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ROYAL AUDIT AUTHORITY

*Bhutan Integrity House*

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



RAA/AG-SP/03/2021-22/094

Date: 22/10/2021

The Hon'ble Speaker  
National Assembly of Bhutan  
Gyalyong Tshokhang  
Thimphu.

**Subject: Review Reports of Annual Audit Reports 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018**

Your Excellency,

I am pleased to submit a copy each of the Review Reports of Annual Audit Report 2010 to 2018 for Your Excellency's kind perusal. The reviews of all the past Annual Audit Reports were conducted in line with Section 119 to 123 of the Audit Act of Bhutan 2018.

These reports have been finalized giving due considerations to the actions taken by the agencies as of 30 September 2021 based on the consultation meetings conducted by the Public Accounts Committee and numerous follow-up carried out by the Royal Audit Authority at various levels, viz. Audit Teams, Regional Offices, Follow-Up & Clearance Division, Follow-Up Committee and Advisory Committee of RAA.

Out of the total unresolved irregularities of Nu.1,785.352 million reported to the 5<sup>th</sup> Session of the Third Parliament, the irregularities aggregating to Nu.126.409 million (7.080%) were resolved leaving a balance of Nu.1,658.943 million (92.920%) as on 30 September 2021 which are as summarized below:

Sl. No.	Particulars	Unresolved irregularities reported last (as on 30/09/2020) (Nu.in Million)	Irregularities resolved as on 30/09/2021 (Nu.in Million)	Balance irregularities as on 30/09/2021 (Nu.in Million)	Percentage of irregularities resolved as on 30/09/2021
1	AAR 2010	3.158	0.662	2.496	20.963
2	AAR 2011	189.607	0.229	189.378	0.121
3	AAR 2012	12.265	0.023	12.242	0.188
4	AAR 2013	3.956	-	3.956	-
5	AAR 2014	50.484	30.238	20.246	59.896
6	AAR 2015	96.728	1.166	95.562	1.205
7	AAR 2016	75.412	30.223	45.189	40.077
8	AAR 2017	69.069	4.565	64.504	6.609
9	AAR 2018	1,284.673	59.303	1,225.370	4.616
	<b>Total</b>	<b>1,785.352</b>	<b>126.409</b>	<b>1,658.943</b>	<b>7.080</b>

*"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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Looking forward to your Excellency's continued and kind support.

Yours respectfully,



(Tashi)

**Auditor General of Bhutan**

Copy to:

1. The Hon'ble Prime Minister of Bhutan, Gyalyong Tshokhang, Thimphu
2. The Hon'ble Chairperson, National Council of Bhutan, Thimphu
3. The Hon'ble Chairperson, Public Accounts Committee, Thimphu (7 copies)
4. Office copy; and
5. Guard file

*"Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder."  
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# REVIEW REPORT OF ANNUAL AUDIT REPORT 2010

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**(Status as on 30 September 2021)**

**ROYAL AUDIT AUTHORITY**

## PART-I Summary of Review Report of AAR 2010

The Royal Audit Authority had submitted the review report of Annual Audit Report 2010 to the 5<sup>th</sup> Session of the Third Parliament in October 2020. The Review Report had significant unsettled irregularities of Nu.3.158 million. The RAA had conducted numerous follow-ups at various levels in line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018 and the irregularity of Nu.0.662 was resolved leaving a balance of Nu.2.496 million unresolved as on 30 Sept. 2021 which are summarized in the table below.

**Table:** Showing agency wise unsettled irregularities as on 30 Sept. 2021.

Sl. No.	Agency	Unsettled irregularities reported to the Parliamentas on 30/09/2020 (Nu. in million)	Total amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Ministries	3.053	0.662	2.391	22
2	Dzongkhags	0.105		0.105	0
<b>Total</b>		<b>3.158</b>	<b>0.662</b>	<b>2.496</b>	

As transpired from the table above the Ministries had resolved the irregularities of Nu.0.662 million, however, the irregularities against the Dzongkhags remained unresolved as on 30 Sept. 2021. The details of the irregularities resolved and remaining ones are as detailed below.

## PART- II: DETAILED REVIEW REPORT

### 1. MINISTRIES

#### 1.1 Ministry of Health

The Ministry of Health had irregularity of Nu.0.662 million reported to the Parliament in October 2020. The irregularity was resolved as on 30 Sept. 2021 as summarized below:

Sl. No.	Category	Unsettled irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Shortfalls, Lapses & Deficiencies	0.662	0.662	-	100
<b>Total</b>		<b>0.662</b>	<b>0.662</b>	<b>-</b>	<b>100</b>

The detailed status of unsettled irregularity reported to the Parliament in October 2020 which which got resolved as on 30 Sept. 2021 is as discussed below:

### 1. Shortfalls, Lapses and Deficiencies

#### 1.1 Outstanding advances – Nu. 0.662 million

The Drugs, Vaccines and Equipment Division (DVED) had outstanding advances of Nu. 1.122 million against various officials. *(AIN 8931; Para 15; Accountabilities: Direct: L.B. Subba, Accountant; Supervisory: NadoDukpa, Chief Program Officer)*

**Status:** Observation settled. The Ministry informed that the balance amount of Nu. 0.662 million could not be recovered even after auctioning assets of accountable person and planning to appeal to the Court to charge the balance amount as value based sentencing. The Ministry agreed to appeal to the Court within December, 2019 and share the latest report with RAA. However, no progress had been reported as of 6 Sept 2021.

The issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall where the Legal Officer of MoH reported that, due to lack of evidences against L.B Subba proving that he is responsible for the lapses, the case couldn't be registered in the court of law for the recovery of the amount. Only general vouchers were found and no concrete evidence was discovered.

The PAC stated that in 2019 the Ministry accepted to request the Court for value based sentencing against L.B Subba. However, today the Ministry's stand is not being able to register the case due to lack of evidence is contradicting the earlier acknowledgement.

The RAA shared that they served a follow-up report vide RAA/FUCD/(A2)/DMS/MoH/2021/1072 date 29/06/2021 to the Ministry but didn't receive any response on the same. In contrary Ministry stated that they didn't receive any follow-up report from RAA.

The PAC directed that MoH & RAA to discuss this issue through a bilateral meeting by 15 Sept. 2021 and communicate the action taken report to PAC on 16 Sept. 2021.

This issue was deliberated in the 11<sup>th</sup> Advisory Committee Meeting of the RAA held on 24 Sept. 2021 and the balance amount of Nu. 0.662 million was dropped based on the decision of the committee as the incumbent is serving prison term and complete restitution of the amount could not be done despite auctioning all his properties.

## 1.2 Ministry of Foreign Affairs

The Ministry of Foreign Affairs had unsettled irregularity of Nu.2.391 million reported to the Parliament in October 2020 and it continue to remain unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Category	Unsettled irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Fraud Corruption & Embezzlement	2.391	-	2.391	-
	<b>Total</b>	<b>2.391</b>	<b>-</b>	<b>2.391</b>	<b>-</b>

The detailed status of unsettled irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

### 1. Fraud, Corruption and Embezzlement – Nu.2.391 million

#### 1.1 Misuse of cash by Royal Bhutanese Embassy, Bangkok – Nu.2.391 million

There was a cash shortage of Nu.2.391 million which had occurred due to understatement of cash balances in the Cash Book. [AIN: 8510; Para 1; Accountabilities: Direct: YesheyDorji, Third Secretary, Finance; Supervisory: ChendaTobgay].

**Status:** Observation not settled. The High Court had convicted ChendaTobgay and imprisoned him for nine years. However, as per the information obtained from the Office of the Attorney General on 5 Oct. 2020 the defendant had appealed to the Larger Bench of the High Court and the verdict was awaited.

This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the MoFA reported that the case against Yeshey Dorji was forwarded to Ministry of Finance for taking necessary administrative action. Further, legal opinions was sought from OAG pertaining to filing of recovery suit against Yeshey Dorji (deceased). It was also stated that recovering of the amount from the family of the deceased was impossible. Further, it was reported that OAG communicated the judgement passed on Chenda Tobgay's case on 15 July 2021 and deadline for the enforcement of the judgement was 28 Oct. 2021. As directed by RAA administrative action against Chenda Tobgay was taken by terminating from service vide termination letter dated 22<sup>nd</sup> July 2021.

It was decided that, these issues will remain status quo until the expiry of the deadlines for the enforcement of judgement passed by the Court. After the expiry of the deadline, MoFA should initiate for enforcement of the judgement and submit an action taken report to RAA accordingly.

## 2. DZONGKHAGS

### 2.1 Samtse Dzongkhag

The Dzongkhag Administration, Samtse had unsettled irregularity of Nu.0.105 million reported to the Parliament in October 2020 and it remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Category	Unsettled irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Shortfalls, Lapses & Deficiencies	0.105	-	0.105	
	<b>Total</b>	<b>0.105</b>	<b>-</b>	<b>0.105</b>	

The detailed status of the unsettled irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Shortfalls, Lapses and Deficiencies - Nu.0.105 million

##### 1.1 Outstanding Advances - Nu. 0.105 million

The outstanding advances of Nu. 0.105 million reported to the Parliament in November 2019 has remained unsettled even after a gap of one year of reporting (*AIN 8816: Para 2.5; Accountabilities: Direct and Supervisory: Individuals concerned*)

**Status:** Observation not settled. As per the decision of Public Accounts Committee consultative meeting held at Samtse from 30/09/19 – 2/10/19, it was decided to adjust from his (Mr. Dago Tshering, Ex-LRO of Samtse Dzongkhag) unclaimed NPPF contribution as he was compulsorily retired from

*service without benefits. It was further reported the Dzongkhag Administration had discussed the matter with Dago Tshering, Ex-LRO and did not agree for the refund.*

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# REVIEW REPORT OF ANNUAL AUDIT REPORT 2011

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**(Status as on 30 September 2021)**

ROYAL AUDIT AUTHORITY



## PART-I Summary of Review Report of AAR 2011

The Royal Audit Authority had submitted the review report of Annual Audit Report 2011 to the 5<sup>th</sup> Session of the Third Parliament in October 2020. The Review Report had significant unsettled irregularities of Nu.189.607 million. The RAA had conducted numerous follow-up at various levels in line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018 and the irregularities of Nu.0.229 million was resolved leaving a balance of Nu.189.378 million unsettled as on 30 Sept. 2021.

The agency wise unsettled irregularities reported to the Parliament in October 2020, irregularities resolved and unsettled ones as on 30 Sept. 2021 are shown in the table below:

**Table:** Showing agency wise irregularities settled and balances as on 30 Sept. 2021.

Sl. No.	Agency	Unsettled irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Ministries	189.607	0.229	189.378	0.12
2	Dzongkhags	-	-	-	-
3	Gewogs	-	-	-	-
	<b>Total Budgetary Agencies</b>	<b>189.607</b>	<b>0.229</b>	<b>189.378</b>	<b>0.12</b>

As transpired from the table above out of the irregularities of Nu. 189.607 million reported against ministries as on 30 Sept. 2020; Nu.0.229 had been resolved leaving a balance of Nu.189.378 million. However, the irregularities without involvement of monetary amounts against Dzongkhags and Gewogs remained unresolved as of 30 Sept. 2021. The detail review report of the issue are given below.

## PART-II: DETAIL REVIEW REPORT

### 1. MINISTRIES

#### 1.1 Ministry of Foreign Affairs

Out of the total unsettled irregularities of Nu.189.378 million reported to the Parliament in October 2020, the Ministry of Foreign Affairs had not settled any irregularity as on 30 Sept. 2021 as summarized below:

Sl. No.	Category	Unsettled irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Fraud, Corruption & Embezzlement	5.438	-	5.438	-
2	Shortfall, lapses & deficiencies	183.940	-	183.940	-
	<b>Total</b>	<b>189.378</b>		<b>189.378</b>	

The detailed status of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

#### 1. Fraud, Corruption and Embezzlement – Nu. 5.438 million

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

The Royal Bhutanese Embassy, Bangkok had an un-reconciled difference/shortage of USD 100,716.36 in the Special Account maintained with the Bangkok Bank for the financial years 2008-09, 2009-10 and 2010-11. The case was forwarded to the Anti-Corruption Commission. (AIN: 9764, Para 1.1; Accountabilities: Direct: ChendaTobgay, Head of Chancery, EID No. 2009054; Supervisory: ChendaTobgay, Head of Chancery, EID No. 2009054).

*Status: Observation not settled. The High Court had convicted ChendaTobgay and imprisoned him for nine years. However, as per the information obtained from the Office of the Attorney General on 5 Oct. 2020 the defendant had appealed to the Larger Bench of the High Court and the verdict was awaited.*

*This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the MoFA reported that on 15 July 2021 OAG communicated the judgement passed on Chenda Tobgay's case and deadline for the enforcement of the judgement was 28 Oct. 2021. As directed by RAA administrative action against Chenda Tobgay was taken by terminating from service vide termination letter dated 22 July 2021.*

*It was decided that, this issue will remain status quo until the expiry of the deadlines for the enforcement of judgement passed by the Court. After the expiry of the deadline, MoFA should initiate for enforcement of the judgement and submit an action taken report to RAA accordingly.*

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

The Royal Bhutanese Embassy, Bangkok had cash shortage of US \$ 2,856.67 in the USD Account for the year ended 30<sup>th</sup> June 2010. The case was forwarded to the Anti-Corruption Commission. (AIN: 9764, Para 2; Accountabilities: Direct: YeshiDorji, Finance Officer, EID No. 7801011; Supervisory: ChendaTobgay, Head of Chancery, EID No. 2009054).

**Status:** *Observation not settled. The High Court had convicted ChendaTobgay and imprisoned him for nine years. However, as per the information obtained from the Office of the Attorney General on 5 Oct. 2020 the defendant had appealed to the Larger Bench of the High Court and the verdict was awaited.*

*This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the MoFA reported that the case against Yeshey Dorji was forwarded to Ministry of Finance for taking necessary administrative action. Further, legal opinions was sought from OAG pertaining to filing of recovery suit against Yeshey Dorji (deceased). It was also stated that recovering of the amount from the family of the deceased was impossible. Further, it was reported that on 15 July 2021 OAG communicated the judgement passed on Chenda Tobgay's case and deadline for the enforcement of the judgement was 28 Oct. 2021. As directed by RAA administrative action against Chenda Tobgay was taken by terminating from service vide termination letter dated 22 July 2021.*

*It was decided that, this issue will remain status quo until the expiry of the deadlines for the enforcement of judgement passed by the Court. After the expiry of the deadline, MoFA should initiate for enforcement of the judgement and submit an action taken report to RAA accordingly.*

### **1.3 Double payment of medical expenses**

The Royal Bhutanese Embassy, Bangkok had made double payment of Thai Baht 78,985.00 on account of medical expenses for staff and family members. It was noted that same invoices were paid twice. The case was forwarded to the Anti-Corruption Commission. (AIN: 9764, Para 3; Accountabilities: Direct: Yeshey Dorji, Finance Officer, EID No. 7801011; Supervisory: ChendaTobgay, Head of Chancery, EID No. 2009054).

**Status:** *Observation partially settled. While the amount was recovered and deposited into audit recoveries account, the administrative action as recommended against the accountable official was awaited.*

*This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the MoFA reported that the case against Yeshey Dorji was forwarded to Ministry of Finance for taking necessary administrative action.*

## **2. Shortfalls, Lapses and Deficiencies – Nu.183.940 million**

### **2.1 Outstanding Advances – Nu. 3.849 million**

- a) The Royal Bhutanese Embassy, Bangkok had an outstanding advances of Nu.3.849 million against various officials and private parties. (AIN: 9764, Para 10; Accountabilities: Direct: ChendaTobgay; Supervisory: Individuals concerned)

**Status:** *Observation not settled. The High Court had convicted ChendaTobgay and imprisoned him for nine years. However, as per the information obtained from the Office of the Attorney General on 5 Oct. 2020 the defendant had appealed to the Larger Bench of the High Court and the verdict was awaited.*

*This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the MoFA reported that on 15 July 2021 OAG communicated the judgement passed on Chenda Tobgay's case and deadline for the enforcement of the judgement was 28 Oct. 2021. As directed by RAA administrative action against Chenda Tobgay was taken by terminating from service vide termination letter dated 22 July 2021.*

*It was decided that, this issue will remain status quo until the expiry of the deadlines for the enforcement of judgement passed by the Court. After the expiry of the deadline, MoFA should initiate for enforcement of the judgement and submit an action taken report to RAA accordingly.*

## 2.2 Non production of supporting documents – Nu.180.091 million

- a) The Royal Bhutanese Embassy, Bangkok had not produced supporting documents for expenditure amounting to USD 3,430,316.26 incurred during the financial years 2008-09, 2009-10 and 2010-11. The case was forwarded to the Anti-Corruption Commission. (AIN: 9764, Para 1.2; Accountabilities: Direct: ChendaTopgay, Head of Chancery, EID No. 2009054; Supervisory: ChendaTopgay, Head of Chancery, EID No. 2009054)

**Status:** Observation not settled. The High Court had convicted ChendaTobgay and imprisoned him for nine years. However, as per the information obtained from the Office of the Attorney General on 5 Oct. 2020 the defendant had appealed to the Larger Bench of the High Court and the verdict was awaited.

This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the MoFA reported that on 15 July 2021 OAG communicated the judgement passed on Chenda Tobgay's case and deadline for the enforcement of the judgement was 28 Oct. 2021. As directed by RAA administrative action against Chenda Tobgay was taken by terminating from service vide termination letter dated 22 July 2021.

It was decided that, this issue will remain status quo until the expiry of the deadlines for the enforcement of judgement passed by the Court. After the expiry of the deadline, MoFA should initiate for enforcement of the judgement and submit an action taken report to RAA accordingly.

## 1.2 Ministry of Agriculture & Forests

Out of the total unsettled irregularities of Nu.0.229 million reported to the Parliament in October 2020, the same has been resolved as on 30 Sept. 2021 as summarized below:

Sl. No.	Category	Unsettled irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Shortfall, lapses & deficiencies	0.229	0.229	-	100
	<b>Total</b>	<b>0.229</b>	<b>0.229</b>	<b>-</b>	<b>100</b>

The detailed status of irregularity reported to the Parliament in October 2020 which got resolved as on 30 Sept. 2021 is as discussed below:

### 1. Shortfalls, lapses and deficiencies

#### 1.1 Excess Payment – Nu.0.229 million

There was an overpayment of Nu.0.229 million made by the National Livestock Breeding Programme, Yusipang in the construction of 2 bedroom staff quarter at Yusipang. (AIN: 9332, Para 2.6; Accountabilities: Direct: Kinlay Nidup, site Engineer, GoI Project, DOL, CID No. 11508004102; Supervisory: Dr. D. B. Rai, Program Director, EID No.9901057)

**Status:** Observation settled. During the PAC consultative meeting held from 25 to 26/11/19 at Grand National Assembly Hall, Thimphu, the Ministry informed that Court had issue the verdict but could not resolve the issue because one of the accused, Kinley Tshering could not be located anywhere. The Committee informed the Ministry that such cases will be discussed during the proposed coordination meeting among stakeholders like Judiciary, RBP, OAG, ACC, RAA and PAC.

*This issue was redeliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall, Thimphu where MoAF reported that the case was filed before Thimphu District Court and during the proceedings, the proprietor of Kabjib construction failed to appear before the court. Further, upon the request of the Ministry, an announcement was made on BBS directing him to appear before the Court at the earliest. The Ministry had also sought information from the Gewog Office on whereabouts of Kinley Tshering and the Gewog responded that he could not be traced in Punakha his native place. Thereafter, the court dismissed the case and passed a judgement stating that the case may be filed once Kinley Tshering is being traced by the Ministry.*

*The PAC directed the Ministry to follow-up for the enforcement of the judgement and further enquire with the Department of Civil Registration & Census about the status of the accountable person and seek for way forward.*

*This issue was deliberated in the 13<sup>th</sup> Advisory Committee Meeting of the RAA held on 5 Oct. 2021 and the matter was decided to be settled treating as one time special case as the ministry has exhausted all the means to trace the contractor.*

## 2. DZONGKHAG ADMINISTRATIONS

### 2.1 Dzongkhag Administration, Gasa

The Dzongkhag Administration, Gasa had one unsettled irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Category	Unsettled irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Shortfall, lapses & deficiencies	-	-	-	-
	<b>Total</b>	-	-	-	-

The detailed status of the irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

### 1. Shortfalls, Lapses and Deficiencies

#### 1.1 Outstanding advances

The Dzongkhag Administration had an outstanding advances of Nu.0.039 million against various officials. (AIN: 9122, Para 2.1, Accountabilities: Individuals concerned, Supervisory: SangayDhendup, DCA, EID No. 200807011)

**Status:** *Observation not settled. While all the principal amounts were deposited, the Dzongkhag is yet to recover 24% penalty from Leki Tenzin (EID.9801091).*

*This issue was deliberated during the PAC consultative meeting held on 12 Aug. 2021 in the DYT hall of Punakha Dzongkhag where the Dzongkhag Adm. Gasa stated that there was an understanding that the matter was supposed to be followed up by the concerned official.*

*The RAA reported that 24% penalty still remained unsettled which cannot be waived off as it is a lapse from his part.*

*The PAC directed the Dzongkhag to follow up for recovery, exhaust the ways and means to recover the amount and furnish all the documentary evidences justifying the legitimate utilization of the advance taken for the official purpose and submitted report to RAA by 31 Aug. 2021 for review and decision by the Follow up Committee.*

### 3. GEWOG ADMINISTRATIONS

#### 3.1 Gewogs under Chukha Dzongkhag

##### 1. Phuentsholing Gewog

The Gewog Administration, Phuentsholing had one unsettled irregularity under shortfall, lapses and deficiencies reported to the Parliament in October 2020 as summarized below. It remained unsettled as on 30 Sept. 2021.

Sl. No.	Category	Unsettled irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
2	Shortfall, lapses & deficiencies	-	-	-	-
	<b>Total</b>	-	-	-	-

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

##### 1. Shortfalls, Lapses and Deficiencies

###### 1.1 Irregular Advance Payment and Incomplete ORC construction

The Gewog Administration had paid advances to the contractor in the construction of 20 seating capacity Out Reach Clinic at Panbari, which was irregular. [AIN: 9758; Para: 1, Accountabilities: Direct: YontenNorbu, Engineer, EID No. 200507210; Supervisory: Chandra Bahadur Galey, Gup, CID No. 10211000579]

**Status:** *Observation not settled. As per the Court verdict Thrimsha/Ang/13-377 dated 31/12/2013, the contractor was directed to deposit Nu.10,000 per month to Gewog Administration until the full recovery of Nu. 400,000/- but unfortunately the amount could not be recovered as the contractor had expired. The recent Public Accounts Committee consultative meeting held at Samtse from 30/09/19 - 2/10/19 decided that the Gewog Administration should approach the Court to seek further advice on demise of the contractor and enforcement of the verdict. Further, the administrative action against Yonten Norbu, Site Engineer was yet to be taken as recommended.*

*RAA reported that Gewog Administration had paid advances to the contractor in the construction of 20 seating capacity Out Reach Clinic at Panbari, which was irregular.*

*This issue was redeliberated in PAC consultative meeting held virtually on 7 Oct. 2021 where the Gup reported that due to COVID situation the Gewog Administration couldn't approach the court as directed by PAC but will soon comply with the same and approach the court in resolving this issue.*

*The PAC directed the Gewog Administration to submit a report to RAA pertaining to the recovery of the amount from the contractor in accordance with the judgement passed by the Court on 31 December 2013 and approach Court for the enforcement of the judgement by 31<sup>st</sup> October 2021.*

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# REVIEW REPORT OF ANNUAL AUDIT REPORT 2012

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**(Status as on 30 September 2021)**

ROYAL AUDIT AUTHORITY

## PART-I Summary of Review Report of AAR 2012

The Royal Audit Authority had submitted the review report of Annual Audit Report 2012 to the 5<sup>th</sup> Session of the Third Parliament in October 2020. The Review Report had significant unsettled irregularities of Nu.12.265 million. The RAA had conducted numerous follow-up at various levels in line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018 and subsequently Nu. 0.023 million was settled leaving a balance of Nu. 12.242 million as on 30 Sept. 2021 as shown in table below.

**Table:** Showing agency wise irregularities settled and balances as on 30 Sept. 2021.

Sl. No.	Agency	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Ministries	11.535	-	11.535	-
2	Dzongkhags	0.334	-	0.334	-
3	Gewogs	0.122	-	0.122	-
4	Autonomous Bodies	0.023	0.023	-	100
	<b>Total Budgetary Agencies - A (1 to 4)</b>	<b>12.014</b>	<b>0.023</b>	<b>11.991</b>	<b>0.19</b>
5	Corporations	-	-	-	-
	<b>Total Non Budgetary Agencies - B (5)</b>	<b>0.251</b>	<b>-</b>	<b>0.251</b>	
	<b>Grand total C = A+B</b>	<b>12.265</b>	<b>0.023</b>	<b>12.242</b>	<b>0.19</b>

As transpired from table above, the Budgetary Agencies had settled irregularities of Nu.0.023 million, however, Non-Budgetary Agencies had not resolved any irregularities as on 30 Sept. 2021. The detail review report of the issues is given below.



## PART- II: DETAIL REVIEW REPORT

### 1 MINISTRIES

#### 1.2 Ministry of Education

The Ministry of Education had an unresolved irregularity of Nu.10.618 million reported to Parliament in October 2020 and it continue to remain unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Category	Unsettled irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Shortfalls, lapses and deficiencies	10.618	-	10.618	-
	<b>Total</b>	<b>10.618</b>	<b>-</b>	<b>10.618</b>	

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1 Shortfalls, Lapses and Deficiencies – Nu. 10.618 million

##### 1.1 Outstanding advances – Nu. 10.618 million

The Education Development Project had an outstanding advances of Nu.10.618 million (Nu. 10,618,446.73 actual amount) against various officials, contractors and suppliers. (AIN 10664; Para 4; Accountabilities: Direct: Individuals Concerned; Supervisory: Karma Sonam, Chief Engineer, SPBD, EID No.9107112).

**Status:** Observation not settled. The unsettled long overdue advance pertained to M/s. Druk Sherig Construction. The issue was prosecuted in Thimphu Dzongkhag Court by the Ministry of Education and finally the Dzongkhag Court had issued a verdict against the case vide Verdict No. Thimphu/2019-1768 dated 30/10/2019 wherein Pema Namgyal the son of the proprietor of the company has been ordered to pay the amount of Nu. 10,618,446.73 to the Ministry within six month from the date of the judgement i.e. 30 Oct. 2019. However, the amount had not been paid as on 31 Aug. 2021.

The issue was deliberated during the PAC consultative meeting held on 31 Aug. 2021 in the NC conference hall at Thimphu where the Ministry of Education had reported that whereabouts of Pema Namgyal was not known so the verdict could not be enforced and the amount was still lying unrecovered. The PAC informed the house that unlike earlier judiciary system henceforth judgement enforcement appeal can be made even in absence of the defendant. Therefore, the Ministry was advised by the PAC to initiate for judgement enforcement appeal by 30 Sept. 2021 and intimate the RAA and the PAC.

Accordingly, as per the letter No.MoE/DoS/LS/2021/1237 dated 28/09/2021 the Ministry of Education appealed to Civil Bench of Thimphu Dzongkhag Court for judgement enforcement where the court had informed the Ministry that summon order for hearing on 7 Oct. 2021 shall be issued.

## 1.5 Ministry of Foreign Affairs

Out of the total unsettled significant irregularities of Nu.0.676 million reported to the Parliament in October 2020, the Ministry of Foreign Affairs had not settled any irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Category	Unsettled irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Shortfalls, lapses and deficiencies	0.676	-	0.676	-
	<b>Total</b>	<b>0.676</b>	<b>-</b>	<b>0.676</b>	<b>-</b>

The detailed status of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

### 1. Shortfalls, Lapses and Deficiencies – Nu. 0.676 million

#### 1.1 Outstanding Advances – Nu. 0.581million

- a) The Ministry of Foreign Affairs had an outstanding advances of Nu. 0.581 million (USD 10,834.74) against an official. *(AIN 10563; Para 1; Accountabilities: Direct: ChendaTopgay, Former HOC, RBE, Bangkok, EID No.2009054; Supervisory: H.E.LyonpoUgyenTshering, Foreign Minister &ChendaTopgay, Former HOC, RBE, Bangkok, EID No.2009054)*

**Status:** *Observation not settled. The High Court had convicted ChendaTobgay and imprisoned him for nine years. However, as per the information obtained from the Office of the Attorney General on 5 Oct. 2020 the defendant has appealed to the Larger Bench of the High Court and the verdict was awaited.*

*This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the MoFA reported that on 15 July 2021 OAG communicated the judgement passed on Chenda Tobgay's case and deadline for the enforcement of the judgement was 28 Oct. 2021. As directed by RAA administrative action against Chenda Tobgay was taken by terminating from service vide termination letter dated 22 July 2021.*

*It was decided that this issue will remain status quo until the expiry of the deadlines for the enforcement of judgement passed by the Court. After the expiry of the deadline, MoFA should initiate for enforcement of the judgement and submit an action taken report to RAA accordingly.*

#### 1.2 Goods not received by the State Guest House – Nu. 0.095 million

- b) The Ministry of Foreign Affairs had not received goods worth Nu. 0.095 million (USD 1,775.00) for 16<sup>th</sup> SAARC Summit from Bangkok. However, it was found that the adjustments were already made in the books of accounts. The case was forwarded to the Anti-Corruption Commission. *(AIN 10563; Para 2; Accountabilities: Direct: ChendaTopgay, Former HOC, RBE, Bangkok, EID No.2009054; Supervisory: H.E.LyonpoUgyenTshering, Foreign Minister & ChendaTopgay, Former HOC, RBE, Bangkok, EID No.2009054)*

**Status:** *Observation not settled. The High Court had convicted ChendaTobgay and imprisoned him for nine years. However, as per the information obtained from the Office of the Attorney General on 5 Oct. 2020 the defendant had appealed to the Larger Bench of the High Court and the verdict was awaited.*

*This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the MoFA reported that on 15 July 2021 OAG communicated the judgement passed on Chenda Tobgay's case and deadline for the enforcement of the judgement was 28 Oct. 2021. As directed by RAA administrative action against Chenda Tobgay was taken by terminating from service vide termination letter dated 22 July 2021.*

*It was decided that, this issue will remain status quo until the expiry of the deadlines for the enforcement of judgement passed by the Court. After the expiry of the deadline, MoFA should initiate for enforcement of the judgement and submit an action taken report to RAA accordingly.*

## 1.6 Ministry of Agriculture & Forests

The Ministry of Agriculture & Forests had unsettled irregularity of Nu.0.241 million reported to the Parliament in October 2020. It remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Category	Unsettled irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Fraud, Corruption & Embezzlement	0.241	-	0.241	-
	<b>Total</b>	<b>0.241</b>	<b>-</b>	<b>0.241</b>	

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

### 1. Fraud, Corruption and Embezzlement - Nu. 0.241 million

#### 1.1 Misuse of cash - Nu.0.241 million

The Wangchuk Centenary Park, Bumthang had a case of misuse of cash amounting to Nu.0.241 million. It was found that the employees of Divisional Forest Office, Bumthang were paid TA/DA for monitoring and patrolling of cordeyceps collection from the Division's LC account. However, the Wangchuk Centenary Park had reimbursed the expenditure but was not accounted for in the LC account of the Division. The case was forwarded to the Anti-Corruption Commission. *(AIN 10757; Para 1; Accountabilities: Direct: RatuWangchuk, Chief Forestry Officer, EID No.8311023; Supervisory: RatuWangchuk, Chief Forestry Officer, EID No.8311023)*

**Status:** *Observation not settled. PAC consultative meeting held from 25 to 26/11/19 at Grand National Assembly Hall, Thimphu instructed the MoAF to follow up with the Office of the Attorney General on the progress of the case and furnish the update to RAA within December 2019. However, the case remained unresolved as of 3 Sept. 2021.*

*This issue was redeliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall where the Director of Department of Forest & Park Services reported that, OAG forwarded the case to Bumthang Dzongkhag Court and has reached evidence hearing stage. The ministry is waiting for court verdict.*

*The PAC directed the ministry to follow up with the court to expedite the case and communicate the verdict to RAA.*

## 2. DZONGKHAGS

### 2.1 Tsirang Dzongkhag

The Dzongkhag Administration, Tsirang had irregularity of Nu.0.334 million reported to the Parliament in October 2020. It remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Category	Unsettled irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Shortfalls, lapses and deficiencies	0.334	-	0.334	-
	<b>Total</b>	<b>0.334</b>	<b>-</b>	<b>0.334</b>	<b>-</b>

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Shortfall, Lapses and Deficiencies – Nu. 0.334 million

##### 1.1 Excess payment – Nu. 0.334 million

The Dzongkhag Administration had made an excess payment of Nu.0.334 million in the construction of Lhakhang in Dunglagang Gewog due to difference in the quantities paid for and quantities actually executed at site. (AIN 10432; Para 1.1; Accountabilities: Direct: BirendraGiri, Engineer, EID No.9907152; Supervisory: KharkaBdr. Pradhan, Gup, Dunglagang, CID No.11803001103)

**Status:** Observation not settled. Verdict was pronounced vide letter No. DT/Thrimden-01/2019-2020/3785, date 10/6/2020. As per the verdict concern person has been ordered to deposit the amount, however, payment had not been received as of 9 Aug. 2021.

*The issue was deliberated in the PAC consultative meeting held on 9 Aug. 2021 in PDC, RAA, Tsirang and the PAC directed the Dzongkhag to follow up the case for recovery and intimate the RAA by 31 Aug. 2021.*

## 3. GEWOGS

### 3.1 Gewogs under Chukha Dzongkhag

#### Logchina Gewog

The Gewog Administration, Logchina had an unsettled irregularity amounting to Nu.0.122 million reported to the Parliament in October 2020 and it remain unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Category	Unsettled irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Shortfalls, lapses and deficiencies	0.122	-	0.122	-
	<b>Total</b>	<b>0.122</b>	<b>-</b>	<b>0.122</b>	<b>-</b>

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

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

### 1.1 Inadmissible/excess payment to contractor-Nu. 0.122 million

The Gewog Administration had made an excess payment of Nu. 0.122 million in the construction of Out Reach Clinic (ORC) at Dolepchen due to payment made for items not provided and executed. [AIN: 10085; Para: 3, Accountabilities: Direct: Yonten Norbu, JE, EID No.200507210; Supervisory: Jamyang Dorji, District Engineer, EID No.9207043]

**Status:** Observation not settled. As per the PAC consultative meeting held at Samtse from 30/09/19–02/10/19, the concerned site engineer was directed to visit Regional Office, RAA, Phuentsholing with additional documents for further review and verification within two weeks from the date of meeting. However, there was no response from Yonten Norbu despite several reminder made through call.

*This issue was redeliberated during the PAC consultative meeting virtually held on 7 Oct. 2021 where the Gup reported that Gewog Administration tried to follow up with the contractor but couldn't trace him. Gewog Administration then approached the court and with permission of the court a picture of the contractor was published in news channel (BBS). Further, the gewog administration contacted the Construction Development Board to check his work status and could get the contact number of the contractor but the contact number was inactive. After the COVID situation started, Gewog Administration couldn't follow up with CDB to check the work status of the contractor.*

*The PAC directed the Gewog Administration to follow up with CDB by 31 October 2021 to check the work status of the contractor and recover the amount accordingly.*

## 3.2 Gewogs under Dagana Dzongkhag

### Deorali Gewog

The Gewog Administration, Deorali had one unsettled irregularity under fraud corruption and embezzlement reported to the Parliament in October 2020. It remained unresolved as on 30 Sept. 2021 as summarized below:

Sl. No.	Category	Unsettled irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Fraud, Corruption & Embezzlement	-	-	-	
	<b>Total</b>	-	-	-	

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

## 1. Fraud, Corruption and Embezzlement – Nu. 0.063 million

### 1.1 Misuse of Revenue

The Gewog Administration had a case of misuse of revenue amounting to Nu. 0.063 million. The cash balance was not physically available during verification and the new Gup stated that the former Gup had not handed over the cash balance when he assumed the office. [AIN: 10331; Para: 1, Accountabilities: Direct: Pasang Sherpa, Ex-Gup, CID No. 11304001729; Supervisory: Pasang Sherpa, Ex-Gup, CID No. 11304001729]

**Status:** Observation not settled. While the recovery of Nu.0.063 million was made and deposited with the RAA the appropriate action against the responsible official(s) as recommended is awaited. (Note: Not deliberated during PAC meet held on 9 Aug. 2021 in PDC, RAA, Tsirang as the Gup was not present as he was under quarantine).

## 4. AUTONOMOUS BODIES

### 4.1 Bhutan Football Federation

Out of the total unsettled irregularities of Nu.0.023 million reported to the Parliament in October 2020, the Bhutan Football Federation had fully settled the amount as on 30 Sept. 2021 as summarized below:

Sl. No.	Category	Unsettled irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Shortfall, lapses & deficiencies	0.023	0.023	-	100
	<b>Total</b>	<b>0.023</b>	<b>0.023</b>	<b>-</b>	<b>-</b>

The detailed status of irregularity reported to the Parliament in October 2020 which has been settled as on 30 Sept. 2021 is as discussed below:

#### 1. Shortfalls, Lapses and Deficiencies – Nu. 0.023 million

#### 1.3 Outstanding Advances – Nu. 0.023 million

The Bhutan Football Federation had an outstanding advances of Nu.1,257.00 million against various officials (AIN: 10697, Para 2; Accountabilities: Direct: UgyenWangchuk, General Secretary, CID No. 11411002674; Supervisory: UgyenWangchuk, General Secretary, CID No. 11411002674)

**Status:** Observation settled as the unsettled balance amount was recovered and deposited into BFF's CD Ac.

## 5 CORPORATIONS

### 5.1 Penden Cement Authority Limited

Out of the one irregularity reported to the Parliament in October 2020, the Penden Cement Authority Limited had not settled the same as on 30 Sept. 2021 as summarized below:

Sl. No.	Category	Unsettled irregularities reported to the Parliament as on 30/09/2020 (Nu. in million)	Amount settled (Nu. in million)	Balance as on 30/09/2021 (Nu. in million)	% settled
1	Mismanagement	-	-	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

## 1. Mismanagement

### 1.1 Irregular purchase of land belonging to the spouse of a Board Director

The Penden Cement Authority Limited had purchased one acre of land directly from Mrs. Rinzin Rabgay in 2011 for construction of cement depot at Gelephu with a view to avoid deflection of cement meant for domestic use to the Indian market en-route from Indian territory and make cement available at all times in the domestic market. It was found that the seller is a spouse of Karma Tenzin, Board Director at that time. It was noted that PCAL had acquired one acre of land intended for the purpose from different party in 2007 but cement depot was not constructed. The management had looked for alternative land for the purpose. The invitation for the offers was made and of the five respondents, Rinzin Chophel offered the lowest rates of Nu. 53,500.00 per decimal. The Purchasing Committee decided to accept the lowest offer but was found overruled and went for a direct purchase at the same rate offered by Mrs. Rinzin Rabgay.

It was a clear case of conflict of interest in the purchase of land from a wife of Board Director, who was present in the Board Meeting in violation of the Companies Act of the Kingdom of Bhutan 2000. Further, the land fell within Sarpang-Gelephu highway in the south and the boundary wall of the newly constructed domestic airport in the north which had rendered its usage very restrictive. The PCAL had made the payment without receiving clearance from the Department of Civil Aviation. The decision was apparently not in the interest of the company as the land could not be put into intended use. (AIN: 10787, Para 1.1; Accountabilities: Direct: TashiTshering, former Managing Director, CID No. 11502000643; Supervisory: TashiTshering, former Managing Director, CID No. 11502000643)

**Status:** *Observation not settled. The case was under review by the ACC. As per the 4<sup>th</sup> bilateral meeting the case was assigned for investigation team as on 08/06/2017 vide letter No.ACC/DoI-i/Case-08/2017/686.*

*As per the telephonic update given by Internal Auditor of PCAL in Sept. 2021 the case has been resgister in Gelephu Dungkhag Court.*

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# REVIEW REPORT OF ANNUAL AUDIT REPORT 2013

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**(Status as on 30 September 2021)**

**ROYAL AUDIT AUTHORITY**



## PART-I Summary of Review Report of AAR 2013

The Royal Audit Authority had submitted the review report of Annual Audit Report 2013 to the 5<sup>th</sup> Session of the Third Parliament in October 2020. The Review Report had significant unsettled irregularities of Nu.3.956 million including one observation without having monetary amount under the Tourism Council of Bhutan. The RAA had conducted numerous follow-ups at various levels in line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018 and the irregularity under the Tourism Council of Bhutan was resolved. However, the irregularities of Nu.3.956 million from other agencies remained unsettled as of 30 Sept. 2021.

The agency wise unsettled irregularities reported to the Parliament in October 2020, irregularities settled during the reporting period and balance as on 30 Sept. 2021 are shown in the table below.

**Table:** Showing agency wise irregularities settled and balances as on 30 Sept. 2021.

Sl. No.	Agencies	Irregularities reported to the Parliament in Sept. 2020 (Nu. In million)	Amount settled	Balance as on 30/09/2021	% settled
1	Ministries	0.226	-	0.226	-
2	Dzongkhags	3.377	-	3.377	-
3	Gewogs	0.353	-	0.353	-
4	Autonomous Bodies	-	-	-	100
<b>Total Budgetary Agencies - A (1 to 4)</b>		<b>3.956</b>	<b>-</b>	<b>3.956</b>	<b>-</b>

As transpired from table above the irregularity reported under Autonomous Bodies had been settled, however, others remained unsettled as on 30 Sept. 2021.

## PART II: DETAIL REVIEW REPORT

### 1. MINISTRIES

#### 1. Ministry of Foreign Affairs

The Ministry of Foreign Affairs had an unsettled irregularity of Nu.0.266 million reported to the Parliament in October 2020 and it remained unsettled in entirety as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount settled (Nu. in Million)	Balance as on 30/09/2021	% settled
1	Shortfalls, lapses and deficiencies	0.266	-	0.266	-
	<b>Total</b>	<b>0.266</b>	<b>-</b>	<b>0.266</b>	<b>-</b>

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Shortfalls, lapses and deficiencies – Nu. 0.266 million

The Royal Bhutanese Embassy, Bangkok had an outstanding advances of Nu.0.266 million against various officials and parties. *(AIN 11286; Para 2; Accountabilities: Direct: Chenda Topgay; Supervisory: Gyembo, Councillor (Finance), EID No. 9610061)*

**Status:** *Observation not settled. The High Court had convicted ChendaTobgay and imprisoned him for nine years. However, as per the information obtained from the Office of the Attorney General on 5 Oct. 2020 the defendant had appealed to the Larger Bench of the High Court and the verdict was awaited.*

*This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the MoFA reported that on 15 July 2021 OAG communicated the judgement passed on Chenda Tobgay's case and deadline for the enforcement of the judgement was 28 Oct. 2021. As directed by RAA administrative action against Chenda Tobgay was taken by terminating from service vide termination letter dated 22 July 2021.*

*It was decided that, this issue will remain status quo until the expiry of the deadlines for the enforcement of judgement passed by the Court. After the expiry of the deadline, MoFA should initiate for enforcement of the judgement and submit an action taken report to RAA accordingly.*

### DZONGKHAGS

#### 1. Dzongkhag Administration, Pemagatshel

The Dzongkhag Administration, Pemagatshel had an unsettled irregularity of Nu.2.970 million reported to the Parliament in October 2020 and it has remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount settled (Nu. in Million)	Balance as on 30/09/2021	% settled
1	Shortfalls, lapses and deficiencies	2.970	-	2.970	-
	<b>Total</b>	<b>2.970</b>	<b>-</b>	<b>2.970</b>	<b>-</b>

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

## 1. Shortfalls, Lapses and Deficiencies – Nu. 2.970 million

### 1.1 Non recovery of advances and penalties – Nu. 2.970 million

The Dzongkhag Administration had not recovered the amount of Nu. 2.970 million from the contractor on account of material advances recovery, penalty and forfeiture of performance security on termination of contract. (AIN No. 11833; Para 2; Accountabilities: Direct: Lobzang Tshering, JE, EID No. 200901074; Supervisory: Yeshe Dorji, DE, EID No. 9807057)

**Status:** *Observation not settled as the contractor has been reported absconded. The PAC consultative meeting held at Samdrupjongkhar from 27 to 28/09/19 informed that such absconding cases will be discussed in the proposed meeting of relevant stakeholders like Judiciary, OAG, RBP and RAA.*

*The issue was redeliberated in the PAC consultative meeting held on 2 Aug. 2021 in DYT hall of Trashigang Dzongkhag and Dzongkhag Adm. Pemagatshel reported that they were following up with Lobzang Tshering for the recovery of an advance taken but no positive response was received. It was reported that the direct accountable person has absconded. Now they have opted for legal recourse in recovering the same.*

*The RAA expressed that it is necessary to follow up with the Census & Civil Registration to identify whether the person has really absconded or not. It cannot be assumed that a person has absconded merely on the basis that he is not found in some part of the locality. The PAC directed that the Dzongkhag Adm. should follow up the matter and update RAA accordingly by 31 Aug. 2021.*

## 2. Dzongkhag Administration, Trashigang

The Dzongkhag Administration, Trashigang had unsettled irregularities of Nu.0.407 million reported to the Parliament in October 2020 and it remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount settled (Nu. in Million)	Balance as on 30/09/2021	% settled
1	Shortfalls, lapses and deficiencies	0.407	-	0.407	-
	<b>Total</b>	<b>0.407</b>	<b>-</b>	<b>0.407</b>	<b>-</b>

The detailed status of the irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

## 1. Shortfalls, Lapses and Deficiencies – Nu. 0.407 million

### 1.1 Non refund of salary disbursed during training – Nu. 0.407 million

The Dzongkhag Administration had not recovered the amount of Nu. 0.407 million on account of salary paid to the officials during the training. The official was liable to refund for discontinuing the training. (AIN 10916; Para 3; Accountabilities: Direct: Dr. Unisha Choeki Sharma, EID No. 200701020; Supervisory: Tshewang Dorji, Sr. DHO, EID No. 7804016)

*Status: Observation not settled. The PAC consultative meeting held at Samdrupjongkhar from 27 to 28/09/19 instructed the Dzongkhag Administration to follow up with the Health Ministry on action taken and accordingly intimate RAA and PAC for further disposal of the case.*

*This issue was redeliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall of Trashigang Dzongkhag and the Dzongkhag Administration reported that, on 2 Oct. 2019 a letter was sent to the focal person (Health Ministry) requesting them to take action on this issue and were communicated by the legal officer on 11<sup>th</sup> Oct 2019 that the Ministry has taken up the responsibility to take legal actions in resolving the same. The Dzongkhag further reported that as of now no further action taken report had been received.*

*The PAC directed the Dzongkhag Administration to follow up with the Ministry of Health and submit the status of the case to RAA by 31 Aug.2021.*

## 1. Gewogs under Tsirang Dzongkhag

### Gosarling Gewog

The Gewog Administration, Gosarling had one unsettled irregularity of Nu. 0.353 million reported to the Parliament in October 2020. It remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount settled (Nu. in Million)	Balance as on 30/09/2021	% settled
1	Shortfalls, lapses and deficiencies	0.353	-	0.353	-
	<b>Total</b>	<b>0.353</b>	<b>-</b>	<b>0.353</b>	<b>-</b>

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Shortfalls, Lapses and Deficiencies – Nu. 0.353 million

##### 1.1 Overpayment – Nu. 0.353 million

The Gewog Administration had made an overpayment of Nu. 0.353 million in the construction of 4.5 Km farm road from Lower Lapsibotey to Lower Suntalay connecting Changchey town to new Goseling Community Primary School due to differences in the quantities paid for and actually executed at site. (AIN 11167; Para 2; Accountabilities: Direct: B. Giri, Engineer, EID No.9907152; Supervisory: Harka Bdr. Tamang, Gup, CID No.11804000654).

*Status: Observation not settled. As per the PAC consultative meeting held at Gelephu from 08 to 10/08/19, the Dzongkhag Administration Tsirang was directed to conduct joint physical verification/re-measurement with RAA and outcome intimated. However, it is now informed that the case will be forwarded to Dzongkhag Court, Tsirang.*

*The issue was redeliberated during the PAC consultative meeting held on 9 Aug. 2021 in PDC, RAA Tsirang where Thrizin reported that they had followed up with the engineer but no positive response was received from him. The Dzongkhag Administration then sought legal recourse to resolve this issue. Due to lack of legal officer in Tsirang Dzongkhag Adm., the case was forwarded to Office of Attorney General on 27 April 2020 along with two other cases that were pending in Dzongkhag Administration. Legal Officer from OAG was supposed to visit for inspection but couldn't do so due to the COVID-19 pandemic situation.*

*The PAC directed the Dzongkhag/Gewog Administration to follow up with the OAG and RBP to resolve this issue and intimate RAA on the status. The PAC further affirmed that they will request OAG to expedite the case.*

#### 4. AUTONOMOUS BODIES

##### 4.1 Tourism Council of Bhutan

The Tourism Council of Bhutan had one unsettled irregularity under violation of laws and rules reported to the Parliament in October 2020. It has been settled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount settled (Nu. in Million)	Balance as on 30/09/2021	% settled
1	Violation of Laws & Rules	-	-	-	100
	<b>Total</b>	-	-	-	-

The detailed status of irregularity reported to the Parliament in October 2020 which got settled as on 30 Sept. 2021 is as discussed below:

#### 1. Violation of Laws and Rules

##### 1.1 Non fulfilment of conditions for availing tax and duty exemptions

Under the Fiscal Incentive of the Government to exempt Sales Tax and Customs Duty in 2010, the tour operators signed agreements with Tourism Council of Bhutan to bring in 50% tourist within one year. The tour operators were liable for payment of Sales Tax and Customs duty in the event of failure to fulfil the conditions. However, it was noted that tour operators had failed to fulfil the conditions but had availed the exemption. The amount of sales tax and customs duty is thus recoverable from the tour operators. Further, it was also noted that the vehicles purchased under this fiscal incentive were not registered under the company's name as required under the scheme. (AIN 11806; Para 1; Accountabilities: Direct: Kinley Wangdi, Offtg. Head, EID No. 2001046; Supervisory: Thuji Dorji Nadik, Acting Managing Director, EID No. 8304065)

**Status:** *Observation has been settled as lapses action was taken vide letter No. TCB/Ls-21/1050 dt. 20/5/2020.*

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# REVIEW REPORT OF ANNUAL AUDIT REPORT 2014

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**(Status as on 30 September 2021)**

ROYAL AUDIT AUTHORITY

## PART-I Summary of Review Report of AAR 2014

The Royal Audit Authority had submitted the review report of Annual Audit Report 2014 to the 5<sup>th</sup> Session of the Third Parliament in October 2020. The Review Report had significant unsettled irregularities of Nu.50.484 million. The RAA had conducted numerous follow-ups at various levels in line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018 and subsequently, Nu.30.283 million had been settled leaving a balance of Nu. 20.246 million unsettled as on 30 Sept. 2021 as shown in the table below:

**Table:** Showing agency wise irregularities settled and balances as on 30 Sept. 2021.

Sl. No.	Agencies	Irregularities reported to the Parliament in Sept. 2020	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Ministries	30.143	30.143	-	100
2	Dzongkhags	16.440	-	16.440	-
3	Gewogs	0.045	-	0.045	-
4	Autonomous Bodies	-	-	-	100
<b>Total Budgetary Agencies - A (1 to 4)</b>		<b>46.628</b>	<b>30.143</b>	<b>16.485</b>	<b>64.65</b>
5	Corporations and Financial Institutions	3.856	0.095	3.761	2.46
<b>Total Non-Budgetary Agencies - B (5)</b>		<b>3.856</b>	<b>0.095</b>	<b>3.761</b>	<b>2.46</b>
<b>Grand Total - C (A + B)</b>		<b>50.484</b>	<b>30.238</b>	<b>20.246</b>	<b>59.90</b>

As transpired from table above, the Budgetary Agencies had settled irregularities amounting to Nu.30.143 million leaving a balance of Nu.16.485 million unsettled. Non-Budgetary Agencies had settled Nu.0.095 million of irregularities leaving a balance of Nu.3.761 million unsettled as on 30 Sept. 2021.

## PART-II: DETAILED REVIEW REPORT

### 1. MINISTRIES

#### 4.1.1 Ministry of Information & Communications

Out of the total unsettled irregularities of Nu.30.054 million reported to the Parliament in October 2020, the Ministry of Information & Communications had settled all the irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Fraud, Corruption & Embezzlement	21.177	21.177	-	100
3	Violation of Laws & Rules	8.163	8.163	-	100
4	Shortfalls, lapses and deficiencies	0.714	0.714	-	100
	<b>Total</b>	<b>30.054</b>	<b>30.054</b>	<b>-</b>	<b>100</b>

The detailed status of irregularities reported to the Parliament in October 2020 which got settled as on 30 Sept. 2021 are as discussed below:

#### 1. Fraud, Corruption and Embezzlement

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

The Department of Civil Aviation had adopted erroneous measurements in the supply and fixing of concertina wire fencing which resulted in over payment of Nu. 21.177 million in construction of Gelephu Domestic Airport. The joint physical verification revealed execution of concertina fencing works to the extent of 2,583.70 metres. Accordingly, the value of work done as per contractor's quoted rate worked out to Nu. 1.063 million (2,583.70 metres x Nu. 411.60) only as against Nu. 22.240 million claimed and entertained for payment with resultant over payment to that extent. The case was forwarded to Anti-Corruption Commission. Currently, the case is subjudice. *(AIN 12148; Observation 5;Accountabilities: Direct: Gyem Dorji, Dy. Executive Engineer, EID No. 200702026; Supervisory: Phala Dorji, DG, EID No. 7207011)*

**Status:** *Observation settled. During the PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu, the Ministry informed that OAG had registered the case in Gelephu Drungkhag Court with respect to criminal element but with regard to civil restitution, MoIC had registered the case with the High Court.*

*The issue was redeliberated during the PAC consultative meeting held on 31 Aug. 2021 in the NC conference hall, Thimphu where the RAA informed the house that verdict was passed resolving the other case registered with the High Court for civil restitution and for this particular observation 1.1 above the Ministry reported that verdict was pronounced by the Dungkhag Court, however, the contractor appealed to Dzongkhag Court, Sarpang on the ground that the tax evaded amount computed by the ACC was not satisfactory to him and again Dzongkhag Court, Sarpang reverted case back to Dungkhag Court, Gelephu for reviewing the correctness of tax computation. Therefore, the issue remained unresolved as the case was subjudice in the Dungkhag Court, Gelephu as of 31 Aug. 2021.*

*Further, the Ministry clarified that the case remaining sub judice in the Gelephu Dungkhag Court pertained to tax evasion by the contractor but not against the issue reflected in this audit observation. Accountabilities relating to this observation against Gyem Dorji, Site Engineer has*



*been acquitted so the Site Engineer requested to absolve the accountability from his name from the audit report.*

*In view of the above this observation was dropped from the AAR as per the decision of the 8<sup>th</sup> Advisory Committee Meeting of the RAA held on 31 Aug. 2021 as the case that remained sub judice did not pertain to audit report.*

### **3. Violation of laws and rules**

#### **3.1 Improper rate analysis of earthwork – Nu. 1.387 million**

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

***Status:** Observation was settled based on the verdict passed by the High Court dated July 7, 2020 wherein it was pronounced that the case need not be prosecuted any further and closed in totality.*

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

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

***Status:** Observation was settled based on the verdict passed by the High Court dated July 7, 2020 wherein it was pronounced that the case need not be prosecuted any further and closed in totality.*

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

The contractor had made excess claim of Nu. 2.647 million in the construction of Gelephu Domestic Airport. It was observed that instead of Nu. 147.31 per cum considered for payment in the final bill, the analysed rate worked out to Nu. 59.21 per cum for quantity of 30,050 cum. The case was forwarded to Anti-Corruption Commission. Currently, the case is subjudice. *(AIN 12148;Observation 4;Accountabilities: Direct: Gyem Dorji, Dy. Executive Engineer, EID No. 200702026; Supervisory: Dasho Kinley Dorji, Secretary, MoIC, EID No. 7807011, Wangdi Gyeltshen, Director, DCA, EID No. 8101036, Karma Tenzin, Offtg. CAO, MoIC, EID No.2001047, Gyem Dorji, Dy. Executive Engineer, DCA, EID No. 200702026 & Sonam Jamtsho, Asstt. Procurement Officer, MoIC, EID No. 200602016)*

***Status:** Observation was settled based on the verdict passed by the High Court dated July 7, 2020 wherein it was pronounced that the case need not be prosecuted any further and closed in totality.*

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

The Department of Civil Aviation had applied quoted rate for form-work of the terminal building – columns, beams, slabs etc up to fifth floor level for fencing works which resulted in excess claim of Nu.

0.285 million. The payment should have been regulated with reference to analyzed or market rate. The case was forwarded to Anti-Corruption Commission. Currently, the case is subjudice. (AIN 12148; Observation 10; Accountabilities: Direct: Gyem Dorji, Dy. Executive Engineer, EID No. 200702026; Supervisory: Gyem Dorji, Dy. Executive Engineer, EID No. 200702026)

**Status:** Observation was settled based on the verdict passed by the High Court dated July 7, 2020 wherein it was pronounced that the case need not be prosecuted any further and closed in totality.

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

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

**Status:** Observation was settled based on the verdict passed by the High Court dated July 7, 2020 wherein it was pronounced that the case need not be prosecuted any further and closed in totality.

## 4. Shortfalls, lapses and deficiencies

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

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

**Status:** Observation was settled based on the verdict passed by the High Court dated July 7, 2020 wherein it was pronounced that the case need not be prosecuted any further and closed in totality.

### 4.1.5 Ministry of Agriculture & Forests

The Ministry of Agriculture & Forests had unsettled irregularities of Nu.0.089 million reported to the Parliament in October 2020. It has been settled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	0.089	0.089	-	100
	<b>Total</b>	<b>0.089</b>	<b>0.089</b>	<b>-</b>	<b>100</b>

The detailed status of irregularity reported to the Parliament in October 2020, which got settled as on 30 Sept. 2021 is as discussed below:

## 1. Shortfalls, lapses and deficiencies

### 1.1. Non-reconciliation of accounts- Nu.0.089 million

The Agriculture Machinery Centre, Paro had un-reconciled figure of Nu. 0.089 million between the sale proceeds as per the inventory system and overall cash received/deposited into respective accounts. The

difference had occurred mainly due to inadequate stores management system and improper documentation of various advance receipts and sales. (AIN 12135; Observation 1; Accountabilities: Direct: Karma Wangdi, Accountant, EID No. 200907017; Supervisory: Karma Thinley, PD, EID No. 9901086)

**Status:** Observation settled. The issue was redeliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall, Thimphu where the Program Director of Agriculture Machinery Centre reported that a Note Sheet was forwarded to the Ministry for write off as per Financial Delegation Power of Financial Management Manual, 2016. Accordingly the Ministry has submitted the write off approval letter No. MoAF-DS/06/2021 dated 2 Sept. 2021 which was forwarded to RAA. This was initiated as the AMC found difficulty in reconciling the figures due to shift of huge transaction.

The RAA stated that the write-off letter was received only on 2 Sept. 2021 and will be discussed in RAA's Advisory Committee and result will be communicated.

Accordingly, this issue was deliberated in the 11<sup>th</sup> Advisory Committee Meeting of the RAA held on 24 Sept. 2021 and the committee decided to drop the issue based on the write off letter and PAC's recommendation for resolving the issue as the management had exhausted all efforts for reconciling the differences.

## 4.2 DZONGKHAGS

### 4.2.1 Dzongkhag Administration, Sarpang

The Dzongkhag Administration, Sarpang had total unsettled irregularities of Nu.16.429 million reported to the Parliament in October 2020. It remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Fraud, Corruption & Embezzlement	14.029	-	14.029	-
2	Mismanagement	0.086	-	0.086	-
3	Violation of Laws & Rules	0.881	-	0.881	-
4	Shortfalls, lapses and deficiencies	1.433	-	1.433	-
	<b>Total</b>	<b>16.429</b>	<b>-</b>	<b>16.429</b>	<b>-</b>

The detailed status of irregularities reported to the Parliament in October 2020, which remained unsettled as on 30 Sept. 2021 are as discussed below:

#### 1. Fraud, Corruption and Embezzlement - 14.029 million

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

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

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

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

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

**Status:** *Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court. Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.*

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

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

**Status:** *Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.*

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

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

**Status:** *Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.*

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

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

**Status:** Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.

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

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

**Status:** Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.

#### 1.6 Non-accountal of withdrawal – Nu. 0.528 million

a) The Dungkhang Administration, Gelephu, had not accounted withdrawal of Nu. 0.400 million in the cash book. The case was forwarded to Anti-Corruption Commission. (AIN 12304; Observation 6 of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119)

**Status:** Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.

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

**Status:** Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.

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

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

**Status:** Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.

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

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

**Status:** Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.

### 1.9 Payment for works not executed – Nu. 0.103 million

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

**Status:** Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.

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

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

**Status:** Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8

*years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.*

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

The Dungpa & Administrative Assistant of Gelephu Dungkha Administration had colluded and diverted a sum of Nu. 0.536 million from Losal Cinema Hall's CD Account into Sershong Community Group account which was solely operated by the Dungpa. The account was supposed to be closed after completion of Sershong Community's activities but was kept active, which was a deliberate attempt to misappropriate the funds. The case was forwarded to Anti-Corruption Commission. (AIN 12304; Observation 2 of Part 2; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wagma Tshering Dorji, RBP, Gelephu, PIN 119)

**Status:** *Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.*

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

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

**Status:** *Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.*

## **2. Mismanagement – Nu. 0.086 million**

### **2.1 Delegation of accounting responsibility to an unqualified personnel**

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

**Status:** *Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.*

### **2.2 Non-collection of revenue – Nu. 0.086 million**

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

**Status:** Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.

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

The Dungpa and Administrative Assistant of Dungkhag Administration, Gelephu had made various payments from Sershong Community Group's bank account for the expenditure incurred on Losal cinema hall. The case was forwarded to Anti-Corruption Commission. (AIN 12304; Observation 4 of Part 2; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119).

**Status:** Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.

## 3 Violation of Laws and Rules – Nu. 0.881 million

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

a) The Dzongkhag Administration had not recovered a sum of Nu. 0.566 million on account of liquidated damages and 20% penalty on value of works not completed from the contractor upon termination of contract in construction of BHU Grade II at Sarpang Seer. (AIN 12342; Observation 1.3; Accountabilities: Direct: I.B. Rai, AE, EID No. 7803040; Karma Choida, JE, EID No. 200507223; Supervisory: Sangay Tenzin, DE, EID No. 8808028).

**Status:** Observation not settled. The Dzongkhag Court, Sarpang issued verdict but the contractor failed to deposit the amount and the Dzongkhag forwarded the case again to Dzongkhag Court for enforcement.

b) The Dzongkhag Administration had not recovered a sum of Nu. 0.130 million on account of liquidated damages and 20% penalty on value of works not completed from the contractor upon termination of contract for construction of two numbers of Aqua Privy Toilets at Dekiling Lower Secondary School. The contractor is yet to comply with the verdict of the Royal Court of Justice, Sarpang. (AIN 12342; Observation 2.2; Accountabilities: Direct: Chenchu Wangdi, JE, EID No. 201101233; Supervisory: Sangay Tenzin, DE, EID No. 8808028).

**Status:** Observation not settled. The case is sub judice in the Dzongkhag Court, Sarpang. The contractor could not be traced out and it was advertised in BBS too.

### 3.2 Payment without approval – Nu. 0.185 million

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

**Status:** Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8



*years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.*

### **3.3 Non-compliance to Procurement Rules & Regulations**

The Dungkha Administration Gelephu had violated the Procurement Rules & Regulations in awarding the contract for the roofing works of three buildings to a contractor on lump sum amount of Nu. 1.500 million against the estimated cost of Nu. 1.745 million. Though the roofing works of Janta Bakery & Naitai Hotel Building were not approved by the Thromde, the contract was found awarded. The case was forwarded to Anti-Corruption Commission. (AIN 12304; Observation 9 of Part 1; Accountabilities: Direct: Sonam Norbu, Administrative Assistant, EID No. 200508102; Supervisory: Pema Wangdi, Dungpa, EID No. 8210003; Thrimda Wogma Tshering Dorji, RBP, Gelephu, PIN 119).

**Status:** *Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.*

## **4 Shortfalls, Lapses and Deficiencies – Nu. 1.433 million**

### **4.1 Non-recovery of advances – Nu. 1.338 million**

a) The Dzongkhag Administration had not recovered outstanding advance of Nu. 1.032 million on account of secured advance, mobilization advance and other advances from the contractor upon termination of contract for construction of BHU Grade II at Sarpang Seer. The contractor is yet to comply with the verdict of the Royal Court of Justice, Sarpang. (AIN 12342; Observation 1.2; Accountabilities: Direct: I.B. Rai, AE, EID No. 7803040; Karma Choida, JE, EID No. 200507223; Supervisory: Sangay Tenzin, DE, EID No. 8808028).

**Status:** *Observation not settled. Out of Nu.1.032 million; Nu.0.091 million was adjusted vide letter No. SD/Acct-25/2014-2015/2558 dated 28/10/2014 leaving a balance of Nu.0.941 million.*

b) The Dzongkhag Administration had not recovered secured advances of Nu. 0.397 million from the contractor upon termination of contract for construction of two numbers of Aqua Privy Toilets at Dekiling Lower Secondary School. The contractor is yet to comply with the verdict of the Royal Court of Justice, Sarpang. (AIN 12342; Observation 2.1; Accountabilities: Direct: Chencho Wangdi, JE, EID No. 201101233; Supervisory: Sangay Tenzin, DE, EID No. 8808028).

**Status:** *Observation not settled. The Dzongkhag Administration has forwarded the case to Dzongkhag Court, Sarpang. The contractor could not be traced out and it was advertised in BBS too.*

### **4.2 Non-recovery of advance – Nu. 0.095 million**

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

**Status:** *Observation not settled. The defendants have appealed to High Court after the Sarpang Dzongkhag Court had convicted the former Drungpa to 8 years imprisonment (33 years compoundable and 8 years non-compoundable as per Kuensel dated July 18, 2018) and Sonam Norbu to three years non-compoundable.*

## 4.2.2 Dzongkhag Administration, Chhukha

The Dzongkhag Administration Chhukha had unsettled irregularities of Nu.0.011 million reported to the Parliament in October 2020. It remained unsettled as on 30 Sept. 2021 as summarized below

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Violation of Laws & Rules	-	-	-	-
2	Shortfalls, lapses and deficiencies	0.011	-	0.011	-
	<b>Total</b>	<b>0.011</b>	<b>-</b>	<b>0.011</b>	<b>-</b>

The detailed status of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

### 1. Violation of Laws and Rules

#### 1.1 Non-deduction of rebate

The Dzongkhag Administration, Phuentsholing, had not deducted 5% rebate of Nu. 0.384 million from the final bill in the construction works at Shinchula & Tashilakha. (AIN 12144; Observation 3; Accountabilities: Direct: Thinley Penjor, Municipal Engineer, EID No. 201001177; Supervisory: Tshering Chopel, DE, EID No. 8808013).

**Status:** Observation not settled. While the principal amount was already liquidated, the 24% pa penalty of Nu. 52,558.53 is yet to be recovered.

*This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Engineer reported that principal amount was paid and the balance amount of 24% penalty is remaining. Thinley Penjor, accountable person was transferred to Thimphu Thromde and then resigned after serving there. However, it is known that he resides in Phuentsholing.*

*RAA stated that though Thinley Penjor has been stated resigned from the service, he has not been granted audit clearance certificate yet. This issue shall remain unsettled until the amount is recovered and deposited with the RAA.*

### 2. Shortfalls, Lapses and Deficiencies – Nu. 0.011 million

#### 2.1 Excess payments – Nu. 0.011 million

a) The Dzongkhag Administration had made excess payments of Nu. 0.407 million to contractors for various construction works during the year due to difference in the quantities paid for and quantities actually executed at sites. (AIN 12190; Observation 1; Accountabilities: Direct: Chura Muni Bhattarai, Engineer, EID No. 200807182, Yonten Norbu, Dzongkhag Engineer, EID No. 200507210; Supervisory: Tshering Chopel, DE, EID No. 8808013).

**Status:** Observation not settled. An amount of Nu. 0.036 million was deposited into audit recoveries account leaving a balance of Nu. 0.011 million.

*This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Engineer reported that initially Chura Muni Bhattarai was not given his retirement benefit due to pending audit memos against him. After the*

*production of audit clearance certificate by him, the Dzongkhag Administration released his retirement benefits.*

*RAA replied that audit clearance certificate was issued to Chura Muni Bhattarai based on the undertaking of the Dzongkhag Administration to resolve the issue.*

*The PAC directed the Dzongkhag Administration to submit proper justification or evidence on this issue to RAA for review and appropriate decision.*

## 4.3 GEWOGS

### 1. Phuentsholing Gewog

The Gewog Administration, Phuentsholing had unsettled irregularities of Nu.0.045 million reported to the Parliament in October 2020. It remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	0.045	-	0.045	-
	<b>Total</b>	<b>0.045</b>	<b>-</b>	<b>0.045</b>	<b>-</b>

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Mismanagement - Nu. 0.045 million

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

The Gewog Administration had not deposited rural taxes amounting to Nu. 0.045 million into CD Account. Further, taxes amounting to Nu. 0.011 million was yet to be collected. *(AIN 12188; Observation 2.1; Accountabilities: Direct: Chandra Bdr. Ghalley, Gup, CID No. 10211000579; Supervisory: Chandra Bdr. Ghalley, Gup, CID No. 10211000579).*

**Status:** *Observation not unsettled. The outcome of the GT meeting duly endorsed by the GT is still awaited in RAA.*

### 2. Naja Gewog

One unsettled irregularity under violation of laws and rules was reported to the Parliament in October 2020, the Gewog Administration, Naja had settled the irregularity as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
3	Violation of laws & rules	-	-	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The detailed status of irregularity reported to the Parliament in October 2020 which got settled as on 30 Sept. 2021 is as discussed below:

### 3. Violation of laws and rules

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

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

**Status:** Observation settled. The case was under review by the ACC.

*This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where the RAA reported that ACC has closed the investigation, however, the observation remained unresolved as the Gewog Adm. did not submit rectification report for the defective works. Further, the Gup reported that the defective works were rectified but the same was not communicated to RAA which will be submitted soon.*

*The PAC directed that the Gewog Administration should submit a work completion report endorsed by Dzongkhag Administration to RAA by 30 Sept. 2021 for review and appropriate decision.*

*The issue was resolved based on the letter No. ACC/DoPS-CMD/12/191 dated 27 August 2021 which was received after the PAC consultation meeting.*

### 4.2 AUTONOMOUS BODIES

#### 4.4.1 Bhutan Education City Secretariat

Bhutan Education City had an unsettled irregularity reported to the Parliament in October 2020. The same had been settled the as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Mismanagement	-	-	-	-
	Total	-	-	-	-

The detailed status of irregularity reported to the Parliament in October 2020 which has been settled as on 30 Sept. 2021 is as discussed below:

#### 1. Mismanagement

##### 1.1 Avoidable and wasteful expenditure – Nu.110.184 million

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

**Status:** Observation settled. As per the letter No.MoWHS/DS/Audit/2020-2021/358 dated 25/09/2020, the Hon'ble Minister, Ministry of Works and Human Settlement had stated that no instructions had been received as for what should be done for the utilization of the facilities created. Further,

it was stated that the issue shall be put up to the Cabinet and appraise the concern raised by the RAA and the directives of the Cabinet shall be shared. However, the issue remained unresolved as of 31 Aug. 2021.

It was redeliberated in the PAC consultative meeting held on 31 Aug. 2021 in the NC conference hall, Thimphu where the RAA informed the house that it will be discussed in RAA's Advisory Committee Meeting and out come will be conveyed.

Accordingly as per the decision of the 8<sup>th</sup> Advisory Committee of the RAA held on 31 Aug. 2021 the issue was dropped from the AAR as the infrastructures are in place but due to policy change those could not be put to use and no agencies could do anything on this issue.

## 4.5 CORPORATIONS

### 4.5.1 Dungsam Cement Corporation Limited

Dungsam Cement Corporation Ltd. had total unsettled irregularities of Nu.0.644 million reported to the Parliament in October 2020. It remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	0.644	-	0.644	-
	<b>Total</b>	<b>0.644</b>	<b>-</b>	<b>0.644</b>	<b>-</b>

The detailed status of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

#### 1. Shortfalls, Lapses and Deficiencies – Nu. 0.644 million

##### 1.1. Excess payment– Nu. 0.592 million

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

**Status:** Observation not settled. The case has been reported sub judice in Dzongkhag Court, Pemagatshel.

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

**Status:** Observation not settled. The case has been reported sub judice in Dzongkhag Court, Pemagatshel.

##### 3.2 Double payment – Nu. 0.052 million

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

**Status:** Observation not settled. The case has been reported sub judice in Dzongkhag Court, Pemagatshel.

#### 4.5.4 Food Corporation of Bhutan Limited

Out of the total unsettled irregularities of Nu.3.212 million reported to the Parliament in October 2020, the Food Corporation of Bhutan Limited had settled irregularities of Nu.0.095 million leaving a balance of Nu.3.117 million as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Mismanagement	0.095	0.095	-	100
2	Shortfalls, lapses and deficiencies	3.117	-	3.117	-
	<b>Total</b>	<b>3.212</b>	<b>0.095</b>	<b>3.117</b>	<b>2.958</b>

The detailed status of irregularities reported to the Parliament in October 2020, irregularities settled thereafter and unsettled as on 30 Sept. 2021 are as discussed below:

#### 1. Mismanagement

##### 1.1 Outstanding rent – Nu. 0.095 million

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

**Status:** *Observation settled vide letter No.FCB/CEO/AF/02/2021/7 dated 09/03/2021 based on the minutes of Board meeting held on 27/02/2020 where BAC decided to write off on humanitarian ground to process the benefit of the late employee.*

#### 2. Shortfall, lapses and deficiencies – Nu. 3.117million

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

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

**Status:** *Observation not settled. After investigation by the ACC the case has been forwarded to the Office of the Attorney General for prosecution as per the letter No.ACC/DoI-III/Case-09/2013/574 dated 19/7/2016. During the PAC consultative meeting held at Samtse from 30/09/19 – 02/10/19, the FCBL was directed to submit the decision of Court to RAA and PAC as soon as verdict is delivered. Verdict awaited as of Sept 2021.*

*This issue was redeliberated during the PAC consultative meeting held virtually on 7 Oct. 2021 and Legal Officer of FCBL reported that there are two cases in this issue, i.e., civil and criminal. In case of criminal suit, it is prosecuted by the Office of Attorney General and is pending for judgement in the Dzongkhag Court, Chukha.*

*In case of civil case, Balaji (Indian Merchant) initiated a civil suit against FCBL in Phuentsholing Dungkhag Court in 2013 claiming an amount of Nu. 500,000/- for the rice supplied and the Court directed FCBL to pay the amount to Balaji. FCBL then appealed to Dzongkhag Court, Chukha but the judgement of the Phuentsholing Court was upheld. Accordingly, FCBL paid the amount to Balaji.*

*FCBL took an administrative action against the accountable person and also approach the court in 2019 to take a legal action against him but the Court dismissed the case in accordance with Section 156 of Civil and Criminal Procedure Code. FCBL then reported the same to RAA, Phuentsholing and requested to drop this issue because all means to resolve this issue were exhausted. RAA, Phuentsholing forwarded the issue to RAA, Thimphu and was stated that RAA will look into the matter but no response/decision was communicated back to FCBL.*

*It was decided that RAA should discuss the issue of civil case in their follow up committee and update it accordingly. FCBL on the other hand should facilitate and follow up with RAA to resolve the issue by 31 Oct. 2021. The issue of criminal case shall remain status quo until the judgement is passed by the Court. Upon receipt of the judgement on the criminal case, FCBL should update RAA.*

## 4.6 FINANCIAL INSTITUTIONS

### 4.6.5 Royal Monetary Authority of Bhutan

The Royal Monetary Authority of Bhutan had one unsettled irregularity under fraud, corruption and embezzlement reported to the Parliament in October 2020 as summarized below. It remained unsettled as of 30 Sept. 2021.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Fraud, Corruption & Embezzlement	-	-	-	-
	<b>Total</b>	-	-	-	-

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Fraud, Corruption and Embezzlement

##### 1.1 Manipulation of documents and inadmissible payments

The Deputy Governor had claimed full DSA of USD 600 to attend the SIBOS 2012, an annual conference, exhibition and networking event organised by Society for Worldwide Interbank Financial Telecommunications (SWIFT). The event was fully covered by the organisers including accommodation and meals. Thus, the official was only entitled for 30% DSA as prescribed in the RMA Staff Regulation 2006. The Deputy Governor had tampered and manipulated the invitation document to claim for full DSA. The payment of full DSA was approved by the Governor based on the Note-Sheet submitted by the Deputy Governor. The amount was recovered and case was forwarded to Anti-Corruption Commission. *(AIN 12431; Observation 3; Accountabilities: Direct: Eden Dema, Dy. Governor, CID No. 10503001473 Supervisory: Phub Dorji Tangbi, Director, AFD, CID No. 11705001431).*

**Status:** *Observation not settled. The case was reported sub judice in the Thimphu Dzongkhag Court.*

*This issue was deliberated during the PAC consultative meeting held on 1 Sept. 2021 in the NC conference hall, Thimphu where RMA reported that Eden Dema was suspended during the investigation process. As the the case being under litigation retirement benefit was not paid to her. The PAC advise RMA to follow up with OAG to expedite the case and resolve it accordingly.*

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# REVIEW REPORT OF ANNUAL AUDIT REPORT 2015

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**(Status as on 30 September 2021)**

**ROYAL AUDIT AUTHORITY**



## PART-I Summary of Review Report of AAR 2015

The Royal Audit Authority had submitted the review report of Annual Audit Report 2015 to the 5<sup>th</sup> Session of the Third Parliament in October 2020. The Review Report had significant unsettled irregularities of Nu.96.728 million. The RAA had conducted numerous follow-ups at various levels in line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018 and subsequently, Nu.1.166 million had been settled leaving a balance of Nu.95.562 million unsettled as on 30 Sept. 2021 as shown in the table below:

**Table:** Showing agency wise irregularities settled and balances as on 30 Sept. 2021.

Sl No.	Agencies	Irregularities reported to the Parliament in Sept. 2020 (Nu. In million)	Amount settled	Balance as on 30/09/2021	Amount settled %
1	Ministries	19.884	-	19.884	-
2	Dzongkhags	0.331	-	0.331	-
3	Gewogs	0.083	-	0.083	-
4	Autonomous Bodies	22.524	1.111	21.413	4.93
<b>Total Budgetary Agencies - A (1 to 4)</b>		<b>42.822</b>	<b>1.111</b>	<b>41.711</b>	<b>2.59</b>
5	Corporations and Financial Institutions	53.906	0.055	53.851	0.10
<b>Non-Budgetary Agencies - B</b>		<b>53.906</b>	<b>0.055</b>	<b>53.851</b>	<b>0.10</b>
<b>Grand Total - E (A + B)</b>		<b>96.728</b>	<b>1.166</b>	<b>95.562</b>	<b>1.21</b>

As transpired from table above, the Budgetary Agencies had settled irregularities amounting to Nu.1.111 million leaving a balance of Nu.41.711 million. With respect to Non Budgetary Agencies, the irregularities of Nu.0.055 million was settled leaving a balance of Nu.53.851 million.

## PART - II: DETAILED REVIEW REPORT

### 4.1 MINISTRIES

#### 4.1.1 Ministry of Information & Communications

Out of the two unsettled significant irregularities under fraud, corruption and embezzlement reported to the Parliament in October 2020, the Ministry of Information & Communications had not settled any irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	Percentage settled
1	Fraud, Corruption & Embezzlement	-	-	-	-
	<b>Total</b>	-	-	-	-

The detailed status of unsettled irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

#### 1. Fraud, Corruption & Embezzlement

##### 1.1 Disbursements not supported by documents indicating unauthorized and fictitious payments

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, Observation 1 & Part B, Observation 2; Accountabilities: Direct: Pema Chheney, Accountant, EID .No.9704039; Supervisory: Ugyen Tshewang, Senior Accounts Officer, EID No.7609010).

**Status:** Observation not settled. The Ministry had reported that entire amount had been recovered and deposited into Audit Recoveries. As recommended, the case had been forwarded to the Office of the Attorney General for prosecution but could not institute criminal suit in absence of the defendant, Pema Chheney, Accountant, from the country.

*The issue was deliberated during PAC consultative meeting held on 31 Aug. 2021 in the NC conference hall, Thimphu and PAC informed the house that unlike earlier judiciary practice henceforth case can be filed in the Royal Court of Justice even in absence of the defendant. Therefore, the Ministry was advised to follow up the case with the OAG for registration.*

##### 1.2 Accrued penalty on the misuse of government funds

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)	Observation No.
<b>Part A : Secretariat, MoIC</b>				
1	Non-accountal of cash withdrawn from Bank in the books of accounts	0	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
<b>Part B : Department of Information &amp; Media, MoIC</b>				
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
	<b>Total</b>	<b>4.559</b>	<b>0.980</b>	

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).

**Status:** Observation not settled. The Ministry had reported that entire amount had been recovered and deposited into Audit Recoveries. As recommended, the case had been forwarded to the Office of the Attorney General for prosecution but could not institute criminal suit in absence of the defendant, Pema Chheney, Accountant, from the country.

The issue was deliberated during PAC consultative meeting held on 31 Aug. 2021 in the NC conference hall, Thimphu and PAC informed the house that unlike earlier judiciary practice henceforth case can be filed in the Royal Court of Justice even in absence of the defendant. Therefore, the Ministry was advised to follow up the case with the OAG for registration.

#### 4.1.2 Ministry of Agriculture and Forests

The Ministry of Agriculture and Forests had unsettled irregularity of Nu.13.226 million reported to the Parliament in October 2020, out of which Nu.6.163 had been settled leaving a balance of Nu.7.063 million unsettled as on 30 Sept. 2021 as shown below:

Sl. No.	Observation Category	Irregularities reported to the Parliament 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	Percentage settled
1	Violation of Laws and Rules	13.226	6.163	7.063	46.60
	<b>Total</b>	<b>13.226</b>	<b>6.163</b>	<b>7.063</b>	<b>-</b>

The detailed status of unsettled irregularity reported to the Parliament in October 2020 and the irregularity settled thereafter and the balance as on 30 Sept. 2021 is as discussed below:

## 1. Violation of Laws and Rules – Nu.7.063 million

### 1.1. Non-collection of Government Revenue – Nu.7.063 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; Observation 1.1; Accountabilities: Direct: Kencho Wangdi, Sr. Forest Ranger, EID No.9507072, Lobzang Dorji, Director, EID.9101141. Supervisory: Tashi Tobgay, CFO, EID No.9410070, Lhendup Tharchen, CFO, EID No.200801028, Kaka Tshering, CFO, EID No.8205001).

**Status:** Observation partially settled. Out of the total amount of Nu. 13.226 million unsettled reported last; Nu.6.163 million was adjusted leaving a balance of Nu.7.063 million unresolved as of 30 Sept. 2021.

*This issue was deliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall, Thimphu where the Director of Department of Forest & Park Services reported that Nu.6.163 million was adjusted out of Nu.13.226 million unsettled reported earlier.*

### 4.1.4 Ministry of Health

Out of the total unsettled significant irregularities of Nu.6.658 million reported to the Parliament in October 2020, the Ministry of Health had not settled any irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	Percentage settled
1	Fraud, Corruption & Embezzlement	5.602	-	5.602	-
2	Mismanagement	1.056	-	1.056	-
	<b>Total</b>	<b>6.658</b>	<b>-</b>	<b>6.658</b>	<b>-</b>

The details of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

## 1. Fraud, Corruption & Embezzlement – Nu.5.602million

### 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; Observation 1.1; Accountabilities: Direct: Kinzang Choden, Office Assistant, EID No.200209001; Supervisory: Pema Namgay, Revenue Accountant, EID No.9404026).

**Status:** Observation not settled. This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where the President of JDWNRH reported that the case was forwarded to the Office of the Attorney General by Anti-Corruption Commission. However, since the whereabouts of Kinzang Choden was unknown the case was returned to ACC by OAG. The Chairperson of ACC wrote to the Chief of police seeking updates on the missing person but the status remained the same. Hence, the case could not proceed.

*The PAC informed the house that unlike the earlier practice now a case can be registered even in absence of the defendant. The PAC advised that JDWNRH should follow up with the relevant authorities for pursuing the case.*

## 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; Observation 1.2; Accountabilities: Direct: Kinzang Choden, Office Assistant, EID No.200209001; Supervisory: Pema Namgay, Revenue Accountant, EID No.9404026).

**Status:** Observation not settled. This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where the President of JDWNRH reported that the case was forwarded to the Office of the Attorney General by Anti-Corruption Commission. However, since the whereabouts of Kinzang Choden was unknown the case was returned to ACC by OAG. The Chairperson of ACC wrote to the Chief of police seeking updates on the missing person but the status remained the same. Hence, the case could not proceed.

*The PAC informed the house that unlike the earlier practice now a case can be registered even in absence of the defendant. The PAC advised that JDWNRH should follow up with the relevant authorities for pursuing the case.*

- 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; Observation 1.3; Accountabilities: Direct: Kinzang Choden, Office Assistant, EID No.200209001; Supervisory: Pema Namgay, Revenue Accountant, EID No.9404026)

**Status:** Observation not settled. This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where the President of JDWNRH reported that the case was forwarded to the Office of the Attorney General by Anti-Corruption Commission. However, since the whereabouts of Kinzang Choden was unknown the case was returned to ACC by OAG. The Chairperson of ACC wrote to the Chief of police seeking updates on the missing person but the status remained the same. Hence, the case could not proceed.

*The PAC informed the house that unlike the earlier practice now a case can be registered even in absence of the defendant. The PAC advised that JDWNRH should follow up with the relevant authorities for pursuing the case.*

### **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; Observation 1.4; Accountabilities: Direct: Kinzang Choden, Office Assistant, EID No.200209001; Supervisory: Pema Namgay, Revenue Accountant, EID No.9404026)

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where the President of JDWNRH reported that the case was forwarded to the Office of the Attorney General by Anti-Corruption Commission. However, since the whereabouts of Kinzang Choden was unknown the case was returned to ACC by OAG. The Chairperson of ACC wrote to the Chief of police seeking updates on the missing person but the status remained the same. Hence, the case could not proceed.*

*The PAC informed the house that unlike the earlier practice now a case can be registered even in absence of the defendant. The PAC advised that JDWNRH should follow up with the relevant authorities for pursuing the case.*

## **2. Mismanagement - Nu.1.056 million**

### **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; Observation 1.5; Accountabilities: Direct: Kinzang Choden, Office Assistant, EID No.200209001; Supervisory: Pema Namgay, Revenue Accountant, EID No.9404026)

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where the President of JDWNRH reported that the case was forwarded to the Office of the Attorney General by Anti-Corruption Commission. However, since the whereabouts of Kinzang Choden was unknown the case was returned to ACC by OAG. The Chairperson of ACC wrote to the Chief of police seeking updates on the missing person but the status remained the same. Hence, the case could not proceed.*

*The PAC informed the house that unlike the earlier practice now a case can be registered even in absence of the defendant. The PAC advised that JDWNRH should follow up with the relevant authorities for pursuing the case.*

## **DZONGKHAGS**

### **4.2.1 Dzongkhag Administration, Monggar**

Out of the total significant irregularities of Nu.0.331 million reported to the Parliament in October 2020 the Dzongkhag Administration, Monggar had not settled any irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	Percentage settled
1	Violation of Laws & Rules	-	-	-	-
2	Shortfalls, Lapses and Deficiencies	0.331	-	0.331	-
	<b>Total</b>	<b>0.331</b>	<b>-</b>	<b>0.331</b>	

The detailed status of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

## 1. Violation of Laws & Rules

### 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

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

**Status:** Observation partially settled. A sum of Nu.0.617 million was deposited into ARA vide R/No.02074 dated 31/08/2021 and the balance amount remained unsettled as on 30/08/21.

*It was informed during the PAC's consultative meeting held at Samdrupjongkhar from 27 to 28/09/19 that verdict of the Court could not be enforced as the whereabouts of the contractor is not known. It was decided that such cases of missing contractors shall be discussed in the meeting among stakeholders viz. PAC, RBP, OAG, Judiciary and OAG to discuss way forward to resolve such matter and report in the upcoming winter session of the Parliament. Further, Tenzin Drakpa would be relieved of accountability as per the judgment of Court.*

*The case was redeliberated during the PAC consultative meeting held on 3 Aug. 2021 in DYT hall of Trashigang Dzongkhag where the Dzongkhag Adm. Monggar reported that still the contractor could not be contacted and the case remained status que. However, the PAC advised the Dzongkhag to initiate judgement enforcement appeal and report to the RAA by 31 Aug. 2021.*

*The amount of Nu.0.617 million was deposited with the RAA on 31/08/2021 after the PAC meeting.*

## 2. Shortfalls, Lapses and Deficiencies – Nu.0.331 million

### 2.1 Over payment 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; Observation 2; Accountabilities: Direct: Kinley Penjor, Assistant Engineer, EID No.201001714; Supervisory: C.L Das, Dzongkhag Engineer, EID No.8808036).

**Status:** Observation not settled. As per the PAC public consultative meeting held at Samdrupjongkhar from 27 to 28/09/19 instruction was given to the Dzongkhag Administration to follow up with the Court and RAA intimated accordingly.

*The case was re-deliberated during the PAC consultative meeting held on 3 Aug. 2021 in DYT hall of Trashigang Dzongkhag where Dzongkhag Adm. Monggar reported that Kinley Penjor was caught in Thimphu and was directed to refund the amount payable by him but he filed for bankruptcy. However, as per Bankruptcy Act of Bhutan 1999, he was declared as solvent by the civil bench. He then appealed before the High Court. The High Court upheld the judgement passed by the Dzongkhag Court. Further, he appealed before the larger bench. The case remained sub judice before the larger bench as of 3 Aug. 2021. The PAC advised the Dzongkhag to follow up with the court and report to RAA accordingly.*

## 4.3 GEWOGS

### 4.3.1 Gewogs under Chhukha Dzongkhag

#### I. Loggchina Gewog

The Gewog Administration, Loggchina had unsettled irregularity of Nu.0.033 million reported to the Parliament in October 2020 and continue to remain unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	Percentage settled
1	Shortfalls, lapses and deficiencies	0.033	-	0.033	-
	<b>Total</b>	<b>0.033</b>	<b>-</b>	<b>0.033</b>	<b>-</b>

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

### 1. Shortfalls, lapses and deficiencies – Nu.0.033 million

#### 1.1 Excess payment – Nu.0.033 million

The Gewog Administration had made an 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; Observation 2; Accountabilities: Direct: Yonten Norbu, JE, EID No.200507210; Supervisory: Indra Lala Galley, Gup, CID No.20209000581).



**Status:** Observation not settled. During the PAC consultative meeting held at Samtse from 30/09/19 - 2/10/19, the site engineer was directed to discuss the issue with the Office of the Assistant Auditor General (OAG), Phuentsholing with additional documents within two weeks from the date of meeting. However, it is reported that site engineer had not reported to OAG, Phuentsholing for discussion.

## Gewogs under Trongsa Dzongkhag

### 1. Langthil Gewog

The Gewog Administration, Langthel had unsettled irregularity of Nu. 0.050 million reported to the Parliament in October 2020 and it continue to remain unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Resolved (Nu. in Million)	Balance as on 30/09/2021	Percentage resolved
1	Shortfalls, lapses and deficiencies	0.050	-	0.050	0
	<b>Total</b>	<b>0.050</b>	<b>-</b>	<b>0.050</b>	

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

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

#### 1.1 Outstanding advances – Nu.0.050 million

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

**Status:** Observation not settled. This observation was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT hall of Trongsa Dzongkhag where the current Gup reported that this issue was reported during the time of former Gup (Lham Dorji) and with a big intention to resolve the issue, present Gup followed up with the former Gup but there was no positive response from him. Hence, the gewog administration decided to take legal recourse against M/s Yangka Hiring Agency (as the advance was against the agency) but unfortunately due to the transfer of legal officer the case couldn't be initiated. It was also shared that there is no legal officer in the Dzongkhag Administration since last nine months.

The PAC directed the Gewog Administration to take legal recourse and report the same to RAA by 31 Aug. 2021.

#### 4.4. AUTONOMOUS AGENCIES

##### 4.4.1 Royal University of Bhutan

Out of the total unsettled significant irregularities of Nu.15.394 million reported to the Parliament in October 2020, the Royal University of Bhutan had not settled any irregularities as of 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	Percentage settled
1	Mismanagement	0.885	-	0.885	-
2	Violation of laws and rules	14.509	-	14.509	-
	<b>Total</b>	<b>15.394</b>	<b>-</b>	<b>15.394</b>	

The detailed status of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

#### 1. Mismanagement – Nu.0.885 million

##### 1.1 Non realization of penalty for not meeting the training obligation

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; Observation: 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).

**Status:** Observation settled vide letter No.RAA/AOOG(T)/FUS-02/2019-2020/0013 dated 01/07/2020, based on MoM date 18/06/2020 and letter No. CNR/ACC-10/2020-2021/2179 dated 30/07/2020.

##### 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. Fees were not realised even after completion of their studies due to lack of clear guidelines and proper coordination amongst officials concerned. (AIN: 13322; Observation: 1.4; Direct Accountability: Dr. D.B. Gurung, Dean Academic Affairs, EID No.8905003; Supervisory Accountability: Dr. Phub Dorji, Director General, EID No.9312018).

**Status:** Observation unsettled.

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

##### 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 14<sup>th</sup> 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; Observation: 1(i); Accountabilities: Direct: Ugyen Dorji, HOD (Civil), EID No: 200301038; Supervisory: Dr. Cheki Dorji, Director, EID No: 9307009).

**Status:** Observation not settled. The case was reported subjudice in the Supreme Court.

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that Supreme Court directed the contractor to pay Nu. 43 million approximately to RUB. However, the amount had not been paid by the contractor. The management has been following up for enforcing the judgement passed by the Supreme Court.*

*The PAC directed the RUB to follow-up for enforcement of the judgement passed by the Supreme Court and update RAA accordingly*

## 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 31<sup>st</sup> December 2014. (AIN: 13025; Observation: 1(ii); Accountabilities: Direct: Ugyen Dorji, HOD (Civil), EID No: 200301038; Supervisory: Dr. Cheki Dorji, Director, EID No: 9307009).

**Status:** Observation not settled. The case was reported subjudice in the Supreme Court.

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that Supreme Court directed the contractor to pay Nu. 43 million approximately to RUB. However, the amount had not been paid by the contractor. The management has been following up for enforcing the judgement passed by the Supreme Court.*

*The PAC directed the RUB to follow-up for enforcement of the judgement passed by the Supreme Court and update RAA accordingly*

## 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; Observation: 1(iii); Accountabilities: Direct: Ugyen Dorji, HOD (Civil), EID No: 200301038; Supervisory: Dr. Cheki Dorji, Director, EID No: 9307009).

**Status:** Observation not settled. The case was reported subjudice in the Supreme Court.

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that Supreme Court directed the contractor to pay Nu. 43 million approximately to RUB. However, the amount had not been paid by the contractor. The management has been following up for enforcing the judgement passed by the Supreme Court.*

*The PAC directed the RUB to follow-up for enforcement of the judgement passed by the Supreme Court and update RAA accordingly*

## 4.4.2 National Land Commission

The National Land Commission had irregularity of Nu.0.083 million reported to the Parliament in October 2020. The same had been settled as of 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	Percentage settled
1	Mismanagement	0.083	0.083	-	100
	<b>Total</b>	<b>0.083</b>	<b>0.083</b>	<b>-</b>	

The detailed status of irregularity reported to the Parliament in October 2020 which got settled as on 30 Sept. 2021 is discussed as below:

## 1. Mismanagement

### 1.1 Outstanding Proceeds from issue of Feno Pegs – Nu. 0.083 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; Observation: 4; Accountabilities: Direct: Pema Thinley, Store In-Charge, EID No.: 201002014; Supervisory: Tshewang Namgay, Officiating Chief Administrative Officer, EID No.: 201008001).

**Status:** Observation has been settled based on the letter No. NLCS/ADM(8) 2019-2020/008794 dt. 26/11/2020 as the amount was deposited into NLCS CD accounts and the 24% penalty was dropped based on the decision of the 2<sup>nd</sup> Follow-up Committee Meeting held on 12 March 2021.

## 4.4.3 Election Commission of Bhutan

The Election Commission had total significant irregularity of Nu.5.235 million reported to the Parliament in October 2020. It remained unsettled as of 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	Percentage settled
1	Fraud, Corruption and Embezzlement	5.235	-	5.235	-
	<b>Total</b>	<b>5.235</b>	<b>-</b>	<b>5.235</b>	

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

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

### 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; Observation: 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).

**Status:** Observation not settled. The trial court rendered judgement on 27 December 2018 convicting defendant Lhawang Tshering for 9 years imprisonment and restitution of Nu. 5,096,209.00 but acquitted defendant Kinzang Choden on all charges. It was reported that the Office of the Attorney General had appealed to High Court against the judgement of the Trail Court.

This issue was deliberated during the PAC consultative meeting held on 9 Sept. 2021 in NA conference hall, Thimphu where the Legal Officer of ECB reported that the Office of the Attorney General filed a case in Thimphu District Court and the Court sentenced the accountable person to nine years imprisonment and directed him to reconstitute the embezzled amount. Further, OAG verified to reconstitute the amount from the accountable person's property but found out that no property was registered in his name. As of now, the accountable person is in police custody. Since the accountable person is not in a capacity to reconstitute the amount and no property is registered in his name from which the amount can be reconstituted, it is believed that the only option left is to appeal to the court for a value-based sentencing.

It was decided that this issue shall remain unresolved until the enforcement of the judgement is implemented.

#### 4.4.4 Bhutan Football Federation

Out of the total significant irregularities of Nu. 1.028 million reported to the Parliament in October 2020, Bhutan Football Federation had fully settled the irregularities as of 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	Percentage settled
1	Shortfalls, Lapses and Deficiencies	1.028	1.028	-	100
	<b>Total</b>	<b>1.028</b>	<b>1.028</b>	<b>0</b>	

The detailed status of irregularities reported to the Parliament in October 2020; which got settled as on 30 Sept. 2021 are as discussed below:

#### 1. Shortfalls, Lapses and Deficiencies

##### 1.1. Outstanding Advances

- 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; Observation: 1; Accountabilities: Direct: Ugyen Wangchuk, General Secretary, CID No.1141102674; Supervisory: Ugyen Wangchuk, General Secretary, CID No.1141102674).

**Status:** Observation has been settled based on the follow-up letter No. RAA/FUCD(W6-BFF)2021/818 dt.20.05.2021.

- 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; Observation: 1;

*Accountabilities: Direct: Ugyen Wangchuk, General Secretary, CID No.1141102674; Supervisory: Ugyen Wangchuk, General Secretary, CID No.1141102674).*

**Status:** *Observation has been settled based on the letter No. BFF/Accts/14018/813 dt. 17/9/2018 and minutes of the 52<sup>nd</sup> Follow-up Committee Meeting held on 01/010/2018.*

- c) The Bhutan Football Federation had overdue outstanding advances amounting to Nu.1.157 million against officials and contractors. *(AIN: 13282; Observation: 4; Accountabilities: Direct: Ugyen Wangchuk, General Secretary, CID No.1141102674; Supervisory: Ugyen Wangchuk, General Secretary, CID No.1141102674).*

**Status:** *Observation has been settled based on the letter No. BFF/Accts/14018/813 dt. 17/9/2018 and minutes of the 52<sup>nd</sup> Follow-up Committee Meeting held on 01/010/2018.*

## 1.2 Non-follow up of outstanding amount - Nu.1.028million

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; Observation: 3; Accountabilities: Direct: Ugyen Wangchuk, General Secretary, CID No.1141102674; Supervisory: Ugyen Wangchuk, General Secretary, CID No.1141102674).*

**Status:** *Observation settled. This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where BFF reported that, M/s Friends United FC couldn't sell the tickets and deposit the money. Hence, letter was put up to the committee to write off and according it was written off. It was stated that the members of the committee are the executive members of BFF and they are the highest authority.*

*The issue was considered for settlement based on the justification and write off approval accorded from committee.*

### 4.4.5 Gross National Happiness Commission

The Gross National Happiness Commission had irregularity of Nu.0.684 million reported to the Parliament in October 2020. It remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	Percentage settled
1	Violations of laws and rules	0.684	-	0.684	-
	<b>Total</b>	<b>0.684</b>	<b>-</b>	<b>0.684</b>	

The detailed status of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Violations of laws and rules - Nu.0.684 million

##### 1.1 Non-production of documents - Nu.0.684 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; Observation 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).

