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༡ མི་དབང་རྒྱལ་སྐུ་འཛིགས་མེད་རྣམ་རྒྱལ་དབང་ཕྱུག་མཚོག་ འབངས་རྣམས་རིམ་པར་སྐྱོང་བའི་དོན་ལུ་
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སྐྱེ་ཆེ་བསྐྱལ་བརྒྱུ་བརྟེན་པའི་སྟོན་འདེབས་དང་ དད་དམ་འགྱུར་བ་མེད་པའི་ཆེད་བསྡོམས་ཞུས་ཨོལ།

“In celebrating the birth of His Royal Highness
Gyalsey Jigme Namgyel Wangchuck”





ANNUAL AUDIT REPORT 2015

(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, 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.

Who We Are

The Royal Audit Authority (RAA) is the Supreme Audit Institution (SAI) in the country, responsible to audit and report on the economy, efficiency and effectiveness in the use of public resources as per provisions of the Constitution of Bhutan. The Auditor General (AG) heads the Royal Audit Authority for a period of five years or until attaining the age of sixty five years, whichever is earlier.

What We Do

We have over 890 entities and over 227 employees to audit and report through a network of four Regional Offices and functional divisions located in the Head Office, Thimphu. We carry out performance, financial, compliance, propriety, regularity and Special audit and report to His Majesty the King, the Prime Minister and to the Parliament as required under the Constitution of the Kingdom of Bhutan.

Core Values

Every auditor subscribes to Sixteen Principle of Oath of ***Good conduct, Ethics and Secrecy*** upon their appointment to audit and report on the effective of public resources without fear, favour or prejudice. Our Core Values are:

- ✓ *Independence*
- ✓ *Objectivity*
- ✓ *Integrity*
- ✓ *Commitment*
- ✓ *Professionalism*
- ✓ *Reliability*

Mandates

Prior to 2006, the RAA derived its mandates mainly from the ***Royal Decrees*** and the General Auditing Rules and Regulations (GARR) promulgated in 1989.

Presently, the RAA derives its duties and powers from **Article 25** of the Constitution of the Kingdom of Bhutan and the Audit Act of Bhutan 2006 enacted under the provision of the Constitution.





THE AUDITOR GENERAL'S PERSPECTIVE



As the RAA comes out with the Annual Audit Report 2015, the RAA family felicitates the propitious birth of His Royal Highness - The Gyalsey Jigme Namgyel Wangchuck coinciding with the birth year of Guru Padmasambhava and the 400th anniversary of the arrival of Zhabdrung Ngawang Namgyel to Bhutan.

The AAR 2015 is the First Annual Audit Report issued after I assumed the office as the Second Auditor General of Bhutan under the Constitution of the Kingdom of Bhutan. The Annual Audit Report 2015 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 comprises significant accomplishments of the RAA, Auditor General's Certification of the Annual Financial Statements of the Royal Government of Bhutan for the financial year 2014-2015, consolidated summary of significant unresolved audit findings of the RAA compiled from 616 audit reports issued during the year, and independent Auditor's Report on the financial statements of the RAA for the year ended 30th June 2015. The report also includes a chapter on the audits of Hydro-Power Projects.



My appointment as the Second Auditor General under the Constitution of the Kingdom of Bhutan is an immense trust and confidence bestowed upon me by His Majesty, the Druk Gyalpo. I do pledge myself to uphold the trust and confidence bestowed upon me and commit in conscientiously discharging my duties in the service of *Tsa-Wa-Sum* by working towards enhancing the transparency, accountability and promoting value for money in the use of public resources.

The RAA 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 RAA has carried out the certification audit of Annual Financial Statements of the Royal Government of Bhutan for the year ended June 2015. It was noted that the Government had not utilized capital budget of Nu.4,193.365 million (21.35%) of the revised capital budget of Nu.19,637.170 million. However, the un-utilised capital budget may also include advances for capital works under progress. 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 funds and also on debt-service burden of the government.

The relevant excerpts of the Draft Annual Audit Report 2015 were circulated to all the agencies concerned in January 2016 as required under the Audit Act of Bhutan 2006. The draft report had significant unresolved issues involving Nu.1,684.87 million. I am pleased to report that audit findings involving Nu.1,157.99 million representing 68.73% were either resolved fully or substantially or not considered for inclusion based on the actions taken and responses received from the agencies. The total unresolved significant issues reflected in the Annual Audit Report



THE AUDITOR GENERAL'S PERSPECTIVE



2015 amounted to Nu.523.744 million as on March 31, 2016. This huge decrease in unresolved irregularities is reflective of the prompt and positive efforts of the audited agencies to resolve the audit issues.

As in the past years, the RAA pursued its professional and organizational systems development at the same pace and vigor. The Financial Resources Management Accountability Index (FRMAI) framework funded by United Nations Development Programme (UNDP) was developed successfully and launched on 11th November 2015, coinciding with the 60th Birth Anniversary of the Fourth Druk Gyalpo. The FRMAI framework will further strengthen the steward relationship between 'the government' and 'the governed', and the logical accountability framework in the public sector intended to provide objective and holistic assessment of agencies entrusted with stewardship of public resources. This assessment model uses both financial and non-financial aspects consisting of nine main elements, and several indicators and criteria. Through such assessment and reporting mechanism, it is intended to instill a sense of competitiveness amongst the agencies in discharging their duties and responsibilities as the trustees of public resources and promote a work culture that embraces good practices. The model will be first piloted for five selected Dzongkhags Administration and gradually applied for all the auditee agencies.

To promote transparency and accountability and to strengthen internal governance of RAA, various existing committees have been reconstituted with greater representation from the Departments and Divisions of the RAA. A system of Quarterly Report containing brief write-ups on the activities undertaken by the RAA during each quarter has been introduced. The RAA submitted three such reports to His Majesty the Druk Gyalpo since July 2015. In order to continuously promote awareness amongst our stakeholders on the accountability framework in the overall governance system, and also to sensitize on common audit issues, the RAA had embarked on Audit Awareness & Sensitization Programmes for the Corporate Offices. The team led by Auditor General carried out two such programmes during the year. The RAA also discussed issues pertaining to fixing of accountability which forms an integral part of audit reports.

The RAA in order to build professionalism in audit services had imparted Risk Based Audit approach training to all auditors with the technical guidance of M/s Deloitte Haskins & Sells, Chartered Accountants, Kolkata, India. This is expected to further enhance efficiency and effectiveness of auditing through prudent use of available audit resources.

To uphold our rich tradition and culture, the RAA imparted *Driglam Namzha* course to all auditors with support from the Department of Culture, MoHCA. To fulfill the Corporate Social Responsibility, the RAA revised the Audit Staff Welfare Scheme entitlements with effect from 1st January 2016.

The construction of the Professional Development Centre at Tsirang is in full swing and progressing as per plan. The Organogram and the staffing pattern for the Centre is being finalized in consultation with the RCSC.

The RAA prepares its Five-Year-Plan (FYP) inline with the RGoB FYP. However, the RAA also prepares the Strategic Plan for five years aligning with the constitutional term of the Auditor



THE AUDITOR GENERAL'S PERSPECTIVE



General. The RAA's First Strategic Plan 2010-2015 was successfully completed in June 2015. The RAA's Second Strategic Plan 2015-2020 was formulated coinciding with my appointment as the Second Auditor General of Bhutan under the Constitution. Goals, SAI Vision & Mission, core values and Performance Management System are redefined. The Strategic Plan has been reviewed by the INTOSAI Development Initiatives (IDI), Norway apart from gathering feedback and suggestions from the internal stakeholders including the Public Accounts Committee, the Royal Civil Service Commission and the Ministry of Finance. All the activities included in the RAA's Strategic Plan 2015-2020 are aimed towards fulfillment of the constitutional mandates and rendering the audit services effective benefiting the society at large. The RAA seeks unstinted support from the Parliament and the RGoB in funding the plan.

The RAA geared towards adopting *International Standards of Supreme Audit Institutions* (ISSAI) implementation Initiative. The RAA participated in 3i Programme Phase-II. Under the 3i Programme, the RAA conducted iCATs and has three IDI certified facilitators for performance and compliance audits. The RAA also conducted a 'Supreme Audit Institution Performance Measurement Framework' (SAI PMF) assessment, which recommended amongst others, further consolidation of the ISSAI implementation efforts. The SAI PMF report also indicated the need to further strengthen the audit processes and documentation of audit work performed, if the audits conducted by RAA were to meet the requirements of ISSAIs. Following the recommendations in SAI PMF, RAA has prioritized ISSAI implementation as a part of its strategy for 2015-2020. The World Bank committed USD0.275 million for the ISSAI implementation from 2016-2017 with technical support from the IDI.

The RAA has made audit recoveries amounting to Nu.105.155 million in 2015. Audit Recoveries do not include recoveries made by corporations, financial institutions and non-governmental organisations at the instance of audit. 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.

A separate chapter on the audits of Hydro-Power Projects has been included in this report. The RAA had undertaken three joint audits of Mangdechhu Hydroelectric Project Authority, Punatshangchhu-I Hydroelectric Project Authority and Punatshangchhu-II Hydroelectric Project Authority during the year 2015 as per the Standard Operating Procedures signed between the RAA and the Comptroller and Auditor General of India.

As usual, the RAA conducted the Internal Audits of the Office of the Assistant Auditors General (OAAG), Bumthang, Phuentsholing, Samdrupjongkhar and Tsirang in 2015. Issues on regularity and compliance aspects of procedural and recommendatory nature were reported for the OAAG, Bumthang, Samdrupjongkhar and Tsirang. However, the Internal Audit of the OAAG, Phuentsholing revealed lapses of financial impropriety, where the accountant had fraudulently misused money from the LC Account and Audit Recoveries Account amounting to Nu.2.649 million for the fiscal years 2013-2014 and 2014-2015. Based on the Internal Audit findings, an investigation team comprising senior officers of RAA was formed from the RAA HQ for carrying out investigation. The case was forwarded to the Office of the Attorney General (OAG) in December 2015 and is subjudice. The Assistant Auditor General and the Accountant remain



THE AUDITOR GENERAL'S PERSPECTIVE



suspended from the Office. Such stern actions are warranted to indicate RAA's resolve to zero-tolerance and serve as strong deterrent to prevent such unethical practices.

The RAA needs adequate financial and human resources to effectively discharge our constitutional responsibility. Any budgetary and human resource restrictions will inevitably impair our independence and impede our independent and effective functioning. Despite clear legal stipulations in the Audit Act 2006, and some degree of cooperation and flexibility enjoyed by the RAA, there have been difficulties in the provision of adequate financial and human resources.

At times the RAA was compelled to cancel or defer some of the planned audits due to budgetary restrictions. It will further aggravate the situation with expansion of government activities and establishments of new offices and thromdes, particularly when the agencies are demanding audits on an annual basis in addition to mandatory annual audits. Since regular and timely audits enhances the effectiveness of audit with profound impact in promoting accountability, transparency, value for money, minimizing irregularities, lapses, errors & frauds, and wastage of resources which far outweigh the cost of audit, it is only prudent that the RAA enjoys adequate organizational, financial and functional independence.

I would like to offer my humble gratitude to His Majesty the King for the trust and confidence bestowed on me to provide leadership to this august institution.

I would also like to pray for the RAA to attain new heights of success in promoting accountability, transparency and value for money in public operations and continue to fulfill the aspirations of our King, Country and People.

Lastly, I would like to acknowledge the continued supports and cooperation rendered by all the agencies in our endeavours. I would like to particularly appreciate the prompt responses made to the draft Annual Audit Report 2015 which facilitated the timely compilation of this report. I sincerely commend the positive attitude of all audited agencies and facilitating us in delivering our mandates.

As we solemnly dedicate our report to the Centenary Monarchs of our Nation, we pledge to continue committing ourselves to audit without fear, favour or prejudice.

(Tshering Kezang)
Auditor General of Bhutan

TABLE OF CONTENTS

CHAPTER 1: ACCOMPLISHMENTS OF THE ROYAL AUDIT AUTHORITY	1
1. Achievements in terms of auditing.....	1
2. Achievements in terms of reporting.....	1
3. Audit Recoveries.....	2
4. Achievements in terms of professional & institutional development.....	4
5. Achievements in terms of enhancing service delivery system.....	6
6. Achievements in terms of international cooperation.....	7
7. Independent external audit of Royal Audit Authority.....	7
8. Sensitization and awareness programmes.....	8
9. Human Resource and Budget constraints.....	8
CHAPTER 2: SUMMARY OF AUDIT FINDINGS.....	9
1. Fraud, Corruption and Embezzlement	10
2. Mismanagement.....	14
3. Violation of Laws and Rules.....	17
4. Shortfalls, Lapses and Deficiencies.....	19
CHAPTER 3: CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS.....	25
CHAPTER 4: DETAILED AUDIT FINDINGS.....	37
1. Ministry of Information & Communications.....	37
2. Ministry of Agriculture and Forests.....	43
3. Ministry of Finance.....	47
4. Ministry of Labour and Human Resources.....	50
5. Ministry of Health.....	51
6. Ministry of Foreign Affairs.....	55
7. Ministry of Home and Cultural Affairs.....	57
8. Ministry of Economic Affairs.....	58
9. Ministry of Works and Human Settlement	59
10. DZONGKHAGS.....	60
11. GEWOGS.....	74
12. AUTONOMOUS BODIES.....	84
13. CORPORATIONS.....	101
14. FINANCIAL INSTITUTIONS.....	117
15. POLITICAL PARTIES.....	129
CHAPTER 5: AUDIT REPORT ON AUDIT OF HYDROPOWER PROJECTS	130
CHAPTER 6: RECOMMENDATIONS	136
EXHIBIT I: AUDITORS REPORT ON AUDIT OF ACCOUNTS & OPERATIONS OF RAA.....	140
EXHIBIT II: GLOSSARY OF TERMS.....	143

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 defense forces as well as the revenues, public and other monies received and the advances and reserves of Bhutan”*

The Royal Audit Authority was instituted as an autonomous body in 1985 and as a constitutional body in December 2005. Under the Auditor General, the Authority is at the moment manned by 232 staff with diverse professional backgrounds. It has four regional offices strategically located across the Kingdom. In line with the provisions of the Constitution of the Kingdom of Bhutan, the Royal Audit Authority conducts performance audits and theme based audits, besides the routine financial, propriety and compliance audits. A brief account of the activities and initiatives as a part of the accomplishments of the Royal Audit Authority during the year is summarized below:



1. ACHIEVEMENTS IN TERMS OF AUDITING

The Royal Audit Authority had completed 581 audits during the year as shown in the Table 1.1. The number includes only those audits which were completed within 31st December 2015 and excludes those that were already started and under progress at the close of the year. The Annual Audit Plan of the RAA is

Sl. No.	Types of Audits	No. of Audits
1	Financial Audits	485
2	Compliance Audits	94
3	Performance Audits	2
Total		581

Table 1.1 Audits completed in 2015

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.

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 time frame 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 618 audit reports as shown in the Table 1.2. These comprised of 517 financial audit reports, 99 compliance audit reports and two performance based audit reports. 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	517
2	Compliance Audits	99
3	Performance Audits	2
Total		618

Table 1.2 Audit Reports issued in 2015

During the year, the RAA also issued 34 statutory audit reports pertaining to the Corporations and Financial Institutions, including two ad-hoc audit reports for Thimphu Techpark limited and Tangsibi Hydro Energy Limited. The statutory audit of these corporations and financial institutions were carried out by the Chartered Accountant Firms empanelled by the Royal Audit Authority. As per Section 72(2) of the Companies Act of 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 three special audits under special directives of the Auditor General and stakeholders. This included two special audits of Dungsam Cement Corporation Limited and one special audit on import and distribution of LPG and SKO taken up upon the directives of the parliament.

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 2015, the Royal Audit Authority also issued 510 follow up reports by Follow-Up & Clearance Division of the RAA, HQ and respective follow up sections under the OAAGs.

In line with Section 48(b) of the Audit Act of Bhutan 2006, the Royal Audit Authority endorsed 21 audit reports containing 35 cases which indicated existence of fraud and corruption to the Anti-Corruption Commission during the period.

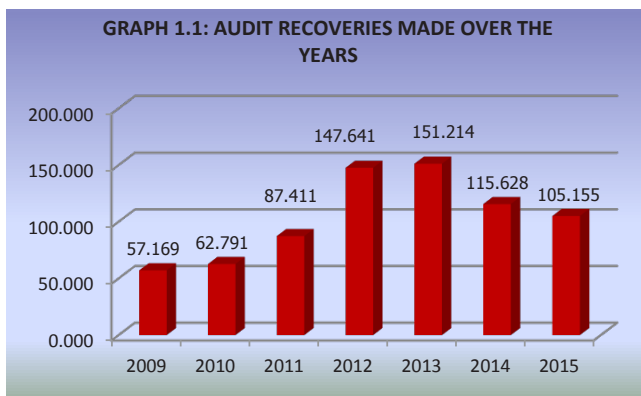
During the year, the Annual Audit Report 2014 was submitted to His Majesty the King, the Prime Minister and the Parliament. The Public Accounts Committee in its 6th Session of the 2nd Parliament presented the issues contained in the AAR 2014 including a set of recommendations on the review reports of the Annual Audit Reports 2009, 2010 and 2011 and the implementation status on past resolutions.

During the year, the Public Accounts Committee tabled the Performance Audit Report on Public Debt Management to the 5th Session of the Joint Sitting of the National Parliament. The Joint sitting deliberated on the issues contained in the report at length.

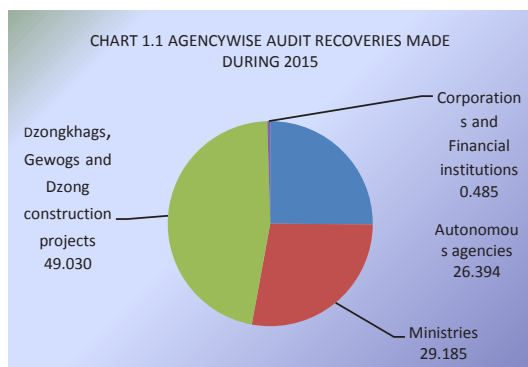
3. AUDIT RECOVERIES

The Royal Audit Authority had recovered Nu.105.155 million in 2015. The recoveries during 2015 had slightly decreased by 9% from 2014. The 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 penalty @ 24% p.a. 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.

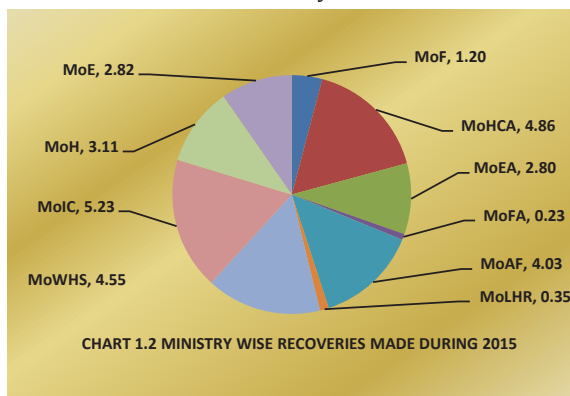


During the year audit recoveries of Nu.49.030 million was made from Dzongkhag and Gewogs accounting for almost 46% of the total recoveries. The recoveries from Ministries was Nu.29.185 million representing about 28% and Nu.26.394 million representing about 25% were recovered from the Autonomous



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 Audit 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 17.91% of the recoveries from Ministries of Nu.5.227 million was made from Ministry of Information and Communications, followed by Ministry of Home and Cultural Affairs with Nu.4.861 million representing 16.65% and Ministry of Works and Human Settlements Nu.4.549 million representing 15.59% as shown in Chart 1.2.



The top three Ministries accounted for over 50.14% of the recoveries made from Ministries recoveries of Nu.14.64 million and over 13.93% of the total audit recoveries made during the year.

4. ACHIEVEMENTS IN TERMS OF PROFESSIONAL & INSTITUTIONAL DEVELOPMENT

The Royal Audit Authority acknowledges that competent professionals are essential for ensuring the quality of our products and services 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 in every aspect of our work.

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, 86 officials availed ex-country training including seminars, workshops and meetings, 22 officials including two for Indian Accounts & Audit Service were sent for long-term studies. Besides, the RAA also facilitated five in-house trainings catering to 195 auditors/staff on different topics/subjects. These in-house trainings were conducted by the in-house experts in accordance with the Continuing Professional Development Policy of the Royal Audit Authority. Further, training on Risk-Based Audit methodology was conducted in-house catering to 153 auditors by experts from M/s Deloitte Haskins and Sells based in Kolkatta, India.

The Auditor General of Bhutan accompanied by three senior officers from the Royal Audit Authority visited the on-going construction of Professional Development Centre (PDC) at Tsirang on 6th September 2015. This was the first such visit by the Auditor General since assumption of office.

The main purpose of the visit was mainly to review the progress of the construction and to ascertain the adequacy of funds for site developments and other ancillary works.

The RAA awarded the contract for construction of its Professional Development Center at Tsirang to contractors in October 2014 and handed over the project sites for two work packages. Package ‘A’ consisted of construction of the Academic Block and Package ‘B’ included the construction of Hostels. 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.

The progress at the site as of 31st March 2016 is well within the schedule.

Package/Progress	Physical Progress	Financial Progress
Package A (Main Building)	55%	44%
Package B (Hostels)	43%	33%
Table 1.3 Progress of PDC Construction as on 31/3/2016		



Figure 1: Package A
Physical progress of Main Building



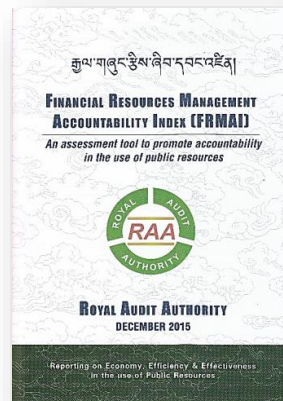
Figure 2: Package B
Physical progress of Hostel Block

Physical progresses are well on track for both the packages and financial progress followed suit with lesser percentages. The project as a whole is on course for an effective implementation and on track as can be seen from pictures on the previous page.

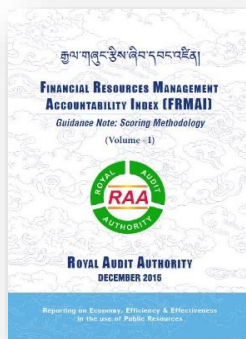


The RAA in its efforts to expand its spectrum of accountability mechanism in the government in the use of financial resources had developed the “Financial Resources Management Accountability Index (FRMAI)”. It is a tool to make an assessment

of the agencies on their management of financial resources provided to them by the public, the performance of which will be indexed and reported accordingly. The assessment will take into account both quantitative and qualitative aspects such as prudent spending, good governance, transparency, service delivery, compliances to laws, rules, regulations, etc.



The tool would help the audited agencies achieve accountability, improve operations and instill confidence among the public and stakeholders. This is expected to instill a sense of competitiveness amongst the agencies in discharging their duties and responsibilities as the trustees of public resources and promote a work culture of best practices. The index would enable the audited agencies to assess the trend of their financial management performance which will become the basis for benchmarking and measure the progress of their financial management over the years. It is also expected to induce audited agencies to undertake necessary corrective actions on the reported shortcomings on a timely basis.



Further, this will motivate heads of the audited agencies to walk the talk in ensuring accountability and integrity in their respective agencies and to diligently resolve the persistent

weaknesses in their financial management.

Commemorating the 60th Birth Anniversary of the Fourth Druk Gyalpo, RAA launched the FRMAI on 11th November 2015. The FRMAI would be piloted in five Dzongkhags and gradually rolled out to include all the agencies under the Audit jurisdiction of RAA. To augment FRMAI, two volumes of guidance notes and a main document were published. The development of FRMAI was funded by UNDP. The RAA launched 22 audit manuals during the 15th Annual Audit Conference held from 1st to 6th June 2015. The manuals were developed under the 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 the INTOSAI Development Initiative (IDI). The 22 audit manuals cover the audit of almost all types of agencies under RAA's audit jurisdiction. These manuals are developed as minimum guidelines for the auditors to execute quality audits hence forth.



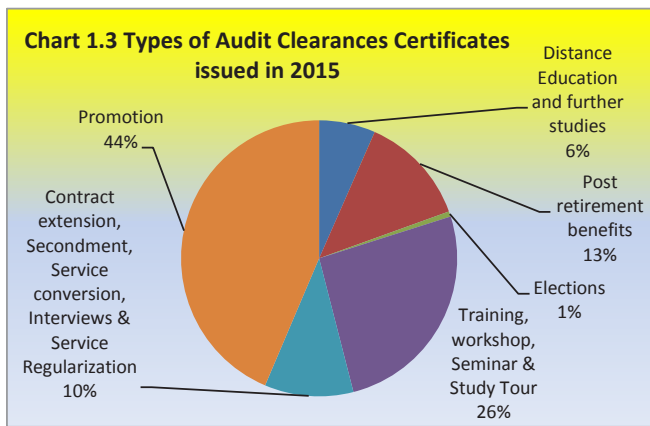
The year 2015, has been an eventful one for Royal Audit Authority. It drew a closure on the term of the first Auditor General and ushered into the new era of the Second Auditor General appointed under the Constitution. In between RAA saw a momentous event in His Majesty the King's visit to the Office premise in Kawangjangsa. His Majesty's visit is etched in the institutional memory of RAA and a rare moment to cherish for the Auditor General and the family of Royal Audit Authority.

After an illustrious service to *Tsa-Wa-Sum* and nine years as the Auditor General Dasho Ugen Chewang finally demitted from the organization on 22nd July 2015 which is condensed in the form of term report published in July 2015.

Subsequently, on 31st July 2015, His Majesty the King appointed Dasho Tshering Kezang as the new Auditor General under the constitution of Bhutan. Prior to his appointment as the Auditor General he was serving as Pemagatshel Dzongda. Then on the 6th of August, 2015 Auditor General formally assumed office, thus, ushering RAA on the path of progress and continuity in delivery of constitutional mandates and meeting societal expectations.

5. ACHIEVEMENTS IN TERMS OF ENHANCING SERVICE DELIVERY SYSTEM

During the year, the RAA had issued 13,956 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 affected 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 instill a sense of accountability and responsibility in the officials in discharging their duties.

The improvement of the online clearance system has eliminated the multi-layered processing of online audit clearances at the agency level. The applicant can now apply online through RAA's webpage and process it online. 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. This had enhanced accessibility of applicants in terms of delivering services at their own desktop/computers.

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.

The former Auditor General had led a four member delegations to attend the XIII ASOSAI Assembly and VI ASOSAI Symposium on the theme 'Leveraging technology to enhance audit quality and effectiveness', from February 10th to 13th, 2015 at Malaysia. During the Assembly the delegates witnessed the election of new members of the ASOSAI Governing Board for the period 2015-2018 and the election of Audit Committee. The Assembly is held once in every three years.

Upon invitation by the Comptroller & Auditor General of India, a four-member delegation led by the Auditor General of Bhutan visited the Office of the Comptroller & Auditor General of India, New Delhi and its three nodal training institutes from 18th to 27th September 2015; International Centre for Information and Systems Audit (iCISA), Noida, Uttar Pradesh, International Centre for Environment Audit and Sustainable Development (iCED), Jaipur, Rajasthan and the National Academy of Audit and Accounts (NAAA), Shimla, Himachal Pradesh. The visit besides furthering existing bilateral ties between the two institutions, also explored areas of mutual interest & cooperation.

The Auditor General of Bhutan had led a two-member delegation to the ASOSAI Seminar on Accountability at Dhaka, Bangladesh from 25th to 26th October 2015.

The Auditor General of Bhutan had led a two-member delegation to the IDI-ASOSAI Meeting with SAI Management and Key Stakeholders in Jakarta, Indonesia from 9th to 11th December 2015. The delegation primarily discussed and shared experiences and challenges and prioritized SAI Bhutan's needs and activities regarding the implementation of programmatic goals developed by the INTOSAI Development Initiative (IDI).

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 2015 was audited by S.N. Mukherji & Co. The Auditor's report along with certified Receipts & Payments Statement of the Royal Audit Authority is given in **Exhibit I**. The appointment of auditors was done based on the selection of auditors made by the Public Accounts Committee on behalf of the Parliament as required under the Audit Act.

8. SENSITIZATION AND AWARENESS PROGRAMME

In an effort to promote awareness on the accountability and transparency in the public resources, the Royal Audit Authority has conducted audit advocacy programmes for two tertiary colleges under the Royal University of Bhutan to sensitize stakeholders on the mandates, roles and responsibilities of the Royal Audit Authority.

The advocacy programmes aimed at reaching the faculty members and students were conducted for Gaeddu College of Business Studies, Gedu on 2nd April 2015, College of Science & Technology, Rinchending on 3rd April 2015.

Royal Audit Authority has similar programs scheduled for Jigme Namgyel Polytechnic, Dewathang, and Sherubtse College, Kanlung. Such advocacy programmes were carried out for 17 dzongkhags in the past where officials of the Dzongkhag and Gewog Administrations were introduced to roles and responsibilities of the RAA.

9. HUMAN RESOURCE AND BUDGET CONSTRAINTS IMPEDE RAA IN EFFECTIVE DELIVERY OF ITS MANDATES

Having highlighted on the achievements of the Royal Audit Authority, it does not go without taking stock of the constraints that encumber RAA's potential to deliver our mandates effectively.

The RAA is constantly niggled with Human resource and budget constraints. Due to non-availability of adequate human resource and budgets the audit coverage and thereby impact is being compromised.

Frequency and coverage are key elements in auditing to nip the potential threats to accountability while in the bud and report on the emerging issues while still relevant. Since this is a negotiation between cost of audit and cost of systemic failures in the public sector, it is needless to say that cost of systemic failures far outweighs cost of audit. It is therefore wiser that we realize this tradeoff earlier.

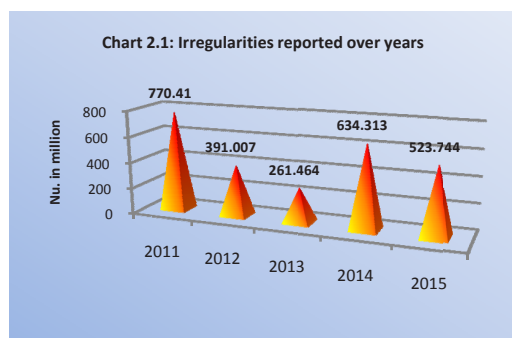
The RAA in the past had tried to mitigate these constraints through various means such as prioritization of agencies based on nature of operations, size & risk, minimizing field visits and came up with an outsourcing policy in 2014 to reduce the mounting pressure on the out-worked pool of auditors and limited budget. However, all these measures were never adequate to augment RAA in fulfilling its Mandates effectively and the limitations persist.

CHAPTER 2

SUMMARY OF AUDIT FINDINGS

The Annual Audit report 2015 has been compiled from 616 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, 2015, significant unresolved observations of reports issued during the year. The report also includes chapters on the audit of accounts and operations of the RAA, accomplishments during the year and a summary on significant issues from the Audit of Hydropower projects.

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 2015. It was noted that as against the revised capital budget of Nu.19,637.170 million, the Government had utilized Nu.15,443.805 million resulting in underutilization of capital budget of Nu.4,193.365 million, which was 21.35% of the revised capital budget. 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.

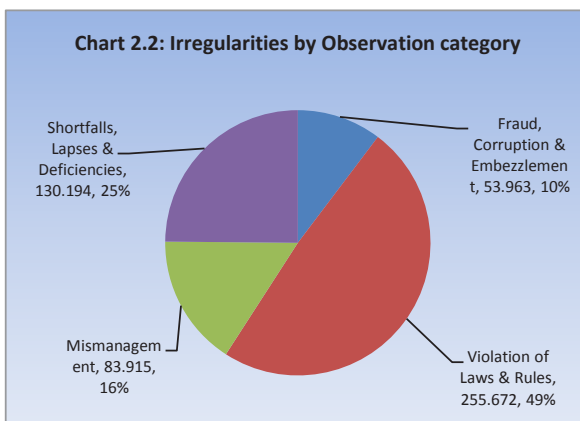


The relevant excerpts of the draft Annual Audit Report were circulated to all agencies concerned in January 2015 as required under the Audit Act of Bhutan 2006. The draft report had significant issues involving Nu.1,684.87million. However, audit findings involving Nu.1,157.99million representing 68.73% were either resolved fully or substantially or not material for inclusion based on the action taken and responses received from the agencies. The total

unresolved significant issues reflected in the Annual Audit Report 2015 amounted to Nu.523.744million. The report contains unresolved significant issues pertaining to nine Ministries, 11 Dzongkhags, 13 gewogs of eight Dzongkhags, 14 Autonomous Bodies, 11 Corporations, five Financial Institutions and one political party. As compared to the irregularities of Nu.634.313million reported in Annual Audit Report 2014, the irregularities have slightly decreased by 17.43%. 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 Dzongkhags with Nu.136.611million followed by Ministry of Information and Communications with Nu.119.453million and Autonomous Bodies with Nu.70.983million. Under the non-budgetary agencies, Food Corporation of Bhutan Limited has the largest amount of reported irregularities of Nu.27.292million followed by Dungsam Cement Corporation Limited with irregularities of Nu.22.603million.

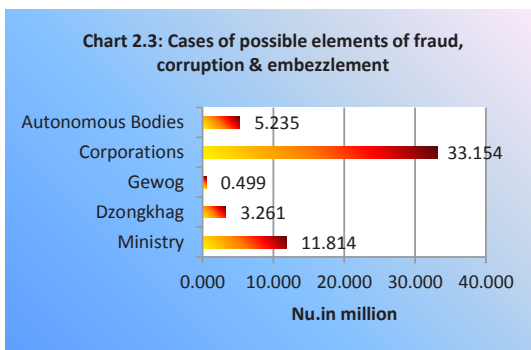
The observations in Annual Audit Report have been grouped into four broad categories. A summary of the irregularities by categories is given in Chart 2.2 and detailed summary as appended in Tables 2.1 & 2.2 at the end of chapter. The highest amount of irregularities of Nu.255.672 million is reported under the category, Violations and Laws and Rules followed by Nu.130.194 million under the category, Shortfalls, Lapses and Deficiencies and Nu.83.915 million under the category, Mismanagement. The amount of Nu.53.963 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

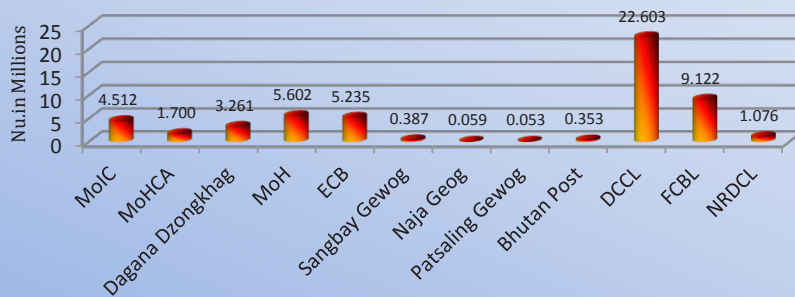
The Royal Audit Authority reported possible elements of fraud, corruption and embezzlement cases pertaining to some agencies during the year. The total amount reported under this category amounted to Nu.53.963 million of which Nu.33.154 million pertained to Corporations, representing highest proportion of 61%, followed by Ministries with Nu.11.814 million representing 22% of the total irregularities reported under this category. The Autonomous Bodies had Nu.5.235 million representing 10%, Dzongkhags with Nu.3.361 million representing 6% and Gewogs with Nu.0.499 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 were mostly accounting fraud and in procurement. The possible elements of fraud, corruption and embezzlement by agencies are depicted in Chart 2.4 and briefly highlighted graphically in the next page:

Chart 2.4: Possible elements of Fraud, Corruption and Embezzlements in the agencies



- a) The Dungsam Cement Corporation Limited had irregularities amounting to Nu.22.603 million under this category. The irregularities pertained company funds embezzled primarily by the Head of Finance and the late Assistant Finance Officer through withdrawal of self cheques by engaging various fraudulent practices as summarized in the table below:

Cases	Fraud method engaged	Embezzlement Amount (Nu.In million)
1	Embezzlement of refund made by contractor	0.829
2	Fictitious Payment based on photocopied bills	2.482
3	Fictitious Payment made on fake bills	5.436
4	Passing of unapproved/Cancelled voucher,	0.331
5	Fictitious BST payment	1.285
6	Withdrawal of vendor payment without due authorization through self cheques	4.848
7	Payment on duplicate copy of bills for which payment were made on original bills in full earlier	0.034
8	Double payment	0.875
9	Cheque drawn without any supporting documents	4.808
10	Addition of figures after approval	0.250
11	Embezzled but refunded at a later date prior to date of audit	0.873
12	Payment for coal not supplied	0.552
Total Embezzled Amount		22.603

As tabulated above during the project phase DCCL's key area of operations were construction and procurement. The embezzlement of company funds was mainly in the area of procurement;

- b) The Food Corporation of Bhutan Limited had irregularity amounting Nu.9.122 million on account of Misappropriation of cash and shortage of stock items as hereunder:
- The Food Corporation of Bhutan Limited, Samdrup Jongkhar had shortages of cash, stocks and unconfirmed sales. It was noted that the Shortages were primarily due to non-deposit of collections from daily sales and misuse of various food items amounting to Nu.3.621 million, of which Nu.2.440 million is recoverable;

- The Food Corporation of Bhutan Limited, Phuentsholing had shortages of 30MT Mansuri rice worth Nu.0.536 million. The disputed stock of rice had not been recorded in the “DRUKFOOD Inventory System” of the FCBL; and
 - The Food Corporation of Bhutan Limited, Nganglam Depot had misappropriation and shortages of cash & stock of various food grains worth Nu.7.295 million. FCBL had recovered an amount of Nu.1.148 million leaving a balance of Nu.6.146 million.
- c) The Ministry of Health had irregularity amounting Nu.5.602 million on account of Short account of revenue and embezzlement of cash. The Office Assistant acting as Accounts Assistant of the Jigme Dorji Wangchuck National Referral Hospital, Thimphu had embezzled government revenue of Nu.5.602 million by misrepresenting the collections as deposits in the Revenue Accounting System and by short account of revenue collections;
- d) The Election Commission of Bhutan had a case of embezzlement of Nu.5.235 million incurred as postal charges for ordinary letters from 2010-2015. It was noted that the payments were made fraudulently based on the summary invoices/bills without records of the details of the ordinary letters such as the receivers' details and number/quantity of these letters;
- e) The Ministry of Information and Communications had irregularities of Nu.4.512 million on account of fictitious payments, non-accountal and non-remittances of revenue as hereunder;
- The Accountant of the Ministry of Information and Communications had misused Nu.2.339 million from various disbursements made without supporting documents, appropriate approvals, indiscriminate booking of expenditures. The amount was recovered along with penalty accrued amounting to Nu.0.980 million and the case was forwarded to Anti-Corruption Commission. Further, the individual was terminated from service by the Ministry; and
 - The Financial Coordinator of the SAARC Development Fund (SDF) Project, “Empowering the Rural Community: Reaching the Unreached” under the Ministry of Information and Communications had misused Nu.1.308 million through fictitious payments, irregular withdrawals, non-remittances and irregular adjustments of cash. The case was forwarded to the Anti-Corruption Commission.
- f) The Dzongkhag Administration Dagana had made excess payment of Nu.3.261 million to the contractor due to acceptance of inflated rates in the final bill and non-deduction of openings for the construction of multipurpose hall at Gesarling Middle Secondary School. The case was forwarded to the Anti-Corruption Commission;
- g) The Ministry of Home and Cultural Affairs had irregularities of Nu.1.700 million as hereunder;
- The Deputy Chief Accounts Officer of the Department of Culture had misused a sum of Nu.1.000 million out of the budget of Nu.30.000 million approved and sanctioned to Department of Culture for the construction of Hindu Temple at Thimphu. The amount was recovered and the case is subjudice; and
 - The Deputy Chief Accounts Officer of the Department of Culture had misused refundable deposit of Nu.0.700 million to be refunded to M/s K.W. Construction for the construction of National Conservation Laboratory. The amount was recovered and the case is subjudice.

