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**ROYAL AUDIT AUTHORITY**

**ANNUAL AUDIT REPORT 2021-2022**



**VOLUME - I**

**MAIN REPORT**

**REPORTING ON ECONOMY, EFFICIENCY & EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

"There shall be Royal Audit Authority to audit and report on the economy, efficiency, and effectiveness in the use of public resources."

*(Article 25, The Constitution of The Kingdom of Bhutan)*

## VISION

A credible Supreme Audit Institution that promotes value for money and good governance in public operations and contributes towards achieving the societal aspirations of Gross National Happiness.

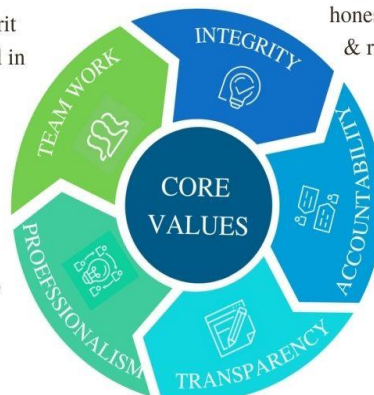
## MISSION

RAA is an independent constitutional body which contributes to accountability, transparency and effective service delivery. In the service of Tsa-Wa-Sum (the King, Country and People), we audit without fear, favour or prejudice and provide timely, reliable and quality audit services to assist effective decision making in the public sector.

## RAA CORE VALUES

**TEAM WORK:** We believe in team spirit and diversity to unleash our full potential in achieving common goals through respect, trust and support.

**PROFESSIONALISM:** We perform quality audit services through dedicated and competent work force conforming to auditing standards and best practices.



**INTEGRITY:** We are independent, honest and incorruptible in our conduct & remain impartial and trustworthy.

**ACCOUNTABILITY:** We are accountable for our own actions in a similar way we propound accountability in audited agencies.

**TRANSPARENCY:** We are transparent in all our dealings and actions, and promote culture of openness and submit ourselves to scrutiny.

## AUDIT JURISDICTION

- Ministries, Departments, Divisions, Units, Dzongkhags, Gewogs, Thromdes, autonomous bodies, foreign-assisted or special projects
- Zhung Dratshang, Rabdeys and all related institution.
- Judiciary and Judicial Bodies, Legislature and related institutions
- Constitutional bodies
- Defense and Security Services
- All corporations, Financial Institutions including the Central Bank and their subsidiaries.
- Political parties
- Any Entity or Activity upon command of the Druk Gyalpo
- All entities including non-governmental organizations, trusts, charities and civil societies fully or partly funded by the government; whose loans are approved or guaranteed by the government; and
- Any entity whether private or public engaged in extracting, processing, trading and mining of natural resources of the State.

Notwithstanding the provisions of any laws relating to the accounts and audit of any public authority, the Parliament, by resolution may direct that the accounts of such entities be audited by the Authority.

*(Section 91 of Audit Act 2018)*



# **ANNUAL AUDIT REPORT 2021-2022**

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**(IN FULFILLING THE CONSTITUTIONAL RESPONSIBILITY)**

**ROYAL AUDIT AUTHORITY**

## ACRONYM

1	AAR	:	Annual Audit Report
2	AFS	:	Annual Financial Statements
3	AAC	:	Autoclaved Aerated Concrete
4	BCSR	:	Bhutan Civil Service Regulations
5	BoQ	:	Bill of Quantity
6	CARLEP	:	Commercial Agriculture and Resilient Livelihoods Enhancement Programme
7	CD	:	Current Account
8	CDB	:	Construction Development Board
9	CID	:	Citizenship Identity Number
10	ECCD	:	Early Childhood Care Development
11	e-PEMS	:	electronic Public Expenditure Management System
12	EID	:	Employee Identity Number
13	FY	:	Financial Year
14	GIS	:	Group Insurance Scheme
15	ISSAI	:	International Standards of Supreme Audit Institutions
16	LC	:	Letter of Credit
17	NICF	:	National Internal Control Framework
18	OPC	:	Ordinary Portland Cement
19	PLC	:	Project Letter of Credit
20	PPC	:	Pozzolona Portland Cement
21	PEMS	:	Public Financial Management System
22	PF	:	Provident Fund
23	RAA	:	Royal Audit Authority
24	RBA	:	Running Bill Account
25	RGoB	:	Royal Government of Bhutan
26	SOP	:	Standard Operating Procedures



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ROYAL AUDIT AUTHORITY

*Bhutan Integrity House*

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



## SUBMISSION OF ANNUAL AUDIT REPORT 2021-2022

In line with **Article 25 (5)** of the Constitution of the Kingdom of Bhutan and **Section 111** of the Audit Act of Bhutan 2018, the Royal Audit Authority (RAA) is pleased to release its Annual Audit Report (AAR) 2021-2022. The AAR is a consolidated summary of audit findings from 327 audit reports and one performance audit report issued from 01<sup>st</sup> July 2021 to 30<sup>th</sup> June 2022.

The AAR covers audit reports issued during the last financial year thereby aligning with the period covered in the Annual Financial Statement (AFS) of the Royal Government of Bhutan (RGoB).

The AAR is issued in two volumes. Volume-I contains audited Annual Financial Statements of the Royal Government of Bhutan, summary of audit findings and performance audit report issued during the period. The Volume-II of the AAR contains the status of total irregularities of audit reports issued between 01<sup>st</sup> July 2021 and 30<sup>th</sup> June 2022.

The AAR also highlights milestones and achievements of the RAA during the period, challenges faced in achieving the mandates, audit impacts and the auditor's report on the accounts and operations of the RAA for the year ended 30<sup>th</sup> June 2022. It is submitted as part of ensuring accountability of RAA for resources used in delivering audit mandates and strengthening its organizational systems and human resources.

(Tashi)

**Auditor General of Bhutan**



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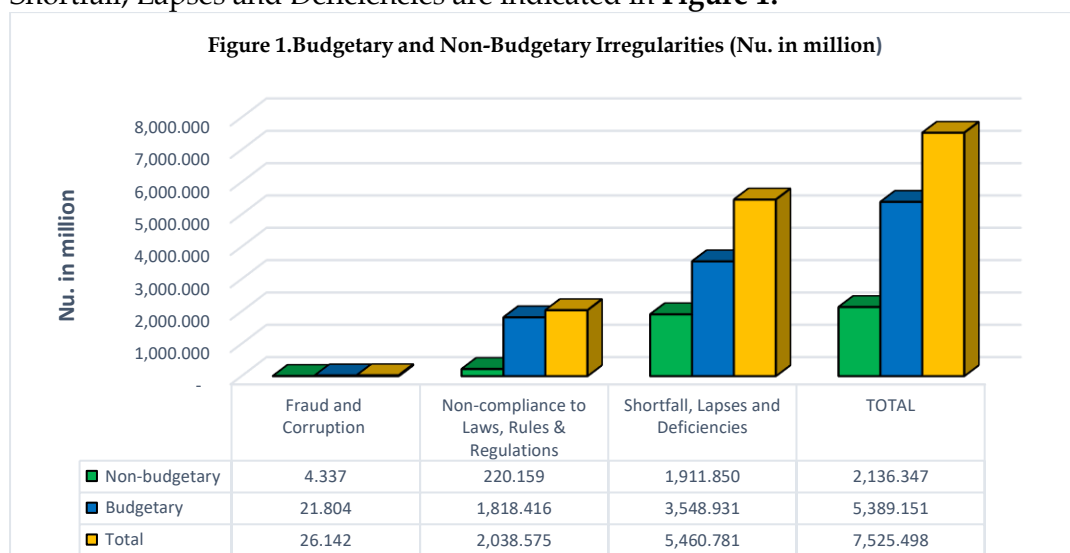
# CHAPTER 1

## 1. EXECUTIVE SUMMARY

The Annual Audit Report 2021-2022 contains audited Annual Financial Statements (AFS) of the Royal Government of Bhutan (RGoB) and analysis of audit findings issued during the period. It also contains the performance of RAA for the financial year (FY) 2021-2022. The summary of audit findings reported are from 327 audit reports issued between 1<sup>st</sup> July 2021 and 30<sup>th</sup> June 2022.

The approved budget of the Royal Government of Bhutan of the FY 2021-2022 was Nu. 73,919.335 million which was revised to Nu. 78,153.559 million. The sources of revised government budget comprised of 45.55% from domestic revenue, 32% from grants, 21.61% from borrowings and 0.83% from other receipts. The RGoB resorted to internal borrowings amounting to Nu. 8,504.237 million to finance its expenses besides external borrowings of Nu. 9,520.802 million. Total grants received during the year amounted to Nu. 13,583.509 million comprising of Nu. 13,397.422 million in cash and Nu. 186.087 million in kind.

The Annual Audit Report 2021-2022 was compiled from 327 audit reports containing irregularities amounting to Nu. 7,525.498 million of which 28.39% pertained to non-budgetary agencies<sup>1</sup> and 71.61% pertained to budgetary agencies<sup>2</sup>. The irregularities for budgetary and non-budgetary agencies for Fraud and Corruption; Non-compliance to Laws, Rules & Regulations; and Shortfall, Lapses and Deficiencies are indicated in **Figure 1**.



<sup>1</sup> Non-budgetary agencies include Corporations and Financial Institutions, State Owned Enterprises, Non –Governmental Organisation, Civil Society Organisations, and Hydropower projects.

<sup>2</sup> Budgetary agencies are government organisations including Ministries and Agencies for which annual budgets are included in the appropriation bill and appropriations are made by the National Assembly.

During the same year, Nu. 176.893 million was recovered as audit recoveries from both the budgetary (Nu. 150.817 million) and non-budgetary (Nu. 26.076 million) agencies. The recoveries from the area of **construction** amounted to **Nu. 106.006 million** which was the highest.

The type of irregularities observed during the period showed that there were instances of **Fraud and Corruption** amounting to a total of Nu. 26.142 million of which Jigme Dorji Wangchuck National Referral Hospital (JDWNRH) accounted for 32.29% and Regional Revenue and Customs Office (RRCO), Phuentsholing with 12.83%. Irregularities under **Non-compliance to Laws, Rules and Regulations** amounted to Nu. 2,038.575 million of which RRCO, Phuentsholing accounted for 17.93% and Regional Office, DoR, Sarpang with 11.20%. Irregularities under **Shortfall, Lapses and Deficiencies** amounted to Nu. 5,460.781 million of which RRCO, Phuentsholing accounted for 52.45% and Punatsangchhu-I Hydroelectric Project Authority with 12.76%.

Irregularities in all categories had occurred due to inadequacies in the internal control systems across the agencies. It is either the design or the operation of controls that is deficient and incapable of preventing, detecting or correcting errors or deviations as it occurs. Irregularities reported under fraud and corruption could have been deliberate perpetrations facilitated by weak internal control system. **While agencies are expected to ensure minimum internal control frameworks for critical functions/operations, generally there is a lack of tone at the leadership to instill control consciousness based on which other elements of internal controls can take firm root.** In the process, the agencies overlook ethical culture and leadership that underpin mechanism of delineating responsibility and enforcing accountability. Even when irregularities are reported through audit reports, the RAA's recommendations fail to enthruse agencies and authorities to initiate corrective actions leading to repeated irregularities as reported in successive audit reports. Based on the nature of issues and its possible causes, the RAA has developed a total of six recommendations aimed at prompting the agencies and authorities to initiate corrective actions to remedy the problems and enhance overall governance of the public financial management system. The agencies and authorities should be obliged to act upon each of these recommendations as applicable to ensure that deficiencies identified are remedied and performance of agencies are improved.



## CHAPTER 2

### 2. ANNUAL FINANCIAL STATEMENT OF THE ROYAL GOVERNMENT OF BHUTAN

The RAA audited the Annual Financial Statements (AFS) of the Royal Government of Bhutan for the FY 2021-2022 as required by the Audit Act of Bhutan 2018 and the Public Finance Act of Bhutan 2007 (Amendment 2012). The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs).

The approved budget of the RGoB for the FY 2021-22 was Nu. 73,919.335 million which was revised to Nu. 78,153.559 million. The sources of revised government budget comprised of 45.55% from domestic revenue, 32% from grants, 21.61% from borrowings, and 0.83% from other receipts. The RGoB resorted to internal borrowings amounting of Nu. 8,504.237 million to finance its expenses besides external borrowings of Nu. 9,520.802 million. Total grants received during the year amounted to Nu. 13,583.509 million comprising Nu. 13,397.422 million in cash and Nu. 186.087 million in kind.

The total expenditure recorded for the year amounted to Nu. 69,156.613 million resulting into overall underutilization of the revised budget by 11.51%. During the period, there was under-absorption of capital budget by 19.43%.

The Auditor General's report on the AFS and audited financial statements are reproduced herewith.

## 2.1. Certification of Annual Financial Statement



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ROYAL AUDIT AUTHORITY

*Bhutan Integrity House*

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



### AUDITOR GENERAL'S REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF THE ROYAL GOVERNMENT OF BHUTAN FOR THE FINANCIAL YEAR ENDED 30<sup>th</sup> JUNE 2022

#### Opinion

The Royal Audit Authority (RAA) audited the accompanying Annual Financial Statements of the Royal Government of Bhutan (RGoB) for the financial year ended 30<sup>th</sup> June 2022 and summary of explanatory information<sup>3</sup>, which comprise:

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

The audit was conducted by the RAA as required under the Audit Act of Bhutan 2018, the Public Finance Act of Bhutan 2007 and Public Finance (Amendment) Act 2012, and the Financial Rules and Regulations 2016.

In RAA's opinion, the aforementioned Financial Statements together with Schedules attached thereto, including the Notes to Accounts have been prepared, in all material respects, in accordance with the Financial Rules and Regulations 2016.

#### Basis for Opinion

The RAA conducted its audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Ministry of Finance, and we have fulfilled our responsibilities in accordance with the requirements outlined in RAA's Oath of Good Conduct, Ethics and Secrecy of Auditors. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

<sup>3</sup> The AAR 2021-2022 had included only the Consolidated Receipts & Payments Statement. To refer serial no. ii to vii of the schedules and information, please refer the Auditor General's Report on Annual Financial Statements of the Royal Government of Bhutan for the Financial Year ended 30<sup>th</sup> June 2022.

## **Emphasis of Matter**

We draw attention to the following:

- ✓ *The fiscal deficit of the government has constantly increased over the past years from Nu. 3,385.374 million in FY 2019-20 and Nu. 11,139 million in FY 2020-21 to Nu. 14,572.038 million in the FY 2021-22, which could be attributed to limited revenue growth and increased public spending;*
- ✓ *The government subsidies have been increasing over the years. The current proposal for subsidies and releases lacked proper scrutiny and policy in place on the admissibility and limit on subsidy with prescribed time frame including the monitoring, evaluation and reporting framework;*
- ✓ *There is a lack of clear structure on the types of Government CD accounts which requires the DPA's authorisation and reporting to Department of Public Accounts; and*
- ✓ *The utilisation of monthly and quarterly capital expenditure for three consecutive financial years of 2019-20 to 2021-22 revealed a rush of capital expenditure towards the last quarter of the financial year, representing 54.95% compared to previous quarters which represents only 8.99%, 17.00% and 19.05% for first, second and third quarters respectively.*

Our opinion is not modified in respect of this matter.

## **Other Matter**

As per the information made available by the Ministry of Finance, there are 643 Letter of Credit (LC) and Project Letter of Credit (PLC) Accounts during the period under review. Of the total, the RAA audited 54.59% of the total accounts (274 LC Accounts and 77 PLC Accounts) for the Financial Year ended 30th June 2022. For the remaining Accounts, the RAA verified the year-end accounts generated from the ePEMS and relied on the controls instituted by the MoF.

## **Responsibility of the Ministry of Finance for the Financial Statements**

The Ministry of Finance (MoF) is responsible for preparation of the financial statements in accordance with the Financial Rules and Regulations 2016 and for such internal control as MoF determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Those charged with governance are responsible for overseeing the Government's financial reporting process.

## **RAA's Responsibility for the Audit of the Financial Statements**

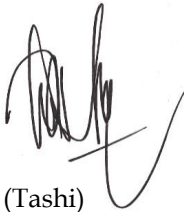
Our objectives are to obtain reasonable assurance about whether the Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with ISSAIs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control; and
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MoF's internal control.

We communicate with the management, among others, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.



(Tashi)  
**Auditor General of Bhutan**

*"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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**CONSOLIDATED RECEIPTS AND PAYMENTS STATEMENT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

<b>Receipts</b>	<b>Amount (Nu. in Million)</b>	<b>Payments</b>	<b>Amount (Nu. in Million)</b>
<b>Opening Balance</b>	<b>665.023</b>	<b>Expenditure</b>	<b>69,156.613</b>
i) Cash	87.358	i) Current	34,444.717
		<i>Regular</i>	34,430.051
		<i>DGRK</i>	14.666
ii) Bank	577.665	ii) Capital	34,711.896
		<i>Regular</i>	34,708.889
		<i>DGRK</i>	3.007
<b>Internal Revenue</b>	<b>39,043.073</b>	<b>Repayment of Loans</b>	<b>5,447.246</b>
i) Tax Revenue	25,843.052	i) Internal	13.170
ii) Non-tax Revenue	13,200.021	ii) External	5,434.076
<b>External Grants</b>	<b>13,583.509</b>	<b>Lending</b>	<b>259.402</b>
i) Cash	13,397.422	i) To individuals	0.00
<i>o/w Program Grant (Gol)</i>	850.000	ii) To Corporations	259.402
ii) Kind	186.087		0.00
<b>Borrowings</b>	<b>18,025.039</b>	<b>Other Payments</b>	<b>11,909.582</b>
i) External	9,520.80		
<i>o/w Program Borrowing</i>	8,218.26	<b>Increase in Advances/Suspense</b>	<b>23,062.299</b>
ii) Internal	8,504.237		0.00
<b>Recovery of Loans</b>	<b>3,937.019</b>	<b>Closing Balance</b>	<b>1,888.479</b>
<b>Other Receipts</b>	<b>13,637.617</b>	i) Cash	369.501
<b>Decrease in advances/Suspense</b>	<b>22,832.341</b>	ii) Bank	1,518.978
<b>TOTAL RECEIPTS</b>	<b>111,723.621</b>	<b>TOTAL PAYMENTS</b>	<b>111,723.621</b>

*Note: To smoothen cash flow fluctuation and finance resource gap, series of T-Bills with maturities ranging from 15 to 150 days were issued and redeemed. T-Bills outstanding at the close of the FY is Nu. 15,500.000 million (P- 15,488.523m & D - 11.477m) which is carried forward as domestic debt stock.*

*"The external borrowing/Grants includes the amount transferred from the FC account to the BFA only and it does not include the balance in the FC account amounting to Nu. 259.088 million (3,749,526.360\*78.70)/ Nu. 48.361 million (621,209.32\* 77.850) received from the creditors/development partners."*

  
 Officiating Director  
 Department of Treasury & Accounts  
 Ministry of Finance

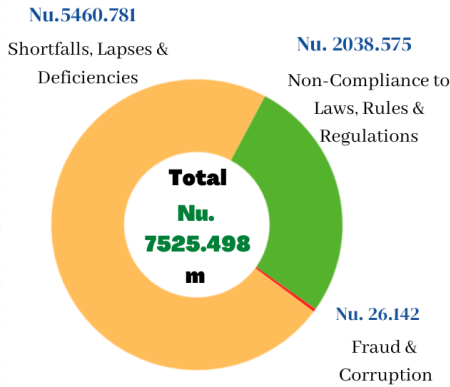
(Director)  
 Department of Public Accounts  
 Ministry of Finance

  
 Dy. Auditor General  
 Dept. of Sectorial Audit  
 Royal Audit Authority  
 Thimphu

(Deputy Auditor General)  
 Royal Audit Authority

# SUMMARY AND ANALYSIS OF AUDIT FINDING

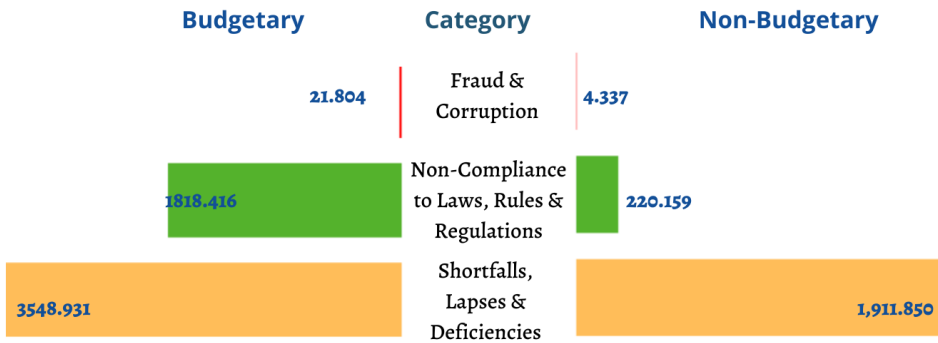
## Irregularities by Type (Nu. in million)



## Irregularities by Percentage



## Budgetary and Non-Budgetary Irregularities (Nu. in million)

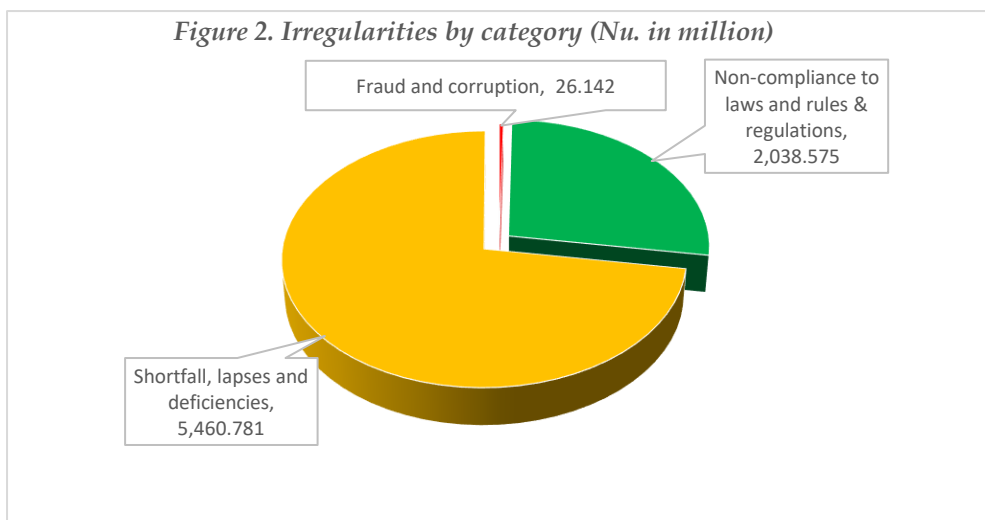




## 3. SUMMARY OF AUDIT FINDINGS

During the Financial Year 2021-2022, the RAA issued 587 audit reports of which 11 were issued with qualified opinion<sup>4</sup> and 576 were issued with unqualified opinion. Of the total audit reports issued, the Annual Audit Report 2021-2022 was compiled from 327 audit reports which contained audit findings. The summary and analysis are inclusive of all audit findings issued during the period.