**Status:** Observation not settled. The balance amount of Nu.0.684 million remained unsettled. As per the letter No.GNHC/Audit/2020/2151 dated 14/09/2020 the proprietor of REF had gone to USA and his return was not sure. Therefore, GNHC had put up the matter to the Ministry of Finance requesting for write off.

This issue was deliberated during the PAC consultative meeting held on 9 Sept. 2021 in NA conference hall, Thimphu where the Director of GNHC reported that being the central agency, GNHC coordinated the work but the work was implemented by another agency. Against the total amount of Nu.1.385 million, Nu.0.701 million was settled and balance amount of Nu.0.684 million remained unsettled. Further, the actual accountable person was reported at large.

It was decided that, GNHC should follow up in resolving this issue. Further PAC will discuss it with RAA in parking aside the issue.

#### 4.4.7 Bhutan Cricket Federation

Out of the two irregularities reported to the Parliament in October 2020 under Bhutan Cricket Federation both were settled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	Percentage settled
1	Shortfalls, Lapses and Deficiencies	-	-	-	-
	<b>Total</b>	-	-	-	-

The detailed status of irregularities reported to the Parliament in October 2020 which were settled as on 30 Sept. 2021 are as discussed below:

#### 1. Shortfalls, Lapses and Deficiencies

##### 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; Observation:1; Accountabilities: Direct: Jigme N. Norbu, General Secretary, CID No. 114100068620; Supervisory: Jigme N. Norbu, General Secretary, CID No. 11410006862).

**Status:** Observation settled. The PAC cunsultaive meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu directed the Bhutan Cricket Federation to put up the issue in upcoming Board meeting scheduled in December as one of the agenda to discuss and seek write off of the issue as there are not other options. The BCF was directed to share the minutes of Board meeting with RAA and PAC.

*This observation was considered for settlement based on the letter No.BCCB/ADM/2021/130 dated 25/08/2021 and the documents submitted.*

### 1.1. Outstanding advances and Irregularities thereof

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; Observation: 4; Accountabilities: Direct: Jigme N. Norbu, General Secretary, CID No. 11410006862066; Supervisory: Jigme N. Norbu, General Secretary, CID No. 11410006862).*

**Status:** *Observation settled based on the letter No. BCCB/Adm/Thimphu/2020/03 dt. 06/1/2020.*

## 4.5. CORPORATIONS

### 4.5.1 Food Corporation of Bhutan Limited

Out of the total unsettled significant irregularities of Nu.8.068 million reported to the Parliament in October 2020, the irregularity of Nu.0.055 million had been settled as of 30 Sept. 2021 leaving a balance of Nu.8.013 million as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	Percentage settled
1	Fraud, Corruption and Embezzlement	6.465	-	6.465	-
2	Mismanagement	0.323	0.055	0.268	17.03
3	Violation of Laws and Rules	-	-	-	-
4	Shortfalls, Lapses and Deficiencies	1.280	-	1.280	-
	<b>Total</b>	<b>8.068</b>	<b>0.055</b>	<b>8.013</b>	<b>0.68</b>

The detailed status of irregularities reported to the Parliament in October 2020, irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

### 1. Fraud, Corruption and Embezzlement - Nu.6.465 million

#### 1.1 Stock and Cash shortage - Nu.2.120 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.

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; Observation: 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).

**Status:** Observation partially settled. Out of Nu.2.441, the Management had recovered Nu.0.320 recovered through Court and adjusted vide letter No. FCBL/SJ/ 08/2019/ 377 of 16/08/2019, letter No. FCBL/SJ/08/2018/61 of 05/02/2018 and letter No. FCB/SJ/08/2017/797 of 08/12/2017. It is reported that management is still following up the recovery of balance amount of Nu. 2.121 million through Phuntsholing Dungkhag Court.

## **1.2. Misappropriation and shortages in Nganglam Depot- Nu.4.345 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 15<sup>th</sup> 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; Observation: 2, Accountabilities; Direct: Late Tshering Gyeltshen, Depot Incharge, Citizen ID No.10705000723, Supervisory: Pema Wangchuck, Regional Manager, Citizen ID No.10905004493).

**Status:** Observation partially settled. Out of Nu. 6.146 million the management had recovered Nu. 1.802 million through OAG leaving a balance of Nu.4.345 million. The case is still with the ACC and OAG.

## **2. Mismanagement-Nu.0.268 million**

### **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; Observation: 2; Accountabilities; Direct: Pemo, EID No. 891600, CID No. 1141007665, Supervisory: Pema Wangchuk, EID No. 919145, CID No. 11213004156).

**Status:** Observation settled vide letter No.FCB/CEO/AF/02/2021/7 dated 09/03/2021 as the amount was written off based on humanitarian ground by the 3<sup>rd</sup> Board of Audit Committee Meeting held on 27/02/2021.

### **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; Observation: 9; Accountabilities: Direct: Pema Wangchuk, Regional Manager EID No. 910110, CID No. 10905004493; Supervisory: Pema Wangchuk, Regional Manager EID No. 910110, CID No. 10905004493).

**Status:** Observation not settled. Based on the decision of PAC consultative meeting held at Samtse from 30/09/19 – 02/10/19, the RAA had reviewed the action taken response and remain status quo. The FCBL management should follow-up with the RRCO and intimate RAA on the action taken against the irregularity.

### 3. Violation of Laws and Rules

#### 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; Observation: 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).

**Status:** Observation not settled. Based on the decision of PAC consultative meeting held at Samtse from 30/09/19 – 02/10/19, the RAA had reviewed the action taken response and remain status quo. The management had not submitted consolidated supporting documents to the RAA for the validation.

### 4. Shortfalls, Lapses and Deficiencies-Nu.0.128 million

#### 4.1.1 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 account of imports were not found in the FCBL records. Hence, the genuineness of the import or short accountal could not be ascertained. (AIN: 13303; Observation: 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).

**Status:** Observation not settled. The reconciliation statement along with copies of Import Declarations has not been submitted to the RAA for validation.

*This issue was deliberated in PAC consultative meeting held virtually on 7 Oct. 2021 where the Legal Officer of FCBL reported that there are two instances where mismatch in imports can take place. One instance can be a situation wherein the order is placed in present year (Example: December 2013) and the goods are received (imported) in another year (Example: January 2014).*

*Another can be a situation wherein the goods imported and recorded at Regional Revenue and Custom Office (RRCO) is damaged, lost or fall short when it reaches FCBL warehouse.*

*In case of double declaration, the imported rice (Monsoon rice) from Balaji was found to be of inferior quality and was rejected by FCBL and requested RRCO to delete the import entry. Before the consignment vehicle could reach RRCO the rice was inspected by BAFRA and declared that the rice meets the consumption quality and was again brought into FCBL's warehouse. The same rice (monsoon rice) was recorded as 551 rice in RRCO's import entry and hence resulting in double entry of the same product. However, FCBL approached RRCO to resolve this issue but no records were maintained with RRCO. Therefore, it couldn't be rectified.*

*FCBL also reported that both the entry of rice imported has the same quantity of rice and the number of the vehicle carrying the consignment is same. The differences between these two entries are the date difference of 2 days.*

*RAA stated that there is a need for an administrative action to be taken against the RRCO official who are responsible for such lapses. It was decided that RAA and FCBL should coordinate in requesting the management of RRCO to impose an administrative action against the official concerned for the lapses occurred and resolve the issue.*

#### **4.1.2 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; Observation: 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).

**Status:** *Observation not settled. The case was reported under review by the OAG.*

*Legal Officer of FCBL reported that FCBL sold sugar to Drangchu Beverages on credit and was recorded in their system but was later deleted. As forwarded by the management, OAG initiated a legal action against the accountable person (IT Person) and the case is pending before the Dzongkhag Court, Chukha. At present the case has reached the judgement stage.*

*The PAC directed that FCBL should follow up with OAG and update RAA after the judgement is being passed by the court.*

#### **4.5.2 Dungsam Cement Corporation Limited**

Out of the total significant irregularities of Nu.22.603 million reported to the Parliament in October 2020, the Dungsam Cement Corporation Ltd. had not settled any irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	Percentage settled
1	Fraud, Corruption and Embezzlement	22.603	-	22.603	-
	<b>Total</b>	<b>22.603</b>	<b>-</b>	<b>22.603</b>	

The detailed status of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

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

### 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:

Observation 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
	<b>Total</b>	<b>22.603</b>

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; Observation: Cases 1-51; Accountabilities: Direct:Late Sangay Tshering, AFO, EID No. 27, CID 11410003558; Jigme Tshewang, Head, Finance, EID No. 39, CID 11101003631;;Supervisory: Mr. Tshering Tenzin, GM (FAD), EID No.43, CID No. 10103002448; Dorji Norbu, CEO, EID No.17 CID No. 12008002340).*

**Status:** Observation not settled. It was informed that the defendant had appealed to the Supreme Court and court verdict was awaited.

#### 4.5.3 Natural Resources Development Corporation Limited

Out of the total unsettled significant irregularities of Nu. 0.657 million reported to the Parliament in October 2020, the Natural Resources Development Corporation Limited had not settled any irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	Percentage settled
1	Violation of Laws and Rules	0.237	-	0.237	-
2	Shortfalls, Lapses and Deficiencies	0.420	-	0.420	-
	<b>Total</b>	<b>0.657</b>	<b>-</b>	<b>0.657</b>	

The detailed status of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

##### 1. Violation of Laws and Rules- Nu.0.237 million

###### 1.1 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; Observation:1.2; Accountabilities; Direct: Nawang Denden, Regional Manager, CID No. 10802000718, Supervisory: Nawang Denden, Regional Manager, CID No. 10802000718).

**Status:** Observation not settled. The case was reported under review by the larger bench of the Supreme Court.

*This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where the Legal Officer of NRDCL reported that judgement was passed on 21 April 2021 directing the contractor to pay the amount within three months. However, the contractor was missing and could not recover the amount.*

*The PAC directed NRDCL to initiate for enforcement of the judgement passed by the Supreme Court. Until such time that the judgement is implemented the issue shall remain unresolved.*

###### 1.2 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; Observation:1.3; Accountabilities: Direct: Nawang Denden, Regional Manager, CID No. 10802000718, Supervisory Accountability: Nawang Denden, Regional Manager, CID No. 10802000718).

**Status:** Observation not settled. The case was reported under review by the larger bench of the Supreme Court.

*This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where the Legal Officer of NRDCL reported that judgement was passed*

*on 21 April 2021 directing the contractor to pay the amount within three months. However, the contractor was missing and could not recover the amount.*

*The PAC directed NRDCL to initiate for enforcement of the judgement passed by the Supreme Court. Until such time that the judgement is implemented the issue shall remain unresolved.*

### **1.3 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; Observation:1.4; Accountabilities: Direct: Nawang Denden, Regional Manager, CID No. 10802000718; Supervisory: Nawang Denden, Regional Manager, CID No. 10802000718).

**Status:** *Observation not settled. The case was reported under review by the larger bench of the Supreme Court.*

*This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where the Legal Officer of NRDCL reported that judgement was passed on 21 April 2021 directing the contractor to pay the amount within three months. However, the contractor was missing and could not recover the amount.*

*The PAC directed NRDCL to initiate for enforcement of the judgement passed by the Supreme Court. Until such time that the judgement is implemented the issue shall remain unresolved.*

### **1.4 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; Observation: 1.5; Accountabilities; Direct: Lobzang Thinley, Asstt. Finance Manager, CID No. 102050005317, Supervisory: M. D Tamang, Regional Manager, CID No. 11301000002).

**Status:** *Observation not settled. The case was reported under review by the larger bench of the Supreme Court.*

*This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where the Legal Officer of NRDCL reported that judgement was passed on 21 April 2021 directing the contractor to pay the amount within three months. However, the contractor was missing and could not recover the amount.*

*The PAC directed NRDCL to initiate for enforcement of the judgement passed by the Supreme Court. Until such time that the judgement is implemented the issue shall remain unresolved.*

## **2. Shortfalls, Lapses and Deficiencies- Nu.0.420 million**

### **2.1 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, Observation:1.1; Accountabilities; Direct: Lobzang Thinley, Asstt. Finance Manager, CID No. 102050005317, Supervisory: M. D Tamang, Regional Manager, CID No. 11301000002).

**Status:** Observation not settled. The case was reported under review by the larger bench of the Supreme Court.

This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where the Legal Officer of NRDCL reported that judgement was passed on 21 April 2021 directing the contractor to pay the amount within three months. However, the contractor was missing and could not recover the amount.

The PAC directed NRDCL to initiate for enforcement of the judgement passed by the Supreme Court. Until such time that the judgement is implemented the issue shall remain unresolved.

## 4.6 FINANACIAL INSTITUTIONS

### 4.6.1 Royal Insurance Corporation of Bhutan

Out of the total unsettled significant irregularities of Nu.19.263 million reported to the Parliament in October 2020, the Royal Insurance Corporation of Bhutan had not settled any irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	Percentage settled
1	Fraud, Corruption & Embezzlement	-	-	-	-
2	Mismanagement	19.263	-	19.263	-
3	Violation of Laws and Rules	-	-	-	-
<b>Total</b>		<b>19.263</b>	<b>-</b>	<b>19.263</b>	

The detailed status of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

#### 1. Fraud, Corruption & Embezzlement

##### 1.1. Huge delay in deposit of cash collection by the branch office to the CD 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; Observation 4; Accountabilities: Direct: Rinchen Wangdi, Cashier, Head, IT Department, Corporate Office, CID No. 11102002524; Supervisory: Ugyen Wangdi, Branch Manager, Paro, CID No.11605002937).

**Status:** Observation not settled. The case was reported subjudice in the High Court.

*This issue was deliberated during the PAC consultative meeting held on 1 Sept. 2021 in NC conference hall, Thimphu where PAC directed RICBL to follow up with the Court to expedite the case.*

## **2. Mismanagement – Nu.19.263 million**

### **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 11<sup>th</sup> 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; Observation 3.2; Accountabilities: Direct: Kinzang Dorji, GM, Credit and Investment, CID No.11805002787, Karma Sonam, GM, Life insurance, CID No. 11908001068, Yeshi 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, Yeshi 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).*

**Status:** *Observation not settled. The case was forwarded to the Office of the Attorney General for prosecution.*

*This issue was deliberated during the PAC consultative meeting held on 1 Sept. 2021 in NC conference hall, Thimphu where PAC directed RICBL to follow up with OAG to expedite the case.*

### **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 8<sup>th</sup> 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 5<sup>th</sup> 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; Observation 4.1; Accountabilities: Direct: Kinzang Dorji, GM, Credit and Investment, CID No.11805002787, Karma Sonam, GM, Life insurance, CID No. 11908001068, Yeshi 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, Yeshi 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).*



**Status:** *Observation not settled. The case was forwarded to the Office of the Attorney General for prosecution.*

*This issue was deliberated during the PAC consultative meeting held on 1 Sept. 2021 in NC conference hall, Thimphu where PAC directed RICBL to follow up with OAG to expedite the case.*

### **3. Violations of laws and rules**

#### **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; Observation 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).*

**Status:** *Observation not settled. The case was forwarded to the Office of the Attorney General for prosecution.*

*This issue was deliberated during the PAC consultative meeting held on 1 Sept. 2021 in NC conference hall, Thimphu where PAC directed RICBL to follow up with OAG to expedite the case.*

##### **3.1.1. 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; Observation 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).*

**Status:** *Observation not settled. The case was forwarded to the Office of the Attorney General for prosecution.*

*This issue was deliberated during the PAC consultative meeting held on 1 Sept. 2021 in NC conference hall, Thimphu where PAC directed RICBL to follow up with OAG to expedite the case.*

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# REVIEW REPORT OF ANNUAL AUDIT REPORT 2016

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**(Status as on 30 September 2021)**

ROYAL AUDIT AUTHORITY

## PART-I Summary of Review Report of AAR 2016

The Royal Audit Authority had submitted the review report of Annual Audit Report 2016 to the 5<sup>th</sup> Session of the Third Parliament in October 2020. The Review Report had total significant unsettled irregularities of Nu.75.412 million consisting of Nu.70.313 million against budgetary agencies and Nu.5.099 million against Non-Budgetary Agencies as on 30 Sept. 2020.

The RAA had conducted numerous follow-up at various levels in line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018 and subsequently, irregularities amounting to Nu. 29.417 million against Budgetary Agencies and Nu.0.806 million against Non-budgetary Agencies were settled as on 30 Sept. 2021 as shown in Table below.

*Table: Showing agency wise irregularities settled and balances as on 30 Sept. 2021.*

Sl. No.	Agencies	Unsettled irregularities last reported as on 30/09/2020 (Nu.in Million)	Irregularities Settled as on 30/09/2021 (Nu.in Million)	Balance irregularities as on 30/09/2021 (Nu.in Million)	Percentage of irregularities settled as on 30/09/2021
1	Ministries	16.899	0.511	16.388	3.02
2	Dzongkhags	6.264	5.448	0.816	86.97
3	Gewogs	0.497	-	0.497	-
4	Autonomous Agencies	46.653	23.458	23.195	50.28
<b>Total Budgetary Agencies-A (1to4)</b>		<b>70.313</b>	<b>29.417</b>	<b>40.896</b>	<b>41.84</b>
5	Corporations	4.190	0.756	3.434	18.04
6	Financial Institutions	0.909	0.050	0.859	5.50
<b>Total Non-Budgetary Agencies-B (5 to 6)</b>		<b>5.099</b>	<b>0.806</b>	<b>4.293</b>	<b>15.81</b>
<b>Grand Total (A+B)</b>		<b>75.412</b>	<b>30.223</b>	<b>45.189</b>	<b>40.08</b>

As transpired from table above, out of the total unsettled irregularities of Nu.75.412 million remaining unsettled in October 2020, irregularities amounting of Nu.30.223 million were settled leaving a balance of Nu.45.189 million as on 30 Sept. 2021. The detail report of irregularities resolved and outstanding ones as of 30 Sept. 2021 are given below.

## PART-II DETAILED REVIEW REPORT

### 4.1 MINISTRIES

#### 4.1.1. Ministry of Works & Human Settlement

The Ministry of Works & Human Settlement had unsettled significant irregularities of Nu.0.087 million reported to the Parliament in October 2020. The irregularities remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% settled
1	Mismanagement	-	-	-	-
3	Shortfalls, lapses and deficiencies	0.087	-	0.087	
	<b>Total</b>	<b>0.087</b>	<b>-</b>	<b>0.087</b>	

The detailed status of unsettled irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

#### 1. Mismanagement

#### 1.2 Infructuous expenditure on Termination of Contract Packages B & C for Construction, Operation & Maintenance of Dalbari-Dagapela Secondary National Highway

The MoWHS had awarded the construction works for Operation & Maintenance of 80.58 km Dalbari-Dagapela Secondary National Highway under the Netherlands funded ORIO Project "Poverty Alleviation through road Development in Southern Bhutan" implemented by the Department of Roads in three packages as under:

Sl. No.	Name of Section of Work	Name of Bidder	Bid Price (BTN)	Remarks
1	Section A: Dalbari-Odalhang	M/s Kalika (Nepal) - Yangkhil (Bhutan) JV	355,456,712.09	Bid price inclusive of PS
2	Section B: Odalhang-Gesarling	M/s Tundi Construction (Nepal)	378,483,277.07	Bid price inclusive of PS
3	Section C: Gesarling-Dagapela	M/s SPML (India) - Gaseb (Bhutan) JV	358,222,414.50	Bid price inclusive of PS

Following the publication of the winning bidders, two aggrieved bidders had sought clarifications for Packages B & C. The Ministry without resolving the issues with the contractors as well as taking cognizance of the concerns raised by the Ministry of Finance, the Hon'ble Prime Minister and the intervention of the oversight body ACC had gone ahead with the signing of contract agreement on 12<sup>th</sup> September 2014. The work order was issued to the winning bidders on 22<sup>nd</sup> September 2014, site was handed over on 11<sup>th</sup> October 2014 and the Project Kick off Meeting held on 17<sup>th</sup> & 18<sup>th</sup> October 2014.

Subsequently, the contract packages B & C were terminated upon the directive of the Government. The contractors had been paid Nu. 74.728 million towards mobilisation advance and value of work done at the time of termination. The contractors claimed for compensation of Nu. 431.693 million of which Nu. 21.713 million was approved by the government as recommended by the Multi-Sectoral Committee. The final settlement of compensation claim is yet to be intimated to RAA. *(AIN: 13816; Para: 1; Accountabilities: Ministry failed to provide the signed accountability statement on the ground that various stakeholders were involved and cannot squarely hold individuals accountable for the lapses).*

**Status:** *Observation not settled.*

*As per the letter No.MoWHS/DS/Audit/2918-2019/535 dated 20/08/2018 and the verdict No.Nyenthoo (hung-18-15) dated 25/07/2018 passed by the Supreme Court the contractor is eligible for the total payment of Nu.102,398,940.25 and he is liable to refund a sum of Nu.80,908,714.75 to MoWHS in two equal installments within a period of six months from the date of award of the judgement. The first installment was due on 24/10/2018 and second installment on 24/01/2019.*

*During the PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu, the MoWHS reported that Contractor had refused to pay the balance amount of Nu. 7.500 million and Ministry had appealed to High Court for enforcement of judgement. However, the case remained unsettled as of 31 Aug. 2021.*

*This issue was redeliberated during the PAC consultative meeting held on 31 Aug. 2021 in NC conference hall, Thimphu where the Director General of DoR reported that, all the due process were followed for the recovery of the amount from the contractor. The case went through arbitration process, High Court and then to Supreme Court. Supreme Court directed the contractor to pay the amount in two installments. As per the decision of the Supreme Court, the contractor deposited the first installment but failed to deposit the second installment. Upon the failure of the contractor to deposit the second installment, MoWHS filed for an enforcement of the judgement passed by Supreme Court. However, on 2 July 2021 the contractor appealed to Gyalpoi Zimpon and the decision for the same is awaited.*

*Therefore, the observation remained unresolved as the decision from the office of the Gyalpoi Zimpon awaited.*

### **3. Shortfalls, lapses and deficiencies - Nu.0.087million**

#### **3.3 Outstanding Advances - Nu.0.087 million**

- a) The Regional Office, DoR, Lingmethang had overdue outstanding PW advances of Nu.0.087 million against a party. *(AIN: 13712; Para 1; Accountabilities: Direct: Chenga Dorji, Junior Engineer, EID No.201101247; Supervisory: Thinley Tenzin, Project Engineer, EID No.9207046).*

**Status:** *Observation not settled. A sum of Nu.87,348.00 remained unsettled against M/s Yangchen Construction, Lhuentse. DoR, Lingmethang had forwarded the case to the Court.*

*The issue was deliberated during the PAC consultative meeting held on 31 Aug. 2021 in NC conference hall, Thimphu where the Director General of DoR reported that, the contract was terminated and the contractor was directed to pay Nu. 87,000/- as penalty. Upon failure of the*

*contractor to pay the amount, the management had filed a case in the court of law and the court directed the contractor to pay Nu. 221,000/-. The management followed up for enforcement of the judgement but was not successful in doing so as there was no judge in Pemagatshel Court. However, at present a new judge has been appointed and the management will follow up for the enforcement of the judgement.*

*The PAC directed MoWHS to follow up with the Court for the enforcement of judgement and recover the amount by 30 Sept. 2021.*

#### **4.1.2. Ministry of Information & Communications**

The Ministry of Information & Communications had unsettled irregularity of Nu.0.278 million reported to the Parliament in October 2020. The irregularity remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	0.278	-	0.278	-
	<b>Total</b>	0.278	-	0.278	-

The detailed status of unsettled irregularity reported to the Parliament in October 2020, which remained unsettled as on 30 Sept. 2021 is as discussed below:

### **3. Shortfalls, lapses and deficiencies – Nu. 0.278 million**

#### **3.4 Double payment for RRM perimeter fencing wall - Nu. 0.278 million**

The Department of Air Transport had made double payment of Nu. 0.388 million for RRM perimeter fencing wall on the construction of perimeter fencing and access road to Gelephu Domestic Airport. The double payment had occurred due to repeated measurement of the RRM front wall running 50.75 meters in length with width of 0.85 meters followed by another claim with average width of 1m and the quantity imported from measurement sheet to the abstract cost measured for 391.09 meters<sup>3</sup> instead of 328.89 meters<sup>3</sup> as per the measurement. *(AIN: 14249; Para 1.1; Accountabilities: Direct: Jamyang T Dorji, Deputy Executive Engineer, EID No. 201101166; Supervisory: Ugyen Dorji, Principal Engineer, EID No. 8908106).*

Status: *Observation not settled. PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu directed the Department to recover the balance amount within 1st December, 2019 and share the update with RAA. However, the RAA was yet to receive the said amount as of 31 Aug. 2021.*

*The issue was redeliberated during the PAC consultative meeting held on 31 Aug. 2021 in the NC conference hall, Thimphu where the Ministry reported that the amount could not be recovered from the contractor as of date due to various reasons. The PAC directed the Ministry to take action on or before 30 Sept. 2021 and report to the RAA.*

### 4.1.3 Ministry of Agriculture and Forests

Out of the total unsettled significant irregularities of Nu.5.754 million reported to the Parliament in October 2020, the Ministry of Agriculture and Forests had settled irregularities of Nu.0.511 million leaving a balance of Nu.5.243 million as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Fraud, Corruption & Embezzlement	0.260	-	0.260	-
2	Violation of laws and rules	2.689	-	2.689	-
3	Shortfalls, lapses and deficiencies	2.805	0.511	2.294	18.22
	<b>Total</b>	<b>5.754</b>	<b>0.511</b>	<b>5.243</b>	<b>8.88</b>

The detailed status of unsettled irregularities reported to the Parliament in October 2020; the irregularities settled thereafter and unsettled balances as on 30 Sept. 2021 are as discussed below:

#### 1. Fraud, Corruption & Embezzlement – Nu.0.260 million

#### 1.2 Forged Bank Guarantee in lieu of Performance Security and non-recovery of penalty - Nu.0.260 million

The Assistant Engineer of the Gasa Dzongkhag Administration had forged the Bank Guarantee submitted in lieu of 10% Performance Security for Nu. 0.260 million of M/s T.D. Dendup Construction for the construction of Park Range Office at Neptangkha funded by World Bank Project (HANAs-I). There were no records indicating that Committees such as opening, evaluation and awarding were constituted for execution of works, except for the soft copy of the draft Evaluation Report with the AE. The construction work was supposed to complete by 17<sup>th</sup> May, 2016 and could not meet the deadline. The forestry Officials working under the Range Office had been deprived of the intended facilities on time for effective delivery of the public services as the construction was not completed in time and had been rendered waste of limited government resources. (AIN: 14209; Para 1.1; Accountabilities: Direct: Karma, AE, Gasa Dzongkhag, EID No. 201001736; Supervisory: Lhendup Tharchen, Park Manager, EID No.200801028).

*Status: Observation not settled. The case was reported sub judice in Dzongkhag Court, Gasa as on 15/11/2019.*

*The issue was deliberated during PAC consultative meeting held on 3 Sept. 2021 in NA conference hall, Thimphu where the Legal Officer of MoAF reported that the accountable person has been convicted for fraud and corruption. However, he has appealed before the larger bench. It was reported that the ministry has received a receipt of payment by Karma from OAG for the observation, however, the details are not clear which needs to be discussed*

*with the RAA. The PAC directed that Ministry and RAA should coordinate in verifying the payment receipt and decide on the same accordingly by 30 Sept. 2021.*

## **2. Violation of laws and rules – Nu. 2.689 million**

### **2.2 Wrong booking of expenditure – Nu. 2.689 million**

The World Bank funded Project HANAS-II under Jigme Dorji National Park, Damji had wrongly booked and diverted Nu. 2.689 million from the 'Installation of Milk Processing and Dairy Product (52.08)' to capital activities of HANAS-I & current activity of salary (RGoB) in contravention to the financial norms which states "Re-appropriation from Capital to Capital is permitted provided there is approval and budget line obtained from the MoF. Diversion of fund from Capital to Current is not at all permissible as per the financial norms". (AIN: 14208; Para 1.1; Accountabilities: Direct: Tshering Wangchuk, Accountant, EID No. 200207191; Supervisory: Lhendup Tharchen, Park Manager, EID No. 200801028).

*Status: Observation not settled. PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu instructed MoAF to hold meeting with Jigme Dorji National Park in presence of accountable officials within December 2019 to resolve the observation. The Ministry was also informed that PAC might draw special attention of the Hon'ble Members in the upcoming winter session of the Parliament on such long pending issues including naming and shaming.*

*This issue was redeliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall, Thimphu where the Director, Department of Forest & Park Services reported that, they tried to resolve the issue amicably but the accountable persons failed to comply with the same. The Ministry has exhausted all means to resolve the issue. Therefore, the Ministry has decided to take legal actions on the same. As such it was decided that the Ministry should take legal recourse for resolving the issue.*

## **3. Shortfalls, lapses and deficiencies – Nu.2.294 million**

### **3.5 Excess payment**

- a) The World Bank funded Project (HANAS-II) under Jigme Dorji Wangchuck National Park, Damji had made excess payment of Nu. 0.160 million on design and dimension of flooring joist and providing and fixing of eaves board for roofing for the construction of Laya Park Range Office. The excess payment had occurred due to deviation in quantum of work done by 92% above the bill of quantities and payment without prior approval for deviated quantity from the approving authority and improper measurement by the site engineer and the handing taking team. (AIN: 14208; Para 1.2; Accountabilities: Direct: Karma, AE Gasa Dzongkhag, EID No. 201001736; Supervisory: Lhendup Tharchen, Park Manager, EID No. 200801028).

*Status: Observation settled vide letter No.RAA/OAAG(T)/FUS-02/2020-2021/ 0575 dated 14 April 2021.*



### 3.12 Outstanding Advances - Nu. 2.704 million

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- a) The Jigme Dorji National Park, Damji had overdue outstanding advances of Nu. 4.360 million against the officials (Nu. 0.109 million) and parties (Nu. 4.251 million). (AIN: 13431; Para 5; Accountabilities: Direct: Tshering Wangchuk, Accountant, EID No.2002207191, Supervisory: Lhendup Tharchen, CFO, EID No. 200801028).

*Status: Observation not settled as the balance of Nu. 0.838 million reported in April 2018 was not recovered/adjusted. PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu instructed MoAF to hold meeting with Jigme Dorji National Park in presence of accountable officials within December 2019 to resolve the observation. The Ministry was also informed that PAC might draw special attention of the Hon'ble Members in the upcoming winter session of the Parliament on such long pending issues including naming and shaming.*

*This issue was redeliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall, Thimphu where the Director, Department of Forest & Park Services reported that, they tried to resolve the issue amicably but the accountable persons failed to comply with the same. The Ministry has exhausted all means to resolve the issue. Therefore, the Ministry has decided to take legal actions on the same. As such it was decided that the Ministry should take legal recourse for resolving the issue.*

- b) The Department of Agriculture had overdue outstanding PW advances of Nu. 0.632 million against a party. (AIN: 13929; Para 1; Accountabilities: Direct: Nima Dorji, Dy. Executive Engineer, EID No.200801074; Supervisory: Chimi Rinzin, Chief Agriculture Officer, EID No.2001027, Karma Tshethar, Chief Engineer, EID No. 9901079).

*Status: Observation not settled. During the recent follow up, the RAA has recommended to deposit the 10% retention money into Audit Recoveries Account beside furnishing a copy of final adjustment voucher for adjustment of Nu.632,400.00. PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu also instructed the Ministry to resolve the issue within December 2019. However, it remained unsettled as of 3 Sept. 2021.*

*This issue was redeliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall where the ministry reported that whereabouts of the contractor was unknown. It was stated that the payment to be made to the contractor is more than the amount to be recovered from him. Since the Ministry couldn't get the budget head for the adjustment of fund from Ministry of Finance the accounts couldn't be reconciled. It was decided that Ministry should discuss with Department of Agriculture and submit the status report to RAA latest by 30 Sept. 2021.*

- c) The HANAS-I of Jigme Dorji National Park, Damji had outstanding PW advances of Nu. 1.066 million against the parties. (AIN: 14209; Para 2.1; Accountabilities: Direct: Tshering Wangchuk, Accountant, EID No. 200207191; Supervisory: Lhendup Tharchen, Park Manager, EID No. 200801028).

*Status: Observation not settled. PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu instructed MoAF to hold meeting with Jigme Dorji National Park in presence of accountable officials within December 2019 to resolve the observation. The Ministry was also informed that PAC might draw special attention of the Hon Members in the upcoming winter session of the Parliament on such long pending issues including naming and shaming.*

*This issue was redeliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall, Thimphu where the Director, Department of Forest & Park Services reported that, they tried to resolve the issue amicably but the accountable persons failed to comply with the same. The Ministry has exhausted all means to resolve the issue. Therefore, the Ministry has decided to take legal actions on the same. As such it was decided that the Ministry should take legal recourse for resolving the issue.*

- d) The Jigme Dorji National Park, Damji had outstanding advances of Nu. 2.553 million against the officials (Nu. 0.096 million) and parties (Nu. 2.457 million). (AIN: 14210; Para 3.1; Accountabilities: Direct: Tshering Wangchuk, Accountant, EID No. 200207191; Supervisory: Lhendup Tharchen, Park Manager, EID No. 200801028).

**Status:** Observation partially settled as the amount of Nu.0.410 million was adjusted/ dropped vide follow-up report No. RAA/OAAG(T)FUS-02/2017-2018/619 of 15/12/2017 and letter No. UWICER/Th-03/2019/113 of 15.03.2019 leaving a balance of Nu. 0.168 million.

*PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu instructed MoAF to hold meeting with Jigme Dorji National Park in presence of accountable officials within December 2019 to resolve the observation. The Ministry was also informed that PAC might draw special attention of the Hon'ble Members in the upcoming winter session of the Parliament on such long pending issues including naming and shaming.*

*This issue was redeliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall where the Director, Department of Forest & Park Services reported that they tried to resolve the issue amicably but the accountable persons failed to comply with the same. The Ministry has exhausted all means to resolve the issue. Therefore, the Ministry has decided to take legal actions on the same. As such it was decided that the Ministry should take legal recourse for resolving the issue.*

#### 4.1.5. Ministry of Finance

The Ministry of Finance had significant irregularity of Nu.4.115 million reported to the Parliament in October 2020. The irregularity remained unsettled as of 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Mismanagement	4.115	-	4.115	0
	<b>Total</b>	<b>4.115</b>	<b>-</b>	<b>4.115</b>	

The detailed status of unsettled irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Mismanagement - Nu. 4.115 million

##### 1.1 Short levy of sales tax and green tax – Nu. 4.115million

The Regional Revenue and Customs Office, Phuentsholing had short levied sales tax and green tax of Nu. 8.700 million during the year 2015 from the imported vehicles. The less selling price

of vehicles reflected in the bills of the dealer as compared with Excise Invoice of the manufacturer/dealer had led to less amount declared by the importer resulting in short collection of BST and Green tax. Subsequently, Nu. 4.585 million was recovered/adjusted leaving a balance of Nu. 4.115 million. The case is subjudice. (AIN: 13606; Para 1; Accountabilities: Direct: Kesang Yeshay, Asstt. Collector, EID No.200801145; Supervisory: Dhendup, Joint Collector, Customs, EID No. 200601043).

**Status:** Observation not settled. As per the letter No.RRCO/PL/Adm-20/2019-2020/964 dated 27/08/2019 the case was subjudice in the High Court.

*This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall where the Legal Officer of MoF reported that, after the assessment process all appeal procedure was completed. However, the case was appealed to the larger bench of the High Court by the businessman and the decision of the larger bench awaited. Therefore, the matter remained unresolved being sub judice.*

#### 4.1.6. Ministry of Education

The Ministry of Education had significant irregularity of Nu.6.665 million reported to the Parliament in October 2020. It remained unsettled as on 30 Sept. 2021 as summarized below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Fraud, Corruption & Embezzlement	6.665	-	6.665	-
	<b>Total</b>	6.665	-	6.665	-

The detailed status of unsettled irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Fraud, Corruption & Embezzlement - Nu. 6.665 million

##### 1.1 Serious misrepresentation of facts - Nu. 6.665 million

The MoE's International Assisted Project funded the construction of Retaining wall (130 m long & 6m height) along the school football field of the Minjey Middle Secondary School, Lhuentse valuing Nu.6.665 million awarded to M/s T.K Construction. The work was insured with Bhutan Insurance Limited in line with the contract terms.

The work was completed on 25<sup>th</sup> September 2014 and taken over on 3<sup>rd</sup> December 2014 by Committee comprising of the officials from the Dzongkhag Administration, Gewog Administration & SPBD. The review of records in relation to the contract documents and payments vis-a-vis joint physical verification of the work at site revealed that there was only some remains of one end of the wall at the site. On inquiry, the school principal had informed that the said retaining wall was washed away by the slide while the work was in progress and the contractor had never reconstructed the wall thereafter.

The management accepted that the wall was damaged and justified that the Project Management had disposed off the issue on the ground that the construction of retaining wall was not felt necessary on reorientation of the layout of the football ground instead of taking appropriate steps to make good the huge investment of Nu.6.665 million through either reconstruction of the walls or insurance claims as the works were already insured by the contractor in terms of item of work of the BOQs. The inaction on the part of the Project Management indicated possible existence of collusion with the contractor. It is apparent that the payments had been made in entirety although the works were in progress giving doubt on the accuracy of claims and payments.

Subsequently, in their second response, the SPBD has contradicted the initial response by indicating that the wall was intact, but covered under the soil due to re-orientation of the football ground and backfilling. *(AIN: 14079; Para 1; Accountabilities: Direct: Phuntsho Tobgay, Engineer, EID No.200407005; Supervisory: Diwakar Lama, Project Engineer, EID No.8808002).*

**Status:** *Observation not settled. The case was forwarded to ACC vide letter No. RAA/AG-SP/16/2017-18/232 dated 01/11/2017 after the joint site visit by the officials of RAA and the Ministry of Education. As per the letter No.ACC/DoI-III/Case-04/2018/1058 dated 27/08/2018, investigation was concluded and case forwarded to Office of the Attorney General for prosecution and now the case was reported to be subjudice in the Dzongkhag Court, Lhuntse.*

*The issue was deliberated during the PAC consultative meeting held on 31 Aug. 2021 in the NC conference hall Thimphu where the Ministry of Education had informed the house that the case was still subjudice in the Lhuntse Dzongkhag Court. Therefore, it was decided to wait for pronouncement of the verdict, however, the PAC directed the Ministry to follow up the case for update and inform the RAA and the PAC about its progress.*

#### 4.1.8. Ministry of Economic Affairs

The Ministry of Economic Affairs had two unsettled significant irregularities reported to the Parliament in October 2020. The irregularities were resolved as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Fraud, Corruption & Embezzlement	-	-	-	-
	<b>Total</b>	-	-	-	-

The detailed status of unsettled irregularities reported to the Parliament in October 2020, which got resolved as on 30 Sept. 2021 are as discussed below:

### 1. Fraud, Corruption & Embezzlement

#### 1.1 Possible fronting case of license

The Asian Development Bank funded Project “Rural Renewable Energy Development” implemented by Department of Renewable Energy had booked the expenditure for conducting detailed survey of grid electrification of potential off-grid households in the name of M/s Norlha

Engineering, but the payment was released in the name of M/s ChhimiD Consulting upon request by Chhimi Dorji, the Authorized Representative and Coordinator of M/s ChhimiD Consulting, Thimphu. The reason stated was that M/s Norlha Engineering and Management Consultant do not have bank account maintained with the BoB.

The payment of cheque in the name of M/s ChhimiD Consulting, Thimphu instead of M/s Norlha Engineering and Management Consulting was a clear indication that the work was executed by the M/s ChhimiD Consulting Firm and M/s Norlha Engineering and Management Consultant had only submitted the bids. Further, it was also noticed that in the letter of Authorization, Chhimi Dorji, Environment Specialist was appointed as the focal person and coordinator of M/s Norlha Engineering and Management Consultant, whereas the powers of Attorney issued specifically mentioned that Mr. Chhimi Dorji is a Managing Partner of M/s Norlha Engineering and Management Consultant, which is clear indication of possible fronting case.

Further, Mr. Chimmi Dorji had signed the Integrity Pact as a proprietor and the original bidder, Mr. Yeshe Dorji, the proprietor of M/s Norlha Engineering and Management had signed as a witness, which was not appropriate. *(AIN: 14118; Para 1.2; Accountabilities: Direct: Galey Dorji, Project Manager, EID No. 20140103273; Supervisory: Satchi, Chief Engineer, EID No.200201108).*

**Status:** *Observation settled. This issue was deliberated during the PAC consultative meeting held on 31 Aug.2021 in NC conference hall, Thimphu where the RAA explained that although accountability against Satchi, Chief Engineer and Galay Dorji, Engineer were cleared off; this issue had not been resolved as ACC had not closed the investigation as per the letter No.ACC/DoPS-CMD/12/886 dated 19/07/2018 of ACC. The PAC directed to hold a tripartite discussion among MoEA, ACC and RAA on resolving the issue and decision of the meeting communicated to PAC by 30 Sept. 2021.*

*Accordingly, tripartite discussion was held on 10 Sept. 2021 among MoEA, ACC and RAA in the DRE conference hall and further tripartite meeting was held on 20 Sept. 2021 with ACC, Department of Revenue and Customs and RAA on income concealment and tax evasion by the consulting firm in connection with this case. Finally the ACC conveyed the formal logical conclusion of the case after such deliberations vide letter No.ACC/DoPS-FDD/FE-02/2021/293 dated 27 Sept. 2021 with instructions for corrective measures and systemic recommendations to prevent such lapses. Therefore, this issue has been settled based on the directives issued by the ACC through the letter No.ACC/DoPS-FDD/FE-02/2021/293 dated 27 Sept. 2021.*

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

### **2.1 Submission of wrong information in key professional staff**

M/s Norlha Engineering and Management Consultancy had wrongly submitted the information of its key professional staff for the tender evaluation to conduct detailed survey for grid electrification of potential off-grid households under Asian Development Bank funded Project “Rural Renewable Energy Development” implemented by Department of Renewable Energy.

Mr. Chhimi Dorji, proprietor of M/s ChhimiD Consulting Firm was shown as Environment Specialist of M/s Norlha Engineering and Management consultant scoring 10 points in the technical evaluation. Similarly, the Curriculum Vitae of Ms. Gaki, Sociologist of M/s ChimmiD Consulting firm was changed to show her as Sociologist of M/s Norlha Engineering and Management Consultancy firm scoring 8 points in the technical evaluation. The amended CV was signed by Mr. Chhimi Dorji, but did not have the signature of Ms. Gaki. Due to the inclusion of the above professionals in the bidding documents, the firm had been awarded 18 points extra

and qualified for the financial bid. (AIN: 14118; Para 1.1; Accountabilities: Direct: Galey Dorji, Project Manager, EID No. 20140103273; Supervisory: Satchi, Chief Engineer, EID No. 200201108).

**Status:** Observation settled. This issue was deliberated during the PAC consultative meeting held on 31 Aug.2021 in NC conference hall, Thimphu where the RAA explained that although accountability against Satchi, Chief Engineer and Galay Dorji, Engineer were cleared off; this issue had not been resolved as ACC had not closed the investigation as per the letter No.ACC/DoPS-CMD/12/886 dated 19/07/2018 of ACC. The PAC directed to hold a tripartite discussion among MoEA, ACC and RAA on resolving the issue and decision of the meeting communicated to PAC by 30 Sept. 2021.

Accordingly, tripartite discussion was held on 10 Sept. 2021 among MoEA, ACC and RAA in the DRE conference hall and further tripartite meeting was held on 20 Sept. 2021 with ACC, Department of Revenue and Customs and RAA on income concealment and tax evasion by the consulting firm in connection with this case. Finally the ACC conveyed the formal logical conclusion of the case after such deliberations vide letter No.ACC/DoPS-FDD/FE-02/2021/293 dated 27 Sept. 2021 with instructions for corrective measures and systemic recommendations to prevent such lapses. Therefore, this issue has been settled based on the directives issued by the ACC through the letter No.ACC/DoPS-FDD/FE-02/2021/293 dated 27 Sept. 2021.

## 4.2 DZONGKHAGS

### 4.2.3. Dzongkhag Administration, Pemagatshel

Out of the three significant irregularities of Nu.1.962 million reported to the Parliament in October 2020, the Dzongkhag Administration had settled Nu.1.860 million leaving a balance of Nu.0.102 million as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	1.962	1.860	0.102	94.80
	<b>Total</b>	<b>1.962</b>	<b>1.860</b>	<b>0.102</b>	

The detailed status of unsettled irregularities reported to the Parliament in October 2020, irregularities resolved thereafter and unsettled as on 30 Sept. 2021 are discussed as below:

#### 1. Shortfalls, lapses and deficiencies – Nu. 0.102 million

##### 1.1 Irregularities in Development of Roads for Denchi Township

The Dzongkhag Administration, Pemagatshel had terminated the work on Development of Roads for Denchi Township due to breach of terms and conditions of the contract by the contractor. The review of contract documents, payment vouchers and conduct of joint physical verification of site revealed that the Dzongkhag Administration, Pemagatshel had retained the payments for actual works done for the adjustment of 20% penalty on unexecuted works, 10% performance security money and other loans from the contractor amounting to Nu.7.419 million. The case is subjudice. (AIN: 13501; Para 2; Accountabilities: Direct: Damcho Zangmo, Site Engineer, EID No.9707078; Supervisory: Yeshi Dorji, DE, EID No.9807057).

**Status:** The observation was settled based on the verdict of the Supreme Court.

## 1.2 Excess payment Nu. 0.102 million

- a) The Dzongkhag Administration, Pemagatshel had made excess payment of Nu.0.220 million to contractor for the construction of 2-units classroom at Tsatsi Primary School under Nanong Gewog. The excess payment had occurred due to non-deduction of advances from the preceding running bills. (AIN: 13501; Para 4.1; Accountabilities Direct: Yezer, Ex.FO, EID No. 200901068; Supervisory: Tshewang Jurmey. AE, EID No. 200807184).

**Status:** Observation not settled. Out of the total amount of Nu.0.220 million reported; Nu.0.118 million was recovered leaving a balance of Nu.0.102 million.

*This issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall of Trashigang Dzongkhag and the the Dzongkhag Adm. Pemagatshel reported that the remaining irregularities of Nu. 102,000/- was supposed to be resolved by Yoezer (former finance officer), who has committed the default. However, accountability was fixed against Kinley Wangdi for the whole amount. Hence, it was requested to RAA that the accountability to be shifted to Yoezer. It was also reported that Yoezer was currently working as a finance officer under the Ministry of Economic Affairs. Further, it was shared that the dzongkhag administration couldn't resolve this issue as they have been waiting for confirmation from RAA as to shifting of accountability.*

*The RAA explained that in general shifting of accountability is restricted. However, it can be done if agreed by another party backed by evidences and reasonings justifying the same. In this issue the accountability has been transferred to Yezer. It was also informed that as per the Financial Rules & Regulation, it is mandated to file a case with the court of law after one year of pendency of an irregularity but the dzongkhag administration has failed to do so even after several years of lapse. The PAC directed the Dzongkhag to initiate recovery of the amount on or before 31 Aug. 2021 if not take legal recourse.*

### 4.2.4. Dzongkhag Administration, Chhukha

Out of the total unsettled significant irregularity of Nu.0.658 million reported to the Parliament in October 2020, the Dzongkhag Administration, Chhukha had settled Nu.0.166 million leaving a balance of Nu.0.492 million as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
2	Shortfalls, lapses and deficiencies	0.658	0.166	0.492	25.23
	<b>Total</b>	<b>0.658</b>	<b>0.166</b>	<b>0.492</b>	

The detailed status of unsettled irregularity reported to the Parliament in October 2020; amount settled thereafter and the unsettled balance as on 30 Sept. 2021 is discussed as below:

## 2. Shortfalls, lapses and deficiencies – Nu. 0.492 million

### 2.1 Excess payments - Nu. 0.492 million

- a) The Dzongkhag Administration, Chhukha had made excess payment of Nu.1.743 million to the contractor for the construction of Science Lab at Dugna Lower Secondary School. The amount was partially recovered and the case is subjudice. (AIN: 13576; Para 1.1; Accountabilities: Direct: Churamuni Bhattarai, Engineer, EID 200807182; Supervisory: Tshering Chopel, DE, EID No. 8808013).

**Status:** Observation partially settled. Out of Nu.0.658 million unsettled balance reported last; Nu.0.166 million was settled leaving a balance of Nu.0.492 million as on 13 Sept. 2021.

*This issue was deliberated during the PAC consultative meeting held on 13 Sept.2021 in NA conference hall, Thimphu where Dasho Dzongrab reported that, initially Court refused to register the case due to improper address of the accountable person. However, it was followed up and registered in the Court of law. As of now, the case has reached the evidence stage. It was stated that Churamuni Bhattarai isn't cooperating as he has already received audit clearance and has claimed his retirement benefits.*

*It was decided that this issue remains status quo until submission of verdict from the court of law by the Dzongkhag Administration to RAA.*

#### 4.2.5. Dzongkhag Administration, Dagana

Out of the total unsettled significant irregularities of Nu.3.370 million reported to the Parliament in October 2020, the Dzongkhag Administration, Dagana had settled all the amount. However, one issue remained unsettled as 24% penal interest on late deposit of the amount was not recovered as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
2	Shortfalls, lapses and deficiencies	3.370	3.370	-	100
	<b>Total</b>	<b>3.370</b>	<b>3.370</b>	<b>-</b>	

The detailed status of unsettled irregularities reported to the Parliament in October 2020, the irregularities settled thereafter and balance unsettled as on 30 Sept. 2021 is as discussed below:

## 2. Shortfalls, lapses and

### 2.1 Excess payment

- a) The Dzongkhag Administration, Dagana had made excess payment of Nu.3.270 million to contractor in the rehabilitation of Badarchu-Peteykha irrigation channel at Tshangkha Gewog implemented under the Remote Rural Community Development Project (RRCDP). The excess payment had occurred due to non-recovery of penalty and advances on termination of the contract and failure of Site engineer to exercise necessary checks to ensure the admissibility of contractor's claims and also due to inadequate supervision and verification by Dzongkhag Engineer as a supervising authority. (AIN: 13724; Para 1.1; Accountabilities: Direct: Mani Kumar Ghishing, JE, EID No. 20140103474; Supervisory: Jamyang Dorji, DE, EID No.9207043).



**Status:** Observation settled vide letter No.DDA/DES-29/2020-2021/5227 of 14/6/2021.

- b) The Dzongkhag Administration, Dagana had made excess payment of Nu. 0.193 million to contractor in the construction of Two-Unit Staff Quarters at Nimtola CPS. The excess payment had occurred due to wrong application of Unit of measurement, non-execution of works, and failure of Site engineer to exercise necessary checks to ensure the admissibility of contractor's claims and also due to inadequate supervision and verification by Dzongkhag Engineer as a supervising authority. (AIN: 13724; Para 1.6; Accountabilities: Direct: Kencho Tshering, JE, EID No. 201001730; Supervisory: Jamyang Dorji, DE, EID No. 9207043)

**Status:** Observation settled based on the amount deposited vide receipt no.A00600 of 15/6/2021.

- c) The Dzongkhag Administration, Dagana had made excess payment of Nu. 0.039 million to supplier for supply of school furniture at Nimtola CPS. The excess payment had occurred due to payments at rates higher than quoted rates and failure of the Accounts personnel and the Dzongkhag Education Officer to ascertain the correctness of the rates claimed. (AIN: 13724; Para 2.1; Accountabilities: Direct: Temba, DEO, EID No.9811057; Supervisory: Temba, DEO, EID No.9811057)

**Status:** Observation partially settled. An amount of Nu.38,500/- was deposited vide receipt No.A00620 dated 6/8/2021, however, the accumulated 24% p.a. penal interest of Nu.1,732.87 remained unsettled.

*This issue was deliberated during the PAC consultative meeting held on 9 Aug. 2021 at RAA, PDC Tsirang and the Dzongkhag Administration, reported that actual amount of Nu.38,500/- was deposited vide receipt No A00620 of 6/8/2021 by the supplier as soon as he was informed about the memo. Only the penalty part remained un-resolved as the supplier was informed only when he was instructed to join Dagana Dzongda to attend PAC's consultative meeting on audit issues. It was decided that, Dagana Dzongkhag Administration in consultation with RAA should discuss on amount of penalty to be charged to the supplier and report the same to RAA by 31 Aug. 2021.*

*The RAA deliberated the issue in the 9<sup>th</sup> Follow up Committee Meeting held on on 6 Oct. 2021 and as the lapse was found to be on the part of the Chief DEO and the Principal the committee decided to ask the Dzongkhag Administration to take appropriate administrative action against the official. Until such action is taken the observation shall stand.*

#### 4.2.8. Dzongkhag Administration, Haa

The Dzongkhag Administration had unsettled irregularity of Nu.0.078 million reported to the Parliament in October 2020. Out of which Nu.0.052 million was settled leaving a balance of Nu.0.026 million as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	0.078	0.052	0.026	66.67
	<b>Total</b>	<b>0.078</b>	<b>0.052</b>	<b>0.026</b>	

The detailed status of unsettled irregularity reported to the Parliament in October 2020; amounts settled thereafter and unsettled balance as on 30 Sept. 2021 is as discussed below:

## 1. Shortfalls, lapses and deficiencies – Nu. 0.026 million

### 1.1 Outstanding advances – Nu. 0.026 million

The Dzongkhag Administration, Haa had overdue outstanding advances of Nu.0.746 million against the officials (Nu.0.057 million) and parties (Nu.0.707) for the financial years 2010-2015. (AIN: 13489; Para 2; Accountabilities: Direct: Sonam Wangchuk, DSO, EID. No. 200508097. Supervisory: Sonam Wangmo, AAO, EID. No.201101056, Sonam Wangdi, Dzongdag, EID. No.8607100).

**Status:** Observation partially settled. Out of Nu.0.078 million; Nu.0.052 million was settled leaving a balance of Nu.0.026 million as of 10 Sept. 2021.

*This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where the Internal Auditor of the Dzongkhag reported that they followed up with the accountable person and could recover amounts from Tashi Dorji and Ugyen Tshering, however, Nu.26, 238.25 against Sonam Wangchuk remained unsettled. Sonam Wangchuk has acknowledged to pay the principal amount but requested to waive off the interest. Sonam Wangchuk is currently serving under the Dzongkhag Administration, Gasa.*

*The PAC directed the Dzongkhag Administration, Haa to coordinate with Dzongkhag Administration, Gasa to follow up with Sonam Wangchuk and recover the amount or take legal recourse for the same by 30 Sept. 2021.*

### 4.2.9. Dzongkhag Administration, Punakha

The Dzongkhag Administration had unsettled irregularity of Nu.0.168 million reported to the Parliament in October 2020. It remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	0.168	-	0.168	-
	<b>Total</b>	<b>0.168</b>	<b>-</b>	<b>0.168</b>	

The detailed status of unsettled irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

## 1. Shortfalls, lapses and deficiencies- Nu.0.168 million

### 1.1 Excess payment- Nu.0.168 million

The Dzongkhag Administration, Punakha had made excess payment of Nu. 0.168 million to contractor for the renovation of Nidrupchu Lhakhang under Chhuboog Gewog. The excess payment had occurred due to acceptance of two different Bills of Quantity (BoQ) having the same total figure and the Committees' failure to detect the error and further evaluation of the

BOQ with the higher rates instead of the one with the lower rates. (AIN: 13624; Para 1.1; Accountabilities: Direct: LB Chhetri, AE, EID No.200607212; Supervisory: Tandin Dorji, DE, EID No.200401026).

**Status:** Observation not settled. RAA was informed vide letter No. DAP/Finance /06/2018-2019/2618, dated 11/09/2019, that Dzongkhag Administration was not able to contact the Site Engineer since he was terminated from service.

The issue was deliberated during the PAC consultative meeting held on 13 Aug. 2021 in the DYT hall of Punakha Dzongkhag where LB Chhetri, AE, who was stated to have been terminated from the service had attended the meeting and in contrary to the statement made by the Dzongkhag Adm. LB Chhetri stated that he was not terminated from his job but had voluntarily resigned after a conflict with Dzongdag. But his employment status in RCSC was still active and his retirement benefits not claimed yet. Further, he acknowledged his mistakes for not turning up to resolve the issue so far. He also expressed that the excess payment was made to the contractor as the contractor had submitted two bills (original and duplicate copy). The management overlooked while making the final bill payment and made payment for both the bills resulting in excess payments. Later LB Chhetri tried to follow up with the contractor to recover the excess payments but the contractor had gone out of the country.

The RAA stated that the observation remained unresolved because the Dzongkhag could not contact the Site Engineer. However, now as the Site Engineer, LB Chhetri has come forward and attended the meeting the Dzongkhag should initiate resolving the issue. The PAC directed the Dzongkhag Adm. to take appropriate course of action with regard to employment status of L.B. Chhetri in consultation with RCSC and resolve the issue by 31 Aug. 2021.

#### 4.2.11. Dzongkhag Administration, Gasa

The Dzongkhag Administration, Gasa had unsettled significant irregularity of Nu.0.028 million reported to the Parliament in October 2020. It remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	0.028	-	0.028	-
	<b>Total</b>	<b>0.028</b>	<b>-</b>	<b>0.028</b>	

The detailed status of unsettled irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Shortfalls, lapses and deficiencies – Nu. 0.028 million

##### 1.1 Double payment - Nu. 0.028 million

The Dzongkhag Administration, Gasa had made double payment of Nu.0.058 million to Sonam Gyeltshen, Teacher-II on account of salary arrears for the months of February and June 2015 in April 2015 and again in June 2015. The lapses had occurred mainly due to lack of proper

communication and coordination between the HR and Accounts personnel. (AIN: 13959; Para 1; Accountabilities: Direct Sonam Wangchuk, Accountant, EID No.200807278; Supervisory: Sonam Wangchuk, Accountant, EID No.200807278).

**Status:** Observatoion partially settled. Out of the total amount of Nu.0.058 million; Nu.0.030 million had been deposited leaving a balance of Nu.0.028 million as of 12 Aug. 2021.

This issue was deliberated during the PAC consultative meeting held on 12 Aug. 2021 in DYT hall of Punakha Dzongkhag where the Dzongkha Adm. Gasa reported that the balance amount was not settled as Sonam Wangchuk, Accountant was compulsorily retire without any retirement benefits. The PAC directed the Dzongkhag Adm. to submit documents with regard to compulsory retirement of Sonam Wangchuk to RAA by 31 Aug. 2021 for review and appropriate decision.

#### 4.2.13. Dzongkhag Administration, Thimphu

One unsettled irregularity under shortfalls, lapses and defeciencies was reported to the Parliament in October 2020. It remained unsettled as on 30 Sept. 2021 as discussed below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	-	-	-	
	<b>Total</b>	-	-	-	

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as of 30 Sept. 2021 is as discussed below:

#### 1. Shortfalls, lapses and deficiencies

##### 1.1 Outstanding Advances

The Dzongkhag Administration, Thimphu had overdue outstanding advances of Nu.0.047 million against the parties. (AIN: 13932; Para 2; Accountabilities: Direct: Chandra M. Panda, Accountant, EID No.: 200307139, Nidup Dorji, Engineer, EID No.200901231, Supervisory Dorji Gyeltshen, Sr. Drungpa, EID No.9607072).

**Status:** Observation not settled as the accumulated 24% pa penalty of Nu. 55,438.96 had not been realized although the principal amount was deposited. The Contractor had submitted a letter of petition dated 4 June, 2021 for waiver off penalty accrued Nu. 55,438.96 as on 15/6/2018 for the delay of deposit of principal amount.

This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu and the direct accountable person Chandra M Panda (Accountant) reported that he had been following up with the contractor for almost five years but failed to recover the same. Therefore, the RAA was requested to waive off the interest amount.

*The RAA stated that it has no authority to waive off the penalty merely on the waiver request. However, there is a room for consideration if the contractor is declared bankrupt. The PAC directed the Dzongkhag Administration, Thimphu and RAA to have a bilateral meeting on waiver of the interest and inform the decision by 30 Sept. 2021. The Dzongkhag Administration, Thimphu should submit relevant documents (current status of the contractor with the Construction Development Board) supporting their appeal to waive off the interest amount to RAA for review and appropriate decision.*

## 4.3 GEWOGS

### 4.3.1. Gewogs Administration under Chhukha

#### IV. Phuentshogling Gewog

One unsettled significant irregularity under shortfalls, lapses and deficiencies was reported to the Parliament in October 2020, the Gewog Administration had not settled the same as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
2	Shortfalls, lapses and deficiencies	-	-	-	
	<b>Total</b>	-	-	-	

The detailed status of unsettled irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is discussed as below:

## 2. Shortfalls, lapses and deficiencies

### 2.3 Non-registration of land occupied by ORC at Limbukha, Serina

The Gewog Administration, Phuentshogling had not registered one-acre land occupied by the Out Reach Clinic at Limbukha, Serina owing to non-receipt of original new lag-thram from the National Land Commission by the owner. *(AIN: 14259; Para 3; Accountabilities: Direct: Ram Prasad Rai, Tshokpa, CID No. 20211001152; Supervisory: Birkha Bdr. Rai, Gup, CID No. CID No. 20211000312).*

**Status:** *Observation not settled. As per the PAC consultative meeting held at Samtse from 30/09/19 – 02/10/19, the Gewog Administration was instructed to submit the documents relating to transfer of ownership to RAA after they receive thram from National Land Commission. However, no progress had been reported as of 30 Sept. 2021.*

### 4.3.3. Gewogs Administration under Bumthang

#### II. Ura Gewog

The Gewog Administration Ura had unsettled irregularity of Nu.0.365 million reported to the Parliament in October 2020. It remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	0.365	-	0.365	0
	<b>Total</b>	<b>0.365</b>	<b>-</b>	<b>0.365</b>	

The detailed status of unsettled irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Shortfalls, lapses and deficiencies – Nu. 0.365 million

##### 1.1 Outstanding Advances - Nu. 0.365 million

The Gewog Administration, Ura had overdue outstanding advances of Nu.0.463 million against the Ex-Gup. (AIN: 14223; Para 1; Accountabilities Direct: Dorji Wangchuk, Former Gup, CID No. 10104001577; Supervisory Dorji Wangchuk, Former Gup, CID No. 10104001577).

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug.2021 in the DYT hall of Trongsa Dzongkhag where the Gewog Adm. reported that former Gup expired before the amount could be recovered. When present Gup joined the service, ADM was transfers and Mangmi had resigned. Upon approaching the family members of the deceased to recover the amount from them, it was found that they were financially unstable. Therefore, it was requested that this issue to be given consideration.

RAA stated that it is important to identify for what purpose the advances were released. Whether it was a personal advance or an advance released for some official works (like construction purposes) to be carried out. If the advance was released for a construction purpose, this issue can be dropped backed by the evidence of the works being completed and the documentation of the same.

The PAC directed the Gewog Administration to figure out for what purpose the advance was released and resolve this issue accordingly and update RAA by 31 Aug. 2021.

### 4.3.5. Gewogs Administration under Trongsa

#### I. Korphoog Gewog

The Gewog Administration had unsettled irregularity of Nu.0.097 million reported to the Parliament in October 2020. The Gewog had not settled the same as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	0.097	-	0.097	-
	<b>Total</b>	<b>0.097</b>	<b>-</b>	<b>0.097</b>	

The detailed status of unsettled irregularity reported to the Parliament in October 2020, which remained unsettled as on 30 Sept. 2021 is discussed as below:

## 2. Shortfalls, lapses and deficiencies – Nu. 0.097 million

### 2.1 Excess payment to community contractor – Nu. 0.097 million

The Gewog Administration, Korphoog had made excess payment of Nu.0.187 million to the community contractor in the construction of footpath and improvement of drainage at Korphu Chiwog. The excess payment had occurred due to payment at rates for RCC drainage covers instead of rates for the construction of footpath measuring 79.50 meters. (AIN: 13425; Para 1; Accountabilities: Direct: Dorji Phuntsho, JE, EID No.20140103501; Supervisory Tshetrim Dorji, Gup, CID No.11702000957).

**Status:** Observation not settled. The unsettled balance of Nu.97,598.01 reported last had not been realized as on 5 Aug.2021.

*The issue was deliberated during the PAC consultative meeting held on 5 Aug.2021 in the DYT hall of Trongsa Dzongkhag where the Gewog Adm. reported that the remaining amount of Nu.97,598.01 couldn't be recovered from the contractor. The case was forwarded to the Dzongkhag legal officer but has been pending as there is no legal officer in the Dzongkhag as of now. The PAC directed the Gewog Adm. to initiate legal action and update RAA by 31 Aug. 2021.*

## 4.3.10. Gewog Administration under Lhuentse

### I. Gangzur Gewog

The Gewog Administration, Gangzur had unsettled significant irregularity of Nu.0.035 million reported to the Parliament in October 2020. It remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Fraud, Corruption & Embezzlement	0.035	-	0.035	-
	<b>Total</b>	<b>0.035</b>	<b>-</b>		

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

## 1. Fraud, Corruption & Embezzlement – Nu. 0.035 million

### 1.1 Misuse of revenue - Nu. 0.035 million

The Gaydrung of the Gewog Administration, Gangzur had misused revenue of Nu.0.035 million on rural taxes collected from the public. The lapses had occurred due to lack of internal control system. The Gewog Administration had reported the case to RBP, Lhuentse which was further forwarded to the Anti-Corruption Commission. (AIN: 14160; Para 1; Accountabilities: Direct: Karma Tshewang, Former Gaydrung, CID No. 10603000138; Supervisory: Karma, Former Gup, CID No. 1010100353).

**Status:** Observation not settled. As per the PAC consultative meeting held at Samdrupjongkhar from 27 to 28/09/19, RAA agreed to discuss the issue in the bilateral meeting with ACC and convey the decision to Gewog Administration and PAC.

*This issue was redeliberated during the PAC consultative meeting held on 3 Aug. 2021 in the DYT hall of Trashigang Dzongkhag where the Gewog Adm. reported that Karma Tshewang, former Gaydrung misused the fund from the Gewog's CD A/c by forging the signature of Gup. As soon as the Gewog Adm. knew about the issue, they filed a case against the defaulter and the court directed the defaulter to pay an amount of Nu. 35,000/- and directed to initiate a corruption charge as it was a case of embezzlement. Then the issue was forwarded to ACC.*

*The RAA reported that, upon consultation with ACC it was decided that since the amount involved was very small it was felt that no separate investigation was required to be carried out by ACC and the decision was made to settled the case as per the investigation conducted by RAA. The PAC advised the Gewog Adm. to submit verdict passed by the court to the RAA besides recovering the amount on or before 31 Aug.2021 besides imposing administrative action against him for the act of fraud.*

## 4.3.12. Gewog Administration under Punakha

### I. Guma Gewog

The Gewog Administration, Guma had one unsettled irregularity under violations of laws and rules reported to the Parliament in October 2020. It was resolved as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Violations of laws and rules	-	-	-	100
	<b>Total</b>	-	-	-	

The detailed status of unsettled irregularity reported to the Parliament in October 2020 which was settled as on 30 Sept. 2021 is as discussed below:



## 1. Violations of laws and rules

### 1.1 Non-execution of Rural Water Supply Scheme

The Gewog Administration, Guma had not provided Barbed wire fencing for ferro-cement-reservoir tank in the Guma-Wolakha RWSS scheme although the materials were found issued to beneficiaries. (AIN: 13669; Para 1; Accountabilities: Direct: L.B. Chhetri, AE, EID No. 200607212; Supervisory Namgay Tshering, Gup, CID No.1100400040)

*Status: Observation settled vide the letter No. RAA/OAAG(T)/FUS-03/2020-2021/0386 dated 22/12/2020.*

## 4.4 AUTONOMOUS AGENCIES

### 4.4.1. Royal University of Bhutan

Out of the total unsettled significant irregularities of Nu.43.254 million reported to the Parliament in October 2020, the Royal University of Bhutan had settled Nu.23.458 million leaving a balance of Nu.19.796 as on 30 Sept. 2021 as summarized in the table below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Mismanagement	3.357	-	3.357	-
2	Violations of laws and rules	24.239	21.101	3.138	87.05
3	Shortfalls, lapses and deficiencies	15.658	2.357	13.301	15.05
	<b>Total</b>	<b>43.254</b>	<b>23.458</b>	<b>19.796</b>	<b>54.23</b>

The detailed status of unsettled irregularities reported to the Parliament in October 2020, irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

## 2. Mismanagement – Nu. 3.357 million

### 2.1 Non-adjustment of excessive grant of advances and resultant non-settlement of final RA bills due to insufficient amount - Nu. 2.736 million

The Royal University of Bhutan had not adjusted the advances of Nu. 2.736 million from the contractor in the GoI funded Project “Construction of Academic, Library, MPH, 100 Bedded Hostel, Provost Quarter and Site Development Works”. The Project Management had released payments aggregating to Nu. 25.693 million up to the 9<sup>th</sup> RA bill but had not adjusted advances amounting to Nu. 2.736 million from the pre-final bills. The management had failed to comply with the contract agreements and had not deducted proportionate amounts from payments by following the schedule of completed percentages of the works and had also, not adjusted all advances when 80% of contract is executed as required. (AIN: 14188; Para: 1; Accountabilities: Direct: Rinchen Pasang, Engineer, CID No.11211000310; Supervisory: Tendrel Wangdi, Dean, EID No. 9511043).

*Status: Observation not settled. As per the letter No.FTM/Adm/10/2018-19/338 dt.28.9.2018 the case has been filed against M/s Jachung Builders at Bhutan Alternate Dispute Resolution Centre (ADRC).*

## **2.2 Non-collection of Tuition Fees - Nu. 0.621 million**

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The College of Natural Resources, Lobeysa had not collected Nu. 0.632 million on account of Tuition Fees for FY 2014-2016 from trainees. *(AIN: 14119; Para: 1.1; Accountabilities: Direct: Ugyen Dorji, Dean of Student Affairs, EID No. 91110088; Supervisory: Dr. Phub Dorji, Director General, EID No.9312018).*

*Status: Observation not settled as balance Nu.0.621 million had not been recovered as of 7 Sept. 2021.*

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu and RUB reported that parents of some students had expired and the financial status of the students was so poor to pay the fees. Pasang Tamang completed the studies but couldn't pay his tuition fees. He agreed to pay the fees but requested for time as he has no job or money at present. However, at present the amount has been managed from private source to be deposited into Audit Recovery Account.*

*It was decided that, RUB should deposit the amount into CNR's account and submit the deposit receipt to RAA by 30 Sept. 2021.*

## **3. Violations of laws and rules – Nu. 3.138 million**

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### **3.1 Non-collection of the additional differential amount**

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The Royal University of Bhutan had not collected the additional differential amount of Nu.10.633 million in the GoI funded project “Construction of Academic, Library, MPH, 100 Bedded Hostel, Provost Quarter and Site Development Works” from the contractor as recommended by the Evaluation Committee. The Evaluation Committee recommended the Award Committee to obtain additional differential security for difference between estimated amount and quoted price, if they decided to award the contract to the lowest responsive bidder M/s Jachung Builders. The lowest bidder had submitted a bid price of Nu.28.203 million, which was 27.38% below the estimated cost of Nu.38.836 million.

The Award Committee while issuing Letter of Acceptance to the contractor had clearly indicated that the performance security of Nu.2.820 million and additional differential security of Nu.10.633 million were to be furnished by the contractor. The contractor later appealed for exemption of differential security, following which a meeting was held on 16<sup>th</sup> June 2010 between the Vice Chancellor, Director, Planning and Resources, Director, NITM and Dy. Executive Engineer of the RUB. The four-member committee considered and decided to waive off the additional differential security and retain the submission of additional 10% performance bond in addition to the 10% performance security.

However, the decision of the committee was in deviation to the *clause 5.4.5 ‘Abnormally Low Bid’ of the Procurement Rules and Regulation 2009*. Also, the contractor in defiance to the decisions of the committee had submitted only 15% performance guarantee amounting to Nu.4.230 million against the actual requirements of 20%. The management had neither forfeited the security money nor rejected the bid. *(AIN: 14188; Para: 13; Accountabilities: Direct:*

Rinchen Pasang, Engineer, CID. No.11211000310; Supervisory: Tendrel Wangdi, Dean, EID No. 9511043).

**Status:** Observation settled. As per the letter No.FTM/Adm/10/2018-19/338 dt.28.9.2018 the case was filed against M/s Jachung Builders at Bhutan Alternate Dispute Resolution Centre (ADRC).

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that the cases were pending before Phuntsholing Dungkhang Court for enforcement and the deadline for the enforcement of the judgement was 30 Sept. 2021. Further, it was stated that the legal officers were following up with the Court for enforcement of the judgements and the recovery shall be made as per the judgement passed by the court.*

*It was decided that RUB should follow up for enforcement of judgement under intimation to RAA.*

*Subsequent to the PAC consultative meeting this issue was deliberated in the RAA's 13<sup>th</sup> Advisory Committee Meeting held on 5 Oct. 2021 and the committee decided to resolve the issue as the construction of all facilities were completed.*

### **3.2 Unwarranted grant of time extensions in construction**

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- a) The Royal University of Bhutan had not levied 10% liquidated damages amounting to Nu.2.820 million to the contractor for 265 days of inadmissible time extension granted in the "Construction of Hostel, Provost Quarter, Dining hall and Site development works". The management had granted five time extensions aggregating to 575 days, from which 310 days claimed as hindrances were within the provisions of the contract documents. (AIN: 14188; Para: 11; Accountabilities: Direct: Dorji Wangchuk, Ex-Dean, EID No.7601026; Supervisory: Tendrel Wangdi, Dean, EID No. 9511043).

**Status:** Observation settled. As per the letter No.FTM/Adm/10/2018-19/338 dt.28.9.2018 the case was filed against M/s S.D.K Consultancy at Bhutan Alternate Dispute Resolution Centre (ADRC).

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that the cases were pending before Phuntsholing Dungkhang Court for enforcement and the deadline for the enforcement of the judgement was 30 Sept. 2021. Further, it was stated that the legal officers were following up with the Court for enforcement of the judgements and the recovery shall be made as per the judgement passed by the court.*

*It was decided that RUB should follow up for enforcement of judgement under intimation to RAA.*

*Subsequent to the PAC consultative meeting a meeting was held between the Faculty of Traditional Medicine and the RAA on 4 Oct. 2021 and the issue was decided to be settled as there was no scope of recovering the amount from the contractor.*

- b) The Royal University of Bhutan had not levied 10% liquidated damages amounting to Nu.7.648 million to the contractor for 645 days of inadmissible time extension granted in the "Construction of administration, academic block and multipurpose hall". The management had granted six time extensions to the contractor totaling more than 21

months. From the total, 137 days for the contractor and 21 days for the Design Consultant were found inadmissible and liable for liquidated damages, as the hindrances claimed were not to be considered as hinderances. (AIN: 14188; Para: 26; Accountabilities Direct: Rinchen Pasang, Engineer, CID No.11211000310; Dechen Wangdi, Manager, CDB Reg. No. 107; Supervisory: Tendrel Wangdi, Dean, EID No. 9511043).

**Status:** *Observation settled. As per the letter No.FTM/Adm/10/2018-19/338 dt.28.9.2018 the case was filed against M/s S.D.K Consultancy at Bhutan Alternate Dispute Resolution Centre (ADRC).*

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that the cases were pending before Phuntsholing Dungkha Court for enforcement and the deadline for the enforcement of the judgement was 30 Sept. 2021. Further, it was stated that the legal officers were following up with the Court for enforcement of the judgements and the recovery shall be made as per the judgement passed by the court.*

*It was decided that RUB should follow up for enforcement of judgement under intimation to RAA.*

*Subsequent to the PAC consultative meeting a meeting was held between the Faculty of Traditional Medicine and the RAA on 4 Oct. 2021 and the issue was decided to be settled as there was no scope of recovering the amount from the contractor.*

### **3.3 Unauthorized acceptance of undervalued Performance Security and non-renewal of validity period on expiry - Nu.2.820 million**

The Royal University of Bhutan had accepted an undervalued performance security of Nu.4.230 million against the required Nu.5.641 million as per the approval of the four-member tender committee in the GoI funded Project "Construction of Academic, Library, MPH, 100 Bedded Hostel, Provost Quarter and Site Development Works". In addition, the contractor had failed to renew the performance guarantee in line with the revised completion dates agreed based on approved time extensions even after several reminders, and had failed to submit the revalidated performance guarantee. The management had failed to invoke provisions of the contract agreement for breach of the contract. (AIN: 14188; Para: 15; Accountabilities Direct: Dechen Tshomo, Accounts Asst., EID No. 9921215U; Supervisory: Tendrel Wangdi, Dean, EID No. 9511043).

**Status:** *Observation not settled. As per the letter No.FTM/Adm/10/2018-19/338 dt.28.9.2018 the case was filed against M/s S.D.K Consultancy at Bhutan Alternate Dispute Resolution Centre (ADRC).*

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that the cases were pending before Phuntsholing Dungkha Court for enforcement and the deadline for the enforcement of the judgement was 30 Sept. 2021. Further, it was stated that the legal officers were following up with the Court for enforcement of the judgements and the recovery shall be made as per the judgement passed by the court.*

*It was decided that RUB should follow up for enforcement of judgement under intimation to RAA.*

### 3.6 Payment for items provided other than specifications - Nu.0.318 million

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The Royal University of Bhutan had made inadmissible payments of Nu.0.318 million to contractor for not providing items as specified in the GoI funded Project “Construction of Academic, Library, MPH, 100 Bedded Hostel, Provost Quarter and Site Development Works”. Instead of providing and fixing ‘anodized aluminum section for door framing’ the item was substituted with the ‘flush door shutter in timber framing’. There was no prior approval of competent authority/client for changing the specification and there were no changes in the rates for items of work claimed. (AIN: 14188; Para: 8; Accountabilities Direct: Rinchen Pasang, Engineer, CID No. 11211000310; Supervisory: Tendrel Wangdi, Dean, EID No. 9511043)

**Status:** Observation not settled. As per the letter No.FTM/Adm/10/2018-19/338 dt.28.9.2018 the case was filed against M/s Jachung Builders at Bhutan Alternate Dispute Resolution Centre (ARDC).

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that the cases were pending before Phuntsholing Dungkhag Court for enforcement and the deadline for the enforcement of the judgement was 30 Sept. 2021. Further, it was stated that the legal officers were following up with the Court for enforcement of the judgements and the recovery shall be made as per the judgement passed by the court.*

*It was decided that RUB should follow up for enforcement of judgement under intimation to RAA.*

### 3.8 Change of consultant's key personnel with lower qualification

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The Royal University of Bhutan had not regulated the claims and payments made in terms of remuneration entitled for a less qualified and inexperienced personnel hired for executing the drawing, design and supervision works in the GoI funded Project “Construction of Academic, Library, MPH, 100 Bedded Hostel, Provost Quarter and Site Development Works”. The lump sum contract for drawing, design and supervision was awarded to M/s SDK Consultancy, Phuentsholing for Nu.1.675 million, of which Nu.0.841 million was for drawing & design, and Nu.0.834 million for supervision.

The site engineer committed by the consultancy firm in the tender documents/technical proposal had resigned and the actual site engineer assigned to supervise the construction works at site had less experience. The consultancy firm neither had the personnel's CV listed in the technical proposal, nor did they seek approval for change of key personnel from client, which breached the terms and conditions of the contract. The engagement of inexperienced site engineer had resulted in improper maintenance of Measurement Books (MB) with resultant over payments due to totaling errors and discrepancies in measurements and non-execution of works because of poor supervision. (AIN: 14188; Para: 27; Accountabilities Direct: Rinchen Pasang, Engineer, CID No.11211000310; Dechen Wangdi, Manager, CDB Reg. No. 107; Supervisory: Tendrel Wangdi, Dean, EID No. 9511043).

**Status:** Observation not settled. As per the letter No.FTM/Adm/10/2018-19/338 dt.28.9.2018 the case was filed against M/s Jachung Builders at Bhutan Alternate Dispute Resolution Centre (ADRC).

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that the cases were pending before Phuntsholing Dungkhang Court for enforcement and the deadline for the enforcement of the judgement was 30 Sept. 2021. Further, it was stated that the legal officers were following up with the Court for enforcement of the judgements and the recovery shall be made as per the judgement passed by the court.*

*It was decided that RUB should follow up for enforcement of judgement under intimation to RAA.*

### **3.9 Acceptance of defective works**

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The Royal University of Bhutan had accepted the following defective works in the GoI funded Project “Construction of Academic, Library, MPH, 100 Bedded Hostel, Provost Quarter and Site Development Works”:

- The two plastic storage tanks supplied and installed by contractor were found broken;
- The waste pipe was leaking, due to non-maintenance of proper gradient;
- Some wash basins did not have water supply due to defective plumbing works;
- The urinals in boys' toilet did not have proper water supply connections; and
- The plinth protection and drainage were sinking due to improper compaction of the filled earth and weak sub-base.

*(AIN: 14188; Para: 10; Accountabilities Direct: Dorji Wangchuk, Ex-Dean, EID No.7601026; Supervisory: Tendrel Wangdi, Dean, EID No. 9511043).*

**Status:** *Observation not settled. As per the letter No.FTM/Adm/10/2018-19/338 dt.28.9.2018 the case was filed against M/s S.D.K Consultancy at Bhutan Alternate Dispute Resolution Centre (ADRC).*

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that the cases were pending before Phuntsholing Dungkhang Court for enforcement and the deadline for the enforcement of the judgement was 30 Sept. 2021. Further, it was stated that the legal officers were following up with the Court for enforcement of the judgements and the recovery shall be made as per the judgement passed by the court.*

*It was decided that RUB should follow up for enforcement of judgement under intimation to RAA.*

### **3.10 Inaction and non-termination of the contract**

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The Royal University of Bhutan had not taken actions against the contractor for abandoning the construction works and leaving without handing over the site to the management of the GoI funded project “Construction of Academic, Library, MPH, 100 Bedded Hostel, Provost Quarter and Site Development Works”. The contractor, M/s Jachung Builders after availing 575 days of time extension, had stopped the works from 8<sup>th</sup> November 2014. The management had not terminated the contract as per the contract agreement or taken any other actions against the contractor for leaving the site without completing the work. *(AIN: 14188; Para: 14; Accountabilities Direct: Dorji Wangchuk, Ex-Dean, EID No.7601026; Supervisory: Tendrel Wangdi, Dean, EID No. 9511043).*

**Status:** *Observation not settled. As per the letter No.FTM/Adm/10/2018-19/338 dt.28.9.2018 the case was filed against M/s Jachung Builders at Bhutan Alternate Dispute Resolution Centre (ADRC).*

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that the cases were pending before Phuntsholing Dungkhag Court for enforcement and the deadline for the enforcement of the judgement was 30 Sept. 2021. Further, it was stated that the legal officers were following up with the Court for enforcement of the judgements and the recovery shall be made as per the judgement passed by the court.*

*It was decided that RUB should follow up for enforcement of judgement under intimation to RAA.*

#### **4. Shortfalls, lapses and deficiencies – Nu. 13.301 million**

##### **4.1 Irregular release of retention money**

The Royal University of Bhutan had not renewed the bank guarantee as per contract agreements and had also not taken timely actions for irregular release of retention money in the GoI funded Project “Construction of Academic, Library, MPH, 100 Bedded Hostel, Provost Quarter and Site Development Works”. While the contract agreement stipulated that 50% of Retention Money be released after the completion of works and remaining 50% after the expiry of defect liability period, the management was found to have released Nu. 2.357 million of the total amount of Nu.2.569 million aggregating to 91.75%. The retention money was released upon the production of a bank guarantee that had expired on 22<sup>nd</sup> May 2014 and was not renewed. *(AIN: 14188; Para: 12; Accountabilities: Direct: Dechen Tshomo, Accounts Asst., EID No. 9921215U; Supervisory: Tendrel Wangdi, Dean, EID No. 9511043).*

**Status:** *Observation settled. As per the letter No.FTM/Adm/10/2018-19/338 dt.28.9.2018 the case was filed against M/s Jachung Builders at Bhutan Alternate Dispute Resolution Centre (ADRC).*

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that the cases were pending before Phuntsholing Dungkhag Court for enforcement and the deadline for the enforcement of the judgement was 30 Sept. 2021. Further, it was stated that the legal officers were following up with the Court for enforcement of the judgements and the recovery shall be made as per the judgement passed by the court.*

*It was decided that RUB should follow up for enforcement of judgement under intimation to RAA.*

*Subsequent to the PAC consultative meeting a meeting was held between the Faculty of Traditional Medicine and the RAA on 4 Oct. 2021 and the issue was decided to be settled as there was no scope of recovering the amount from the contractor.*

##### **4.2 Non-deduction of 5% rebate offered by the contractor - Nu. 1.285 million**

The Royal University of Bhutan had not deducted the 5% rebate offered by contractor amounting to Nu. 1.285 million, which had resulted in over payment of Nu.1.285 million to contractor in the GoI funded Project “Construction of Academic, Library, MPH, 100 Bedded Hostel,

Provost Quarter and Site Development Works". (AIN: 14188; Para: 2; Accountabilities Direct: Rinchen Pasang, Engineer, CID. No.11211000310; Supervisory: Tendrel Wangdi, Dean, EID No. 9511043).

**Status:** Observation not settled. As per the letter No.FTM/Adm/10/2018-19/338 dt.28.9.2018 the case was filed against M/s Jachung Builders at Bhutan Alternate Dispute Resolution Centre (ADRC).

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that the cases were pending before Phuntsholing Dungkag Court for enforcement and the deadline for the enforcement of the judgement was 30 Sept. 2021. Further, it was stated that the legal officers were following up with the Court for enforcement of the judgements and the recovery shall be made as per the judgement passed by the court.*

*It was decided that RUB should follow up for enforcement of judgement under intimation to RAA.*

#### **4.5 Under payment in construction -Nu. 0.177 million**

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The Royal University of Bhutan had made under payments of Nu.0.177 million to contractors due to error in rate application for steel sections in tubular trusses in the GoI funded Project "Construction of Academic, Library, MPH, 100 Bedded Hostel, Provost Quarter and Site Development Works". The rate of Nu.25 per kg was applied instead of Nu.50 per kg for the 5237.56 kgs of steel used. (AIN: 14188; Para: 9; Accountabilities Direct: Rinchen Pasang, Engineer, CID. No.11211000310; Supervisory: Tendrel Wangdi, Dean, EID No. 9511043).

**Status:** Observation not settled. As per the letter No.FTM/Adm/10/2018-19/338 dt.28.9.2018 the case was filed against M/s Jachung Builders at Bhutan Alternate Dispute Resolution Centre (ADRC).

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that the cases were pending before Phuntsholing Dungkag Court for enforcement and the deadline for the enforcement of the judgement was 30 Sept. 2021. Further, it was stated that the legal officers were following up with the Court for enforcement of the judgements and the recovery shall be made as per the judgement passed by the court.*

*It was decided that RUB should follow up for enforcement of judgement under intimation to RAA.*

#### **4.8 Inadmissible/double/overpayment - Nu. 0.774 million**

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- a) The Royal University of Bhutan had made over payment of Nu.0.412 million to contractor on account of construction of retaining walls and MS square bars used in railings in the GoI funded Project "Construction of Academic, Library, MPH, 100 Bedded Hostel, Provost Quarter and Site Development Works". The measurements of works claimed by contractor and the actual measurements on site varied resulting in the overpayment. (AIN: 14188; Para: 3; Accountabilities Direct: Rinchen Pasang, Engineer, CID. No.11211000310; Supervisory: Tendrel Wangdi, Dean, EID No. 9511043).



**Status:** Observation not settled. As per the letter No.FTM/Adm/10/2018-19/338 dt.28.9.2018 the case was filed against M/s Jachung Builders at Bhutan Alternate Dispute Resolution Centre (ADRC).

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that the cases were pending before Phuntsholing Dungkha Court for enforcement and the deadline for the enforcement of the judgement was 30 Sept. 2021. Further, it was stated that the legal officers were following up with the Court for enforcement of the judgements and the recovery shall be made as per the judgement passed by the court.*

*It was decided that RUB should follow up for enforcement of judgement under intimation to RAA.*

- b) The Royal University of Bhutan had made double payment of Nu.0.248 million to contractor on account of brick work in superstructure in the GoI funded Project “Construction of Academic, Library, MPH, 100 Bedded Hostel, Provost Quarter and Site Development Works”. The measurements and payments for ‘250mm brick work’ for ground floor in Block A & B were claimed twice, once in the 4<sup>th</sup> RA bill and then again in the 7<sup>th</sup> RA bill. (AIN: 14188; Para: 5; Accountabilities Direct: Rinchen Pasang, Engineer, CID No.11211000310; Supervisory: Tendrel Wangdi, Dean, EID No. 9511043).

**Status:** Observation not settled. As per the letter No.FTM/Adm/10/2018-19/338 dt.28.9.2018 the case was filed against M/s Jachung Builders at Bhutan Alternate Dispute Resolution Centre (ADRC).

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that the cases were pending before Phuntsholing Dungkha Court for enforcement and the deadline for the enforcement of the judgement was 30 Sept. 2021. Further, it was stated that the legal officers were following up with the Court for enforcement of the judgements and the recovery shall be made as per the judgement passed by the court.*

*It was decided that RUB should follow up for enforcement of judgement under intimation to RAA.*

- c) The Royal University of Bhutan had made over payment of Nu.0.114 million to contractor for plumbing works in the GoI funded Project “Construction of Academic, Library, MPH, 100 Bedded Hostel, Provost Quarter and Site Development Works”. The contractor had inflated quantities and claimed more items of works in the bill than what was actually provided on site. (AIN: 14188; Para: 6; Accountabilities Direct: Rinchen Pasang, Engineer, CID. No.11211000310; Supervisory: Tendrel Wangdi, Dean, EID No. 9511043).

**Status:** Observation not settled. As per the letter No.FTM/Adm/10/2018-19/338 dt.28.9.2018 the case was filed against M/s Jachung Builders at Bhutan Alternate Dispute Resolution Centre (ADRC).

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that the cases were pending before Phuntsholing Dungkha Court for enforcement and the deadline for the enforcement of the judgement was 30 Sept. 2021. Further, it was stated that the legal officers were following up with the Court for enforcement of the judgements and the recovery shall be made as per the judgement passed by the court.*

*It was decided that RUB should follow up for enforcement of judgement under intimation to RAA.*

#### **4.9 Outstanding advances - Nu.11.065 million**

The Gaeddu College of Business Studies, Gedu had overdue outstanding balances amounting to Nu.11.250 million on account of Personal Advances (Nu. 10.751 million) and PW Advances (Nu.0.499 million). *(AIN: 13757; Para: 2.2; Accountabilities Direct: As per list in report. Supervisory: Lhato Jamba, Director General, EID No. 9003001)*

**Status:** *Observation not settled. An amount of Nu.0.185 million was recovered/adjusted leaving a balance of Nu.11.065 million along with 24% penalty. The balance remained unsettled as of 7 Sept. 2021.*

*This issue was deliberated during the PAC consultative meeting held on 7 Sept. 2021 in NA conference hall, Thimphu where RUB reported that they requested Gaeddu College of Business Studies for the documents related to this issue. Further, it was reported that the college has requested to meet with RAA and reconcile the accounts accordingly.*

*It was decided that, RUB in consultation with RAA shall reconcile the accounts by 31 Oct. 2021.*

#### **4.4.4. Royal Civil Service Commission**

Out of the total unsettled significant irregularity of Nu.0.565 million reported to the Parliament in October 2020, the Royal Civil Service Commission had not settled the irregularity as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
2	Shortfalls, lapses and deficiencies	0.565	-	0.565	-
	<b>Total</b>	<b>0.565</b>		<b>0.565</b>	

The detailed status of unsettled irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### **2. Shortfalls, lapses and deficiencies - Nu. 0.565 million**

##### **2.2 Inadmissible payment of tuition fees & stipend - Nu. 0.565 million**

The Royal Civil Service Commission had not recovered inadmissible payment of Nu. 0.798 million from an official upon discontinuation of Master's course from the first semester due to ill health. However, the tuition fees & stipends had been paid till 4<sup>th</sup> Semester from the GOI Project 'Nehru Wangchuck Scholarship'. Nu. 0.233 million was recovered leaving a balance of Nu. 0.565 million.

The RCSC reported of the Office of the Vice Chancellor having forwarded the case to the Office of the Attorney General. (AIN: 13650; Para: 3.1; Accountabilities: Direct: Rashme Gurung, EID No.201101147; Supervisory: Gajel Lhendup, Registrar, RUB, EID No.8201014).

**Status:** Observation not settled. As per the RCSC's letter No. RCSC/AFS-14/2019-20/1007 dt.03/9/2019, the Dzongkhag Court Thimphu had issued judgement dated 30/01/2019 where the defendant had been asked to refund the amount within 02/09/2019. However, the amount had not been deposited as of 9 Sept. 2021.

This issue was deliberated during the PAC consultative meeting held on 9 Sept. 2021 in NA conference hall where RCSC reported that, RUB filed a suit before the Royal Court of Justice for the recovery of the amount. The court directed the accountable person to pay the amount. Subsequently, a request was made to the Court requesting for time extension and accordingly the Court directed the accountable person to pay the amount by the end of September 2021.

It was decided that the amount should be recovered as per the time extension granted by the Court and RCSC shall update the same to RAA.

#### 4.4.5. Tourism Council of Bhutan

Out of the total unsettled significant irregularities of Nu.2.205 million reported to the Parliament in October 2020, the Tourism Council of Bhutan had not settled any irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Violations of laws and rules	0.400	-	0.400	-
2	Shortfalls, lapses and deficiencies	1.805	-	1.805	-
	<b>Total</b>	<b>2.205</b>	<b>-</b>	<b>2.205</b>	

The detailed status of unsettled irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

#### 1. Violations of laws and rules – Nu. .400 million

##### 1.2 Irregular release of advance - Nu.0.400 million

The Tourism Council of Bhutan had made irregular payment of advances amounting to Nu.0.400 million to M/s Bhutan Pleasant Holidays from the 'Foreign Exchange (Forex) and Allocation for Sustainable Tourism Development' account without any balance in the tour operator's account. This was in violation to the Clause 'H' of the Tour Payments Rules and Procedures which states that, "On application from the tour operator, up to 50% of the amount deposited shall be released as advance. The balance amount will be released to the tour operators upon submission of invoice by them". (AIN: 13945; Para: 1; Accountabilities Direct: Tashi Pelki, Accounts Asstt. V, EID No.: 9704048; Kumbu Dem, Accounts Asstt. III, EID No.: 200507249; Supervisory: Dendra Ghalley, Accounts Officer, EID No.: 200201019).

*Status: Observation not settled. As per the letter No.LS-21/269 dated 29/01/2020, the judgement passed by the Larger Bench of the High Court on 12 Dec 2019 upholding the judgement of the Bench II of the High Court passed on 30 Oct 2018 directing the appelleant to pay the principal amount alongwith the interest of Nu.122,133.30. However, the defendend had further appealed to the Supreme Court as per the letter.*

*This issue was deliberated during the PAC consultative meeting held on 9 Sept. 2021 in NA confrence hall, Thimphu where the Legal officer of TCB reported that an appeal was filed before the Supreme Court by the accountable person but was rejected due to appellat's failure to deposit the security deposit and was directed to enforce the judgement passed by High Court. Accordingly, TCB filed for the enforcement of the judgement passed by High Court. Unfortunately, the accountable person went missing and the judgement couldn't be enforced. Further, TCB approached the Royal Court of Justice seeking for an arrest warrant against the accountable person and the same will soon be granted by the Court.*

*It was decided that TCB should exhaust all means in tracing the accountable person and resolve this issue accordingly.*

## **2. Shortfalls, lapses and deficiencies – Nu. 1.805 million**

### **2.1 Shortages in physical balances - Nu. 0.255 million**

The Austrian funded Hotel and Tourism Management Training Institute construction project had shortages of electronic equipment worth Nu.0.255 million as observed during the joint physical verification carried out on 20<sup>th</sup> and 21<sup>st</sup> July 2016. *(AIN: 14100; Para: 2; Accountabilities: Direct: Sonam Tshering, Sr. Instructor, EID No.:200309021; Supervisory: Dakar Dorji, Principal, EID No.:200201258).*

*Status: Observation not settled. PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu directed the TCB to seek the advice of Governing Body and accordingly share the minutes of Board meeting to RAA for further update.*

*This issue was redeliberated during PAC consultative meeting held on 9 Sept. 2021 in NA conference hall, Thimphu where the Director of TCB reported that the management has decided to write off this issue. However, TCB stated that they will follow up with the former project manager for resolving it.*

*It was decided that TCB should take an appropriate action under intimation to RAA and update PAC by 31 October 2021.*

### **2.2 Wasteful Expenditure - Nu. 1.550 million**

The Austrian funded Hotel and Tourism Management Training Institute construction project had incurred wasteful expenditure of Nu.1.550 million on procurement and installation of IT equipment and software for the Royal Institute for Tourism and Hospitality in Motithang. The software had not been utilized even once. *(AIN: 14100; Para: 3; Accountabilities: Direct: Sonam Tshering, Sr. Instructor, EID No.:200309021; Supervisory: Dakar Dorji, Principal, EID No.:200201258).*

**Status:** Observation not settled. PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu directed the TCB to seek the advice of Governing Body and accordingly share the minutes of Board meeting to RAA for further update.

This issue was redeliberated during PAC consultative meeting held on 9 Sept. 2021 in NA conference hall, Thimphu where the Director of TCB reported that the management has decided to write off this issue. However, TCB stated that they will follow up with the former project manager for resolving it.

It was decided that TCB should take an appropriate action under intimation to RAA and update PAC by 31 October 2021.

#### 4.4.8. Bhutan Council for School Examinations and Assessment

The Bhutan Council for School Examinations and Assessment had unsettled irregularity of Nu.0.629 million reported to the Parliament in October 2020. It remained unsettled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	0.629	-	0.629	-
	<b>Total</b>	<b>0.629</b>	<b>-</b>	<b>0.629</b>	<b>-</b>

The detailed status of unsettled irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Shortfalls, lapses and deficiencies – Nu. 0.629 million

##### 1.1 Irregularities in printing of documents for private schools - Nu. 0.629 million

The Bhutan Council for School Examinations and Assessment had borne the costs of printing of confidential documents and transportation charges of Nu. 0.629 million for the 38 private schools from the RGoB fund without Government directives or approval. The RAA had advised the BCSEA to take up the issue with the Ministry of Education for appropriate decisions on the applicability of the support to the private schools keeping in view that all private schools are commercial in their nature of running the schools. However, decisions of the Ministry if any has not been forthcoming. (AIN: 14132; Para 1; Accountabilities Direct & Supervisory: Tenzin Dorji, Secretary, EID No.9208100).

**Status:** Observation not settled. This issue was deliberated during the PAC consultative meetine held on 8 Sept. 2021 in NA conference hall, Thimphu where BCSEA reported that the expenses were incurred for printing exam question papers. The expenses incurred for printing of exam question papers were not charged keeping in mind the policy of free education. BCSEA is not authorized to charge schools for printing exam question papers and the practice of printing the same for free was for a long time. Further, as communicated by Ministry of Education to BCSEA, it was informed that Ministry of Education will personally write to PAC on this issue.