- h) The Natural Resources Development Corporation Limited, Zhemgang had irregularities amounting to Nu.1.076 million on account of misappropriation of sales revenue by Unit Managers. Out of total misappropriation of sales revenue amounting to Nu.2.028 million by the then Unit Manager and further misappropriation of sales revenue of Nu.0.372 million by the incumbent Unit Manager, a total of Nu.0.401million (including penalty @ 24% p.a.) was recovered from the incumbent Unit Manager and Nu.1.064 million from the former Unit Manager;
- i) The Gewog Administration of Sangbay under Haa had irregularities amounting to Nu.0.387 million on account of fabrication of bills and fictitious payments as hereunder;
- The Principal of Nebji Lobdra, Nebji Goenpa under the Gewog Administration had raised fabricated bills worth Nu.0.190 million for gold plating of statues in the renovation and gold plating of statues works and making of Ja Dha Tag Zhi at Nebji Goenpa without actually executing the work. The case was forwarded to Anti-Corruption Commission; and
 - The Gewog Administration had made payment of Nu.0.197 million for the purchase of Post-Harvest Equipment without actually receiving the equipment.
- j) The Bhutan Postal Corporation Limited, Trashigang, had a case of misuse of cash amounting to Nu.0.723 million. The amount was misused by the then Postmaster. Bhutan Posts, terminated the incumbent without benefits and forwarded the case to the Royal Court of Justice, Trashigang. As per the court verdict, Bhutan Post had recovered Nu.0.370 million out of Nu.0.723 million;
- k) The Gewog Administration, Naja Gewog under Paro Dzongkhag had irregularities amounting to Nu.0.059 million on account of misuse of rural taxes by then Gewog Administrative Officer from the collections of rural taxes. The case was forwarded to Anti-Corruption Commission; and
- l) The Gewog Administration, Pathsaling Gewog under Tsirang Dzongkhag had irregularities of Nu.0.053 million on short-accountal of premium collections for Rural House Insurance & Life Insurance amounting to Nu.0.015 million and Nu.0.038 million respectively.

1.2 Possible causes of irregularities

The main causes for above irregularities are as indicated below:

a) Lack of prudence and due diligence

The principles of financial management as stipulated in the Financial Management Manual of the Financial Rules and Regulations 2001 amongst others requires the public officials entrusted with responsibilities of managing public resources to exercise prudence in the same manner that a person of ordinary prudence would exercise when undertaking his own personal financial affairs. Further, for any loss of government money or property, the official in custody of the money or property shall be responsible if reasonable steps or actions were not taken to prevent the loss.

Most of the cases reported under Fraud, Corruption and Embezzlement were apparently fueled by failure to uphold the basic principles of financial management by officials entrusted with the responsibilities of managing public resources.

b) Poor supervision, monitoring and internal control

The Fraud, Corruption and Embezzlement cases were rampant in some of the organisations which apparently stem from lack of supervisory control from the top and middle level management, lack of segregation of duties, and in some instances due to collusive practices involving even the supervisors.

The laxity on the part of management to implement effective internal control system has apparently paved way for collusions, misuse and misappropriation of funds, manipulations and unlawful payments at the cost of the government.

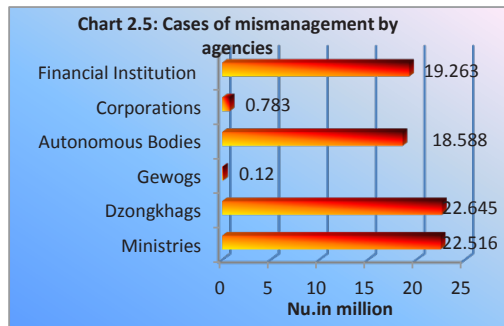
c) Lack of Probity

As officials holding important public offices minimum probity is expected. However, most of the cases reported under this category were apparently due to lack of minimum probity of officials entrusted with the responsibilities. The FRR 2001 requires all officers and other employees to serve the Royal Government with the highest degree of responsibility, integrity, honesty, loyalty and efficiency.

The absence of proper mechanism to ensure the integrity of the officials during recruitment and transfers of incumbents indulged in fraudulent and unethical practices to other agencies are also some of the major contributing factors.

2. Mismanagement

The total irregularities under this category amounted to Nu.83.915 million of which 26.99% is represented by the Dzongkhags with irregularities of Nu.22.645 million closely followed by Ministries with irregularities of Nu.22.516 million reported under this category. Financial Institutions represent 22.99% with irregularities of Nu.19.263 million and Autonomous Bodies represent 22.15% with irregularities of Nu.18.588 million.



Corporations and Gewogs 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.40.303 million representing 48.08% pertained to areas of revenue management, followed by Nu.21.927 million representing 26.13% falling under construction and procurement. The irregularities of Nu.19.445 million representing 23.17% fall under financial mismanagement followed by Nu.2.240 million representing 2.67% under Human Resource Mismanagement. The irregularities reported under the category of mismanagement by agencies are as briefly explained below:

- a) The Dzongkhag Administration, Thimphu had irregularities of Nu.21.768 million on account of non-functional water supply system as of October 2014;

- b) The Royal Insurance Corporation of Bhutan Limited had irregularities amounting to Nu.19.263 million on account of:
- Foregoing nominal interest income by investing Nu.100 million as bond redemption fund with M/s Nubri Capital Private Limited rather than using the funds in loans and advances, despite the advices against the investment by the Central Bank, the Royal Monetary Authority of Bhutan; and
 - Irregularly borrowing Nu.108 million from M/s Nubri Capital Private @ 11.75% interest per annum immediately three days, after RICBL had invested Nu.100 million in M/s Nubri Capital Private Limited @ 9% interest per annum resulting in avoidable interest expense of Nu.2.449 million. The case was forwarded to Anti-Corruption Commission.
- c) The Ministry of Finance had irregularity of Nu.16.656 million on account of:
- Differences in Cost Insurance and Freight & assessed value by Nu.0.423 million in their Bhutan Automated Customs System (BACS) and the initial landed CIF value at the Regional Revenue & Customs Office, Phuentsholing;
 - Non-reflection of the electronic money receipts worth Nu.0.530 million issued to the importers in their BACS against the total Bhutan Sales Tax and Customs Duty collections by the Regional Revenue & Customs Office, Phuentsholing;
 - Delayed clearance of some of the consignments of third country imports resulting in blockage of revenue aggregating to Nu.6.100 million by the Regional Revenue & Customs Office, Phuentsholing; and
 - Overdue outstanding taxes of Nu.9.573 million against various tax payers at the Regional Revenue & Customs Office, Thimphu.
- d) The National Land Commission, Thimphu had irregularities amounting Nu.14.370 million on account of outstanding proceeds recoverable from issue of Feno Pegs issued against field officials;
- e) The Ministry of Information and Communications had irregularities amounting to Nu.4.795 million on account of:
- Non-realization of annual renewal fees amounting to Nu.4.717 million from various motor vehicles owners by the Road Safety and Transport Authority, Regional Office, Thimphu;
 - Non-collection of penalties amounting to Nu.0.041 million despite issue of Transport Infringement Notices by the Road Safety and Transport Authority, Regional Office, Samdrup Jongkhar; and
 - Non-realization of penalties amounting to Nu.0.037 million for delay in change of vehicle ownership by the Road Safety and Transport Authority, Regional Office, Samdrup Jongkhar.
- f) The Royal University of Bhutan had irregularities amounting to Nu.3.080 million on account of:

- Non-recovery of penalty of Nu.2.195 million from one of its retired employees, for failing to meet the training obligation in contravention to the BCSR 2012, at the College of Natural Resources; and
 - Outstanding tuition fees of Nu.0.885 million against students on self-funding basis, even after completion of their studies at the College of Natural Resources.
- g) The Thromde Administration, Gelephu had irregularities of Nu.1.138 million on account of overdue outstanding Land Taxes for the year 2013 against land owners;
- h) The Ministry of Health had irregularities of Nu.1.056 million on account of recoverable late fines for delay in depositing government revenue for varying periods from 1 day to 333 days during the month and month ends at Jigme Dorji Wangchuck National Referral Hospital;
- i) The Dzongkhag Administration Samtse had irregularities amounting to Nu.0.832 million on account of:
- Overdue urban land taxes of Nu.0.472 million against various Thram holders in the Dzongkhag; and
 - Outstanding penalty of Nu.0.360 million from individuals who had constructed house on the wetland at the Drungkhag Administration, Tashichholing.
- j) The Food Corporation of Bhutan Limited had irregularities amounting to Nu.0.555 million on account of non-imposition of penalty on late payments and irregular waiver of fines by RRCO;
- k) The Drukair Corporation Limited had irregularities amounting to Nu.0.228 million on account of refund of Air fare recoverable and excess payment of landing and parking fees;
- l) The Gewog Administration, Sangbay under Haa Dzongkhag had irregularities amounting to Nu.0.120 million on account of un-utilization of timber provided to beneficiaries under Bebji Rehabilitation Project;
- m) The Dzongkhag Administration, Haa had an irregularity of Nu.0.045 million on account of inappropriately remitting statutory and other deductions of a Junior Engineer involved in the construction of Lhaxhang Karpo for unauthorized absence from office; and
- n) The Ministry of Works and Human Settlements had irregularities amounting to Nu.0.039 million on account of hiring of vehicle at higher rate than the quoted rate at Regional Office, Department of Roads, Phuentsholing.

2.2 Possible causes of irregularities

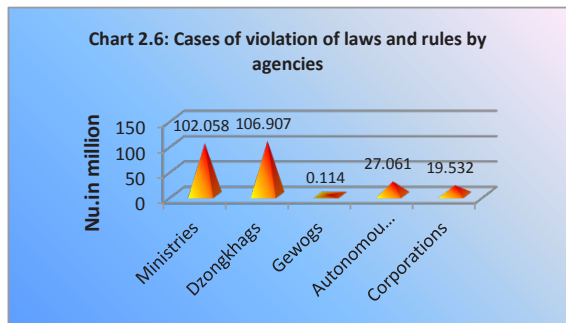
Besides inadequate supervisory and monitoring mechanism as well as inadequacies in internal control systems, the cases reported under the Mismangement were mainly due to:

- Lack of proper planning
- Indifference in the attitude of entrusted public officials
- Lack of capacity
- Non-enforcement of rules

3. Violation of Laws and Rules

The total irregularities reported under this category amounted to Nu.255.672 million. As depicted in Chart 2.6, the irregularities under Dzongkhags amounted to Nu.106.907 million representing 41.81% of the irregularities reported under this category. Irregularities under Ministries amounted to Nu.102.058 representing 39.91% of the irregularities under this category. Ministry of Information and Communication had irregularities amounting to Nu.77.248 million, followed by Ministry of Agriculture and Forests at Nu.19.536 and Ministry of Health at Nu.5.274 million.

Under Autonomous Bodies, the irregularities of Nu.14.509 million pertained to Royal University of Bhutan, followed by Nu.10.937 million under the Bhutan Chamber of Commerce and Industry. The irregularities of Nu.1.385 million pertained to the Gross National Happiness Commission and Nu.0.230 million to the Dratshang Lhengtshog.



The amounts under Corporations are represented by the Bhutan Board Products Limited with Nu.19.295 million followed by Natural Resources Development Corporation with Nu.0.237 million. The irregularities of Nu.0.114 million are represented by Gewogs under this category.

3.1 Comparison by agencies

The irregularities of Nu.255.672 million had occurred in the areas of construction, procurement, revenue management and financial management. The irregularities under violation of laws and rules by agencies are as briefly explained below:

- a) The Dzongkhag Administration, Pemagatshel had irregularities of Nu.101.614 million reported under this category. It pertained to the award of additional works in violation to the suspension orders issued by the Anti-Corruption Commission;
- b) The Road Safety and Transport Authority, Regional Office, Phuentsholing under the Ministry of Information & Communication had irregularities amounting to Nu.77.248 million reported under this category. The irregularities pertained to renewal of lease agreement at old rates despite revision of rates for lease of government land; wrongly reporting revenue generation reflected in the consolidated statements; pending

renewals of vehicles fees amounting to Nu.77.248 million; and not having taken action against the defaulters after the issuance of the Transport Infringement Notice;

- c) The Bhutan Boards Products Limited had irregularities of Nu.19.295 million. These pertained to the inconsistencies in the MoU signed; Nu.18.711 million for purchase made without inviting quotation; and Nu.0.584 million for payment without supporting documents;
- d) The Ministry of Agriculture and Forests had irregularities of Nu.19.536 million. These pertained to Nu.0.565 million for adjustment without supporting documents; Nu.0.051 million for payment made without obtaining the refundable release; Nu.0.224 million for lapses in the creation of new plantation; non-collection of Government Revenue amounting to Nu.14.446 million; and Nu.4.250 million for underutilization of CDF resulting in non-achievement of project objectives;
- e) The College of Science and Technology, Phuentsholing under the Royal University of Bhutan had irregularities of Nu.14.509 million. These pertained to the non-renewal of performance guarantee; non-renewal of Bank Guarantee; and non-levy of liquidated damages;
- f) The Bhutan Chamber of Commerce and Industry had irregularities of Nu.10.937 million pertaining to items disclosed in the Balance Sheet but not backed by the supporting documents;
- g) The Ministry of Health had irregularities of Nu.5.274 million pertaining to the expenditure incurred over and above the approved budget; and Improper evaluation of bids for Procurement of HIV/STI Test Kits;
- h) The Dzongkhag Administration, Samdrujongkhar had irregularities of Nu.4.650 million. These pertained to the non-surrender of balance closed work amounting to Nu.1.431 million; and Nu.3.219 million for closed work payments;
- i) The Gross National Happiness Commission had irregularities of Nu.1.385 million for non-production of documents;
- j) The Thromde Administration, Gelephu had irregularities of Nu.1.138 million on account of outstanding land taxes;
- k) The Dzongkhag Administration, Dagana had irregularities of Nu.0.576 million pertaining to the non-levy of liquidated damages;
- l) The Natural Resources Development Corporation Limited had irregularities of Nu.0.237 million. These pertained to the non- termination of the contract after stoppage of work; non- levy of liquidated damages of Nu.0.110 million; non-levy of employer's 20% additional cost on unexecuted works for Nu.0.127 million; and non-renewal of bank Guarantee;

- m) The Dratshang Lhentshog had irregularities of Nu.0.230 million. These pertained to Nu.0.168 million for non-payment of Final Bill to Contractor; and budgetary deviations of Nu.0.062 million;
- n) The Dzongkhag Administration, Trashigang had irregularities of Nu.0.204 million pertaining to the non-reconciliation of accounts;
- o) The Gewog Administration, Kazhi, Wangduephodrang had irregularities of Nu.0.114 million pertaining to the improvement of farm road not as per design/estimate and irregularities in procurement of materials and muster roll payment; and
- p) The Dzongkhag Administration, Samtse had irregularities of Nu.0.067 million pertaining to the non-levy of liquidated damages.

3.2 Possible causes of irregularities

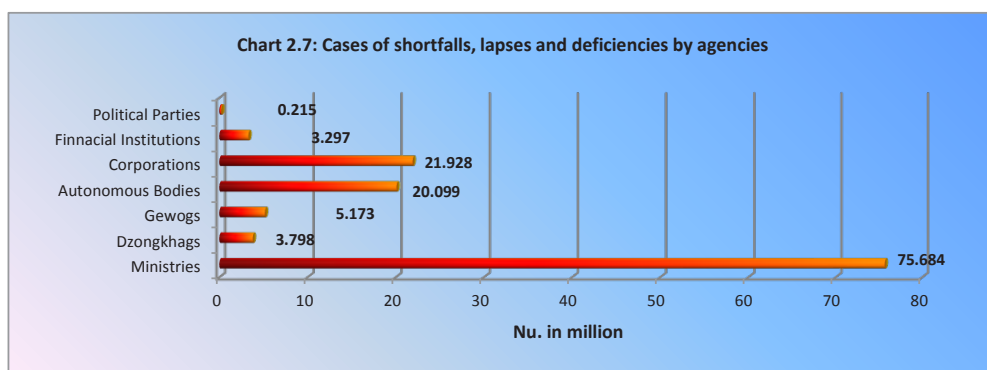
The lapses and irregularities reported under violation of laws and rules mostly occurred in the areas of construction and procurement. Most of these issues have been apparently resulted from inadequate internal controls, monitoring and supervision.

The other causes for above irregularities are:

- Absence of/or minimal penalty provisions for violation of laws and rules;
- Lack of awareness on specific circulars;
- Poor enforcement of rules and regulations;
- Non-differentiation of personal interest from official responsibilities; and
- Circumventing of laws and rules.

4. Shortfalls, lapses and deficiencies

The irregularities under shortfalls, lapses and deficiencies amounted to Nu.130.194 million. As depicted in Chart 2.7, the Ministries had the highest amount of irregularities of Nu.75.684 million representing 58.13 % of the irregularities reported under this category. Corporations with Nu.21.928 million and Autonomous Agencies with Nu.20.099 million. The irregularities under Gewogs amounted to 5.173 million followed by Dzongkhags with Nu.3.798 million.



Irregularities of Nu.3.297 million were reported under Financial Institutions and Nu.0.215 million under Political Parties.

4.1 Comparison by agencies

The irregularities of Nu.130.194 million constitute of inadequate financial management & store management, outstanding advances in constructions & procurements. The irregularities with significant amount under shortfalls, lapses and deficiencies by agencies are as briefly explained below:

- a) The Road Safety and Transport Authority under Ministry of Information and communication had irregularities of Nu.32.898 million under this category. It pertained to the non-reconciliation of revenue generation;
- b) The Ministry of Labour and Human Resources had irregularities of Nu.19.754 million pertaining to the inadmissible payment of price adjustments in the construction of Vocational Training Institute;
- c) The Food Corporation of Bhutan Limited had irregularities of Nu.17.615 million under this category. These pertained to Nu.0.425 million for overdue penalty recoverable from defaulting parties; Nu.1.558 million for damaged, expired and non-moving agency items and food grains lying in Phuentsholing bulk store; Nu.11.037 million for claims not adjusted in suppliers' account; mismatch in the quantity of rice import between the RRCO import declaration and FCBL rice register; Nu.1.280 million for inadequate IT organizational & operational controls resulting in shortage of stock; and Nu.3.315 million for shortage of food grains commodities.
- d) The Hotel & Tourism Management Training Institute – Construction Project under Tourism Council of Bhutan had irregularities of Nu.9.385 million. These pertain to Nu.8.884 million for irregularity in payment of contractor's bill and Nu.0.501 million excess payment for flooring works;
- e) The Ministry of Agriculture and Forests had irregularities of Nu.9.261 million. These pertained to Nu.8.589 million for non-disposal of seized timbers; Nu.0.223 million for non-reconciliation of accounts; Nu.0.108 million for irregular payment of data card usage bills; Nu.0.048 million for excess payment; Nu.0.043 million for inadmissible payment; loss of sander woods; and outstanding Advances of Nu.0.250 million;
- f) The Ministry of Foreign Affairs had irregularities of Nu.8.831 million. These pertain to Nu.0.178 million for inadmissible payment of Children's Education Allowance; Nu.3.680 million for non-surrender of actual closing balance; and Nu.4.973 million for non-reconciliation of accounts;
- g) The Dzongkhag Administration, Monggar had irregularities of Nu.3.462 million pertaining to Overpayment and liable liquidated damages;

- h) The Ministry of Health had irregularities of Nu.5.726 million. These pertained to Nu.5.692 million for outstanding advances; Nu.0.034 million for excess payment; and to huge increase in rates of PHL reagent items procured;
- i) The Bhutan Football Federation had irregularities of Nu.4.984 million. These pertained to Nu.2.064 million for outstanding advances; and Nu.2.902 million for non-follow up of outstanding amount;
- j) The Ministry of Finance had irregularities of Nu.4.481 million. These pertained to Nu.0.055 million for inadmissible payment; Nu.0.055 million for excess payment; non-projection of Bangladesh Import serial numbers (IMP No.) in the BACS; and outstanding advances of Nu.4.371 million;
- k) The Gewog Administration, Sakteng, Trashigang had irregularities of Nu.3.416 million pertaining to Nu.3.275 million for outstanding advances; and Nu.0.141 million for payment made for items of work not executed;
- l) The Royal University of Bhutan had irregularities of Nu.2.053 million. These pertained to Nu.1.434 million for un-reconciled balance; Nu.0.064 million for excess payment of stipend to students discontinuing the courses; and Nu.0.555 million for outstanding advances under current assets;
- m) The Bhutan Chamber of Commerce and Industry had irregularities of Nu.1.687 million. These pertained to Nu.1.687 million for Balance Sheet assets not identifiable and physically non-existent; and overdue Account Receivables and Account Payables without the names of the debtors and creditors;
- n) The Army Welfare Project had irregularities of Nu.1.453 million. These pertained to pending supply receivable against Import Permits for grape wine; and Nu.1.453 million for excess/shortage of Liquor Stock;
- o) Dzongkhag Administration, Dagana had irregularities of Nu.1.432 million. These pertained to Nu.0.242 million for excess payments; and Nu.1.190 million for excessive grant of advances;
- p) The Bhutan Development Bank Limited had irregularities of Nu.1.292 million. These pertained to Nu.1.244 million for non-informing of client on the status of dormant account; non-maintenance of minimum balance in the active CD account; Nu.0.048 million for excess payment of interest to the matured fixed deposit account holder; and lack of internal control system in safeguarding dormant account;
- q) The Bhutan National Bank Limited had irregularities of Nu.1.103 million. These pertained to Nu.0.154 million for unrealistic indication of defaulted loans in system for closed accounts; defaulted loans pending court registration; huge differences in physical ATM cash on comparison to the ATM General Ledger balance; excess payment for fixed deposit plus scheme opened for less than minimum deposit period of 3 years amounting to Nu.0.949 million; and

- r) The Penden Cement Authority Limited had irregularities of Nu.1.094 million pertaining to non-liquidation of advance payment.

4.2 Possible causes of deficiencies

The cases under Shortfalls, lapses and deficiencies have occurred mainly due to lack of timely actions by the agencies, non-enforcement of contractual obligations and internal control weaknesses. The other causes are:

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 is apparently weak. The accumulation of overdue advances is 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 2.1.1: Summary of Annual Audit Report 2015 with categories of irregularities and amount involved with respect of budgetary agencies

Sl. No.	Category	MoIC	MoAF	MoHCA	MoEA	MoH	MoWHS	MoF	MoFA	MoLHR	Dzongkhags	Gewogs	Autonomous	Total
1	Fraud & Corruption	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	3.261	0.387	5.235	8.883
1.1	Forgery & tampering of documents	-	-	-	-	-	-	-	-	-	0.000	0.000	5.235	5.235
1.2	Malpractices & abuses	-	-	-	-	-	-	-	-	-	3.261	0.387	0.000	3.648
1.3	Tax Evasion	-	-	-	-	-	-	-	-	-	0.000	0.000	0.000	0.000
2	Embezzlement	4.512	0.000	1.700	0.000	5.602	0.000	0.000	0.000	0.000	0.000	0.112	0.000	11.926
2.1	Misappropriation intentional/double bookings/irregular/unauthorised	4.344	-	1.7	-	5.602	-	-	-	-	0.000	0.059	0.000	11.705
2.2	Non/short accountal	-	-	-	-	-	-	-	-	-	0.000	0.000	0.000	0.000
2.3	Non/short accountal	0.168	-	-	-	-	-	-	-	-	0.000	0.053	0.000	0.221
3	Mismanagement	4.795	0	0	0	1.056	0.039	16.626	0	0	22.645	0.120	18.588	63.869
3.1	Mismanagement of funds	-	-	-	-	-	-	-	-	-	0.000	0.000	0.000	0.000
3.2	Mismanagement of properties	-	-	-	-	-	0.039	-	-	-	21.768	0.120	0.000	21.927
3.3	Mismanagement of human resources	-	-	-	-	-	-	-	-	-	0.045	0.000	2.195	2.240
3.4	Mismanagement of revenue and taxes	4.795	-	-	-	1.056	-	16.626	-	-	0.832	0.000	16.393	39.702
4	Violation of laws & rules	77.248	19.536	0.000	0.000	5.274	0.000	0.000	0.000	0.000	106.907	0.114	27.061	236.140
4.1	Violation of service rules	-	-	-	-	-	-	-	-	-	0.000	0.000	0.000	0.000
4.2	Violation of budgetary norms	-	4.25	-	-	5.274	-	-	-	-	1.431	0.000	0.168	11.123
4.3	Violation of accounting norms	-	0.616	-	-	-	-	-	-	-	3.219	0.000	12.384	16.219
4.4	Violation of procurement norms	-	-	-	-	-	-	-	-	-	0.643	0.114	14.509	15.266
4.5	Violation of Acts, Directives and Policies	77.248	14.446	-	-	-	-	-	-	-	101.614	0.000	0.000	193.308
4.6	Violation of other laws, rules and regulations	-	0.224	-	-	-	-	-	-	-	0.000	0.000	0.000	-
5	Shortfalls, lapses and deficiencies	32.898	9.261	0.000	0.425	0.034	0.000	4.481	8.831	19.754	3.798	5.173	20.099	104.754
5.1	Over/inadmissible/irregular/double payments	-	0.199	-	-	0.034	0	0.110	0.178	19.754	1.310	0.941	10.555	33.081
5.2	Non maintenance of records	-	-	-	-	-	-	-	-	-	0.000	0.000	0.000	0.000
5.3	Improper maintenance of records	-	-	-	-	-	-	-	4.973	-	0.000	0.000	0.000	4.973
5.4	Non/improper recording in books	-	-	-	-	-	-	-	-	-	0.000	0.070	0.000	0.070
5.5	Non-reconciliation/certification of balances	32.898	0.223	-	-	-	-	-	3.68	-	0.204	0.000	3.121	40.126
5.6	Irregularities in advances	-	0.25	-	-	-	-	-	-	-	2.284	3.737	3.423	9.694
5.7	Irregularities in recoveries	-	-	-	-	-	-	-	-	-	0.000	0.050	3.000	3.050
5.8	Irregularities in disposal & auction	-	-	-	-	-	-	-	-	-	0.000	0.000	0.000	0.000
5.9	Irregularities in property management	-	-	-	-	-	-	-	-	-	0.000	0.000	0.000	0.000
5.10	Non/short deductions	-	-	-	-	-	-	-	-	-	0.000	0.375	0.000	0.375
5.11	Non cooperation	-	-	-	-	-	-	-	-	-	0.000	0.000	0.000	0.000
5.12	Shortfalls & uneconomical operations	-	8.589	-	0.425	-	-	4.371	-	-	0.000	0.000	0.000	13.385
5.13	Missing documents/receipts	-	-	-	-	-	-	-	-	-	0.000	0.000	0.000	0.000
5.14	Pending disputes and court cases	-	-	0	-	-	-	-	-	-	0.000	0.000	0.000	0.000
5.15	Inadequate internal controls	-	-	-	-	-	-	-	-	-	0.000	0.000	0.000	0.000
		119.453	28.797	1.700	0.425	11.966	0.039	21.107	8.831	19.754	136.611	5.906	70.983	425.572

Table 2.2: Summary of Annual Audit Report 2015 with categories of irregularities and amount involved with respect of non budgetary agencies

Sl. No.	Category	DCCL	BBPL	STCBL	FCBL	Bhutan Post	CDCL	NRDCL	BAIL	AWP	PCAL	Drukair	BNBL	NPPF	BDBL	BoBL	RICBL	DPT	Total
1	Fraud & Corruption	0.000	0.000	0.000	6.146	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	6.146
1.1	Forgery & tampering of documents	-	-	-	6.146	-	-	-	-	-	-	-	-	-	-	-	-	-	6.146
1.2	Malpractices & abuses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
1.3	Tax Evasion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
2	Embezzlement	22.603	0.000	0.000	2.976	0.353	0.000	1.076	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	27.008
2.1	Misappropriation of intentional double bookings/irregular/unauthorised	-	-	-	2.44	0.353	-	1.076	-	-	-	-	-	-	-	-	-	-	3.869
2.2	Non/short accountal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
2.3	Non/short accountal	-	-	-	0.536	-	-	-	-	-	-	-	-	-	-	-	-	-	0.536
3	Mismanagement	0	0	0	0.555	0	0	0	0	0	0	0.228	0	0	0	0	19.26	0	20.046
3.1	Mismanagement of funds	-	-	-	-	-	-	-	-	-	-	0.182	-	-	-	-	19.26	-	19.445
3.2	Mismanagement of properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
3.3	Mismanagement of human resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
3.4	Mismanagement of revenue and taxes	0	0	0	0.555	-	-	-	-	-	-	0.046	0	0	0	0	0.046	0	0.601
4	Violation of laws & rules	0.000	19.295	0.000	0.000	0.000	0.000	0.237	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	19.532
4.1	Violation of service rules	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
4.2	Violation of budgetary norms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
4.3	Violation of accounting norms	-	0.584	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.584
4.4	Violation of procurement norms	0	18.711	-	-	-	-	0.237	-	-	-	-	-	-	-	-	-	-	18.948
4.5	Violation of Acts, Directives and Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
4.6	Violation of other laws, rules and regulat	-	-	-	-	-	-	-	-	-	0.000	0.000	0.000	-	-	-	-	-	0.000
5	Shortfalls, lapses and deficiencies	0.000	0.000	0.150	17.615	0.000	0.841	0.420	0.153	1.453	1.094	0.202	1.103	0.000	1.292	0.130	0.772	0.215	25.440
5.1	Over/inadmissible/irregular/double payments	0	-	-	-	-	-	-	0.420	0.153	-	0.202	0.949	-	0.048	-	-	-	1.772
5.2	Non maintenance of records	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
5.3	Improper maintenance of records	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
5.4	Non/improper recording in books	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
5.5	Non-reconciliation/certification of balances	-	-	-	-	-	-	-	-	1.453	-	-	-	-	-	-	-	-	1.453
5.6	Irregularities in advances	-	-	-	0.15	0.425	-	-	-	1.094	-	-	-	-	-	0.130	-	0.041	1.265
5.7	Irregularities in recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.174	0.749	0.923
5.8	Irregularities in disposal & auction	-	0.000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
5.9	Irregularities in property management	-	-	0.000	4.873	-	-	-	-	-	-	-	-	-	-	-	-	-	4.873
5.10	Non/short deductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
5.11	Non cooperation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.772	-	0.772
5.12	Shortfalls & uneconomical operations	-	-	-	11.037	-	0.841	-	-	0.000	-	-	-	-	0.000	-	-	-	11.878
5.13	Missing documents/receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
5.14	Pending disputes and court cases	-	-	-	1.28	-	-	-	-	-	-	-	-	-	-	-	-	-	1.280
5.15	Inadequate internal controls	-	-	-	-	-	-	-	-	-	-	-	0.154	-	1.244	-	-	-	1.398
		22.603	19.295	0.150	27.292	0.353	0.841	1.733	0.153	1.453	1.094	0.430	1.103	0.000	1.292	0.130	20.035	0.215	98.172

CHAPTER 3

CERTIFICATION OF ANNUAL FINANCIAL STATEMENT

The Annual Financial Statement (AFS) of the Royal Government of Bhutan for the Fiscal Year 2014-15 was audited by the Royal Audit Authority 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 unmodified audit report (clean report) taking cognizance of improvement made over the previous years' financial statements presentation.

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 2014-2015. 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 2014-2015 of the Royal Government was Nu.35,406.325 million against estimated resources of Nu.31,959.263 million with a fiscal deficit of Nu.3,447.062 million. During the year, the outlay was revised to Nu.39,685.979 million and the resources to Nu.37,620.238 million. At the end of the Fiscal Year, the actual outlay reported was Nu.34,334.258 million against the realized resources of Nu.36,231.052 million resulting into a fiscal surplus of Nu.810.386 million.

As against the revised capital budget of Nu.19,637.170 million, the actual expenditure was Nu.15,443.805 million with resultant underutilization of capital budget of Nu.4,193.365 million, which was 21.35% of the revised capital budget.

The government debt as on 30th June 2015 was Nu.120,783.001 million, of which Nu.2,106.812 million accounts for domestic debt and Nu.118,676.189 million for external debt.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on RAA's judgement, including the risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the RAA considers internal controls relevant to the entity's preparation 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.

As per the information made available by the DPA, there are 542 Letter of Credit (LC) Accounts and 159 Project Letter of Credit (PLC) Accounts during the period under review. Of the total, the RAA had audited and issued report for 344 LC Accounts and 53 PLC Accounts as on 26 February 2016 for the Fiscal Year ended 30 June 2015. These audited agencies comprise mostly of bigger agencies. For those accounts that are yet to be audited, the RAA had relied on their year-end accounts generated from the PEMS.

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

Opinion

In RAA's opinion, the aforementioned Financial Statements together with schedules attached thereto, including the Notes to Accounts, have been prepared, in all material respect in accordance with financial reporting framework of the Government as prescribed in Financial Rules and Regulations 2001 and provide the information required by said Rules and Regulations.

(Tshering Kezang)
Auditor General of Bhutan

Dated: 13 April 2016

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

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དམངས་ཚཱིས་ལོ་ལོ་ལྷན་ཁུངས།
 དངུལ་ཚཱིས་ལྷན་ཁུངས།
 DEPARTMENT OF PUBLIC ACCOUNTS
 MINISTRY OF FINANCE



31st December 2015

STATEMENT OF RESPONSIBILITY

The Annual Financial Statements (AFS) of the Royal Government of Bhutan (RGoB) for the Fiscal Year 2014-15 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, 2015.