The financial implication of the audit findings observed during the period amounted to Nu. 7,525.498 million of which Nu. 26.142 million was categorized under 'Fraud and Corruption', Nu. 2,038.575 million under 'Non-compliances to Laws and Rules & Regulations', and Nu. 5,460.781 million under 'Shortfalls, Lapses and Deficiencies', representing 0.35%, 27.09% and 72.56% respectively as depicted in **Figure 2**.



The cases which require actions from the auditees are spelled out in the individual audit reports identifying accountable officials for treatment of issues, sanctions and initiating corrective actions. During the year, the RAA forwarded eight audit reports containing 41 auditing findings to Anti-Corruption Commission (ACC) for further investigation. The RAA pursues the implementation of audit recommendations through a regular follow up

**The summary of significant audit findings is an analysis of the causes of the irregularities to help agencies and authorities in initiating corrective and preventive actions besides restitution of the loss sustained by the government.**

<sup>4</sup> Qualified opinion: Report issued by the auditor when after getting sufficient audit evidence, is of the view that misstatements are material but not pervasive.

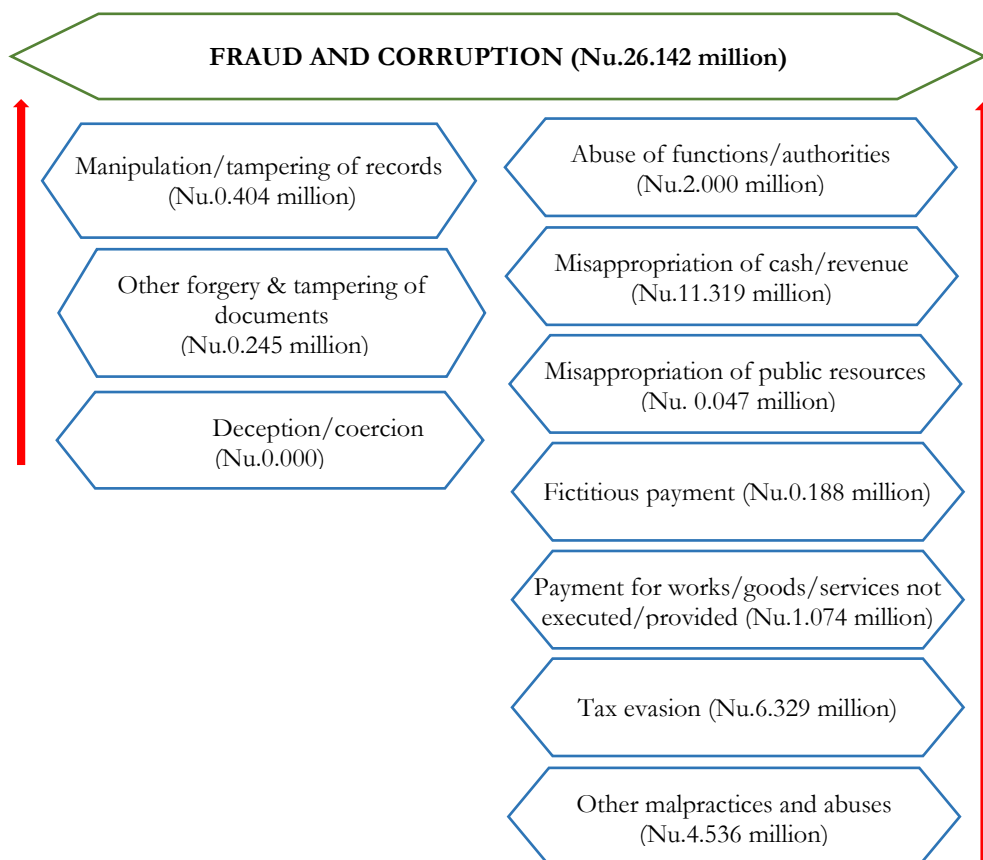
process and actions are sought from agencies in accordance with the Audit Act of Bhutan 2018.

The summary of significant audit findings is an analysis of the causes of the irregularities to help agencies and authorities in initiating corrective and preventive actions besides restitution of the loss sustained by the government. The significant audit findings are reported under three broad categories: **Fraud and Corruption, Non-compliance to Laws and Rules & Regulation and Shortfall, Lapses and Deficiencies.**

### 3.1. FRAUD AND CORRUPTION

From the total irregularities of Nu. 7,525.498 million during FY 2021-2022, fraud and corruption accounted for 0.35% aggregating to Nu. 26.142 million. These cases were perpetrated with willful intent of deriving undue benefits, monetary or otherwise which had prima facie evidence of fraud or deceptions. The cases requiring further investigations were forwarded to the ACC. The overview of fraud and corruption cases reported for the period is shown in **Figure 3.**

*Figure 3: Overview of Fraud and Corruption*



### 3.1.1. Cases of Fraud and Corruption

The cases of fraud and corruption reported for the period are:

1. The Jigme Dorji Wangchuck National Referral Hospital (JDWNRH) had a case of misappropriation of funds amounting to Nu. 6.441 million by Lhab Dorji, former President. The amount meant for Patient Welfare Fund was found transferred to his personal account in eight tranches from 2016 to 2019. The RAA asked the management to recover the amount and take legal action for the misappropriation. *(AIN: SCID-2022-279; Para No.2)*

Further, the former President had also taken advances amounting to Nu. 2.000 million for personal purposes on two occasions from the Patient Welfare Fund. The advances were recovered after 438 days and 282 days without any interest. The management was instructed to levy the interest for the illegitimate advances availed by him. *(AIN: SCID-2022-279; Para No.3)*

2. The Regional Revenue and Customs Office (RRCO), Gelephu had a case of non-levy of applicable fines and penalties of Nu. 3.354 million for under-declaration and concealment of turnover in boulder exports. There were differences of Nu. 5.590 million in turnover as per Bhutan Automated Customs System (BACS) and the tax assessment report of the income years 2017 to 2020 for boulder export. Such discrepancies between BACS and tax assessment report indicated inadequate coordination between the Tax and the Customs Section within the same office. *(AIN: OAAGTS-2021-149, Para No.5)*
3. The Dzongkhag Administration, Dagana had made excess payment of Nu. 0.053 million for the construction of the Guest House at Pelling Menchu. The contractor was paid more than the work executed at site. Similar instances of excess payments were also noted in other construction works supervised by the same Site Engineer, which include excess payment in the construction of PCC footstep at Kalizingkha Chiwog amounting to Nu. 0.029 million and in the construction of the approach road to Pelling Menchu, lower Tshanglekha and Woopathangkha amounting to Nu. 0.013 million. Such excess payments had occurred due to the failure on the part of the Site Engineer as well as supervising officials to exercise necessary checks while verifying the admissibility of the contractor's claims. *(AIN: OAAGTS-2021-17; Para No. 16.1, 17 &18)*
4. The Gewog Administration, Tsangkha, Dagana had a case of misappropriation of a government fund of Nu. 2.047 million by Karma Tobgay, Gewog Accountant. The amount pertaining to the refunds of excess and double payments from the contractors and employees were

deposited into his personal account. Further, the Accountant had deposited Nu. 0.937 million from the LC account of Gewog Administration, Laryap to his personal account during the FY 2020-2021. Similar observations were also raised by the RAA in the past. Such misappropriation of Gewog Funds was a clear testament of unprofessional and unethical practice. Neither Gewog nor the Dzongkhag Administration had taken appropriate actions to curtail such unethical practices. *(AIN: OAAGTS-2021-17; Para No.59&72)*

5. The RRCO, Phuentsholing had a case of non-declaration of turnovers amounting to Nu. 2.974 million by M/s Wangmo Sales. The firm had declared as non-operational for the income year 2018. However, the BACS data revealed that the business firm had exported boulders to Bangladesh in the same year. The RRCO, Phuentsholing had failed to refer to the BACS data during tax assessment, which had led to non-detection of the turnovers thereby indicating a lack of coordination between the Customs and Tax sections of the same office. *(AIN 17639; Para No. 4.8(2))*
6. The Army Welfare Project (AWP) had shortage of goods worth Nu. 2.919 million. The shortage had occurred due to embezzlement by the personnel working at the bonded warehouses. The case was forwarded to the Royal Bhutan Police (RBP) in July 2020 for further investigation which was then forwarded to the Office of the Attorney General (OAG) on 29<sup>th</sup> September 2020. *(AIN: OAAGPL-2021-214; Para No.1)*
7. The Gewog Administration, Chhokhor, Bumthang had made a payment of Nu. 0.332 million including transportation charges for purchase of dairy equipment for the Milk Processing Unit (MPU) at Thangbi. The equipment was not received by the MPU as the supplier had failed to supply the equipment. The Gewog Administration had also made payment of Nu. 0.015 million as transportation charge for the delivery of dairy equipment for the MPU. *(AIN: OAAGB-2021-95; Para No. 30.1&30.2)*
8. The Dzongkhag Administration, Bumthang had made a payment of Nu. 0.118 million for the construction materials of compost shed at Wobthang under Tang Gewog. However, the materials were not received by the beneficiaries contrary to the records maintained by the Dzongkhag. It was a clear case of manipulation of records. *(AIN: OAAGB-2021-95; Para No. 18.5)*
9. The Gewog Administration, Chhokhor, Bumthang had a case of misappropriation of government revenue amounting to Nu. 1.786 million by the former Gup. From the total amount, Nu. 1.395 million pertained to the permit fees collected from the cordyceps collectors and

Nu. 0.390 million of unsettled advance withdrawn in 2018 from the CD account. The CD account was single-handedly operated by the former Gup. *(AIN: OAAGB-2021-95, Para No.27)*

10. The Penden Cement Authority Limited (PCAL) had made irregular payment amounting to Nu. 12.516 million as performance-based incentives and Nu. 2.442 million as monthly commissions to two Stockist without meeting the set target. The Sales Department had manipulated the dates of the sales challans to make the stockist eligible for incentives and commissions. *(AIN OAAGPL-2022-22; Para No. 3&4)*
11. The PCAL had cases of its employees working in the Finance and Procurement Division deploying vehicles registered in their names or in the name of their family members to the company Stockist. There was a direct conflict of interest based on their current duties and responsibilities since the payments to the Stockist were routed through the Divisions. Similarly, employees' vehicles were also involved in the supply of raw materials such as fly ash and slag to the company under the guise of other parties. Similar issues were also pointed out in the past and reoccurrence is a sheer sign of non-compliance to audit observations and lack of stringent actions from the management against the defaulting officials. *(AIN: OAAGPL-2022-22; Para No.5)*
12. The PCAL, Gomtu, had made inadmissible payment of salaries amounting to Nu. 1.418 million to its employees engaged with the contractor of the company. The company had initiated an Autoclaved Aerated Concrete (AAC) Blocks project which was awarded to the contractor as a turnkey project. It was noted that 26 employees of PCAL were engaged in the day-to-day manual work of the contractor w.e.f. May 2021 till the date of audit on February 2022, to expedite the completion of the project. Since AAC Blocks project was awarded as a turnkey project to the contractor, engagement of the company's manpower in the contractor's work without any charges/fees tantamount to undue favour to the contractor and misuse of human resources. *(AIN: OAAGPL-2022-22; Para No. 7.5)*
13. The PCAL had made irregular appointments of two accountants by tailoring the recruitment process to suit the selected candidates. The RAA found that of the 17 applicants who responded to the vacancy announcement, only two were shortlisted despite nine others fulfilling the criteria. The two shortlisted candidates were selected through written tests and face-to-face interviews. Further, the selected candidates were placed in higher grade than the position announced, contravening the prescribed clause of the Term of Reference of the

Vacancy announcement and the Internal Service Rule 2018 of the company. *(AIN: OAAGPL-2022-22; Para No.12)*

14. The Gewog Administration, Pemaling, Samtse had made payment for works not executed amounting to Nu. 0.791 million to the contractor for the improvement of farm road from Bukunay to Damigoan. There were no signs or traces of any structure being built at the site. However, the Site Engineer claimed that the structures were washed off by the monsoon flood. Detailed scrutiny revealed that the final bill payment was passed based on the assurance made by the contractor to complete the works, which had remained unexecuted at the site during the physical verification by the RAA. *(AIN: OAAGPL-2021-59; Para No.58.1)*
15. The Gewog Administrations, Tashicholing and Norgaygang, Samtse had made fictitious payment of DSA amounting to Nu. 0.016 million and Nu. 0.095 million respectively. The travel claims pertained to the lockdown period having no special order and office order for the movement. The lapses had occurred due to improper verification of bills by Accountants. *(AIN: OAAGPL-2021-59; Para No. 49.1&60.1)*
16. The Medical Supply and Distribution Division (MSDD), MoH, Phuentsholing had made wage payments amounting to Nu. 0.206 million to ghost workers by manipulating the Muster Roll records and paying more than the actual entitled wage rate. The amount was booked to cover additional/extra wages to the existing workers and also to meet expenses on tea and snacks served to the wage workers and staff of MSDD. The management failed to provide the approval of the competent authority and bills for the expenses incurred. *(AIN: OAAGPL-2021-268, Para No.1)*
17. The MSDD, Phuentsholing had a case of misuse of waged employees by the Chief Procurement Officer. The RAA found that two wage workers under the muster roll payment were paid from the office despite being absent from the work and engaged at Gelephu in the construction work of the Chief Procurement Officer's building. The payment of wages amounted to Nu. 0.077 million. *(AIN: OAAGPL-2021-268, Para No.2)*
18. The Gewog Administration, Bidung had a case of fabrication of documents for the distribution of saplings worth Nu. 0.245 million by Tshering Penjor, Agriculture Extension Supervisor (AES). The RAA found that the number of saplings distributed exceeded the number of saplings purchased and the farmers have not taken the saplings as it was not suitable for planting during that season. The rejected and undistributed saplings were actually dumped by the AES. The fake



distribution list was prepared and submitted by the AES, which was counter-signed by the Gewog Officials. *(AIN:17239; Para No.4.1)*

19. The Regional Office, Road Safety Transport Authority (RSTA), Mongar had paid a tour advance of Nu. 0.250 million to Lhundup Dorji, Regional Transport Officer (RTO), who had not performed the tour. The tour advance was paid without the approval from the controlling officer. The advance was found adjusted after 282 days. This constituted temporary misuse of public funds and abuse of authority by the head of the agency. *(AIN: OAAGB-2022-57; Para No.3)*
20. The Regional Office, RSTA Mongar had made a fictitious payment of Nu. 0.174 million towards M/s Ngawang Sonam Lhundup Automobile, Mongar for maintenance of the bikes which was actually carried out at M/s Tinku Autoparts, Jaigaon, India. Such unethical practices/manipulation of the documents have occurred due to weak controls caused by lack of supervision and monitoring by RTO. *(AIN: OAAGB-2022-57; Para No.4)*
21. The Thromde Administration, Gelephu had a cash shortage of Nu. 0.118 million in their Current Deposit (CD) Account. The issue was raised by the RAA in the past audit, for which no action was initiated by the management. *(AIN: 17630; Para No.1)*
22. The Dzongkhag Administration, Trashiyangtse had made an inadmissible payment of Nu. 0.108 million for cattle sourced through Commercial Agriculture Resilient and Livelihood Enhancement Programme (CARLEP) funding during the FY 2020-2021. The farmers procuring jersey cows were entitled for a 30% subsidy on the total cost as per the cost-sharing guideline 2019 of the Ministry of Agriculture and Forests (MoAF). However, it was noted that, of the 83 cattle sourced, the cost of 26 cows were inflated by the Dzongkhag Livestock Sector which ultimately escalated the subsidy amount. *(AIN: OAAGB-2022-58; Para No.17)*
23. The Dzongkhag Administration, Trongsa had paid Nu. 0.090 million for kiwi seedlings. The RAA found that the Dzongkhag had not received the seedlings even after the lapse of 11 months from the date of payment (as on date of audit). *(AIN: 17657; Para No.34)*
24. The Gewog Administration, Bomdeling, Trashiyangtse had made a fictitious payment of DSA amounting to Nu. 0.026 million to Tek Nath Biswakarma, Accounts Assistant who had claimed for the purpose of handing over of the Shazo Wooden Bridge. The RAA found that the travel claim form was not endorsed by the controlling officer (Gup) and there was no tour report to substantiate his claim. Further, the actual

date for handing-taking of the bridge did not conform with the date of his claim. *(AIN: OAAGSJ-2021-152; Para No.12)*

25. The Gewog Administration, Bomdeling, Trashiyangtse had a case of misappropriation of Nu. 0.056 million. The fund balance from the construction of Nakpola Bridge was found deposited into the personal savings account of the gewog accountant. *(AIN: OAAGSJ-2021-152; Para No.14)*
26. The Dungkhag Administration, Tashichholing, Samtse had made an excess payment amounting Nu. 0.024 million to Nalboo Hotel by inflating the number of heads of people who were quarantined at the hotel. The excess payment had occurred due to the failure of the concerned officials to exercise due diligence while verifying the bills. *(AIN: OAAGPL-2021-272, Para No.3.2)*
27. The Branch Offices, Gedu and Phuentsholing of Bank of Bhutan Ltd. (BoBL) had sanctioned two overdraft loans amounting to Nu. 16.200 million to Phajo Nidup without validating the work order submitted to avail overdraft loans. The RAA found that the bank had received all necessary documents including departmental undertaking letter from Pelden Tashi Choling Shedra, Phuentsholing with its seal and sign. The bank had failed to carry out independent verification with the work entrusting agency to validate the work order issued by them for substantial value of supplies. The loans were sanctioned based on forged work orders submitted by the client, which was later confirmed by the principal of Pelden Tashi Choling Shedra, Phuentsholing. *(AIN: COAD-2021-181, Para No.6.6)*
28. The Branch Office, BoBL, Gedu sanctioned a loan of Nu. 8.427 million beyond their sanctioning authority as per the Delegation of Loan Sanctioning Authority (DoLSA). The RAA found that loans of Nu. 5.618 million and Nu. 2.809 million were sanctioned to M/s Unicorn Infra Pvt. Ltd. The loans were fragmented to circumvent the sanction limit. The loans were appraised by Tashi Wangchuk, Loan Appraisal Officer and approved by Kelzang Tashi, Branch Manager. There was a clear indication of collusion between branch officials and the client. *(AIN: COAD-2021-181; Para No.6.7)*
29. The Branch Office, BoBL Gedu had sanctioned Transport Loan to Phajo Nidup amounting to Nu.1.900 million by colluding with Tek Bahadur Tiwari, an official of Phuentsholing branch. Phajo Nidup had mortgaged land measuring 2240 sqft along with two storied building at Gelephu Throm belonging to Tek Bahadur Tiwari. The RAA found that the sale deed between Phajo Nidup and Tek Bahadur Tiwari was signed on 30<sup>th</sup> April 2018 for Nu. 160.000 million and the land owner

had also consented to stand as a guarantor on 11<sup>th</sup> May 2018. However, it was found that the properties were already hypothecated with the bank for staff housing loan of Tek Bahadur Tiwari amounting to Nu. 3.400 million sanctioned on 19<sup>th</sup> August 2016. *(AIN: COAD-2021-181; Para No.6.9)*