*The RAA has the opinion that this issue should be resolved through a policy decision. The PAC directed that BCSEA should follow up with MoE in availing the directives/policy decision on this issue by 30 Sept. 2021 and informed the decision of RAA.*

## 4.5 CORPORATIONS

### 4.5.2. Dungsam Cement Corporation Limited

Out of the total unsettled significant irregularities of Nu.3.434 million reported to the Parliament in October 2020, the Dungsam Cement Corporation Limited had not settled any irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
4	Shortfalls, lapses and deficiencies	3.434	-	3.434	-
	<b>Total</b>	<b>3.434</b>	<b>-</b>	<b>3.434</b>	

The detailed status of unsettled irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

## 4. Shortfalls, Lapses and Deficiencies – Nu. 3.434 million

### 4.4 Missing documents for payments made – Nu. 3.367 million

- b) The Dungsam Cement Corporation Limited, Nganglam did not have supporting documents for payments involving Nu.2.923 million pertaining to M/s Sharma Hardware Stores, Phuentsholing for the procurement of cement. *(AIN: 13705; Para: 11.1; Accountabilities: Direct: Lt. Sangay Tshering, AFO, CID No. 11410003558; Jigme Tshewang, Head Finance, CID No. 11101003631; Supervisory: Tshering Tenzin, GM (C), CID No. 10103002448).*

*Status: Observation not settled. The case is related to main acquired Jigme Tshewang and is under appeal in the Supreme Court.*

- b) The Dungsam Cement Corporation Limited, Nganglam did not have supporting documents for payments involving Nu.0.444 million on account of transportation charges for cement paid to M/s Sharma Hardware Stores, Phuentsholing. *(AIN: 13705; Para: 11.2; Accountabilities: Direct: Lt. Sangay Tshering, AFO, CID No. 11410003558; Jigme Tshewang Head Finance, CID No. 11101003631; Supervisory: Tshering Tenzin, GM (C), CID No. 10103002448)*

*Status: Observation not settled. The case is related to main acquired Jigme Tshewang and is under appeal in the Supreme Court.*

### 4.5 Inadmissible payment of VAT - Nu. 0.067 million

The Dungsam Cement Corporation Limited, Nganglam had made inadmissible payments amounting to Nu. 0.067 million on account of VAT for procurement of cement from M/s Sharma Hardware Store, Phuentsholing. The case is subjudice. *(AIN: 13705; Para: 20; Accountabilities:*

*Direct: Lt. Sangay Tshering, CID No. 11410003558; Jigme Tshewang CID No. 11101003631; Supervisory: Tshering Tenzin, GM (C), CID No. 10103002448).*

*Status: Observation not settled. The case is related to main acquired Jigme Tshewang and is under appeal in the Supreme Court.*

#### 4.5.4. Natural Resources Development Corporation Limited

Natural Resources Development Corporation Limited had unsettled significant irregularity of Nu.0.756 million reported to the Parliament in October 2020. The same had been settled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
2	Shortfalls, lapses and deficiencies	0.756	0.756	-	100
	<b>Total</b>	<b>0.756</b>	<b>0.756</b>	<b>-</b>	

The detailed status of unsettled irregularity reported to the Parliament in October 2020 which which got resolved as on 30 Sept. 2021 is as discussed below:

#### Shortfalls, lapses and deficiencies

#### 2.2 Outstanding advances

The Natural Resources Development Corporation Limited, Monggar, had overdue outstanding PW advances amounting to Nu. 2.286 million against staff and contractors. *(AIN: 13988; Para: 3; Accountabilities: Direct: Gyem Dorji, FA, CID No. 10603001158; Supervisory: Tandin Wangchuk, Regional Manager, EID No. NRDCL/2212202, M.D. Tamang, Ex-Regional Manager, CID No. 11301000002).*

*Status: Observation settled as per Supreme Court's verdict Thrimchoe No.104/107 dated 10/08/2020 as a sum of Nu.755, 740.10 was settled as per letter No.NRDCL/ZONG/AFU-18/2020/1491 dated 05/11/2020.*

#### 4.6 FINANCIAL INSTITUTIONS

#### 4.6.1. Bhutan Development Bank Limited

Out of the total unsettled significant irregularities of Nu.0.909 million reported to the Parliament in October 2020, the Bhutan Development Bank Limited had settled Nu.0.050 million leaving a balance of Nu.0.859 million as on 30 Sept. 2021. One irregularity under shortfalls, lapses and deficiencies without monetary quantification had also been settled as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2020	% Settled
1	Mismanagement	0.909	0.050	0.859	5.501
2	Shortfalls and Lapses and deficiencies	-	-	-	-
	<b>Total</b>	<b>0.909</b>	<b>0.050</b>	<b>0.859</b>	

The detailed status of irregularities reported to the Parliament in October 2020, irregularities settled thereafter and balance as on 30 Sept. 2021 are as discussed below:

## **1. Mismanagement – Nu.0.859 million**

### **1.1 Sanction of loans to fictitious Clients - Nu. 0.164 million**

The Bhutan Development Bank Limited, Zhemgang had 12 cases of loans sanctioned to fictitious clients. There was an outstanding amount of Nu. 0.237 million against a sanctioned amount of Nu. 0.164 million. *(AIN: 13713; Para: 1; Accountabilities: Direct: Namgay Tenzin, Manager, CID No. 11008002353; Supervisory: Namgay Tenzin, Manager, CID No. 11008002353).*

***Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 1 Sept. 2021 in NC conference hall, Thimphu where the BDBL CEO reported that, 12 loan were disbursed in 1990s without any proper address, details of the clients and loan documents/file. Gups and Tshogpas recommended the cases to be written off which were further recommended by the Board Audit Committee sometime in 2015 and accordingly put up to the Board. The board then instructed the management to forward the case to Zhemgang Court. However, the Court refused to accept the cases as the whereabouts of the clients were not known. Since all the possibilities of recovering the loans were exhausted and the economic returns did not justify pursuing the case further, the board approved to write off all the 12 loan accounts in the 147<sup>th</sup> Board Meeting held on March 30, 2018.*

*The RAA stated that, if board has deligation of power to write off and has been done accordingly then this issue can be resolved. However, the documents for the same were not submitted to RAA as of 1 Sept. 2021 thus the case remained pending.*

*The PAC directed BDBL to submit all the pertinent documents to RAA as soon as possible for review and appropriate decision.*

### **1.2 Disbursement of loans to inactive member of NPPF clients**

- a) The Bhutan Development Bank Limited, Zhemgang had disbursed Government Employee loans amounting to Nu.0.100 million to two inactive members of the NPPF in violation to the prescribed loan disbursing norms and procedures. *(AIN: 13713; Para: 3; Accountabilities: Direct: Namgay Tenzin, Manager, CID No. 11008002353; Supervisory: Namgay Tenzin, Manager, CID No. 11008002353).*



**Status:** Observation settled.

The issue was deliberated during the PAC consultative meeting held on 1 Sept. 2021 in NC conference hall, Thimphu where BDBL CEO reported that loans were sanctioned to two employees by Zhemgang Branch Office in the year 2010 who were inactive member of NPPF scheme. One employee cleared the loan. However, for other loan account, the loan was sanctioned to Dorji Nedup (Loan A/c. 00176310006) which could not be recovered since the client's whereabouts was not known. The branch office after tracing out that the client was from Thrimshing Gewog, Trashigang, wrote a written request to the Thrimshing Gewog office vide letter No. BDB/ZG/12/2020/161 dated October 12, 2020 seeking their assistance to trace out the client. In the meantime, the branch received a call from the wife of Dorji Nedup Mrs. Tshering Lektsho stating that Dorji Nedup has passed away on 12 Dec. 2020 due to electric injury. It was reported that the wife had no source of income and has two children to raise and were living with her sister. She has submitted an appeal letter dated 19 May 2021 requesting the Branch Management for loan write-off on her husband's behalf. The branch office vide letter No. BDBL/04/ZGN/2021/40 dated 19 May 2021 has submitted the write-off proposal to the management. The proposal will be tabled in the forthcoming Write-off Committee.

It was decided that BDBL should submit the decision of the Committee alongwith death certificate of the deceased client to RAA by 30 Sept. 2021 for review and appropriate decision.

The balance amount of Nu.0.050 million against deceased person, Dorji Nedup, has been written off by the management as per the office order No. BDB/NPA-02/2021/3787 dated 21 Sept. 2021, hence, the issue was resolved.

- b) The Bhutan Development Bank Limited, Panbang, Zhemgang had disbursed Government Employee loans amounting to Nu.0.695 million to three inactive members of the NPPF in violation to the prescribed loan disbursing norms and procedures. (AIN: 13714; Para: 2; Accountabilities: Direct: Pema Youden, Branch Assistant, CID No.11608002935; Karma Dendup, Branch Assistant, CID No.10905001513; Supervisory: Jamyang Tenzin, Manager, CID No. 12008002350).

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 1 Sept. 2021 in NC conference hall, Thimphu where BDBL CEO reported that Panbang Branch had sanctioned employee loans amounting to Nu. 0.695 million to three inactive members of NPPF. The branch management has managed to follow-up and close all three accounts.

It was decided that BDBL should submit the loan closure documents to RAA by 30 Sept. 2021 for review and appropriate decision.

### 3. Shortfalls, lapses and deficiencies

#### 3.1 Defaulted loans pending litigation

The Bhutan Development Bank Limited, Main Branch Office, Thimphu had not taken legal actions against 490 cases of defaulted loan accounts from 1991 to 2015. A total sum of Nu. 623.56 million remains outstanding against a total sanctioned amount of Nu. 671.22 million from clients. The bank reported of having regularized 283 loan accounts leaving a balance of 207 loan accounts. (AIN: 14120; Para: 2; Accountabilities: Direct: Sangay Dorji, Chief Branch

Manager, CID No. 11410000258; Supervisory: Sangay Dorji, Chief Branch Manager, CID No. 11410000258).

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 1 Sept. 2021 in NC conference hall, Thimphu where BDBL CEO reported that no legal action against this issue were taken by the management due to clients' partial repayments and letter of undertakings, untraceable clients, absconding clients, lack of proper address and client serving prison terms. However, as on 31 July 2021, 289 accounts with loan outstanding amounting to Nu. 113.76 million were closed through vigorous follow up by the Credit Officers and litigation, 12 accounts with loan outstanding amounting to Nu. 48.69 million were regularized, 112 accounts with loan outstanding amounting to Nu. 282.62 million were forwarded for legal actions and 89 accounts loan outstanding amounting to Nu. 179.22 million retained with respective Credit Officer for follow-up.

The PAC directed BDBL to submit all the relevant documents to RAA by 30 Sept. 2021 relating to closing and regularization of the accounts as reported in the meeting.

### 3.3 Clients not notified of dormant/matured accounts

- a) The Bhutan Development Bank Limited, Bumthang had not notified respective account holders and informed them that their Savings Accounts were becoming dormant due to lack of transactions as required by BDBL Banking Manual 2011. (AIN: 13943; Para: 2; Accountabilities: Direct: Tashi, Branch Manager, EID No. 0169; Supervisory: Tashi, Branch Manager, EID No. 0169).

**Status:** Observation settled based on the letter No.BDBL/BUM-8/2020/453 dated 10/06/2020 since all the accounts have been closed & not reflected in the system as per a copy of statement submitted to the RAA by BDBL, Bumthang.

#### 4.6.4. Bank of Bhutan Limited

One significant unsettled irregularity under shortfalls, lapses and deficiencies was reported to the Parliament in October 2020. It remained unsettled same as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	-	-	-	-
	<b>Total</b>	-	-	-	-

The detailed status of unsettled irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Shortfalls, lapses and deficiencies

##### 1.1 Investment without looking at going concern issues and viability of the project

The Bank of Bhutan Limited, Corporate Office, Thimphu had invested Nu. 175.425 million in two projects M/s Golden Resort and M/s View Point Resort without exercising due diligence in verifying the viability of projects and in ensuring sound legal aspects. Both projects had serious going concern issues. The bank has reported that in the case of M/s Golden Resort, based on the court verdict the bank has realised the primary securities, and initiated auction of secondary securities. In case of M/s View Point Resort, the case is under review by the ACC. *(AIN: 14054; Para: 2; Accountabilities: Direct: Dophu Dorji, Chief Corporate and Private Banking, CID No. 10103000520; Karma Dema, Chief Credit Officer, CID No. 11311001206; Supervisory: Karma Dema, Chief Credit Officer, CID No. 11311001206).*

**Status:** *Observation not settled. It pertains to View Point Resort, Trongsa where the Dzongkhag Court, Trongsa rendered the judgement and defendent has appealed to High Court.*

*The issue was deliberated during the PAC consultative meeting held on 1 Sept. 2021 in NC conference hall, Thimphu where the BoBL reported that subsequent to the High Court Judgement rendered on 6<sup>th</sup> August 2021, with regard to Trongsa Land Case involving the Viewpoint Resort, the Bank has put up an application to the Supreme Court on 26<sup>th</sup> August 2021 for recovery of the loan since the borrower has appealed to the Supreme Court pertaining to his case with ACC. The Supreme Court ordered the Bank to route the recovery suit through the Dzongkhag Court and accordingly the same was submitted on 30<sup>th</sup> August 2021. The Dzongkhag Court did not accept the registration of the recovery suit of the Bank stating that the case is sub judice (case still ongoing with ACC). The Bank stated that they have no alternative than to wait for the judgement from the Supreme Court. As for the issue of M/s Golden Resort it remains status quo until all the accounts are settled. Further, BoBL stated that they will follow-up with the pending case of M/s View Point Resort to expedite the same.*

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**REVIEW REPORT OF ANNUAL AUDIT REPORT  
2017**

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**(Status as on 30 September 2021)**

**ROYAL AUDIT AUTHORITY**

## PART-I Summary of Review Report of AAR 2017

The Royal Audit Authority had submitted the review report of Annual Audit Report 2017 to the 5<sup>th</sup> Session of the Third Parliament in October 2020. The Review Report had total significant unsettled irregularities of Nu.69.069 million consisting of Nu.50.041 million against budgetary agencies and Nu.19.028 million against Non-Budgetary Agencies as of 30 Sept. 2021.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up at various levels and subsequently, irregularities amounting to Nu.3.571 million for Budgetary Agencies and Nu.0.994 million for Non-budgetary Agencies were settled as on 30 Sept. 2021 as shown in table below.

**Table:** Showing agency wise irregularities settled and balances as on 30 Sept. 2021.

Sl. No.	Agencies	Unresolved irregularities reported as on 30/09/2020 (Nu.in Million)	Irregularities settled as on 30/09/2021 (Nu.in Million)	Balance irregularities as on 30/09/2021 (Nu.in Million)	Percentage of irregularities settled as on 30/09/2021
1	Ministries	23.293	1.046	22.247	4.49
2	Dzongkhags	0.691	0.430	0.261	62.23
3	Gewogs	5.919	0.851	5.068	14.38
4	Autonomous Agencies	20.138	1.244	18.894	6.18
<b>Total Budgetary Agencies-A (1 to 4)</b>		<b>50.041</b>	<b>3.571</b>	<b>46.470</b>	<b>7.14</b>
5	Corporations	0.994	0.994	-	100
6	Non Governmental Organizations	18.034	-	18.034	-
<b>Total Non-Budgetary Agencies - B (5 to 6)</b>		<b>19.028</b>	<b>0.994</b>	<b>18.034</b>	<b>5.22</b>
<b>Grand Total (A+B)</b>		<b>69.069</b>	<b>4.565</b>	<b>64.504</b>	<b>6.61</b>

As transpired from table above, out of the total unsettled irregularities of Nu.69.069 million remaining unsettled as of 30 Sept. 2020, irregularities amounting to Nu.4.565 million were settled leaving a balance of Nu.64.504 million as on 30 Sept. 2021. The detailed review report of the irregularities settled and outstanding ones as of 30 Sept. 2021 are given below.

## PART-II DETAILED REVIEW REPORT

### 1.1.1. MINISTRIES

#### 1.1.1.1. MINISTRY OF WORKS AND HUMAN SETTLEMENT

Out of the total unsettled irregularities of Nu.5.255 million reported to the Parliament in October 2020, the Ministry of Works and Human Settlement had not settled any irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	5.255	-	5.255	-
	<b>Total</b>	<b>5.255</b>	<b>-</b>	<b>5.255</b>	

The details of unsettled irregularities reported to the Parliament in October 2020; which remained unsettled balances as on 30 Sept. 2021 is as discussed below:

#### 1. Shortfalls, lapses and deficiencies - Nu.5.255 million

There were cases of shortfalls, lapses and deficiencies involving Nu.29.860 million as summarised below:

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

#### 1.1. OUTSTANDING ADVANCES - NU.5.255 MILLION

- a) The Department of Engineering Services had overdue advances amounting to Nu.5.253 million against officials. Public Works Advances of Nu.1.164 million were given for 'Kalikhola River Protection Works', and Nu.4.089 million for 'Bomdeling Flood Protection works' during the financial year 2016-2017. The accumulation of huge outstanding advances had occurred due to lack of proper follow-up mechanism over the releases of funds and progress of works as well as submission of adjustment accounts. *AIN: 14797; Observation: 1; Accountabilities: Direct: Prakash Gurung, Assistant Engineer-III, EID No.200508202; Nima Wangdi, Engineer, EID No.20150105088; Supervisory: Phub Rinzin, Chief Engineer (Director) EID No. 9207069; Pema, Executive Secretary, EID No. 9801096; Tashi Gyeltshen, Drungpa, EID No. 9208036; Tshering Wangchuk, Dzongkhag Engineer, EID 9307023.*

**Status:** *Observation not settled. The unsettled balance of Nu.5.255 million reported earlier remained unsettled as of 31 Aug.2021. The issue was deliberated during the PAC consultative meeting held on 31 Aug. 2021 in NC conference hall, Thimphu and MoWHS reported the following:*

- i) Supreme Court has upheld the judgement passed by the High Court directing the contractor to pay Nu. 1.662 million to the government. However, the amount was not paid so MoWHS shall be initiating for judgement enforcement appeal.
- ii) The case pertaining to Trashiyangtse Dzongkhag-Bomdeling Flood Protection works was terminated by the Dzongkhag and had informed the contractor to report to dzongkhag for the settlement of the final bill. As per the DES letter No.DES/FEND/34/2020-2021/882 dated 11/09/2020 the case has been forwarded to the Dzongkhag Court for legal action.

The Chief Engineer, MoWHS reported that, the contractor has an on-going contract work of black topping with the Dzongkhag Administration and has agreed to settle the dues from the final bills of the present on-going work.

The PAC directed MoWHS to submit to RAA the copy verdicts passed by the court and the agreement signed between the contractor and the dzongkhag administration for deducting the amount from the on-going works by 30 Sept. 2021.

#### 1.1.1.2. MINISTRY OF HEALTH

Out of the total unsettled irregularities of Nu.9.632 million reported to the Parliament in October 2020, the Ministry of Health had settled irregularities of Nu.0.505 million leaving a balance of Nu.9.127 as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliamentas on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Violation of laws and rules	0.505	0.505	-	100
2	Shortfalls, lapses and deficiencies	9.127	-	9.127	-
<b>Total</b>		<b>9.632</b>	<b>0.505</b>	<b>9.127</b>	

The details of irregularities reported to the Parliament in October 2020; irregularities settled thereafter and unsettled balance as on 30 Sept. 2021 are as discussed below:

#### 1. Violation of Laws & Rules

There were cases of violations of laws and rules involving Nu.0.500 million as summarised below:

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

#### 1.3 NON-LEVY OF LIQUIDATED DAMAGES AGAINST INCOMPLETE MEDICAL SUPPLIES - NU.0.505 MILLION

The Department of Medical Supplies and Health Infrastructure had not levied liquidated damages amounting to Nu.0.882 million for the medical supplies worth Nu.12.962 million that was not supplied. The LD was not levied apparently due to non-renewal of performance guarantee and lack of adequate co-ordination amongst relevant Divisions and Units of the DMSHI. *AIN: 14945; Observation: 1; Accountabilities: Direct: Tshering*

*Chenzom, PO, EID No. 200705051; Yangley Dorji, APO, EID No. 200607051; Thinley Dema, APO, EID No.2012050353; Tshewang Jamtsho, PO, EID No. 200605041; Pema Wangchuk, Pharmacist, EID No. 9003051; Supervisory: Rudra Mani Dhimal, CPO, EID No. 2001022*

**Status:** *Observation settled as per the Follow up letter No. RAA/FUCD/(A1-MoH)AAR/2020/1909 date 21/10/2020.*

## **2. Shortfalls, lapses and deficiencies – Nu.9.127 million**

There were cases of shortfalls, lapses and deficiencies involving Nu.9.127 million as summarised below:

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

### **2.1. NON-SETTLEMENT OF OUTSTANDING ADVANCES AGAINST BPCL - NU.9.127 MILLION**

The Department of Medical Services and Health Infrastructure had outstanding Public Works Advances amounting to Nu.9.127 million released to the Bhutan Power Corporation Limited, Thimphu for the relocation of 2x1500 KVA and 1250 KVA substation. The PW Advances given from the GoI Funded Project ‘Construction of Gyaltsuen Jetsuen Pema Mother and Child Hospital’ had remained unadjusted for over 2 years at the time of audit in October 2017. *AIN: 15017; Observation: 2; Accountabilities: Direct: Sonam Tshering, Engineer (E), EID No. 9910689U; Supervisory: Kunzang Namgyel, Chief Engineer, EID No. 200301027.*

**Status:** *Observation not settled. The PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu directed the MoH to share the latest update with RAA by end of December, 2019. However, the outstanding amount remained unsettled as of 6 Sept. 2021.*

*The issue was redeliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu and the Ministry of Health reported that as of now the work was completed and only the settlement of final bill was pending. The PAC directed the Ministry to settle the bill by 31 Oct. 2021 and communicate the same to RAA.*

#### **1.1.1.3. MINISTRY OF FINANCE**

Out of the total unsettled irregularities of Nu.4.930 million reported to the Parliament in October 2020, the Ministry of Finance had settled Nu.0.033 million leaving a balance of Nu.4.897 million as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Mismanagement	4.930	0.033	4.897	0.67
	<b>Total</b>	<b>4.930</b>	<b>0.033</b>	<b>4.897</b>	



The details of irregularities reported to the Parliament in October 2020, irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

## 1. Mismanagement – Nu.4.897 million

There were cases of mismanagement involving Nu.4.930 million as summarised below:

Sl. No.	Observation in Brief	Unsettled reported as on 30/09/2020 (Nu. in million)	Settled (Nu. in million)	Unsettled as on 30/09/2021 (Nu. in million)
1.1	Overdue Outstanding Taxes	4.930	0.033	4.897
1.2	Inadmissible waiver of fines and penalties	-	-	-
	<b>Total</b>	<b>4.930</b>	<b>0.033</b>	<b>4.897</b>

The cases of mismanagement are as below:

### 1.1. OVERDUE TAXES - NU.4.897 MILLION

The following Regional Revenue and Customs Offices had outstanding revenue aggregating Nu.10.664 million. Some amounts were outstanding for over two years. There is thus, a need for further strengthening the follow-up mechanisms to ensure timely realisation of taxes.

- a) Regional Revenue and Customs Office, Thimphu had 20 cases of outstanding Business Income Tax (BIT) and 3 cases of outstanding Corporate Income Tax (CIT) amounting to Nu.4.449 million from various business units. The business units/tax payers had failed to pay the BIT and CIT even after serving reminders. *AIN: 14388; Observation: 2; Accountabilities: Direct: Kencho Dorji, Joint Collector, EID No. 200401096; Supervisory: Nidup Gyeltshen, Regional Director, EID No. 9610072.*

**Status:** *Observation not settled. As per the record of RAA out of the total amount of Nu.4.449 million of overdue taxes; Nu.3.551 million had been settled leaving a balance of Nu.0.898 million unsettled as of 30 Sept. 2021.*

*The PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu, MoF was instructed to initiate appropriate way forward within October 2020 to resolve the issues and share a copy of their action taken report with RAA.*

*This was redeliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the Legal Officer reported that, the cases of failure to collect taxes are related to defunct businesses whereby the businessman shifts his business to another. MoF has been continuously following up to resolve this issue. In case of M/s Yoedbar trading and M/s Druk Zorig Gongphel Construction, MoF has decided to take legal recourse.*

*The PAC directed the Ministry to initiate legal recourse immediately against the accountable entities and report to RAA.*

- b) Regional Revenue and Customs Office, Thimphu had not collected Bhutan Sales Tax (BST) amounting to Nu.0.623 million from ten business units including hotels, resorts, restaurants and cable services. The taxes were due for periods ranging from 12 months to 18 months at the time of audit in January 2017. *AIN: 14388;*

*Observation: 1; Accountabilities: Direct: Rinzin Wangmo, Deputy Collector, EID No. 200501079; Supervisory: Nidup Gyeltshen, Regional Director, EID No. 9610072.*

**Status:** *Observation not settled. The PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu instructed MoF to send letter to proprietor of M/s Gaurda Inn within October 2020 to recover the balance amount. With respect to M/s Mid point hotel, it was reported that MoF had exhausted all the legal process to recover the balance amount.*

*This was redeliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the Legal Officer of MoF reported that that as per the latest follow-up with Gauruda Inn, the accountable person has sought for a time extension. In case of Mid-point, whereabouts of the accountable person was unknown. It was heard from the sources that accountable person is living in Sikkim. MoF has been following up with her relative but no positive response has been received.*

*It was decided that, MoF should review the letter received from Gauruda Inn requesting for time extension and report the status by 30 Sept. 2021 and MoF should take legal action against Mid-point.*

- c) Regional Revenue and Customs Office, Thimphu had not collected Bhutan Sales Tax (BST) amounting to Nu.4.490 million from various business units. *AIN: 14877; Observation: 2; Accountabilities: Direct: Rinzin Wangmo, Deputy Collector, EID No. 200501079; Supervisory: Nidup Gyeltshen, Regional Director, EID No. 9610072*

**Status:** *Observation not settled. Out of the balance of Nu.3.593 million reported last Nu.0.217 million had been recovered leaving a balance of Nu.3.376 million. The PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu had directed the DRC to share the latest update of action taken report with RAA within October 2020.*

*This was redeliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the Legal Officer reported that, the cases of failure to collect taxes are related to defunct businesses whereby the businessman shifts his business to another. MoF has been continuously following up to resolve this issue.*

*The PAC directed the Ministry to initiate legal recourse immediately against the accountable entities and report to RAA.*

- d) Regional Revenue and Customs Office, Paro had not collected Bhutan Sales Tax (BST) from five business units including hotels, homestays and restaurants. The taxes were due for periods ranging from 6 to 12 months. *AIN: 14914; Observation: 2; Accountabilities: Direct: Yeshey Gyeltshen, Joint Collector, EID No. 200501082; Supervisory: Bimal Kumar Pradhan, Regional Director, EID No. 9610074*

**Status:** *Observation partially settled. During the PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu, the Ministry informed that out of 5 restaurants, 4 had paid all the due taxes and only one restaurant had failed to clear all the dues even after granting 12 months time extension. The Ministry was instructed to discuss with their legal section for future course of action and share*

*the latest status update with RAA within October 2020. For the unsettled outstanding of Nu.0.153 against M/s. BT Gatsel the DRC has forwarded the case to Legal Division of MoF vide letter No.DRC/STD/Dev/26/2020/239 dated 05/08/2020.*

*This was redeliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the Legal Officer reported that the accountable person was at large. Since all means and ways had not been exhausted to trace the accountable person, no legal actions was initiated.*

*The PAC directed the MoF to resolve this issue by 31 Oct. 2021 if not take legal recourse.*

### **1.1.1.3. MINISTRY OF AGRICULTURE AND FORESTS**

Out of the total unsettled irregularities of Nu.2.998 million reported to the Parliament in October 2020, the Ministry of Agriculture and Forests had not settled any irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Violation of laws and rules	2.280	-	2.280	-
2	Shortfalls, lapses and deficiencies	0.718	-	0.718	-
	<b>Total</b>	<b>2.998</b>	<b>-</b>	<b>2.998</b>	

The details of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

#### **1. Violation of Laws and Rules – Nu.2.280 million**

There were cases of violation of laws and rules involving Nu.2.280 million as summarised below:

Sl. No.	Observation in Brief	Unsettled reported as on 30/09/2020 (Nu. in million)	Settled (Nu. in million)	Unsettled as on 30/09/2021 (Nu. in million)
1.1	Excess deposit into Refundable Deposit Accounts	1.171	-	1.171
1.2	Payment made without supporting documents	0.665	-	0.665
1.3	Settlement of budgetary related expenses from Security and Earnest Money deducted/recovered	0.361	-	0.361
1.4	Excess payments on account of Deposit Work	0.083	-	0.083
	<b>Total</b>	<b>2.280</b>	<b>-</b>	<b>2.280</b>

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

#### **1.1. EXCESS DEPOSIT INTO REFUNDABLE DEPOSIT ACCOUNTS - NU.1.171 MILLION**

The Jigme Dorji National Park, Damji had made excess deposits amounting to Nu.1.171 million into the Refundable Deposit Accounts. The management had reported receipts amounting to Nu.0.173 million on account of deduction/recovery of refundable deposit during the year from contractors/suppliers, but had deposited Nu.1.344 million into the refundable deposit account from the overall savings of the budgetary fund with resultant reduction of year end fund balance to the extent of Nu.1.171 million. *AIN: 15004; Observation: 2.1; Accountabilities: Direct: Tshering Wangchuk, Accountant, EID No. 200207191; Supervisory: Namgay, Offtg. CFO, EID No. 9810002.*

**Status:** *Observation not settled. The PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu instructed MoAF to hold meeting with Jigme Dorji National Park in presence of accountable officials within December 2019 to resolve the observation. The Ministry was also reminded to accord top priority to review the issues failing which the matter would be submitted to upcoming winter session of the Parliament and initiate thorough deliberation.*

*This issue was redeliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall where the Director, Department of Forest & Park Services reported that, they tried to resolve the issue amicably but the accountable persons failed to comply with the same. The Ministry has exhausted all means to resolve the issue. Therefore, the Ministry has decided to take legal actions on the same. As such it was decided that the Ministry should take legal recourse for resolving the issue.*

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## 1.2. PAYMENT MADE WITHOUT SUPPORTING DOCUMENTS - NU.0.665 MILLION

The Jigme Dorji National Park, Damji had failed to produce relevant supporting documents for expenditures aggregating to Nu.0.665 million. The various expenditures includes payments of TA/DA, meeting expenses, purchase of office stationery, remittance of 2% TDS to RRCO and for 10% security deposits recovered and deposited into ARA. These were in violation of financial rules and regulations. The lapses had occurred apparently due to lack of proper supervision and monitoring over the accounts personnel, which is indicative of lack of internal controls and the failure to exercise due diligence while approving the payments. *AIN: 15004; Observation: 1.1; Accountabilities Direct: Tshering Wangchuk, Accountant, EID No. 200207191; Supervisory: Lhendrup Tharchen, Ex-CFO and Namgay, Offtg. CFO, EID No.200801028 and 9810002.*

**Status:** *Observation not settled. The PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu instructed MoAF to hold meeting with Jigme Dorji National Park in presence of accountable officials within December, 2019 to resolve the observation. The Ministry was also reminded to accord top priority to review the issues failing which the matter would be submitted to upcoming winter session of the Parliament and initiate thorough deliberation.*

*This issue was redeliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall where the Director, Department of Forest & Park Services reported that, they tried to resolve the issue amicably but the accountable persons failed to comply with the same. The Ministry has exhausted all means to resolve the issue. Therefore, the Ministry has decided to take legal actions on the same. As such it was decided that the Ministry should take legal recourse for resolving the issue.*

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### 1.3. SETTLEMENT OF BUDGETARY RELATED EXPENSES FROM SECURITY AND EARNEST MONEY DEDUCTED/RECOVERED - NU.0.361 MILLION

The Jigme Dorji National Park, Damji had made payments amounting to Nu.0.361 million on account of refund of security/retention money to the Contractors/Suppliers without obtaining equivalent refundable release from DPA. The expenditures were met from Security and Earnest Money deducted/recovered as for the financial year 2016-17.

In addition, the management had paid contractor's Running Bill claims from the budget for TA/DA payments of field staffs without any supporting documents pertaining to the payments. This had thus resulted into non-booking of expenditure under respective activity with resultant understatement of reported expenditure and overstatement of yearend fund balance. *AIN: 15004; Observation: 2.2; Accountabilities: Direct: Tshering Wangchuk, Accountant, EID No. 200207191; Supervisory: Namgay, Offtg. CFO, EID No. 9810002.*

**Status:** *Observation not settled. PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu instructed MoAF to hold meeting with Jigme Dorji National Park in presence of accountable officials within end of December, 2019 to resolve the observation. The Ministry was also reminded to accord top priority to review the issues failing which the matter would be submitted to upcoming winter session of the Parliament and initiate thorough deliberation.*

*This issue was redeliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall where the Director, Department of Forest & Park Services reported that, they tried to resolve the issue amicably but the accountable persons failed to comply with the same. The Ministry has exhausted all means to resolve the issue. Therefore, the Ministry has decided to take legal actions on the same. As such it was decided that the Ministry should take legal recourse for resolving the issue.*

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### 1.4. EXCESS EXPENDITURE ON ACCOUNT OF DEPOSIT WORK - NU.0.083 MILLION

The Jigme Dorji National Park, Damji had booked an expenditure for deposit works amounting to Nu.1.856 million against Non-Revenue release of Nu.1.773 million received for deposit works with resultant excess expenditure of Nu.0.083 million. Instead of obtaining equivalent release from client agencies and DPA, the differential payments were met from the normal budgetary release. The excess payment pertained to expenses incurred for TA/DA of officials and expenses on the Good Governance Meeting at Gasa Dzongkhag. *AIN: 15004; Observation: 2.3; Accountabilities: Direct: Tshering Wangchuk, Accountant, EID No. 200207191; Supervisory: Namgay, Offtg. CFO, EID No. 9810002.*

**Status:** *Observation not settled. PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu instructed MoAF to hold meeting with Jigme Dorji National Park in presence of accountable officials within December, 2019 to resolve the observation. The Ministry was also reminded to accord top priority to review the issues failing which the matter would be submitted to upcoming winter session of the Parliament and initiate thorough deliberation.*

*This issue was redeliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall where the Director, Department of Forest & Park Services reported that, they tried to resolve the issue amicably but the accountable persons failed to comply with the same. The Ministry has exhausted all means to resolve the issue. Therefore, the Ministry has decided to take legal actions on the same. As such it was decided that the Ministry should take legal recourse for resolving the issue.*

### **3. Shortfalls, lapses and deficiencies – Nu.0.718 million**

There were cases of shortfalls, lapses and deficiencies involving Nu.0.718 million as summarised below:

Sl. No.	Observation in Brief	Unsettled reported as on 30/09/2020 (Nu. in million)	Settled (Nu. in million)	Unsettled as on 30/09/2021 (Nu. in million)
3.1	Pending cases lying unsettled	0.069	-	0.069
3.2	Excess/Inadmissible/Double Payments	0.033	-	0.033
3.4	Outstanding advances	0.586	-	0.586
3.5	Irregular adjustments of advances	0.030	-	0.030
	<b>Total</b>	<b>0.718</b>	<b>-</b>	<b>0.718</b>

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

#### **3.1. PENDING OFFENCE CASES - NU.0.069 MILLION**

The Divisional Forest Office, Paro had not realised fines and compensations amounting to Nu.0.620 million for five pending offence cases, including one case of 'Psuedo Ginseng' for which the DoFPS was required to review and fixed fine as the particular forest product was not included in Forest and Nature Conservation Rules (FNCR) 2006.

The cases had been forwarded to the Department of Forests and Park Services since the perpetrators refused to settle the case with the Division. Also, there was an additional pending case of illegal timber (21 Mixed Conifer logs) unloaded at M/s Wangwood Sawmill which remained unsettled. *AIN: 15011; Observation: 3; Accountabilities: Direct: Kaka Tshering, CFO, EID No. 8205001; Supervisory: Kaka Tshering, CFO, EID No. 8205001.*

**Status:** *Observation not settled. The unsettled balance of Nu.0.069 million reported last remained unsettled settled as of 3 Sept. 2021.*

*The matter was deliberated during the PAC consultative meeting held on 3 Sept. 2021 in the NA conference hall, Thimphu where the Finance Officer of MoAF reported that, the concerned contractor was not traceable and more recently it was informed that the contractor had expired (Letter No. dated Paro/Tshentog/Na-9-2020-2021/1741 dated 14/09/2020). In view of this, the members recommended to submit the write-off note approval from the MoAF to RAA.*

*It was decided that the Ministry should submit write-off approval to RAA by 30 Sept. 2021 for resolving this issue accordingly.*

### 3.2 Excess/Inadmissible/Double Payments Nu.0.033 Million

- a) The Jigme Dorji National Park, Damji had made double payments of Nu.0.033 million on account of TA/DA and mileage claims due to improper verification of claims by the accountant and non-maintenance of travel register. *AIN: 15004; Observation: 3.1; Accountabilities: Direct: Tshering Wangchuk, Accountant, EID No. 200207191; Supervisory: Namgay, Offtg. CFO, EID No. 9810002.*

**Status:** *Observation not settled. PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu instructed MoAF to hold meeting with Jigme Dorji National Park in presence of accountable officials within December, 2019 to resolve the observation. The Ministry was also reminded to accord top priority to review the issues failing which the matter would be submitted to upcoming winter session of the Parliament and initiate thorough deliberation.*

*This issue was redeliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall where the Director, Department of Forest & Park Services reported that, they tried to resolve the issue amicably but the accountable persons failed to comply with the same. The Ministry has exhausted all means to resolve the issue. Therefore, the Ministry has decided to take legal actions on the same. As such it was decided that the Ministry should take legal recourse for resolving the issue.*

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### 3.2. OUTSTANDING ADVANCES - Nu.0.586 MILLION

- a) The Jigme Dorji National Park, Damji had overdue outstanding advances amounting to Nu.0.586 million against officials and contractors. Personal Advances amounted to Nu.0.071 million and Public Works Advances amounted to Nu.0.515 million. Some advances were due since 2009-2010. *AIN: 15004; Observation: 1.2; Accountabilities: Direct: Tshering Wangchuk, Accountant, EID No. 200207191; Supervisory: Lhendrup Tharchen, Ex-CFO EID No.200801028; Namgay, Offtg. CFO, EID No. 9810002.*

**Status:** *Observation not settled. PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu instructed MoAF to hold meeting with Jigme Dorji National Park in presence of accountable officials within December, 2019 to resolve the observation. The Ministry was also reminded to accord top priority to review the issues failing which the matter would be submitted to upcoming winter session of the Parliament and initiate thorough deliberation.*

*This issue was redeliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall where the Director, Department of Forest & Park Services reported that, they tried to resolve the issue amicably but the accountable persons failed to comply with the same. The Ministry has exhausted all means to resolve the issue. Therefore, the Ministry has decided to take legal actions on the same. As such it was decided that the Ministry should take legal recourse for resolving the issue.*

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### 3.3. IRREGULAR ADJUSTMENTS OF ADVANCES - Nu.0.030 MILLION

The Jigme Dorji National Park, Damji had shown adjustment of entire advances amounting to Nu.0.433 million as against the entitled travel claims of Nu.0.403 million

with resultant irregular adjustment by Nu.0.030 million for monitoring of Cordyceps harvesting activities for the Financial Year 2016-2017. The concerned dealing official had not exercised due diligence while making payments/adjustment of advances for officials. *AIN: 15004; Observation: 3.2; Accountabilities: Direct: Sonam Wangchuk, Accountant, EID No. 200807278; Supervisory: Namgay, Offtg. CFO, EID No. 9810002.*

**Status:** *Observation not settled. PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu instructed MoAF to hold meeting with Jigme Dorji National Park in presence of accountable officials within December, 2019 to resolve the observation. The Ministry was also reminded to accord top priority to review the issues failing which the matter would be submitted to upcoming winter session of the Parliament and initiate thorough deliberation.*

*This issue was redeliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall where the Director, Department of Forest & Park Services reported that, they tried to resolve the issue amicably but the accountable persons failed to comply with the same. The Ministry has exhausted all means to resolve the issue. Therefore, the Ministry has decided to take legal actions on the same. As such it was decided that the Ministry should take legal recourse for resolving the issue.*

#### 1.1.1.4. MINISTRY OF EDUCATION

The Ministry of Education had one unsettled irregularity under violation of laws and rules reported to the Parliament in October 2020. The same had been resolved as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Violation of laws and rules	-	-	-	100
	<b>Total</b>	-	-	-	

The details of irregularity reported to the Parliament in October 2020 which got resolved as on 30 Sept. 2021 is as discussed below:

#### 1. Violation of Laws and Rules

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

##### 1.1. IRREGULAR BOOKING INTO THE CLOSED WORK ACCOUNT AND NON-SUPPLY OF GOODS - NU.1.473 MILLION

The Department of School Education had booked a sum of Nu.1.473 million under the Closed Work Account for procurement of 36 desktop computers (Ci5 with genuine Windows 10 OS). The contract was awarded to supplier on 23<sup>rd</sup> October 2016. The amount of Nu.1.473 million was deposited into refundable deposit account under the closed work account on 24<sup>th</sup> October 2016. Booking of expenditure under closed work account immediately after placing the supply order without actual receipt of goods not



only violated the budgetary norms but also inflated the reported expenditure of the Department.

In addition, the supplier had failed to deliver goods even after a lapse of more than 10 months at the time of audit in October 2017. Subsequently, the department obtained the release of equivalent amount from DPA and deposited into Audit Recoveries Account. *AIN: 14805; Observation: 2; Accountabilities: Direct: Ngawang Norbu, APO, EIDNo. 20121100941; Supervisory: Kaka, EMO, EID No. 9507290.*

**Status:** *Observation has been settled based on the decision of the 5th Follow-up Committee Meeting of the RAA held on 28 July 2021.*

#### 1.1.1.5. MINISTRY OF LABOUR AND HUMAN RESOURCES

Out of the total unsettled irregularity of Nu.060 million reported to the Parliament in October 2020, the Ministry of Labour and Human Resources had settled the irregularity as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Resolved (Nu. in Million)	Balance as on 30/09/2021	% Resolved
2	Shortfalls, lapses and deficiencies	0.060	0.060	-	100
	<b>Total</b>	<b>0.060</b>	<b>0.060</b>	<b>-</b>	

The details of irregularity reported to the Parliament in October 2020 which got resolved as on 30 Sept. 2021 is as discussed below:

#### 1. Shortfalls, lapses and deficiencies

There were cases of shortfalls, lapses and deficiencies involving Nu.0.060 million as summarised below:

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

##### 1.1. OUTSTANDING ADVANCES – NU.0.060 MILLION

The Thimphu Institute of Zorig Chusum had overdue advances of Nu.0.060 million against an official. *AIN: 14894; Observation: 2; Accountabilities: Direct: Jigme Dorji, Principal, EID No. 9407142; Supervisory: Tshewang Peldon, Principal, EID No. 9006081.*

**Status:** *Observation settled as the amount was deposited into ARA vide Rt.No.03007 dated 7/4/2021 and penalty waived off by the Court vide letter No.Royal Court of justice 2021/70 dated 30/10/2020.*

#### 1.1.1.8. MINISTRY OF HOME AND CULTURAL AFFAIRS

Out of the total unsettled irregularities of Nu.0.448 million reported to the Parliament in October 2020, the Ministry of Home and Cultural Affairs had settled all the irregularities on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Resolved (Nu. in Million)	Balance as on 30/09/2021	% Resolved
2	Shortfalls, lapses and deficiencies	0.448	0.448	-	100
	<b>Total</b>	<b>0.448</b>	<b>0.448</b>	<b>-</b>	

The details of irregularities reported to the Parliament in October 2020 which were settled as on 30 Sept. 2021 are as discussed below:

## 2. Shortfalls, lapses and deficiencies

There were cases of shortfalls, lapses and deficiencies involving Nu.0.448 million as summarised below:

Sl. No.	Observation in Brief	Unsettled reported as on 30/09/2020 (Nu. in million)	Settled (Nu. in million)	Unsettled as on 30/09/2021 (Nu. in million)
2.1	Difference in closing balances with resultant shortage	0.294	0.294	-
2.2	Sale proceeds collected/deducted without pre-observation of challans/bills	0.095	0.095	-
2.3	Short deduction of sales proceeds	0.059	0.059	-
	<b>Total</b>	<b>0.448</b>	<b>0.448</b>	<b>-</b>

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

### 2.1. DIFFERENCE IN CLOSING BALANCES WITH RESULTANT SHORTAGE - NU.0.294 MILLION

The Royal Bhutan Police, Division II, Punakha had differences in closing stock balance of rations with resultant shortages of stock valuing Nu.0.294 million due to discrepancies in the receipts and issues of rations. The closing balance of some stocks were in excess of actual balance, while for some items the issues were in excess of purchases resulting into negative closing balance. In addition, the management had not carried out periodic reconciliation of ration items. *AIN: 14681; Observation: 2; Accountabilities: Direct: Chakten, Dedrim, PIN 3048, CID No. 11201003400; Supervisory: Karma Tshering, Colonel, SSP, PIN 85, CID No. 11306002149.*

**Status:** *Observation settled as the amount was deposited vide receipt no. A00554 dated: 18/03/2021.*

### 2.2. SALE PROCEEDS COLLECTED/DEDUCTED WITHOUT PREOBSERVATIONION OF CHALLANS/ BILLS - NU.0.095 MILLION

The Royal Bhutan Police, Division II, Punakha had deducted sale proceeds amounting to Nu.0.095 million from the monthly salary payments of police personnel without the preobservationion of challans/bills. Scrutiny of the Sub-Ledger for FY 2014-15 and FY 2015-16 revealed that cost of rations issued on concessional rates and deducted from the monthly pay bills was Nu.0.651 million, whereas Nu.0.556 million only was accounted. In the absence of proper documentation/records, and lack of periodic

reconciliation of accounts, the accuracy for sale of rations and related collections/deductions could not be ascertained. *AIN: 14681; Observation: 1.2; Accountabilities: Direct: Chakten, Dedrim, PIN 3048, CID No. 11201003400; Supervisory: Karma Tshering, Colonel, SSP, PIN 85, CID No. 11306002149.*

*Status: Observation settled vide Follow up letter No. RAA/FUCD/(A1-MoH)AAR/2020/1909 date 21/10/2020.*

#### SHORT DEDUCTION OF SALES PROCEEDS - NU.0.059 MILLION

The Royal Bhutan Police, Division II, Punakha had made short deductions amounting to Nu.0.059 million from sale proceeds of rations issued at concession rates to police personnel. Also, the Division had not reconciled the quantities on a regular basis. *AIN: 14681; Observation: 1.1; Accountabilities: Direct: Chakten, Dedrim PIN. 3048, CID No. 11201003400; Supervisory: Karma Tshering, Colonel, SSP, PIN. 85, CID No. 11306002149.*

*Status: Observation settled as the amount was deposited vide receipt no. A00554 dated: 18/03/2021.*

#### 1.1.2.1. DZONGKHAG ADMINISTRATION, TRONGSA

Out of the total unsettled irregularities of Nu.0.183 million reported to the Parliament in October 2020, the Dzongkhag Administration, Trongsa had settled Nu.0.033 million of irregularities leaving a balance of Nu.0.150 million as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Resolved (Nu. in Million)	Balance as on 30/09/2021	% Resolved
1	Mismanagement	-	-	-	-
2	Violation of laws and rules	0.136	-	0.136	-
3	Shortfalls, lapses and deficiencies	0.047	0.033	0.014	70.21
	<b>Total</b>	<b>0.183</b>	<b>0.033</b>	<b>0.150</b>	<b>18.03</b>

The details of irregularities reported to the Parliament in October 2020, irregularities settled thereafter and the unsettled balance as on 30 Sept. 2021 are as discussed below:

#### 1. Mismanagement

There was a case of mismanagement as summarised below:

Sl. No.	Observation in Brief	Unsettled reported as on 30/09/2020 (Nu. in million)	Settled (Nu. in million)	Unsettled as on 30/09/2021 (Nu. in million)
1.2	Lapses in operation of Decentralization Support Programme Fund	-	-	Unsettled
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

The case of mismanagement is as indicated below:

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## 1.2. LAPSES IN OPERATION OF DECENTRALIZATION SUPPORT PROGRAMME FUND

The Department of Local Governance, MoHCA through Dzongkhag Administration, Trongsa had allocated the UNDP, UNCDF, SNV, and Danida funded 'Decentralization Support Programme' (DSP) fund to Drakteng Gewog for the establishment of dairy farm in October 2003. Upon completion of the project in December 2006, the Revolving Fund Account was maintained. The DSP fund was utilised as interest free loans to beneficiaries for purchase of jersey cows and the beneficiaries were required to repay the amount in three installments in three years.

However, there were lapses in the operation of the Revolving Fund as there were no documentations and details such as operational guidelines or terms of references, bank statements. The total funds made available to Gewog or released by the donors were also not documented by the Gewog office or the Livestock Sector of the Dzongkhag. Proper books of accounts were neither maintained by the Dzongkhag Administration nor the Gewog Administration.

The bank balance as on 29<sup>th</sup> November 2016 was Nu.0.015 million against the total fund of Nu.2.100 million received (as acknowledged by the Gewog officials) for which there was no supporting documents. Out of the total fund, Nu.0.584 million was utilized for construction of ORC & Retention Wall at Tashidingkha. The Dzongkhag Administration as a central authority has been advised to initiate appropriate review and confirm the status of the funds. *AIN: 14570; Observation: 25; Accountabilities: Direct: Galey Chophel, Ex-Gup, EID. 9912537u; Supervisory: Kinzang Dorji, Gup, CID No.11701001704.*

**Status:** *Observation not settled. The PAC consultative meeting held at Gelephu on 9 September 2019 directed the Dzongkhag and Gewog authorities to conduct thorough review of the issues and submit relevant documents to OAAG Bumthang within the same month, which remains to be submitted. Direct accountabilty was transferred from Kinzang Dorji, Gup to Galey Chophel, Ex-gup, as it pertained to observation from the tenure of Galey Chophel, Ex-gup as per letter No.DGA/53/2019-2020/155 dated 11/09/2019 of the Dragten Gewog Adm. and also as per the decision of the consulative meeting held at Gelephu with PAC Members & Trongsa Dzongkhag.*

*The issue was redeliberated during the subsequent PAC consultative meeting held on 5 Aug. 2021 in the DYT hall of the Trongsa Dzongkhag where the Dzongkhag Administration reported that they were of the opinion that this issue was resolved, however, it was acknowledged that there was lapses from the Gewog Administration, Dragten for not maintaining proper documentation for the same. Despite several attempts, documents could not be traced but is yet to be completed. It was decided that Gewog Administration in consultation with RAA Bumthang should recast the complete cash book and resolve this issue by 31<sup>st</sup> August 2021.*

## 2. Violation of Laws & Rules – Nu.0.136 million

There were cases of violation of laws & rules involving Nu.0.136 million as summarised below:

Sl. No.	Observation in Brief	Unsettled reported as on 30/09/2020 (Nu. in million)	Settled (Nu. in million)	Unsettled as on 30/09/2021 (Nu. in million)
2.4	Non/Short levy of liquidated damages	0.136	-	0.136
	<b>Total</b>	<b>0.136</b>	<b>-</b>	<b>0.136</b>

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

#### 2.4. NON/SHORT LEVY OF LIQUIDATED DAMAGES - NU.0.136 MILLION

- a) The Dzongkhag Administration, Trongsa had not levied liquidated damages amounting to Nu.0.136 million for delays in completion of the construction of Monmaygangjueg Irrigation Channel at Nimshong. The contract period was from 7<sup>th</sup> November 2015 to 7<sup>th</sup> October 2016 and at the time of audit in November 2017, the work was still incomplete. *AIN: 14570; Observation: 2(b); Accountabilities: Direct: Dorji Phuntsho, EID No. 20140103501; Supervisory: Karma Wangdi, ADAO, EID No.9007094.*

**Status:** *Observation not settled. The PAC consultative meeting held in Gelephu on 9 Septemebr 2019 directed the Dzongkhag to inform the contractor to refund the amount.*

*The issue was redeliberated during the subsequent PAC consultative meeting held on 5 Aug. 2021 in the DYT hall of the Trongsa Dzongkhag where the Dzongkhag Administration reported that LD amount was yet to be recovered despite followed up made with the contractor. The case was submitted to legal officer on 5 Feb. 2020, but yet to be forwarded to Royal Court of Justice. The PAC directed the Dzongkhag Administration to take legal recourse for recovering the same by 31 Aug. 2021.*

### 3. Shortfalls, lapses & deficiencies – Nu.0.014 million

There were cases of shortfalls, lapses & deficiencies involving Nu.0.014 million as summarised below:

Sl. No.	Observation in Brief	Unsettled reported as on 30/09/2020 (Nu. in million)	Settled (Nu. in million)	Unsettled as on 30/09/2021 (Nu. in million)
3.2.	Inadmissible payments	0.047	0.033	0.014
3.3.	Excess payment	Unsettled	-	settled
	<b>Total</b>	<b>0.047</b>	<b>0.033</b>	<b>0.014</b>

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

#### 3.1. INADMISSIBLE PAYMENTS - NU.0.014 MILLION

- a) The Dzongkhag Administration, Trongsa had made inadmissible payments of allowances amounting to Nu.0.379 million to officials on long term trainings/leave. The officials were paid full salaries beyond 12 months. Allowances were also found paid which were inadmissible. The lapses had occurred due to inadequate internal controls in sanctioning of leave and regulating the entitlements. *AIN: 14570; Observation: 22; Accountabilities: Direct: Phub Dorji, EID No. 20101681; Supervisory: Phub Dorji, EID No. 20101681.*

**Status:** *This observation has been settled.*

The Dzongkhag Administration, Trongsa had made inadmissible payments of allowances amounting to Nu.0.066 million to an official on study leave without salary. The lapses had apparently occurred due to lack of communication between the relevant sector and finance section. *AIN: 14570; Observation: 21; Accountabilities: Direct: Ugyen Tenzin, EID No. 200807133; Supervisory: Ugyen Tenzin, EID No. 200807133.*

**Status:** *Observation not settled as the last reported balance of Nu.14, 388.81 remained unrealized as of 5 Aug. 2021. During the PAC consultative meeting held on 5 Aug. 2021 the Dzongkhag Administration reported that the matter was under follow up. The PAC directed the Dzongkhag Administration to recover the amount by 31 Aug. 2021 if not to take legal recourse.*

### 3.4. EXCESS PAYMENT

- a) The Dzongkhag Administration, Trongsa had made excess payments amounting to Nu.0.166 million in the construction of MonmaygangJueg Irrigation Channel at Nimshong due to payments made for quantities in excess of quantities actually executed at site. The lapses had occurred due to inadequate monitoring and supervision of the works by the Supervising Engineer as well as certification of work without completion to avoid budget lapse. *AIN: 14570; Observation: 2(c); Accountabilities: Direct: Dorji Phuntsho, EID No. 20140103501; Supervisory: Karma Wangdi, ADAO, EID No.9007094.*

**Status:** *Observation settled as an amount of Nu.0.176 million was deposited into ARA vide R/No.469277 dated 12/10/2018.*

### 1.1.2.2. DZONGKHAG ADMINISTRATION, DAGANA

Out of the total unsettled irregularity of Nu.0.063 million reported to the Parliament in October 2020, the Dzongkhag Administration, Dagana had not settled the irregularity as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Resolved
1	Violation of laws and rules	0.063	-	0.063	-
	<b>Total</b>	<b>0.063</b>	<b>-</b>	<b>0.063</b>	

The details of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Violation of Laws & Rules – Nu.0.063million

There were cases of violation of laws & rules involving Nu.0.630 million as summarised below:

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

#### 1.1. NON-DECLARATION AND LATE SUBMISSION OF ASSET DECLARATION – Nu.0.063 MILLION

Three officials of the Dzongkhag Administration, Dagana had not submitted their Asset Declarations for the years 2014 and 2015 as required under the Asset Declaration Rules

2012. The officials were liable to pay a penalty amount of Nu.0.189 million as per the Asset Declaration Rules at the time of audit on 15<sup>th</sup> October 2016. *AIN: 14526; Observation: 4.1; Accountabilities: Direct: Kinley Tenzin, VP, EID No. 200502024; Supervisory: Sonam Yangzom, HRO EID No.201101023.*

**Status:** *Observation not settled. Although observation against Sonam Jamtsho and Kinga Singye was settled based on review of the justification, the case against Kinley Tenzin with the involvement of Nu.0.063 million remained unsettled.*

*The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 and it was decided that Dzongkhag Administration should inform Kinley Tenzin to deposit the amounting to Nu. 63,000/- along with penalty into Audit Recovery Account by 31 Aug. 2021 if not legal recourse should be taken by the Dzongkhag Administration.*

*RAA deliberated the issue in the 9<sup>th</sup> Follow-up Committee Meeting held on 6 Oct. 2021 and the committee decided to waive off the 24% p.a. penalty, however, the principal amount of Nu.0.063 must be recovered.*

### 1.1.2.3. DZONGKHAG ADMINISTRATION, HAA

Out of the total unsettled irregularities of Nu.0.445 million reported to the Parliament in October 2020, the Dzongkhag Administration, Haa had settled irregularities of Nu.0.397 million leaving a balance of Nu.0.048 million as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Resolved (Nu. in Million)	Balance as on 30/09/2021	% Resolved
1	Shortfalls, lapses and deficiencies	0.445	0.397	0.048	89.21
	<b>Total</b>	<b>0.445</b>	<b>0.397</b>	<b>0.048</b>	

The details of irregularities reported to the Parliament in October 2020, irregularities settled thereafter and unsettled balances as on 30 Sept. 2021 are as discussed below:

#### 1. Shortfalls, lapses & deficiencies - Nu.0.048 million

There were cases of shortfalls, lapses & deficiencies involving Nu.0.048 million as summarised below:

Sl. No.	Observation in Brief	Unsettled reported as on 30/09/2020 (Nu. in million)	Settled (Nu. in million)	Unsettled as on 30/09/2021 (Nu. in million)
1.1	Whereabouts of balance of Nu.0.010 million retained and non-production of distribution list	0.397	0.397	-
1.2	Outstanding advances	0.048	-	0.048
	<b>Total</b>	<b>0.445</b>	<b>0.397</b>	<b>0.048</b>

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

#### 1.1. WHEREABOUTS OF BALANCE FUND OF NU.0.010 MILLION RETAINED AND NON-PRODUCTION OF DISTRIBUTION LIST - NU.0.397 MILLION

The Dzongkhag Administration, Haa had failed to produce documents for a sum Nu.0.010 million pertaining to the Firewood Royalty Income received from IMTRAT for audit verification. The balances had been retained by the Gups/gewogs and were not recovered by the Dzongkhag Administration. Discrepancies were noted in the amounts of disbursed to households as against actual amounts disbursed to gewogs (based on total number of households).

Further, the Dzongkhag failed to produce records/distribution lists for the disbursement of the Firewood Royalty Income amounting to Nu.0.397 million that were distributed to the six gewogs and Haa Throm for two consecutive years from 2014-15 to 2015-16. *AIN: 14438; Observation: 3.2; Accountabilities: Direct: Ugyen, Ex-Gup, Bji CID No. 10501001692; Chundu, Ex Gup, Katsho, CID No. 10503000855; Tobgay, Ex-Gup, Sombay, CID No. 10505000666; Tenzin Jambay, Ex-Gup, Esu, CID No. 10502000312; Nim Dorji, Ex-Gup, Gakidling, CID No. 10505000396; and Tshewang Tandin, Ex-Gup, Samar, CID No. 10504001879; Supervisory: Ugyen, Ex- Gup, Bji, CID No. 10501001692; Chundu, Ex-Gup, Katsho, CID No. 10503000855; Tobgay, Ex-Gup, Sombay, CID No. 10505000666; Tenzin Jambay, Ex-Gup, Esu, CID No. 10502000312; Nim Dorji, Ex-Gup, Gakidling, CID No. 10505000396; and Tshewang Tandin, Ex-Gup, Samar, CID No. 10504001879.*

**Status:** *Observation settled based on the justification furnished by the Dzongkhag administration.*

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## 1.2. OUTSTANDING ADVANCES - NU.0.048 MILLION

The Dzongkhag Administration, Haa had overdue advances amounting to Nu.0.061 million lying unadjusted against official and parties. There were Personal Advances amounting to Nu.0.048 million given as salary advance and Public Works Advances amounting to Nu.0.013 million given as fuel advance for approach road clearing and connection works for the new Royal Guest House construction. *AIN: 14438; Observation: 4; Accountabilities: Direct: Sonam Wangchuk, DSO, EID No.200508097; Supervisory: Dasho Kinzang Dorji, Dzongda, EID No. 9306022.*

**Status:** *Observation not settled as the unsettled balance of Nu.0.048 million reported earlier remained unsettled as of 10 Sept. 2021.*

*This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Adm. reported that the accountable person, Sonam Wangchuk was transferred to Gasu Dzongkhag.*

*The PAC directed the Dzongkhag Administration, Haa to coordinate with Dzongkhag Administration, Gasu for follow up with Sonam Wangchuk and recover the amount or take legal recourse for the same.*

### 1.1.3. GEWOGS ADMINISTRATION

#### 1.1.3.1. GEWOGS ADMINISTRATION UNDER PARO DZONGKHAG

##### I. WANGCHANG



Out of the total unsettled irregularities of Nu.0.980 million reported to the Parliament in October 2020, the Gewog Administration, Wangchang had not settled any irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Resolved (Nu. in Million)	Balance as on 30/09/2021	% Resolved
1	Mismanagement	0.500	-	0.500	-
2	Shortfalls, lapses and deficiencies	0.480	-	0.480	-
<b>Total</b>		<b>0.980</b>	<b>-</b>	<b>0.980</b>	

The detailed status of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

### 1. Mismanagement - Nu.0.500 million

There were cases of mismanagement involving Nu.0.500 million as summarised below:

Sl. No.	Observation in Brief	Unsettled reported as on 30/09/2020 (Nu. in million)	Settled (Nu. in million)	Unsettled as on 30/09/2021 (Nu. in million)
1.1.	Irregularities in providing and fixing of 30 HP Centrifugal Pumps	Unsettled	-	Unsettled
1.2.	Unjustified & extravagant payment for 30HP Electric Motor pumps - Nu.0.500	0.500	-	0.500
<b>Total</b>		<b>0.500</b>	<b>-</b>	<b>0.500</b>

The cases of mismanagement are as indicated below:

#### 1.1. IRREGULARITIES IN PROVIDING AND FIXING OF WATER PUMPS AND HDPE PIPES

The Centrifugal Pumps with the specification of one 50 Horsepower (HP) electric motor pump was found changed to two 30 HP electric motor pumps and the diameter of HDPE pipes were increased from specified 180mm to 200mm. *AIN: 14596; Observation: 1.6; Accountabilities: Direct: Kencho Wangdi, Engineer, EID No. 200409002; Supervisory: Thinley Dorji, Ex-Gup, CID No. 10811002122.*

**Status:** *Observation not settled. The PAC consultative meeting held on 25/7/2019 reviewed the case including making site visits. The present Gup was instructed to convey ex Gup of the Committee's desire to conduct either public hearing or consultation meeting with them as the government expenditure had been rendered waste. The Gup was also instructed to find out the whereabouts of the contractor and inform the PAC at the earliest. However, no progress had been reported to the RAA as of 10 Sept.2021.*

*This issue was redeliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where the Gup reported that during the previous meeting with PAC, a call was made to Kencho Wangdi (Engineer) and he acknowledged to report to RAA and resolve it. He requested PAC to write a letter to his current organization regarding the requirement of his presence. The accountable person failed to report to RAA to resolve it. Therefore, it was requested*

to RAA to resolve this issue with the submission of work completion report by the gewog administration.

As per the decision of the PAC consultative meeting held on 10 Sept. 2021 the RAA has written a letter No.RAA/FUCD(R18)2021/1677 adted 14 Sept. 2021 to the Gewog Adm. to explore the possibility of securing resources to make the water supply systems functional and sustainable for the benefit of the users at the earliest.

## 1.2. UNJUSTIFIED & EXTRAVAGANT PAYMENT FOR 30HP ELECTRIC MOTOR PUMPS – Nu.0.500 MILLION

The Gewog Administration had procured two 30 HP electric motor pumps at Nu.0.500 million (Nu.0.250 million each) against the specification of one 50 HP electric motor pump with a quoted rate of Nu.0.065 million which had additional financial implication of Nu. 0.435 million. This resulted into an unjustified & extravagant payment for one 30 HP electric motor pump. The lapses had occurred apparently due to laxity of the dealing officials in exploring for the most competitive prices, when the rate for the alternative pump was abnormally high. *AIN: 14596; Observation: 1.7 & 1.8; Accountabilities: Direct: Kencho Wangdi Engineer, EID No. 200409002; Supervisory: Thinley Dorji, Ex-Gup, CID No. 10811002122.*

**Status:** *Observation not settled. The PAC consultative meeting held on 25/7/2019 reviewed the case including making site visits. The present Gup was instructed to convey ex Gup of the Committee's desire to conduct either public hearing or consultation meeting with them as the government expenditure had been rendered waste. The Gup was also instructed to find out the whereabouts of the contractor and inform the PAC at the earliest. However, no progress had been reported to the RAA as of 10 Sept.2021.*

*This issue was redeliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where the Gup reported that during the previous meeting with PAC, a call was made to Kencho Wangdi (Engineer) and he acknowledged to report to RAA and resolve it. He requested PAC to write a letter to his current organization regarding the requirement of his presence. The accountable person failed to report to RAA to resolve it. Therefore, it was requested to RAA to resolve this issue with the submission of work completion report by the gewog administration.*

*As per the decision of the PAC consultative meeting held on 10 Sept. 2021 the RAA has written a letter No.RAA/FUCD(R18)2021/1677 adted 14 Sept. 2021 to the Gewog Adm. to explore the possibility of securing resources to make the water supply systems functional and sustainable for the benefit of the users at the earliest.*

## 2. Shortfalls, lapses and deficiencies - Nu.0.480 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.480 million as summarised below:

Sl. No.	Observation in Brief	Unsettled reported as on 30/09/2020 (Nu. in million)	Settled (Nu. in million)	Unsettled as on 30/09/2021 (Nu. in million)
2.1.	Non-accountal of extracted materials	0.446	-	0.446
2.2.	Excess payment	0.034	-	0.034

2.3.	Defective Work	Unsettled	-	Unsettled
	<b>Total</b>	<b>0.480</b>		<b>0.480</b>

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

#### I.1. NON-ACCOUNTAL OF EXTRACTED MATERIALS - NU.0.446 MILLION

The Gewog Administration, Wangchang had paid Nu.0.446 million on account of hard rock cutting at an analyzed rate of Nu.348.46 per cubic meter for 1,280.30 cubic meter (40% of 3199.94 cubic meter of earth work excavation). However, the hard rock extracted was neither found accounted for in the 'Material at Site' (MAS) register, nor was the value of hard rock adjusted from the payments to contractor. The lapses had occurred apparently due to negligence on the part of the Site Engineer from making necessary record entries in the MAS register. *AIN: 14596; Observation: 1.1; Accountabilities: Direct: Kencho Wangdi Engineer, EID No. 200409002; Supervisory: Thinley Dorji, Ex-Gup, CID No. 10811002122.*

**Status:** *Observation not settled. The PAC consultative meeting held on 25/7/2019 reviewed the case including making site visits. The present Gup was instructed to convey ex Gup of the Committee's desire to conduct either public hearing or consultation meeting with them as the government expenditure had been rendered waste. The Gup was also instructed to find out the whereabouts of the contractor and inform the PAC at the earliest. However, no progress had been reported to the RAA as of 10 Sept.2021.*

*This issue was redeliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where the Gup reported that during the previous meeting with PAC, a call was made to Kencho Wangdi (Engineer) and he acknowledged to report to RAA and resolve it. He requested PAC to write a letter to his current organization regarding the requirement of his presence. The accountable person failed to report to RAA to resolve it. Therefore, it was requested to RAA to resolve this issue with the submission of work completion report by the gewog administration.*

*As per the decision of the PAC consultative meeting held on 10 Sept. 2021 the RAA has written a letter No.RAA/FUCD(R18)2021/1677 adted 14 Sept. 2021 to the Gewog Adm. to explore the possibility of securing resources to make the water supply systems functional and sustainable for the benefit of the users at the earliest.*

#### I.2. EXCESS PAYMENT - NU.0.034 MILLION

The Gewog Administration, Wangchang had made excess payment of Nu.0.034 million for items of works not executed as per Bill of Quantities (BoQ). The lapses had occurred due to improper verification of contractor's claims without ascertaining the actual quantity of work executed as per BoQ by the Site Engineer. *AIN: 14596; Observation: 1.4; Accountabilities: Direct: Kencho Wangdi Engineer, EID No. 200409002; Supervisory: Thinley Dorji, Ex-Gup, CID No. 10811002122.*

**Status:** *Observation not settled. The PAC consultative meeting held on 25/7/2019 reviewed the case including making site visits. The present Gup was instructed to convey ex Gup of the Committee's desire to conduct either public hearing or consultation meeting with them as the government expenditure had been rendered waste. The Gup was also instructed to find out the whereabouts of the contractor and inform*

*the PAC at the earliest. However, no progress had been reported to the RAA as of 10 Sept.2021.*

*This issue was redeliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where the Gup reported that during the previous meeting with PAC, a call was made to Kencho Wangdi (Engineer) and he acknowledged to report to RAA and resolve it. He requested PAC to write a letter to his current organization regarding the requirement of his presence. The accountable person failed to report to RAA to resolve it. Therefore, it was requested to RAA to resolve this issue with the submission of work completion report by the gewog administration.*

*As per the decision of the PAC consultative meeting held on 10 Sept. 2021 the RAA has written a letter No.RAA/FUCD(R18)2021/1677 adted 14 Sept. 2021 to the Gewog Adm. to explore the possibility of securing resources to make the water supply systems functional and sustainable for the benefit of the users at the earliest.*

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### I.3. DEFECTIVE WORKS

The Gewog Administration, Wangchang had not directed the contractor to rectify defects noted in Electric Water Pump system as follows:

- a. Cracks had developed and the layer of cement plaster on the floor and partition of RRM wall of the Reservoir tank was peeling off;
- b. the HDPE pipe joints were found dislocated/detached at several joints; and
- c. The RRM wall and plinth protection at Water Pump House had developed major cracks.

The lapses had occurred due to poor workmanship and lack of proper supervision and monitoring of work by concerned site supervisor. *AIN: 14596; Observations: 1.3, 1.5 & 1.9; Accountabilities: Direct: Kencho Wangdi, Engineer, EID No. 200409002; Supervisory: Thinley Dorji, Ex-Gup, CID No. 10811002122.*

**Status:** *Observation not settled. The PAC consultative meeting held on 25/7/2019 reviewed the case including making site visits. The present Gup was instructed to convey ex Gup of the Committee's desire to conduct either public hearing or consultation meeting with them as the government expenditure had been rendered waste. The Gup was also instructed to find out the whereabouts of the contractor and inform the PAC at the earliest. However, no progress had been reported to the RAA as of 10 Sept.2021.*

*This issue was redeliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where the Gup reported that during the previous meeting with PAC, a call was made to Kencho Wangdi (Engineer) and he acknowledged to report to RAA and resolve it. He requested PAC to write a letter to his current organization regarding the requirement of his presence. The accountable person failed to report to RAA to resolve it. Therefore, it was requested to RAA to resolve this issue with the submission of work completion report by the gewog administration.*

*As per the decision of the PAC consultative meeting held on 10 Sept. 2021 the RAA has written a letter No.RAA/FUCD(R18)2021/1677 adted 14 Sept. 2021 to the Gewog Adm. to explore the possibility of securing resources to make the water supply systems functional and sustainable for the benefit of the users at the earliest.*

## II. LUNGYI

The Gewog Administration, Lungnyi had unsettled irregularity of Nu.0.300 million reported to the Parliament in October 2020. The irregularity was as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Resolved (Nu. in Million)	Balance as on 30/09/2021	% Resolved
1	Fraud, Corruption & Embezzlement	0.300	0.300	-	100
	<b>Total</b>	<b>0.300</b>	<b>0.300</b>	<b>-</b>	

The detailed status of irregularity reported to the Parliament in October 2020 which got settled as on 30 Sept. 2021 is as discussed below:

### 1. Fraud, Corruption and Embezzlement

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

#### 1.1. NON-DISCLOSURE OF FUND RECEIVED FROM M/S HOTEL OLATHANG - NU.0.300 MILLION

The Gewog Administration, Lungnyi had not disclosed the receipt of Nu.0.300 million from M/s Olathang Hotel for improvement of farm road from takeoff point. M/s Olathang Hotel had provided additional financial assistance of Nu.0.300 million for improvement of steep gradient and congested turning at takeoff point by blacktopping the farm road and the amount was paid to the Ex-Gup vide voucher No.T-459 dated 9<sup>th</sup> July 2016.

However, on review of the total expenditure incurred for the activity, it was revealed that the contribution of Nu.0.300 million received from M/s Olathang hotel was neither used for construction of Farm Road, nor taken into account by the Gewog Administration. Further, the works for improvement of steep gradient and congested turning at takeoff point was found awarded as an additional work to M/s. Druk Jabab Construction for providing and laying of plain cement concrete at Nu.0.153 million. In addition, the amount was booked under closed work of M/s C.N Construction. *AIN: 14595; Observation: 1; Accountabilities: Direct: Jamtsho, Gup, CID No. 10806001674; Supervisory: Rinchen Penjor, Ex-Gup, CID No. 10806001228.*

**Status:** *Observation settled. The PAC consultative meeting held on 25/7/2019 at DT Hall Paro Dzongkhag instructed the Gup to inform the ex Gup to deposit the money and write formal letter to Dzongkhag, RAA and PAC at the earliest.*

*This issue was redeliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where the Gup reported that all works have been completed and the work completion report will be submitted to RAA.*

*The PAC advised the Gewog Administration, Lungnyi to submit the work completion report along with the pictorial evidence to RAA by 30 Sept. 2021 for review and appropriate decision.*

*The Gewog Administration accordingly submitted work completion report along with pictorial evidences, hence this issue was settled.*

### III. HUNGREL

The Gewog Administration, Hungrel had an irregularity of Nu.0.085 million reported to the Parliament in October 2020. The irregularity was settled as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Resolved (Nu. in Million)	Balance as on 30/09/2021	% Resolved
1	Fraud, Corruption & Embezzlement	0.085	0.085	-	100
	<b>Total</b>	<b>0.085</b>	<b>0.085</b>	<b>-</b>	

The detailed status of irregularity reported to the Parliament in October 2020 which got settled as on 30 Sept. 2021 is as discussed below:

#### 1. Fraud, Corruption & Embezzlement

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

##### 1.1. SHORTAGE OF RWSS MATERIALS - NU.0.085 MILLION

The Gewog Administration, Hungrel had shortage of RWSS materials worth Nu.0.085 million. In addition, the stock entry was found done by Gewog Engineer instead of Gewog Administrative Officer which was highly irregular. The lapses had apparently occurred due to laxity on part of the dealing officials. *AIN: 14594: Observation: 1.2; Accountabilities: Direct: Sangay, Ex.Gup, CID No. 10804001045; Supervisory: Gyem Thinley, Gup, CID No. 10804000025.*

**Status:** *Observation settled. As per the letter No. Nga/-4-Adm./2019-2020/244 dated 18/12/2019 despite repeated reminder by the Gewog the responsible persons viz. Ex-Gup & Site Engineer didn't respond.*

*This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where the Site Engineer reported that the documents relating to reconciliation of the HDPE pipes were recently submitted to RAA. However, on review of the documents submitted by the Gewog, RAA could not accept the documents/justifications as there was no stock balance of pipes worth Nu.85,184/- . Hence, it was recommended for the recovery of the amount as per the follow-up report.*

*Subsequently, the amount was deposited with the RAA and the issue was settled.*

#### 1.1.3.2. GEWOGS ADMINISTRATION UNDER GASA DZONGKHAG

##### I. LAYA

Out of the total unsettled irregularities of Nu.2.740 million reported to the Parliament in October 2020, the Gewog Administration, Laya had not settled any irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Resolved (Nu. in Million)	Balance as on 30/09/2021	% Resolved
1	Shortfalls, lapses and deficiencies	2.740	-	2.740	-
	<b>Total</b>	<b>2.740</b>		<b>2.740</b>	

The detailed status of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

### 1. Shortfalls, lapses and deficiencies - Nu.2.740 million

There were cases of shortfalls, lapses and deficiencies involving Nu.2.740 million as summarised below:

Sl. No.	Observation in Brief	Unsettled reported as on 30/09/2020 (Nu. in million)	Settled (Nu. in million)	Unsettled as on 30/09/2021 (Nu. in million)
1.1.	Payment of TA/DA claims without proper supporting documents	0.037	-	
1.2.	Missing vouchers	2.703	-	
	<b>Total</b>	<b>2.740</b>		

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

#### 1.1. PAYMENT OF TA/DA CLAIMS WITHOUT PROPER SUPPORTING DOCUMENTS - Nu.0.037 MILLION

The Gewog Administration, Laya had made payments of Nu.0.037 million on account of TA/DA payments without any supporting documents. The official had not submitted the TA/DA bills, Travel Authorization, Travel Allowance Claim, Office Order, Tour Report and most importantly the payments were made in cash. *AIN: 14814; Observation: 4; Accountabilities: Direct: Sonam Wangchuk, Accountant, EID No. 200807278; Supervisory: Hament Gurung, Account Officer, EID No. 201201154; Lhakpa Tshering, CID No. 10403000672.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 12 Aug. 2021 in the DYT hall of Punakha Dzongkhag where the Gewog Adm. reported that Sonam Wangchuk, Accountant, EID No. 200807278 has been directed by Ministry of Finance to compulsorily retire without any retirement benefits.*

*The RAA reported that as per the RAA's record Sonam Wangchuk had served as an Accountant of Dzongkhag Administration & Gewog of Gasa and Jigme Dorji National Park and has a record of such lapses in the past. The PAC directed the Dzongkhag Adm. to submit a copy of letter received from MoF relating to compulsory retirement of Sonam Wangchuk without benefits to RAA by 31 Aug. 2021 for review and appropriate decision.*

#### 1.2. MISSING VOUCHERS - Nu.2.703 MILLION

The Gewog Administration, Laya had failed to produce 27 disbursement vouchers for Nu.2.703 million. The lapses had occurred apparently due to laxity on the part of the

dealing accountant who had failed to hand over the accounting records to the next dealing person before his departure. Also, the management had neither attempted to recover the money nor taken any action against the official concerned. *AIN: 14814; Observation: 5; Accountabilities: Direct: Sonam Wangchuk, Accountant, EID No. 200807278; Supervisory: Hament Gurung, Account Officer, EID No. 201201154.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 12 Aug. 2021 in the DYT hall of Punakha Dzongkhag where the Gewog Adm. reported that Sonam Wangchuk, Accountant, EID No. 200807278 has been directed by Ministry of Finance to compulsorily retire without any retirement benefits.*

*The RAA reported that as per the RAA's record Sonam Wangchuk had served as an Accountant of Dzongkhag Administration & Gewog of Gasa and Jigme Dorji National Park and has a record of such lapses in the past. The PAC directed the Dzongkhag Adm. to submit a copy of letter received from MoF relating to compulsory retirement of Sonam Wangchuk without benefits to RAA by 31 Aug. 2021 for review and appropriate decision.*

## II. LUNANA

Out of the total unsettled irregularities of Nu.0.154 million reported to the Parliament in October 2020, the Gewog Administration, Lunana had not settled any irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Resolved (Nu. in Million)	Balance as on 30/09/2021	% Resolved
1	Shortfalls, lapses and deficiencies	0.154	-	0.154	-
	<b>Total</b>	<b>0.154</b>	<b>-</b>	<b>0.154</b>	

The detailed status of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

### 1. Shortfalls, lapses and deficiencies – Nu.0.154 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.154 million as summarised below:

Sl. No.	Observation in Brief	Unsettled reported as on 30/09/2020 (Nu. in million)	Settled (Nu. in million)	Unsettled as on 30/09/2021 (Nu. in million)
1.1.	Shortage of HSD	0.078	-	0.078
1.2.	Irregular adjustment/payment	0.038	-	0.038
1.3.	Double payment of TA/DA claims	0.038	-	0.038
	<b>Total</b>	<b>0.154</b>	<b>-</b>	<b>0.154</b>

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

#### 1.1. SHORTAGE OF FUEL - NU.0.078 MILLION



The Gewog Administration, Lunana had shortages of 1,610 liters of High Speed Diesel (HSD) fuel worth Nu.0.078 million. A total of 10,210 liters of HSD fuel was purchased exclusively for fueling the Central Machinery Unit's excavator, of which the logbook records reflected usages of 7,400 liters and stock balance of 1,200 liters (sixbarrels) with resultant shortage of 1,610 liters. The lapses had occurred due to lack of adequate checks and proper system for receipts and issue of fuel at site. *AIN: 14809; Observation; 2.1; Accountabilities: Direct: Sherab Chophel, GAO, EID No. 200705080; Supervisory: Gyembo Tshering, Ex-Gup, CID NO. 10404000122; Kaka, Gup, CID No. 10404000432.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 12 Aug. 2021 in the DYT hall of Punakha Dzongkhag where the Mangmi reported that the machine operator did not updated the daily log book for the work done by machine. However, the works was completed.*

*The RAA stated that even though the log book for the work done was not updated by the machine operator, the fuel consumption can be ascertained from the total distance of road constructed by the machine vis-à-vis fuel consumed.*

*The PAC directed the Gewog Adm. to prepare a report on fuel consumption based on the quantity of work done and submit to RAA by 31 Aug. 2021 for review and appropriate decision.*

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## 1.2. IRREGULAR ADJUSTMENT/PAYMENT - NU.0.038 MILLION

The Gewog Administration, Lunana had made excess payment of Nu.0.038 million due to arithmetical error in the bill submitted by Gewog Administrative Officer for repairing the drilling machine used in the construction of farm road from Goentsephu to Ramina. The lapses had occurred apparently due to negligence of concerned officials in processing the payments without proper scrutiny of the supporting documents. *AIN: 14809; Observation: 2.2; Accountabilities: Direct: Sherab Chophel, GAO, EID No. 200705080; Supervisory: Gyembo Tshering, Ex-Gup, CID NO. 10404000122; Kaka, Gup, CID No. 10404000432.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 12 Aug. 2021 in the DYT hall of Punakha Dzongkhag where the Gewog Adm. reported that during follow-up with Sherab Chophel (transferred to NLC) for the recovery of the amount stated that he couldn't remember whether he deposited the amount or not. Therefore, the administration requested him to either deposit the amount or submit the deposit slip if he has already deposited the amount.*

*RAA reported that, as per the Financial Rules & Regulations it is mandated to file a legal suit against any financial irregularities that has remained unresolved for more than one year. In case of failure to take legal recourse by the management in resolving the same, the head of agency shall be held accountable for it.*

*The PAC directed the Gewog Adm. to recover the amounts if not take legal recourse against the accountable persons and report to RAA by 31 Aug. 2021.*

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## 1.3. DOUBLE PAYMENT OF TA/DA CLAIMS - NU.0.038 MILLION

The Gewog Administration, Lunana had made double payments of Nu.0.038 million on account of TA/DA paid to Gewog Officials in the construction of Ramina Farm Road. The

lapses had occurred apparently due to lack of proper internal controls. *AIN: 14809; Observation: 2.4; Accountabilities: Direct: Sherab Chopel, GAO, EID No. 200705080; Gyembo Tshering, Ex-Gup, CID NO. 10404000122; Supervisory: Gyembo Tshering, Ex-Gup, CID NO. 10404000122; Kaka, Gup, CID No. 10404000432.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 12 Aug. 2021 in the DYT hall of Punakha Dzongkhag where the Gewog Adm. reported that the amount to be recovered from Sherab Chopel (currently employed in Land Commission) was Nu. 51,820/- (principal 27,500+ interest 24,320). The administration during follow-up with Sherab Chopel for the recovery of the same stated that he couldn't remember whether he deposited the amount or not. Therefore, the administration requested him to either deposit the amount or submit the deposit slip if he has already deposited the amount.*

*In case of Gembo Tshering, Ex-Gup, it was reported that the amount to be recovered from him was Nu. 18,843/- (principal 10,000+interest 8,843) but he couldn't be traced.*

*RAA reported that, as per the Financial Rules & Regulations it is mandated to file a legal suit against any financial irregularities that has remained unresolved for more than one year. In case of failure to take legal recourse by the management in resolving the same, the head of agency shall be held accountable for it.*

*The PAC directed the Gewog Adm. to recover the amounts if not take legal recourse against the accountable persons and report to RAA by 31 Aug. 2021.*

### III. KHAMOED

The Gewog Administration, Khamoed had not settled irregularity of Nu.0.100 million reported to the Parliament in October 2020. The unsettled irregularity as on 30 Sept. 2021 is as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Resolved (Nu. in Million)	Balance as on 30/09/2021	% Resolved
1	Shortfalls, lapses and deficiencies	0.100	-	0.100	-
	<b>Total</b>	<b>0.100</b>	<b>-</b>	<b>0.100</b>	

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Shortfalls, lapses and deficiencies - Nu.0.100 million

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

##### 1.1. SHORTAGES OF FUEL - NU.0.100 MILLION

The Gewog Administration, Khamoed had shortages of 2,087 liters of High Speed Diesel (HSD) fuel worth Nu.0.100 million. The Gewog Administration had incurred an expenditure of Nu.0.772 million in FY 2015-16 for procurement of HSD to fuel machineries hired from CMU Bumthang for the construction/maintenance of various Farm Road and Irrigation Chanel under GDG funding. The verification of expenditure

vouchers, bills/PoL cash memos, stock ledger and Machine Log Book revealed shortage of 2,087 litres of HSD. The lapses occurred apparently due to lack of checks and balance in procurement and issue of HSD. *AIN: 14788; Observation: 1; Accountabilities: Direct: Ugyen Tshering, Ex-Mangmi, CID No.10401000040, Supervisory: Karma Tshering, Ex-Gup, CID No. 10401000250.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 12 Aug. 2021 in DYT hall of Punakha Dzongkhag and the Mangmi reported that the machine operator did not update the daily log book for the work done by machine. However, the work was completed.*

*RAA submitted that even though the log book for the work done was not updated by the machine operator, the fuel consumption can be assumed from the total amount of work carried out (Length of road constructed with the use of said machine).*

*It was decided that the Gewog Adm. should prepare a comparative report on fuel consumed vis-à-vis actual distance of road constructed by the machine and submit the report to RAA by 31 Aug. 2021 for review and decision.*

### 1.1.3.3. GEWOG ADMINISTRATIONS UNDER MONGGAR DZONGKHAG

#### I. SALING

Out of the total unsettled irregularity of Nu.0.190 million reported to the Parliament in October 2020, the Gewog Administration, Saling had not settled the irregularity as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	1	% Resolved
2	Shortfalls, lapses and deficiencies	0.190	-	0.190	0
	<b>Total</b>	<b>0.190</b>		<b>0.190</b>	

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 2. Shortfalls, lapses and deficiencies - Nu.0.190 million

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

##### 2.1. NON DEDUCTION OF REBATE OFFERED - NU.0.190 MILLION

The Gewog Administration, Saling had not deducted Nu.0.303 million offered as lump sum rebate by the contractor in the construction of Meeting Hall at Lingmithang. The lapses had occurred apparently due to improper verification and certification of contractor's bills for payment by site engineer which is indicative of lack of internal controls. *AIN: 14568; Observation: 4(a); Accountabilities: Direct: Tenzin Dema, JE, EID No. 200707076; Supervisory: Choney Dorji, Gup, CID No. 10704001091.*

**Status:** Observation not settled. The PAC consultative meeting held at Samdrupjongkhar from 27 to 28/09/19 instructed the Gewog Administration to follow up with the Contractor to recover the rebate.

The issue was redeliberated during the PAC consultative meeting held on 3 Aug. 2021 in the DYT hall of Trashigang Dzongkhag and the Gewog Adm. reported that the amount could not be recovered so far as the final bill was still pending as a case relating to this construction is under litigation in Mongar Court. The PAC advised Gewog Administration to follow up with Mongar Court and submit an update to RAA by 31 Aug. 2021.

## II. NARANG

Out of the total unsettled irregularity of Nu.0.046 million reported to the Parliament in October 2020, the Gewog Administration, Narang had not settled any irregularity as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	0.046	-	0.046	-
	<b>Total</b>	<b>0.046</b>	<b>-</b>	<b>0.046</b>	

The detailed status of the irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

### 1. Shortfalls, lapses and deficiencies - Nu.0.046 million

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

#### 1.1. EXCESS PAYMENT - NU.0.046 MILLION

The Gewog Administration, Narang had made excess payments of Nu.0.046 million in the construction of Retaining wall at Khalong Junction due to payments made for quantities in excess of works executed at site. The lapses had occurred apparently due to improper verification and certification of contractor's bills for payment, which is indicative of weak internal controls. *AIN: 14503; Observation: 1; Accountabilities: Direct: Tshewang Rinzin, AE III, EID No. 9301052; Supervisory: Tandin Wangchuk, Gup, CID No. 10705003815.*

**Status:** Observation not settled. The PAC consultative meeting held at Samdrupjongkhar from 27 to 28/09/19 instructed the Gewog to submit all the action taken report to OAAG, Bumthang besides recovering the amount. No documents were submitted to OAAG, Bumthang. Reminder letter issued vide letter No.RAA-BT/Fus-03/2019/1006 dated 29/11/2019.

The issue was redeliberated during the PAC consultative meeting held on 3 Aug. 2021 in the DYT hall of Trashigang Dzongkhag where the Gup stated that since this memo was issued before his joining as Gup it has become difficult to justify it and resolve the issue. It was reported that contractor had cancelled his license and is doing some other work. When the contractor was approached the contractor told

*that the amount was refunded to the engineer. The engineer verbally acknowledged the receipt of the same but failed to acknowledge the same in writing as requested by the Gewog Administration. Since there is no legal focal person in the Gewog Administration, the Dzongkhag Administration was requested to take up the matter for legal action. The PAC directed the Gewog Administration to update RAA on the action taken by 31 Aug. 2021.*

#### **1.1.3.4. GEWOGS ADMINISTRATION UNDER SARPANG DZONGKHAG**

##### **I. GAKIDLING**

The Gewog Administration, Gakidling had not settled irregularity of Nu.0.742 million reported to the Parliament in October 2020. The unsettled irregularity as on 30 Sept. 2021 is summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	0.742	-	0.742	-
	<b>Total</b>	<b>0.742</b>	<b>-</b>	<b>0.742</b>	

The status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### **1. Shortfalls, lapses and deficiencies – Nu.0.742 million**

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

##### **1.1. NON-RECEIPT OF REFUND AGAINST EXCESS PAYMENT AND OTHER LEVIES ON TERMINATION OF CONTRACT - NU.0.742 MILLION**

The Gewog Administration, Gakidling had terminated the contract for construction of farm road from Char to Sarpang Seer vide letter *No.GA/PA-7(06)/2016-17/678* dated 14<sup>th</sup> October 2016 based on the decision of the 8<sup>th</sup> Dzongkhag Tender Committee Meeting held 10<sup>th</sup> October 2016.

Subsequently, the contractor was notified to refund excess payment of Nu.0.811 million vide letter *No. GA/PA-7(06)/2016-17/701 dated 10/11/2016*. The valuation of work executed was worked out as Nu.3.344 million and the total payment till 30<sup>th</sup> October 2016 amounted to Nu.4.165 million i.e. Mobilisation Advance of Nu.0.570 million; 1<sup>st</sup> RA Bill of Nu.1.948 million; and 2<sup>nd</sup> RA Bill of Nu.1.647 million.

However, review of the valuation of works executed and payments revealed that the total amount refundable by the contractor on termination of contract was miscalculated and the correct excess payment amounted to Nu.0.742 million.

The lapses had occurred mainly due to negligence on the part of officials verifying and passing the payment. *AIN: 14551; Observation: 1; Accountabilities: Direct: Sigyal Wangchuk, JE, EID No. 20140103486; Supervisory: Nim Dorji Sherpa, Gup, CID No. 11307002551,*

**Status:** Observation not settled. It was reported that the defendant has appealed to High Court after verdict was issued in favour of Dzongkhag Administration.

## II. GELEPHU

Out of the total unsettled irregularities of Nu.0.349 million reported to the Parliament in October 2020, the Gewog Administration, Gelephu had settled all the irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Resolved (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Violation of laws and rules	0.196	0.196	-	100
2	Shortfalls, lapses and deficiencies	0.153	0.15	-	100
<b>Total</b>		<b>0.349</b>	<b>0.349</b>	<b>-</b>	

The detailed status of irregularities reported to the Parliament in October 2020 which were settled as on 30 Sept. 2021 are as discussed below:

### 1. Violations of laws and rules

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

#### 1.1. NON-LEVY OF LIQUIDATED DAMAGES - NU.0.196 MILLION

The Gewog Administration, Gelephu had not levied liquidated damages of Nu.0.196 million for non-completion of works in the maintenance of Passangchhu Irrigation Channel at Pelrithang Khatoe. The contractor had neither submitted work completion report nor the final bill. The lapses had occurred due to non-compliance to contract terms and conditions. *AIN: 14627; Observation: 1.3; Accountabilities: Direct: Ugyen Phuntsho, JE, EID No. 20140103485; Supervisory: Ugyen Wangchuk, Gup, CID No. 11306002353.*

**Status:** Observation settled as an amount of Nu. 307,503.70 was deposited vide receipt No. A01000 of 27/10/2020 and balance dropped based on the supporting documents.

### 2. Shortfalls, Lapses and Deficiencies

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

#### 2.1. EXCESS PAYMENT - NU.0.153 MILLION

The Gewog Administration, Gelephu had made excess payments of Nu.0.153 million in the maintenance of Passangchhu Irrigation Channel at Pelrithang Khatoe. The total cost of work as per the final measurement of works executed was Nu.1.383 million, but the contractor was paid Nu.1.536 million through 5 Running Account Bills. The excess payment against running bills indicated that the bills were entertained without proper verification of the works executed. *AIN: 14627; Observation: 1.1; Accountabilities: Direct: Ugyen Phuntsho, JE, EID No. 20140103485, CID No. 10103001714; Supervisory: Ugyen Wangchuk, Gup, CID NO.11306002353.*

*Status: Observation settled as an amount of Nu. 307,503.70 was deposited vide receipt No. A01000 of 27/10/2020 and balance dropped based on the supporting documents.*

### 1.1.3.5. GEWOGS ADMINISTRATION UNDER PUNAKHA DZONGKHAG

#### I. GOENSHARI

Out of the total unsettled irregularity of Nu.0.117 million reported to the Parliament in October 2020, the Gewog Administration, Goenshari had settled the irregularity as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Resolved
1	Fraud, Corruption & Embezzlement	0.117	0.117	-	100
	<b>Total</b>	<b>0.117</b>	<b>0.117</b>	<b>-</b>	

The detailed status of irregularity reported to the Parliament in October 2020 which got resolved as on 30 Sept. 2021 is as discussed below:

#### 1. Fraud, Corruption and Embezzlement - Nu.0.117 million

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

##### 1.1. IRREGULAR ADJUSTMENT OF REPAIR AND MAINTENANCE AGAINST THE LEASE RENT OF KOMA TSHACHU - NU.0.117 MILLION

The Gewog Administration, Goenshari had irregularly accepted adjustment of Nu.0.117 million on account of repair and maintenance charges of *Koma Tshachu* from the annual lease fees. As against a total of annual lease fees of Nu.0.137 million for 2015 and 2016, the lessee had deposited Nu.0.020 million into the Gewog's CD Account and remaining Nu.0.117 million adjusted as expenditure incurred for repair and maintenance works without supporting documents and obtaining approval from the Gewog Tshogde. *AIN: 14656; Observation: 2; Accountabilities: Direct: Gem Dorji, CID No. 11003000106; Supervisory: Yeshe Dorji, Goenshari Gup, CID No. 11003000462.*

*Status: Observation settled vide RAA/OAAG(T)FUS-01/2019-2020/0238 dated 02/10/2019.*

#### II. TALOG

The Gewog Administration, Talog had not settled irregularity of Nu.0.116 million reported to the Parliament in October 2020 as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	0.116	-	0.116	-
	<b>Total</b>	<b>0.116</b>	<b>-</b>	<b>0.116</b>	

The detailed status of irregularity reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

## 1. Shortfalls, lapses and deficiencies - Nu.0.116 million

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

### 1.1. NON-ACHIEVEMENT OF WATER SUPPLY SCHEME AND OTHER LAPSES - NU.0.116 MILLION

The Gewog Administration, Talog had irregularities in the Rural Water Supply Scheme (RWSS) rehabilitation and for the spring protection works during the FY 2015-2016 as under:

- i. Materials costing Nu.0.079 million were procured for the RWSS work at Pachakha of which materials worth Nu.0.044 million were found missing during the joint physical verification and the rest were found lying idle under custody of Tshogpa.
- ii. HDPE pipes costing Nu.0.100 million was procured for Nobgang village of which pipes worth Nu.0.035 million were found short and rest were found unutilised.
- iii. The stock entries were made by unauthorized officials and reflected as directly issued to site.
- iv. Muster Roll payments aggregating to Nu.0.036 million was shown as paid to masons for works that were not executed at site.

The Gewog Administration had been asked to submit the completion report and comprehensive investigation report on missing materials and irregular payment of muster roll. *AIN: 14655; Observation; 1; Accountabilities: Direct: Lal Bdr. Chhetri, Asst. Engineer, EID No. 200607012; Supervisory: Tandin Dorji, DE, EID No. 200401026.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 13 Aug. 2021 in the DYT hall of Punakha Dzong where the Gup reported that this issue was not resolved because the Site Engineer, LB Chhetri could not be traced till now. The Gup further stated that materials procured were stored in central store and was distributed to the Gewogs by the store keeper.*

*However, the Site Engineer, LB Chhetri had come forward and attended the PAC meeting on 13 Aug. 2021 and he explained that he was dismissed from the service from the Dzongkhag after he was fired by the Dzongdag due to some issues. Therefore, he stated that he could not come to resolve the issues until now.*

*The PAC directed the Gewog Administration alongwith the Dzongkhag Engineering Sector to reconcile the un-accounted construction materials vis-à-vis actual work done and report submitted to RAA by 31 Aug. 2021 for review and decision.*

## AUTONOMOUS AGENCIES

### 1.1.3.6. THIMPHU THROMDE

Out of the total unsettled irregularities of Nu.0.230 million reported to the Parliament in October 2020, Thimphu Thromde had settled irregularities of Nu.0.120 million leaving a balance of Nu.0.110 million. It is also to mention that two irregularities without the



involvement of monetary amount were also resolved as on 30 Sept. 2021 as summarized below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
2	Violation of laws and rules	-	-	-	-
3	Shortfalls, lapses and deficiencies	0.230	0.120	0.110	52.17
	<b>Total</b>	<b>0.230</b>	<b>0.120</b>	<b>0.110</b>	

The detailed status of irregularities reported to the Parliament in October 2020; irregularities settled thereafter and unsettled ones as on 30 Sept. 2021 are as discussed below:

## 1. Violation of Laws & Rules

There were cases of violation of laws & rules involving Nu.0.268 million as summarised below:

Sl. No.	Observation in Brief	Unsettled reported as on 30/09/2020 (Nu. in million)	Settled (Nu. in million)	Unsettled as on 30/09/2021 (Nu. in million)
2.2	Decision of Thromde Tshogde meeting not in line with the Thromde Rules, 2011	Unsettled	-	Settled
2.3	Non-production of supporting documents	Unsettled	-	Settled
2.4	Irregularities in awarding of work and non-production of documents	Unsettled	-	Unsettled
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

### 2.2 DECISION OF THROMDE TSHOGDE MEETING NOT IN LINE WITH THE THROMDE RULES

The Thromde Tshogde had approved various agendas which were not in line with the Thromde Rules, 2011 and Development Rules and Regulations, 2002. In most of the cases, the Thromde Tshogde had waived-off penalties, imposed nominal fees and regularized illegal construction, etc. beyond the delegated authority. *AIN: 14467; Observation: 8; Accountabilities: Direct: Kinley Dorji, Thrompon, CID No. 11410000297; Supervisory: Kinley Dorji, Thrompon, CID No. 11410000297.*

**Status:** *Observation settled in view of the action initiated and assurance provided by the Thromde.*

### 2.3 NON-PRODUCTION OF SUPPORTING DOCUMENTS

Thimphu Thromde did not produce documents for payment of Nu.4.901 million made to the Managing Director, NHDCL on account of compensation for demolition of six Government quarters for multi-level car parking construction. In absence of the

documents relating to demolition, the correctness of the payment could not be ascertained.