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

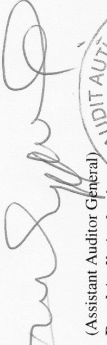
ANNUAL FINANCIAL STATEMENTS OF THE ROYAL GOVERNMENT OF BHUTAN
CONSOLIDATED RECEIPTS AND PAYMENTS STATEMENT OF THE ROYAL GOVERNMENT OF BHUTAN FOR THE YEAR ENDED 30 JUNE 2015
 (Nu. in Million)

Receipts	Schedule	2014-15	2013-14	Payments	Schedule	2014-15	2013-14
Opening Balance		- 2,562,836	-5816,814	Expenditure		36,475,848	34,609,903
i) Cash		-	-	b) Current	11	21,032,044	17,941,151
ii) Bank		- 2,562,836	(5,816,814)	ii) Capital	12	15,443,805	16,668,752
Internal Revenue		25,141,030	23,244,610	Repayment of Loans		2,771,677	2,576,855
i) Tax Revenue	2	18,387,34	16,182,774	b) Internal	13	175,302	175,302
ii) Non Tax Revenue	3	6,753,70	7,061,836	ii) External	14	2,596,374	2,401,553
External Grants		9,955,020	14,236,353	Lendings		177,803	570,661
i) Cash	4	9,391,358	13,812,314	b) To individuals	15	0,000	-
ii) Kind	5	563,663	424,039	ii) To Corporations	15	177,803	570,661
Borrowings		1,685,268	1,534,544	Other payments	9	6,722,608	6,298,130
i) Internal	6	-	-	Increase in Advances/Suspense	10	8,459,699	8,653,261
ii) External	7	1,685,268	1,534,544				
Recovery of Loans	8	2,730,550	1902,65	Closing Balance		- 1,752,450	(2,562,836)
Other Receipts	9	7,857,610	6,636,290	i) Cash		57,226	
Decrease in Advances/Suspense	10	8,048,543	8,408,341	ii) Bank		-1,809,676	(2,562,836)
TOTAL RECEIPTS		52,855,186	50,145,974	TOTAL PAYMENTS		52,855,186	50,145,974

Summary of variance for FY 2014-15


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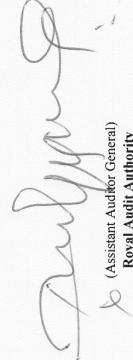


SUMMARY OF VARIANCE BETWEEN BUDGET ESTIMATES AND ACTUAL OUTCOME FOR THE FY 2014-15

Application of funds	Budget Estimates		Actual Outcome		Variation Percentage		Sources of Fund		Budget Estimates		Actual Outcome		Variation Percentage	
	Original	Revised	Original	Revised	Original/Revised	Actual/Revised			Original	Revised	Original/Revised	Actual/Revised	Original/Revised	Actual/Revised
A. Expenditure	37,098,009	41,356,034	36,475,848	28,366	-2.36%	-24.52%	A. Internal Receipts	24,599,032	24,900,117	25,141,030	-1.22%	1.12%	2.40%	
i. Current	21,895,682	21,718,864	21,032,044	-0.81%	-3.94%	-3.16%	i. Tax	17,619,723	18,259,128	18,387,335	3.63%	4.36%	0.70%	
ii. Capital	15,202,327	19,637,170	15,443,805	29.17%	1.59%	-21.35%	ii. Non-tax	6,979,309	6,640,989	6,753,695	-4.85%	-3.23%	1.70%	
B. Repayments	2,916,828	2,771,680	2,771,677	-5.29%	-5.29%	0.00%	B. Recovery of Loans	2,032,684	2,065,799	2,730,550	9.95%	35.25%	-19.13%	
i. Internal	175,303	175,303	175,302	0.00%	0.00%	0.00%	C. Grants	7,360,231	12,309,247	9,955,020	67.24%	0.00%		
ii. External	2,741,525	2,596,377	2,596,374	-5.29%	-5.29%	0.00%	i. In Kind		9,391,358	9,391,358	0.00%			
C. Lending	341,000	395,744	177,803	16.05%	-47.86%	-55.07%	ii. In Kind		563,663	563,663	0.00%			
D. Advances			411,156	0.00%			D. Borrowings	1,558,688	881,254	1,685,268	-43.46%	8.12%	91.24%	
							i. Internal				0.00%			
							ii. External	1,558,688	881,254	1,685,268	-43.46%	8.12%	91.24%	
Payments			6,722,608				Receipts		410,874	7,857,610	0.00%			
F. Surplus			810,386				F. Advances							
Total Payments	40,355,837	44,523,458	47,569,479				Total Receipt	40,355,837	44,523,458	47,369,479				
							G. Deficit	(4,805,202)	(3,956,167)					


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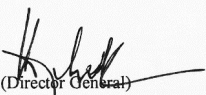

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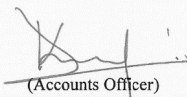



**STATEMENT OF RECONCILIATION OF GOVERNMENT CONSOLIDATED
FUND ACCOUNT FOR THE FISCAL YEAR 2014-2015**

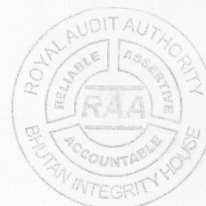
SL. NO.	PARTICULARS	NU. IN MILLION
1	Opening Balance as on July 1, 2014	(2,562.836)
2	RECEIPTS DURING THE YEAR	57,923.116
	Budget Fund Account (DPA)	30,898.984
	Revenue Account (DRC&BOB)	25,589.502
	Non Revenue Account (BOB)	1,434.630
3	LESS: PAYMENTS DURING THE YEAR	57,169.955
	Budget Fund Account (DPA)	15,197.510
	Withdrawals from LC A/c (BOB)	41,523.973
	Withdrawals from Revenue A/c (DRC&BOB)	448.472
4	Closing Balance as on 30 June 2015 (DPA)	(1,809.676)
5	RECONCILIATION:	-
	Closing Balance as on 30 June 2015 (BoB/RMA)	(1,232.480)
	Add: Fund in Transit (Cr.) as on 30.06.2015 - BoB	896.273
	Less: Fund in Transit (Dr.) as on 30.06.2015 - BoB	1,595.304
6	Closing Balance as on 30 June 2015 (BoB/RMA)	(1,931.511)
7	Add:	123.416
	a) Credits (Deposits) as per DPA but not in BoB	123.416
	b) Debits (Payments) as per BoB but not in DPA	-
8	Less:	1.581
	a) Credit (Deposits) as per BoB but not in DPA	1.581
	b) Debits (Payments) as per DPA but not in BoB	-
9	Closing Bank Balance as on 30 June 2015 (DPA)	(1,809.676)


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STATEMENT OF GOVERNMENT EQUITY PORTFOLIO FOR THE YEAR ENDED 30th June 2015

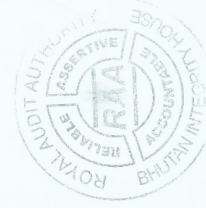
Sl. No	Corporations	Shareholding as on 30/06/2014				Amount (Nu. in million)			
		Shareholding as on 30/06/2014		Face value	No. of shares	Investment Amount (Nu)	Divestment/Transfe No. of share (Nu)	Shareholding as on 30/06/2015	
		No. of shares	Value (Nu)					% Holding	No. of shares
			47,576					47,056	
I	Manufacturing								
1	Army Welfare Project	25,000	25.00	100%	1,000			25,000,000	100%
2	Bhutan Agro Industries Limited	290,636	29.06	100%	100			290,636,000	100%
3	Construction Development Corp. 1	4,213.83	421.38	100%	100			29,064	100%
4	National Housing Development Corp	2,648,092	2,648.09	100%	1,000			2,648,092	100%
5	Wood Craft Centre Limited 2	98,815	98.815	100%	100				
6	Kuensel Corporation	255,000	25.50	51%	100			25,500,000	51%
7	Druk Holding & Investments Ltd	443,281,142	44,328.11	100%	100			44,328,110	100%
II	Trading		15.00					15.00	
8	Food Corporation of Bhutan	15,000	15.00	100%	1,000			15,000,000	100%
III	Services		154.43					154.43	
9	Bhutan Postal Corporation	235,952	23.595	100%	100			23,595,000	100%
10	Bhutan Broadcasting Service Limited	1,308,351	130.835	100%	100			1,308,351,000	100%
IV	Financial Institutions		287					487.00	
11	Bhutan Development Bank Ltd 3	287,000	287.00	143.5%	1,000	200,000	200	487,000,000	162.33%
	TOTAL		48,052.40					47,712.20	


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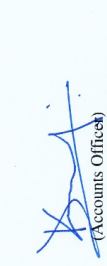

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 Royal Audit Authority



Shareholdings through DHI


Sl. No	Corporations	Shareholding as on 30/06/2014			Shareholding as on 30/06/2015		
		No. of shares	Value (Nu)	% Holding	No. of shares	Value (Nu)	% Holding
I	Manufacturing	36,144.00			36,672.16		
1	Penden Cement Authority Limited	1,521,074	152,107	44.74%	1,521,074	152,107	44.74%
2	Bhutan Board Products Limited	668,334	66,833	47.74%	668,334	66,833	47.74%
3	Bhutan Ferro Alloys Limited	385,946	38,595	25.73%	385,946	38,595	25.73%
4	Natural Resource Development Corp.	300,000	30,000	100%	300,000	30,000	100%
5	Dungsam Cement Corporation	50,739	5,073.95	100%	50,739	5,073.95	100%
6	Dungsam Polymers	421,890	42,189	100%	421,890	42,189	100%
7	DHI Infra	2,000,000	200,000	100%	2,000,000	200,000	100%
8	DHI Hospitality Ltd ⁴	170,376	17,038	100%			
9	Druk Green Power Corporation	30,508,291	30,508.29	100%	30,508,291	30,508.29	100%
10	Koufuku International Pvt. Ltd	150,000	15,000	30%	150,000	15,000	30%
11	Construction Development Corp. ¹				4,213.83	421.38	100%
12	Wood Craft Centre Limited ²				98,815	98,815	100%
13	Siate Mining Corporation Ltd ⁵				250,000	25	100%
II	Trading	91.76			91.76		
14	Siate Trading Corporation of Bhutan	917,605	91,76	51%	917,605	91,76	51.00%
III	Services	11,289.02			11,457.86		
15	Druk Air Corporation	22,252,111	2,225,211	100%	22,252,111	2,225,211	100.00%
16	Bhutan Telecom Corporation	854,082	85,408.2	100%	854,082	85,408.2	100.00%
17	Bhutan Power Corporation	8,190,191	819,019.1	100%	8,190,191	819,019.1	100.00%
18	Thimphu TechPark ⁷	195,362	19,536.2	31%	1,883,812	188,381.2	100.00%
IV	Financial Institutions	1796.42			2,079.01		
19	Bhutan National Bank ⁸	4,080,300	408,030	11.50%	4,080,300	408,030	11.50%
20	Bank of Bhutan	1,200,000	1,200,000	80%	1,200,000	1,200,000	80.00%
21	Royal Insurance Corporation of Bhutan Ltd ⁶	1,883,900	188,390	39.25%	4,709,750	470,975	39.25%
TOTAL		-	49,321.20		-	50,300.79	


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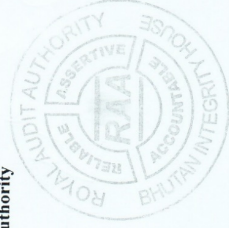
Statement of Sovereign Guarantee issued by Government as of 30 June 2015										
Sl. No	Name of the beneficiary	Date of issue	Issued to	Purpose of Issue	Original Guaranteed Amount		Validity	Balance Amount		Remarks
					Foreign Currency	Nu. million		FOREX	Nu. million	
1	Bhutan Ferro Alloys Limited	11-12-04	EKSPORT FINANS, Norway	Import of furnace	NOK 59,500 m (Nu.424,235 m)	424,235	10 years	5,523,361.56	47,692	Balance NoK 5,523,361.56(@8.64) equivalent to Nu.47,692 m.
2	Bhutan Development Bank Ltd.	22/11/2005	Bank of Bhutan	Credit Expansion		500,000	10 years		50,000	Principle repayment from June 2011 (to be fully liquidated by 31st December 2015)
3	Dharma Industries, Social 3, People's Projects	30th July 2007	Bhutan National Bank Limited	Working Capital for establishment of industry to manufacture statues		15,000	10 years		3,738	Sanctioned Nu.9,988,042.98 against the guaranteed amount
4	Bhutan Development Bank Ltd.	2nd April 2008	National Pension and Provident Fund	Rural Credit including SME		400,000	10 years		300,000	Principle repayment will start from Mar 2014.Total Loan Nu. 500 million. Guaranteed Amount is Nu. 400 million
Total						1339,235			401,430	


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STATEMENT OF OPERATION OF REFUNDABLE DEPOSIT ACCOUNTS, REVOLVING FUNDS AND TRUST FUNDS FOR THE YEAR 2014-

15

Ngultrum in million

Sl. No.	Account Name	Opening Balance as of 01/07/2014	Total Receipts during the FY	Total Payments during the FY	Balance as of 30/06/2015	Currency
1	Refundable Deposits Account	717,528,033.69	954,683,011.57	1,672,210,578.46	466.80	Nu.
2	Bhutan Health Trust Fund	1,293,228,249.27	522,843,973.39	423,393,027.99	1,392,679,194.67	Nu.
3	Bhutan Trust Fund for Environmental Conservation *	46,323,625.00	3,696,728.62	1,864,305.00	47,450,436.00	USD
4	Cultural Trust Fund	55,753,038.90	3,177,923.21	-	58,930,962.11	Nu.
5	Bhutan Information Communication and Media Authority	232,673,196.80	93,139,500.71	2,773,204.00	323,039,493.51	Nu.
6	Revolving Funds	25,299,037.39	35,123,331.32	31,980,335.00	28,442,033.71	Nu.


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CHAPTER 4

DETAILED AUDIT FINDINGS

4.1 MINISTRIES

4.1.1 Ministry of Information & Communications

During the period, the Royal Audit Authority had issued 18 audit reports of the Ministry of Information and Communications and its Departments, Divisions and Units. There were 40 observations pointed out in the reports involving Nu.121.981 million, out of which seven observations amounting to Nu.1.723 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.120.258 million.

Based on the responses received after the issue of the draft AAR 2015 and actions taken by the Ministry and its Departments, Divisions and Units, observations amounting to Nu.0.805 million were resolved. The total unresolved significant irregularities amounted to Nu.119.453 million as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Fraud, Corruption & Embezzlement	4.512	1 & 2
2	Mismanagement	4.795	3
3	Violation of Laws & Rules	77.248	4
4	Shortfalls, Lapses and Deficiencies	32.898	5
	Total	119.453	

1. Fraud, Corruption & Embezzlement – Nu.4.512 million

There were cases of possible elements of fraud, corruption and embezzlement involving Nu.4.512 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
1.1	Disbursements not supported by documents indicating unauthorized and fictitious payments	2.171
1.2	Accrued penalty on the misuse of government funds	0.980
1.3	Misuse of government money through non-accountal of amount received	0.168
1.4	Misuse of government funds through fictitious payments	0.937
1.5	Misuse of government funds through delays and irregular adjustments	0.128
1.6	Misuse of government funds through irregular withdrawal of cash	0.081
1.7	Misuse of government funds through withdrawal of cheques	0.030
1.8	Misuse of government funds through non-remittance of revenue	0.017
	Total	4.512

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

1.1 Disbursements not supported by documents indicating unauthorized and fictitious payments – Nu.2.171 million

The Accountant of the Ministry of Information and Communications had misused Nu.2.171 million from various disbursements made without supporting documents, appropriate approvals, indiscriminate booking of expenditures under various object codes on the basis of availability of fund balances, and improper documentation process with resultant missing of accounting records. The amount was recovered and case forwarded to Anti-Corruption Commission. Further, the individual was terminated from service by the Ministry. (AIN: 12916; Part A, Para 1 & Part B, Para 2; Accountabilities: Direct: Pema Chheney, Accountant, EID No.9704039; Supervisory: Ugyen Tshewang, Senior Accounts Officer, EID No.7609010)

1.2 Accrued penalty on the misuse of government funds - Nu.0.980 million

The Accountant of the Ministry of Information and Communications had misused government funds from the accounts of the Secretariat and the Department of Information & Media amounting to Nu.4.559 million on which penalty accrued amounted to Nu.0.980 million as follows:

Sl. No.	Observation in Brief	Amount (Nu.in million)	Penalty (Nu.in million)	Para No.
Part A : Secretariat, MoIC				
1	Non-accountal of cash withdrawn from Bank in the books of accounts	0.239	0.073	2.1
2	Booking of unauthorized advance and subsequent refunds in cash	0.650	0.123	2.2
3	Unauthorized retention of amounts outside the books of accounts for 209 days	0.700	0.096	2.3
4	Retention of yearend closing cash balances for periods ranging from 21 to 359 days despite being reflected in the Receipts and Payment Statements as surrender to DPA	0.485	0.059	2.4
5	Misrepresentation of refunds of security deposits to parties in the books of accounts and misuse of the amounts through withdrawals of cheques	0.244	0.139	3
6	Charging the amount as expenditure without actually executing the works and misusing the amount withdrawn	0.341	0.262	4
Part B : Department of Information & Media, MoIC				
7	Booking of unauthorized advance and subsequent refunds in cash	0.758	0.121	1.1
8	Misrepresentation of information in the Receipts and Payment Statements by showing surrender of cash balances without actually depositing the amount with the DPA	0.919	0.077	1.2
9	Non-accountal of cash withdrawn from Bank in the books of accounts	0.223	0.030	1.3
	Total	4.559	0.980	

The misused amounts including accrued penalty were recovered and case forwarded to the Anti-Corruption Commission. Further, the individual was terminated from service by the Ministry. (AIN: 12916; Accountabilities: Direct: Pema Chheney, Accountant, EID No.9704039; Supervisory: Ugyen Tshewang, Senior Accounts Officer, EID No.7609010)

1.3 Misuse of government money through non-accountal of amount received - Nu.0.168 million

The Accountant of the Ministry of Information and Communications had misused Nu.0.168 million through non-accountal of cash collections made through Non-Revenue Receipts. The amount was recovered and case forwarded to the Anti-Corruption Commission. Further, the individual was terminated from service by the Ministry. (AIN: 12916; Part A, Para 5; Accountabilities: Direct: Pema Chheney, Accountant, EID No.9704039; Supervisory: Ugyen Tshewang, Senior Accounts Officer, EID No.7609010)

1.4 Misuse of government funds through fictitious payments - Nu.0.937 million

The Financial Coordinator of the SAARC Development Fund (SDF) Project, “Empowering the Rural Community: Reaching the Unreached” under the Ministry of Information and Communications had misused Nu.0.937 million through fictitious payments. The case was forwarded to the Anti-Corruption Commission. (AIN: 13332; Para 1, 2, 3, 6, 7b & 8; Accountabilities: Direct: Sangay Tenzin, Financial Coordinator, EID No.8511043; Supervisory: Sangay Tenzin, Financial Coordinator, EID No.8511043)

1.5 Misuse of government funds through delays and irregular adjustments - Nu.0.128 million

The Financial Coordinator of the SAARC Development Fund (SDF) Project, “Empowering the Rural Community: Reaching the Unreached” under the Ministry of Information and Communications had misused Nu.0.128 million through delays and irregular adjustments. The amount was recovered and case forwarded to the Anti-Corruption Commission. (AIN: 13332; Para 4; Accountabilities: Direct: Sangay Tenzin, Financial Coordinator, EID No.8511043; Supervisory: Sangay Tenzin, Financial Coordinator, EID No.8511043)

1.6 Misuse of government funds through irregular withdrawal of cash - Nu.0.081 million

The Financial Coordinator of the SAARC Development Fund (SDF) project, “Empowering the Rural Community: Reaching the Unreached”, Ministry of Information and Communications had misused Nu.0.081 million through irregular withdrawal of cash. The amount was recovered and case forwarded to the Anti-Corruption Commission. (AIN: 13332; Para 5; Accountabilities: Direct: Sangay Tenzin, Financial Coordinator, EID No.8511043; Supervisory: Sangay Tenzin, Financial Coordinator, EID No.8511043)

1.7 Misuse of government funds through withdrawal of cheques - Nu.0.030 million

The Financial Coordinator of the SAARC Development Fund (SDF) project, “Empowering the Rural Community: Reaching the Unreached”, Ministry of Information and Communications had misused Nu.0.030 million through irregular withdrawal of cheques. The amount was recovered and case forwarded to the Anti-Corruption Commission. (AIN: 13332; Para 7a; Accountabilities: Direct: Sangay Tenzin, Financial Coordinator, EID No.8511043; Supervisory: Sangay Tenzin, Financial Coordinator, EID No.8511043)

1.8 Misuse of government funds through non-remittance of revenue - Nu.0.017 million

The Financial Coordinator of the SAARC Development Fund (SDF) Project, “Empowering the Rural Community: Reaching the Unreached” under Ministry of Information and Communications had misused Nu.0.017 million through non-remittance of revenue to the RRCO. The amount was recovered and case was forwarded to the Anti-Corruption Commission. (AIN: 13332; Para 9; Accountabilities: Direct: Sangay Tenzin, Financial Coordinator, EID No.8511043; Supervisory: Sangay Tenzin, Financial Coordinator, EID No.8511043)

2. Mismanagement – Nu.4.795 million

There were cases of mismanagement involving Nu.4.795 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
2.1	Non-collection of penalties	0.041
2.2	Non-realization of penalties	0.037
2.3	Unrealized annual renewal fees	4.717
2.4	Seized two wheelers lying idle	-
	Total	4.795

The cases of mismanagement are as indicated below:

2.1 Non-collection of penalties - Nu.0.041 million

The Road Safety and Transport Authority, Regional Office, Samdrup Jongkhar had not collected penalties amounting to Nu.0.041 million despite issue of Transport Infringement Notices. (AIN: 13169; Para 2; Accountabilities: Direct: Ugyen Wangchuk, Base Incharge, Pemagtashel, EID No.200505003, Phurba Thinley, Traffic In-charge, S/J, Police No.3835; Supervisory: Kinga Gyeltshen, RTO, EID No.200505037)

2.2 Non-realization of penalties - Nu.0.037 million

The Road Safety and Transport Authority, Regional Office, Samdrup Jongkhar had not realized penalties amounting to Nu.0.037 million for delay in change of vehicle ownership. (AIN: 13169; Para 3; Accountabilities: Direct: Ugyen Wangchuk, Base Incharge, Pemagtashel, EID No.200505003, Phurba Thinley, Traffic In-charge, S/J, Police No.3835; Supervisory: Kinga Gyeltshen, RTO, EID No.200505037)

2.3 Unrealized annual renewal fees - Nu.4.717 million

The Road Safety and Transport Authority, Regional Office, Thimphu had not realized annual renewal fees amounting to Nu.4.717 million from various motor vehicles owners. (AIN: 13231; Para 1; Accountabilities: Direct: Dawa Penjor, Motor Vehicle Inspector, EID No. 201105038 Dhan Bdr. Gurung, Motor Vehicle Inspector, EID No.200507002; Supervisory: Ugyen Lhamo, Offgt. Regional Transport Officer, EID No.2107109)

2.4 Seized two wheelers lying idle

The Road Safety and Transport Authority, Regional Office, Phuentsholing had seized twenty numbers of two wheelers without taking further required actions. (AIN: 12887; Para 3.3; Accountabilities: Direct: Ratna Bdr Tamang, Traffic Section, RBP, CID No.21804000246; Supervisory: Captain Namgay Wangchuk, Traffic Section, RBP, CID No.11009000970)

3. Violation of Laws and Rules – Nu.77.248 million

There were cases of violation of laws and rules involving Nu.77.248 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
3.1	Irregularities in the approval of lease agreement with M/s Rabten Engineering Workshop	-
3.2	Discrepancies in revenue figures	-
3.3	Applicable vehicle renewable fees	77.248
3.4	Pending action on seized documents	-
Total		77.248

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

3.1 Irregularities in the approval of lease agreement with M/s Rabten Engineering Workshop

The Road Safety and Transport Authority, Regional Office, Phuentsholing had renewed the lease agreement with M/s Rabten Engineering Workshop on 28th May 2012 for another period of seven years, before expiry of earlier lease term for land measuring 118,047.60 square feet consisting of eight Government building/sheds with total area of 25,737.96 sq.ft. and open area of 92,309.64 sq.ft.

Despite the revision of rates for lease of government land to Nu.42.00 per sq.ft. per annum since 2009, the RSTA had renewed the Lease Agreement at the old rate of Nu.3.50 per sq.ft. per month for Government building and Nu.5.00 per annum for land, thereby depriving the government of substantial revenue. (AIN: 12887; Para 1.2; Accountabilities: Direct: Tashi Norbu, former Director, EID No. 8303003; Supervisory: Tashi Norbu, former Director, EID No. 8303003)

3.2 Discrepancies in revenue figures

The Road Safety and Transport Authority, Regional Office, Phuentsholing had wrongly reported revenue generation reflected in the consolidated statements with that of figures reflected in the Revenue Accounting System (RAS) and Bank statements. (AIN: 12887; Para 2.1; Accountabilities: Direct: Thinley Choden, Accountant, EID No.200807255; Supervisory: Mumta Pradhan, Assistant Account Officer, EID No.911023)

3.3 Applicable vehicle renewable fees – Nu.77.248 million

The Road Safety and Transport Authority, Regional Office, Phuentsholing had applicable renewal fees of Nu.77.248 million pending renewals of vehicles. (AIN: 12887; Para 2.2; Accountabilities:

Direct: Tashi Chogyel, Sr. Motor Vehicle Inspector, EID No.200206004; Supervisory: Phuntsho Wangdi, Senior Regional Transport Officer, EID No.9407006)

3.4 Pending action on seized documents

The Road Safety and Transport Authority, Regional Office, Phuentsholing had not taken action against the defaulters after the issuance of the Transport Infringement Notice in contravention with clause 42 of the Road Safety and Transport Authority Act 1999. *(AIN: 12887; Para 3.2; Accountabilities: Direct: Ratna Bdr Tamang, Traffic Section, RBP, CID No.21804000246; Supervisory Captain Namgay Wangchuk, Traffic Section, RBP, CID No.11009000970)*

4. Shortfalls, Lapses and Deficiencies – Nu.32.898 million

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

4.1 Non-reconciliation of revenue generation – Nu.32.898 million

The Road Safety and Transport Authority, Regional Office, Phuentsholing had not reconciled the revenue collected from renewal, new registration and license fees amounting to Nu.32.898 million in Revenue Accounting System and eRaLIS. *(AIN: 12887; Para 2.3; Accountabilities: Direct: Tashi Chogyel, Sr. Motor Vehicle Inspector, EID No.200206004; Supervisory: Phuntsho Wangdi, Senior Regional Transport Officer, EID No.9407006)*

4.1.2 Ministry of Agriculture and Forests

During the period, the Royal Audit Authority had issued 86 audit reports of the Ministry of Agriculture & Forests and its Departments, Divisions and Units. There were 80 observations pointed out in the reports involving Nu.35.979 million, out of which 54 observations amounting to Nu.5.595 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.30.384 million.

Based on the responses received after the issue of the draft AAR 2015 and actions taken by the Ministry and agencies under it, observations amounting to Nu.1.587 million were resolved. The total unresolved significant irregularities amounted to Nu.28.797 million as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Violation of Laws and Rules	19.536	4
2	Shortfalls, Lapses and Deficiencies	9.261	5
	Total	28.797	

1. Violation of Laws and Rules - Nu.19.536 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 management of natural resources. Similar issues were raised in the past audit reports. The management was recommended to review and revamp procurement systems and practices. While 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.19.536 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
1.1	Adjustment without supporting documents	0.565
1.2	Payment made without obtaining the refundable release	0.051
1.3	Lapses in the creation of new plantation	0.224
1.4	Non-collection of Government Revenue	14.446
1.5	Underutilization of CDF resulting in non-achievement of project objectives	4.250
	Total	19.536

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

1.1 Adjustment without supporting documents - Nu.0.565 million

The Nature, Recreation and Ecotourism Division had accepted the adjustment without supporting documents like bills/receipts for the Deposit Work awarded to National Institute of Zorig Chusum, Thimphu amounting to Nu.0.565 million for modeling of Rhododendron Kasengae at Royal Botanical Park, Lamperi. (AIN: 12879; Para 2; Accountabilities: Direct: Jigme Dorji, Principal, Zorig Chusum, Thimphu, EID No.9407142; Supervisory: Dr. Karma Tshering, CFO, NRED, EID No.9003020)

1.2 Payment made without obtaining the refundable release - Nu.0.051 million

The Regional Livestock Development Centre, Trashigang had made payment amounting to Nu.0.051 million without obtaining Refundable Deposit Release. (AIN: 13099; Para 2; Accountabilities: Direct: Karma Jamtsho, Accountant, EID No.8102033; Supervisory: Dr. Tshering Dorji, Program Director, EID No.200201124)

1.3 Lapses in the creation of new plantation – Nu.0.224 million

The Sakteng Wildlife Sanctuary, Trashigang had made payments of Nu.0.224 million for creation of plantations at Borangmang and Nukphuzor. The plantations at Borangmang were carried out on private lands. (AIN: 13164; Para 1; Accountabilities: Direct: Jambay Dhendup, Forest Ranger, EID No.200607122; Supervisory: Sonam Tobgay, Chief Forestry Officer, EID No.200401058)

1.4 Non-collection of Government Revenue – Nu.14.446 million

The Department of Forests and Park Services had not collected government revenue amounting to Nu.14.446 million on account of seizure of Red Sander Wood. (AIN: 13307; Para 1.1; Accountabilities: Direct: Kencho Wangdi, Sr. Forest Ranger, EID No.9507072, Megnath Basnet, Range Officer, EID No.8511053, Rinzin Jamtsho, Range Officer, EID No.200507181 and Lhaba, Range Officer, EID No.200208030; Supervisory: Tashi Tobgay, CFO, EID No.9410070, Lhendup Tharchen, CFO, EID No.200801028, Kaka Tshering, CFO, EID No.8205001)

1.5 Underutilization of CDF resulting in non-achievement of project objectives - Nu.4.250 million

The Department of Agriculture Marketing and Cooperatives had underutilized its Cooperative Development Fund of Nu.4.250 million even after a lapse of more than three years resulting in non-achievement of project activities. The management through Project steering committee has now decided to reallocate the funds for other identified activities. (AIN: 13317; Para 1.1; Accountabilities: Direct: Sonam Wangmo, Dy. Chief Marketing Officer, EID No. 200601136; Supervisory: Tshering Wangmo, Chief Marketing Officer, EID No.9910084)

2. Shortfalls, Lapses and Deficiencies – Nu.9.261 million

There were cases of shortfalls, lapses and deficiencies involving Nu.9.261 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
2.1	Non-disposal of seized timbers	8.589
2.2	Non-reconciliation of accounts	0.223
2.3	Irregular payment of data card usage bills	0.108
2.4	Excess payment	0.048
2.5	Inadmissible payment	0.043
2.6	Loss of sander woods	-
2.7	Outstanding Advances	0.250
	Total	9.261

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

2.1 Non-disposal of seized timbers – Nu.8.589 million

- a) The Divisional Forest Office, Paro had not disposed the illegal seized Red Sander wood aggregated to 19,356.05 Kilograms with fines and penalties. *(AIN: 13095; Para 2; Accountabilities: Direct: Kencho Wangdi, Range Officer, EID No.9507072; Supervisory: Kaka Tshering, Chief Forestry Officer, EID No.8205001)*
- b) The Divisional Forest Office, Gedu had not disposed the illegal seized Red Sander wood worth Nu.8.589 million. *(AIN: 12878; Para 3; Accountabilities: Direct Udaya Kr. Pradhan, Ranger, Gedu Range, EID No.8511001, Megnath Basnet, Ranger, Phuentsholing Range, EID No.8511053, Tandin Dorji, Ranger, Tshimasham Range, EID No.8911093; Supervisory: Tashi Tobgyel, Chief Forestry Officer, EID No.9410070)*

2.2 Non-reconciliation of accounts – Nu.0.223 million

The Brown Swiss and Cattle Breeding Farm, Bumthang had un-reconciled figure of Nu.0.223 million between the PEMS generated Bank Reconciliation Statement and the Bank Statement of the Bank of Bhutan. *(AIN: 13213; Para 1; Accountabilities: Direct: Yeshi Nidup, Accountant-II, EID No.200907016; Supervisory: Tshewang Penjor, Manager, EID No.9808095)*

2.3 Irregular payment of data card usage bills – Nu.0.108 million

The Department of Forests and Park Services had paid unjustified data card usage bills amounting to Nu.0.108 million of officials, despite the Ministry having full time internet leased line connection and incurring expenditure of Nu.1.394 million on internet services. The Ministry reported of having taken back seven data cards. *(AIN: 13307; Para 3; Accountabilities: Direct: Sonam Wangchuk, CFO, EID No.8805210, Dechen Lham, Sr. Biodiversity Officer, EID No.200801034, Tshering Dorji, FO, EID No.9808051, Galey Wangchuk, FO, EID No.2108023, Karma Tenzin, Dy. CFO, EID No.2101012, Chogyal Namgyel, FO, EID No.9808030; Supervisory: Sonam Wangchuk, CFO, EID No.8805210, S.R. Gurung, EID No.8006011)*

2.4 Excess payment – Nu.0.048 million

The Department of Agriculture Marketing & Cooperatives had made excess payment of Nu.0.048 million on account of payment of compensation for loss to Farmers' Groups/Co-operatives. *(AIN: 13306; Para 2; Accountabilities: Direct: Leki Tenzin, Dy. Chief Marketing Officer, EID No.9801091; Supervisory: Dorji Dhradhul, Director, EID No.9209027)*

2.5 Inadmissible payment - Nu.0.043 million

The Ministry of Agriculture & Forests had made inadmissible payment of DSA amounting to Nu.0.043 million to officials for short-term training on Artificial Insemination and Infertility Management in Pune, India in contravention to notification No. MoF.DNB/Rules-2/2014-15/030 dated 18th July, 2014 of the Ministry of Finance. (AIN: 13275; Para 1; Accountabilities: Direct: Cheten Norbu, Livestock Production Supervisor, EID No.201007333; Sonam Tobgay, Extension Supervisor II, EID No.201107220; Nima Tshering, Extension Supervisor II, EID No.20120700552; Supervisory: Phuntsho Namgay, Accounts Officer, EID No.200801136)

2.6 Loss of sander woods

The Department of Forests and Park Services had a case of loss of 528 kg of sander woods at various Range and Park Offices. The Ministry has written off the loss, but the case is still under investigation by the Royal Bhutan Police. (AIN: 13307; Para 1.2; Accountabilities: Direct: Lhaba, Range Officer, EID No.200208030, Rinzin Jamtsho, Range Officer, EID No. 200507181; Supervisory: Lhendup Tharchen, CFO, EID No.200801028, Tashi Tobgay, CFO, EID No.9410070)

2.7 Outstanding Advances - Nu.0.250 million

- a) The Renewable Natural Resources, Research & Development Centre, Bumthang had outstanding advances of Nu.0.126 million against the official. (AIN: 12967; Para 1; Accountabilities: Direct: Rinzin Gyeltshen, Account Assistant, EID No.9107042, Supervisory: Rinzin Gyeltshen, Account Assistant, EID No.9107042; Sonam Wangchuk, Program Director, EID No.2001026)
- b) The Brown Swiss and Cattle Breeding Farm, Bumthang had outstanding advances of Nu.0.124 million against the official. (AIN: 13213; Para 2; Accountabilities: Direct: Yeshi Nidup, Accountant-II, EID No.200907016; Supervisory: Tshewang Penjor, Manager, EID No.9808095)

4.1.3 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 29 observations pointed out in the reports involving Nu.1,875.513 million, out of which 14 observations amounting to Nu.1,853.386 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.22.127 million.

Based on the responses received after the issue of the draft AAR 2015 and actions taken by the Ministry and agencies under it, observations amounting to Nu.1.020 million were resolved. The total unresolved significant irregularities amounted to Nu.21.107 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Mismanagement	16.626	3
2	Shortfalls, Lapses and Deficiencies	4.481	5
	Total	21.107	

1. Mismanagement – Nu.16.626 million

There were cases of mismanagement involving Nu.16.626 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
1.1	Non-deposit of sales tax by business entities	-
1.2	Differences in Cost Insurance & Freight and assessed value	0.423
1.3	Non-reflection of e-money receipts issued to importers	0.530
1.4	Delay in clearing of third country imports/goods and blockage of revenue	6.100
1.5	Inconsistent application of BST	-
1.6	Outstanding taxes	9.573
	Total	16.626

The cases of mismanagement are as indicated below:

1.1 Non-deposit of sales tax by business entities

M/s DSPD Cable Network, Pemagtshel and M/s GaKhyil Supply Agency, Dewathang had not deposited sales tax to the Regional Revenue & Customs Office (RRCO), Samdrup Jongkhar in contravention to the provisions under the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan 2000. (AIN: 12984; Para 1; Accountabilities: Direct: Manoj Tamang, Tax officer, EID No.201201147; Supervisory: Ganesh Lama Kalden, Regional Director, EID No.8903104)

1.2 Differences in Cost, Insurance & Freight and assessed value - Nu.0.423 million

The Regional Revenue & Customs Office, Phuentsholing had difference in Cost Insurance and Freight (CIF) & assessed value by Nu.0.423 million in their Bhutan Automated Customs System (BACS) between the CIF value on third country goods assessed at RRCO, Phuentsholing and the initial landed CIF value. (AIN: 13130; Para 5.1; Accountabilities: Direct: Kunzang Thinley, Customs

Officer, EID No.200601044; Supervisory: Dhendup, Dy. Collector, EID No. 200601043)

1.3 Non-reflection of e-money receipts issued to importers – Nu.0.530 million

The Regional Revenue & Customs Office, Phuentsholing had not reflected the electronic money receipts worth Nu.0.530 million issued to the importers in their Bhutan Automated Customs System (BACS) against the total Bhutan Sales Tax and Customs Duty collections. *(AIN: 13130; Para 5.4; Accountabilities: Direct: Kunzang Thinley, Customs Officer, EID No.200601044; Supervisory: Dhendup, Dy. Collector, EID No.200601043)*

1.4 Delay in clearing of third country imports/goods and blockage of revenue – Nu.6.100 million

The Regional Revenue & Customs Office, Phuentsholing had delayed the clearance of some of the consignments of third country imports up to two years and beyond. This resulted in blockage of revenue aggregating to Nu.6.100 million. *(AIN: 13130; Para 6.3; Accountabilities: Direct: Kunzang Thinley, Customs Officer, EID No.200601044; Supervisory: Dhendup, Dy. Collector, EID No.200601043)*

1.5 Outstanding taxes - Nu.9.573 million

The Regional Revenue & Customs Office, Thimphu had overdue outstanding taxes of Nu.9.573 million against various tax payers. *(AIN: 12818; Para 1 & 2; Accountabilities: Direct: Kencho Dorji, Dy Collector, EID No. 2004020496; Rinzin Wangmo, Dy. Collector, EID No.200501079; Supervisory: Nidup Gyeltshen, Regional Director, EID No.9610072)*

2. Shortfalls, Lapses and Deficiencies – Nu.4.481 million

There were cases of Shortfalls, Lapses and Deficiencies involving Nu.4.481 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
2.1	Inadmissible payment	0.055
2.2	Excess payment	0.055
2.3	Non-projection of Bangladesh Import Serial Numbers (IMP No.) in the BACS	-
2.4	Outstanding advances	4.371
	Total	4.481

The cases of Shortfalls, Lapses and Deficiencies are as indicated below:

2.1 Inadmissible payment - Nu.0.055 million

The Regional Revenue & Customs Office, Phuentsholing had made inadmissible payment of DSA amounting to Nu.0.055 million to customs officials who were deputed at Rinchending Check-post to monitor the transit of goods/consignments. *(AIN: 13130; Para 2.3; Accountabilities: Direct: Dawa Dukpa, Accounts Assistant, EID No.9107027; Supervisory: Rachana Gurung, Accounts Officer, EID No.9709067)*

2.2 Excess payment - Nu.0.055 million

The Regional Revenue & Customs Office, Phuentsholing had made excess payment of Nu.0.055 million to Chuda Moni Giri, Customs Inspector on account of retirement benefits. *(AIN: 13130; Para 3; Accountabilities: Direct: Sonam Lhamo, Accounts Assistant, EID No. 200207188; Supervisory: Rachana Gurung, Accounts Officer, EID No.9709067)*

2.3 Non-projection of Bangladesh Import serial numbers (IMP No.) in the BACS

The Regional Revenue & Customs Office, Phuentsholing had not projected Bangladesh Import serial numbers in the Bhutan Automated Customs System (BACS) due to missing import serial numbers on goods imported from Bangladesh. *(AIN: 13130; Para 6.2; Accountabilities: Direct: Dawa Lhamo, Customs Officer, EID No.201001048; Supervisory: Dhendup, Dy. Collector, EID No.200601043)*

2.4 Outstanding advances – Nu.4.371 million

The Liaison & Transit Office under the Department of Revenue & Customs at Kolkata had overdue outstanding advances of Nu.4.371 million against the officials and parties. *(AIN: 13131; Para 2; Accountabilities: Direct: M.B. Ghalay, Sr. Revenue Inspector, EID No.8412022; Kuenzang Thinley, Customs Inspector, EID No.9209075; Namgay Dorji, Drimpon, RBG, Kolkota. EID No.2001011; Supervisory: Ugyen Namgyel, Liaison and Transit Officer, EID No.9101155)*

4.1.4 Ministry of Labour and Human Resources

During the period, the Royal Audit Authority had issued 17 audit reports of the Ministry of Labour and Human Resources and its Departments, Divisions and Units. There were 18 observations pointed out in the reports involving Nu.21.245 million, out of which 6 observations amounting to Nu.1.199 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.20.046 million.