30. The Branch Office, BoBL, Gedu had sanctioned transport loan of Nu. 2.559 million to Mrs. Chandra Maya Rai on 4<sup>th</sup> January 2019 to purchase two vehicles based on the money receipt issued by the vehicle dealer M/s Zimbi Motors (Eicher Division). The dealer had acknowledged the receipt of advance money (equity portion) of the client amounting to Nu. 2.881 million on 13<sup>th</sup> November 2018. However, M/s Zimbi Motors had informed the bank on 30<sup>th</sup> March 2020 indicating that the vehicles were not delivered due to client's failure to pay the equity portion which was contrary to its earlier acknowledgement. The loan is currently under Non-Performing Loan (NPL). *(AIN No: COAD-2021-181, Para No.16)*
31. The Bhutan Development Bank Ltd. (BDBL) had sanctioned two loans of Nu. 15.700 million to Phajo Nidup based on collaterals which had multiple liens with other financial institutions. Such instances of several lien noting of collateral indicated that the lien noting agencies (Thromde, Phuentsholing & Chukha Dzongkhag) had failed to verify the securities from being charged to multiple loans. Further, there was an inherent problem with the Core Banking System (CBS) as it does not have complete details of loan records and related information right through loan origination until its closure. In absence of such vital information in the CBS system the credit officials have made a dysfunctional credit decision detrimental to the interest of the bank. The way the client was able to easily slip through different layers of the control system to obtain multiple loans, which are all currently under NPL, strongly indicated an element of collusion with the bank's staff. *(AIN-COAD-2022-75; Para No.16.1)*
32. The Branch Office, BDBL, Phuentsholing had sanctioned irregular Agriculture and Animal Husbandry Loan of Nu. 0.700 million to Phajo Nidup. The loan was applied for fencing a cardamom orchard on land owned by Nar Maya Ghallay. The land owner had authorized her land theto avail loan but there was no lease agreement or sale deed to indicate that the orchard belonged to Phajo Nidup. The client had taken advantage of the letter of authorization provided by the land owner and the bank officials had favoured the client in sanctioning the loan. It indicated willful intent to defraud the bank by colluding with the client. *(AIN-COAD-2022-75; Para No.16.3)*

33. The Branch Office, BDBL, Samdrup Jongkhar and Dagana had many cases of irregular sanction of loans to the clients by Karma Wangchuk, Credit Assistant. The cases are:
- i. Five loans of Nu. 2.670 million were sanctioned from BO, Samdrup Jongkhar Branch to his close relatives through fraudulent means; *(AIN-COAD-2022-75; Para No.17.1)*
  - ii. Loans of Nu. 8.535 million were sanctioned to five clients from BO, Samdrup Jongkhar to clear off old loans without fulfilling the processes and requirements; *(AIN-COAD-2022-75; Para No.17.2)*
  - iii. Two transport loans of Nu. 1.314 million were sanctioned based on the same Project Appraisal in the name of his wife Cheten Zangmo. For the second transport loan there were no insurance documents, vehicle registration details (blue book) and Central Registry for Secure Transactions in Movable Property; *(AIN-COAD-2022-75; Para No.17.3)*
  - iv. A personal loan of Nu. 0.490 was sanctioned to his wife, Cheten Zangmo without the consent of Chimi Lhamo, owner of the land which was mortgaged. The RAA found that the lag thram was not released by the bank even after liquidation of loan availed by Chimi Lhamo but was used to sanction loan to his wife; *(AIN-COAD-2022-75; Para No.17.4)*
  - v. Two housing loans of Nu. 1.000 million were sanctioned without appropriate documents for construction/maintenance of houses. The clients had informed the RAA that the loans were availed for Chenga Dawa (third party). It was evident that Karma Wangchuk, as a credit assistant had circumvented the process to avail loans on behalf of a third party. The loans are currently under NPL; and *(AIN-COAD-2022-75; Para No.17.6)*
  - vi. Agriculture and Animal Husbandry loans of Nu. 0.500 million were sanctioned to Ludra Bdr Ghishing from Bayathang Village under Khebesa Gewog, Dagana. The loans were sanctioned using collateral security from other closed loan documents. Chokey Dema, one of the owners had litigated for mortgaging her land without her consent. The Credit Assistant had made an internal agreement with the client to pay the installments and interest by him. *(AIN-COAD-2022-75; Para No.17.8)*
34. The Branch Office, BDBL, Dagana had sanctioned the Agriculture Loan of Nu. 0.500 million to Hari Maya Gurung. It was revealed that Chenga Dawa had asked Hari Maya Gurung to avail loan from BDBL by mortgaging his wife Dorji Bidha's Land as collateral security. The RAA found out that the collateral security was based on a copy of lag thram

of Dorji Bidha which was also mortgaged for overdraft loan in BOBL. *(AIN-COAD-2022-75; Para No.17.7)*

35. The Branch Office, BDBL, Dagana had sanctioned Agriculture and Animal Husbandry loan of Nu. 0.500 million based on the forged lag thram to Sangay Dorji Singer from Kana, Dagana Dzongkhag. It was found that the lag thram was overwritten, wherein land area was changed from 0.487 acre to 10.487 acre (10 acres extra) in order to avail higher loan amount. Further, the Bank had sanctioned the loan in which the Loan to Income (LTI) ratio was calculated without validation of the disposable income details of the client. *(AIN: COAD-2022-75; Para No.18)*
36. The Bhutan National Bank Ltd. (BNBL) had a case of irregular release of collaterals for six loans of Nu. 25.380 million currently under NPL. This was in contravention to the provisions of Credit Policy 2017 on substitution and release of collateral. *(AIN: COAD-2021-274; Para No.13.4)*
37. The Royal Insurance Corporation of Bhutan Ltd. (RICBL) had approved loan of Nu. 2.000 million without the consent of the land owner. The loan was approved based on the collaterals already pledged by another client. The loan was sanctioned to Sangay Penjor against the security of 27 decimal land registered in the name of Chimi Dorji and new Ssang Yong Stavic vehicle. It indicated the existence of the element of collusion between the applicant, guarantor, and loan approving authority.
- Further, to release the mortgaged land of Chimi Dorji, the Management Credit Committee, RICBL asked Sangay Penjor to clear the loan. Accordingly, Sangay Penjor had issued a cheque amounting to Nu. 1.200 million which was dishonored by BoBL on three occasions due to insufficient balance. The management had not taken any legal action as per the law of the land. *(AIN: COAD-2022-94, Para No.34 & 35)*
38. The RICBL had assigned multiple collateral codes to the same collateral while sanctioning the loans, exposing the corporation to the credit risk. The collateral code serves as a reference point for credit appraising officials in determining the Loan to Collateral Value Ratio (LTV) while sanctioning of loans. Five plots were assigned a total of 12 collateral codes. The management was cautioned on the possibility of multiple loans being sanctioned against the duplicate collateral identity numbers. *(AIN: COAD-2022-94, Para No.42)*
39. The RICBL had applied different land valuation rates for land under the same thram and plot numbers, although the Corporation had fixed

rates prescribed in the land valuation guideline. It provided an opportunity for credit appraising officials to exercise their discretion, which could possibly result in overvaluation of collateral by applying overly inflated rates. (AIN: COAD-2022-94, Para No.43)

40. The NHDCL had recruited a driver on a fake class VIII completion certificate. The certificate was found to be from the erstwhile Nobding Junior High School, Wangdue Phodrang of 1999 when the school had classes only upto class VII. The driver was immediately terminated by the management. (AIN: COAD-2021-25, Para No.1)

### 3.1.2. Agencies with Cases of Fraud and Corruption

Agency-wise fraud and corruption, provided in Table 1 shows that JDWNRH had the highest amount of irregularities amounting to Nu. 8.441 million followed by RRCO, Gelephu with Nu. 3.354 million, representing 32.29% and 12.83% respectively.

**Table 1. Agencies with cases of Fraud and Corruption with corresponding amount:**

Sl. No	Name of Agency	Amount (Nu.in million)
1	Jigme Dorji Wangchuck National Referral Hospital - CD Account	8.441
2	Regional Revenue and Customs Office (RRCO) Gelephu	3.354
3	Dzongkhag Administration, Dagana	3.079
4	Regional Revenue and Customs Office, Phuentsholing including SBA	2.974
5	Bonded Ware House, AWP, Thimphu	2.919
6	Dzongkhag Administration, Bumthang	2.283
7	Penden Cement Authority Ltd.	1.418
8	Dzongkhag Administration, Samtse	0.503
9	Medical Supply Depot, Phuentsholing	0.283
10	Dzongkhag Administration, Trashigang	0.245
11	Roads Safety & Transport Authority	0.221
12	Thromde Administration, Gelephu, Sarpang - CD & Revenue Accounts	0.118
13	CARLEP, OPM including 6 Eastern Implementing Dzongkhags	0.108
14	Dzongkhag Administration, Trongsa	0.090
15	Dzongkhag Administration, Trashiyangtse	0.082
16	Dungkhag Administration, Tashichholing	0.024
17	Bank of Bhutan Ltd.	-
18	Bhutan Dev. Bank Ltd. (Including Branches)	-
19	Bhutan National Bank Ltd.	-
20	Royal Insurance Corporation of Bhutan Ltd.	-
21	National Housing Dev. Corpn. Ltd. (Including Branches)	-
<b>TOTAL</b>		<b>26.142</b>

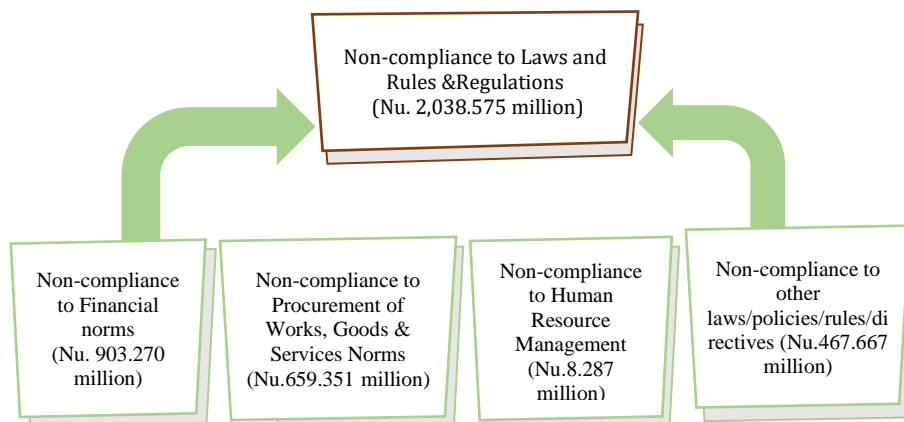
## 3.2. NON-COMPLIANCE TO LAWS, RULES AND REGULATIONS

The cases of non-compliance with laws, rules and regulations accounted for 27.09% of the total irregularities aggregating to Nu 2,038.575 million. This category includes those irregularities arising from deviation from authorities like acts, rules and regulations, policies, SOPs and agreements that govern the



operation of agencies. The issues of non-compliance were reported based on the qualitative and quantitative aspects of issues that have potential to undermine the rule of law, which is one of the tenets of good governance. The overview of non-compliances reported for the period is shown in **Figure 4**.

**Figure 4: Overview of non-compliance to laws, rules & regulations**



Of the Nu. 2038.575 million reported under Non-compliance to Laws and Rules and Regulations, the cases are segregated into four sub-categories: **non-compliance to financial norms** with Nu. 903.270 million; **non-compliance to procurement of works, goods & services norms** with Nu. 659.351 million; **non-compliance to human resource management** with Nu. 8.287 million; and **non-compliance to other laws/policies/rules/directives** with Nu. 467.667 million. The details are appended as *Annexure I*.

### 3.2.1. Significant Cases of Non-Compliance to Laws, Rules and Regulations

The significant cases of non-compliance detected during the period are summarised under four sub-categories.

#### A. Non-compliance to financial norms

The significant cases of non-compliance to financial norms are summarized below:

1. The Regional Office, Department of Road (DoR), Sarpang had released excessive advances besides the mobilization and secured advances to the contractors in various construction activities amounting to Nu. 77.326 million. Such release of advances had resulted in extending undue favour to the contractors in deviation to the contract agreements and the Procurement Rules and Regulations 2019. The cases are given in the table below:

Sl. No	Party	Name of the work	Unadjusted Advance (Nu.)
1	M/s Druk Lhayuel Construction Pvt. Ltd., Paro	Construction of Odalthang-Gesarling SNH, Contract Package B-2 (39-49 km) under Dagana Dzongkhag	24,701,682.00
2	M/s. Nor-Zang Construction Pvt. Ltd. Thimphu	construction of 80.50 Km Secondary National Highway from Dalbari-Dagapela (package C2-16.58 Km)	6,160,938.00
3	M/s. Nor-Zang Construction Pvt. Ltd. Thimphu	construction of 80.50 Km Secondary National Highway from Dalbari-Dagapela (package C1-15 Km)	46,463,512.00
<b>Total outstanding Advances (Nu.)</b>			<b>77,326,132.00</b>

**(AIN: OAAGTS-2022-10; Para No. 5.2, 6.6 & 7.5)**

- The Thromde Administration, Gelephu had booked expenditure of Nu.191.484 million in the LC Account without executing the work during the FY 2019-2020. The Thromde had transferred the amount into the Current Deposit Account to avoid fund lapse at the end of the FY. Such instances indicated lack of proper planning of the activities and deviation of the financial norms in utilizing the budgeted amount. **(AIN:17586; Para No.1)**
- The College of Information Technology, Gyelposhing had not recovered the mobilization advance of Nu. 50.150 million from the CDCL though the construction of 96 bedded hostel, IT and library building, Administrative block and staff quarters was suspended due to change in design and drawing of the structure. The college management had paid Running Account Bill (RAB) of Nu. 44.202 million, however, the advances were not adjusted from the contractor's bills as per the terms and conditions of the Standard Bidding Document and prevailing financial norms. **(AIN: OAAGB-2022-161; Para No.6)**
- The Dzongkhag Administration, Trashiyangtse had booked expenditure of Nu. 45.603 million and retained under closed work account during the FY 2020-2021. The amount booked under closed work account pertained to expenditure for ongoing activities that were not completed during the same financial year. The amount was retained under closed work account to avoid lapse of balance budget at the end of the FY. **(AIN:17189, Para No.1)**
- The JDWNRH made an inadmissible payment of Nu. 11.650 million to M/s Care Australia, Kolkata, India without rendering the radiation service. The contract terms specified that the service charge shall be paid from the date of the first patient treated. However, in deviation to the agreed service terms, the hospital paid service charges from March to December 2017 without offering any services to the hospital. The

first patient was treated only in January 2018. *(AIN: SCID-2022-279, Para No.1.3)*

6. The Dzongkha Administration, Bumthang had not deposited the revenue collection of Nu. 8.242 million into the Royal Government Revenue (RGR) account. The Dzongkhag had deposited the revenue collection in the Municipal's Current Deposit Account which was in deviation to the Revenue Manual 2019 unless authorized by the Ministry of Finance. *(AIN:17410; Para No.30.1)*
7. The Dzongkhag Administration, Mongar had not executed the deposit work for construction of the incinerator shed and its ancillary amounting to Nu. 6.207 million under the Waste Management Flagship Program even after a lapse of 10 months. This had resulted in undue delay in implementing the activities and depriving the timely benefits to the public. *(AIN: OAAGB-2021-113; Para No.1.1)*
8. The Dzongkhag Administration, Mongar made inadmissible payment of Nu. 5.751 million to M/s Rubsel Construction Private Limited, Trashigang on account of non-application of analysed rate for additional work value exceeding 20% of the initial contract price. This pertained to the construction of Storm Water Drainage at Gyelposhing town. The non-compliance had occurred due to the lack of due diligence on the part of the concerned site engineer while certifying the final Running Account Bills (RABs) for payment. *(AIN :17654, Para No.16.2)*
9. The Department of Roads, MoWHS, Thimphu made an inadmissible payment aggregating to Nu. 13.054 million to CDCL for rock excavation using silent blasting in the construction of Wangchu Zam due to the non-application of analysed rate for the deviated quantities of the works. *(AIN: SCID-2021-250; Para No.1)*
10. The Gedu College of Business Studies, Chukha had booked the expenditure of Nu. 1.209 million under the Closed Work Account by transferring it to Current Deposit Account. The amount pertained to fund balance of construction of changing room attached with toilet and gallery. Such instances indicated lack of controls in the management of government funds and deviation of the financial norms in utilizing the budgeted amount. *(AIN: OAAGPL-2021-200; Para No.1.1.3)*
11. The BNBL had disbursed 583 loans of Nu. 7.274 million without observing the time gap of six months after the initial sanction. Further, the bank had not conducted reassessment of the client's repayment capacity as a result of which 56 loans out of 583 loans aggregating to Nu. 441.06 million have become Non-Performing Loans. Such

instances of non-compliance to the banking norms had a direct impact on the performance of the company. *(AIN: COAD-2021-274; Para No.7)*

## **B. Non-compliances to procurement norms**

The significant cases of non-compliance to procurement norms are summarised below:

1. The Dzongkhag Administration, Bumthang had paid the final RAB amounting to Nu. 1.523 million to M/s TEE DOR Construction, Bumthang without actual completion of the maintenance of Chamkhar Town road to avoid the lapse of funds at the end of the FY. The lapses had apparently occurred due to weak internal controls and non-compliance to the procurement norms by the management. *(AIN:17410; Para No.12.1)*
2. The Urban Infrastructure Project (BHU 2816), Department of Engineering Services (DES), MoWHS, Thimphu had made double payment of Nu. 2.503 million. The work of Design, Monitoring & Supervision Consultancy (DMSC) and Project Management Consultancy (PMC) services was awarded to M/s STUP Consultant and executed by M/s Tundi-Tacho Construction. The double payment for the drawing and designing work of the Water Supply and Treatment Plant at Thromde, Samdrup Jongkhar had occurred due to inclusion of the same items of work in the BoQs of both the consultancy firms. The same work was included in the work package of M/s STUP Consultant and again claimed by M/s Tundi-Tacho Construction leading to double payment. *(AIN: SCID-2021-80; Para No.1.1)*
3. The Netherlands funded Infrastructure Development (ORIO) project, DoR, MoWHS had not levied liquidated damages on final contract price amounting to Nu. 16.875 million to M/s Druk Lhayal Construction Pvt. Limited for the work of Odalthang-Gesarling SNH Package B1. Further, the work was not terminated even after failure to fulfil the contract obligation which indicated an extension of undue favour by the project management. *(AIN: OAAGTS-2022-105; Para No.2.3)*
4. The Gewog Administration, Tongzhang, Trashiyangtse had paid Nu. 1.359 million to M/s Pemaling Fabrication for the supply of fencing materials without actual receipt of goods. The occurrence of such lapses implies a lack of due diligence in executing the planned activities and the extension of undue support to the supplier by the Gewog Administration. *(AIN: OAAGSJ-2021-152; Para No.10.1)*
5. The State Mining Corporation Limited (SMCL) had written off shortage of stocks amounting to Nu. 11.094 million without obtaining

endorsement from the Board. Though the Board has approved write off, the permissible ceiling was not pre-established to avoid misuse of materials. *(AIN: COAD-2022-196; Para No.1)*

6. The Division Office, RBP, Trashigang had released full payment to the contractors against incomplete works aggregating to Nu. 1.521 million to avoid fund lapse at the end of the financial year. The payment made for incomplete works includes Nu. 0.567 million to M/s Singay Dorji Construction, Trashigang for the construction of shear wall below Division Office and Nu. 0.954 million to M/s Guru Construction, Trashigang for the construction of shear wall above family quarter at Phomshing. *(AIN:17551, Para No.2.1 7& 3.1)*
7. The RBP, headquarter had booked an expenditure of Nu. 4.352 million against renovation of Officer/family quarters at Gelephu and Tingtibi and retained under the closed work account to avoid lapse of fund balance at end of the financial year. *(AIN: 17551; Para No.7)*
8. The National CSI Development Bank Limited (NCSIDBL) had sanctioned additional loan of Nu. 7.858 million to three clients that have defaulted in repayment of existing loan installments. The defaulted loans were already classified under NPL and the bank had failed to adhere with the banking norms in sanctioning the additional loans to the clients. *(AIN: COAD-2022-87; Para No.2.2)*

### **C. Non-compliance to Human Resource Management Norms**

The significant cases of non-compliance to human resource management norms are summarised below:

1. The officials of SMCL had traveled abroad to attend a seminar without obtaining the audit clearance. The Audit Rules and Regulations 2020 requires all public officials to obtain audit clearance certificate for the purpose of ex-country seminars. *(AIN: 17592; Para No.8.1)*
2. The Tala Hydropower Plant had not enforced full long-term training obligation on employees who had voluntarily resigned from the service prior to fulfilling their obligations amounting to Nu. 0.987 million. The HR Division had recovered only the amount equivalent to his actual course duration instead of two times the expenditure incurred for the studies as per the service rules. *(AIN: OAAGPL-2021-215; Para No.4)*
3. The Ugyen Wangchuck Institute for Conservation and Environment, Lamegonpa, Bumthang had disbursed the separation benefits of Mr. Tsewang Dorji, Deputy Chief Forest Officer without production of valid audit clearance. The audit clearance of the above official was

found withheld since there were unsettled issues against his name with RAA. *(AIN: OAAGB-2021-93; Para No.4)*