In addition, the stock register for water meters was not made available due to which the correctness of the water meters sold and amounts collected/deposited could not be ascertained. *AIN: 14467; Observation: 18; Accountabilities: Direct: Govind Sharma, Sr. Architect, EID No. 201001102; Supervisory: Govind Sharma, Sr. Architect, EID No. 201001102.*

**Status:** *Observation settled as the RAA managed to obtain the system printed receipt voucher from NHDCL for the sum of Nu.4,900,603.00 on 04/06/2020. Based on the receipt voucher, the observation was dropped.*

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## 2.4 IRREGULARITIES IN AWARDING OF WORK AND NON-PRODUCTION OF DOCUMENTS

Thimphu Thomde had irregularities in awarding the construction of storm water drain at Yangchenphug High School and maintenance of city drains. Bid Evaluation Committee had initially disqualified all the bids as none of the firms submitted the details of equipment and human resource. However, the committee later decided to award the work to M/s Yardak Construction based on his lowest financial bid and ignoring the technical capacity.

Further, deposit of EMD of Nu.0.180 million which was forfeited due to failure to execute the work by the contractor into RGR Account could not be verified due to non-production of related documents. *AIN: 14467; Observation: 19; Accountabilities: Direct: Sonam Wangchuk, Asstt. Land Registrar I, EID No. 200605039; Supervisory: Sonam Wangchuk, Asstt. Land Registrar I, EID No. 200605039.*

**Status:** *Observation not settled. Thimphu Thomde was asked to furnish the evidence of having forfeited the EMD of Nu.180,000.00 and deposited into government account. Based on the decision of PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu, the bi-lateral meeting between RAA and Thimphu Thomde was held on 20/12/19. However, Thimphu Thomde had not taken action as of 30 Aug. 2021 as per the decision of the bilateral meeting held on 20/12/2019.*

*The issue was redeliberated during PAC consultative meeting held on 30 Aug. 2021 in the NC conference hall where Thimphu Thomde reported that accountable person has gone to Australia for studies. Upon receipt of follow-up letter from RAA, Thomde communicated the same to the accountable person's wife but no response was received. However, Thomde is planning to recover the amount from Sonam Wangchuk's retirement benefits.*

*The RAA stated that, this issue had remained unresolved for many years and Thomde had not taken any legal recourse as mandated by Financial Rules & Regulation whereby the head of agency is mandated to take legal recourse against any financial irregularities remaining pending for more than a year. In such cases if legal recourse is not taken head of agency shall be held accountable.*

*It was decided that, Thomde should either communicate with Sonam Wangchuk or recover the amount from him or from his retirement benefit. In case of failure to recover the amount from him by 15 September 2021, Thomde should take a legal recourse.*

### 3 Shortfalls, lapses & deficiencies – Nu.0.110 million

There were cases of shortfalls, lapses & deficiencies involving Nu.16.222 million as summarised below:

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

#### 3.2 EXCESS PAYMENT - NU.0.110 MILLION

- a) Thimphu Thromde had made an excess payment of Nu.0.110 million to M/s Thuenlam Construction for intermediate wall and slope stabilization works at Youth Development premises. The excess payment had occurred due to payment for quantities in excess of quantities actually executed at site. *AIN: 14467; Observation: 10; Accountabilities: Direct: Teknath Karaia, Dy. Executive Engineer, EID No. 201001178; Supervisory: Tshering Peljore, Forest Officer, EID No. 9211045.*

**Status:** *Observation not settled. Based on the decision of PAC consultative meeting held from 25 to 26/11/19 at National Assembly Hall, Thimphu, the bi-lateral meeting between RAA and Thimphu Thromde was held on 20/12/19. However, the issue remained unresolved as of 30 Aug. 2021.*

*The issue was redeliberated during the PAC consultative meeting held on 30 Aug. 2021 in NC Conference hall, Thimphu where the Thromde reported that upon following up with the contractor for the recovery of the amount, the contractor verbally acknowledged to pay the amount but had not paid yet. The contractor was reported to be in Thimphu and Thromde is insisting for the recovery of the amount.*

*The PAC advised the Thromde to recover the amount from the contractor by 15 Sept. 2021 if not take a legal recourse.*

- b) Thimphu Thromde had made excess payments aggregating to Nu.0.120 million to M/s NITT Construction on account of construction of Storm Water Drain at Yangchenphu Higher Secondary School & City Drain, Taba. The excess payments had occurred due to acceptance of excess measurements and arithmetical error in the measurement book as against the actual quantities of work executed at site. *AIN: 14467; Observation: 12; Accountabilities: Direct: Kumar Subba, Asstt. Engineer IV, EID No. 201101254; Supervisory: Kumar Subba, Asstt. Engineer-IV, EID No. 201101254.*

**Status:** *Observation settled based on the amount recovered vide receipt No.03068 dated 30/06/2021.*

#### 1.1.3.7. DRATSHANG LHENTSHOG

Out of the total unsettled irregularities of Nu.16.551 million reported to the Parliament in October 2020, Dratshang Lhentshog had not settled any irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Violation of laws and rules	2.340	-	2.340	-
2	Shortfalls, lapses and deficiencies	14.211	-	14.211	-
	<b>Total</b>	<b>16.551</b>	<b>-</b>	<b>16.551</b>	

The detailed status of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

### 1. Violation of laws and rules - Nu.2.340 million

There were cases of violation of laws and rules involving Nu.2.340 million as summarised below:

Sl. No.	Observation in Brief	Unsettled reported as on 30/09/2020 (Nu. in million)	Settled (Nu. in million)	Unsettled as on 30/09/2021 (Nu. in million)
1.1	Non-levy of 10% Liquidated damages for delay in completion of work	Unsettled	-	Unsettled
1.2	Avoidable expenditure on consultancy fee	2.340	-	2.340
	<b>Total</b>	<b>2.340</b>	<b>-</b>	<b>2.340</b>

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

#### 1.1. NON-LEVY OF 10% LIQUIDATED DAMAGES FOR DELAY IN COMPLETION OF WORK

The Dratshang Lhentshog had not levied 10% liquidated damages for delay in completion of work in the construction of *Losel Yanchenling Anim Zhirim Lobdra Tewa* at Yagpogang, Monggar as per General Conditions of Contract (GCC). *AIN: 14751; Observation: 1.1; Accountabilities: Direct: Rinzin Phurba, Project Engineer, EID No. 9507029; Supervisory: Ugyen Tshering, Project Manager, EID No. 200901028.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where Dratshang Lhentshog reported that the amount had been adjusted during the settlement of the final bill but wasn't clearly communicated to RAA.*

*The PAC advised the Dratshang Lhentshog to submit the endorsed document related to the settlement of the accounts to RAA by 30 Sept. 2021 for review and appropriate decision.*

#### 1.2. AVOIDABLE EXPENDITURE ON CONSULTANCY FEE - Nu.2.340 MILLION

The Dratshang Lhentshog had incurred an avoidable expenditure of Nu.2.340 million on account of consultancy service fee of Nu.0.060 million per month paid to M/s Basic Consultancy hired as the Supervision Consultant for the construction of *Losel Yanchenling Anim Zhirim Lobdra Tewa* at Yagpogang, Monggar. The Consultant was paid

for 39 months even after the expiry of contract duration on 19<sup>th</sup> February, 2014 and the work progress was delayed by more than three year at the time of Audit in April 2017.

The delay in completion of works by the contractor was aggravated by the failure of the Supervision Consultant in its responsibility and thus the payment of consultancy service fee for supervision was not justifiable. *AIN: 14751; Observation: 1.2; Accountabilities: Direct: Rinzin Phurba, Project Engineer, EID No. 9507029; Supervisory: Ugyen Tshering, Project Manager, EID No. 200901028.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Project Manager reported that the Government of India funded four major projects in Bhutan. Out of the four projects, one was executed in Mongar. Since the project was executed in Mongar and the supervisory personnel were stationed at Thimphu (Management of Dratshang Lhentshog) a need was felt to deploy an employee to Mongar to supervise the execution of the works. Due to shortage of manpower, consultation firm was sent to Mongar to supervise the work for timely and quality execution of work.*

*The PAC advised the Dratshang Lhentshog to submit all the justifications related to this issue to RAA by 30 Sept. 2021 for review and appropriate decision.*

## 2. Shortfalls, lapses and deficiencies - Nu. 14.211 million

There were cases of Shortfalls, lapses and deficiencies involving Nu.14.211million as summarised below:

Sl. No.	Observation in Brief	Unsettled reported as on 30/09/2020 (Nu. in million)	Settled (Nu. in million)	Unsettled as on 30/09/2021 (Nu. in million)
2.1.	Excess Payment to Contractor	0.052	-	0.052
2.2.	Outstanding PW Advances	14.159	-	14.159
	<b>Total</b>	<b>14.211</b>	<b>-</b>	<b>14.211</b>

The cases of Shortfalls, lapses and deficiencies involving Nu.14.211 million are as indicated below:

### 2.1. EXCESS PAYMENT TO CONTRACTOR - Nu.0.052 MILLION

The Dratshang Lhentshog had made excess payments amounting to Nu.0.052 million to contractor due to payment at rates higher than quoted rates for some items of works in the construction of *Losel Yanchenling Anim Zhirim Lobdra Tewa* at Yagpogang, Monggar. The lapses had occurred due to oversight by the Consultant Engineer and Project Engineer during the verification of bills, indicating weakness in internal control. *AIN: 14751; Observation: 1.3; Accountabilities: Direct: Rinzin Phurba, Project Engineer, EID No. 9507029; Supervisory: Ugyen Tshering, Project Manager, EID No. 200901028.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where Project Manager reported that LD was deducted twice from the contractor. One from the running bill and another during the settlement of final bill. Extra LD of Nu. 8, 00,000/- was deducted from the contractor and was deposited into the management's account.*

*The PAC directed the Dratshang Lhentshog to submit the evidence of such extra deduction made from the contractor to RAA for review and appropriate decision.*

## 2.2. OUTSTANDING PW ADVANCES - NU.14.159 MILLION

The Dratshang Lhentshog had overdue Public Works Advances amounting to Nu.16.297 million lying unadjusted against contractor in the construction of *Losel Yangchenling Anim Zhirim Lobdra Tewa* at Yagpogang, Monggar. The contractor had completed about 95% of the work at the time of audit in April 2017, but Mobilization Advance of Nu.2.985 million and Secured Advance of Nu.13.312 million were still lying unadjusted from the contractor.

All advances should have been recovered when 80% of contract works were completed as per General Conditions of Contract. *AIN: 14751; Observation: 1.5; Accountabilities: Direct: Rinzin Phurba, Project Engineer, EID No. 9507029; Supervisory: Kinley Dorji, Chief AFD, EID No. 7601031.*

**Status:** *Observation not settled. The unsettled balance of Nu.14.159 million reported earlier remained unsettled as of 13 Sept. 2021.*

*This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where Project Manager reported that the contractor filed for arbitration claiming approximately Nu. 10 million from Dratshang Lhentshog for the works executed by him. Since, he couldn't produce evidences to justify his claims, it was rejected by the arbitrators. After his claim was rejected by the arbitrators the contractor then submitted that he had not signed the contract agreement with the Dratshang Lhentshog and his signature has been forged, thus turning the civil suit into criminal case. Dratshang Lhentshog appealed to High Court and then to Supreme Court. Supreme Court pronounced that the judgement cannot be passed on this case until the signature of contractor is verified and authenticated by the relevant authority. As directed by the Supreme Court, a letter was submitted by Royal Bhutan Police requesting them to verify the authenticity of the signature of the contractor. As of now, the report/decision of RBP is awaited.*

*The issue remained status quo since the case was sub judice.*

### 1.1.3.8. PHUENTSHOLING THROMDE

Out of the total unsettled irregularities of Nu.2.233 million reported to the Parliament in October 2020, Phuentsholing Thromde had not settled the amount as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Mismanagement	2.233	-	2.233	-
3	Shortfalls, lapses and deficiencies	-	-	-	-
	<b>Total</b>	<b>2.233</b>	<b>0.000</b>	<b>2.233</b>	

The detailed status of irregularities reported to the Parliament in October 2020; irregularities settled thereafter and unsettled ones as on 30 Sept. 2021 are as discussed below:

## 1. Mismanagement – Nu.2.230 million

### 1.1. OUTSTANDING LAND TAXES - NU.2.230 MILLION

Phuentsholing Thromde had outstanding urban land taxes amounting to Nu.3.051 million lying unsettled for the extended areas under Phuentsholing and Sampheling Gewog. *AIN: 14426; Observation: 1.4; Accountabilities: Direct: Deki, Adm. Asstt., EID No. 2009008; Supervisory: Sherub Tenzin, SSE, EID No. 200901218.*

**Status:** *Observation not settled. The PAC consultative meeting held at Samtse from 30/09/19–02/10/19 asked the Thromde to make an announcement in the media on outstanding land taxes and if people do not turn up after that, then Thromde should coordinate with NLC and explore next course of action. However, the Thromde reported no progress as of 30 Sept. 2021.*

*This issue was redeliberated during the PAC consultative meeting virtually held on 7 Oct 2021 where Land Record Officer reported that Thromde through an announcement in BSS directed the private land owners to pay the outstanding land tax. Further one month was extended for the payment of land tax. Out of 400 private individuals, 381 paid the outstanding land tax amounting to Nu. 2,090,889/- As of now, the remaining outstanding is Nu. 3,051,000/- The remaining amount could not be recovered because whereabouts of the 12 individuals are unknown. In case of governmental institution, the tax couldn't be realized due to directives of the Ministry of Finance wherein it was notified to exempt Zhung Dratshang from tax till 2017. Furthermore, RBA, RBP and CST is seeking for the same exemption from MoF.*

*The PAC directed that Thromde to submit the details of outstanding taxes recovered and the order issued by the MoF regarding exemption of land tax for Zhung Dratshang till 2017 to RAA by 31 October 2021 for review and appropriate decision.*

## 2. Shortfalls, lapses & deficiencies

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

### 2.1. DIFFERENCES IN BANK STATEMENT AND CD ACCOUNT CASH BOOK

Current Deposit Account of Phuentsholing Thromde had excess deposit of Nu.4.372 million during the fiscal year 2015-16. The revenue collection/deposit as per the cash book was Nu.63.408 million whereas the total deposit as per bank statement was Nu.67.780 million with the excess deposit of Nu.4.372 million. Such huge difference was apparently due to failure of the dealing officials to reconcile the collections and deposits of the revenue; and also due to failure of the Supervising Officer to exercise necessary checks to ensure periodic reconciliation of the balance. *AIN: 14426; Observation: 1.3; Accountabilities: Direct: Kuenzang Nidup, Accounts Assistant, EID No. 9502006; Supervisory: R. B. Ghalley, Accounts Officer, EID No. 8801083.*

**Status** Observation not settled. As per the PAC Meeting held on 02/10/2019 the Thomde was asked to submit the latest status to audit within two week from the date of hearing. However, Thomde had not submitted the status as of 30 Sept. 2021.

This issue was redeliberated during the PAC consultative meeting held virtually on 7 Oct. 2021 where Phuntsholing Thomde reported that on 2 October 2019 PAC directed Thomde to submit the latest status to RAA within two weeks from the date of meeting and accordingly on 10 October 2019, Thomde submitted the status report to RAA.

RAA reported that on 11 Feb 2020 follow up report was sent to Thomde reporting the pendency of the audit issues but didn't receive any response or follow ups on the same from the Thomde.

Further, on 16 September 2021 Thomde submitted a report to RAA updating them about the recovery of Nu. 4 million out of Nu. 4.3 million approximately, remaining with a balance amount of Nu. 336,000/- approximately. It was also stated that Thomde has received the bank statements and the management will review the transactions to reconcile the accounts.

The PAC directed that Thomde should submit the latest updates to RAA by 31 October 2021 and discuss with the RAA to resolve this issue.

#### 1.1.3.9. NATIONAL LAND COMMISSION SECRETARIAT

Out of the total unsettled irregularity of Nu.0.813 million reported to the Parliament in October 2020, National Land Commission Secretariat had settled the same as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on	Amount Settled (Nu.	Balance as on	% Settled
1	Violation of laws and rules	0.813	0.813	-	100
	<b>Total</b>	<b>0.813</b>	<b>0.813</b>	<b>-</b>	

The detailed status of irregularity reported to the Parliament in October 2020 which got resolved as on 30 Sept. 2021 is as discussed below:

#### 1. Violation of Laws & Rules

##### 1.1. IMPROPER EVALUATION OF TECHNICAL BIDS BY THE COMMITTEE AND ACCEPTANCE OF EQUIPMENT NOT AS PER SPECIFICATION - Nu.0.813 MILLION

The Technical Evaluation Committee of NLCS had improperly evaluated the technical bids and accepted equipment that was not as per specification, resulting in an avoidable financial implication of Nu.0.813 million in the procurement of heavy duty compact machine. The winning bid amount was Nu.1.770 million and the rejected bid amount was Nu.0.957 million.

During the technical evaluation, the committee rejected M/s Office Automation's bid for MPW 3601 as it was erroneously specified as "MPW 3061". However, the brochure



submitted by the supplier clearly suggested that the bid was for MPW 3601; and hence warranted clarifications from the bidder instead of rejecting the bid. After the evaluation, M/s Nana Enterprise, the winning bidder supplied model MPW 2401 (the model based on which M/s Office Automation was rated low) instead of the specified MPW 3601.

Improper evaluation of bids and acceptance of item other than specified were suggestive of the dealing officials extending undue favor to the supplier and existence of possible collusive practices. *AIN: 14742; Observation: 1.2; Accountabilities: Direct: Sonam Dendup, DCSE, EID No. 8805058; Ugyen Dorji, SSE, EID No. 201001114; KB Tamang, Specialist, EID No. 8709025; Tshering Penjor, DCSE, EID No. 200701007; Biswanath Pradhan, CSE, EID No. 9011078; Supervisory: Biswanath Pradhan, CSE, EID No. 9011078.*

**Status:** *Observation settled. As per the letter No.NLCS/ADM/2019-2020/000337 dated 10/01/2020 appropriate administrative action was taken against Tandin Wangyel (EID.7803025) and Biswanath Pradhan (EID.9011078). Whereas accountability against Sonam Dhendup (EID.8805058) and Ugyen Dorji (EID.201001114) were cleared off as they were found not accountable. However, accountability against K.B.Tamang (EID.8709025) had remained unresolved. As per the letter No.ACC/DoPSFDD/FE-02/2020/1799 dated 04/05/2020 the matter was referred to RCSC for appropriate administrative action against K.B.Tamang, Specialist-III.*

*This issue was deliberated during the PAC consultative meeting held on 9 Sept. 2021 in NA conference hall where the RCSC informed the house that K.B. Tamang, has been reprimanded. Therefore, this issue was decided to be dropped hereafter.*

### 1.1.3.10. ROYAL UNIVERSITY OF BHUTAN

Out of the total unsettled irregularity of Nu.0.311 million reported to the Parliament in October 2020, Royal University of Bhutan had settled it as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Mismanagement	0.311	0.311	-	100
	<b>Total</b>	<b>0.311</b>	<b>0.311</b>	<b>-</b>	

The detailed status of irregularity reported to the Parliament in October 2020 which got resolved as on 30 Sept. 2021 is as discussed below:

#### 1. Mismanagement

There was a case of mismanagement involving Nu.0.311 million as summarised below:

##### 1.1. SHORT-DEDUCTIONS OF HOUSE RENT FROM GCBS STAFF - NU.0.311MILLION

The Gaeddu College of Business Studies (GCBS), Gedu had short-deduction/non-deduction of house rent amounting to Nu.0.532 million from various college faculty. *AIN:*

14793; Observation: 5; Accountabilities: Direct: Bal Bahadur Rasaily, Administrative Officer, EID No. RUB1108020; PhurpaDorji, Estate Manager, CID No. 11604002070; Supervisory: Dr. Sonam Choiden, President, EID No.9511010.

**Status:** Observation settled vide letter No. (19)ADM-MISC/2020/567 dated.16/06/2020.

## 1.1.4. CORPORATIONS

### 1.1.5.4 ARMY WELFARE PROJECT LIMITED

Out of the total unsettled irregularity of Nu.0.488 million reported to the Parliament in October 2020, Army Welfare Project Limited had settled the irregularity as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
2	Shortfalls, lapses and deficiencies	0.488	0.488	-	100
	<b>Total</b>	<b>0.488</b>	<b>0.488</b>	<b>-</b>	

The detailed status of irregularity reported to the Parliament in October 2020 which got resolved as on 30 Sept. 2021 is as discussed below:

## 2. Shortfalls, lapses and deficiencies

There was a case of shortfalls, lapses and deficiencies involving Nu.0.488 million as summarised below:

### 2.2. STOCK BALANCE OF '1907 WHISKY' PACKAGING MATERIALS EVEN AFTER DISCONTINUATION OF PRODUCTION - NU.0.488 MILLION

The scrutiny of AWPL's closing stock of packaging materials as on 31.12.2015 revealed stock balance of empty bottles, mono carton and cap seals pertaining to '1907 Whisky' which is currently not in production. The financial implication of the balance stock of packaging materials of '1907 Whisky' amounted to Nu.0.488 million. *AIN: 14671; Observation: 5; Accountabilities: Direct: Tshering Penjor, CID No. 11512002770; Supervisory: Sangay Phuntsho, CID No. 1070900818.*

**Status:** Observation settled vide Follow-up Report No. RAA/OAAG(T)/FUS-01/2019-2020/284 dated 11 October 2019.

### 1.1.4.1. DUNGSAM CEMENT CORPORATION LIMITED

Out of the total unsettled irregularity of Nu.0.506 million reported to the Parliament in October 2020, Dungsam Cement Corporation Limited had settled the same as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Shortfalls, lapses and deficiencies	0.506	0.506	-	100
	<b>Total</b>	<b>0.506</b>	<b>0.506</b>	<b>-</b>	

The detailed status of irregularity reported to the Parliament in October 2020 which got resolved as on 30 Sept. 2021 is as discussed below:

## 1. Shortfalls, lapses and deficiencies

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

### 1.1. SHORTAGE OF CEMENT DURING HANDING-TAKING - NU.0.506 MILLION

The DCCL had shortage of Portland Pozzolana Cement worth Nu.0.506 million during handing-taking between the two handling agents at Gelephu Depot. Quantity of cement as per books was 99.35 metric ton (MT) whereas only 45.10 MT was physically available, with resultant shortage of 84.25 MT. *AIN: 14736; Observation: 8; Accountabilities: Direct: Weseyel Lhundup, Head S&MD, EID No. 9907166; Supervisory: Alok Singh, VP EID No. 9922309.*

*Status: Observation settled vide review report No. RAA/OAAG-SJ(AR-173)/DCCL-Nganglam/2021/940 dated 04/08/2021.*

### 1.1.4.2. BHUTAN FILM ASSOCIATION

Out of the total unsettled irregularities of Nu.18.034 million reported to the Parliament in October 2020, Bhutan Film Association had not settled any irregularities as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Mismanagement	17.912	-	17.912	-
2	Shortfalls, lapses and deficiencies	0.122	-	0.122	-
	<b>Total</b>	<b>18.034</b>	<b>-</b>	<b>18.034</b>	<b>-</b>

The detailed status of irregularities reported to the Parliament in October 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

## 1. Mismanagement - Nu.17.912 million

There were cases of mismanagement involving Nu.17.912 million as summarised below:

Sl. No.	Observation in Brief	Unsettled reported as on 30/09/2020 (Nu. in million)	Settled (Nu. in million)	Unsettled as on 30/09/2021 (Nu. in million)
1.1	Non-realization of cost of film screening equipment from Bhutan Film Distributor	4.752	-	4.752

1.2	Fixed assets remaining idle	13.160	-	13.160
	<b>Total</b>	<b>17.912</b>	<b>-</b>	<b>17.912</b>

The cases of mismanagement are as indicated below:

### 1.1. NON-REALIZATION OF COST OF FILM SCREENING EQUIPMENT FROM BHUTAN FILM DISTRIBUTOR - NU.4.752 MILLION

The Bhutan Film Association (BFA) had procured 60 sets of film screening equipment worth Nu.6.899 million funded by KOICA, Government of the Republic of Korea. All the film screening equipment were handed-over to Bhutan Film Distributor (BFD), Thimphu on 28/07/2015 with an agreement similar to hire-purchase system. The two conditions of the agreement, among others, were that - i) BFD must pay monthly installment of Nu.3,300.00 per set for 60 sets for three years after two months from the date of release of the first film; and ii) after completion of final installment, the ownership to the equipment shall be formally handed over to the BFD.

However, even after two years BFA had not received any installment for the hire-purchase agreement nor was there any record indicating the association's effort to realize the installment from the latter. Subsequently, based on the Board's decision to rescind the contract, 40 sets of the equipment were taken back, and the remaining 20 sets were left with BFD under a new contract agreement. The hire charges due amounting to Nu.4.752 million was not realized from BFD till date of audit. *AIN: 14849; Observation: 1; Accountabilities: Direct: Tandin Wangchuk, General Manager, Bhutan Film Distributor, CID No. 11606000048; Supervisory: Yeshe Dorji, Executive Director, CID No. 10712002031.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where the President of BFA reported that, Bhutan Film Distributor was declared bankrupt by the Royal Court of Justice. Upon following up with Tandin Wangchuk, General Manager of Bhutan Film Distributor, he stated that he was in Samdrup Jongkhar doing some contract works. It was conveyed that, out of 60 sets of film screening equipment, 40 sets had already been returned to the Tshogpa of Bhutan Film Association and the remaining 20 sets were with him which he promised to return at the earliest.*

*It was decided that BFA should submit the evidence proving the bankruptcy of Bhutan Film Distributor and recover the remaining 20 sets from Tandin Wangchuk by 31 Oct. 2021 and report to RAA accordingly.*

### 1.2. FIXED ASSETS WORTH NU.13.160 MILLION REMAINING IDLE

The BFA had large quantities of fixed assets worth Nu.13.160 million lying idle. Immediate management action either for its effective utilization and proper storage or for its disposal was deemed necessary. *AIN: 14849; Observation: 2; Accountabilities: Direct: Yeshe Dorji, Executive Director, CID No. 10712002031; Tuka Gurung, Finance/Admin. Officer, CID No. 1201001452; Yeshey Dorji, IT Officer, CID No. 10204000137; Supervisory: Tobgyel, President, CID No. 11410002207; Kesang Jigmi, CID No. 11101001183; Tshering Phuntsho, CID No. 10202000660; Pema Tshering, CID No.11705001918; Yeshey Tshering, CID No. 10801100069; Kinley Dorji, CID No. 10811000784; Tshechu Dorji Wong, CID No. 11410003623; Tshering Dorji, CID No. 11410008578.*

**Status:** Observation not settled. This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where the RAA stated that this issue can be resolved through a bilateral meeting between RAA & BFA; so it was decided that RAA and BFA should resolve this issue through a bilateral meeting by 31 Oct. 2021.

## 2. Shortfalls, lapses & deficiencies - Nu.0.122 million

There was a case of shortfalls, lapses and deficiencies involving Nu.0.122 million as indicated below:

### 2.1. SHORTAGE/MISSING OF ASSETS WORTH NU.0.122 MILLION

The BFA had shortage/missing assets such as LCD monitor, light stand, plastic chairs, etc. worth Nu.0.122 million noted during the joint physical verification of assets and equipment. The management was required to trace whereabouts of the assets or recover the cost from the person responsible according to Chapter V of the Property Management Manual 2016. *AIN: 14849; Observation: 1 & 3. Accountabilities: Direct: Yeshey Dorji, IT Officer, CID No. 102044000137; Supervisory: Yeshey Dorji, IT Officer, CID No. 102044000137*

**Status:** Observation not settled. This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where the RAA stated that this issue can be resolved through a bilateral meeting between RAA & BFA; so it was decided that RAA and BFA should resolve this issue through a bilateral meeting by 31 Oct. 2021.

## 1.4 AUDIT REPORT ON JOINT AUDITS OF HYDROPOWER PROJECT

### PUNATSANGCHHU-I HYDROELECTRIC PROJECT AUTHORITY

One unsettled irregularity was reported to the Parliament in October 2020 from Punatsangchhu-I Hydroelectric Project Authority. The irregularity was resolved as on 30 Sept. 2021 as summarized below:

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu. in Million)	Amount Settled (Nu. in Million)	Balance as on 30/09/2021	% Settled
1	Violation of laws and rules	-	-	-	-
	<b>Total</b>	-	-	-	-

The detailed status of irregularity reported to the Parliament in October 2020 which got resolved as on 30 Sept. 2021 is as discussed below:

#### 1. Violations of laws and rules

There was a case of violations of laws and rules as summarized below:

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### 1.1. UNJUSTIFIED TIME EXTENSION FOR THE COMPLETION OF MILESTONES IN MC-3 PACKAGE

PHPA-I had granted unjustified time extension for MC-3 package comprising four milestones. There was an overall delay of 1065 days (2 years and 9 months approximately) in the completion of the MC-3 package due to deferment of Milestone-3 by 740 days caused by delays in Milestones-1 & 2 and deferment of Milestone-4 by 364 days.

The approval of deferment of 364 days included 227 days for handing-taking of work front with electromechanical works was not justifiable. This deferred period may still extend beyond the above completion date as the works in the Milestone-4 were still ongoing as on date of audit in May 2017. *AIN: 14798; Observation: A1.1; Accountabilities: Direct: R.N Khazanchi, MD, WPN: 1919070021000356; Dasho Phuntso Norbu, Ex. JMD, CID No. 11510004119; V.K Choubey, Ex. D(F), WPN: 1739588; Y.K Sharma, D(T), WPN: 1928149; Supervisory: R.N Khazanchi, MD, WPN: 1919070021000356; Dasho Phuntso Norbu, Ex. JMD, CID No. 11510004119; V.K Choubey, Ex. D(F), WPN: 1739588; Y.K Sharma, D(T), WPN: 1928149.*

***Status: Observation settled from this report as the same observation has been revised and incorporated under the subsequent report AIN.17294.***

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**REVIEW REPORT OF ANNUAL AUDIT REPORT 2018**

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**(Status as on 30 September 2021)**

**ROYAL AUDIT AUTHORITY**

## PART-I Summary of Review Report of AAR 2018

The Royal Audit Authority had submitted the Review Report of the Annual Audit Report 2018 to the 5<sup>th</sup> Session of the Third Parliament in October 2020. The report had total significant unsettled irregularities of Nu.1,284.673 million consisting of Nu.171.381 million against budgetary agencies; Nu.76.214 million against Non-Budgetary Agencies and Nu.1,037.078 million against Hydro Power Projects.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up at various levels and out of the unsettled irregularities of Nu.1,284.673 million reported subsequently, irregularities amounting to Nu.48.164 million for Budgetary Agencies, Nu.11.086 million for Non-budgetary Agencies were settled. However, the total irregularities of Nu. 1,037.078 million against Hydro Power Projects remained unsettled as on 30 Sept. 2021 as shown in the table below.

**Table:** Showing agency wise irregularities settled and balances as on 30 Sept. 2021.

Sl. No.	Agencies	Unresolved irregularities last reported as on 30/09/2020 (Nu.in Million)	Irregularities resolved as on 30/09/2021 (Nu.in Million)	Balance irregularities as on 30/09/2021 (Nu.in Million)	Percentage of irregularities resolved as on 30/09/2021
1	Ministries	43.450	30.893	12.557	71.10
2	Dzongkhags	95.500	7.288	88.212	7.63
3	Gewogs	16.101	4.801	11.300	29.82
4	Autonomous Agencies	16.330	5.235	11.095	32.06
<b>Total Budgetary Agencies-A (1to 4)</b>		<b>171.381</b>	<b>48.217</b>	<b>123.164</b>	<b>28.134</b>
5	Corporations	65.197	9.499	55.698	14.57
6	Financial Institutions	-	-	-	-
7	Non Governmental Organizations	11.017	1.587	9.430	14.41
<b>Total Non-Budgetary Agencies - B (5 to 7)</b>		<b>76.214</b>	<b>11.086</b>	<b>65.128</b>	<b>14.546</b>
8	Hydropower Projects	1,037.078	-	1,037.078	-
<b>Total Hydropower Projects-C (8)</b>		<b>1,037.078</b>	<b>-</b>	<b>1,037.078</b>	<b>-</b>
<b>Grand Total (A+B+C)</b>		<b>1,284.673</b>	<b>59.303</b>	<b>1,225.370</b>	<b>4.616</b>

As transpired from table above, out of the total unsettled irregularities of Nu.1,284.673 million remaining unsettled as of in Sept. 2020, irregularities amounting to Nu.59.250 million were settled leaving a balance of Nu.1,225.423 million as on 30 Sept. 2021. The detailed review report of the agencies are highlighted hereunder.



## PART-II DETAILED REVIEW REPORT

This chapter contains the summaries of unresolved significant audit observations from the audit reports issued during the year 2018. The draft AAR 2018 reported significant irregularities involving Nu.922.727 million out of which observations amounting to Nu.318.347 million were resolved based on the responses received and actions taken after the draft AAR 2018.

The total unresolved significant irregularities having financial implication of Nu. 2,376.257 million as on 31 March 2019 were reflected in the AAR 2018. The details of agencywise unsettled irregularities reported to the Parliament in June 2019 and irregularities resolved thereafter and balance unresolved ones as of 30 Sept. 2021 are reported hereunder.

### 1.3.1 MINISTRIES

#### 1.3.1.1 MINISTRY OF AGRICULTURE AND FORESTS

During the year, the RAA conducted 68 audits of Ministry of Agriculture and Forests, its departments, divisions and units. There were 73 observations amounting to Nu.98.332 million of which 35 observations amounting to Nu.1.899 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.96.433 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Ministry and its departments, divisions and units, observations amounting to Nu.16.340 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.80.093 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Ministry and out of the total unsettled irregularities of Nu. 5.113 million reported to the Parliament in Sept. 2020 all the irregular amounts were settled. However, one observation without involving monetary amount remained unresolved as on 30 Sept. 2021 as reported below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Mismanagement	-	-	-	100
2	Non-Compliance to Laws and Rules	1.000	1.000	-	100
3	Shortfalls, Lapses and Deficiencies	4.113	4.113	-	100
	<b>Total</b>	<b>5.113</b>	<b>5.113</b>	<b>-</b>	<b>100</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020; irregularities settled thereafter and unsettled balances as on 30 Sept. 2021 are as discussed below:

#### 1. Mismanagement

There was a case of mismanagement as summarised below:

##### 1.1. UNDER-UTILIZATION OF STRUCTURES

The Wangchuck Centennial National Park, Bumthang had funded the establishment of Tibetan Mastiff Conservation Project at Gasa. The structures were found taken over from the contractor by Program Director, National Highland Research & Development Centre (NHR&DC), Bumthang on 7 February 2018 but had remained unutilized even at the time of audit in December 2018, defeating the very purpose of the investment which was indicative of poor planning. Both the NHR&DC and the Department of Livestock did not have a utilization plan for the structures. *AIN: 15606; Para: 5.3; Accountabilities: Direct: M/s PKC Construction, Thimphu, CDB # 2536; Supervisory: Tawchu Rabgay, Livestock Officer, EID #: 9507139.*

**Status:** Observation settled as per letter No.NHRDC/65/2019/39 dated 25/06/2019 as the farm structures were fully utilized and a copy of pictorial structures evidences submitted to the RAA on 09/04/2021.

## 2. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules involving Nu.1.000 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
2.1	Payment made without completion of Nursery works	1.000	1.000	-
	<b>Total</b>	<b>1.000</b>	<b>1.000</b>	<b>-</b>

The cases of non-compliance to laws and rules are as indicated below:

### 2.1. PAYMENT MADE WITHOUT COMPLETION OF NURSERY WORKS

The BTFEC funded Project 'Integrated Wildlife Management for Sustainable Biodiversity Conservation & Livelihood' implemented by the Bumdeling Wildlife Sanctuary, Trashiyangtse had made payments of Nu.1.000 million to Green Bhutan Corporation Limited (GBCL), Thimphu without the actual completion of works in the establishment of Nursery at Sertham under Jaray Gewog, Lhuentse Dzongkhag. The payment for incomplete works was a violation of the terms and conditions of the contract and in deviation to the FAM-2016. The lapses had occurred apparently due to failure on the part of accounts personnel and Drawing and Disbursing Officer to exercise due diligence while verifying the bills. *AIN: 15571; Para: 1; Accountabilities: Direct: Tshering Dorji, Manager, EID # 2108017; Supervisory: Tshering Dawa, Forest Ranger, EID # 200407251.*

**Status:** Observation settled based on the work completion report submitted vide letter No.BWS/Accts-10/2018-2021/513 dated 14/05/2021.

## 3. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies involving Nu.4.113 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled. Nu. in million	Balance Nu. in million
3.2	Short receipt of piglets	0.358	0.358	-
3.6	Excess payment of Salary and GPF due to wrong fixation of pay upon pay revision	0.039	0.039	-

3.9	Inconsistency in the maintenance of livestock at the Farm	-	-	Unsettle
3.8	Payments made without adequate supporting documents	3.716	3.716	-
	<b>Total</b>	<b>4.113</b>	<b>4.113</b>	<b>-</b>

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

### 3.1. SHORT RECEIPT OF PIGLETS - NU.0.358 MILLION

The Regional Pig Breeding Centre Yusipang had received 138 piglets against supply order placed for 143 piglets to M/s FINNOR-ASIA, Thailand vide letter no. DoL/Gen-52/2015-2016/335 dated 3 June 2016. The short receipt of 5 piglets resulted in an excess payment of Nu.0.358 million. *AIN: 15057; Para: 1.1; Accountabilities: Direct: Choidup Gyeltshen, Farm Manager, EID # 84003043; Supervisory: Choidup Gyeltshen, Farm Manager, EID # 8403043.*

**Status:** *Observation settled. The issue was deliberated during the PAC consultative meeting held on 3 Sept. 2021 in NA conference hall, Thimphu where the Officiating Director, Department of Livestock reported that after last PAC, the Department of Livestock had submitted justification vide letter No. DoL/NNPBC/2020-2021/128 dated 14th December 2020, vide letter No. DoL/NNPBC/2020-2021/44 dated 12th September, 2020 and finally No.1(16) DoL/NNPC/2021-22/44 dated 27th August, 2021 to RAA, but the observation is still pending as RAA did not accept the justification provided by the DoL while following up with RAA. In due consideration of the justification submitted to RAA, the Ministry pleaded for dropping of the observation.*

*It was decided that the ministry should immediately submit their justification to RAA and RAA should discuss it in the Follow up Committee and decide it accordingly by 3<sup>rd</sup> week of September 2021. Accordingly the decision should be communicated by the RAA.*

*This issue was deliberated in the 9<sup>th</sup> Follow-up Committee Meeting of the RAA held on 6 Oct. 2021 and the committee decided to resolved the issue based on the justifications submitted by the Ministry.*

### 3.6. EXCESS PAYMENT OF SALARY AND GPF DUE TO WRONG FIXATION OF PAY UPON PAY REVISION - NU.0.039 MILLION

The Brown Swiss Cattle Farm, Bumthang had made excess payments amounting to Nu.0.039 million due to wrong pay fixation and GPF calculations at the time of Pay Revision. *AIN: 15157; Para: 2; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 200607060; Supervisory: Chhimi Dorji, Accountant, EID # 200607060.*

**Status:** *Observation settled as a sum of Nu.12,590.00 was deposited vide Rt. No.03308 dated 09/11/20 & Nu.48,711.46 considered for dropping based on the letter No.RCBC/Accts-09/2020/89 dated 09/11/2020 & letter No.MoF/DNB/Rules-01/2019/364 dated 16/04/2020 of the Director, MoF, Thimphu.*

### 3.7. INCONSISTENCY IN THE MAINTENANCE OF LIVESTOCK AT THE FARM

The Regional Pig Breeding Centre Yusipang had not maintained records in a timely manner, which impeded the review of mortality rate and productivity of newly introduced breed of pigs. 22 of 138 pigs imported had died indicating a mortality rate of 16%. While 83 of the 119 female pigs had delivered a total litter of 881 piglets, 4 had not farrowed even once and for 10, pregnancy had failed repeatedly. There were also inconsistencies in the lactation cycle of the pigs. The Centre had neither conducted medical investigation, nor consulted veterinary experts on the issue, indicating apathy of the management towards its responsibilities. *AIN: 15057; Para: 1.2; Accountabilities: Direct: Choidup Gyeltshen, Farm Manager, EID # 8003043; Supervisory: Choidup Gyeltshen, Farm Manager, EID # 8403043.*

**Status:** Observation not settled.

### 3.8. PAYMENTS MADE WITHOUT ADEQUATE SUPPORTING DOCUMENTS - NU.3.716 MILLION

The Department of Agriculture had paid Nu.1.779 million to M/s K Bhims Construction and Nu.1.937 million to M/s Guru Chana Dorji Construction without attesting copy of money receipts for royalty payments made to the Department of Forests & Park Services for trees felled by the contractors. *AIN: 15104; Para: 1; Accountabilities: Direct: Chetem Wangchen, ES II A, EID # 8707016; Supervisory: Kinga Norbu, Program Director, AMC, EID # 200501116.*

**Status:** Observation settled based on the letter No.MoAF/AMC-57/2020/164 dated 29/10/2020.

#### 1.3.1.3 MINISTRY OF FINANCE

During the year, the RAA conducted nine audits of Ministry of Finance and its departments, divisions and units. There were 14 observations amounting to Nu.1.087 million of which eight observations amounting to Nu.0.208 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.879 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Ministry and its departments, divisions and units, observations amounting to Nu.0.192 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.687 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Ministry and out of the total unsettled irregularities of Nu. 0.381 million reported to the Parliament in Sept. 2020, Nu. 0.176 million were settled leaving a balance of Nu.0.205 million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Mismanagement	0.205	-	0.205	-
3	Shortfalls, Lapses and Deficiencies	0.176	0.176	-	100
	<b>Total</b>	<b>0.381</b>	<b>0.176</b>	<b>0.205</b>	<b>46.19</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020; irregularities settled thereafter and unsettled balances as on 30 Sept. 2021 are as discussed below:

#### 1. Mismanagement - Nu.0.205 million

There was a case of mismanagement involving Nu.0.261 million as indicated below:

##### 1.1. NON-REALIZATION OF THE OUTSTANDING SALES TAX - NU.0.205 MILLION

The Regional Revenue and Customs Office (RRCO), Bumthang had not realised outstanding sales tax amounting to Nu.0.317 million from three business units i.e. M/s Hotel Jakar View - Nu.0.056 million; M/s Araya Zhamlha Guest House - Nu.0.020 million; and M/s Kinzang Norling International - Nu.0.241 million. Sales Tax for Income Years 2014 and 2015 had remained unrealized even at the time of audit in October 2017.

As of 31 March 2019, outstanding tax amounting to Nu.0.056 million pertaining to M/s Hotel Jakar View was recovered leaving balance of Nu.0.261 million. *AIN: 15020; Para: 2; Accountabilities: Direct: Tashi Phuntsho, Asst. Collector, EID # 201101050; Supervisory: Jit Badhur Waiba, Regional Director, EID # 8607062.*

**Status:** *Observation not settled. A sum of Nu.0.056 million was collected From M/s Hotel Jakar View and deposited into RGR vide R/No.RC621887569918 dated 09/03/2018 as per letter No.RRCO/BM/ADM-18/1412 dated 04/04/2018. The unsettled balance of Nu.0.205 million remained unsettled as on 6 Sept. 2021.*

*This issue was deliberated during the PAC consultative meetinh held on 6 Sept. 2021 in NA conference hall where the Legal Officer of MoF reported that the accountable person failed to make the payments as accepted earlier and has appealed to the finance minister justifying that he couldn't make the payments as agreed earlier as he was financially affected by COVID situation and requested for time extension till 3 Dec. 2021. The decision of the Finance Minister was awaited.*

*The PAC directed the MoF to resolve the issue by 31 Dec. 2021.*

## 2. Shortfalls, Lapses and Deficiencies

There was a case of shortfalls, lapses and deficiencies involving Nu.0.426 as indicated below:

### 2.1. OVERDUE OUTSTANDING ADVANCES - NU.0.176 MILLION

The Liaison and Transit Office (LTO) in Kolkata under Department of Revenue and Customs had overdue outstanding advances amounting to Nu.0.426 million against an official lying unadjusted since financial year 2014-2015 and FY 2015-2016. *AIN: 15078; Para: 2; Accountabilities: Direct: Ugyen Namgyel, Commissioner, EID # 9101155; Supervisory: Gyeltshen, Commissioner, EID # 9711010.*

**Status:** *Observation settled as the balance due reported last was deposited vide receipt No.A00634 of 23/8/2021.*

### 1.3.1.4 MINISTRY OF FOREIGN AFFAIRS

During the year, the RAA conducted eight audits of Ministry of Foreign Affairs and its embassies and missions abroad. There were 15 observations amounting to Nu.25.011 million of which three observations amounting to Nu.0.129 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.24.882 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Ministry and its embassies and missions abroad, observations amounting to Nu.15.317 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.9.565 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Ministry and out of the total unsettled irregularities of Nu. 9.170 million reported to the Parliament in Sept. 2020, Nu. 7.712 million were settled leaving a balance of Nu.1.458 million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Mismanagement	3.709	3.709	-	100
2	Non-Compliance to Laws and Rules	4.003	4.003	-	100
3	Shortfalls, Lapses and Deficiencies	1.458	-	1.458	-
	<b>Total</b>	<b>9.170</b>	<b>7.712</b>	<b>1.458</b>	<b>84.10</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020; irregularities settled thereafter and unsettled balances as on 30 Sept. 2021 are as discussed below:

## 1. Mismanagement

There were cases of mismanagement involving Nu.3.709 million as indicated below:

### 1.1. INSURANCE CLAIM NOT DEPOSITED INTO RGR ACCOUNT – NU.3.709 MILLION

The Permanent Mission of the Kingdom of Bhutan to the United Nations (PMB), New York, USA had paid Nu.2.054 million (USD 28,018.94) towards insurance package of office building, machines and others covering the period from 13 November 2017 to 13 November 2018. During the insured period, there was damages to the basement floor caused by damage to Water Sprinkler system for which the Mission had initiated and claimed insurance of Nu.3.709 million (USD 50,595.79). The amount received was not found deposited into the bank account of the Mission even at the time of audit in July 2018. Further, the insurance claim received was not accounted for in the books of accounts of the Mission.

The Mission informed that the insurance claim would be utilized for the repair and maintenance works for damages caused by the water sprinkler. However, as there is separate budget available under the budget object code - maintenance of building for repair and maintenance works, the retention of insurance claim received was not appropriate.

As of 31 March 2019, the Mission reported of having deposited the insurance claim into the Mission's Account in the month of August 2018 and USD15,961.79 have been used for repair of the water sprinkler and alarm system. *AIN: 15587; Para: 4; Accountabilities: Direct: Sonam Gyeltshen, Head of Chancery, EID # 2101179; Supervisory: Doma Tshering, Ambassador, EID # 9111022*

**Status:** *Observation settled based on the amount of Nu.3.498 million deposited with the Department of Revenue and Customs as per the electronic receipt transmitted by the DRC to RAA against the insurance claim refund and balance amount dropped considering the the amount calculated by PMB, New York.*

## 2. Non-compliance to Laws and Rules

The case of non-compliance to laws and rules involving Nu.4.003 million are as indicated below:

### 2.1. PAYMENT OF MEDICAL EXPENSES WITHOUT SUPPORTING DOCUMENTS – NU.4.003 MILLION

The PMB, New York, USA had made payments amounting to Nu.4.003 million (USD 54,604.99) on account of medical expenses without supporting documents. Medical expenses of Nu.0.815 million (USD 11,114.29) pertained to domestic helper and Nu.3.188 million (USD 43,490.70) pertained to four local recruits paid as monthly lump sum allowance of USD 483.23 in contravention to the

Foreign Service Entitlement Rules 2002<sup>1</sup>. Further, the medical expenses amounts for domestic helper were found deposited into the Permanent Representative's personal account without availing health insurance coverage or supporting medical bills.

The PMB, New York produced the acknowledgement of having received medical expenses by the domestic helper to RAA. *AIN: 15587; Para: 2a; Accountabilities: Direct: Chador Wangdi, PS, CID # 11502003181; Namgay Pem, OS, CID # 11006001556; Kinley Dorji, Driver, CID # 11704001350; Kunzang C Namgyel, Ambassador, EID # 8001018; Doma Tshering, Ambassador, EID # 9111022; Supervisory: Kuenzang C Namgyel, Ambassador, EID # 8001018; Doma Tshering, Ambassador, EID # 9111022.*

**Status:** *Observation settled. This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu and the MoFA reported that tripartite committee meeting between MoF, RCSC & MoFA was required to be conducted to resolve the issue. Therefore, MoFA was trying to conduct the said meeting.*

*The PAC directed that MoFA should conduct a tripartite committee meeting by 31 Oct. 2021 and report the decision of the meeting to RAA.*

*This issue was deliberated in the 9<sup>th</sup> Follow up Committee Meeting of the RAA held on 6 Oct. 2021 and the committee decided to settled the issue based on the production of the bills and receipts of the medical expenses.*

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<sup>1</sup> **Medical Facilities** - 6.1. 'A member and his family residing abroad shall be entitled to medical facilities, including cost of hospitalization aser the medical treatment rules and regulations or health insurance coverage that may be available in the country of posting'. **Domestic Help** - 'A head of mission shall be entitled to one domestic help whose air passage, home leave passage and medical expenses shall be borne by the government'.

## Shortfalls, Lapses and Deficiencies - Nu.1.458 million

### 2.2. IRREGULAR REFUND OF MEDICAL INSURANCE – NU.1.458 MILLION

The PMB, New York had made irregular refund of medical insurance amounting to Nu.1.458 million (USD 20,488.77) to the former Deputy Permanent Representative (DPR) of the Mission, Mr. Tshering Gyaltsen Penjor. The former DPR's spouse worked for the UNICEF office in Budapest, Hungary and enjoyed medical and dental insurance benefits that covered her spouse as well.

However, the full medical insurance contributions amounting to Nu.1.458 million made to UNICEF by the spouse was found refunded by the Mission to the former DPR through an approved Note Sheet dated 1 August 2014 citing cost savings to the Government. There was apparent ambiguity and lack of clarity on the reimbursement made by the Mission to the former DPR. *AIN: 15587; Para: 2b; Accountabilities: Direct: Tshering Gyeltshen Penjor, Ambassador, EID No; 9202008; Supervisory: Kuenzang C Namgyel, Ambassador, EID # 8001018.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu and the MoFA reported that tripartite committee meeting between MoF, RCSC & MoFA was required to be conducted to resolve the issue. Therefore, MoFA was trying to conduct the said meeting.*

*The PAC directed that MoFA should conduct a tripartite committee meeting by 31 Oct. 2021 and report the decision of the meeting to RAA.*

### 2.3. EXCESS PAYMENT TO M/S RESTORATION HARDWARE

The PMB, New York had made excess payment of Nu.0.192 million (USD 2,700.00) to M/s Restoration Hardware for supply of furniture in the residence of Ambassador which was inclusive of handling charges & shipping. Scrutiny of the ordered quantity of furniture against the rates of the furniture revealed that the total bill amounted to only USD 36,606.77 against the payment of USD 39,306.77 with resultant excess payment of USD 2,700.

The PMB, New York reported of having received a credit note for equivalent amount from the supplier. *AIN: 15587; Para: 6.2; Accountabilities: Direct: Sonam Gyeltshen, Head of Chancery, EID # 2101179; Supervisory: Doma Tshering, Ambassador, EID # 9111022.*

**Status:** Observation settled based on the decision of the Follow Up- Committee Meeting held on 28 July 2021.

#### 1.3.1.6 MINISTRY OF HOME AND CULTURAL AFFAIRS

During the year, the RAA conducted 20 audits of Ministry of Home and Cultural Affairs, its departments, divisions and units. There were 19 observations amounting to Nu.3.158 million of which nine observations amounting to Nu.1.661 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.497 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Ministry and its departments, divisions and units, observations amounting to Nu.0.444 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.053 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Ministry but the unsettled irregularities of Nu. 0.537 million reported to the Parliament in Sept. 2020 remained unsettled. However, four observations without the involvement of monetary amount were settled as on 30 Sept. 2021 as shown in the report below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-Compliance to Laws and Rules	0.462	-	0.462	-
2	Shortfalls, Lapses and Deficiencies	0.075	-	0.075	-
	<b>Total</b>	<b>0.537</b>	<b>-</b>	<b>0.537</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled balances as on 30 Sept. 2021 are as discussed below:

#### 1. Non-compliance to Laws and Rules - Nu.0.462 million

There were cases of non-compliance to laws and rules involving Nu.0.462 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Relieving from service without fulfilling the service/financial obligation	0.183	-	0.183



1.2	Non-deposit of contractor's financial obligation upon termination of contract	0.237	-	0.237
1.3	Items provided other than specified and recoverable thereof	0.042	-	0.042
1.4	Delay in construction of academic block of RBP Training Institute	-	-	Unsettled
1.5	Delay in construction of temporary family quarters at Rinchending check post, Phuentsholing	-	-	Unsettled
1.6	Expired Bank Guarantee (10% Performance Security)	-	-	Settled
1.7	No relevant documents for additional works executed	-	-	Settled
1.8	Non-completion of the work on time and liquidated damages leviable	-	-	Settled
1.9	Non-implementation of provision of the Prison Act Of Bhutan 2009	-	-	Settled
<b>Total</b>		<b>0.462</b>	<b>-</b>	<b>0.462</b>

The cases of non-compliance to laws and rules are as indicated below:

1.1. RELIEVING FROM SERVICE WITHOUT FULFILLING THE SERVICE/FINANCIAL OBLIGATION- NU.0.183 MILLION

The Department of Immigration and the Human Resource Division under Ministry of Home & Culture Affairs had accepted the voluntary resignation and relieved an Immigration Inspector without having fulfilled the service and financial obligations. The official had not been paid retirement benefits amounting to Nu.0.699 million, despite having been relieved from the Immigration Office, Paro International Airport in June 2016. In addition, there was no Separation Order from the RCSC on record.

Further, the official also had in-service training obligation for study leave of 36 months availed to pursue Bachelor of Commerce (Hons.) on self-funding mode with full pay at Raid Laban College, Shillong, India. The study leave was granted in 2010 and he had reported back to duty in 2014. The official was relieved without observing the provision of the BCSR on service and financial obligation. *AIN: 15336; Para: 1; Accountabilities: Direct: Damchu Wangdi, EID # 200201042; Chief Immigration Officer, Paro International Airport, Paro; Supervisory: Norbu Wangchuk, EID # 200701153, Sr. Immigration Officer, DoI, Thimphu.*

**Status:** *Observation not settled. An amount of Nu.0.517 million was deposited vide receipt No. 428538 dated 23/4/2019 leaving a balance of Nu.0.183 million which remained unsettled as of 6 Sept. 2021.*

*This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the Department of Immigration reported that the retirement benefit of the accountable person was not sufficient to adjust the amount to be recovered from him. HRO followed-up with the accountable person to recover the amount but couldn't recover the same. The legal officer then filed a suit in Thimphu District Court and the Court has directed the accountable person pay the amount by 25 Nov. 2021.*

*The PAC advised the Department of Immigration to follow up with the accountable person and recover the amount by 26 Nov. 2021 and the RAA intimated accordingly.*

1.2. NON-DEPOSIT OF CONTRACTOR'S FINANCIAL OBLIGATION UPON TERMINATION OF CONTRACT - NU.0.237 MILLION

The GoI funded 'Phajoding Conservation Project' implemented by Department of Culture had not recovered the financial obligation amount of Nu.0.237 million upon termination of contract from M/s Chencho Dhrupjur Construction in the construction of Dinning-cum-Kitchen and Toilet at Phajoding Monastery. *AIN: 15362; Para: 1; Accountabilities: Direct: Sonam Tobgay, CID #11501001831, Project Engineer, (Contract) PMCP, DoC; Pasang Norbu, M/s Chencho Drupjur Construction, Shaba, Paro, CDB # 7349, TL # 1030475, 1(Paro-2014)34; Supervisory: Dechen Dorji, EID # 9607009; Project Manager, PMCP, DoC.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the Department of Culture reported that performance security was forfeited on termination of the contract. Further, necessary follow-up were made to recover the 10% penalty (LD) but couldn't recover the same. The legal officer then filed a legal suit and is pending before the court of law.*

*The PAC advised Department to follow up with the court to expedite the case and recover the amount and inform the RAA accordingly.*

### 1.3. ITEMS PROVIDED OTHER THAN SPECIFIED AND RECOVERABLE THEREOF - NU.0.042 MILLION

The Royal Bhutan Police (RBP), Headquarters (HQ) Thimphu had accepted items other than specified in the Bills of Quantities (BOQ) amounting to Nu.0.066 million with regard to toilet/bathroom fittings and fixture in the construction of family quarters at Samdrup Choling, Samdrup Jongkar, Jigme Ling, and Tashigatshel. The contractor had provided plastic cisterns in the toilets instead of vitreous china cisterns.

In addition, there were neither approval sought from the tender committee for change of items nor had the RBP management carried out rate analysis for the changes. The Handing and Taking Committee had also certified and accepted the works executed without due regard to the specification. As of 31 March 2019, recoveries amounting to Nu.0.024 million was made leaving balance of Nu.0.042 million. *AIN: 15087; Para: 2; Accountabilities: Direct: Ugyen, Executive Engineer, CID # 11506000961/PIN # 3797; Sonam Phuntsho, Junior Engineer, CID # 11505005084/PIN # 5979; Samphel Dendup, Asst. Engineer, CID # 12006000844/PIN # 6149; Supervisory: Sonam Wangdi, Chief Engineer, CID # 11506001122/PIN # 2004.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the RBP reported that some amounts were recovered and balance amount of Nu. 24,000/- (excluding 24% penalty) was to be recovered. As agreed by the contractor the balance amount will be recovered within 31 Oct. 2021. The total amount to be recovered was reported to be approximately Nu. 1,67,000/- (inclusively of 24% penalty).*

*The PAC directed that RBP should recovery the amount from the contractor by 31 Oct. 2021 if not take legal recourse for recovering the same.*

### 1.4. DELAY IN CONSTRUCTION OF ACADEMIC BLOCK OF ROYAL BHUTAN POLICE TRAINING INSTITUTE (RBPTI), JIGMELING

The construction of Academic Block at Royal Bhutan Police Training Institute (RBPTI), Jigmeling was found incomplete with poor progress of work at site. The work undertaken by M/s Druk Tsentop Construction Private Limited was scheduled to complete by 21 July 2016, but was granted time extension till 21 February 2017. However, at the time of audit in December 2017, the construction work was found delayed by 10 months with work progress of only 84% as reported by the Project Engineer.

The contractor had also signed an undertaking letter on 17 March 2017 to complete construction of

Academic Block by 15 June 2017, but had failed to do so. In addition, the Performance Bank Guarantee of Nu.3.492 million submitted by the contractor was found expired on 31 December 2015 and was not renewed at the time of audit in December 2017. *AIN: 15087; Para: 4.1; Accountabilities: Direct: Sonam Phuntsho, Junior Engineer, CID # 11505005084/PIN # 5979; Supervisory: Sonam Wangdi, Chief Engineer, CID # 11506001122/PIN # 2004.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the RBP reported that M/s Druk Tsentop Construction Pvt. Ltd. couldn't complete the work and the contract was terminated. The case was taken up for arbitration but failed to proceed it as the same was not accepted by the contractor. On 27 Nov. 2020, Legal Officer filed a case in Sarpang Dzongkhag Court and is sub judice there.*

*The PAC directed that RBP should follow up with the court and communicate the progress on the same to RAA accordingly.*

#### 1.5. DELAY IN CONSTRUCTION OF TEMPORARY FAMILY QUARTERS AT RINCHENDING CHECK POST, PHUENTSHOLING

The RBP HQ, Thimphu had taken up the construction of temporary family quarters at Rinchending, Phuentsholing which was found incomplete with poor progress of work at site. The work undertaken by M/s T Denka Construction was scheduled to complete by 30 June 2017. However, the construction work was delayed by seven months and the Performance Bank Guarantee of Nu.0.269 million submitted by the contractor was found expired on 26 June 2017. There was no work progress and was found discontinued and the Performance Bank Guarantee was not renewed at the time of audit in December 2017. *AIN: 15087; Para: 4.2; Accountabilities: Direct: Deki, Executive Engineer, CID # 11503003820/PIN # 5029; Supervisory: Sonam Wangdi, Chief Engineer, CID # 11506001122/PIN # 2004.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where the RBP reported that all the actual work was carried out by the project manager (Rinzin) who was authorized by M/s T Denka Construction through a power of attorney. Since the whereabouts of the project manager is unknown and the license belongs to M/s T Denka Construction, a suit was filed against M/s T Denka Construction before the court of law and is sub judice.*

*The PAC directed that RBP should follow up with the court and communicate the progress on the same to RAA accordingly.*

#### 1.6. EXPIRED BANK GUARANTEE (10% PERFORMANCE SECURITY)

The Prison Service Division (PSD), Chamgang, Thimphu had not obtained renewed Bank Guarantee from M/s KC Construction Private Limited, Thimphu for construction of Prison Block at Lungzor, Trashigang. The 10% Performance Security amounting to Nu.4.329 million was obtained as Bank Guarantee on 18 November 2015 from the contractor and it had expired on 16 November 2016 which was not renewed even at the time of audit in March 2018. *AIN: 15218; Para: 1.1; Accountabilities: Direct: Sanga Rigyel, Dy. Executive Engineer, EID # 4646, CID #1117000670; Supervisory: Sonam Wangdi, Chief Engineer, EID # 2004, CID #11506001122.*

**Status:** *Observation settled vide Follow-up letter No. RAA/FUCD(Y1-PSD,RBP,Chamgang)2021/239 dt. 08/3/2021.*

#### 1.7. NO RELEVANT DOCUMENTS FOR ADDITIONAL WORKS EXECUTED

The PSD, Chamgang had granted unjustified time extension of three months to M/s KC Construction Private Limited for construction of Prison Block at Lungzor, Trashigang after the contract ended on

30 November 2017. The additional time till 28 February 2018 was granted upon the instruction of the Senior Superintendent of Police (SSP), Superintendent of Police (SP), Planning and the Chief Engineer during their site visit for execution of extra works in the construction of kitchen. Relevant documents for the execution of additional works were not on record. Further, the construction of kitchen was executed without drawings and design, and hence the changes to site conditions could not be ascertained. *AIN: 15218; Para: 1.2; Accountabilities: Direct: Sanga Rigyel, Dy. Executive Engineer, EID # 4646, CID # 1117000670; Supervisory: Sonam Wangdi, Chief Engineer, EID # 2004, CID # 10504001907.*

**Status:** *Observation settled vide Follow-up letter No. RAA/FUCD(Y1-PSD,RBP,Chamgang)2021/239 dt. 08/3/2021.*

#### 1.8. NON-COMPLETION OF THE WORK ON TIME AND LIQUIDATED DAMAGES LEVIABLE

The PSD, Chamgang, Thimphu had granted three months' time extension till 28 February 2018 to the contractor for completion of works in the construction of Prison Block at Lungzor, Trashigang specifically for changes to the kitchen size and shifting of walls. However, the works were found incomplete and still under progress during site visit of audit team on 27 February 2018.

As per the terms and conditions of contract, the PSD should levy liquidated damages to the contractor at the rate of 0.05% per day, but not exceeding 10% of the final contract Price, for actual delay in completion of work beyond 28 February 2018. *AIN: 15218; Para: 1.3; Accountabilities: Direct: Sanga Rigyel, Dy. Executive Engineer, EID # 4646, CID # 1117000670; Supervisory: Sonam Wangdi, Chief Engineer, EID # 2004, CID #10504001907.*

**Status:** *Observation settled vide Follow-up letter No. RAA/FUCD(Y1-PSD,RBP,Chamgang)2021/239 dt. 08/3/2021.*

#### 1.9. NON-IMPLEMENTATION OF PROVISION OF THE PRISON ACT OF BHUTAN 2009

The PSD, Chamgang had provided prisoners with food, clothing, beddings, toiletry and sanitary items as per Chapter 6 'Ration and clothing' of the Prison Act of Bhutan, 2009. However, the stipulations under the chapter were to be implemented based on an endorsed/approved Rules and Regulations under the Act, which was not in place. The management reported that a draft Prison Rules and Regulation 2015 was developed but was not yet complete due to some technicalities. *AIN: 15218; Para: 2; Accountabilities: Direct: Lt. Col. Lobzang Dorji, EID # 132, CID #11514003209; Lt. Col. Tshering Drukpa, EID # 106, CID #10202000684; Col. Phub Gyaltshen, EID # 87, CID #11908001577; Supervisory: Lt. Col. Lobzang Dorji, EID # 132, CID #11514003209; Lt. Col. Tshering Drukpa, EID # 106, CID #10202000684; Col. Phub Gyaltshen, EID # 87, CID #11908001577.*

**Status:** *Observation settled vide Follow-up letter No. RAA/FUCD(Y1-PSD,RBP,Chamgang)2021/239 dt. 08/3/2021.*

## 2. Shortfalls, Lapses and Deficiencies – Nu.0.075 million

The case of shortfalls, lapses and deficiencies involving Nu.0.075 million is as indicated below:

#### 2.1. EXCESS PAYMENTS IN EARTH WORKS AND FILLING, PLINTH PROTECTION AND ELECTRICAL WORKS AMOUNTING TO NU.0.075 MILLION

The RBP HQ, Thimphu had made excess payments of Nu.0.495 million in the construction of Academic Block of RBPTI in Jigmeling. The contractor was paid Nu.0.402 million in foundation excavation and filling works due to 'box cutting' excavation instead of excavation of foundation trenches or drains as specified in Bills of Quantities (BoQ) which required excess excavation and back

filling with resultant excess payments. In addition, the Site Engineer had also made over payment of Nu.0.017 million for brick masonry manhole and Nu.0.075 million for electrical works. As of 31 March 2019, recoveries amounting to Nu.0.420 million was made leaving balance of Nu.0.075 million unresolved. *AIN: 15087; Para: 1; Accountabilities: Direct: Ugyen, Executive Engineer, CID # 11506000961/PIN # 3797; Sonam Phuntsho, Junior Engineer, CID # 11505005084/PIN # 5979; Samphel Dendup, Asst. Engineer, CID # 12006000844/PIN # 6149; Supervisory: Sonam Wangdi, Chief Engineer, CID # 11506001122/PIN # 2004.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu, however, it remained unresolved as the amount was not recovered.*

### 1.3.1.7 MINISTRY OF INFORMATION AND COMMUNICATIONS

During the year, the RAA conducted nine audits of Ministry of Information and Communications. There were 23 observations amounting to Nu.54.724 million of which 12 observations amounting to Nu.0.957 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.53.767 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Ministry and its departments, divisions and units, observations amounting to Nu.0.678 million was resolved. The total unresolved significant irregularities reflected in the AAR 2017 amounted to Nu.53.089.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Ministry and out of the total unsettled irregularities of Nu. 7.572 million reported to the Parliament in Sept. 2020, Nu. 0.115 million was settled leaving a balance of Nu.7.457 million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	7.259	-	7.259	-
2	Mismanagement	0.115	0.115	-	100
3	Non-Compliance to Laws and Rules	-	-	-	-
4	Shortfalls, Lapses and Deficiencies	0.198	-	0.198	-
	<b>Total</b>	<b>7.572</b>	<b>0.115</b>	<b>7.457</b>	<b>1.52</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled balances as on 30 Sept. 2021 are as discussed below:

#### 1. Fraud, Corruption and Embezzlement – Nu.7.259 million

There were cases with elements of fraud, corruption and embezzlement involving Nu.7.259 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
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1.1	Temporary misuse of revenue through teeming and lading	4.378	-	4.378
1.2	Shortages in revenue deposit aggregating to Nu.2.505 million and late deposits attract fine	2.881	-	2.881
1.3	Factors contributing to misuse of revenue	-	-	Unsettled
<b>Total</b>		<b>7.259</b>	<b>-</b>	<b>7.259</b>

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

**1.1. TEMPORARY MISUSE OF REVENUE THROUGH TEEMING AND LADING - NU.4.378 MILLION**

There was misuse of revenue amounting to Nu.4.378 million in the Regional Office, Road Safety and Transport Authority (RSTA) Gelephu. There were instances of abnormal cancellations of deposit challans which was indicative of temporary misuse of revenue. The dealing officials were found to have resorted to teeming and lading for misuse of revenue on temporary basis by depositing the subsequent collections to cover up earlier less deposited amounts. There were also attempts to delay the revenue deposit through cancellation of deposit challans as well as short deposits with resultant siphoning of the government revenue. *AIN: 15658; Para: 1.2; Accountabilities: Direct: Tshering Choden, Adm. Asst. EID No. 201002034; Supervisory: Sonam Chopel, Chief RTO, EID 200210018; Kinga Gyeltshen, Road Transport Officer, EID 20050503.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 31 Aug. 2021 in the NC conference hall, Thimphu where the Ministry reported that administrative action against the supervisors were taken and accepted by the RAA and the case against direct accountable person has been forwarded to OAG and now registered in Dungkhag Court, Gelephu. The Ministry further express that if the RAA could drop the amount from the observation as the amount is not recoverable. The RAA explained that the amount is noted for calculating penalty for late deposit of revenue although it is not recoverable. PAC advised the RAA and Ministry to work out the liable penalty for late deposit of revenue and include in the charge sheet if not done so. The observation remained unresolved as it was subjudice in the Dungkhag Court, Gelephu.*

**1.2. SHORTAGES IN REVENUE DEPOSIT AND LATE DEPOSITS ATTRACT FINE - NU.2.881 MILLION**

The Regional Office, RSTA Gelephu had shortages in revenue deposits amounting to Nu.2.505 million for two financial years 2016-17 and 2017-18. In addition, the amounts collected were found retained by the dealing person for periods ranging from two days to 56 days per instance.

The time lag in the collections and subsequent deposits were indicative of misuse of revenue. As per the provisions of the Revenue Accounting Manual (RAM) 2004 late fine @ 24% per annum is liable on the late deposits amounting to Nu.0.376 million (Nu.0.076 million for 2016-17 and Nu.0.300 million for 2017-18).

The lapses had occurred due to non-conduct of periodic reconciliation of the collections and deposits of revenue and non-deposit of collections on the next working day as required by the RAM by the dealing officials, which were indicative of inadequate supervision and monitoring by the supervising officials. *AIN: 15658; Para: 1.1; Accountabilities: Direct: Tshering Choden, Adm. Asst. EID No. 201002034; Supervisory: Sonam Chopel, Chief RTO, EID 200210018; Kinga Gyeltshen, Road Transport Officer, EID 20050503.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 31 Aug. 2021 in the NC conference hall, Thimphu where the Ministry reported that administrative action against the supervisors were taken and accepted by the RAA and the case against direct*

*accountable person has been forwarded to OAG and now registered in Dungkhag Court, Gelephu. The observation remained unresolved as it was subjudice in the Dungkhag Court, Gelephu.*

### 1.3. FACTORS CONTRIBUTING TO MISUSE OF REVENUE

The Regional Office, RSTA Gelephu had numerous internal and external factors that contributed to misuse of the revenue. While the dealing officials are directly responsible for the short deposits, there were poor internal controls and inadequate supervision & monitoring. Duties in management of revenue collections and deposits were not segregated properly and were not handled by trained accounts personnel. The past and present management had assigned the job of collecting and depositing revenue to an Administrative Assistant with full access to system and the person was found handling revenue since August 2012. In addition, there were no periodic bank reconciliations carried out or any indication of the supervision and monitoring carried out by supervising officer.

Further, the e-RaLIS system data was not linked with the RAMIS system which impeded the process of reporting and monitoring on revenue collections and deposits. The Revenue Audit Report issued by RRCO, Gelephu only highlighted instances of late and irregular deposits. Late penalty was calculated only for some selected late deposits and not on all late deposits. The RSTA and RRCO had failed to take necessary actions despite noting irregular cancellation of deposit challans and money receipts followed by late deposits. *AIN: 15658; Para: 1.3; Accountabilities: Direct: Tshering Choden, Adm. Asst. EID No. 201002034; Supervisory: Sonam Chopel, Chief RTO, EID 200210018; Kinga Gyeltshen, Road Transport Officer, EID 20050503.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 31 Aug. 2021 in the NC conference hall, Thimphu where the Ministry reported that administrative action against the supervisors were taken and accepted by the RAA and all the possible internal control measures were put in place to safeguard such lapses. PAC directed the Ministry to send the ATR report to the RAA for review and considering the observation for settlement.*

## 2. Mismanagement

There were cases of mismanagement involving Nu.0.115 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.3	Pending realization of rents for RTO space leased out to private parties	0.032	0.032	-
2.4	Non-realization of fines after issuance of Traffic Infringement Notice (TIN)	0.083	0.083	-
<b>Total</b>		<b>0.115</b>	<b>0.115</b>	<b>-</b>

The cases of mismanagement are as indicated below:

### 2.2. PENDING REALIZATION OF LEASE RENTS FOR RTO SPACE LEASED OUT TO PRIVATE PARTIES - NU.0.031 MILLION

The RTO, RSTA, Phuentsholing had not realised lease rents amounting to Nu.0.954 million including penalties for delays from the Lessee occupying two units/space i.e. Meto Transport Office and Meto Luggage room in the RTO Building. The rents were due since 1 February, 2015 till the time of audit in December 2017. As per the lease agreement Clause 1, the lessees should deposit the monthly rent before 7<sup>th</sup> day of every month and failure to deposit the rent would attract penalty of 24% as late fee for every month.

The RSTA had also failed to remind the lessee of non-deposit/payment of rent until the matter was raised by the RAA during audit. Further, failing to adhere to the provisions of the lease agreement and non-enforcement of the provisions were indicative of the lack of regular monitoring and supervision, and diligence on the part of the official responsible. As of March, recoveries amounting to Nu.0.923 million was made leaving balance of Nu.0.031 million. *AIN: 15064; Para: 1; Accountabilities: Direct: Karchung, Chief Transport Officer, EID: # 2001073; Supervisory: Karchung, Chief Transport Officer, EID: # 2001073*

**Status:** *Observation settled as Nu. 31,308.54 was deposited vide receipt no. 428891 dated 9/12/2020.*

### 2.3. NON-REALIZATION OF FINES AFTER ISSUANCE OF TIN - NU.0.083 MILLION

The Base Offices in Tshimasham, Gedu and Samtse under the Regional Transport Office, RSTA, Phuentsholing had not collected fines and penalties amounting to Nu.0.083 million from offenders after the issuance of TIN. The seized documents such as driving license and registration certificate of the defaulters were also not available with the traffic police at the time of audit in December 2017. The responsible authorities had failed to exercise due diligence in imposing penalty on offenders for violating traffic rules and regulations. *AIN: 15064; Para: 4; Accountabilities: Direct: Sangay Tenzin, Pelzap, CID # 11505004290; Supervisory: Namgay Wangchuk, Officer Commanding, Traffic Division, 11009000970.*

**Status:** *Observation settled. The issue was deliberated during the PAC consultative meeting held on 31 Aug. 2021 in NC conference Hall, Thimphu and the Ministry expressed that issuance and cancellation of TIN is under the control of RBP and RSTA has no hand on it. The Ministry further stress that the observation should have been raised against the RBP and not against RSTA as most of the TINs were cancelled TINs by RBP so fines were not collected. The RAA clarified that observation was raised against RSTA as the records were under the custody of RSTA and it is the responsibility of RSTA to collect the fines.*

*PAC advised the house that RAA, RSTA and RBP should conduct a tripartite meeting to resolve the issue. Accordingly a tripartite meeting was held and as per the decision of the meeting, a Procedure for Cancellation of Traffic Infringement Notice was developed and instituted as intimated by the RSTA vide letter No.RSTA/TM-04/2020-2021/ 214 dated 29/09/2021. Therefore, this issue was resolved based on the action taken by the concerned authorities.*

## 3. Non-compliance to Laws and Rules

### 3.1. POOR WORK PROGRESS NOTED IN THE CONSTRUCTION OF TERMINAL BUILDING AT BUMTHANG DOMESTIC AIRPORT

The Department of Air Transport (DoAT), Paro implemented ADB funded 'Air Transport Connectivity Enhancement Project' had poor work progress in the construction of terminal building at Bumthang Domestic Airport. The contractor, M/s Rinson Construction Company Pvt. Ltd. was paid Nu.27.477 million out of the tendered amount of Nu.158.636 million till August 2018 representing 17.32% of the contract value for 19.52% of works completed against the expected work physical completion of 36.81% with apparent delays at the time of audit in September 2018. The contract work was scheduled to complete by 4 August 2019 and the possibilities of completing the remaining works in the remaining ten months of contract duration without compromising the quality of work seemed highly doubtful. The causes for delay in work progress were not on record. *AIN: 15603; Para: 2; Accountabilities: Direct: Kailash Chettri, Supervising Engineer, CID # 110204000023; Supervisory: Jamyang T Dorji, Project Engineer EID # 201101166.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 31 Aug. 2021 in NC conference Hall, Thimphu and the RAA expressed that matters relating to poor*



*quality and progress works are too common issues and will be deliberated in the upcoming RAA's Advisory Committee Meeting and the decision communicated to the PAC and the Ministry.*

#### 4. Shortfalls, Lapses and Deficiencies – Nu.0.198 million

The case of shortfalls, lapses and deficiencies involving Nu.0.198 million is as indicated below:

##### 4.1. OVERPAYMENT DUE TO NON-OBSERVANCE OF AMOUNT PAYABLE MENTIONED IN THE COURT VERDICT - NU.0.198 MILLION

The Department of Air Transport (DoAT), Paro had made overpayment of Nu.0.198 million to M/s T. Kuenzom Construction Pvt. Ltd. for the construction of Gelephu Domestic Airport. The contractor was found paid Nu.271.557 million instead of Nu.271.359 million as determined in the high court's verdict with resultant overpayment. *AIN: 15241; Para: 1; Accountabilities: Direct: Gyem Dorji, Dy. Chief Engineer, EID # 200702026; Supervisory: Karma Wangchuk, Director, EID: # 9004059.*

**Status:** *Observation not settled.*

#### 1.3.1.8 MINISTRY OF LABOUR & HUMAN RESOURCES

During the year, the RAA conducted eight audits of Ministry of Labour & Human Resources, its departments, divisions and units. There were six observations amounting to Nu.1.233 million of which two observations amounting to Nu.0.405 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.828 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Ministry and the amounts involving with the irregularities were settled, however, one observation remained unsettled as on 30 Sept. 2021 as it required policy decision as reported below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-Compliance to Laws and Rules	-	-	-	-
	<b>Total</b>	-	-	-	

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Non-compliance to Laws and Rules

##### 1.2. UNAUTHORIZED RETENTION AND USE OF SALE PROCEEDS AND TOURIST ENTRY FEES WITHOUT THE APPROVAL OF MINISTRY OF FINANCE

The Institute for Zorig Chusum, Trashiyangtse had retained and used revenue generated by the Institute without the approval of the Ministry of Finance as required under FRR 2001/2016. An Institute Development Welfare Fund (IDWF) Account was found maintained as a Savings Bank Account with Bank of Bhutan Limited (BOBL), Trashiyangtse. The IDWF was being used as per the guidelines approved by the Secretary, Ministry of Labor and Human Resources (MoLHR).

The collections from sale proceeds of finished products from trainings, collection of entry fee from tourists, 10% commission from deposit works and other administrative fees, were by nature a type of Non-Tax Revenue “Revenue from Government Departments” and thus, should have been deposited into the Royal Government Revenue Account.

The Institute and its parent agency, the MoLHR had also failed to consult with the Ministry of Finance on the modalities and operation of such an account, as well as failed to obtain approval/concurrence for the same. The Institute's IDWF account had accumulated fund balance of Nu.2.062 million as of 31 March 2018. *AIN: 15251; Para: 1; Accountabilities: Direct: Kinley Penjor, Principal, EID # 2101083; Supervisory: Norbu Wangchuk, Director, EID # 9811003.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 6 Sept. 2021 in NA conference hall, Thimphu where MoLHR reported that the practice of using the income generated by the institute has been in place since 2013 but RAA objected only from 2018 for Zorig Chusum, Trashiyangtse. The use of funds were carried out as per the rules, regulations and guidelines prescribed. As per the RAA’s observation related to MoLHR’s failure to obtain an approval for the same from Ministry of Finance; MoLHR has appealed to MoF. MoF assured that they will communicate their decision, however, not received yet.*

*It was decided that, tripartite meeting should be conducted between MoLHR, RAA and MoF for policy intervention and report to PAC on or before 30 Sept. 2021.*

### 1.3.1.9 MINISTRY OF WORKS AND HUMAN SETTLEMENTS

During the year, the RAA conducted 13 audits of Ministry of Works and Human Settlements, its departments, divisions and units. There were 92 observations amounting to Nu.199.356 million of which 45 observations amounting to Nu.71.776 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.127.580 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Ministry and its departments, divisions and units, observations amounting to Nu.75.044 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.52.536 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Ministry and out of the total unsettled irregularities of Nu. 20.677 million reported to the Parliament in Sept. 2020, Nu. 17.777 million was settled leaving a balance of Nu. 2.900 million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	11.777	11.777	-	100
2	Non-Compliance to Laws and Rules	-	-	-	-
3	Shortfalls, Lapses and Deficiencies	8.900	6.000	2.900	67.42
	<b>Total</b>	<b>20.677</b>	<b>17.777</b>	<b>2.900</b>	<b>85.97</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled

thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

## 1. Fraud, Corruption and Embezzlement

There was a case with elements of fraud, corruption and embezzlement involving Nu.11.777 million as indicated below:

### 1.1. SUSPECTED COLLUSION AMONG THE CONTRACTORS CAUSING FINANCIAL LOSS TO GOVERNMENT - NU.11.777 MILLION

The Regional Office (RO), Department of Roads (DoR), Lingmithang, Monggar had awarded the contract for Base Course & Black Topping works on Jarey GC Road to M/s Diamond Construction Pvt. Ltd., Thimphu at the tendered amount of Nu.47.733 million with contract period from 13 November, 2015 to 12 July, 2017.

The review of tender documents revealed that the bid prices in all of the four bids submitted were altered. The changes in bid prices of items of work allowed the initially highest bidder M/s Diamond Construction Pvt. Ltd., Thimphu to become the lowest and hence, eligible for the award of the contract which indicated possible collusion amongst the bidders and unethical behavior in the tendering process.

The four prospective bidders with their initial and final bids submitted are given in the table:

Sl. No.	Bidders	Bid Price (Nu. in Million)			% variation
		Initial	Corrected	Difference	
1	M/s Chimi RD Construction Pvt. Ltd.	35.96	61.228	25.27	70.28
2	M/s Phuntsho Rabten Construction	43.92	77.342	33.419	76.09
3	M/s Diamond Construction Pvt. Ltd.	47.74	47.733	-0.002	-0.004
4	M/s Sonam Jamtsho & Bros Construction	36.86	50.792	13.934	37.80

The changes to bid prices were noted as corrected arithmetical errors in the bid evaluation report and in comparison to the department's estimates, the changed bid prices had huge variations ranging from 4.2% below the estimate to 55% above the estimated amount.

The management had failed to enforce provisions of the PRR 2009<sup>3</sup> and reject the bids but had evaluated and awarded the work to M/s Diamond Construction Pvt. Ltd., Thimphu, which had resulted in the possible extravagant payment of Nu.11.777 million (difference between the awarded bid of Nu.47.733 million minus the lowest bid Nu.35.958 million). The case has been forwarded to Anti Corruption Commission for further investigation. *AIN: 15076; Para: 3; Accountabilities: Direct: Lungten Jamtsho CE, EID # 2101064; Wangdi, EE, EID # 9907161; Sonam Lhendup, Adm., CID # 11604000074; Nado, Accounts Assistant, EID # 9709042; Jambay Tenzin, EE, EID # 200207045; Ugyen Dorji, PE, EID # 9108139; Sonam Tobgay, Engineer, EID # 200207048; Sangay Wangmo, JE, EID # 20140704519; Supervisory: Lungten Jamtsho, Chief Engineer, EID # 2101064.*

**Status:** *Observation settled. The issue was deliberated during the PAC consultative meeting held on 31 Aug. 2021 in the NC conference hall, Thimphu where the RAA reported that a letter was received from ACC vide No.ACC/DoI-1V/case-15/2019/695 dated 20/05/2021 indicating administrative referral against tender committee members. Therefore, the RAA has informed MoWHS vide letter No.RAA/DAG/20/20-2021/1678 dated 14/09/2021 to take appropriate administrative action against the tender committee members accordingly.*

Subsequently, MoWHS informed the RAA vide letter No.DoR/CE/MTC/2021-22/W-2/1393 dated 28/09/2021 that administrative was taken against the accountable officials, hence the issue was resolved.

<sup>3</sup> Clause No.5.4.6.1 (c), "Without incurring any liability towards the contenders, the Procuring Agency may reject bids, if any or some of the bids appearing to have been tampered with". And further, clause No. 5.4.7.1, "Following the rejection of all bids, the Procuring Agency may, after taking measures to remove the causes of failure of the earlier bidding, proceed with a fresh bidding following the same bidding method or following an alternate method prescribed under 4.2 Procurement Methods under Chapter IV"

## 2. Non-compliance to Laws and Rules

There were cases of non compliance to laws and rules involving Nu.23.895 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.6	Constructed WWT Plant not meeting the quantity of effluent discharge of 0.60 MLD as required in designed, built & operate plant	-	-	Unsettled
2.12	Execution of poor quality of blacktopping works along Poedze Lam	-	-	Unsettled
2.13	Poor blacktopping works	-	-	Unsettled
<b>Total</b>		-	-	-

The cases of non-compliance to laws and rules are as indicated below:

### 2.4. CONSTRUCTED WWT PLANT NOT MEETING THE QUANTITY OF EFFLUENT DISCHARGE OF 0.60 MLD AS REQUIRED IN DESIGNED, BUILT & OPERATE PLANT

The DES and Thimphu Thromde had failed to ensure that the effluents sewage and waste water quantities met its designed capacity of 0.60 MLD to be treated at the Waste Water Treatment Plant (WWTP) constructed for Langjophakha Local Area Plan (LAP) under the jointly implemented World Bank funded Project "Bhutan Urban Development Project – Phase II".

Although, the WWTP was designed and constructed to handle 0.60 MLD of effluents for treatment in the first phase of treatment plant, the quantity of effluents was found to be about 0.35 MLD or less than 60% of the total capacity as per designs indicating that all sources of effluents were not connected to the sewerage systems. The project management cited lack of cooperation from land/property owners in connecting the waste water outlets from households to the sewerage network. Lack of connections to bring effluents to the WWTP defeats the purpose of the treatment plant and also poses serious hazard concerns of pollution and contamination from sewage and waste water to the surroundings and environment. *AIN: 15034; Para: 6; Accountabilities: Direct: Samten Lhendup, Sewerage Head, Thimphu Thromde, EID #200901232; Supervisory: Jigme Dorji, Chief Engineer, Thimphu Thromde, EID # 200201095.*

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 31 Aug. 2021 in the NC conference hall, Thimphu where Thromde Engineer reported that the target to ensure that the effluents sewage and waste water quantities met its designed capacity of 0.60 MLD to be treated at the Waste Water Treatment Plant is a target set of six years. However, the present issue is of not being able to replace the defective flow meter. Due to covid pandemic the flow meter couldn't be procured as it has to be ordered from Korea. It was decided that Thromde

*should procure flow meter when the situation permits, install it and submit report to RAA for review and appropriate decision.*

## 2.12 EXECUTION OF POOR QUALITY OF BLACKTOPPING WORKS ALONG POEDZE LAM

The ADB funded ‘Thimphu Road Improvement Project (TRIP)’ implemented by DES had accepted substandard quality of works executed in the blacktopping of Poedze Lam in the repair and maintenance of roads and footpath in Thimphu City. The Asphalt Concrete (AC) works along Poedzoe lam had alligator cracks and formation of potholes in numerous places. The lapses were indicative of inadequate monitoring and supervision by the site engineer during the execution. *AIN: 15653; Para: 2; Accountabilities: Direct: Dendup Lhamo, Engineer, EID # 20140103289; M/s Hi-Tech and Chimmi RD JV, CDB No. 4840 & 5455; Supervisory: Karma Jamtsho, Chief Engineer, EID #200301032.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 31 Aug. 2021 in the NC conference hall, Thimphu where Thimphu Thomde reported that during the joint site visit on 19<sup>th</sup> July 2019 it was observed that Nu. 6,82,649.60 worth of works had to be rectified. It was reported that the contractor stated he can not rectify the work and requested to deduct the amount from his bills. Thomde was then requested to carry out the rectification work. The amount for the rectification works was deposited into Thomde’s account but the works could not be executed because the engineer went on maternity leave. However, the Thomdey stated that rectification works will be executed but some time is required as work can not be executed during monsoon season. It was decided that, Thomde should complete the rectification works by 31 Dec. 2021 and report to RAA accordingly*

## 1.13 POOR BLACKTOPPING WORKS

The ADB funded TRIP implemented by DES had accepted substandard works executed in the AC works carried out in Semtokha LAP. The AC works had developed alligator cracks in many places and potholes on the newly constructed road. The lapses were indicative of poor quality of work executed by the contractor coupled with inadequate monitoring and supervision by the concerned site engineer. *AIN: 15653; Para: 3.3; Accountabilities: Direct: Oma Devi Mahat, Assistant Engineer, EID # 200707070; M/s Hi-Tech and Chimmi RD JV (CDB No. 4840 & 5455); Supervisory: Karma Jamtsho, Chief Engineer, EID # 200301032.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 31 Aug. 2021 in the NC conference hall, Thimphu where Thimphu Thomde reported that during the joint site visit on 19<sup>th</sup> July 2019 it was observed that Nu. 6,82,649.60 worth of works had to be rectified. It was reported that the contractor stated he can not rectify the work and requested to deduct the amount from his bills. Thomde was then requested to carry out the rectification work. The amount for the rectification works was deposited into Thomde’s account but the works could not be executed because the engineer went on maternity leave. However, the Thomdey stated that rectification works will be executed but some time is required as work can not be executed during monsoon season. It was decided that, Thomde should complete the rectification works by 31 Dec. 2021 and report to RAA accordingly*

### 3. Shortfalls, Lapses and Deficiencies – Nu.2.900 million

There were cases of shortfalls, lapses and deficiencies involving Nu.8.900 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million

3.1	Non-Adjustment of PW advances	6.000	6.000	-
3.2	Non-reconciliation of Bank Reconciliation Statements	2.900	-	2.900
<b>Total</b>		<b>8.900</b>	<b>-</b>	<b>2.900</b>

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

### 3.1. NON-ADJUSTMENT OF PW ADVANCES - NU.6.000 MILLION

The Department of Human Settlement (DHS) had overdue outstanding advances amounting to Nu.6.000 million lying unadjusted at the time of audit in March 2018. The advances were found released to the Chief Executive Officer of the National Housing Development Corporation Limited (NHDCL) for capacity development in Research and Development (R&D). The dues were to be settled by 30 June 2017 as per the work plan submitted to the DHS at the time of requesting release of advances. Despite follow-up by the finance personnel, the DHS had not adjusted the advances in a timely manner. The non-settlement of advances is indicative of laxity on the part of NHDCL management in taking up the planned activities. *AIN: 15214; Para: 1; Accountabilities: Direct: Pradeep Katwal, Company Secretary, NHDCL, CID # 11201002596; Supervisory: Thinley Dorji, CEO, NHDCL, CID # 11503003784.*

**Status:** *Observation settled. The issue was deliberated during the PAC consultative meeting held on 31 Aug. 2021 in the NC conference hall, Thimphu where MoWHS reported that NHDCL had submitted adjustment bills. The adjustment bills were forwarded to RAA by the Chief Finance Officer, MoWHS through email dated 7 Sept. 2021 and the amount considered for settlement based on the adjustment bills submitted.*

### 3.2. NON-RECONCILIATION OF BANK RECONCILIATION STATEMENTS - NU.2.900 MILLION

The RO, DOR, Tingtibi, Zhemgang had not reconciled Nu.2.900 million shown as release as per the system generated Bank Reconciliation System (BRS) against the actual Bank Statement, which did not reflect the receipt of the same.

The RO had failed to carry out reconciliations of releases and withdrawals as per the Financial Rules and Regulations and had also not checked with the bank to confirm that the amount was received in the RO's Letter of Credit (LC) Account maintained with the Bank of Bhutan. *AIN: 15045; Para: 4; Accountabilities: Direct: Tenzin Wangchuk, EID # 9404031; Supervisory: Karma Dorji, Chief Engineer, EID # 91077122.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 31 Aug. 2021 in the NC conference hall, Thimphu where MoWHS reported that since the report is system generated so there can be an error and further stated that this issue was already resolved with RAA, Bumthang.*

*However, as per the record of RAA the observation remained unresolved as of 31 Aug. 2021. It was decided that, MoWHS should submit the copy of letter indicating the settlement of the issue to RAA, Bumthang for review and appropriate decision.*

## 1.3.2 DZONGKHAGS

### 1.3.2.1 DZONGKHAG ADMINISTRATION, BUMTHANG

During the year, the RAA conducted one audit of Dzongkhag Administration, Bumthang. There were 14 observations amounting to Nu.3.477 million of which eight observations amounting to Nu.1.474

million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.2.003 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.874 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.129 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag and out of the total unsettled irregularities of Nu. 0.389 million reported to the Parliament in Sept. 2020, Nu. 0.151 million was settled leaving a balance of Nu.0.238 million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
2	Shortfalls, Lapses and Deficiencies	0.389	0.151	0.238	38.82
	<b>Total</b>	<b>0.389</b>	<b>0.151</b>	<b>0.238</b>	<b>38.82</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

#### 1. Shortfalls, Lapses and Deficiencies - Nu.0.238 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.389 million as summarised below:

Sl. No.	Observation in Brief	Total Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Excess payment made to contractor due to error in computation of final bill payment	0.238	-	0.238
2.3	Payment of full salaries and voucher allowance before administration of oath or affirmation of office	0.151	0.151	-
	<b>Total</b>	<b>0.389</b>	<b>0.151</b>	<b>0.238</b>

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

##### 1.1. EXCESS PAYMENT MADE TO CONTRACTOR DUE TO ERROR IN COMPUTATION OF FINAL BILL PAYMENT - NU.0.419 MILLION

The Dzongkhag Administration, Bumthang had made excess payment of Nu.0.600 million to M/s Phurpa Construction and Painting in the construction of 4-Unit Staff Quarters at Wangdicholing Hospital, Bumthang due to erroneous computation. The lapses had occurred apparently due to improper verification of contractor's claims by the Accountant and Site Engineer which was indicative of lack of control and checks exercised by the Supervising Engineer to ensure the admissibility of claims. As of 31 March 2019, a sum of Nu.0.181 million was recovered leaving balance of Nu.0.419 million unresolved. *AIN: 15192; Para: 2; Accountabilities: Direct: Sonam Pelden, Accountant, EID # 200907149; Supervisory: Tshering Penjor, Finance Officer, EID # 200507266.*

**Status:** Observation not settled. Out of Nu.0.419 million a sum of Nu.0.181million was deposited vide R/No.469174 dated 26.06.2018 leaving a balance of Nu.0.238 million. The balance remained unsettled as of 5 Aug. 2021.

The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT hall of the Trongsa Dzongkhag where the Dzongkhag Administration reported that the contractor refused to pay the amount and the administration took a legal action against the contractor. The court passed the judgement in favor of the Dzongkhag Administration ordering the contractor to refund the excess payments made to him. The contractor appealed to the High Court. High Court upheld the judgement passed by the Dzongkhag Court ordering the contractor to pay the amount within 10 days but was not paid as of 5 Aug. 2021. The PAC informed the house that they are initiating fast tracking such cases in collaboration with the relevant authorities. In the mean time the Dzongkhag was advised to pursue the matter further and report to the RAA and PAC by 31 Aug. 2021.

## 1.2. PAYMENT OF FULL SALARIES AND VOUCHER ALLOWANCE BEFORE ADMINISTRATION OF OATH OR AFFIRMATION OF OFFICE

The Dzongkhag Administration, Bumthang had made payment of full salaries and voucher allowance to local government leaders for the month of October 2016 before administering oath or affirmation of Office, which was not in line with the notification<sup>S</sup> issued by the Department of Local Governance (DLG).

The results of the second local government elections under the Constitution of the Kingdom of Bhutan was declared by the Election Commission of Bhutan on 28 September, 2016. The Dzongkhag Administration, Bumthang had issued order for the oath or affirmation to all the Local Government elected leaders on 21 October, 2016 and confirmed the date of 'Oath of Affirmation of Office' as 18 October, 2016. The RAA noted that despite the DLG's notifications, there were inconsistent practices. *AIN: 15192; Para: 13; Accountabilities: Direct: Rigzin Namdrol, Finance Officer, EID # 20130101144; Supervisory: Rigzin Namdrol, Finance Officer, EID # 20130101144.*

**Status:** Observation settled.

The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT hall of the Trongsa Dzongkhag where the Dzongkhag Administration stated that even though an oath of affirmation was taken on 18<sup>th</sup> October 2016, it is to be assumed that the Gup has affirmed his office on the day of receipt of scarf (Dhar) from the King, i.e., on 13<sup>th</sup> October 2016 and all the benefits entitled has to be calculated accordingly.

The RAA stated that, the Dzongkhag Administration had made payment of full salaries and vouchers allowance to the local government leader for the month of October 2016 before affirmation of office which was not in line with the notification issues by Department of Local Government. Hence, RAA issued an audit observation as per the notification issued by Department Local Government. However, 13<sup>th</sup> of October can be considered as an oath of allegiance and one time consideration can be given but the salaries and voucher allowance paid to the local government leader from 1<sup>st</sup> to 12<sup>th</sup> October 2016 needs to be recovered.

It was decided that, one time consideration will be given to the Dzongkhag Administration on this issue with a condition to recover the salaries and voucher allowance paid to the local government leader from 1<sup>st</sup> to 12<sup>th</sup> October 2016.

Subsequently, the issue was settled as the balance amounts were deposited vide Rt. No.02046 dated 24/08/2021 and Rt. No.02055 dated 26/08/2021.



3 "All the Local Government members shall be administered Oath or Affirmation of Office by the Drangpon in the presence of the Dzongdag as provided for in the Third Schedule of the Constitution, prior to assuming their responsibilities. After administration of the Oath or Affirmation of Office, the Dzongdag shall confer the dhar placed before His Majesty's Portrait to the members of the LGs. The venue for holding the Oath or Affirmation of Office ceremony shall be the Dzongkhag Tshogdu Hall. The date on which the LG members are administered Oath or Affirmation of Office shall be the day on which the member is declared elected. The commencement of entitlements for the LG member will be the date on which the member is declared elected."