Based on the responses received after the issue of the draft AAR 2015 and actions taken by the Ministry and agencies under it, observations amounting to Nu.0.292 million were resolved. The total unresolved significant irregularities amounted to Nu.19.754 million as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Shortfalls, Lapses and Deficiencies	19.754	5
	Total	19.754	

1. Shortfalls, Lapses and Deficiencies – Nu.19.754 million

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

1.1 Inadmissible payment - Nu.19.754 million

The Department of Human Resources had made inadmissible payment of price adjustments amounting to Nu.19.754 million for the construction of Vocational Training Institute at Dolungang in contravention to Section V, Clause 37 (37.1) of the General Conditions of Contract. *(AIN: 13371; Para 1; Accountabilities: Direct: Pema Wangda, Secretary, EID No.8203001, Sonam Rinchen, Director, EID No.8404001, Kinley Wangdi, Director, EID No.9107113, Sangay Dorji, Chief Program Officer, EID No.9109013, Choki Wangmo, Engineer, EID No.200807226; Supervisory: Pema Wangda, Secretary, EID No.8203001, Sonam Rinchen, Director, EID No.8404001, Kinley Wangdi, Director, EID No.9107113, Sangay Dorji, Chief Program Officer, EID No.9109013, Choki Wangmo, Engineer, EID No.200807226)*

4.1.5 Ministry of Health

During the period, the Royal Audit Authority had issued 23 audit reports of the Ministry of Health and its Departments, Divisions and Units. There were 30 observations pointed out in the reports involving Nu.35.122 million, out of which six observations amounting to Nu.1.032 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.34.047 million.

Based on the responses received after the issue of the draft AAR 2015 and actions taken by the Ministry and agencies under it, observations amounting to Nu.22.081 million were resolved. The total unresolved significant irregularities amounted to Nu.11.966 million as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Fraud, Corruption & Embezzlement	5.602	1 & 2
2	Mismanagement	1.056	3
3	Violation of Laws & Rules	5.274	4
4	Shortfalls, Lapses and Deficiencies	0.034	5
Total		11.966	

1. Fraud, Corruption & Embezzlement - Nu.5.602 million

There were cases of possible elements of fraud, corruption and embezzlement involving Nu.5.602 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
1.1	Misuse of revenue collections through 'teeming and lading'	-
1.2	Embezzlement of Government Revenue	5.579
1.3	Short-accountal of revenue	0.023
Total		5.602

1.1 Misuse of revenue collections through 'teeming and lading'

The Office Assistant acting as Accounts Assistant at the Jigme Dorji Wangchuck National Referral Hospital, Thimphu had misused revenue collections through teeming and lading of cash and cheques deposits. It was noted that cash collections were found retained for periods ranging from 3 days to 271 days in contravention to the Revenue Accounting Manual 2004 and the Financial Rules and Regulation 2001. The case was forwarded to Anti-Corruption Commission. (AIN: 12932; Para 1.1; Accountabilities: Direct: Kinzang Choden, Office Assistant, EID No.200209001; Supervisory: Pema Namgay, Revenue Accountant, EID No.9404026)

1.2 Embezzlement of Government Revenue - Nu.5.579 million

- a) The Office Assistant acting as Accounts Assistant of the Jigme Dorji Wangchuck National Referral Hospital, Thimphu had embezzled government revenue of Nu.5.545 million by misrepresenting the collections as deposits in the Revenue Accounting System. The case was forwarded to Anti-Corruption Commission. (AIN: 12932; Para 1.2; Accountabilities:

Direct: Kinzang Choden, Office Assistant, EID No.200209001; Supervisory: Pema Namgay, Revenue Accountant, EID No.9404026)

- b) The Office Assistant acting as Accounts Assistant of the Jigme Dorji Wangchuck National Referral Hospital, Thimphu had embezzled government revenue of Nu.0.034 million by not accounting the revenue collection in the Revenue Cash Book. The case was forwarded to Anti-Corruption Commission. *(AIN: 12932; Para 1.3; Accountabilities: Direct: Kinzang Choden, Office Assistant, EID No.200209001; Supervisory: Pema Namgay, Revenue Accountant, EID No.9404026)*

1.3 Short-accountal of revenue - Nu.0.023 million

The Office Assistant acting as Accounts Assistant of the Jigme Dorji Wangchuck National Referral Hospital, Thimphu had accounted less government revenue collection of Nu.0.023 million as against the actual amounts reflected in the revenue receipts. The case was forwarded to Anti-Corruption Commission. *(AIN: 12932; Para 1.4; Accountabilities: Direct: Kinzang Choden, Office Assistant, EID No.200209001; Supervisory: Pema Namgay, Revenue Accountant, EID No.9404026)*

2. Mismanagement - Nu.1.056 million

The case of mismanagement is as indicated below:

2.1 Penalty on late deposit of Government Revenue - Nu.1.056 million

The Office Assistant acting as Accounts Assistant of the Jigme Dorji Wangchuck National Referral Hospital had delayed in depositing government revenue for varying periods from 1 day to 333 days during the month and month ends in contravention to the clause 2.4 of the Revenue Accounting Manual 2004. This had led to recoverable late fines of Nu.1.056 million. *(AIN: 12932; Para 1.5; Accountabilities: Direct: Kinzang Choden, Office Assistant, EID No.200209001; Supervisory: Pema Namgay, Revenue Accountant, EID No.9404026)*

3. Violation of Laws and Rules - Nu.5.274 million

There were cases of violation of laws and rules involving Nu.5.274 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
3.1	Expenditure incurred over and above the approved budget	5.274
3.2	Improper evaluation of bids for Procurement of HIV/STI Test Kits	-
Total		5.274

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

3.1 Expenditure incurred over and above the approved budget – Nu.5.274 million

The Department of Public Health had incurred Nu.5.274 million¹ (USD 80,637.66) over and above the budgetary ceilings provided by the Global Fund for “Scaling up HIV Prevention Services among Youth & Other Vulnerable Population Groups through Multi Sectoral Approach, Grant No. BTN-607-G03-H” with reference to cumulative expenditure incurred/reported to Global Fund by the Principal Recipient - MoH and the Sub-recipients. (AIN: 13261; Para 1; Accountabilities: Direct: Sonam Wangdi, Program Officer, NACP, DoPH, MoH, EID No.200409018; Supervisory: Dr. Karma Lhazeen, Chief Program Officer, CDD, DoPH, MoH, EID No.9307066)

3.2 Improper evaluation of bids for Procurement of HIV/STI Test Kits

The Department of Public Health had incurred expenditure amounting to Nu.2.152 million for procurement of HIV/STI test kits during the financial year 2014-2015. The bid evaluation done, was based solely on the test report submitted by the Public Health Laboratory based on WHO prequalified guidelines with set criteria and grades awarded considering sensitivity, specificity, storage, shelf life, test time. The evaluation for dossier review and preparation of laboratory test report were done by a single person and no panel or committees were constituted.

The tender committee had evaluated the tender for the test kits explicitly based on the PHL's test report graded as Q1 without giving due consideration to financial bids of those test reports of test kits graded as Q2 and Q3 (which had met the technical requirements). The evaluation and selection of bids without cognizance of the financial bids were in deviation to Section III, Clause 3.2 of the Global Fund Guideline for Procurement and Supply Management of Health Products, June 2012. (AIN: 13261; Para 2; Accountabilities: Direct: Tshewang Jamtsho, Procurement Officer, DVED, MoH, EID No.200605041; Supervisory: Ugyen Tashi, Offtg. Chief Program Officer, DVED, MoH, EID No.200801017)

4. Shortfalls, Lapses and Deficiencies – Nu.0.034 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.034 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
4.1	Excess payment	0.034
4.2	Huge increase in rates of PHL reagent items procured	-
	Total	0.034

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

4.1 Excess payment – Nu.0.034 million

The Department of Medical Services had made excess payment of Nu.0.034 million to the staff for undergoing long term studies without pay under Government scholarship. (AIN: 12989; Para 1;

¹ Exchange rate for USD taken as on 31st December 2015 (USD 1 = Nu.65.40)

Accountabilities: Direct: Singye Drukpa, Malaria Technician, EID No.8604070; Supervisory: Rinzin Namgay, CPO, EID No.9503009)

4.2 Huge increase in rates of PHL reagent items procured

The GFATM funded Project "Sustaining Quality Services for TB and MDR-TB Control" under Department of Public Health had procured PHL reagent items from M/s Ugyen Medical Stores, Thimphu at huge rates which had increased from 14% to 66% over the year, defeating the purpose of floating the tender and minimizing the cost. *(AIN: 13273; Para 4; Accountabilities: Direct: Tshewang Jamtsho, Procurement Officer, MSPD, MoH, EID No.200605041; Supervisory: Ugyen Tashi, Officiating. Dy. Chief Program Officer, MSPD, MoH, EID No.200801017)*

4.1.6 Ministry of Foreign Affairs

During the period, the Royal Audit Authority had issued five audit reports of the Ministry of Foreign Affairs and its Departments, Divisions and Units. There were 14 observations pointed out in the reports involving Nu.11.762 million, out of which eight observations amounting to Nu.2.527 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.9.235 million.

Based on the responses received after the issue of the draft AAR 2015 and action taken by the Ministry and agencies under it, observations amounting to Nu.0.404 million were resolved. The total unresolved significant irregularities amounted to Nu.8.831 million as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Shortfalls, Lapses and Deficiencies	8.831	5
	Total	8.831	

1. Shortfalls, Lapses and Deficiencies – Nu.8.831 million

The RAA had repetitively raised issue on inadmissible payment of Children’s Education Allowance in the audit reports of all the embassies. The status of issue remained same as the Ministry was supposed to take up the issue with MoF and RCSC and intimate the outcome of meeting to the RAA.

There were cases of Shortfalls, Lapses and Deficiencies involving Nu.8.831 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
1.1	Inadmissible payment of Children’s Education Allowance	0.178
1.2	Non-surrender of actual closing balance	3.680
1.3	Non-reconciliation of accounts	4.973
	Total	8.831

The cases of Shortfalls, Lapses and Deficiencies are as indicated below:

1.1 Inadmissible payment of Children’s Education Allowance – Nu.0.178 million

- a) The Royal Bhutanese Embassy, Brussels had made inadmissible payment of Nu.0.178 million on account of Children’s Education Allowance. (AIN: 13190; Para 2; Accountabilities: Direct: Sangay Chewang, Minister Counselor, EID No.9101149; Supervisory: Sonam Tsong, Ambassador, EID No.800022)
- b) The Royal Bhutanese Embassy, New Delhi had made inadmissible payment of Children’s Education Allowance. (AIN: 13223; Para 4; Accountabilities: Direct: Phuntsho Wangdi, Counselor Finance, EID No.9811019; Supervisory: Ugyen Gonphel, Head of Chancery, EID No.9101153)

1.2 Non-surrender of actual closing balance - Nu.3.680 million

The Royal Bhutanese Embassy, Bangkok had not surrendered closing balance of Nu.3.680 million to the Department of Public Accounts. *(AIN: 12642; Para 1; Accountabilities: Direct: Dechen Lhendup, Counselor Finance, EID No.9811015; Supervisory: Chitem Tenzin, Head of Chancery, EID No.8708042)*

1.3 Non-reconciliation of accounts - Nu.4.973 million

The Royal Bhutanese Embassy, New Delhi had un-reconciled figure of Nu.4.973 million between the cashbook generated by the Public Expenditure Management System (PEMS) and the balances shown in the bank accounts maintained for USD and Rupee. *(AIN: 13223; Para 5; Accountabilities: Direct: Phuntsho Wangdi, Counselor Finance, EID No.9811019; Supervisory: Ugyen Gonphel, Head of Chancery, EID No.9101153)*

4.1.7 Ministry of Home & Cultural Affairs

During the period, the Royal Audit Authority had issued 21 audit reports of the Ministry of Home & Cultural Affairs and its Departments, Divisions and Units. There were 13 observations pointed out in the reports involving Nu.13.524 million, out of which 9 observations amounting to Nu.9.623 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.3.901 million.

Based on the responses received after the issue of the draft AAR 2015 and action taken by the Ministry and agencies under it, observations amounting to Nu.2.201 million were resolved. The total unresolved significant irregularities amounted to Nu.1.700 million as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Fraud, Corruption & Embezzlement	1.700	1 & 2
	Total	1.700	

1. Fraud, Corruption & Embezzlement - Nu.1.700 million

There were cases of possible elements of fraud, corruption and embezzlement involving Nu.1.700 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
1.1	Misuse of cash	1.000
1.2	Misuse of refundable deposit	0.700
	Total	1.700

There were cases of possible elements of fraud, corruption and embezzlement involving Nu.1.700 million as summarized below:

1.1 Misuse of cash - Nu.1.000 million

The Deputy Chief Accounts Officer of the Department of Culture had misused a sum of Nu.1.000 million out of the budget of Nu.30.00 million approved and sanctioned to Department of Culture for the construction of Hindu Temple at Thimphu. The amount was recovered and the case is subjudice. *(AIN: 12835; Para 1; Accountabilities: Direct: Ugyen Tshewang, Deputy Chief Accounts Officer, EID No.7609010; Supervisory: Damcho Duba, DDO, Senior Procurement Officer, EID No.8103027)*

1.2 Misuse of refundable deposits - Nu.0.700 million

The Deputy Chief Accounts Officer of the Department of Culture had misused refundable deposit of Nu.0.700 million to be refunded to M/s K.W. Construction for the construction of National Conservation Laboratory. The amount was recovered and the case is subjudice. *(AIN: 12835; Para 2; Accountabilities: Direct: Ugyen Tshewang, Deputy Chief Accounts Officer, EID No.7609010; Supervisory: Damcho Duba, DDO, Senior Procurement Officer, EID No. 8103027)*

4.1.8 Ministry of Economic Affairs

During the period, the Royal Audit Authority had issued 21 audit reports of the Ministry of Economic Affairs and its Departments, Divisions and Units. There were 20 observations pointed out in the reports involving Nu.5.168 million, out of which 17 observations amounting to Nu.3.396 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.1.772 million.

Based on the responses received after the issue of the draft AAR 2015 and action taken by the Ministry and agencies under it, observations amounting to Nu.1.347 million were resolved. The total unresolved significant irregularities amounted to Nu.0.425 million as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.425	5
	Total	0.425	

1. Shortfalls, Lapses and Deficiencies - Nu.0.425 million

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

1.1 Non-recovery of cost difference - Nu.0.425 million

The Department of Renewable Energy had not recovered the cost differences of Nu.0.425 million from the contractor on account of supply of metallic parts for improved cooking stoves for Tashigang Dzongkhag. The case is subjudice. *(AIN: 13081; Para 1; Accountabilities: Direct: Ugyen, Dy. Executive Engineer, EID No.200601081; Supervisory: Mewang Gyeltshen, Chief Engineer, EID No.930704)*

4.1.9 Ministry of Works and Human Settlement

During the period, the Royal Audit Authority had issued 24 audit reports of the Ministry of Works and Human Settlements and its Departments, Divisions and Units. There were 21 observations pointed out in the reports involving Nu.7.977 million, out of which 12 observations amounting to Nu.3.565 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.4.412 million.

Based on the responses received after the issue of the draft AAR 2015 and action taken by the Ministry and agencies under it, observations amounting to Nu.4.373 million were resolved. The total unresolved significant irregularities amounted to Nu.0.039 million as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Mismanagement	0.039	3
	Total	0.039	

1. Mismanagement - Nu.0.039 million

The case of mismanagement is as indicated below:

1.1 Excess payment of hiring charges - Nu.0.039 million

The Regional Office, Department of Roads, Phuentsholing had made excess payment of Nu.0.039 million on account of hiring of vehicle at higher rate than the quoted rate. (AIN: 13141; Para 2; Accountabilities: Direct: Ganesh Chhetri, Assistant Engineer-II, EID No.9207037, Ugyen Tenzin, Assistant Engineer EID No.200607204; Supervisory: Sonam Wangdi, Executive Engineer EID No.8907186)

4.2. DZONGKHAGS

4.2.1 Dzongkhag Administration, Pemagatshel

During the period, the Royal Audit Authority had issued four audit reports of the Dzongkhag Administration, Pemagatshel. There were 17 observations pointed out in the reports involving Nu.115.947 million, out of which 14 observations amounting to Nu.14.229 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.101.718 million as summarized below:

Based on the responses received after the issue of the draft AAR 2015 and action taken by the Dzongkhag Administration, observations amounting to Nu.0.104 million were resolved. The total unresolved significant irregularities amounted to Nu.101.614 million as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Violation of Laws & Rules	101.614	4
	Total	101.614	

1. Violation of Laws & Rules – Nu.101.614 million

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

1.1 Award of additional works in violation to the suspension orders – Nu.101.614 million

The Dzongkhag Administration had awarded additional works amounting to Nu.101.614 million to M/s U Wangchuk Construction in violation to the Suspension Order No. ACC/ID/Case-07/2010/96 dated 26th January 2012 issued by the Anti-Corruption Commission. The case was forwarded to Anti-Corruption Commission.

The Dzongkhag Administration had taken administrative actions against ten officials who were held accountable except the officials from the MoWHS. The administrative actions included demotion, withholding promotion, withholding increment for 3 years, withholding of long term training, withholding of retirement benefits and issue of reprimand letters as follows:

Sl. No.	Accountable Official	Designation & EID No.	Action Taken
1	Shacha Singye	BAFRA In-charge EID No.9107032	Issued Reprimand
2	Yeshey Dorji	Engineer, EID No. 9807057	Withheld one promotion. <i>The official currently resigned from the service and clearance issuance withhold and transfer benefits not paid.</i>
3	Ramesh Pradhan	Engineer, EID No. 201201096	Issued Reprimand
4	Tashi Gyeltshen	Accountant, EID No. 200807005	Issued Reprimand
5	Sherab Jamtsho	Assistant Dzongkhag Education Officer, EID No. 9308066	Issued Reprimand

Sl. No.	Accountable Official	Designation & EID No.	Action Taken
6	Ugyen Norbu	Dzongkhag Engineer, EID No. 200701037	Withhold of Audit Clearance: <i>The Pema Gatschel Dzongkhag had written to RAA to withhold the audit clearance of Ugyen Norbu, former DE; Tshewang Rinzin, AE; & Kelzang Nima, Former Dy. EE; Written to Dzongkhag Adm. Trashyangtse not to pay the retirement benefits to the officials as he has resigned. Copy endorsed to ACC, MoWHS, MoHCA & RCSC. The Retirement benefits not paid till now.</i>
7	Tshewang Rinzin,	Assistant Engineer, EID No. 9101052	Demoted to Lower position (S1A)
8	Lungten Thinley	Dzongkhag Engineer, EID No. 8501094	Withheld Long Term Training
9	Nima Dorji	Assistant Engineer, EID No. 200707085	Withheld annual increment for three years.
10	Lobzang Tshering	Junior Engineer, EID No. 200901074 <i>(currently transferred to Monggar Dzongkhag)</i>	Withheld annual increment for three years. <i>The Dz. Adm. Monggar had taken action vide Letter No. MD/HRS-21/2015-2016/6796 dated 4/9/15 and withheld three increments.</i>

(AIN: 12943; Para 1.1; Accountabilities: Direct: Shacha Singye, ADAO, EID No.9107032, Ramesh Pradhan, Engineer, EID No. 201201096, Tashi Gyeltshen, Offtg. Account Officer, EID No. 200807005, Sherab Jamtsho, ADEO, EID No. 9308066, Ugyen Norbu, DE, EID No. 200701037, Kezang Nima, Dy. Executive Engineer, DES, EID No.200401016, Tshewang Rinzin, Site Engineer, EID No.9101052; Supervisory: Shacha Singye, ADAO, EID No.9107032, Ramesh Pradhan, Engineer, EID No. 201201096, Tashi Gyeltshen, Offtg. Account Officer, EID No.200807005, Sherab Jamtsho, ADEO, EID No.9308066, Ugyen Norbu, DE, EID No.200701037, Kezang Nima, Dy. Executive Engineer, DES, EID No.200401016, Tshewang Rinzin, Site Engineer, EID No.9101052)

4.2.2 Dzongkhag Administration, Thimphu

During the period, the Royal Audit Authority had issued two audit reports of the Dzongkhag Administration, Thimphu. There were seven observations pointed out in the reports involving Nu.22.258 million, out of which four observations amounting to Nu.0.037 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the AAR 2015.

The total unresolved significant irregularities reflected in the AAR 2015 amounted to Nu.22.221 million as summarized below:

Sl. No.	Observation Category	Nu.In Million	Category Code
1	Mismanagement	21.768	3
2	Violation of Laws & Rules	-	4
3	Shortfalls, Lapses and Deficiencies	0.453	5
Total		22.221	

1. Mismanagement – Nu.21.768 million

The case of mismanagement is as indicated below:

1.1 Non-functional water supply system - Nu.21.768 million

The Dzongkhag Administration had constructed water supply system worth Nu.21.768 million to provide water supply to the proposed new Dzongkhag office complex and the nearby inhabitants at Debsiphakha. Though the work was completed and handed over to the Dzongkhag Administration in February 2014, the water supply system could not be put to use and had remained non-functional as of October 2014. *(AIN: 12681; Para 1.1; Accountabilities: Direct: Ugyen Eden, Dy. Executive Engineer, EID No.200701038; Supervisory: Karma Jamtsho, Chief Dzongkhag Engineer, EID No.200301032)*

2. Violation of Laws & Rules

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

2.1 Acceptance of sub-standard works executed

The Dzongkhag Administration had accepted the sub-standard works executed in construction of Basic Health Unit Grade II at Barsong. *(AIN: 12681; Para 5; Accountabilities: Direct: Rinchen Tshering, Assistant Engineer-I, EID No.200407007; Supervisory: Karma Jamtsho, Chief Dzongkhag Engineer, EID No.200301032)*

3. Shortfalls, Lapses and Deficiencies – Nu.0.453 million

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

3.1 Irregular payments to contractors - Nu.0.453 million

The Dzongkhag Administration had made irregular payment of Nu.0.453 million to the contractors against the work item No. 10 “Distribution pipelines” and item No. 12 “Reservoir, Raw Water Main and Pump House” without testing the pipelines. However, the pressure testing and dis-infection of pipe line on completion of all the contract packages could not be conducted as the Raw Water Main Line could not pump in the water. As a result, the entire water supply system is still non-functional. *(AIN: 12681; Para 1.2; Accountabilities: Direct: Ugyen, Engineer, EID No.9607016; Supervisory: Karma Jamtsho, Chief Dzongkhag Engineer, EID No.200301032)*

4.2.3 Dzongkhag Administration, Monggar

During the period, the Royal Audit Authority had issued two audit reports of the Dzongkhag Administration, Monggar. There were five observations pointed out in the reports involving Nu.18.305 million, out of which two observations having Nu.9.200 million was either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.9.105 million.

Based on the responses received after the issue of the draft AAR 2015 and action taken by the Dzongkhag Administration, observations amounting to Nu.8.774 million were resolved. The total unresolved significant irregularities amounted to Nu.0.331 million as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Violation of Laws & Rules	-	4
2	Shortfalls, Lapses and Deficiencies	0.331	5
Total		0.331	

1. Violation of Laws & Rules

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

1.1 Irregularities in the up-gradation of Out Reach Clinic to Basic Health Unit Grade-II

The Dzongkhag Administration had irregularities in the up-gradation of Out Reach Clinic to Basic Health Unit Grade-II at Muhoong as follows:

Sl. No.	Particulars	Amount (in Million)	Remarks
1	Skirting, Providing & fixing of squatting pan, Vitreous wash basin, Bibcock, Internal plumbing works, Installation, testing & commissioning of electrical works	2.837	liable liquidated damages for delayed works
2	Black topping of approach road to Basic Health Unit	0.773	work not executed at site.
3	Difference in payment of 7 th RA bill amount paid to the contractor.	6.363	Nu.5.999 million paid against total claim of Nu.12.362 million.

The work was still under progress as of the dates of audit. (AIN: 12815; Para 4; Accountabilities: Direct: Tenzin Dakpa, Assistant Engineer, EID No.9607008; Supervisory: C.L Das, Dzongkhag Engineer, EID No.8808036)

2. Shortfalls, Lapses and Deficiencies - Nu.0.331 million

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

2.1 Overpayment and liable liquidated damages - Nu.0.331 million

The Dzongkhag Administration had made overpayment of Nu.0.331 million on the up-gradation of Out Reach Clinic to Basic Health Unit-II at Sengor. Further, liquidated damages amounting to Nu.3.131 million was not levied for delay in completion of works. (AIN: 12815; Para 2; Accountabilities: Direct: Kinley Penjor, Assistant Engineer, EID No.201001714; Supervisory: C.L Das, Dzongkhag Engineer, EID No.8808036)

4.2.4 Dzongkhag Administration, Dagana

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Dagana. There were 12 observations pointed out in the report involving Nu.7.005 million, out of which four observations amounting to Nu.0.037 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.6.968 million.

Based on the responses received after the issue of the draft AAR 2015 and actions taken by the Dzongkhag Administration, observations amounting to Nu.1.699 million were resolved. The total unresolved significant irregularities amounted to Nu.5.269 million as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Fraud, Corruption & Embezzlement	3.261	1 & 2
2	Violation of Laws & Rules	0.576	4
3	Shortfalls, Lapses and Deficiencies	1.432	5
Total		5.269	

1. Fraud, Corruption & Embezzlement - Nu.3.261 million

The case of possible elements of fraud, corruption & embezzlement are as summarised below:

Sl. No.	Observation in brief	Nu.in million
1.1	Incorrect payment due to acceptance of inflated rate	3.015
1.2	Excess payment due to non-deduction of openings	0.246
Total		3.261

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

1.1 Incorrect payment due to acceptance of inflated rate - Nu.3.015 million

The Dzongkhag Administration had made excess payment of Nu.3.015 million to the contractor due to acceptance of inflated rates in the final bill, for the construction of multipurpose hall at Gesarling Middle Secondary School. The case was forwarded to the Anti-Corruption Commission and is subjudice. (AIN: 12636; Para 1a; Accountabilities: Direct: Chundu Dorji, AE, EID No.20707082; Supervisory: Jamyang Dorji, DE, EID No.9207043)

1.2 Excess payment due to non-deduction of openings - Nu.0.246 million

The Dzongkhag Administration had made excess payment of Nu.0.246 million to the contractor due to non-deduction of openings from the 2nd class brickwall in the construction of Multi-Purpose Hall at Gesarling Middle Secondary School. The case was forwarded to the Anti-Corruption Commission and is subjudice. (AIN: 12636; Para 1b; Accountabilities: Direct: Chundu Dorji, AE, EID No.20707082; Supervisory: Jamyang Dorji, DE, EID No.9207043)

2. Violation of Laws & Rules – Nu.0.576 million

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

2.1 Non-levy of liquidated damages - Nu.0.576 million

The Dzongkhag Administration had not levied liquidated damages of Nu.0.576 million from the contractor for unprecedented delay of work by 283 days in the construction of 96 bedded boys' hostel at Geserling Middle Secondary School. The case is subjudice. *(AIN: 12636; Para 4b; Accountabilities: Direct: Chundu Dorji, AE, EID No.200707082; Supervisory: Jamyang Dorji, DE, EID No.9207043)*

3. Shortfalls, Lapses and Deficiencies – Nu.1.432 million

There were cases of shortfalls, lapses and deficiencies involving Nu.1.432 million as summarized below.

Sl. No.	Observation in brief	Nu.in million
3.1	Excess payments	0.242
3.2	Excessive grant of advances	1.190
	Total	1.432

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

3.1 Excess payments – Nu.0.242 million

- a) The Dzongkhag Administration had made excess payment of Nu.0.123 million to the contractor due to computation error for the construction of 2 block science laboratories and toilet for boy's hostel at Geserling Middle Secondary School. The case is subjudice. *(AIN: 12636; Para 1c; Accountabilities: Direct: Chundu Dorji, AE, EID No.200707082; Supervisory: Jamyang Dorji, DE, EID No.9207043)*
- b) The Dzongkhag Administration had made excess payment of Nu.0.060 million to the contractor due to variations in the quantity of items paid and quantity actually executed at site in the construction of 96 bedded boys' hostel at Geserling Middle Secondary School. The case is subjudice. *(AIN: 12636; Para 4a; Accountabilities: Direct: Chundu Dorji, AE, EID No. 200707082; Supervisory: Jamyang Dorji, DE, EID No. 9207043)*
- c) The Dzongkhag Administration had made excess payment of Nu.0.059 million to the contractor due to non-deduction of openings for doors and windows in the construction of 96 bedded boys' hostel at Geserling Middle Secondary School. The case is subjudice. *(AIN: 12636; Para 4c; Accountabilities: Direct: Chundu Dorji, AE, EID No.200707082; Supervisory: Jamyang Dorji, DE, EID No.9207043)*

3.2 Excessive grant of advances – Nu.1.190 million

- a) The Dzongkhag Administration had paid excessive advances amounting to Nu.0.841 million to the contractor for the construction of science laboratory at Daga Lower Secondary School on account of material, secured and mobilization advances. The secured

advance released revealed that quantities of sawn timbers were inflated by resorting to over writing and submission of photocopied Internal Timber Movement Orders (ITMO) issued by Forest Range Office, Dagana and accordingly paid at an inflated rate. The case was forwarded to the Anti-Corruption Commission. (AIN: 12636; Para 2; Accountabilities: Direct: Pema Rinzin, AE, EID No.9607015; Supervisory: Jamyang Dorji, DE, EID No.9207043)

- b) The Dzongkhag Administration had paid excessive advances amounting to Nu.0.349 million to the contractor for the construction of Daga BHU Grade I. Due to failure on the part of contractor to carry out the work as per terms and conditions of contract, the contract was terminated and payments made on account of running bills account and advances had far exceeded the actual value of work executed at site. The case was forwarded to the Anti-Corruption Commission. (AIN: 12636; Para 3; Accountabilities: Direct: Pema Rinzin, AE, EID No.9607015; Supervisory: Jamyang Dorji, DE, EID No. 9207043)

4.2.5 Dzongkhag Administration, Samdrupjongkhar

During the period, the Royal Audit Authority had issued two audit reports of the Dzongkhag Administration, Samdrupjongkhar. There were 10 observations pointed out in the reports involving Nu.4.932 million, out of which five observations amounting to Nu.0.128 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.4.804 million.

Based on the responses received after the issue of the draft AAR 2015 and action taken by the Dzongkhag Administration, observations amounting to Nu.0.154 million were resolved. The total unresolved significant irregularities amounted to Nu.4.650 million as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Violation of Laws & Rules	4.650	4
2	Shortfalls, Lapses and Deficiencies	-	5
Total		4.650	

1. Violation of Laws & Rules - Nu.4.650 million

There were cases of violation of laws & rules involving Nu.4.650 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
1.1	Non-surrender of balance closed work	1.431
1.2	Closed work payments	3.219
Total		4.650

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

1.1 Non-surrender of balance closed work - Nu.1.431 million

The Dzongkhag Administration had not surrendered Nu.1.431 million to Department of Public Accounts on account of closed work balance, after completion of the works and settlement of final accounts with the contractor. *(AIN: 12980; Para 1; Accountabilities: Direct: Lekdhen, Accounts Officer, EID No.200901066; Supervisory: Phurba Wangdi, Dzongrab, EID No.9407148)*

1.2 Closed work payments - Nu.3.219 million

The Dzongkhag Administration had booked Nu.3.219 million as closed work payments for five incomplete works/activities and deposited into Refundable Deposit Account. *(AIN: 12980; Para 2; Accountabilities: Direct: Lekdhen, Accounts Officer, EID No.200901066; Supervisory: Phurba Wangdi, Dzongrab, EID No.9407148)*

2. Shortfalls, Lapses and Deficiencies

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

2.1 Non-surrender of office equipment

The Dzongkhag Administration had not taken back the office equipment issued to Dawathang Resettlement Project after the completion of the project. *(AIN: 12980; Para 8; Accountabilities: Direct: Tashi Tshering, Project Manager, EID No.200407250; Supervisory: Sherab Dorji, Dungpa, EID No.9407248)*

4.2.6 Dzongkhag Administration, Samtse

During the period, the Royal Audit Authority had issued three audit reports of the Dzongkhag Administration, Samtse. There were 36 observations pointed out in the report involving Nu.4.515 million, out of which 28 observations amounting to Nu.3.378 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015.

The total unresolved significant irregularities reflected in the AAR 2015 amounted to Nu.1.137 million as summarized below:

Sl. No.	Observation Category	Nu.In Million	Category Code
1	Mismanagement	0.832	3
2	Violation of Laws & Rules	0.067	4
3	Shortfalls, Lapses and Deficiencies	0.238	5
	Total	1.137	

1. Mismanagement – Nu.832 million

There were cases of mismanagement involving Nu.0.832 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
1.1	Overdue taxes	0.472
1.2	Outstanding penalty on construction of houses on wetland	0.360
Total		0.832

The cases of mismanagement are as indicated below:

1.1 Overdue taxes – Nu.0.472 million

The Dzongkhag Administration had overdue urban land taxes of Nu.0.472 million against various Thram holders. (AIN: 12738; Para 5; Accountabilities: Direct: Sonam Gyeltshen, Assistant Engineer, EID No.200901082; Supervisory Kinzang Dorji, DE, EID No.9807036)

1.2 Outstanding penalty on construction of houses on wetland - Nu.0.360 million

The Drungkhag Administration, Tashichholing had outstanding penalty of Nu.0.360 million from individuals who had constructed house on the wetland. (AIN: 12740; Para 2; Accountabilities: Direct: Khem Raj Galley, Pemaling Gup, CID No.11202000751, Pema Wangchuk, Tendruk Gup, CID No.11216000382, Shangkhar Gurung, Norgaygang Gup, CID No. 11201001330, Suraj Subba, Namgaycholing Gup, CID No.11209002567, Nanda Raj Giri, Tashichholing Gup, CID No.1121400010; Supervisory: Phub Thinley, DLR, EID No. 200211053, Tashi Namgay, Revenue Assistant, EID No.2009069)

2. Violation of Laws & Rules – Nu.0.067 million

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

2.1 Non-levy of liquidated damages - Nu.0.067 million

The Drungkhag Administration, Dorokha had not deducted liable liquidated damages of Nu.0.067 million from the contractor for delay in completion of works by 58 days for the construction of Drashag (monk's hostel) at Gatsheing. (AIN: 12739; Para 6.1; Accountabilities: Direct: Kumar Sharma, Deputy Engineer, EID No.8709055; Supervisory Karma Jurmi, Drungpa, EID No. 9208031)

3. Shortfalls, Lapses and Deficiencies – Nu.0.238 million

There were cases of Shortfalls, Lapses and Deficiencies involving Nu.0.238 million as summarized below.

Sl. No.	Observation in brief	Nu.in million
3.1	Excess payments	0.144
3.2	Inadmissible payment of TA/DA claims	0.094
3.3	Unrealistic 'dolam' status resultant in uneconomical travel expenditure	-
3.4	Discrepancies and irregularities in Rural Life Insurance payments	-
Total		0.238

The cases of Shortfalls, Lapses and Deficiencies are as indicated below:

3.1 Excess payments – Nu.0.144 million

- a) The Dzongkhag Administration had made excess payment of Nu.0.063 million to the contractor due to extra claim for the earth bedding in the construction of football ground of Peljorling Middle Secondary School. *(AIN: 12738; Para 18.1; Accountabilities: Direct: Tshering Wangchuk, Dy. Chief Engineer, EID No.9307023; Supervisory: Kinzang Dorji, DE, EID No.9807036)*
- b) The Drungkhag Administration, Dorokha had made excess payment of Nu.0.081 million for 16 columns in the construction of Monks hostel (Drashag) at Gatsheing. *(AIN: 12739; Para 6.2; Accountabilities: Direct: Kumar Sharma, Dy. Engineer, EID No. 8709055; Supervisory Karma Jurmi, Drungpa, EID No.9208031)*

3.2 Inadmissible payment of TA/DA claims – Nu.0.094 million

The Dzongkhag Administration had made inadmissible payment of Nu.0.094 million on account of TA/DA claims of election official. It was found that, in most of the cases the purposes of tour were found irrational, unnecessary and not congruent to the responsibilities assigned to the official by the ECB. *(AIN: 12738; Para 13; Accountabilities: Direct: Pema, Election Officer, EID No.2010027; Supervisory: Karma Weezir, Dzongdag, EID No.8607102)*

3.3 Unrealistic dolam status resultant in uneconomical travel expenditure

The Dzongkhag Administration had paid 50% of the travel expenses on payment of porter/pony charges to the election official for the conduct of the Parliamentary Elections in 2013 despite of the Dzongkhag having a fairly good connectivity of road networks including the Gewog connectivity roads and farm roads making most villages and Gewogs accessible by motor vehicles. *(AIN: 12738; Para 14; Accountabilities: Direct: Pema, Election Officer, EID No. 2010027; Supervisory: Karma Weezir, Dzongdag, EID No.8607102)*

3.4 Discrepancies and irregularities in Rural Life Insurance payments

The Drungkhag Administration, Dorokha had made Rural Life Insurance Death Compensation payment to individuals who are either reflected as 'Active' (alive) or the names of the deceased were not reflected in the census records of the Department of Civil Registration & Census. There were also instances of claims being made to persons who were not registered in the same household of the deceased without obtaining any authorization from the household members. *(AIN: 12739; Para 2; Accountabilities: Direct: Singye, Census Assitant, EID No. 8405014; Supervisory Karma Jurmi, Drungpa, EID No.9208031)*

4.2.7 Dzongkhag Administration, Trashigang

During the period, the Royal Audit Authority had issued five audit reports of the Dzongkhag Administration, Trashigang. There were nine observations pointed out in the reports involving Nu.1.422 million, out of which six observations amounting to Nu.0.409 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015.

The total unresolved significant irregularities reflected in the AAR 2015 amounted to Nu.1.013 million as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Violation of Laws & Rules	0.204	4
2	Shortfalls, Lapses and Deficiencies	0.809	5
Total		1.013	

1. Violation of Laws & Rules – Nu.0.204 million

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

1.1 Non-reconciliation of accounts - Nu.0.204 million

The Dzongkhag Administration had un-reconciled figure of Nu.0.204 million between the total budgetary funds received from the DPA and the expenditure incurred pertaining to the Dzongkhag LC Account. *(AIN: 12833; Para 3.1 & 3.2; Accountabilities: Direct: Choney Wangmo, Accountant, EID No.200807247; Supervisory: Lhap Tshering, AO, EID No. 201001037)*

2. Shortfalls, Lapses and Deficiencies – Nu.809 million

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

2.1 Outstanding advances - Nu.0.809 million

The Dzongkhag Administration had overdue outstanding advances amounting to Nu.0.809 million against various officials, contractors and suppliers. *(AIN: 12833; Para 2; Accountabilities: Direct: Engine Dorji, Accountant, EID No.200907006; Sonam Choden, CID No. 10906002307; Lam Dorji, Accountant, EID No. 201007217; Dorji Sangay, EID No. 7701003; Chador Phuntsho, EID No. 9102052; Jigme Tenzin, Accountant, EID No. 200807250; Yeshe Dorji, EID No. 200207373; Karma Wangchuk, Accountant, EID No. 200807252; Supervisory: Lhap Tshering, AO, EID No. 201001037)*

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 11 observations pointed out in the report involving Nu.0.799 million, out of which nine observations amounting to Nu.0.153 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.0.646 million.

