu. 0.080 million was resolved. The total unresolved significant irregularity reflected in the AAR 2014 amounted to Nu. 0.824 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.824	5
	Total	0.824	

1. Shortfalls, Lapses and Deficiencies – Nu. 0.824 million

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

1.1 Excess payment – Nu. 0.824 million

The Dzongkhag Administration had made excess payment of Nu. 0.824 million to contractor for the Traditional Deбри Painting for Mithrup Lhakhang & Kague Lhakhang. The excess payment had occurred due to non-deduction of the amount paid in the first Running Account bill from the

final bill. (AIN 12384; Para 1; Accountabilities: Direct: Kinzang Dema, Accountant, EID No. 201007174; Supervisory: Sangay Dhendup, Offtg. Accounts Officer, EID No. 200807011)

4.2.7 Dzongkhag Administration, Trongsa

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Trongsa. There were five observations pointed out in the report involving Nu. 0.837 million, out of which two observations amounting to Nu. 0.083 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 0.754 million.

Based on the action taken after issue of the draft AAR 2014, observations amounting to Nu. 0.025 million were either resolved fully or substantially. The total unresolved significant irregularities reflected in the AAR 2014 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
	Total	0.729	

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

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.729 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Payment of salary to retired employees	0.090
1.2	Non-recovery of outstanding advances	0.639
	Total	0.729

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

1.1 Irregular payment of salary to retired employees – Nu. 0.090 million

The Dzongkhag Administration had made irregular payment of salary amounting to Nu. 0.090 million to five officials even after retirement due to non-deletion of employees from the Payroll list. (AIN 12220; Para 4; Accountabilities: Direct: Chimi Dorji, Accounts Assistant III, EID No. 200607060; Supervisory: Kunzang, DEO, EID No. 9108056)

1.2 Outstanding advances – Nu. 0.639 million

The Dzongkhag Administration had overdue outstanding advances of Nu. 0.639 million against various employees. (AIN 12220; Para 5; Accountabilities: Direct: Direct: Sonam Rinchen, EID No.: 9908114; Tshering Dorji, EID No.: 200801579; Tobgay, EID No.: 201101170; Sushma dolma Tamang, EID No.: 200807274; Mohan Kumar Pradhan, EID No.: 9507354; Supervisory: Sonam Rinchen, EID No.: 9908114; Tshering Dorji, EID No.: 200801579; Tobgay, EID No.: 201101170; Mohan Kumar Pradhan, EID No.: 9507354)

4.2.8 Dzongkhag Administration, Tsirang

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Tsirang. There were nine observations pointed out in the report involving Nu. 2.351 million, out of which eight observations amounting to Nu. 1.626 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014.

The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 0.725 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.725	5
	Total	0.725	

1. Shortfalls, Lapses and Deficiencies – Nu. 0.725 million

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

1.1 Deficiencies in construction and non-realisation of bid security – Nu. 0.725 million

The Dzongkhag Administration had not realized bid security amount of Nu. 0.725 million including differential amount between the first and second lowest bidders after the lowest evaluated bidder had withdrawn his bid in the construction of six units Classroom Block at Semjong. The lowest and second lowest bidders quoted Nu. 2.278 million and Nu. 2.943 million respectively. *(AIN 11871; Para 6a; Accountabilities: Direct: S. B. Chhetri, EE, EID No. 8603025; Supervisory: Namgang Tshering, DE, EID No. 9801114)*

4.2.9 Dzongkhag Administration, Monggar

During the period, the Royal Audit Authority had issued three audit reports of the Dzongkhag Administration, Monggar. There were 16 observations pointed out in the reports involving Nu. 9.918 million, out of which 13 observations amounting to Nu. 1.501 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 8.417 million.

Based on the action taken after issue of the draft AAR 2014, observations amounting to Nu. 7.707 million were either resolved or not considered for inclusion in the AAR 2014. The total unresolved significant irregularities amounted to Nu. 0.710 million as summarised below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.564	3
2	Shortfalls, lapses and deficiencies	0.146	5
	Total	0.710	

1. Mismanagement – Nu. 0.564 million

The case of mismanagement is as indicated below:

1.1 Non-realisation of penalty and other recoveries – Nu. 0.564 million

The Dzongkhag Administration had not realized 20% penalty of the works not completed and recoveries on account of material and mobilization advances aggregating to Nu. 0.564 million from the contractor upon termination of contract for construction of Administrative Block & classrooms at Narang Community Primary School. *(AIN 11914; Para 1; Accountabilities: Direct: Tashi Choezang, AE, EID No. 2007053; Supervisory: Tenzin Drakpa, Offtg. Dzongkhag Engineer, EID No. 9607008)*

2. Shortfalls, Lapses and Deficiencies – Nu. 0.146 million

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

2.1 Excess payment – Nu. 0.146 million

The Dzongkhag Administration had made excess payment of Nu. 0.146 million to the contractor in the construction of two unit Hostel Block at Yadhi Middle Secondary School. The excess payment had occurred due to non-deduction of running bill amount from the final bill. *(AIN 11914; Para 2; Accountabilities: Direct: Cheki Eden, Accountant, EID No. 200607321; Supervisory: Sonam Jamtsho, Accounts Officer, EID No. 20110154)*

4.2.10 Dzongkhag Administration, Samtse

During the period, the Royal Audit Authority had issued three audit reports of the Dzongkhag Administration, Samtse. There were 11 observations pointed out in the reports involving Nu. 135.332 million, out of which six observations amounting to Nu. 0.172 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 135.160 million.

Based on the responses received after the issue of the draft AAR 2014 and action taken by the Dzongkhag, observations amounting to Nu. 134.526 million were either resolved or not considered for inclusion in the AAR 2014. The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 0.634 million as summarised below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.200	3
2	Violation of Laws and Rules	0.384	4
3	Shortfalls, lapses and deficiencies	0.050	5
	Total	0.634	

1. Mismanagement – Nu. 0.200 million

The case of mismanagement is as indicated below:

1.1 Outstanding Taxes – Nu. 0.200 million

The Dzongkhag Administration had overdue outstanding urban land taxes of Nu. 0.200 million against various land owners. *(AIN 12212; Para 2.2; Accountabilities: Direct: Sonam Gyeltshen, AE, EID No. 200901082; Supervisory: Kezang Penjor, DE, EID No. 8603063)*

2. Violation of Laws and Rules – Nu. 0.384 million

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

2.1 Payment without executing work – Nu. 0.384 million

The Dzongkhag Administration had made payment of Nu. 0.384 million to the contractor for installation of Wi-Fi Internet facility at Gomtu Middle Secondary School. However, it was observed that the internet facility was not installed. *(AIN 12212; Para 2.1; Accountabilities: Direct: Kaka, Ex-Principal, EID No. 9507290; Supervisory: Kaka, Ex-Principal, EID No. 9507290)*

3. Shortfalls, Lapses and Deficiencies – Nu. 0.050 million

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

3.1 Outstanding Advances – Nu. 0.050 million

The Dzongkhag Administration had overdue outstanding advances of Nu. 0.050 million against various employees. *(AIN 12212; Para 2.3; Accountabilities: Direct: Paras Moktan, FO, EID No. 9411005; Supervisory: Paras Moktan, FO, EID No. 9411005)*

4.2.11 Dzongkhag Administration, Samdrupjongkhar

During the period, the Royal Audit Authority had issued two audit reports of the Dzongkhag Administration, Samdrupjongkhar. There were nine observations pointed out in the reports involving Nu. 0.893 million, out of which three observations amounting to Nu. 0.603 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014.

The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 0.290 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.290	5
	Total	0.290	

1. Shortfalls, Lapses and Deficiencies – 0.290 million

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

1.1 Delay in completion and short/non deduction of liquidated damages – Nu. 0.290 million

- a) The Dzongkhag Administration had made short deduction of liquidated damages amounting to Nu. 0.118 million in the construction of Science Lab-cum-Library Block at Gomdar Middle Secondary School. The short deduction of liquidated damages had occurred due to calculation of liquidated damages on the net final bill amount instead of the final contract amount. *(AIN 12112; Para 3; Accountabilities: Direct: Tashi Phuntsho, JE, EID No. 201101232; Supervisory: Pelden Norgay, DE, EID No. 8312023)*
- b) The Dzongkhag Administration had not deducted liquidated damages of Nu. 0.172 million from the contractor for delay of 224 days in the construction of Meeting Hall at Gomdar Gewog. *(AIN 12112; Para 4; Accountabilities: Direct: Tashi Phuntsho, JE, EID No. 201101232; Supervisory: Lungten Wangdi, Gup, CID No.: 11102002226)*

4.2.12 Dzongkhag Administration, Thimphu

During the period, the Royal Audit Authority had issued two audit reports of the Dzongkhag Administration, Thimphu. There were 10 observations pointed out in the reports involving Nu. 2.533 million, out of which six observations amounting to Nu. 2.217 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the AAR 2014 amounted to Nu. 0.316 million.

Based on the action taken after issue of the draft AAR 2014, observations amounting to Nu. 0.106 million was resolved. The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 0.210 million as summarised below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of Laws and Rules	-	4
2	Shortfalls, lapses and deficiencies	0.210	5
	Total	0.210	

1. Violation of Laws and Rules

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

1.1 Defective works

The Dzongkhag Administration had not rectified various defective works in the construction of the Library building at Hongtsho Primary School constructed at the cost of Nu. 2.734 million. *(AIN*

11893; Para 9; Accountabilities: Direct: Kado, Engineer 3, EID No. 200707090; Supervisory: Karma Jamtsho, DE, EID No. 200301032)

2. Shortfalls, Lapses and Deficiencies – Nu. 0.210 million

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

2.1. Excess payment – Nu. 0.210 million

- a) The Dzongkhag Administration had made excess payment of Nu. 0.139 million to the contractor in the construction of Grade II BHU at Hongtsho. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. (AIN 11893; Para 1; Accountabilities: Direct: Kado, AE, EID No. 200707090; Supervisory: Karma Jamtsho, DE, EID No. 200301032)
- b) The Dzongkhag Administration had made excess payment of Nu. 0.071 million to the contractor in the construction of two units BHU Staff Quarters at Barshong under Naro Gewog. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. (AIN 11893; Para 2; Accountabilities: Direct: Rinchen Tshering, Site Engineer, EID No. 200407007; Supervisory: Karma Jamtsho, DE, EID No. 200301032)

4.2.13 Dzongkhag Administration, Wangduephodrang

During the period, the Royal Audit Authority had issued two audit reports of the Dzongkhag Administration, Wangduephodrang. There were 10 observations pointed out in the reports involving Nu. 0.338 million, out of which seven observations amounting to Nu. 0.129 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in draft AAR 2014 amounted to Nu. 0.209 million.

Based on the action taken after issue of the draft AAR 2014, observations amounting to Nu. 0.030 million was resolved. The total unresolved significant irregularity reflected in the AAR 2014 amounted to Nu. 0.179 million as summarized below:

Sl. No.	Observation category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.179	5
	Total	0.179	

1. Shortfalls, Lapses and Deficiencies – Nu. 0.179 million

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

1.1 Payment for works not executed – Nu. 0.179 million

The Dzongkhag Administration had made payment for works not executed amounting to Nu. 0.179 million in the construction of Lumji Farm Road under Dangchu Gewog. It was found that V-shaped drainage was not constructed at site. *(AIN 12095; Para 5; Accountabilities: Direct: Sonam Dorji, Gup, CID No.:1190400305 and Tashi Gyeltshen, EE, EID No. 9009028; Supervisory: Lhapchu, DE, EID No. 8601092)*

4.3 GEWOGS

4.3.1 Gewogs under Chhukha Dzongkhag

I. Lokchina Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Lokchina. There were three observations pointed out in the report involving Nu. 0.600 million, out of which one observation amounting to Nu. 0.002 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014.

The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 0.598 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.598	5
	Total	0.598	

1. Shortfalls, lapses and deficiencies – Nu. 0.598 million

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

1.1 Excess payment – Nu. 0.598 million

- a) The Gewog Administration had made excess payment of Nu. 0.238 million in the construction of 11 km formation cutting Phase-II Gewog connectivity road from Haitar to Gewog Centre. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. *(AIN 12186; Para 1.1; Accountabilities: Direct: Yonten, Site Engineer, EID No. 200507210; Supervisory: Indra Lal Ghalley, Gup, CID No. 20209000581)*
- b) The Gewog Administration had made excess payment of Nu. 0.360 million in the construction of Bailey bridge at Chimte. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. *(AIN 12186; Para 1.2; Accountabilities: Direct: Yonten, Site Engineer, EID No. 200507210; Supervisory: Indra Lal Ghalley, Gup, CID No. 20209000581)*

II. Darla Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Darla. There were six observations pointed out in the report involving Nu. 1.002 million, out of which three observations amounting to Nu. 0.743 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014.

The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 0.259 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.061	3
2	Shortfalls, lapses and deficiencies	0.198	5
	Total	0.259	

1. Mismanagement – Nu. 0.061 million

The case of mismanagement is as indicated below:

1.1 Non-remittance of rural taxes collected – Nu. 0.061 million

The Gewog Administration had not deposited rural taxes of Nu. 0.061 million into CD account. The Gup, who later passed away, had reportedly taken the amount from the Gadrung. *(AIN 12184; Para 4; Accountabilities: Direct: Budhiman Samal, Ex Gup, CID No. 20205000162; Supervisory: Mil Kumar Mongar, Gup, CID No. 10205005231)*

2. Shortfalls, lapses and deficiencies – Nu. 0.198 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.198 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Outstanding advances	0.167
1.2	Excess payment	0.031
	Total	0.198

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

2.1 Outstanding advances – Nu. 0.167 million

The Gewog Administration had overdue outstanding advances of Nu. 0.167 million against the late Gup. *(AIN 12184; Para 1.2; Accountabilities: Direct: Budhiman Samal, Ex Gup, CID No. 20205000162; Supervisory: Mil Kumar Mongar, Gup, CID No. 10205005231)*

2.2 Excess payment – Nu. 0.031 million

The Gewog Administration had made excess payment of Nu. 0.031 million in the construction of farm road from Chumilakha to Gengu. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. *(AIN 12184; Para 2.2; Accountabilities: Direct: Sangay Dakpa, Asstt. District Engineer, EID No. 9009024; Supervisory: Tshering Chopel, District Engineer, EID No. 8808013)*

III. Sampheling Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Sampheling. There were four observations pointed out in the report involving Nu. 0.853 million, out of which three observations amounting to Nu. 0.667 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014.

The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 0.186 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.186	5
	Total	0.186	

1. Shortfalls, lapses and deficiencies – Nu. 0.186 million

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

1.1 Non-deduction of rebate – Nu. 0.186 million

The Gewog Administration had not deducted 4.5% rebate of Nu. 0.186 million in the construction of Pakashey Farm road, which resulted in excess payment of Nu. 0.186 million. *(AIN 12189; Para 1.1; Accountabilities: Direct: Dema Wangmo, Engineer, CID No. 11107003080; Supervisory: Sangay Dakpa, Asstt. District Engineer, EID No. 9009024)*

IV. Bongo Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Bongo. There were five observations pointed out in the report involving Nu. 0.511 million, out of which two observations amounting to Nu. 0.466 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014.

The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 0.045 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.045	5
	Total	0.045	

1. Shortfalls, lapses and deficiencies – Nu. 0.045 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.045 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Excess payment	0.045
1.2	Road damaged due to major slides and resultant loss to government	-
	Total	0.045

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

1.1 Excess payment – Nu. 0.045 million

The Gewog Administration had made excess payment of Nu. 0.045 million in the construction of permanent structures on farm road from Badina to Ketokha. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. *(AIN 12183; Para 1.5.1; Accountabilities: Direct: Rinchen Leydra, Site Engineer, EID No. 9907122; Supervisory: Tshering Chopel, Dzongkhag Engineer, EID No. 8802013)*

1.2 Road damaged due to major slides and resultant loss to government

The farm road from Chungkha to Toktowom was executed at the total expenditure of Nu. 8.900 million and was completed on 27/2/2013. However, the road was found unusable within a period of nine months after the completion date, due to landslides and road damages in 32 locations with seven major slides along chainage 0 to 7.1 km. *(AIN 12183; Para 1.2; Accountabilities: Direct: Rinchen Leydra, Site Engineer, EID No. 9907122; Supervisory: Tshering Chopel, Dzongkhag Engineer, EID No. 8802013)*

V. Phuentsholing Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Phuentsholing. There were five observations pointed out in the report involving Nu. 0.239 million, out of which four observations amounting to Nu. 0.194 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014.