### 1.3.2.2 DZONGKHAG ADMINISTRATION, CHHUKHA

During the year, the RAA conducted two audits of Dzongkhag Administration, Chhukha. There were 79 observations amounting to Nu.10.652 million of which 23 observations amounting to Nu.2.333 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.8.319 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.1.945 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.6.374 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag, however, the total unsettled irregularities of Nu. 3.835 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	1.375	-	1.375	-
2	Non-Compliance to Laws and Rules	0.665	-	0.665	-
3	Shortfalls, Lapses and Deficiencies	1.795	-	1.795	-
	<b>Total</b>	<b>3.835</b>	<b>-</b>	<b>3.835</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

#### 1. Fraud, Corruption and Embezzlement - Nu.1.375 million

There were cases with elements of fraud, corruption and embezzlement involving Nu.1.375 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Encashment of remittances through issuance of self cheque	1.245	-	1.245
1.2	Misappropriation of pay and allowances through fraudulent malpractices	0.130	-	0.130

1.3	Non surrender of cash balance by the dealing accountant	-	-	Unsettled
1.4	Unauthorized transfer of fund into personal saving account	-	-	Unsettled
1.5	Encashment of statutory remittances through self cheque	-	-	Unsettled
1.6	Intentional booking of excess allowance and misappropriation	-	-	Unsettled
1.7	Inflating the bills of contractor for personal gain	-	-	Unsettled
1.8	Irregular payment through fraudulent transactions	-	-	Unsettled
1.9	Double booking of retirement benefits and misappropriation	-	-	Unsettled
1.10	Cash payment without acknowledgement receipts	-	-	Unsettled
1.11	Excess payment of pay and allowances	-	-	Unsettled
1.12	Double booking of salary and misappropriation	-	-	Unsettled
1.13	Irregular Payment of rural life insurance claims	-	-	Unsettled
1.14	Advance booked as final expenditure	-	-	Unsettled
1.15	Irregular payment to accountant	-	-	Unsettled
1.16	Misappropriation of fund transferred from Menjiwoong Central School for pay and allowances of transferees	-	-	Unsettled
1.17	Misappropriation of pay and allowance through fraudulent malpractices	-	-	Unsettled
1.18	Huge sanction of PW Advances and irregular adjustments leading to misuse of fund	-	-	Unsettled
1.19	Deposit of Resungpas' salary into personal account	-	-	Unsettled
1.20	Misappropriation of government fund through wrong booking of remittances	-	-	Unsettled
1.21	Double booking of salary	-	-	Unsettled
1.22	Huge sanction of PW Advances in the name of dealing accountant and irregular adjustments thereof	-	-	Unsettled
1.23	Irregular creation of statutory receipt balances	-	-	Unsettled
1.24	Embezzlement through double booking of arrear payment	-	-	Unsettled
1.25	Advance booked as expenditure and misuse of funds	-	-	Unsettled
1.26	Misappropriation of pay and allowance through fraudulent malpractices	-	-	Unsettled
1.27	Booking of excess allowance for personal gain	-	-	Unsettled
1.28	Inadmissible booking of LTC/LE and misappropriation	-	-	Unsettled
1.29	Irregular payment of leave encashment and misappropriation	-	-	Unsettled
	<b>Total</b>	<b>1.375</b>	<b>1.375</b>	

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

**1.1. ENCASHMENT OF REMITTANCES THROUGH ISSUANCE OF SELF CHEQUE NU.1.245 MILLION**

The Dungkhag Administration, Phuentsholing (DAP) had remitted statutory deductions amounting to Nu.1.245 million to respective agencies and departments through issuance of self cheques for the

financial year 2016 2017. As per vouchers, the payments of remittances were transferred through an account payee cheques.

However, there were no money receipts/acknowledgement receipts attached with the payment vouchers. Review of cheques deposited with the Bank of Bhutan, Phuentsholing, revealed that the remittance cheques were drawn as self cheque in the name of the Accountant instead of account payee cheques to respective agencies/departments. There were also cases of deductions made from object codes, which do not require remittances to the Department of Revenue & Customs (DRC). An amount of Nu.0.046 million was deducted from object code 87.22 'Other Recoveries and Remittances' and Nu.0.151 million was deducted from broad head 8.d, object code 89.24 'Others'. There was no relevancy or requirement for such remittances as it pertains to Non Revenue release for Fund transfer of pay and allowances of teachers. The same expenditure was later found transferred to object code 21.01 'Current Grants: individual/Non profit Org'.

The equivalent amounts were then found withdrawn as self cheques clearly indicating manipulation of accounting records which were not in line with provision of the FRR. The lapses had occurred mainly due to lack of integrity, which was further compounded by poor supervision and weak internal control, leading to irregular financial transactions. *AIN: 15334; Para: 7; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

## 1.2. MISAPPROPRIATION OF PAY AND ALLOWANCES THROUGH FRAUDULENT MALPRACTICES NU.0.130 MILLION

The Accountant of DAP had misappropriated and siphoned Nu.0.660 million of pay and allowances through fraudulent malpractices as follows:

- Pay and allowances amounting to Nu.0.690 million were booked in the name of employees who had already separated from service, were on extra ordinary leave and those transferred out from DAP; Some amounts were transferred into the Accountant's personal account and his daughter's personal savings accounts by indicating himself and his daughter as teachers of Darla Middle Secondary School;
- Advances were found booked in the name of School Principals without their consent and by forging their signatures in the advance application form. The advances were subsequently deducted from the monthly pay as per pay bill but the actual salary of respective Principals were found deposited into the bank without deducting the advances, which had avoided detection by Principals. The advances were found adjusted from the Principals monthly TA/DA bills and other claims payable to Principals. The TA/DA claims of Principals were also found deposited into the Accountant's personal saving account;
- Amount of Nu.0.041 million and Nu.0.290 million were booked as salaries in the name of Sonam Choden, Teacher, Darla Middle Secondary School and Ugyen Wangdi, Chimuna Community Pry School respectively, but were found to be on Extra Ordinary Leave (EOL) from 1 March 2016. The issue was raised as inadmissible payment during earlier audit and Nu.0.104 million had been deposited into Audit Recoveries Account (ARA).

Scrutiny of the statement of salary disbursement sent to the Bank of Bhutan, Phuentsholing to confirm the actual facts and figures revealed that the amount booked against the above employees were not deposited into their saving account but misappropriated by the Accountant.

The lapses had occurred mainly due to lack of integrity on the part of dealing Accountant, that was further exacerbated by apparent lack of supervision and monitoring controls, leading to siphoning of government funds. *AIN: 15334; Para: 1; Accountabilities: Direct: Chhimi Dorji, Accountant, EID 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID9308053; Rabgye Tobden, Former Drungpa, EID 9208098;*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status quo as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

### 1.3. NON-SURRENDER OF CASH BALANCE BY THE DEALING ACCOUNTANT

The Dzongkhag Administration, Chhukha had transferred two contract works along with budget and activity details to the DAP at the time of introduction of Public Expenditure Management System (PEMS) in FY 2010-2011. After payment of final bills, there were cash balances amounting to Nu.0.529 million recovered from the two contract works which were not surrendered to the Dzongkhag Administration by the DAP.

The spillover contract work for the construction of 6-unit Classroom, toilet and water supply at Khatyakha was awarded to M/s Tashi Construction and there were unadjusted Public Works Advances (PWA) of Nu.0.931 million against the contractor. Since the work could not be completed in FY 2009-2010, it was kept under 'Closed Work' till completion of works and making the final payments on 10 April 2012.

The Accountant had adjusted the total advances amounting to Nu.0.931 million from the final bill and withheld by the Accountant till 5 May 2013. After a lapse of 11 months, Nu.0.488 million was deposited with the Dzongkhag Administration and the remaining balance of Nu.0.443 million was retained by the Accountant and remitted only on 19 July 2017 upon detection by the Dzongkhag Administration.

Similarly, for the construction of 32-bedded hostel at Sinchula by M/s Sonam Construction, the accountant had adopted the above modus operandi and retained the amount of Nu.0.086 million till it was detected by the Dzongkhag Administration and then only the amount was deposited to DPA on 4 August 2017.

The above lapses are indicative of weak internal controls including the supervisory and monitoring controls that provided ample opportunity for the Accountant to take undue financial advantage by retaining huge cash at his discretion. *AIN: 15357; Para: 21; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID #9308053.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu*

*Hospital for medical treatment.*

*The issue remained status quo as it was subjudice in the Phuntsholing Dungkhaag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

**1.4. UNAUTHORIZED TRANSFER OF FUND INTO PERSONAL SAVING ACCOUNT - NU.0.315 MILLION**

The DAP had made unauthorized transfer of Nu.0.215 million into Personal Savings Account in violation of the provision of FRR 2016. Following the transfer of two teachers of Rangaytung Primary School, Phuentsholing to Wangdue during the financial year 2016-2017, the DAP had transferred Nu.0.315 million on 21 June 2017 into the personal savings account of Yeshey Tshering, Officiating Accounts Officer, Dzongkhag Administration, Wangdue instead of transferring to the Dzongkhag Administration, Wangdue.

Subsequently, Yeshey Tshering had also issued a Non-Revenue Receipt to the DAP as evidence of having deposited the fund into LC account. However, the said amount was not reflected in the cashbook of Dzongkhag Administration, Wangdue. A reversal voucher to annul the transaction was found deliberately prepared evidencing that Yeshey Tshering, Accountant had misused the amount. The possible collusion between two dealing accounts personnel could not be ruled out.

Further, Yeshey Tshering, Accountant, Dzongkhag Administration, Wangdue had deposited Nu.0.100 million into the personal saving account of Sonam Tshering, who is reportedly a cousin of Yeshey Tshering, but had no official relation to Dzongkhag Administration, Wangdue.

The lapses had occurred mainly due to lack of integrity on part of dealing Accountants of both Dungkhaag Administration, Phuentsholing and Dzongkhag Administration, Wangdue. It was further compounded by poor supervision and weak internal controls with resultant misappropriation of government fund as a result of the Accountants from both Administrations having indulged in fraudulent practice. *AIN: 15334; Para: 11; Accountabilities: Direct: Yeshey Tshering, Accountant, EID # 8712022; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

***Status: Observation not settled. The amount has been recovered, however, administrative action needs to be taken against the accountable persons.***

**1.5. ENCASHMENT OF STATUTORY REMITTANCES THROUGH SELF CHEQUE - NU.0.127 MILLION**

The DAP had remitted statutory deductions amounting to Nu.0.127 million to respective agencies and departments through issuance of self cheques for the financial year 2015-2016. As per vouchers, the payments of remittances were transferred through an account payee cheques. However, there were no money receipts/acknowledgement receipts attached with the payment vouchers. Review of cheques deposited with the Bank of Bhutan, Phuentsholing, revealed that the remittance cheques were drawn as self cheque in the name of the Accountant instead of account payee cheques to respective agencies/departments.

The encashment of self Cheque by Accountant for remitting the statutory remittance when it should have been an account payee Cheque as per voucher is not in line with provision of the FRR. The lapses had occurred mainly due to lack of integrity, which was further compounded by poor supervision and weak internal control, leading to irregular financial transactions. *AIN: 15334; Para: 37; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

***Status: Observation not settled. Amount recovered but administrative action pending. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall,***

*Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.6. INTENTIONAL BOOKING OF EXCESS ALLOWANCE AND MISAPPROPRIATION - NU.0.116 MILLION

The Accountant of DAP had misappropriated Nu.0.116 million by double booking excess allowance against two teachers of Darla Middle Secondary School, working under DAP. Cross-checking salary disbursement statement with records of BoBL revealed that the excess allowances were not deposited into the two teachers' savings account but were found misappropriated by the Accountant. The lapses had occurred mainly due to lack of integrity in discharge of official duties, compounded by apparent lack of supervision and monitoring controls by official holding position of responsibility, leading to siphoning of Government funds. *AIN: 15334; Para: 3; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. Amount has been adjusted since it was already deposited at memo stage vide receipt No. 456454 dated 02.07.2018, however, administrative action needs to be taken against the accountable persons.*

*This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.7. INFLATING THE BILLS OF CONTRACTOR FOR PERSONAL GAIN - NU.0.106 MILLION

The Accountant of the DAP had inflated the Running Account Bills of the contractor amounting to Nu.0.106 million in the construction of Kitchen and Dining hall at Sinchula PS awarded to M/s Nimgang Construction, Chukha. The accountant had booked more expenditure than the expenditure claimed by the contractor or certified by site engineer in the MB. The lapse was an intentional act of the dealing Accountant to defraud the Government. *AIN: 15334; Para: 26; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

**Status:** *Observation not settled. Amount recovered but administrative action pending. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status quo as it was subjudice in the Phuntsholing Dungkha Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.8. IRREGULAR PAYMENT THROUGH FRAUDULENT TRANSACTIONS - NU.0.097 MILLION

The DAP had made irregular payments amounting to Nu.0.309 million to the Accountant during the financial year 2016-2017.

- Amount of Nu.0.123 million was booked as payment to Dungkha staff on account of various claims, of which the Accountant had booked Nu.0.043 million under object code 96.01 'Payment of refundable deposit' but the payment was found encashed by the Accountant through self cheque and not disbursed to the staff;
- Amount of Nu.0.045 million was booked as payments of Rural Life Insurance Claim and were found inflated in the payment vouchers as against the actual payments disbursed and supported by documents. The inflated amount was retained by the Accountant and was not accounted for in the books of Account;
- Amount of Nu.0.221 million was booked as security deposit refund to M/s Tshering Construction but the original voucher was not available for verification. M/s Tshering Construction also confirmed that the firm did not receive the amount.

The lapses had occurred mainly due to lack of integrity on the part of dealing Accountant in delivery of official duty, a situation further exacerbated by poor supervision and weak internal controls, leading to siphoning of Government funds.

As of 31 March 2019, the amount remaining unresolved was Nu.0.097 million. *AIN: 15334; Para: 8; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053; Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. Amount recovered but administrative action pending. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkha Court and is subjudice there. Further, it was stated that Chhimi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status quo as it was subjudice in the Phuntsholing Dungkha Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.9. DOUBLE BOOKING OF RETIREMENT BENEFITS AND MISAPPROPRIATION - NU.0.091 MILLION

The Accountant of DAP had misappropriated Nu.0.196 million by double booking the retirement benefits of a deceased teacher of Chongaykha Primary School in different financial years. The deceased teacher was entitled to Nu.0.214 million but the total payment amounted to Nu.0.319 million with resultant double payment of Nu.0.105 million. Further re-verification of the transactions with the Bank of Bhutan, Phuntsholing revealed the total amount embezzled and deposited into the Accountant's personal saving account was Nu.0.196 million.

The lapses had occurred mainly due to lack of integrity on the part of dealing Accountant which was further exacerbated by poor supervision and weak internal controls leading to siphoning of

government funds. The accountant had refunded Nu.0.10S million into the ARA leaving a balance of Nu.0.091 million. The offence is liable for legal actions for fraudulent malpractices. *AIN: 15334; Para: 16; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

**Status:** *Observation not settled. Amount recovered but administrative action pending. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status quo as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.10. CASH PAYMENT WITHOUT ACKNOWLEDGEMENT RECEIPTS - NU.0.086 MILLION

The DAP had made cash payment aggregating to Nu.0.086 million towards remittances of statutory deductions to various agencies. However, there were no acknowledgement receipts with the disbursement vouchers to authenticate the payment released. The lapses had occurred mainly due to lack of integrity, which was exacerbated by poor supervision and weak internal controls, which provided opportunity to misappropriate funds. *AIN: 15334; Para: 6; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053; Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. Amount recovered but administrative action pending. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status quo as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.11. EXCESS PAYMENT OF PAY AND ALLOWANCES - NU.0.048 MILLION

The DAP had made excess payment of Nu.0.10S million on account of Pay and Allowances to four officials who were either transferred to other agencies or terminated/resigned from service. The payments were found deposited into their respective individual savings account. The Accountant had accepted the lapse and deposited Nu.0.0S7 million into ARA leaving a balance amount of Nu.0.048 million. *AIN: 15334; Para: 39; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. Amount recovered but administrative action pending. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status quo as it was subjudice in the Phuntsholing Dungkhag Court. However,*



*the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.12. DOUBLE BOOKING OF SALARY AND MISAPPROPRIATION - NU.0.030 MILLION

The Accountant of DAP had misappropriated Nu.0.168 million by double booking salaries against various teachers working under Dungkhag Administration. The lapses had occurred mainly due to lack of integrity on the part of dealing Accountant and exacerbated by lack of supervision and monitoring controls, leading to siphoning of government funds. As of 31 March 2019, the amount remaining unresolved amounted to Nu.0.030 million. *AIN: 15334; Para: 2; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

**Status:** *Observation not settled. Amount recovered but administrative action pending. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.13. IRREGULAR PAYMENT OF RURAL LIFE INSURANCE CLAIMS - NU.0.030 MILLION

During the financial year 2015-2016, the Accountant of the DAP had booked Rural Life Insurance claims amounting to Nu.0.030 million in excess of the actual disbursement made to the beneficiaries and misused.

The lapses had occurred mainly due to lack of Integrity which was further exacerbated by poor supervision and weak internal control leading to misuse of government fund. *AIN: 15334; Para: 38; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. Amount recovered but administrative action pending. The amount has been adjusted since it was already deposited while at memo stage vide receipt No. 456198 dated 11.4.2018, however, administrative action needs to be taken against the accountable persons.*

*This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.14. ADVANCE BOOKED AS FINAL EXPENDITURE - NU.0.030 MILLION

The Accountant of the DAP was sanctioned an advance of Nu.0.030 million to meet VVIP expenses. However, the amount was found booked as expenditure under object code 17.03 'Transportation' instead of as advance. There were no bills and records pertaining to the conduct of activity. The lapses

had occurred mainly due to poor supervision and weak internal controls. *AIN: 15334; Para: 40; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. Amount recovered but administrative action pending. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.15 IRREGULAR PAYMENT TO ACCOUNTANT - NU.0.030 MILLION

The DAP had irregularly disbursed Nu.0.030 million as double salary advance. Based on the application of the Principal of Khatoeykha Primary School dated 9 October 2017, a salary advance of Nu.0.030 million was found booked vide DV No. 10.35 dated 10 October 2017 and paid in cash. Another salary advance of Nu.0.030 million was found booked vide voucher No.10.48 dated 16 October 2017 but without the signature of the recipient. However, the second payment was the actual advance amount released to the Principal as it was found deposited into the Principal's bank account. The lapses had occurred apparently due to lack of integrity, which was further compounded by poor supervision and weak internal controls. *AIN: 15334; Para: 46; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

**Status:** *Observation not settled. Amount recovered but administrative action pending. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.16 MISAPPROPRIATION OF FUND TRANSFERRED FROM MENJIWOONG CENTRAL SCHOOL FOR PAY AND ALLOWANCES OF TRANSFEREES

The Accountant of DAP had requested Menjiwoong Central School (MCS), Samdrup Jongkhar to transfer Pay and Allowances in respect of Mr. Tshering upon his transfer as Principal of Darla MSS. Accordingly, MCS had deposited Nu.0.463 million into the personal saving account of the Accountant of DAP in violation of the provision of FRR 2016. As per the PEMS, the Accountant had deposited the amount into the Non-Revenue account but in actuality, the amount was found retained in his personal account. The amount deposited in the non-revenue account was found met from normal budgetary funds.

The lapses had occurred mainly due to lack of integrity in discharge of official responsibilities, which was further exacerbated by poor supervision and monitoring controls leading to siphoning of government funds. *AIN: 15334; Para: 10; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13*

*Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status quo as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.17 MISAPPROPRIATION OF PAY AND ALLOWANCE THROUGH FRAUDULENT MALPRACTICES

The Accountant of the DAP had misappropriated Pay and Allowance amounting to Nu.0.491 million through fraudulent malpractices. Scrutiny of statement of salary disbursement sent to the BOBL, Phuentsholing against the deposit of salaries into the employees' saving account in the bank revealed that the amounts booked were not deposited into the respective savings accounts.

The Accountant had deposited some amounts into his personal saving account as well as into his daughter's account; paid teachers higher salaries as per the pay bill and then recovered the excess payments in the form of claims for transfer grants or leave encashment; and also paid salaries to a ghost employee from October 2015 till February 2016. The lapses had occurred mainly due to lack of Integrity, which was further exacerbated by poor supervision and monitoring controls, leading to siphoning of government funds.

The amount was deposited into ARA by the Accountant pending appropriate actions for fraudulent malpractices. *AIN: 15334; Para: 31; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status quo as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.18. HUGE SANCTION OF PW ADVANCES AND IRREGULAR ADJUSTMENTS LEADING TO MISUSE OF FUND

The DAP had sanctioned advances amounting to Nu.0.420 million of which Nu.0.300 million was for disbursement of Rural Life Insurance claims for the financial year 2016-2017. However, the Accountant had directly paid the claims without adjusting the advance.

- Amount of Nu.0.250 million was booked under capital expenditure without any supporting documents;
- Nu.0.040 million was booked under capital expenditure towards the end of financial year to avoid the lapse of fund and was withheld in the form of draft;
- Nu.0.030 million was adjusted as other recoveries deducted from monthly pay bill of employees for excess/inadmissible payments made earlier. There were no supporting documents; and
- Nu.0.040 million was adjusted against expenses incurred for conduct of office Rimdro. However, the expenses were found deducted from individual employee's pay bill and not from

government funds.

The original Journal Vouchers (JV) were not made available at the time of audit which indicated that the JV adjustments were executed in the system merely to liquidate the advance for personal benefits. The lapses had occurred apparently due to lack of segregation of duties in operation of PEMS as the dealing Accountant was granted full financial autonomy in preparing and approving the vouchers in PEMS. This was further exacerbated by poor supervision and monitoring controls, which provided avenue to misappropriate government funds. *AIN: 15334; Para: 5; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053; Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.19. DEPOSIT OF RESUNGPAS' SALARY INTO PERSONAL ACCOUNT

- i. During the FY 2016-17, the Dzongkhag Administration, Chhukha had released Nu.0.352 million in the personal account of the Accountant of DAP for further disbursement of salaries of *Resungpas* under the Dungkhag Administration. However, the salaries to *Resungpas* were found met from the normal budget of Dungkhag Administration and the amount deposited by Dzongkhag Administration, Chukha was not accounted for in the Dungkhag Administration's books of accounts.
- ii. Similarly, during the FY 2015-16, the Accountant had misspapropriated Nu.0.185 million on account of salaries for *Resungpas* under the Dungkhag Administration, Phuentsholing using same modus operandi.

Further, there were no supporting documents such as money receipt or acknowledgement receipt for the amounts disbursed to the *Resungpas* due to which the authenticity of the payment could not be vouched. The lapses had occurred mainly due to lack of integrity that was further exacerbated by an apparent lack of supervision and monitoring controls by official holding position of responsibility, leading to siphoning of government funds.

The amount was deposited into ARA by the Accountant pending appropriate actions. *AIN: 15334; Para: 4 & 34 Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053; Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.20. MISAPPROPRIATION OF GOVERNMENT FUND THROUGH WRONG BOOKING OF REMITTANCES

The DAP had remitted Nu.0.293 million and Nu.0.292 million to the Department of Revenue and Customs (DRC) on account of salary tax and Health contribution for the month of October 2017 on 10 October 2017 and 15 October 2017 respectively. There was no acknowledgement receipt available for authentication of the first remittance and the second remittance was found wrongly booked as expenditure under object code 24.03 'Contribution of Provident Fund'. The actual statutory deductions and amount of remittances as per the DRC's RAMIS was Nu.0.292 million with resultant excess payment of remittance amounting to Nu.0.293 million.

The lapses had occurred mainly due to lack of integrity and poor supervision and monitoring controls. The Accountant had deposited the amount into ARA but appropriate action is pending. *AIN: 15334; Para: 44; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.21. DOUBLE BOOKING OF SALARY

The Accountant of the DAP had booked double salaries amounting to Nu.0.209 million against teachers and Health staffs working under DAP during the FY 2015-16. While the first payment was made to the teachers and health staffs, the second payment was deposited into the Accountant's personal saving and the accounts of his relatives and daughter.

The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 32; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.22. HUGE SANCTION OF PW ADVANCES IN THE NAME OF DEALING ACCOUNTANT AND IRREGULAR ADJUSTMENTS THEREOF

The DAP had sanctioned Nu.0.300 million to the Accountant in the financial year 2015-2016 for disbursement of Rural Life Insurance claims. However, the Accountant had directly paid the claims without adjusting the advance and had kept huge cash balance at his discretion.

Further, the adjustment of advances of Nu.0.149 million was made through irregular procedures as follows:

- Amount of Nu.0.134 million was adjusted by booking the expenditure under object code 1.01 'Pay and Allowance' and 2.01 'Other Personnel Emoluments' without any supporting documents. Further, there were no deductions/adjustments for the same in any of the pay bills; and
- Amount of Nu.0.015 million was adjusted from a contractor's claim without authorization from the contractor.

The lapses had occurred apparently due to lack of integrity and poor supervisions and weak internal controls. The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 35; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.23. IRREGULAR CREATION OF STATUTORY RECEIPT BALANCES

The Accountant of the DAP had created statutory deductions amounting to Nu.0.134 million on account of Tax Deducted at Source (TDS) but without any supporting documents. The amount was found deposited into DRC account as per bank confirmation. A statutory deduction such as TDS is meant to be collected at source of the income, there was no requirement to create separate receipts without any source of income. The lapses had occurred apparently due to lack of integrity and poor supervisions and weak internal controls. The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 45; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.24. EMBEZZLEMENT THROUGH DOUBLE BOOKING OF ARREAR PAYMENT

The Accountant of the DAP had embezzled Nu.0.098 million through double booking of arrear payment. A sum of Nu.0.178 million was found booked on 9 March 2017 on account of arrear payment of pay and allowance to the employees. Another arrear payment of Nu.0.098 million was found booked again on 10 March 2017 and deposited into his personal saving account. The lapses are indicative of deliberate misuse of funds through fabrication of accounting records, facilitated by poor supervision and weak internal control. The amount was deposited into ARA but appropriate

action is pending. *AIN: 15334; Para: 15; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.25. ADVANCE BOOKED AS EXPENDITURE AND MISUSE OF FUNDS

The DAP had sanctioned Nu.0.080 million as advance to the Accountant to meet expenses for VVIPs. However, the advance amount was recorded as final expenditure under object code 51.01 'Expenditure on structure: Building'. There were no bills and records pertaining to the conduct of activity and the fund was misused by accountant.

The lapses had occurred mainly due to poor supervision and weak internal controls. The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 9; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053; Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.26. MISAPPROPRIATION OF PAY AND ALLOWANCE THROUGH FRAUDULENT MALPRACTICES

The Accountant of the DAP had booked pay and allowances amounting to Nu.0.071 million during the financial year 2017-2018 against ghost employees or those on extra ordinary leave. In addition, there were also cases of excess booking of salary against some officials.

Scrutiny of salary disbursement sent to the BOBL, Phuentsholing against the actual deposit into the employees' saving accounts revealed that the amounts were not deposited in their bank accounts but were found deposited into his personal saving account and into the saving account of his daughter, who was listed as a teacher of Chongaykha Community Primary School. An employee named Dawa Gyeltshen was included in the pay bill and booked salary as Caretaker of Chongaykha CPS for 4 months from July to Oct 2017, but the employee did not exist as confirmed by the Dungkhag Education Section and the Administration Section.

The lapses had occurred mainly due to poor supervision and weak internal controls. The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 43; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

**Status:** Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.

The issue remained status quo as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.

#### 1.27. BOOKING OF EXCESS ALLOWANCE FOR PERSONAL GAIN

The Accountant of the DAP had booked excess allowances amounting to Nu.0.048 million against two teachers from Darla MSS and Lokchina LSS during the financial year 2015-2016. However, the amount was deposited into the Accountant's personal savings account. The lapses had occurred mainly due to poor supervision and weak internal controls. The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 33; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.

The issue remained status quo as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.

#### 1.28. INADMISSIBLE BOOKING OF LTC/LE AND MISAPPROPRIATION

The Accountant of DAP had misappropriated Nu.0.045 million by booking Nu.0.015 million as LTC and Nu.0.030 million as Leave Encashment against a teacher of Darla MSS who was on extraordinary leave. The amount was found deposited into his daughter's saving account. The lapses had occurred mainly due to poor supervision and weak internal controls. The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 18; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053; Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.

The issue remained status quo as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.

#### 1.29. IRREGULAR PAYMENT OF LEAVE ENCASHMENT AND MISAPPROPRIATION

i. The Accountant of the DAP had paid Nu.0.019 million to a teacher of Pachu Central School on



account of leave encashment for the financial 2016-2017. However, the teacher did not have enough leave balance and hence was not entitled to the allowance.

- ii. Similarly, the Accountant had misappropriated Nu.0.014 million pertaining to Primary Education under the Dungkha by booking LTC and Leave Encashment in excess of their entitled amount.

The amount was found deposited into his personal savings account. The lapses had occurred mainly due to poor supervision and weak internal controls. The amount was deposited into ARA but appropriate action is pending. *AIN: 15334; Para: 14 & 17; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: a) Karma Rinchen, Sr. Drungpa, EID # 9308053; b) Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkha Court and is subjudice there. Further, it was stated that Chhimi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status quo as it was subjudice in the Phuntsholing Dungkha Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

## 2. Non-compliance to Laws and Rules - Nu.0.665 million

There were cases of non-compliance to laws and rules involving Nu.0.665 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Doubtful payment of refundable deposit to contractor	0.396	-	0.396
2.2	Cash payment without acknowledgement receipts	0.269	-	0.269
2.4	Non-closing of Closed Work Account	-	-	Unsettled
2.5	Booking of expenditure before completion of work and lapses thereof	-	-	Unsettled
<b>Total</b>		<b>0.665</b>	<b>-</b>	<b>0.665</b>

The cases of non-compliance to laws and rules are as indicated below:

### 2.1. DOUBTFUL PAYMENT OF REFUNDABLE DEPOSIT TO CONTRACTOR - NU.0.396 MILLION

The DAP had a case of doubtful payment of refundable deposit to contractor amounting to Nu.0.396 million. Mjs Tshering Construction had requested for the refund of security deposit on 27 March 2017 and a sum of Nu.0.396 million was found paid to the contractor on 7 August 2017 as refund of 50% security deposit.

However, there was neither an acknowledgement receipt attached with the voucher nor the details of equivalent releases obtained from the DPA. Further, Nu.0.036 million was found wrongly booked under object code 21.03 'Current grant: Rural life Insurance Scheme'. *AIN: 15334; Para: 47; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13*

*Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status quo as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

## 2.2. CASH PAYMENT WITHOUT ACKNOWLEDGEMENT RECEIPTS - NU.0.269 MILLION

The Accountant of the DAP had made cash payments aggregating to Nu.0.269 million on account of remittances of statutory deductions and deposit of refundable deposits. Amount of Nu.0.217 million pertained to deposit into Refundable deposit account and Nu.0.052 million pertained to remittances to RRCO, Phuentsholing but the payments were not supported by acknowledgement receipts from bank to authenticate the payments. The lapses had occurred mainly due to lack of integrity, poor supervision and weak internal control system. *AIN: 15334; Para: 36; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status quo as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

## 2.3. EXECUTION OF SUB-STANDARD WORK

- a) The Dzongkhag Administration, Chhukha had accepted sub-standard work executed by Mjs Zambala Construction, Sarpang in the re-construction and maintenance of Water Supply to Gedu Town. The excavation in foundation trenches and the construction of the distribution tank were not executed as per specification, thus leading to improper laying of HDPE pipes and substandard works. The joints of the HDPE pipes at various intervals and the distribution tank were found damaged and leaking, thus depriving the public of adequate water supply and aggravating the shortage of water. The lapses had occurred mainly due to inadequate monitoring and supervision at the time of execution coupled with lack of due diligence in discharging responsibility by the site engineer. *AIN: 15357; Para: 3.2; Accountabilities: Direct: Damchoe Dorji, Municipal Engineer, EID # 201101228; Supervisory: Tshering Chopel, Chief Dzongkhag Engineer, EID # 8808013.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the former Municipal Engineer, Damchoe Dorji reported that despite continuous follow ups for the last three years the construction firms did not pay a heed to the audit observation against the sub-standard works executed by them during the financial year 2016 – 2017. He further, reported that on 31 August 2021 he had submitted a letter addressed to Dasho Dzongdag requesting the Dzongkhag Administration to take legal recourse against the firm.*

*It was decided that Dzongkhag Administration and OAG should have a bilateral meeting on the issue and submit an action taken report to PAC by 31 October 2021.*

## 2.4 NON-CLOSING OF CLOSED WORK ACCOUNT

The Dungkhag Administration, Phuentsholing had failed to close the 'Closed Work Account' for fund balances pertaining to closed work booked in FY 2014-2015. The 'Closed Work Account' balance at the end of 2016-2017 was Nu.2.105 million of which Nu.1.661 million were incurred as expenditure in FY 2017-2018 leaving a balance of Nu.0.444 million. In addition, there were fund balance of Nu.0.027 million from FY 2015-2016 and Nu.0.374 million and Nu.0.112 million brought forward from FY 2014-2015 bringing the total balance at the end of FY 2017-2018 to Nu.0.958 million.

The lapses had occurred due to failure on the part of Drungkhag Administration to settle the fund balances after the completion of work booked under closed work. *AIN: 15334; Para: 24; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053; Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. From the Principal amount Nu.0.444 million, an amount of Nu. 0.284 million was deposited vide receipt no. 456360 dated 31.5.2019. However, balance amount of Nu.0.159 million along with 24% penalty is still recoverable.*

*Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status quo as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

## 2.5. BOOKING OF EXPENDITURE BEFORE COMPLETION OF WORK AND LAPSES THEREOF

The DAP had booked expenditure on spillover construction activities towards the end of financial year 2016-2017 and had retained the funds in the form of demand drafts to prevent the lapse of the following funds:

Sl. No.	Name of Work	Name of Firm	Amt. Booked (Nu. in Million)
1.	Const. of Water supply, play field and approach road at khateykha PS	M/s Jang Choling Construction	1.177
2.	Const. of 64 bedded hostel and principal quarter at Sinchula PS	M/s Penden Lham Construction	2.613
3.	Const. of staff quarter at Lingdhen PS	M/s O Lays Construction	1.000
4.	Const. of six unit class room and pour flush toilet at Wangdigatsel PS	M/s Tandin Techno Construction	1.777
5.	Const. of staff qtr. At Khataykha	M/s ShingJogthang Construction	1.784

With regard to s/n 2, the contractor had completed the work and submitted the bills for Nu.2.173 million against which Nu.2.613 million had been paid. Thus, the contractor was either granted an undue favor of Nu.0.440 million in the form of payment without execution of work or cannot rule out

the misuse of the differential amount by dealing officials. Similarly, with regard to s/n 4, the contractor had completed the work and submitted the bills for Nu.1.145 million against which Nu.1.778 million had been paid. Thus, the contractor was either granted an undue favor of Nu.0.633 million in the form of payment without execution of work or cannot rule out the misuse of the differential amount by dealing officials.

For s/n 1, 3 & 5, the works were still incomplete and the measurement books did not record the details of work done although the demand drafts were released to the contractors indicating undue financial favor being extended to the contractors. *AIN: 15334; Para: 25; Accountabilities: Direct: Basant Kumar Rai, JE, EID # 201310030; Chhimi Dorji, Accountant, EID # 9206009; Rupa Gurung, Engineer, EID # 200307012; Sonam Choden, Engineer, EID # 200407012; Yashoda Phuyel, Account Assistant, EID # 200507269; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

**Status:** *Observation not settled. An amount of Nu.7.174 million resolved vide letter no. PDA/ADM-16/2018-2019/2854 dated 18.6.2019. However, the observations pertaining to Chhimi Dorji and Basant Kumar Rai amounting to NU. 1.177 million along with 24% penalty is still recoverable.*

*This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

### 3. Shortfalls, Lapses and Deficiencies - Nu.1.795 million

There were cases of shortfalls, lapses and deficiencies involving Nu.1.795 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
3.1.1	Excess payment resulted due to non-deduction of cost of materials	0.928	-	0.928
3.1.3	Over payment due to improper verification of work done – Nu.0.321 million	0.321	-	0.321
3.3	Adjustment of advances without supporting documents	0.247	-	0.247
3.4.1	Outstanding Public Work Advances	0.131	-	0.131
3.4.2	Overdue Public Work Advances	0.130	-	0.130
3.5	Excess payments on procurement of laptop computers, furniture and equipment	0.038	-	0.038
<b>Total</b>		<b>1.795</b>	<b>-</b>	<b>1.795</b>

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

#### 3.1. EXCESS/OVER PAYMENTS TO CONTRACTORS

##### 3.1.1 EXCESS PAYMENT DUE TO NON-DEDUCTION OF COST OF MATERIALS - NU.0.928 MILLION

The Dzongkhag Administration, Chhukha had made excess payment of Nu.1.309 million to M/s Good Will Construction in the construction of Irrigation Channel at Druk Dingsa, Pangu, and Ngaglachong under Dungna Gewog due to non-deduction of cost of materials.

Scrutiny of the final bill payment revealed that the Dzongkhag Administration had made total payments amounting to Nu.3.071 million for the procurement of HDPE pipes and sockets from M/s Bhutan Polythene Company and M/s Bhutan Plastic Industry, Phuentsholing, but had recovered/deducted only Nu.1.762 million, leaving a recoverable balance of Nu.1.309 million.

The lapses had occurred apparently due to negligence of the concerned Site Engineer and Supervising Engineer in verifying the claims and not deducting of the cost of materials from the RA bills as required. As of 31 March 2019, Nu.0.381 million was recovered and deposited into ARA leaving a balance of Nu.0.928 million. *AIN: 15357; Para: 1.1; Accountabilities: Direct: Kezang Tobgay, Asst. Dzongkhag Engineer, EID # 20150105064; Supervisory: Tshering Chopel, Dzongkhag Engineer, EID # 8808013.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Engineer, Kezang reported that, out of Nu. 1,300,000/- to be recovered, approximately Nu. 380,000/- was deposited and the balance amount was approximately Nu. 928,000/-. Further, it was reported that a case was forwarded to Phuntsholing District Court and the judgement was passed on March 2021 directing the contractor to pay the balance amount by 20 July 2021. As of now the balance amount is approximately Nu. 400,000/- and all the relevant documents related to the amount recovered was personally shared with the RAA's Regional Office, Phuntsholing but it has been reflected as Nu. 900,000/- in audit report.*

*RAA reported that they will follow up with the Regional Office, Phuntsholing and update it accordingly.*

*It was decided that Dzongkhag Administration shall submit all the documents related to the recovery of the amount to RAA, Thimphu and RAA shall update it accordingly.*

### 3.1.3 OVER PAYMENT DUE TO IMPROPER VERIFICATION OF WORK DONE – NU.0.321 MILLION

The Dzongkhag Administration, Chhukha had made over payment of Nu.0.321 million to M/s Zambala Construction, Sarpang in the re-Construction and maintenance of Water Supply to Gedu Town due to improper verification of work done. The contractor had claimed for quantities in excess of items of work actually executed at site with resultant excess payment. The excess payment had occurred mainly due to failure of the site engineer to properly verify the contractor's claim in relation to drawings and actual work done at site and ensure the admissibility of contractor's claims. *AIN: 15357; Para: 3.1; Accountabilities: Direct: Damchoe Dorji, Municipal Engineer, EID # 201101228; Supervisory: Tshering Chopel, Chief Dzongkhag Engineer, EID # 8808013.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Municipal Engineer, Damchoe Dorji reported that after the issuance of audit memo the contractor was requested to come for joint measurement but couldn't because the contractor was already in detention (police custody) due to some other issue.*

*It was decided that Dzongkhag Administration and RAA should have a bilateral meeting in resolving the issue by 3<sup>rd</sup> October 2021.*

### 3.3 ADJUSTMENT OF ADVANCES WITHOUT SUPPORTING DOCUMENTS - NU.0.247 MILLION

During financial year 2015-2016, the Dungkhang Administration, Phuentsholing had adjusted outstanding PW Advances amounting to Nu.0.247 million without supporting documents. The lapses had occurred due to lack of proper segregation of duties in operation of PEMS. The Accountant had single handedly carried out preparation and approval of vouchers in the system that facilitated fabrication of records. *AIN: 15334; Para: 41; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhang Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhang Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

### 3.3. OUTSTANDING ADVANCES

#### 3.3.1 OUTSTANDING PUBLIC WORK ADVANCES - NU.0.131 MILLION

The Dungkhang Administration, Phuentsholing had overdue outstanding Public Work Advances (PWA) amounting to Nu.0.161 million as on 30 June 2017. Advance amounting to Nu.0.030 million pertained to Cultural Officer as DSA for Dancers and Nu.0.130 million was found released to Chhimi Dorji, Accountant as advance for RIS. The lapses had occurred due to non-adherence to the provisions of FRR. *AIN: 15334; Para: 30; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Ugyen Choda, Cultural Officer, EID # 200905024; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhang Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhang Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 3.3.2 OVERDUE PUBLIC WORK ADVANCE - NU.0.130 MILLION

The Dzongkhag Administration, Chhukha had overdue outstanding Public Work Advances (PWA) amounting to Nu.0.434 million. Some of the PW Advances were found carried forward from FY 2010-2011 when the records were migrated from Budget and Accounting System (BAS) to the current Public Expenditure Management System (PEMS).

The lapses had occurred due to failure on the part of the Dzongkhag Administration to follow-up with individuals concerned on time. As of 31 March 2019, Nu.0.304 million was recovered leaving a balance of Nu.0.130 million. *AIN: 15357; Para: 20; Accountabilities: Direct: Nim Zam, Accounts Officer, EID # 201101052; Supervisory: Bhim Raj Yogi, Sr. Finance Officer, EID # 200601030.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Accounts Officer, Nim Zam reported that the project was funded by Ministry of Information and Communications and the work*

*was executed during the financial year 2010 to 2011. RAA audited the works during 2018 and issued memo against this work. It was further stated that matter was followed up with the contractor to recover the amount but couldn't as the contractor was not financially sound to repay the same. Mr. Tshewang Jamtsho, contractor, initially acknowledged to repay the amount but due to sudden demise of multiple members of his family he went bankrupt and couldn't pay the amount. It was also stated that his contract license has been cancelled as of now. However, the works was completed by him. Therefore, it was requested to waive of the amount and drop this issue.*

*The RAA stated that such issues cannot be waived off arbitrarily unless the contractor is being declared bankrupt by the Royal Court of Justice.*

*It was decided that Dzongkhag Administration should exhaust all means to recover the amount from the contractor and submit a report on the same to RAA by 31 October 2021. Further, if the contractor wishes to apply for bankruptcy he can do so through legal process and if declared bankrupt the same should be reported to RAA for appropriate decision.*

#### 3.4. EXCESS PAYMENTS ON PROCUREMENT OF LAPTOP COMPUTERS, FURNITURE AND EQUIPMENT - NU.0.038 MILLION

The Dungkhag Administration, Phuentsholing had made excess payments of Nu.0.048 million on the procurement of laptop computers, furniture and equipment. The lapses had occurred due to the failure of the dealing Accountant to check the bills properly before releasing payments to the suppliers. As of 31 March 2019, the unresolved amount stood at Nu.0.038 million. *AIN: 15334; Para: 22; Accountabilities: Direct: Chhimi Dorji, Accountant, EID # 9206009; Supervisory: Karma Rinchen, Sr. Drungpa, EID # 9308053; Rabgye Tobden, Former Drungpa, EID # 9208098.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Dzongkhag Finance Officer reported that all thirty-seven issues against Chhimi Dorji, Accountant, have been filed before the Phuntsholing Dungkhag Court and is subjudice there. Further, it was stated that Chimmi Dorji acknowledged to attend the meeting to submit his justifications on these issues but couldn't as he had to visit Gelephu Hospital for medical treatment.*

*The issue remained status que as it was subjudice in the Phuntsholing Dungkhag Court. However, the PAC directed the Dzongkhag Administration to submit the documents relating to the cases forwarded to the Court to RAA.*

#### 1.3.2.3 DZONGKHAG ADMINISTRATION, GASA

During the year, the RAA conducted two audits of Dzongkhag Administration, Gasa. There were 20 observations amounting to Nu.13.395 million of which seven observations amounting to Nu.7.544 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.5.851 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.461 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.5.390 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag and out of the total unsettled irregularities of Nu. 0.361 million reported to the Parliament in Sept. 2020, Nu. 0.356 million was settled leaving a balance of Nu. 0.005 million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-Compliance to Laws and Rules	-	-	-	-
2	Shortfalls, Lapses and Deficiencies	0.361	0.356	0.005	98.61
	<b>Total</b>	<b>0.361</b>	<b>0.356</b>	<b>0.005</b>	<b>98.61</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

## 1. Non-compliance to Laws and Rules

There was a case of non-compliance to laws and rules as indicated below:

### 1.1. UNINSURED INFRASTRUCTURES AT TSACHU

The Dzongkhag Administration, Gasa had not insured the *Tshachhu* (hot spring) infrastructure/assets worth Nu.18.629 million restored and reconstructed over many years. The Tshachu's location on the banks of Mochhu is at high risk of damage by floods as observed from past flooding incidences. The restoration works are still in the process of improving the infrastructures. Adequate insurance coverage of the infrastructures/assets could reduce the burden on the government in the event of similar mishaps. *AIN: 15682; Para: 11; Accountabilities: Direct: Choki, Dzongkhag Engineer, EID No. 200507217; Supervisory: Dorji Dhradhul, Dzongdag, EID No. 9209027.*

**Status:** *Observation settled. The observation was deliberated during the PAC consultative meeting held on 12 Aug. 2021 in the DYT hall of Dzongkhag Administration Punakha where the Dzongkhag Administration reported that the administration requested provision for insurance budget from the Department of National Budget but no responses were received. Upon following up with the Director of Department of National Budget, the Director over the telephonic conversation questions whether it is important to insure governmental properties.*

*RAA reported that, in the previous exit meeting between RAA & Dzong Administration, it was discussed that in actual there is no practice of insuring government properties. However, if government agrees to insure the same, the administration should try doing it by obtaining budget or from the revenue earned from Tsachu.*

*It was decided to resolve the issue considering the effort made by the Dzongkhag which did not materialized and also financial status of the country and incapacity to provide budget and also as it is not mandatory to insure any governmental properties.*

## 2. Shortfalls, Lapses and Deficiencies - Nu.0.005 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.361 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
.				



2.3	Double payment of TA/DA	0.225	0.225	-
2.4	Inadmissible payment of TA/DA and porter/pony during PHCB 2017	0.063	0.058	0.005
2.5	Excess payment of TA/DA and porter/pony	0.073	0.073	-
2.6	Non-reconciliation of employer's and employee's contribution	-	-	Unsettled
<b>Total</b>		<b>0.361</b>	<b>0.356</b>	<b>0.005</b>

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

## 2.2. DOUBLE PAYMENT OF TA/DA

The Dzongkhag Administration, Gasa had made double payment of Nu.0.326 million on account of TA/DA. Some officials were found to have claimed TA/DA twice for the same tour/travel with resultant double claims. The double payment of TA/DA was indicative of lack of check and balance system in place like Travel Registers and not regulating the payment of porter/pony as per BCSR. *AIN: 15682; Para: 6.4; Accountabilities: Direct: Refer Annexure given in audit report; Supervisory: Refer Annexure given in audit report.*

**Status:** *Observation settled as all the amounts were realized.*

## 2.3. INADMISSIBLE PAYMENT OF TA/DA AND PORTER/PONY DURING PHCB 2017 - NU.0.005 MILLION

The Dzongkhag Administration, Gasa had made inadmissible payment of Nu.0.133 million on account of TA/DA and Porter/Pony during Second Population and Housing Census of Bhutan (PHCB) 2017. The officials were found to have claimed mileage despite using the pool vehicles and porter pony charges were also found paid irrespective of the places approved for Dholams by Dzongkhag Tshogdu. The lapses had occurred apparently due to non-compliance to directives of the Government and prevailing rules governing the payment. *AIN: 15682; Para: 6.2; Accountabilities: Direct: Refer Annexure given in audit report; Supervisory: Refer Annexure given in audit report.*

**Status:** *Observation partially settled. All the amounts have been settled except Nu.5,250/- against Sonam Wangdi.*

## 2.4. EXCESS PAYMENT OF TA/DA AND PORTER/PONY

The Dzongkhag Administration, Gasa had made excess payment of Nu.0.083 million on account of TA/DA and Porter/Pony. Some officials were found to have claimed DA and porter/pony in excess of the actual number of days on tour. The lapses had occurred apparently due to non-compliance to directives of the Government and prevailing rules governing the payment of TA/DA. *AIN: 15682; Para: 6.3; Accountabilities: Direct: Refer Annexure given in audit report; Supervisory: Refer Annexure given in audit report.*

**Status:** *Observation settled as all the amounts were realized.*

## 2.5. NON-RECONCILIATION OF EMPLOYER'S AND EMPLOYEE'S CONTRIBUTION

The Dzongkhag Administration, Gasa had not reconciled the GPF contributions of employer and employees for the financial year 2016-2017 due to which payments from the employer's contribution was more than the employees' personal contribution by Nu.0.035 million. The lapses had occurred either due to non-remittance of employee's contributions or excess remittance of employer's contributions to provident fund account. *AIN: 15682; Para: 13; Accountabilities: Direct: Leki*

Wangchuk, Accounts Assistant, EID 20130802304; Supervisory: Karma, Finance Officer, EID No. 200407063.

**Status:** Observation not settled. The observation was deliberated during the PAC consultative meeting held on 12 Aug. 2021 in the DYT hall of Dzongkhag Administration Punakha where the Dzongkhag Administration reported that two faculties were transferred to Tang Central School & Khasadrapchu Middle Secondary School in the middle of the financial year and since the salaries and other benefits payable to the faculties were in the Gasa Dzongkhag, the GPF contributions resulted unreconciled. The PAC advised the Dzongkhag to reconcile the difference and report to the RAA.

#### 1.3.2.4 DZONGKHAG ADMINISTRATION, HAA

During the year, the RAA conducted one audit of the Dzongkhag Administration, Haa. There were 4 observations amounting to Nu.0.337 million of which one observation amounting to Nu.0.016 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.321 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.321 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag and out of the total unsettled irregularities of Nu. 0.321 million reported to the Parliament in Sept. 2020 all the irregularities remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-Compliance to Laws and Rules	0.035	-	0.035	-
2	Shortfalls, Lapses and Deficiencies	0.286	-	0.286	-
	<b>Total</b>	<b>0.321</b>	<b>-</b>	<b>0.321</b>	

The details of unsettled irregularities reported to the Parliament as on 30 Sept. 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

#### 1. Non-compliance to Laws and Rules - Nu.0.035 million

The case of non-compliance to laws and rules is as indicated below:

##### 1.1. SHORT LEVY OF LIQUIDATED DAMAGES - NU.0.035 MILLION

The Dzongkhag Administration, Haa had short levied liquidated damages of Nu.0.035 million on Mjs Kuendrup Tsemkhang, Gelephu for failure to supply goods on stipulated time. *AIN: 15359; Para: 2; Accountabilities: Direct: Kirtiman Rai, Assistant Engineer, EID # 200307023; Supervisory: Tshewang Dem, Dy. Chief Budget Officer, EID # 200201016.*

**Status:** Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10

*Sept. 2021 in NA conference hall, Thimphu where the Internal Auditor reported that the case was filed on 3 Feb. 2021 before the Dzongkhag Court (Haa) and all the proceedings had been completed and judgement of the court was awaited.*

*The PAC directed the Dzongkhag to submit the documents relating to the case forwarded to Dzongkhag Court to RAA by 30 Sept. 2021.*

## 2. Shortfalls, Lapses and Deficiencies - Nu.0.286 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.286 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Excess payment due to wrong adjustment of running bills	0.230	-	0.230
2.2	Excess payments on providing and applying Bhutanese traditional paintings	0.056	-	0.056
	<b>Total</b>	<b>0.286</b>	<b>-</b>	<b>0.286</b>

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

### 2.1. EXCESS PAYMENT DUE TO WRONG ADJUSTMENT OF RUNNING BILLS - NU.0.230 MILLION

The Dzongkhag Administration, Haa had made excess payment of Nu.0.230 million to the contractor due to wrong adjustment of running bills for Providing Bhutanese Traditional paintings for newly constructed Dratsha at Lhakhang Karpo Conservation project, Haa. The lapses had occurred due to lack of proper communication between the project management and the Accounts Section. *AIN: 15359; Para: 1.1; Accountabilities: Direct: Namgay Lhamo, Accountant, EID # 200907172; Supervisory: Tshewang Dem, Dy. Chief Budget Officer, EID # 200201016.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where the Internal Auditor reported that the case was filed on 3 Feb. 2021 before the Dzongkhag Court (Haa) and all the proceedings had been completed and judgement of the court was awaited.*

*The PAC directed the Dzongkhag to submit the documents relating to the case forwarded to Dzongkhag Court to RAA by 30 Sept. 2021.*

### 2.2. EXCESS PAYMENTS ON PROVIDING AND APPLYING BHUTANESE TRADITIONAL PAINTINGS - NU.0.056 MILLION

The Dzongkhag Administration, Haa had made excess payment of Nu.0.056 million to the contractor for items of work not executed while Providing Bhutanese Traditional paintings for newly constructed Dratsha at Lhakhang Karpo Conservation project, Haa. M/s Gaa-Tyen Construction was paid for items of work in excess of quantities actually executed at site. The lapses had occurred apparently due to failure on the part of the site engineer to verify the contractor's bills properly based on actual works executed at site. *AIN: 15359; Para: 1.2; Accountabilities: Direct: Kirtiman Rai, Assistant Engineer, EID # 200307023; Supervisory: Tshewang Dem, Dy. Chief Budget Officer, EID # 200201016.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where the Internal Auditor reported that the case was*

*filed on 3 Feb. 2021 before the Dzongkhag Court (Haa) and all the proceedings had been completed and judgement of the court was awaited.*

*The PAC directed the Dzongkhag to submit the documents relating to the case forwarded to Dzongkhag Court to RAA by 30 Sept. 2021.*

### 1.3.2.6 DZONGKHAG ADMINISTRATION, MONGGAR

During the year, the RAA conducted three audits of Dzongkhag Administration, Monggar. There were 39 observations amounting to Nu.6.864 million of which seven observations amounting to Nu.0.101 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.6.763 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.646 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.6.117 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag and out of the total unsettled irregularities of Nu. 1.839 million reported to the Parliament in Sept. 2020, Nu. 0.338 million were settled leaving a balance of Nu.1.501 million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	1.035	0.209	0.826	20.19
2	Shortfalls, Lapses and Deficiencies	0.804	0.129	0.675	16.04
	<b>Total</b>	<b>1.839</b>	<b>0.338</b>	<b>1.501</b>	<b>18.38</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

#### 1. Non-compliance to Laws and Rules - Nu.0.826 million

There were cases of non-compliance to laws and rules involving Nu.1.035 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.2	Delay in Construction of Sub-post, Staff <i>Quarter</i> and Toilet and applicable Liquidated Damages	0.678	0.209	0.469
1.4	Delay in Supply and Installation of Steel Tanks with GI Pipes and fittings and non-levy of liquidated damages	0.357	-	0.357
	<b>Total</b>	<b>1.035</b>	<b>0.209</b>	<b>0.826</b>

The cases of non-compliance to laws and rules are as indicated below:

### 1.1. DELAY IN CONSTRUCTION OF SUB-POST, STAFF QUARTER AND TOILET AND APPLICABLE LIQUIDATED DAMAGES - NU.0.678 MILLION

The Dzongkhag Administration, Monggar had not levied liquidated damages amounting to Nu.0.678 million on M/s Zangchong Construction, Zhemgang for delay in completion of construction of Sub-post, Staff Quarter and Toilet at Silambi. The scheduled date of completion was 8 October 2016, but the work was not completed even at the time of audit in March 2018. The contractor was liable for the maximum liquidated damages of 10% on the contract price of Nu.6.782 million. The lapse had occurred due to certifying the work as complete without actual completion by the site engineer. *AIN: 15672; Para: 7; Accountabilities: Direct: Padam Bdr Rai, AE, EID # 20120100121; M/s Zangchong Const, Contractor, CDB #7644; Supervisory: Sonam Tashi, DE, EID # 200801079.*

**Status:** *Partially settled. Out of Nu.0.678 million, a sum of Nu.0.209 million was deposited into ARA vide R/No.02073 dated 31/08/2021 leaving balance of Nu.0.469 million as of Aug. 2021.*

*The issue was deliberated during the PAC consultative meeting held on 3 Aug. 2021 in the DYT hall of Trashigang Dzongkhag and the Dzongkhag Adm. Monggar reported that the construction of sub-post, staff quarter and toilet was completed. Out of Nu. 678,000/- of LD to be recovered, Nu. 200,000/- was recovered and remaining Nu. 478,000/- was due but the same has not been updated in RAA's report. Further, Dzongkhag Adm. issued a reminder to the contractor for the payment of the remaining amount but he did not pay so far. The PAC directed the Dzongkhag Adm. to check the status of the contractor in Construction Development Board and take legal recourse to recover the amount by 31 Aug. 2021.*

*As per the record of the RAA Nu.209, 960.00 was deposited vide R/No.02073 dated 31/08/2021. Therefore, unrecovered principal amount stands Nu.468,040/- out of Nu.678,000/-.*

### 1.3. DELAY IN SUPPLY AND INSTALLATION OF STEEL TANKS WITH GI PIPES AND FITTINGS AND NON-LEVY OF LIQUIDATED DAMAGES - NU.0.357 MILLION

The Dzongkhag Administration, Monggar had not levied liquidated damages amounting to Nu.0.357 million on M/s Mawongpa Water Solution, Thimphu for delay in 'Supply and Installation of Steel Tanks with GI Pipes and fittings complete' at Gorbaktang, Dextrang and Royal Guest House. The time extension requested by the contractor did not cite reasons for which the time extension was required. In addition, the contractor was found awarded additional work of supplying and fixing of additional steel tank. The Dzongkhag reported that the main hindrance was the delay in handing over of site by the previous contractor, M/s Tshoki Construction, Thimphu. *AIN: 15672; Para: 4; Accountabilities: Direct: Tshering Phuntsho, AE, EID # 9507035; M/s Mawongpa Water Solution, Thimphu, Licence # 1002200; Supervisory Accountability: Sonam Tashi, DE, EID # 200801079.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 3 Aug. 2021 in the DYT hall of Trashigang Dzongkhag and the Dzongkhag Adm. Monggar stated that the contract work was allotted on 27 Nov. 2014 with a completion deadline of 6 June 2015. The work was completed by the contractor and handed over after 2 months of the expiry of the deadline. 10% LD was levied from the contractor for the work delayed. The work was then allotted to another contractor (2 months late) with additional work of installation of 168 m<sup>3</sup> tank. As decided by the Dzongkhag Tender Committee time extension of two month was given to the contractor. Thus LD worked out by the RAA could not be understood.*

*As the RAA's observation was contested the Dzongkhag was requested to submit detail report on delay of the work and levy of LD and submit to OAG Bumthang by 31 Aug. 2021 for review and appropriate decision.*

## 2. Shortfalls, Lapses and Deficiencies – Nu.0.675 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.804 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.2	Non-rectification of damaged structure	0.601	-	0.601
2.3.2	Excess payment for the RRM walls	0.129	0.129	-
2.3.5	Excess payment due to non-deduction of RCC beams in construction of RRM wall	0.074	-	0.074
	<b>Total</b>	<b>0.804</b>	<b>0.129</b>	<b>0.675</b>

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

### 2.1 EXCESS PAYMENTS TO EMPLOYEES

### 2.2. NON-RECTIFICATION OF DAMAGED STRUCTURE - NU.0.601 MILLION

The Dzongkhag Administration, Monggar had not instructed M/s Sonam Lhamo Construction, Monggar to rectify damaged wall measuring 25 meters costing Nu.0.601 million in the construction of Retaining Wall at Silambi Pry School. It had remained unrectified as of date of audit. *AIN: 15672; Para: 6.1; Accountabilities: Direct: Padam Bdr Rai, AE, EID #20120100121; M/s Sonam Lhamo Construction, CDB #3408; Supervisory: Sonam Tashi, DE, EID #200801079.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 3 Aug. 2021 in the DYT hall of Trashigang Dzongkhag and the Dzongkhag Adm. Monggar reported that the damaged structures were rectified within the defect liability period. The RAA requested the Dzongkhag Adm. to submit the documents related to the completion of the work and handing & taking of the same for RAA's review and decision. The PAC directed the Dzongkhag that relevant documents should be submitted to the RAA by 31 Aug. 2021 for review and decision.*

### 2.3. EXCESS PAYMENTS TO CONTRACTORS

#### 2.3.1 EXCESS PAYMENT FOR THE RRM WALLS

The Dzongkhag Administration, Monggar had made excess payment of Nu.0.129 million to the contractor due to improper measurements in the site development works of RRM walls in the construction of 3-unit RNR staff quarter at Shermuhung Gewog. *AIN: 15672; Para: 1.2; Accountabilities: Direct: Prem Bdr Ghalley, DE, EID # 20120100121; M/s Sonam Chophel Construction (CDB # 3531); Supervisory: Sonam Tashi, DE, EID # 200801079.*

**Status:** *Observation has been settled vide letter No.MD/DES-18/2021/4734 dated 29/03/2021 based on the re-verification report submitted by the Dzongkhag Committee and review conducted by the RAA's audit team.*

#### 2.3.2 EXCESS PAYMENT DUE TO NON-DEDUCTION OF RCC BEAMS IN CONSTRUCTION OF RRM WALL – NU.0.074 MILLION

The Dzongkhag Administration, Monggar had made excess payment of Nu.0.074 million due to non-deduction of RCC beams in construction of RRM wall in the construction of 3-unit RNR staff Quarter. M/s Mekham Dorji Construction, Thimphu was found paid for quantities in excess of quantities

actually executed at site. The lapses had occurred apparently due to failure of the site engineer to exercise due diligence while passing the contractor's claims. *AIN: 15672; Para: 8; Accountabilities: Direct: Karma Wangmo, AE, EID # 20120100117; M/s Mekham Dorji Const, Contractor, CDB #2031; Supervisory: Sonam Tashi, DE, EID # 200801079.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 3 Aug. 2021 in the DYT hall of Trashigang Dzongkhag and the Dzongkhag Adm. Monggar reported that the Site Engineer wrote three letters to the contractor for the refund of the excess amount but hadn't refunded it yet. The PAC directed the Administration to resolve the issue within 31 Aug. 2021 and report the same to the RAA.*

### 1.3.2.7 DZONGKHAG ADMINISTRATION, PARO

During the year, the RAA conducted two audits of Dzongkhag Administration, Paro. There were 32 observations amounting to Nu.11.549 million of which 14 observations amounting to Nu.5.541 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.6.008 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.151 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.5.857million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag, however, the total unsettled irregularities of Nu. 1.899 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.283	-	0.283	-
2	Shortfalls, Lapses and Deficiencies	1.616	-	1.616	-
	<b>Total</b>	<b>1.899</b>	<b>-</b>	<b>1.899</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

#### 1. Non-compliance to Laws and Rules - Nu.0.283 million

##### 1.1. NON-EXECUTION/PROVIDING AND FIXING OF ELECTRICAL FITTINGS AS PER BOQ - NU.0.283 MILLION

The Dzongkhag Administration, Paro had accepted Nu.0.283 million worth of electrical fittings and fixture other than those specified in the Bill of Quantities (BoQ) in the construction of two- unit staff quarter at RNR Centre under Shaba Gewog. M/s Lhab Tshering Construction, Paro had quoted to provide for wiring for all points to be done with recessed HDPE pipe, but was found done with PVC casing-capping. The contractor had also provided PVC boxes for switch and junctions, instead of metal boxes specified in the BoQ. The change of specification for electrical fittings was neither approved by the Tender Committee, nor was any rate analysis carried out to adjust the prices for the substituted items. *AIN: 15243; Para: 12.2; Accountabilities: Direct: Passang Tobgay, Asst. Engineer, EID*

**Status:** Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where Paro Dzongdag reported that the Dzongkhag Administration was following up with the contractor to recover the amount. Upon failure to do so, the administration decided to take legal action and all the nine issues have been registered in the court and is waiting for judgement. However, the report on the action taken was not communicated to the RAA.

The PAC directed the Dzongkhag Administration, Paro to submit the documents related to the cases forwarded to the court to RAA by 30 Sept. 2021.

## 2. Shortfalls, Lapses and Deficiencies - Nu.1.617 million

There were cases of shortfalls, lapses and deficiencies involving Nu.5.062 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.3	Payment for short/less execution of works resulting to excess payment	0.425	-	0.425
2.4	Less payment to contractor	0.387	-	0.387
2.5	Payment made at higher rate resulting into excess payment	0.233	-	0.233
2.6	Excess payment on account of short-execution of work	0.196	-	0.196
2.7	Payment made for work not executed at site	0.138	-	0.138
2.9	Payment made for electrical item/work not provided/done	0.100	-	0.100
2.10	Payment made for electrical item/work not provided/executed	0.094	-	0.094
2.11	Payment made for electrical item not provided at site	0.043	-	0.043
	<b>Total</b>	<b>1.616</b>	<b>-</b>	<b>1.616</b>

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

### 2.3. PAYMENT FOR SHORT/LESS EXECUTION OF WORKS - NU.0.425 MILLION

The Dzongkhag Administration, Paro had made excess payment of Nu.0.425 million to M/s Kurizam Construction for items of works short/less executed in the construction of two storied medical store at Paro Hospital as under:

- ✓ An amount of Nu.0.023 million pertained to width of the RRM internal wall being considered as 600mm instead of 400mm specified in Structural drawings;
- ✓ Nu.0.025 million pertained to short wall provided with half brick at site but paid as full brick wall while passing the claims in final bill;
- ✓ Nu.0.010 million pertained to non-deduction of openings from cement plaster on walls in the final bill; and
- ✓ Nu.0.003 million was due to inaccurate dimensions and application of inconsistent method/formulae while calculating the quantity of TMT bars against approved structural drawing.



The excess payments had occurred due to failure of the site engineer and supervising engineer to exercise due diligence and necessary checks to ensure admissibility of contractor's claims. *AIN: 15243; Para: 17.4; Accountabilities: Direct: Pema Lhendup, Dy. Executive Engineer, EID No. 9807053; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where Paro Dzongdag reported that the Dzongkhag Administration was following up with the contractor to recover the amount. Upon failure to do so, the administration decided to take legal action and all the nine issues have been registered in the court and is waiting for judgement. However, the report on the action taken was not communicated to the RAA.*

*The PAC directed the Dzongkhag Administration, Paro to submit the documents related to the cases forwarded to the court to RAA by 30 Sept. 2021.*

#### 2.4. LESS PAYMENT TO CONTRACTOR - NU.0.387 MILLION

The Dzongkhag Administration, Paro had made short payment of Nu.0.387 million to M/s Kurizam Construction for the construction of two storied medical store at Paro Hospital. Review of the contractor's final bill against actual execution of works at site revealed that the actual quantity executed at site was more than the actual quantity paid in final bill. *AIN: 15243; Para: 17.1; Accountabilities: Direct: Pema Lhendup, Dy. Executive Engineer, EID No. 9807053; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where Paro Dzongdag reported that the Dzongkhag Administration was following up with the contractor to recover the amount. Upon failure to do so, the administration decided to take legal action and all the nine issues have been registered in the court and is waiting for judgement. However, the report on the action taken was not communicated to the RAA.*

*The PAC directed the Dzongkhag Administration, Paro to submit the documents related to the cases forwarded to the court to RAA by 30 Sept. 2021.*

#### 2.5. PAYMENT MADE AT HIGHER RATE RESULTING INTO EXCESS PAYMENT - NU.0.233 MILLION

The Dzongkhag Administration, Paro had made excess payment of Nu.0.233 million to M/s Kurizam Construction in the construction of two storied medical store at Paro Hospital due to payment for items of works at a higher rate than quoted in the BoQ. The excess payments had occurred due to failure of the site engineer and supervising engineer to exercise due diligence and necessary checks to ensure admissibility of contractor's claims. *AIN: 15243; Para: 17.3; Accountabilities: Direct: Pema Lhendup, Dy. Executive Engineer, EID No. 9807053; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where Paro Dzongdag reported that the Dzongkhag Administration was following up with the contractor to recover the amount. Upon failure to do so, the administration decided to take legal action and all the nine issues have been registered in the court and is waiting for judgement. However, the report on the action taken was not communicated to the RAA.*

*The PAC directed the Dzongkhag Administration, Paro to submit the documents related to the cases forwarded to the court to RAA by 30 Sept. 2021.*

## 2.6. EXCESS PAYMENT ON ACCOUNT OF SHORT-EXECUTION OF WORK - NU.0.196 MILLION

The Dzongkhag Administration, Paro had made excess payment of Nu.0.196 million to M/s Tashi Norphel Construction for items of works short executed in the re-electrification works of Rinpung Dzong. The details of measurement for actual work done at site were not recorded in MB and instead an abstract of measurement were recorded and considered for payment. The excess payments had occurred due to failure of the site engineer and supervising engineer to exercise due diligence and necessary checks to ensure admissibility of contractor's claims. *AIN: 15243; Para: 4.1; Accountabilities: Direct: Passang Tobgay, Assistant Engineer (Electrical), EID No 200307038; Supervisory Accountability: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where Paro Dzongdag reported that the Dzongkhag Administration was following up with the contractor to recover the amount. Upon failure to do so, the administration decided to take legal action and all the nine issues have been registered in the court and is waiting for judgement. However, the report on the action taken was not communicated to the RAA.*

*The PAC directed the Dzongkhag Administration, Paro to submit the documents related to the cases forwarded to the court to RAA by 30 Sept. 2021.*

## 2.7. PAYMENT MADE FOR WORK NOT EXECUTED AT SITE - NU.0.138 MILLION

The Dzongkhag Administration, Paro had made payment of Nu.0.138 million to M/s Kurizam Construction for items of works not executed in the construction of two-storied medical store at Paro Hospital. The contractor had been paid for quantities in excess of actual quantities executed at site. The excess payments had occurred due to failure of the site engineer and supervising engineer to exercise due diligence and necessary checks to ensure admissibility of contractor's claims. *AIN: 15243; Para: 17.2; Accountabilities; Direct: Pema Lhendup, Dy. Executive Engineer, EID No. 9807053; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where Paro Dzongdag reported that the Dzongkhag Administration was following up with the contractor to recover the amount. Upon failure to do so, the administration decided to take legal action and all the nine issues have been registered in the court and is waiting for judgement. However, the report on the action taken was not communicated to the RAA.*

*The PAC directed the Dzongkhag Administration, Paro to submit the documents related to the cases forwarded to the court to RAA by 30 Sept. 2021.*

## 2.8. PAYMENT MADE FOR ELECTRICAL ITEM/WORK NOT PROVIDED/DONE-NU.0.100 MILLION

The Dzongkhag Administration, Paro had made inadmissible payment of Nu.0.100 million to M/s Sherabling Construction, Paro for items of works not executed in the construction of Community Information Center under Doteng Gewog. The excess payment had occurred due to release of payment to contractor before actual completion of the work at site based on the verbal assurance of the contractor instead of certifying for payment after the completion of the work in all respects. *AIN: 15243; Para: 14.1; Accountabilities: Direct: Passang Tobgay, Asst. Engineer, EID No. 200307038; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10*

*Sept. 2021 in NA conference hall, Thimphu where Paro Dzongdag reported that the Dzongkhag Administration was following up with the contractor to recover the amount. Upon failure to do so, the administration decided to take legal action and all the nine issues have been registered in the court and is waiting for judgement. However, the report on the action taken was not communicated to the RAA.*

*The PAC directed the Dzongkhag Administration, Paro to submit the documents related to the cases forwarded to the court to RAA by 30 Sept. 2021.*

#### 2.9. PAYMENT MADE FOR ELECTRICAL ITEM/WORK NOT PROVIDED/EXECUTED - NU.0.094 MILLION

The Dzongkhag Administration, Paro had made payment of Nu.0.094 million to M/s Sherabling Construction, Paro for items of works not/short executed in the construction of Community Information Center under Doteng Gewog. This had occurred due to release of full amount without actual completion of the work and verification of work at site. *AIN: 15243; Para: 13.1; Accountabilities: Direct: Passang Tobgay, Asst. Engineer, EID No. 200307038; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where Paro Dzongdag reported that the Dzongkhag Administration was following up with the contractor to recover the amount. Upon failure to do so, the administration decided to take legal action and all the nine issues have been registered in the court and is waiting for judgement. However, the report on the action taken was not communicated to the RAA.*

*The PAC directed the Dzongkhag Administration, Paro to submit the documents related to the cases forwarded to the court to RAA by 30 Sept. 2021.*

#### 2.10. PAYMENT MADE FOR ELECTRICAL ITEM NOT PROVIDED AT SITE - NU.0.043 MILLION

The Dzongkhag Administration, Paro had made payment of Nu.0.043 million to M/s Lhab Tshering Construction, Paro for items of works not/short executed in the Construction of two- unit staff quarter at RNR Centre under Shaba Gewog. The lapses had occurred due to release of full amount without actual completion of the work and verification of work at site. *AIN: 15243; Para: 12.1; Accountabilities: Direct: Passang Tobgay, Asst. Engineer, EID No. 200307038; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where Paro Dzongdag reported that the Dzongkhag Administration was following up with the contractor to recover the amount. Upon failure to do so, the administration decided to take legal action and all the nine issues have been registered in the court and is waiting for judgement. However, the report on the action taken was not communicated to the RAA.*

*The PAC directed the Dzongkhag Administration, Paro to submit the documents related to the cases forwarded to the court to RAA by 30 Sept. 2021.*

### 1.3.2.8 DZONGKHAG ADMINISTRATION, PEMAGATSHEL

During the year, the RAA conducted four audits of Dzongkhag Administration, Pemagatshel. There were 16 observations amounting to Nu.25.076 million of which seven observations amounting to Nu.2.112 million were either resolved prior to the compilation of the draft AAR 2018 or did not

qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.22.964 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.533 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.22.431 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag, however, the total unsettled irregularities of Nu. 22.334 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	-
2	Shortfalls, Lapses and Deficiencies	22.334	-	22.334	-
	<b>Total</b>	<b>22.334</b>	<b>-</b>	<b>22.334</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

## 1. Non-compliance to Laws and Rules

### 1.1. NON-RECTIFICATION OF DEFECTIVE WORKS

The Dzongkhag Administration, Pemagatshel had not instructed the contractor, M/s Ugyen Construction, Pemagatshel to rectify defective works noted in the blacktopping of internal roads and resurfacing of Basketball court at Nangkhor Central School. The defects had occurred due to poor workmanship on part of the contractor and inadequate monitoring and supervision by the school authorities. The Handing-Taking Committee had also not exercised due diligence when taking over the completed works. *AIN: 15175; Para: 9; Accountabilities: Direct; Damcho Zangmo, AE, EID # 9707057; Supervisory: Sonam Jamtsho, DE, EID # 201001181.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in DYT hall of Trashigang Dzongkhag and the Dzongkhag Adm. Pemagatshel reported that all the defective works were rectified but the documents related to completion of the works were not submitted to the RAA by the former engineer. The RAA requested the Dzongkhag Adm. Pemagatshel to submit work completion report endorsed by the Dzongkhag Tender Committee to OAAG, S/jongkhar for review and appropriate decision. The PAC directed the Dzongkhag to submit the report by 31 Aug. 2021.*

## 2. Shortfalls, Lapses and Deficiencies - Nu.22.334 million

There were cases of shortfalls, lapses and deficiencies involving Nu.22.334 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
.				

2.1	Non-adjustment/recovery of pw advances and personal advances on time	22.284	-	22.284
2.2	Travel claim without performing tour	0.050	-	0.050
	<b>Total</b>	<b>22.334</b>	<b>-</b>	<b>22.334</b>

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

#### 2.1. NON-ADJUSTMENT/RECOVERY OF PW ADVANCES AND PERSONAL ADVANCES ON TIME - NU.22.284 MILLION

The Dzongkhag Administration, Pemagatshel had overdue outstanding advances amounting to Nu.22.284 million remaining unadjusted. Nu. 22.174 million pertained to Public Works Advances and Nu.0.110 million pertained to Personal Advances. On enquiry the dealing officials informed that most of the outstanding advances pertained to cases which are under sub-judice. *AIN: 15175; Para: 1; Accountabilities: Direct: Lobzang Tshering, JE, EID # 200901074; Kinley Wangdi, JE, EID # 20140103482; Sonam Chogyel, AE, EID # 8808110; Kinzang Tshering, DAO, EID # 9908029; Leki Lhamo, NFE Instructor, EID # 12003001280; Sonam Zangmo, Caretaker, CID #1107003640; Supervisory: Yezer, Sr. FO, EID # 200901068.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in DYT hall of Trashigang Dzongkhag and the Dzongkhag Adm. Pemagatshel reported that some advances were already adjusted. The RAA requested the Dzongkhag to submit the adjustment report to OAAG, S/jongkhar for review and appropriate decision.*

#### 2.2. TRAVEL CLAIM WITHOUT PERFORMING TOUR - NU.0.115 MILLION

The Dzongkhag Administration, Pemagatshel had made inadmissible payments amounting to Nu.0.494 million to officials on account of TA/DA for official tours but the officials were found present in the office as per the attendance register on the dates claimed as tours, which was construed as claims made for tours not performed. The lapses had occurred due to non-enforcement of travel rules and regulations by the concerned Sector Heads and the Administration & Finance Section indicating weak internal controls. As of 31 March 2019, Nu.0.379 million has been recovered leaving balance of Nu.0.115 million unresolved. *AIN: 15175; Para: 3; Accountabilities: Direct: Refer Accountability Statement in audit report; Supervisory: Refer Accountability Statement in audit report.*

**Status:** *Observation not settled. A sum of Nu.0.065 million was recovered leaving a balance of Nu.0.050 million. The balance had remained unsettled as of 2 Aug. 2021.*

*The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in DYT hall of Trashigang Dzongkhag and the Dzongkhag Adm. Pemagatshel reported that despite efforts made by the Dzongkhag the accountable person did not pay the due. Therefore, the Dzongkhag has decided to take legal actions on the same within 30 Aug. 2021.*

### 1.3.2.9 DZONGKHAG ADMINISTRATION, PUNAKHA

During the year, the RAA conducted one audit of Dzongkhag Administration, Punakha. There were 35 observations amounting to Nu.6.748 million of which 10 observations amounting to Nu.0.199 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.6.549 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.175 million were resolved. The total

unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.6.374 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag and out of the total unsettled irregularities of Nu. 5.596 million reported to the Parliament in Sept. 2020, Nu. 2.605 million was settled leaving a balance of Nu. 2.991million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Mismanagement	0.935	0.935	-	100
2	Non-compliance to Laws and Rules	2.714	1.510	1.204	55.637
3	Shortfalls, Lapses and Deficiencies	1.947	0.160	1.787	8.22
	<b>Total</b>	<b>5.596</b>	<b>2.605</b>	<b>2.991</b>	<b>46.55</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

### 1. Mismanagement

There were cases of mismanagement involving Nu.0.935 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Non-collection of urban tax	0.749	0.749	-
1.2	Non-deposit of vendor fees and shortage of cash thereof	0.186	0.186	-
	<b>Total</b>	<b>0.935</b>	<b>0.935</b>	<b>-</b>

The cases of mismanagement are as indicated below:

#### 1.1. NON-COLLECTION OF URBAN TAX - NU.0.749 MILLION

The Municipal office under the Dzongkhag Administration, Punakha had not collected taxes amounting to Nu.0.749 million during the financial year 2016-2017. As per the water service connection details there were 150 registered houses comprising of 1085 units within the municipal area. However, the Dzongkhag Municipal office had not collected outstanding urban house taxes of Nu.0.085 million and land taxes amounting to Nu.0.664 million from 36 land owners whose land fell under the municipality's jurisdiction of urban area since 2016. The Municipality had not carried out proper assessment of taxes and was indicative of the existence of weak record management system and poor revenue management system. There was also lack of adequate supervisory and monitoring controls. *AIN: 15640; Para: 22.1; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Supervisory: Aiman Limbu, AE, EID # 20120100114.*

**Status:** *Observation has been settled.*

#### 1.2. NON-DEPOSIT OF VENDOR FEES AND SHORTAGE OF CASH THEREOF - NU.0.186 MILLION

The Dzongkhag Administration, Punakha had shortage of Nu.0.186 million on account of vendor fee collections not deposited into the bank account as shown below:

Sl. No.	Collection	Expenditure	Balance	Cash in hand/bank	Short	Accountable
1	0.78	0.603	0.177	0.022	0.155	Thromdhey Thueme
2	0.124	0.104	0.021	0	0.02	Municipal Engineer
3	0.688	0.497	0.191	0.18	0.011	Thromdhey Ngotshab
<b>Total</b>	<b>1.592</b>	<b>1.204</b>	<b>0.388</b>	<b>0.203</b>	<b>0.186</b>	

The revenue collections were found not deposited on time into the bank as required by the FRR. The vendor fees were not deposited as per weekly collections. For instance, a sum of Nu.0.113 million was deposited into the bank account only on 12/02/2018 against the total fees of Nu.0.710 million collected from 01/11/2016 to 10/03/2018 resulting in temporary misuse of fund. *AIN: 15640; Para: 21.3; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Supervisory: Aiman Limbu, AE, EID # 20120100114.*

**Status:** *Observation has been settled.*

## 2. Non-compliance to Laws and Rules - Nu.1.204 million

There were cases of non-compliance to laws and rules involving Nu.1.204 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Delay in the completion and non-levy of liquidated damages	1.470	1.470	-
2.2	Utilization of vendor fees without supporting documents	1.204	-	1.204
2.5	Non-availability of bills/cash memos	0.040	0.040	-
2.6	Non-accountal of Receipts and Payments	-	-	Unsettled
2.7	Enormous deviation in the quantity of work done	-	-	Settled
	<b>Total</b>	<b>2.714</b>	<b>1.510</b>	<b>1.204</b>

The cases of non-compliance to laws and rules are as indicated below:

### 2.1. DELAY IN THE COMPLETION AND NON-LEVY OF LIQUIDATED DAMAGES - NU.1.470 MILLION

The Dzongkhag Administration, Punakha had not levied Liquidated Damages of Nu. 1.470 million to M/s Joenshing Construction, Thimphu for delay in the blacktopping of Khuruthang urban road. The blacktopping works were completed after a delay of 69 days on 26 June 2017 and the contractor was liable for liquidated damages of Nu.1.470 million as per the provisions of the Special Conditions of Contract. However, the Dzongkhag Administration had not deducted the liable liquidated damages. *AIN: 15640; Para: 3.1; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; M/s Joenshing Construction, CDB # 5728; Supervisory: Tandin Dorji, Chief DzE, EID # 20040102; Tobgay, DzE, EID # 201101170.*

**Status:** Observation settled as the penal interest was also deposited.

## 2.2. UTILIZATION OF VENDOR FEES WITHOUT SUPPORTING DOCUMENTS - NU.1.204 MILLION

The Dzongkhag Administration, Punakha had utilised vendor fees amounting to Nu.1.204 million for carrying out various activities from May 2012 to March 2018 without adequate supporting documents. The expenses included procurement of the following:

S/n	Particulars	Amt. (Million)
1	Bush Cutting Machine, Dell Laptop and Dewan	0.086
2	Purchase of Hand Gloves, Tools, Extension Cords, HDPE Pipe, Gumboots, Carpet, Window Curtains and other miscellaneous items	0.076
3	Construction of cattle shed, maintenance of drain in Khuruthang Town and Market Shed, grass cuttings	0.145
4	Serving refreshments and lunch during public meeting and visit of guests	0.098
5	Printing of money receipt books	0.008
6	Donations and contributions	0.022
7	Payment of monthly wages for elementary service personnel	0.708
8	Payment of commission to vendor fee collector	0.057

In absence of proper supporting documents the authenticity of the expenditures made could not be ascertained. *AIN: 15640; Para: 21.2; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Supervisory: Aiman Limbu, AE; EID # 20120100114.*

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 13 Aug. 2021 in the DYT hall of Punakha Dzong where the Dzongkhag Adm. reported that justifications vide letter No. DAP/MUN-08/2019-2020/5235 was submitted, however, the administration was informed to obtain an approval from Dzongkhag Tshogdu although the expenditures were already incurred. It was also reported that, regarding the utilization of vendor fees, the Municipal Office had collected minimal fees from the daily local vendors to meet the routine expenditure such as cleaning vegetable markets and other ad hoc activities in the vegetable market.

*The RAA reported that the issue was pending because of the complaints received from the people with regard to misuse of funds by Tshogpas. No proper supporting documents were maintained for the expenditures incurred. Therefore, proper supporting documents/authentic bills should be submitted to the RAA endorsed by the Dzongkhag Tshogdu for review and decision. The PAC advised the Dzongkhag to submit a report endorsed by the Dzongkha Tshogdu for review by the RAA.*

## 2.4. NON-AVAILABILITY OF BILLS/CASH MEMOS - NU.0.040 MILLION

The Dzongkhag Administration, Punakha did not produce bills and cash memos for expenses worth Nu.0.040 million incurred for painting vegetable market parking, inauguration of water supply scheme and the vegetable market. *AIN: 15640; Para: 21.4; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Supervisory: Aiman Limbu, AE, EID # 20120100114.*

**Status:** Observation has been settled.

## 2.5. NON-ACCOUNTAL OF RECEIPTS AND PAYMENTS

The Dzongkhag Administration, Punakha had made vendor fee collection of Nu.0.686 million from 1 November 2016 till 10 March 2018 out of which expenditure of Nu.0.497 million was incurred. During the financial year 2016-2017, Nu.0.020 million was paid from the current account of water



utility charges. The Dzongkhag Municipal office had failed to account both the receipts as well as the expenditures incurred in the books of accounts as required by FRR. *AIN: 15640; Para: 21.1; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Supervisory: Aiman Limbu, AE, EID # 20120100114.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 13 Aug. 2021 in the DYT hall of Punakha Dzong where the Dzongkhag Adm. reported that justifications vide letter No. DAP/MUN-08/2019-2020/5235 was submitted, however, the administration was informed to obtain an approval from Dzongkhag Tshogdu although the expenditures were already incurred. It was also reported that, regarding the utilization of vendor fees, the Municipal Office had collected minimal fees from the daily local vendors to meet the routine expenditure such as cleaning vegetable markets and other ad hoc activities in the vegetable market.*

*The RAA reported that the issue was pending because of the complaints received from the people with regard to misuse of funds by Tshogpas. No proper supporting documents were maintained for the expenditures incurred. Therefore, proper supporting documents/authentic bills should be submitted to the RAA endorsed by the Dzongkhag Tshogdu for review and decision. The PAC advised the Dzongkhag to submit a report endorsed by the Dzongkha Tshogdu for review by the RAA.*

## 2.6. NORMOUS DEVIATION IN THE QUANTITY OF WORK DONE

The Dzongkhag Administration, Punakha had enormous deviation of 67.70% in the quantity of work done for the construction of sewerage tank at Khuruthang urban road executed by M/s Ghana Builders, Thimphu. Against the initial contract amount of Nu.4.832 million, the final cost of construction was Nu.8.098 million for which no approval from the competent authority was made available for verification. *AIN: 15640; Para: 4.2; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Gaana Builders, CDB # 7249; Supervisory: Tandin Dorji, Chief DzE, EID # 200401026; Tobgay, DzE (EID # 201101170).*

**Status:** *Observation has been settled.*

## 3. Shortfalls, Lapses and Deficiencies - Nu.1.337 million

There were cases of shortfalls, lapses and deficiencies involving Nu.1.947 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
3.1	Excess payment as a result of paying beyond the approved drawings	1.223	-	1.223
3.2	Short payment as a result of less claim of quantity of work done	0.587	0.587	-
3.3	Difference in recovery of house rent	0.023	0.023	-
3.6	Excess payment in the construction of approach road at RNR Centre	0.114	-	0.114
	<b>Total</b>	<b>1.947</b>	<b>0.160</b>	<b>1.337</b>

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

### 3.1 EXCESS PAYMENT AS A RESULT OF PAYING BEYOND THE APPROVED

### DRAWINGS – NU.1.223 MILLION

The Dzongkhag Administration, Punakha had made excess payment of Nu.1.223 million to the contractor due to payment beyond the approved drawings. Against the approved thickness of 200 mm (approved drawings), the contractor was paid for 400 mm in providing and laying for RCC works including TMT bars. Also, the weep holes were not deducted from the total quantity of RCC boundary wall and excess payment was made for providing and laying chain-link fencing. The lapses had occurred due to failure of the officials concerned to exercise due diligence and prudence in performing their duties and was indicative of extending undue financial favor to the contractor. *AIN: 15640; Para: 4.3; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; Gaana Builders, CDB # 7249; Supervisory: Tandin Dorji, Chief DzE, EID # 200401026; Tobgay, DzE (EID # 201101170).*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 13 Aug. 2021 in the DYT hall of Punakha Dzong where the Dzongkhag Adm. reported that the Dzongkhag Adm. had done 3 times follow up with RAA, Regional Office in Tsirang. In doing so, the audit team had agreed and accepted the workout justified by the Dzongkhag Adm. and reaffirmed that the actual excess payment to be recovered from the Contractor was Nu. 331,825/- and not Nu. 1.223 million. However, while the Dzongkhag Adm. tried to contact the contractor to recover the excess payment the contractor's whereabouts was not known.*

*The PAC directed the Dzongkhag Adm. to initiate recovery of the amount from the contractor if not take legal recourse.*

### 3.2 SHORT PAYMENT AS A RESULT OF LESS CLAIM OF QUANTITY OF WORK DONE – NU.0.587 MILLION

The Dzongkhag Administration, Punakha had made short payment of Nu.0.587 million to the contractor in the construction of Khuruthang urban road. The contractor was found paid in excess for scarifying, WMM and GSB works executed in the construction of Meto Lam amounting to Nu.0.907 million. However, the contractor was found short paid by Nu.1.493 million for providing and laying AC, DBM and scarifying on other roads. The net effect was short payment of Nu.0.587 million.

The project was initially awarded to M/s Joenshing Construction, Thimphu who failed to complete the works despite repeated notices with resultant termination of contract. Subsequently, M/S Hi-tech Construction took up the remaining works and completed it on behalf of the former contractor. The lapses had occurred due to failure to invoke provision of the contract. *AIN: 15640; Para: 3.2; Accountabilities: Direct: Aiman Limbu, AE, EID # 20120100114; M/s Joenshing Construction, CDB # 5728; Supervisory: Tandin Dorji, Chief DzE, EID # 20040102; Tobgay, DzE, EID # 201101170.*

**Status:** *Observation has been settled.*

### 3.3 DIFFERENCE IN RECOVERY OF HOUSE RENT - NU.0.317 MILLION

The Dzongkhag Administration, Punakha had made short recoveries amounting to Nu.0.317 million on account of house rent from officials occupying government accommodation during financial year 2016-2017. As against the total recoverable house rent of Nu.2.326 million, Dzongkhag Administration had recovered only Nu.2.009 million. The lapses had occurred due to inadequate internal controls. *AIN: 15640; Para: 15.2; Accountabilities: Direct: Individual concerned; Supervisory: Lobzang, HRO, EID # 20160106437.*

**Status:** *Observation settled as the unsettled balance of Nu. 0.023 million was also recovered.*

### 3.4 EXCESS PAYMENT IN THE CONSTRUCTION OF APPROACH ROAD AT RNR CENTRE – NU.0.114 MILLION

The Dzongkhag Administration, Punakha had made excess payment of Nu.0.114 million to M/s Chado T Construction, Punakha for items of works not/short executed in the construction of approach road at RNR center. The contractor was paid for 84.44 meters against the actual length of 75 meters of approach road and the RRM open surface drain, RCC works were not provided at site. The thickness of the road provided at site barely measured 80 mm, indicating that the AC was not provided as specified. The lapses had occurred apparently due to failure of the site engineer to exercise due diligence while verifying the final bill to ascertain admissibility contractor's claims. *AIN: 15640; Para: 8; Accountabilities: Direct: Tandin Dorji, Chief DzE, EID # 200401026; M/s Chador T Construction, CDB # 7399; Supervisory: Tandin Dorji, Chief DzE, EID # 200401026; Tobgay, DzE, EID # 201101170.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 13 Aug. 2021 in the DYT hall of Punakha Dzong where the Dzongkhag Adm. reported that they had issued a final reminder to the contractor to deposit the excess amount with penal interest. Unfortunately, the contractor had expired and the Dzongkhag Adm. was left with no option than to wait for the Royal Court of Justice to nominate his heir to recover the excess payment. The Dzongkhag Adm. received an assurance letter from the heir agreeing to deduct the amount from the bills from the two undergoing projects in the Dzongkhag. Dzongkhag Administration will accordingly deposit the amount recovered from the contractor with the RAA.*

*The PAC directed the Dzongkhag to recover the amount and deposit it with the RAA by 30 Sept. 2021.*

### 1.3.2.10 DZONGKHAG ADMINISTRATION SAMDRUP JONGKHAR

During the year, the RAA conducted four audits of the Dzongkhag Administration, Samdrup Jongkhar. There were 28 observations amounting to Nu.4.265 million of which 17 observations amounting to Nu.3.009 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.256 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.040 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.216 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag, however, the unsettled irregularities of Nu. 1.085 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.126	-	0.126	-
2	Shortfalls, Lapses and Deficiencies	0.959	-	0.959	-
	<b>Total</b>	<b>1.085</b>	<b>-</b>	<b>1.085</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled ones as on 30 Sept. 2021 are as discussed below:

#### 1. Non-compliance to Laws and Rules - Nu.0.126 million

There were cases of non-compliance to laws and rules involving Nu.0.126 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Non-liquidation of advances	0.126	-	0.126
1.2	Delay in completion of the work	-	-	Unsettled
1.3	Non-renewal of bank guarantee	-	-	Unsettled
	<b>Total</b>	<b>0.126</b>	<b>-</b>	<b>0.126</b>

The cases of non-compliance to laws and rules are as indicated below:

#### 1.1. NON-LIQUIDATION OF ADVANCES - NU.0.126 MILLION

The Dzongkhag Administration Samdrup Jongkhar had not adjusted/recovered advances amounting to Nu.0.126 million from the contractor's Running Account Bill in the construction of the 200 feet span Double-Double Bailey Bridge at Phokcheri farm road under Serthi Gewog. *AIN: 15231; Para: 12.1; Accountabilities: Direct: Karma Dorji Sherpa, AE, EID No. 20070789; Supervisory: Lamdra Wangdi, Dungpa, EID No. 9507335.*

**Status:** *Observation not settled. As per letter No. SDA/IAU-03/2020-2021/1506 of 19/10/2020, an amount of Nu. 126,302.61 was recovered from the contractor's final bill but as per further comments of the Audit Report, the amount needs to be deposited into Audit Recovery Account which was not deposited as of 31 Aug.2021. The amount should be deposited with the RAA.*

*This issue was deliberated during the PAC consultative meeting held virtually on 8 Oct. 2021 and Asst. Internal Auditor of Dzongkhag Administration, Samdrup Jongkhar reported that the amount was recovered from the final bill and the security deposit but hasn't been deposited in Audit Recovery Account. Therefore, the administration has directed the accounts department to deposit the same into ARA.*

*The PAC advised the Dzongkhag Administration to deposit the amount recovered into Audit Recovery Account by 31 October 2021 and update RAA accordingly.*

#### 1.2. DELAY IN COMPLETION OF WORK

The Dzongkhag Administration, Samdrup Jongkhar had made payments of Nu.1.939 million to Mjs Sidhi Jawa Construction, Trashigang in the construction of Office-cum-TB ward at Samdrup Jongkhar Hospital. The work was scheduled to commence from 29 December 2016 and complete on 29 July 2017. However, the works were found incomplete at the time of audit in October 2017. Further, an amount of Nu.0.310 million was booked under 'Closed Works'. The delays in progress of work was indicative of lack of adequate monitoring and supervision by site engineer. In addition, the running bills were found released without proper verification and approval. *AIN: 15231; Para: 5.3; Accountabilities: Direct: Kezang Wangmo, AE, EID No. 20120100123; Supervisory: Chador Phuntsho, DE, EID No. 9102052.*

**Status:** *Observation not settled. As per letter No. SDA/DES-04/2020-2021/1414 of 12/10/2020, the court verdict was served ordering to arrest the contractor as he could not pay the amount for the construction of office cum TB Ward at S/jongkhar Hospital.*

#### 1.3. NON-RENEWAL OF BANK GUARANTEE

The Dzongkhag Administration Samdrup Jongkhar had indemnified 10% performance security money of Nu.0.187 million in the form of Performance Guarantee issued from the RICBL with validity

period of 3 months for the construction of Office-cum-TB ward at Samdrup Jongkhar Hospital. However, the Dzongkhag Administration had not renewed the Performance Guarantee in spite of its expiry and delay in the completion of work. The lapse had occurred apparently due to failure on the part of site engineer to exercise due diligence in reviewing the validity of the Performance Guarantee. *AIN: 15231; Para: 5.4; Accountabilities: Direct: Kezang Wangmo, AE, EID No. 20120100123; Supervisory: Chador Phuntsho, DE, EID No. 910252.*

**Status:** *Observation not settled. As per letter No. SDA/DES-04/2020-2021/1414 of 12/10/2020, the court verdict was served ordering to arrest the contractor as he could not pay the amount for the construction of office cum TB Ward at S/jongkhar Hospital.*

*This issue was deliberated during the PAC consultative meeting held virtually on 8 Oct. 2021 and the Asst. Internal Auditor of the Dzongkhag reported that, upon contractor's failure to complete the work, the contract was terminated and rebate amount couldn't be deducted from the running bill. Due to non-repayment of loan by the contractor to RICBL the bank guarantee couldn't be renewed. Dzongkhag Administration sought for legal recourse to recover the amount and accordingly the Court directed the contractor to pay the amount to the Dzongkhag. An arrest warrant was issued against the contractor but he is nowhere to be found. Further, legal office and the site engineer enquired with the Construction Development Board about the contractor's work status and was informed that no works has been contracted to him.*

*The PAC directed the Dzongkhag Administration to submit a written justification on the issues to RAA by 31 October 2021.*

## 2. Shortfalls, Lapses and Deficiencies - Nu.0.959 million

There were cases of shortfalls, lapses and deficiencies involving Nu.1.090 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Non-deduction of rebate	0.600	-	0.600
2.2	Excess payment in construction of road, footpath and drainage	0.301		0.301
2.3	Overpayment due to double payment and computation error	0.058	-	0.058
	<b>Total</b>	<b>0.959</b>	<b>-</b>	<b>0.959</b>

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

### 2.1. NON-DEDUCTION OF REBATE - NU.0.600 MILLION

The Dzongkhag Administration Samdrup Jongkhar had not deducted rebate of Nu.0.600 million offered by the contractor against the bid amount of Nu.2.551 million in the construction of Office-cum-TB Ward at Samdrup Jongkhar Hospital. The rebate offered had not been deducted proportionately from the running bills. *AIN: 15231; Para: 5.2; Accountabilities: Direct: Kezang Wangmo, AE, EID No. 20120100123; Supervisory: Chador Phuntsho, DE, EID No. 910252.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held virtually on 8 Oct. 2021 and the Asst. Internal Auditor of the Dzongkhag reported that, upon contractor's failure to complete the work, the contract was terminated and rebate amount couldn't be deducted from the running bill. Due to non-repayment of loan by the contractor to RICBL the bank guarantee couldn't be renewed. Dzongkhag Administration sought for legal recourse to*

*recover the amount and accordingly the Court directed the contractor to pay the amount to the Dzongkhag. An arrest warrant was issued against the contractor but he is nowhere to be found. Further, legal office and the site engineer enquired with the Construction Development Board about the contractor's work status and was informed that no works has been contracted to him.*

*The PAC directed the Dzongkhag Administration to submit a written justification on the issues to RAA by 31 October 2021.*

## 2.2. EXCESS PAYMENT IN CONSTRUCTION OF ROAD, FOOTPATH AND DRAINAGE - NU.0.301 MILLION

The Dzongkhag Administration Samdrup Jongkhar had made excess payment of Nu.0.401 million due to excess claim for items of work executed in the construction of road, footpath and drainage at Samdrupcholing town. The item of work 'P/L Hammer dressed stone edging 150 mm x 250 mm with stones including excavation, refilling and disposal of surplus earth within 50 m' was recorded as three numbers in the MB, but only two numbers were executed with resultant excess payment to the contractor. The lapses had occurred apparently due to improper verification of contractor's bills and recording the measurement of works in the MB without cross verifying with the actual quantum of works executed at site by the site engineer and failure of the supervising engineer to ensure the admissibility of contractor's claims. *AIN: 15231; Para: 9; Accountabilities: Direct: Chador Phuntsho, DE, EID No. 910252; Supervisory: Chador Phuntsho, DE, EID No. 910252.*

**Status:** *Observation not settled. An amount of Nu.0.100 million was deposited vide receipt No. 429091 dated 27/01/2020 leaving a balance of Nu.0.301 million. The balance amount remained unsettled as of 30 Sept. 2021.*

*This issue was deliberated during the PAC consultative meeting held virtually on 8 Oct. 2021 and the Asst. Internal Auditor of the Dzongkhag reported that site engineer and the contractor were called upon and an agreement was executed in RAA's Regional Office in Samdrup Jongkhar wherein the contractor agreed to pay the amount in an installment basis of Nu. 100,000/- per month. The contractor also acknowledged to be held accountable for the same. As stipulated in the agreement Nu. 100,000/- was deposited into Audit Recover Account by the contractor. As of now, approximately Nu. 300,000/- is to be recovered. Furthermore, the site engineer tried to follow up with the contractor but the whereabouts of the contractor is not known.*

*RAA's Regional Office, Samdrup Jongkhar reported a copy of the agreement was submitted to RAA. The contractor failed to deposit the subsequent installment amount after depositing Nu. 100,000/- into ARA.*

*The PAC directed the Dzongkhag to submit a written justification to RAA by 31 October 2021 pertaining to the actions taken by the Dzongkhag Administration to trace the contractor and recover the amount from him.*

## 2.3. OVERPAYMENT DUE TO DOUBLE PAYMENT AND COMPUTATION ERROR - NU.0.058 MILLION

The Dzongkhag Administration Samdrup Jongkhar had made excess/double payment amounting to Nu.0.058 million due to improper computation of bill by the dealing official and had released the payment twice for the same item of work in the construction of Office-cum TB Ward at Samdrup Jongkhar Hospital. The excess/double payment had occurred apparently due to lack of proper verification of contractor's bills by the site engineer, supervising engineer and accounts personnel before releasing payment to the contractor. *AIN: 15231; Para: 5.1; Accountabilities: Direct: Kezang Wangmo, AE, EID No. 20120100123; Supervisory: Chador Phuntsho, DE, EID No. 910252.*

**Status:** *Observation not settled. As per letter No. SDA/DES-04/2020-2021/1414 of 12/10/2020, the court verdict was served ordering to arrest the contractor as he could not pay the amount for the*

*construction of office cum TB Ward at S/jongkhar Hospital.*

*This issue was deliberated during the PAC consultative meeting held virtually on 8 Oct. 2021 and the Asst. Internal Auditor of the Dzongkhag reported that, upon contractor's failure to complete the work, the contract was terminated and rebate amount couldn't be deducted from the running bill. Due to non-repayment of loan by the contractor to RICBL the bank guarantee couldn't be renewed. Dzongkhag Administration sought for legal recourse to recover the amount and accordingly the Court directed the contractor to pay the amount to the Dzongkhag. An arrest warrant was issued against the contractor but he is nowhere to be found. Further, legal office and the site engineer enquired with the Construction Development Board about the contractor's work status and was informed that no works has been contracted to him.*

*The PAC directed the Dzongkhag Administration to submit a written justification on the issues to RAA by 31 October 2021.*

### 1.3.2.11 DZONGKHAG ADMINISTRATION, SAMTSE

During the year, the RAA conducted three audits of the Dzongkhag Administration, Samtse. There were 21 observations amounting to Nu.38.747 million of which nine observations amounting to Nu.0.131 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.38.616 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.13.102 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.25.514 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag and the irregularities of Nu. 19.306 million reported to the Parliament in Sept. 2020 were not settled as on 30 Sept. 2021. However, two observations without involving monetary amount were resolved as narrated below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
2	Non-compliance to Laws and Rules	8.755	-	8.755	-
3	Shortfalls, Lapses and Deficiencies	10.551	-	10.551	-
	<b>Total</b>	<b>19.306</b>	<b>-</b>	<b>19.306</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

#### 1. Non-compliance to Laws and Rules - Nu.8.755 million

There were cases of non-compliance to laws and rules involving Nu.8.755 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Termination of Gola town raw water supply contract works and irregularities thereof	8.755	-	8.755
	<b>Total</b>	<b>8.755</b>	<b>-</b>	<b>8.755</b>

The cases of non-compliance to laws and rules are as indicated below:

#### 1.1. TERMINATION OF GOLA TOWN RAW WATER SUPPLY CONTRACT WORKS AND IRREGULARITIES THEREOF - NU.8.755 MILLION

The Dungkhag Administration, Tashichhoeling had terminated the contract work for construction of Raw Water Supply at Gola town with M/s Druk Tshentop Construction Pvt. Ltd, Thimphu on 2 July 2017 due to failure of the contractor in completing the works despite several reminders. Subsequently, the Dungkhag Administration had attempted to carry out a joint assessment of the works actually executed at site and settle the accounts with the contractor. Following the contractor's refusal for joint assessment, the Dungkhag Administration initiated the assessment of work executed at site by forming an independent committee comprising officials from DOR, Samtse, RRCO, Samtse and Dungkhag Tender Committee; and worked out the net recoverable amount of Nu.8.755 million at the time of termination of contract.