4. The College of Language and Culture studies, Taktse had made unjustified payment of remuneration (teaching allowance) to the teaching faculty members amounting to Nu. 4.255 million. The RAA noted that names of seven lecturers were not reflected in the timetable maintained for teaching by the college management. Therefore, payment of teaching allowances without engagement in the classroom teaching were found unjustified. *(AIN: OAAGB-2022-46; Para No.7.3)*

#### **D. Non-compliance to other policies, laws, regulations**

The significant cases of non-compliance to other policies, laws, regulations are summarised below:

1. The RRCO, Phuentsholing had issued tax clearance certificate to M/s Kencho Dorji Construction Private Limited for the purpose of renewal of license and to enable participation in the tender despite having an outstanding tax of Nu. 35.556 million during the income years 2014, 2015 and 2016. Further, the tax assessment for the income years 2017, 2018 and 2019 was pending and had referred under the delinquent case. The tax clearance certificate was issued by the dealing officials based on the order received from the Ministry of Finance without valid reasons. The actions of the Ministry of Finance had contravened the provisions of the Income Tax Act of the Kingdom of Bhutan. *(AIN: 17639; Para 6.3)*
2. The Dzongkhag Administration, Pemagatshel had made an inadmissible payment of mileage amounting to Nu. 0.260 million to the staff due to non-compliance with the provision of carpooling in BCSR 2018. The lapses had occurred due to failure on the part of the controlling officials and Accountant to encourage the provisions of carpooling. *(AIN: 17392, Para No.5)*
3. The Gewog Administration, Tashicholing, Samtse had constructed an Early Childhood Care and Development (ECCD) centre worth Nu. 0.414 million which was constructed on the wetland owned by a private individual at Belbotang without obtaining clearance from the land owner. Further, there was no approval from the competent authority to construct ECCD on the wetland. *(AIN: 17542; Para No.2)*
4. The Gewog Administrations under Samdrup Jongkhar Dzongkhag had constructed several new farm roads beyond the scope of Environment Clearance. The total approved length of roads constructed at various places was 25.729 km, however, the Gewogs had



executed 62.518 km. Such execution of activities by the budgetary agencies defeated the very objective of issuing the clearance, which was to ensure that projects were managed in an environmentally sound and sustainable way. *(AIN: OAAGSJ-2021-50; Para No.3)*

5. The BoBL had disbursed 11 loans to Phajo Nidup before receiving a lien noting confirmation, which was in violation of Credit Manual. The duration between the lien noting confirmation ranged from three days to 728 days after sanctioning of the loans. The huge time gap between the loan disbursement and obtaining of lien noting confirmation had provided opportunity to Phajo Nidup to avail loan from other financial institutions using the same collaterals. This had facilitated the client in availing multiple loans from the banks and other financial institutions, which are all under NPL. *(AIN: COAD-2021-181; Para No.6.1)*
6. The BDBL had sanctioned bridge loans aggregating to Nu. 7.338 million to five clients whose loans were classified as non-performing loans. The loans were disbursed based on conditional sanction letters which were not fulfilled by the clients. Sanctioning of additional loans to the clients having NPL was purely due to non-compliance to the Prudential Regulations 2017 issued by the RMA. *(AIN: COAD-2022-75; Para No.1.4)*
7. The BDBL had not converted staff loans amounting to Nu. 5.156 million into consumer loan on separation from service as per the terms and conditions. Such non-compliance indicated weak internal control system of the bank. *(AIN: COAD-2022-75; Para No.10)*
8. The BDBL had released original lag thram No. 1589 and 2148 of Phajo Nidup, pledged as collateral security against the loan of Nu. 15.000 million. The bank had released the lag thram based on the undertaking letter submitted by the client. This was due to the weak internal control system and inadequate credit risk management of the bank. *(AIN: COAD-2022-75; Para No.16.2)*
9. The BNBL had sanctioned eight loans amounting to Nu. 33.549 million to Phajo Nidup who had multiple lien noting on collaterals with other financial institutions. The double lien noting of collateral indicated that the lien noting agencies (Thromde, Phuentsholing & Chukha Dzongkhag) had failed to check and restrict the securities from being charged to multiple loans. The client was able to obtain multiple loans on the same collateral through different lien noting on the collateral. The credit apprising officials have failed to verify the lien noting on the loan security. This has occurred apparently due to lack of proper documentation and recording system in CBS besides failure on the part of credit officials to diligently review and verify the loan documents.

As such, in absence of such vital information in the CBS system the credit officials have made a dysfunctional credit decision detrimental to the interest of the bank. (AIN: COAD-2021-274; Para No.13.1)

10. The NCSIDBL had sanctioned two loans of Nu. 7.416 million without fulfilling the requirement of submitting environment clearance by the clients as required by the bank's credit manual. The lapses had occurred apparently due to non-enforcement of verification and maker checker system (AIN: COAD-2022-87; Para No.7)

11. The JDWNRH had a case of non-fulfilment of Service Agreement by the M/s Care Australia, Kolkata. The agreed critical deliverables not provided include no introduction of a PG Diploma course in Oncology, fellowship training in Radiation Oncology in India, no "TUMOR BOARD" organized for those cancer cases and no Surgical Oncologist deputed to the JDWNRH on surgical duties for one week every month. It was laxity on the part of management to enforce contractual terms to deliver agreed services from the service provider. However, the management continued to pay huge monthly charges to M/s Care Australia without receiving agreed deliverables as per Service Agreement. Such apathetic behaviour of management indicated undue favour extended to the party. (AIN: SCID-2022-279; Para No.1.2)

The JDWNRH had a case of wastage of government resources valuing Nu. 117.978 million on account of payment made to M/s Care Australia, Kolkata, India as service charges for radiotherapy services. Based on the High-Level Committee (HLC) meeting of the Ministry of Health, the operation of radiotherapy service was suspended after four years of operation due to various lapses while approving and signing the Service Agreement containing 24 Articles. The radiation treatment for the subset of patients with rectal cancer and cervical cancer was found to be suboptimal as per the clinical findings. The due process for executing any memorandum of understanding or agreement with external agencies in line with the Rule of Treaty Making Procedure 2016 was also not followed. The Board and management had directly awarded the Service contract to M/s Care Australia, Kolkata for installation and operation of Radiation Therapy Service without following procurement norms. The RAA also found that the need analysis and pre-feasibility studies and other due diligence requirements had contributed in taking injudicious decisions by the Board, resulting in draining out huge government resources.

12. The Parliamentary Entitlement Rules and Regulations 2019 and Pay Revision Act 2019 provide one designated duty vehicles to Minister, Secretary, Director General and Director levels. However, the RAA found that some of the public officials and civil servants entitled to

chauffer driven cars were provided with more than one dedicated vehicle. Instances were also noted where Specialist and P1 level officials who are not entitled are using designated duty vehicles. (AIN: RTICD-2021-294, Para No. 3; AIN: SCID-2022-245, Para No. 1 and AIN: SCID-2022-227, Para No. 2)

### 3.2.2. Agencies with Cases of Non-Compliance to Laws, Rules and Regulations

Non-compliance to laws, rules & regulations accounted for 27.09% of the total irregularities. The agency wise non-compliances provided in **Table 2** shows top ten agencies in this category and detailed listing is provided in *Annexure II*.

**Table 2. Top ten agencies with cases of non-compliance to laws, rules & regulations with corresponding amount:**

Sl. No	Name of Agency	Amount (Nu.in million)
1	Regional Revenue and Customs Office (RRCO) Phuentsholing including SBA	365.482
2	Regional Office, DoR, Sarpang	228.323
3	Thromde Administration, Gelephu	192.027
4	Dungsam Polymers Ltd.	95.371
5	Regional Office, DoR, Lingmethang, Monggar	91.573
6	Department of Cottage & Small Industries	74.203
7	College of Information and Technology, Gyelposhing	50.794
8	Dzongkhag Administration, Trashiyangtse	48.126
9	Dzongkhag Administration, Punakha	47.560
10	Regional Office, DoR, Lobesa	47.008

Agency-wise non-compliance to laws, rules and regulations provided in **Table 2** shows that RRCO, Phuentsholing had the highest amount of irregularities of Nu. 365.482 million followed by Regional Office, DoR, Sarpang with Nu. 228.323 million, representing 17.93% and 11.20% respectively.

### 3.3. SHORTFALL, LAPSES AND DEFICIENCIES

The cases of 'shortfall, lapses and deficiencies' accounted for 72.56% of the total irregularities aggregating to Nu. 5,460.781 million. The issues of Shortfall, Lapses and Deficiencies were reported based on the materiality having potential to undermine the economic and efficient functioning of agencies.

#### 3.3.1. Significant Cases of Shortfall, Lapses and Deficiencies

The significant cases of shortfall, lapses and deficiencies are summarised below:

1. The PHPA-I had a case of delay in finalization of the drawings, estimates and tender documents for civil and electromechanical works by M/s WAPCOS, India. The finalization of drawings had taken considerable time ranging from 183 days to 429 days which ultimately had delayed the construction and other associated works, leading to time and cost overrun. No action was taken against the

The PHPA-I is faced with problems and setbacks causing enormous delays and huge cost overrun. The Project which was originally scheduled to be commissioned in November 2016 was yet to see any foreseeable completion deadline. There were serious problems without any concrete recommendations being offered by M/s WAPCOS as the Engineering and Design Consultant, and the Project management remaining clueless of any course of action.

As per the Constitution of the Project, the Authority shall meet as often as is necessary but not less than twice in a calendar year. However, over the period of three years since the last Authority meeting held in September 2019, not a single meeting was convened which clearly indicated lack of seriousness and any concrete directions from the Authority. The cases clearly indicated an apathy on all the responsible parties including the Consultant and experts, Project management and Authority. It was a serious concern requiring adequate investigations on the failures resulting in huge delay and cost overrun for the Project.

- Consultant for such abnormal delays which had immensely affected other contracts entailing payment of overrun charges and charges for renewal of insurance and bank guarantees. *(AIN: RTICD-2022-160; Para No.2)*
2. The Mangdechhu Hydroelectric Project (MHP), Trongsa had accepted defective works from M/s Bharat Heavy Electrical Ltd (BHEL), India for Generating Unit III amounting to Nu. 205.030 million during the commissioning period. Additionally, seven other major faults were observed within a year since commissioning. *(AIN: RTICD-2021-251; Para No. 4)*
3. The Regional Office, DoR, Thimphu had accepted defective blacktopped work and had not carried out rectification of defective works in the construction of packages 1, 2, 3, 4 & 6 - Upgradation of Jenkhana-Khamina Road valuing Nu. 5.834 million. The completed blacktopped road showed crocodile cracks at various locations. This had happened due to non-adoption of the right technical procedures for providing and laying of bituminous layers. *(AIN: 17560; Para No. 3.1, 3.2, 3.3, 3.4 & 3.5)*
4. The Regional Office, DoR, Lingmethang had made payment of Nu. 1.505 million for damaged Random Rubble Masonry (RRM) wall executed by M/s Nangsel Dems Construction, Trashiyangtse along the Gyalpozhing-Nanglam Highway. The lapses had occurred due to

- improper verification of works executed at the site. *(AIN: OAAGB-2022-15; Para No. 2.2)*
5. The Regional Office, DoR, Sarpang had not levied liquidated damages amounting to Nu. 13.026 million for the delay in the completion of package C2-16.5 km stretch of road between Dagapela to Gesarling executed by M/s Nor-zang Construction Pvt. Ltd. The RAA noted that the works were taken over before completion. *(AIN: OAAGTS-2022-105; Para No. 6.3)*
  6. The Regional Office, DoR, Tingtibi had accepted the defective works valuing Nu. 1.011 million in the Improvement of Road along Tingtibi highway awarded to M/s Dungkhar Construction Pvt Ltd. Despite repeated reminders, the contractor had failed to rectify the Asphalt Concrete (AC) works. The defects had occurred due to failure to adhere to the technical specifications. *(AIN: OAAGB-2022-17; Para No. 4.2)*
  7. The Bhutan Duty Free Limited (BDFL) had a shortage of stock of tobacco products valuing Nu. 7.828 million in Thimphu, Gelephu, Phuentsholing and Samdrup Jongkhar outlets. The shortage was attributed to poor custody of products at outlets and non-maintenance of inventory registers to record the movement of the stocks. *(AIN: COAD-2021-140; Para No. 2)*
  8. The Dzongkhag Administration, Chukha had made wasteful expenditure of Nu. 0.312 million in the installation of CCTV at Chapcha Middle Secondary School awarded to M/s Lamla Enterprise, Thimphu. The RAA found that the CCTV had become non-functional after 11 months and failed to meet its intended purpose. *(AIN: OAAGPL-2021-162; Para No. 22)*
  9. The Dzongkhag Administration, Paro had not levied LD of Nu. 0.234 million for the delay in the completion of Improvement of Urban Road, Paro Municipal awarded to M/s Tashi Norbuling Construction, Trongsa. Although the work was not completed as scheduled, the final RAB was found paid based on the completion report submitted by the contractor. *(AIN: GGD-2021-195; Para No. 1.2)*
  10. The Dzongkhag Administration, Pemagatshel had accepted defective work valuing Nu. 1.383 million in the construction of retaining wall executed by a community contractor. The RAA found that the retaining wall had completely collapsed due to design failure, inadequate drainage system and substandard construction. *(AIN: OAAGSJ-2022-158; Para No. 4.1)*
  11. The Dungkhag Administration, Panbang had made payment of Nu. 1.108 million for works not completed. The maintenance of physics and

biology blocks, classrooms and extension of ground at Sonamthang Central School was executed by M/s P. Keldron Construction. (AIN: 17646; Para No. 11)

12. The Dungkhang Administration, Dophuchhen had accepted substandard works valuing Nu. 2.994 million in the Improvement of Farm Road from Ganje to Beteni executed by M/s Ogyen Construction. Acceptance of substandard works was due to the lack of due diligence exercised in verification of works. (AIN: OAAGPL-2022-18; Para No. 8.3)
13. The RRCO, Phuentsholing had several instances of information discrepancies in the collection of taxes, fines and penalties on income generated from various sources. The RAA found that there was difference in information maintained with the RRCO and the information in the Bhutan Automated Customs System (BACS). The RRCO had failed to include information maintained in the BACS to ascertain the taxes, fines and penalties. Since the audit was conducted during the COVID-19 pandemic period and related lockdowns, the RAA is currently conducting a thorough review of the related issues to ensure that the information discrepancies have not led to evasion of taxes, fines and penalties. (AIN:17639; Para No. 2.1,2.2,3.2,3.4.4.1,4.2,4.3,4.4,4.5,4.7,4.8(1&3), 4.9, & 4.10)
14. The Punatsangchhu Hydroelectric Project-I (PHEP-I) had inadmissible payment of Nu. 57.644 million made to M/s WAPCOS, the Engineering and Design Consultant on account of deployment of additional manpower at Central Electricity Authority (CEA) for FYs 2017-18, 2018-19 and 2019-20. The claims for deployment of additional manpower were not in compliance to the agreed procedures. To verify the supporting documents for the additional claims, a verification team comprising from PHPA-I and M/s WAPCOS HO was deputed from 11<sup>th</sup> to 25<sup>th</sup> October 2021. The verification team could not vouch for the additional claims as they failed to comprehend the technical details submitted by M/s WAPCOS to substantiate deployment of the additional manpower. The team confirmed the inadmissibility of the additional claims as all approved man-months deployed by M/s WAPCOS were already claimed and paid within the three FYs. Based on the report submitted by the Verification Team, the F&A Circle (PHPA-I) rejected the claims and Chief Finance Officer submitted his disagreement on the release of provisional payment. Further, the Internal Audit Unit, PHPA-I on the instructions of Hon'ble Chairman had also verified the supporting documents in December 2021, and determined the additional claims as not reasonable and legitimate. Despite the verification teams at various levels ascertained as not



admissible, the Project management had paid the additional claims to M/s WAPCOS on 5<sup>th</sup> November 2021. *(AIN: RTICD-2022-160; Para No.1)*

15. The PHPA-I had a case of inappropriate engagement of external experts to review, resolve the Contractual issues and act as a mediator for interpretations of Contractual Clauses of tender documents to resolve issues amicably between the Project and contractors as there were instances of contentious claims submitted by various contractors. The additional responsibilities of the experts were to reduce instances of adjudication. The experts were engaged for the period of 13 months with agreed remunerations. The RAA found that the engagement of external experts was not justified as the Project is constituted with a full-time Director (Technical) and other professionals with expertise in diverse fields deputed from various organizations from both the Governments (India and Bhutan) and Engineering & Design Consultant. *(AIN: RTICD-2022-160; Para No.3)*
16. The PHPA-I had not recovered an amount of Nu. 625.87 million from M/s Larsen & Toubro Limited under Contract Package MC-1. As per the provisions of Contract, the payment for variation of works have to be paid based on analysed rates. For finalizing the analysed rates, the Project management had approved some parameters for rate analysis in May 2013. Accordingly, the rates were finalised and payment released up to October 2015. The management had revised the parameters based on the recommendations of the Public Accounts Committee and clarification of the Central Water Commission (CWC). Based on the revised parameters, the recoverable amounts were worked out for the payment already released up to October 2015. The initial parameter fixed by the Authority was not in consonance with CWC guidelines. The PHPA had not recovered the amount worked out based on revised parameters nor applied for any variation payment. *(AIN: RTICD-2022-160; Para No.5)*
17. The PHPA-I had made an excess payment of Nu. 12.44 million to M/s Larsen & Toubro Limited for non-usage of OPC cement in construction of Shotcrete (PFRS/SFRS) in Dam, Intake Structure and Diversion Tunnel. The contractor had used PPC cement instead of OPC cement. The rate of OPC cement being higher than PPC Cement, consideration of OPC cement rate in rate analysis of these items had resulted in excess payment to the contractor. *(AIN: RTICD-2022-160; Para No.7)*
18. The MHEP had released Special Advances amounting to Nu. 17.000 million beyond the allowable percentage of 20% as per the contract

- agreement to the M/s. Jaiprakash Associates. The advances were not recovered from the contractor. *(AIN: RTICD-2021-251; Para No. 9)*
19. The MHEP had made excess payment of Nu. 6.220 million to M/s Jaiprakash Associates Limited (JAL) in the construction of Dam and associated works (C-1 package). The excess payment had occurred due to failure to comply with the conditions of the Standard Bidding Document (SBD) for price adjustment. *(AIN: RTICD-2021-251; Para No. 10)*
  20. The MHEP had made an overpayment of Nu. 5.979 million to Jaiprakash Associates Limited (JAL) due to double assessment of cement quantity in design mix concrete in the construction of Dam and associated works (C-1 package). This had resulted due to lack of due diligence by the supervising engineer in certifying the RABs. *(AIN: RTICD-2021-251; Para No. 11)*
  21. The PCAL had made excess payment of Nu. 2.707 million in the procurement of various items without quotation. The RAA found that the rates paid were exorbitantly higher than the market rates. This payment had occurred mainly due to the failure of the tender committee to analyse the market rates. *(AIN: OAAGPL-2022-22; Para No. 15)*
  22. The Secondary Town Urban Development Project funded by ADB and implemented by DES, MoWHS, had made overpayment of Nu. 1.557 million to M/s Penjor Construction Pvt. Limited in the construction of package Schechamthang LAP-2. The contractor had inflated in the bill the height of RRM works of the retaining wall. Similarly, the project had made overpayment of Nu. 1.858 million to the same contractor for other works. The lapses had occurred due to the certification of RA bills without confirming the actual measurements at the site by the site engineer and the consultant engineer. *(AIN: SCID-2021-169; Para No. 1&2)*
  23. The Regional Office, DoR, Tingtibi, Zhemgang had made payment of Nu. 1.905 million without supporting documents for hire charges of machines and vehicles for restoration of damaged roads and for slip clearance during the nationwide lockdown. The lapses occurred due to a lack of proper supervisory control, and adequate checks and balances in the system in maintaining proper documentation and records. *(AIN: OAAGB-2022-17; Para No. 2.2)*
  24. The Regional Office, DoR Trongsa had made excess payments of Nu. 2.676 million for the contract works of Double Lanning of Northern-East -West Highway. The works were awarded to:

- i. M/s Dungkar Company Pvt. Ltd. for Puenzhi – Tashi Pokto and Yotongla – Bongzam; and
- ii. M/s Rinson Construction Pvt. Ltd for Dorjigonpa – Yotongla.