The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 0.045 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.045	3
	Total	0.045	

1. Mismanagement – Nu. 0.045 million

The case of mismanagement is as indicated below:

1.1 Non-deposit & non-collection of rural taxes – Nu. 0.045 million

The Gewog Administration had not deposited rural taxes amounting to Nu. 0.034 million into CD Account. Further, taxes amounting to Nu. 0.011 million was yet to be collected. *(AIN 12188; Para*

2.1; Accountabilities: Direct: Chandra Bdr. Ghalley, Gup, CID No. 10211000579; Supervisory: Chandra Bdr. Ghalley, Gup, CID No. 10211000579)

4.3.2 Gewogs under Gasa Dzongkhag

I. Lunana Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Lunana. There were two observations pointed out in the report involving Nu. 0.225 million, out of which one observation amounting to Nu. 0.025 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014.

The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 0.200 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.200	3
	Total	0.200	

1. Violation of laws and rule – Nu. 0.200 million

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

1.1 Irregular adjustment of advance – Nu. 0.200 million

The Gewog Administration had released advance of Nu. 1.550 million to site engineer for carrying out various works during the year which were found adjusted later. However, the adjustment of Nu. 0.200 million was not supported by documents. (AIN 12306; Para 1; Accountabilities: Direct: Lal Bdr. Chhetri, JE, EID No. 200607212; Supervisory: Gyenpo Tshering, Gup, EID No. 9913079U)

4.3.3 Gewogs under Haa Dzongkhag

I. Gakiling Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Gakiling. There was one observation pointed out in the report involving Nu. 0.710 million, which was not resolved prior to the compilation of the draft Annual Audit Report 2014.

The total unresolved significant irregularity reflected in the AAR 2014 amounted to Nu. 0.710 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.710	5
	Total	0.710	

1. Shortfalls, lapses and deficiencies – Nu. 0.710 million

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

1.1 Payment made for works not completed – Nu. 0.710 million

The Gewog Administration had made payment for works not executed amounting to Nu. 0.710 million in the construction of Ngatsena Lhakhang. (AIN 11968; Para 1; Accountabilities: Direct: Tshering Wangdi, Gup, CID No. 11207001697; Supervisory: Tshering Wangdi, Gup, CID No. 11207001697)

4.3.4 Gewogs under Paro Dzongkhag

I. Naja Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Naja. There were 12 observations pointed out in the report involving Nu. 0.564 million, out of which one observation amounting to Nu. 0.332 million was resolved prior to the compilation of the draft Annual Audit Report 2014.

The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 0.232 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.121	1 & 2
2	Mismanagement	-	3
3	Violation of laws and rules	-	4
4	Shortfalls, lapses and deficiencies	0.111	5
	Total	0.232	

1. Fraud, Corruption & Embezzlement – Nu. 0.121 million

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

1.1 Misuse of hired machinery resulting into deceitful claims – Nu. 0.121 million

The Gewog Administration had a case of misuse of hire charges of machinery amounting to Nu. 0.121 million by the Road Tshogpa in the construction of Bemphu farm road. It was observed that the machinery which was hired by the Road Tshogpa for the construction of farm road was further hired out to a contractor engaged in the construction of Bailey Bridge over Haa chu. The hire charge received from the contractor was not accounted for in the books of accounts of the Gewog Administration. The case was forwarded to Anti-Corruption Commission. (AIN 11868; Para 1.4; Accountabilities: Direct: Dophu, Road Tshogpa, CID No. 10210001002/9917395u; Supervisory: Kado, Gup, CID No. 10807001121/9907204u)

2. Mismanagement

The case of mismanagement is as indicated below:

2.1 School bus lying idle

The school bus which was procured from the Constituency Development Grant to ferry day scholar students of Bitekha Middle Secondary School had remained idle due to lack of budget for operating expenses and driver's salary. The school administration had operated bus service till end of the academic year 2012. With no approved budget, it was mutually agreed that the parents would contribute for expenses including the salary of driver. As the parents had failed to contribute money, the school administration had surrendered the bus to the Gewog Administration. *(AIN 11868; Para 3; Accountabilities: Direct: Kado, Gup, CID No. 10807001121/9907204u; Supervisory: Kado, Gup, CID No. 10807001121/9907204u)*

3. Violation of laws and rules

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

3.1 Lack of proper documents resultant non-ascertainment of work done

The Gewog Administration had incurred total expenditure of Nu. 3.500 million for blasting and cutting of cliff length of 192 metres above Haa chu and clearing of remaining road length of 2.5 km towards Bemphu village. However, in absence of proper documents and non-recording of the measurement of work done during the execution, the expenditure incurred against the actual amount of work done could not be ascertained. *(AIN 11868; Para 1.9; Accountabilities: Direct: Kado, Gup, CID No. 10807001121/9907204u; Supervisory: Kado, Gup, CID No. 10807001121/9907204u)*

4. Shortfalls, lapses and deficiencies – Nu. 0.111 million

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

4.1 Excess and inadmissible payments of hire charges and spare parts – Nu. 0.111 million

The Gewog Administration had made excess and inadmissible payments amounting to Nu. 0.111 million on account of hire charges and cost of spare parts in the construction of Bemphu farm road. The excess and inadmissible payments had occurred due to payment in contravention to agreed terms and conditions. *(AIN 11868; Para 1.2; Accountabilities: Direct: Karma Dolma, Accountant, EID No. 200607334 & Ngawang Palden, GAO EID No. 200705022; Supervisory: Kado, Gup, CID No. 10807001121/9907204u)*

4.3.5 Gewogs under Punakha Dzongkhag

I. Dzomi Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Dzomi. There were two observations pointed out in the report involving Nu. 0.051 million, which was not resolved prior to the compilation of the draft Annual Audit Report 2014.

The unresolved significant irregularity reflected in the AAR 2014 amounted to Nu. 0.051 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.051	5
	Total	0.051	

1. Shortfalls, lapses and deficiencies – Nu. 0.051 million

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

1.1 Excess payment – Nu. 0.051 million

The Gewog Administration had made excess payment of Nu. 0.051 million in the construction of retaining wall around the Gewog office. The excess payment had occurred due to difference in quantity claimed and actually executed at site. (*AIN 12523; Para 1; Accountabilities: Direct: Tashi Norbu, Jr. Engineer, EID No. 201101230; Supervisory: Phuntsho Namgay, Gup, EID No. 9911638U*)

4.3.6 Gewogs under Tsirang Dzongkhag

I. Mendrelgang Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Mendrelgang. There was one observation pointed out in the report which was not resolved prior to the compilation of the draft Annual Audit Report 2014.

The unresolved significant irregularity reflected in the AAR 2014 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

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

1.1 Change of alignment in the construction of RWSS cum Irrigation channel resultant abnormal deviations

The Gewog Administration had abnormal deviations ranging from -100% to 1160% due to change of alignment of GI pipes by contractor at his own discretion in the construction of RWSS cum irrigation channel at Mendrelgang. (AIN 11873; Para 1; Accountabilities: Direct: Surabir Chhettri, EE, EID No. 8603025; Supervisory: Yeshey, Gup, EID No. 9903042U)

II. Sergithang Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Sergithang. There were two observations pointed out in the report which was not resolved prior to the compilation of the draft Annual Audit Report 2014.

The unresolved significant irregularity reflected in the AAR 2014 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

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

1.1 Non completion of irrigation work

The Gewog Administration had incurred an expenditure of Nu. 0.398 million for renovation of Ngalalum irrigation channel. During physical verification of site, the renovation work was found incomplete and 82 numbers of HDPE pipes and eight bags of cement were lying at Tshochasa on the way to Ngalalum. All eight bags of cement had set. (AIN 11874; Para 1; Accountabilities: Direct: Dhanapati Sanyasi, Gup, EID No. 9911911U; Supervisory: Dhanapati Sanyasi, Gup, EID No. 9911911U)

4.3.7 Gewogs under Wangduephodrang Dzongkhag

I. Gasel Tshogongm Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Gasel Tshogongm. There was one observation pointed out in the report which was not resolved prior to the compilation of the draft Annual Audit Report 2014.

The unresolved significant irregularity reflected in the AAR 2014 is as summarized below:

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

1. Mismanagement

The case of mismanagement is as indicated below:

1.1 Value for money not achieved

The construction of irrigation channel of Gasepyuwa under Gasel Tshogongm Gewog was constructed at the cost of Nu. 1.855 million. The contractor had failed to maintain proper gradient of irrigation channel, which had hindered the flow of water. This had deprived the beneficiaries of irrigation water and had not achieved value for money. *(AIN 12014; Para 1; Accountabilities: Direct: Sonam Phuntsho, AE, EID No. 9908726; Supervisory: Rinchen Khandu, Gup, EID No. 9912609)*

4.4 AUTONOMOUS BODIES

4.4.1 Bhutan Education City Secretariat

During the period, the Royal Audit Authority had issued one audit report of the Bhutan Education City Secretariat and its Project. There were five observations pointed out in the report involving Nu. 110.745 million, out of which no observations were resolved prior to the compilation of the draft Annual Audit Report 2014.

The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 110.745 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	110.219	3
2	Violation of laws and rules	0.526	4
	Total	110.745	

1. Mismanagement – Nu. 110.219 million

There were cases of mismanagement involving Nu. 110.219 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Avoidable and wasteful expenditure	110.184
1.2	Furniture, Equipment, Electrical items lying idle	-
1.3	Unjustified payment for procurement of Accounting Software	0.035
	Total	110.219

The cases of mismanagement are as indicated below:

1.1 Avoidable and wasteful expenditure

The Bhutan Education City Secretariat and DHI-INFRA had made huge investments of Nu. 110.184 millions for construction of various ancillary infrastructures for the Bhutan Education City Project. The Project was terminated because the land identified and acquired for the project violated the Land Act. If an alternate use is not identified for the ancillary infrastructures constructed, the project's closure will put the huge investment to waste. *(AIN 12620; Para 1.1)*

1.2 Furniture, equipment and electrical items lying idle

The Bhutan Education City Secretariat had furniture, equipment and electrical items worth Nu. 0.102 million lying idle. *(AIN 12620; Para 1.4; Accountabilities: Direct: Tshering Choden, Executive Secretary to CEO, EID No. 9918774 & Tandin Dorji, HRO, EID No. 9918654; Supervisory: Dr. Karma, CEO, BEC Secretariat, CID No. 11008001492)*

1.3 Unjustified payment for procurement of accounting software – Nu. 0.035 million

The Bhutan Education City Secretariat had procured accounting software Tally at a cost of Nu. 0.035 million but was found unutilised by the accounts personnel although installed on the laptop. Further, there were no documented evidence of Tally Training being provided by the

supplier as per the terms and conditions. *(AIN 12620; Para 1.5; Accountabilities: Direct: Shrijana Sunwar, Accounts Officer, BEC Secretariat, CID No. 11309000885; Tshering Choden, Executive Secretary to CEO, CID No. 10503000051; Supervisory: Dr. Karma, CEO, BEC Secretariat, CID No. 11008001492)*

2. Violation of laws and Rules – Nu. 0.526 million

There cases of violation of laws and rules involving Nu. 0.526 million is as summarised below:

Sl. No.	Observation in brief	Nu. in million
2.1	Non-surrender of unutilized fund balance after the closure of the Project	-
2.2	Irregular payment of 10% overhead cost and 10% deposit work fee to DHI Infra Limited	0.526
	Total	0.526

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

2.1 Non-surrender of unutilized fund balance after the closure of the Project

The Bhutan Education City Secretariat had not surrendered unutilised funds amounting to Nu. 258.877 million, including earnings from Fixed Deposits to the Department of Public Accounts after the termination of Project. The Ministry of Finance has directed the Secretariat to retain the funds until all pending liabilities are settled. *(AIN 12620; Para 1.2; Accountabilities: Direct: Dr. Karma, CEO, BEC Secretariat, CID No. 11008001492; Dorji Namgay, CEO, DHI Infra Limited, CID No. 10101000500; Supervisory: Lyonpo Dorji Choden, Chairperson, BEC Board, CID No. 11504002130)*

2.2 Irregular payment of 10% overhead cost in addition to 10% deposit work fee to DHI Infra Limited - Nu. 0.526 million

The Bhutan Education City Secretariat had made payments of Nu. 0.526 million on account of overhead cost in addition to Nu. 99.476 million for 10% deposit work fee to the DHI-Infra Ltd. There were no approvals for the payment of overhead costs and it was not covered in the Contract Agreement. *(AIN 12620; Para 1.3; Accountabilities: Direct: Lamdon, Finance Manager, DHI Infra Ltd, CID No.10102002341; Tshering Choden, Executive Secretary to CEO, CID No. 10503000051; Supervisory: Dorji Namgay, CEO, DHI Infra Ltd, CID No. 10101000500; Dr. Karma, CEO, BEC Secretariat, CID No. 11008001492)*

4.4.2 Royal University of Bhutan

During the period, the Royal Audit Authority had issued 26 audit reports of the Royal University of Bhutan and its Departments, Colleges, and Institutes. There were 114 observations pointed out in the reports involving Nu. 139.556 million, out of which 31 observations amounting to Nu. 3.345 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 136.211 million.

Based on action taken after the issue of draft AAR 2014, observations amounting to Nu. 67.667 million were either resolved or not considered for inclusion in the AAR 2014. The total significant unresolved irregularities amounted to Nu. 68.544 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.403	3
2	Violation of laws and rules	61.233	4
3	Shortfalls, lapses and deficiencies	6.908	5
Total		68.544	

1. Mismanagement - Nu. 0.403 million

The case of mismanagement is as indicated below:

1.1 Short-accountal of electricity charges - 0.403 million

The Gaeddu College of Business Studies had a case of short accountal of electricity charges collections amounting to Nu. 0.403 million. The billing system showed a collection record of Nu. 1.528 million but deposits in the CD Account showed only Nu. 1.125 million. *(AIN 12350; Para 2.5.10; Accountabilities: Direct: Ugyen Tenzin, Electrician, EID No. 200807400; Supervisory: B.B. Rasaily, Administrative Officer, EID No. 1108020)*

2. Violation of Laws and Rules - Nu. 61.233 million

There were cases of violation of laws and rules valuing Nu. 61.233 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Payment of refundable deposits without obtaining equivalent release	4.989
2.2	Expenditure not commensurate with expected output/outcome	0.387
2.3	Unreasonable grant of time extension and short recovery of liquidated damages	35.760
2.4	Non-levy of liquidated damages	0.199
2.5	Over payment	19.898
2.6	Missing furniture	-
Total		61.233

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

2.1 Payment of refundable deposits without obtaining equivalent release - Nu. 4.989 million

The College of Natural Resources, Lobesa had made payments of Nu. 4.989 million on account of refundable deposits without obtaining equivalent release from Department of Public Accounts. *(AIN 12557; Para 1; Accountabilities: Direct: Dechen Wangmo, AFO, EID No. 1107005; Tshewang Dorji, AFO, RUB EID No. 1209051; Supervisory: Dorji Wangchuk, DG, EID No. 8103046)*

2.2 Expenditure not commensurate with expected output/outcome - Nu. 0.387 million

The College of Natural Resources, Lobesa had made payments amounting to Nu. 0.387 million to an associate professor of the college pursuing a PhD course in Denmark for expenditure incurred for research purposes. The PhD candidate was required to publish three articles in an international, reputed, peer reviewed journal, but none were found published. Also, the payments were made without adequate supporting documents. *(AIN 12557; Para 2; Accountabilities: Direct: Ugyen Dorji, Associate Professor, EID No. 9111008; Supervisory: D. B. Gurung, Dean Academics, EID No. 8906003)*