Accordingly, the Dungkhag Administration had notified the contractor to deposit the assessed recoverable amount on or before 22 August 2017. However, the contractor had refused to accept the assessed valuation as worked out by the joint committee. The Dungkhag Administration having exhausted all measures to settle the dispute amicably had invoked the provisions of the General Conditions of Contract and lodged the case with the Arbitration Facilitation Centre, CDB, Thimphu and the case was with the Arbitration Tribunal at the time of audit in March 2018. *AIN: 15589; Para: 7; Accountabilities: Direct: Pema Wangchen, Executive Engineer, EID # 8901048; Supervisory: Pema Wangchen, Executive Engineer, EID # 8901048.*

**Status:** *Observation not settled. The case has been reported resgistered in Royal Court of Justice, Tashichhoeling.*

## 2. Shortfalls, Lapses and Deficiencies - Nu.10.551 million

There were cases of shortfalls, lapses and deficiencies involving Nu.16.637 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
3.1.2	Outstanding Advances	10.326	-	10.326
3.2.2	Non-reconciliation of receipts of refundable deposits, deposits into refundable accounts and refund thereof	-	-	Settled
3.3	Non-recovery of advance payments and 20% of the value of incomplete works upon termination of contract	0.225	-	0.225
3.4	Pending construction of the Eco-Park and irregularities thereof	-	-	Settled
	<b>Total</b>			

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



### 3.1. OUTSTANDING ADVANCES

#### 3.1.1 OUTSTANDING ADVANCES - NU.10.326 MILLION

The Dungkhag Administration, Tashichholing had overdue outstanding PW Advances of Nu.10.326 million against various contractors and suppliers for the financial year 2016-2017. *AIN: 15589; Para: 3; Accountabilities: Direct: Pema Wangchen, Executive Engineer, EID # 8901048; Supervisory: Pema Wangchen, Executive Engineer, EID # 8901048.*

**Status:** *Observation not settled. The case has been reported resgistered in Royal Court of Justice, Tashichhoeling.*

### 3.2. NON-RECONCILIATION OF FINANCIAL STATEMENTS

#### 3.2.1 NON-RECONCILIATION OF RECEIPTS OF REFUNDABLE DEPOSITS, DEPOSITS INTO REFUNDABLE ACCOUNTS AND REFUND THEREOF

The Dungkhag Administration, Dophoogchen had not reconciled advances received for deposit work against the deposits remitted into the Refundable Deposit Accounts for the financial year 2016-2017. There was less deposit of Nu.0.176 million into the non-revenue account and from the Non-Revenue releases obtained from DPA, there was excess payment by Nu.0.147 million. *AIN: 15529; Para: 1; Accountabilities: Direct: Karma Jurmi, Drungpa, EID #9208031; Supervisory: Karma Jurmi, Drungpa, EID # 9208031.*

**Status:** *Observation settled vide letter No. RAA/OAAG-Pling/FUS/Dop-Drung-B3/2021/661 dated 4.3.2021.*

### 3.3. NON-RECOVERY OF ADVANCE PAYMENTS AND 20% OF THE VALUE OF INCOMPLETE WORKS UPON TERMINATION OF CONTRACT – NU.0.225 MILLION

The Dungkhag Administration, Tashichholing had not recovered advanced payments and 20% of the value of incomplete works upon termination of contract for the construction of retaining wall at Sherub Gatshel LSS under Norgaygang Gewog awarded to M/s. Tenzin Construction, Thimphu due to non-fulfillment of the contractual obligations by the contractor and breach of contract agreement. The contractor was paid Nu.0.413 million including 10% Mobilization Advance and 75% of the value of the material at site. The assessed value of the work done at site till the date of termination including value of the materials available at site amounted to Nu.0.188 million. The net total recoverable amount from the contractor was Nu.0.225 million.

Subsequent to the termination of the contract, the Dungkhag Administration had issued letter for settlement of the accounts by 20 July 2017. However, the contractor had failed to cooperate and the Dungkhag Administration having exhausted all measures to settle the dispute mutually and amicably, had invoked the provisions of the contract agreement and had lodged the case with the Arbitration Facilitation Centre, CDB, Thimphu. The case was with the Arbitration Tribunal at the time of audit in March 2018. *AIN: 15589; Para: 6; Accountabilities: Direct: Tashi Wangchuk, Jr. Engineer, EID # 20140103487; Supervisory: Pema Wangchen, Executive Engineer, EID # 8901048.*

**Status:** *Observation not settled. The case has been reported resgistered in Royal Court of Justice, Tashichhoeling.*

### 3.4. PENDING CONSTRUCTION OF THE ECO-PARK AND IRREGULARITIES THEREOF

The Dzongkhag Administration, Samtse had incurred a total expenditure of Nu.10.555 million in the

last seven years from FY 2011-2012 to 2017-2018 for the phase-wise construction & development of Eco-Park at Lichibari under Samtse municipality. During 2016-2017 the contract for construction of water supply works and construction of water tank was awarded to M/s Jamyang P. Construction for a tendered amount of Nu.2.267 million.

However, the flooring tiles of the swimming pool was found deteriorated and there was no water connection. In addition, the construction of cafeteria was also still under progress, the workmanship on the valve chamber was of substandard quality, the storm water drain was found blocked by mud/debris, and the changing rooms of the swimming pool was found being used as kitchen at the time of audit in March 2018. Further, due to the prolonged non-utilisation of structures and exposure to adverse weather conditions, the structures constructed previously were found showing signs of deterioration which could render the entire expenditure and efforts uneconomical and wasteful. Despite substantial financial investment there was poor work progress. There was also no definitive operational plan to ensure sustainability and maintenance of the Eco-Park after it becomes operational. *AIN: 15626; Para: 5; Accountabilities: Direct: Tenzin Dakpa, EE, Municipal In-charge, EID # 9607008; M/s Jamyang P. Construction, CDB # 2832; Supervisory: Kinzang Dorji, DE, EID # 9807036.*

**Status:** *Observation settled vide letter No. RAA/OAAG-Pling/Samtse-Dzo-BI/2021/706 dated 17/03/2021 based on the justification furnished with pectoral evidences of rectified works.*

### 1.3.2.12 DZONGKHAG ADMINISTRATION, SARPANG

During the year, the RAA conducted one audit of the Dzongkhag Administration, Sarpang. There were 18 observations amounting to Nu.12.098 million of which 14 observations amounting to Nu.11.295 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.803 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.052 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.751 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag, however, the unsettled irregularities of Nu. 0.751 million reported to the Parliament remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.751	-	0.751	-
	<b>Total</b>	<b>0.751</b>	<b>-</b>	<b>0.751</b>	

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Shortfalls, Lapses and Deficiencies - Nu.0.751 million

There was a case of shortfalls, lapses and deficiencies amounting to Nu.0.751 million as indicated below:

##### 1.1. TERMINATION OF CONTRACT DUE TO NON-FULFILLMENT OF CONTRACTUAL

## OBLIGATION AND NON-REFUND OF EXCESS PAYMENT - NU.0.751 MILLION

The Dzongkhag Administration, Sarpang had not recovered excess payment of Nu.0.751 million from the contractor, upon termination of contract for the construction of Access road to Phulari Goenpa due to poor progress of the work and substantial delay beyond LD period.

The contractor, M/s Samphel Drukpa Construction was paid a total of Nu.18.846 million through seven Running Account Bills at the time of termination, but the value of work done was only Nu.9.967 million. The contractor was also provided with Mobilization advance of Nu.0.200 million. After adjusting/deducting 20% penalty on value of work not executed, 10% liquidated damages, forfeiture of retention money, forfeiture of performance guarantee, value of materials at site, value of unpaid bills, the total recoverable amount from the contractor stood at Nu.0.751 million.

The lapses had occurred mainly due to payment of RABs without verifying the actual quantities of work done, by the site engineer and failure of the site engineer to ensure the admissibility of contractor's claims. The case is sub-judice. *AIN: 15408; Para: 1.2; Accountabilities: Direct: Kinley Penjor, JE, EID # 20120100128; Kinley Giri, JE, EID # 200307188; M/s Samphel Drukpa Construction (CDB # 2625); Supervisory: Dawala, Former Dzongdag, EID 8304041; Therchung Kencho, Ex-Dzongrab, EID # 8007023; Sangay Tenzin, Chief DE, EID # 8808028; Ugyen Dorji, Planning Officer, EID # 299505035; Sonam Tshering, Drungpa, EID # 9308054; Sangay Rinchen, Accounts Officer, EID # 200801135.*

**Status:** Observation not settled. ATR reminder send on 7/9/2020.

### 1.3.2.13 DZONGKHAG ADMINISTRATION, THIMPHU

During the year, the RAA conducted two audits of the Dzongkhag Administration, Thimphu. There were 16 observations amounting to Nu.1.856 million of which 9 observations amounting to Nu.0.457 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.399 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.399 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag and total unsettled amount of Nu. 0.879 million reported to the Parliament in Sept. 2020 was settled, however, the issues remained unsettled as accumulated penal interests were not recovered as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
2	Mismanagement	0.540	0.540	-	100
3	Shortfalls, Lapses & Defeciciencies	0.339	0.339	-	100
	<b>Total</b>	<b>0.879</b>	<b>0.879</b>	<b>-</b>	<b>100</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

#### 1. Mismanagement

## 2.1 NON-COLLECTION OF 5% REBATE ON PROCUREMENT OF HDPE PIPES - NU.0.540 MILLION

The Dzongkhag Administration, Thimphu had not collected 5% rebate on procurement of HDPE pipes amounting to Nu.0.540 million from the procurement for the Rural Water Supply Scheme under its eight gewogs. As per Contract Agreement between Ministry of Finance and domestic manufacturers, a 5% rebate was offered by the dealers/jagents on pipes procured for government works.

The Dzongkhag Administration had failed to notify Bhutan Polythene Company Limited and Bhutan Plastic Industry of the Ministry of Finance's notification while issuing work order and had also failed to endorse a copy of it to the Department of National Properties, for validation of the rebate offered by the domestic manufacturers. *AIN: 15428; Para: 10; Accountabilities: Direct: Nima Norbu, EE, EID # 8908011; Tshewang Samdrup, AE, EID # 200311004; Nado Rigay, EE, EID # 8601105; Ganga Devi Chhetri, AE, EID # 201001724; Tshewang Rinchen, JE, EID # 200702003; Pema Wangda, AE, EID # 9501028; M/s Muktsen Construction, Trade License # 2007619; M/s KSD Hardware/Electricals, Trade License # 2000647; M/s Lhaki General Stores, Trade License #1000749; M/s Gangkar Construction, CDB Registration # 7354; Supervisory: Chhabi Lal Das, DE, EID # 8808036.*

**Status:** *Observation settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where Thimphu Dzongdag reported that as per the bilateral agreement between the supplier and Department of National Property, supplier is mandated to deposit 5% rebate amount to DNP against the supply of pipes and DNP is mandated to collect the same from the supplier. It has been understood that the supplier has not deposited and DNP has not collected the rebate. It was also stated that the awarding agency is responsible to submit a copy of work order and the supplier order of HDPE pipes to DNP but it was overlooked. However, after the receipt of circular for the same, the Dzongkhag has complied with it and no issue was reported thereafter.*

*The PAC directed the Dzongkhag Administration, Thimphu to submit the work order/supplier order of the pipe procured to DNP and RAA by 30 Sept. 2021 for appropriate action.*

*This observation has been settled based on the follow-up Report No.RAA/FUCD(Q1)DA-Thimphu/2021/1818 dated 4/10/2021 as DNP acknowledged the receipt of the documents from the Thimphu Dzongkhag.*

## 2. Shortfalls, lapses and deficiencies

There were cases of shortfalls, lapses and deficiencies involving Nu.0.339 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
3.1	Payment made for short-execution of work	0.339	0.339	-
3.2	Payment for work not executed at site	-	-	-
3.3	Excess payment due to claim of items of works at inflated rate	-	-	-
3.4	Payment made for short executed works at site	-	-	-
	<b>Total</b>	<b>0.339</b>	<b>0.339</b>	<b>-</b>

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

### 3.1 PAYMENT MADE FOR SHORT-EXECUTION OF WORK - NU.0.339 MILLION

The Dzongkhag Administration, Thimphu had made excess payment of Nu.0.339 million to the contractor for items of work short executed in the Renovation of Classrooms and Construction of Aqua Privy Toilet at Khasadrapchu MSS under Maedwang Gewog. The contractor was paid in excess of quantities actually executed at site amounting to Nu.0.613 million.

Further, the contractor was also short-paid by Nu.0.274 million due to exclusion of some quantities in the final bill and due to insufficient fund balance at the time of making final payment. The lapses had occurred due to failure on the part of the concerned site engineer and supervising engineer to ensure proper verification of contractor's bills and measurements at site prior to certifying the bills for payment indicating lack of internal controls. *AIN: 15428; Para: 1.1; Accountabilities: Direct: Tshewang Samdrup, AE, EID # 200311004; M/s Sangay Construction, Thimphu, CDB Registration # 2493, Trade License # 1018183; Supervisory: Chhabi Lal Das, DE, EID # 8808036.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where RAA reported that the principal amount was recovered and is left with the interest amount only. However, contractor has requested RAA for the waiver of interest amount.*

*It was decided that Dzongkhag Administration and RAA should convene a bilateral meeting to discuss and decide on the waiver of the interest amount based on the appeal of the contractor and submit the decision by 30 Sept. 2021.*

*This issue was deliberated in the 9<sup>th</sup> Follow up Committee Meeting of the RAA held on 6 Oct. 2021 and the committee decided to insist for the recover of accumulated 24% p.a. penalty of Nu.175,591.32 as it is a case of payment made for non/short execution of work.*

### 3.2. PAYMENT FOR WORK NOT EXECUTED AT SITE

The Dzongkhag Administration, Thimphu had made excess payment of Nu.0.086 million to the contractor for items of work not executed/provided at site in the Renovation of Classrooms and Construction of Aqua Privy Toilet at KMSS under Maedwang Gewog. The lapses had occurred apparently due to failure of the site engineer to exercise due diligence while verifying and certifying the claims of the contractor prior to releasing the payment. *AIN: 15428; Para: 1.3; Accountabilities: Direct: Tshewang Samdrup, AE, EID # 200311004 M/s Sangay Construction, Thimphu, CDB Registration # 2493, Trade License # 1018183; Supervisory: Chhabi Lal Das, DE, EID # 8808036.*

**Status:** *Observation not settled as the penal interest of Nu. 6,000/- was not cleared. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where RAA reported that the principal amount was recovered and is left with the interest amount only. However, contractor has requested RAA for the waiver of interest amount.*

*It was decided that Dzongkhag Administration and RAA should convene a bilateral meeting to discuss and decide on the waiver of the interest amount based on the appeal of the contractor and submit the decision by 30 Sept. 2021.*

*This issue was deliberated in the 9<sup>th</sup> Follow up Committee Meeting of the RAA held on 6 Oct. 2021 and the committee decided to insist for the recover of accumulated 24% p.a. penalty of Nu.6,000/- as it is a case of payment made for non/short execution of work.*

### 3.3. EXCESS PAYMENT DUE TO CLAIM OF ITEMS OF WORKS AT INFLATED

The Dzongkhag Administration, Thimphu had made excess payment of Nu.0.074 million to the contractor in the Renovation of Classrooms and Construction of Aqua Privy Toilet at KMSS under Maedwang Gewog due to payment for items of works at an inflated rate. The contractor had quoted Nu.250.00/m<sup>3</sup> in BOQ for item of work 'Providing and laying Random Rubble Masonry with hard stone in foundation and plinth in cement mortar' but had claimed for Nu.2,500.00/m<sup>3</sup> in the final bill with

resultant excess payment. The lapses had occurred due to failure on the part of the site engineer including the accounts personnel to exercise due diligence. *AIN: 15428; Para: 1.2; Accountabilities: Direct: Tshewang Samdrup, AE, EID # 200311004; M/s Sangay Construction, Thimphu, CDB Registration # 2493, Trade License # 1018183; Supervisory Accountability Chhabi Lal Das, DE, EID # 8808036.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where RAA reported that the principal amount was recovered and is left with the 24% penal interest of Nu.8,353.61 only. However, contractor has requested RAA for the waiver of interest amount.*

*It was decided that Dzongkhag Administration and RAA should convene a bilateral meeting to discuss and decide on the waiver of the interest amount based on the appeal of the contractor and submit the decision by 30 Sept. 2021.*

*This issue was deliberated in the 9<sup>th</sup> Follow up Committee Meeting of the RAA held on 6 Oct. 2021 and the committee decided to insist for the recover of accumulated 24% p.a. penalty of Nu.8,353,61 as it is a case of payment made for non/short execution of work.*

#### 3.4. PAYMENT MADE FOR SHORT EXECUTED WORKS AT SITE

The Dzongkhag Administration, Thimphu had made excess payment of Nu.0.049 million to the contractor for items of work short executed at site in the construction of Integrated Water Pipeline and Water Storage Tank in Jadingkha under Maedwong Gewog. The lapses had occurred due to improper verification of the bills by the site engineer with respect to the actual quantity of work executed at site. *AIN: 15428; Para: 2.3; Accountabilities: Direct: Tshewang Samdrup, AE, EID # 200311004, M/s Pindrup Construction, Thimphu, CDB Registration # 7180, Trade License #3008129; Supervisory: Chhabi Lal Das, DE, EID # 8808036.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where RAA reported that the principal amount was recovered and is left with 24% penal interest of Nu.5,600.19 only. However, contractor has requested RAA for the waiver of interest amount.*

*It was decided that Dzongkhag Administration and RAA should convene a bilateral meeting to discuss and decide on the waiver of the interest amount based on the appeal of the contractor and submit the decision by 30 Sept. 2021.*

#### 1.3.2.14 DZONGKHAG ADMINISTRATION, TRASHIGANG

During the year, the RAA conducted seven audits of the Dzongkhag Administration, Trashigang. There were 33 observations amounting to Nu.31.630 million of which seven observations amounting to Nu.0.847 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.30.783 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.4.790 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.25.993 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag, however, the unsettled irregularities of Nu. 24.852 million reported to the Parliament remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	-	-	-	-
2	Non-compliance of Laws & Rules	0.473	-	0.473	-
3	Shortfalls, Lapses and Deficiencies	24.379	-	24.379	-
	<b>Total</b>	<b>24.852</b>	<b>-</b>	<b>24.852</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

### 1. Fraud, Corruption and Embezzlement

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

#### 1.1. ILLEGAL CONSTRUCTION OF TEMPORARY STRUCTURE IN THE GOVERNMENT LAND WITHIN THE EXTENDED MUNICIPAL AREA

The Dzongkhag Administration, Trashigang had failed to prevent/take actions against three individuals from encroaching and occupying state owned land below the Royal Court of Justice, Trashigang. Illegal temporary structures were found constructed on government land within the extended municipal area in contravention to the Land Rules and Regulations 2007. Two individuals were found to have occupied the area for six and ten years respectively. Another individual had occupied the area for three years and was found to be renting out the structure to tenants.

The Land Record Officer and the Dzongkhag Administration were unaware of such illegal occupation of land by individuals. The lapses had occurred apparently due to failure on the part of Land Record Section and Municipal Office to conduct regular inspection of the illegal activities undertaken within the Municipal area. *AIN: 15438; Para: 8; Accountabilities: Direct: Sangay Zam, LRO, EID # 20140103351; Pema Dechen, Municipal Engineer, EID # 200501167; Supervisory: Chekey Gyeltshen, Dzongdag, EID # 8901034.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall of the Trashigang Dzongkhag and Dzongkhag Adm. reported that the illegal structures have been demolished and the report of the same will be communicated to RAA soon. The RAA stated that since this issue is categorized under Fraud and Corruption, the Dzongkhag Adm. has to take some administrative action also against the accountable person in accordance with the provision of the BCSRR. The issue can be dropped upon receipt of the Action Taken Report.*

### 2. Non-compliance to Laws and Rules - Nu.0.473 million

There were cases of non-compliance to laws and rules involving Nu.0.473 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.2	Acceptance of sub-standard works	0.381	-	0.381

2.3	Non-declaration of asset on time and penalty liable thereof	0.092	-	0.092
2.4.1	Deferral of contract work beyond maximum period covered by liquidated damages and applicable liquidated damages thereof	-	-	Unsettled
2.4.2	Delay in execution of contract work and applicable liquidated damages	-	-	Unsettled
2.4.3	Delay in execution of work and applicable liquidated damages thereof	-	-	Unsettled
<b>Total</b>		<b>0.473</b>	<b>-</b>	<b>0.473</b>

The cases of non-compliance to laws and rules are as indicated below:

#### 2.1. ACCEPTANCE OF SUB-STANDARD WORKS – NU.0.381 MILLION

The Dzongkhag Administration, Trashigang had accepted sub-standard works worth Nu.0.381 million executed in the construction of approach road, compound fencing, gate, water supply including reservoir, intake and supply outlets for BHU Grade-II at Merag. The defective works were not found rectified at the time of audit in November 2017. *AIN: 15438; Para: 12.2; Accountabilities: Direct: Binu Bishwa Karma, Engineer, EID # 200901083; M/s Sonam KD Construction, CDB # 6203; Supervisory: Lekjay, District Engineer, EID # 9607034.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall of the Trashigang Dzongkhag and Dzongkhag Adm. reported that this issue was settled with the RAA regional office S/jongkhar but not updated. However, RAA stated that the information for the same was not communicated to them. The PAC directed the Dzongkhag Adm. to resubmit the relevant documents to the RAA through E-mail endorsing copy to RAA Hq. as well as relevant persons by 31 Aug. 2021 so that such miscommunications are avoided.*

#### 2.2. NON-DECLARATION OF ASSET ON TIME AND PENALTY LIABLE THEREOF - NU.0.183 MILLION

The officials of the Dzongkhag Administration, Trashigang covered under schedule I & II of the Asset Declaration Rule 2017 had failed to declare their assets on time for the calendar year ended 31 December 2016. The HR Section had also failed to take actions against late and non-declarant officials. As of 31 March 2109, amount of Nu.0.138 million has been recovered/adjusted leaving a balance of Nu.0.183 million. *AIN: 15438; Para: 6; Accountabilities: Direct: Singye Dorji, Human Resource Officer, EID No. 20160106454; Refer Accountability List in audit report; Supervisory: Pema Dorji, Dzongrab, EID No. 9607074.*

**Status:** *Observation not settled. Out of Nu.0.183 million; Nu.0.091 million settled leaving a balance of Nu.0.092 million. The issue against, Karma Choden (EID.200805025) stands while other have settled.*

*The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall of the Trashigang Dzongkhag and Dzongkhag Adm. reported that as of now the balance amount to be recovered was Nu. 90,000/- The person from whom the amount is to be recovered has resigned from the service and her post service benefits has not been paid.*

*It was decided that the amount should be recovered and deposited with the RAA and RAA should ensure that person does not get the audit clearance certificate until this issue gets*



*resolved*

### 2.3. NON-LEVY OF LIQUIDATED DAMAGES

#### 2.4.1 DELAY IN EXECUTION OF CONTRACT WORK AND APPLICABLE LIQUIDATED DAMAGES

The Dzongkhag Administration, Trashigang had not enforced provisions of the General Conditions of Contract against M/s Zang Chong Construction, Zhemgang for delays and non-completion of work in the relocation of BHU Grade-II at Merag. The contract had commenced from 18 December 2015 and was scheduled to complete on 18 June 2017, but the works were found delayed by 286 days at the time of audit in March 2018. The contractor was liable for the maximum amount of liquidated damages which is 10% of the final contract price. Further, the site engineer had not maintained any hindrances report or record for the said work.

The lapses had occurred due to failure on the part of Tender Committee to initiate timely action against the contractor for non-completion of works despite extension of time beyond the maximum period covered by the provision of liquidated damages. *AIN: 15438; Para: 1.4; Accountabilities: Direct: Binu Bishwa Karma, Engineer, EID # 200901083; M/s Zang Chong construction (CDB # 7644); Supervisory: Lekjay, District Engineer, EID # 9607034.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall of the Trashigang Dzongkhag and Dzongkhag Adm. reported that this issue was being prosecuted by the Office of the Attorney General and is sub judice in Dzongkhag Court, Trashigang. The PAC advised the Dzongkhag to inform about the progress of the case to RAA by 31 Aug. 2021.*

#### 2.4.2 DELAY IN EXECUTION OF CONTRACT WORK AND APPLICABLE LIQUIDATED DAMAGES

The Dzongkhag Administration, Trashigang had not enforced provisions of the General Conditions of Contract against M/s Dechen Construction, Sarpang for delays and non-completion of work in the construction of 96 bedded Girl's hostel at Bidung LSS. The contract was awarded on 30 November 2015 and was scheduled to complete on 16 April 2017, but the works were found delayed by 349 days at the time of audit in March 2018. The contractor was liable for the maximum amount of liquidated damages which is 10% of the final contract price. Further, the site Engineer had not maintained any hindrances report or record for the said work.

The lapses had occurred due to failure on the part of Tender Committee to initiate timely action against the contractor for not able to complete the work despite extension of time beyond the maximum period covered by the liquidated damages. *AIN: 15438; Para: 2.4; Accountabilities: Direct: Dorji Wangchuk, Engineer, EID #200501818; M/S Dechen Construction, CDB 1899; Supervisory: Lekjay, District Engineer, EID #9607034.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall of the Trashigang Dzongkhag and Dzongkhag Adm. reported that this issue was being prosecuted by the Office of the Attorney General and is sub judice in Dzongkhag Court, Trashigang. The PAC advised the Dzongkhag to inform about the progress of the case to RAA by 31 Aug. 2021.*

#### 2.4.3 DELAY IN EXECUTION OF WORK AND APPLICABLE LIQUIDATED DAMAGES THEREOF

The Dzongkhag Administration, Trashigang had not enforced provisions of the General Conditions of Contract against M/s Dechen Construction, Sarpang for delays and non-completion of work in the construction of two-block 96-bedded hostels for boys and girls at Duntse Central School under

Phongme Gewog. The contract was awarded on 18 December 2015 and was scheduled to complete on 18 June 2017, but the works were found delayed by 286 days at the time of audit in March 2018. The contractor was liable for the maximum amount of liquidated damages which is 10% of the final contract price. Further, the site Engineer had not maintained any hindrances report or record for the said work.

The lapses had occurred due to failure on the part of Tender Committee to initiate timely action against the contractor for not able to complete the work despite extension of time beyond the maximum period covered by the liquidated damages. *AIN: 15438; Para: 3.3; Accountabilities: Direct: Norbu Wangdi, Engineer, EID # 201001735; M/s Dechen Construction, CDB # 1899; Supervisory: Lekjay, District Engineer, EID # 9607034.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall of the Trashigang Dzongkhag and Dzongkhag Adm. reported that this issue was being prosecuted by the Office of the Attorney General and is sub judice in Dzongkhag Court, Trashigang. The PAC advised the Dzongkhag to inform about the progress of the case to RAA by 31 Aug. 2021.*

### 3. Shortfalls, Lapses and Deficiencies - Nu.24.379 million

There were cases of shortfalls, lapses and deficiencies involving Nu.24.379 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
3.1	Payment of excessive running account bills resulted into over payment	6.177	-	6.177
3.2	Sanction of payment more than actual value of work done value had resulted in excess payment	3.669	-	3.669
3.3	Irregular sanction of PW advance to the contractor and non-realisation	3.500	-	3.500
3.5	Non-deduction of rebate from the RA Bills	5.980	-	5.980
3.6	Release of 1 <sup>st</sup> RA Bill for works not executed	2.707	-	2.707
3.7	Excessive release of running account bills resulted in overpayment	2.154	-	2.154
3.8	Inadmissible payment of TA/DA to the field enumerators	0.191	-	0.191
	<b>Total</b>	<b>24.379</b>	<b>-</b>	<b>24.279</b>

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

#### 3.1. PAYMENT OF EXCESSIVE RUNNING ACCOUNT BILLS RESULTED INTO OVER PAYMENT - NU.6.177 MILLION

The Dzongkhag Administration, Trashigang had made overpayment of Nu.6.177 million to M/s Dechen Construction, Sarpang in the construction of 2 block 96 bedded hostels for boys & girls at Dingtse Central School under Phongme Gewog due to payment of excessive Running Account Bills. The total payment released to the contractor was Nu.20.303 million and the value of actual work done amounted to Nu.14.125 million at the time of audit in March 2018.

The lapses had occurred due to failure on the part of the concerned site engineer and supervising engineer to ensure proper verification of contractor's bills and measurements at site prior to certifying the bills for payment indicating lack of internal controls. *AIN: 15438; Para: 3.1; Accountabilities: Direct: Norbu Wangdi, Engineer, EID # 201001735; M/s Dechen Construction, CDB #*

1899; Supervisory: Lekjay, District Engineer, EID # 9607034.

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall of the Trashigang Dzongkhag and Dzongkhag Adm. reported that this issue was being prosecuted by the Office of the Attorney General and is sub judice in Dzongkhag Court, Trashigang. The PAC advised the Dzongkhag to inform about the progress of the case to RAA by 31 Aug. 2021.

### 3.2. EXCESS PAYMENT DUE TO WORKS LESS EXECUTED - NU.3.669 MILLION

The Dzongkhag Administration, Trashigang had made excess payment of Nu.3.669 million to M/s Dechen Construction, Sarpang in the construction of 96-bedded Girl's hostel at Bidung LSS for works less executed. Against the total work valuing Nu.7.298 million, payment of Nu.10.967 million was made to the contractor. The work was incomplete at the time of audit in March 2018.

The lapses had occurred due to failure on the part of the concerned site engineer and supervising engineer to ensure proper verification of contractor's bills and measurements at site prior to certifying the bills for payment indicating lack of internal controls. *AIN: 15438; Para: 2.1; Accountabilities: Direct: Dorji Wangchuk, Engineer, EID # 200501818; M/S Dechen Construction, CDB # 1899; Supervisory: Lekjay, District Engineer, EID # 9607034.*

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall of the Trashigang Dzongkhag and Dzongkhag Adm. reported that this issue was being prosecuted by the Office of the Attorney General and is sub judice in Dzongkhag Court, Trashigang. The PAC advised the Dzongkhag to inform about the progress of the case to RAA by 31 Aug. 2021.

### 3.3. IRREGULAR SANCTION AND NON-REALISATION OF PW ADVANCE - NU.3.500 MILLION

The Dzongkhag Administration, Trashigang had sanctioned irregular PW Advances amounting to Nu.3.500 million to M/s Dechen Construction, Sarpang in the construction of 96-bedded Girl's hostel at Bidung LSS.

An advance of Nu.3.500 million was sanctioned by three-member committee comprising of Dzongrab, Dzongkhag Engineer and Accounts Officer on 22 July 2016 soon after the payment of 2<sup>nd</sup> RA bill of Nu.1.982 million on 21 July 2016. The Accounts Section had failed to deduct the advances from the subsequent RA bill which remained unrecovered as of date of audit. The lapses had occurred apparently due to non-compliance to prevailing rules. *AIN: 15438; Para: 2.2; Accountabilities: Direct: Pema Dorji, Dzongrab, EID # 9607074; Lekjay, District Engineer, EID # 9607034; Jigme, Finance Officer, EID # 20140103313; M/s Dechen Construction, CDB # 1899; Supervisory: Pema Dorji, Dzongrab, EID # 9607074; Lekjay, District Engineer, EID # 9607034; Jigme, Finance Officer, EID # 20140103313.*

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall of the Trashigang Dzongkhag and Dzongkhag Adm. reported that this issue was being prosecuted by the Office of the Attorney General and is sub judice in Dzongkhag Court, Trashigang. The PAC advised the Dzongkhag to inform about the progress of the case to RAA by 31 Aug. 2021.

### 3.5. NON-DEDUCTION OF REBATES - NU.5.980 MILLION

- a) The Dzongkhag Administration, Trashigang had not deducted rebate of Nu.2.883 million offered by the contractor. M/s Dechen Construction, Sarpang had offered a lump-sum rebate of Nu.4.419 million on the quoted value of Nu.31.118 million in the construction of 2-block 96-bedded hostels

for boys and girls at Duntse Central School under Phongme Gewog. The lapses had occurred due to failure on the part of the engineering cell to exercise due diligence that resulted into non-deduction of rebate from the RA bills. *AIN: 15438; Para: 3.2; Accountabilities: Direct: Norbu Wangdi, Engineer, EID # 201001735; M/s Dechen Construction, CDB # 1899; Supervisory: Lekjay, District Engineer, EID # 9607034.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall of the Trashigang Dzongkhag and Dzongkhag Adm. reported that this issue was being prosecuted by the Office of the Attorney General and is sub judice in Dzongkhag Court, Trashigang. The PAC advised the Dzongkhag to inform about the progress of the case to RAA by 31 Aug. 2021.*

- b) The Dzongkhag Administration, Trashigang had not deducted rebates of Nu.1.297 million offered by the contractor, M/s Dechen Construction, Sarpang in the construction of 96- bedded Girl's hostel at Bidung LSS. The lapses had occurred due to lack of due diligence on the part of the concerned site engineer and Accounts Section to deduct rebate from the RA bills. *AIN: 15438; Para: 2.3; Accountabilities: Direct: Dorji Wangchuk, Engineer, EID # 200501818; M/s Dechen Construction, CDB 1899; Supervisory: Lekjay, District Engineer, EID # 9607034.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall of the Trashigang Dzongkhag and Dzongkhag Adm. reported that this issue was being prosecuted by the Office of the Attorney General and is sub judice in Dzongkhag Court, Trashigang. The PAC advised the Dzongkhag to inform about the progress of the case to RAA by 31 Aug. 2021.*

- c) Similarly, the Dzongkhag Administration, Trashigang had not deducted rebates of Nu.1.800 million offered by the contractor, M/s Zang Chong Construction. The lapses had occurred due to lack of due diligence on the part of the concerned site engineer and Accounts Section to deduct rebate from the RA bills. *AIN: 15438; Para: 1.3; Accountabilities: Direct: Binu Bishwa Karma, Engineer, EID # 200901083; M/S Zang Chong construction (CDB # 7644); Supervisory: Lekjay, District Engineer, EID # 9607034.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall of the Trashigang Dzongkhag and Dzongkhag Adm. reported that this issue was being prosecuted by the Office of the Attorney General and is sub judice in Dzongkhag Court, Trashigang. The PAC advised the Dzongkhag to inform about the progress of the case to RAA by 31 Aug. 2021.*

### 3.6. RELEASE OF 1<sup>ST</sup> RA BILL FOR WORKS NOT EXECUTED - NU.2.707 MILLION

The Dzongkhag Administration, Trashigang had made payment of Nu.2.707 million to M/s Zang Chong Construction, Zhemgang on account of 1<sup>st</sup> RA bill in the construction of BHU Grade-II, 3- unit staff quarter and kitchen-cum-toilet at Merag Gewog. The contract was awarded on 8 December 2015 and work scheduled to commence on 18 December 2015. However, the 1<sup>st</sup> RA bill was found submitted by the contractor on 24 December 2015, less than a week after actual commencement of work. The RA bill was found to have been fabricated as the works had barely started and yet the 1<sup>st</sup> RA bill claimed amounted to Nu.2.707 million for completed Main BHU block till roof band level; completed one panel retaining wall; and completed sub-structure works for 3-unit staff quarters and kitchen-cum-toilet till plinth level.

Despite of several levels of controls, the payments were found made to the contractor indicating extension of undue financial favour to the contractor. *AIN: 15438; Para: 1.1; Accountabilities: Direct: Sherub Singye, Officiating DE, EID # 200307037; Jigme, Finance Officer, EID # 20140103313; Binu*

*Bishwa Karma, Engineer, EID # 200901083; M/s Zang Chong Construction, CDB # 7644; Supervisory: Pema Dorji, Dzongrab, EID # 9607074.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall of the Trashigang Dzongkhag and Dzongkhag Adm. reported that this issue was being prosecuted by the Office of the Attorney General and is sub judice in Dzongkhag Court, Trashigang. The PAC advised the Dzongkhag to inform about the progress of the case to RAA by 31 Aug. 2021.*

### 3.7. EXCESSIVE RELEASE OF RUNNING ACCOUNT BILLS RESULTED IN OVERPAYMENT - NU.2.154 MILLION

The Dzongkhag Administration, Trashigang had made over payment of Nu.2.154 million to M/s Zang Chong Construction, Zhemgang in the construction of BHU Grade-II, 3-unit staff quarter and kitchen-cum-toilet at Merag Gewog due to payment of RA bills without verifying the quantities of actual work done. Against the total work done of Nu.5.158 million, payment of Nu.7.312 million was made to the contractor with resultant overpayment. The work progress based on the BoQ was only 72.43% as against the gross financial disbursement of 102.69%. The work progress remained static and subsequently the contractor was terminated.

The excess payment had occurred apparently due to negligence on the part of concerned site engineer to properly verify and authenticate the physical work progress at site and admissibility of contractor's claims. The Dzongkhag Administration had failed to initiate timely action against the contractor as per the terms and conditions of the contract when the work was delayed beyond maximum period covered by liquidated damages. *AIN: 15438; Para: 1.2; Accountabilities: Direct: Binu Bishwa Karma, Site Engineer, EID # 200901083; M/s Zang Chong Construction (CDB # 7644); Supervisory: Lekjay, District Engineer, EID # 9607034.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall of the Trashigang Dzongkhag and Dzongkhag Adm. reported that this issue was being prosecuted by the Office of the Attorney General and is sub judice in Dzongkhag Court, Trashigang. The PAC advised the Dzongkhag to inform about the progress of the case to RAA by 31 Aug. 2021.*

### 3.8. INADMISSIBLE PAYMENT OF TA/DA TO THE FIELD ENUMERATORS - NU.0.282 MILLION

The Dzongkhag Administration, Trashigang had made inadmissible payment of Nu.1.620 million to officials on account of travel allowances during the NPHC 2017. The field enumerators and supervisors had claimed the daily allowances beyond the admissible number of days and within 10 KM radius in contravention to the BCSR. The controlling officers and the Accounts personnel had failed to exercise necessary checks and certify the claims as per the prevailing rules. The inadmissible payment of travel allowances had occurred apparently due to negligence on the part of the Accounts Section and the respective controlling officials to cross verify the claims with the distance covered leading to drain of substantial amount from government resources. As of 31 March 2019, recovery amounting to Nu.1.375 million was made, leaving a balance of Nu.0.282 million. *AIN: 15438; Para: 9.1; Accountabilities: Direct:: Dorji Rinchen, Census Officer, EID # 200901032; Refer Accountability List in audit report; Supervisory: Dorji Rinchen, Census Officer, EID # 200901032.*

**Status:** *Observation not settled. Out of the total amount of Nu.0.282 million; Nu.0.091 million had been recovered leaving a balance of Nu.0.191 million.*

*The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in the DYT hall*

of Trashigang Dzongkhag and Dzongkhag Adm. reported that as of now, Nu. 23,000/- was to be recovered from eight individuals. Out of the eight it is not possible to recover from three individuals as one has been expired, another one has resigned from the service and left the country and the third one has gone abroad.

The RAA requested the Dzongkhag Adm. to submit the death certificate of the deceased one and take initiatives to recover from the rest. The PAC advised the Dzongkhag to initiate the recovery of amounts within 31 Aug. 2021 from the five individuals and take legal recourse against the two individual who have gone abroad and inform the RAA by 31 Aug. 2021.

<sup>6</sup> Sub-section 6.2.3 - "In case of transfer of a Function or Activity of Project from one Government Agency to another, all the properties of the Function or Activity or Project shall be transferred to the Agency to which the said Function or Activity or Project is transferred"

### 1.3.2.15 DZONGKHAG ADMINISTRATION, TRASHIYANGTSE

During the year, the RAA conducted two audits of the Dzongkhag Administration, Trashiyangtse. There were 16 observations amounting to Nu.12.588 million of which seven observations amounting to Nu.6.323 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.6.265 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.5.350 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.915 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag and the total amount of irregularities reported to the Parliament were settled in Sept. 2020, however, one observation remained unresolved as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance of Laws & Rules	-	-	-	-
	<b>Total</b>	-	-	-	-

The details of unsettled irregularity reported to the Parliament which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Non-compliance to Laws and Rules

##### 1.1.2 DELAY IN THE COMPLETION OF INTERNAL WATER SUPPLY PIPELINE AT DOKSUM TOWN LIABLE FOR LIQUIDATED DAMAGES

The construction of Internal Water supply Pipeline for new township at Doksum, under Khamdang Gewog awarded to M/s Dawa Zangpo at a contract amount of Nu.12.175 million was not completed on the stipulated contract period date i.e. 30/08/2017. The contractor was liable for liquidated damages as per SCC. *AIN: 15244; Para: 3.2; Accountabilities: Direct: Ugyen Zangmo, AE, EID # 200507220; Supervisory: Tshering Wangchuk, DE, EID # 9307023.*

**Status:** Observation not settled. This issue was deliberated during the PAC consultative meeting held on 3 Aug.2021 in the DYT hall of Trashigang Dzongkhag and the Dzongkhag Adm. reported that LD was imposed on the contractor for the works delayed. However, the project couldn't be completed by the contractor and the contract was cancelled. Further, legal action was initiated against the contractor and was directed to pay liquidity damages and other penalties. The defaulter has agreed to pay the penalties.

The RAA stated that if due process of termination of the contract and legal process is followed the issue can be resolved based on the court verdict. However, the Dzongkhag should furnish such documents to RAA for review and appropriate decision.

The PAC advised the Dzongkhag Adm. to submit all the relevant documents pertaining this issue to RAA by 31 Aug. 2021 for review and appropriate decision.

### 1.3.2.16 DZONGKHAG ADMINISTRATION, TRONGSA

During the year, the RAA conducted one audit of the Dzongkhag Administration, Trongsa. There were 57 observations amounting to Nu.19.364 million of which 18 observations amounting to Nu.1.215 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.18.149 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.8.450 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.9.699 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag and out of the total unsettled irregularities of Nu. 6.078 million reported to the Parliament in Sept. 2020, Nu. 0.288 million were settled leaving a balance of Nu. 5.790 million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance of Laws & Rules	3.900	-	3.900	-
2	Shortfalls, Lapses and Deficiencies	2.178	0.288	1.890	13.22
	<b>Total</b>	<b>6.078</b>	<b>0.288</b>	<b>5.790</b>	<b>4.74</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

#### 1. Non-compliance to Laws and Rules - Nu.3.900 million

There were cases of non-compliance to laws and rules involving Nu.3.900 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
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1.1	Un-reconciled differences in the non-revenue deposit account	-	-	Unsettled
1.2	Non-recovery of 20% on value of work not completed after termination of contract	1.642	-	1.642
1.3	Non-forfeiture of 10% Performance Security	1.150	-	1.150
1.4	Payment of refundable deposit without obtaining refundable release	0.683	-	0.683
1.5	Non-recovery of 10% on value of work not completed after termination of contract	0.167	-	0.167
1.6	Non-forfeiture of 10% Performance Security	0.167	-	0.167
1.7	Non/late annual declaration of asset invite levy of penalty	0.091	-	0.091
1.10	Acceptance of defective works	-	-	Unsettled
<b>Total</b>		<b>3.900</b>	<b>-</b>	<b>3.900</b>

The cases of non-compliance to laws and rules are as indicated below:

### 1.1 UN-RECONCILED DIFFERENCES IN THE NON-REVENUE DEPOSIT ACCOUNT

The Dzongkhag Administration, Trongsa had un-reconciled differences in the non-revenue deposits account amounting to Nu.4.290 million for the financial year 2016-2017. Against the receipts of Nu.53.049 million from various agencies on account of Deposit Works during the year, the Dzongkhag Administration had deposited Nu.57.338 million resulting into excess deposit of Nu.4.290 million into Non-Revenue Account.

Similarly, against the deposit of Nu.57.338 million during the year, the Dzongkhag had obtained Non-revenue Releases of Nu.55.722 million. From the Non-Revenue Releases of Nu.55.722 million obtained from the Department of Public Accounts (DPA), Nu.57.126 million were found paid to various parties with resultant excess payment of Nu.1.404 million to parties without obtaining equivalent release from the DPA. *AIN: 15528; Para: 43.1 & 43.2; Accountabilities: Direct: Tshering Dawa, Accountant, EID # 2014204880; Supervisory: Sangay Chojay, Accounts Officer, EID # 20160106472.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag where the Dzongkhag expressed that the unreconciled difference is a system generated difference and not the case of misuse. The Dzongkhag agreed to reconcile the difference in accordance with the MoF circular No.DPA/ePEMS-01/2021-2022/17 dated 5 July 2021 where directives are given for resolving such differences with the system. PAC directed the Dzongkhag to submit a reconciliation report on or before 31 Aug. 2021 to the RAA for settling the issue.*

### 1.2 NON-RECOVERY OF 20% ON VALUE OF WORK NOT COMPLETED AFTER TERMINATION OF CONTRACT - NU.1.642 MILLION

The Dzongkhag Administration, Trongsa had not recovered Nu.1.642 million from M/s Ringdol Construction, Thimphu upon termination of contract for the construction of four-unit staff quarter, main BHU building-cum-toilet for Dangdung BHU-I. The amount was recoverable as 20% on value of work not completed at the time of termination of contract as per the Clause No. 6.3.7.2 of the PRR 2009<sup>9</sup>. *AIN: 15528; Para: 16.1; Accountabilities: Direct: Phuntsho Ghallay, Site Engineer, EID # 20140103513; M/s Tenzin Wangchuk Construction, CDB No.3816; Supervisory: Dorji Gyeltshen, DE, EID # 9707034.*

<sup>9</sup> "The method of payment upon termination shall be prescribed in the contract. The percentage to be applied to the value of work not completed at the time of termination shall usually be twenty (20%) percent subject to a maximum limit of ten (10%) percent of the initial Contract Price".



**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag where the Dzongkhag reported that the issue was taken up for arbitration and the arbitral award was passed in favor of the Dzongkhag. The contractor then appealed before the High Court and the same decision was upheld. However, due to lack of legal officer the judgement passed by the court couldn't be enforced. PAC advised the Dzongkhag Administration to follow up for enforcement of the judgement passed and report to the RAA.

### 1.3. NON-FORFEITURE OF 10% PERFORMANCE SECURITY - NU.1.150 MILLION

The Dzongkhag Administration, Trongsa had not recovered Nu.1.150 million from M/s Ringdol Construction, Thimphu upon termination of contract for the construction of four-unit staff quarter, main BHU building-cum-toilet for Dangdung BHU-I. The amount was recoverable as forfeiture of 10% Performance Security at the time of termination of contract as per the Clause no. 17.2 of the Standard Bidding Document<sup>10</sup>. The case is sub-judice. *AIN: 15528; Para: 16.1 & 16.2; Accountabilities: Direct: Phuntsho Ghallay, Site Engineer, EID # 20140103513; M/s Tenzin Wangchuk Construction, CDB No.3816; Supervisory: Dorji Gyeltshen, DE, EID # 9707034.*

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag where the Dzongkhag reported that the issue was taken up for arbitration and the arbitral award was passed in favor of the Dzongkhag. The contractor then appealed before the High Court and the same decision was upheld. However, due to lack of legal officer the judgement passed by the court couldn't be enforced. PAC advised the Dzongkhag Administration to follow up for enforcement of the judgement passed and report to the RAA.

### 1.4. PAYMENT OF REFUNDABLE DEPOSIT WITHOUT OBTAINING REFUNDABLE RELEASE - NU.0.683 MILLION

The Dzonkhag Administration, Trongsa had made payment of Nu.0.683 million to parties on account of refund of Refundable Deposits without obtaining equivalent release from the DPA, MoF. Further, the Dzongkhag Administration had not reconciled the deposit and payments in the Refundable Deposit Account on a regular basis and had not maintained proper records of transactions pertaining to this particular account. *AIN: 15528; Para: 42; Accountabilities: Direct: Tshering Dawa, Accountant, EID # 2014204880; Supervisory: Sangay Chojay, Accounts Officer, EID # 20160106472.*

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag where the Dzongkhag expressed that the unreconciled difference is a system generated difference. The Dzongkhag agreed to reconcile the difference in accordance with the MoF circular No.DPA/ePEMS-01/2021-2022/17 dated 5 July 2021 where directives are given for resolving such differences with the system. PAC directed the Dzongkhag to submit a reconciliation report on or before 31 Aug. 2021 to the RAA for settling the issue.

### 1.5. NON-RECOVERY OF 10% ON VALUE OF WORK NOT COMPLETED AFTER TERMINATION OF CONTRACT - NU.0.167 MILLION

The Dzongkhag Administration, Trongsa had awarded the construction of farm road from Gamji to Zhiling Gonpa to M/s Jordan Construction, Trongsa. The work was scheduled from 5 February 2016 to 5 April 2017. However, the contractor had not started the work despite serving numerous reminders and warning letters by the Dzongkhag Tender Committee (DTC). Subsequently, the contract was terminated on 25 October 2017 as per the General Conditions of Contract without recovering the

amount of Nu.0.167 million on account of 10% on value of work not completed liable as per the Clause no. 6.3.7.2 of the PRR 2009<sup>11</sup>. *AIN: 15528; Para: 15.1; Accountabilities: Direct: Phuntsho Ghallay, Site Engineer, EID # 20140103513; M/s Jordan Construction, CDB No.3221; Supervisory: Tobgay, DE, EID # 201101170.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag where the Dzongkhag reported that amount could not be recovered from the contractor. The PAC directed the Dzongkhag to take a legal recourse under intimation to the RAA.*

#### 1.6. NON-FORFEITURE OF 10% PERFORMANCE SECURITY - NU.0.167 MILLION

The Dzongkhag Administration, Trongsa had not forfeited Nu.0.167 million from M/s Jordan Construction, Trongsa upon termination of contract for the construction of farm road from Gamji to Zhiling Gonpa. The amount was recoverable as forfeiture of 10% Performance Security at the time of termination of contract as per the Clause no. 17.2 of the Standard Bidding Document<sup>12</sup>. *AIN: 15528; Para: 15.2; Accountabilities: Direct: Phuntsho Ghallay, Site Engineer, EID # 20140103513; M/s Jordan Construction, CDB No.3221; Supervisory: Tobgay, DE, EID # 201101170.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag where the Dzongkhag reported that amount could not be recovered from the contractor. The PAC directed the Dzongkhag to take a legal recourse under intimation to the RAA.*

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<sup>10</sup> "If the Contractor fails to commence the works within the above stated period, the Employer may, at his sole discretion, terminate the Contract and forfeit the Performance Security".

<sup>11</sup> "The method of payment upon termination shall be prescribed in the contract. The percentage to be applied to the value of work not completed at the time of termination shall usually be twenty (20%) percent subject to a maximum limit of ten (10%) percent of the initial Contract Price".

<sup>12</sup> "If the Contractor fails to commence the works within the above stated period, the Employer may, at his sole discretion, terminate the Contract and forfeit the Performance Security"

#### 1.7 NON/LATE ANNUAL DECLARATION OF ASSET INVITE LEVY OF PENALTY - NU.0.091 MILLION

The Dzongkhag Administration, Trongsa had not levied penalty amounting to Nu.0.137 million on officials who had failed to declare their assets for 2014 with the ACC. As of 31 March 2019, recovery amounting to Nu.0.046 million was made leaving balance of Nu.0.091 million. *AIN: 15528; Para: 40; Accountabilities: Direct: Refer Accountability Statement in audit report; Supervisory: Refer Accountability Statement in audit report.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag where the Dzongkhag Administration reported that, from the total amount of penalty leviable, balance amount of Nu. 67,465/- each is yet to be deposited by Choni Dorji and Jigme Namgyal. The PAC directed the Dzongkhag Administration to put concerted effort to recover the amounts, if not take legal recourse for the recovery of the same.*

#### 1.10 ACCEPTANCE OF DEFECTIVE WORKS

a) The Dzongkhag Administration, Trongsa had accepted defective plinth protection works and internal partition walls in the construction of Dzongkhag Veterinary Hospital Office at Sherabling under Nubi Gewog. The contractor, M/s Blue Heaven Construction, Trongsa had not rectified the cracks that had developed at site in the plinth protection of the front side of the building and internal partition wall of the structure. The lapses had occurred apparently due to improper handing and taking over

of completed works.

b) The Dzongkhag Administration, Trongsa had accepted defective roofing works in the construction of Dzongkhag Veterinary Hospital Office at Sherabling under Nubi Gewog. The RCC king post and side post for roof in the east side was found slightly bent with risk of collapsing posing danger to life and properties. The contractor, M/s Blue Heaven Construction, Trongsa had not rectified the defects. The lapses which had occurred due to inadequate supervision and monitoring at the time of execution and also failure on the part of the handing/taking over committee taking over the completed works. *AIN: 15528; Para: 9.3 & 9.4; Accountabilities: Direct: Phuntsho Ghalay, Site Engineer, EID # 20140103513; M/s Blue Heaven Construction, Contractor, CDB No.1174; Supervisory: Passang Dorji, DE, EID # 8201041.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag and the Site Engineer reported that all the defective works have been rectified but report could not be submitted to RAA as he was transferred to other office. The PAC directed the Dzongkhag Administration to submit the report to the RAA on or before 31 Aug. 2021.*

## 2 Shortfalls, Lapses and Deficiencies - Nu.1.884 million

There were cases of shortfalls, lapses and deficiencies involving Nu.2.178 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.2	Payment made for works not executed	0.973	-	0.973
2.3	Excess payment of pay and GPF	0.109	0.109	-
2.4	Non-deduction of house rent for the government houses	0.075	0.075	-
2.5	Non-deduction of house rent at revised rate for the government accommodation	0.020	0.020	-
2.7	Double payment of daily and travel allowances	0.052	0.015	0.037
2.8	Inadmissible payment of remuneration and other benefits for the days of Extra Ordinary Leave	0.184	-	0.184
2.9	Missing of items worth	0.209	-	0.209
2.10	Excess payment of travel allowance and daily allowance due to payment at rate higher than approved rate	0.069	0.069	-
2.11	Non-accountal of electrical items	0.156	-	0.156
2.12	Non-deduction of rebates and excess payment	0.139	-	0.139
2.14	Excess payment for works not executed	0.092	-	0.092
2.16	Payment made for item not provided at site in the construction of Vegetable Market Shed	0.054	-	0.054
2.18	Excess payment in the construction of RNR Staff Quarter at Bemjee	0.048	-	0.048
2.21	Non-recovery of the cost for TMT bars	-	-	Unsettled
	<b>Total</b>	<b>2.178</b>	<b>0.288</b>	<b>1.844</b>

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

### 2.2. PAYMENT MADE FOR WORKS NOT EXECUTED - NU.0.973 MILLION

The Dzongkhag Administration, Trongsa had made payment of Nu.0.973 million to M/s Tenzin Wangchuk Construction, Trongsa without actual execution of work at site in the construction of 4-unit staff quarters at Trongsa Hospital. The contractor was paid a total of Nu.1.500 million through RA bills as payment for the items of works up to cornices level, but items of work worth Nu.0.973 million was found not executed at site. The contract was also found delayed considerably.

The lapse had occurred apparently due to negligence on the part of the site engineer to properly verify the contractor's bills against the quantities of work executed at site. *AIN: 15528; Para: 17; Accountabilities: Direct: Phuntsho Ghallay, Site Engineer, EID # 20140103513; M/s Tenzin Wangchuk Construction, CDB # 3816; Supervisory: Dorji Gyeltshen, DE, EID # 9707034.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag and the Dzongkhag Administration reported that the work was awarded to M/s Tenzin Wangchuk Construction, Trongsa. Material advance was paid to the contractor and the work was started. After payment of running bill of Nu. 15 Lakhs to the contractor the works were stopped. After that the contract was terminated and the work was awarded to another contractor and works has been completed.*

*RAA requested the Dzongkhag Administration to submit the contract termination record, work completion documents and account settlement details. The PAC directed the Dzongkhag Administration to submit the report on or before 31<sup>st</sup> August 2021 to the RAA for review and settlement of the issue.*

### 2.3. EXCESS PAYMENT OF PAY AND GPF – NU.0.492 MILLION

#### 2.3.1 EXCESS PAYMENT OF PAY AND GPF DUE TO WRONG PAY FIXATION ON PROMOTION - NU.0.109 MILLION

The Dzongkhag Administration, Trongsa had made excess payment of pay and GPF amounting Nu.0.142 million to officials due to wrong fixation of pay on promotion in contravention to the BCSR. The salary of officials were fixed by adding one increment, when the difference between the minimum of the pay scale of the higher position level and the pay actually drawn by the official in the lower scale was exactly one increment. The lapses had occurred due to wrong fixation of pay during the promotion indicating failure on the part of HR Section to discharge responsibility diligently. As of 31 March 2019, recovery amounting to Nu.0.033 million was made leaving balance of Nu.0.109 million. *AIN: 15528; Para: 27; Accountabilities: Direct: Refer Accountability Statement in audit report; Supervisory: Refer Accountability Statement in audit report.*

**Status:** *Observation settled as a sum of Nu.0.109 million was recovered & deposited into ARA by the various staff/officials.*

### 2.4. NON-DEDUCTION OF HOUSE RENT FOR THE GOVERNMENT HOUSES - NU.0.141 MILLION

The Dzongkhag Administration, Trongsa had not deducted House Rent of Nu.0.447 million from the employees occupying government accommodation. As of 31 March 2019, recovery amounting to Nu.0.306 million was made leaving balance of Nu.0.141 million. *AIN: 15528; Para: 34; Accountabilities: Direct: Refer Accountability Statement in audit report; Supervisory: Refer Accountability Statement in audit report.*

**Status:** *Observation settled as the remaining balance of Nu.0.075 million was also recovered & deposited into ARA by the various staff/officials.*

### 2.5. NON-DEDUCTION OF HOUSE RENT AT REVISED RATE FOR THE GOVERNMENT

## ACCOMMODATION - NU.0.080 MILLION

The Dzongkhag Administration, Trongsa had not deducted House Rent of Nu.0.372 million from the employees occupying government accommodation at the revised rates stated in the MoF's notification no. *MoF/DNB/Rules-2/2016-17/321* dated *28 September 2016*. The revised house rent deduction rates for government accommodation came into effect from 1 October 2016. The lapses had occurred due to non-adherence to the rules and notification issued by the MoF. As of 31 March 2019, recovery amounting to Nu.0.292 million was made leaving balance of Nu.0.080 million. *AIN: 15528; Para: 32; Accountabilities: Direct: Refer Accountability Statement in audit report; Supervisory: Refer Accountability Statement in audit report.*

**Status:** *Observation settled as the amount was recovered & deposited into ARA by the various staff/official.*

## 2.6. DOUBLE PAYMENT OF TA/DA - NU.0.037 MILLION

The Dzongkhag Administration, Trongsa had made double payment of Nu.0.224 million to officials on account of TA/DA. The officials had claimed TA/DA twice for the same travels. The lapses had occurred due to inadequate verification by respective sectors while passing the claims. As of 31 March 2019, recovery amounting to Nu.0.172 million was made leaving balance of Nu.0.052 million. *AIN: 15528; Para: 36; Accountabilities: Direct: Rinchen Dorji, JE, EID # 20130101888; Ugyen Chozom, Accountant, EID # 2107084; Supervisory: Yeshi Dorji, DE, EID # 9307017; Tshering Penjor, Finance Officer, EID # 200507266.*

**Status:** *Partially settled. Out of Nu.0.052 million, Nu.0.015 million was recovered by the Dzongkhag leaving the balance amount of Nu.0.037 million.*

*The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag and the Dzongkhag Administration reported that some amount had been recovered and the balance amount as of date was only Nu. 37,336.71. The PAC advised the Dzongkhag Administration to recover the balance by 31 Aug. 2021 and intimated to the RAA.*

## 2.7. INADMISSIBLE PAYMENT OF REMUNERATION AND OTHER BENEFITS FOR THE DAYS OF EXTRA ORDINARY LEAVE - NU.0.184 MILLION

The Dzongkhag Administration, Trongsa had made inadmissible payment of Nu.0.214 million on account of remuneration and other benefits to officials on EOL, in contravention to BCSR, 2012. The payment of salary during the EOL had occurred apparently due to lack of coordination between the HR and Accounts Section. As of 31 March 2019, recovery amounting to Nu.0.029 million was made leaving balance of Nu.0.184 million. *AIN: 15528; Para: 30; Accountabilities: Direct: Jigme Dorji, GAO, EID # 9507122; Jai Bahadur Rai, EID # 201001363; Supervisory: Jigme Dorji, GAO, EID # 9507122; Jai Bahadur Rai, EID # 201001363.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag and the Dzongkhag Administration reported that the amount of Nu.0.184 m against Jigme Dorji, GAO could not be recovered as of date as he has been transferred to Sarpang. The PAC directed Dzongkhag Administration to recover the amount within 31 Aug. 2021 if not take legal recourse for recovering the same.*

## 2.9. MISSING OF ITEMS WORTH - NU.0.209 MILLION

The Dzongkhag Administration, Trongsa had incurred an expenditure of Nu.1.424 million for the construction of Camp and procurement of necessary items for the camp during 109<sup>th</sup> National Day

Celebrations coordinated by Dzongkhag Kidu Officer. The purchase included both expendable and non-expendable items. The physical verification of non-expendable items revealed that items worth of Nu.0.209 million were missing which included bedroom furniture, mattresses and bed linen, toilet fixtures, fittings and other items like electrical items, refrigerator, water tank and window curtains. The lapses had occurred due to lack of coordination between the handling committee and the Dzongkhag store to safeguards the items after the celebration. *AIN: 15528; Para: 18; Accountabilities: Direct: Chencho Gyeltshen, EID # 2101146; Supervisory: Chencho Gyeltshen, EID # 2101146.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag and the Dzongkhag Administration reported that the accountable person Chencho Gyeltshen has resigned and went to Australia now and the observation could not be settled. The PAC directed Dzongkhag Administration to submit detail report on the subject and forward to RAA within 31 Aug. 2021.*

#### 2.10. EXCESS PAYMENT OF TA/DA DUE TO PAYMENT AT RATE HIGHER THAN APPROVED - NU.0.069 MILLION

The Dzongkhag Administration, Trongsa had made excess payment of Nu.0.204 million on account of TA/DA due to payment at rate higher than the approved rate. Some officials of Dzongkhag Administration had claimed DA higher than their Position Level leading to excess payment. The Dzongkhag Administration had also paid mileage at rates higher than the rate approved by the MoF.

The lapses had occurred apparently due to inadequate verification of TA/DA bills of the employees by the officials responsible. As of 31 March 2019, recovery amounting to Nu.0.135 million was made leaving balance of Nu.0.069 million. *AIN: 15528; Para: 35; Accountabilities: Direct: Refer Accountability Statement in audit report; Supervisory: Refer Accountability Statement in audit report.*

**Status:** *Observation settled the amount of Nu.0.069 million was recovered & deposited into ARA by the various staff/officials.*

#### 2.11. NON-ACCOUNTAL OF ELECTRICAL ITEMS - NU.0.156 MILLION

The Dzongkhag Administration, Trongsa had not accounted for electrical items worth Nu.0.156 million. 58 rolls of copper wire were procured for the electrification of camp during the 109<sup>th</sup> National Day Celebration. However, during physical verification there were no electrical items found at site. The Dzongkhag Administration had not exercised due diligence to ensure proper accountal and custody of copper wires. *AIN: 15528; Para: 19; Accountabilities: Direct: Chencho Gyeltshen, EID # 2101146; Supervisory: Chencho Gyeltshen, EID # 2101146.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag and the Dzongkhag Administration reported that the accountable person Chencho Gyeltshen has resigned and went to Australia now and the observation could not be settled. The PAC directed Dzongkhag Administration to submit detail report on the subject and forward to RAA within 31 Aug. 2021.*

#### 2.12. NON-DEDUCTION OF REBATES AND EXCESS PAYMENT - NU.0.139 MILLION

The Dzongkhag Administration, Trongsa had not deducted rebate of Nu.0.069 million offered by M/s Druk Dreams Construction, Trongsa from the contractor's bills and had instead made excess payment amounting to Nu.0.139 million to the contractor by adding the rebate amount to the bill in the construction of Indigenous Unit at Kuengarabten BHU. The excess payment had apparently occurred due to failure of the site engineer and supervising engineer in exercising due diligence while verifying the contractor's claims. *AIN: 15528; Para: 6; Accountabilities: Direct: Dawa Lhamo, Site Engineer, EID #*

20120100124; M/s Druk Dreams Construction, CDB No. 5218; Supervisory: Passang Dorji, DE, EID # 8201041.

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag and the Dzongkhag Administration reported that the District Engineer, Dawa Lhamo resigned from service and went to Canada, therefore the issue remained unsettled. The PAC advised the Dzongkhag Administration to pursue for recovery of the amount from the contractor by 31 Aug. 2021 or take legal recourse for recovering the same.

#### 2.14. EXCESS PAYMENT FOR WORKS NOT EXECUTED - NU.0.092 MILLION

The Dzongkhag Administration, Trongsa had released payments amounting to Nu.0.092 million to the contractor before completion of item of work at site in the construction of Guest House at Samcholing Green Tea House. M/s KCJ Construction, Trongsa had not executed items of works 'marble chips flooring top layer' and 'providing & fixing glass strips' at site with resultant excess payment. The lapses had occurred due to release of payments before the actual completion of the work at site. AIN: 15528; Para: 13.2; Accountabilities: Direct: Dawa Lhamo, Site Engineer, EID # 20120100124; M/s KCJ Construction, Contractor, CDB No.4358; Supervisory: Tobgay, DE, EID # 201101170.

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag and the Dzongkhag Administration reported that the District Engineer, Dawa Lhamo resigned from service and went to Canada, therefore the issue remained unsettled. The PAC advised the Dzongkhag Administration to pursue for the recovery of the amount from the contractor by 31 Aug. 2021 or take legal recourse for recovering the same.

#### 2.15. PAYMENT MADE FOR ITEM NOT PROVIDED AT SITE IN THE CONSTRUCTION OF VEGETABLE MARKET SHED - NU.0.054 MILLION

The Dzongkhag Administration, Trongsa had made payment of Nu.0.054 million to M/s Landmark Builders, Trongsa for items of works "providing and fixing terrazzo marble chips skirting" not provided at site in the construction of vegetable market shed at Trongsa town. The lapses had occurred due to improper verification of work done at site with contractor's claims. AIN: 15528; Para: 10; Accountabilities: Direct: Dawa Lhamo, Site Engineer, EID # 20120100124; M/s Landmark Builders, Contractor, CDB No.3077; Supervisory: Tobgay, DE, EID # 201101170.

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag and the Dzongkhag Administration reported that initially the payment was made after a rough measurement of the works completed. Later with the proper measurement it was found that over payment was made to the contractor. The PAC advised the Dzongkhag Administration to pursue for the recovery of the amount from the contractor by 31 Aug. 2021 or take legal recourse for recovering the same.

#### 2.18. EXCESS PAYMENT IN THE CONSTRUCTION OF RNR STAFF QUARTER AT BEMJEE - NU.0.048 MILLION

The Dzongkhag Administration, Trongsa had made excess payment of Nu.0.048 million to M/s Blue Heaven Construction, Trongsa due to non-deduction of openings and non-execution of item of works in the construction of Four-Unit RNR staff quarter at Bemjee. AIN: 15528; Para: 12; Accountabilities: Direct: Phuntsho Ghallay, Site Engineer, EID # 20140103513; M/s Blue Heaven Construction, Contractor, CDB No.1174; Supervisory: Tobgay, DE, EID # 201101170.

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag and the Dzongkhag Administration reported

*that report was submitted to OAAG Bumthang. The RAA stated that the works were re-verified and had instructed the Dzongkhag Administration to recover the excess payment of Nu. 4582.50 and deposit it with the RAA but the amount remained unsettled. The PAC advised the Dzongkhag Administration to pursue for the recovery of the amount from the contractor by 31 Aug. 2021 or take legal recourse for recovering the same.*

## 2.19. NON-RECOVERY OF THE COST FOR TMT BARS

The Dzongkhag Administration, Trongsa had not recovered the cost of 2,881.54 kgs of TMT Rebars sold to M/s Gyserling Construction, Trongsa as of March 2018. The lapses had occurred due to lack of follow-up on realizing the value of materials taken by the contractor. *AIN: 15528; Para: 41; Accountabilities: Direct: Kinzang Tenzin, Assistant Engineer, EID # 201001716; Supervisory: Tobgay, DE, EID # 201101170.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT Hall of the Trongsa Dzongkhag and the Dzongkhag Administration reported that the amount was recovered. However, the details of recovery was not furnished to the RAA. The PAC directed the Dzongkhag Administration to forward the details of recovery to the RAA by 31<sup>st</sup> August 2021.*

### 1.3.2.17 DZONGKHAG ADMINISTRATION, TSIRANG

During the year, the RAA conducted one audit of the Dzongkhag Administration, Tsirang. There were 43 observations amounting to Nu.6.273 million of which 28 observations amounting to Nu.1.955 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion. The significant irregularities reported in the draft AAR 2018 amounted to Nu.4.318 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.2.582 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.736 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag and out of the total unsettled irregularities of Nu. 0.757 million reported to the Parliament in Sept. 2020, Nu.0.058 million was settled leaving a balance of Nu.0.699 million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Mismanagement	0.099	-	0.099	-
2	Non-compliance of Laws and Rules	0.058	0.058	-	100
3	Shortfalls, Lapses and Deficiencies	0.600	-	0.600	-
	<b>Total</b>	<b>0.757</b>	<b>0.058</b>	<b>0.699</b>	<b>7.66</b>

The details of unsettled irregularities reported to the Parliament in June 2019, the irregularities settled thereafter and the unsettled ones in Sept. 2020 are as discussed below:

#### 1. Mismanagement – Nu.0.099 million

There was a case of mismanagement amounting to Nu.0.099 million as indicated below:



### 1.1. NON-IMPOSITION OF PENALTY FOR LATE PAYMENTS – NU.0.099 MILLION

The Dzongkhag Municipal Authority, Tsirang had not imposed penalty amounting to Nu.0.099 million on account of late payments of taxes and monthly rental from tax defaulters and lessees respectively as per taxation rules and regulations and lease agreements. The Dzongkhag Municipal Authority had failed to comply and levy the fines and penalties as per the Chapter 2.2.5 Part 8 of Revenue Accounting Manual 2004. *AIN: 15235; Para: 33; Accountabilities: Direct: Diliram Adhikari, RO, EID # 20120700719; Supervisory: Diliram Adhikari, RO, EID # 20120700719.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 9 Aug. 2021 at RAA, PDC Tsirang where the Revenue Officer reported that the amount was recovered and dropped during the exit meeting. The RAA explained that the amount was still outstanding and it was not an issue of recovery of tax but failure to levy 24% penalty on tax default. The PAC advised the Dzongkhag Administration to follow up the issue and submit report to RAA by 31 Aug. 2021.*

## 2. Non-compliance to Laws and Rules - Nu.0.058 million

There were cases of non-compliance to laws and rules involving Nu.0.210 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.3	Short-payment to contractor	0.058	0.058	-
2.4	Non-rectification of defective works	-	-	Unsettled
2.5	Acceptance of defective works	-	-	Unsettled
	<b>Total</b>	<b>0.058</b>	<b>0.058</b>	<b>-</b>

The cases of non-compliance to laws and rules are as indicated below:

### 2.2. SHORT-PAYMENT TO CONTRACTOR – NU.0.058 MILLION

The Dzongkhag Administration, Tsirang had made excess payment of Nu.0.048 million and short payment of Nu.0.106 million in the construction of Early Child Care & Development (ECCD) Centre at Goseling. The contractor was paid for quantities in excess of items of work actually executed at site with resultant excess payment of Nu.0.048 million. Also, the contractor was found short paid for some items of works which were executed but not paid for due to non-availability of fund for payment of the final bill amounting to Nu.0.106 million. After adjusting the excess payment from the short payment the Dzongkhag Administration still owed the contractor Nu.0.058 million. The lapses are indicative of lack of due diligence in checking the admissibility of claims. *AIN: 15235; Para: 8.1; Accountabilities: Direct: Karma Tshering, Junior Engineer, EID # 1020100525; Supervisory: Gem Dorji, Executive Engineer (EID # 8908079).*

**Status:** *The observation has been settled.*

### 2.4 NON-RECTIFICATION OF DEFECTIVE WORKS

The Dzongkhag Administration, Tsirang had not instructed the contractor to rectify defective works noted in the construction of Zigrey at Namgaycholing Dratshang. The plinth protection at the right side of the building and the retaining wall being constructed below the Zigrey including the steps had developed cracks. *AIN: 15235; Para: 7.3; Accountabilities: Direct: Gem Dorji, Executive Engineer, EID # 8908079; Supervisory: Gem Dorji, Executive Engineer, EID # 8908079.*

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 9 Aug. 2021 at RAA, PDC Tsirang where the Executive Engineer reported that the defective works had not been rectified by the contractor despite request made to him. The PAC directed the Dzongkhag to initiate the rectifications and update RAA by 31 Aug. 2021.

## 2.5. ACCEPTANCE OF DEFECTIVE WORKS

The Dzongkhag Administration, Tsirang had accepted defective works in the construction of four-unit toilet and drain for Boys' Hostel at Mendrelgang Central School. The contract executed by M/s Kelzang Dee Construction of Paro had numerous defects as follows:

- transparent roofing CGI sheets were found damaged/torn;
- water supply to toilet was found disconnected and without water;
- soak-pit was not ascertainable with the area covered by stones/pebbles;
- electrical fittings were not properly fixed; and
- earthing was damaged.

The lapses had occurred due to inadequate supervision and monitoring of construction activity and failure of the handing-taking over committee to direct the contractor to rectify the works before taking over the works. *AIN: 15235; Para: 4; Accountabilities: Direct: Chaksing, Principal, EID # 2010019; Supervisory: Sangay Choephel, CDEO, EID # 9808204.*

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 9 Aug. 2021 at RAA, PDC Tsirang where the Dzongkhag Administration reported that rectifications were completed, however report was yet to be communicated to the RAA. The PAC directed the Dzongkhag to submit the rectification report to the RAA by 31 Aug. 2021.

## 3. Shortfalls, Lapses and Deficiencies - Nu.0.600 million

There were cases of shortfalls, lapses and deficiencies involving Nu.1.427 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
3.1	Irregularities in payment of travel allowances	0.063	-	0.063
3.4	Payment made for work not executed	0.279	-	0.279
3.5	Excess payment due to short execution of works	0.258	-	0.258
3.7	Payment of arrears and allowances without supporting documents	-	-	Settled
3.8	Short/excess deduction of house rents	-	-	Settled
	<b>Total</b>	<b>0.600</b>	<b>-</b>	<b>0.600</b>

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

### 3.1. IRREGULARITIES IN PAYMENT OF TRAVEL ALLOWANCES - NU.0.063 MILLION

The Dzongkhag Administration, Tsirang had made excess payments amounting to Nu.1.198 million to officials on account of TA/DA. Against the total payment of Nu.20.393 million, the admissible amount worked out to Nu.19.195 million with resultant inadmissible payment of Nu.1.198 million. The disbursement of inadmissible TA/DA was not in line with the BCSR and indicated the management's failure to exercise necessary prudence in approving and in disbursing the travel claims. As of 31 March 2019, recovery amounting to Nu.1.056 million was made leaving balance of

Nu.0.142 million. *AIN: 15235; Para: 18; Accountabilities: Direct: Individual list as per Annexure in Audit Report; Supervisory: Concern sector heads.*

**Status:** *Observation not settled. Out of the total amount of Nu.0.142 million; Nu.0.079 million was settled leaving a balance of Nu.0.063 million as of in Sept. 2020.*

*The issue was deliberated during the PAC consultative meeting held on 9 Aug. 2021 at RAA, PDC Tsirang where the Finance Officer reported that they have tried their best to recover the amount, however, those civil servants who have resigned from the service couldn't be traced. The amount to be recovered were Nu. 6,000/- from Tempa Dorji, Nu. 4,750/- from Dorji Wangchuk, Nu. 1,000/- from Sangay and Nu. 3,000/- from Kinzang Dorji. It was also reported that Tempa Dorji has expired and Sangay & Kinzang Dorji resigned so it has become impossible for the administration to recover the amount from them. However, Dorji Wangchuk who is currently serving as a teacher at Lingmithang agreed to pay the amount. It was decided that wherever possible the amounts should be recovered and for those expired and resigned persons authentic documents to prove the statement should be furnished to the RAA for review and appropriate decision.*

#### 3.4. PAYMENT MADE FOR WORK NOT EXECUTED - NU.0.279 MILLION

The Dzongkhag Administration, Tsirang had made payment of Nu.0.279 million for items of works not executed in the construction of Zigray at Namgaycholing Dratshang. The contractor, M/s Lhanam TRM Construction, Gelephu was paid for the slab works, the suspended floor without height in the final bill. The MB and final bill indicated inadequate and improper verification of bills resulting in excess payment. The lapse had occurred due to failure of the supervising officials to exercise due diligence while verifying the final bill in terms of the actual quantities executed at site. *AIN: 15235; Para: 7.2; Accountabilities: Direct: Gem Dorji, Executive Engineer, EID # 8908079; Supervisory: Gem Dorji, Executive Engineer, EID # 8908079.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 9 Aug. 2021 at RAA, PDC Tsirang where the Dzongkhag Administration reported the amount was revised to Nu. 2,43,000/- after the site was revisited by the RAA and Engineer and the contractor was directed to refund Nu. 2,43,000/-. The PAC directed the Dzongkhag to recover the amount from the contractor by 31 Aug. 2021 if not take legal recourse.*

#### 3.5. EXCESS PAYMENT DUE TO SHORT EXECUTION OF WORKS - NU.0.258 MILLION

The Dzongkhag Administration, Tsirang had made excess payment of Nu.0.258 million due to short execution of works in the construction of Zigray at Namgaycholing Dratshang. M/s Lhanam TRM Construction, Gelephu had claimed for excess quantities of items of work than was actually executed at site. The lapse had occurred due to failure of the supervising officials to exercise due diligence while verifying the final bill in terms of the actual quantities executed at site. *AIN: 15235; Para: 7.1; Accountabilities: Direct: Gem Dorji, Executive Engineer, EID # 8908079; Supervisory: Gem Dorji, Executive Engineer, EID # 8908079.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 9 Aug. 2021 at RAA, PDC Tsirang where the Executive Engineer reported that the amount was revised to Nu. 1,18,265/- after the site was revisited by the engineer and officials of RAA, Tsirang. However, the amount remained unsettled. The PAC directed the Dzongkhag to recover the amount from the contractor by 31 Aug. 2021 if not take legal recourse.*

#### 3.6. PAYMENT OF ARREARS AND ALLOWANCES WITHOUT SUPPORTING DOCUMENTS

The Dzongkhag Administration, Tsirang had made payment of Nu.2.395 million on account of

payment of salary arrears and allowances to officials without adequate supporting documents, contravening Clause 5.14.2.2 of Finance and Accounting Manual 2016. The lapses indicated lack of due diligence in the preparation and disbursement of arrears and allowance by the dealing officials. *AIN: 15235; Para: 25; Accountabilities: Direct: Individual list as per Annexure; Supervisory: Wangchuk, Sr. Finance Officer, EID # 200701130.*

**Status:** *This observation has been settled.*

### 3. 8. SHORT/EXCESS DEDUCTION OF HOUSE RENTS

The Dzongkhag Administration, Tsirang had made short-deduction of Nu.0.060 million and excess deduction of Nu.0.022 million from officials/occupants on account of house rent. The discrepancies had occurred mainly due to improper calculation and deduction of monthly house rents indicating weak internal controls. *AIN: 15235; Para: 26; Accountabilities: Direct: Individual list as audit report; Supervisory: Namgay Dorji, Dzongrab, EID # 9607181.*

**Status:** *This observation has been settled.*

#### 1.3.2.18 DZONGKHAG ADMINISTRATION, WANGDUEPHODRANG

During the year, the RAA conducted one audit of the Dzongkhag Administration, Wangduephodrang. There were 17 observations amounting to Nu.7.025 million of which six observations amounting to Nu.5.010 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion. The significant irregularities reported in the draft AAR 2018 amounted to Nu.2.015 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.1.963 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.052 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag and all the amounts of irregularities were settled. However, one irregularity without involving monetary amount was not settled as on 30 Sept. 2021 as narrated below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	-	-	-	-
	<b>Total</b>	-	-	-	-

The details of unsettled irregularity reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Shortfalls, Lapses and Deficiencies

##### 1.2. PAYMENT FOR ELASTOMERIC BEARINGS

The Dzongkhag Administration, Wangduephodrang had made payment of Nu.0.400 million to the contractor, M/s D.W Construction, Wangdue for providing Elastomeric Bearings in the construction of RCC Girder Bridge on Gangphel-Zizi Farm Road under Phobji Gewog. However, during verification,

the main girders were found having direct contact with the abutments with no space for the placement of elastomeric bearings due to which it could not be authenticated.

The Elastomeric Bearings are provided between the Main Girders and the Abutments to restrain and isolate the load bearing surface (Deck) from the support (Abutment) while permitting movement for better durability of the Girder Bridges. *AIN: 15554; Para: 14.1; Accountabilities: Direct: Kezang Wangchuk, Asst. Engineer, EID # 9507036), M/s Thukten Gyeltshen Const. CDB # 4539; Supervisory: Labchu, Dzongkhag Engineer, EID # 8601092.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 13 Aug. 2021 at DYT hall of Punakha Dzongkhag where the Site Engineer explained that the bridge was constructed in Phobjikha Gewog in 2016 and Elastomeric Bearing meant for seismic activity was installed and pictorial evidence along with the justification was submitted to RAA Tsirang, after the exit meeting, however, the observation remained unsettled. It was also stated that direct accountability should have been fixed against Thinley Wangchuk and not against Kezang Wangchuk, AE who was not involved at that site.*

*RAA reported that on 7 Sep. 2020 a reminder letter was served to the Dzongkhag Administration seeking for updates on this issue but no response was received. If the Dzongkhag Administration has already submitted the documents then the administration was requested to share a copy of the same to the RAA for review and appropriate decision. The PAC advised the Dzongkhag Administration to furnish a copy of the documents for RAA's review.*

### 1.3.2.19 DZONGKHAG ADMINISTRATION, ZHEMGANG

During the year, the RAA conducted two audits of the Dzongkhag Administration, Zhemgang. There were 28 observations amounting to Nu.15.353 million of which 18 observations amounting to Nu.4.167million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion. The significant irregularities reported in the draft AAR 2018 amounted to Nu.11.186 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.165 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.11.021 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Dzongkhag and out of the total unsettled irregularities of Nu. 5.218 million reported to the Parliament in Sept. 2020, Nu. 2.613 million was settled leaving a balance of Nu.2.605 million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance of Laws & Rules	4.447	1.842	2.605	41.42
2	Shortfalls, Lapses and Deficiencies	0.771	0.771	-	100
	<b>Total</b>	<b>5.218</b>	<b>2.613</b>	<b>2.605</b>	<b>50.08</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

#### 1. Non-compliance to Laws and Rules - Nu.2.605 million

There were cases of non-compliance to laws and rules involving Nu.4.447 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.2	Non-levy of liquidated damages	1.842	1.842	-
1.3	Short-levy of liquidated damages	1.705	-	1.705
1.4	Release of final bill without completing the works	0.900	-	0.900
	<b>Total</b>	<b>4.447</b>	<b>1.842</b>	<b>2.605</b>

The cases of non-compliance to laws and rules are as indicated below:

#### 1.1. NON-LEVY OF LIQUIDATED DAMAGES - NU.1.842 MILLION

The Dzongkhag Administration, Zhemgang had accepted and taken over incomplete works in the construction of RNR Centre at Bjokha Gewog. The contract was scheduled to be completed in 15 months from 18 January 2016 to 17 April 2017. However, some items of work were found incomplete/not executed even after delay of 383 days at the time of audit in January 2018 and hence the contractor was liable for maximum liquidated damages of 10% amounting to Nu.1.842 million as per the contract document. *AIN: 15200; Para: 8.3; Accountabilities: Direct: Binod Kr. Tamang, Engineer, EID # 200407010; Supervisory: Kintu, DE, EID # 200801083.*

**Status:** *The observation was settled based on the replies/justification furnished by the Dzongkhag endorsed by the Dzongkhag Committee.*

#### 1.2. SHORT-LEVY OF LIQUIDATED DAMAGES - NU.1.705 MILLION

The Dzongkhag Administration, Zhemgang had accepted and taken over incomplete works and failed to levy liquidated damages of Nu.1.705 million on the contractor, M/s S.L. Construction Pvt. Ltd. Thimphu in the construction of 200-bedded Girls Hostel at Zhemgang Central School. The contract work was scheduled to commence from 20 June 2015 and to be completed by 30 June 2016.

However, the site visit revealed that HDPE pipes were not installed, septic tank not completed and gutters were not connected to the rainwater-harvesting reservoir even at the time of audit in November 2017. The work had remained incomplete even after one year three months. Further, the contractor was liable for liquidated damages of Nu.2.006 million, but the Dzongkhag Administration had levied only Nu.0.301 million as liquidated damages for 20 days of delay with resultant short-levy of liquidated damages amounting to Nu.1.705 million. *AIN: 15200; Para: 1.2; Accountabilities: Direct: Yeshey Rinzin, Engineer, EID # 201101215; Supervisory: Kintu, DE, EID # 200801083.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 7 Aug. 2021 at DYT hall of Trongsa Dzongkhag where the Dzongkhag Administration reported that contractor had rectified the defective works several times as directed by the administration before handing taking of the work. Coincidentally the defects were observed by RAA's officials during their visit to the site. The administration is of the opinion that the issue seems to be the inability to distinguish whether the work falls under LD or defect liability period. RAA stated that, it is important for the Dzongkhag Administration to coordinate with the school management to resolve this issue as it is the responsibility of the school management to inform Dzongkhag Administration about the defective works and rectify it without having to wait for RAA to inspect and point out the mistakes. The PAC advised the administration to coordinated with the school management of Zhemgang Central School and submit a proper report to RAA by 31 Aug. 2021 for review and appropriate action.*

### 1.3. RELEASE OF FINAL BILL WITHOUT COMPLETING THE WORKS - NU.0.900 MILLION

The Dungkha Administration, Panbang had not recovered Nu.0.900 million from the contractor's final RA bill upon termination of contract in the construction of Fencing with Gate and Maintenance of NCH at Pangbang BHU I under Nangla Gewog. The Dungkha Administration had released the final payment without deducting payment for works not executed, penalty on termination and material advances. The contract was terminated by the Dungkha Tender Committee due to non-completion of work on time despite repeated reminders.

The lapses had occurred due to non-verification of work done prior to releasing the payments and making payment in excess of actual work done. *AIN: 15329; Para: 7; Accountabilities: Direct: Singye Wangchuk, AE, EID # 200507221; Supervisory: Singye Wangchuk, AE, EID # 200507221.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 7 Aug. 2021 in DYT hall of Trongsa Dzongkhag where the Dzongkhag Administration reported that, the contractor couldn't complete the work and the contract was terminated after levying liquidated damages and 20% penalty. Certain amounts were recovered from 10% of performing security deposit and as of now Nu. 176,000/- is to be recovered from the contractor. Later, the work was assigned to another contractor and completed. The PAC directed the Dzongkhag Administration to submit recovery details and account of the amount along with justifying how the balance recoverable amount of Nu. 176,000/- was arrived at. The recovery of the amount should be initiated and up dates given to the RAA by 31<sup>st</sup> August 2021.*

## 2. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies involving Nu.0.771 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Excess payment for works less executed	0.331	0.331	-
2.2	Payment for works not executed	0.244	0.244	-
2.3	Payment made for the work not executed at site	0.196	0.196	-
	<b>Total</b>	<b>0.771</b>	<b>0.771</b>	<b>-</b>

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

### 2.1. EXCESS PAYMENT FOR WORKS LESS EXECUTED - NU.0.554 MILLION

The Dzongkhag Administration, Zhemgang had made excess payments amounting to Nu.0.554 million to the contractor in the construction of 200-bedded boys Hostel at Zhemgang Central School. The excess payment had occurred due to improper verification of bills with respect to the actual quantity of work executed at site with resultant differences in the quantity of items actually executed at site and the quantity paid for in the Plinth protection and RRM works. *AIN: 15200; Para: 4.1; Accountabilities: Direct: Yeshey Rinzin, Engineer, EID # 201101215; Supervisory: Kintu, DE, EID # 200801083.*

**Status:** *Observation was settled as a sum of Nu. 0.566 was deposited into ARA.*

### 2.2. PAYMENT FOR WORKS NOT EXECUTED - NU.0.244 MILLION

The Dzongkhag Administration, Zhemgang had made excess payments amounting to Nu.0.244 million to the contractor for items of work not executed in the construction of RNR Centre at Bjokha Gewog. The excess payment had occurred due to improper verification of the bills with respect to the actual quantity of work executed at site with resultant differences in the quantity of items actually executed at site and the quantity paid for in the Plinth protection works, staff quarters, site development works, RRM wall and Approach Road. *AIN: 15200; Para: 8.2; Accountabilities: Direct: Yeshey Rinzin, Engineer, EID # 201101215; Supervisory: Kintu, DE, EID # 200801083.*

**Status:** *Observation was settled as a sum of Nu.0.376 million was deposited into ARA.*

### 2.3. PAYMENT MADE FOR THE WORK NOT EXECUTED - NU.0.196 MILLION

The Dzongkhag Administration, Zhemgang had made inadmissible payments amounting to Nu.0.196 million to the contractor for items of work not executed in the construction of RNR Centre at Bjokha Gewog. The contractor had not executed Brick Masonry manhole in cement mortar, soak pit, not provided power cables. The lapses had occurred due to inadequate supervision and improper verification of contractor's bill by the site engineer and the supervising official. *AIN: 15200; Para: 8.1; Accountabilities: Direct: Binod Kumar Tamang, Engineer, EID # 201101215; Supervisory: Kintu, DE, EID # 200801083.*

**Status:** *Observation was settled as the amount was deposited with the RAA vide Rt. No.0331 dated 10/12/2020.*

## 1.3.3 GEWOGS

### 1.3.3.1 GEWOGS ADMINISTRATION UNDER CHHUKHA DZONGKHAG

## II. BONGO

During the year, the RAA conducted one audit of the Gewog Administration, Bongo under Chhukha Dzongkhag. There were two observations amounting to Nu.0.026 million of which one observation amounting to Nu.0.026 million did not qualify for inclusion in the draft AAR 2018.

The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog, however, the irregularity reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as discussed below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance of Laws and Rules	-	-	-	-
	<b>Total</b>	-	-	-	

The details of unsettled irregularity reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

### 1. Non-compliance to Laws and Rules



The case of non-compliance to laws and rules is as indicated below:

### 1.1. DEFECTS OBSERVED IN CONSTRUCTION OF PERMANENT STRUCTURES AT GEDU-BOERI FARM ROAD

The Gewog Administration, Bongo had not rectified defects noted in the construction of permanent structures at Gedu-Boeri farm road by M/s Tashi Construction, Chhukha as under:

- a) RRM wall valuing Nu.0.095 million was found collapsed apparently due to poor workmanship;
- b) Portion of causeway worth Nu.0.035 million attached to the retaining wall was found damaged. It was found constructed without RCC, which was required as per specifications and drawing;
- c) Hume pipes provided did not have collar at the joints for cross drainage; and
- d) Hammer dressed stone edging were not provided as per the specifications in some stretch of the farm road due to which the hand packed stone soling and granular sub-base course (GSB) were found eroded at several stretches of the road within the short period of time.