The excess payments had occurred due to pricing variation without considering the quoted rate by the contractor below the departmental estimates. **(AIN: 17656; Para No. 4.1)**

25. The Regional Office, DoR, Trongsa had wrongly booked the expenditure of Nu. 1.623 million as work charge under various capital activities. The expenditure pertained to DSA payments, hospitality and entertainment expenditure, procurements of goods, office *rindro* and *tokha* which were not related to the works under which these were booked. **(AIN: OAAGB-2022-250; Para No. 11)**
26. The Regional Office, DoR, Phuentsholing had accepted substandard works valuing Nu. 1.576 million in the construction of Namchu-Sangbaykha SNH executed by M/s Gelep Construction, Wangdue. It was noted that the retaining walls constructed along the stretch were damaged. **(AIN: 17545; Para No. 1.1)**
27. The Kholongchhu Hydro Energy Limited (KHEL), Trashiyangtse had made excess payment of Nu. 13.479 million in the construction of an access road towards Desilting Chamber at the Dam Site executed by M/s Lhojong Construction Pvt. limited, Thimphu. The RAA found that there were huge variations in the volume of earthwork executed compared to surveyed quantities. **(AIN: 17393; Para No. 1.1)**
28. The Dagachhu Hydropower Plant (DHP), Dagapela had made excess payment of Nu. 4.472 million to contractors for excavation of earth and disposal. The excess payment occurred due to non-adherence to the provisions specified in the BoQ. **(AIN: 17625; Para No. 1.3)**
29. The RRCO, Gelephu had not imposed fines and penalties amounting to Nu. 17.474 million for non-filing of tax returns and non-declaration of income for boulder exports during the income years 2017 to 2020. **(AIN: OAAGTS-2021-149; Para No.4)**
30. The NCSIDBL had non-performing loans of Nu. 335.713 million constituting 15.20% of the total loans in 2021 as detailed below:

Sl. No.	Types of loans	Amount (Nu. in million)	No. of loan accounts
1	Micro loans	66.619	439
2	Cottage Industry	242.208	177
3	Small Industry	83.487	14
<b>Total</b>		<b>392.314*</b>	<b>630</b>

\*The total includes NPL of Nu. 56.600 million pertaining to year 2020.

The NPLs are generally attributed to inadequacies in loan appraisals and follow-up. *(AIN: COAD-2022-87; Para No.2 (a))*

31. The Branch Office, Gomtu and Thimphu Main Branch, BoBL had sanctioned transport loans of Nu. 14.566 million without following the provisions of the credit manual. Lack of monitoring of post-sanction by the bank and inadequate institutional collaborations with the vehicle dealers were some of the reasons for irregular sanction of loans. *(AIN: COAD-2021-181; Para No. 13,14 &15)*
32. The RICBL had not recorded collateral details of eight loan accounts in the system. The non-recording of the collateral details by RICBL had led to generation of wrong information from the Credit Information Bureau (CIB). Incomplete collateral details recorded in the system had impeded the proper appraisal of loans. *(AIN: COAD-2022-94; Para No. 41)*
33. The RICBL had provided extension of interest payment support (IPS) to Phajo Nidup of Nu. 5.209 million despite most of the loans being fraudulently availed by the client. The client had used the same collaterals with different financial institutions to avail multiple loans by taking advantage of the inadequacies in the inter-financial institutions' information sharing system and untimely recording of credit data by the Credit Information Bureau (CIB). The client was extended with undue benefit in the form of Interest Payment Support at the expenses of the government, which could be misinterpreted as incentivizing the malpractices. *(AIN: COAD-2022-94; Para No.45)*
34. The BNBL had sanctioned two overdraft loans and one term loan of Nu. 38.126 million by mortgaging teak plantation by the client. The teak plantation was certified by Dzongkhag Forest Officer in January 2012 stating that the teak trees had attained the pole size with an average of 25cft per standing tree with total of 10,180 trees valued at Nu. 800/cft aggregating to Nu. 203.600 million. The RAA found that the majority of the trees have only attained pole size only after 10 years of certification. The lapses had occurred apparently due to failure of the credit officials to visit the plantation site to independently confirm its existence rather than simply relying on the certification of the Dzongkhag Forest Officer. *(AIN: COAD-2021-274, Para No. 14.2)*
35. The BNBL had not applied board approved commission rates leading to under collection of commission of Nu. 6.675 million on performance guarantees. *(AIN: COAD-2021-274; Para No.16.1)*
36. The Dzongkhag Administration, Bumthang had made excess payment of Nu. 1.018 million in the road center marking from Dekiling junction

- to Chakhar executed by Construction Development Corporation Limited (CDCL), Thimphu. The RAA found that the excess payment had occurred due to non-adherence to the technical specification and incorrect application of rate. *(AIN:17410; Para No. 11)*
37. The Dzongkhag Administration, Chukha had made excess payment of Nu. 0.326 million in the replacement of luminaires and maintenance of street lights at Gedu, Laptakha, and Tsimalakha executed by M/s Deki Samdrup Construction. The The RAA found that supervising official and Accountant had failed to exercise due diligence while making the payments. *(AIN: 17529; Para No. 4.2)*
38. The Dzongkhag Administration, Chukha had made payment of Nu. 2.478 million for the purchase of vegetables from the farmer's group during the COVID-19 lockdown for schools under the Dzongkhag based on the scanned copy of bills. The lapses occurred due to a lack of an internal control system in place. *(AIN: OAAGPL-2021-162; Para No. 14)*
39. The Dzongkhag Administration, Haa had made payment of Nu. 1.200 million without receiving turf boy tractor and player cabin from M/s Sonam Construction Pvt. Ltd., Thimphu. The lapses had occurred apparently due to non-enforcement of the provisions of the supply order. *(AIN: OAAGPL-2021-65; Para No. 3.1)*
40. The Dzongkhag Administration, Mongar had cases of utilizing Granular Subbase (GSB) materials in the farm road improvement activities under 17 gewogs without obtaining permits. The RAA found that there are possibilities of illegal extraction of GSB materials resulting into non-levy of royalty, fines and compensations. *(AIN: OAAGB-2021-113; Para No. 2.1)*
41. The Dzongkhag Administration, Samtse had made excess payment of Nu. 1.084 million in the improvement of Depheling Moed to Depheling Toed farm road under Sangnagchhoeling Gewog executed by M/s Yoezer Lhamo Muensel Construction, Lhuentse. The RAA found that the excess payment was due to failure on the part of both the site engineer and supervising officials to exercise due diligence during the verification and measurement of works. *(AIN: 17585; Para No. 1)*
42. The Dzongkhag Administration, Samtse had made excess payment of Nu. 0.912 million in the improvement of farm road at Singaygang, Tendruk gewog executed by M/s Susmita Construction, Samtse. The excess payment had occurred due to work not executed as per the specification. *(AIN: 17589; Para No. 2)*

43. The Dzongkhag Administration, Samtse had made excess payment of Nu. 0.470 million in the improvement of Sanitary Landfill at Majathang executed by M/s Indee Construction. The lapses had occurred due to negligence of the concerned site engineer and supervising engineer for verification of works executed at the site. *(AIN: 17585; Para No. 4)*
44. The Dzongkhag Administration, Samtse had accepted substandard works of Nu. 2.752 million in the Construction of a drainage system along Devithang road executed by M/s Tashi Norphel Builders, Sarpang. It had occurred due to lack of monitoring leading to poor quality of work. *(AIN: 17585; Para No. 8)*
45. The Dzongkhag Administration, Samtse had made excess payment of Nu. 0.329 million in the restoration of Kuchi Dina Irrigation Channel executed by M/s Sonam Samphel Norbu Construction, Lhuentse. The RAA found that excess payment had occurred due to improper verification and measurements by the site engineer. *(AIN: 17585; Para No.17)*
46. The Gewog Administration, Yoeseltse, samtse had made excess payment of Nu. 0.222 million in the improvement of Pelkithang farm road executed by M/s Tanchok Construction. The RAA found that excess payment had occurred due to negligence of the site engineer and supervising engineer while verifying the works. *(AIN: 17585; Para No.21)*
47. The Dzongkhag Administration, Zhemgang had withdrawn Nu. 2.451 million from the CD account of Municipal Unit. The RAA found out that the Municipal unit was not aware of amount being used as the dealing Accountant was not available during the audit. Similarly, an amount of Nu. 2.910 million was expended from the CD account (dealt by the same Accountant) but there were no supporting documents. *(AIN: 17655; Para No. 39)*
48. The Dungkhag Administration, Tashicholing, Samtse had made excess payment of Nu. 0.401 million in the Construction of Storm Water Drain at Maphelgang-Samphelgang under Norgaygang Gewog executed by community contractor. Similarly, the excess payment of Nu. 0.278 million was made in the Construction of a Store Cum Engineering Office, and Construction of Hand Washing Station at Schools under Drungkhag Administration, Tashicholing executed by M/s Reema Construction, Thimphu. It had occurred due to the failure on the part of Site Engineers and supervising officials to exercise due diligence. *(AIN: 17539; Para No. 1, 2 & 3)*



49. The Gewog Administration, Norgaygang, Samtse had made excess payments of Nu. 0.378 million in the Improvement of Lingernang Farm Road package I & II executed by community contractors. The excess payment had occurred due to improper verification of works executed at the site while disbursing the final payment. *(AIN: 17516; Para No. 2 & 3)*
50. The Gewog Administration, Namgaycholing, Samtse had made payment for defective works valuing Nu. 0.166 million in Improvement of Farm Road from Gewog Center to Pakshingka executed by community contractor. The RAA found that the required standard as per the specification were not met. *(AIN: 17540; Para No. 2)*
51. The Gewog Administration, Samtse had made excess payment of Nu. 0.844 million in the works of Improvement of Farm Road from Mandrinin to Tashim executed by M/s Phuntsho Construction. The RAA found that the excess payment was due to double entry of the same item of work. *(AIN: 17517; Para No. 2)*
52. The Gewog Administration, Pemaling, Samtse had made payment of Nu. 0.456 million for hire charges of excavators in the construction of farm road from Lamatar to Ghondaytar to M/s Sipsu Hiring Equipment Agent based on photocopied bills. *(AIN: 17515; Para No. 17)*
53. The Gewog Administration, Tashicholing, Samtse had made excess payment of Nu. 0.718 million in the Improvement of Farm Road at Peljorling (Lapchay Dara) and extension of farm road at Dewachen executed by M/s Rinpung Builders. *(AIN: 17542; Para No.4)*
54. The Gewog Administration, Tashicholing, Samtse had made excess payment of Nu. 0.564 million in the Improvement of Farm Road from ORC Junction to Upper Singaygang executed by M/s Deepcelling Construction. The excess payment had occurred due to failure on the part of Site Engineer and supervising officials to exercise due diligence. *(AIN: 17542; Para No. 6)*
55. The Gewog Administration, Sangachholing, Samtse had incurred wasteful expenditure of Nu. 1.132 million in the construction of the irrigation channel in Jiti A&B (Chuchungsa) and Tharphu executed by community contractors. The irrigation channel could not be put to use despite improvement works initiated by the Gewog. The farmers of Chuchungsa and Tharphu had not been benefited by the irrigation channel as there was no water from the source. This could be attributed

- to improper study and planning of the project. *(AIN: 17541; Para No. 2)*
56. The Gewog Administration, Norbugang, Samtse had made excess payment of Nu. 0.373 million in the Improvement of Farm Road from Garigoan to Tingraray executed by M/s PG Construction, Paro. *(AIN: 17591; Para No. 2)*
57. The Gewog Administration, Yoedseltse, Samtse had made excess payment of Nu. 0.231 million in the Improvement of the Channel to Jigmethang Farm Road executed by Community Contractor. The lapses had occurred apparently due to negligence of the site engineer and supervising engineer. *(AIN: 17590; Para No. 1)*
58. The Gewog Administration, Trong, Zhemgang had made inadmissible payment TA/DA amounting to Nu. 1.208 million. It was noted that the claims were made without travel claims. The lapses had occurred due to lack of proper internal controls. *(AIN: 17602; Para No. 9)*
59. The Gewog Administration, Trong, Zhemgang had made improper payment of Nu. 2.273 million in the Restoration and Construction of Farm Road and Maintenance of Irrigation Channel executed by M/s D.D Construction, Zhemgang. The payment was not supported by bills or invoices for hiring charges of machineries. *(AIN: 17602; Para No. 15)*
60. The Gewog Administration, Phongmey, Trashigang Dzonkghag had made excess payment of Nu. 0.410 million in the Maintenance of Lamzang to Throngrong Fram Road executed by M/s Norzin Norphel Construction. The excess payment was due to the difference between actual work done and bills claimed by the contractor. *(AIN: 17258; Para No. 1.2)*
61. The Bhutan Postal Corporation Limited had made excess procurement of equipment, software and stationaries amounting Nu. 6.058 million funded by the Universal Postal Union (UPU). It was found that the goods purchased were still lying idle due to lack of proper need analysis. *(AIN: COAD-2022-212; Para No. 1)*
62. The Phrumsengla National Park, Ura, Bumthang had made irregular payment of Nu. 1.546 million in the Construction and Maintenance works of Trails and Bridges executed through community contract and departmentally. The payment was made based on estimates without proper bills. *(AIN: OAAGB-2022-249; Para No. 4)*
63. The Privy Council of Bhutan had made payment of Nu. 1.226 million. There were no supporting documents to support the genuineness and authenticity of the expenditure. *(AIN: GGD-2022-67; Para No. 1)*

64. The College of Language and Cultural Studies (CLCS), Taktse, Trongsa had made payment of Nu. 1.168 million for working lunch and refreshment without supporting documents. (AIN: OAAGB-2022-46; Para No. 17)
65. The National Land Commission (NLC) had incurred a wasteful expenditure valuing Nu. 3.931 million in the procurement of Topographical Maps and Nye Atlas from M/s Sherab Yoezer Printing Press and M/s Bhutan Printing Solution. The lapses had occurred due to lack of proper need analysis before the procurement resulting in non- utilization. (AIN: GGD-2021-278; Para No. 1)
66. The Hindu Dharma Samudaya of Bhutan (HDSB) had not accounted the grant aggregating to Nu. 11.236 million received from the Department of Culture for construction of Hindu Temple, Thimphu. Further, the donation of Nu.0.209 million received during the year 2019 was not recorded in the financial statements of the HDSB. (AIN: 17628; Para No. 3)

### 3.3.2. Agencies with Cases of Shortfall, Lapses and Deficiencies

Shortfall, lapses and deficiencies accounted for 72.56% of the total irregularities. The agency wise Shortfall, lapses and deficiencies in **Table 3** shows top ten agencies in this category. The detailed listing of agencies with irregular amounts is appended as *Annexure III*.

**Table 3. Top ten agencies with cases of Shortfall, Lapses and Deficiencies with corresponding amounts:**

Sl. No	Name of Agency	Amount (Nu.in million)
1	Regional Revenue and Customs Office (RRCO) Phuentsholing including SBA	2,864.028
2	Punatsangchhu-I Hydroelectric Project Authority	696.704
3	Dungsam Cement Corporation Ltd. (SA)	272.703
4	State Trading Corporation of Bhutan Ltd.	272.185
5	Mangdechhu Hydroelectric Project Authority	236.812
6	Penden Cement Authority Ltd. (SA)	187.241
7	Jakar Regional Office, NRDCL, Bumthang	134.822
8	Jigme Dorji Wangchuck National Referral Hospital (JDWRH) - CD Account	117.978
9	Ministry of Works & Human Settlement	82.650
10	Regional Revenue and Customs Office (RRCO) Gelephu	76.927

Agency-wise Shortfall, lapses and deficiencies provided in **Table 3** shows that RRCO, Phuentsholing had the highest amount of irregularities amounting to Nu. 2,864.028 million followed by Punatsangchhu-I Hydroelectric Project Authority with Nu. 696.704 million, representing 52.45% and 12.76% respectively.

### 4. PERFORMANCE AUDIT REPORTS

During the FY 2021-22, three performance audit reports were issued namely Performance Audit Reports on Sustainable and Safe Road Transport System, Farm Road Development and Management in Bhutan and electronic Public Expenditure Management System (e-PEMS). The two performance audit reports on Sustainable and Safe Road Transport System and Farm Road Development and Management in Bhutan were tabled during the Seventh Session of the Third Parliament on 30<sup>th</sup> June 2022 and are available on the RAA website.

The Performance Audit Report of electronic Public Expenditure Management System (e-PEMS) in Department of Public Accounts was issued to Ministry of Finance. The audit was carried out with the following objectives:

1. To assess whether e-PEMS is able to meet the business requirements and objectives;
2. To assess whether data migration from PEMS to e-PEMS was carried out accurately and completely; and
3. To evaluate the adequacy and effectiveness of general and application controls in e-PEMS in detecting and preventing instances that may have impact on the reliability, integrity, and availability of financial data contained in the system and its compliance with laws, policies and standards applicable public finance management.

The performance audit of e-PEMS was carried out in Department of Public Accounts covering the period from 22<sup>nd</sup> July 2019 till 30<sup>th</sup> Sept 2021 (from the date of implementation of e-PEMS) and visited Finance Cluster Office, Paro, Supreme Court and Ministry of Agriculture and Forests. The summary of significant findings is as below:

1. Inadequate controls over data migration from PEMS to e-PEMS resulting in discrepancies of Nu. 467.77 million;
2. Inadequate IT controls resulting in improper user access management, lack of IT security policy, absence of adequate change management process and lack of business continuity and disaster recovery plan;
3. Lack of proper validation controls embedded in the system resulting in accepting invalid information such as invalid CID number, employee ID, PF account number, GIS number, duplicate CID, PF, EID and work permit number and mismatch between employee category and grade allocated. This resulted in processing wrong information, which ultimately affect making an informed decision;
4. Automated controls in e-PEMS not designed in compliance to prevailing rules and regulations resulting in inadmissible payment of salaries to employees on extraordinary leave and long-term training;

5. Non-deduction of health contribution, provident fund, and GIS; and discrepancies in deduction of TDS;
6. Non-enforcement of segregation of duties (Maker and Checker concept) in e-PEMS resulting in having full access rights beyond the job responsibility of users; and
7. Poorly planned financial cluster initiative resulting in improper maker and checker concept enforced, lack of standard operating procedure and turnaround time, lack of training to the focal persons in agencies and not meeting the objective of rationalising the human resource.

The RAA provided eight recommendations to initiate corrective actions as follows:

1. DPA, in collaboration with budgetary agencies, should resolve issues of incorrect and incomplete data migration and inconsistencies resulting from analysis of data;
2. DPA should enhance IT controls in e-PEMS specifically in areas that were assessed to be weak and vulnerable;
3. DPA should strictly enforce the maker and checker concept through a mechanism of process of assigning rights by system administrator based on the need;
4. DPA should put in place ICT Security Policy to guide in formulating strategies to safeguard information;
5. DPA should establish Disaster Recovery Site to safeguard information during disaster;
6. Ministry of Finance should integrate e-PEMS with other information systems and consolidate standalone systems;
7. DPA should optimise the deployment of human resources based on workload and render systems and process to enhance effectiveness and efficiency in delivery of services; and
8. DPA should institute change management process to ensure appropriate controls and authorization.

### 5. CONCLUSION

The RAA had issued unmodified (clean) opinion on the Annual Financial Statement of the Royal Government of Bhutan for the FY 2021-2022. However, the RAA had drawn attention through Emphasis of Matter related to constantly increasing fiscal deficit, increased government subsidies, lack of clear structure on types of Government CD accounts, and the rush of capital expenditure towards the last quarter of the financial year.

During the period, the RAA noted that the irregularities in the audited agencies had occurred mainly due to inadequacies in the internal control system in which the design or operation of the internal controls are rendered incapable of preventing, detecting or correcting the errors and deviations. The areas of construction and procurement continue to be vulnerable to irregularities and lapses. **Some of the common causes of irregularities include the following:**

- ♣ Inadequate system of responsibility, accountability and sanctions within public sector is shown to inhibit performance and ethical conduct of public officials. A lack of strong culture of performance and accountability drives complacencies, underperformance and violation of integrity as evident from persisting and repeat offences and irregularities surfacing each year;
- ♣ A lack of performance and ethical culture in the agencies are also fueled by lack of effective leadership and tone at the top. The current structure of responsibility in the civil service and the public service customarily does not lead to answerability of leadership when agencies or projects underperform or fail;
- ♣ Lack of monitoring and supervision has been observed as one of the contributing factors in repeated problems and mismanagement such as short or non-levy of taxes, time and cost overruns, rush of expenditure towards end of financial year, payment without receiving goods/works/services, uneconomic operations and delay or non-settlement of advances or claims;
- ♣ Non-compliance to laws, rules and regulations despite there being adequate legal and policy frameworks. While such cases could be because of the concerned officials not taking the required efforts to grasp the relevant laws, rules and regulations, there are also indications of intentional override of laws, rules and regulations. For instance, the high non-performing loans in the Financial Service Providers, excess/double payments and booking funds under closed work are some of the issues commonly observed;



- ♣ Lack of coordination among the public agencies lead to confining responsibilities and pursuing incoherent approach to shared development priorities that are of cross cutting nature, potentially resulting in duplications and added costs besides impeding the achievement of the goals and objectives; and
- ♣ Lack of proper documentation to authenticate the activities of agencies give rise to irregularities. Despite RAA's persistent recommendation on the need to maintain proper documentation, the organisations still lack proper documentation culture.

The reoccurrence of similar irregularities indicates inefficiencies of the agencies in ensuring economy, efficiency and effectiveness in the use of public resources. The RAA as an oversight body seeks to contribute to bring improvement of the Public Financial Management System (PFMS) through its audit and report. The irregularities reported in this report is a pointer to the state of performance of the public sector and its compliance to the authorities governing the PFMS of the country. The improvement in governance in PFMS can only be made if agencies act on the recommendations provided through the individual audit reports. The recommendations contained in this report are meant for influencing policy decisions to improve governance and public financial management of the country.