Based on the responses received after the issue of the draft AAR 2015 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.442 million were resolved. The total unresolved significant irregularities amounted to Nu.0.204 million as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.204	5
	Total	0.204	

1. Shortfalls, Lapses and Deficiencies – Nu.0.204 million

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

1.1 Outstanding advances - Nu.0.204 million

The Damphu Higher Secondary School under the Dzongkhag Administration had overdue outstanding advances of Nu.0.204 million paid from the School Development Fund against officials and parties for various occasions and events. *(AIN: 12722; Para 2 of Part II; Accountabilities: Direct: Dawa Tshering, Principal, EID No.200207377; Supervisory: Pema Thinley, Dy. Chief DEO, EID No.9006072)*

4.2.9 Dzongkhag Administration, Haa

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Haa. There were 15 observations pointed out in the report involving Nu.0.919 million, out of which 10 observations amounting to Nu.0.671 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.0.249 million.

Based on the responses received after the issue of the draft AAR 2015 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.156 million were resolved. The total unresolved significant irregularities amounted to Nu.0.093 million as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Mismanagement	0.045	3
2	Violation of Laws & Rules	-	4
3	Shortfalls, Lapses and Deficiencies	0.048	5
	Total	0.093	

1. Mismanagement – Nu.0.045 million

The case of mismanagement is as indicated below:

1.1 Employee's net pay withheld and remittances paid - Nu.0.045 million

The Dzongkhag Administration had inappropriately remitted statutory and other deductions amounting to Nu.0.045 million of a Junior Engineer involved in the construction of Lhakhang Karpo for unauthorized absence from office. However, the Dzongkhag Administration had withheld his net salary amounting to Nu.0.060 million. *(AIN: 12651; Para 3; Accountabilities: Direct: Tashi Gyeltshen, Project Engineer, EID No.200307175; Supervisory: Sonam Wangdi, Dzongdag, EID No.8607100, Kunzang Thinley, Dzongrab, EID No.8909010, Kinley Wangdi, HRO, EID No.200602039, Lobzang Dorji, Planning Officer, EID No.201101029)*

2. Violation of Laws & Rules

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

2.1 Execution and acceptance of sub-standard works

The Dzongkhag Administration had accepted sub-standard works in the construction of two blocks, three units ekra wall classrooms at Damthang Lower Secondary School. (AIN: 12651; Para 6.4; Accountabilities: Direct: Tashi Tobgay, JE, EID No.20140103480; Supervisory: Thinley, DE, EID No.8501065)

3. Shortfalls, Lapses and Deficiencies - Nu.0.048 million

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

3.1 Outstanding advances - Nu.0.048 million

The Dzongkhag Administration had overdue outstanding advances of Nu.0.048 million against various officials. (AIN: 12651; Para 4.1; Accountabilities: Direct: Dorji Gyeltshen, Accountant, EID No.200307151; Nima Tashi, Contract Teacher, EID No.20120400277, Tashi Gyeltshen, Project Engineer, EID No.200307009; Supervisory: Sonam Wangmo, AAO, EID No.201101056, Sonam Wangdi, Dzongdag, EID No.8607100, Tashi Gyeltshen, Project Engineer, EID No.200307009)

4.2.10 Dzongkhag Administration, Lhuentse

During the period, the Royal Audit Authority had issued two audit reports of the Dzongkhag Administration, Lhuentse. There were two observations pointed out in the reports involving Nu.0.033 million, of which none were resolved prior to the compilation of the draft Annual Audit Report 2015.

The total unresolved significant irregularities reflected in the AAR 2015 amounted to Nu.0.033 million as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Violation of Laws & Rules	-	4
2	Shortfalls, Lapses and Deficiencies	0.033	5
Total		0.033	

1. Violation of Laws & Rules

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

1.1 Award of river training works at Lekpachu under Gangzur Gewog without competitive bidding

The Dzongkhag Administration had awarded river training works at Lekpachu under Gangzur Gewog at an estimated cost of Nu.2.981 million to M/s Druk Choden Construction, Lhuentse without competitive bidding. (AIN: 13365; Para 1; Accountabilities: Direct: Sonam Wangyel, Dzongdag, EID No. 9308041; Dawa Tshering, Planning Officer, EID No. 200701166; Kelzang

Lhundup, Dzongkhag Engineer, EID No. 9707074; Karma Wangchuk, Dzongkhag Health Officer, EID No. 9807067; Dorji Zam, Legal Officer, EID No. 20100108; Sonam Choden, Procurement Officer, EID No. 201104032; Tashi Phuntsho, Officiating Dzongkhag Forestry Officer, EID No. 200707170; Kezang Phuntsho, Offtg. Accounts Officer, EID No. 200607329;

Supervisory: Sonam Wangyel, Dzongdag, EID No. 930804; Dawa Tshering, Planning Officer, EID No. 200701166; Kelzang Lhundup, Dzongkhag Engineer, EID No. 9707074; Karma Wangchuk, Dzongkhag Health Officer, EID No. 9807067; Dorji Zam, Legal Officer, EID No. 201001083; Sonam Choden, Procurement Officer, EID No. 201104032; Tashi Phuntsho, Officiating. Dzongkhag Forestry Officer, EID No. 200707170; Kezang Phuntsho, Officiating. Accounts Officer, EID No. 200607329)

2. Shortfalls, Lapses and Deficiencies - Nu.0.033 million

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

2.1 Outstanding Advance - Nu.0.033 million

The Dzongkhag Administration had overdue outstanding advance of Nu.0.033 million against an official. (AIN: 13365; Para 2; Accountabilities: Direct: Tshering Pem, Junior Engineer, EID No.20130101883; Supervisory: Kelzang Lhundup, Dzongkhag Engineer, EID No.9707074)

4.2.11 Dzongkhag Administration, Trashiyangtse

During the period, the Royal Audit Authority had issued one audit report of the Dzongkhag Administration, Trashiyangtse. There were three observations pointed out in the report involving Nu.0.047 million, out of which two observations amounting to Nu.0.047 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015.

The unresolved significant irregularity reflected in the AAR 2015 is as summarized below:

Sl. No.	Observation Category	Nu.in Million	Category Code
1	Violation of Laws & Rules	-	4
Total		-	

1. Violation of Laws & Rules

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

1.1 Non-rectification of defective works

The Market Access and Growth Intensification Project under the Dzongkhag Administration had incurred expenditure of Nu.16.883 million for the construction of irrigation channel from Lungdrichu to Bainangkhar (Phase II). However, there were blockages and landslides during the defect liability period which were not rectified, rendering the scheme still non-functional. (AIN: 12546; Para 2; Accountabilities: Direct: Damodar Adhikari, Junior Engineer, EID No.20130101890; Supervisory: Damodar Adhikari, Junior Engineer, EID No. 20130101890)

4.3 GEWOGS

4.3.1 Gewogs under Chhukha Dzongkhag

I. Loggchina Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Loggchina, Chhukha. There were four observations pointed out in the report involving Nu.1.497 million, out of which three observations amounting to Nu.1.314 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015.

The total unresolved significant observations reflected in the AAR 2015 amounted to Nu.0.183 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, lapses and deficiencies	0.183	5
	Total	0.183	

1. Shortfalls, lapses and deficiencies – Nu.0.183 million

The case of shortfalls, lapses and deficiencies amounting to Nu.0.183 million is as indicated below:

1.1 Excess payment – Nu.0.183 million

The Gewog Administration had made excess payment of Nu.0.183 million for the electrification of ORCs, grinding mills and construction of boundary fencing at Gewog Office, due to non-deduction of 5% rebate and non-execution of some items of works at site. (AIN: 12761; Para 2; Accountabilities: Direct: Yonten Norbu, JE, EID No.200507210; Supervisory: Indra Lala Galley, Gup, CID No.20209000581)

4.3.2 Gewogs under Haa Dzongkhag

I. Sangbay Gewog

During the period, the Royal Audit Authority had issued two audit report of the Gewog Administration, Sangbay, Haa. There were 27 observations pointed out in the report involving Nu.1.404 million, out of which 21 observations amounting to Nu.0.491 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.0.913 million.

Based on responses received after the issue of the draft AAR 2015 and actions taken by the agency, observations amounting to Nu.0.199 million were either resolved or were not material for inclusion in the AAR 2015. The total unresolved significant irregularities reflected in the AAR 2015 amounted to Nu.0.714 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Embezzlement, Fraud & Corruption	0.387	1 & 2
2	Mismanagement	0.120	3

3	Shortfalls, lapses and deficiencies	0.207	5
Total		0.714	

1. Fraud, Corruption & Embezzlement - Nu.0.387 million

The cases of possible elements of fraud, corruption & embezzlement involving Nu.0.387 million are as indicated below:

Sl. No.	Observation in brief	Nu.in million
1.1	Forging of signature & documents	-
1.2	Non-plating of statues with gold	0.190
1.3	Payment without receipts of goods	0.197
Total		0.387

1.1 Forging of signature & documents

The Principal of Nebji Lobdra, Nebji Goenpa under the Gewog Administration had forged the signatures in the following cases:

- a) Forged signatures of three committee members and Sangbay Ama Tshogpa in the award of works for renovation and gold plating of statues and making of *Ja Dha Tag Zhi* at Nebji Goenpa worth Nu.0.220 million; and
- b) Forged signatures of three committee members of community contract and Sangbay Ama Tshogpa in the handing-taking of Toilet constructed at Nebji Goenpa.

All cases were forwarded to Anti-Corruption Commission. (AIN: 12773; Para 1.1 & 1.2; Accountabilities: Direct: Pema Dorji, Principal, Nebji Lobdra, CID No.10505000938; Supervisory: Tobgay, Gup, CID No.10505000666)

1.2 Non-plating of statues with gold - Nu.0.190 million

The Principal of Nebji Lobdra, Nebji Goenpa under the Gewog Administration had raised fabricated bills worth Nu.0.190 million for gold plating of statues in the renovation and gold plating of statues works and making of *Ja Dha Tag Zhi* at Nebji Goenpa. However, the gold plating works had not been carried out. The case was forwarded to Anti-Corruption Commission. (AIN: 12773; Para 2; Accountabilities: Direct: Pema Dorji, Principal, Nebji Lobdra, CID No.10505000938; Supervisory: Tobgay, Gup, CID No.10505000666)

1.3 Payment without receipts of goods - Nu.0.197 million

The Gewog Administration had made payment of Nu.0.197 million for the purchase of Post-Harvest Equipment without actually receiving the equipment. (AIN: 12773; Para 3; Accountabilities: Direct: Tobgay, Gup, CID No.10505000666; Supervisory: Tobgay, Gup, CID No.10505000666)

2. Mismanagement – Nu.0.120 million

There was a case of mismanagement involving Nu.0.120 million as indicated below:

2.1 Timber found unutilized and deteriorating - Nu.0.120 million

The Bebji Rehabilitation Project, under Sangbay Gewog had provided timbers worth Nu.0.120 million to beneficiaries. The timbers were found unutilized and deteriorating. (AIN: 12718; Para 11; Accountabilities: Direct: Kinley Wangdi, Gewog Administrative Officer, Sombay Gewog, EID No.200705013, Gem Dorji, Gewog Administrative, Gakiling, EID No.200705076; Supervisory: Sonam Wangdi, Dzongda, Dzongkhag Administration, Haa, EID No. 8607100)

3. Shortfalls, lapses and deficiencies – Nu.0.207 million

The case of shortfalls, lapses and deficiencies involving Nu.0.207 million as indicated below:

3.1 Non-recovery of transportation cost - Nu.0.207 million

The Bebji Rehabilitation Project, under Sangbay Gewog had not recovered the transportation cost of Nu.0.207 million from the contractor for failing to transport 8,445 kg of Rice and 196 kg of Dal to the project site despite payment of transportation cost. (AIN: 12718; Para 1; Accountabilities: Direct: Kinley Wangdi, Gewog Administrative Officer, Sombay Gewog, EID No.200705013, Gem Dorji, Gewog Administrative, Gakiling, EID No.200705076; Supervisory: Sonam Wangdi, Dzongda, Dzongkhag Administration, Haa, EID No. 8607100)

II. Gakidling Gewog

During the period, the Royal Audit Authority had issued two audit reports of the Gewog Administration, Gakidling, Haa. There were four observations pointed out in the report involving Nu.0.142 million, out of which three observations amounting to Nu.0.072 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or for inclusion in the draft AAR 2015.

The total unresolved significant observations reflected in the AAR 2015 amounted to Nu.0.070 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, lapses and deficiencies	0.070	5
	Total	0.070	

1. Shortfalls, lapses and deficiencies - Nu.0.070 million

The case of shortfalls, lapses and deficiencies involving Nu.0.070 million as indicated below:

1.1 Excess payments to contractor - Nu.0.070 million

The Gewog Administration had made excess payment of Nu.0.070 million to the contractor for the renovation works of Rangtse Lhakhang, due to payments made in excess of actual quantity of work executed at site. (AIN: 12725; Para 1.1; Accountabilities: Direct: Kezang Tshering, Assistant Engineer, EID No: 2007050; 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, Paro. There were three observations pointed out in the reports involving Nu.0.169 million which were reflected in the draft AAR 2015.

The total unresolved significant irregularities reflected in the AAR 2015 are as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Fraud, Corruption & Embezzlement	0.059	1 & 2
2	Violation of Laws and Rules	-	4
3	Shortfalls, Lapses and deficiencies	0.110	5
Total		0.169	

1. Fraud, Corruption & Embezzlement - Nu.0.059 million

The cases of possible elements of fraud, corruption & embezzlement involving Nu.0.059 million are as indicated below:

1.1 Misuse of rural taxes - Nu.0.059 million

The then Gewog Administrative Officer of the Gewog Administration had misused rural taxes amounting to Nu.0.059 million from the collections and deposits of rural taxes. The case was forwarded to Anti-Corruption Commission. (AIN: 12778; Para 1.2; Accountabilities: Direct: Phub Gyeltshen, GAO, EID No. 9507311, Kado, Gup, CID No. 1080700121; Supervisory: Kado, Gup, CID No. 1080700121)

2. Violation of laws and rules

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

2.1 Deposit of penalty into Current Deposit Account

The Gewog Administration had deposited Nu.0.100 million on account of penalty levied by the Dzongkhag Environment Sector for violation of the environment norms into Current Deposit Account instead of Government Revenue Account in contravention with the government revenue rules and regulations. (AIN: 12778; Para 2; Accountabilities: Direct: Kado, Gup, CID No. 1080700121; Supervisory: Kado, Gup, CID No. 1080700121)

3. Shortfalls, lapses and deficiencies - Nu.0.110 million

There was a case of shortfalls, lapses and deficiencies involving Nu.0.110 million as indicated below:

3.1 Non-installation of electric fencing - Nu.0.110 million

The Gewog Administration had not installed electric fencing procured at a cost of Nu.0.110 million to fence the periphery of cultivated land at Bemphu Chiwog to mitigate human wildlife conflict. The electric fences were not installed as beneficiaries had migrated with herd to highland and

standing crops at that time also delayed the installations. (AIN: 12778; Para 1; Accountabilities: Direct: Tashi Wangchuk, AEO, EID No.9909068; Supervisory: Kado, Gup, CID No. 1080700121)

II. Lungnyi Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Lungnyi, Paro. There were two observations pointed out in the report involving Nu.0.300 million which were reflected in the draft AAR 2015.

The total unresolved significant irregularities reflected in the AAR 2015 are as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, Lapses and deficiencies	0.300	5
	Total	0.300	

1. Shortfalls, lapses and deficiencies

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

Sl. No.	Observation in brief	Nu.in million
1.1	Non-installation of electric fencing	0.200
1.2	Non-utilisation of potato chips-making machines	0.100
	Total	0.300

1.1 Non-installation of electric fencing – Nu.0.200 million

The Gewog Administration had not installed electric fencing procured at a cost of Nu.0.200 million for Pangbisa Chiwog. The electric fencing materials were found kept at Tshogpa's house without executing the works. (AIN: 12777; Para 1; Accountabilities: Direct: Tashi Wangchuk, AEO, EID No.9909068; Supervisory: Rinchen Penjor, Gup, CID No: 10806001228)

1.2 Non-utilisation of potato chips-making machines - Nu.0.100 million

The Gewog Administration had distributed five sets of potato chips making machines costing Nu.0.100 million to five groups of beneficiaries at Pangbisa, but the same were not put to use by any of the groups (AIN: 12777; Para 2; Accountabilities: Direct: Tashi Wangchuk, AEO, EID No.9909068; Supervisory: Rinchen Penjor, Gup, CID No: 10806001228)

4.3.4 Gewogs under Trashigang Dzongkhag

I. Sakteng Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Sakteng, Trashigang. There were two observations pointed out in the report involving Nu.3.416 million which were reflected in the draft AAR 2015.

The total unresolved significant irregularities reflected in the AAR 2015 are as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, Lapses and deficiencies	3.416	5
	Total	3.416	

1. Shortfalls, lapses and deficiencies – Nu.3.416 million

There were cases of shortfalls, lapses and deficiencies involving Nu.3.416 million as indicated below:

Sl. No.	Observation in brief	Nu.in million
1.1	Outstanding advances	3.275
1.2	Payment made for items of work not executed	0.141
	Total	3.416

1.1 Outstanding advances - Nu.3.275 million

The Gewog Administration had overdue outstanding advances of Nu.3.275 million against officials and parties. (AIN: 12736; Para 1; Accountabilities: Direct: Tshewang Tshering, Gup, Citizenship ID No. 111511001652; Supervisory: Tshewang Tshering, Gup, Citizenship ID No. 111511001652)

1.2 Payment made for items of work not executed - Nu.0.141 million

The Gewog Administration had made payment of Nu.0.141 million to the contractor for items of works not executed in the construction of Crematorium Shed at Jonkhar. (AIN: 12736; Para 2; Accountabilities: Direct: Tshewang Tshering, Gup, Citizenship ID No. 111511001652; Supervisory: Tshewang Tshering, Gup, Citizenship ID No. 111511001652)

II. Merak Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Merak, Trashigang. There was one observation pointed out in the report involving Nu.0.268 million which was reflected in the draft AAR 2015.

The total unresolved significant irregularities reflected in the AAR 2015 are as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, lapses and deficiencies	0.268	4
	Total	0.268	

1. Shortfalls, lapses and deficiencies – Nu.0.268 million

There was a case of shortfalls, lapses and deficiencies involving Nu.0.268 million as indicated below:

1.1 Outstanding advances - Nu.0.268 million

The Gewog Administration had overdue outstanding advances of Nu.0.268 million against officials and parties. (AIN: 12733; Para 1; Accountabilities: Direct: Gayden, Gup, Citizenship ID No. 11507001316; Supervisory: Gayden, Gup, Citizenship ID No. 11507001316)

4.3.4 Gewogs under Trashiyangtse Dzongkhag

I. Boomdeling Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Boomdeling, Trashiyangtse. There were two observations pointed out in the report involving Nu.0.159 million which were reflected in the draft AAR 2015.

The total unresolved significant irregularities reflected in the AAR 2015 are as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, lapses and deficiencies	0.159	5
	Total	0.159	

1. Shortfalls, lapses and deficiencies - Nu.0.159 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.159 million as indicated below:

Sl. No.	Observation in brief	Nu.in million
1.1	Non-maintenances of records	-
1.2	Irregular payment of temporary advance from CD Account	0.159
	Total	0.159

1.1 Non-maintenances of records

The Gewog Administration had not recorded quantity of actual work done in Measurement Book and had not prepared part III of Muster Roll for the construction of 2.5 km farm road from Dungzam to Cheng. The machineries were hired at a cost of Nu.2.400 million and engaged for 1,157 hours (excavator) and 195 hours (compressor) with an average engagement of 11 hours per day. (AIN: 12506; Para 1; Accountabilities: Direct: Tshering Gyeltshen, Gup, CID No. 11601001976; Supervisory: Tshering Gyeltshen, Gup, CID No. 11601001976)

1.2 Irregular payment of temporary advance from CD Account - Nu.0.159 million

The Gewog Administration had paid Nu.0.159 million as temporary advance for house insurance from the CD account before the receipt of claims from the RICBL. (AIN: 12506; Para 2; Accountabilities: Direct: Tshering Gyeltshen, Gup, CID No. 11601001976; Supervisory: Tshering Gyeltshen, Gup, CID No. 11601001976)

4.3.5 Gewogs under Trongsa Dzongkhag

I. Langthil Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Langthil, Trongsa. There was one observation pointed out in the report involving Nu.0.050 million which was reflected in the draft AAR 2015

The total unresolved significant irregularities reflected in the AAR 2015 are as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, lapses and deficiencies	0.050	5
	Total	0.050	

1. Shortfalls, lapses and deficiencies – Nu.0.050 million

There was a case of shortfalls, lapses and deficiencies involving Nu.0.050 million as indicated below:

1.1 Outstanding advances – Nu.0.050 million

The Gewog Administration had overdue outstanding advances of Nu.0.050 million against the official. (AIN: 12795; Para 1; Accountabilities: Direct: Lham Dorji, Gup, CID No.: 11703000465; Supervisory: Lham Dorji, Gup, CID No.: 11703000465)

4.3.4 Gewogs under Tsirang Dzongkhag

I. Patshaling Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Patshaling, Tsirang. There were two observations pointed out in the report involving Nu.0.053 million, out of which one observation was either resolved prior to the compilation of the draft Annual Audit Report 2015 or was not material enough for inclusion in the draft AAR 2015. The total unresolved significant observation reflected in the AAR 2015 amounted to Nu.0.053 million.

The total unresolved significant irregularities reflected in the AAR 2015 are as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Fraud, Corruption & Embezzlement	0.053	1 & 2
	Total	0.053	

1. Fraud, Corruption & Embezzlement – Nu.0.053 million

The case of possible elements of fraud, corruption & embezzlement involving Nu.0.053 million is as indicated below:

1.1 Short-accountal of Rural House & Life Insurance Premium - Nu.0.053 million

The Gewog Administration had short-accountal of Nu.0.053 million on account of Rural House Insurance (Nu.0.015 million) & Life Insurance (Nu.0.038 million) premium collections in contravention to the Local Government Rules and Regulations 2012. (AIN: 12657; Para 1; Accountabilities: Direct: Chenga Tshering, Gup, CID No. 11802000129, Sherub Chogyal, GAO, EID No. 200805048, Chabi Kr. Rai, Gaydrung, CID No. 11802001003; Supervisory: Chenga Tshering, Gup, CID No. 11802000129, Sherub Chogyal, GAO, EID No. 200805048, Chabi Kr. Rai, Gaydrung, CID No. 11802001003)

4.3.5 Gewogs under Wangduephodrang Dzongkhag

I. Kazhi Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Kazhi, Wangdue. There were six observations pointed out in the report involving Nu.0.195 million, out of which five observations amounting to Nu.0.081 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the AAR 2015 amounted to Nu.0.114 million.

The total unresolved significant irregularity reflected in the AAR 2015 is as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Violation of Laws and Rules	0.114	4
	Total	0.114	

1. Violation of Laws and Rules – Nu.0.114 million

There was a case of violation of laws and rules involving Nu.0.114 million as indicated below:

1.1 Improvement of farm road not as per design/estimate and irregularities in procurement of materials and muster roll payment - Nu.0.114 million

The Gewog Administration had incurred an expenditure of Nu.0.529 million for carrying out improvement works for farm roads of Sil to Lul, Wacheyphakha, Komatharang and Lusigang, and maintenance of chortens under the Kazhi Gewog and following irregularities and inadequacies were observed:

- In absence of Issue records of construction materials and non-production of Part III of the Muster Roll, proper utilization of 80 bags of cement worth Nu.0.028 million could not be ascertained;
- As against the requirement of 37 pieces of RCC hume pipes and collars 54 were procured resulting in excessive procurement of 17 pieces valuing Nu.0.041 million. Further, 11 pieces were found missing; and
- Muster Roll payments amounting to Nu.0.045 million was actually not disbursed but found retained with the site engineer in the form of demand draft.

(AIN: 12976; Para 2; Accountabilities: Direct: Sigay Dorji, Gup, CID No.11908000897; Supervisory: Sigay Dorji, Gup, CID No.11908000897)

II. Athang Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Athang, Wangdue. There were four observations pointed out in the report involving Nu.0.169 million, out of which observations amounting to Nu.0.003 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.0.166 million.

Based on responses received after the issue of the draft AAR 2015 and actions taken by the agency, observations amounting to Nu.0.131 million were either resolved or were not material for inclusion in the AAR 2015. The total unresolved significant irregularity reflected in the AAR 2015 amounted to Nu.0.035 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, lapses and deficiencies	0.035	5
Total		0.035	

1. Shortfalls, lapses and deficiencies - Nu.035 million

There was a case of shortfalls, lapses and deficiencies involving Nu.0.035 million as indicated below:

1.2 Outstanding advances - Nu.0.035 million

The Gewog Administration had overdue outstanding advances of Nu.0.035 million on account of Rural Life Insurance compensation paid from the Current Deposit Account. *(AIN: 12971; Para 2; Accountabilities: Direct: Khandu Dorji, Gup, CID No.11901000845; Supervisory: Khandu Dorji, Gup, CID No.11901000845)*

III. Dangchu Gewog

During the period, the Royal Audit Authority had issued one audit report of the Gewog Administration, Dangchu, Wangdue. There were five observations pointed out in the report involving Nu.0.449 million, out of which observations amounting to Nu.0.074 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015.

The total unresolved significant irregularity reflected in the AAR 2015 amounted to Nu.0.375 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, lapses and deficiencies	0.375	5
Total		0.375	

1. Shortfalls, lapses and deficiencies - 0.375 million

There was a case of shortfalls, lapses and deficiencies involving Nu.0.375 million as indicated below:

1.1 Non production of documents - Nu.0.375 million

The Gewog Administration had collected Nu.0.341 million on account of 0.65% service charge from Cordyceps and accounted for in the Cashbook, but there were no documents indicating the quantum of Cordyceps transacted. Further, the royalty of Nu.0.034 was remitted and accounted for in the cash book but there were no documents to determine the number of permits issued to public against the royalty realized. *(AIN: 12973; Para 1; Accountabilities: Direct: Sonam Dorji, Gup, CID No.1190400305; Supervisory: Sonam Dorji, Gup, CID No.1190400305)*

4.4 AUTONOMOUS AGENCIES

4.4.1 Royal University of Bhutan

During the period, the Royal Audit Authority had issued 13 audit reports of the Royal University of Bhutan and its affiliated Colleges and Institutes. There were 16 observations pointed out in the reports involving Nu.37.445 million, out of which four observations amounting to Nu.1.379 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.36.066 million.

Based on the responses received after the issue of draft AAR 2015 and actions taken by the agency, observations amounting to Nu.16.424 million were resolved. The total unresolved significant irregularities amounted to Nu.19.642 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Mismanagement	3.080	3
2	Violation of laws and rules	14.509	4
3	Shortfalls, Lapses and Deficiencies	2.053	5
Total		19.642	

1. Mismanagement - Nu.3.080 million

There were cases of mismanagement involving Nu.3.080 million as indicated below:

Sl. No.	Observation in brief	Nu.in million
1.1	Non realization of penalty for not meeting the training obligation	2.195
1.2	Non-realization of tuition fees from self-financed candidates even after completion of studies	0.885
Total		3.080

1.1 Non realization of penalty for not meeting the training obligation - Nu.2.195 million

The College of Natural Resources had not recovered penalty of Nu.2.195 million from one of its retired employees, for failing to meet the training obligation in contravention to the BCSR 2012. (AIN: 13322; Para: 1.1; Direct Accountability: Dr. Phub Dorji, Director General, EID No. 9312018; Dr. D.B. Gurung, Dean Academic Affairs, EID No.8905003; Ugyen Thinley, Dean of Student Affairs, EID No. 9801067; Ugyen Yangchen, HOD (Agriculture), EID No. 200701088; Dr. Rekha Chhetri, HOD (Sustainable Development), EID No. 9801093; Lobzang Penjore, Administrative Officer, EID No. 201104034; Supervisory Accountability: Dr. Phub Dorji, Director General, EID No. 9312018)

1.2 Non-realization of tuition fees from self-financed candidates even after completion of studies - Nu.0.885 million

The College of Natural Resources had outstanding tuition fees of Nu.0.885 million against students on self-funding basis, even after completion of their studies due to lack of clear guidelines and proper coordination amongst officials concerned. (AIN: 13322; Para: 1.4; Direct Accountability: Dr. D.B. Gurung, Dean Academic Affairs, EID No.8905003; Supervisory Accountability: Dr. Phub Dorji, Director General, EID No.9312018)

2. Violation of Laws and Rules - Nu.14.509 million

There were cases of violations of laws and rules involving Nu.14.509 million as indicated below:

Sl. No.	Observation in brief	Nu.in million
2.1	Non-renewal of performance guarantee	-
2.2	Non-renewal of Bank Guarantee	-
2.3	Non-levy of liquidated damages	14.509
	Total	14.509

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

2.1 Non-renewal of performance guarantee

The College of Science and Technology, Phuentsholing did not furnish the 10% Performance Guarantee amounting to Nu.14.509 million for verification by RAA. The Performance Guarantee was not renewed after 14th November 2012. Instead, upon the advice of the M/s Yalama Consultant, the contractor was instructed to produce Performance Security amounting to Nu.9.300 million for the remaining work value. The same was produced by the Contractor which was also due for renewal. (AIN: 13025; Para: 1(i); Accountabilities: Direct: Ugyen Dorji, HOD (Civil), EID No: 200301038; Supervisory: Dr. Cheki Dorji, Director, EID No: 9307009)

2.2 Non-renewal of Bank Guarantee

The College of Science and Technology, Phuentsholing had refunded Security Deposit deducted from the Running Account Bills amounting to Nu.15.745 million based on the production of an expired unconditional bank guarantee. The bank guarantee was not renewed after 31st December 2014. (AIN: 13025; Para: 1(ii); Accountabilities: Direct: Ugyen Dorji, HOD (Civil), EID No: 200301038; Supervisory: Dr. Cheki Dorji, Director, EID No: 9307009)

2.3 Non-levy of liquidated damages - Nu.14.509 million

The College of Science and Technology, Phuentsholing had not levied Liquidated Damages amounting to Nu.14.509 million for delay in the completion of work, even after expiry of extended period. (AIN: 13025; Para: 1(iii); Accountabilities: Direct: Ugyen Dorji, HOD (Civil), EID No: 200301038; Supervisory: Dr. Cheki Dorji, Director, EID No: 9307009)

3. Shortfalls, Lapses and Deficiencies - Nu.2.053 million

There were cases of shortfalls, lapses and deficiencies involving Nu.2.053 million as indicated below:

Sl. No.	Observation in brief	Nu.in million
3.1	Un-reconciled balance	1.434
3.2	Excess payment of stipend to students discontinuing the courses	0.064
3.3	Outstanding advances under current assets	0.555
	Total	2.053

3.1 Un-reconciled balance - Nu.1.434 million

The College of Natural Resources had un-reconciled balance of Nu.1.434 million as per bank statement and Balance Sheet. (AIN: 13322; Para: 1.3; Direct Accountability: Tshewang Dorji, AAO, EID No. RUB1209051; Supervisory Accountability: Dr. Phub Dorji, Director General, EID No. 9312018)

3.2 Excess payment of stipend to students discontinuing the courses - Nu.0.064 million

The College of Natural Resources had made excess payments of Nu.0.064 million to the students who discontinued the courses due to poor coordination between various departments and Accounts section. (AIN: 13322; Para: 1.5; Direct Accountability: Dr. D.B. Gurung, Dean Academic Affairs, EID No.8905003; Supervisory Accountability: Dr. Phub Dorji, Director General EID No.9312018)

3.3 Outstanding advances under current assets - Nu.0.555 million

The College of Natural Resources had overdue outstanding advances of Nu.0.555 million against its staff. (AIN: 13322; Para: 1.7; Direct Accountability: Gyembo Wangchuk, Accountant, EID No. RUB1307009; Supervisory Accountability: Dr. Phub Dorji, Director General, EID No.9312018)

4.4.2 National Land Commission

During the period, the Royal Audit Authority had issued two audit reports of the National Land Commission, Thimphu. There were eight observations pointed out in the reports involving Nu.34.342 million, out of which two observations amounting to Nu.9.314 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.25.028 million.

Based on the responses received after the issue of draft AAR 2015 and actions taken by the agency, observations amounting to Nu.10.453 million were resolved. The total unresolved significant irregularities amounted to Nu.14.575 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Mismanagement	14.370	3
2	Shortfalls, Lapses and Deficiencies	0.205	5
Total		14.575	

1. Mismanagement - Nu.14.370 million

The case of mismanagement involving Nu.14.370 million is as indicated below:

1.1. Outstanding Proceeds from issue of Feno Pegs – Nu.14.370 million

The National Land Commission, Thimphu had outstanding proceeds recoverable from issue of Feno Pegs worth Nu.14.370 million issued against field officials. (AIN: 12649; Para: 4; Accountabilities: Direct: Pema Thinley, Store In-Charge, EID No.: 201002014; Supervisory: Tshewang Namgay, Officiating Chief Administrative Officer, EID No.: 201008001)

2. Shortfalls, lapses and deficiencies - Nu.0.205 million

The case of shortfalls, lapses and deficiencies involving Nu.0.205 million is as indicated below:

2.1. Outstanding advances - Nu.0.205 million

The National Land Commission, Thimphu had overdue outstanding advances amounting to Nu.0.205 million against various individuals. (AIN: 13265, Para:1; Direct Accountability: Biswanath Pradhan, DSCE, EID No: 9011078, Dorji Tashi, DSCE EID No: 200701005, Pemphu Tshering, Surveyor, EID No:200608035, Tashi Tenzin, Surveyor, EID No: 9408040, Tika Chettri, EID No: 20131103061, Binay Tamang, DCSE, EID No: 8901045, Chimi Dem, SE, EID No:201101154, Sherab Tenzin, SE, EID

No: 200701006, Tenzin, SFA, EID No: 11107003585; Supervisory accountability: Tshering Penjor, DCSE, EID No:200701007, Binay Tamang, DCSE, EID No:8901045, Til Bdr Ghalley, FO, EID No:200701133)

4.4.3 Bhutan Chamber of Commerce and Industry

During the period, the Royal Audit Authority had issued one audit report of the Bhutan Chamber of Commerce and Industry. There were four observations pointed out in the report involving Nu.12.777 million, out of which one observation amounting to Nu.0.153 million was resolved prior to the compilation of the draft Annual Audit Report 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.12.624 million.

The total unresolved significant irregularities reflected in the AAR 2015 amounted to Nu.12.624 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Violation of laws and rules	10.937	4
2	Shortfalls, Lapses and Deficiencies	1.687	5
Total		12.624	

1. Violation of Laws and Rules – Nu.10.937

The case of violation of laws and rules involving Nu.10.937 million is as indicated below:

1.1 Items disclosed in the Balance Sheet but not backed by the supporting documents - Nu.10.937 million

The Bhutan Chamber of Commerce and Industry had reflected several items such as (a) *Gratuity Provision (Current Asset)*; (b) *Deferred Liabilities (Current Liabilities)*; (c) *Deferred Income (Capital Account)*; (d) *Office Equipment (Deferred Income under Fixed Assets)*; and (e) *Office Equipment (Deferred Income under Other Sources of Fixed Assets)* amounting to Nu.10.937 million in the Balance Sheet without any supporting documents. (AIN: 12914; Para: 1; Accountabilities: Direct: Ms. Sonam, Asst. Accounts Officer, CID No. 11107000736; Mr. Pelden Yeshe, Asst. Accounts Officer, CID No. 10907000150; Supervisory: Mr. Kesang Wangdi, Dy. Secretary General, General Administrative Division, CID No. 11605001383)

2. Shortfalls, Lapses and Deficiencies - Nu.1.687 million

There were cases of shortfalls, lapses and deficiencies involving Nu.1.687 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
2.1	Balance Sheet assets not identifiable and physically non-existent	1.687
2.2	Overdue Account Receivables and Account Payables without the names of the debtors and creditors	-
Total		1.687

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

2.1. Balance Sheet assets not identifiable and physically non-existent - Nu.1.687 million

The Bhutan Chamber of Commerce and Industry had several assets recorded in the Balance Sheet and in the Fixed Asset Register which were not identifiable and some physically non-existent due to lack of safeguard and accountability system in place. (AIN: 12914; Para: 2; Accountabilities: Direct: Tshering Wangchuk, Store-in-charge, CID No. 10607002151; Supervisory: Kesang Wangdi, Dy. Secretary General, General Administrative Division, CID No. 11605001383)

2.2. Overdue Account Receivables and Account Payables without the names of the debtors and creditors

The Bhutan Chamber of Commerce and Industry had accounts receivable and payable of Nu.0.718 million and Nu.0.009 million respectively as on 31stDecember 2014 without the names of the debtors and creditors in the ledger. (AIN: 12914; Para: 3; Accountabilities: Direct: Sonam, Asst. Accounts Officer, CID No. 11107000736 & Pelden Yeshe, Asst. Accounts Officer, CID No. 10907000150; Supervisory: Kesang Wangdi, Dy. Secretary General, General Administrative Division, CID No. 11605001383)

4.4.4 Tourism council of Bhutan

During the period, the Royal Audit Authority had issued two audit reports of the Tourism Council of Bhutan. There were three observations pointed out in the reports involving Nu.11.154 million, out of which none of the observations were resolved prior to the compilation of the draft Annual Audit Report 2015.

Based on responses received after issue of draft AAR 2015 and actions taken by the agency, observations amounting Nu.1.769 million were either resolved or not material for inclusion in AAR 2015. The total unresolved significant irregularities reflected in the AAR 2015 amounted to Nu.9.385 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, Lapses and Deficiencies	9.385	5
Total		9.385	

1. Shortfalls, Lapses and Deficiencies- Nu.9.385 million

There were cases of shortfalls, lapses and deficiencies involving Nu.9.385 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
1.1	Irregularity in payment of contractor's bill	8.884
1.2	Excess payment for flooring works	0.501
Total		9.385

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

1.1. Irregularity in payment of contractor's bill - Nu.8.884 million

The Hotel & Tourism Management Training Institute – Construction Project under Tourism Council of Bhutan had irregularities in the payment of contractor's bill amounting to Nu.8.884 million due to inadmissible/excess payments made to the contractor in various Running Account bills. The case is subjudice. *(AIN: 13254; Para: 1; Accountabilities: Direct: Kuenzang Wangchuk, Project Engineer, Electrical, CID No.: 12008001772; Tandin Wangdi, Site Engineer (Civil), CID No.: 11509001565; Supervisory: Karma Wangdi, Project Manager, EID No.: 7504016)*

1.2. Excess payment for flooring works - Nu.0.501 million

The Hotel & Tourism Management Training Institute – Construction Project under Tourism Council of Bhutan had made excess payment of Nu.0.501 million for flooring works that were not executed as per required specifications. *(AIN: 13254; Para: 3; Accountabilities: Direct: Kuenzang Wangchuk, Project Engineer (Electrical), CID No.: 12008001772; Tandin Wangdi, Site Engineer (Civil), CID No.: 11509001565; Supervisory: Karma Wangdi, Project Manager, EID No.: 7504016)*

4.4.5 Bhutan Election Commission of Bhutan

During the period, the Royal Audit Authority had issued one audit report of the Election Commission of Bhutan. There were five observations pointed out in the report involving Nu.5.579million, out of which two observations amounting to Nu.0.038 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.5.541 million.