The lapses had occurred mainly due to poor workmanship and inadequate supervision and monitoring of site at the time of execution by the site engineer leading to non-achievement of value for money. *AIN: 15374; Para: 1a; Accountabilities: Direct: Dewas Biswa, JE, EID # 20140103469; Supervisory: Tshering Nidup, Gup, CID #10203002306.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 13 Sept. 2021 in NA conference hall, Thimphu where the Gup reported that the work was supervised and completed during the tenure of former site engineer, Dewas Biswa. He was transferred before the work executed could be audited. However, the administration has decided to deduct the amount from the 10% security deposit of the contractor. Dzongkhag Engineer requested the house to grant some time for submission of documents as they were not informed about this issue earlier.*

*It was decided that, Gewog Administration should submit the completion report for rectification works along with the pictorial evidence to RAA by 31 October 2021.*

### 1.3.3.2 GEWOGS ADMINISTRATION UNDER MONGGAR DZONGKHAG

#### I. BALAM

During the year, the RAA conducted one audit of the Gewog Administration, Balam under Monggar Dzongkhag. There were four observations amounting to Nu.0.294 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.294 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.294 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and out of the total unsettled irregularities of Nu. 0.049 million reported to the Parliament in Sept. 2020, the amount was settled. However, one observation without involving monetary amount remained unsettled as on 30 Sept. 2021 as detailed below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	0.049	0.049	-	100
2	Non-compliance of Laws and Rules	-	-	-	-
	<b>Total</b>	<b>0.049</b>	<b>0.049</b>	<b>-</b>	<b>100</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

## 1. Fraud, Corruption and Embezzlement

The case with elements of fraud, corruption and embezzlement involving Nu.0.049 million is as indicated below:

### 1.1. RELEASE OF PAYMENTS WITHOUT RECEIVING GOODS - NU.0.049 MILLION

The Gewog Administration, Balam had made payment of Nu.0.049 million to M/s Lamla Sales & Services for procurement of two printers without receiving the goods. The supply order was placed on 5 November 2016 and the payment made on 14 June 2017, however the printers were not received as of date of audit. The lapses had occurred apparently due to failure of the Gewog Administration to comply with the Financial and Procurement norms. *AIN: 15700; Para: 2; Accountabilities: Direct: Sangay Dakpa, LPS, EID # 200407218; Supervisory: Lungten, Gup, CID # 10701000195.*

**Status:** *Observation settled as the Gewog reported that they received the computers printer from M/s Lamla sales, Thimphu vide letter No.Balam Gewog/3/2020/1996 dated 06/11/2020.*

## 2. Non-compliance to Laws and Rules

The case of non-compliance to laws and rules is as indicated below:

### 2.1. NON-RECTIFICATION OF DEFECTIVE WORKS IN VARIOUS FARM ROAD

The Gewog Administration, Balam had not instructed M/s Dhenzang Hiring Unit, Monggar to rectify defective works noted in the construction of various farm roads under the Gewog. From the nine farm roads constructed, three farm roads from Dorum to Nacheluwang/KhepsHING, Lower Jadung farm road and Upper Balam farm road were not pliable. The lapses had occurred apparently due to negligence on the part of the Gewog Administration and site engineer to monitor and supervise at the time of execution. *AIN: 15700; Para: 3; Accountabilities: Direct: Prem Bdr. Ghalley, AE, EID # 2012100120; M/s Dhenzang Hiring Unit, Monggar, Lic. No. 6008651; Supervisory: Lungten, Gup, CID # 10701000195.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 3 Aug. 2021 in DYT hall of Trashigang Dzongkhag where the Gewog Adm. reported that Dhenzang Hiring was notified to rectify the defective works and the same was acknowledged by him. Further, it was reported that administrative action was taken against the accountable person wherein one month's pay was deducted.*

*The RAA requested the Gewog Adm. to submit the record of administrative action taken and defective works rectified. The PAC directed the Gewog Adm. to submit all the requisite documents to RAA on or before 31 Aug. 2021 for review and appropriate decision.*

## II. CHAGSAKHAR

During the year, the RAA conducted one audit of the Gewog Administration, Chagsakhar under Monggar Dzongkhag. There were ten observations amounting to Nu.4.467 million of which two observations amounting to Nu.0.027 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.4.440 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.1.600 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.2.840 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and out of the total unsettled irregularities of Nu. 1.500 million reported to the Parliament in Sept. 2020 all the irregularities were settled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	1.500	1.500	-	100
	<b>Total</b>	<b>1.500</b>	<b>1.500</b>	<b>-</b>	<b>100</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which was settled as on 30 Sept. 2021 are as discussed below:

### 1. Fraud, Corruption and Embezzlement

The case with elements of fraud, corruption and embezzlement involving Nu.1.500 million is as indicated below:

#### 1.1. PAYMENT MADE FOR WORKS NOT EXECUTED - NU.1.500 MILLION

The Gewog Administration, Chagsakhar had made payment of Nu.1.500 million for works not executed in the renovation of Yakdue Lhaxhang. The contract for “Debri Painting” was awarded to Community Contractor at lump sum amount of Nu.1.500 million on 29 November 2016 and the work was taken over by the Gewog Administration on 22 May 2017 and payment disbursed on 23 May 2017. The debri painting works was found not executed at all during audit in April 2018. *AIN: 15701; Para: 4.3; Accountabilities: Direct: Karma Wangmo, AE, EID # 20120100117; Sonam Jamtsho, Community Contractor, CID #10703002720; Supervisory: Pema Dorji, Gup, CID # 10703001090.*

**Status:** *Observation settled based on the letter No.CG/Accts/Audit/2020/338 dated 19/10/2020 as the work was reported executed.*

## III. CHHALING

During the year, the RAA conducted one audit of the Gewog Administration, Chhaling under Monggar Dzongkhag. There were two observations amounting to Nu.0.190 million of which one observation amounting to Nu.0.026 million did not qualify for inclusion in the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.164 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.164 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and out of the total unsettled irregularity of Nu. 0.164 million reported to the Parliament in Sept. 2020 the same had been settled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.164	0.164	-	100
	<b>Total</b>	<b>0.164</b>	<b>0.164</b>	<b>-</b>	

The details of unsettled irregularity reported to the Parliament in Sept. 2020 which got resolved as on 30 Sept. 2021 is as discussed below:

### 1. Shortfalls, Lapses and Deficiencies

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

#### 1.1. CONSTRUCTION OF CHULIBI FARM ROAD AND UNDER PAYMENT - NU.0.164 MILLION

The Gewog Administration, Chhaling had made under payment of Nu.0.164 million to the contractor, M/s R.Z Construction, Thimphu for the construction of Chulibi farm road. *AIN: 15703; Para: 2; Accountabilities: Direct: Namgang Lhamo, JE, EID # 201101212; Supervisory: Tashi Dhendup, Gup, CID # 10702001856.*

**Status:** *Observation settled based on the completion report submitted to the RAA vide letter No.DES-26/2020/562 dated 09/09/2019 and as per the letter No.MD/DES-01/2020/186 dated 28/09/2020 which stated that the payment were made as per the works executed by the contractor.*

## IX. NARANG

During the year, the RAA conducted one audit of the Gewog Administration, Narang under Monggar Dzongkhag. There were three observations amounting to Nu.0.618 million of which one observation amounting to Nu.0.011 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.607 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.607 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog, however, the irregularity remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.117	-	0.117	-
	<b>Total</b>	<b>0.117</b>	<b>-</b>	<b>0.117</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament in Sept.2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 144 Non-compliance to Laws and Rules – Nu.0.117 million

The case of non-compliance to laws and rules amounted to Nu.0.117 million as indicated below:

##### 1.1. UNDUE DELAY IN TAKING OVER OF THE COMPLETED WORK AND NON-LEVY OF LIQUIDATED DAMAGES - NU.0.117 MILLION

The Gewog Administration, Narang had not levied liquidated damages amounting to Nu.0.117 million to M/s N. Yarphe Construction, Pemagatshel for undue delay in taking over of the completed work in the construction of Farm Road from Domshung to Pangkang. The contractor had submitted the completion report on 25 August 2017 against the completion due date of 27 August 2017, but the Dzongkhag Tender Committee had taken over the work only on 8 November 2017, after 75 days from the date of work completion report. The reason for delay in taking over of the completed work was not on record and was indicative that the contractor had submitted the work completion report without actual completion of the work at site to avoid the penalty for delay. *AIN: 15699; Para: 2.1; Accountabilities: Direct: Tshewang Rinzin, AE, EID # 9301052; Supervisory: Tandin Wangchuk, Gup, CID # 10705003815*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 3 Aug. 2021 in DYT hall of Trashigang Dzongkhag where the Gewog Adm. reported that the work was completed by the contractor on time. However, due to medical condition of contractor's sister-in-law, whereby he had to take her to hospital in Calcutta for cancer treatment; 75 days delay was caused to submit the work completion report.*

*The RAA stated that if all the statement made is justified based on the evidence this issue can be considered for settlement. The PAC directed the Gewog Adm. to submit proper report endorsed by DTC to RAA by 31 Aug. 2021 for review and appropriate decision.*

#### X. NGATSHANG

During the year, the RAA conducted one audit of the Gewog Administration, Ngatshang under Monggar Dzongkhag. There were two observations amounting to Nu.1.562 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.562 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.562 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog. However, the irregularity of Nu. 1.500 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	1.500	-	1.500	-
	<b>Total</b>	<b>1.500</b>	<b>-</b>	<b>1.500</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled one as on 30 Sept. 2021 is as discussed below:

### 1. Fraud, Corruption and Embezzlement - Nu.1.500 million

The case with elements of Fraud, corruption and embezzlement involving Nu.1.500 million is as indicated below:

#### 1.1. RELEASE OF 100% PAYMENT WITHOUT COMPLETING THE RENOVATION OF SANGACHOLING LHAKHANG – NU.1.500 MILLION

The Gewog Administration, Ngatshang had released full payment of Nu.1.500 million to the Community Contractor for major renovation of Sangacholing Lhakhang without having completed the renovation works. The construction work had just begun and was supposed to be completed by 9 March 2018 but full payment was found disbursed during the month of June 2017, ahead of the actual completion date. In addition, the Gewog had awarded the work to the community contractor without obtaining due approval for the renovation of the Lhakhang from the Department of Culture, MoHCA. The full payment was found made to avoid the fund from getting lapsed in defiance to the financial norms. The lapses had occurred apparently due to failure of the administration to abide by the FRR and improper planning of the renovation works by the Gewog Administration. *AIN: 15702; Para: 2; Accountabilities: Direct: Tenzin Tobgay, Dy. DE, EID # 9607022; Supervisory: Dorji Leki, Gup, CID # 10710001218.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 3 Aug. 2021 in DYT hall of Trashigang Dzongkhag where the Gewog Adm. reported that an expert carpenter was hired from Chaskhar to execute the work. Though the carpenter was expert in his field, he had no capital to execute the works assigned to him. So, an advance was paid to him. When RAA came for auditing the work was not completed. However, it has been completed now.*

*The RAA stated that releasing of 100% payment without completing work is a budgetary offence. However, if the work has been completed Gewog Adm. should submit the work completion report for review and appropriate decision. The PAC advised the Gewog Adm. to submit completion report to RAA by 31 Aug. 2021.*

### XVI. TSAMANG

During the year, the RAA conducted one audit of the Gewog Administration, Tsamang under Monggar Dzongkhag. There were two observations amounting to Nu.0.148 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.148 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.148 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and the irregularity amount of Nu. 0.054 million reported to the Parliament in Sept. 2020 was deposited. However, the observation remained unsettled as the

accumulated penalty was not deposited as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	0.054	0.054	-	-
	<b>Total</b>	<b>0.054</b>	<b>0.054</b>	<b>-</b>	

The details of unsettled irregularity reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

### 1. Fraud, Corruption and Embezzlement - Nu.0.054 million

The case with elements of fraud, corruption and embezzlement involving Nu.0.054 million is as indicated below:

#### 1.1. RELEASE OF PAYMENT MADE WITHOUT RECEIVING GOODS – NU.0.054 MILLION

The Gewog Administration, Tsamang had made payment of Nu.0.054 million to M/s Tashi Yangkhil Tshongkhag for the supply of furniture without actually receiving the goods. The lapses had occurred apparently due to failure on the part of the Administration to observe the financial and procurement norms. *AIN: 15704; Para: 2; Accountabilities: Direct: Sonam Dema, Accountant, EID # 201007184; Supervisory: Sonam Darjay, Gup, CID # 10715001963.*

**Status:** *Observation partially settled as a sum of Nu.0.054 million was deposited into ARA vide R/No.02025 dated 18/08/2021, however, the penalty amount of Nu.0.031 million remained unsettled August 2021.*

### 1.3.3.3 GEWOGS ADMINISTRATION UNDER PARO DZONGKHAG

#### I. LAMGONG

During the year, the RAA conducted one audit of the Gewog Administration, Lamgong under Paro Dzongkhag. There were three observations amounting to Nu.0.705 million of which two observations amounting to Nu.0.641 million was either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.064 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.064 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and the total unsettled irregularities of Nu. 0.064 million reported to the Parliament in Sept. 2020 was fully settled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.064	0.064	-	100
	<b>Total</b>	<b>0.064</b>	<b>0.064</b>	<b>-</b>	

The details of unsettled irregularity reported in Sept. 2020 which was settled as on 30 Sept. 2021 is as discussed below:

## 1. Non-compliance to Laws and Rules

The case of non-compliance to laws and rules amounted to Nu.0.064 million as indicated below:

### 1.1. NON-RECONCILIATION OF REFUNDABLE RELEASE VIS-A-VIS REFUND OF 10% SECURITY DEPOSIT (REFUNDABLE RELEASE) - NU.0.064 MILLION

The Gewog Administration, Lamgong had not reconciled Refundable Releases amounting to Nu.0.064 million received from the DPA during the financial year 2016-17. The Gewog Administration had obtained Nu.0.337 million from the DPA but had only refunded Nu.0.273 million to parties on account of refund of Security Deposit & Earnest Money Deposit. The lapses had occurred due to lack of periodic reconciliation and improper booking of payments/refunds in the system by the dealing official. *AIN: 15297; Para: 1; Accountabilities: Direct: Pema Deki, Accountant, EID # 200807269; Supervisory: Gem Tshering, Gup, CID # 10805001697.*

**Status:** Observation settled based on the review conducted by the audit team in the subsequent audit.

## II. LOONG-NYI

During the year, the RAA conducted one audit of the Gewog Administration, Loong-nyi under Paro Dzongkhag. There were seven observations amounting to Nu.1.059 million of which observations amounting to Nu.0.358 million was either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.701 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.701 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog, however, the total unsettled irregularities of Nu. 0.247 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
2	Shortfalls, Lapses and Deficiencies	0.247	-	0.247	-
	<b>Total</b>	<b>0.247</b>	<b>-</b>	<b>0.247</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

## 1. Shortfalls, Lapses and Deficiencies - Nu.0.247 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.247 million as summarised below:



Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Excess payment to contractor	0.110	-	0.110
2.2	Excess payment to contractor due to non-deduction of stretch of PCC road	0.074	-	0.074
2.3	Excess payment to contractor due to discrepancies in measurement of wall	0.063	-	0.063
	<b>Total</b>	<b>0.247</b>	<b>-</b>	<b>0.247</b>

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

#### 2.1. EXCESS PAYMENT TO CONTRACTOR - NU.0.110 MILLION

The Gewog Administration, Loong-nyi had made excess payment of Nu.0.110 million to M/s Tandin Dorji Construction in the maintenance work at Dzongdrakha. The contractor was paid for quantities in excess of actual quantities executed at site due to quantification of providing and laying hammer dressed dry stone soling work in 'square metres' instead of 'cubic metres' and acceptance of excess length against the actual length executed at site. In addition, excess length was found accepted in PCC works up-to plinth area. *AIN: 15302; Para: 3.1; Accountabilities: Direct: Pema Lhendup, Dy. Executive Engineer, EID # 9807053.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where the Site Engineer reported that as per the decision of the exit meeting the amount of Nu. 220,000/- was deposited into Audit Recover Account and has the receipt for the same.*

*However, as per the records of the RAA the initial amount against this observation was Nu.330, 400/- and after the deposit of Nu. 220,683/- vide Receipt No. 428201 dated 06/08/2018 the balance unsettled amount (330,400-220,683) was Nu. 109,717/- (rounded Nu.0.110 million) as reflected here which was remaining unrecovered as of 10 Sept. 2021.*

*It was decided that Gewog Administration should deposit the amount by 30 Sept. 2021 and resolve the issue accordingly.*

#### 2.2. EXCESS PAYMENT DUE TO NON-DEDUCTION OF STRETCH OF PCC ROAD - NU.0.074 MILLION

The Gewog Administration, Loong-nyi had made excess payment of Nu.0.074 million to M/s Tandin Dorji Construction due to non-deduction of portion of positioned PCC works along the stretch of the road in the maintenance work at Dzongdrakha. The site engineer had verified the final RA bill and made payments without deducting the stretch of PCC road. The bill payment was found based on the quantity provided in the BOQ and not on the actual quantity of work executed at site. The site engineer and the Handing/Taking Committee members had not exercised due diligence while verifying the final RA bill and taking over completed works from contractor. *AIN: 15302; Para: 4.2; Accountabilities: Direct: Pema Lhendup, Dy. Executive Engineer, EID # 9807053; Supervisory Accountability: Jamtsho, Gup, CID # 10806001674.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where the Site Engineer reported that as per the decision of the exit meeting the amount of Nu. 220,000/- was deposited into Audit Recover Account and has the receipt for the same.*

*However, as per the records of RAA the amount of Nu. 220,683/- deposited vide Receipt No. 428201 dated 06/08/2018 was for the observation 3.1 of AIN.15302 and not against this observation. Hence,*

*the amount of Nu.0.074 million reflected in this observation had remained unrecovered as of 10 Sept. 2021.*

*It was decided that Gewog Administration should deposit the amount by 30 Sept. 2021 and resolve the issue accordingly.*

### 2.3. EXCESS PAYMENT TO CONTRACTOR DUE TO DISCREPANCIES IN MEASUREMENT OF WALL - NU.0.063 MILLION

The Gewog Administration, Loong-nyi had made excess payment of Nu.0.063 million to M/s Tandin Dorji Construction due to discrepancies in measurement of RRM wall in the maintenance work at Dzongdrakha. The contractor was paid for quantities in excess of the actual quantities executed at site. The lapses had occurred due to acceptance of excess dimensions while quantifying item of work as against the actual dimensions executed at site by the site engineer while verifying the contractor's bills for payment. *AIN: 15302; Para: 4.3; Accountabilities: Direct: Pema Lhendup, Dy. Executive Ebgineer, EID # 9807053; Supervisory: Jamtsho, Gup, CID # 10806001674.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 10 Sept. 2021 in NA conference hall, Thimphu where the Site Engineer reported that as per the decision of the exit meeting the amount of Nu. 220,000/- was deposited into Audit Recover Account and has the receipt for the same.*

*However, as per the records of RAA the amount of Nu. 220,683/- deposited vide Receipt No. 428201 dated 06/08/2018 was for the observation 3.1 of AIN.15302 and not against this observation. Hence, the amount of Nu.0.063 million reflected in this observation had remained unrecovered as of 10 Sept. 2021.*

*It was decided that Gewog Administration should deposit the amount by 30 Sept. 2021 and resolve the issue accordingly.*

#### 1.3.3.5 GEWOGS ADMINISTRATION UNDER PUNAKHA DZONGKHAG

## II. CHHUBOOG

During the year, the RAA conducted one audit of the Gewog Administration, Chhuboog under Punakha Dzongkhag. There were two observations amounting to Nu.0.731 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.731 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.633 million were resolved. The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.098 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and the total unsettled irregularities of Nu. 0.098 million reported to the Parliament in Sept. 2020 was settled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliamentas on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.098	0.098	-	100
	<b>Total</b>	<b>0.098</b>	<b>0.098</b>	<b>-</b>	

The details of the irregularities reported to the Parliament in Sept. 2020 which which was settled as on 30 Sept. 2021 is as discussed below:

### 1. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies involving Nu.0.098 million is as indicated below:

#### 1.1. SHORT SUPPLY OF HUME PIPES IN CONSTRUCTION OF FARM ROAD AT YEBESA - NU.0.098 MILLION

The Gewog Administration, Chhuboog had purchased 35 numbers of RCC humepipes of varying sizes of which only 24 hume pipes were found at site. Further, 4 humepipes were found broken and the rest were piled up near the bridge and river at site. The missing hume pipes were worth Nu.0.098 million. *AIN: 15539; Para: 1; Accountabilities: Direct: Nedup Tshering, AE, EID # 200707080; Supervisory: Sonam Tobgay, Gup, CID # 11001001746.*

**Status:** *Observation settled vide letter No. OAAG(T)/FUS-03/2020-2021/0384 dated 22/12/2020 as verified during the subsequent audit.*

## IV. GOENSHARI

During the year, the RAA conducted one audit of the Gewog Administration, Goenshari under Punakha Dzongkhag. There were four observations amounting to Nu.0.376 million of which one observation amounting to Nu.0.003 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.373 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.373 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog, however, the total unsettled irregularities of Nu. 0.373 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Mismanagement	0.373	-	0.373	-
	<b>Total</b>	<b>0.373</b>	<b>-</b>	<b>0.373</b>	

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

### 1. Mismanagement - Nu.0.373 million

The cases of mismanagement involving Nu.0.373 million are as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Short collection of annual rent and improper maintenance of records	0.240	-	0.240
1.2	Non-accountal of collections and non-availability of cash	0.133	-	0.133
	<b>Total</b>	<b>0.373</b>	<b>-</b>	<b>0.373</b>

The cases of mismanagement are as indicated below:

**1.1. SHORT COLLECTION OF ANNUAL RENT AND IMPROPER MAINTENANCE OF RECORDS - NU.0.240 MILLION**

The Gewog Administration, Goenshari had short-collected Nu.0.240 million on account of annual rent of the Tsachu guest house for the last four years from 2014-2015 to 2017-2018. Against the total contract amount of Nu.0.382 million the Gewog Administration had collected only Nu.0.143 million. In addition, the Gewog Administration had also not maintained the Cash Book and Bank Account for the collection of rental charges and for expenditures incurred. Similar issue was raised during past audit as well, however no improvement was made. *AIN: 15545; Para: 1.1; Accountabilities: Direct: Yeshi Dorji, Gup, CID #110030001107; Supervisory: Yeshi Dorji, Gup, CID # 110030001107.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consulataive meeting held on 13 Aug. 2021 in the DYT hall of Punakha Dzong where the Gewog reported that the accounts have been reconciled and report submitted, however, the issue remained unsettled. It was decided that the Gewog should re-submit the reconciled report to RAA/OAAG Tsirang for review and appropriate action.*

**1.2. NON-ACCOUNTAL OF COLLECTIONS AND NON-AVAILABILITY OF CASH - NU.0.133 MILLION**

The Gewog Administration, Goenshari had not accounted Nu.0.133 million collected on account of rent for Koma Tshachu. Out of the total collection of Nu.0.143 million, the Gewog Administration had deposited Nu.0.010 million into the CD Account maintained for the Tshachu and balance of Nu.0.133 million was reportedly used for maintenance of Tshachu Guest House.

Ideally, the rental collections should be deposited into the RGR Account, as it is a form of revenue and should not be used for maintenance of guesthouse since the Gewog's LC Budget has separate provisions for maintenance works. However, if the rental collections from the guest house are being used for maintenance of guesthouse then the payments made from Gewog's LC Budget should be inadmissible. In addition, the Gewog Administration had not prepared vouchers while making payments to authenticate the genuineness of expenses incurred. The lapses had occurred due to non-maintenance of proper records and lack of financial discipline. *AIN: 15545; Para: 1.2; Accountabilities: Direct: Yeshi Dorji, Gup, CID # 110030001107; Supervisory: Yeshi Dorji, Gup, CID # 110030001107.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consulataive meeting held on 13 Aug. 2021 in the DYT hall of Punakha Dzong where the Gewog reported that the accounts have been reconciled and report submitted, however, the issue remained unsettled. It was decided that the Gewog should re-submit the reconciled report to RAA/OAAG Tsirang for review and appropriate action.*

**V. TALOG**

During the year, the RAA conducted one audit of the Gewog Administration, Talog under Punakha Dzongkhag. There were six observations amounting to Nu.1.419 million of which two observations amounting to Nu.0.025 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.394 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.1.124 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.270 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog, however, the total unsettled irregularities of Nu. 0.136 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Mismanagement	0.136	-	0.136	-
	<b>Total</b>	<b>0.136</b>	<b>-</b>	<b>0.136</b>	

The details of unsettled irregularities reported to the Parliament in Sept.2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

#### 1. Mismanagement - Nu.0.136 million

There were cases of mismanagement involving Nu.0.270 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Procurement not from authorized dealer	-	-	Unsettled
1.2	HDPE pipes lying idle for long period	0.136		0.136
	<b>Total</b>			

The cases of mismanagement are as indicated below:

##### 1.1. PROCUREMENT NOT FROM AUTHORIZED DEALER

The Gewog Administration, Talog had procured HDPE pipes worth Nu.0.550 million from M/s Muktsen Construction, Phuntsholing and not from the authorized dealers to take advantage of rebate offered by the manufacturers. As per the notifications of the MoF, all government agencies are supposed to procure the HDPE pipes and cement from Bhutanese manufacturers and authorized dealers. Non-adherence to the circulars had led to deprivation of benefit of rebate to the Government. *AIN: 15546; Para: 3.1; Accountabilities: Direct: Sonam Dorji, Site Engineer, EID # 200507214; Supervisory: Dorji Wangchuk, Gup, CID # 11008000399.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 13 Aug. 2021 in the DYT hall of Punakha Dzong, however, the issue remained unsettled as no proper records were maintained for justifying the lapse.*

## 1.2. HDPE PIPES LYING IDLE FOR LONG PERIOD - NU.0.136 MILLION

The Gewog Administration, Talog had procured 11,200 meters of HDPE pipes worth Nu.1.173 million for Lapsakha RWSS during FY 2011-2012 of which 1,300 meters (13 rolls) worth Nu.0.136 million were found un-utilized and lying idle even after five and a half years of its procurement at the time of audit in April 2017. *AIN: 15546; Para: 3.2; Accountabilities: Direct: Sonam Dorji, Site Engineer, EID # 200507214; Supervisory: Dorji Wangchuk, Gup, CID # 11008000399.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 13 Aug. 2021 in the DYT hall of Punakha Dzong where the Punakha Dzongkhag Finance Officer reported that case was forwarded to the Royal Court of Justice in 2019 and verdict was passed and the pipes have been utilized and the work also completed accordingly. The RAA insisted that the Dzongkhag should furnish the records for review and settlement of the observation.*

## VI. GUMA

During the year, the RAA conducted one audit of the Gewog Administration, Guma under Punakha Dzongkhag. There were four observations amounting to Nu.0.124 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.124 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.124 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and unsettled irregularities of Nu. 0.124 million reported to the Parliament in Sept. 2020 were settled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
2	Shortfalls, Lapses and Deficiencies	0.124	0.124	-	100
	<b>Total</b>	<b>0.124</b>	<b>0.124</b>	<b>-</b>	

The details of unsettled irregularities reported to the Parliament in Sept.2020 which were settled as on 30 Sept. 2021 are as discussed below:

### 1. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies involving Nu.0.124 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.1	Excess payment due to non-deduction of existing RRM work	0.077	0.077	-
2.2	Payments made for works not executed as per design	0.047	0.047	-

	<b>Total</b>	<b>0.124</b>	<b>0.124</b>	<b>-</b>
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The cases of shortfalls, lapses and deficiencies are as indicated below:

**1.1. EXCESS PAYMENT DUE TO NON-DEDUCTION OF EXISTING RRM WORK - NU.0.077 MILLION**

The Gewog Administration, Guma had made excess payment of Nu.0.077 million in the maintenance of Farm Road from Khuru to Gumakha under Guma Gewog due to non-deduction of existing/old RRM walls along the stretch of the road. M/s Yudul Construction, Punakha had executed only cement plastering works on the pre-existing walls and constructed some portions of the RRM walls but had claimed payments for the construction of the entire stretch of RRM walls along the road. In addition, the payments were found made as per measurements of the contractor with resultant excess payments. *AIN: 15547; Para: 1.2; Accountabilities: Direct: Dhendup Wangmo, Junior Engineer, EID # 200807183; Supervisory: Ugyen Khandu, Gup, CID # 11004001200.*

**Status:** *Observation settled based on the letter No. DAP/DE&HS/DES-19/2021-2022/852 dated 13/08/2021 and DAP/Finance/06/2021-2022/1007 dated 17/08/2021.*

**1.2. PAYMENTS MADE FOR WORKS NOT EXECUTED AS PER DESIGN - NU.0.047 MILLION**

The Gewog Administration, Guma had made payments of Nu.0.047 million for works not executed at site in the maintenance of Farm Road from Khuru to Gumakha under Guma Gewog. The construction of V-Shaped drainage and cement plastering works on the side of the RRM wall works were not executed as per design. *AIN: 15547; Para: 1.1; Accountabilities: Direct: Dhendup Wangmo, Junior Engineer, EID # 200807183; Supervisory: Ugyen Khandu, Gup, CID # 11004001200.*

**Status:** *Observation settled vide letter reference No. DAP/Finance/06/2021-2022/1007 dated 17/08/2021.*

**1.3.3.6 GEWOGS ADM. UNDER SAMDRUPJONGKHAR DZONGKHAG**

**III. LAURI**

During the year, the RAA conducted one audit of the Gewog Administration, Lauri under Samdrupjongkhar Dzongkhag. There were two observations of which one was resolved prior to the compilation of the draft AAR 2018. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and the unsettled irregularity reported to the Parliament in in Sept. 2020 was settled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
	<b>Total</b>	-	-	-	

The details of unsettled irregularity reported to the Parliament in Sept.2020 which got settled as on 30 Sept. 2021 is as discussed below:

## 1. Non-compliance to Laws and Rules

The case of non-compliance to laws and rules is as indicated below:

### 1.1. NON-RECTIFICATION OF DEFECTIVE WORKS

The Gewog Administration, Lauri had not rectified defective works noted in the Construction of Retaining Walls at Zangthi along the Dungmanma Farm Road constructed by M/s Seryee Tashi Phodrang Construction, Samdrup Jongkhar. The construction works were completed on 7 June 2017 at a total cost of Nu.0.320 million. However, retaining walls measuring 21 meters were found collapsed. Subsequently, the Gewog Administration had issued a letter to the contractor to rectify/reconstruct the collapsed wall on 23 June 2017, despite which the contractor had failed to execute the rectification works at the time of audit in December 2017. The retaining wall had collapsed due to poor quality of the work executed, aggravated by lack of timely supervision and monitoring of site by the site engineer. *AIN: 15125; Para: 1; Accountabilities: Direct: Tashi Phuntsho, AE, EID # 201101232; Supervisory: Tempa Gyeltshen, Gup, CID # 1110400057.*

**Status:** *Observation has been settled based on the letter No. LGA-27/2021-2022/337 dated 25/08/2021 as the work was reported completed with photographic evidences.*

### 1.3.3.7 GEWOGS ADMINISTRATION UNDER SAMTSE DZONGKHAG

#### II. DUENCHHUKHA

During the year, the RAA conducted one audit of the Gewog Administration, Duenchhukha under Samtse Dzongkhag. There were four observations amounting to Nu.0.394 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.394 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.104 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.290 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and all the unsettled irregularities reported in Sept. 2020 were settled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Mismanagement	-	-	-	100
	<b>Total</b>	-	-	-	

The details of unsettled irregularity reported to the Parliament in Sept. 2020 which got settled as on 30 Sept. 2021 is as discussed below:

#### 1. Mismanagement

#### 1.2. IRREGULARITIES IN THE CONSTRUCTION OF IRRIGATION CHANNEL AND PURCHASE OF HDPE PIPES



The Gewog Administration, Duenchhukha had deficiencies and discrepancies in the procurement of HDPE pipes for irrigation channel worth Nu.1.553 million as under:

- i. The fund for the purchase of HDPE pipes was obtained by re-appropriating the Gewog Development Grant (GDG) budget allocated for construction of farm road without consultation with gewog community;
- ii. There were no documents to validate that contractor had failed to execute work due to non-availability of required machineries despite issue of Work Order and repeated reminders;
- iii. There were no endorsement of the Gewog Tshogchung (GT) and/or consent of the DNB for creating new activity in the MYRB system and re-appropriation of the fund;
- iv. The requisite survey report and technical estimate prepared by the site engineer were not made available;
- v. There were differences in the delivery Challans dates and the acknowledgement receipts. Shetekha and Gawaling-Kharzing had declared/stated that the HDPE pipes were received on 10/05/2017, whereas the delivery Challans issued in support of the transportation claims made by the transporter showed that HDPE pipes were delivered on 05/06/2017, which was almost a month later; and
- vi. The quantity of HDPE pipes supplied were indicated in numbers on the Tshogpa's receipts, whereas the quantity as per supplier's Bills & Challans were in meters.

The lapses had occurred due to failure on part of the Gewog Administration to discharge responsibilities with due diligence and lacked transparency/accountability. *AIN: 15531; Para: 4; Accountabilities: Direct: Chandraman Bandari, Gup, CID # 11205000007; Supervisory: Chandraman Bandari, Gup, CID # 11205000007.*

**Status:** *Observation settled vide letter No. GAD/AUD-24/2019-2020/1781 dated 14/05/2020 and based on the verification carried out by the subsequent audit team.*

### III. NAMGAYCHHOELING

During the year, the RAA conducted one audit of the Gewog Administration, Namgaychhoeling under Samtse Dzongkhag. There were two observations amounting to Nu.0.045 million of which one observation amounting to Nu.0.004 million did not qualify for inclusion in the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.041 million.

The total unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.041 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and the unsettled irregularities of Nu. 0.041 million reported to the Parliament as in Sept. 2020 was settled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.041	0.041	-	100
	<b>Total</b>	<b>0.041</b>	<b>0.041</b>	<b>-</b>	

The details of unsettled irregularity reported to the Parliament in Sept.2020 which got settled as on 30 Sept. 2021 is as discussed below:

## 1. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies involving Nu.0.041 million is as indicated below:

### 1.1. OUTSTANDING ADVANCES - NU.0.041 MILLION

The Gewog Administration, Namgaychhoeling had overdue outstanding POL Advance amounting to Nu.0.041 million for financial year 2016-2017. The outstanding POL advance against BOD, Tashichholing, was found misappropriated by the deceased Accountant, late Ngawang Jamtsho. *AIN: 15532; Para: 1; Accountabilities: Direct: Ratna Bdr. Ghalley, Gup, CID # 11209001011; Supervisory: Ratna Bdr. Ghalley, Gup, CID # 11209001011.*

**Status:** Observation settled as the amount was deposited vide receipt No. 428907 dated 10/02/2021.

## IV. YOESOLTSE

During the year, the RAA conducted one audit of the Gewog Administration, Yoeseltse under Samtse Dzongkhag. There were three observations amounting to Nu.0.877 million which were not resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.877 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.845 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.032 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and the irregular amount of Nu. 0.032 million reported to the Parliament in Sept. 2020 was deposited. However, the observation remained unsettled as on 30 Sept. 2021 as the accumulated 24% p.a. penalty was not recovered.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.032	0.032	-	100
	<b>Total</b>	<b>0.032</b>	<b>0.032</b>	<b>-</b>	

The details of unsettled irregularity reported to the Parliament in Sept.2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

## 1. Shortfalls, Lapses and Deficiencies

### 1.1. INADMISSIBLE ADJUSTMENT OF ADVANCE - NU.0.032 MILLION

Out of the total PW advances of Nu.1.000 million adjusted by the Gewog Administration, Yoeseltse against transportation of bridge components and other overheads, Nu.0.032 million was found inadmissible due to deviation from the quoted rate in the construction of bridge at Kuchidiana and stood as recoverable. *AIN: 15567; Para: 1; Accountabilities: Direct: Rinchen Wangmo, Asst. Engineer, EID #: 200407020; Mamta Monggar, Jr. Engineer, EID # 20140103489; Supervisory: Kunzang Dorji, Distt. Engineer, EID # 9807036.*

**Status:** Observation partially settled. Amount of Nu. 32,000/- was deposited vide receipt No. 01592 dated 08/09/2021, however, 24% accumulated penalty of Nu.20, 427.54 remained unsettled.

## V. NORBOOGANG

During the year, the RAA conducted one audit of the Gewog Administration, Norboogang under Samtse Dzongkhag. There were four observations amounting to Nu.1.132 million of which two observations amounting to Nu.0.028 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.104 million. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.104 million as summarised below.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and the total unsettled irregularities of Nu. 1.104 million reported to the Parliament in Sept. 2020 were settled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	1.104	1.104	-	100
	<b>Total</b>	<b>1.104</b>	<b>1.104</b>	<b>-</b>	

The details of unsettled irregularities reported to the Parliament in Sept.2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

### 1. Shortfalls, Lapses and Deficiencies

The cases of shortfalls, lapses and deficiencies involving Nu.1.104 million are as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Excess payment due to acceptance of claims for engagement of machineries on hourly basis beyond the prescribed working hour standard	1.104	1.104	-
1.2	Claims entertained without preparing and maintaining PART III	-	-	Settled
	<b>Total</b>	<b>1.104</b>	<b>1.104</b>	<b>-</b>

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

#### 1.1. EXCESS PAYMENT DUE TO ACCEPTANCE OF CLAIMS FOR ENGAGEMENT OF MACHINERIES ON HOURLY BASIS BEYOND THE PRESCRIBED WORKING HOUR STANDARD - NU.1.104 MILLION

The Gewog Administration, Norboogang had made excess payment of Nu.1.104 million due to acceptance of claims for engagement of machineries on hourly basis beyond the prescribed working hours. In addition, the claims were not supported with adequate documentation such as Part-III, required to be maintained for all departmentally executed works, to determine the legality of hours claimed for engagement of the machineries through proper assessment of volume of work executed in an hour. Further, the site engineers had not validated the number of hours worked, other than the *Lajab* and the machine operator. *AIN: 15574; Para: 2; Accountabilities: Direct: Kinzang, Assistant Engineer, EID #200807187; Supervisory: Kinga Wangdi, Gup, CID # 11404000566.*

**Status:** Observation settled vide letter No.DA-3/ACCT-05/2019-2020/1126 dated.18/05/2020.

## 1.2. CLAIMS ENTERTAINED WITHOUT PREPARING AND MAINTAINING PART III

The Gewog Administration, Norboogang had entertained claims not supported by mandatory documents for the departmentally executed formation cutting works for farm roads. Although the provisions in the contract agreement specify payments for actual quantity of work done and measured at site, PART III were not found prepared and recorded in MB to determine actual volume/quantity of work done at site to form the basis of payments as required by the standing norms due to which the genuineness of the expenditure incurred for the works could not be ascertained. *AIN: 15574; Para: 4; Accountabilities: Direct: Kinley Dorji, GAO, EID #200705028; Supervisory: Kinga Wangdi, Gup. CID # 11404000566.*

**Status:** Observation settled vide letter No.RAA/OAAG-Pling/FUS/Nor-Geog-B4/2021/962 dated 10/09/2021.

## VI. NORGAYGANG

During the year, the RAA conducted one audit of the Gewog Administration, Norgaygang under Samtse Dzongkhag. There were five observations amounting to Nu.2.639 million of which two observations amounting to Nu.0.021 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.2.618 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.2.465 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.153 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog, however, the unsettled irregularities of Nu. 0.153 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.153	-	0.153	-
	<b>Total</b>	<b>0.153</b>	<b>-</b>	<b>0.153</b>	

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

### 1. Shortfalls, Lapses and Deficiencies – Nu.0.153 million

The case of shortfalls, lapses and deficiencies involving Nu.0.153 million is as indicated below:

#### 1.1. EXCESS PAYMENTS DUE TO DIFFERENCE IN THE QUANTITIES RECORDED IN MB AND ACTUAL QUANTITIES EXECUTED AT SITE - NU.0.153 MILLION

The Gewog Administration, Norgaygang had made excess payment of Nu.0.164 million during the

financial year 2016-2017 to the contractors for construction works under Norgaygang Gewog including:

- street lighting and site development;
- construction of barbed wire fencing and compound gate;
- construction of 2 Blocks of 2-Unit RNR Staff Quarter; and
- construction of 2 Blocks of 64-Bedded Hostel at Sherab Gatshel LSS.

The contractors were found paid for quantities in excess of quantities actually executed at site. The lapses had occurred apparently due to improper verification of actual work done at site by the site engineer and the Gewog Administration. As of 31 March 2019, recoveries of Nu.0.011 million was made leaving balance of Nu.0.153 million. *AIN: 15575; Para: 3; Accountabilities: Direct: Rinchen Dorji, Gup, CID # 11201001292; Supervisory: Rinchen Dorji, Gup, CID # 11201001292.*

**Status:** *Observation not settled as the amount remained unrecovered.*

## VII. PEMALING

During the year, the RAA conducted one audit of the Gewog Administration, Pemaling under Samtse Dzongkhag. There were five observations amounting to Nu.0.478 million of which one observation amounting to Nu.0.010 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.468 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Dzongkhag Administration, observations amounting to Nu.0.102 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.366 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog, however, the irregularity of Nu. 0.095 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
2	Shortfalls, Lapses and Deficiencies	0.095	-	0.095	-
	<b>Total</b>	<b>0.095</b>	<b>-</b>	<b>0.095</b>	<b>-</b>

The details of unsettled irregularity reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

### 1. Non-compliance to Laws and Rules

The case of non-compliance to laws and rules is as indicated below:

### 2. Shortfalls, Lapses and Deficiencies - Nu.0.095 million

The case of shortfalls, lapses and deficiencies involving Nu.0.095 million is as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
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2.3	Excess payment due to non-deduction of differential percentage on additional items executed	0.095	-	0.095
<b>Total</b>				

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

### 2.3. EXCESS PAYMENT DUE TO NON-DEDUCTION OF DIFFERENTIAL PERCENTAGE ON ADDITIONAL ITEMS EXECUTED - NU.0.095 MILLION

The Gewog Administration, Pemaling had made excess payment of Nu.0.095 million to contractor due to non-deduction of the differential percentage (%) on additional items executed in the constructions of 5.2 km Farm Road from Hatikhowa to Talley and 5 km Farm Road from Lamitar to Gondaytar. The lapses had occurred apparently due to non-application of standards/practices set by the Dzongkhag Administration uniformly. *AIN: 15576; Para: 3; Accountabilities: Direct: Khem Raj Ghalley, Gup; CID # 11202000751; Supervisory: Khem Raj Ghalley, Gup; CID # 11202000751.*

**Status:** *Observation not settled.*

## IX. SANGNGAGCHHOELING

During the year, the RAA conducted one audit of the Gewog Administration, Sangngagchhoeling under Samtse Dzongkhag. There were three observations amounting to Nu.0.134 million of which one observation amounting to Nu.0.004 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.130 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.130 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog, however, the irregularities of Nu. 0.085 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
2	Shortfalls, Lapses and Deficiencies	0.085	-	0.085	-
<b>Total</b>		<b>0.085</b>	<b>-</b>	<b>0.085</b>	<b>-</b>

The details of unsettled irregularity reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

### 1. Shortfalls, Lapses and Deficiencies - Nu.0.085 million

The case of shortfalls, lapses and deficiencies involving Nu.0.085 million is as indicated below:

#### 1.1. EXCESS PAYMENTS DUE TO DIFFERENCE IN THE QUANTITIES RECORDED IN MB AND ACTUAL QUANTITIES EXECUTED AT SITE - NU.0.085 MILLION

The Gewog Administration, Sangngagchhoeling had made excess payment of Nu.0.085 million during the financial year 2016-2017 to the contractors for construction works under the Gewog including:

- construction of permanent structure for Sangngagchhoeling to Nidupling farmroad;

- construction of permanent structure for Labarbot farmroad;
- construction of permanent structure for Karseling farmroad; and
- site development of RNR and Sangnagcholing Gewog office.

The contractors were found paid quantities in excess of quantities actually executed at site. The lapses had occurred apparently due to improper verification of actual work done at site by the site engineer and the Gewog Administration. *AIN: 15581; Para: 2; Accountabilities: Direct: Tshering Wangchuk, Asst. Engineer, EID #200407023; Supervisory: Kinzang Dorji, District Engineer, EID # 9807036.*

**Status:** *Observation not settled.*

## X. TADING

During the year, the RAA conducted one audit of the Gewog Administration, Tading under Samtse Dzongkhag. There were two observations amounting to Nu.0.038 million of which one observation amounting to Nu.0.003 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.035 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.035 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and the irregularity of Nu. 0.035 million reported to the Parliament in Sept. 2020 got resolved as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.035	0.035	-	100
	<b>Total</b>	<b>0.035</b>	<b>0.035</b>	<b>-</b>	

The details of unsettled irregularity reported to the Parliament as 30 Sept.2020 which was settled as on 30 Sept. 2021 is as discussed below:

### 1. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies involving Nu.0.035 million is as indicated below:

#### 1.1. EXCESS PAYMENTS DUE TO DIFFERENCE IN THE QUANTITIES RECORDED IN MB AND ACTUAL QUANTITIES EXECUTED AT SITE - NU.0.035 MILLION

The Gewog Administration, Tading had made excess payment of Nu.0.035 million during the financial year 2016-2017 to the contractors for construction works under the Gewog including:

- construction of farmroad from Suntaley to Deotay;
- construction of farmroad from Khempagoan to Damjagsa (Tunuwa);
- construction of farmroad from Laptchakha to Nidulakha;
- construction of farmroad from Darapani to Ramtay;
- construction of Community ECCD Centre at Khempagang; and
- Community Contract given to the Khempa-Panzhing Community.

The contractors were found paid in excess of quantities actually executed at site. The lapses had occurred apparently due to improper verification of actual work done at site by the site engineer and the Gewog Administration. *AIN: 15582; Para: 1; Accountabilities: Direct: Tika Ram Giri, Executive Engineer, EID # 8601098; Supervisory: Kinznag Dorji, District Engineer, EID # 9807036.*

**Status:** *Observation settled as an amount of Nu.29,611.82 was deposited vide receipt No. 456343 and the balance dropped being calculation error.*

## XI. TASHICHHOLING

During the year, the RAA conducted one audit of the Gewog Administration, Tashichholing under Samtse Dzongkhag. There were five observations amounting to Nu.0.362 million of which two observations amounting to Nu.0.019 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.343 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.343 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and out of the total unsettled irregularities of Nu. 0.317 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
2	Non-compliance to Laws and Rules	-	-	-	-
3	Shortfalls, Lapses and Deficiencies	0.317	0	0.317	-
	<b>Total</b>	<b>0.317</b>	<b>-</b>	<b>0.317</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

### 1. Non-compliance to Laws and Rules

The case of non-compliance to laws and rules is as indicated below:

#### 1.1. CONSTRUCTION OF PERMANENT STRUCTURE (ROAD FURNITURE) AT GOLADANGLING FARM ROAD WITHOUT PROPER CURING FOR CEMENT WORKS

The Gewog Administration, Tashichhoeling had accepted substandard quality and defective works in the construction of permanent structures at Gola - Dangling Farm Road executed by M/s K.P Construction. There were cracks on the structures indicating poor workmanship and inadequate curing of cement works. The lapses had occurred due to inadequate supervision and monitoring by the site and supervising engineers. *AIN: 15584; Para: 4; Accountabilities: Direct: Samir Giri, Gup, CID # 11202000900; Supervisory: Samir Giri, Gup, CID # 11202000900.*

**Status:** *Observation not settled. The Gewog Administration has not submitted rectification report to RAA for validation.*



## 2. Shortfalls, Lapses and Deficiencies - Nu.0.317 million

The case of shortfalls, lapses and deficiencies involving Nu.0.343 million is as indicated below:

### 2.1. EXCESS PAYMENTS DUE TO DIFFERENCE IN THE QUANTITIES RECORDED IN MB AND ACTUAL QUANTITIES EXECUTED AT SITE - NU.0.343 MILLION

The Gewog Administration, Tashichhoeling had made excess payment of Nu.0.343 million during the financial year 2016-2017 to the contractors for construction works under the Gewog including:

- permanent works at Dangling to Tashichoeling PS farm road;
- permanent structures at Gola - Dangling farm road;
- RCC bridge over Sipsu River at Gola - Chebju farmroad; and
- maintenance of Singyegang farm road.

The contractors were found paid for quantities in excess of quantities actually executed at site. The lapses had occurred due to inadequate supervision and monitoring, and improper verification of the bills with respect to the actual quantity of works executed at site. *AIN: 15584; Para: 3; Accountabilities: Direct: Samir Giri, Gup, CID # 11202000900; Supervisory: Samir Giri, Gup, CID # 11202000900.*

**Status:** *Observation not settled. Out of the total amount of Nu.0.343 million; Nu.0.026 million has been deposited vide No.456673 dated.03/09/2019 leaving a balance of Nu.0.317 million.*

## XII. TENDRUK

During the year, the RAA conducted one audit of the Gewog Administration, Tendruk under Samtse Dzongkhag. There were eight observations amounting to Nu.0.980 million of which two observations amounting to Nu.0.029 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.951 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.951 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog, however, the unsettled irregularities of Nu. 0.951 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	0.393	-	0.393	-
2	Mismanagement	-	-	-	-
3	Non-compliance to Laws and Rules	0.036	-	0.036	-
4	Shortfalls, Lapses and Deficiencies	0.522	-	0.522	-
	<b>Total</b>	<b>0.951</b>	<b>-</b>	<b>0.951</b>	

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

## 1. Fraud, Corruption and Embezzlement - Nu.0.393 million

The case with elements of fraud, corruption and embezzlement involving Nu.0.393 million is as indicated below:

### 1.1. NON-ACCOUNTAL OF SEED FUND OF NU.0.100 MILLION GRANTED BY HH KYABJE JE KHENPO RINPOCHE - NU.0.393 MILLION

The Gewog Administration, Tendruk had not accounted for Nu.0.100 million granted as seed fund by HH the Je Khenpo Rinpoche to the Gewog Tshogchung which comprised of the Commandant, RBA, Tendru, the Sipsu Drungpa, Principal of Tendru Central School, Lam Neten of Tendru Dratshang. The Tshogchung had failed to recover Nu.0.100 million loaned to former Gup, Pema Wangchuk for a period of one year at an interest rate of 3% per month on 22 October 2013. The principal sum was expected to accrue an interest of Nu.0.036 million and the total refundable sum of Nu.0.136 million was due for repayment on 1 November 2014.

However, the former Gup had neither refunded the amount, nor had the Tshogchug Committee pursued the issue legally through the court of law as per the agreement. Further, the principal sum with interest over the years had remained outstanding and the dues amounted to Nu.0.393 million at the time of audit in March 2018. The default in payment had occurred primarily due to non-follow up of the repayment by the concerned Tshogchug Committee and non-enforcement of provisions of the agreement. *AIN: 15585; Para: 8; Accountabilities: Direct: Nima Dukpa, Gup, CID # 11216000379; Supervisory: Nima Dukpa, Gup, CID # 11216000379.*

**Status:** *Observation not settled.*

## 2. Mismanagement

The case of mismanagement is as indicated below:

### 2.1. CLAIMS ENTERTAINED WITHOUT PREPARING AND MAINTAINING PART III AND IRREGULARITIES THEREOF

The Gewog Administration, Tendruk had entertained claims not supported by mandatory documents for the departmentally executed formation cutting works for farm roads. Although the provisions in the contract agreement specify payments for actual quantity of work done and measured at site, PART III were not found prepared and recorded in MB to determine actual volume/quantity of work done at site.

In absence of PART III, the basis of payments as required and genuineness of the expenditure incurred for the works could not be ascertained. *AIN: 15585; Para: 6; Accountabilities: Direct: Nima Dukpa, Gup, CID # 11216000379; Supervisory: Nima Dukpa, Gup, CID # 11216000379.*

**Status:** *Observation not settled.*

## 3. Non-compliance to Laws and Rules - Nu.0.036 million

There were cases of non-compliance to laws and rules involving Nu.0.036 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
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3.1	Irregularities in tendering of the tenduthang RWSS rehabilitation works	-	-	Unsettled
3.2	Inadmissible payment due to execution of substandard work	0.036	-	0.036
<b>Total</b>		<b>0.036</b>	<b>-</b>	<b>0.036</b>

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

### 3.1. IRREGULARITIES IN TENDERING OF THE TENDUTHAN RWSS REHABILITATION WORKS

The Gewog Administration, Tendruk had not adopted tendering procedures as per the provisions of PRR 2009 for the 'Rehabilitation works of Tenduthrang RWSS' awarded to Mr. Samdrup, Community Contractor at a total bid value of Nu.0.950 million, for three months commencing from 9 February 2017 and scheduled to complete on 9 May 2017. The total cost of the contract work amounted to Nu.0.955 million and included excavation in trenches for laying of pipelines and refilling of pipeline, FCR Tank and intake tank at source as per the RWSS designs.

There was no transparency in dissemination of Notice Inviting Tender (NIT) and no other records or documentary evidences were found to authenticate that due diligence was exercised to obtain bids from other prospective community contractors. Further, the Gup who chaired the committee and awarded the work was found to be a relative of the sole bidder and no conflict of interest was found declared while constituting the Tender Committee due to which the prevalence of conflict of interest in the award of the community contract tender could not be ruled out. *AIN: 15585; Para: 3; Accountabilities: Direct: Nima Dukpa, Gup, CID # 11216000379; Supervisory: Nima Dukpa, Gup, CID # 11216000379.*

**Status: Observation not settled.**

### 3.2. INADMISSIBLE PAYMENT DUE TO EXECUTION OF SUBSTANDARD WORK - NU.0.036 MILLION

The Gewog Administration, Tendruk had made inadmissible payment of Nu.0.036 million in the Tenduthrang RWSS for execution of substandard works while laying of pipes, with about 600 meters of pipes found exposed due to trenches not meeting the required depth of one feet excavation. The execution of substandard works are indicative of lack of supervision and monitoring of the work at site by the site engineer and the Gewog Administration. *AIN: 15585; Para: 4; Accountabilities: Direct: Nima Dukpa, Gup, CID # 11216000379; Supervisory: Nima Dukpa, Gup, CID # 11216000379.*

**Status: Observation not settled.**

## 4. Shortfalls, Lapses and Deficiencies – Nu.0.522 million

There were case of shortfalls, lapses and deficiencies involving Nu.0.522 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
4.1	Excess payment due to acceptance of claims for engagement of machineries on hourly basis beyond the prescribed working hours	0.105	-	0.105
4.2	Excess payments due to difference in the quantities recorded in MmB and actual quantities executed at site	0.417	-	0.417

	<b>Total</b>	<b>0.522</b>	<b>-</b>	<b>0.522</b>
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The cases of shortfalls, lapses and deficiencies are as indicated below:

**4.1. EXCESS PAYMENT DUE TO ACCEPTANCE OF CLAIMS FOR ENGAGEMENT OF MACHINERIES ON HOURLY BASIS BEYOND THE PRESCRIBED WORKING HOURS - NU.0.105 MILLION**

The Gewog Administration, Tendruk had made excess payment of Nu.0.105 million due to acceptance of claims for engagement of machineries on hourly basis beyond the prescribed working hours. In addition, the claims were not supported with adequate documentation such as PART-III, required to be maintained for all departmentally executed works, to determine the number of hours of machineries engaged and volume of work executed. Further, the site engineers had not validated the number of hours worked, other than the *Lajab* and the machine operator. *AIN: 15585; Para: 1; Accountabilities: Direct: Nima Dukpa, Gup, CID # 11216000379; Supervisory: Nima Dukpa, Gup, CID # 11216000379.*

**Status: Observation not settled.**

**4.2. EXCESS PAYMENTS DUE TO DIFFERENCE IN THE QUANTITIES RECORDED IN MB AND ACTUAL QUANTITIES EXECUTED AT SITE - NU.0.417 MILLION**

The Gewog Administration, Tendruk had made excess payment of Nu.0.417 million during the financial year 2016-2017 to the contractors for construction works under the Gewog including:

- construction of farmroad from Kuchin to Jumseling; and
- construction of pipe line for irrigation channel at Kachin.

The contractors were found paid in excess of quantities actually executed at site. The lapses had occurred due to inadequate supervision and monitoring, and improper verification of the bills with respect to the actual quantity of works executed at site. *AIN: 15585; Para: 2; Accountabilities: Direct: Nima Dukpa, Gup, CID # 11216000379; Supervisory: Nima Dukpa, Gup, CID # 11216000379.*

**Status: Observation not settled.**

### **1.3.3.8 GEWOGS ADMINISTRATION UNDER SARPANG DZONGKHAG**

#### **I. GELEGPU**

During the year, the RAA conducted one audit of the Gewog Administration, Gelegphu under Sarpang Dzongkhag. There was one observation which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity was reported in the draft AAR 2018.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog, however, the unsettled irregularity reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	-
	<b>Total</b>	-	-	-	

The details of unsettled irregularities reported to the Parliament as 30 Sept.2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

## 1. Non-compliance to Laws and Rules

The case of non-compliance to laws and rules is as indicated below:

### 1.1 DELAY IN EXECUTION OF RWSS AND LIABLE LIQUIDATED DAMAGES

The Gewog Administration, Gelegphu had significant delays in the construction of RWSS under the Gewog. The contract was awarded to M/s P.T. Construction on 23 June 2016 and was scheduled to be completed on 23 June 2017. However, the actual progress of work at site was found delayed by more than eight months at the time of audit in February 2018. The delay had even crossed the maximum Liquidated Damages (LD) period and the contractor was liable for LD of 10% on the final contract price. In addition, the contract had not been terminated for breach of contract caused by the delay. Further, the project also had improper feasibility study, flaw in design and wrong alignment of pipeline. *AIN: 15389; Para: 1; Accountabilities: Direct: Ugyen Wangchuk, Gup, CID # 11306002353; Supervisory: Ugyen Phuntsho, Gewog Engineer, EID # 20140103485.*

**Status:** *Observation not settled. ATR reminder send on 7/9/2020.*

### 1.3.3.9 GEWOGS ADMINISTRATION UNDER THIMPHU DZONGKHAG

## II. MAEDWONG

During the year, the RAA conducted one audit of the Gewog Administration, Maedwong under Thimphu Dzongkhag. There were seven observations amounting to Nu.1.496 million of which none were resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.496 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Gewog Administration, observations amounting to Nu.1.224 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.272 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog, however, the unsettled irregularity of Nu. 0.045 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.045	-	0.045	-
	<b>Total</b>	<b>0.045</b>	<b>-</b>	<b>0.045</b>	

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

## 1. Shortfalls, Lapses and Deficiencies - Nu.0.045 million

### 1.1 EXCESS PAYMENT MADE TO CONTRACTOR - NU.0.045 MILLION

The Gewog Administration, Maedwong had made excess payment of Nu.0.045 million to the contractor due to acceptance of quantity in excess of the quantity actually executed at site in the construction of Bjemina to Lingzhiphakha Farm Road. The lapses indicated control weakness. *AIN: 15414; Para: 2.1; Accountabilities: Direct: Tshewang Samdrup, Assistant Engineer, EID # 200311004; Phurba Sherpa, Community Contractor, CID #11407001893; Supervisory: Chhabi Lal Das, Dzongkhag Engineer, EID # 8808036.*

*Status: Observation not settled.*

### 1.3.3.10 GEWOGS ADM. UNDER TRASHIGANG DZONGKHAG

#### I. PHONGMEY

During the year, the RAA conducted one audit of the Gewog Administration, Phongmey under Trashigang Dzongkhag. There was one observation which was not resolved prior to the compilation of the draft AAR 2018. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog, however the unsettled irregularity reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	-	-	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	

The details of unsettled irregularity reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

## 1. Shortfalls, Lapses and Deficiencies

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

### 1.1. NON EXECUTION OF RENOVATION WORK OF BUMPA LHAKHANG

The Gewog Administration, Phongmey had not executed the renovation works of Bumpa Lhakhang even after two financial years. The renovation of Bumpa Lhakhang was awarded as a Community Contract on 10 January 2016 and scheduled to be completed on 10 January 2018. However, the contractor has only mobilized the construction materials at site and had not commenced works even at the time of audit in February 2018. The lapses had apparently occurred due to failure on the part of Gewog Administration to obtain the approval from relevant authorities. *AIN: 15322; Para: 1; Accountabilities: Direct: Pelden Dorji, Gup, CID # 11509000811; Supervisory: Kinley Penjor, GAO, EID # 200803059.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug.2021 in the DYT hall of Trashigang Dzongkhag and the Gup reported that the construction was completed as of now and the report was ready to be submitted to RAA. It was decided that, Dzongkhag Administration (Cultural Department) should verify the report and submit it to RAA by 31 Aug. 2021 for review and appropriate decision.*

## II. KANGLUNG

During the year, the RAA conducted one audit of the Gewog Administration, Kanglung under Trashigang Dzongkhag. There were three observations amounting to Nu.0.210 million of which one observation amounting to Nu.0.018 million was resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.192 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.192 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog, however the unsettled irregularities of Nu. 0.192 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Mismanagement	0.192	-	0.192	-
2	Non-compliance to Laws and Rules	-	-	-	-
	<b>Total</b>	<b>0.192</b>		<b>0.192</b>	

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

### 1. Mismanagement – Nu.0.192 million

The case of mismanagement amounting to Nu.0.192 million is as indicated below:

#### 1.1. NON-DEPOSIT OF RENT COLLECTION IN THE RGR ACCOUNT - NU.0.192 MILLION

The Gewog Administration, Kanglung had not deposited Nu.0.192 million collected as rent into the RGR Account during the financial year 2016-2017. The collections from rental of old Gewog office, old collection shed and RNR quarter were found deposited into the Gewog CD account in contravention

to the Revenue Accounting Manual 2004. The collections were found retained for meeting contingency expenses by the Gewog. *AIN: 15327; Para: 3; Accountabilities: Direct: Kinzang Dorji, Gup, CID # 11503004683; Supervisory: Kinzang Dorji, Gup, CID # 11503004683.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in DYT hall of Trashigang Dzongkhag where the Gup reported that Nu. 50/- each were collected from each household to purchase land and to construct an office for Gup. The office was then constructed from the amount collected and volunteered laborer. Further, the Gewog Administration received a letter from Ministry of Finance authorizing them to lease the office, collect rent from it and deposit the amount in Gewog's CD A/c. It was informed that this information was communicated to regional office of RAA S/jongkhar also.*

*The RAA expressed that, it is important to understand in whose name the land is registered. If the land and the structure is owned by a private individual then why is the rental income deposited in the Gewog's CD Account and if it belongs to the Government then why is it not deposited into Govt. Revenue Account (as the Tharm is registered with Gewog Administration, it implies that it is owned by the Government).*

*It was decided that, the Gewog Administration should deposit the rental income collected into RGR A/c until such time the Government authorizes it to be deposited in Gewog Administration's CD account*

## 2. Non-compliance to Laws and Rules

The case of non-compliance to laws and rules is as indicated below:

### 2.1. ACQUISITION OF LAND AND BUILDING AT YONGPHU LHAKHANG WITHOUT APPROVAL

The Gewog Administration, Kanglung had acquired 0.229 acres of private land with a one-storied building and 1.909 acres of land for Yonphu Lhakhag at the total lump sum cost of Nu.3.000 million during the financial year 2015-2016 without prior approval from competent authority. Nu.2.000 million was met from the GDG in contravention to the GDG Guidelines 2014 and Nu.0.067 million was met from Gewog CD Account in the financial year 2016-2017. The lapses had apparently occurred due to failure on the part of Gewog Administration to follow due processes while acquiring the private property as required by the Land Act 2007 of Bhutan and failure to adhere to GDG Guidelines 2014. The Gewog Administration has also failed to seek necessary guidance from the Dzongkhag Authorities while acquiring the property. *AIN: 15327; Para: 2; Accountabilities: Direct: Kinzang Dorji, Gup, CID # 11503004683; Supervisory: Kinzang Dorji, Gup, CID # 11503004683.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 2 Aug. 2021 in DYT hall of Trashigang Dzongkhag where the Gup reported that this issue remained unresolved because the transfer of ownership (Tharm) was still under process. However, the Gewog Administration has appealed to the Gelpoi Zimpon and the Tharm is soon going to be issued.*

*The RAA stated that sufficient documents are required to prove the legitimacy of the ownership of the land. Further, the Gewog Administration is requested to update RAA after the Tharm is being received.*

### 1.3.3.11 GEWOGSADM. UNDER TRASHIYANGTSE DZONGKHAG

#### I. BOOMDELING

During the year, the RAA conducted one audit of the Gewog Administration, Boomdeling under Trashiyangtse Dzongkhag. There was one observation which was not resolved prior to the compilation



of the draft AAR 2018. The significant irregularity was reported in the draft AAR 2018. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog, however, the unsettled irregularity reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	-
	<b>Total</b>	-	-	-	

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

## 1. Non-compliance to Laws and Rules

The cases of non-compliance to laws and rules are as indicated below:

### 1.1. DELAY IN COMPLETION OF BRIDGE CONSTRUCTION AND LIABLE LIQUIDATED DAMAGES

The Gewog Administration, Boomdeling had substantial delays in the completion of construction of 125 meter Suspended Bridge at Tobrang for which M/s Banga Construction, Trashiyangtse was liable for liquidated damages. The construction work which started on 11 March 2016 and scheduled for completion on 11 December 2016 was delayed and found incomplete even at the time of audit in January 2018. In addition, Nu.5.698 million representing 92% of the total contract value of Nu.6.193 million was paid to contractor leaving a balance of Nu.0.495 million. The lapses had occurred mainly because of the failure to supervise and monitor the work progress on time. *AIN: 15105; Para: 1; Accountabilities: Direct: Nima Wangdi, AE, EID # 20150105088; Supervisory: Mani Wangdi, Gup, CID # 11601001060.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 3 Aug. 2021 in DYT hall of Trashigang Dzongkhag where the Gup reported that the work was completed and all the documents were ready for submission. However, due to their failure to report the same to RAA, this issue had remained unsettled.*

*The PAC directed that Gewog Administration to submit work completion report to RAA by 31 Aug. 2021 for review and appropriate decision.*

### 1.3.3.12 GEWOGS ADMINISTRATION UNDER TRONGSA DZONGKHAG

#### I. Langthel

During the year, the RAA conducted one audit of the Gewog Administration, Dragteng under Trongsa Dzongkhag. There were six observations amounting to Nu.0.876 million of which two observations amounting to Nu.0.450 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.426 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.426 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and out of the total unsettled irregularities of Nu. 0.369 million reported to the Parliament in Sept. 2020, Nu. 0.111 million were settled leaving a balance of Nu. 0.258 million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.369	0.111	0.258	30.08
	<b>Total</b>	<b>0.369</b>	<b>0.111</b>	<b>0.258</b>	

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

### 1. Shortfalls, Lapses and Deficiencies - Nu.0.2.58 million

There were cases of shortfalls, lapses and deficiencies involving Nu.0.369 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Outstanding advances	0.050	0.050	-
1.2	Excess payment in the renovation of Toedchu Irrigation Channel	0.061	0.061	Unsettled
1.3	Payment for non/partial receipt of goods	0.258	-	0.258
	<b>Total</b>	<b>0.369</b>	<b>0.111</b>	<b>0.258</b>

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

#### 1.1. OUTSTANDING ADVANCES - NU.0.050 MILLION

The Gewog Administration, Langthel had overdue advances amounting to Nu.0.050 million against M/s Yangka Hiring Agency as on 30 June 2018. The lapses had occurred apparently due to lack of timely follow-up against recovery of outstanding advance. *AIN: 15500; Para: 1; Accountabilities: Direct: Lham Dorji, Ex-Gup, CID # 11703000465; Supervisory: Lham Dorji, Ex-Gup, CID # 11703000465.*

**Status:** *Observation settled. This observation was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT hall of Trongsa Dzongkhag where it was noted that the same issue was reported under AAR-2015 (AIN.12795-Langthel Gewog). Therefore, it was decided to drop this issue from this AAR-2018 to be pursued from the AAR-2015 where it still remained unresolved.*

#### 1.2. EXCESS PAYMENT IN THE RENOVATION OF TOEDCHU IRRIGATION CHANNEL - NU.0.061 MILLION

The Gewog Administration, Langthel had made excess payment of Nu.0.061 million to M/s Yundro construction, Trongsa for the Renovation of Toedchu Irrigation channel. The contractor was found

paid for excess height of RRM wall than actually provided at site. The lapses are indicative of inadequate monitoring and supervision of the site during the execution as well as failure to exercise due diligence in certifying the claims of the contractor. *AIN: 15500; Para: 2; Accountabilities: Direct: Sonam Tshering, JE, EID # 20140103506; M/s Yundro construction, Trongsa, CBD # 7799; Supervisory: Sonam Dendup, Gup, CID # 11703000276.*

**Status:** *Observation partially settled as the principal amount was deposited into ARA vide R/No.02071 dated 31/08/2021 leaving the penalty portion of Nu.0.029 million unsettled as on 31/08/21.*

### 1.3. PAYMENT FOR NON/PARTIAL RECEIPT OF GOODS - NU.0.258 MILLION

The Gewog Administration, Langthel had released full payment of Nu.0.400 million without receiving the materials valuing Nu.0.258 million for the construction of Lhakhang in Pangzur. During the physical verification at site, roofing materials worth Nu.0.258 million was not available, although the payment was made. The lapses had occurred apparently due to lack of proper monitoring and supervision, and inadequate verification of invoice quantity and material received at site by the responsible officials. *AIN: 15500; Para: 3; Accountabilities: Direct: Namgyel, Tshogpa, CID # 11703000602; Supervisory: Tashi Dorji, GAO, EID # 200803039.*

**Status:** *Observation not settled. This observation was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT hall of Trongsa Dzongkhag where the Gewog Adm. reported that all goods were received and utilized. Further, the Gewog stated that the same was reported to RAA but the issue remained resolved.*

*The PAC directed the Gewog to submit a copy of a letter or documents submitted earlier to RAA for updating the issue by 31 Aug. 2021.*

## II. NUBI

During the year, the RAA conducted one audit of the Gewog Administration, Nubi under Trongsa Dzongkhag. There were five observations amounting to Nu.3.034 million of which none were resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.3.034 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.3.034 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog, however, the unsettled irregularities of Nu. 3.034 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	3.034	-	3.034	-
	<b>Total</b>	<b>3.034</b>	<b>-</b>	<b>3.034</b>	

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

## 1. Shortfalls, Lapses and Deficiencies – Nu.3.034 million

There were cases of shortfalls, lapses and deficiencies involving Nu.3.034 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Outstanding advances	2.010	-	2.010
1.2	Payment of final bills without completion of work	-	-	-
1.3	Payment made for works not/less executed	1.024	-	1.024
	<b>Total</b>	<b>3.034</b>	<b>-</b>	<b>3.034</b>

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

### 1.1. OUTSTANDING ADVANCES - NU.2.010 MILLION

The Gewog Administration, Nubi had overdue PW Advances amounting to Nu.2.010 million during the year 2016-2017. Nu.0.310 million pertained to M/s P. Norbu Construction, Nu.0.167 million pertained to M/s Jordan Construction and Nu.1.533 million was lying unadjusted against the Dzongda, Dzongkhag Administration, Trongsa. The non-liquidation of advances even after completion of works was in deviation to the provisions of the FRR. *AIN: 15512; Para: 1; Accountabilities: Direct: Phuntsho Galley, JE, EID # 20140103513; M/s P Norbu Construction, Contractor, CDB # 5333; Supervisory: Rinzin Dorji, Planning Officer, CID # 11410000678; Ugyen Tenzin, Gup, CID # 11704000066.*

**Status:** *Observation not settled. This observation was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT hall of Trongsa Dzongkhag where the Gewog Adm. reported that the contract work was awarded to three contractors. In case of first contractor, material advance was paid to the contractor (P. Norbu Construction) but the contractor didn't do the work. The work was then completed by community people. The gewog administration followed up with the contractor but there was no positive response from him. Therefore, legal recourse was sought against the contractor for the recovery of Nu. 310,000/- In case of contractor No. 2, a sum of Nu. 167,000/- is recoverable from him but he is in prison at present. The work of Nu. 1,533,000/- million has been completed by contractor No. 3 and the documents are yet to be submitted to RAA.*

*The RAA expressed that it has been almost four years since this issue is pending and a legal measure seems to be the only possible solution to resolve this issue. The PAC directed the Gewog Administration to submit the documents of the works completed and take legal action against the two defaulting contractors by 31 Aug. 2021 and report to RAA.*

### 1.2. PAYMENT OF FINAL BILLS WITHOUT COMPLETION OF WORK

The Gewog Administration, Nubi had released full payment of final RA bills to the contractors without having completed the construction of farm roads. M/s Trophel Construction was paid Nu.1.197 million for the improvement of Chunipang to Karshong farm road and M/s Norwang Construction was paid Nu.1.204 million for the improvement of Chunipang to Drenzhi farm road on 23 June 2017. The release of full payment without completing the works was irregular and in violation of the FRR. *AIN: 15512; Para: 2; Accountabilities: Direct: Phuntsho Galley, JE, EID # 20140103513; Supervisory: Ugyen Tenzin, Gup, CID # 11704000066.*

**Status:** *Observation not settled. This observation was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in the DYT hall of Trongsa Dzongkhag where the Gewog Adm. reported that M/s Trophel Construction had completed the work and the report was submitted to RAA.*

*With regard to M/s Noryang Construction, the work was reported still pending and the contractor*

*missing. It was stated that the contractor did not renew his contract license with CDB but is believed to be working in the name of another person. However, the Gewog Adm. gave assurance to contact the contractor and resolve the issue; if not will take legal recourse.*

*It was decided that, Gewog Administration should submit documents related to the works completed by M/s Trophel Construction & take legal recourse against M/s Noryang Construction and intimate RAA by 31 Aug. 2021.*

### 1.3. EXCESS PAYMENT FOR WORKS NOT/LESS EXECUTED - NU.1.024 MILLION

a) The Gewog Administration, Nubi had made excess payment of Nu.0.551 million to M/s Norwang Construction, Trongsa for items of works not/short executed in the improvement of Chunipang to Drenzhi farm road. The excess payment had occurred due to release of payments to the contractor without actual completion of the work in all respects to avoid lapse of fund. *AIN: 15512; Para: 3; Accountabilities: Direct: Phuntsho Galley, JE, EID # 20140103513; M/s Norwang Construction, Contractor, CDB # 7609; Supervisory: Tashi Penden, Ex-Gup, 11704001027.*

**Status:** *Observation not settled. The issue was deliberated in the PAC consultative meeting held on 5 Aug.2021 in the DYT hall of Trongsa Dzongkhag where the Gewog Adm. reported that the excess payment of Nu. 0.551 m made to Noryang Construction had not been recovered and the Gewog assured that they will pursue the case of Noryang Construction and update RAA accordingly. The PAC advised the Gewog Adm. to recover the amount from the contractor if not take legal recourse by 31 Aug. 2021 and report to RAA.*

b) Similarly, excess payment of Nu.0.389 million was made to M/s Trophel Construction, Trongsa for items of works not/short executed in the item of work 'Lined V-shaped drain' in the improvement of Chunipang to Karshong farm road. The excess payment had occurred due to release of payments to the contractor without actual completion of the work in all respects to avoid lapse of fund. *AIN: 15512; Para: 4; Accountabilities: Direct: Phuntsho Galley, JE, EID # 20140103513; M/s Trophel Construction, Contractor, CDB # 3988; Supervisory: Tashi Penden, Ex-Gup, 11704001027.*

**Status:** *Observation not settled. The issue was deliberated in the PAC consultative meeting held on 5 Aug.2021 in the DYT hall of Trongsa Dzongkhag where the Gewog Adm. reported that the excess payments made to Trophel Construction should have been adjusted during the settlement of the final bill. The PAC advised the Gewog Adm. to submit the details of settlement of the amount to RAA by 31 Aug. 2021 for review and appropriate decision.*

c) The Gewog Administration had made excess payment of Nu.0.084 million to M/s Jongthang Medey Khabab, Trongsa in the improvement of Jongthangto Karshong farm road. The contractor was found paid for RRM box drain instead of RRM L-shaped drain. The lapses had occurred apparently due to inadequate monitoring and supervision of the site during execution and failure to exercise due diligence in certifying the claims of the contractor. *AIN: 15512; Para: 5; Accountabilities: Direct: Tobgay EE, EID # 201101170; Supervisory: Ugyen Tenzin, Gup, CID # 11704000066.*

**Status:** *Observation not settled. The issue was deliberated in the PAC consultative meeting held on 5 Aug.2021 in the DYT hall of Trongsa Dzongkhag where the Gewog Adm. affirmed that there was a shortfall of work executed by Nu. 84,000/-, however, this amount can be recovered from 10% security deposit of the contractor. The PAC advised the Gewog Adm. to recover the amount and deposit with the RAA by 31 Aug. 2021.*

## IV. KORPHOOG

During the year, the RAA conducted one audit of the Gewog Administration, Korphoog under Trongsa Dzongkhag. There were six observations amounting to Nu.3.920 million of which two observations amounting to Nu.0.050 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.3.870 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.3.870 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog, however, the unsettled irregularities of Nu. 3.797 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Mismanagement	3.706	-	3.706	-
3	Shortfalls, Lapses and Deficiencies	0.091	-	0.091	-
	<b>Total</b>	<b>3.797</b>	<b>-</b>	<b>3.797</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

### 1. Mismanagement - Nu.3.706 million

The case of mismanagement involving Nu.3.706 million is as indicated below:

#### 1.1. WASTEFUL EXPENDITURE IN THE CONSTRUCTION OF MALING IRRIGATION WORK - NU.3.706 MILLION

The Gewog Administration, Korphoog had incurred wasteful expenditure of Nu.3.706 million in the construction of Maling Irrigation work. M/s Kezang Norbu Construction, Zhemgang was awarded the contract for Maling Irrigation work at the contract amount of Nu.4.738 million. Accordingly, the HDPE pipes of 225 mm dia valuing Nu.3.706 million was procured and laid by the contractor. The project proposal apparently was not well conceived as the irrigation work was specifically for the dry land and the potential benefits to the community were not visible and only a handful of intended beneficiaries owning dry land at the particular location was benefitted. Since irrigation facilities are usually constructed for wet land cultivations, the RAA was unable to comprehend how the project was proposed and approved.

In addition, there were damages to segments of pipelines due to construction of farm road from Nimshong to Lhakhang which had not been rectified by the community or the Gewog Administration and were found discarded below the road rendering the scheme non-functional. The lapses had apparently occurred due to lack of proper planning of the project before its implementation. *AIN: 15514; Para: 5; Accountabilities: Direct: Sangay Khandu, Gup, CID # 11702001343; Supervisory: Sangay Khandu, Gup, CID # 11702001343.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 5 Aug.2021 in the DYT hall of the Trongsa Dzongkhag and the Gewog Adm. reported that the work executed has benefited the public and the pipe which were damaged earlier had been repaired and reported to RAA.*

*The RAA stated that Gup did not mentioned anything as to how the project benefited the public,*

therefore, it was decided that Gewog Adm. should visit the site and make a detailed report on how the project benefited the public and submit it along with other relevant documents to RAA by 31 Aug. 2021 for review and appropriate decision.

## 2. Shortfalls, Lapses and Deficiencies - Nu.0.091 million

The case of shortfalls, lapses and deficiencies involving Nu.0.091 million is as indicated below:

### 2.1. OUTSTANDING ADVANCES - NU.0.091 MILLION

The Gewog Administration, Korphoog had overdue advances amounting to Nu.0.091 million during the year 2016-2017. The non-liquidation of advances even after completion of works was in deviation to the provisions of the FRR. *AIN: 15514; Para: 1; Accountabilities: Direct: Tshetrim Dorji, Ex-Gup, CID # 9912221u; Tshering Dendup, Accountant, EID # 2003070157; Supervisory: Tshetrim Dorji, Ex-Gup, CID # 9912221; Sangay Khandu, Gup, CID # 11702001343.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 5 Aug.2021 in the DYT hall of the Trongsa Dzongkhag and the Gewog Adm. reported that outstanding advance of Nu. 85,000/- was adjusted and the documents submitted to RAA in June 2021. However, the balance amount of Nu. 6,000/- paid as an advance to the former Gup was to be recovered.*

*As per the records of the RAA the amount remained unsettled as of 5 Aug.2021. Therefore, the Gewog was requested to resubmit adjustment/recovery details to OAAG Bumthang for review and settlement of the outstandings. It was also decided that balance amount should also be recovered on or before 31 Aug. 2021 and report to the RAA for settlement of this issue.*

## 1.3.3.13 GEWOGS ADMINISTRATION UNDER TSIRANG DZONGKHAG

### I. SERGITHANG

During the year, the RAA conducted one audit of the Gewog Administration, Sergithang under Tsirang Dzongkhag. There were two observations amounting to Nu.0.001 million of which one observation amounting to Nu.0.001 million was resolved prior to the compilation of the draft AAR 2018. The significant unresolved irregularity was reported in the AAR 2018 as summarised below:

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and irregularity reported to the Parliament in Sept. 2020 got resolved as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
	<b>Total</b>	-	-	-	

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which was settled as on 30 Sept. 2021 is as discussed below:

### 1. Non-compliance to Laws and Rules

The case of non-compliance to laws and rules is as indicated below:

### 1.1. ACCEPTANCE OF INFERIOR OFFICE FURNITURE

The Gewog Administration, Sergithang had accepted office furniture viz., Wooden Bench, Wooden Sofa and Deewan valuing Nu.0.191 million from M/s JK Furniture, Samtse which were not as per the specifications. Also, the thickness of the cushion seat for sofa set as per supply order was 6” whereas the thickness of materials supplied was less than 4” and the rate of Nu.1,699.00 for wooden bench did not commensurate with the items supplied and was found to be of inferior quality. The Gewog Administration had failed to ascertain the correct specification of the furniture before certifying and releasing payment to the supplier. *AIN: 15120; Para: 2; Accountabilities: Direct: Man Bir Rai, Gup, CID # 11807000504; Supervisory: Man Bir Rai, Gup, CID # 11807000504.*

**Status:** *Observation settled vide letter No. RAA/OAAG(T)/FUD-02/2020-2021/063 dated 29/07/2021.*

## II. TSIRANGTOE

During the year, the RAA conducted one audit of the Gewog Administration, Tsirangtoe under Tsirang Dzongkhag. There were eight observations amounting to Nu.0.810 million of which two observations amounting to Nu.0.015 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.795 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.795 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and out of the total unsettled irregularities of Nu. 0.508 million reported to the Parliament in Sept. 2020 all the irregularities were settled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.032	0.032	-	100
2	Shortfalls, Lapses and Deficiencies	0.476	0.476	-	100
	<b>Total</b>	<b>0.508</b>	<b>0.508</b>	<b>-</b>	<b>100</b>

The details of unsettled irregularities reported to the Parliament as 30 Sept.2020 which got resolved as on 30 Sept. 2021 are as discussed below:

### 1. Non-compliance to Laws and Rules

#### 1.1. NON-RECOUPMENT OF FUEL EXPENSES - NU.0.032 MILLION

The Gewog Administration, Tsirangtoe had not recouped a sum of Nu.0.032 million spent from the Gewog CD account for fueling of pool vehicle and as environment fee for construction of farm roads without necessary supporting documents. *AIN: 15121; Para: 5; Accountabilities: Direct: Nar Bahadur Rai, Gup, CID # 11812001170; Garja Man Rai, Mangimi, CID # 11812001498; Supervisory: Nar Bahadur Rai, Gup CID # 11812001170.*



**Status:** Observation settled as the amount was recovered.

## 2. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies involving Nu.0.476 million as summarised below:

Sl. No	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
2.2	Payment made for work not done	0.126	0.126	-
2.3	Excess payment in the construction of Tongshinang farm road	0.078	0.078	-
2.4	Payment for works not executed at site	0.055	0.055	-
2.5	Excessive procurement of Sawn timber	0.217	0.217	-
	<b>Total</b>	<b>0.476</b>	<b>0.476</b>	<b>-</b>

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

### 2.1. PAYMENT MADE FOR WORK NOT DONE - NU.0.126 MILLION

The Gewog Administration, Tsirangtoe had made payment of Nu.0.126 million to the contractor for works not executed in the construction of Baktar-Takthang farm road. M/s Zomina Construction had not constructed protection & through walls, parapets and catch pits whereas payment had been released. The farm road was also found taken over by the Gup and site engineer without involving a committee due to which fraudulent practices cannot be ruled out. Further, the requirement of formation width of 5.1 meters for farm roads were not maintained throughout the stretch with all the turnings being too sharp causing difficulty to vehicles while negotiating the turns. The lapses had occurred apparently due to non-verification of works done before release of payment. *AIN: 15121; Para: 1.2; Accountabilities: Direct: Karma Tshering, JE, EID# 2001101222; Supervisory: Nar Bahadur Rai, Gup, CID # 11812001170.*

**Status:** Observation settled vise letter No.TD/Tsirangtoe-14/2020-2021/56 dated 14/11/2020.

### 2.2. EXCESS PAYMENT IN THE CONSTRUCTION OF TONGSHINANG FARM ROAD - NU.0.078 MILLION

The Gewog Administration, Tsirangtoe had made excess payment of Nu.0.078 million to the community contractor in the construction of Tongshinang Farm Road. M/s Zomina Construction had excavated only 2500 meters of farm road but was found paid for 2800 meters with resultant excess payment for 300 meters. The lapses had occurred due to failure of the supervising officials in exercising due diligence and verifying the actual length of the road. *AIN: 15121; Para: 2; Accountabilities: Direct: Karma Tshering, JE, EID # 2001101222; Supervisory: Nar Bahadur Rai, Gup, CID # 11812001170.*

**Status:** Observation settled as the amount was deposited.

### 2.3. PAYMENT MADE FOR WORKS NOT EXECUTED - NU.0.055 MILLION

The Gewog Administration, Tsirangtoe had made payment of Nu.0.055 million to the community contractor, M/s Soentabsa for plumbing and electrical items of works not provided/executed in the maintenance of Tsirangtoed Lhakhang. The supervising officials had failed to exercise due diligence

before disbursing the final RA bill. *AIN: 15121; Para: 3.1; Accountabilities: Direct: Karma Tshering, JE, EID # 2001101222; Supervisory: Nar Bahadur Rai, Gup, CID # 11812001170.*

**Status:** *Observation settled vide letter No.TD/Tsirangtoe-14/2020-2021/56 dated 14/11/2020.*

#### 2.5. EXCESSIVE PROCUREMENT OF SAWN TIMBER - NU.0.217 MILLION

The Gewog Administration, Tsirangtoe had procured 706 cubic feet of timber from NRDCL, Gelephu and 1,670 cubic feet of timber from Mr. Ganga Ram Adhikari, Tsirangtoed in addition to timber procurement made in previous financial years for the maintenance of Tsirangtoed Lhaxhang. However, balance of sawn timber worth Nu.0.217 million were found un-utilised and lying idle which indicated excessive procurement of timber due to improper planning. *AIN: 15121; Para: 3.2; Accountabilities: Direct: Karma Tshering, JE, EID # 2001101222; Supervisory: Nar Bahadur Rai, Gup, CID # 11812001170.*

**Status:** *Observation settled vide letter No.LD/DES-01/2021/145 dated 20/10/2020.*

### IV. PATSHALING

During the year, the RAA conducted one audit of the Gewog Administration, Patshaling under Tsirang Dzongkhag. There were four observations amounting to Nu.0.896 million of which one observation amounting to Nu.0.013 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.833 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.883 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and the irregularities of Nu. 0.833 million reported to the Parliament in Sept. 2020 was settled as on 30 Sept. 2021. However, one irregularity without involving monetary amount remained unsettled as narrated below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	-
2	Shortfalls, Lapses and Deficiencies	0.833	0.833	-	100
<b>Total</b>		<b>0.833</b>	<b>0.833</b>	<b>-</b>	

The details of unsettled irregularities reported to the Parliament in Sept. 2020; irregularities settled thereafter and unsettled one as on 30 Sept. 2021 are as discussed below:

#### 1. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.1	Defective works in construction of Kitchen-cum-Store	-	-	Unsettled

1.2	Construction of Sub-standard Gabion walls along Pangthang Farm Road	-	-	Settled
<b>Total</b>		-	-	

The cases of non-compliance to laws and rules are as indicated below:

#### 1.1. DEFECTIVE WORKS IN CONSTRUCTION OF KITCHEN-CUM-STORE

The Gewog Administration, Patshaling had not rectified defective works noted in the construction of Kitchen-cum-Store at Dhupi-dara Mandhir constructed by M/s Bahadur Construction, Tsirang. The hanging ceiling covering the plinth area was not painted properly; the walls were not white-washed after installation of earthing wires; the earthing plate could not be located at the area pointed out by the site engineer due to soil piled on top. The defective works indicated taking over of the works without proper verification and poor workmanship. *AIN: 15108; Para: 1; Accountabilities: Direct: Sita Ghalley, AE, EID # 200030703; Supervisory: Chabi Kumar Rai, Gup, CID # 11802001003.*

**Status:** *Obaervation not settled. The issue was deliberated in the PAC consultative meeting held on 9 Aug.2021 in PDC, RAA Tsirang where the Gup reported that they have sent a letter to the contractor requesting to rectify the defective works and the same was rectified accordingly.*

*The RAA stated that rectification report from the Gewog Adm. was not received, therefore, the Gewog was requested to submit the report endorsed by a committee for review and appropriate decision. The PAC directed the Gewog Adm. to submit the report by 31 Aug. 2021.*

#### 1.2. CONSTRUCTION OF SUB-STANDARD GABION WALLS

The Gewog Administration, Patshaling had accepted substandard works executed in the construction of gabion wall along the Pangthang Farm Road, constructed by M/s Yam Construction, Tsirang. The size of steel wire-mesh used for gabion crates were found below required sizes. The wire used were of 2.5 mm thickness but paid for 2.7 mm and found woven in square shape with one twist, instead of the specified hexagonal shape with three twists. In addition, the gabion wall at Shilaji Pakha was found destroyed by landslide and not rectified. The lapses indicated taking over of the works without proper verification and poor workmanship. *AIN: 15108; Para: 3; Accountabilities: Direct: Sita Ghalley, AE, EID # 200030703; Supervisory: Chabi Kumar Rai, Gup, CID # 11802001003.*

**Status:** *Obaervation settled based on the letter ref. LD/DES-02/2020-2021/135 dated 16/09/2020.*

## 2. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies amounting to Nu.0.883 million is as indicated below:

#### 2.1. NON-ACCOUNTAL OF HSD OIL AND LUBRICANTS - NU.0.883 MILLION

The Gewog Administration, Patshaling had not accounted Nu.0.883 million on account of HSD and lubricants procured during the financial year 2016-2017. The Gewog Administration had procured 16,304 liters of HSD oil and lubricants amounting to Nu.0.079 million but no stock registers were maintained to record the receipts and its utilization. *AIN: 15108; Para: 2.2; Accountabilities: Direct: Sita Ghalley, AE, EID # 200030703; Supervisory: Chabi Kumar Rai, Gup, CID # 11802001003.*

**Status:** *Obaervation settled based on the letter ref. LD/DES-02/2020-2021/135 dated 16/09/2020.*

## V. BARSHONG

During the year, the RAA conducted one audit of the Gewog Administration, Barshong under Tsirang Dzongkhag. There were three observations amounting to Nu.0.138 million of which two observations amounting to Nu.0.054 million were resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.084 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.084 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and the irregularities of Nu. 0.084 million reported to the Parliament in Sept. 2020 was resolved as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.084	0.084	-	100
	<b>Total</b>	<b>0.084</b>	<b>0.084</b>	<b>-</b>	

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which got resolved as on 30 Sept. 2021 is as discussed below:

### 1 Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies involving Nu.0.084 million is as indicated below:

#### 1.1. PAYMENT IN EXCESS OF ESTIMATED AMOUNT IN COMMUNITY CONTRACT - NU.0.084 MILLION

The Gewog Administration, Barshong had made excess payment of Nu.0.084 million in the routine maintenance works for farm roads under the Gewog. Mjs Barshong Waiba Tshogpa, Community contractor was found paid Nu.0.500 million which was in excess of the estimated cost of Nu.0.416 million and in deviation to the Clause 34 of the Community Contracting Protocol. The lapses had occurred due to the Gewog Administration entertaining final payment beyond the work order amount. *AIN: 15096; Para: 3; Accountabilities: Direct: Chandra Bdr. Monger, Mangmi, CID # 11801001109; Supervisory: Dupten Tshering, GAO, EID #. 200803056.*

**Status:** *Obaervation settled vide letter No.RAA/OAAG(T)/FUS-02/2019-2020/0257 dated 21/10/2020.*

#### 1.3.3.15 GEWOGS ADMINISTRATION UNDER ZHEMGANG DZONGKHAG

### III. NGANGLA

During the year, the RAA conducted one audit of the Gewog Administration, Ngangla under Zhemgang Dzongkhag. There were two observations amounting to Nu.0.006 million of which one observation amounting to Nu.0.006 million did not qualify for inclusion in the draft AAR 2018. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the Gewog and the irregularities to the Parliament in Sept. 2020 got resolved as on 30 Sept. 2021 as narrated below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	100
	<b>Total</b>	-	-	-	

The details of unsettled irregularity reported to the Parliament in Sept. 2020 which got settled as on 30 Sept. 2021 is as discussed below:

## 1. Non-compliance to Laws and Rules

The case of non-compliance to laws and rules is as given below:

### 1.1. NON-CLEARANCE OF LANDSLIDES WITHIN THE DEFECT LIABILITY PERIOD

The Gewog Administration, Ngangla had failed to invoke the provision of the contract within the defect liability period and had not instructed the contractor to clear landslides and rectify the works in the construction of the Ngangla Trong to Dochaling farm road. The farm road was found blocked at every stretch of road due to landslides. *AIN: 15204; Para: 2; Accountabilities: Direct: Binod Kumar Tamang, Engineer, EID # 200407010; Supervisory: Rinchen Wangdi, Gup, CID # 12005002997.*

**Status:** *Observation settled as the Gewog had submitted rectification report vide letter No. NGA-ADM(37)2021-22/634 dated 3/8/2021 during the PAC consultative meeting held on 7 Aug. 2021 at Trongsa Dzongkhag DYT hall.*

## 1.3.4 AUTONOMOUS AGENCIES

### 1.3.4.1 BHUTAN COUNCIL FOR SCHOOL EXAMINATIONS AND ASSESSMENT

During the year, the RAA conducted one audit of Bhutan Council for School Examinations and Assessment. There were five observations amounting to Nu.0.866 million of which one observation amounting to Nu.0.433 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.433 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Council, two observations amounting to Nu.0.120 million was resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.313 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management, however, the unsettled balance irregularities of Nu. 0.263 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Mismanagement	0.263	-	0.263	-
	<b>Total</b>	<b>0.263</b>	<b>-</b>	<b>0.263</b>	

The details of unsettled irregularity reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

## 1. Mismanagement – Nu.0.263 million

There was a case of mismanagement amounting to Nu.0.263 million as indicated below:

### 1.1 EXCESS/INADMISSIBLE PAYMENT OF TA/DA FOR TRAVEL IN-COUNTRY - NU.0.263 MILLION

The Bhutan Council for School Examinations and Assessment (BCSEA) had made excess/inadmissible payments amounting to Nu.0.739 million on account of TA/DA to employees as under:

- Amount of Nu.0.442 million pertained to inadmissible TA/DA paid for travel to/from venue before/after workshops/programs organised by BCSEA but the officials had not actually halted at the station as claimed;
- As per agreement drawn between Bhutan Post and the BCSEA the responsibility to collect and drop papers/questionnaires was entrusted to Bhutan Post. However, inadmissible TA/DA amounting to Nu.0.032 million was paid to school Principals for collecting and dropping of Questionnaires and Answer Sheets to Bhutan Post offices;
- Nu.0.019 million pertained to excess payments to officials on account of ex-country travels. Full DSA was claimed from Thimphu to Paro and from Paro to disembarking country on same date. Half DSA for return travels from Paro to place of residence were claimed and paid at third country DSA rates; and
- Nu.0.246 million pertained to full DSA paid to officials for return journey for travel durations that were less than twelve hours.

The claims and payment did not adhere to travel rules and regulations indicating lack of proper financial controls and administrative weakness. As of 31 March 2019, the balance amount recoverable was Nu.0.313 million. *AIN: 15333; Para: 1; Accountabilities: Direct: Kinley Namgay, Accounts Assistant, EID # 201007233; Supervisory: Dorji Wangchuk, Acting HR/Admin. Officer, EID # 200501364.*

**Status:** *Observation not settled. Out of the total amount of Nu.0.313 million; Nu.0.050 million had been settled leaving a balance of Nu.0.263 million as of 8 Sept. 2021.*

*This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 where the HRO of BCSEA reported that, in BCSEA involvement of teachers with activities is huge especially in exam papers evaluation. The main reason for excess payments were due to inadmissible claims made by the teachers. HRO followed up with the teachers in recovering the same and accordingly some amounts were recovered. As of now, the HRO reported that Nu. 2,56,000/- was to be recovered from 876 teachers. Unfortunately, some teachers resigned, some got transferred and some were on EOL.*

*RAA requested BCSEA to submit a list of teachers from whom the amount were recovered. The PAC advised BCSEA to submit the requisite details to RAA by 30 Sept. 2021 and recover the balance amount from the accountable individuals.*

#### 1.3.4.4 CIVIL SOCIETY ORGANIZATION AUTHORITY, THIMPHU

During the year, the RAA conducted one audit of Civil Society Organisation Authority, Thimphu. There was one observation amounting to Nu.0.044 million which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.0.044 million.

The unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.044 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management, however, the unsettled irregularities of Nu. 0.044 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.044	-	0.044	-
	<b>Total</b>	<b>0.044</b>	<b>-</b>	<b>0.044</b>	

The details of unsettled irregularities reported to the Parliament in Sept. 2020, which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Non-compliance to Laws and Rules – Nu.0.044 million

There was a case of non-compliance to laws and rules amounting to Nu.0.044 million as indicated below:

##### 1.1 WRONG BOOKING OF EXPENDITURE - NU.0.044 MILLION

The Civil Society Organization Authority had made wrong booking of expenditure amounting to Nu.0.044 million incurred on wages to sweeper under 54.03: *Maintenance of Property - Building* instead of booking it under 1.02: *Other Personnel Emoluments*, which was in violation to the financial norms. *AIN: 15075; Para: 1; Accountabilities: Direct: Tshewang Tobgyel, Member Secretary, EID # 9507319; Supervisory: Radhika Adhikari, Accounts Assistant, EID # 9507319.*

**Status:** *Observation not settled.*

#### 1.3.4.6 KHESAR GYALPO UNIVERSITY OF MEDICAL SCIENCE OF BHUTAN

During the year, the RAA conducted one audit of Khesar Gyalpo University of Medical Science, Thimphu. There were 10 observations amounting to Nu.0.945 million of which five observations amounting to Nu.0.752 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.193 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the University, one observation was resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.0.193 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management, however, the unsettled irregularities of Nu. 0.193 million

reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	0.193	-	0.193	-
	<b>Total</b>	<b>0.193</b>	<b>-</b>	<b>0.193</b>	

The details of unsettled irregularities reported to the Parliament in Sept. 2020, which remained unsettled as on 30 Sept. 2021 are as discussed below:

### 1. Shortfalls, Lapses and Deficiencies – Nu.0.193 million

There were cases of shortfalls, lapses and deficiencies amounting to Nu.0.193 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. In Million
1.1	Non-adjustment of PW advances	0.081	-	0.081
1.2	Un-reconciled fund balance	0.041	-	0.041
1.3	Non-production of disbursement vouchers	0.071	-	0.071
1.4	Non-registration of the land in the name of KGUMSB	-	-	-
	<b>Total</b>	<b>0.193</b>	<b>-</b>	<b>0.193</b>

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

#### 1.1 NON-ADJUSTMENT OF PW ADVANCES -NU.0.081 MILLION

The Khesar Gyalpo University of Medical Sciences of Bhutan (KGUMSB), Thimphu had overdue advances amounting to Nu.0.081 million lying unadjusted as on the date of audit. The amount of Nu.0.068 million was given as research grant advance to an official and balance amount of Nu.0.013 million pertained to double deposit of TDS with RRCO. *AIN: 15412; Para: 3.1; Accountabilities: Direct: Karma Choden, Lecturer, FNPH, EID # 20140900037; Supervisory: Dr. Nyezang Wangmo, Director, EID # 8602079.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu, and KGUMSB reported that double deposit of TDS with Regional Revenue & Custom Office took place due to conventional mode of calculating the same. Further, followed ups were made since 2015 with RRCO for the refund of the amount. At present an amount of Nu. 13,452/- has been recovered from private fund and it was requested RAA to waive off Nu. 9,000/- (24% penalty).*

*The RAA acknowledged that the principal amount was cleared, however, the 24% penalty remained unsettled. Thus the observation remained unresolved.*

#### 1.2 UN-RECONCILED FUND BALANCE OF NU.0.041 MILLION

The financial statements of the KGUMSB had total un-reconciled fund balance of Nu.0.041 million for two financial years (FY). Nu.0.037 million pertained to the FY ended 30 June 2014 and Nu.0.004 to the FY 30 June 2015. The lapse had apparently occurred due to non-reconciliation of fund on



monthly basis as required by FRR. *AIN: 15412; Para: 3.2; Accountabilities: Direct: Wangchuk Dorji, Accounts Assistant, EID # 20140800033; Supervisory: Wangchuk Dorji, Accounts Assistant, EID # 20140800033.*

**Status:** *Observation not settled.*

### 1.3 NON-PRODUCTION OF DISBURSEMENT VOUCHERS FOR NU.0.071 MILLION

The KGUMSB had not produced disbursement vouchers for the expenditure worth Nu.0.071 million for verification due to which the RAA could not ascertain the genuineness and the correctness of the payments made and recorded in the books of accounts. *AIN: 15412; Para: 3.5; Accountabilities: Direct: Sonam Tenzin, Accounts Assistant, EID # 20130500015; Supervisory: Wangchuk Dorji, Accounts Assistant, EID # 20140800033.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu, and KGUMSB accepted their mistake for misplacing the disbursement vouchers by the accounts department. It was reported that, a total of four vouchers were misplaced amounting to Nu. 40,000/-, Nu. 13,000/-, Nu. 11,000/- & Nu. 5,000/-. Out of four missing vouchers, voucher amounting to Nu. 40,000/- was pertaining to the bill payments made to Holiday Hotel, Paro and vouchers amounting to Nu. 13,000/-, Nu. 11,000/- & Nu. 5,000/- were related to payments made to three individuals. The management tried to search for the documents but couldn't trace it.*

*RAA stated that if the original copy of the bills could not be traced then duplicate copy of the bill (payment made to Holiday Home - Paro) and acknowledgement of the payments received by three individuals can be acceptable. The PAC advised KGUMSB that such documents should be submitted to RAA by 30 Sept. 2021 for review and appropriate decision.*

### 1.4 NON-REGISTRATION OF LAND IN THE NAME OF KGUMSB

The University of Medical Sciences of Bhutan was established on 2 May 2013 by the University of Medical Sciences Act of Bhutan 2012 and officially launched as the Khesar Gyalpo University of Medical Sciences of Bhutan (KGUMSB) on 28 Feb, 2015. Although the KGUMSB is functioning within the premises of JDWNRH, no proper demarcation of land have been defined. The Director, KGUMSB had requested the management to arrange for the arbitrary demarcation process with the Head of Maintenance Unit, JDWNRH. However, the management of KGUMSB had not followed-up with the JDWNRH for the demarcation process even after lapse of over four years after its initial discussion in 2014, which has deprived KGUMSB of the legal ownership of the land it is occupying presently. *AIN: 15412; Para: 4; Accountabilities: Direct: Karma Dhendup, Chief Architect, EID # 20130500004; Supervisory: Dr. Sithar Dorjee, Director, EID # 20171100082.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where KGUMSB reported that as directed by RAA, they followed up with the National Land Commission for transferring of Thram. However, NLC informed KGUMSB that they have no authority to follow up for transfer of Thram as the land is under the authority of JDWNRH. The President of JDWNRH further stated that they have received only the user right of the land from Thomde. However, the President stated that they will write to Thomde seeking for the transfer of the same.*

*It was decided that this issue should be followed up by the relevant authorities for resolving the same.*

#### 1.3.4.8 PHUENTSHOLING THROMDE

During the year, the RAA conducted two audits of Phuentsholing Thromde. There were 36

observations amounting to Nu.8.141 million of which 12 observations amounting to Nu.0.159 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.7.982 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Thromde Administration, observations amounting to Nu.0.047 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.7.935 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management and out of the total unsettled irregularities of Nu. 6.731 million reported to the Parliament in Sept. 2020, Nu. 1.507 million were settled leaving a balance of Nu. 5.224 million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Mismanagement	2.661	-	2.661	-
2	Non-compliance to Laws and Rules	1.477	1.477	-	100
3	Shortfalls, Lapses and Deficiencies	2.593	0.030	2.563	1.16
	<b>Total</b>	<b>6.731</b>	<b>1.507</b>	<b>5.224</b>	<b>22.39</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

### 1. Mismanagement - Nu.2.661 million

There were cases of mismanagement amounting to Nu.2.661 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu.in million	Settled Nu. in Million	Balance Nu. In Million
1.1	Short deposit of revenue	0.159	-	0.159
1.2	Penalty for delay in deposit of cheque into CD Account	0.470	-	0.470
1.3	Short-accountal of Revenue Deposits	1.992	-	1.992
1.4	Non-remittance of statutory deductions	0.040	-	0.040
1.5	Portion of building falling in private land	-	-	Settled
	<b>Total</b>	<b>2.661</b>	<b>-</b>	<b>2.661</b>

The cases of mismanagement are as indicated below:

#### 1.1 SHORT-DEPOSIT OF REVENUE - NU.0.159 MILLION

The Phuentsholing Thromde Administration (PTA) had not deposited revenue collection of Nu.0.159 million into their CD Account. Against the total revenue collection of Nu.75.746 million (as per the deposit slips), the Thromde had made total deposit of Nu.75.587 million into the CD Account (as per the bank statement) resulting in short-deposit of Nu.0.159 million. The lapse had occurred apparently due to failure of the dealing officials to reconcile the collections and deposits of revenue on a monthly basis, and also due to failure on the part of the supervising officer to exercise necessary checks. *AIN: 15523; Para: 2; Accountabilities: Direct: Krishna Chettri, Accounts Assistant, EID # 9709054; Supervisory:*

*R.B. Ghalley, Accounts Officer, EID # 8801083.*

**Status: Observation not settled.**

#### 1.2 PENALTY FOR DELAY IN DEPOSIT OF CHEQUE INTO CD ACCOUNT - NU.0.470 MILLION

The PTA had not deposited a cheque amounting to Nu.1.679 million received on account of parking fees from M/s Norzang Builders, Phuentsholing into CD Account. It was deposited only on 28/05/2018 after substantial delay of 14 months, upon pointing it out by the RAA. The delay in deposit had occurred apparently due to absence of periodic reconciliation of the collections and deposits of revenue, and due to laxity of the supervising officer to institute necessary checks. As of 31 March 2019, the penalty of Nu.0.470 million (i.e.  $24\% * 1,679,490.00 * 14/12$ ) for delayed deposit was not recovered. *AIN: 15523; Para: 3; Accountabilities: Direct: Krishna Chettri, Accounts Assistant, EID # 9709054; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.*

**Status: Observation not settled.**

#### 1.3 SHORT-ACCOUNTAL OF REVENUE DEPOSITS - NU.1.993 MILLION

The PTA had short-accountal of revenue deposits amounting to Nu.1.993 million in its financial statements. The total amount credited as per bank statement was Nu.85.370 million against which only Nu.83.377 was recorded, resulting in short-accountal of Nu.1.993 million in the books of account maintained by the Thromde. The lapse had occurred apparently due to non-reconciliation of the revenue collections and deposits made by the dealing official and due to failure on the part of the supervising officer to exercise necessary checks to ensure that amount recorded are correct and validated. *AIN: 15523; Para: 5; Accountabilities: Direct: Kinzang Nidup, Accounts Asst., EID # 2107101; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.*

**Status: Observation not settled.**

#### 1.4 NON-REMITTANCE OF STATUTORY DEDUCTIONS - 0.040 MILLION

During the FYs 2016-17 and 2017-18, the PTA had not remitted to the RRCO, the salary tax and other statutory deductions of Nu.0.040 million made from the staffs employed under NAPA project which was in contravention to the requirement<sup>14</sup> under the Revenue Accounting Manual. Further, the payment for the month of August 2017 remitted in cash was not supported with relevant documents such as disbursement voucher and receipts, in absence of which the RAA could not ascertain its authenticity. The lapses had occurred due to failure of the dealing accounts personnel to remit the deduction to RRCO, Phuentsholing coupled with the failure on the part of the supervising officer to exercise due diligence. *AIN: 15523; Para: 10; Accountabilities: Direct: Krishna Chettri, Accounts Assistant, EID # 9709054; Supervisory: R.B. Ghalley, Accounts Officer, EID# 8801083.*

**Status: Observation not settled.**

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<sup>14</sup> "All withholding agencies which are not allotted with a RGR Account, shall deposit their withheld/collected government revenue to the respective RRCO within 10<sup>th</sup> of the following month as per Rules on Income Tax Act 2001, failing which will attract a late fine @ 24% per annum or fraction thereof of the amount from the dealing person" - Clause 2.4.8, Chapter 2, Revenue Accounting Manual.