Based on the nature of issues and its possible causes, the RAA developed a total of six recommendations aimed at prompting the agencies and authorities to initiate corrective actions to remedy the problems and enhance overall governance of the public financial management system. The agencies and authorities should be obliged to act upon each of these recommendations as applicable to ensure that deficiencies identified are remedied and performance of agencies are improved. Further, with reinforcement of strategies to enhance accountability through persistent efforts and rigorous follow up mechanisms to demand actions for treatment, sanctions and correction, the RAA expects to add impetus to improve the overall governance in the public sector.

### 6. RECOMMENDATIONS

#### i. **Effective Internal control system must be enforced and implemented throughout the agencies**

A National Internal Control Framework (NICF) was developed to provide a holistic framework for internal control to be instituted and implemented by agencies essentially to support good governance through strengthening integrity, transparency, efficiency, effectiveness, accountability and ethical behaviour at all levels of management. However, the realization of this intent is apparently being thwarted when quality of internal controls instituted are not consistent and practice of risk management and monitoring of controls are not internalized.

The RAA's reports indicate a burgeoning trend of irregularities involving over, excess and irregular payments, embezzlements, fraud and corruption, violations of laws, rules and regulations and mismanagement of funds and properties. This indicate inadequacies in the enforcement of internal controls throughout government agencies including both the existence as well as operating effectiveness of internal controls. Unless leadership at all levels take cognizance of the importance and create a culture of compliance with controls, it would be hard to ensure realization of the objectives of internal controls and improving the governance throughout the government agencies.

*Thus, there is a need to enforce the requirement of instituting and monitoring the effectiveness of internal controls basically in critical areas. The three lines of defence namely the process owners, risk management and compliance and Internal Auditors need to play a proactive role in the overall control environment of the agencies.*

#### ii. **Ministry of Finance should address the risk of assigning all access rights to a single user in implementing e-PEMS**

MoF initiated the finance cluster services mainly to rationalise the deployment of human resources particularly accounts personnel in the agencies and to enforce maker and checker concept in financial transactions. DPA, in collaboration with the RCSC, piloted the finance cluster services in, Paro Dzongkhag, Bumthang Dzongkhag, Trashiyangtse Dzongkhag, Ministry of Agriculture and Forest and Judiciary. The Department is planning to roll out in all other dzongkhags and ministries if pilot initiative is successful.

One of the objectives of finance cluster office is to enforce maker and checker concept as embedded in the system. The finance officials were pooled in cluster office headed by one or two finance officers responsible for verification and approval of financial transactions. RAA noted that there were eight out of 34 finance officials who were given all user rights to a single user. In some Gewogs, although the Gewog finance committee discusses and decides on the

financial matters, none of the committee members have access to the e-PEMs system other than the Gewog accountants. As a result, there were cases of perpetration of frauds and misappropriation. Such cases are found to be repeated even after adequately cautioned by the RAA. The recent case of malpractices facilitated by lack of proper maker and checker is detected under Gewog Administrations, Jamkhar and Yangtse, Trashiyangtse.

*Thus, the MoF should take cognizance of the risks and enforce the maker and checker concept without any exception or relaxation. It should be done through prescription of process for assigning access rights by the system administrator based on recorded authorization from the approving authority. The system administrator should be required to grant access rights based on needs assessed and validated by the approving authority.*

**iii. There is a need for greater integration of sectoral master plans with National Five -Year Plan through robust coordination.**

Since its first Five-Year Plan in 1961, Bhutan's Development was driven by a five-year planning period initiated by the planning commission (GNHC until 12<sup>th</sup> FYP). The development of plans is guided by the Guidelines developed for the purpose for successive FYPs. It outlines the strategic planning framework; objective; result areas with specific Key Performance Indicators, preliminary fiscal projections and the resource allocation framework, division of responsibility framework between the central and local governments and a guide to formulation of central agency and local governments' key result areas and plans/programmes. The approach to developing FYPs are dynamic and changes according to how best the plan could address the development needs of the country. For instance, there had been significant change in formulation process with doing away of sector approach by embracing the concept of National Key Result Areas assigned to one or more agencies as lead.

Besides the national FYP, there have also been a practice of sectoral approach to planning wherein master plans or strategic plans for specific sectors are developed for longer period of time. For instance, A Decade Action for Road Safety, National Irrigation Master Plans 2016-32 were developed as long-term plans or master plan for Road Safety and Transport Authority and Department of Agriculture respectively. These specific sectoral plans were developed based on the development needs to achieve aspired goals within the specified time in each sector having its own monitoring and evaluation framework.

While the government FYP allows integration of plans/programmes of sectoral master plans, specific sector or the agencies are not able to pursue most of its identified activities/plans and programmes into FYP basically due to reprioritization or constrained in funding. The sectoral objectives/goals in their respective master plans remain derailed nor there is a practice of monitoring and evaluation of these sectoral master plans to gauge its

performances. In the process, most of the activities remain unimplemented and obviously not capable of aspired outcomes.

*Thus, there is a need for greater integration of sectoral plans into FYPs and periodic evaluations are necessary in achieving its performance targets.*

**iv. Government should review the relevance of CSI Bank.**

The National CSI Development Bank Ltd. (NCSIDBL) had incurred consecutive losses since its inception and dependent heavily on government's equity injection. The Bank was not even able to cover the operating cost. Further, the financial self-sufficiency ratio, return on assets (RoA), return on equity (RoE), and cash flows indicated that the bank's operation is financially not viable. Most of the loan products are similar to what is offered by the Bhutan Development Bank Limited (BDBL), besides the loan disbursement and equated monthly installment (EMI) collections are also routed through the BDBL. The bank is not fully involved in its core business of providing credit services and merely acted as a channel for directing the loan applications and EMI collections to BDBL. This did not add any value to the loan life cycle but instead increased the administrative cost as the bank has effectively been a cost center.

*The Ministry of Finance is recommended to reassess the relevancy of the NCSIDBL and initiate appropriate intervention to address the issue of overlapping function between the bank and the BDBL to curtail the avoidable and unwarranted cost centers.*

**v. The Government should institute a robust credit appraisal system for Financial Service Providers.**

The non-performing loans (NPLs) of most of the Financial Service Providers (FSPs) had far exceeded the acceptable threshold of 5% set by the Royal Monetary Authority of Bhutan. In some cases, the NPLs were as high as 30%. Since loan constitutes one of the most critical assets of any FSPs, it is imperative to institute a robust credit appraisal system and safeguards.

*All FSPs should sanction loans based on judicious loan appraisal system, accept quality collaterals, determine proper source of income for loan repayments, timely monitor the loans, and institute robust loan recovery system to secure its assets from the credit risk.*

**vi. There is a need to have consistent rules and regulations to regulate entitlements besides enforcing strict implementation.**

Rules and regulations for regulating entitlements of public service in performance of jobs specifically for Daily Allowances are based on the Pay Revision Act. In order to ensure prudence and also to address the changing circumstances, changes to specific conditions are made through circulars and

notifications by Ministry of Finance. Changes to specific conditions are necessary insofar as clarity is brought in implementation. However, the RAA noted instances of frequent changes in rules that lead to inconsistency in enforcement and implementation. With specific reference to the circulars on TA/DA entitlements during Covid-19 pandemic time, the MoF had issued many circulars creating confusion amongst agencies in regulating the TA/DA claims of officials on various occasions due to multiple amendments within a short period. There were also other instances where certain exceptions to the rules were made on case by case basis with some made informally and verbally which led to confusions and complications.

On other hand, there were also instances of weak enforcement of entitlements resulting in disparity, abuse of authority and privileges. For instance, the notification on entitlement of designated duty vehicle was not strictly enforced leading to grant of privileges and benefits of designated vehicles to those who are not entitled, or granting more than the entitlement (more than one car) and in certain cases the benefits and privileges were not granted even to those who were legally entitled for such privileges and benefits. It is ultimately the EXCEPTIONS that make the rules weak.

*The government should either implement or amend the rules and regulations.*

## 7. ABOUT ROYAL AUDIT AUTHORITY

### 7.1. Performance Highlight for the FY 2021-2022




**Audit Recoveries: Nu. 176.893 m**

#### Deposited into RAA Account

##### Budgetary Agencies (150.817 million)



**13.072 m**  
Excess/Inadmissible payment of TADA



**31.739 m**  
Others

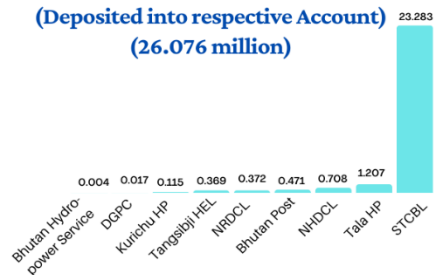


##### Armed forces (RBP&RBG)



##### Corporations

(Deposited into respective Account)  
(26.076 million)

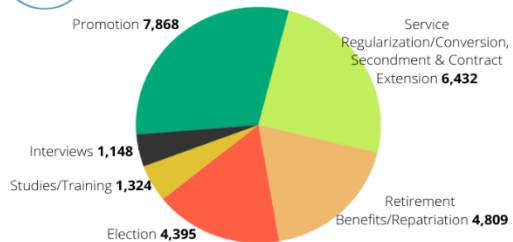


**48**  
**Outsourced Audits**  
(Corporations and Financial Institutions)

**45**  
**Statutory Audits**  
NGOs, CSOs and ROs



**Audit Clearance Certificate Issued** **25,976**





## Institutional Linkages

### National

#### The Parliament

##### 6<sup>th</sup> Session (Third Parliament)

#### Submission

1. Annual Audit Report 2020-2021
2. AG's Advisory Series on review of Government Procurement System
3. Performance Audit on Operations of NRDC

#### Deliberation

1. Review Report of AAR 2020
2. PA on In-country Travels (Short Term Training)
3. PA on Implementation and Management of Broadband Fiber Network

##### 7<sup>th</sup> Session (Third Parliament)

#### Submission

1. PA on Safe and Sustainable Road Transport System
2. PA on Farm Road Development and Management in Bhutan

#### Deliberation

1. AAR 2020-21
2. Performance Audit on Operations of NRDC
3. Performance Audit reports for the FY 2010-2020

#### Anti Corruption Commission

8<sup>th</sup> and 9<sup>th</sup> Bilateral Meeting

#### Ministry of Finance

Consultative Meeting on 9<sup>th</sup> November 2021

### International

RAA participated in

**18**



Meetings/Seminars/Webinars attended (INTOSAI, ASOSAI & IDI)

Facilitated in



**7**

trainings/workshops as Resource Persons

## Institutional Governance

### Internal Audit Conducted

### External Audit Conducted

Menuka & ASSOCIATES

## HR Management and Development



## Annual Budget and Expenditure



## 7.2. Key Strategies and Interventions Undertaken During the Year

### i. Reinforcement of accountability for reported irregularities

With increasing trend of irregularities reported by the RAA every year, the RAA felt the need to be firmer in terms of enforcing accountability. The RAA obliged the agencies for mere recovery of over payments in settlement of the issues and no further actions were insisted for quality compromise on the goods and services delivered except in few cases. Recognizing the risk of such lenient approach taking toll on overall governance system and building a culture that are seen to tolerate undesirable practices, the RAA initiated following measures:

- a) Issued public notification vide RAA/AG-SP/04/2021-2022/091 dated 7<sup>th</sup> October 2021 cautioning the agencies and public officials to take firm stand against delivery of substandard or incomplete works delivered by parties and to enforce strict accountability in cases where there were cases of compromise on the quality of works delivered by the parties.
- b) Issued Public Notification vide RAA/AG-SP/04/2022-23/039 dated 21<sup>st</sup> July 2022 on process of holding officials and parties' accountability for material irregularities. The officials and parties shall be held accountable for initiating follow up actions in settlement of the reported irregularities:
  - ♣ Treating of irregularities by way of restitution and indemnifications of any loss sustained by the government due to irresponsible actions or inactions of individuals as indicated in the audit report. These shall include actions like recovery of money, rectifications of works, replacement of goods, etc.;
  - ♣ Initiating actions or sanctions on officials held accountable based on the severity of irregularities which can be either administrative or legal as per RCSC's Rules for Administrative Disciplinary Actions 2022; and
  - ♣ Initiating remedial and/or corrective actions to prevent the occurrence of similar irregularities in future. This is basically remedying deficiencies of systems and controls that had allowed the occurrence of reported irregularities.

Accountability on individuals shall not be relieved if the above actions as demanded in the audit reports are not addressed. The RAA shall continue to seek actions from individuals through a regular follow up with the agencies.

## ii. Annual Performance Report 2020-2021 published

The Annual Performance Report 2020-2021 was published in ensuring accountability and transparency of our own conducts. It reported the achievements against key indicators and targets in our Annual Operational Plan (OP) 2020-2021, which is one of the action plans of our Strategic Plan 2020-2025. Within the year, the RAA geared towards realizing the strategic goals and objectives. However, unprecedented COVID 19 pandemic impacted smooth functioning of its operations, specifically, the annual audit plans. Notwithstanding the challenges, RAA was able to make substantial progress on our strategic priorities and achieve most of the planned activities through multiple initiatives such as consolidated audits, use of technology in audits, virtual platforms for meetings and trainings, and work-from-home during lockdowns.

## iii. Remote Auditing

The main objective of remote audits is to achieve the audit objective with high level of flexibility without compromising the quality of audits. The same audit process is followed to achieve the same results by auditing remotely or online. All applicable ISSAI requirements and principles were applied alike in an on-site audit. Remote audit was augmented with the leverage of ICT and with easy access to ICT, remote auditing was effective to achieve our targets. Use of ICT opened the opportunity to audit records, sites and people remotely, shortening distances, travel time and costs, and adapting audits to the evolving changes and needs. This allowed the auditor to communicate with stakeholders, accessing a wide range of information and data. Some criteria to select agencies for remote/hybrid audit was developed during the FY 2021-22. A total of **19 remote audits** were conducted by the RAA.

## iv. Cost cutting Measures

Cost cutting measures were put in place by the RAA even before the COVID-19 pandemic. For instance, the carpooling for Auditors was strictly practiced even before it was stipulated in the BCSR 2018. With the country undergoing unprecedented times, the RAA enforced further stricter cost control measures to **Lead by Example and inculcate a culture of resource optimization**. An executive order on *Internal Cost Cutting Measures on Controllable Expenses* was issued on 23<sup>rd</sup> July 2020. Through the order, the RAA enforced cost controls in:

- a) Mileage payment;
- b) Payment of Daily Allowances (DA);
- c) DSA payment for in-country trainings;
- d) Porter and pony charges;
- e) Furniture and computer items;
- g) Engagement of audit team for assignments abroad; and
- h) In-country meetings.

As the pandemic stretched to the second year, the RAA further supplemented the control measures and on 15<sup>th</sup> May 2021, the RAA decided to centralize printing facilities; issue audit reports, notifications and circulars electronically; discourage use of photocopy machines, rationalize advertisement expenses, rationalize newspaper subscription, minimize hosting official lunch and dinner; and withdraw fax machines and unused telephone lines amongst others. Meetings were conducted online or in a hybrid mode using platforms such as Google meet and Zoom. With the country entering into the phase of economic recovery, the RAA felt that a little sacrifice and effort from its employees is expected to make a big difference in reducing pressure on the Government coffer. With the sole objective of reinvigorating the **culture of resources optimization**, an executive order was issued on 14<sup>th</sup> July 2022 to adopt stricter measures such as **half DSA payment for travel of more than 30 days, discouraging payment of Porter and pony charges, carpooling**, reduce expenses on entertainment & in-country meetings and celebrations, invest 20 to 30 percent of allocated audit duration for audit planning and embracing remote/hybrid auditing.

#### **v. Revamping Audit Process**

The audit teams are required to allocate 20-30 percent of allocated audit duration for audit planning. With IT system in the audited agencies, it has facilitated availability of financial information as it can be generated from electronic Public Expenditure Management System (ePEMS) and other systems. Leveraging ICT has resulted in economic utilization of resource both in terms of manpower and financial.

#### **vi. Introduced award for best research paper**

In an effort to enhance RAA's research and development practices and as part of the recognition system for Auditors, the award for the **Best Research Paper** was introduced for the first time in the RAA. 31 papers were shortlisted for final vetting from a total of 114 research papers submitted by Auditors and awards were given to the three best research papers. A scoring of 10 points is allotted in the Performance evaluation of Auditors.

#### **vii. Leveraging ICT in auditing**

##### **a. Establishment of Innovation Lab**

The Innovation laboratory was set up in the RAA head office with the support of the Austrian Development Agency. The lab is equipped with high-end desktops with latest version of data analytical and visualization software- IDEA 11 and MS Power BI. With the increase in usage of ICT systems in the agencies, there is huge digital data. Therefore, to enable the Auditors to conduct data analysis/mining and research, the lab was set up. The RAA is striving to leverage ICT in all

aspects of today's fast evolving digital environment and changing the audit culture towards data driven audits.

**b. Virtual Private Network (VPN) set up for Head Office network users**

In the past, working documents in the office was not easily accessible in the field. One had to resort to other means such as emails. Now with revamped office network infrastructures with Virtual Private Network (VPN) in place, Auditors can easily connect to the RAA's network and access any documents they required. The introduction of VPN has greatly reduced time to get any documents anytime and anywhere.

**c. Up gradation Development of Audit Information Management System (AIMS)**

♣ **Preparation of Annual Audit Schedules and Automation of Audit Process**

The auditing process such as identification of Audit Universe, preparing Annual Audit Schedules and audit documentation are now fully automated and captured in the system. The Annual Audit Schedule is prepared in the system by the Teams and submitted to supervisor and Policy Planning Division for finalization. All changes like revision, drop and adhoc audits are managed in the system with proper audit trails. Audit Identification Number (AIN) generation and audit intimation letter are generated by the system. With the automation of these processes the planning is easier and faster.

♣ **Follow-Up Management Module**

The older version of Follow-up Management module was upgraded and made online. It was one of the major upgradation development projects undertaken by the ICTD. The upgraded module now has automatic blocking of audit clearances, online audit recovery payment through mBOB and RMA Payment Gateway, issuance of e-receipts, observation settlement, follow-up report generation, accountability fixation, transferring accountability, observation undertaking, case information management and MIS reports. The upgraded module is expected to expedite the public service delivery to the great extent.

**viii. Audit Recoveries**

During the FY 2021-22, a total of **Nu. 176.893 million** was recovered as audit recoveries comprising of **Nu. 150.817 million** from Budgetary agencies (including Nu. 0.847 from Armed Forces) into the RAA's Audit Recoveries Account and **Nu. 26.076 million** from Corporation into their own accounts

Under the Budgetary Agencies, the recoveries from the area of **construction** amounted to **Nu. 106.006 million** which was the highest as given below:

Budgetary Agencies		
Sl. No.	Particulars	Amount Recovered (Nu. in million)
1	Construction	106.006
2	Excess/inadmissible payment of TADA	13.072
3	Others	31.739
	<b>Total</b>	<b>150.817</b>

A total of Nu. 26.076 million recovered by the Corporations into their account is detailed below:

Name of Agencies	Amount (Nu. in million)
Tangsibji Hydro Energy Limited	0.369
National Resource Development Corporation Ltd.	0.372
National Housing Development Corporation Ltd.	0.708
Bhutan Hydro-Power Service	0.004
Druk Green Power Corporation, Corporate Office	0.017
Kurichhu Hydropower Plant	0.115
Tala Hydropower Plant	1.207
State Trading Corporation of Bhutan Ltd.	23.283
Bhutan Post	0.471
<b>Total</b>	<b>26.076</b>

### 7.3. Challenges

*a. Increasing attrition rate- aggravating the competency gaps*

The RAA faces challenges in retaining skills and talent. Since auditing requires professional competency, the attrition of skilled Auditors impacts the coverage of audits and widen the competency gaps. During the year, 14 employees had separated.

*b. Acute dearth of certified accountants*

There is an acute shortage of professionals such as certified accountants. With increasing demand for audit and assurance services in the country and the government accounting system continually moving towards internationally recognized accounting systems, it warrants having adequate number of Auditors with certified professional qualifications.

*c. Inability to resolve audit issues even after court verdicts*

Most of the past audit issues have remained unresolved despite award of verdict by court. As of date, there are 50 cases referred to court for



which the court had passed verdicts but agencies are not able to enforce the judgments and take actions to resolve the matters. These cases pertained to as early as 2010.

#### **7.4. Audit Impact**

In line with the INTOSAI P-12, the RAA intends to deliver value and benefits to citizens through its auditing and reporting work. One of the strategic outcomes of RAA's Strategic Plan 2020-25 is formulated as "Improved public sector accountability and performance" which basically expresses its intent of producing timely and high-quality audit reports and recommendations to facilitate decision-making in the public sector. In order to achieve this outcome, it is not only its internal capability but also depends on the support of eco-system represented by range of stakeholders. The RAA strives to leverage on the whole ecosystem through various strategies to render logical conclusions to the reports and facilitate desirable audit impacts.

The impact of RAA's work is not only the cash recoveries that are accounted for in the Audit Recoveries Account and recoveries retained in non-budgetary agencies, but also includes cost savings and other forms of restitutions, improvement in working systems and internal controls, and creating deterrence to unethical practices by demanding appropriate sanctions based on severity of the offences.