Based on responses received after issue of draft AAR 2015 and actions taken by the agency, observations amounting to Nu.0.042 million were resolved. The total unresolved significant irregularities amounted to Nu.5.499 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Fraud, Corruption and Embezzlement	5.235	1 & 2
2	Shortfalls, Lapses and Deficiencies	0.264	5
Total		5.499	

1. Fraud, Corruption and Embezzlement - Nu.5.235 million

The cases of possible elements of fraud, corruption & embezzlement involving Nu.5.235 million are as indicated below:

1.1. Fraudulent practice in the payment of Postal Charges for Ordinary Letters - Nu.5.235 million

The Election Commission of Bhutan in contravention to the Financial Management Manual did not have receipts and other necessary supporting documents to substantiate the expenses of Nu.5.235 million incurred as postal charges for ordinary letters from 2010-2015. The payments were made

based on the summary invoices/bills without records of the details of the ordinary letters such as the receivers' details and number/quantity of these letters. The ECB subsequently established the case of forgery and embezzlement and handed over to the Royal Bhutan Police and later to the Anti-Corruption Commission. (AIN: 13247; Para: 2; Accountabilities: Direct: Kinzang Choden, Despatcher, EID No.: 201008056; Supervisory: Tashi Dorji, Chief Administrative Officer, EID No.: 83302009; Karma Dhendup Tshering, Chief Project Coordinator, EID No.: 7902010; and Dawa Tenzin, Secretary, EID No: 8709030)

2. Shortfalls, Lapses and Deficiencies - Nu.0.264 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.264 million as indicated below:

2.1. Outstanding advances - Nu.0.264 million

The Election Commission of Bhutan had overdue outstanding advances of Nu.0.264 million as on 30th June 2015 against various officials and parties. (AIN: 13247; Para: 1; Direct Accountability: Tshering Penjor, Delimitation Officer EID No:200605043, Sonam Rinzin, Driver EID No:200912006, Gyeltshen, Store Incharge EID:9007009, Supervisory Accountability: For sl. No.2: Lhap Tshering, Accounts Officer, EID No. 201001037, For the rest: Karma Dhendup Tshering, Chief Project Coordinator, EID No. 7902010)

4.4.6 Bhutan Football Federation

During the period, the Royal Audit Authority had issued three audit reports of the Bhutan Football Federation, Thimphu. There were six observations pointed out in the reports involving Nu.5.108 million, out of which none of the observations were resolved prior to the compilation of the draft Annual Audit Report 2015.

Based on responses received after issue of draft AAR 2015 and actions taken by the agency, observations amounting to Nu.0.124 million were resolved. The total unresolved significant irregularities amounted to Nu.4.984 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, Lapses and Deficiencies	4.984	5
Total		4.984	

1. Shortfalls, Lapses and Deficiencies - Nu.4.984 million

There were cases of shortfalls, lapses and deficiencies involving Nu.4.984 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
1.1	Outstanding Advances	2.064
1.2	Non-follow up of outstanding amount	2.902
Total		4.984

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

1.1. Outstanding Advances – Nu.2.064 million

- a) The Bhutan Football Federation had overdue outstanding advances amounting to Nu.0.519 million from its FIFA Account against its officials and contractors. *(AIN: 13224; Para:1; Accountabilities: Direct: Ugyen Wangchuk, General Secretary, CID No.1141102674; Supervisory: Ugyen Wangchuk, General Secretary, CID No.1141102674)*
- b) The Bhutan Football Federation had overdue outstanding advances amounting to Nu.0.388 million from its AFC Account against officials and contractors. *(AIN: 13225; Para: 1; Accountabilities: Direct: Ugyen Wangchuk, General Secretary, CID No.1141102674; Supervisory: Ugyen Wangchuk, General Secretary, CID No.1141102674)*
- c) The Bhutan Football Federation had overdue outstanding advances amounting to Nu.1.157 million against officials and contractors. *(AIN: 13282; Para: 4; Accountabilities: Direct: Ugyen Wangchuk, General Secretary, CID No.1141102674; Supervisory: Ugyen Wangchuk, General Secretary, CID No.1141102674)*

1.2. Non-follow up of outstanding amount - Nu.2.920 million

The Bhutan Football Federation had not followed up with M/s Friends United FC for overdue outstanding receivable of Nu.2.920 million on account of ticketing of King’s Cup 2014. *(AIN: 13282; Para: 3; Accountabilities: Direct: Ugyen Wangchuk, General Secretary, CID No.1141102674; Supervisory: Ugyen Wangchuk, General Secretary, CID No.1141102674)*

4.4.7 Gross National Happiness Commission

During the period, the Royal Audit Authority had issued 5 audit reports of the Gross National Happiness Commission. There was 1 observation pointed out in the report involving Nu.1.385 million, which was not resolved prior to the compilation of the draft Annual Audit Report 2015.

The unresolved significant irregularity reflected in the AAR 2015 amounted to Nu.1.385 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Violations of laws and rules	1.385	4
Total		1.385	

1. Violations of laws and rules – Nu.1.385 million

The case of violation of laws and rules involving Nu.1.385 million is as indicated below:

1.1 Non-production of documents - Nu.1.385 million

The Gross National Happiness Commission did not produce supporting documents for the expenditure of Nu.1.385 million incurred for Rural Education Foundation (REF) as deposit work

from UNDP-Bhutan with assistance from CSO Authority. (AIN: 13310; Para 1; Accountabilities: Direct: Thinley Namgyel, GNHC, EID No.8905025, Karwang Yobhzen, Executive Director, REF, CID No.11902001156; Supervisory: Rinchen Wangdi, Chief Programme Coordinator, GNHC, EID No.9407090)

4.4.8 Thromde Administration, Gelephu

During the period, the Royal Audit Authority had issued one audit report of the Thromde Administration, Gelephu. There were three observations pointed out in the report involving Nu.2.566 million, of which none of the observations were resolved prior to the compilation of the draft Annual Audit Report 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.2.566 million.

Based on responses received after issue of the draft AAR 2015 and actions taken by the agency, observations amounting to Nu.1.428 million was resolved. The total unresolved significant irregularity reflected in the AAR 2015 amounted to Nu.1.138 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Mismanagement	1.138	3
Total		1.138	

1. Mismanagement

The case of Mismanagement involving Nu.1.138 million is as indicated below:

1.1. Outstanding land taxes - Nu.1.138 million

The Thromde Administration, Gelephu had overdue outstanding Land Taxes amounting to Nu.1.138 million for the year 2013 against land owners. (AIN: 12886; Para: 1; Accountabilities: Direct: Mani Sherpa, Revenue In-Charge, EID No. 9509029; Supervisory: Choephey Dorji, Principal Engineer, EID No. 901088)

4.4.9 Bhutan Cricket Federation

During the period, the Royal Audit Authority had issued one audit report of the Bhutan Cricket Federation, Thimphu. There were 10 observations pointed out in the report involving Nu.0.621 million, out of which seven were resolved prior to the compilation of the draft Annual Audit Report 2015, or were not material for inclusion in the draft Annual Audit Report 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.0.621 million.

Based on responses received after issue of draft AAR 2015 and action taken by the agency, observations amounting to Nu.0.081 million were resolved. The total unresolved significant irregularities amounted to Nu.0.540 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.540	5
Total		0.540	

1. Shortfalls, Lapses and Deficiencies - Nu.0.540 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.540 million as indicated below:

1.1. Missing Documents

The Bhutan Cricket Federation, Thimphu did not produce disbursement vouchers and related supporting documents for the period of 2009 to 2013 for audit verification. (AIN: 13181; Para:1; Accountabilities: Direct: Jigme N. Norbu, General Secretary, CID No. 11410006862066; Supervisory: Jigme N. Norbu, General Secretary, CID No. 11410006862)

1.2. Outstanding advances and Irregularities thereof - Nu.0.540 million

The Bhutan Cricket Federation, Thimphu had overdue outstanding advances amounting to Nu.0.540 million as under:

- There were no details and supporting documents for the advances given since January 2012 amounting to Nu.0.119 million against officials and suppliers;
- Outstanding advances at the year ended 31.12.2013 amounted to Nu.0.109 million; and
- Outstanding advances against an employee on Study Leave amounted to Nu.0.313 million.

(AIN: 13181; Para: 4; Accountabilities: Direct: Jigme N. Norbu, General Secretary, CID No. 11410006862066; Supervisory: Jigme N. Norbu, General Secretary, CID No. 11410006862)

4.4.10 Judiciary

During the period, the Royal Audit Authority had issued 29 audit reports of the Judiciary of Bhutan. There were 10 observations pointed out in the reports involving Nu.3.945 million, out of which two observations amounting to Nu.2.250 million were resolved prior to the compilation of the draft Annual Audit Report 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.1.695 million.

Based on responses received after issue of draft AAR 2015 and action taken by the agency, observations amounting to Nu.1.164 million were resolved. The total unresolved significant irregularities amounted to Nu.0.531 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.531	5
	Total	0.531	

1. Shortfalls, Lapses and Deficiencies- Nu.0.531 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.531 million as indicated below:

Sl. No.	Observation in brief	Nu.in million
1.1	Excess payment made to contractor	0.040
1.2	Unadjusted PWA and Salary Advances	0.080
1.3	Withholding of Retirement Benefits	0.308
1.4	Payments for works not executed	0.103

	Total	0.531
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1.1. Excess payment made to contractor - Nu.0.040 million

The Royal Court of Justice, Supreme Court of Bhutan had made excess payments of Nu.0.040 million to the supplier for supply of ‘Chudrum’ due to payment made at a rate higher than the quoted rate. *(AIN: 13119; Para: 1.2; Accountabilities: Direct: Dasho Karma Tshepfel, EID No. 8012016; Supervisory: Dasho Tshering Dorji, CID No. 9511031)*

1.2. Unadjusted PWA and Salary Advances - Nu.0.080 million

The Royal Court of Justice, Drungkhag Court, Sombeykha, Haa had overdue outstanding Public Works Advance of Nu.0.080 million. *(AIN: 13268; Para: 1; Accountabilities: Direct: Sonam Dorji, EID No.20090702050, Bench Clerk; Thinley, CID No.11910001834, Attendant; Supervisory: Dasho Lhundrup Dorji, EID No.8403013, Drangpon)*

1.3. Withholding of Retirement Benefits - Nu.0.308 million

The Royal Court of Justice, Drungkhag Court, Sombeykha, Haa had not disbursed the retirement benefits amounting to Nu.0.308 million of Jambay Dorji, Bench Clerk of Drungkhag Court, Sombaykha, Haa due to some pending monetary case against him. The said amount had been settled and booked as expenses, but the benefits were still not disbursed to the official and was awaiting further orders from the Supreme Court. *(AIN: 13268; Para: 2; Accountabilities: Direct: Karma Wangdi, EID No.9704035, Accountant; Supervisory: Dasho Lhundrup Dorji, EID No.8403013, Drangpon)*

1.4. Payments for works not executed – Nu.0.103 million

- a) The Royal Court of Justice, Supreme Court of Bhutan had made payments amounting to Nu.0.068 million to contractor without providing 34 out of 36 heavy duty hydraulic door closers in the construction of the Dzongkhag Court, Trongsa. *(AIN: 13119; Para: 2; Accountabilities: Direct: Hukumi Ghalley, Site Engineer, EID No.20080702053; Supervisory: Gyeltshen Wangdi, Senior Architect, CID No. 11512004618)*
- b) The Royal Court of Justice, Supreme Court of Bhutan had made payments amounting to Nu.0.035 million to contractor without providing essential items for two gates and public toilets in the construction of the Dzongkhag Court, Trongsa. *(AIN: 13119; Para: 3; Accountabilities: Direct: Hukumi Ghalley, Site Engineer, EID No.20080702053; Supervisory: Gyeltshen Wangdi, Senior Architect, CID No. 11512004618)*

4.4.11 Thromde Administration, Phuentsholing

During the period, the Royal Audit Authority had issued three audit reports of the Thromde Administration, Phuentsholing. There were five observations pointed out in the reports involving Nu.0.535 million, out of which four observations amounting to Nu.0.278 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft Annual Audit Report 2015.

The total unresolved significant irregularities reflected in the AAR 2015 amounted to Nu.0.257 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.257	5
Total		0.257	

1. Shortfalls, Lapses and Deficiencies - Nu.0.257 million

The case of shortfalls, lapses and deficiencies involving Nu.0.257 million is as indicated below:

1.1. Excess payment for construction of new approach road to Gurungdara, Pasakha - Nu.0.257 million

The Thromde Administration, Phuentsholing had made excess payment of Nu.0.257 million for the construction of new approach road to Gurungdara, Pasakha due to wrong measurement of works executed at site. (AIN: 12820; Para: 1; Accountabilities: Direct: *Buddhiman Darjee, AE, EID No. 200807191; Supervisory: D.C. Dhimal, Head, Engineer Division, EID No. 9502006*)

4.4.12 Dratshang Lhentshog

During the period, the Royal Audit Authority had issued 18 audit reports of the Dratshang Lhentshog. There were three observations pointed out in the reports involving Nu.1.838 million, out of which none of the observations were resolved prior to the compilation of the draft Annual Audit Report 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.1.838 million.

Based on responses received after the issue of the AAR 2015 and actions taken by the agency, observations amounting to Nu.1.608 million were resolved.

The total unresolved significant irregularities amounted to Nu.0.230 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Violation of laws and rules	0.230	4
Total		0.230	

1. Violation of Laws and Rules - Nu.0.230 million

There were cases of violation of laws and rules involving Nu.0.230 million as indicated below:

1.1 Non-payment of Final Bill to Contractor - Nu.0.168 million

The Dratshang Lhentshög had failed to make payments of Nu.0.168 million to the contractor for works carried out in the Construction of Phochu Dumra Zhirim Lobdra Tewa in Punakha. The payment of the Final Bill had been delayed by over six months. (AIN: 13226; Para: 2.1.1; Accountabilities: Direct: Pema Zangpo, Project Accountant, EID No. 9404022; Supervisory: Pema Zangpo, Project Accountant, EID No. 9404022)

1.2 Budgetary Deviation - Nu.0.062 million

The Dratshang Lhentshög had refunded Nu.0.062 million to M/s Kencho Dorji Construction from their PLC Account without availing equivalent releases from the DPA for the construction of Phochu Dumra Zhirim Lobdra Tewa in Punakha. (AIN: 13226; Para: 2.3; Accountabilities: Direct: Pema Zangpo, Project Accountant, EID No. 9404022; Supervisory: Pema Zangpo, Project Accountant, EID No. 9404022)

4.4.13 Royal Society for Protection of Nature

During the period, the Royal Audit Authority had issued three audit reports of the Royal Society for Protection of Nature. There were two observations pointed out in the reports involving Nu.0.666 million, out of which observations amounting to Nu.0.515 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015.

The total unresolved significant irregularities reflected in the AAR 2015 amounted to Nu.0.151 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.151	5
	Total	0.151	

1. Shortfalls, Lapses and Deficiencies - Nu.0.151 million

The case of shortfalls, lapses and deficiencies involving Nu.0.151 million is as indicated below:

1.1. Excess Payment in renovation of Black-Necked Crane Centre at Phobjikha - Nu.0.151 million

The Royal Society for Protection of Nature had made excess payments of Nu.0.151 million to the contractor for the renovation work of Black-Necked Crane Centre at Phobjikha due to non-deduction of the 1st Running Bill amount from the contractor's final bill by the accounts unit. (AIN: 13054; Para: 2; Accountabilities: Direct: Jigme Tshering, Field Coordinator, CID No.10603000024;

Supervisory: Tshering Phuntsho, Coordinator, Conservation & Sustainable Livelihood program, RSPN, CID No. 11107004033)

4.4.14 Hindu Dharma Samudaya of Bhutan

During the period, the Royal Audit Authority had issued one audit report of the Hindu Dharma Samudaya of Bhutan. There were eight observations pointed out in the report involving Nu.0.237 million, out of which observations amounting to Nu.0.195 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft Annual Audit Report 2015.

The total unresolved significant irregularities reflected in the AAR 2015 amounted to Nu.0.042 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	0.042	5
Total		0.042	

1. Violation of Laws and Rules

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

1.1. Non-fulfillment of objectives

The Hindu Dharma Samudaya of Bhutan had not fulfilled several aims and objectives listed in its Articles of Association. While some were partially implemented most had remained unfulfilled. (AIN: 12901; Para: 2; Accountabilities: Direct: D. B. Sinchuri, CID No. 17540788, Former Board Member, HDSB; Supervisory: Dr. (Pt) P.L. Nirola, CID No. 10205002415, Former Chairman)

2. Shortfalls, Lapses & Deficiencies – Nu.0.042 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.042 million as indicated below:

2.1. Construction of Hindu Temple at Kuenselphodrang, Thimphu and irregularities thereof – Nu.0.042 million

a) Overpayment due to less deduction of items - Nu.0.042 million

The Hindu Dharma Samudaya of Bhutan had made overpayment of Nu.0.042 million in the construction of Hindu Temple at Kuenselphodrang, Thimphu due to non-deduction of openings, namely, two Lintels, two Windows and one Door from the brick work in superstructure. (AIN: 12901; Para: 6(b); Accountabilities: Direct: D. B. Karki, Engineer, CID No. 11804000574, Former Project Engineer, HDSB; Supervisory: Dr. (Pt) P.L. Nirola, CID No. 10205002415, Former Chairman)

b) Defects in the construction of doors and windows

The Hindu Temple at Kuenselphodrang, Thimphu had several defects in four doors and all windows. The finishing of the door was of sub-standard quality; use of un-seasoned wood had formed wide gaps in the window frames and there were no provisions for grills on the windows to ensure adequate safety. (AIN: 12901; Para: 6(c); Accountabilities: Direct: D. B. Karki, Engineer, CID No. 11804000574, Former Project Engineer, HDSB; Supervisory: Dr. (Pt) P.L. Nirola, CID No. 10205002415, Former Chairman)

4.4.15 Construction Association of Bhutan

During the period, the Royal Audit Authority had issued one audit report of the Construction Association of Bhutan. There were two observations pointed out in the report involving Nu.0.111 million, out of which one observation amounting to Nu.0.111 million was resolved prior to the compilation of the draft Annual Audit Report 2015.

The total unresolved significant irregularity reflected in the AAR 2015 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 Role of Association and its accomplishment

The Construction Association of Bhutan had failed to provide several of the services listed in its Articles of Association 2002 to the Bhutanese construction Industry. The CAB had not organized any seminars, workshops and training or rendered any technical expertise to the contractors nor sought any financial assistance from the donor agency. The CAB had not prepared Annual Work Plan for the purpose of functioning and allocation of fund of the association. The need assessment for staff had not been done adequately. (AIN: 12647; Para: 1; Accountabilities: Direct: Sonam Rinzin, CID No. 11411002377, Administrative Officer; Supervisory: Rinzin Namgyel, CID No.10710001802, General Secretary)

4.4.16 Khesar Gyalpo University of Medical Sciences of Bhutan

During the period, the Royal Audit Authority had issued one audit report of Khesar Gyalpo University of Medical Sciences of Bhutan [KGUMSB]. There was one observation pointed out in the report which was not resolved prior to the compilation of the draft Annual Audit Report 2015.

The total unresolved significant irregularity reflected in the AAR 2015 is as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Violations 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. Incomplete disclosure of the financial information in the financial statements

The financial statements of the Faculty of Nursing and Public Health under KGUMSB had the following deficiencies:

- a) Fixed assets worth Nu.158.764 million was not capitalized;
- b) Depreciation was not provided for the buildings valuing Nu.74.748 million;
- c) Provisions for gratuity and leave encashment not provided for in the financial statements as required;
- d) Misclassification of procurement of fixed assets under expenses for direction services; and
- e) Closing stock reported was not representative of the actual stock position of inventory and stationery items. Instances of items left out were observed.

(AIN: 13264; Para: 1; Accountabilities: Direct: Kinzang Dema, Accounts Asst. Employee EID No. 1107008, Supervisory: Dr. Chench Dorjee, Dean Employee EID No. 8908045)

4.4.17 Royal Education Council

During the period, the Royal Audit Authority had issued one audit report of the Royal Education Council. There were six observations pointed out in the report involving Nu.0.096 million, out of which five observations amounting to Nu.0.096 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015.

The unresolved significant observation reflected in the AAR 2015 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 and rules is as indicated below:

1.1. Underutilization of facilities

The Royal Education Council had underutilized the facilities including the human resources at the

Centenary Education Institute in Yonphula, Trashigang. The REC had carried out renovation and maintenance of infrastructure from 2011-2014 worth Nu.17.204 million, and spent about Nu.22.916 million on overseas Master's Program for faculties recruited for the Centenary Education Institute. *(AIN: 13011; Para: 1; Accountabilities: Direct: Chencho Lhamu, Ex-Program Director, CID No. 11410007618; Supervisory: Dr. Sonam Wangyal Wang, Ex-Director, CID No: 11407000306)*

4.5. CORPORATIONS

4.5.1. Food Corporation of Bhutan Limited

During the period, the Royal Audit Authority had issued six audit reports of the Food Corporation of Bhutan Limited. There were 28 observations pointed out in the reports involving Nu.57.742 million, out of which two observations involving Nu.2.190 million were resolved prior to the compilation of the draft Annual Audit Report 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.55.552 million.

Based on responses received after issue of draft AAR 2015 and actions taken by the agency, observations amounting to Nu.28.260 million were resolved. The total unresolved significant irregularities amounted to Nu.27.292 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Fraud, Corruption and Embezzlement	9.122	1&2
2	Mismanagement	0.555	3
3	Violation of Laws and Rules	-	4
4	Shortfalls, Lapses and Deficiencies	17.615	5
Total		27.292	

1. Fraud, Corruption and Embezzlement - Nu.9.122 million

The cases of possible elements of fraud, corruption and embezzlement involving Nu.9.122 million are summarized as follows:

Sl. No.	Observation in brief	Nu.in million
1.1	Stock and Cash shortage	2.440
1.2	Non-accountal of 30MT rice	0.536
1.3	Doubtful accountal of 25 MT rice	-
1.4	Misappropriation and shortages in Nganglam Depot	6.146
Total		9.122

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

1.1. Stock and Cash shortage - Nu.2.440 million

The Food Corporation of Bhutan Limited, Samdrup Jongkhar had shortages of cash, stocks and unconfirmed sales aggregating to Nu.3.621 million detected by the Internal Audit. The RAA further reviewed the shortages and confirmed the findings of the internal audit. Shortages were primarily due to non-deposit of collections from daily sales and misuse of various food items.

The FCBL management had charged the former Officiating Regional Manager in the Royal Court of Justice, Phuentsholing. As per the Court verdict the shortages of Nu.3.621 million were to be refunded by the incumbent on or before 8.7.2014, of which Nu.1.181 million has been recovered. *(AIN: 13105; Para: 1, Accountabilities; Direct: Cheten Tshering, Bulk Manager cum Officiating Regional Manager, Citizen ID No. 11514001614, Supervisory: Cheten Tshering, Bulk Manager cum*

Officiating Regional Manager, Citizen ID No. 11514001614)

1.2. Non-accountal of 30MT rice - Nu.0.536 million

The Food Corporation of Bhutan Limited, Phuentsholing had shortages of 30MT Mansuri rice worth Nu.0.536 million. The disputed stock of rice had not been recorded in the “DRUKFOOD Inventory System” of the FCBL. The case is subjudice. *(AIN: 13303; Para: 9.2; Accountabilities; Direct: Pema Wangchuk, Regional Manager EID No. 910110, CID No. 10905004493, Supervisory: Pema Wangchuk, Regional Manager, EID No. 910110, CID No. 10905004493)*

1.3. Doubtful accountal of 25 MT rice

The Food Corporation of Bhutan Limited, Phuentsholing had rejected supplies of 25MT of ‘551’ rice from M/s Beeru Enterprise due to failure of quality test but replaced later on according to management. However, RAA could not validate the claims due to lack of documentary evidences such as approval and declaration by RRCO, for re-export of rejected rice and import of replacement. *(AIN: 13303; Para: 10; Accountabilites: Direct: Megraj Gurung, EID No. 820084, CID No. 11212000011, Supervisory: Megraj Gurung, EID. No. 820084, CID No. 11212000011)*

1.4. Misappropriation and shortages in Nganglam Depot- Nu.6.146 million

The Food Corporation of Bhutan Limited, Nganglam Depot had misappropriation and shortages of cash & stock of various food grains worth Nu.7.295 million. FCBL had recovered an amount of Nu.1.148 million as on 15th May 2015, leaving a balance of Nu.6.146 million. The case was forwarded to Anti-Corruption Commission upon the advice of the court as it pertained to the late Depot In-charge. *(AIN: 13105; Para: 2, Accountabilities; Direct: Late Tshering Gyeltshen, Depot Incharge, Citizen ID No.10705000723, Supervisory: Pema Wangchuck, Regional Manager, Citizen ID No.10905004493)*

2. Mismanagement-Nu.0.555 million

The cases of Mismanagement involving Nu.0.555 million are summarized as follows:

Sl. No.	Observation in brief	Nu.in million
2.1	Non-imposition of penalty on late payment of rent	0.055
2.2	Non-levy of penalty on late delivery	0.232
2.3	Irregular waiver of 50% fines and penalty on double declaration of rice imported from India by RRCO	0.268
	Total	0.555

The cases of Mismanagement are as indicated below:

2.1. Non-imposition of penalty on late payment of rent - Nu.0.055 million

The Food Corporation of Bhutan Limited, Phuentsholing had failed to impose and collect 2% penalty for late deposit of rent amounting to Nu.0.055 million from various tenants due to non-enforcement of terms and conditions of lease agreement. *(AIN: 13303; Para: 2; Accountabilities; Direct: Pemo, EID No. 891600, CID No. 1141007665, Supervisory: Pema Wangchuk, EID No. 919145, CID No. 11213004156)*

2.2. Non-levy of penalty on late delivery - Nu.0.232 million

The Food Corporation of Bhutan Limited, Phuentsholing had not levied penalty for late delivery of goods by various suppliers amounting to Nu.0.232 million due to non-adherence to terms and conditions of supply contract. *(AIN: 13303; Para: 4; Accountabilities; Direct: Denesh Subba, Sr. Manager, EID No. 919897, CID No. 21811000488; Supervisory: Sangay Wangdi, EID No. 910109, CID No. 11410005316)*

2.3. Irregular waiver of 50% fines and penalty on double declaration of rice imported from India by RRCO - Nu.0.268 million

The Food Corporation of Bhutan Limited, Phuentsholing had imported Mansuri rice from M/s Balajee Enterprises, Hasimara, India on 02/03/2013 and another declaration was made on 05/03/2013 with the same invoice number of M/s Balajee Enterprises, Hasimara, except the brand of rice was changed to '551' rice.

The double invoicing case was detected by the Customs Office, Main Check Post, RRCO, Phuentsholing, upon FCBLs' declaration of the second import with the same invoice number on 5/03/2013. The appeal committee of the RRCO, Phuentsholing rejected the appeal made by the FCBL management and decided to impose 50% fines and penalties on the value of goods for Nu.0.268 million. But upon the third appeal by FCBL, RRCO waived off the penalty in contravention of provisions of the Sales Tax, Customs and Excise Act of Kingdom of Bhutan 2000. *(AIN: 13303; Para: 9; Accountabilities: Direct: Pema Wangchuk, Regional Manager EID No. 910110, CID No. 10905004493; Supervisory: Pema Wangchuk, Regional Manager EID No. 910110, CID No. 10905004493)*

3. Violation of Laws and Rules

The case of Violation of Laws and Rules is indicated as follows:

3.1. Indication of collusive bidding in purchase of rice from M/s Balajee Enterprises

M/s Balajee Enterprises, had won the bid for supply of 551 (brand) rice on 05/03/2013 for the Food Corporation of Bhutan Limited, Depot Phuentsholing. The FCBL also received Mansuri rice two days before the submission and opening of the tender on 02/03/2013 from M/s Balajee Enterprises and was rejected on the same day. However, the management decided to retain the same Mansuri rice and convert it as 551 rice. Coincidentally the rate of Mansuri rice supplied earlier and rate quoted for 551 rice was exactly the same, which gave indications of collusive procurement. *(AIN: 13303; Para: 9.1, Accountabilities; Direct: Pema Wangchuk, Regional Manager, EID No. 910110, CID No. 10905004493, Supervisory: Pema Wangchuk, Regional Manager EID No. 910110, CID No. 10905004493)*

4. Shortfalls, Lapses and Deficiencies-Nu.17.615 million

The cases of Shortfalls, Lapses and Deficiencies involving Nu.17.615 million are summarized as follows:

Sl. No.	Observation in brief	Nu.in million
4.1	Overdue penalty recoverable from defaulting parties	0.425
4.2	Damaged, expired and non-moving agency items and food grains lying in Phuentsholing bulk store	1.558
4.3	Claims not adjusted in suppliers' account	11.037
4.4	Mismatch in the quantity of rice import between the RRCO import declaration and FCBL rice register	
4.5	Inadequate IT organizational & operational controls resulting in shortage of 36MT of sugar	1.280
4.6	Shortage of food grains commodities	3.315
	Total	17.615

The cases of Shortfalls, Lapses and Deficiencies are as indicated below:

4.1. Overdue penalty recoverable from defaulting parties - Nu.0.425 million

- a) The FCBL Bulk Godown, Thimphu had not realized penalty amount aggregating to Nu.0.289 million from various parties. (AIN: 13031; Para: 3; Accountabilities: Direct: Mr. Samir Kafley (2011-2012), (CID No. 11204000033) Mr. Sonam Jorden (2013), (CID No. 11107001895), Supervisory Accountability: Mr. Jamtsho K Norbu (2011-2012), (CID No. 11410002864) Mrs. Sonam Yuden (2013), (CID No. 11410003898)
- b) The FCBL Depot, Paro had not realized penalty amount aggregating to Nu.0.136 million from various parties. (AIN: 13032; Para: 1; Accountabilities; Direct: Mr. Daza, Depot Manager, CID No. 10708002678, Supervisory: Mr. Daza, Depot Manager, CID No. 10708002678)

4.2. Damaged, expired and non-moving agency items and food grains lying in Phuentsholing bulk store - Nu.1.558 million

The FCBL Phuentsholing had stocks of damaged and expired food grains valuing Nu.0.279 million and agency items valuing Nu.1.279 million during the financial year 2013 which were not disposed off, due to non-implementation of proper inventory system in the FCBL depots as well as in the FCBL bulk godown. (AIN: 13303; Para: 3, Accountabilities; Direct: Nim Tshering, EID No. 919867, CID No. 10502000795 Phub Gyeltshen, EID No. 860141, CID No. 11812001641; Supervisory: Sangay Wangdi, General Manager, EID No. 910109, CID No. 11410005316)

4.3. Claims not adjusted in suppliers' account - Nu.11.037 million

The FCBL Phuentsholing had not deducted credit notes amounting to Nu.11.037 million for the years 2013 and 2014. The FCBL receives claims against internal freight, draft Charges, damages, schemes, etc. in agency items, from its Suppliers through credit notes, adjustable from the supplier's ensuing payable transactions. (AIN: 13303; Para: 6; Accountabilities: Direct: Denesh

Subba, Sr. Manager, EID No. 58958, CID No. 11801000911; Supervisory: Sangay Wangdi, General Manager, EID No. 910109, CID No. 11410005316)

4.4. Mismatch in the quantity of rice import between the RRCO import declaration and FCBL rice register

The FCBL, Phuentsholing Depot had excess import of 492.345MT of rice as per the RRCO import declaration records. Upon cross verification of import declarations at RRCO, Phuentsholing vis-à-vis quantity of rice recorded in the FCBL rice purchase register, the accountal of imports were not found in the FCBL records. Hence, the genuineness of the import or short accountal could not be ascertained. *(AIN: 13303; Para: 7; Accountabilities: Direct: Pema Wangchuk, Regional Manager EID No. 910110, CID No. 10905004493, Supervisory Accountability: Pema Wangchuk, Regional Manager, EID No. 910110, CID No. 10905004493)*

4.5. Inadequate IT organizational & operational controls resulting in shortage of 36MT of sugar - Nu.1.280 million

The FCBL, Phuentsholing Bulk unit sold 36,000 kg of sugar @ Nu.35.58 per kg aggregating to Nu.1.281 million to Drangchu Beverages on credit. However, the Credit Sale was found deleted from the FCBL's DRUKFOOD Inventory System on 3/03/2013. This had occurred primarily due to inadequate organizational & operational IT security controls in place and also due to lack of proper monitoring of the system, thereby leaving room for manipulation of the system data. The case was forwarded to Anti-Corruption Commission. *(AIN: 13303; Para: 11; Accountabilities: Direct: Jit Bdr. Biswa, Manager IT, EID No. 910128, CID No. 11109000101, Supervisory: Jit Bdr. Biswa, Manager IT, EID No. 910128, CID No. 11109000101)*

4.6. Shortage of food grains commodities - Nu.3.315 million

The FCBL, Phuentsholing, had food grain shortages valuing Nu.3.315 million during the year 2013. The case was forwarded to Anti-Corruption Commission. *(AIN: 13303; Para: 12; Accountabilities: Direct: Pema Wangchuk, Regional Manager EID No. 910110, CID No. 10905004493, Supervisory Accountability: Pema Wangchuk, Regional Manager EID No. 910110, CID No. 10905004493)*

4.5.2. Dungsam Cement Corporation Limited

During the period, the Royal Audit Authority had issued one special audit report of the Dungsam Cement Corporation Limited. There were 51 cases of cash embezzlement pointed out in the report involving Nu.22.603 million, out of which no observation was resolved prior to the compilation of the draft Annual Audit Report 2015.

The total unresolved significant irregularities reflected in the AAR 2015 amounted to Nu.22.603 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Fraud, Corruption and Embezzlement	22.603	3
	Total	22.603	

1. Fraud, Corruption and Embezzlement – Nu.22.603 million

The case of possible elements of Fraud, Corruption and Embezzlement involving Nu.22.603 million are summarized as follows:

1.1. Embezzlement of company funds - Nu.22.603 million

The Dungsam Cement Corporation Limited had huge company funds amounting to Nu.22.603 embezzled primarily by the Head of Finance and the late Assistant Finance Officer through withdrawal of self cheques by engaging various fraudulent practices as summarized in the table below:

Para No:	Fraud method engaged	Embezzled Amount (Nu.In million)
Case 1	Embezzlement of refund made by contractor	0.829
Case 2, 22, 27	Fictitious Payment based on photocopied bills	2.482
Cases 3, 13, 15, 17, 30	Fictitious Payment made on fake bills	5.436
Case 4, 48	Passing of unapproved/Cancelled voucher,	0.331
Cases 5, 9, 26, 31, 41	Fictitious BST payment	1.285
Cases 6, 10, 11, 14, 18, 21, 24, 25, 33, 35, 38, 39, 42, 44, 45, 46, 49	Withdrawal of vendor payment without due authorization through self cheques	4.848
Case 7	Payment on duplicate copy of bills for which payment were made on original bills in full earlier	0.034
Case 8, 36, 37, 43	Double payment	0.875
Cases 12, 16, 19, 28, 29, 32, 34, 40, 47, 51	Cheque drawn without any supporting documents	4.808
Case 20	Addition of figures after approval	0.250
Case 23	Embezzled but refunded at a later date prior to date of audit	0.873
Case 50	Payment for coal not supplied	0.552
Total Embezzled Amount		22.603

The embezzlement had occurred due to collusion of employees at different tiers in the finance division; collusion with employees across many divisions; employees of vendors having unrestricted access to copies of invoices; and lack of due diligence of officials vested with authority for approval and joint signatories of cheques. It also indicated lack of monitoring and supervision from the top management including CEO.

(AIN: 13021; Para: Cases 1-51; Accountabilities: Direct: Late Sangay Tshering, AFO, EID No. 27, CID 11410003558; Jigme Tshewang, Head, Finance, EID No. 39, CID 11101003631; Tshering Tenzin, GM (FAD), EID No. 43, CID No. 10103002448; Rinchen Dorji, Head, Raw Materials, EID No. 01, CID No.11203001300; M/s Bhutan Hardware Agency, P/ling; Kadel Gyelmo, Accounts Assistant, EID No.74, CID No. 11101001054; Karma Phunstho, Asstt. Store Officer, EID No. 48 CID No.10103002308; M/s Himalaya Traders, Pathsala; Nima Dhendup of M/s Nima Dhendup Constructions; Ugyen Tenzin of M/s Dheyud Enterprise; Sonam Wangchuk, General Manager (Works), EID No. 26, CID No. 11303000556; Chencho Samdrup, Stores Asst., EID No.171 CID. No. 10805002268, RRCO Check Post, Nganglam; Yeshi Zangmo, Accounts Asst. EID NO. 76, CID No. 11602002571; Tempa Dorji and Yeshi

Lhamo of Yeshi Lhamo Tshongkhang; Pema Choden (spouse of Late Sangay Tshering); Tenzin Gyeltshen, Store Asst. EID No.132 CID No.10504000243; Tshewang Tenzin, Store Asstt, EID No. 079, CID No. 10608001663; Jigme Wangchuk, Head, Maintenance Division, EID No. 44, CID No. 11101001030; Tshering Wangmo, Head, Procurement & Material Management Div., EID No. 46, CID No. 10601000723; Kintu, Head, Utility & Projects section, EID No. 228, CID No. 11107006936; Tashi Penjor, Human Resource & Adm Officer, EID No. 8, CID No. 11410004260; Ramesh Kumar Thapa, Head, Mining Division, EID No. 66, CID No. 10311001518; Pema Choeki, Asst. Procurement Officer, EID No. 73, CID No. 11203001299; Tenzin Dorji, Purchase Assistant, EID No. 41, CID No. 10716000542; Kelzang Tshering, JE (Electrical), EID No. 53, CID No. 11513001254; Dhiraj Gupta; Tashi Dawa, Accounts Asstt., EID No.146, CID No.10903001945; Supervisory: Mr. Tshering Tenzin, GM (FAD), EID No.43, CID No. 10103002448; Dorji Norbu, CEO, EID No.17 CID No. 12008002340)

4.5.3. Bhutan Board Products Limited

During the period, the Royal Audit Authority had issued one audit report of the Bhutan Boards Products Limited. There were seven observations pointed out in the report, out of which no observation was resolved prior to the compilation of the draft Annual Audit Report 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.115.050 million.

