



## **Irregularities from RSTA's regional office cause loss in millions: RAA**

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The government had lost revenue of Nu 7.259M from the Roads Safety and Transport Authority (RSTA) regional offices in Gelephu because of fraud, corruption and embezzlement.

This was pointed out in the Royal Audit Authority (RAA) report, 2018.

The authority also incurred revenue loss of Nu 45.632M from mismanagement, Nu 0.198M because of shortfalls, lapses and deficiencies.

It also pointed out non-compliance to laws and regulations.

### **Teeming and lading**

RAA pointed out that the Nu 7.259M loss through fraud, corruption and embezzlement was through a modus operandi of teeming and lading, a technique used to cover up misuse of cash and involves altering amounts receivables to hide the stolen amounts.

The report stated that the method involves taking a subsequent receivables payment and using that to cover the theft. "The next receivable is then applied to the previous unpaid receivable. Lading occurs when duties are inadequately segregated – an employee has access to cash and to the accounting records."

It stated that there was a temporary misuse of Nu 4.378M through teeming and lading in RSTA's regional office in Gelephu. "There were instances of abnormal cancellations of deposit challans, which was indicative of temporary misuse of revenue."

It also stated that dealing officials deposited the subsequent collections to cover up earlier short deposits. "There were also attempts to delay revenue through cancellation of deposit challans as well as short deposits with resultant siphoning of the government revenue."

The Revenue Accounting Manual 2004 mandates all agencies to deposit the government revenues collected on the following day or the next working day, and in case where the government dues are collected but not deposited into the allotted account within due date, a late fine of 24 percent per annum or fraction thereof of the amount will be imposed and recovered from the dealing person of the agency.

RAA stated that on the contrary of the provisions, the reconciliation of revenue collections and deposits for the financial years 2016-2017 and 2017-2018 by the RSTA regional office in Gelephu revealed short deposits. "The amounts collected were retained by the dealing person for two days to a maximum of 56 days and it was not deposited in full after the time lag, thus spiraling the misuse."

It stated that discrepancies in the collections and deposits had occurred mainly because of non-conduct of periodic reconciliation of the collections and deposits of revenue, non-deposit of collections on the following day or the next working day and inadequate supervision or monitoring.

RAA pointed out that there were several internal and external factors that contributed to misuse of the revenue, which includes poor internal controls and inadequate supervision and monitoring, as there was no proper segregation of duties in management of revenue collections and deposit. “The official who received cash was also involved in depositing the amount in designated government revenue account.”

It also stated that an administrative assistant was assigned the responsibility of collection and deposit of revenue, which is not the primary job responsibility. “The trained accounts personnel was handling only the government budgetary releases.”

There was no regular bank reconciliation as required and mandatory on the pretext that all government revenue was deposited into the same account. “Supervising officer have not carried out supervision and monitoring on collections and deposit, that further emboldened the dealing official to take advantage of poor internal controls.”

RSTA officials in Gelephu responded that the problems occurred, as there is a shortage of human resources.

They reasoned out that the administration assistant had to handle the revenue collection and deposit in addition to her normal job responsibilities and that she received only a day’s training on handling RAMIS in 2016. “She was not trained on revenue accounting or was issued a copy of revenue accounting manual. Though she was handling cash amounting to millions she was never paid any allowances.”

Officials claimed that they raised the need for human resource during the organizational development (OD) exercise, but the request was never approved.”

They also said that cash counter closes at the usual public timing for public service delivery and the revenue collected are deposited only in the next working day. “Other factors which lead to the delay in depositing the revenue were internet connectivity, network problem with the bank, power failures and at times due to RAMIS failure. It was also found that, in some instances deposit made was reconciled by the bank after few days only.”

Officials also cited personal problems of the dealing person who had to take medical leave. “In her absence, the revenue was handled by a motor vehicle inspector but the case was not deposited until she returned.”

RSTA officials also told auditors that after the receipt of the audit memo, the management conducted a coordination meeting and decided to close the cash at 3pm daily and deposit the cash on the same day. “The management has also instituted an infallible revenue collection and deposit monitoring system.”

RAA has asked the RSTA to recover the funds and impose penalty. It also asked the ministry to take actions against officials as per law for fraudulent practices and siphoning of government revenue.

Audit also found out significant difference in the potential and actual revenue collected through the new vehicle registrations and renewals.

Its analysis indicated revenue loss as a result of pilferage either due to fraud or non-payment of the vehicle taxes as required under the RSTA Act 1999.

“The import of vehicles in the financial year 2016-2017 has increased drastically (6.90%) as compared to financial year 2015-2016 but there was no corresponding increase in revenue collections,” the report stated.

RSTA officials justified that the amount difference was resulted from the difference in fees for government vehicles. “The registration fee for the power tiller and all DNC vehicles are exempted and the tractor registrations are in 2 categories.”

### **Lapses at RRCO, Gelephu**

The Regional Revenue and Customs Office (RRCO) in Gelephu carried out the revenue audit of RSTA, Gelephu, and pointed out several lapses such as irregular deposit of revenue, several cancellation of depositing challan, receipt cancellation and recommended to decrease the cancellation of receipts and conduct daily monitoring of revenue collections and deposit.

In connection to the above Revenue Audit, the RAA noticed that late penalty was calculated only for some selected late deposits and not on all. “Such preferential treatment could not be established and late penalty amount was allowed to be paid in installments. Such Relaxation had emboldened the dealing officials to further misuse government revenue.”

RAA stated that both the RSTA and RRCO failed to act swiftly in spite of noticing irregular cancellation of deposit challans and money receipts followed by late deposits.

RSTA officials responded that they didn’t institute any supervisory control mechanism after the introduction of RAMIS, as it was believed that the control mechanism was inbuilt in the system. “We were of the notion that monitoring of collection and deposit of revenue was carried out by the RRCO on a regular basis or at regular intervals and if lapses or irregularities were detected we took for granted that RRCO will intimate the management.”

### **Phuentsholing regional office**

According to the RAA, RSTA regional office in Phuentsholing had not followed on the overdue outstanding taxes amounting to Nu 11.202M due to non-renewal of 2,938 motor vehicles including vehicles registered with the government, private individuals and taxis.

It found that some vehicle taxes were due since 2015.

RSTA officials responded that the issue of outstanding vehicles is an ongoing process and they assume that 50 percent of the dues have been cleared. They stated that as and when public came to avail RSTA services, they checked the outstanding dues against the individual, let them clear the dues, and then only processed for the service they require.

RAA had asked the RSTA to furnish details of settlement of outstanding motor vehicle tax and the management to institute proper internal control system and remedial measures initiated to ensure timely renewals and minimize the outstanding in future.

Although the regional office has leased out booking counters, office canteen, office flats and luggage rooms to bus operators and other parties, it did not collect the rents, resulting in loss of Nu 310,000.

RSTA’s base offices in Tsimasham, Gedu and Samtse did not collect fines and penalties amounting to Nu 830,000 from offenders after issuing transport infringement notice.

RAA stated that responsible authorities had failed to exercise due diligence in imposing penalty of offenders for violating traffic rules and regulations, as the seized documents such as driving license and registration certificate of the defaulters were not available with traffic police while auditing.

**Tashi Dema**