2.3 Unreasonable grant of time extension and short recovery of liquidated damages - Nu. 35.760 million

- a) The College of Natural Resources, Lobesa had not deducted liquidated damages amounting Nu. 0.879 million in the construction of two 64-bedded self-catering hostels. It was found that granting of time extension of 205 days against 188 days was justifiable. *(AIN 12557; Para 5.1; Accountabilities: Direct: Raju Gurung, Engineer, EID No. 1209062; Supervisory: Dorji Wangchuk, DG, EID No. 8103046)*
- b) The Gaeddu College of Business Studies, Gedu had granted undue time extension to the contractor for the re-modelling of two workshops. Since the delay of 115 days was not justified, the liquidated damages amounting to Nu. 2.475 million should have been levied. *(AIN 12349; Para 2.3; Accountabilities: Direct: Lhato Jamba, Director General, EID No. 9003001; Supervisory: Lhato Jamba, Director General, EID No. 9003001)*
- c) The Royal Institute for Health Sciences granted three unwarranted time extensions to the contractor for the construction of Hostel and Dining Hall at RIHS premise quoted at Nu. 52.305 million. Time extension of 336 days granted was for additional work valuing Nu. 3.000 million and for delay in approval of drawings by Thimphu Thromde. However, no consideration was given to curtailed scope of work valuing Nu. 5.656 million and thus, the contractor was liable for liquidated damages amounting to Nu. 5.231 million. *(AIN 12387; Para 3; Accountabilities: Direct: Raju Gurung, Engineer, RUB, EID No. 1209062; Supervisory: Dr. Chenchu Dorji, Director, EID No. 890804)*
- d) The Paro College of Education had granted undue time extension of 177 days to the contractor for the construction of Dining Hall and associated site development works worth Nu. 24.036 million against 84 days entitled. Although the time extension granted was for change in the scope of work and additional items initially not included in the contract, the computation of time extension was not done proportionately to the increased value of additional works. The contractor was liable for liquidated damages amounting to Nu. 2.404 million. *(AIN 12405; Para 1.7; Accountabilities: Direct: Chimi Dem, Sr. Estate Manager, EID No. 9908007; Supervisory: Thubten Gyatsho, Director General, EID No. 8404029)*

- e) The Samtse College of Education had granted undue time extension of 897 days as against 382 days entitled, and had not imposed liquidated damages of Nu. 3.421 million to the contractor for the contract of remodeling the College infrastructures. *(AIN 12433; Para 2.6; Accountabilities: Direct: Kelzang Youden, Asstt. Estate Manager, EID No. 200507224; Supervisory: Kaylzang Tshering, Director General, EID No. 8701047)*
- f) The Royal Institute for Health Sciences granted three unwarranted time extensions of 524 days as against 977 days claimed by contractor for the construction of Academic Building and its associated Site Development works. However, the contractor was eligible for 246 days of time extension and is liable for liquidated damages for 278 days amounting to Nu. 9.289 million. *(AIN 12387; Para 2; Accountabilities: Direct: Dr. Chench Dorji, Director, EID No. 890804; Supervisory: Gajel Lhendup, Director, EID No: 8201014)*
- g) The Institute of Language and Cultural Studies, Taktse, Trongsa had granted abnormal time extension of 210 days to the contractor for the construction of Administrative Building and Academic Block against justified hindrances of 139 days. This resulted in time overrun and also short realization of liquidated damages amounting to Nu. 5.814 million for the delay of 71 days. *(AIN 12243; Para 4; Accountabilities: Direct: Lungtaen Gyatso, Director, EID No. 9903073; Supervisory: Lungtaen Gyatso, Director, EID No. 9903073)*
- h) The Institute of Language and Cultural Studies, Taktse, Trongsa had granted abnormal time extension of 211 days to the contractor for the construction of Auditorium & Lecture Hall, Culture Centre/Workshop, Library Building and Landscaping against justified hindrances of 135 days. This resulted in time overrun and also short realization of liquidated damages amounting to Nu. 6.247 million for the delay of 76 days. *(AIN 12243; Para 5; Accountabilities: Direct: Lungtaen Gyatso, Director, EID No. 9903073; Supervisory: Lungtaen Gyatso, Director, EID No. 9903073)*

2.4 Non-levy of liquidated damages - Nu. 0.199 million

- a) The Gaeddu College of Business Studies, Gedu had not levied liquidated damages amounting to Nu. 0.033 million for delay in the supply of goods. *(AIN 12350; Para 1.1; Accountabilities: Direct: Ugyen Tenzin, Store In-Charge, EID NO. 200807398; Supervisory: B.B. Rasaily, Administrative Officer, EID No. 1108020)*
- b) The Sherubtse College, Kanglung had not levied liquidated damages amounting to Nu. 0.166 million for delay of 129 days in delivery of bunk beds by the supplier. *(AIN 12439; Para 2.1; Accountabilities: Direct: Tempa Lhendup, Administrative Officer, RUB, EID No: 1205033; Supervisory: Tshering Wangdi, Director, EID No. 98011035)*

2.5 Over payment - Nu. 19.898 million

- a) The Royal Institute for Health Sciences had made overpayment of Nu. 0.315 million on account of supervision fees in the contract for 'Expansion of Infrastructure facilities for the Institute of Health Sciences'. As per the Terms of Engagement, in the event of time extension not owing to the negligence or inefficiency of the supervisor, the supervising consultant was eligible for only 75% of the supervisor's agreed monthly fees. However, the consultant was found paid full supervision fee instead of 75% of the agreed monthly fee. *(AIN 12387; Para 1; Accountabilities: Direct: Raju Gurung, Engineer, RUB, EID No. 1209062; Supervisory: Dr. Chenchu Dorji, Director, EID No. 890804)*
- b) The Institute of Language and Cultural Studies, Thaktse had made overpayment of Nu. 6.199 million on account of fees in the preparation of drawing and design. It was found that local professionals were paid at the rate specified for international professionals. *(AIN 12243; Para 1.1; Accountabilities: Direct: Kuentshe, Engineer, EID No. 200501181; Supervisory: Lungtaen Gyatso, Director, EID No. 9903073)*
- c) The Institute of Language and Cultural Studies, Thaktse had made overpayments of Nu. 11.261 million due to mismatch in supervision fees paid and services delivered. *(AIN 12243; Para 1.2; Accountabilities: Direct: Kuentshe, Engineer, EID No. 200501181; Supervisory: Lungtaen Gyatso, Director, EID No. 9903073)*
- d) The Institute of Language and Cultural Studies, Thaktse had made overpayment of Nu. 2.123 million on account of fees for supervision of infrastructure development. It was found that local professionals were paid at the rate specified for international professionals. *(AIN 12243; Para 1.3; Accountabilities: Direct: Kuentshe, Engineer, EID No. 200501181; Supervisory: Lungtaen Gyatso, Director, EID No. 9903073)*

2.6 Missing furniture

The College of Natural Resources, Lobesa had a case of missing furniture worth Nu. 0.162 million issued to the Provost of Master & Development Practices Building and Info Lab section. *(AIN 12531; Para 3; Accountabilities: Direct: Dr. Penjor, EID No. 9801066; Jigme Thinley, ICT, EID No. 200207032; Supervisory: Dorji Wangchuk, DG, EID No. 8103)*

3 Shortfalls, Lapses and Deficiencies - Nu. 6.908 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 6.908 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Double payment	0.072
3.2	Inadmissible payment	4.267
3.3	Excess payment	0.389
3.4	Unjustified payment on account of additional employment of quality control engineer	1.689
3.5	Difference in collection of electricity charges vis-à-vis amount deposited	0.491
3.6	Short payment to contractor	
	Total	6.908

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

3.1 Double payment – Nu. 0.072 million

The College of Natural Resources, Lobesa had made double payment of Nu. 0.072 million in respect of trenching and refilling works for the water supply facility. *(AIN 12557; Para 3.2; Accountabilities: Direct: Karma Tenzin, Technician, EID No. 9408034; Supervisory: Dorji Wangchuk, DG, EID No. 8103046)*

3.2 Inadmissible payment – Nu. 4.267 million

- a) The College of Natural Resources, Lobesa had made inadmissible payments of Nu. 0.838 million in the construction of the Institute's water supply facility. The contractor had not executed proper trenching and refilling works for laying water pipes between the water source at Okalum and road point at Dangka Lum and had instead laid the pipes along the side of the road between these two locations. *(AIN 12557; Para 3.1; Accountabilities: Direct: Karma Tenzin, Technician, EID No. 9408034; Supervisory: Dorji Wangchuk, DG, EID No. 8103046)*
- b) The College of Natural Resources, Lobesa had made inadmissible payment amounting to Nu. 0.622 million on account of Teaching/University Allowances to employees who were on training for durations exceeding one month in contravention to the BCSR 2012. *(AIN 12531; Para 1.1; Accountabilities: Direct: Ugyen Dorji, Asstt. Professor, EID No. 9111008; Dr. Phub Dorji, EID No. 9312018; Sonam Tashi, Sr. Lecturer, EID No. 9901061; Yonten Dorji, Asstt. Lecturer, EID No. 200901260; Dorji Wangda, Sr. Technician, EID No. 9901116; Ugyen Tenzin, Lab Assistant, EID No. 1208042; Supervisory: Dorji Wangchuk, DG, EID No. 8103046)*
- c) The Institute of Language and Cultural Studies, Taktse had made inadmissible payments of Nu. 1.423 million for the work of additional design and drawing. It was found that local consultants were paid at rates specified for international consultant. *(AIN 12243; Para 9; Accountabilities: Direct: Raju Gurung, Engineer, EID No. 1209062; Supervisory: Lungtaen Gyatso, Director, EID No. 9903073)*

- d) The College of Natural Resources, Lobesa had made inadmissible payment of Nu. 0.212 million on account of salary and allowances to an employee during his third year of PhD studies. An award letter from the Royal University of Bhutan had granted a study leave of 36 months with pay for 24 months (February 2012 to February 2014) and remaining 12 months without pay. *(AIN 12531; Para 2; Accountabilities: Direct: Dr. Phub Dorji, EID No. 9312018; Supervisory: Dorji Wangchuk, DG, EID No. 8103046)*
- e) The Gaeddu College of Business Studies, Gedu had made inadmissible payments of Nu. 1.172 million to the contractor for transportation of excavated earth due to misinterpretation of contract terms. *(AIN 12349; Para 2.5; Accountabilities: Direct: Raju Gurung, Dy.EE, EID No. 1209062; Supervisory: Lhato Jamba, Director General, EID No. 9003001)*

3.3 Excess payment - Nu. 0.389 million

- a) The Gaeddu College of Business Studies, Gedu had made excess payment of Nu. 0.078 million to the contractor on account of supervision remuneration beyond the contract period in contrary to the terms of the tender document. *(AIN 12349; Para 1.1; Accountabilities: Direct: Raju Gurung, Dy.EE, EID No. 9918104; Supervisory: Lhato Jamba, Director General, EID No. 9003001)*
- b) The Gaeddu College of Business Studies, Gedu had made excess payment of Nu. 0.239 million to the contractor for additional survey work carried out for the development of football ground. *(AIN 12349; Para 1.2; Accountabilities: Direct: Kuentshe, Dy.EE, EID No. 200501181; Supervisory: Lhato Jamba, Director General, EID No. 9003001)*
- c) The Samtse College of Education had made excess payment of Nu. 0.072 million on account of supervision remuneration beyond the contract period for preliminary architectural designs and associated site development works. *(AIN 12433; Para 2.7.1; Accountabilities: Direct: Kelzang Youden, Asstt. Estate Manager, EID No. 200507224; Supervisory: Kaylzang Tshering, Director General, EID No. 8701047)*

3.4 Unjustified payment on account of additional employment of quality control engineer – Nu. 1.689 million

The Institute of Language and Cultural Studies, Taktse had made unjustified payment amounting to Nu. 1.689 million on account of additional employment of quality control engineer. It was found that the cost was included in the overall supervision cost of 7.123 million. *(AIN 12243; Para 3; Accountabilities: Direct: Raju Gurung, Engineer, EID No. 1209062; Supervisory: Lungtaen Gyatso, Director, EID No. 9903073)*

3.5 Difference in collection of electricity charges vis-à-vis amount deposited – Nu. 0.491 million

- a) The Gaeddu College of Business Studies, Gedu had discrepancies in the amount collected on account of electricity charges and the amounts deposited by the cashier amounting to Nu. 0.491 million. *(AIN 12350; Para 2.5.3; Accountabilities: Direct: Damber Kumar Kamar, Accountant, EID No. 1107001; Supervisory: Lhato Jamba, Director General, EID No. 9003001)*
- b) The Gaeddu College of Business Studies, Gedu had paid the Bhutan Power Corporation Limited Nu. 5.014 million on account of electricity charges but collected only Nu. 1.125 million as evident from deposits made to the CD account. *(AIN 12350; Para 2.5.4; Accountabilities: Direct: Damber Kumar Kamar, Accountant, EID No. 1107001; Supervisory: Lhato Jamba, Director General, EID No. 9003001)*
- c) The Gaeddu College of Business Studies, Gedu had outstanding electricity charges of Nu. 0.595 million from 15 consumers. *(AIN 12350; Para 2.5.5; Accountabilities: Direct: Ugyen Tenzin, Electrician, EID No. 200807400; Supervisory: B.B. Rasaily, Administrative Officer, EID No. 1108020)*
- d) The Gaeddu College of Business Studies, Gedu had payable dues of Nu. 0.048 million for consumption of electricity charges from five empty quarters. *(AIN 12350; Para 2.5.7; Accountabilities: Direct: Ugyen Tenzin, Electrician, EID No. 200807400; Supervisory: B.B. Rasaily, Administrative Officer, EID No. 1108020)*

3.6 Short payment to contractor

The Gaeddu College of Business Studies, Gedu had made short payment of Nu. 0.307 million to the contractor for works executed.. The quantities of work done were more than the quantities paid for to the contractor for various items of works in four constructions carried out by the contractor. *(AIN 12349; Para 2.7; Accountabilities: Direct: Raju Gurung, Dy.EE, EID No. 1209062; Supervisory: Lhato Jamba, Director General, EID No. 9003001)*

4.4.3 National Land Commission

During the period, the Royal Audit Authority had issued three audit reports of the National Land Commission. There were four observations pointed out in the reports involving Nu. 39.128 million, out of which one observation amounting to Nu. 2.575 million was resolved prior to the compilation of the draft Annual Audit Report 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 36.553 million.

Based on action taken after the issue of draft AAR 2014, observations amounting to Nu. 0.726 million were either resolved or not considered for inclusion in the AAR 2014. The total unresolved significant irregularities amounted to Nu. 35.827 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	35.827	5
	Total	35.827	

1. Shortfalls, Lapses and Deficiencies – Nu. 35.827 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 35.827 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Non-reconciliation of revenue from sale of Feno pegs	16.120
1.2	Outstanding advances	19.707
	Total	35.827

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

1.1 Non-reconciliation of revenue from sale of feno pegs– Nu. 16.120 million

The National Land Commission had not reconciled Nu. 16.120 million on account of sale of feno pegs to beneficiaries. A total of 30,000 feno pegs were procured at a cost of Nu. 24.450 million for the National Cadastral Resurvey Programme, out of which 19,403 sets were issued to the field staff at the rate of Nu. 852.00 amounting to a total of Nu. 16.531 million. However, the records showed a total collection of Nu. 0.412 million only. Owing to non-submission of accounts by field staff issued with the sets, the total number of feno pegs sold to beneficiaries, revenue collected and balance of unused feno pegs in the field could not be reconciled. *(AIN 11973; Para 2; Accountabilities: Direct: Pema Thinley; Store Assistant, EID No. 201002014; Supervisory: Ugyen Tshering, Assistant Procurement Officer, EID No. 200905039)*

1.2 Outstanding advances – Nu. 19.707 million

The National Land Commission had overdue outstanding advances amounting to Nu. 19.707 million against various officials. *(AIN 11973; Para 3; Accountabilities: Direct: Tashi Tobgay, LRO, EID No. 200804004; Ugyen Chewang, MD, NHDC, CID No.: 10702000925; Sonam Wangdi, Dzongda, Haa, EID No. 8607100; Supervisory: K.B. Tamang, CAO, EID No. 8709025)*

4.4.4 Thromde Administration, Thimphu

During the period, the Royal Audit Authority had issued two audit reports of the Thromde Administration, Thimphu. There were 23 observations pointed out in the reports involving Nu. 26.078 million, out of which no observation was resolved prior to the compilation of the draft Annual Audit Report 2014.

Based on action taken after the issue of draft AAR 2014, observations amounting to Nu. 4.323 million were either resolved or not considered for inclusion in the AAR 2014. The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 21.755 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
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Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	7.117	1 & 2
2	Mismanagement	10.724	3
3	Shortfalls, lapses and deficiencies	3.914	5
Total		21.755	

1. Fraud, Corruption & Embezzlement – Nu. 7.117 million

There were cases of possible elements of fraud, corruption and embezzlement involving Nu. 7.117 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Unauthorized retention of revenue collections in cash with resultant possible misuse and mismanagement of revenue	5.006
1.2	Recoverable late fine on delay and non deposit of revenue	0.711
1.3	Deposit of unaccounted cheques in the cash book as a result of entertaining encashment of private cheques	0.091
1.4	Cheques not deposited into bank	0.017
1.5	Cheques deposited but not credited in the Bank resulting into non-deposit of revenue collected	0.351
1.6	Short levy of fines and penalties on revenue collections in lieu of dishonoured cheques due to insufficient fund balance in accounts	0.676
1.7	Short deposit of revenue collections	0.265
Total		7.117

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

1.1 Unauthorized retention of revenue collections in cash with resultant possible misuse and mismanagement of revenue – Nu. 5.006 million

The revenue collections in cash amounting to Nu. 5.006 million were not deposited by the Thromde Administration on daily basis or on the next working day. This was in violation to the provisions of the Revenue Accounting Manual 2004. The withholding of revenue collections, particularly in cash on a daily basis at the end of each month rendered a scope to misuse revenues through teeming and lading process where the subsequent collections were used for covering up the earlier collections.