Based on responses received after issue of draft AAR 2015 and actions taken, two observations amounting to Nu.95.755 million were resolved. The total unresolved significant irregularities amounted to Nu.19.295 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Violations of laws and rules	19.295	4
2	Shortfalls, Lapses and Deficiencies	-	5
Total		19.295	

1. Violation of Laws and Rules - Nu.19.295 million

There were cases of violation of laws and rules involving Nu.19.295 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
1.1	Inconsistencies in the MoU signed	-
1.2	Purchase made without inviting quotation	18.711
1.3	Payment without supporting documents	0.584
Total		19.295

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

1.1. Inconsistencies in the MoU signed

The Bhutan Board Products Limited, Phuentsholing had inconsistencies in the Memorandum of Understanding signed with M/s Assam Petro-Chemical Limited. Clause 3 of Article 03 contradicts with Clause 1 of Article 14 for the supply of formaldehyde. The supplier was paid on the rate billed as per the revision in the market from time to time. (AIN: 13220; Para: 3; Accountabilities: Direct:

Tobgay, Manager (Purchase), CID No.11704001696; Supervisory: Sonam Wangchuk, General Manager, CID No. 11410001377)

1.2. Purchase made without inviting quotation - Nu.18.711million

The Bhutan Board Products Limited, Phuentsholing had directly procured ‘Decorative Papers’ and ‘Melamine’ worth Nu.18.711 million without inviting quotations, thereby forgoing the benefits of competitive market rates. *(AIN: 13220; Para: 4; Accountabilities: Direct: Tobgay, Manager (Purchase), CID No. 11704001696; Supervisory: Sonam Wangchuk, General Manager, CID No. 11410001377)*

1.3. Payment without supporting documents- Nu.0.584 million

The Bhutan Board Products Limited, Phuentsholing had made payments amounting to Nu.0.584 million on account of transport insurance for goods without any supporting documents such as policy document, name of insurance company, value of goods insured etc. *(AIN: 13220; Para: 5; Accountabilities: Direct: Nagendra Sharma, Sr. Manager (Mktg.), CID No.11201002801; Supervisory: Dawa Gyeltshen, Dy. General Manager (Mktg.) CID No.11506003591)*

2. Shortfalls, Lapses and Deficiencies

There were cases of Shortfalls, Lapses and Deficiencies as summarized below:

Sl. No.	Observation in brief	Nu.in million
2.1	Risk to long term sustainability due to potential shortage of raw material	-
2.2	Unidentified differences in quantity of Urea purchased, received and issued at Darla factory	-
Total		-

The cases of Shortfalls, Lapses and Deficiencies are as indicated below:

2.1. Risk to long term sustainability due to potential shortage of raw materials

The Bhutan Board Product Limited, Phuentsholing over four years from 2011 to 2014 has been procuring raw materials (lops & tops) from the private registered land/community forest at huge costs of Nu.157.440 million due to lack of timber available for extraction from the allotted leased areas. *(AIN: 13220; Para: 2; Accountabilities; Direct: Kunzang Thinley, Company Secretary, CID No.10203005464; Supervisory: Sangay Wangdi, Managing Director, CID No.10503000366)*

2.2. Unidentified differences in quantity of Urea purchased, received and issued at Darla factory

The Bhutan Board Products Limited, Phuentsholing had differences in quantity of Urea purchased, received and issued at the Darla factory. *(AIN: 13220; Para: 6; Accountabilities; Direct: Tobgay, Manager (Purchase), CID No.11704001696; Supervisory: Sonam Wangchuk, General Manager, CID No. 11410001377)*

4.5.4. Natural Resources Development Corporation Limited

During the period, the Royal Audit Authority had issued eight audit reports of the Natural Resources Development Corporation Limited. There were 20 observations pointed out in the report, out of which eight observations were resolved prior to the compilation of the draft Annual Audit Report 2015. The total unresolved significant observations reflected in the AAR 2015 amounted to Nu.2.329 million.

Based on responses received after issue of draft AAR 2015 and actions taken by the agency, six observations amounting to Nu.0.596 million were resolved. The total unresolved significant irregularities amounted to Nu.1.733 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Fraud, Corruption and Embezzlement	1.076	1&2
2	Violation of Laws and Rules	0.237	4
3	Shortfalls, Lapses and Deficiencies	0.420	5
Total		1.733	

1. Fraud, Corruption and Embezzlement- Nu.1.076 million

The case of possible elements of Fraud, corruption and embezzlement involving Nu.1.076 million is as indicated below:

1.1. Embezzlement of sales revenue - Nu.1.076 million

The Natural Resources Development Corporation Limited, Zhemgang upon revenue audit of Unit had detected misappropriation of sales revenue amounting to Nu.2.028 million by the then Unit Manager. RAA during the normal audit, had confirmed the detection and noted further misappropriation of sales revenue of Nu.0.372 million by the incumbent Unit Manager. NRDC management forwarded the case to Dungkhag Court Gelephu. The Dungkhag Court had issued verdict stating that then Unit Manager should refund entire amount with special consideration that NRDC should release his retirement benefits. A total of Nu.0.401million (including 24% penal interest) was recovered from the incumbent Unit Manager and Nu.1.064 million from the former Unit Manager. *(AIN: 13104; Para: 1; Accountabilities: Direct: Damcho Wangdi, former Unit Manager, EID No. FDCL /1260298, Supervisory: Kinley, Regional Manager, EID No. NRDC/4730812, Yeshi Tshogay, AFO, EID No. NRDC/3510710)*

2. Violation of Laws and Rules- Nu.0.237 million

The cases of Violation of Laws and Rules involving Nu.0.237 million are summarized as follows:

Sl. No.	Observation in brief	Nu.in million
2.1	Non- termination of the Contract after stoppage of work	-
2.2	Non- levy of liquidated damages	0.110
2.3	Non-levy of employer's 20% additional cost on unexecuted works	0.127
2.4	Non-renewal of bank Guarantee	-
Total		0.237

The cases of Violation of Laws and Rules are as indicated below:

2.1. Non- termination of the Contract after stoppage of works

The Natural Resources Development Corporation Limited, Samdrupjongkhar had not terminated the contract with M/s Druk Sharchok Construction, Thimphu even after substantial delay, lack of work progress and subsequent abandonment of site by the contractor in the construction of Office cum staff quarter at Golanti, Jomotshangkha at a quoted cost of Nu.1.700 million. *(AIN:13058; Para:1.2; Accountabilities; Direct: Nawang Denden, Regional Manager, CID No. 10802000718, Supervisory: Nawang Denden, Regional Manager, CID No. 10802000718)*

2.2. Non- levy of liquidated damages - Nu.0.110 million

The Natural Resources Development Corporation Limited, Samdrupjongkhar had not deducted the Liquidated damages amounting to Nu.0.110 million from the contractor for delay of works by more than the 300 days in the construction of Office cum staff quarter at Golanti, Jomotshangkha. *(AIN:13058; Para:1.3; Accountabilities: Direct: Nawang Denden, Regional Manager, CID No. 10802000718, Supervisory Accountability: Nawang Denden, Regional Manager, CID No. 10802000718)*

2.3. Non-levy of employer's 20% additional cost on unexecuted works - Nu.0.127 million

The Natural Resources Development Corporation Limited, Samdrupjongkhar had not levied employer's 20% additional cost on balance unexecuted works amounting to Nu.0.127 million upon termination of the contract in the construction of Office cum staff quarter at Golanti, Jomotshangkha. *(AIN:13058; Para:1.4; Accountabilities: Direct: Nawang Denden, Regional Manager, CID No. 10802000718; Supervisory: Nawang Denden, Regional Manager, CID No. 10802000718)*

2.4. Non-renewal of bank Guarantee

The Natural Resources Development Corporation Limited, Samdrupjongkhar had not obtained the renewed Bank Guarantee of Nu.0.170 million from the contractor for the construction of Office cum staff quarter at Golanti, Jomotshangkha. *(AIN:13058; Para:1.5; Accountabilities; Direct: Lobzang Thinley, Asstt. Finance Manager, CID No. 102050005317, Supervisory: M. D Tamang, Regional Manager, CID No. 11301000002.)*

3. Shortfalls, Lapses and Deficiencies- Nu.0.420 million

The case of shortfalls, lapses and deficiencies involving Nu.0.420 million is as indicated below:

3.1. Payment made without actual execution of works - Nu.0.420 million

The Natural Resources Development Corporation Limited, Samdrupjongkhar had made excess payment of Nu.0.420 million to contractor for works not executed in the construction of Office cum staff quarter at Golanti, Jomotshangkha. *(AIN:13058, Para:1.1; Accountabilities; Direct: Lobzang Thinley, Asstt. Finance Manager, CID No. 102050005317, Supervisory: M. D Tamang, Regional Manager, CID No. 11301000002.)*

4.5.5. Army Welfare Project

During the period, the Royal Audit Authority had issued five audit reports of the Army Welfare Project. There were four observations pointed out in the reports involving Nu.1.453 million, out of which none of the observations were resolved prior to the compilation of the draft Annual Audit Report 2015.

The total unresolved significant irregularities reflected in the AAR 2015 amounted to Nu.1.453 million are as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, Lapses and Deficiencies	1.453	5
	Total	1.453	

1. Shortfalls, Lapses and Deficiencies – Nu.1.453 million

There were cases of Shortfalls, Lapses and Deficiencies involving Nu.1.453 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
1.1	Pending supply receivable against Import Permits for grape wine	-
1.2	Excess/Shortage of Liquor Stock	1.453
	Total	1.453

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

1.1 Pending supply receivable against Import Permits for grape wine

The Army Welfare Project, Head Office, Phuentsholing had instances of incomplete deliveries and deliveries not made for quantities ordered against eight out of the 31 Import Permits issued for 2013 & 2014 and placed to the supplier, the quantities ordered were neither found utilized nor status explained by the management. There were discrepancies in the data maintained with the Accounts Section and the Production Section which showed eight import permits as pending. (AIN: 13134; Para: 1; Accountabilities: Direct: Lekden Tshering, DGM, Samtse Distillery, CID No.1803199302; Supervisory: Kencho Tenzin, General Manager, Samtse Distillery, EID No.9612003)

1.2. Excess/Shortage of Liquor Stock - Nu.1.453 million

- a) The Army Welfare Project, Bonded Ware-House, Phuentsholing had shortage/excess of liquor in stock from the sample selected for reconciliation. (AIN: 13135; Para: 1; Accountabilities: Direct: Loday Phuntsho, BWH In-charge, EID No.0102201135; Supervisory: Thinlay Norbu, Asstt. Manager (Marketing), EID No.1302201407)
- b) The Army Welfare Project, Distillery and Bonded Ware-House, Samtse had shortage of liquor in stock from the sample selected for reconciliation worth Nu.1.453 million. (AIN: 13136; Para: 1; Accountabilities: Direct: Til Bahadur Basnet, EID No. 0109201202; Lobzang, EID No. 0110200911; Supervisory: Thinley Norbu, Asstt. Manager (M), Head Office, EID No. 1302201407)

- c) The Army Welfare Project, Distillery and Bonded Ware-House, Samtse had excess of liquor in stock from the sample selected for reconciliation due to totaling error. (AIN: 13136; Para: 2; Accountabilities: Direct: Til Bahadur Basnet, EID No. 0109201202; Lobzang, EID No. 0110200911; Supervisory: Thinley Norbu, Asstt. Manager (M), Head Office, EID No. 1302201407)

4.5.6. Penden Cement Authority Limited

During the period, the Royal Audit Authority had issued two audit reports of the Penden Cement Authority Limited. There were six observations pointed out in the reports, out of which none of the observations were resolved prior to the compilation of the draft Annual Audit Report 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.2.847 million.

Based on responses received after issue of draft AAR 2015 and actions taken by the agency, three observations amounting to Nu.1.753 million were resolved. The total unresolved significant irregularities amounted to Nu.1.094 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, Lapses and Deficiencies	1.094	5
	Total	1.094	

1. Shortfalls, Lapses and Deficiencies- Nu.1.094 million

The case of shortfalls, lapses and deficiencies involving Nu.1.094 million is as indicated below:

1.1. Non-liquidation of advance payment - Nu.1.094 million

The Penden Cement Authority Limited had overdue outstanding of Nu.1.094 million from M/s JUD Cements Limited since the year 2010 on account of advance payment for supply of clinker. (AIN: 12697; Para: 1; Accountabilities; Direct: Mr.T.B. Gurung, GM (Purchase), EID No. 00006, CID No. 11201001626, Supervisory: Mr. Tashi Tshering, EID No. 00576, CID No. 11502000643)

4.5.7. Construction Development Corporation Limited

During the period, the Royal Audit Authority had issued two audit reports of the Construction Development Corporation Limited. There were four observations pointed out in the report, out of which one observation was resolved prior to the compilation of the draft Annual Audit Report 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.1.150 million.

Based on responses received after issue of draft AAR 2015 and actions taken by the agency, observations amounting to Nu.0.309 million were resolved.

The total unresolved significant irregularities amounted to Nu.0.841 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.841	5
Total		0.841	

1. Shortfalls, Lapses and Deficiencies - Nu.0.841 Million

The case of shortfalls, lapses and deficiencies involving Nu.0.841 million is as indicated below:

1.1. Parties with credit outstanding balances - Nu.0.841 million

The Construction Development Corporation Limited, Thimphu had outstanding credit balances to various parties amounting to Nu.0.994 million some of which dated back to the year 2010. As of date the CDCL reported of having cleared Nu.0.153 million, leaving a balance of Nu.0.841 million. *(AIN: 13109; Para: 3; Accountabilities; Direct: Premika Kumari Tamang (AFM), Western Operation; CID No.11804000266 Yeshe Dorji (AFM), Central Operation; CID No.11902001742 Karma Tshering (AFM), Eastern Operation; CID No.10205004395 Tshering Choden, Head Quarter; CID No.11312002472, Supervisory: Tshewang Phuntsho (RGM), Western Operation; CID No.11502001571 Bharat Darjee (RGM), Central Operation; CID No.11301000609 Karma Lotey (RGM), Eastern Operation; CID No.10705001621 Pranay Kumar Das (GM), Head Quarter; CID No.1826301414003)*

4.5.8. Drukair Corporation Limited

During the period, the Royal Audit Authority had issued seven audit reports of the Drukair Corporation Limited. There were 19 observations pointed out in the reports involving Nu.15.395 million, out of which observations amounting to Nu.14.965 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015.

The total unresolved significant irregularities reflected in the AAR 2015 amounted to Nu.0.430 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Mismanagement	0.228	3
2	Shortfalls, Lapses and Deficiencies	0.202	5
Total		0.430	

1. Mismanagement - Nu.0.228 million

The cases of Mismanagements involving Nu.0.228 million are summarized as follows:

Sl. No.	Observation in brief	Nu.in million
1.1	Refund and recoverable airfare	0.046
1.2	Excess payment of landing and parking fees THB 99,091.00	0.182
Total		0.228

The cases of Mismanagements are as indicated below:

1.1. Refund and recoverable airfare - Nu.0.046 million

The Drukair Corporation Limited, Paro had made excess refund of Nu.0.046 million to a Tour Operator. This had occurred mainly due to manual calculation of number of days from the date of travel and the cancellation date. *(AIN: 13059; Para: 5; Direct Accountability: Yangchen, Traffic Assistant, CID No.11214000997, Supervisory Accountability: UgenTashi, Station Manager, CID No. 11410008450)*

1.1. Excess payment of landing and parking fees - Nu.0.182 million

The Drukair Station Office, Bangkok had made excess payment amounting to Nu.0.182 million² (THB 99,091.00) to Airports of Thailand Public Company on account of landing and parking fees. This had happened due to lack of cross-verification of the accuracy of actual take-off weight indicated in the load sheet and message. *(AIN: 13014; Para: 2; Accountabilities; Direct: Mr.Tenzin Chopel, Accounts Officer CID No. 10606002002; Supervisory: Mr. Ogyen P Dorji, Country Manager, CID no. 11512005001)*

2. Shortfalls, Lapses and Deficiencies - Nu.0.202 million

The case of shortfalls, lapses and deficiencies involving Nu.0.202 million is as indicated below:

1.2. Excess payment to Bhadra International (India) Ltd. - Nu.0.202 million

The Station Office, Kolkatta had made excess payment to Bhadra International (India) Ltd of Nu.0.202 million, in contravention to the terms of contract. The excess payment made was mainly through inconsistent application of rates for Ground Power Unit (GPU), which was fixed at USD 100 per hour. *(AIN: 13038; Para: 2; Accountabilities; Direct: K Mukherji, station manager, EMP R1262, Supervisory: Tshering Penjore, General Manager-Ground Operations Division, CID No.11401000970)*

4.5.9. Bhutan Postal Corporation Limited

During the period, the Royal Audit Authority had issued seven audit reports of the Bhutan Postal Corporation Limited. There were six observations pointed out in the reports involving Nu.0.906 million, out of which observations amounting to Nu.0.403 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.0.503 million.

Based on action taken after issue of draft AAR 2015, one observation amounting to Nu.0.150 million was resolved. The total unresolved significant irregularities amounted to Nu.0.353 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Fraud, Corruption and Embezzlement	0.353	1&2
2	Violations of Laws and Rules	-	4

² Exchange rate for TBH taken as on 31st December 2015 (THB 1 = Nu.1.84)

	Total	0.353	
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1. Fraud, Corruption and Embezzlement-Nu.0.353 million

The case of possible elements of Fraud, corruption and embezzlement involving Nu.0.353 million is as indicated below:

1.1. Misuse of Cash in Bhutan Post Office, Trashigang - Nu.0.353 million

Bhutan Postal Corporation Limited, Trashigang, had a case of misuse of cash amounting to Nu.0.723 million initially detected by the internal auditors. The RAA further reviewed the case and confirmed the findings of the internal audit. The amount was misused by the then Postmaster. Bhutan Posts, Samdrupjongkhar, terminated the incumbent without benefits and forwarded the case to the Royal Court of Justice, Trashigang. As per the court verdict, Bhutan Post had recovered Nu.0.370 million out of Nu.0.723 million. *(AIN: 13122; Para 1; Direct Accountability: Sonam Rinchen, former Postmaster, CID No. 11505000649, Supervisory Accountability: Lingay Dubjur, Regional Head, CID No. 10906002554)*

2. Violation of Laws and Rules

The case of Violation of Laws and Rules is as indicated below:

2.1. Huge retention of Cash balances under Fax Money order and Western Union and associated risks

The Bhutan Postal Corporation Limited, Samdrupjongkhar kept huge cash under sub-heads *Imprest Money, Fax Money Order, Western Union*, as revolving funds to facilitate speedier payments to the customers. The cash was retained by respective dealing officials and sometimes carried home for safety purpose, which was susceptible to a host of vulnerabilities. *(AIN: 13122; Para:3; Accountabilities; Direct: Dawa Norbu, Regional Head, CID No. 10901000632, Supervisory: Dawa Norbu, Regional Head, CID No. 10901000632)*

4.5.10. Bhutan Agro Industries Limited

During the period, the Royal Audit Authority had issued one audit report of the Bhutan Agro Industries Limited. There were two observations pointed out in the reports involving Nu.0.198 million, out of which one observation amounting to Nu.0.045 million was resolved prior to the compilation of the draft Annual Audit Report 2015.

The unresolved significant irregularity reflected in the AAR 2015 amounted to Nu.0.153 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.153	5
	Total	0.153	

1. Shortfalls, Lapses and Deficiencies - 0.153 million

The case of shortfalls, lapses and deficiencies involving Nu.0.153 million is as indicated below:

1.1 Inadmissible payment of Corporate Specific Allowance - Nu.0.153 million

The Bhutan Agro Industries Limited had made inadmissible payment of 20% Corporate Specific Allowance (CSA) amounting to Nu.0.153 million to employees on study leave. *(AIN: 12985; Para: 1; Accountabilities: Direct: Kinley Tenzin, Accountant, CID No.11401000047; Supervisory: Tashi Wangdi, Dy.General Manager, CID No.11503001126)*

4.5.11. State Trading Corporation of Bhutan Limited

During the period, the Royal Audit Authority had issued two audit reports of the State Trading Corporation of Bhutan Limited and its regional offices. There were 12 observations pointed out in the reports involving Nu.150.888 million, out of which observations amounting to Nu.1.344 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.149.544 million.

Based on responses received after issue of draft AAR 2015 and actions taken by the agency, six observations amounting to Nu.149.394 million were resolved. The total unresolved significant irregularity amounted to Nu.0.150 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.150	5
	Total	0.150	

1. Shortfalls, Lapses and Deficiencies - Nu.0.150 million

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

1.1 Interest recoverable from retailers - Nu.0.150 million

The State Trading Corporation of Bhutan Limited, Thimphu had penal interest @ 24% amounting to Nu.0.150 million recoverable from the retailers due to failure to enforce the penalty clause of the contract. *(AIN: 13260; Para: 5.2; Accountabilities: Direct: Pema Wangchuk, Sales Executive, (CID No. 10607001254; Supervisory: Tashi Lhendup, Administrative Officer, (CID No. 10703002181)*

4.6. FINANCIAL INSTITUTIONS

4.6.1. Royal Insurance Corporation of Bhutan

During the period, the Royal Audit Authority had issued six audit reports of the Royal Insurance Corporation of Bhutan and its Branch offices. There were 35 observations pointed out in the reports involving Nu.20.472 million, out of which two observations were either resolved or were not material for inclusion in the draft Annual Audit Report 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.20.472 million.

Based on responses received after issue of draft AAR 2015 and actions taken by the agency, 20 observations involving Nu.0.437 million were resolved. The total unresolved significant irregularities amounted to Nu.20.035 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Fraud, Corruption & Embezzlement	-	1 & 2
2	Mismanagement	19.263	3
3	Violation of Laws and Rules	-	4
4	Shortfalls, lapses and deficiencies	0.772	5
Total		20.035	

1. Fraud, Corruption & Embezzlement

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

1.1. Huge delay in deposit of cash collection by the branch office to the CID Account maintained at BNBL and further misuse of cash

The Royal Insurance Corporation of Bhutan Limited, Branch Office, Paro had 86 cases of delay in depositing the daily collections to the BNBL account which ranged from 1 to 44 days excluding holidays. Such lapses indicated serious weakness in the cash management at the branch office which had ultimately resulted in huge siphoning of the company's cash by the branch office cashier. The case was forwarded to Anti-Corruption Commission. *(AIN: 13209; Para 4; Accountabilities: Direct: Rinchen Wangdi, Cashier, Head, IT Department, Corporate Office, CID No. 11102002524; Supervisory: Ugyen Wangdi, Branch Manager, Paro, CID No.11605002937)*

2. Mismanagement - Nu.19.263 million

There were cases of Mismanagements involving Nu.19.263 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
2.1	Illogical conversion of bond redemption fund as other investment into M/s Nubri Capital Private Limited and its revenue implication thereof	16.814
2.2	Irregular borrowing from M/s Nubri Capital Private Limited and its resultant avoidable interest implication thereof	2.449
Total		19.263

The cases of Mismanagements are as indicated below:

2.1. Illogical conversion of bond redemption fund as other investment into M/s Nubri Capital Private Limited and its revenue implication thereof – Nu.16.814 million

The Royal Insurance Corporation of Bhutan Limited, Corporate Office, Thimphu had invested Nu.100 million as bond redemption fund with M/s Nubri Capital Private Limited and later instead of cancelling the initial contract and revising the terms of investment as advised by the RMA, the Asset Liability Committee meeting held on 11th June, 2013 had discussed and considered as other investment. Had the Royal Insurance Corporation of Bhutan Limited cancelled the contract with M/s Nubri Capital Private Limited and invested the amount to loans and advances (Card loan bearing highest interest rate), it would have earned interest income of Nu.16.814 million. The case was forwarded to Anti-Corruption Commission. *(AIN: 13350; Para 3.2; Accountabilities: Direct: Kinzang Dorji, GM, Credit and Investment, CID No.11805002787, Karma Sonam, GM, Life insurance, CID No. 11908001068, Yeshe Jamtsho, GM, Finance and Accounts, CID No.10711001985, Sangay Wangdi, GM, General Insurance, CID No.11908001068, Pema Thinlay, Company Secretary, CID No.10202000720, Ugyen Tshewang, GM, Financial Securities Service, CID No.10702001725, Yeshe Dorji, Supervisor, Finance & Accounts, CID No.10701000589 & Kinlay Zangmo Dorji, Finance and Accounts, CID No.10701000589; Supervisory; Namgay Lhendup, CEO, CID No.1174000003 & Sonam Dorji, ED, CID No.10711001789)*

2.2. Irregular borrowing from M/s Nubri Capital Private Limited and its resultant avoidable interest implication thereof – Nu.2.449 million

The Royal Insurance Corporation of Bhutan Limited, Corporate Office, Thimphu had irregularly borrowed Nu.108 million from M/s Nubri Capital Private Limited on 8th February 2013 @ 11.75% interest p.a, immediately after three days, the RICBL had invested Nu.100 million in M/s Nubri Capital Private Limited on 5th February, 2013 @ 9% interest p.a, which resulted in avoidable interest expense of Nu.2.449 million. The RICBL had paid interest of 11.75% on its own money which was not in line with the investment policy of the company. The case was forwarded to Anti-Corruption Commission. *(AIN: 13350; Para 4.1; Accountabilities: Direct: Kinzang Dorji, GM, Credit and Investment, CID No.11805002787, Karma Sonam, GM, Life insurance, CID No. 11908001068, Yeshe Jamtsho, GM, Finance and Accounts, CID No.10711001985, Sangay Wangdi, GM, General Insurance, CID No.11908001068, Pema Thinlay, Company Secretary, CID No.10202000720, Ugyen Tshewang, GM, Financial Securities Service, CID No.10702001725, Yeshe Dorji, Supervisor, Finance & Accounts, CID No.10701000589 & Kinlay Zangmo Dorji, Finance and Accounts, CID No.10701000589; Supervisory; Namgay Lhendup, CEO, CID No.1174000003 & Sonam Dorji, ED, CID No.10711001789)*

3. Violations of laws and rules

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

Sl. No.	Observation in brief	Nu.in million
3.1	Non-production of contractual agreement	-
3.2	Non-compliance to the regulation for issue of corporate bond, 2012 for investment of bond redemption fund with M/s Nubri Capital	-

3.3	Non-compliance to Article IV and IX of the General Insurance Scheme Guidelines	-
3.4	Lack of clear policy/instructions on maintaining documents	-
3.5	Lack of control system in safeguarding the documents from miscreant	-
3.6	Non-compliance to Prudential Rules & Regulations and Corporate Governance Regulations on restrictions on directors of affiliated financial institutions	-
Total		-

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

3.1. Non-production of contractual agreement

The Royal Insurance Corporation of Bhutan Limited, Corporate Office, Thimphu did not furnish contractual agreement to the audit team pertaining to the funds borrowed from M/s Nubri Capital Private Limited aggregating to Nu.11.309 million. In absence of legal document, the authenticity and legality of the interest rates charged, terms of borrowing could not be ascertained. The case was forwarded to the Anti-Corruption Commission. *(AIN: 13350; Para 4.2; Accountabilities: Direct: Pema Thinlay, Company secretary, CID No.10202000720, Yeshe Dorji, Supervisor, Finance & Accounts, CID No.10701000589 & Kinley Zangmo Dorji, Finance & Accounts, CID No.11410003005; Supervisory: Yeshe Jamtsho, GM, Finance and Accounts, CID No.10711001985)*

3.2. Non-compliance to the regulation for issue of corporate bond, 2012 for investment of bond redemption fund with M/s Nubri Capital

The Royal Insurance Corporation of Bhutan Limited, Corporate Office, Thimphu had invested Nu.100 million as bond redemption fund with M/s Nubri Capital Private Limited in violation of Article III, Section 14.A (Redemption Fund) of the company Registration Division's Regulations for issue of Corporate Bond, 2012 and Sub Section B and sub section 7 (iii) of the regulations for fund management company, 2011. The case was forwarded to the Anti-Corruption Commission. *(AIN: 13350; Para 3.1; Accountabilities: Direct: Kinzang Dorji, GM, Credit and Investment, CID No.11805002787, Karma Sonam, GM, Life insurance, CID No. 11908001068, Yeshe Jamtsho, GM, Finance and Accounts, CID No.10711001985, Sangay Wangdi, GM, General Insurance, CID No.11908001068, Pema Thinlay, Company Secretary, CID No.10202000720, Ugyen Tshewang, GM, Financial Securities Service, CID No.10702001725, Yeshe Dorji, Supervisor, Finance & Accounts, CID No.10701000589 & Kinley Zangmo Dorji, Finance and Accounts, CID No.10701000589; Supervisory: Namgay Lhendup, CEO, CID No.1174000003 & Sonam Dorji, ED, CID No.10711001789)*

3.3. Non-compliance to Article IV and IX of the General Insurance Scheme Guideline

- a) The Royal Insurance Corporation of Bhutan Limited, Branch Office, Paro had neither demanded Form 1 for creation of GIS account number from the respective agencies nor submitted by the concerned agencies in line with the Article IV and IX of the General Insurance Scheme Guideline. Such lapses could result in creation of multiple dummy GIS account for each beneficiary, which would increase the risk of fraud and misuse of account by dealing officials in future. *(AIN: 13209; Para 2; Accountabilities: Direct: Kezang*

Wangmo, Dy. Manager, FSSR, Corporate Office, CID No. 10711002032; Supervisory: Ugyen Tshewang, General Manager, FSSR, Corporate Office, CID No.10702001725)

- b) The Royal Insurance Corporation of Bhutan Limited, Corporate Office, Thimphu had neither demanded Form 1 for creation of GIS account number from the respective agencies nor submitted by the concerned agencies in line with the Article IV and IX of the General Insurance Scheme Guideline. Such lapses had resulted in creation of multiple dummy GIS account for a single person, which would increase the risk of fraud and misuse of account by the insiders in future. *(AIN: 13350; Para 6.1; Accountabilities: Direct: Kinley Buthi, Sr. Asst. I, CID No. 10803000500, Kuenzang Choden, Supervisor, CID No.11701002812, Tendel Wangchuk, Supervisor, CID No.10907000825, Jigme Zangpo, Supervisor, CID No.10907000825 & Thinley Namgay, Sr. Asst. I, CID No.11704000132; Supervisory: Ugyen Tshewang, GM, CID No.10702001725)*

3.4. Lack of clear policy/instructions on maintaining documents

The Royal Insurance Corporation of Bhutan Limited, Corporate Office, Thimphu has no clear policy or instructions on retention of documents in line with clause 93 of the Financial Service Act, 2011. As such, the concerned record officer maintains the documents at their wisdom and knowledge without any professional standards put in place. *(AIN: 13350; Para 1.2; Accountabilities: Direct: Kinzang Dorji, GM, Credit and Investment, CID No.11805002787, Karma Sonam, GM, Life insurance, CID No. 11908001068, Ugyen Tshewang, GM, Financial Securities Service, CID No.10702001725, Tshewang Jigme, DGM, CID No.10709003104 & Sonam Zangpo, Adm. Officer, Corporate Office; Supervisory; Namgay Lhendup, CEO, CID No.1174000003 & Sonam Dorji, ED, CID No.10711001789)*

3.5. Lack of control system in safeguarding the documents from miscreants

The Royal Insurance Corporation of Bhutan Limited, Corporate Office, Thimphu has no proper control system in place to safeguard key documents from theft, destruction by insects, fire, etc. *(AIN: 13350; Para 1.4; Accountabilities: Direct: Sonam Zangpo, Adm. Officer, Corporate Office, Sarika Kafly, Corporate Office, CID No.11204000028 & Kinzang Jigme, Corporate Office, CID No.11109000437; Supervisory; Tshewang Jigme, DGM, CID No.10709003104)*

3.6. Non-compliance to Prudential Rules & Regulations and Corporate Governance Regulations on restrictions on directors of affiliated financial institutions

The Royal Insurance Corporation of Bhutan Limited, Corporate Office, Thimphu had appointed an employee of the National Pension and Provident Fund as the board member of the RICBL in deviation to clause 6.1 of the Corporate Governance Rules & Regulations, 2011 and RMA Prudential Rules and Regulations 2002. *(AIN: 13350; Para 2; Accountabilities: Direct: Phub Dorji, Legal Head, Corporate Office, CID No.10802000041, Pema Thinlay, Asstt. Manager, Finance & Accounts & Kinlay Zangmo Dorji, Finance & Accounts, CID No.11410003005; Supervisory; Namgay Lhendup, CEO, CID No.1174000003, Sonam Dorji, ED, CID No.10711001789 & Yeshe Jamtsho, GM, Finance & Accounts, CID No.10711001985)*

4. Shortfalls, Lapses and Deficiencies – Nu.0.772 million

There were cases of Shortfalls, lapses and deficiencies involving Nu.0.772 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
4.1	Unrealistic indication of negative overdue amount in loan record	-
4.2	Need to review the current loan ledger statement depicting excess amount paid under overdue amount with negative figures	-
4.3	Non-deduction of 5% TDS	0.772
Total		0.772

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

4.1. Unrealistic indication of negative overdue amount in loan record

The Royal Insurance Corporation of Bhutan Limited, Regional Office, Phuentsholing had a huge discrepancy between the total loans outstanding in comparison to the total overdue amount. The total loan outstanding for 24 account holders aggregated to Nu.(-)0.005 million, whereas the total overdue amount was Nu.(-)2.625 million. *(AIN: 13096; Para 1.2; Accountabilities: Direct: Tshering Eden, Development Officer, Regional Office, Phuentsholing, CID No. 10204000737 & Yangden, DO, Regional Office, Phuentsholing, CID No.10404000535; Supervisory: Parsuram Tirwa, Head, Credit & Investment Department, Regional Office, Phuentsholing, CID No.11805000909)*

4.2. Need to review the current loan ledger statement depicting excess amount paid under overdue amount with negative figures

The Royal Insurance Corporation of Bhutan Limited, Regional Office, Phuentsholing had cases of excess deposit of EMI made by the clients, which were parked under overdue amount column either in positive or negative figures in deviation to the Clause 7.6.2 (ii) of the RMA Prudential Rules & Regulations. *(AIN: 13096; Para 1.3; Accountabilities: Direct: Tshering Eden, Development Officer, Regional Office, Phuentsholing, CID No. 10204000737 & Yangden, DO, Regional Office, Phuentsholing, CID No.10404000535; Supervisory: Parsuram Tirwa, Head, Credit & Investment Department, Regional Office, Phuentsholing, CID No.11805000909)*

4.3. Non-deduction of 5% TDS – Nu.0.772 million

The Royal Insurance Corporation of Bhutan Limited, Corporate Office, Thimphu had not deducted 5% TDS of Nu.0.772 million from various short term investments made with M/s Nubri Capital Private Limited. The case was forwarded to Anti-Corruption Commission. *(AIN: 13350; Para 4.3; Accountabilities: Direct: Pema Thinlay, Company secretary, CID No.10202000720, Yeshi Dorji, Supervisor, Finance & Accounts, CID No.10701000589 & Kinley Zangmo Dorji, Finance & Accounts, CID No.11410003005; Supervisory: Yeshi Jamtsho, GM, Finance and Accounts, CID No.10711001985)*

4.6.2. Bhutan Development Bank Limited

During the period, the Royal Audit Authority had issued 14 audit reports of the Bhutan Development Bank Limited and its Branch offices. There were 45 observations pointed out in the reports involving Nu.81.049 million, out of which 15 observations amounting to Nu.76.884 million

were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.4.165 million.

Based on responses received after issue of draft AAR 2015 and actions taken by the agency, 15 observations involving Nu.2.873 million were resolved. The total unresolved significant irregularities amounted to Nu.1.292 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, Lapses and Deficiencies	1.292	5
Total		1.292	

1. Shortfalls, lapses and deficiencies – Nu.1.292 million

There were cases of Shortfalls, Lapses and Deficiencies involving Nu.1.292 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
1.1	Non-informing of client on the status of dormant account	1.244
1.2	Non-maintenance of minimum balance in the active CD account	-
1.3	Excess payment of interest to the matured fixed deposit account holder	0.048
1.4	Lack of internal control system in safeguarding dormant account	-
Total		1.292

The cases of Shortfalls, Lapses and Deficiencies are as indicated below:

1.1. Non-informing of client on the status of dormant account – Nu.1.244 million

The Bhutan Development Bank Limited, Paro had not informed clients on the status of dormant account amounting to Nu.1.244 million in line with the BDBL's Banking Manual 2011. The amount was lying with the Branch office since 2010 and the saving balances ranged from Nu.500 to Nu.64,040.66. (AIN: 13042; Para 4; Accountabilities: Direct: Tshering Pelden, Branch Manager, CID No. 10810001550; Supervisory: Pema Choden, Officiating General Manager, CID No. 10709002218)

1.2. Non-maintenance of minimum balance in the active CD account

The Bhutan Development Bank Limited, Paro had 71 cases of active current account holders with zero or less than minimum account balance of Nu.1000 in contravention to BDBL's Banking Manual 2011. It was observed that despite zero balance in the account, 36 account holders were still categorized as active account. (AIN: 13042; Para 5; Accountabilities: Direct: Tshering Pelden, Branch Manager, CID No. 10810001550; Supervisory: Pema Choden, Offtg. General Manager, CID No. 10709002218)

1.3. Excess payment of interest to the matured fixed deposit account holder – Nu.0.048 million

The Bhutan Development Bank Limited, Haa had made excess payment of interest amounting to Nu.0.048 million to 82 matured fixed deposit account holders in deviation to office order No. BDBL/FD/Gen/2/2005/1678 dated 28/05/05. (AIN: 13152; Para 2; Accountabilities: Direct:

Sangay Jamtsho, Branch Assitant, CID No. 10104001893; Supervisory: Sangay Wangdi, Branch Manager, CID No. 11007001285)

1.4. Lack of internal control system in safeguarding dormant accounts

The Bhutan Development Bank Limited, Thimphu Dzongkhag has replaced dormancy policy with a system of imposing annual service fees on all saving accounts. As such, there is lack of internal control system in safeguarding the dormant accounts as any debit or credit transaction in the dormant accounts with huge amount would automatically reactivate the accounts, which is exposed to fraud and manipulation by the insiders through collusion. The list of dormant saving account balances ranged from zero to Nu.0.044 million. *(AIN: 13043; Para 1; Accountabilities: Direct: Phub Dorji, Branch Assitant, CID No. 11410000199; Supervisory: Pema Choden, Banking Head, CID No. 10709002218)*

4.6.3. Bhutan National Bank Limited

During the period, the Royal Audit Authority had issued three audit reports of the Bhutan National Bank Limited and its Branch offices. There were 38 observations pointed out in the reports involving Nu.2.811 million, out of which 11 observations amounting to Nu.0.757 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.2.054 million.

