



## **Audit finds major lapses in PMB, New York**

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The Royal Audit Authority's (RAA) in its report has pointed out major discrepancies and irregularities in the Permanent Mission of Bhutan (PMB) to the United Nations at New York, USA in the last two fiscal years.

### **Irregularities in payment of medical expenses**

During the two financial years of 2016-2017 and 2017-2018, the mission had incurred medical expenses worth USD 409,838.76 towards medical benefits for the officials and staff.

The RAA found that two local recruits were granted monthly medical allowance of USD 1,000 each as a as conveyed vide a letter from the foreign secretary. The mission had incurred medical expense of USD 11,114.29 for the domestic helper of ambassador Doma Tshering and USD 43,490.70 for four local recruits at a monthly lump sum rate of USD 483.23 as medical expenses in the nature of monthly allowance.

The audit found that the mission made payment of USD 54,604.99 as medical expenses without supporting documents.

“The medical expenses for domestic helper were deposited into the Permanent Representative's (PR) personal account without availing health insurance coverage or supporting medical bills,” the report states.

“The payment of medical expense of USD 11,114.29 for domestic helper and USD 43,490.70 for four local recruits and monthly lump sum rate of USD 483.23 as medical expenses in the nature of monthly allowance is in contravention of the Foreign Service Entitlement Rules 2002.”

According to the Foreign Service Entitlement Rules (FSER) 2002, the members and the families and domestic help are eligible for medical facilities, including cost of hospitalisation as per the medical treatment rules and regulations or health insurance coverage that may be available in the country of posting. The rules also entitle the head of mission to a domestic help whose air passage; home leave passage and medical expenses shall be borne by the government.

Kuensel learnt that the domestic helper has not been paid the entire salary and medical allowances. Kuensel sources said the medical insurance for local staff is clubbed by the Ambassador with medical benefits of her domestic helper. This has resulted in monetising the domestic helper's medical benefits, which is deposited into the Ambassador's personal account. It was learnt that medical benefits of local staff are covered in their service contract with fixed amount mentioned whereas the ambassador's domestic helper is covered in the Foreign Service rules.

The Mission in its response to the audit observations states that payment of monthly medical expenses is permissible under the rules. It states that in keeping with the long established practices in force, medical benefits have been paid to six local staff and one domestic helper.

“On the entry of medical expense for maid, the amount of USD 5,798.76 covers the tenures of two different individuals and should therefore be accordingly disaggregated from September 5, 2017 onwards.”

The mission’s response states that in the absence of personal USD bank accounts, medical expense could not be paid directly to domestic helpers. Kuensel learnt that opening a bank account in the US is one of the first things to do in the checklist provided when they live there.

The RAA did not agree to the explanation provided. It re-iterated that the Mission had paid four local recruits and domestic helper a lump sum amount of USD 483.23 as medical expenses in the nature of monthly allowance. The payment of monthly medical allowances to local recruits is not covered in the FSER 2002.

“Further, the medical allowance for maid was deposited into the Permanent Representative’s personal account without availing health insurance coverage or supporting medical bills. Thus, the total payment of USD 54,604.99 disbursed without supporting medical bills is not acceptable in audit.”

On the signed payment receipts certifying receipt of monthly medical benefits by the domestic helper for the period from September 2017 to date, the RAA pointed out that the acknowledgement obtained from the payee after issue of observation is tantamount to non-adherence to the payment norms.

RAA states that the Mission should entertain the medical expenses on production of medical bills for which the prescribed ceiling of USD 483.23 should not be exceeded.

The Mission, the RAA stated, should either recover the amount from the individual employees or approval from the competent authority for payment of medical expenses to four local recruits and the domestic helper as monthly allowance and furnish it to the RAA within three months from the date of issue of audit report (October 2018), beyond which the payments of medical expenses without supporting documents such as bills, and prescriptions should be recovered along with penalty of 24 percent per annum and deposited into the Audit Recoveries Account.

It recommended the Mission in consultation with the Ministry of Foreign Affairs, the Ministry of Finance and the RCSC to review the admissibility of medical expenses to four local recruits and domestic helper.

The RAA fixed supervisory and direct accountability to the former ambassador Kunzang C Namgyel and the incumbent ambassador Doma Tshering. Three other staff, Chador Wangdi (PS), Namgay Pem (OS) and Kinley Dorji (driver) were held directly accountable.

### **Inadmissible payment of medical expenses**

A scrutiny of medical expenses revealed that an amount of USD 849.04 was reimbursed to Ambassador Doma Tshering. Of that, USD 775 was paid for dermatology expenses related to skin, hair, and nails, including concerns related to cosmetic issues, such as sun damage and ageing as well as other skin conditions.