The retention of revenues collected in cash aggregating to Nu. 5.006 million as at 30th June 2010 for varying periods ranging from one month to over 12 months indicated not only mismanagement of revenues but also temporary misuse of revenues. The case was forwarded to Anti-Corruption Commission. *(AIN 12608; Para 1.1.1; Accountabilities: Direct: Gyeltshen Dorji, Account Asstt. III, EID No. 2107088 & Tshering Dem, Account Asstt. IV, EID No. 200907019; Supervisory: Kuenzang Choden Tshering, Asstt. Revenue Officer, EID No. 200803033)*

1.2 Non imposition of 24% penalty for non-deposit of revenue on time – Nu. 0.711 million

The Thromde Administration had not imposed 24% penalty of Nu. 0.711 million on account of non-deposit of revenue on time. This was in violation to the provisions of the Revenue Accounting Manual 2004. It was noted that the dealing person retained revenues in cash for almost two

financial years 2010-11 & 2011-12. The case was forwarded to Anti-Corruption Commission. *(AIN 12608; Para 1.1.2; Accountabilities: Direct: Gyeltshen Dorji, Account Asstt. III, EID No. 2107088 & Tshering Dem, Account Asstt. IV, EID No. 200907019; Supervisory: Kuenzang Choden Tshering, Asstt. Revenue Officer, EID No. 200803033)*

1.3 Difference between cheques collected and cheques deposited – Nu. 0.091 million

The Thromde Administration had a difference of Nu. 0.091 million between the actual cheques collected as per the cash book and cheques deposited as per deposit invoices attached with collection and deposit statement. The case was forwarded to Anti-Corruption Commission. *(AIN 12608; Para 1.1.3; Accountabilities: Direct: Gyeltshen Dorji, Account Asstt. III, EID No. 2107088 & Tshering Dem, Account Asstt. IV, EID No. 200907019; Supervisory: Kuenzang Choden Tshering, Asstt. Revenue Officer, EID No. 200803033)*

1.4 Cheques not deposited into bank – Nu. 0.017 million

The Thromde Administration had not deposited cheque number 260716 dated 18/11/2010 amounting to Nu. 0.017 million into bank till date. The case was forwarded to Anti-Corruption Commission. *(AIN 12608; Para 1.1.4; Accountabilities: Direct: Gyeltshen Dorji, Account Asstt. III, EID No. 2107088 & Tshering Dem, Account Asstt. IV, EID No. 200907019; Supervisory: Kuenzang Choden Tshering, Asstt. Revenue Officer, EID No. 200803033)*

1.5 Cheques deposited but not credited in the bank resulting into non-deposit of revenue collected – Nu. 0.351 million

The Thromde Administration had cases of revenue collections of Nu. 0.351 million deposited through cheques but not credited in bank statement. Non-deposit of revenue had occurred due to non-conduct of periodic reconciliations of cheques deposited into bank vis-à-vis cheques credited in bank statement. The case was forwarded to Anti-Corruption Commission. *(AIN 12608; Para 1.1.5; Accountabilities: Direct: Gyeltshen Dorji, Account Asstt. III, EID No. 2107088 & Tshering Dem, Account Asstt. IV, EID No. 200907019; Supervisory: Kuenzang Choden Tshering, Asstt. Revenue Officer, EID No. 200803033)*

1.6 Short levy of fines and penalties on revenue collections in lieu of dishonoured cheques – Nu. 0.676 million

The Thromde Administration had cases of cheques dishonoured due to insufficient bank balance. However, the administration had not levied fines and penalties amounting to Nu. 0.676 million. The collections and deposits were made after a time gap of almost two fiscal years. It was observed that the actions were not taken against defaulters to enforce the provisions of the Negotiable Instrument Act of Kingdom of Bhutan 2000. The case was forwarded to Anti-Corruption Commission. *(AIN 12608; Para 1.2; Accountabilities: Direct: Gyeltshen Dorji, Account Asstt. III, EID No. 2107088 & Tshering Dem, Account Asstt. IV, EID No. 200907019; Supervisory: Kuenzang Choden Tshering, Asstt. Revenue Officer, EID No. 200803033)*

1.7 Short deposit of revenue collections – Nu. 0.265 million

The Thromde Administration had not deposited revenues amounting to Nu. 0.265 million for two financial years 2011-2013 due to non-conduct of periodic reconciliation of the collections and deposits of revenue. The case was forwarded to Anti-Corruption Commission. *(AIN 12608; Para 1.3.1; Accountabilities: Direct: Gyeltshen Dorji, Account Asstt. III, EID No. 2107088 & Tshering Dem, Account Asstt. IV, EID No. 200907019; Supervisory: Kuenzang Choden Tshering, Asstt. Revenue Officer, EID No. 200803033)*

2. Mismanagement – Nu. 10.724 million

There were cases of mismanagement involving Nu. 10.724 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Non-compliance to provisions of Land Act 2007 and non-collection of land tax	10.437
2.2	Excess/short and non-levy of fines and penalties to land tax defaulters	0.287
	Total	10.724

The cases of mismanagement are as indicated below:

2.1 Non-compliance to provisions of Land Act 2007 and non-collection of land tax – Nu. 10.437 million

The Thromde Administration, Thimphu had not collected land tax of Nu. 10.437 million including penalty from private landowners which was in violation to the provisions of Land Act 2007. The periods ranged from one year to fifteen years. The non-collections of the land taxes had occurred due to existence of poor land management system with the Thimphu Thromde. The Thromde had neither assessed the expected land tax revenue generations as per existing asset register, to facilitate comparison with the actual tax revenue collections for each year, nor updated the register in a timely manner against the tax payments to ascertain and prepare the outstanding list of defaulters of land tax, to follow-up and keep track of the defaulters. In the absence of such processes, the Thimphu Thromde had failed to collect land tax and 24% penalty aggregating to Nu. 10.437 million. The provisions related to serving notice to the defaulted landowners, imposing penalties, deregistration, etc. were not invoked. *(AIN 12068; Para 2; Accountabilities: Direct: Gyeltshen Dorji, Account Asstt. III, EID No. 2107088; Supervisory: Samten Dendup, Dy. Chief Land Registrar, EID No. 2107088)*

2.2 Excess/short and non-levy of fines and penalties to land tax defaulters – Nu. 0.287 million

The Thromde Administration, Thimphu had cases of excess/short or non-levy of fines and penalties amounting to Nu. 0.287 million from various defaulters. There were excess levy of Nu. 0.140 million, short levy of Nu. 0.006 million and non-levy of Nu. 0.141 million. *(AIN 12608; Para 3.2; Accountabilities: Direct: Gyeltshen Dorji, Account Asstt. III, EID No. 2107088; Supervisory: Samten Dendup, Dy. Chief Land Registrar, EID No. 2107088)*

3. Shortfalls, lapses and deficiencies – Nu. 3.914 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 3.914 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Outstanding advances	3.914
3.2	Improper maintenance of Land Thromde Property Register and non-maintenance of Building Thromde Property Register with resultant non-collection of tax	-
	Total	3.914

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

3.1 Outstanding advances – Nu. 3.914 million

The Thimphu Thromde Education Sector had overdue outstanding advances of Nu. 3.914 million against contractors and Bhutan Power Corporation Limited. *(AIN 12514; Para 1.3; Accountabilities: Direct: Bhim Kumar Pradhan, Accountant, EID No. 9709071; Supervisory: Bhim Kumar Pradhan, Accountant, EID No. 9709071)*

3.2 Improper maintenance of Land Thromde Property Register and non-maintenance of Building Thromde Property Register with resultant non-collection of tax

The Thromde Administration, Thimphu had not maintained Building Thromde Property Register to record the number of buildings under Thromde. A total of Nu. 0.496 million was collected from 852 registered building owners for the financial year 2012-13. On cross checking the list of building owners who had paid the urban house tax with the building information obtained from the Geographic Information System of MoHCA, the urban house tax was not collected for 8,708 buildings. While the Thimphu Thromde had a dedicated Land Record and Survey Division, the responsibility on the maintenance of the Thromde Property Register for recording the land information is assigned to the Revenue Section.

The Land Tax was collected on the basis of land register maintained by the Revenue Section. It was noted that some of the Plots though appearing in the Local Area Plan, were not updated in the Land Register maintained by the Revenue Section.

The Land Property Register was not properly maintained as some pages were not only missing from the register but also found in distorted forms. Thus, the land information reflected in the Thromde land Property registers did not contain correct status of the land holdings and collection of taxes. *(AIN 12608; Para 4; Accountabilities: Direct: Samten Dendup, Dy. Chief Land Registrar, EID No. 2107088; Supervisory: Jigme Dorji, Executive Engineer, EID No. 200201095)*

4.4.5 Thromde Administration, Phuentsholing

During the period, the Royal Audit Authority had issued one audit report of the Thromde Administration, Phuentsholing. There were 14 observations pointed out in the report involving

Nu. 2.386 million, out of which five observations amounting to Nu. 0.836 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 1.550 million.

Based on action taken by the Thromde Administration after the issue of draft AAR 2014, observations amounting to Nu. 0.297 million were resolved. The total unresolved significant irregularity reflected in the AAR 2014 amounted to Nu. 1.253 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	1.253	3
	Total	1.253	

1. Mismanagement – Nu. 1.253 million

The case of mismanagement is as indicated below:

1.1 Overdue taxes and revenue receivables – Nu. 1.253 million

The Thromde Administration had overdue taxes and revenue receivables of Nu. 1.253 million against various land owners. *(AIN 12335; Para 6; Accountabilities: Direct: Deki, Adm. Assistant, EID No. 2009008 & Sonam Choden, Draught person, EID No. 9901167; Supervisory: Karma Ghalley, ALR, EID No. 20060202)*

4.4.6 Tourism Council of Bhutan

During the period, the Royal Audit Authority had issued six audit reports of the Tourism Council of Bhutan and its Projects and Institute. There were 11 observations pointed out in the reports involving Nu. 1.377 million, out of which one observation amounting to Nu. 0.174 million was resolved prior to the compilation of the draft Annual Audit Report 2014.

The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 1.203 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.300	3
2	Shortfalls, lapses and deficiencies	0.903	5
	Total	1.203	

1. Mismanagement – Nu. 0.300 million

The case of mismanagement is as indicated below:

1.1 Missing items – Nu. 0.300 million

The Hotel and Tourism Management Training Institute-Construction Project, Thimphu had procured and issued laptops, kitchen appliances and sound system the Royal Institute of Tourism and Hospitality from which items worth Nu. 0.300 million to were missing during physical

verification. *(AIN 12455; Para 4; Accountabilities: Direct: Kuenzang Wangchuk, Project Engineer (Electrical), CID No. 12008001772; Supervisory: Karma Wangdi, Project Manager, EID No. 7504016)*

2. Shortfalls, Lapses and Deficiencies – Nu. 0.903 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.903 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Outstanding Advances	0.501
2.2	Non-reimbursement of air fare	0.094
2.3	Unjustified payment	0.308
	Total	0.903

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

2.1 Outstanding advances – Nu. 0.501 million

The Tourism Council of Bhutan had outstanding advances amounting to Nu. 0.501 million against a tour operator as a result of system error. The advances were given from the Foreign Exchange Account. *(AIN 12483; Para 1 (FOREX Accounts); Accountabilities: Direct: Tashi Pelki, Accountant, EID No. 9704048; Kumbu Dem, Accountant, EID No. 200507249; Supervisory: Dependra Ghalley, Sr. Accounts Officer, EID No. 200201019)*

2.2 Non-reimbursement of air fare – Nu. 0.094 million

The Tourism Council of Bhutan had not recovered Nu. 0.116 million on account of 50% Air fare of the filming crews and travel writers that were invited to Bhutan by TCB for advertising and promoting Bhutan to the outside world. While all logistics within Bhutan and 50% of airfare were provided by TCB, the remaining 50% for Airfare was to be borne by the guests. The expenditure was incurred from the Allocation for Sustainable Tourism Development Account. *(AIN 12483; Para 2 (ASTD Accounts); Accountabilities: Direct: Tshering Pem, Marketing Officer, EID No. 200211045; Damcho Rinzin, Offtg. CTO (MPD), EID No. 2001046; Supervisory: Tshering Pem, Marketing Officer, EID No. 200211045; Damcho Rinzin, Offtg. CTO (MPD), EID No. 2001046)*

2.3 Unjustified payment – Nu. 0.308 million

The Tourism Council of Bhutan had made unjustified payments of Nu. 0.308 million to Association of Bhutanese Tour Operators on account of salary for seven months to an employee who had already been relieved of her duties by the TCB. The salary was paid from the Allocation for Sustainable Tourism Development Account. *(AIN 12483; Para ASTD Accounts 3; Accountabilities: Direct: Jigme Namgyel, Accountant, EID No. 200907018; Supervisory: Dependra Ghalley, Sr. Accounts Officer, EID No. 200201019)*

4.4.7 Election Commission of Bhutan

During the period, the Royal Audit Authority had issued three audit reports of the Election Commission of Bhutan. There were four observations pointed out in the reports involving Nu. 325.139 million, out of which three observations amounting to Nu. 185.341 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 139.798 million.

Based on action taken after the issue of draft AAR 2014, observations amounting to Nu. 139.634 million were either resolved or not considered for inclusion in the AAR 2014. The total unresolved significant observation reflected amounted to Nu. 0.164 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.164	5
	Total	0.164	

1. Shortfalls, Lapses and Deficiencies – Nu. 0.164 million

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

1.1 Outstanding Advances – Nu. 0.164 million

The Election Commission of Bhutan had overdue outstanding personal and PW advances amounting to Nu. 0.164 million. *(AIN 12391; Para 4; Accountabilities: Direct: Individuals concerned; Supervisory: K.D. Tshering, Chief Project Coordinator, EID No. 7902010)*

4.4.8 Judiciary

During the period, the Royal Audit Authority had issued 25 audit reports of the Judiciary of Bhutan. There were nine observations pointed out in the reports involving Nu. 0.533 million, out of which seven observations amounting to Nu. 0.533 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014.

The total unresolved significant irregularity reflected in the AAR 2014 is as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	-	4
	Total	0.000	

1. Violation of Laws and Rules

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

1.1 Non-receipt of furniture and equipment and liable liquidated damages

The Supreme Court of Bhutan had not received 199 numbers of various items of furniture procured during the previous year for which the supplier is liable for liquidated damages as per contractual norms. *(AIN 12484; Para 1; Accountabilities: Direct: Drangpon Tshering Dorji, Registrar General, EID No. 951103/9511031; Supervisory: Lyonpo Sonam Tobgay, Chief Justice of Bhutan, EID No. 710138/9900063U)*

4.5 CORPORATIONS

4.5.1 Dungsam Cement Corporation Limited

During the period, the Royal Audit Authority had issued one audit report of the Dungsam Cement Corporation Limited. There were 14 observations pointed out in the report involving Nu. 225.658 million. No observations were resolved prior to the compilation of the draft Annual Audit Report 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 225.658 million.