While longer term impact would be felt after reasonable period of time, the RAA's immediate impact in terms of cost saving to the government and influencing accountable and ethical behaviours in the public sector are discussed below:

##### **1) Restitution of cash**

The RAA recovered a total cash of **Nu. 176.893 million** during the period which represents a direct cost saving to the government. This included recoveries of Nu. 150.817 million (including Armed Forces) from budgetary agencies and Nu 26.076 million accounted for in the accounts of non-budgetary agencies.

##### **2) Other restitutions, improvements and remedial actions**

###### **i) Rectification of works**

Most recurring issues pointed out by RAA are delivery or/and acceptance of substandard quality or shoddy works and goods, generally due to weak or inadequate monitoring and verification process of works and goods practiced in the agencies. Inferior quality of works and goods undermine intended functionality and sustainability of the structures and goods so procured.

During the year, there were 114 cases requiring rectification works insisted from 35 audited agencies. Based on the follow up status, rectifications

pertaining to 34 cases were done and reported to RAA. For the remaining 80 cases for which rectifications are not initiated, the RAA persistently insists for actions of agencies through constant reminders and follow ups. These irregularities have remained unreported in the past years as RAA continued to report only the direct cash recoveries made at the instance of audit. Since the issue of substantial quality of works represent substantial monetary value, it is one way of draining huge public resources. A commensurate benefit or the value-for-money needs to be ensured through strategies of obliging the contractors to deliver the expected quality of works and goods. With the reinforced strategies, RAA hopes that it would cause the procuring agencies to ensure that quality of infrastructure are not compromised and value-for-money is obtained for the resources spent by the government.

#### **ii) Other forms of restitutions, savings, and treatment of observed irregularities**

These are to demand remedial actions for observed irregularities that have resulted in direct or indirect loss to the government or public. These are basically wasteful or infructuous expenditure, agencies not able to realize program objectives, uneconomical operations or maladministration, failure to comply with extant rules and regulations etc., resulting in underachievement of agencies results, and undermining compliances to extant rules and regulations. The RAA demands treatment of such issues based on the nature of irregularities and hold officials accountable to initiate remedial actions either through compensation or seek improvement in performance and compliance to authorities.

During the year, the RAA raised 1,148 issues to 192 agencies requiring remedial actions on observed irregularities.

#### **iii) Improvement in Governance**

Besides insistence for treatment of the material irregularities reported in the audit reports, the RAA felt that in the rising trend of irregularities, audit activities do not necessarily translate into improved systems and processes. If the deficiencies that had allowed occurrence of irregularities are not corrected, the lapses are repeated and there is apparently diffusion of accountability for repeat lapses. In order that actions are initiated towards improving the systems and processes, the RAA decided to oblige the agencies to take responsibility to correct the observed deficiencies in its internal control systems. In doing so, the agencies are required to provide proof of improvement/corrections made in the systems to prevent recurrences of lapses in future along with the treatment actions and sanctions as recommended in addressing the issues pointed out in the audit reports.

While it is intended that every issue pointed out in the report yield some positive impacts on auditees, not all such effects are measurable and

quantifiable. For instance, to assess the improvement in internal governance, internal control system, efficiency and effectiveness of systems and processes etc., it must need a focused review and studies to ascertain the extent of impact the audit reports have contributed to.

The corrective actions sought generally included the following:

- To strengthen supervision and monitoring of constructions to oversee quality compliances;
- To reinforce verification process in certifying the bills and claims of works and goods delivered;
- In case of anomalies in resulting in inconsistent application of authorities, rules and regulations, RAA insisted for clarity for uniform applications throughout; and
- Other actions include putting in place control measures related to areas where irregularities have occurred to prevent its recurrences.

Some of the visible impacts attributable to audit efforts are as discussed below.

- ✓ Amendment to PRR 2019 under progress after the issuance of Auditor General's Advisory series 'Review on Government Procurement System' in 2021;
- ✓ Revision Guidelines on Hospitality and Entertainment(H&E) and Discretionary Grant by the MoF based on RAA's reports; and
- ✓ Revision of Finance and Accounting Manual 2016.

#### **iv) Deterrence to violations to ethical and professional conduct**

The RAA adopted stringent approach in terms of taking actions on officials based on the severity of the offenses perpetrated in managing public funds and performance of respective jobs. The actions are basically administrative and legal actions that RAA insists from the agencies in addressing the audit reports. RAA expects that such actions would create deterrent effect against illegal and improper conduct of officials in the public sector.

During the year, the RAA had insisted for such actions against 145 officials for various issues of malfeasance and misfeasance contained in the reports issued. Based on the audit reports, administrative and legal actions against 66 officials were reported to have taken by the agencies. The 12 cases are awaiting outcome of the investigation by ACC. The RAA rejected 316 audit clearances and facilitated on undertaking. From the total rejection of audit clearances, 16 pertained to contractors for the renewal of CDB licenses.

In addition to the above, the RAA provides advises to agencies in course of the audit to rectify and improve on observed irregularities which are not serious enough to be included in the audit reports. These issues are reflected in the Management Appraisal Report, the compliance of which is verified during subsequent audits.

The RAA continuously communicates the pending actions against those agencies through its follow up reports. Starting from July 2022, the Royal Civil Service Commission has developed Rules for Administrative and Disciplinary Actions 2022 which specifies various actions against offenses. The RAA expects to reinforce accountability and ethical conduct within the civil service with stricter implementation of this rule.

With all these strategies in place, and with unwavering support of the whole ecosystem comprising of all stakeholders, the RAA expects to create longer term impact of enhancing the performance of and trust in the public sector.

## 7.5. Other Matters

### a. Audit issues remaining unresolved after court verdicts

As on 30<sup>th</sup> June 2022, 121 audit issues from 31 audit reports have remained unresolved even after the issuance of verdict by the Royal Court of Justice.

### b. Audit issues forwarded to Anti-Corruption Commission

In line with Section 34(7) of the Audit Act of Bhutan 2018, the RAA forwarded eight audit reports with 41 audit findings to the Anti-Corruption Commission (ACC) that strongly indicated existence of fraud and corruption during the period.

### c. Issues received from Anti-Corruption Commission

During the year 2020-21, the RAA also received eight cases from the ACC for verification and Complaint Disposal Report pertaining to five cases were shared with the ACC.



Those charged with governance are responsible for overseeing the RAA's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RAA's internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **For Menuka Chhetri & ASSOCAITES**

Chartered Accountant

Firm Registration No. 331825E

Address: MKTS Building, 5<sup>th</sup> floor

Opposite Clock Tower, Norzin Lam, Thimphu

### **Menuka Chhetri**

Managing Partner

Membership No: 534365

Place: Thimphu

Date: 21.10.202



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ROOM NO.6, 5TH FLOOR, MKTS BUILDING, OPPOSITE CLOCK TOWER, EMAIL

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ROYAL AUDIT AUTHORITY  
Receipts and Payment Statement  
For the Year Ended 30th June 2022  
LC-110.01

Sl. No	Group/ Board Head of Account	RECEIPTS						TOTAL	PAYMENTS						TOTAL
		T/Phu (HO)	P/ling	S/jongkhar	Tsirang	PDC	Bumthang		T/Phu(HO)	P/ling	S/jongkhar	Tsirang	PDC	Bumthang	
1	<b>Opening Balance</b>														
	a. Cash	-	-	-	1,642.20	-	33,336.37	34,978.57	-	-	-	-	-	-	-
	b. Bank	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	<b>Release:</b>														
	a. Budgetary	102,368,754.00	16,038,000.00	18,765,000.00	20,223,000.00	15,882,000.00	39,257,000.00	212,533,754.00	-	-	-	-	-	-	-
	b. Non- Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	c. Refundable Deposit	525,565.00	-	-	715,317.00	-	-	1,240,882.00	-	-	-	-	-	-	-
	d. Un-cashed Cheque	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	<b>Grants in-Kind</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	<b>Borrowing in-Kind</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	<b>Revenue Receipts/ Remittance:</b>	3,883,068.00	559,151.00	-	345,926.00	264,500.00	624,266.00	5,676,911.00	3,883,068.00	559,151.00	-	345,926.00	264,500.00	624,266.00	5,676,911.00
6	<b>Other Recoveries/ Remittance:</b>														
	a. GFP: Employee Contribution	5,192,877.00	667,459.00	748,104.00	777,159.00	436,758.00	806,245.00	8,628,602.00	5,192,877.00	667,459.00	748,104.00	777,159.00	436,758.00	806,245.00	8,628,602.00
	b. Govt. Insurance Scheme	654,700.00	97,600.00	-	107,600.00	61,000.00	114,000.00	1,034,900.00	654,700.00	97,600.00	-	107,600.00	61,000.00	114,000.00	1,034,900.00
	c. Other Insurance Premium	-	-	825,595.00	-	-	-	825,595.00	-	-	825,595.00	-	-	-	825,595.00



	d. Loan from Fin. Instts.	-	-	112,600.00	-	-	-	112,600.00	-	-	112,600.00	-	-	-	112,600.00
	e. Other	279,225.00	37,000.00	-	46,000.00	17,900.00	43,300.00	423,425.00	279,225.00	37,000.00	-	46,000.00	17,900.00	43,300.00	423,425.00
7	<b>Personal Advance:</b>	186,276.00	105,000.00	1,902,400.00	2,189,950.00	573,400.00	2,563,616.00	7,520,642.00	186,276.00	105,000.00	1,902,400.00	2,189,950.00	573,400.00	2,563,616.00	7,520,642.00
8	<b>Miscellaneous Receipts/ Payment</b>														
	a. Non-Revenue A/c Deposit	-	-	48,600.00	-	-	-	48,600.00	-	-	48,600.00	-	-	-	48,600.00
	b. Refundable Deposit A/c Deposit	-	-	-	-	-	-	-	-	-	-	-	-	9,943,272.00	9,943,272.00
	c. Payment to DPA	-	-	-	-	-	-	-	56,568.00	-	-	1,642.20	-	33,336.37	91,546.57
	d. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	<b>Suspense:</b>														
	a. Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	b. Purchase	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	c. PW Advances	2,950,430.00	1,421,500.00	107,960.00	30,000.00	1,983,352.40	3,662,651.00	10,155,893.40	2,893,862.00	1,421,500.00	107,960.00	30,000.00	1,983,352.40	1,472,516.00	7,909,190.40
	d. Intra-Agency Assignment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	e. Deposit Work	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	f. Other Deposit	48,802.00	-	-	-	-	9,943,272.00	9,992,074.00	574,367.00	-	-	715,317.00	-	-	1,289,684.00
10	<b>Budgetary Expenditure</b>														
	a. Current	-	-	-	-	-	-	-	97,006,314.50	16,037,956.81	18,507,295.81	20,194,940.60	10,178,774.44	19,169,995.61	181,095,277.77
	b. Capital	-	-	-	-	-	-	-	3,465,486.20	-	218,999.00	-	5,451,273.64	22,205,000.00	31,340,758.84
	c. Lending	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	d. Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	<b>Closing Balance:</b>														
	a. Cash	-	-	-	-	-	-	-	-	-	-	-	19,976.21	5,143.00	25,119.21
	b. Bank	-	-	-	-	-	-	-	1,896,953.30	43.19	38,705.19	28,059.40	231,975.71	66,996.39	2,262,733.18
	<b>Total</b>	<b>116,089,697.00</b>	<b>18,925,710.00</b>	<b>22,510,259.00</b>	<b>24,436,594.20</b>	<b>19,218,910.40</b>	<b>57,047,686.37</b>	<b>258,228,856.97</b>	<b>116,089,697.00</b>	<b>18,925,710.00</b>	<b>22,510,259.00</b>	<b>24,436,594.20</b>	<b>19,218,910.40</b>	<b>57,047,686.37</b>	<b>258,228,856.97</b>

**M/s Menuka Chhetri & ASSOCIATES**

Chartered Accountant  
FRN:331825E



Menuka Chhetri  
Managing Partner  
Membership No.534365  
Place: Thimphu  
Date: 24/10/2022

A handwritten signature in blue ink, appearing to read "Tshering Deki".

**Sr. Finance Officer**  
Royal Audit Authority  
Thimphu : Bhutan

Tshering Deki  
Sr. Finance Officer  
Adm.& Finance Division

A handwritten signature in blue ink, appearing to read "Ugyen Dorji".

**Joint Auditor General**  
Directorate Of Services  
Royal Audit Authority

Ugyen Dorji  
Joint Auditor General  
Directorate of Service

## 9. ANNEXURES

**Annexure 1: Table 1. Non-compliance to Laws, Rules & Regulations by sub-category**

Sl. No.	Sub category	Amount (Nu.in M)
1	Non-compliance to laws/ directives/policies/regulations	467.667
2	Outstanding PW Advance	289.837
3	Outstanding advance	195.538
4	Non- surrender of closed work Account balance to DPA	193.142
5	Non-levy of Liquidated damages	102.281
6	Irregular exemptions/write-off	85.13
7	Unjustified advance	78.148
8	Inadmissible payment	76.732
9	Other non-compliances to financial/revenue norms	62.421
10	Release of security deposit without obtaining refundable deposit release	61.779
11	Other non-compliance to procurement of works, goods & services	59.852
12	Non/wrong booking of expenditure	49.633
13	Unjustified payment of advance	48.709
14	Outstanding duties/taxes/ royalties/revenue/ lease rent	36.903
15	Improper evaluation of bids	34.998
16	Non-deployment of committed key personnel/ machinery at site	33.19
17	Non-refund of unspent balances	30.41
18	Payment for works/goods/services not executed/rendered <sup>5</sup>	20.649
19	Non-incorporation of standards provision in contract documents	15.48
20	Non-deduction of security deposits	11.267
21	Irregular re-appropriation	10.977
22	Non-insuring of works/properties	8.256
23	Other non-compliance to BCSR/Service Rules	7.988
24	Non-execution of works as per drawing and design	7.858
25	Diversion of fund	7.496
26	Selection of inappropriate tender procedures	7.193
27	Non-carry forward of advances	7.108
28	Non-deduction others <sup>4</sup>	4.359
29	Procurement without tender /quotation	3.236
30	Irregularities in negotiated purchase	2.67
31	Direct booking of advances as expenses	2.585
32	Excess payment due to incorrect rate analysis	2.443
33	Non-testing of materials	2.172
34	Irregular sanctions/approvals	1.983
35	Non-imposition of penalties	1.878
36	Award of contract to other than the lowest evaluated bidder	1.867
37	Non-deductions of statutory deductions	1.147
38	Non-recovery/levy of penalty upon termination of the contract	0.815
39	Non-recovery of positive difference upon withdrawal of bid	0.584
40	Non-enforcement of contract terms and conditions	0.552
41	Unwarranted grant of time extension	0.4

42	Use of materials other than specified	0.303
43	Wrong pay fixation	0.284
44	Non-obtaining of performance and other guarantees	0.279
45	Irregular retention of revenue	0.255
46	Non-renewal of agreement	0.06
47	Technical /administration Sanction not obtained	0.041
48	Irregular promotion	0.014
49	Irregular release/obtaining of supplementary fund	0.006
50	Irregular collections from public	0.00
51	Unauthorized sub-contracting	0.00
52	Non-renewal of guarantees	0.00
53	Improper preparation of estimates	0.00
54	Non-preparation of material consumption statements	0.00
55	Changes of design and specification without approval	0.00
56	Irregular retention of employee	0.00
57	Non-placement of professionals in right place	0.00
<b>TOTAL</b>		<b>2,038.58</b>

**Annexure II: Table 2. Agencies with cases of Non-compliance to Laws, Rules & Regulations with corresponding amounts**

Sl. No	Name of Agency	Amount (Nu.in M)
1	Regional Revenue and Customs Office (RRCO) Phuentsholing including SBA	365.482
2	Regional Office, DoR, Sarpang	228.323
3	Thromde Administration, Gelephu	192.027
4	Dungsam Polymers Ltd.	95.371
5	Regional Office, DoR, Lingmethang, Monggar (duplicate)	91.573
6	Department of Cottage & Small Industries	74.203
7	College of Information and Technology, Gyelposhing	50.794
8	Dzongkhag Administration, Trashiyangtse	48.126
9	Dzongkhag Administration, Punakha	47.560
10	Regional Office, DoR, Lobesa	47.008
11	Regional Poultry Breeding Centre, Paro	45.642
12	Dzongkhag Administration, Zhemgang	45.367
13	Ministry of Agriculture & Forests	40.939
14	Regional Office, DoR, Trongsa (duplicate)	40.542
15	Dzongkhag Administration, Mongar	36.692
16	Royal Bhutan Army (RBA), HQ, Lungtenphu including Army Wing at Shaba and Damthang	35.978
17	National Environment Commission (NEC)	35.428
18	Ministry of Works & Human Settlement	34.998
19	Dzongkhag Administration, Trongsa	32.433
20	Dzongkhag Administration, Bumthang	27.700
21	Department of Law & Order	26.973
22	Construction of Royal Institute of Law (2nd Phase), GOI PTA, JSW School of Law (JSWSL) (FIC:3059)	23.397

23	Dzongkhag Administration, Samdrup Jongkhar	22.997
24	Jakar Regional Office, NRDCL, Bumthang	18.237
25	Institute of Language and Cultural Studies (ILCS), Taktse, Trongsa - CD Account	16.580
26	Dungkhag Administration, Lhamoizingkha	15.525
27	Eastern Regional Referral Hospital, Mongar	13.774
28	State Mining Corporation Ltd.	13.170
29	Department of Roads (DoR)	13.055
30	Jigme Dorji Wangchuck National Referral Hospital (JDWNRH) - CD Account	11.903
31	Department of Agriculture	11.848
32	Dagachhu Hydro Power Corporation Ltd., Dagapela	11.108
33	Penden Cement Authority Ltd. (SA)	10.850
34	Divisional Forest Office (DFO), Paro (including Range Offices)	9.538
35	Dungkhag Administration, Tashichholing	8.974
36	Dzongkhag Administration, Samtse	8.180
37	Thromde Administration, Gelephu Sarpang - CD & Revenue Accounts	7.811
38	Dzongkhag Administration, Gasa	7.633
39	College of Language and Culture Studies, Taktse	6.917
40	National Housing Dev. Corpn. Ltd. (Including Branches)	6.392
41	Judiciary	6.303
42	Royal Bhutan Police, HQ, Thimphu	6.202
43	Penden Cement Authority Ltd.	5.827
44	Department of Employment and Human Resource (Incl. Revolving Fund CD Account No. 100891593)	5.291
45	Gaeddu College of Business Studies, Gedu	5.088
46	Tala Hydropower Plant	4.590
47	Department of Livestock	4.534
48	Koufuku International Limited (KIL) Chenari, Trashigang (Cooperative Dairy Processing Plant)	4.282
49	Rural Development climate change response project	4.146
50	Gewog Administration, Silambi	4.070
51	Cabinet Secretariat	4.000
52	CARLEP, OPM including 6 Eastern Implementing Dzongkhags	3.835
53	Jigme Dorji National Park (JDNP), Gasa	3.510
54	Dungkhag Administration, Nganglam	3.502
55	Dzongkhag Administration, Trashigang	3.438
56	Gross National Happiness Commission (GNHC)	3.000
57	Thromde Administration, Phuentsholing	2.962
58	Dzongkhag Administration, Paro	2.540
59	Dzongkhag Administration, Lhuentse	2.501
60	Ministry of Finance	2.500
61	Regional Livestock Development Centre, Zhemgang	2.490
62	Kholong Chu Hydropower Project	2.404
63	Gewog Administration, Deothang	2.395
64	Hindu Dharma Samudaya	2.390
65	Bhutan Development Bank Limited, Head/Corporate Office	2.302
66	Expansion of Tango Monastery, Dratshang Lhentshag	2.286



67	Regional Office, DoR, Trongsa	2.179
68	Regional Office, DoR, Trashigang	1.983
69	Gewog Administration, Pemaling	1.917
70	Bhutan Board Products Ltd.	1.909
71	Dzongkhag Administration, Pema Gatshel	1.881
72	College of Science and Technology, Rinchending	1.743
73	College of Natural Resources, Lobesa	1.730
74	Bhutan Agriculture & Food Regulatory Authority	1.724
75	Dzongkhag Administration, Dagana	1.587
76	Gewog Administration, Chhoekhor	1.578
77	Tangsibji Hydro Energy Ltd.	1.474
78	Phrumsengla National Park, Ura	1.423
79	Ugyen Wangchuck Institute for Conservation & Environment (UWICE) Lamegonpa , Bumthang	1.347
80	Gewog Administration, Tsakaling	1.283
81	State Trading Corporation of Bhutan Ltd.	1.240
82	Ministry of Home & Cultural Affairs	1.205
83	Dzongkhag Administration, Tsirang	1.180
84	Gewog Administration, Trong	1.164
85	Samtse College of Education, Samtse	1.156
86	Dzongkhag Administration, Thimphu	1.130
87	Regional Nublang Breeding Centre, Tashiyangphu, Wamrong	1.094
88	Gewog Administration, Tashicholing	1.069
89	Gewog Administration, Ura	1.038
90	Gewog Administration, Norbugang	1.022
91	Gewog Administration, Nubi	1.021
92	National Assembly Secretariat	1.009
93	Dzongkhag Administration, Chhukha	0.954
94	Native Poultry and Heifer Production Centre, Sertsam, Lhuntse	0.953
95	Gewog Administration, Nangkor	0.926
96	Army Welfare Project (AWP), Distillery, Gelephu	0.876
97	Dungkhag Administration, Panbang	0.874
98	Gewog Administration, Tang	0.835
99	Gewog Administration, Drakten	0.787
100	Gewog Administration, Chumey	0.753
101	Bhutan Toilet Organization	0.716
102	Gewog Administration, Langthel	0.675
103	Gewog Administration, Korphu	0.659
104	Secretariat, MoF	0.649
105	Dzongkhag Administration, Wangdue Phodrang	0.649
106	Dzongkhag Administration, Sarpang	0.648
107	Tarayana Foundation	0.591
108	Tourism Council of Bhutan	0.588
109	Gewog Administration, Norgaygang	0.543
110	Office of the Attorney General (OAG), Thimphu	0.495
111	DITT, MoIC, Thimphu	0.492
112	Regional Livestock Development Centre, Tshimasham	0.465
113	Royal Institute for Tourism & Hospitality	0.414