“Medical expenses on account of dermatology treatment on skin treatment is not eligible,” the report stated. RAA issued the audit finding on July 11, 2018 and asked the Mission to furnish supporting documents.

The Mission’s response stated, “In absence of certification from the dermatologist concerning the medical treatment received, the Mission was refunded USD 775 on July 10, 2018.”

The RAA stated that this had occurred mainly due to failure to exercise due diligence by the accounts personnel and also failure on the part of the supervising officer to exercise necessary checks to ensure that medical expenses are eligible.

### **Inadmissible payment of foreign allowance and representation grant**

The RAA also found that the deputy PR Tshering Gyeltshen Penjor was appointed ambassador to Kuwait and he left New York for Bhutan on September 15, 2016. However, despite payment of transfer benefits in full prior to leaving for Bhutan, he was paid pay and allowances until November 15, 2016 from the Mission. The Mission had proposed to pay him due to non-completion of formalities in Thimphu and the ambassador did not join the embassy in Kuwait until November 15. The foreign secretary had approved the proposal.

However, the audit team stated that since he was in Bhutan for two months from September 13, 2016 to November 15, 2016, he should not have been paid foreign allowances and representational grant amounting to USD 4,560. RAA asked the ministry to recover the amount and deposit it in its account.

The Mission clarified that the Deputy PR was paid pay and allowances from the Mission only up to October 2016 and not until November 15 as stated in the audit findings.

RAA asked the Mission in consultation with the finance and foreign ministries and the RCSC to obtain clarification on the eligibility of the foreign allowance and representation grant. If not, the Mission is asked to recover and deposit the amount with the RAA and also institute internal control procedures and remedial measures to avoid such ineligible payments.

### **Irregular refund of medical insurance**

RAA also found that the mission had reimbursed medical insurance to Ambassador Tshering Gyeltshen Penjor, the current ambassador to Kuwait on account of insurance contribution made from the office of his spouse who is an employee of UNICEF in Hungary.

Auditors found that the full medical insurance contribution of his spouse made to UNICEF was refunded to him as per the approval in August 2014 in view of the saving cost to the government.

The audit team found that the refund of full medical insurance not only indicates that his spouse is not contributing to medical insurance policy of herself and family but also indicates that the Mission had borne the insurance expenses without supporting documents.

The Mission during the tenure of the deputy permanent representative in New York had incurred USD 20,488.77 since August 2014 to September 2016.

The Mission in its response stated that while posted as the DPR at PMB, he was included in the medical health insurance plan of his spouse. “Rather than subscribing to a higher cost insurance plan it was established that refund of insurance deduction made to the DPR’s wife’s salary would result in

significant cost savings for the Mission.” This was authorised by the then head of chancery Kinzang C Namgyel.

The RAA stated that since UNICEF employees usually enjoy medical and dental insurance benefits, there is lack of clarity on the reimbursement made to the former DPR.

“The Mission should obtain clarification from the finance ministry on the eligibility of reimbursement of medical insurance to the DPR and furnish it to the RAA within three months from the date of issue of the report beyond which the reimbursement of medical insurance should be recovered along with penalty of 24 percent per annum and deposited with RAA.”

### **Insurance not deposited into Royal Govt Revenue account**

After the water sprinkler damaged the basement floor, the Mission received USD 50,595.70 as insurance claim on June 2018. The audit found the amount was neither accounted in book of accounts of the Mission nor deposited in the Mission’s bank account.

The Mission argued that it reported the receipt of the claims to the ministry and that the claim is to repair and replace damages and loss incurred. It explained that this does not constitute revenue and cannot be deposited in the Mission’s account and the compensation is intended strictly for repair and renovation of damages as a result of the flooding.

RAA said this argument is not logically correct and not acceptable in audit as the budget provision is available under the maintenance of chancery building. It asked the Mission to deposit the amount in its account and obtain approval from finance ministry and share with it the response from the ministry on using the amount. If the ministry does not approve the use of insurance claim for repair and maintenance work, then it should deposit the claim into the RAA account. The head of chancery Sonam Gyeltshen is held directly accountable and ambassador Doma Tshering is charged with supervisory accountability.

### **Inadmissible payment of education allowances**

The audit found that the Mission has disbursed USD 75 a month to an official in 2016-17 financial year and two officers in 2017-18 financial year as children education allowance.