Based on responses received after issue of draft AAR 2014 and action taken by the corporation, observations amounting to Nu. 45.932 million were either resolved or not considered for inclusion in the AAR 2014. The total unresolved significant irregularities amounted to Nu. 179.726 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	179.082	4
2	Shortfalls, lapses and deficiencies	0.644	5
	Total	179.726	

1. Violation of Laws and Rules – 179.082 million

There were cases of violation of laws and rules involving Nu. 179.082 million as summarised below:

Sl. No.	Observation in brief	Nu. in million
2.1	Incorrect rate analysis resulting into excess payment	116.993
2.2	Irregularities in rate analysis of item of works resulting in excess payment	35.645
2.3	Irregular payment of additional 6% overhead and contingencies for analyzed rates on additional items	26.444
	Total	179.082

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

2.1 Incorrect rate analysis resulting into excess payment – Nu. 116.993 million

The Dungsam Cement Corporation Limited, Nanglam, Pemagatshel had made excess payments of Nu. 116.993 million to the contractor for additional items at analyzed rate for plant civil works. Although the procedure for rate analysis includes applying parameters of similar items in the Bhutan Schedule of Rates 2009, the co-efficient applied was inconsistent. Further, 10% entry tax and 15% transportation charges for certain materials were also paid, which was not required to be considered for rate analysis of any item of work. *(AIN 12328; Para 1.1; Accountabilities: Direct: Sonam Wangchuk, GM (P), CID No. 11303000556, EID No. 26; Supervisory: Dorji Norbu, MD/CEO, CID No. 12008002340, EID No. 17)*

2.2 Irregularities in rate analysis of item of works resulting in excess payment – Nu. 35.645 million

The Dungsam Cement Corporation Limited, Nanglam, Pemagatshel had made excess payment of Nu. 35.645 million on account of cost variations exceeding 5% of the initial contract price which were required to be regulated as per the quoted rates unless due process was followed. (AIN 12328; Para 1.2; Accountabilities: Direct: Sonam Wangchuk, GM (P), CID No. 11303000556, EID No. 26; Supervisory: Dorji Norbu, MD/CEO, CID No. 12008002340, EID No. 17)

2.3 Irregular payment of additional 6% overhead and contingencies for analyzed rates on additional items – Nu. 26.444 million

The Dungsam Cement Corporation Limited, Nanglam, Pemagatshel had made excess payments of Nu. 26.444 million to the contractor for additional items at analyzed rate on account of 6% overhead & contingencies in addition to the 16% overhead already included. (AIN 12328; Para 1.3; Accountabilities: Direct: Sonam Wangchuk, GM (P), CID No. 11303000556, EID No. 26; Supervisory: Dorji Norbu, MD/CEO, CID No. 12008002340, EID No. 17)

2. Shortfalls, Lapses and Deficiencies – Nu. 0.644 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.644 million as summarised below:

Sl. No.	Observation in brief	Nu. in million
3.1	Excess/double payments	0.592
3.2	Double payment	0.052
3.3	Cost/time overrun	-
	Total	0.644

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

3.1 Excess payment– Nu. 0.592 million

- a) The Dungsam Cement Corporation Limited, Nanglam, Pemagatshel had made excess payments of Nu. 0.519 million to contractor on account of wages and over-time charges. (AIN 12328; Para 5.1; Accountabilities: Direct: Ghana Shyam Regmi, Works Asstt., CID No. 11109002699, EID No. 95; Supervisory: Kinley, Asstt. Logistic, CID No. 10807002324, EID No. 16)
- b) The Dungsam Cement Corporation Limited, Nanglam, Pemagatshel had made excess payments of Nu. 0.073 million to contractor on account of supervision fees due to calculation error. (AIN 12328; Para 5.2; Accountabilities: Direct: Ghana Shyam Regmi, Works Asstt., CID No. 11109002699, EID No. 95; Supervisory: Kinley, Asstt. Logistic, CID No. 10807002324, EID No. 16)

3.2 Double payment – Nu. 0.052 million

The Dungsam Cement Corporation Limited, Nanglam, Pemagatshel had made double payments of Nu. 0.052 million to labourers on account of wages due to repetition of names in the register. (AIN 12328; Para 5.3; Accountabilities: Direct: Ghana Shyam Regmi, Works Asstt., CID No. 11109002699, EID No. 95; Supervisory: Kinley, Asstt. Logistic, CID No. 10807002324, EID No. 16)

3.3 Cost/time overrun

The Dungsam Cement Corporation Limited, Nanglam, Pemagatshel initially called as the Dungsam Cement Project Authority, had revised its cost thrice from Nu. 7,170 million to 10,485 million representing a cost overrun of 46.23%. While certain factors contributing to the cost overrun were beyond the control of the project management, some could have been avoided such as those incurred due to improper planning and weakness in management. Avoidable cost and time overrun include compensations paid to contractor for delay in handing over sites and drawings and unplanned/ad-hoc changes in designs entailing additional cost. (AIN 12328; Para 9.1 & 9.2; Accountabilities: Direct: Sonam Wangchuk, GM (P), CID No. 11303000556, EID No. 26; Supervisory: Dorji Norbu, MD/CEO, CID No. 12008002340, EID No. 17)

4.5.2 DHI-Infra Limited

During the period, the Royal Audit Authority had issued one audit report of the DHI-Infra Limited. There were three observations pointed out in the report involving Nu. 12.342 million, which was not resolved prior to issue of draft Annual Audit Report 2014.

The total unresolved significant irregularities reflected in AAR 2014 amounted to Nu. 12.342 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	11.342	3
2	Shortfalls, lapses and deficiencies	1.000	5
Total		12.342	

1. Mismanagement – Nu. 11.342 million

The case of mismanagement is as indicated below:

1.1 Non-recovery of cost difference from the withdrawing bidder – Nu. 11.342 million

The DHI-Infra Limited, Thimphu during the tendering of construction of access road to Bhutan Education City, had failed to recover the cost difference from the withdrawing bidder amounting to Nu. 11.342 million as required under Clause 22.4 of the Instruction to Bidders. (AIN 12563; Para 1; Accountabilities: Direct: Kinga Tshering, CEO, CID No. 11401001993, Dr. Karma, Ex-GM, PMD, CID No.11008001492, , Karma Gayleg, GM, PMD, CID No. 10715000188, , Kapil Pradhan, Ex-Dy.GM, CID No. 11307002446, Sujan Pradhan, Civil Engineer, CID No. 21213000279, Sonam Jamtsho, Civil Engineer, CID No. 10906001464, Singye, Architech, CID No. 11312002314 & Pushpa

Rai Pradhan, Asst. Manager, CID No. 21213000281; Supervisory: Dorji Namgay, CEO, CID No. 10101000500)

2. Shortfalls, Lapses and Deficiencies – Nu. 1.000 million

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

2.1 Non-forfeiture of EMD from the withdrawing bidder – Nu. 1.000 million

The DHI-Infra Limited, Thimphu during the tendering of construction of Wangchuk Bridge at Charkilo had failed to forfeit the Earnest Money Deposit from the withdrawing bidder amounting to Nu. 1.000 million as required under Clause 22.4 of the Instruction to Bidders. (AIN 12563; Para 2; Accountabilities: Direct: Kinga Tshering, CEO, CID No. 11401001993, Dr. Karma, Ex-GM, PMD, CID No.11008001492, , Karma Gayleg, GM, PMD, CID No. 10715000188, , Kapil Pradhan, Ex-Dy.GM, CID No. 11307002446, Sugan Pradhan, Civil Engineer, CID No. 21213000279, Sonam Jamtsho, Civil Engineer, CID No. 10906001464, Singye, Architech, CID No. 11312002314 & Pushpa Rai Pradhan, Asst. Manager, CID No. 21213000281; Supervisory: Dorji Namgay, CEO, CID No. 10101000500)

4.5.3 State Trading Corporation of Bhutan Limited

During the period, the Royal Audit Authority had issued one audit report of the State Trading Corporation of Bhutan Limited. There were four observations pointed out in the reports involving Nu. 5.510 million, out of which one observation was resolved prior to the compilation of the draft Annual Audit Report 2014.

The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 5.510 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	5.510	5
	Total	5.510	

1. Shortfalls, Lapses and Deficiencies – Nu. 5.510 million

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

1.1 Shortage/excess in physical balances of stock – Nu. 5.510 million

- a) The State Trading Corporation of Bhutan Limited, Phuentsholing had shortages and excess of stock of various spare parts of Eicher vehicles amounting to Nu. 0.439 million and Nu. 0.369 million respectively. The shortage/excess was revealed during physical verification of stock balance as per Enterprise Resource Planning system vis-à-vis ground balance in the warehouse. Further, spare parts worth Nu. 0.645 million were not available for physical verification as racks were empty. (AIN 12336; Para 1; Accountabilities: Direct: Tashi Lhendup, Unit Head, EICHER Spares, EID No. 1272, CID No. 1070300218; Kinley Dorji, Office Assistant (In-Charge), EICHER Spare parts, EID No. 1271,

CID No. 10808001923; Choki Letho, Asstt. Sales Executive, Eicher Spares parts, EID No. 1311, CID No. 11106005098; Supervisory: Pema Tshewang, General Manager, Toyota & Eicher Division, CID No. 10906000158)

- b) The State Trading Corporation of Bhutan Limited, Phuentsholing had shortages and excess of stock of various spare parts of Toyota vehicles amounting to Nu. 4.016 million and Nu. 0.041 million respectively. The shortage/excess was revealed during physical verification of stock balance as per Enterprise Resource Planning system vis-à-vis ground balance in the warehouse. *(AIN 12336; Para 2; Accountabilities: Direct: Ugyen Palden, Unit Head, TOYOTA Spares, CID No. 11514001947; Tenzin Norbu, Sr. Supervisor, Toyota Spare parts, EID No. 1134, CID No. 11512000380; Purna Rai, Sales Executive, Toyota Spares parts, EID No. 1375, CID No. 21202000603; Yeshey Tshering, Sales Executive, Toyota spare parts, EID No. 1375, CID No. 11302002042; Dechen Zangmo, Sales Executive, Toyota spare parts, EID No. 1382, CID No. 10709003613; Supervisory: Pema Tshewang, General Manager, Toyota & Eicher Division, CID No. 10906000158)*

4.5.4 Food Corporation of Bhutan Limited

During the period, the Royal Audit Authority had issued one audit report of the Food Corporation of Bhutan Limited. There were nine observations pointed out in the report involving Nu. 5.422 million, out of which one observation amounting to Nu. 0.383 million was resolved prior to the compilation of the draft Annual Audit Report 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 5.039 million.

Based on responses received after issue of draft AAR 2014 and action taken by the Corporation, observations amounting to Nu. 0.886 million were resolved. The total unresolved significant irregularities reflected in the AAR 2014 amounted to Nu. 4.153 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.109	3
2	Shortfalls, lapses and deficiencies	4.044	5
	Total	4.153	

1. Mismanagement – Nu. 0.109 million

The case of mismanagement is as indicated below:

1.1 Outstanding rent – Nu. 0.109 million

The Food Corporation of Bhutan Limited, Phuentsholing had overdue outstanding rents amounting to Nu. 0.109 million for lease of auction yard and go-downs. *(AIN 12125; Para 2; Accountabilities: Direct: Pemo, Office Assistant. EID No. 891600; Supervisory: Pema Wangchuk, Head of Administration Department, EID No. 910110)*

2. Shortfalls, Lapses and Deficiencies – Nu. 4.044 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 4.044 million as summarised below:

Sl. No.	Observation in brief	Nu. in million
2.1	Irregularities in the operation of auction yard	-
2.2	Shortages of food grains at bulk go-down	3.117
2.3	Overdue sundry debtors	0.927
	Total	4.044

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

2.1 Irregularities in the operation of auction yard

- a) The Food Corporation of Bhutan Limited, Phuentsholing in contravention to the Auction Yard Manual 2009 had allowed delayed payments amounting to Nu. 37.292 million by the bidders ranging from 3 to 770 days. *(AIN 12125; Para 3.1; Accountabilities: Direct: Langa Dukpa, Complex Manager, CID No. 11605002496, EID No. 750040; Supervisory: Sangay Wangdi, Head, Administration Department, CID No. 11410005316, EID No. 910109)*
- b) The Food Corporation of Bhutan Limited, Phuentsholing had not deposited service charges amounting to Nu. 11.405 million, collected from bidders at Head Office, and instead it was used to pay the 'Growers'. *(AIN 12125; Para 3.2; Accountabilities: Direct: Langa Dukpa, Complex Manager, CID No. 11605002496, EID No. 750040; Supervisory: Sangay Wangdi, Head, Administration Department, CID No. 11410005316, EID No. 910109)*
- c) The Food Corporation of Bhutan Limited, Phuentsholing had made delayed payments to growers ranging from 1 to 159 days in 2012 and 2013, although there was adequate cash in hand. *(AIN 12125; Para 3.3; Accountabilities: Direct: Langa Dukpa, Complex Manager, CID No. 11605002496, EID No. 750040; Supervisory: Sangay Wangdi, Head, Administration Department, CID No. 11410005316, EID No. 910109)*

2.2 Shortages of food grains at bulk go-down – Nu. 3.117 million

The Food Corporation of Bhutan Limited, Phuentsholing had shortages valuing Nu. 3.117 million adjusted in the books of accounts pertaining to the accounts of bulk go-down. The case was forwarded to the Anti-Corruption Commission. *(AIN 12125; Para 4; Accountabilities: Direct: ChampayDukpa, Ex-Bulk Manager, EID No. 750037; Supervisory: Pema Wangchuk, Head, Administration Department, EID No. 910110)*

2.3 Overdue sundry debtors – Nu. 0.927 million

The Food Corporation of Bhutan Limited, Phuentsholing has overdue sundry debtors amounting to Nu. 0.927 million. *(AIN 12125; Para 5; Accountabilities: Direct: Champay Dukpa, Ex-Bulk*

Manager, EID No. 750037; Sonam Jorden, Bulk Manager, Thimphu, EID no. 919163; Supervisory: Pema Wangchuk, Head of Administration Department, EID No. 910110)

4.5.5 Bhutan Postal Corporation Limited

During the period, the Royal Audit Authority had issued seven audit reports of the Bhutan Postal Corporation Limited and its Branch Offices. There was one observation pointed out in the reports involving Nu. 0.520 million, out of which one observation amounting to Nu. 0.130 million was resolved prior to the compilation of the draft Annual Audit Report 2014.

The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 0.390 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.390	3
Total		0.390	

1. Mismanagement – Nu. 0.390 million

The case of mismanagement is as indicated below:

1.1 Non-collection of rent - Nu. 0.390 million

The Bhutan Postal Corporation Limited, Phuentsholing had not collected rent for over two years amounting to Nu. 0.390 million from its tenant for the lease of its five storied building in Phuentsholing Thromde. The tenant, who had further sublet the premise to other tenants had not received rental payments impeding payment to Bhutan Postal Corporation Limited. The case was forwarded to Phuentsholing Thromde for recovery. *(AIN 12137; Para 1; Accountabilities: Direct: Namgay Dema, Post Master, EID No. 9610054; Supervisory: Damcho Tshering, CPM, EID No. 9610031)*

4.5.6 Bhutan Power Corporation Limited

During the period, the Royal Audit Authority had issued 21 audit reports of the Bhutan Power Corporation Limited and its Branch Offices. There were 31 observations pointed out in the reports involving Nu. 84.099 million, out of which 11 observations amounting to Nu. 80.638 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 3.461 million.