#### 1.5 PORTION OF BUILDING FALLING IN PRIVATE LAND

The PTA's Community Centre at Pasakha constructed by M/s Mahayana Construction, Thimphu at the total cost of Nu.5.225 million had occupied a small portion of private land. It needed prompt

management action to regularize the private land after compensating the owner as per the prevailing norms of the Government to avoid future complications. *AIN: 15523; Para: 25.5; Accountabilities: Direct: Ugyen, JE, EID # 20140103243; Supervisory: Ugyen, JE, EID # 20140103243.*

**Status:** *Observation settled vide letter No.RAA/OAAG-P/ling/moWHS-Thromde-D21/2020/528 dated 25/09/2020.*

## 2. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules amounting to Nu.1.477 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
2.1.1	Wrong selection of site	-	-	Settled
2.1.3	Excess payment due to non-regulation of deviation limit over 20%	1.206	1.206	-
2.1.4	Non-levy of liquidated damages	0.271	0.271	-
2.1.5	Defective roofing works	-	-	Unsettled
	<b>Total</b>	<b>1.477</b>	<b>1.477</b>	<b>-</b>

The cases of non-compliance to laws and rules are as indicated below:

### 2.1 CONSTRUCTION OF COMMUNITY CENTRE AT PASAKHA AND IRREGULARITIES THEREOF

The PTA had several irregularities in construction of Community Centre at Pasakha by M/s Mahayana Construction, Thimphu at the total cost of Nu.5.225 million with overall deviation of 92.89% above the initial bid amount of Nu.2.709 million. The irregularities in the construction are explained below:

#### 2.1.1 WRONG SELECTION OF SITE

The initial construction site near Pasakha river bank selected by the PTA, which was under the restricted buffer zone, was not proper. The re-orientation of the structure and adjustment of plot was made within the vicinity of the earlier location, which was close to the river bank posing unwarranted threats to the building due to monsoon rain and frequent change in river course. The improper selection of site had led to extra expenditure of Nu.1.577 million for filling of trenches. The lapse had occurred due to failure of Thromde Administration to exercise due diligence in selecting the construction site. *AIN: 15523; Para: 25.1; Accountabilities: Direct: Ugyen, JE, EID # 20140103243; Supervisory: Ugyen, JE, EID # 20140103243.*

**Status:** *Observation settled vide letter No.RAA/OAAG-P/ling/MoWHS-Thromde-D21/2020/528 dated 25/09/2020.*

#### 2.1.3 EXCESS PAYMENT DUE TO NON-REGULATION OF DEVIATION LIMIT OVER 20% - NU.1.206 MILLION

The PTA had made an excess payment amounting to Nu.1.206 million due to non-regulation of rate for quantity deviation of over 20% in refilling foundation trenches. During the execution of works, the quantity of filling trenches had increased by 659.95% to 315.38 cbm from initial BoQ of 41.50 cbm. For the increased quantity, the contractor was paid at his quoted rate instead of regulating the cost with suitable rate<sup>15</sup> as required by Clause 6.3.6.1(b) and (c)<sup>16</sup> of PRR 2009, thus resulting in excess payment of Nu.1.206 million. *AIN: 15523; Para: 25.3; Accountabilities: Direct: Chopel, JE, EID #*

200811026, Buddhi Man Darji, JE, EID # 200807191; Supervisory: Lobzang, EE, EID # 8403052.

**Status:** Observation settled vide letter No.RAA/OAAG-P/ling/MoWHS-Thromde-D21/2020/528 dated 25/09/2020.

#### 2.1.4 NON-LEVY OF LIQUIDATED DAMAGES - NU.0.271 MILLION

The construction of Community Center at Pasakha due for completion on 25/02/2017 was completed only on 14/07/2017 with delay of five months, for which the PTA had not levied liquidated damages amounting to Nu.0.271 million. *AIN: 15523; Para: 25.4; Accountabilities: Direct: Chophel, JE, EID # 200811026, Buddhi Man Darji, JE, EID # 200807191; Supervisory: Lobzang, EE, EID # 8403052.*

**Status:** Observation settled vide letter No.RAA/OAAG-P/ling/MoWHS-Thromde-D21/2020/528 dated 25/09/2020.

#### 2.1.5 DEFECTIVE ROOFING WORKS

Some portion of ceiling of the Community Centre was damaged with seepage of rainwater during heavy rainfall indicating poor workmanship of the contractor. The lapse had occurred due to contractor's failure to execute the work as per specifications and failure of site engineer to ensure the quality of work. *AIN: 15523; Para: 25.6; Accountabilities: Direct: Chophel, JE, EID # 200811026, Buddhi Man Darji, JE, EID # 200807191; Supervisory: Lobzang, EE, EID # 8403052.*

**Status:** Observation not settled.

### 3. Shortfall, Lapses and Deficiencies – Nu.2.563 million

There were cases of shortfalls, lapses and deficiencies amounting to Nu.2.593 million as summarised below:

<sup>15</sup> Rate Analysis based on the standard set by MoWHS as per Labour and Material Co-efficient Standard;

<sup>16</sup> "If the final quantity of the varied work falling under item 6.3.6.1 (a) exceeds by more than twenty percent (20%) from the quantity in the contract Bill of Quantities, and the value of this variation exceeds one percent (1%) of the Original Contract Price. The excess quantities executed over the limit of twenty percent (20%) only shall be valued at a suitable rate or price agreed upon between the Procuring Agency and the contractor." - Clause 6.3.6.1(b) & (c), PRR 2009.

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
3.1	Non-reconciliation of Revenue collected, deposited and reflected in the Bank Statement	-	-	Unsettled
3.2	Unidentified deposit in the bank statement	0.480	-	0.480
3.3	Non-maintenance of Other Voucher along with the amount booked	-	-	Settled
3.4	Non-adjustment of personal advances on time	0.303	0.024	0.279
3.5	Non-adjustment of PW Advances on time	0.279	0.006	0.273
3.6	Non-reconciliation of Monthly Accounts and irregularities thereof	0.401	-	0.401
3.7	Unexplained cumulative credit balance under the object code 87.22-Other Recoveries	1.100	-	1.100

3.11	Non-adjustment of outstanding PW advances	0.030	-	0.030
	<b>Total</b>	<b>2.593</b>	<b>0.030</b>	<b>2.563</b>

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

### 3.1 NON-RECONCILIATION OF REVENUE COLLECTED, DEPOSITED AND REFLECTED IN THE BANK STATEMENT

The PTA had not carried out monthly reconciliation of revenue collection and deposit into the bank as per the norms<sup>17</sup>. Further, the dealing official of the revenue collection section had not communicated the details of monthly collection to the dealing accountant of the CD Account who had considered the credit balance in the bank statement as the total receipts in the Budget and Accounts System (BAS) without verifying its correctness. The lapses had occurred mainly due to absence of regular reconciliation of the revenue collections and deposits besides failure on the part of the supervising officer to ensure proper check and balance in the revenue management. *AIN: 15523; Para: 1; Accountabilities: Direct: Krishna Chettri, Accounts Assistant, EID # 9709054; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.*

**Status: Observation not settled.**

### 3.2 UNIDENTIFIED DEPOSIT IN THE BANK STATEMENT - NU.0.480 MILLION

The PTA had deposit of Nu.0.480 million on account of 23 deposits in its CD Account the sources of which could not be verified by the RAA. The deposits were neither supported by deposit slips nor identified as 'other direct deposits'. Further, the money receipts issued by the Thromde for the amounts reflected in the bank statements were not made available to the RAA. The lapse had occurred apparently due to failure of the dealing officials to reconcile the amount credited in the bank statement with that of monthly accounts, besides failure on the part of the supervising officer to exercise necessary checks and ensure that monthly figures are duly reconciled and validated. *AIN: 15523; Para: 4; Accountabilities: Direct: Krishna Chettri, Accounts Assistant, EID # 9709054, Kinzang Nidup, Accounts Asst., EID # 2107101; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.*

**Status: Observation not settled.**

<sup>17</sup> "Accounting units in all budgetary bodies shall reconcile each of the LC, PLC or any other bank accounts operated by the office on a monthly basis" - Section 1.6.17.2, FAM 2016.

### 3.3 NON-MAINTENANCE OF 'OTHER VOUCHERS' ALONG WITH SUPPORTING DOCUMENTS

Similar to disbursement vouchers maintained by the accounts section, it is also important to maintain the 'Other Vouchers' along with supporting documents of receipt of fund or revenue generated. However, the PTA had not maintained 'Other Vouchers' with details of cash receipts and bank deposits required as per the norms<sup>18</sup>. The lapse had occurred mainly due to failure of the accounts personnel to maintain the 'Other Vouchers' in chronological order besides failure on the part of the supervising officer to exercise necessary checks. *AIN: 15523; Para: 6; Accountabilities: Direct: Kinzang Nidup, Accounts Asst., EID # 2107101; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.*

**Status: Observation settled vide letter No.RAA/OAAG-P/ling/moWHS-Thromde-D21/2020/528 dated 25/09/2020.**

### 3.4 NON-ADJUSTMENT OF PERSONAL ADVANCES ON TIME - NU.0.279 MILLION

During the year FY 2017-18, the PTA had sanctioned personal advances aggregating to Nu.0.303 million to few officials despite having unsettled balance of earlier advances. The management had not adhered to Section 8.1.6(a) of the FAM 2016 which required that “a personal advance of any kind shall not be sanctioned or paid in case a previous personal advance remains unsettled.”

The lapse had occurred due to lack of proper follow-up action by the concerned dealing official and non-regulation of advances as required. *AIN: 15523; Para: 7; Accountabilities: Direct: Jamtsho Dukpa, EID # 9701044; Namgay Phuntsho, EID # 9501013; Gautam Thapa, EID # 9913138; Tshewang Tandin, EID # 200905042; Pema Namgay, EID # 200208083; Ugyen Choden, EID # 200301058; Sonam Choden, EID # 9901167; Sonam Jamtsho, EID # 200603004; Pema Lhendup, EID # 201101251; Loha Bir Gurung, EID # 201109030; Yeshe Wangchuk, EID # 20121102017; Krishna Chhetri, EID # 9709054; Yeshe Dema, EID # 20101100958; Supervisory: Kinzang Nidup, Accounts Assistant, EID # 2107101.*

**Status:** Observation partially settled. Out of Nu.0.303 million; Nu. 0.024 million was recovered/adjusted leaving a balance of Nu.0.279 million as of 30 Sept. 2021.

### 3.5 NON-ADJUSTMENT OF PW ADVANCES ON TIME - NU.0.273 MILLION

Section 5.4.2(d) of the FAM 2016 states that, “On the close of a fiscal year, a complete liquidation of all temporary advances in the hands of the individual TAHs shall be made”. However, the PTA had not settled outstanding advances of Nu.0.279 million as on date of audit some of which pertained to FY 2016-2017. *AIN: 15523; Para: 8; Accountabilities: Direct: Jamtsho Dukpa, EID# 9701044; Chencho, EID# 201101253; Namgay Phuntsho, EID# 9501013; Gautam Thapa, EID# 9913138; Sonam Tenzin, EID# 200303001; Karma Thinley, EID# 9307042; Krishna Chhetri, EID# 9709054; Supervisory: Kinzang Nidup, Accounts Assistant, EID # 2107101.*

**Status:** Observation partially settled. Out of Nu.0.279 million; Nu.0.006 million deposited leaving a balance of Nu.0.273 million as of 30 Sept. 2021.

### 3.6 NON-RECONCILIATION OF MONTHLY ACCOUNTS AND IRREGULARITIES THEREOF – NU.0.401 MILLION

In contravention to the norms under Chapter 10 of FAM 2016, the monthly accounts of PTA were not closed on a monthly basis. The hard copies of statements and schedules that could be generated from the accounting system (BAS, version 3.0.11) were not printed and maintained. Further, the BRS prepared by the accounts personnel were not supported with documents to substantiate its genuineness, and the BRS from November 2016 to June 2017 were not reconciled. Similarly, the monthly reconciliation statements were not reconciled and updated by the dealing official.

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<sup>18</sup> “All cash and release receipts are recorded through preparation of Other Vouchers. While the release vouchers are auto generated by the system by debiting bank and crediting the appropriate BH and OBC for releases, the cash receipt vouchers will have to be prepared by the accounting unit by selecting voucher type as “Others” and debiting Cash and Crediting relevant BH and OBC.” - Section 5.9.3(a), FAM 2016.

In the absence of monthly reconciliation statement duly validated by the supervising official, the RAA could not authenticate correctness and completeness of the monthly accounts. The lapses had consequently given rise to several misstatements aggregating to Nu.0.401 million in the financial statements. *AIN: 15523; Para: 9.1; Accountabilities: Direct: Kinzang Nidup, Accounts Asst., EID # 2107101; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.*

**Status:** Observation not settled.

### 3.7 UNEXPLAINED CUMULATIVE CREDIT BALANCE UNDER THE OBJECT CODE

## 87.22-OTHER RECOVERIES - NU.1.100 MILLION

The account object code '87.22 - Other Recoveries' in BAS is a ledger for recovery and remittances which generally should be a zero balance ledger at the end of the financial year. However, the ledger had cumulative credit balance of Nu.0.203 million as on 30/06/2017. The dealing accounts personnel had not furnished the supporting documents due to which the RAA could not validate the account balance. Further, the receipt of cheque for Nu.1.100 million from NPPF was recorded twice in the accounting system which had resulted in overstatement of Financial Statements to that extent. *AIN: 15523; Para: 9.2; Accountabilities: Direct: Kinzang Nidup, Accounts Asst., EID # 2107101; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.*

**Status:** *Observation not settled.*

### 3.8 IRREGULARITIES NOTED IN THE CONSTRUCTION OF MULTIPURPOSE HALL

The PTA had some irregularities in the construction of multipurpose hall, basketball court, and academic toilet, and dismantling of old toilet at Phuentsholing MSS that was awarded to M/s Neten Construction Company, Paro. There was excess payment of Nu.0.362 million made to the contractor, short-payment of Nu.0.760 million due to erroneous calculation of final payment, and there was also some defective works in the construction, as explained below:

#### 3.10 NON-ADJUSTMENT OF OUTSTANDING PW ADVANCES - NU.0.030 MILLION

The PTA had PW Advances amounting to Nu.0.035 million lying unsettled as on date of audit. The overdue advances were left unadjusted by the accounts section despite the officials concerned submitting relevant bills to settle their dues. *AIN: 15523; Para: 26; Accountabilities: Direct: Karma Thinley, Engineer, EID # 9307042, Namgay Phuntsho, Water In-charge, EID # 9501013; Supervisory: R.B. Ghalley, Accounts Officer, EID # 8801083.*

**Status:** *Observation not settled. Out of Nu.0.035 million; Nu.0.005 million was deposited vide receipt No.456953 dated 19/04/2019 leaving a balance of Nu.0.030 million. The unsettled balance of Nu.0.030 million reported earlier remained unsettled as of 30 Sept. 2021.*

#### 1.3.4.9 ROYAL INSTITUTE OF MANAGEMENT

During the year, the RAA conducted three audits of Royal Institute of Management. There was one observation amounting to Nu.1.470 million which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.1.470 million.

The unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.1.470 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management and the unsettled irregularities of Nu. 1.470 million reported to the Parliament in Sept. 2020 got resolved as on 30 Sept. 2021 as shown in the table below.



Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	1.470	1.470	-	100
	<b>Total</b>	<b>1.470</b>	<b>1.470</b>	<b>-</b>	

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which got settled as on 30 Sept. 2021 is as discussed below:

## 1. Shortfalls, Lapses and Deficiencies

There was a case of shortfalls, lapses and deficiencies amounting to Nu.1.470 million as indicated below:

### 1.1 PAYMENT OF HEAD ALLOWANCES TO THE DEPARTMENT HEADS WITHOUT THE RECOMMENDATION OF THE PAY COMMISSION - NU.1.470 MILLION

The Royal Institute of Management had paid 'Head Allowance' of Nu.5,000.00 per month per person aggregating to Nu.1.470 million from 2014 till 2018 to its department heads. Such allowance although approved by the Board of Directors was not in line with Article 30 of the Constitution of the Kingdom of Bhutan which states that, "The Pay Commission shall recommend to the Government revisions in the structure of the salary, allowances, benefits and other emoluments of the Royal Civil Services, Judiciary, the members of Parliament and Local Governments, the holders and the members of constitutional offices and all other public servants with due regard to the economy of the Kingdom and other provisions of this Constitution". Therefore, the legitimacy of the payment of 'Head Allowance' to the department heads remained questionable. *AIN: 15524; Para: 1; Accountabilities: Direct: Karma Tshering, Director, EID # 8709033; Supervisory: Ngeema Singye Chenpo, Chairperson, RIM Board, CID # 11309001761, Indraman Chhetri, RCSC Commissioner, EID # 8901038, Tshewang Tandi, Director General, EID # 8404037, Tashi, Zimpon Wogma, EID # 9407083, Aum Chime Peden Wangdi, EID # 11410003243, Karma Tshering, Director, EID # 8709033.*

**Status:** Observation settled vide letter No. RIM/Gen-30/2020/5108 dt.25/03/2020.

#### 1.3.4.11 SAMDRUPJONGKHAR THROMDE

During the year, the RAA conducted two audits of Samdrupjongkhar Thromde. There were seven observations amounting to Nu.1.767 million of which five observations amounting to Nu.1.675 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.092 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Thromde Administration, one observation amounting to Nu.0.092 million was resolved. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management, however, the irregularity remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	-	-	-	-
	<b>Total</b>	-	-	-	

The details of unsettled irregularity reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

## 1. Shortfalls, Lapses and Deficiencies

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

### 1.1 NON-UPDATION OF EXCESS LAND IN MA-THRAM

The Samdrup Jongkhar Thromde Administration had recorded excess land aggregating to 10,229 square feet (sq.ft) in the new Lag-thrams (Land Ownership Certificates) of 11 land owners. The initial land area as per the old lag-thrams of the land owners aggregated to 38,065 sq.ft, whereas the revised land area recorded in their new lag-thrams worked out to 48,294 sq.ft, resulting in the recording of excess land by 10,299 sq.ft. The variations between the initially registered land area and the revised land holding were not updated in the Ma-thram as on the date of audit. *AN: 15293; Para: 6; Accountabilities: Direct: Namgay Wangdi, Asstt. Land record Officer, EID # 200803013; Supervisory: Minjur Dorji, Executive Secretary, EID # 9509038.*

**Status:** *Observation not settled.*

### 1.3.4.12 THIMPHU THROMDE

During the year, the RAA conducted two audits of Thimphu Thromde. There were 55 observations amounting to Nu.36.514 million of which 30 observations amounting to Nu.24.079 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.12.435 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the Thromde Administration, observations amounting to Nu.0.073 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.12.362 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management and out of the total unsettled irregularities of Nu. 7.629 million reported to the Parliament in Sept. 2020, Nu. 3.728 million were settled leaving a balance of Nu. 3.901 million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	1.202	-	1.202	-
2	Mismanagement	3.307	0.608	2.699	18.39
3	Non-compliance to Laws and Rules	2.933	2.933	-	100
4	Shortfalls, Lapses and Deficiencies	0.187	0.187	-	100
<b>Total</b>		<b>7.629</b>	<b>3.728</b>	<b>3.901</b>	<b>48.87</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

### 1. Fraud, Corruption and Embezzlement - Nu.1.202 million

There were cases of fraud, corruption and embezzlement amounting to Nu.1.202 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. In Million
1.1	Illegal encroachment on state owned and private registered land by individual land owners	-	-	Unsettled
1.2	Non-accountal and short-accountal of scrutiny, amenity fees and service charges	1.202	-	1.202
<b>Total</b>		<b>1.202</b>	<b>-</b>	<b>1.202</b>

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

#### 1.1 ILLEGAL ENCROACHMENT ON STATE OWNED AND PRIVATE REGISTERED LAND BY INDIVIDUAL LAND OWNERS

As per Section 299(e) of Land Act of Bhutan 2007, "any person committing the act of encroachment on a state-owned and private registered land shall be guilty of an offence of petty misdemeanor and shall be liable to be sentenced in accordance with Bhutan Penal Code".

Out of 30 illegal encroachment within the Thimphu City, the Thimphu Thromde Administration (TTA) had taken appropriate actions against 24 cases pending appropriate actions against remaining six cases. The lapse had occurred due to lack of regular monitoring and reporting by the building inspectors and the Division for initiating timely action. *AIN: 15051; Para: 32; Accountabilities: Direct: Dorji Namgyel, EID # 201101156, Nima Gyelpo, EID # 201001111; Supervisory: Kinlay Dorjee, EID # 9907556.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 30 Aug. 2021 in NC conferefce hall Thimphu where Thrompon reported that they tried their best to evacuate the lands illegally occupied, however, they were intimidated by the occupants with weapons and refused to leave the area. It was also shared that when high level officials are involved in such cases, even police hesitate to take action on it. Thromde stated that now they are plening advertise in the media for such illegal encroachment of government lands for evacuation.*

*The PAC advised Thromde to take police protection while executing such kind of task. It was decided*

*that, Thomde should conduct a re-survey and resolve this issue by 31 December 2021 and report the same to RAA.*

## 1.2 NON-ACCOUNTAL AND SHORT-ACCOUNTAL OF SCRUTINY, AMENITY FEES AND SERVICE CHARGES - NU.1.202 MILLION

The TTA had non-accountal/short-accountal of scrutiny, amenity fees and services charges amounting to Nu.1.202 million. Out of 104 building applications approved, the Thomde had not accounted fees and charges amounting to Nu.1.115 million in respect of 39 approved applications and deposit of the fees could not be traced in the Consolidated Revenue Collections Statements (CRCS) prepared by the Revenue Section. Further, the Thomde had six cases where the actual fees collected were lesser than the fees liable, which had resulted in short-accountal of fees by Nu.0.087 million. *AIN: 15051; Para: 3; Accountabilities: Direct: Gyeltshen, EID # 7703012; Supervisory: Hasta Bahadur Sangpang, EID # 8505063.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 30 Aug. 2021 in the NC conference hall, Thimphu where the Thomde reported that the case was forwarded to ACC vide letter No. RAA/AG-SP/16/2020/114 dated 02 June 2020 for investigation and ACC acknowledged as it qualifies for investigation. The PAC directed the Thomde to follow up with ACC for expediting the case.*

## 2. Mismanagement – Nu.2.699 million

There were cases of mismanagement amounting to Nu.3.307 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. In Million
2.1	Periodic reconciliations of revenue collections and deposits not carried out	-	-	Unsettled
2.2	Improper documentation resulting to mismatch of revenue collections and	0.350	-	0.350
2.3	Non-accountal vis-a-vis deposit of revenue collected from 5% property transfer tax and other associated fees on land conveyance	0.045	-	0.045
2.6	Unauthorized lease of Government land and irregular waive-off of land lease rent and penalty	2.293	-	2.293
2.7	Short-levy and excess-levy of 5% property transfer tax on land conveyance Nu.0.198 million and Nu.0.032 million respectively	0.011	-	0.011
2.8	Fund diversion from approved RGoB to GoI Project	0.608	0.608	-
<b>Total</b>		<b>3.307</b>	<b>0.608</b>	<b>2.699</b>

The cases of mismanagement are as indicated below:

### 2.1 PERIODIC RECONCILIATIONS OF REVENUE COLLECTIONS AND DEPOSITS NOT CARRIED OUT

Clause 3.2.1 (d) of the Revenue Accounting Manual (RAM) 2004 states that "A Periodic Bank Reconciliation shall be carried out as per prescribed Form No. 3.1.4 laid down in the Revenue Accounting Manual 2004 to ascertain the accuracy of total amount collected with that of deposits made into revenue account". The TTA had computed fines amounting to Nu.5.748 million as per the records of regularisation, which the RAA was not able to trace in the Collections and Deposits Statements maintained by the Thomde. Periodic reconciliations of revenue collections and deposits were also not carried out as required by the RAM 2004. *AIN: 15051; Para: 2; Accountabilities: Direct: Sangay Drakpa, EID # 2001110, Singay Choki, EID # 200301063, Pema Zangley, EID # 200604005, Kezang*

Jamtsho, EID # 20101100956, Tshering Pelzom, EID # 200307347, Tandin Wangdi, EID # 200301051, Tandin Wangmo, EID # 9901115, Jigme Loday, EID# 201101151, Palden Khandu, EID # 200401005; Supervisory: Kinlay Dorjee, EID # 9907556.

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 30 Aug. 2021 in the NC conference hall, Thimphu where the Thomde reported that internal auditor and the revenue officer has been coordinating with each other and the work has started to reconcile the accounts. As of now 70% of work has been completed and soon out come will be intimated. It was decided that Thomde should reconcile all the accounts by 30 Sept. 2021 and report it to RAA.

## 2.2 IMPROPER DOCUMENTATION RESULTING TO MISMATCH OF REVENUE COLLECTIONS AND DEPOSIT OF APPLICATIONS AND ACTIVITY FEES - NU.0.350 MILLION

The TTA was required to collect Nu.1,000.00 per activity besides the application fee of Nu.500.00 for the construction of commercial and residential buildings in urban areas as per Clause 6.10 of the Environmental Assessment Act 2000. The records of collections from construction activities was not properly validated with the sources of revenue in the CRCS during the period July 2015 to December 2016. Out of the receivable revenue of Nu.0.387 million from 258 approved applicants, the source for the collection of Nu.0.169 million could not be traced out, and the revenue collection of Nu.0.181 million from 121 applications was pending as of 31 March 2019. Further, periodic reconciliation to ascertain the accuracy of total amount collected was not carried out as required under Clause 3.2.1 (d) of the RAM 2004. *AIN: 15051; Para: 4; Accountabilities: Direct: Gyeltshen, EID # 7703012; Supervisory: Hasta Bahadur Sangpang, EID # 8505063.*

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 30 Aug. 2021 in the NC conference hall, Thimphu where the Thomde reported that the case has been forwarded to ACC. Accountable person has resigned but has not been given his retirement benefits. The PAC advised the Thomde to reconcile all the accounts by 31 Oct. 2021 and report it to RAA

## 2.3 NON-ACCOUNTAL AND NON-DEPOSIT OF REVENUE COLLECTED FROM 5% PROPERTY TRANSFER TAX AND OTHER ASSOCIATED FEES ON LAND CONVEYANCE -0.045 MMILLION

During the period 01/07/2015 to 30/06/2016, the TTA had not accounted/deposited revenue of Nu.2.749 million collected on account of 5% property transfer tax and other associated fees on land conveyance. The RAA could not trace out its deposits made into CD Account. The lapse had occurred due to non-conduct of periodic reconciliation of revenue collections and deposits, and due to non-adherence to the RAM 2004. *AIN: 15051; Para: 37; Accountabilities: Direct: Gyeltshen, EID # 7703012; Supervisory: Hasta Bahadur Sangpang, EID # 8505063.*

**Status:** Observation not settled. Out of the total amount of Nu.2.749 million; Nu.2.704 million was adjusted based on the verification carried out by Internal Auditor of Thimphu Thomde on 28/08/2018 that the amount was deposited into revenue account. Therefore, the outstanding balance stands at Nu.0.045 million which remained unsettled as of 30 Aug. 2021.

*The issue was deliberated during the PAC consultative meeting held on 30 Aug. 2021 in the NC conference hall, Thimphu where the status of the observation remained as reported above. It was decided that, Thomde should reconcile the accounts for the remaining amount by 31 Oct. 2021 and report to RAA.*

## 2.6 UNAUTHORIZED LEASE OF GOVERNMENT LAND AND IRREGULAR WAIVE-OFF OF LAND LEASE RENT NU.1.246 MILLION AND PENALTY THEREOF NU.1.047 MILLION

The TTA on 11/04/2011 had leased out 10,385.00 sq.ft. land to M/s Greener Way at a service

recovery charge of Nu.10,000.00 per month for operation and maintenance of PET bottle crushing plant for one year subject to renewal based on satisfactory performance of the entity. The TTA had waived-off lease rent and penalty aggregating to Nu.2.293 million for the periods starting 2011-12 to 2016-17, for which the Thromde did not have financial powers under FRR thus leading to irregular waiver. *AIN: 15051; Para: 38; Accountabilities: Direct: Kinlay Dorjee, EID # 9907556; Supervisory: Kinlay Dorjee, EID # 9907556.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 30 Aug. 2021 in the NC conference hall, Thimphu where the Thromde reported that since the land was not registered under Thromde, they couldn't collect the lease amount. However, the land is under the Thromde's vicinity and thromde has the right to utilize the same. It was decided that, RAA and Thromde should convene a bilateral meeting to resolve the issue.*

#### 2.7 SHORT-LEVY AND EXCESS-LEVY OF 5% PROPERTY TRANSFER TAX ON LAND CONVEYANCE NU.0.198 MILLION AND NU.0.032 MILLION RESPECTIVELY

In accordance with Section 108 of Thromde Act of Bhutan 2007, the transferor/transferee was liable to pay property transfer tax on sale value of land/building as per the sale deed between the transferor and transferee or on sale value ascertained by way of valuation in case of building and property as per PAVA rate whichever is higher. However, the TTA, besides waiving-off 5% Property Transfer Tax (PTT), had short-levied it by Nu.0.198 million for some clients. On the contrary, there were instances of excess levy of 5% PTT amounting to Nu.0.032 million leading to inconsistent application of PTT. *AIN: 15051; Para: 41; Accountabilities: Direct: Dorji Namgyel, EID # 201101156, Nima Gyelpo, EID # 201001111; Supervisory: Kinlay Dorjee, EID # 9907556.*

**Status:** *Observation not settled as Nu.0.011 against Tshering Dema needed be recovered and deposited into audit recoveries account which remained undeposited as of 30 Aug. 2021. However, Nu.0.198 million was considered for settlement as per recommendation of the audit report since the tax was waived off by the DRC and excess levy of 5% property transfer tax on land conveyance has been dropped.*

*The issue was deliberated during the PAC consultative meeting held on 30 Aug. 2021 in the NC conference hall, Thimphu where the Thromde reported that they have been following up with Tshering Dema for the recovery of the balance amount. It was stated that Thromde has the possession of the Lag Thram of Tshering Dema's land and will return it only after the recovery of the amount from her. Thromde assured that they will further follow up with her to recover the amount. The PAC directed the Thomdey to recover the amount by 30 Sept. 2021 and intimate to the RAA.*

#### 2.8 FUND DIVERSION FROM APPROVED RGOB TO GOI PROJECT - NU.0.608 MILLION

The TTA had made fund diversion of Nu.0.608 million from the RGoB fund to the GoI funded project "Urban School Construction - Changangkha MSS". Against the GoI release of Nu.20.670 million during the FY 2015-16, the TTA had incurred expenditure of Nu.21.278 million resulting in excess expenditure of Nu.0.608 million which was met from the RGoB fund. As of 31 March 2019, the amount was not recouped from GoI fund. *AIN: 15141; Para: 5; Accountabilities: Direct: Bhim Kumar Pradhan, Accounts Asstt., EID # 9709071; Supervisory: Sonam Nima, SAO, EID # 8205034.*

**Status:** *Observation was settled based on the reconciliation of financial statement carried out and verification made by audit team.*

### 3. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules amounting to Nu.2.933 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
3.2	Absence of application of Turn Around Time (TAT) for processing of the building applications as per limit prescribed in Standard Operating	-	-	Unsettled
3.4	The minimum required plots sizes for various constructions not maintained as per standards vis-a-vis nonregularisation resulting in non-levy of applicable fines/penalties	-	-	Unsettled
3.5	Irregular allotment of Government Land on Lease	-	-	Settled
3.6	Inconsistent application of government orders on allotment of Government Land on lease to Private individuals and Non-Government Organization	-	-	Unsettled
3.7	Error in new thram (Land Ownership Certificate) after effecting land conveyance resulting into recording/reflecting of excess/shortage land in new thram	-	-	Unsettled
3.8	Change of precinct in new thram after effecting land conveyance and Discrepancy	-	-	Settled
3.11	Discrepancy in the lapsed fund	2.933	2.933	-
<b>Total</b>		<b>2.933</b>	<b>2.933</b>	<b>-</b>

The cases of non-compliance to laws and rules are as indicated below:

### 3.1 ABSENCE IN APPLICATION OF TURN-AROUND-TIME (TAT) FOR PROCESSING BUILDING APPLICATIONS AS PER THE LIMIT PRESCRIBED IN STANDARD OPERATING PROCEDURE

As per Clauses 5.1.3 & 5.3.2 of Standard Operating Procedure (SoP) the maximum turn-around- time (TAT) for processing and approvals of building applications was set at 37 days. However, the TTA had not adhered to the time limit prescribed in the SoP. Out of 1,159 applications approved during the last eight years (01.01.2009 to 31.12.2016), only 131 applications (representing 11.30%) were processed within the standard TAT and the remaining 1,028 applications (88.70%) were delayed substantially. The time taken for the approval ranged from minimum of 2 days to maximum 1,871 days indicating abnormal deviations from the standard TAT. The lapses had occurred due to lack of system for checking and monitoring the TAT and fixing accountability for the failure. *AIN: 15051; Para: 11; Accountabilities: Direct: Karma Jamtsho, EID # 9607012, Jigme Loday, EID # 201101151, Robin Rimal, EID # 20140103257, Sonam Wangchuk, EID # 20150105138, Sonam Tshering, EID # 20160106493, Kezang Choden, EID # 20160106504; Supervisory: Palden Khandu, EID # 200401005.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 30 Aug. 2021 in the NC conference hall, Thimphu where the Thromde reported that the lapses occurred due to manual record keeping system wherein keeping record of work/activity was difficult unlike in electronic record keeping. Thromde has developed now a system to resolve this kind of issues. It was decided that, Thromde should submit a report to RAA on the system developed for review and appropriate decision.*

### 3.4 THE MINIMUM REQUIRED PLOT SIZES FOR VARIOUS CONSTRUCTIONS NOT MAINTAINED AS PER STANDARDS VIS-A-VIS NON-REGULARISATION RESULTING IN NON-LEVY OF APPLICABLE FINES/PENALTIES

The TTA had approved building constructions of few applicants whose net plot areas were not as per the minimum required plot sizes specified in Table 3.0.2 of the DCR 2004. Further, since the deviations were not regularized, the Thromde Administration had not been able to levy fines liable as per Clause 2.8.7 of the DCR 2004. There was no system of reviewing the plot areas during the laying of building foundations and assessing the net plot areas after the land pooling, in order to curb such lapse.

Further, there was no coordination amongst responsible divisions to detect and control such deviations, and the building owners lacked awareness on such requirements. *AIN: 15051; Para: 26; Accountabilities: Direct: Sangay Drakpa, EID # 2001110, Singay Choki, EID # 200301063, Pema Zangley, EID # 200604005, Kezang Jamtsho, EID # 20101100956, Tshering Pelzom, EID # 200307347, Tandin Wangdi, EID # 200301051, Tandin Wangmo, EID # 9901115; Supervisory: Jigme Dorji, EID # 200201095.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 30 Aug. 2021 in the NC conference hall, Thimphu where the Thromde reported that the management has failed to submit the report as directed by RAA due to absence of accountable person in the office. However, the constructions were made as per the rules and regulations prescribed. So, Thromde will submit their report on the same to RAA. It was decided that Thromde should submit a report to RAA for review and appropriate decision.*

### 3.5 IRREGULAR ALLOTMENT OF GOVERNMENT LAND ON LEASE

The TTA had irregularly allotted two plots of land on lease to two private individuals - i) 600 sq.ft land above Babesa MSS to Mrs. Tshering Dolma for Construction of Septic tank/Soak pit tank, and ii) 2,178 sq.ft. land at Changangkha to Mrs. Jyotshna Gurung for Creation of Commercial Nursery. The purposes for which the two plots were allotted were not covered by Sections 90<sup>20</sup> and 91<sup>21</sup> of Rules and Regulations for Lease of Government Land 2009 leading to irregular allotment of Government land to private individuals. *AIN: 15051; Para: 43; Accountabilities: Direct: Tandin Wangdi, EID # 200301051; Supervisory: Kinlay Dorjee, EID # 9907556.*

**Status:** *Observation settled as the sewer line connection was completed and site verified.*

### 3.6 INCONSISTENT APPLICATION OF GOVERNMENT ORDERS ON ALLOTMENT OF GOVERNMENT LAND ON LEASE TO PRIVATE INDIVIDUALS AND NON-GOVERNMENT ORGANIZATIONS

As per directives of MoWHS on allotment on Government land on lease vide letter no. MoWHS/DHS/2/62011-2012/228 dated 08/10/2012, the Thromde was required to refrain from allotting Government land to private individuals and NGOs even on lease within the Thromde area.

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<sup>20</sup> "The local authority shall receive the application, scrutinize the compatibility of land use and approve or reject the proposals pertaining to temporary lease for i) Exhibition/Entertainment/sports/religious activities/seasonal markets (temporary); ii) Labour camps/stores for construction activities (short term) - Section 90 of Rules & Regulations for Lease of Government Land 2007; and

<sup>21</sup> "For Activities that are not listed in the section 90 of this rule, the local authority shall receive the application, scrutinize the compatibility of land use and reject or forward the proposal to NLCS for decision within one month after receipt of the application" - Section 91 of Rules & Regulations for Lease of Government Land 2009.

However, the Thimphu Thromde without adhering to the directives of the Ministry had allotted 49,276.00 sq.ft. of Government land on lease to six clients (five individuals & one NGO) with lease terms ranging from 9 to 30 years. Non-application of Government orders uniformly to all the citizens had resulted in rendering undue favors to few individuals and an entity. *AIN: 15051; Para: 44; Accountabilities: Direct: Dorji Namgyel, EID # 201101156, Nima Gyelpo, EID # 201001111; Supervisory: Kinlay Dorjee, EID # 9907556.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 30 Aug. 2021 in the NC conference hall, Thimphu where the Thromde reported that the land was leased prior to the issuance of MoWHS's circular. It was stated that the 36<sup>th</sup> Thromde Committee meeting decided to let continue the lease of land until the expiry of the lease period and directed*



*Thromde to refrain from further leasing of land in contravention to the MoWHS's directives. The decision passed by the committee was reported to be communicated to RAA seeking for their advice and comments on the same. The RAA reported that, they have not received the expiry terms of the land leased. The PAC directed that Thromde should submit a report to RAA by 31 Oct. 2021 and have bilateral discussion.*

### 3.7 ERRORS IN NEW LAGTHRAM (LAND OWNERSHIP CERTIFICATE) AFTER EFFECTING LAND CONVEYANCE RESULTING IN RECORDING/REFLECTING OF EXCESS/SHORTAGE LAND IN THE NEW LAGTHRAM

The Thromde had few instances of errors in land areas reflected in the new Lagthram (land ownership certificates) issued by the NLCS to the land owners. The new land ownership certificates did not reflect the correct land acreage after certain transactions were effected. For instance, after selling 4,247 sq.ft. out of 13,702 sq.ft. land, the balance land area in the seller's new Lagthram was erroneously reflected as 9,474 sq.ft. with an excess area of 19 sq.ft. instead of the actual 9,455 sq.ft. On the other hand, the land area of 4,247 sq.ft. reflected in a new Lagthram was 8 sq.ft. less than the actual land area of 4,255 sq.ft. Such discrepancies reflected lack of communication and coordination between the TTA and NLCS. *AIN: 15051; Para: 45; Accountabilities: Direct: Lungten Tenzin, EID # 200905085; Supervisory: Dorji Namgyel, EID # 201101156.*

**Status:** *Observation partially settled. It has been noted that the transaction of land from Passang Dorji & Karma Dema to Pema Dorji was cancelled and revereted to the original land owners since the plot fell under Urban Village Core Precinct (UV1) where the minimum plot size requirement is 10764 sq.ft (net area). In the case of land transferred from Tashi Dorji to Chencho Nidup, no action was initiated as of 31 Aug. 2021.*

*The issue was deliberated during the PAC consultative meeting held on 30 Aug. 2021 in the NC conference hall, Thimphu where the Thromde reported that it was a typo error and can be resolved. Further, Thrompon assured that the issue will be resolved at the earliest. It was decided that Thromde should submit a report to RAA by 31 Oct. 2021 for review and an appropriate decision.*

### 3.8 CHANGE OF PRECINCT IN NEW LAGTHRAM AFTER LAND CONVEYANCE AND ITS DISCREPANCY

Section 127(d) of Land Rules and Regulations 2007 states as "the NLCS shall effect the changes in thram or issue new thram and accordingly inform the Dzongkhag and Gewong/Thromde to update the thram if there is no discrepancy". However, the TTA had few instances of old precincts being changed/approved in the new Lagthram issued after certain land conveyancing, such as changing the precinct from Traditional Village (TV) to Urban Village-Medium Density (UV-MD). Such changes of precincts in the new Lagthram was not in compliant to the prevailing norms indicating extension of undue favours to the land owners. *AIN: 15051; Para: 46; Accountabilities: Direct: Dorji Namgyel, EID # 201101156, Nima Gyelpo, EID # 201001111; Supervisory: Kinlay Dorjee, EID # 9907556.*

**Status:** *Observation was settled as the precinct mistake has been verified in the updated structural plan and found correct as Village Core (UV1).*

### 3.11 DISCREPANCY IN THE LAPSED FUND - NU.2.933 MILLION

The actual lapsed fund for the FY 2016-17 worked out to Nu.2.946 million as against Nu.0.013 million reported by the TTA resulting in under reporting of the lapsed fund by Nu.2.933 million. The erroneous reporting of lapsed fund under Gol project was apparently due to improper reconciliation of monthly accounts and omission of prior year advances amounting to Nu.2.933 million. *AIN: 15141; Para: 6; Accountabilities: Direct: Bhim Kumar Pradhan, Accounts Asstt., EID # 9709071; Supervisory: Sonam Nima, SAO, EID # 8205034.*

**Status:** Observation was settled based on the reconciliation of financial statement carried out and verification done by the audit team.

#### 4. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies amounting to Nu.0.187 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
4.1	Absence of adequate documentations on levy of betterment charges and irregularities thereof	-	-	Unsettled
4.2	Non-availability of proper inventory of Land within Thimphu Thromde	-	-	Settled
4.3	Excess payment in the construction of Changangkha MSS (Package I)	0.187	0.187	-
	<b>Total</b>	<b>0.187</b>	<b>0.187</b>	<b>-</b>

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

##### 4.1 ABSENCE OF ADEQUATE DOCUMENTATIONS ON LEVY OF BETTERMENT CHARGES AND IRREGULARITIES THEREOF

Clause 3.4 of DCR 2004 states "Betterment Charges would be collected for areas within the local area planning under land pooling but where physical pooling is not feasible totally. These charges would be applicable for areas within LAP which are partially pooled and the betterment charges shall be charged based on the remainder percentage of pooling. The rate considered for calculating betterment charges would be as per Land Compensation Rate, 1996." However, the TTA had not collected any betterment charges as on date of audit (June 2017) nor obtained any clearance in support of such waiver. The lapse had occurred due to lack of proper system to check the payment of such charges before approving applications and lack of coordination amongst the functional divisions. *AIN: 15051; Para: 18; Accountabilities: Direct: Kinlay Dorjee, EID # 9907556; Supervisory: Kinlay Dorjee, EID # 9907556.*

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 30 Aug. 2021 in the NC conference hall, Thimphu where the Thromde reported that the matter has been discussed with the Chief Planning Officer and is working on resolving this issue. Thromde requested for time extension till the year end to resolve this issue. The PAC directed the Thromde to resolve the issue by 31 Dec. 2021 and intimate to the RAA.

##### 4.2 NON-AVAILABILITY OF PROPER INVENTORY OF LAND WITHIN THIMPHU THROMDE

Not adhering to the requirements to maintain inventory of land within its own jurisdictions as per prevailing norms<sup>22</sup>, the TTA had not maintained up-to-date land inventory and information. The detailed information of some lands and their ownership certificates were not available in the

<sup>22</sup> "Lands transacted and registered in the Chhagzhag Thram in accordance with the Land Act, shall be registered in the Thromde" - Section 115 of Thromde Act of Bhutan; and "Thromde shall be responsible for the administration and management of all Government land or government reserved forest lands within the Thromde boundary" - Section 164, Chapter 9 of Thromde Rules 2011.

land record data, which indicated incomplete maintenance of land inventory and information. Further, there was mismatch in the number of plots maintained by different stakeholders. The records of land inventory as per Land Record showed 6,777 plots while the records as per

Thimphu Structural Plan and Local Area Plans showed only 5,120 plots. Such discrepancies indicated lack of proper documentation and information management system in the TTA. *AIN: 15051; Para: 47; Accountabilities: Direct: Dorji Namgyel, EID # 201101156, Nima Gyelpo, EID # 201001111; Supervisory: Kinlay Dorjee, EID # 9907556.*

**Status:** *Observation settled as Thimphu Thromde had maintained the land inventory from the Esakor system of NLCS.*

#### 4.3 EXCESS PAYMENT IN THE CONSTRUCTION OF CHANGANGKHA MSS (PACKAGE - I) - NU.0.187 MILLION

The TTA had made an excess payment of Nu.0.187 million to M/s Chukha Construction Pvt. Ltd. in the construction of Changangkha MSS. The lapse had occurred apparently due to failure of the site engineer to exercise necessary checks and ensure the admissibility of contractor's claims prior to making the final payment. *AIN: 15141; Para: 1; Accountabilities: Direct: Tshering Dorji, AE, EID # 20140103519; Supervisory: Jigme Dorji, Chief Engineer, EID # 200201095.*

**Status:** *Observation not settled. Although the principal amount of Nu. 187,156.67 was deposited vide receipt No.03043 dated 18/05/2021 by M/s Chukha Construction, the accrued penalty of Nu.128,230.52 remained unsettled.*

### 1.3.5 CORPORATIONS

#### 1.3.5.1 ARMY WELFARE PROJECT

During the year, the RAA conducted two audits of Army Welfare Project. There were two observations amounting to Nu.10.050 million which were not resolved prior to the compilation of the draft AAR. The significant irregularities reported in the draft AAR 2018 amounted to Nu.10.050 million. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.10.050 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management and out of the total unsettled irregularities of Nu. 3.174 million reported to the Parliament in Sept. 2020, Nu. 1.768 million was settled leaving a balance of Nu. 1.406 million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Shortfalls, Lapses and Deficiencies	3.174	1.768	1.406	55.70
	<b>Total</b>	<b>3.174</b>	<b>1.768</b>	<b>1.406</b>	<b>55.70</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

#### 1. Shortfalls, Lapses and Deficiencies – Nu.1.406 million

There were cases of shortfalls, lapses and deficiencies amounting to Nu.10.050 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
1.1	Pending settlements of old outstanding (sundry debtors)	2.532	1.768	0.764
1.2	Pending settlements of sundry debtors	0.642	-	0.642
	<b>Total</b>	<b>3.174</b>	<b>1.768</b>	<b>1.406</b>

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

#### 1.1 PENDING SETTLEMENTS OF OLD OUTSTANDING (SUNDRY DEBTORS) - NU.0.764 MILLION

The Army Welfare Project, Phuentsholing, as of 31/12/2017 had outstanding sundry debtors amounting to Nu.6.780 million out of which the management had realized Nu.4.248 million leaving balance of Nu.2.532 million unsettled as on date of audit. Out of the total unsettled balance, Nu.1.840 million was against Mr. Lobzang Tshering and Nu.0.692 was the dues of Phuentsholing Bonded Ware House. *AIN: 15332; Para: 1.1; Accountabilities: Direct: Karma Tobgyel, General Manager (AFD), CID # 11410004866; Supervisory: Rinchen Yoezer, Managing Director, CID # 10102001209.*

**Status:** Observation partially settled. Out of Nu.2.532 million; Nu.1.768 million adjusted leaving a balance of Nu.0.764 as of 30 Sept. 2021.

#### 1.2 PENDING SETTLEMENTS OF SUNDRY DEBTORS - NU.0.642 MILLION

As of 31/12/2017, the Army Welfare Project, Samtse had outstanding sundry debtors amounting to Nu.7.518 million on sale of cardboard boxes. Accumulation of huge outstanding revenues was mainly due to non-monitoring of the Sundry Debtors on a periodic basis as required by the AWP's Financial Accounting Manual. *AIN: 15340; Para: 1.1; Accountabilities: Direct: Thinley Zangmo, Sr. Account Asst., CID # 11510001238, Tshering Choden, Manager, CID # 10808001706, Supervisory: Kuenzang Tshering, Sr. Manager (CBBU), CID # 10811002088.*

**Status:** Observation not settled. Out of the total outstanding of Nu.7.518 million an amount of Nu.6.876 million was adjusted vide follow up report No.RAA/OAAG-Pling/AWP(samtse)-C9/2019/756 dated.20/09/2019 leaving a balance of Nu.0.642 million as of 30 Sept. 2021.

#### 1.3.5.3 BHUTAN AGRO INDUSTRIES LIMITED

During the year, the RAA conducted one audit of Bhutan Agro Industries Ltd. There were three observations amounting to Nu.2.564 million of which two observations amounting to Nu.0.064 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.2.500 million.

The unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.2.500 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management, however, the unsettled irregularities of Nu. 2.500 million reported to the Parliament in Sept. 2020 remained unresolved as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Fraud, Corruption and Embezzlement	2.500	-	2.500	-
	<b>Total</b>	<b>2.500</b>	<b>-</b>	<b>2.500</b>	

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

### 1. Fraud, Corruption and Embezzlement – Nu.2.500 million

There was a case of fraud, corruption and embezzlement amounting to Nu.2.500 million as indicated below:

#### 1.1 MANIPULATION AND TAMPERING OF STORE RECORDS AND GOODS ISSUE NOTE RESULTING IN OVERALL STOCK SHORTAGE OF NU.2.500 MILLION

Bhutan Agro Industries had shortage of stock worth Nu.2.500 million due to misappropriation of stock of finished products through manipulation of system by the Store personnel, collusion between the Store Officer and Sales staff, and also due to lack of monitoring by the supervisors. The manipulation and tampering of records was executed through:

- i) repeated entry of same Good Issue Note (GIN) in the system;
- ii) recording items in the system without raising cash memo and invoice;
- iii) non-recording of items and its quantities that are issued as per GIN; and
- iv) non-recording of items issued in the system but had the cash memos/invoices raised.

The case had been forwarded to ACC for investigation. *AIN: 15091; Para: 2; Accountabilities: Direct: Tshering Thinley, CID # 11505002019; Supervisory: Leeladhar Pokhrel, GM (Marketing), CID # 21811000397, Ugyen Dorji, GM, Works, CID # 10703002180, Tashi Wangdi, GM, Monggar Plant, CID # 11503001126.*

**Status:** *Observation not settled. The case was forwarded to ACC as per the letter No.BAI/ACC-14/2020/1143 dated 29/10/2020.*

*This issue was deliberated during the PAC consultative meeting held on 9 Sept. 2021 in NA conference hall, Thimphu where Bhutan Agro Industries Ltd. reported that the lapses had occurred due to the conventional method of recording wherein all the records were maintained manually. It was stated that no proper records were maintained at that time. After the implementation of ERP system, the record keeping system improved and no audit issue was reflected after that. Further, it was reported that the incident took place in 2014 and the audit report was issued in 2018. By the time this issue was known to the management, the accountable person had already resigned from the job. However, the management followed up with the accountable person and the same was acknowledged in writing by him to report to the office and resolve the issue. The management will again follow up with the accountable person to resolve this issue. In the event if this issue could not be resolved amicably then the matter shall be reerred to the court.*

*As the PAC and RAA will be having a bilateral meeting on 22 Sept. 2021 it was decided that PAC and RAA shall discuss and decided on whom the responsibility to follow up in resolving this issue be imposed.*

### 1.3.5.7 BHUTAN POWER CORPORATION LIMITED

During the year, the RAA conducted nine audits of Bhutan Power Corporation Limited. There were 13 observations amounting to Nu.1.085 million of which 10 observations amounting to Nu.0.987 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.0.098 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the corporation, two observations amounting to Nu.0.098 million were resolved. The unresolved significant irregularity reflected in the AAR 2018 is as summarised below.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management, however, the unsettled irregularity reported to the Parliament in Sept. 2020 remained unresolved as on 30 Sept. 2021 as narrated below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	-
	<b>Total</b>	-	-	-	

The details of irregularity reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Non-compliance to Laws and Rules

There was a case of non-compliance to laws and rules as indicated below:

##### 1.1 IRREGULARITIES NOTED IN THE APPROVAL OF CONTRACT TIME EXTENSION

The Electricity Services Division, Bhutan Power Corporation Limited, Thimphu had approved time extension appealed six months after the work was handed-over by the contractor and released the liquidated damages of Nu.1.855 million deducted earlier. The approval of the time extension and consequent release of LD was in violation to Clause 3 (III) of the Contract Document which required that "...the contractor must give notice of any event causing a delay within 21 days of such occurrence and the Employer must within reasonable time decide on the extended date of completion." The case is sub-judice. *AIN: 15090; Para: 2; Accountabilities: Direct: Krishna Humagai, SE, RCO Wangdue, CID # 11208000562, Passang, Engineer, ESD Thimphu, CID # 10207001172; Supervisory: Sandeep Rai, GM, DCSD, CID # 11212002065.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 9 Sept. 2021 in NA conference hall, Thimphu where the Legal officer of BPC reported that legal action was taken against the contractor to recover the amount and the Court directed the accountable person to pay the amount within six months. Upon following up with the contractor, it was stated that his entertainment centre (Thimphu Club) has been closed for a long time due to COVID-19 situation and he has no source of income as of now. The contractor through a written undertaking promised to repay the amount soon after his entertainment centre is operational. Accordingly, time extension was given to the contractor.*

*It was decided that BPC should follow up with the contractor to recover the amount under intimation to the RAA.*

### 1.3.5.8 CONSTRUCTION DEVELOPMENT CORPORATION LIMITED

During the year, the RAA conducted two audits of Construction Development Corporation Limited. There were three observations amounting to Nu.12.393 million none of which was resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.12.393 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the corporation, two observations amounting to Nu.12.211 million were resolved. The unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.0.181 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management, however, the unsettled irregularities of Nu. 0.181 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.181	-	0.181	-
	<b>Total</b>	<b>0.181</b>	<b>-</b>	<b>0.181</b>	

The details of unsettled irregularity reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Non-compliance to Laws and Rules - Nu.0.181 million

There was a case of non-compliance to laws and rules amounting to Nu.0.181 million as indicated below:

##### 1.1 OUTSTANDING SUNDRY DEBTORS - NU.0.181 MILLION

The Construction Development Corporation Limited (CDCL), Gelephu had huge outstanding balance amounting to Nu.1.872 million as on 30/04/2018 on account of machinery hired to various agencies. The lapses had occurred due to laxity in adhering to the terms and conditions of hiring machinery which required *“the user to pay 100% hire charges in advance for the specified period of requirement before the release of machines, equipment and vehicles for work”*. As of 31 March 2019, outstanding amount of Nu.1.691 million had been resolved leaving balance of Nu.0.181 million. *AIN: 15453; Para: 1; Accountabilities: Direct: Chenchu Tshering, Assistant Manager, EID # CDCL8804001, Supervisory: Bobi Maya Thapa, Regional Manager, EID # CDCL1105011.*

**Status:** *Observation not settled.*

### 1.3.5.10 DUNGSAM CEMENT CORPORATION LIMITED, NGANGLAM

During the year, the RAA conducted one audits of Dungsam Cement Corporation Limited. There were nine observations amounting to Nu.9.670 million none of which was resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.9.670 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the corporation, six observations were resolved. The unresolved significant irregularities reflected in the

AAR 2018 amounted to Nu.9.670 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management and out of the unsettled irregularities of Nu. 8.754 million reported to the Parliament in Sept. 2020; Nu.7.427 million was settled leaving a balance of Nu.1.327 million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	8.754	7.427	1.327	85
2	Shortfalls, Lapses and Deficiencies	-	-	-	-
	<b>Total</b>	<b>8.754</b>	<b>7.427</b>	<b>1.327</b>	<b>84.84</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, irregularities settled thereafter and unsettled balances as on 30 Sept. 2021 are as discussed below:

#### 1. Non-compliance to Laws and Rules - Nu.1.327 million

##### 1.1 NON-ADJUSTMENT/NON-RECOVERY OF ADVANCES - NU. 1.327 MILLION

As on 31/12/2017, the DCCL had unsettled advances amounting Nu.47.944 million paid to the parties on account of supply of raw materials, spare parts and hire of professional services. Out of the total unsettled amount the DCCL had settled advances amounting to Nu.39.190 as on 31/03/2019 leaving a balance of Nu.8.754 million. *AIN: 15507; Para: 4; Accountabilities: Direct: Tashi Tenzin, Manager (Procurement), CID # 20205000476; Supervisory: Karma Gayleg, DY CEO, CID # 10715000188.*

**Status:** *Observation partially settled. Out of the total amount of Nu.8.754 million; Nu.7.427 million was settled vide letter No.RAA/OAAG-SJ(AR-173)/DCCL-Ngaglam/2021/940 dated 04/08/2021 leaving a balance of Nu.1.327 million as of 4 Aug. 2021.*

*This issue was deliberated during the PAC virtual consultative meeting held on 8 Oct. 2021 where CEO of DCCL reported that as per the recommendations of the RAA, management did several follow up with the involved parties and resolved Nu.7.41million and the same was intimated to Office of Assistant Auditor General, Samdrup Jongkhar through Action Taken Report and the amount was reduced to Nu.1.34 million. Of the unresolved amount, most of the cases were pertaining to the project phase so it is really difficult for the management of the day to resolve the issues as there is no single document concerning the issues. According to the directives of PAC, the management is preparing notes against the issues and planning to propose it in the upcoming BAC Meeting for write-off, in which the decisions of the meeting will be intimated to the follow up division of OAAG, Samdrup Jongkhar for consideration of the observation.*

*The RAA stated that the balance amount cannot be dropped arbitrarily, however, it was suggested that the management may initiate for appropriate action in accordance with the DCCL's rules and delegation of powers.*

*The PAC advised DCCL to deliberate the issue in the board meeting and report the decision of the board to RAA by 31 October 2021.*



## 2. Shortfalls, Lapses and Deficiencies

### 2.2 ABSENCE OF PROPER GUIDELINES FOR PROPERTY MANAGEMENT RESULTING INTO IMPROPER MANAGEMENT OF ASSETS

To ensure safe custody and proper utilization of the company's assets and properties, it is important for the DCCL to maintain an updated inventory of its properties at all times. However, the DCCL had no proper guidelines on property management due to which some household appliances (television set and room heater) issued to the guest house were missing and some were issued to the staffs for their personal use. The lapse can be attributed to improper handing- taking of guest house items and due to non-maintenance of proper stock records. *AIN: 15507; Para: 7; Accountabilities: Direct: Dawa Zangpo, Associate Admin, CID # 11106003032; Supervisory: Tashi Penjor, Head HRAD, CID # 11410004260.*

**Status:** *Observation not settled.*

#### 1.3.5.11 DUNGSAM POLYMERS LIMITED

During the year, the RAA conducted one audit of Dungsam Polymers Limited. There were six observations amounting to Nu.1.343 million none of which was resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.343 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the corporation, two observations were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.343 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management and out of the total unsettled irregularities of Nu.0.583 million reported to the Parliament in Sept. 2020, Nu. 0.304 million was settled leaving a balance of Nu. 0.279 million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Mismanagement	0.455	0.227	0.228	50
2	Shortfalls, Lapses and Deficiencies	0.128	0.077	0.051	60
	<b>Total</b>	<b>0.583</b>	<b>0.304</b>	<b>0.279</b>	<b>52</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

#### 1. Mismanagement - Nu.0.228 million

There was a case of mismanagement amounting to Nu.0.228 million as indicated below:

##### 1.1 NON-REALIZATION OF OUTSTANDING CREDIT SALES - NU.0.228 MILLION

The Dungsam Polymers Limited (DPL) had not complied with the company's Credit Policy 2015 pertaining to credit sales, resulting into non-realization of the old credit sales amounting to Nu.0.455 million from three sundry debtors namely, Sitaram, Lachen and Druk Cement. The DPL had not realized credit sales even after the expiry of the credit facility period of 30 days from the date of invoice stipulated in the credit policy. *AIN: 15311; Para: 1; Accountabilities: Direct: Sangay Bidha, Dy.*

Finance Manager, CID # 11512003005; Supervisory: Sherab Chophel, CSD Head, CID # 12004002941.

**Status:** Observation partially settled. Out of Nu.0.455 million; Nu.0.227 million settled leaving a balance of Nu.0.228 million as of 30 Sept. 2021.

## 2. Non-compliance to Laws and Rules – Nu.0.051 million

There were cases of non-compliance to laws and rules amounting to Nu.0.051 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
2.1	Non-imposition of liquidated damages	0.049	0.049	-
2.2	Non-receipt of goods after making advance payment	0.079	0.028	0.051
	<b>Total</b>	<b>0.128</b>	<b>0.077</b>	<b>0.051</b>

The cases of non-compliance to laws and rules are as indicated below:

### 2.1 NON-IMPOSITION OF LIQUIDATED DAMAGES - NU.0.049 MILLION

The DPL had not levied liquidated damages amounting to Nu.0.049 million for the delay in settlement of bills beyond the credit periods stipulated in the company's Credit Policy 2015. *AIN: 15311; Para: 2; Accountabilities: Direct: Sangay Bidha, Dy. Finance Manager, CID # 11512003005; Supervisory: Tshering Tenzin, CEO, CID # 11505001826.*

**Status:** Observation settled vide review report No. RAA/OAAG-SJ(AR-146)DPL-Nganglam/2019/3884 dated 13/1/2020.

### 1.2 NON-RECEIPT OF GOODS WORTH NU.0.051 MILLION AFTER MAKING ADVANCE PAYMENT

The DPL had not received supplies worth Nu.0.079 million from M/s Lohia Corp. Limited, India. The advances of Nu.0.078 million and Nu.0.001 million were paid to the supplier on 14/01/2015 and 09/03/2017 respectively, however the DPL had not received the stock from the supplier as on date of audit. The applicable LD was not imposed on value of undelivered supplies. *AIN: 15311; Para: 6; Accountabilities: Direct: Kencho Tshering, Dy. Manager (Procurement), CID # 11106003429; Supervisory: Sherab Chophel, CSD Head, CID # 12004002941.*

**Status:** Observation not settled. Out of Nu.0.079 million; Nu.0.028 million settled leaving a balance of Nu.0.051 million. The unsettled balance reported last remained unsettled as of 8 Oct.2021.

*This issue was deliberated during the PAC virtual consultative meeting held on 8 Oct. 2021 where CEO of DPL reported that, out of the total amount of Nu. 78,987.70 balance amount of Nu. 50,897.70 is to be recovered. As soon as the audit memo was issued, DPL team visited Kolkata to correspond with Lohia (supplier) to reconcile the accounts. As per Lohia the amount couldn't be reconciled due to booking issues, absence of documents and failure on part of DPL to submit the tax exemption certificate. With the explanation note received from Regional Revenue and Custom Office, DPL justified the reason for not being able to submit the tax exemption certificate. Upon receipt of the letter Lohia took the matter to their Board for write off. DPL and Lohia exchanged the missing documents and adjusted the advance for new items.*

*The PAC directed DPL to submit the documents justifying the settlement of the issue to RAA by 31 Oct. 2021 for review and appropriate decision.*

### 1.3.5.13 FOOD CORPORATION OF BHUTAN LIMITED, PHUENTSHOLING

During the year, the RAA conducted two audits of Food Corporation of Bhutan, Phuentsholing. There were four observations amounting to Nu.4.073 million none of which was resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.4.073 million.

The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.4.073 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management, however, the unsettled irregularities of Nu. 0.084 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	0.084	-	0.084	-
	<b>Total</b>	<b>0.084</b>	<b>-</b>	<b>0.084</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Non-compliance to Laws and Rules - Nu.0.084 million

There was a case of non-compliance to laws and rules amounting to Nu.3.492 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
1.2	Non-receipt of reimbursement of claims made on utilization of 'Free Items' scheme	0.084	-	0.084
	<b>Total</b>			

The cases of non-compliance to laws and rules are as indicated below:

#### 1.2 NON-RECEIPT OF REIMBURSEMENT OF CLAIMS MADE ON UTILIZATION OF 'FREE ITEMS' SCHEME - NU.0.084 MILLION

The FCBL's Phuentsholing Wholesale Depot In-charge had implemented 'Free Items' scheme of M/s Hindustan Unilever Limited with utilization value of Nu.3.492 million without prior approval and consent of the FCBL Management. The operation of the scheme for substantial value by Depot In-charge without the consent of the management remained ambiguous; and RAA could not rule out fraudulent practices by the officials concerned. *AIN: 15416; Para: 1.2; Accountabilities: Direct: Phub Dem, Senior Supervisor, CID #10204000779, Supervisory: Sangay Wangdi, GM, CID # 11410005316.*

**Status:** *Observation not settled. Out of the total amount of Nu.3.492 million; Nu. 3.408 million had been adjusted vide letter No.FCB/FAD/20/2020/377 dated 24/04/2020 leaving a balance of Nu.0.084 million as of 30 Sept. 2021.*

### 1.3.5.15 NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

During the year, the RAA conducted two audits of Natural Resources Dev. Corporation Limited. There was one observation amounting to Nu.1.632 million which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity reported in the draft AAR 2018 amounted to Nu.1.632 million.

The unresolved significant irregularity reflected in the AAR 2018 amounted to Nu.1.632 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management, however, the unsettled irregularities of Nu. 1.055 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Mismanagement	1.055	-	1.055	-
	<b>Total</b>	<b>1.055</b>	<b>-</b>	<b>1.055</b>	

The details of unsettled irregularity reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

#### 1. Mismanagement – Nu.1.055 million

There was a case of mismanagement as indicated below:

##### 1.1 OUTSTANDING DEBTORS - NU.1.632 MILLION

As on 31/12/2017, the Natural Resources Development Corporation Limited, Monggar had outstanding debtors of Nu.1.632 million against 14 parties. The non-realization of huge sundry debtors was due to non-compliance of the provisions envisaged in the Company's policies and guidelines, besides inadequate monitoring system.

The management reported of having forwarded two cases to the District Court for follow-up as under.

1. Indo Construction - Nu.0.274 million
2. Jigme, Sharangtse, F/wood - Nu.0.143 million

*AIN: 15615; Para: 1; Accountabilities: Direct: Namcha Wangchuk, Accountant, EID # 4600312; Tandin Tshewang, FA, EID # 2820308; Choki Dorji, EID # 5600715; Gembo Dorji, Assistant Manager, EID # 1590801; Namgyal, AFO, EID # 1880102; Ugyen Phuntsho, FA, EID # 2810308; Thinley Jamtsho, Assistant Manager, EID # 5001112; Tshering Penjor, Manager, MPU, EID # 3440610; Supervisory: Tandin Wangchuk, EID # 2211202.*

**Status:** *Observation not settled. Out of Nu.1.632 million, a sum of Nu.1.075 million was settled leaving the balance amount of Nu.0.557 million. The balance reported earlier remained unsettled as of 30 Sept. 2021.*

*This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where NRDCL reported that most of the amount had been recovered and balance amount of Nu. 6,000/- was to be recovered from one individual. Since the accountable person has acknowledged to pay, it will soon be recovered.*

*It was decided that NRDCL should submit the details of recoveries made to RAA for update and*

*recover the balance amount by 30 Sept. 2021.*

### 1.3.5.16 STATE TRADING CORPORATION OF BHUTAN

During the year, the RAA conducted one audit of State Trading Corporation of Bhutan. There were four observations amounting to Nu.54.350 million of which two observations amounting to Nu.5.231 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.49.119 million.

The unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.49.119 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management, however, the unsettled irregularities of Nu. 48.866 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-Compliance to Laws and rules	0.072	-	0.072	-
2	Shortfalls, Lapses and Deficiencies	48.794	-	48.794	-
	<b>Total</b>	<b>48.866</b>	<b>-</b>	<b>48.866</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament as 30 Sept.2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

#### 1. Non-compliance to Laws and Rules - Nu.0.072 million

There was a case of non-compliance to laws and rules amounting to Nu.0.325 million as indicated below:

##### 1.1 UNCASHED CHEQUES AMOUNTING TO NU.0.072 MILLION

The State Trading Corporation of Bhutan (STCB) had uncashed cheques amounting to Nu.0.325 million lying unsettled and were not found revalidated as on date of audit (11/2017). The uncashed cheques pertained to the years 2014 to 2016. Accumulation of unencashed cheques had occurred due to non-compliance to Clause 5.2.14<sup>25</sup>, Chapter V of the Financial Manual 2011. *AIN: 15048; Para: 4; Accountabilities: Direct: Sonam Palden, Manager (Finance), CID # 10706002399; Supervisory: Menuka Chhetri, Chief Finance Officer, CID # 21214000101.*

**Status:** *Observation not settled. Out of Nu.0.325 million; Nu.0.253 million had been adjusted vide letter No.STCB/IAU/RAA/(IA-74)/2019/56 dated 13/12/2019 leaving a balance of Nu.0.072 million. It remained unsettled as of 8 Sept. 2021.*

*This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where the Finance officer of STCBL reported that the board meeting decided to write off the issue and the same was communicated to RAA accordingly. RAA on the other hand requested for bilateral meeting to be conducted between STCBL & RAA to resolve this issue.*

*It was decided that, RAA & STCBL should conduct a bilateral meeting by 30 Sept. 2021 and submit a report to PAC.*

## 2. Shortfalls, Lapses and Deficiencies – Nu.48.794 million

There was a case of shortfalls, lapses and deficiencies amounting to Nu.48.794 million as indicated below:

### 2.1 SUNDRY DEBTORS BALANCES - NU.48.794 MILLION

The STCB had not collected some of the cost of vehicles, vehicle spare parts, explosives and other items sold to the customers during the year 2014, 2015 and 2016. The non-collection of revenue on time had resulted in accumulation of sundry debtors amounting to Nu.48.794 million as on date of audit (11/2017). *AIN: 15048; Para: 2; Accountabilities: Direct: Bhawani Gotamey, Credit Officer, CID # 21801000098; Supervisory: Menuka Chhetri, Chief Finance Officer, CID # 21214000101.*

<sup>25</sup>"A cheque issued against an account shall remain valid for six months. Such a cheque may be revalidated or replaced by issue of a fresh cheque". - Clause 5.2.14, Chapter V of the Financial Manual 2011.

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where the Finance officer of STCBL reported that due to inability to identify the heads under which the amount was received, the accounts couldn't be reconciled. As of now, Nu. 15.260 million is to be reconciled but the amount has already been deposited. Therefore, time extension was requested for to reconcile the remaining amounts.*

*It was decided that STCBL should reconcile the account by 30 Sept. 2021 and submit a report to RAA for the settlement of the issue.*

### 1.3.5.17 TANGSIBJI HYDRO ENERGY LIMITED, TRONGSA

During the year, the RAA conducted one audit of Tangsibji Hydro Energy Limited. There were four observations amounting to Nu.1.413 million none of which was resolved prior to the compilation of the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.1.413 million.

The unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1.413 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management, however, the unsettled irregularities reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as narrated below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
2	Non-compliance to Laws and Rules	-	-	-	-
3	Shortfalls, Lapses and Deficiencies	-	-	-	-
	<b>Total</b>	-	-	-	

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

### 1. Non-compliance to Laws and Rules

There were cases of non-compliance to laws and rules as indicated below:

### 1.1 AWARD OF WORK BY RELAXING THE BID CONDITIONS

The THyE had awarded a contract package (MP-1: Civil and Hydro-Mechanical works of Nikachhu Hydropower Project) amounting to Nu.4,288.930 million and €3.827 million to M/s HCCL, India by relaxing the bid conditions. Against the Eligibility and Qualification Criteria (EQC), sub-clause 2.6.1 of the bidding document which required bidders to demonstrate availability of specified equipment, and subsequent sub-clauses required proof of availability for deployment, the THyE reported that most of the equipment of M/s HCCL had exceeded the minimum age specified for each equipment. However, without considering the eligibility clause, the contract was awarded to M/s HCCL on the condition that the contractor provide additional equipment.

Further, the additional performance guarantee required to be submitted by contractor due to abnormally lower rates quoted especially in the critical excavation activities was waived-off by the Board. Besides, the past record of the firm (*failure of the HRT gravel trap section and the restriction in the TRT that restricts the generation of 100/108 MW in the 126 MW Dagachhu Hydropower Project*) was not considered, and overall interest of the project was not seen to be protected.

Thus, the award of work without fulfilling the predetermined criteria and relaxing the requirement was not seen proper. *AIN: 15489; Para: 1.1; Accountabilities: Direct: Yeshi Wangchuk, Head, Headwork Division, EID # 5153; Tshering Zangpo, Head, HRT Division, EID # 5004; Sanga Jamtsho, Head, Power House Division, EID # 5041; Namgay Wangchuk, Head, QCD, EID # 5024; Supervisory: Karma Chhophel, Managing Director, EID # 5045; Sujan Rai, Dy. Managing Director, EID # 5056.*

**Status:** *Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in DYT hall of Traonsa Dzongkhag where the management reported that out of seven eligibility criteria only one was not fulfilled which was the 7<sup>th</sup> criteria, i.e., age limit of machineries. It was also reported that, nowhere in the tender contract is mentioned that the contract will be rejected if the age limit of the machineries is not fulfilled. It was shared that the delay caused was not due to old equipment but due to unfavorable weather conditions and blockages of access road to the construction site.*

*Acknowledging the expression made by the management the RAA informed the house that this issue shall be discussed in the Follow-up Committee of the RAA and the decision conveyed accordingly. It was decided that, Tangsibji Hydro Energy Limited, Trongsa shall submit a report on the same to RAA by 31<sup>st</sup> August 2021 and RAA shall update the same to PAC by 30<sup>th</sup> September 2021.*

## 2. Shortfall, Lapses and Deficiencies

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

### 2.1 SUBSTANTIAL DELAYS IN MP-1 CONTRACT PACKAGE LEADING TO HUGE REVENUE LOSS AND ASSOCIATED COSTS

There was substantial delays in contract package 'MP-1: Civil and Hydro-Mechanical works of Nikachhu Hydropower Project' mainly due to contractor's poor performance with resultant financial implication of Nu.5,698.220 million. The causes for the delays, as reported to the THyE Board, were delay in commencement of works at all fronts by M/s HCCL, monsoon damages to the access roads which hampered the works, frequent breakdown of old equipment deployed by M/s HCCL and non-availability of spares for maintenance. As a consequence of the delays, substantial slippage of time had taken place with resultant revenue loss on account of generation and other associated costs amounting to Nu.5,698.22 million as worked out by the THyE management. *AIN: 15489; Para: 2.1; Accountabilities: Direct: Karma Chhophel, Managing Director, EID # 5024; Sujan Rai, Dy. Managing Director, EID # 5056; Supervisory: Karma Chhophel, Managing Director, EID # 5024; Sujan Rai, Dy. Managing Director, EID # 5056.*

**Status:** Observation not settled. The issue was deliberated during the PAC consultative meeting held on 5 Aug. 2021 in DYT hall of Traonsa Dzongkhag where the management reported that the delay of the work was mainly attributed due to heavy water seepage while digging tunnel and other unexpected circumstances. However, the management identified 17 different strategies to expedite the completion process including engagement of Construction Development Corporation Limited in the project.

While noting the submission of the management the RAA requested the management to submit the documents on the same so that RAA can review it in the Follow-up Committee of the RAA for appropriate decision. PAC advised the management to submit all related documents concerning the issue to RAA by 31<sup>st</sup> Aug. 2021.

### 1.3.7 NON-GOVERNMENTAL ORGANISATIONS

#### 1.3.7.1 BHUTAN CHAMBER OF COMMERCE AND INDUSTRY, THIMPHU

During the year, the RAA conducted one audit of Bhutan Chamber of Commerce and Industry, Thimphu. There were five observations amounting to Nu.4.221 million of which one observation amounting to Nu.0.005 million did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.4.216 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the organization, two observations amounting to Nu.1.914 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.2.302 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management and the total unsettled irregularities of Nu. 1.587 million reported to the Parliament in Sept. 2020 were resolved as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	1.267	1.267	-	100
2	Shortfalls, Lapses and Deficiencies	0.320	0.320	-	100
	<b>Total</b>	<b>1.587</b>	<b>1.587</b>	<b>-</b>	<b>100</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which got settled as on 30 Sept. 2021 are as discussed below:

#### 1. Non-compliance to Laws and Rules

There was a case of non-compliance to laws and rules amounting to Nu.1.267 million as indicated below:

##### 1.1 OUTSTANDING STALL FEES FROM TRADE FAIRS - NU.1.267 MILLION

Every year the Bhutan Chamber of Commerce and Industry (BCCI) organizes trade fairs where the participants are charged fees for stall spaces provided to them. Stall fees amounting to Nu.2.736 million pertaining to the period from 2013 till 31 December 2017 had remained due as on 31/12/2017.



As of 31 March 2019, the agency had recovered Nu.1.469 million, leaving balance of Nu.1.267 million. *AIN: 15504; Para: 1; Accountabilities: Direct: Sarita Pradhan, Finance Officer, CID # 11803000755; Tshering Deki, Accounts Officer; CID # 10716000389; Jigme Wangchuk, Events Coordinator, CID #11515002600; Sonam Choden, Business Promotion Officer, CID # 11915000459; Supervisory: Yeshey Chen Lham, Head Research and Planning, CID # 10502000334; Chandra Bahadur Chhetri, Dy. Secretary General, GAD, CID # 11811000352.*

**Status:** *Observation settled. This issue was deliberated during the PAC consultative meeting held on 9 Sept. 2021 in NA conference hall, Thimphu where BCCI reported that the accountable person was given time to pay the amount in three installments but failed to repay the amount as he was at the verge of being bankrupt. It was stated that he requested BCCI to renew his contract with them so that he can repay the amount from the work contracted to him but was refused by BCCI. Since there is no possibility to recover the amount, General Board of BCCI decided to write off the issue.*

*It was decided that, BCCI should submit the decision passed by the board to RAA by 30 Sept. 2021 for review and appropriate decision.*

*The decision of the board was conveyed to RAA vide letter No. BCCI/GAD/AFD(Finance)-Audit/2021-2022/233 dated 27/09/2021 where the write-off approval was accorded by the ECM during the 33<sup>rd</sup> AGM of BCCI. Therefore, the issue was considered for settlement based on the decision taken by the AGM of the BCCI.*

## 2. Shortfalls, Lapses and Deficiencies

There was a case of shortfalls, lapses and deficiencies amounting to Nu.1.035 million as indicated below:

### 2.1 UNJUSTIFIED ACCUMULATION OF ADVANCES - NU.1.035 MILLION

The BCCI had unadjusted advances amounting to Nu.1.035 million as on the date of audit (28/08/2018) for supply of goods and services out of which Nu.1.000 million pertained to GPP Bhutan and Nu.0.035 million pertained to M/s Dejung Norbu Enterprises. Non-adjustment of temporary advance for more than one fiscal year was not in compliant to clauses 4.1.3.2 (d) and (e) of the Finance & Accounting Manual 2016. *AIN: 15504; Para: 2; Accountabilities: Direct: Pelden Yeshe, Asstt. Accounts Officer, CID Card # 10907000150; Supervisory: Kesang Wangdi, Dy. Secretary General, CID # 11605001383.*

**Status:** *Observation has been settled as the amount was adjusted.*

### 1.3.7.3 DRUK ODIYANA FOUNDATION

During the year, the RAA conducted one audit of Druk Odiyana Foundation. There were six observations amounting to Nu.19.603 million of which two observations amounting to Nu.6.723 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.12.880 million.

The unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.12.880 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management, however, the unsettled irregularities of Nu. 9.430 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Mismanagement	9.430	-	9.430	-
	<b>Total</b>	<b>9.430</b>	<b>-</b>	<b>9.430</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 is as discussed below:

### 1. Mismanagement – Nu.9.430 million

There was a case of mismanagement amounting to Nu.9.430 million as indicated below:

#### 1.1 IRREGULAR LENDING OF ODIYANA FUNDS TO PRIVATE INDIVIDUALS - NU.9.430 MILLION

The Druk Odiyana Foundation had lent amount of Nu.12.430 million to private individuals out of which Nu.3.000 million was deposited into the Foundation's account, leaving balance of Nu.9.430 million as on 31 March 2019. The lending of funds of the Foundation to individuals was irregular and not within the scope of activities of the Foundation. *AIN: 15314; Para: 2; Accountabilities: Direct: Tshewang Penjor, Finance Officer, CID # 11407000895; Supervisory: Khenpo Gyeltshen, Drawing & Disbursing Officer/Treasurer, CID # 10607002107.*

**Status:** *Observation not settled. This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where Druk Odiyana Foundation reported that a case was filed in the court of law for the recovery of the amount and the court directed the accountable person to repay the amount within six months but the accountable person expired before the amount could be recovered. The management then followed up with the family of the deceased but couldn't recover the amount since the family member refused to accept the accountability for the same and a case is ongoing between the members of the deceased family regarding the inheritance rights and obligations. Further, upon enquiring it was found that the mortgaged property of 16000 sq. ft. of land at Kawajangsa was already mortgaged with the bank and the recovery of the amount from the mortgaged property is possible only from the balance amount after the bank recovers the loan amount by auctioning the land. Most importantly it is to be noted that the amount pertaining to this issue is a private money of the abbot (deceased) who has lent the money.*

*It was decided that Druk Odiyana Foundation should follow up in resolving this issue at the earliest*

#### 1.3.7.4 HANDICRAFT ASSOCIATION OF BHUTAN

During the year, the RAA conducted one audit of Handicraft Association of Bhutan. There was one observation which was not resolved prior to the compilation of the draft AAR 2018. The significant irregularity was reported in the AAR 2018.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management and the unsettled irregularity reported to the Parliament in Sept. 2020 got settled as on 30 Sept. 2021 as explained below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	-	-	-	-
	<b>Total</b>	-	-	-	

The details of unsettled irregularity reported to the Parliament in Sept. 2020 which was settled as on 30 Sept. 2021 is as discussed below:

## 1. Non-compliance to Laws and Rules

There was a case of non-compliance to laws and rules as indicated below:

### 1.1 NON-ADHERENCE TO THE PROVISIONS OF CSO ACT 2007

The Handicraft Association of Bhutan (HAB) had not conducted board meetings as per Section 57 of the Civil Society Organization Act, 2007 which required CSO to hold Board meetings at least once every three months. The HAB had not conducted any Board meeting in 2012, two in 2013, one in 2014, and three in 2015 against the required four Board meetings each year. *AIN: 15153; Para: 1; Accountabilities: Direct: Chorten Dorji, Executive Director, CID # 11608000263; Supervisory: Ten Dorji, President, CID # 116080001472.*

**Status:** *Observation settled. This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where HAB reported that they tried to conduct a meeting to resolve this issue but couldn't succeed because the quorum for the meeting could not be fulfilled. As of now, new members of the board have been appointed and will soon convene a meeting and resolve this issue.*

*It was decided that HAB should submit a report to RAA by 30 Sept. 2021 justifying the reasons for not being able to resolve this issue.*

*The issue has been resolved based on justification furnished vide letter No. HAB/2021/240 dated 30/09/2021 which was received after the PAC consultative meeting.*

### 1.3.7.5 HINDU DHARMA SAMUDAYA OF BHUTAN

During the year, the RAA conducted one audit of Hindu Dharma Samudaya. There were seven observations amounting to Nu.4.221 million of which two observations amounting to Nu.0.045 million were either resolved prior to the compilation of the draft AAR 2018 or did not qualify for inclusion in the draft AAR 2018. The significant irregularities reported in the draft AAR 2018 amounted to Nu.4.176 million.

The unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.4.176 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management and the irregularity reported to the Parliament in Sept. 2020 was resolved as on 30 Sept. 2021 as explained below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
3	Shortfalls, Lapses and Deficiencies	-	-	-	-
	<b>Total</b>	-	-	-	

The details of unsettled irregularities reported to the Parliament as on 30 Sept 2020 which got resolved as on 30 Sept. 2021 is as discussed below:

### 1. Shortfalls, Lapses and Deficiencies

There were cases of shortfalls, lapses and deficiencies amounting to Nu.2.580 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
3.3	Unexplained Discrepancies in the deposit of the donation collected at Samtse	-	-	Unsettled
	<b>Total</b>			-

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

#### 1.1 UNEXPLAINED DISCREPANCIES IN THE DEPOSIT OF DONATIONS COLLECTED AT SAMTSE

The HDSB had unexplained discrepancies amounting to Nu.0.109 million in the deposit of religious donations collected in Samtse which included:

- i) donations amounting to Nu.0.057 million that was not recorded (as receipts) in the Bank Statement;
- ii) overwriting on bank deposit slips of Nu.0.041 million where the amounts differed from those recorded in the Bank Statement; and
- iii) a cheque of Nu.0.011 million that was recorded (as deposits) twice in the Bank Statement.

*AIN: 15170; Para: 3; Accountabilities: Direct: Jiwan Siwakoti, CID # 11808000221; Supervisory: Pundit Bhakti Ram Rizal, CID # 11103000186.*

**Status:** *Observation settled. This issue was deliberated during the PAC consultative meeting held on 8 Sept. 2021 in NA conference hall, Thimphu where HDSB reported that this issue was related to the Monlam Chenmo organized in Samtse. During the program donations were sought for and utilized for the same by the management. A separate account was opened for this program and later closed when the program ended. All the donations collected were utilized and the documents related to the expenditure incurred were submitted to HDSB, Thimphu. Upon following up with the management at Samtse regarding the unrecorded donations, it was conveyed that some donors made the donation without revealing their identity or informing the management of such donations made by them. It was also reported that all the donations received were utilized and the amount was neither been diverted nor misused. Since all the present members of the board are newly appointed, they were unaware about the issue until PAC communicated to them to attend the consultative meeting to resolve this issue. Therefore, the board request the PAC to provide them with a time extension to review this issue and resolve it.*

*The observation was settled vide follow-up report ref. No.RAA/FUCD(F22)HDSB/2021/1860 dated 11/10/2021 based on the details of reconciliation of accounting records submitted by the Executive*

## 1.4. AUDIT REPORT ON JOINT AUDITS OF HYDROPOWER PROJECTS

The RAA had undertaken three Joint Audits of Hydro Power Projects of Punatsangchhu-I Hydroelectric Project Authority, Punatsangchhu-II Hydroelectric Project Authority and Mangdechhu Hydroelectric Project Authority during 2018. The audits were conducted as per the Standard Operating Procedures signed between the RAA and the Comptroller and Auditor General of India and the Projects Agreement signed between the Royal Government of Bhutan and the Government of India.

The AAR 2018 includes only the unresolved significant audit observations of Punatsangchhu-I Hydroelectric Project Authority, Punatsangchhu-II Hydroelectric Project Authority and Mangdechhu Hydroelectric Project Authority.

### 1.4.2 PUNATSANGCHHU-I HYDROELECTRIC PROJECT AUTHORITY

During the year, the RAA had issued one audit report of the Punatsangchhu-I Hydroelectric Project Authority. There were 11 observations amounting to Nu.3,830.948 million of one observation amounting to Nu.0.027 million did not qualify for inclusion in the draft AAR 2018. The total unresolved significant irregularities reflected in the Draft AAR 2018 Nu.3,830.921 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the project authority, four observations amounting to Nu.2,824.008 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.1,006.913 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management and out of the total unsettled irregularities of Nu. 430.768 million reported to the Parliament in Sept. 2020, Nu. million were settled leaving a balance of Nu. million as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
2	Shortfalls, Lapses and Deficiencies	430.768	-	430.768	-
	<b>Total</b>	<b>430.768</b>	<b>-</b>	<b>430.768</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020, the irregularities settled thereafter and the unsettled ones as on 30 Sept. 2021 are as discussed below:

#### 1. Shortfalls, Lapses and Deficiencies – Nu.430.768 million

There were cases of shortfalls, lapses and deficiencies involving Nu.525.921 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in Million	Balance Nu. in Million
2.1	Avoidable payment on account of analysed rate	430.768	-	430.768
	<b>Total</b>			<b>430.768</b>

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

#### 1.1 AVOIDABLE PAYMENT ON ACCOUNT OF ANALYSED RATE - NU.430.768 MILLION

The PHPA-I had failed to invoke Clauses 51 and 52, provisions/terms of the contract for Package MC-3 with regard to revision of rates for deviation in quantities of items of works by +/- 30% than the quantities provided in the Bill of Quantities. As per the terms of contract, it was also agreed that the payments for deviated items would be continued to be made at the original rate till the revised or analyzed rate is decided.

However, the Project Manager of M/s HCCL had not submitted the rate analysis statement for items of works with deviated quantities and instead had submitted an undertaking letter accepting that, for quantities of items of work in deviation to the BoQ by more than 30% to be paid at BoQ rates with price escalations as per clause 70 of the GCC, and had also agreed to adjust the rates for quantities of items of work in deviation to the BoQ by less than 30% to be adjusted at the time of settlement of final bill. Despite having received the undertaking letter from M/s HCCL, accepting to pay for deviated quantities of items of works at BOQ Rates with Price Adjustment, the rates were found revised and paid at higher rates with a resultant financial implication of Nu.430.768 million. *AIN: 15583; Para: A2; Accountabilities: Direct: Shankar Dey, Project Manager, HCCL, WP # 30301017614300; Supervisory: R.P. Sharma, Director (Technical), EID # 1002, WP # 191906277588184.*

**Status:** *Observation not settled. The observation was deliberated during the PAC consultative meeting held on 11 Aug. 2021 in the conference hall of PHPA where PHPA-I technically justified for the payment with reference to the recommendations of the Independent External Committee based on the contractual and legal provisions. They stated that there were no legal basis & merit for HCC to provide and withdraw their undertaking as well as for PHPA-I to enforce it.*

*The RAA expressed that as per the documents and justifications submitted by PHPA-I based on the recommendations of the independent expert committee this issue may be considered for resolving. However, it should be deliberated in the Follow up Committee of RAA for a collective decision before taking any decision on this issue. The PAC advised PHPA-I to submit all the recommendations made by the Independent External Committee to RAA by 31 Aug. 2021 for appropriate action and decision and report to the Authority and PAC accordingly.*

*The issue was deliberated in the Follow-up Committee Meeting of RAA held on 6 Oct. 2021 and the committee decided that the issue shall be reviewed in the subsequent audit for taking appropriate decision.*

#### 1.4.3 PUNATSANGCHHU-II HYDROELECTRIC PROJECT AUTHORITY

During the year, the RAA had issued one audit report of the Punatsangchhu-11 Hydroelectric Project Authority (PHPA-II). There were 11 observations amounting to Nu.2,735.544 million. The total unresolved significant irregularities reported in the draft AAR 2018 amounted to Nu.2,735.544 million.

Based on the responses received after the issue of the draft AAR 2018 and actions taken by the project authority, four observations amounting to Nu.2,078.525 million were resolved. The total unresolved significant irregularities reflected in the AAR 2018 amounted to Nu.657.019 million.

In line with Chapter 6 Section 119 to 123 of the Audit Act of Bhutan 2018, the RAA had conducted numerous follow-up with the management, however, the total unsettled irregularities of Nu. 606.310 million reported to the Parliament in Sept. 2020 remained unsettled as on 30 Sept. 2021 as shown in the table below.

Sl. No.	Observation Category	Irregularities reported to the Parliament as on 30/09/2020 (Nu.M)	Amount resolved (Nu.M)	Balance as on 30/09/2021 (Nu.M)	% Resolved
1	Non-compliance to Laws and Rules	606.310	-	606.310	-
	<b>Total</b>	<b>606.310</b>	<b>-</b>	<b>606.310</b>	<b>-</b>

The details of unsettled irregularities reported to the Parliament in Sept. 2020 which remained unsettled as on 30 Sept. 2021 are as discussed below:

### 1. Non-compliance to Laws and Rules - Nu.606.310 million

There were cases of non-compliance to laws and rules amounting to Nu.606.310 million as summarised below:

Sl. No.	Observation in Brief	Amount Nu. in million	Settled Nu. in million	Balance Nu. in million
1.3	Non-adherence of contract provisions under C-3 package led to extra payment of Nu.310.830 million towards strengthening measures in Power House Complex	310.830	-	310.830
1.4	Incorrect computation of rate analysis for deviated items of work under C2	295.480	-	295.480
	<b>Total</b>	<b>606.310</b>	<b>-</b>	<b>606.310</b>

The cases of non-compliance to laws and rules are as indicated below:

#### 1.3 NON-ADHERENCE OF CONTRACT PROVISIONS UNDER C-3 PACKAGE LED TO EXTRA PAYMENT OF NU.310.83 MILLION TOWARDS STRENGTHENING MEASURES IN POWER HOUSE COMPLEX

The PHPA-II had made excess payment of Nu.310.830 million towards strengthening measures in Power House Complex due to non-adherence of contract provisions under C-3 package which included construction of Head Race Tunnel from Surge Shaft end, Surge Shaft, Butterfly Valve Chamber, Pressure Shafts, Power House and Tailrace Tunnel including Hydro-Mechanical works. The non-adherence of the contract provisions both by the Contractor and Project had resulted in the Project incurring extra expenditure to the tune of at least Nu.310.83 million till the date of audit. The issue of rock fall leading to cost and time overrun was pointed out vide Para No. 10 of previous audit report *AIN: 15612; Para: 6; Accountabilities: Direct: R.P. Sharma, Director (Technical), EID: 1002, WPN: 191906277588184; Supervisory: R.P. Sharma, Director (Technical), EID: 1002, WPN: 191906277588184.*

**Status:** *Observation not settled. The observation was deliberated during the PAC consultative meeting held on 11 Aug. 2021 in the conference hall of PHPA where PHPA-II Managing Director explained that this memo was issued after the Down Stream Surge Gallery (DSSG) was collapsed. The collapse was not due to non-adherence to the contract provision but due to complexity of geographical condition which is unpredictable and is limited to human mind to predict the same. Excess payments were made in restoration and strengthening works after the collapse occurred.*

*The RAA expressed that explanations and justifications presented by the management were noted and merits to be deliberated in the Follow up Committee of the RAA for a collective decision before*

*taking any decision on this issue. The PAC advised PHPA-II to submit detail report to RAA by 31 Aug. 2021 for appropriate decision and report to PAC accordingly.*

*The issue was deliberated in the Follow-up Committee Meeting of RAA held on 6 Oct. 2021 and the committee decided that the issue shall be reviewed in the subsequent audit for taking appropriate decision.*

#### 1.4 INCORRECT COMPUTATION OF RATE ANALYSIS FOR DEVIATED ITEMS OF WORK UNDER C2 & C3 PACKAGES RESULTED IN EXCESS PAYMENT OF NU.295.480 MILLION

The PHPA-II had made excess payment of Nu.295.480 million to M/s Gammon India Ltd. for deviated items of work under C2 & C3 packages due to incorrect computation of rate analysis in the construction of Head Race Tunnel (HRT) from ADIT-I and ADIT-II. The calculations of deviated and extra items were not as per the CWC guidelines. Further, for both C2 & C3 packages there were excess payments amounting to Nu.11.700 million up to 2016-17 due to consideration of PF component at 8.33% instead of 5% while calculating indirect charges in rate analysis.

The issues was pointed out vide para no. 8 under Part-B of the previous audit report but the Authority had not yet re-analyzed the rates and had continued to pay the RA bills at the same rate till last RA bill. Accordingly, the money value of the observation has been modified to the extent of Nu.295.48 million to be recovered from the contractors. *AIN: 15612; Para: 10; Accountabilities: Direct: Abhishek Sinha, EE, EID: 5902, WPN: 191903011598004; Gorab Dorji, EIC (PH), EID: 5883, CID: 10205004391; Supervisory: R.P. Sharma, Director (Technical), EID: 1002, WPN: 191906277588184.*

**Status:** *Observation not settled. The observation was deliberated during the PAC consultative meeting held on 11 Aug. 2021 in the conference hall of PHPA where PHPA-II reported that the computation of rate analysis for deviated items were made in accordance with the contract terms and were for the benefit of the workers. It was also reported that, the management has formed a high-level committee led by Joint Managing Director who shall consult this matter with the Central Water Commission. The PAC advised PHPA-II to develop their method of rate analysis and submit it to RAA by 31 Aug. 2021 for review and appropriate decision.*

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