It stated that this contravened the FSER 2002, which specify the conditions to pay children education allowances.

RAA has placed direct accountability to a former counsellor at the mission, Karma Choeda, former head of chancery, Kinzang and Sonam Gyeltshen.

It also stated that the children were admitted in a private school in New York. “Since education in USA is free until higher secondary level, payment of education allowances is not admissible.”

The report also pointed out that the education allowances were paid without documents like admission card or the academic result of the children.

Although the Mission submitted the student identity card copy to show that the student was enrolled in the school and justified that the purpose of the allowances was to support the education of diplomats’ children posted overseas within the parameters of the rules, RAA did not accept the justification.

RAA stated that it needed valid documents such as enrolment card and academic results, which were requisite while disbursing the allowance.

“Since education in USA is free up to 18 years, the mission should obtain clarifications from the finance and foreign affairs ministries regarding the eligibility of the allowance.”

### **Major repair and maintenance works**

In the 2017- 2018 financial year, the PMB to the UN was allocated Nu 14.27 million for the renovation works of the official residence of the Permanent Representative of Bhutan at Harrison.

The Mission had incurred an expense of USD 197,018, of which major renovation work amounted to USD 150,663. The works included internal repair and maintenance, roofing, replacement of windows, resurface of road and landscaping and flower garden.

The RAA observed that the payments were released in cheque based on the contract agreements upon certification attested by the building superintendent without invoice and details of work done.

The department of budget and accounts with the finance ministry had provided the budget in lump sum based on a proposal from the Mission, which did not have any detailed estimates. “There was no formal technical assessment of the condition of the building to assess the maintenance requirements although unsigned detailed items of works to be carried out were found prepared,” the RAA report states.

It pointed out that a formal procurement committee was not constituted. The Mission had informed that the ambassador, head of chancery and the building superintendent were functioning as the procurement committee. “There were no evidences of having conducted committee meetings.”

The Mission, the RAA found, followed the practice of submitting note sheets through the head of chancery and the same approved by the ambassador for award of works to the eligible bidders.

The RAA recommended to institute a system of forming a committee for verification of works executed by the contractors to ensure check and balance. It also recommended the mission to preserve the warranty certificates as the replacement of windows and roofs were under warranty.

While noting the response from the Mission on the formation of the committee and site inspections, the RAA pointed out that a three-member committee is not adequate and concluded that the tender committee was not formed. The RAA states that the documentation evidencing the rate negotiations carried out as stated in the note sheets were not supported with adequate documentation, as the negotiations were not done by the committee or the extent of rates negotiated on record. “The Mission had failed to document the rate negotiation carried out with the contractors.”

The RAA states that release of payment without the invoice is unacceptable in audit and recommends the Mission to ensure that payments are released through invoice.

The RAA has placed direct accountability on the building superintendent, Jojo and the head of chancery, Sonam Gyeltshen and supervisory accountability on Ambassador Doma Tshering.

### **Improper evaluation of bid on purchase of furniture**

The RAA states that while quotations to purchase furniture for the official residence of Ambassador were received via email, it found that the ambassador had approved the supplier, M/s Restoration Hardware, New York instead of the supplier, M/s Marni Sugerman Decorating Den Interiors that the Head of Chancery had recommended twice. M/s Marni Sugerman's firm, according to a note sheet was not licensed for interior decorator and due to its inferior quality of furniture.

However, RAA pointed out that supporting documents to confirm that the firm was unlicensed and had inferior quality of furniture was not documented or available with the Mission, except for the note sheet by the ambassador.

On the Mission's response to the audit observation that quotations were invited after meetings were conducted with prospective service providers at the site of work to be undertaken, the RAA states that these meetings were not documented.

"Neither the records on the meeting conducted between the mission and the service providers were documented nor were the quotations reviewed and duly assessed by the Mission," the RAA states.

RAA states that it is not acceptable in audit of the mission's explanation that in the absence of professional experts, the Ambassador's personal assessment determined the inferior quality of furniture proposed by M/s Marni Sugerman.

"Failure to establish the unlicensed and inferior quality of furniture proposed by M/s Marni Sugerman and inclusion and consideration of M/s Restoration Hardware indicated possible manipulation of records," the RAA states.

Other audit observations include the non-availability of inventory of furniture and non-ascertainment of eligibility of furniture procured worth USD 36,308.77 and excess payment of USD 2,700 to M/s Restoration Hardware.

The RAA has placed direct accountability on Sonam Gyaltsen and supervisory accountability on Ambassador Doma Tshering.

**Tshering Palden & Sonam Pelden**