Based on responses received after issue of draft AAR 2014 and action taken by the Corporation, observations amounting to Nu. 3.332 million were either resolved or not considered for inclusion in the AAR 2014. The total unresolved significant irregularities amounted to Nu. 0.129 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	0.129	5
	Total	0.129	

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
1.1	Construction of 11KV line for a township not yet finalized	-
1.2	Non-utilisation of equipment	-
1.3	Excessive purchase and huge retention of stock balance	-
	Total	-

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

1.1 Construction of 11KV line for a township not yet finalized

The Electricity Services Division & Regional Stores Division, Samdrupjongkhar carried out the construction of 11KV line at Nganglam, Pemagatshel in anticipation of a new township that is yet to be finalised. The huge investment of Nu. 5.654 million at this stage could prove to be unprofitable for the company. *(AIN 12194; Para 1; Accountabilities: Direct: Kinzang Chopel, Manager, CID No. 11102003820, EID No. 30001348; Supervisory: Kinzang Chopel, Manager, CID No. 11102003820, EID No. 30001348)*

1.2 Non-utilisation of the equipment

The Electricity Services Division & Regional Stores Division, Samdrupjongkhar had procured a Conductor Winding Machine costing Nu. 0.901 million in 2010. However, the machine is yet to be installed resulting in blockade of fund to that extent. *(AIN 12194; Para 2; Accountabilities: Direct: Tashi Wangchuk, Manager, CID No. 10904001241, EID No. 30000489; Supervisory: Pardeep Pradhan, GM, CID No. 1120000143, EID No. 30000489)*

1.3 Excessive purchase and huge retention of stock balance

The Regional Stores Division, Phuentsholing had procured materials worth Nu. 64.225 million without considering the opening stock balances worth Nu. 145.244 million. The issuance of materials for the year amounted to Nu. 148.580 million leaving huge stock balances worth Nu. 60.887 million. *(AIN 12331; Para 1; Accountabilities: Direct: Sherab Dorji, Sr. Engineer, EID No. 30001432, CID No. 10102001654; Supervisory: Pradeep M Pradhan, General Manager, EID No. 30000489, CID No. 11203000143)*

2 Shortfalls, Lapses and Deficiencies – Nu. 0.129 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.129 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Lack of guideline on conduct of the deposit work	-
2.2	Excess payment	0.051
2.3	Rehabilitated Chenary Hydel Project remaining defunct	-
2.4	Non-deduction of TDS	0.078
	Total	0.129

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

2.1 Lack of guideline on conduct of the deposit work

The Electricity Services Division, Thimphu lacks a clear policy guideline on execution of deposit works undertaken by the ESD for government and private parties. *(AIN 12458; Para 5 (Part C- Execution of Deposit Work); Accountabilities: Direct: Ghanishyam Tamang, Manager, DCSD, CID No. 21103000148; Supervisory: Norbu Tshering, GM, DCSD, CID No. 11513004068)*

2.2 Excess payment - Nu. 0.051 million

The Electricity Services Division, Trashigang had made excess payments of Nu. 0.061 million to contractors for works less executed in the Rehabilitation of Chenary Mini Hydropower Plant, Trashigang. *(AIN 12167; Para 3; Accountabilities: Direct: Sangay Dorji, Civil Engineer, EID No. 30000339, CID No. 11512002120; Supervisory: Lobzang Dorji, Chief Manager, EID No. 30000042, CID No. 10904000394)*

2.3 Rehabilitated Chenary Hydel Project remaining defunct

The Electricity Services Division, Trashigang had invested over Nu. 68.126 million for the Rehabilitation of Chenary Mini Hydropower Plant, Trashigang, including two subsequent repairs to the penstock pipes. The plant functioned for two months after the second repair works in 2009 and since then has been defunct due to damages in other sections of the pipeline. The pipes in the damaged sections were removed as per the decision of the BPCL Head Quarters. *(AIN 12167; Para 5; Accountabilities: Direct: Lobzang Dorji, Chief Manager, EID No. 30000042, CID No. 10904000394; Supervisory: Lobzang Dorji, Chief Manager, EID No. 30000042, CID No. 10904000394)*

2.4 Non-deduction of TDS – Nu. 0.078 million

The Regional Stores Division, Phuentsholing while procuring goods under ADB/JICA funding had not deducted 2% TDS from the suppliers amounting to Nu. 0.078 million. *(AIN 12331; Para 4; Accountabilities: Direct: Jigme Dorji, Sr. Engineer, EID No. 30001347, CID No. 11410005655; Supervisory: Pradeep M Pradhan, General Manager, EID No. 30000489, CID No. 11203000143)*

4.5.7 Natural Resources Development Corporation Limited

During the period, the Royal Audit Authority had issued four audit reports of the Natural Resources Development Corporation Limited. There were 13 observations pointed out in the reports involving Nu. 4.077million, out of which nine observations amounting to Nu. 4.077 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014.

The total unresolved significant irregularity reflected in the AAR 2014 is as summarized below:

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

1. Shortfalls, Lapses and Deficiencies

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

1.1 Non-utilisation of constructed forest road

The Natural Resources Development Corporation Limited, Monggar had neither properly planned nor adequately coordinated with relevant agencies for the construction of a 1.6 km forest road at Rongmachu Forest Management Unit worth Nu. 3.700 million. The road was never used for extracting timber, as 1.3 km of the road was constructed within the boundaries of the Bumdeling Wildlife Sanctuary, where timber extraction is prohibited. *(AIN 12282; Para 2; Accountabilities: Direct: Sanjive Rai, Unit In-charge, RFMU, DoFPS, Monggar Division, EID No. 201007359; Supervisory: Tandin Wangchuk, Regional Manager, EID No. NRDCL/2211202)*

4.6 FINANCIAL INSTITUTIONS

4.6.1 Bhutan National Bank Limited

During the period, the Royal Audit Authority had issued seven audit reports of the Bhutan National Bank Limited and its Branch Offices. There were nine observations pointed out in the reports involving Nu. 137.460 million, out of which four observations amounting to Nu. 9.396 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 128.064 million

Based on action taken after the issue of draft AAR 2014, observations amounting to Nu. 98.137 million were either resolved or not considered for inclusion in the AAR 2014. The total significant unresolved irregularities amounted to Nu. 29.927 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	29.927	5
	Total	29.927	

1. Shortfalls, Lapses and Deficiencies

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

1.1 Irregularities in SWAP accounts maintained with BNBL – Nu. 29.927 million

The Bhutan National Bank Limited, Corporate Office, Thimphu had outstanding overdues amounting to Nu. 29.927 million on account of bad & non-performing loans from 11 clients since the time of transition of 'Unit Trust of Bhutan' to 'Bhutan National Bank' in 1997. This amount is payable to the RGoB, who had then cleared it for the clients to enable BNBL to establish itself on sound footings. *(AIN 12398; Para 3.1; Accountabilities: Direct: Dorji, Head, Accounts Department, CID No. 10608003283; Supervisory: Tandin Dukpa, Chief Finance Officer, CID No. 10401000308)*

4.6.2 National Pension And Provident Fund

During the period, the Royal Audit Authority had issued one audit report of the National Pension and Provident Fund. There were eight observations pointed out in the reports involving Nu. 2.829 million, out of which no observations were resolved prior to the compilation of the draft Annual Audit Report 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 2.829 million as summarized below:

Based on action taken after the issue of draft AAR 2014, observations amounting to Nu. 2.380 million were either resolved or not considered for inclusion in the AAR 2014. The total significant unresolved irregularities amounted to Nu. 0.449 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.449	3
2	Violation of laws and rules	-	4
3	Shortfalls, lapses and deficiencies	-	5
Total		0.449	

1. Mismanagement – Nu. 0.449 million

There were cases of mismanagement involving Nu. 0.449 as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Issuance of separation order beyond the prescribed age limit and pension liabilities	-
1.2	Default in rental payment and lack of actions	0.449
Total		0.449

The cases of mismanagement are as indicated below:

1.1 Issuance of separation order beyond the prescribed age limit and pension liabilities

The Pension and Provident Fund management revealed instances of prolonged services beyond age limit resulting into additional pension liabilities on account of annual increment and promotion benefits availed during active service that would result into higher pension payouts after retirements. *(AIN 12376; Para 1.1; Accountabilities: Direct: Sonam Yeshey, Head, Pension & PF Department, CID No.: 11508000359; Supervisory: Dubthob Wangchug, CEO, CID No.: 11410008358)*

1.2 Default in rental payment and lack of actions – Nu. 0.449 million

The National Pension and Provident Fund had tenants who failed to pay the monthly rental amounting to Nu. 0.449 million, aggravated by lack of monitoring in collecting monthly rental charges, the tenants had become chronic defaulters. *(AIN 12376; Para 3.3.2; Accountabilities: Direct: Kezang Thinley, Legal Officer, CID No.: 11506004331; Supervisory: Phuntsho Wangdi, General Manager, Real Estate Department, CID No.: 10703001283)*

2 Violation of Laws and Rules

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

2.1 Real Estate management

The National Pension and Provident Fund has numerous housing units for its members of which 12 were found occupied by private individuals. This conflicts with the National Pension & Provident Fund Housing Management Rules & Regulations 2013, which states that only members are eligible to reside in the housing units. *(AIN 12376; Para 3.3.1; Accountabilities: Direct: Dubthob Wangchug, CEO, CID No. 11410008358; Phuntsho Wangdi, General Manager, Real Estate Department, CID No. 10703001283; Supervisory: As per list)*

2. Shortfalls, Lapses and Deficiencies

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

2.1 Lack of takers on Home Ownership Projects

The National Pension and Provident Fund had sanctioned loans to M/s Yangphel for its “Home Ownership Project” for 116 units of residential apartments of varying sizes and types. Of this only 12 units have been booked so far raising concerns over loan defaulting due to lack of takers. (AIN 12376; Para 2.1; Accountabilities: Direct: *Dubthob Wangchug, CEO, CID No. 11410008358*; Supervisory: *Dasho Lam Dorji, Hon'ble Secretary, MoF, CID No.10502000354, Dasho Chhewang Rinzin, CEO, DGPC, CID No.11512004457, Mr. Pema Wangda, Director General, MoLHR, CID No.11303003864, Lt. Col Dorji Gyeltshen, RBA, Lungtenphu, CID No.11502000170, Mr. Bachu Phub Dorji, Commissioner, RCSC CID No.10811002377, Mr. Kapil Sharma, Ministry of Finance, CID No.11311000533, Ms. Eden Dema, Chief, FRSD RMA, CID No. 11410008358 & Mr. Dhubthob Wangchug, CEO CID No. 11410008358*)

4.6.3 Bhutan Development Bank Limited

During the period, the Royal Audit Authority had issued seven audit reports of the Bhutan Development Bank Limited and its Branch Offices. There were 11 observations pointed out in the reports involving Nu. 26.515 million, out of which no observations were resolved prior to the compilation of the draft Annual Audit Report 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 26.515 million.

Based on action taken after the issue of draft AAR 2014, observations amounting to Nu. 26.215 million were either resolved or not considered for inclusion in the AAR 2014. The total significant unresolved irregularities amounted to Nu. 0.300 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	-	3
2	Shortfalls, lapses and deficiencies	0.300	5
	Total	0.300	

1. Mismanagement

The case of mismanagement is as indicated below:

1.1 Recruitment of interns without competitive selection process

The Bhutan Development Bank Limited, Corporate Office, Thimphu had recruited nine employees from the interns working with BDBL without any competitive selection process, deviating from the requirements of the BDBL HR Internal Service Rules, 2011. Such deviation was also pointed out in earlier Audit Report. (AIN 12430; Para 3.1; Accountabilities: Direct: *Ugyen Dhendup, DMD (P), CID No. 10802001957; Supervisory: Pema Tshering, MD, CID No. 11703003506*)

2. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.300 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Doubtful exposure of Staff Vehicle Loan	0.300
2.2	Loans and advance	-
	Total	0.300

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

2.1 Doubtful exposure of Staff Vehicle Loan – Nu. 0.300 million

The Bhutan Development Bank Limited, Corporate Office, Thimphu had sanctioned Staff Loan of Nu. 0.300 million to an employee which was overdue for almost a year. The management had failed to adjust the loan from his retirement benefits on his resignation from the bank. Further, the outstanding loan was not converted to commercial loan. *(AIN 12430; Para 1.2; Accountabilities: Direct: Kuenzang Thinley, DGM, Legal, CID No. 11902000445; Supervisory: Pema Tshering, MD, 11703003506)*

2.2 Loans and advances

The Bhutan Development Bank Limited, Corporate Office, Thimphu had sanctioned multiple credit facilities to M/s Gyelsa-Tewa Real Estate Developers Pvt. Ltd., Thimphu amounting to Nu. 78.722 million against insufficient collaterals. *(AIN 12430; Para 2; Accountabilities: Direct: Tshering Choden, PSO, TMB, CID No. 11512005179; Mindu Lham, Manager, Credit, CID No. 11006000745; Supervisory: Karma Jigme, OGM, Credit, CID No. 11410003453)*

4.6.4 Bank of Bhutan Limited

During the period, the Royal Audit Authority had issued 15 audit reports of the Bank of Bhutan Limited and its Branch Offices. There were 57 observations pointed out in the reports involving Nu. 47.691 million, out of which 11 observations amounting to Nu. 35.975 million were either resolved prior to the compilation of the draft Annual Audit Report 2014 or did not qualify for inclusion in the draft AAR 2014. The total unresolved significant observations reflected in the AAR 2014 amounted to Nu. 11.716 million.

Based on action taken after the issue of draft AAR 2014, observations amounting to Nu. 11.716 million were either resolved or not considered for inclusion in the AAR 2014. The total significant unresolved irregularities are as summarized below:

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

1. Violation of Laws and Rules

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

1.1 Hiring of office space and rent negotiation

- a) The Bank of Bhutan Limited, Corporate Office, Thimphu lacked objectivity and transparency in the processes of identifying buildings for office space and further negotiating rent for the selected properties. There were no documented records of discussions between the building owners and the Bank. *(AIN 12442; Para 2; Accountabilities: Direct: Passang Dorji, CID No. 10810001622; Supervisory: Damche Tenzin, CID No. 11504000168)*
- b) The Bank of Bhutan Limited, Corporate Office, Thimphu had not invited quotations for hiring of office space at various locations in Thimphu, depriving competitive rates. The management maintained that direct negotiations were more viable, but there were no documentary evidences to show that direct negotiations with building owners were carried out objectively and transparently. *(AIN 12442; Para 3; Accountabilities: Direct: Dorji Wangchuk, Branch Manager, CID No. 11107000502; Supervisory: Dorji Wangchuk, Branch Manager, CID No. 11107000502)*
- c) The Bank of Bhutan Limited, Corporate Office, Thimphu did not have clear basis for fixing rent for hiring of ATM spaces at various locations in Thimphu and rent were being paid in lump sum amounts. The rent was neither based on square footage of property nor through negotiations. The Bank had not invited quotations for competitive rates. *(AIN 12442; Para 4; Accountabilities: Direct: Dorji Wangchuk, Branch Manager, CID No. 11107000502; Supervisory: Dorji Wangchuk, Branch Manager, CID No. 11107000502)*

2. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies are as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Wasteful expenditure on consultancy services	-
2.2	Defaulted Loans pending court registration	-
2.3	Long queuing/waiting time for client	-
	Total	-

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

2.1 Wasteful expenditure on consultancy services

The Bank of Bhutan Limited, Corporate Office, Thimphu had not been able to derive value-for-money from the consultancy work carried out by M/s Ernst & Young at the cost of Nu. 7.795 million, to study and review existing strategies and readiness of the Bank of Bhutan Limited to venture into Indian Market. The extent of implementation of recommendations from the consultant could not be ascertained. *(AIN 12442; Para 5; Accountabilities: Direct: Uphar Subedi, CID No. 21805000045; Supervisory: Dorji Kadin, CID No. 12003002413)*

2.2 Defaulted loans pending court registration

The Bank of Bhutan Limited, Main Branch, Thimphu, had defaulted loans amounting to Nu. 4.478 million from 31 clients pending court registrations since 2009. *(AIN 12576; Para 6; Accountabilities: Direct: Tashi Chhenzom, Legal Head, Main Branch Office, CID No. 11410004694; Supervisory: Sonam Tshering, General Manager, Main Branch Office, CID No. 11410008725)*

2.3 Long queuing/waiting time for client

The Bank of Bhutan Limited, Main Branch, Thimphu, has a very high queuing and waiting time for a customer availing the four most popular services, withdrawal/deposits; corporate deposit/payment; Indian Currency Exchange; and the TT/RTGS. Against a world average of 19.5 minutes per transaction, BoBL's average was 1 hour 34 minutes and 27 seconds per transaction for withdrawal & deposits. Averages for other services also fell behind the world average standards. *(AIN 12576; Para 7; Accountabilities: Direct: Sonam Tshering, General Manager, Main Branch Office, CID No. 11410008725; Supervisory: Kuenzang Chhoden, Head, HRD, CID No. 10502001394)*

4.6.5 Royal Monetary Authority of Bhutan

During the period, the Royal Audit Authority had issued one audit reports of the Royal Monetary Authority of Bhutan. There were 11 observations pointed out in the reports involving Nu. 5.019 million, out of which no observations were resolved prior to the compilation of the draft Annual Audit Report 2014. The total unresolved significant observations reflected in the draft AAR 2014 amounted to Nu. 5.019 million.