Based on responses received after issue of draft AAR 2015 and actions taken by the agency, 10 observations involving Nu.0.951 million were resolved. The total unresolved significant irregularities amounted to Nu.1.103 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	1.103	5
Total		1.103	

1. Violations of laws and rules

There were cases of Violations of laws and rules are as summarized below:

Sl. No.	Observation in brief	Nu.in million
1.1	Huge delay in transferring of the current and saving accounts to the dormant status	-
1.2	Non-compliance to minimum accounts balance in dormant current deposit account	-
1.3	Non-compliance to minimum accounts balance of Nu.1,000.00 in active current deposit account	-
1.4	Lack of precise definition of Dormant Account	-
1.5	Non-monitoring of Dormant Account	-
1.6	Non-compliance to RMA Prudential Rules and Regulations	-
Total		-

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

1.1. Huge delay in transferring of the current and saving accounts to the dormant status

The Bhutan National Bank Limited, Main Branch Office, Thimphu in deviation to the Clause 18.1 of the BNBL's Standard Operating Procedures had transferred 10 cases of current accounts and 47 cases of saving accounts to dormant account status after more than 1 year and 2 years respectively. *(AIN: 12807; Para 2.1; Accountabilities: Direct: Sonam Eden, Branch Operation In-charge, Main Branch Office, CID No. 11506006227; Supervisory: Shree P. Subedi, Branch manager, Main Branch Officer, CID No.21314000052)*

1.2. Non-compliance to minimum accounts balance in dormant current deposit account

The Bhutan National Bank Limited, Main Branch Office, Thimphu had 858 cases where the dormant current deposit account balances were either zero or less than Nu.1,000.00 in deviation to the Clause 4.2 sub section (i) of the BNBL's Standard Operating Procedures. *(AIN: 12807; Para 2.3; Accountabilities: Direct: Sonam Eden, Branch Operation Incharge, Main Branch Office, CID No. 11506006227; Supervisory: Shree P. Subedi, Branch manager, Main Branch Officer, CID No.21314000052)*

1.3. Non-compliance to minimum accounts balance of Nu.1,000.00 in active current deposit account

The Bhutan National Bank Limited, Main Branch Office, Thimphu had 181 cases where the active current deposit account balances were either zero or less than Nu.1,000.00 in deviation to the Clause 4.2 sub section (i) of the BNBL's Standard Operating Procedures. The control system of not allowing any transaction for the clients having balance of less than Nu.1,000.00 was not in operation. *(AIN: 12807; Para 2.5; Accountabilities: Direct: Sonam Eden, Branch Operation In-charge, Main Branch Office, CID No. 11506006227; Supervisory: Shree P. Subedi, Branch manager, Main Branch Officer, CID No.21314000052)*

1.4. Lack of precise definition of Dormant Account

The Bhutan National Bank Limited, Main Branch Office, Thimphu lacks precise definition for Dormant Account which is not in line with Clause 18.1 of the BNBL's Standard Operating Procedures. As such, there are possibilities for manipulation by the insiders through collusion, with activation of accounts by either debit or credit transactions. *(AIN: 13321; Para 2.1; Accountabilities: Direct: Karma Choki, Head Operations, CID No. 11911000281; Supervisory: Kesang Namgyel, COO, CID No.11513003836)*

1.5. Non-monitoring of Dormant Accounts

The Bhutan National Bank Limited, Main Branch Office, Thimphu had not informed the clients of 180 current deposit account holders and 3 saving account holders on the status of dormant account in deviation to the Clause 18.2 (d) of the BNBL Standard Operating Procedures. The dormant account holders had total amount of Nu.22.709 million including saving and current accounts. *(AIN: 13321; Para 2.2; Accountabilities: Direct: Karma Choki, Head Operations, CID No. 11911000281; Supervisory: Kesang Namgyel, COO, CID No.11513003836)*

1.6. Non-compliance to RMA Prudential Rules and Regulations

The Bhutan National Bank Limited, Main Branch Office, Thimphu had not complied with Clause 9.11.2 (iii.E) of the RMA Prudential Rules and Regulations in appropriation of loan repayment towards interest and principal payment. It is apparent that if the bank appropriates more interest from EMI, the bank would be gaining in terms of extra interest that could be charged in subsequent principal balance. Contrary, if bank appropriates more from principal balance then client would be gaining in terms of less interest payable in subsequent installment. (AIN: 13321; Para 4; Accountabilities: Direct: Mann Bdr. Rai, Head IT, CID No. 11203000104; Supervisory: Gyam A. D. Namgyal, CRO, CID No.10801001303)

2. Shortfalls, lapses and deficiencies – Nu.1.103 million

There were cases of Shortfalls, Lapses and Deficiencies involving Nu.1.103 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
2.1	Unrealistic indication of defaulted loans in system for closed accounts	0.154
2.2	Defaulted loans pending court registration	-
2.3	Huge differences in physical ATM cash on comparison to the ATM General Ledger balance	-
2.4	Excess payment for fixed deposit plus scheme opened for less than minimum deposit period of 3 years	0.949
	Total	1.103

The cases of Shortfalls, Lapses and Deficiencies are as indicated below:

2.1. Unrealistic indication of defaulted loans in system for closed accounts – Nu.0.154 million

The Bhutan National Bank Limited, Main Branch Office, Thimphu had indicated 31 cases of non-performing loans amounting to Nu.0.154 million in the system although the loans were actually closed by the respective clients. (AIN: 12807; Para 5; Accountabilities: Direct: Sangay Dorji, Branch Credit In-charge, Main Branch Office, CID No. 11401001623; Supervisory: Shree P. Subedi, Branch manager, Main Branch Officer, CID No.21314000052)

2.2. Defaulted loans pending court registration

The Bhutan National Bank Limited, Main Branch Office, Thimphu had 141 cases of defaulted loans amounting to Nu.473.054 million since 2002, pending court registrations. The defaulted loans ranged from 564 days to term expired with a total overdue amount of Nu.36.261 million against the sanctioned amount of Nu.67.071 million. (AIN: 12807; Para 7; Accountabilities: Direct: Sangay Dorji, Branch Credit Incharge, Main Branch Office, CID No. 11401001623; Supervisory: Shree P. Subedi, Branch manager, Main Branch Officer, CID No.21314000052)

2.3. Huge differences in physical ATM cash on comparison to the ATM General Ledger balance

During the onsite inspection of nine ATMs under Bhutan National Bank Limited, Main Branch

Office, Thimphu, a huge difference of Nu.481.458 million were observed between the ATM cash balance and the ATM general ledger. As per rule of thumb, the ATM cash balance plus the amount dispensed should be equal to the ATM General Ledger balance generated by the system. (AIN: 13321; Para 5; Accountabilities: Direct: Tenzin Gyeltshen, Head, Card Department, CID No. 11410008172; Supervisory: Kesang Namgyel, Chief Operation Officer, CID No.11513003836)

2.4. Excess payment for fixed deposit plus scheme opened for less than minimum deposit period of 3 years – Nu.0.949 million

The Bhutan National Bank Limited, Main Branch Office, Thimphu had accepted 'Fixed Deposit Plus' scheme for less than the prescribed minimum deposit period of 3 years which resulted in excess payment of interest amounting to Nu.0.949 million. (AIN: 13321; Para 3; Accountabilities: Direct: Karma Choki, Head Operations, CID No. 11911000281; Supervisory: Kesang Namgyel, COO, CID No.11513003836)

4.6.5. Bank of Bhutan Limited

During the period, the Royal Audit Authority had issued seven audit reports of the Bank of Bhutan Limited and its Branch offices. There were 42 observations pointed out in the reports involving Nu.35.298 million, out of which 22 observations amounting to Nu.27.596 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the draft AAR 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.7.702 million.

Based on responses received after issue of draft AAR 2015 and actions taken by the agency, 11 observations involving Nu.7.572 million were resolved. The total unresolved significant irregularities amounted to Nu.0.130 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.130	5
	Total	0.130	

1. Shortfalls, Lapses and Deficiencies – Nu.0.130 million

There were cases of Shortfalls, Lapses and Deficiencies involving Nu.0.130 million as summarized below:

Sl. No.	Observation in brief	Nu.in million
1.1	Overdrawing from active and dormant saving account leading to negative balance	0.130
1.2	Positive principal balance but with negative interest outstanding for loan sanctioned	-
	Total	0.130

The cases of Shortfalls, Lapses and Deficiencies are as indicated below:

1.1. Overdrawing from active and dormant saving account leading to negative balance – Nu.0.130 million

Review of the saving account maintained by the Bank of Bhutan Limited, Main Branch Office, Phuentsholing for the period 2010 to 2013 revealed that five saving account holders had withdrawn Nu.0.130 million from active and dormant accounts despite not having enough balances in their respective accounts. Such cases clearly indicated inherent weakness in the IT control systems, which if not corrected would result into huge drainage of resources. (AIN: 12870; Para 4; Accountabilities: Direct: A. Vijaya Kumar, Head, CBS, Corporate Office, EID No. G150301; Supervisory: Norbu Lhamo, Customer In-charge, Main Branch Office, CID No. 10806001634)

1.2. Positive principal balance but with negative interest outstanding for loan sanctioned

On sample review of the status of loans as of 30th November 2014, the Bank of Bhutan Limited, Main Branch Office, Phuentsholing had 76 cases of loans with positive outstanding principal but with negative outstanding interest of Nu.0.059 million. It appears that the bank was liable to pay interest to those clients, instead of earning interest from such loans. (AIN: 12870; Para 6; Accountabilities: Direct: A. Vijaya Kumar, Head, CBS, Corporate Office, EID No. G150301; Supervisory: Dorji Wangchuk, Manager Loans, Main Branch Office, CID No. 11807000764)

4.6.5. National Pension & Provident Fund

During the period, the Royal Audit Authority had issued three audit reports of the National Pension & Provident Fund and its Branch offices. There were six observations pointed out in the reports involving Nu.0.107 million, out of which no observation was resolved prior to the compilation of the draft Annual Audit Report 2015. The total unresolved significant observations reflected in the draft AAR 2015 amounted to Nu.0.107 million.

Based on responses received after issue of draft AAR 2015 and actions taken by the agency, two observations involving Nu.0.107 million were resolved. The total unresolved significant irregularities are as summarized below:

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

1. Violations of laws and rules

There were cases of Violations of laws and rules are as summarized below:

Sl. No.	Observation in brief	Nu.in million
1.1	Sublet of residential flats	-
1.2	Non-invitation of open tender for shops and canteen	-
	Total	-

The cases of Violations of laws and rules are as indicated below;

1.1. Sublet of residential flats

The National Pension & Provident Fund, Phuentsholing had 12 cases of sublet/sub-lease of residential flats by the tenants without the notice of the NPPF office. *(AIN: 13243; Para 4; Accountabilities: Direct: Norbu Gyeltshen, Programme Assistant, EID No. 19960234 & Jigme Yeshi, Regional Operation Officer, EID No.201503157; Supervisory: Chencho, Regional head, EID No.20091097)*

1.2. Non-invitation of open tender for shops and canteen

The National Pension & Provident Fund, Phuentsholing had not invited open tender for shops, canteen and convenience store and were directly awarded to four individuals at lump sum rate in deviation to Clause Nos. 7 & 10 of the NPPF Housing Rules and Regulations 2013. *(AIN: 13243; Para 1; Accountabilities: Direct: Norbu Gyeltshen, Programme Assistant, EID No. 19960234 & Jigme Yeshi, Regional Operation Officer, EID No.201503157; Supervisory: Chencho, Regional head, EID No.20091097)*

4.7 POLITICAL PARTIES

4.7.1 Druk Phuensum Tshogpa

During the period, the Royal Audit Authority had issued one audit report of the Druk Phuensum Tshogpa. There were two observations pointed out in the report involving Nu.0.446 million, out of which both observations were partially resolved prior to the compilation of the draft Annual Audit Report 2015.

The total unresolved significant observations reflected in the AAR 2015 amounted to Nu.0.215 million as summarized below:

Sl. No.	Observation Category	Nu.in million	Category Code
1	Shortfalls, Lapses and Deficiencies	0.215	5
	Total	0.215	

2. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies involving Nu.0.215 million as indicated below:

1.1 Outstanding Advances - Nu.0.041 million

The Druk Phuensum Tshogpa had overdue outstanding advances amounting to Nu.0.041 million against several party workers and party candidates given during the Second Parliamentary Election held in 2013. *(AIN: 13106; Para: (a); Accountabilities: Direct: Sonam Dorji, CID No. 11009001124; Sacha, CID No. 10101002667; Damchey, CID No. 11009000892; Supervisory: Ugen Dorji, General Secretary, CID No. 11102007061)*

1.2 Receivables - Nu.0.174 million

The Druk Phuensum Tshogpa had outstanding receivables amounting to Nu.0.174 million on account of contributions to the party by candidates, some of which had not been deposited by candidates although committed. Also, due to lack of funds some candidates had agreed to bear some portion of the expenses payable by the party but failed to pay as agreed. *(AIN: 13106; Para: (b); Accountabilities: Direct: Chencho Dorji, CID No. 10206000420; Gyem Dorji, CID No. 11914002098; Kelzang Wangdi, CID No. 11605000217; Supervisory: Ugen Dorji, General Secretary, CID No. 11102007061)*

CHAPTER 5

AUDIT REPORT ON AUDIT OF HYDROPOWER PROJECTS

The RAA had undertaken three audits of Hydro Power Projects of Mangdechhu Hydroelectric Project Authority, Punatshangchhu-I Hydroelectric Project Authority and Punatshangchhu-II Hydroelectric Project Authority during the year 2015 as per the Standard Operating Procedures signed between the Royal Audit Authority (RAA), Bhutan and the Comptroller and Auditor General of India (C&AG) and the Projects Agreement signed between the Royal Government of Bhutan (RGoB) and the Government of India (GoI).

The Annual Audit Report 2015 includes only the audit observations issued by the Royal Audit Authority as the audit observations issued by the Director General of Audit, Central, Kolkata, C&AG is being followed-up separately by them.

5.1.1 Mangdechhu Hydroelectric Project Authority

During the period, the Royal Audit Authority had issued one audit report of the Mangdechhu Hydroelectric Project Authority. There were 15 observations pointed out in the reports involving Nu.396.843 million, out of which eight observations amounting to Nu.57.308 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the AAR 2015. The total unresolved significant irregularities amounted to Nu.339.535 million as summarized below:

Sl. No.	Observation Category	Nu.in million
1	Excess Payment Due To Cost Difference In Boq And Analyzed Rate	32.483
2	Illegitimate Payment For Lead	20.111
3	Over Payment Due To Change In The Specification Of Materials	3.151
4	Part Payment On Road Works Without Test Report	5.797
5	Non-Imposition Of Liquidated Damages	77.068
6	Non-Deduction Of Liquidated Damages	2.807
7	Non-Levy Of Liquidated Damages	198.118
	Total	339.535

The unresolved significant irregularities are as indicated below:

1. Excess payment due to cost difference in BOQ and analyzed rate - Nu.32.483 million

During construction of permanent colony (Package-I) at Dangdung by M/s Chhukha Construction Pvt. Ltd., 19 extra items of works were executed and paid at the analyzed rates. The scrutiny of extra items of work revealed that 5 out of 19 items of work were paid at analyzed rates despite the existence of rates in the Bill of Quantity (BoQ).

The management had issued notification clarifying the criteria and procedures for entertainment of extra items, wherein it clearly stated that, if BOQ is having rate of similar nature, then the basis

of rate analysis is required to be on analogous analogy. New rate analysis is to be carried out only in a situation when similar/analogous analogies are not available in the BOQ.

Therefore, the payment made on account of extra items at the analyzed rates for which the rates already existed in the BOQ had resulted in excess payment of Nu.32.483 million.

(AIN: 13281; Para 2)

2. Illegitimate payment for lead - Nu.20.111 million

The work for bench development and leveling of sites were carried out in all Contract Packages I to IV including disposal of surplus earth within or beyond construction compound.

The contractors' rates were inclusive of lead payment for disposal of surplus earth within or beyond construction compound. However, it was observed that an additional amount of Nu.20.111 million was being paid on account of disposal of excavated earth, resulting in illegitimate payment.

(AIN: 13281; Para 3)

3. Over payment due to change in the specification of materials - Nu.3.151 million

A total amount of Nu.26.203 million were found paid to three contractors as on 31st March 2015 on account of execution of following items of works in the Contract Package I, II & IV. The item description in the Bill of Quantity is as hereunder.

- a. Providing & fixing bison panel ceiling lining with necessary nails/screws etc. complete including the cost of frame in local hard wood as per drawing - 8mm; and
- b. Providing & applying plastic Emulsion paint (Asian Paint) two or more coats on new work including cement primer coat.

However, the physical verification of site conducted revealed that materials used in the above two items of work were of different specifications (inferior quality) from the item described in the BOQ, whereas the payments were made as per rates quoted by the contractors thereby resulting into overpayment of Nu.26.203 million.

After re-verification by the committee formed by the management, the overpayment was established at Nu.24.267 million, out of which Nu.21.116 million were recovered.

(AIN: 13281; Para 4)

4. Part payment on road works without test report - Nu.5.797 million

The construction of road work within the Permanent Colony of Power House at Dangdung was awarded to M/s Chukha Construction Pvt. Ltd. as extra item work. Similarly, the construction of access road from upcoming National Highway Bypass junction to colony area was constructed by M/s Lhojong Construction Pvt. Ltd.

The comparison of base course thickness from the cross section view of the freshly constructed damaged road revealed that the required thickness of 350 mm has not been achieved. Therefore, the payment of Nu.5.797 million and Nu.8.462 million made as on 31st March 2015 to M/s Chukha Construction and M/s Lhojong Construction respectively on account of completed works was not

as per the works executed at site.

Further, an amount of Nu.6.246 million disbursed on account of execution of WBM work compounding the total base course thickness of 350mm do not guarantee payment legitimacy in the absence of pavement thickness test report.

After re-verification by the Quality Assurance and Quality Control Division, it was established that the base course thickness of roads met the required specifications for the works executed by M/s Lhojong Construction Pvt. Ltd. However, the management is yet to conduct quality test for the works executed by M/s Chukha Construction Pvt. Ltd.

(AIN: 13281; Para 5)

5. Non-imposition of liquidated damages - Nu.77.069 million

The MHPA Management had not levied Liquidated damages on various contractors for delay in completion of works within the revised completion dates.

The details of liquidated damages applicable as per GCC clause 49.1 on final contract price as on 31st March 2015 @ 0.1% per day for every day delayed is as under.

Sl. No.	Contract Package	Name of Contractor	Gross payment as on 31.03.2015 (Nu.in milion)	Max. 10% LD applicable (Nu.in milion)	Total delay as on 31.03.2015
1	-	M/s Rinchen Builders Pvt. Ltd.	61.390	6.139	145 days
2	CP – I	M/s Chukha Construction Pvt. Ltd.	237.989	23.799	357 days
3	CP – II	M/s Chukha Construction Pvt. Ltd.	144.560	14.456	143 days
4	CP – III	M/s Lhojong Construction Pvt. Ltd.	129.222	12.922	360 days
5	CP – IV	M/s T&CL Construction Pvt. Ltd.	197.521	19.753	298 days
Gross applicable LD (in Nu.million)			770.682	77.069	

(AIN: 13281; Para 6)

6. Non-deduction of liquidated damages - Nu.2.807 million

The work on Repair & Maintenance of road between Langthil & Chunjapang, Package IV was awarded to M/s Raven Builders & Company, at the tendered amount of Nu.39.231 million with the completion period of 10 months. It was observed that the works were completed on 22nd August 2014 with delay of 57 days, for which liquidated damages of Nu.2.807 million were not levied.

(AIN: 13281; Para 7)

7. Non-levy of liquidated damages –Nu.198.118 million

The review of records revealed that despite granting three time extensions, the contractors had failed to complete the following works even in the extended time period.

Sl. No.	Contractor	Contract Value (Nu.in million)	Remarks
1	M/s Druk Zorig Gongphel Construction	104.392	Contract Package-I
2	M/s Jachung Builders	93.726	Contract Package-II
Total		198.118	

The same issue was raised even during the previous audit through Para No. 3 of Audit Report issued vide No. RAA/AR/(RTICD-MHPA)/2014/2425 dated 29th August 2014 and the management during the Audit Exit Meeting had agreed to recover the liquidated damages.

However, it was observed that the management had failed to take any actions on the contractor. Further, it was also observed that M/s Jachung Builders had not completed the construction of office building as of dates of audit.

(AIN: 13281; Para 8)

5.1.2 Punatshangchhu-I Hydroelectric Project Authority

During the period, the Royal Audit Authority had issued one audit report of the Punatsangchhu-I Hydroelectric Project Authority. There were 10 observations pointed out in the reports involving Nu.306.764 million, out of which seven observations amounting to Nu.242.866 million were either resolved prior to the compilation of the draft Annual Audit Report 2015 or were not material for inclusion in the AAR 2015. The total unresolved significant irregularities amounted to Nu.63.898 million as summarized below:

Sl. No.	Observation Category	Nu.in million
1	Non recovery of 13% interest from the contractor	24.912
2	Over-payment on account of extra 5% contractor's overhead and profit	38.575
3	Excess payment	0.411
Total		63.898

The unresolved significant irregularities are as indicated below:

1. Non recovery of 13% interest from the contractor – Nu.24.912 million

The Punatshangchhu-I Hydroelectric Project Authority had not recovered 13% interest amounting to Nu.24.913 million from the contractor in deviation to the Clause 79 of the contract document IV of MC-3 and Clause-70 of the GCC of the Contract.

It was observed that the steel liner plates were delivered at contractor's store based in Phuentsholing and accordingly the 13% interest on advance amounting to Nu.3.996 million was recovered from the contractor as shown below:

Date of Advance	Total Qty	Advance amount [Nu.in million]	Date of delivery at P/ling	No. of days	Interest amount [Nu.in million]
22/10/2011	1838.778	167.123	07/11/2011	17	1.012

26/12/2011	2144.809	208.230	04/01/2011	10	0.742
02/02/2012	3112.015	273.634	24/02/2012	23	2.242
Total	7095.602	648.987			3.996

However, the fabrication shop site had been provided by the PHPA to the contractor at Rurichhu, Wangdue and the fabrication shop had already been set up at the site by the contractor. As such, the contractor had not delivered the steel liner plates at the fabrication shop at Rurichhu in line with the contract agreement. Had the PHPA insisted the contractor to deliver the plates at the fabrication workshop, the PHPA could have got the additional benefit of Nu.24.912 million on account of the 13% interest on advance as shown below:

Date of Advance payment	Final Delivery at Rurichhu	No. of days	Interest to be recovered (Nu.in million)	Short recovery (Nu.in million)
22/10/2011	22/12/2011	61	3.631	2.619
26/12/2011	13/03/2012	78	5.785	5.043
02/02/2012	20/08/2012	200	19.492	17,250
Total			28.908	24.912

Therefore, the delivery of steel plates at Phuentsholing store had benefitted the contractor by not having to pay 13% interest amounting to Nu.24.912 million (Nu.28.908 – Nu.3.996).

(AIN: 13214; Para 2)

2. Over-payment on account of extra 5% contractor's overhead and profit - Nu.38.575 million

The Phunatshangchu-I Hydroelectric Project Authority had made over payment of Nu.38.575 million on account 5% contractor's overhead and profit which was not in line with the Clause 3.5 of the CWC guidelines. The review of analyzed rates for the quantity of work exceeding 30% of the BoQ quantity revealed that the overhead and contractor's profit was fixed at 25% instead of 20% as allowed by the CWC Guidelines.

Further, even in MC-2 package there was an overpayment of Nu.7.614 million on account of additional 5% contractor's profit and overhead.

The same issue was also raised in previous audits of both PHPA I & PHPA II.

(AIN: 13214; Para 4)

3. Excess payment - Nu.0.411 million

The Phunatshangchu-I Hydroelectric Project Authority had made excess payment of Nu.0.411 million to the officials on account of stipend during training in India which was in deviation to the Clause 25.2 (a) of the Service Rules of PHPA-I. The excess payment had occurred due to payment made to officials at DSA rates instead of stipend.

(AIN: 13214; Para 9)

5.1.3 Punatshangchhu-II Hydroelectric Project Authority

During the period, the Royal Audit Authority had issued one audit report of the Punatsangchhu-II Hydroelectric Project Authority. There were 12 observations pointed out in the reports involving Nu.2,291.120 million. The total unresolved significant irregularities amounted to Nu.2,291.120 million in draft AAR 2015.

Based on responses received and action taken after issue of draft AAR 2015, 10 observations amounting to Nu.2,117.023 million were either resolved or not material for inclusion in AAR 2015. The total unresolved significant irregularities amounted to Nu.174.097 million as summarized below:

Sl. No.	Observation Category	Nu.in million
1	Over-payment on account of extra 5% contractor's overhead and profit	172.982
2	Unjustified payment of Additional Project Handling Allowances	1.115
	Total	174.097

The unresolved significant irregularities are as indicated below:

1. Over-payment on account of extra 5% contractor's overhead and profit Nu.172.982 million

The Punatshangchu -II Hydroelectric Project Authority had overpaid Nu.172.982 million on account of extra 5% contractor's overhead in contradiction to the CWC norms and Guidelines. *(AIN: 13246; Para 1.4)*

2. Unjustified payment of Additional Project Handling Allowances - Nu.1.115 million

The Punatshangchu - II Hydroelectric Project Authority had made payment of Additional Project Handling Allowances amounting to Nu.1.115 million to the staff of PHPA-I as the management for PHPA-I & II were same and stationed at Thimphu.

However, with the shifting of offices to Bjimethangka where there is an established office of PHPA-I & II separately and almost all the vacant posts in PHPA-II have been filled up and the service of PHPA-I office is no more required, yet the officials of PHPA-I are still being paid the Additional Project Handling Allowances, which is not justifiable.

(AIN: 13246; Para 5)

CHAPTER 6

RECOMMENDATIONS

In accordance with the Section 44 of the Audit Act of Bhutan 2006, a dedicated chapter on audit recommendations is maintained which is aimed at promoting accountability and improving economy, efficiency and effectiveness in the use of public resources. The recommendations are generic and drawn on the basis of the overall findings and deficiencies noted in the operations of audited agencies during the year. 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 performance audit reports also contain series of recommendations that are formulated on the basis of findings contained therein.

6.1. Need to ensure consistency in taking administrative actions

The RAA noted lack of consistencies across audited agencies in the actions taken against those involved in fraud and corruption cases such as misuse of government funds and properties. In some cases, the individuals were terminated from the service after recovering the misused amount whereas in other cases, individuals were either demoted to lower grade, issued reprimand letters, withheld promotions, trainings and annual increment for up to three years. Thus the administrative actions taken were inconsistent and not based on extant laws.

As such there is a need to revamp the current system and ensure consistency in taking actions for all fraud and corruption cases as per the laws of the land.

6.2. Need for strict enforcement of rules and regulations through institution of effective internal controls including supervision and monitoring mechanism

Most irregularities contained in the audit reports emanate from weak enforcement of relevant rules pertaining to management of contracts, procurements, revenues and funds as well as inadequacies in operation of internal controls. 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 costs in the form of excess/double payments, payments made for works not executed, inadmissible payments, etc. have become a regular feature in the construction management as a result of weak enforcement of rules and regulations and in absence of strong supervision and monitoring systems embraced by the agencies. The impacts of weak enforcement of applicable rules in other areas include payments made without receiving goods, excessive advances and non-liquidations, non-imposition of penalties and liquidated damages, violation of contractual terms, non-reconciliations, non-realization of revenues etc. All of these have direct impact on the delivery of services by the agencies.

Non-compliance to applicable rules defeats the objectives 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. Agencies must institute effective internal controls including monitoring and supervision mechanism as well as system of check and balances to ensure strict compliances, promote accountability, integrity and value for money in public operations. Unless the system instituted within the organizations are designed to prevent and detect such cases and also effectively operate, cases and magnitude of irregularities, lapses and malpractices will continue to increase.

The RAA also observed that the placement of new and inexperienced professionals including engineers and finance personnel had also aggravated the existing problems.

There is thus need for proper attention of the government to strengthen internal controls including supervisory and monitoring mechanism so as to prevent and detect practices which lead to irregularities, lapses and malpractices. It is also necessary to ensure that new and inexperienced personnel are adequately trained and oriented before assigning to areas of their responsibilities.

6.3 Shift in plan thrust and downsizing capital outlay demonstrated call for adequate analysis and evaluation of policy

Unlike in the previous FYP, the 11th FYP document complemented by composition of current and capital expenditures over the last three years (2012-13 to 2014-15) revealed that the proportion of capital outlay has decreased as compared to current expenditures. The rationale as highlighted in the plan document is need for maintenance of infrastructures already created in previous FYPs. While the need for maintenance cannot be undermined and should have always constituted integral component of the planning and budgeting process, the concept of maintenance had not been considered seriously earlier. Failure to appreciate the importance of maintenance in prior periods have led to this major shift in the plan thrust and downsizing capital outlay. This shift could also be linked with limited absorption capacity to implement capital works as well as need for bringing quality in the construction works.

Taking cognizance of the current status of infrastructure of our country, this shift in priority could become costlier in terms of non-availability of requisite infrastructure for industries and commerce to expand and not being able to keep pace with changing and growing needs of the society.

Clearly, such a major shift must have received adequate analysis, thinking and evaluation of policy makers to ensure that the allocations made represent best possible decision in the circumstances. Nonetheless, it may still be prudent to revisit the policy in line with successive plan priority of creating adequate infrastructure in the country.

6.4 Need to ensure that the prescribed criteria is met for booking expenditure as closed work

The audit of Annual Financial Statements of the Royal Government of Bhutan for the year ended 30 June 2015 indicated that more than 36% of the 'Refundable Deposits Accounts' composed of closed work. It has become some sort of a routine to book the "ongoing works and those work not even commenced as of the financial year-end" as closed work merely to avoid lapse of fund. This

was apparent from the audits of financial statements of individual budget agencies. The Ministry of Finance needs to issue strict instructions against booking expenditure under the Closed Work. A strong monitoring and control mechanism should be instituted within the budgetary bodies and at Department of Public Accounts (DPA) level so that Closed Work provision is used properly.

The Government may also include requirement for completing standard form incorporating essential elements and declarations for booking expenditure under the Closed Works. The Standard Form may be in the nature of Undertaking with certification by the Head of Agency, finance and concerned sectoral/technical persons and may also include penalty provisions for breach of the provision relating to the Closed Work.

Since wrong booking under closed work is carried out mainly for avoiding lapse of fund, the Ministry of Finance may review the existing budgetary norms and come up with other alternative measures.

6.5 Need for Standard Operating Procedures (SOPs) to enhance service delivery of government agencies

RAA's review of monthly withdrawal by LC/PLC from Government Consolidated Account (GCA) revealed that the withdrawal at mid and year end (December and June) were aberrantly high indicating huge settlement of bills and obligations during these months. The high proportion of withdrawal from GCA at the close of year necessitated resorting to availing Ways and Means Advances (WMA) and overdraft facilities. The current practices in settlement of obligation at the end of financial year abetted with laxity on the part of dealing officials lacked proper time frame for delivery of services.

Rush of expenditure at the close of the financial year also indicate complacencies embedded in the functioning of Government agencies demonstrating the need for developing SOP at each agency level delineating the roles and responsibilities, time frame for settlement of bills and delivery of services.

The government may, therefore, consider the need for developing SOPs to ensure timely, uniform and consistent application of rules, implementation of planned activities and delivery of services.

6.6 Need for imposition of 24% penalty on outstanding advances at source for uniform application

The existing practice of levying 24% penalty on overdue advances and other recoverable amounts has proved to be effective in many ways in speedier settlement of outstanding dues. However, since the penalty is levied based on audit reports, it may not fully meet the objective of levying penalty on overdue advances. The audit of LCs and PLCs on annual basis primarily depends on the category and priority of agencies and the availability of manpower at RAA's disposal. In current context, the applications of 24% penalty as directed by Parliament have been imposed only to those agencies being audited. The imposition of penalty based on audit findings lack uniformity in application of penalty across the agencies. For uniform application of penalty, it is logical to automate imposition and calculation at source reckoning from the dates advances become due for adjustment determined by nature of advances and the requirement imbedded in PEMS.

6.7 Need for integration of government Payroll module in PEMS and Civil Service Information System (CSIS)

Recurrent and common discrepancies observed on pay and allowances year over year underscores the need for integration of government payroll module in PEMS and Civil Service Information System. The reliability and credibility of personal information of employees generated from the PEMS is questionable as same CID, EID and PF numbers were assigned to multiple employees and in many cases these unique identification numbers were not indicated. Effective controls over employees in the payrolls and disbursement of their pay and allowances as well as their statutory deductions were lacking. As such, the PEMS allows disbursement of double/excess salaries to existing and separated employees.

The PEMS should trace employees' details from the CSIS maintained by RCSC. The basic information such as date of superannuation/separation, date of birth and the actual number of regular and contract employees under RCSC should be matched with information in PEMS providing for exceptions of employees recruited directly, such as in the case of Dratshang and Local Governments.

The integration of two systems will also facilitate periodic reconciliation of number of employees between two systems for ensuring accuracy of personnel information and disbursement of pay & allowances and other benefits.

6.8 Need to reconcile the huge un-reconciled cash balances pertaining to Automated Teller Machines (ATM)

In the ATM operations, the ATM cash balance plus the cash dispensed should be equal to the aggregate of ATM General Ledger balance. However, the RAA had observed un-reconciled differences in the ATM physical cash (in addition to the amount dispensed) and the General Ledger balances.

As transpired the differences had occurred due to inter-bank withdrawals through ATMs which were not recognized in the ATM GL of respective banks. Besides, the Bhutan Financial Switch maintained by the RMA had not reconciled inter-bank ATM transactions.

Such deficiencies if not corrected in time could lead to cases of fraud and corruption in the banking sector and with passage of time the reconciliation will be rendered difficult with further accumulation of unreconciled figures. The RMA and respective Banks should correct the deficiencies in the banking systems in operation.

**Exhibit – I: AUDITORS' REPORT ON THE AUDIT OF ACCOUNTS & OPERATIONS OF THE
ROYAL AUDIT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

S. N. Mukherji & Co.
CHARTERED ACCOUNTANTS

**AUDITORS' 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, 2015**

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, 2015 and the annexed Expenditure Statement for the year ended on that date 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. 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) We have audited the accounts maintained at the Head Office of the Authority at Thimphu and relied on the returns received from four Regional Offices which have been found to be adequate for the purpose of consolidation and preparation of the financial statements under our audit.
 - c) 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.
 - d) The Receipts and 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.
 - e) In our opinion and to the best of our information and according to the explanations given to us the said Receipts and Payments Statement and the Expenditure Statement give the information required by the Financial Rules & Regulations, 2001 in the manner so required and give a true and fair view;
 - i. In the case of the Receipts and Payments Statement of the Receipts and Payments of the said Authority for the year ended 30th June, 2015; and
 - ii) In the case of the Expenditure Statement, of the expenses of the said Authority for the year ended on that date.

Date: 17.07.2015

Place: Thimphu

For **S. N. Mukherji & Co**
Chartered Accountants
FRN No. 301079E


Sudip K Mukherji
Partner
Membership No. 13321



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ROYAL AUDIT AUTHORITY
Receipts and Payments Statement
For A/C. No. 108.01/01 - LC

For the Year ended 30th June - 2015

No.	Group/Broad Head of Account	Receipts				Payments				Total (Nu.)
		Head Quarter Annual Progressive (Nu.)	OAAG: S/Jeangkar Annual Progressive (Nu.)	OAAG: Bumbang Annual Progressive (Nu.)	OAAG: Firing Annual Progressive (Nu.)	Head Quarter Annual Progressive (Nu.)	OAAG: S/Jeangkar Annual Progressive (Nu.)	OAAG: Firing Annual Progressive (Nu.)	OAAG: Piling Annual Progressive (Nu.)	
1	Opening Balance :									
	a. Cash									
	b. Bank									
2	Releases:									
	a. Budgetary	86,518,000.00	12,031,000.00	12,800,000.00	13,319,000.00	12,902,000.00				137,572,000.00
	b. Non-Revenue	400,000.00								400,000.00
	c. Refundable Deposits	25,725.00								25,725.00
	d. Uncashed Cheques									0.00
3	Grants in-Kind:									
	a. Donor A	0.00								0.00
	b. Donor B	0.00								0.00
4	Borrowings in-Kind:									
	a. Lender A	0.00								0.00
	b. Lender B	0.00								0.00
5	Revenue Receipts/Remittances:	6,084,210	759,117.53	569,335.00	569,971.00	595,009.00			6,084,210	8,577,642.53
6	Other Recoveries/Remittances:									
	a. GFP: Employees Contrib	3,920,669.00	480,873.00	539,069.00	575,332.00	519,803.00			3,920,669.00	6,035,946.00
	b. Govt. Insurance Scheme	699,900.00	85,900.00	94,000.00	97,800.00	81,300.00			699,900.00	968,900.00
	c. Other Insurance Premia	938,487.00	207,928.00	1,111,138.00	1,172,277.00	1,386,693.00			938,487.00	1,568,523.00
	d. Loans from Fin. Instts.	7,141,486.00	1,671,233.00	1,667,385.00	1,830,054.00	1,576,592.00			7,141,486.00	13,886,750.00
	e. Others	717,411.00	85,000.00	230,250.00	324,427.00	104,362.00			717,411.00	1,461,950.00
7	Personal Advances:	11,191,448.65	1,471,502.00	1,601,500.00	2,026,702.00	139,796.00			11,805,091.50	16,431,008.65
8	Miscellaneous Receipts/Payments:									
	a. Non-Revenue A.C. Deposits									
	b. Refundable Deposit A.C. Deposits									
	c. Payments to DPA								400,000.00	400,000.00
	d. Others								37,667.76	37,667.76
									572,136.94	572,136.94
									41,225.00	41,225.00
										41,225.00
										609,787.70
										41,225.00



Exhibit – II: GLOSSARY OF TERMS

Following words in the AAR 2015 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.