114	Dungkhag Administration, Dophuchen	0.414
115	Gewog Administration, Drametse	0.413
116	Gewog Administration, Tangsibjee	0.407
117	Ministry of Foreign Affairs	0.374
118	Gewog Administration, Goshing	0.351
119	Regional Office, DoR, Tingtibi	0.336
120	Regional Revenue and Customs Office (RRCO) Bumthang	0.335
121	Secretariat, Ministry of Health (MoH)	0.334
122	Gewog Administration, Lumang	0.332
123	Department of Medical Supplies and Health Infrastructure (DoMSHI), MoH (duplicate)	0.300
124	Gewog Administration, Namgyelcholing	0.296
125	National Poultry Development Centre, Sarpang	0.280
126	Divisional Forest Office, Gedu	0.268
127	Faculty of Traditional Medicine, Khesar Gyelpo University of Medical Science of Bhutan, Thimphu - CD Account	0.258
128	Agriculture Research & Development Centre, Yusipang	0.257
129	Dzongkhag Court, Bumthang	0.228
130	Gewog Administration, Bardo	0.227
131	Jigme Namgyel Engineering College, Dewathang	0.191
132	Gewog Administration, Jurmey	0.179
133	Dungkhag Administration, Phuentsholing	0.178
134	National Land Commission Secretariat	0.177
135	Gewog Administration, Chali	0.176
136	Bhutan Hydropower Services Ltd.	0.175
137	Sherubtse College, Kanglung	0.150
138	Medical Supply Depot, Phuentsholing	0.144
139	Gewog Administration, Ngatshang	0.137
140	Gewog Administration, Ugyentse	0.137
141	Gewog Administration, Chaskhar	0.136
142	Ministry of Health	0.121
143	Central Regional Referral Hospital, Gelephu	0.119
144	International Assistance Project, MoH	0.104
145	Divisional Forest Office, Bumthang	0.102
146	Brown Swiss Cattle Farm, Bathpalathang, Bumthang	0.099
147	Gewog Administration, Phongme	0.096
148	Gewog Administration, Narang	0.082
149	Gewog Administration, Tsamang	0.081
150	Gewog Administration, Gongdue	0.080
151	Divisional Forest Office, Zhemgang	0.078
152	Bhutan National Legal Institute	0.074
153	Sabah Bhutan	0.073
154	Technical Training Institute, Ranjung	0.071
155	Dungsam Cement Corporation Ltd.	0.067
156	Gewog Administration, Balam	0.066
157	Bhutan Ecological Society	0.065
158	Nganglam Central School, Pemagatshel	0.062
159	Gewog Administration, Ngangla	0.062

160	Gewog Administration, Phangkhar	0.059
161	Gewog Administration, Shingkar	0.058
162	Bhutan Olympic Committee	0.055
163	Gewog Administration, Tendu	0.055
164	Regional Office, DoR, Samdrup Jongkhar	0.051
165	Gewog Administration, Yoesheltse	0.051
166	Divisional Forest Office, Samtse	0.050
167	Wangchuck Centennial National Park (WCNP), Dekiling, Bumthang	0.049
168	National Commission for Women & Children (NCWC), Thimphu	0.038
169	Paro College of Education, Paro	0.036
170	Gewog Administration, Samtse	0.035
171	Gewog Administration, Phuntshopelri	0.035
172	Divisional Forest Office, Dagapela	0.035
173	Department of Engineering Services (DES), MoWHS	0.034
174	Gewog Administration, Bjoka	0.027
175	Gewog Administration, Drepong	0.024
176	Regional Central Stores, Phuentsholing	0.022
177	Regional Office, DoR, Thimphu	0.020
178	Gewog Administration, Sangacholing	0.020
179	Regional Trade & Industry Office, Trongsa	0.017
180	Regional Pig and Poultry Breeding Centre, Monggar	0.015
181	National Research Centre for Animal Nutrition, Bumthang	0.014
182	Royal Bhutan Lottery Ltd.	0.011
183	Royal Insurance Corporation of Bhutan Ltd.	0.007
184	Department of Local Governance	0.002
185	Association of Bhutanese Tour Operators	0.00
186	Bank of Bhutan Ltd.	0.00
187	Bhutan Animal Rescue and Care	0.00
188	Bhutan Board Products Ltd. (SA)	0.00
189	Bhutan Dev. Bank Ltd. (Including Branches)	0.00
190	Bhutan National Bank Ltd.	0.00
191	Bhutan Taxi Association	0.00
192	Clean Bhutan	0.00
193	Construction Development Corporation Ltd.	0.00
194	Department of Forests & Park Services	0.00
195	Department of Human Resources (DHR), MoLHR	0.00
196	Divisional Forest Office (DFO), Lobeysa, Punakha	0.00
197	Divisional Forest Office, Sarpang	0.00
198	Divisional Forest Office, Tsirang	0.00
199	Dungsam Polymers Ltd. (SA)	0.00
200	Dzong Construction Project, Pemagatshel	0.00
201	Dzong Construction Project, Sarpang	0.00
202	Dzongkhag Administration, Haa	0.00
203	Gewog Administration, Martshala	0.00
204	Jigme Singye Wangchuck National Park, Tshangkha, Trongsa	0.00
205	Koufuku International Ltd. (SA)	0.00
206	National CSI Development Bank	0.00
207	National Research & Development Centre for Aquaculture, Gelephu	0.00

208	Phuentsholing Sports Association	0.00
209	Regional Immigration Office, DoI, MoHCA, Samdrup Jongkhar	0.00
210	Regional Livestock Development Centre, Wangdue Phodrang	0.00
211	Regional Revenue and Customs Office (RRCO) Gelephu	0.00
212	Regional Revenue and Customs Office (RRCO) Samdrup Jongkhar	0.00
213	Regional Revenue and Customs Office (RRCO) Samtse	0.00
214	Royal Privy Council	0.00
215	State Mining Corporation Ltd.	0.00
216	Technical Training Institute, Samthang	0.00
217	Bhutan Livestock Development Corporation Ltd.	0.00
218	Secretariat, MoE	0.00
<b>TOTAL</b>		<b>2,038.575</b>

**Annexure III: Table 3. Agencies with cases of Shortfall, Lapses and Deficiencies with corresponding amounts**

Sl. No	Name of Agency	Amount (Nu.in M)
1	Regional Revenue and Customs Office, Phuentsholing including SBA	2,864.028
2	Punatsangchhu-I Hydroelectric Project Authority	696.704
3	Dungsam Cement Corporation Ltd. (SA)	272.703
4	State Trading Corporation of Bhutan Ltd.	272.185
5	Mangdechhu Hydroelectric Project Authority	236.812
6	Penden Cement Authority Ltd. (SA)	187.241
7	Jakar Regional Office, NRDCL, Bumthang	134.822
8	Jigme Dorji Wangchuck National Referral Hospital- CD Account	117.978
9	Ministry of Works & Human Settlement	82.650
10	Regional Revenue and Customs Office (RRCO) Gelephu	76.927
11	Dzongkhag Administration, Mongar	37.203
12	Regional Office, DoR, Lingmethang, Monggar	37.024
13	Kholong Chu Hydropower Project	35.459
14	Department of Livestock	34.231
15	Dzongkhag Administration, Bumthang	21.823
16	Bhutan Duty Free Ltd.	17.162
17	Gewog Administration, Tsamang	14.466
18	Dzongkhag Administration, Zhemgang	13.895
19	Dzongkhag Administration, Samtse	13.715
20	Hindu Dharma Samudaya	13.606
21	Regional Office, DoR, Sarpang	13.026
22	Department of Culture	12.483
23	Sherubtse College, Kanglung	11.891
24	Royal Audit Authority	11.809
25	College of Language and Culture Studies, Taktse	10.701
26	Regional Office, DoR, Thimphu	10.214
27	Penden Cement Authority Ltd.	8.297
28	Dungsam Cement Corporation Ltd.	8.148
29	Dzongkhag Administration, Trongsa	8.045
30	Dzongkhag Administration, Dophuchen	7.688

31	Dzongkhag Administration, Chhukha	7.435
32	Dzongkhag Administration, Dagana	7.168
33	Department of Human Resources (DHR), MoLHR	6.768
34	Divisional Forest Office (DFO), Paro (including Range Offices)	6.534
35	Bhutan Postal Corporation Ltd.	6.058
36	Regional Office, DoR, Trongsa (duplicate)	5.608
37	National Land Commission Secretariat	5.398
38	Bonded Ware House, AWP, Thimphu	4.661
39	Dagachhu Hydro Power Corporation Ltd., Dagapela	4.428
40	Gewog Administration, Trong	4.415
41	Regional Office, DoR, Tingtibi	4.414
42	Bhutan For Life Fund Secretariat, Thimphu	4.296
43	Agricultural Research & Development Centre, Renewable Natural Resources Research Development Centre (RNR-RDC) Wengkhari, Monggar	4.259
44	Koufuku International Limited (KIL) Chenari, Trashigang (Cooperative Dairy Processing Plant)	4.180
45	Gewog Administration, Sherimung	4.079
46	Dzongkhag Administration, Lhuentse	3.557
47	Gewog Administration, Gongdue	3.499
48	Divisional Forest Office, Gedu	3.344
49	College of Information and Technology, Gyelposhing	3.338
50	Gewog Administration, Silambi	3.165
51	Dzongkhag Administration, Samdrup Jongkhar	2.835
52	Dungkhag Administration, Panbang	2.831
53	Gewog Administration, Kengkhar	2.791
54	Gewog Administration, Nangkhor	2.735
55	Gewog Administration, Samtse	2.560
56	Dungkhag Administration, Tashichholing	2.400
57	Regional Office, DoR, Phuentsholing	2.325
58	Dzongkhag Administration, Paro	2.307
59	Gewog Administration, Tashichholing	2.221
60	Gewog Administration, Bardo	2.214
61	CARLEP, OPM including 6 Eastern Implementing Dzongkhags	2.213
62	Dzongkhag Administration, Pema Gatsel	2.052
63	Gewog Administration, Pemaling	2.030
64	Dzongkhag Administration, Gasa	1.805
65	Gewog Administration, Norgaygang	1.770
66	Phrumsengla National Park, Ura	1.688
67	State Mining Corporation Ltd.	1.618
68	Kuenzangling Central school, Tongzhang, Trashiyangtse	1.600
69	Dungkhag Administration, Phuentsholing	1.556
70	Dzongkhag Administration, Haa	1.522
71	Bhutan Power Corporation Ltd.	1.466
72	Gewog Administration, Chaskhar	1.398
73	National Poultry Development Centre, Sarpang	1.386
74	Dzongkhag Administration, Trashiyangtse	1.333
75	Gewog Administration, Sangacholing	1.295

76	Gewog Administration, Phangkhar	1.241
77	Royal Privy Council	1.226
78	Gewog Administration, Saling	1.162
79	Samtse College of Education, Samtse	1.128
80	Gewog Administration, Thangrong	1.078
81	Sabah Bhutan	1.060
82	Army Welfare Project (AWP), Distillery, Gelephu	1.026
83	Dzongkhag Administration, Tsirang	0.957
84	Army Welfare Project	0.937
85	Gewog Administration, Bjoka	0.824
86	Thromde Administration, Samdrup Jongkhar	0.716
87	Gewog Administration, Drepong	0.696
88	Royal Bhutan Army (RBA), HQ, Lungtenphu including Army Wing at Shaba and Damthang	0.681
89	Thromde Administration, Gelephu	0.679
90	International Assistance Project, MoH	0.677
91	Dzongkhag Administration, Thimphu	0.650
92	Gewog Administration, Yoesheltse	0.617
93	Gewog Administration, Jurmey	0.575
94	Gewog Administration, Norbugang	0.571
95	Dungsam Polymers Ltd.	0.548
96	Gewog Administration, Tendu	0.537
97	Dzongkhag Administration, Punakha	0.531
98	Gewog Administration, Ngatshang	0.523
99	Department of Roads (DoR)	0.516
100	Agriculture Research & Development Centre, Bajo	0.478
101	Royal Bhutan Police, HQ, Thimphu	0.434
102	Bhutan Board Products Ltd. (SA)	0.425
103	Gewog Administration, Langthel	0.411
104	Gewog Administration, Phongme	0.410
105	Dzongkhag Administration, Trashigang	0.407
106	Gewog Administration, Drametse	0.384
107	Gewog Administration, Narang	0.359
108	Jigme Dorji National Park (JDNP), Gasa	0.348
109	Gaeddu College of Business Studies, Gedu	0.345
110	Gewog Administration, Mongar	0.308
111	Bhutan Golf Federation	0.291
112	Regional Office, DoR, Trongsa	0.283
113	Royal Bhutan Lottery Ltd., Phuentsholing	0.278
114	Jigme Singye Wangchuck School of Law	0.268
115	Gewog Administration, Ngangla	0.266
116	Bank of Bhutan Ltd.	0.258
117	Judiciary	0.251
118	Tangsibji Hydro Energy Ltd.	0.247
119	Medical Supply Depot, Phuentsholing	0.242
120	Electricity Services Division, Bhutan Power Corporation Ltd., Dagapela	0.235
121	College of Science and Technology, Rinchending	0.232
122	Gewog Administration, Nubi	0.220

123	Gewog Administration, Chumey	0.218
124	Dungkhag Administration, Weringla	0.216
125	Institute of Language and Cultural Studies (ILCS), Taktse, Trongsa - CD Account	0.200
126	National Environment Commission (NEC)	0.197
127	Gewog Administration, Namgyelcholing	0.196
128	National Centre for Animal Health, Serbitang	0.188
129	Gewog Administration, Shingkhari	0.185
130	Wangchuck Centennial National Park (WCNP), Dekiling, Bumthang	0.184
131	Eastern Regional Referral Hospital, Mongar	0.175
132	Construction of Royal Institute of Law (2nd Phase), GOI PTA, JSW School of Law (JSWSL) (FIC:3059)	0.173
133	Livestock Central Store, Phuentsholing	0.172
134	Gewog Administration, Balam	0.172
135	Royal Institute for Tourism & Hospitality	0.165
136	Thromde Administration, Phuentsholing	0.151
137	Technical Training Institute, Khuruthang	0.148
138	Gewog Administration, Chali	0.133
139	Bhutan Kidney Foundation	0.122
140	Regional Revenue and Customs Office (RRCO) Mongar	0.116
141	Bhutan Agriculture & Food Regulatory Authority	0.098
142	National Sheep Breeding Programme, Bumthang	0.092
143	Royal University of Bhutan	0.091
144	Gewog Administration, Drakten	0.085
145	Explosive Management Division: Expenditure Management (RBP), Phuentsholing	0.083
146	Technical Training Institute, Ranjung	0.080
147	Gewog Administration, Ugyentse	0.075
148	Bhutan Toilet Organization	0.074
149	Gewog Administration, Tsakaling	0.074
150	Tourism Council of Bhutan	0.071
151	Native Poultry and Heifer Production Centre, Sertsam, Lhuntse	0.066
152	Gewog Administration, Gangzur	0.062
153	Bhutan Trust Fund for Environmental Conservation (BT FEC)	0.057
154	Tala Hydropower Plant	0.057
155	National Research & Development Centre for Aquaculture, Gelephu	0.050
156	Office of the Attorney General (OAG), Thimphu	0.046
157	Gewog Administration, Korphu	0.044
158	Gewog Administration, Goshing	0.040
159	Regional Livestock Development Centre, Wangdue Phodrang	0.039
160	Regional Immigration Office, DoI, MoHCA, Samdrup Jongkhar	0.037
161	Regional Central Stores, Phuentsholing	0.030
162	Royal Bhutan Police (RBP), Trongsa	0.029
163	Gewog Administration, Chhoeckhor	0.027
164	Regional Office, DoR, Tingtibi, Zhemgang (duplicate)	0.025
165	Dungkhag Administration, Lhamoizingkha	0.024
166	Gewog Administration, Ura	0.022



167	Bhutan National Legal Institute	0.020
168	Divisional Forest Office, Sarpang	0.019
169	Brown Swiss Cattle Farm, Bathpalathang, Bumthang	0.018
170	Roads Safety & Transport Authority	0.016
171	Regional Nublang Breeding Centre, Tashiyangphu, Wamrong	0.015
172	Nganglam Central School, Pemagatshel	0.015
173	Regional Trade & Industry Office, Mongar	0.014
174	Central Regional Referral Hospital, Gelephu	0.013
175	Regional Livestock Development Centre, Zhemgang	0.012
176	Divisional Forest Office, Zhemgang	0.011
177	Department of Local Governance	0.006
178	Gewog Administration, Tang	0.004
179	Phuentsholing Sports Association	0.003
180	Association of Bhutanese Tour Operators	0.00
181	Basochhu Hydropower Plant	0.00
182	Bhutan Board Products Ltd.	0.00
183	Bhutan Dev. Bank Ltd. (Including Branches)	0.00
184	Bhutan Development Bank Limited (BDBL), Head/Corporate Office, Thimphu	0.00
185	Bhutan Indigenous Games and Sports Association	0.00
186	Bhutan Livestock Development Corporation Ltd.	0.00
187	Bhutan National Bank Ltd.	0.00
188	Bhutan Taxi Association	0.00
189	Central Machinery Unit, Bumthang	0.00
190	Central Region, CDCL, Gelephu	0.00
191	Chhukha Hydropower Plant	0.00
192	Clean Bhutan	0.00
193	College of Natural Resources, Lobesa	0.00
194	Construction Association of Bhutan	0.00
195	Construction Development Corporation Ltd.	0.00
196	Department of Law & Order	0.00
197	Divisional Forest Office (DFO), Lobeysa, Punakha	0.00
198	Divisional Forest Office, Dagapela	0.00
199	Dungkhag Administration, Nganglam	0.00
200	Dungsam Polymers Ltd. (SA)	0.00
201	Dzong Construction Project, Pemagatshel	0.00
202	Dzong Construction Project, Sarpang	0.00
203	Dzongkhag Administration, Sarpang	0.00
204	Dzongkhag Administration, Wangdue Phodrang	0.00
205	Dzongkhag Court, Trongsa	0.00
206	Electricity Service Division, BPC, Punakha	0.00
207	Electricity Service Division, BPC, Wangdue	0.00
208	Electricity Services Division, BPCL, Trashigang-Duplicate	0.00
209	Food Corporation of Bhutan Limited (FCBL), Depot, Thimphu	0.00
210	Gewog Administration, Martshala	0.00
211	Gewog Administration, Phuentenchhu	0.00
212	Gewog Administration, Phuntshopelri	0.00

213	Gewog Administration, Phuntshothang	0.00
214	Jigme Namgyel Engineering College, Dewathang	0.00
215	Jigten Wangchuk Tshogpa	0.00
216	Koufuku International Ltd. (SA)	0.00
217	Lhak-Sam	0.00
218	Ministry of Agriculture & Forests	0.00
219	National CSI Development Bank	0.00
220	National Housing Dev. Corpn. Ltd. (Including Branches)	0.00
221	National Institute for Zorig Chusum, Trashiyangtse	0.00
222	National Research Centre for Animal Nutrition, Bumthang	0.00
223	Regional Office, DoR, Samdrup Jongkhar	0.00
224	Regional Office, DoR, Trashigang	0.00
225	Regional Office, RSTA, Gelephu	0.00
226	Regional Revenue and Customs Office (RRCO) Samtse	0.00
227	Royal Insurance Corporation of Bhutan Ltd.	0.00
228	Rural Development climate change response project	0.00
229	Technical Training Institute, Samthang	0.00
<b>TOTAL</b>		<b>5,460.781</b>

### **AAR Drafting Team**

1. Rinzin Lhamo, Assistant Auditor General
2. Yangchen Karma, Sr. Programme Officer
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4. Dechen Lhendup, Sr. PA

### **AAR Technical Committee**

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*“Every individual must strive to be principled. And individuals in positions of responsibility must even strive harder”*

*- H.M The King Jigme Khesar Namgyel Wangchuck*