Based on action taken after the issue of draft AAR 2014, observations amounting to Nu. 5.019 million were either resolved or not considered for inclusion in the AAR 2014. The total significant unresolved irregularity is as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption and Embezzlement	-	1 & 2
	Total	-	

1. Fraud, Corruption and Embezzlement

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

1.1 Manipulation of documents and inadmissible payments

The Deputy Governor of the Royal Monetary Authority of Bhutan had claimed full DSA of USD 600 to attend the SIBOS 2012, an annual conference, exhibition and networking event organised by Society for Worldwide Interbank Financial Telecommunications (SWIFT). The event was fully covered by the organisers including accommodation and meals. Thus, the official was only entitled for 30% DSA as prescribed in the RMA Staff Regulation 2006. The Deputy Governor had tampered and manipulated the invitation document to claim for full DSA. The payment of full DSA was approved by the Governor based on the Note-Sheet submitted by the Deputy Governor. The

amount was recovered and case was forwarded to Anti-Corruption Commission. *(AIN 12431; Para 3; Accountabilities: Direct: Eden Dema, Dy. Governor, CID No. 10503001473 Supervisory: Phub Dorji Tangbi, Director, AFD, CID No. 11705001431)*

4.7 POLITICAL PARTIES

4.7.1 Druk Phuentsum Tshogpa

During the period, the Royal Audit Authority had issued one audit report in respect of the Druk Phuntshum Tshogpa. There were three observations pointed out in the report involving Nu. 7.998 million, out of which one observation amounting to Nu. 0.052 million was resolved prior to the compilation of the draft Annual Audit Report 2014. The total unresolved significant observations reflected in the AAR 2014 amounted to Nu. 7.946 million.

Based on action taken after issue of draft AAR 2014, observation amounting to Nu. 7.725 million was resolved. The total unresolved significant irregularity reflected in the AAR 2014 amounted to Nu. 0.221 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.221	5
	Total	0.221	

1. Shortfalls, Lapses and Deficiencies – Nu. 0.221 million

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

1.1 Outstanding advances – Nu. 0.221 million

The Druk Phuentsum Tshogpa had outstanding advances amounting to Nu. 0.221 million against office staff, party members and workers. *(AIN 12046; Para 3; Accountabilities: Direct: Ugyen Dorji, General Secretary, CID No.: 1102007061; Supervisory: Ugyen Dorji, General Secretary, CID No.: 1102007061)*

CHAPTER 5

AUDIT REPORT ON GOVERNMENT PAYROLL AND PROVIDENT FUND

The RAA had undertaken focused and specific review of the Pay and Allowances vis-à-vis Government Provident Fund (GPF) remittances made to the National Pension and Provident Fund (NPPF) in respect of budgetary agencies. The review was undertaken as a follow-up audit on the discrepancies in the remittances of GPF noted during the audit of Annual Financial Statements of the Royal Government of Bhutan for the financial year ended 30th June 2013 and the NPPF. The discrepancy of GPF remittance was one of the matters referred to for expressing “*qualified*” audit opinion on the Annual Financial Statement of the Royal Government of Bhutan for the year ended 30th June 2013.

During the audit of NPPF, the RAA noted excess receipt of pension and provident fund contribution against the members. Subsequently, audit teams were assigned to verify the discrepancies in various agencies.

Based on the review, the RAA found that there were huge discrepancies apparently emanating from control weaknesses in the Public Expenditure Management System (PEMS) in fixing and disbursing the personnel emoluments during transfer, training, extraordinary leave and separation of employees. Further, there were also cases of erroneous fixation of pay and remittances being made in contravention to the extant rules. These were the results of inadequacies and failure of controls in the PEMS posing question of system integrity.

5.1 FINDINGS

Excess payment aggregating to Nu. 9.622 million was made from the payrolls of the budgetary agencies on account of excess salaries and GPF remittances. The excess payment had occurred due to double salaries paid during transfer of employees, payment made beyond specified time during extra-ordinary and study leave, salaries paid to employees who had separated from service, and GPF remitted for contract employees as shown in the table below:

Para No.	Nature of excess salary and GPF	Salary (Nu.)	GPF (Nu.)	Total (Nu.)
1	Transfer	6,689,752.18	1,367,257.54	8,057,009.72
2	EOL & Study	489,858.00	156,170.00	678,143.00
3	Separation from service	694,047.11	119,368.60	813,415.71
4	GPF to contract employees	-	73,002.00	73,002.00
	Grand total	7,873,657.29	1,715,798.14	9,621,570.43

The details of findings are briefly explained below:

5.1.1 Double salaries paid to employees during transfers and excess remittance of GPF – Nu. 8.057 million

The agencies had disbursed double salaries of Nu. 6.689 million to employees during transfer from one agency to another. This had also resulted in excess remittance of GPF amounting to Nu. 1.367 million in respect of those employees. The summary of excess/double disbursement of salaries for last three financial years (2010-11, 2011-12 and 2012-13) by various budgetary agencies during transfer and excess GPF remittances are as given in the table below:

Sl. No.	Name of agencies	Excess salary (Nu.)	Excess GPF (Nu.)	Total Amount (Nu.)
1	Dzongkhag Administrations	5,089,598.40	1,006,550.00	6,300,209.70
2	Thimphu Thromde	566,114.00	129,656.00	695,770.00
3	Ministries & Departments	710,017.00	168,886.50	875,904.04
4	Dungkhag Administrations	296,739.78	55,805.54	352,545.32
5	Dungkhag Court, Thrimshing	27,283.00	6,360.00	33,643.00
	Total	6,689,752.18	1,367,257.54	8,057,009.72

Such lapses had occurred due to non-existence of controls within the PEMS since the agencies resorted to using Accounts Module to generate the monthly payroll instead of Payroll Module existing in the system.

5.1.2 Inadmissible payment of salaries to employees during Extra Ordinary Leave (EOL) and long term studies and resultant excess remittance of GPF – Nu. 0.678 million

The Agencies had made inadmissible payment of salaries to employees during EOL and long term studies amounting to Nu. 0.490 million in deviation to BCSR 2012, Chapter 10, Sub Clause 10.2.7.12. This had also resulted in remittance of excess contribution of GPF amounting to Nu. 0.156 million.

The summary of instances of inadmissible payment of salaries to the employees who were on EOL and long-term studies is given in the table below:

Sl. No.	Name of agencies	Ineligible salaries salary (Nu.)	GPF (Nu.)	Total Amount (Nu.)
1	Ministry of Economic Affairs	348,856.00	137,806.00	522,662.00
2	Dzongkhag Administrations	101,105.00	10,594.00	111,699.00
3	GNH Commission	39,897.00	7,770.00	43,782.00
	Total	489,858.00	156,170.00	678,143.00

These lapses had apparently occurred due to poor coordination between the Human Resource Divisions and the Accounts Division in terms of regulating the emoluments of employees on EOL and study leave.

5.1.3 Disbursement of pay and allowances to employees separated from service and resultant remittance of GPF – Nu. 0.813 million

It was observed that some of the agencies had continued to disburse salaries and allowances amounting to Nu. 0.694 million to employees even after separation from the services. This had

resulted in remittance of GPF amounting to Nu. 0.119 million. The summary of salaries disbursed and remittance of GPF in respect of employees who had separated from services is as given in the table below:

Sl. No.	Agencies	Salary & Allowances (Nu.)	GPF (Nu.)	Total Amount (Nu.)
1	Dzongkhag Administrations	401,916.16	63,533.70	465,449.86
2	Ministries & Thromde	278,594.95	53,168.90	331,763.85
3	Judiciary	13,536.00	2,666.00	16,202.00
	Total	694,047.11	119,368.60	813,415.71

These lapses had also apparently occurred due to poor coordination between the Human Resource Divisions and the Accounts Division in terms of regulating the emoluments of employees on EOL and study leave.

5.1.4 GPF to contract employees – 0.073 million

In contravention to the NPPF Rules and Regulations and the BCSR 2012, it was observed that various agencies had recovered and remitted GPF against the contract employees to the NPPF. A summary of such instances is provided below:

Sl. No.	Name of agencies	Amount (Nu.)
1	Dzongkhag Administration, Punakha	23,952.00
2	Thimphu Thromde	14,448.00
3	Dzongkhag Administration, Sarpang	11,644.00
4	College of Natural Resources, Lobesa	7,994.00
5	Vocational Training Institute, Serzhong	7,130.00
6	Dungkhag Administration, Phuentsholing	3,436.00
7	JDWNRH, Ministry of Health	3,044.00
8	Gaedu College of Business Studies, RUB	1,354.00
	Total	73,002.00

5.1.5 Other irregularities

- a) There were anomalies in pay fixation in respect of two officials of two agencies which resulted in payment of excess salaries and GPF remittances amounting to Nu. 0.073 million
- b) There were instances of remitting employers' contribution made in excess of employees' contribution amounting to Nu. 1.245 million pertaining to Dzongkhag Administration, Wangduephodrang;
- c) There were also cases of non-remittances of employers' matching contribution amounting to Nu. 0.047 million in respect of three Ministries; and
- d) There were cases of non-deposit of refunds received from NPPF into Budget Fund Account. Such refunds of excess remittances amounted to Nu. 0.048 million in respect of three agencies.

5.2 POSSIBLE CAUSES

Further review of the issues, and assessment of the controls embedded in the Public Expenditure Management System (PEMS) in administration and regulating the personnel emoluments and remittance of GPF in respect of employees, the RAA attributed the irregularities to following possible causes:

- ✘ Lack of controls in PEMS wherein it allows preparation of Pay and Allowances from Accounts Module without adequate input controls and approval system;
- ✘ The PEMS allows booking any expenditure not related to Employers' Contribution under Contribution-Provident Fund (10.a), thus generating mismatch in Employees' and Employers' contribution;
- ✘ Although, the PEMS is a web based accounting module, the system lacked real time data sharing and detection of case sensitive issues. The lack of such control appeared to have allowed double or multiple disbursement of salaries to an employee;
- ✘ The system lacked controls to deactivate the name of the employees from the payroll list while they are transferred/resigned/superannuated from service or agencies. Even if deactivated, the system also allows re-activation;
- ✘ The coordination between Human Resource Division of the agencies and the Accounts Division are generally lacking in terms of intimating and sharing the information related to employees on transfer, resignation and superannuation; and
- ✘ The monitoring from agencies' approving authority and the DPA level are generally lacking, which provides opportunities to Accounts personnel to commit similar errors time and again.

5.3 RECOMMENDATIONS

Based on the review of salary disbursement procedures and control weaknesses in the PEMS, the following recommendations were offered:

- A robust coordination between HR and Accounts should be developed for cross verification of correctness in the system as per HR records;
- The monitoring mechanism within the agency and DPA level should be strengthened;
- Sensitize on the concept and practice of Government Accounting (selected accounts head) to the Accounts personnel on regular basis;
- Manual preparation of payroll through accounts module should be discontinued and payroll module should be used;
- Allocation of case sensitive identification numbers of the civil servants in the PEMS and real time data sharing should be embedded in the payroll module;

- Deactivation of employees' details in the PEMS should be automated with issuance of last pay certificate, transfer order and separation order;
- The DPA should closely work with NPPF and any excess contribution should be automatically transferred to Budget Fund Account; and
- Adopt a centralised payroll system for civil servants

CHAPTER 6

REVIEW OF THE 10TH FIVE YEAR PLAN ACTIVITIES

6.1 BACKGROUND

The Royal Audit Authority had embarked upon review of implementation of 10th Five Year Plan pertaining to agencies included in the Annual Audit Schedules 2014-15. It was aimed at gauging achievements as well as identifying issues and bottlenecks experienced by the implementing agencies. While holistic and complete review was desirable, the RAA could not pursue the review as a separate topic with dedicated review team in view of the resource constraints. The review was assigned to individual audit teams in addition to the regular planned audits. Therefore, scope of review was narrowed to only those agencies which were planned for audit during 2014-15. However, the findings from these reviews may provide some useful insights into how well the executing agencies have achieved the targets besides, also highlighting generic challenges confronted by agencies in implementing the plans.

The review exercise undertaken at the individual agency level did not yield desired results that could be converged and synthesized to provide holistic view on specific sectors. However, the reviews carried out on implementation by Dzongkhags showed some common issues rendering more objective basis for synthesis and comparisons. Hence, for the purpose of reporting in this report, the chapter highlights only those issues that were noted in the implementation of 10th FYP by the Dzongkhags. The RAA has attempted to synthesize the issues based on the nature and provide generic recommendations to improve the implementation of plans and programmes by the Dzongkhags.

6.2 OBJECTIVES OF THE REVIEW

To ensure maximum coverage of review, consistency in audit methodologies and uniformity in scope, the audit teams were guided by the following over-arching objectives of the review:

1. To ascertain the extent to which the planned activities and targets set in the Tenth Plan are achieved;
2. To identify and evaluate ad-hoc activities carried out during the Tenth Plan;
3. To identify gaps in targets and actual accomplishments (Physical and Financial);
4. To highlight the diversion of activities, if any, and ascertain its causes, impact and justifications; and
5. To identify the actual implementation problems and issues, and determine the bottlenecks.

6.3 FINDINGS

The findings are common issues observed during the review of the implementation of the 10th Five Year Plan pertaining to 14 Dzongkhag Administrations audited during the year. The issues

provided below are the common lapses and deficiencies observed in the implementation of the Plan by the Dzongkhags.

1. Non-execution of planned activities

The most common findings in the implementation of 10th FYP are non-achievement or non-execution of planned activities. The instances of non-achievement/execution of planned activities by various Dzongkhags were as briefly summarized below:

- The Dzongkhag Administration, Bumthang had not executed the preparation of Master Plan for town development and construction of *Kurjey Zhabkor* under infrastructure development component;
- The Dzongkhag Administration, Haa had not executed eight planned activities during the 10th Five Year Plan. Six activities pertaining to construction of Grade II BHUs were dropped due to non-fulfilment of required criteria of the health ministry's policy. The other two activities dropped were up-gradation of BHU Grade II to I and feasibility study of Jenkana Town;
- 13 planned activities envisaged under Dzongkhag Administration, Lhuentse in the 10th Five Year Plan were either dropped fully or partially;
- There were several planned activities that were not executed under Dzongkhag Administration, Monggar;
- The Dzongkhag Administration, Paro had dropped 26 activities from its 10th Five Year Plan;
- The Dzongkhag Administration, Punakha had not executed 42 planned activities;
- Dzongkhag Administration, Thimphu had 10 planned activities which were either dropped or deferred and spilled over to the 11th Five Year Plan; and
- Dzongkhag Administration, Zhemgang had dropped 10 planned activities due to reprioritization, lack of funds, and change in scope.

2. Delays and deferment of planned activities

There were cases of delays and deferment in the implementation of planned activities in some of the Dzongkhags as briefly summarized below:

- The construction of Resa-Kalapang farm road under Dzongkhag Administration, Monggar which was started in 2008 had not been completed even after the plan period;
- The Tsamang-Ganglapong farm road under Dzongkhag Administration, Monggar was found discarded without fully completing the envisaged stretch of roads;

- The construction of a motorable bridge at Tshorimo to connect the Gewog Centre with other villages and the 12 KM Sechina farm road under Dzongkhag Administration, Punakha had not been completed;
- The Dolungang-Pangkhay farm road, Jigmecholing-Gong farm road and the Muga farm road under Dzongkhag Administration, Sarpang were not completed and deferred to the next plan; and
- The construction of 4 unit staff quarter at Shershong Community Primary School, the expansion of Dekiling Lower Secondary School and the construction of 6 unit classroom at Norbuling Middle Secondary School under Dzongkhag Administration, Sarpang were not completed and deferred to the next plan.

3. Wasteful, underutilization of facilities and infrastructure

Besides non-execution of the activities, non-utilization or underutilization of facilities and infrastructures created is also a serious concern as it does not add value or benefits to the intended beneficiaries. These cases show that the government had not derived value for resources already spent on developing it. Some of the cases are briefly summarized as below:

- The Dzongkhag Administration, Dagana had not connected Nechula Gewog with farm roads due to lack of bridge over Sunkoshchu;
- The Dzongkhag Administration, Haa had constructed the Dorikha-Khamina road. However, a 32 kilometers stretch could not be put into use as it was left unattended after the formation cutting works;
- The Community Information Center at Rangtse under Gakiling Gewog and a cheese cellar at Bji Gewog under Dzongkhag Administration, Haa, had remained under-utilized as there was no electricity connection;
- 10 Community Information Centres in Gewogs under Dzongkhag Administration, Mongar had remained underutilized;
- Two structures, a Pack House in Lugnyi Gewog and Collection Depot at Dogar under Dzongkhag Administration, Paro had remained abandoned;
- A newly built Gup Office for Dzomi Gewog under Dzongkhag Administration, Punakha at a cost of Nu. 1.400 million had remained unutilized. The Gewog Office currently operates from another house renovated at the cost of Nu. 1.726 million;



Abandoned Dzomi Gup Office.

- A four kilometre farm road between Dochu-Ritsa and Tangtshana under Dzongkhag Administration, Punakha which was constructed at the cost of Nu. 1.324 million had remained abandoned due to land disputes;



Farm road abandoned due to land dispute.

- The Samrang Irrigation Channel under Dzongkhag Administration, Samdrupjongkhar which was renovated at the cost of Nu. 5.128 million had not been put to use as it was damaged by mudslides at numerous stretches;
- The Dzongkhag Administration, Sarpang had constructed two Grade I BHUs in Singey Gewog and Taraythang Gewog at the total cost of Nu. 32.013 million. Based on the number of households in these Gewogs, there was no necessity of having Grade I BHU. The facilities created were therefore underutilized;
- Three piggeries cum fisheries constructed in three Gewogs of Serzhong, Umling and Chuzagang under Dzongkhag Administration, Sarpang had remained underutilized;
- A milk processing unit constructed at Pelrithang Khamey under Gelephu Gewog under Dzongkhag Administration, Sarpang was found not put to use. The unit was provided with a set of computer, air conditioner, furniture and a milk processing machine;
- A three kilometre road from Hilley to Char under Gakiling Gewog under Dzongkhag Administration, Sarpang was rendered not pliable due to lack of a connecting bridge as well as due to damages caused by landslides;
- The irrigation channels under four Gewogs of Dekiling, Shompangkha, Singey and Gelephu under Dzongkhag Administration, Sarpang which were restored at total cost of Nu. 3.325 million had remained not functional;
- Three villages of Gawathang, Norbuthang and Yangchenphug of Dekiling Gewog under Dzongkhag Administration, Sarpang were found to face shortages of drinking water during winter season. The water supply was constructed during the 10th Five Year Plan;
- The farm roads under Dzongkhag Administration, Trashigang which were constructed during the 10th Five Year Plan were found not pliable due to damages caused during monsoon in the absence of proper drainage systems and essential permanent structures;
- The water supply at Yonphula-Dramtshang, RNR Centre cum three units staff quarter at Thunkar, and a BHU II at Pasaphu under Dzongkhag Administration, Trashigang which were constructed at the cost of Nu. 0.304 million, Nu. 9.000 million and Nu. 2.620 million respectively were found to be not functional or unutilized;

- The RRM wall at the take-off point of Jeri-Lemi farm road under Dzongkhag Administration, Trashigang which was constructed at the cost of Nu. 0.299 million in 2011-12 was found damaged by the widening works for Samdrupjongkhar-Trashigang highway;
- The realignment of about 800 meter of Lumang-Dungmanma farm road under Dzongkhag Administration, Trashigang was executed at the cost of Nu. 4.488 million because of the unstable slide area;
- A water reservoir tank constructed at the cost of Nu. 0.400 million for irrigation purposes at Gongza, Toetsho under Dzongkhag Administration, Trashiyangtse was not found used;
- The Community Information Centres constructed in all Gewogs under Dzongkhag Administration, Trashiyangtse not been put to use due to lack of internet connectivity; and
- The realignment of 250-350 meter stretch of Nimshong-Therang road under Dzongkhag Administration, Zhemgang was carried out due to prevalence of loose and sandy soils at the stretch.



Realignment of 250-350 mtrs of road

4. Change of locations for development works

The changes in locations for planned activities pertaining to infrastructure development from the initially envisaged locations to other locations were not common to most Dzongkhags. The RAA noted such instances only in two Dzongkhags as briefly summarized below:

- The locations for the constructions of three storage houses under agriculture development programme were changed from Autsho, Gorgan and Tangmachu to Budur, Zhamling and Thimiyul under Dzongkhag Administration, Lhuentse during the implementation of the plans; and
- The Dzongkhag Administration, Trashigang had deviated from initial plans and realigned farm roads of Thrimshing-Tsangpo, Lumang-Drubkhang Farm Road and Gongthung-Shokhang due to non-cooperation from private parties who refused to sacrifice their land. This had resulted in multiple turnings, high gradients and additional permanent works.

6.4 CONCLUSION

The achievement of the plan is affected by numerous factors resulting in non achievement, deferment and dropping of planned activities. The changes are generally driven by

reprioritization at the later stage, change in scope, constraints and other factors which arise due to improper and inadequate feasibility studies being carried out at the time of planning. Some of the common factors are as briefly explained below:

- Execution of ad-hoc activities which were not envisaged during the planning phase were prioritized during implementation hampering the execution of planned activities;
- Lack of preliminary studies leading to change in scope, locations, deferment and dropping of activities;
- Dropping and deferment of planned activities caused by lack of budget and manpower required to execute the activities;
- Lack of coordination between relevant sectors and agencies.

Besides, there were also other factors specific to individual Dzongkhags that affected the implementation of the plans.

6.5 RECOMMENDATIONS

As apparent from the issues noted during the review, the implementation of the 10th Five Year Plan was affected by changes in the scope and the priorities at the later stage. The inclusion of ad-hoc activities, dropping and deferment of activities were common in most Dzongkhags. It can be inferred that the necessary preliminary studies and need analysis had not preceded the preparation of plans. Further, there were cases of underutilization/abandonment of facilities and infrastructures that were created after spending huge resources. These were direct wastage of resources and had apparently not serve any intended purposes.

In order to ensure economy, efficiency and effectiveness in the use of public resources, the Dzongkhags need to prepare realistic plans, ensure smooth implementations and derive intended impacts of developments through:

- Undertaking need analysis and prioritization;
- Conducting requisite preliminary and feasibility studies;
- Ensuring proper consultation with relevant stakeholders;
- Ensuring proper co-ordinations with the relevant authorities and agencies;
- Ensuring realistic budgeting;
- Ensuring adequate supervision and monitoring of execution of planned activities; and
- Instituting Quality Control mechanisms.

CHAPTER 7

RECOMMENDATIONS

In accordance with the Section 44 of the Audit Act of Bhutan 2006, a dedicated chapter on audit recommendations is maintained to offer suggested course of actions that need to be acted upon by the audited agencies in improving economy, efficiency and effectiveness of their operations 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. It is also based on the experiences and observed issues that require to be addressed through appropriate interventions.

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. Besides, performance audit reports also contain series of recommendations that are formulated on the basis of findings contained therein.

The recommendations contained in this chapter are further intended to draw attention of the government and authorities to address issues that are noted by the RAA in course of auditing during the period.

6.1 Need to institute strong control mechanism to facilitate timely surrender of closing cash balances to the Department of Public Accounts (DPA)

The RAA during the audit of Annual Financial Statements of Government for the fiscal year 2013-14 had noted significant delays ranging from 1 to 330 days for surrender of closing fund balances by the agencies to the DPA. The government on other hand was constrained with huge resource gap and had to resort to Ways and Means Advance and Overdraft facility for 245 days incurring huge interest expenses besides payment of discount rates for T-Bills. Had there been an appropriate system in place to surrender the fund balances on time, the government could have minimized the interest component paid for availing WMA, Overdraft and T-Bills.

As such there is a need to revamp the current system and institute strong control mechanism to facilitate timely surrender of closing fund balances by the budgetary agencies.

6.2 Ensure robustness of Public Expenditure Management System through appropriate controls and coordination mechanisms.

The Pay and Allowance and personnel emolument constituted more than 40% of the total current expenditures of the government for past two years (2011-12 & 2012-13). It's a monthly recurrent expenditure, which requires the government to explore, allocate and release the fund on quarterly basis to the spending agencies. Thus, accurate forecast and prudent utilization of such limited funds become imperative.

Therefore, based on the understanding gathered by the RAA in reviewing the salary disbursement procedures and control weaknesses in the PEMS, the Ministry of Finance must ensure correctness of Personal Information Systems and institute appropriate coordination mechanisms between the

HR and Accounts Sections of the agencies in regulating the personnel emoluments through PEMS. The robustness of the PEMS should be ensured through instituting appropriate controls in the system. For better implementation of the payroll systems of the entire civil service, the desirability of centralized payroll system may be looked into.

6.3 Ensure strict enforcement of rules and regulations through appropriate supervision and monitoring mechanisms

Most of the issues contained in the audit reports during the year apparently emanated from weak enforcement of relevant rules in the management of contracts, procurement, revenues and funds. The adherences and compliances to the requirement thus, have become serious issues of concerns. Such practices not only impede economy, efficiency and effectiveness of operations of agencies but also facilitate perpetration of undesirable practices that are detrimental to the interest of the government.

Wastages and avoidable cost in the form of excess/double payments, payments made for works not executed, inadmissible payments, etc. have become a regular phenomena in the construction management. These practices are the result of weak enforcement of rules and regulations and the absence of adequate supervision and monitoring systems.

The impacts of weak enforcement of applicable rules in other areas included payments made without receiving goods, excessive advances and non-liquidations, non-imposition of penalties and liquidated damages, violation of contractual agreements, non-reconciliations, non-realization of revenues etc. All of these have had direct impact on the delivery of services by the agencies.

Non-compliance to applicable rules defeats the objectivity of having guiding rules and regulations in place. When practices of flouting rules become endemic to the system, complacencies breed in, rendering scope for undesirable practices which may not be in the interest of the government. Agencies must observe minimal compliances to the requirements stipulated through applicable rules to render more objective working systems that safeguard the overall interest of the nation.

**Exhibit – I: AUDITORS' REPORT ON THE AUDIT OF ACCOUNTS & OPERATIONS OF THE
ROYAL AUDIT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

S. GHOSE & CO.
CHARTERED ACCOUNTANTS



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**AUDITOR'S REPORT ON THE RECEIPTS & PAYMENTS STATEMENT OF LC ACCOUNT NO. 110.01/1001 OF THE
ROYAL AUDIT AUTHORITY OF BHUTAN FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2014.**

1. We have audited the attached Receipts and Payments Statement of LC Account No. 110.01/1001 of the Royal Audit Authority of Bhutan (RAA) for the Financial Year ended 30th June 2014 and the annexed Expenditure Statement for the year then ended as required under Section 83 of the Audit Act of Bhutan 2006.
2. The preparation of these financial statements is the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit.
3. We have conducted our audit in accordance with the Auditing Standards generally accepted in Bhutan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
4. We report that:
 - (a) 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.
 - (b) In our opinion, proper books of account as required under the Financial Rules & Regulations, 2001 have been maintained by the RAA so far as it appears from our examination of those books and records.
 - (c) The Receipts & Payments Statement of LC A/c No. 110.01/1001 and the Expenditure Statement referred to in this report are in agreement with the books of account.
 - (d) In our opinion and to the best of our information and according to the explanations given to us the said Receipts & Payments Statement and the Expenditure Statement give the information required by the Financial Rules & Regulations, 2001 in the manner so required and give a true and fair view;
 - i) In the case of the Receipts & Payments Statement of the Receipts and Payments of the said authority for the year ended 30th June 2014; and
 - ii) In the case of the Expenditure Statement, of the expense of the said authority for the year then ended.

Date: 29.08.2014
Place: Thimphu



For S. Ghose & Co.
Chartered Accountants
FRN : 302184E

S. K. Sarkar
(CA S.K. Sarkar)
Partner

Membership No. 015774

ROYAL AUDIT AUTHORITY
Receipts and Payments Statement
For A/C. No. 110.01/1001 - LC

For the Year ended 30th June - 2014

No.	Group/Head/Head of Account	Receipts				Payments				Total (%)		
		Head Quarter Annual Programme (%)	ROYAL: Subordinate Annual Programme (%)	ROYAL: Subordinate & Annual Programme (%)	ROYAL: Subordinate & Annual Programme (%)	ROYAL: Subordinate Annual Programme (%)	ROYAL: Subordinate & Annual Programme (%)	ROYAL: Subordinate & Annual Programme (%)	ROYAL: Subordinate & Annual Programme (%)			
1	Opening Balance:											
	a. Cash											
	b. Bank											
2	Revenues:											
	a. Property											
	b. Non-Receipt											
	c. Refundable Deposits											
	d. Un-cashed Cheques											
3	Grants-in-Kind:											
	a. Devot A											
	b. Devot B											
4	Borrowings in Kind:											
	a. Lender A											
	b. Lender B											
5	Revenue Receipts Branch	6,139,137.00	662,276.00	6,801,413.00	703,636.00	7,505,049.00	703,636.00	8,208,685.00	1,699,414.00	9,908,100.00	145,777.00	6,862,323.00
6	Other Receipts/Remittances											
	a. GPF - Employees' Club	4,275,200.00	486,240.00	4,761,440.00	47,902.00	5,240,342.00	47,902.00	5,718,244.00	1,442,677.00	7,160,921.00	102,800.00	6,058,121.00
	b. Govt. Insurance Scheme	285,000.00	30,000.00	315,000.00	17,200.00	332,200.00	17,200.00	349,400.00	86,900.00	436,300.00	31,000.00	405,300.00
	c. Other Insurance Premium	151,000.00	16,500.00	167,500.00	14,000.00	181,500.00	14,000.00	195,500.00	47,000.00	232,500.00	17,000.00	215,500.00
	d. Other Income Tax, Bank	3,052,000.00	342,540.00	3,394,540.00	4,600.00	3,400,140.00	4,600.00	3,404,740.00	87,400.00	3,492,140.00	47,400.00	3,539,540.00
	e. Other	1,151,000.00	125,036.00	1,276,036.00	4,000.00	1,280,036.00	4,000.00	1,284,036.00	317,140.00	1,601,176.00	213,800.00	1,387,376.00
	f. Other	111,400.00	12,200.00	123,600.00	14,000.00	137,600.00	14,000.00	151,600.00	44,000.00	185,600.00	13,000.00	172,600.00
7	Principal Advances:											
	a. Other	1,077,000.00	112,000.00	1,189,000.00	1,047,200.00	2,236,200.00	1,047,200.00	3,283,400.00	66,400.00	3,349,800.00	226,400.00	3,023,400.00
8	Miscellaneous Receipts/Payments											
	a. Non-Receipt A/C Deposits											
	b. Refundable Deposit A/C Deposits											
	c. Payments to EPA											
	d. Others											
	Total	11,341,000.00	1,315,000.00	12,656,000.00	1,412,000.00	14,068,000.00	1,412,000.00	15,480,000.00	3,191,000.00	18,671,000.00	3,191,000.00	15,480,000.00



Y	Sub-Header	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
	A. Stock																
	B. Pre-Advance																
	C. Pre-Advance																
	D. Intra-agency Assignment																
	E. Deposit (Work)																
	F. Other Deposit																
	II Budgetary Expenditure:																
	A. Current																
	B. Capital																
	C. Lending																
	D. Repayment																
	III Closing Balance:																
	A. Cash																
	B. Bank																

(Signature)
 Galdan Dorjpa
 Dy. Chief Audit Officer
 Adm. & Finance Division
 Royal Audit Authority
 རྒྱལ་ཁྲིའུ་འཛིན་པའི་འཕྲིན་ལུགས་ལྷན་ཁག་།

(Signature)
 Gyalsphen
 Asstt. Auditor General
 Adm. & Finance Division
 Date: 29.03.2014
 Assistant Auditor General
 Administration & Finance Division
 Royal Audit Authority
 Thimphu



Certified by:
 Mrs S. Chose & Co.
 Chartered Accountants
 FRN 302194E
(Signature)
 (CA B.K.Sarma)
 Partner
 Membership No: 015774

Date: 28.03.2014
 Place: Thimphu



Exhibit – II: GLOSSARY OF TERMS

Following words in the AAR 2014 shall mean the commission or omission of the actions stated against it.

A	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	Misappropriation	Willful malpractice by public functionaries either for direct or indirect personal gains.
C	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.
D	Non/short accountal	Failures by the functionaries to account the government properties, funds, taxes and revenue.
E	Mismanagement of fund	Improper management of funds
F	Mismanagement of revenue and taxes	Improper management of revenue and taxes
G	Management of properties	Improper use and management of properties
H	Violation of accounting norms	Non-compliance of accounting requirements in relation to maintenance of accounting records, receipts, payments including sanctioning and authorization.
I	Violation of procurement norms	Works and supply contracts made in deviation to procurement manuals and contract terms and agreement
J	Violation of Acts, Directives and Policies	Non-compliance to directives, Acts and Policies framed/issued by the government functionaries.
K	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.
L	Non/improper recording in books	Non-updating books of accounts and improper maintenance of accounts.
M	Non reconciliation/certification of balances	Non-reconciliation, confirmation and certification of balances.
N	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.
O	Irregularities in recoveries	Non/short recovery of amounts due to government.
P	Irregularities in property management	Deficiencies in management, uses, physical safeguards, custody and control of properties.
Q	Non/short deductions	Non-deduction or short deduction of taxes, rebates and advances, etc. from the bills claimed.
R	Shortfalls and uneconomical operations	Deficiencies and lapses in the operations, resulting in inefficiencies, losses and non-attainment of intended goals.



TASHI DELEG



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