



ANNUAL AUDIT REPORT 2019

(IN FULFILLING THE CONSTITUTIONAL RESPONSIBILITY)

ROYAL AUDIT AUTHORITY

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.”

CORE VALUES

Integrity, Accountability, Transparency, Professionalism, Team Work.



AUDITOR GENERAL'S PERSPECTIVE



The Royal Audit Authority (RAA) is pleased to release its Annual Audit Report (AAR) 2019 in fulfilment of constitutional responsibilities. AAR has been prepared as required under Article 25.5 of the Constitution of the Kingdom of Bhutan and in line with Section 111 to 116 of the Audit Act of Bhutan 2018. AAR 2019 is a consolidated summary of significant unresolved audit findings compiled from 564 audit reports issued during the year. It also includes summaries for three theme-based compliance audits, 11 performance audits, and two joint audits of hydroelectric projects.



The RAA has audited and certified Annual Financial Statements (AFS) of the Royal Government of Bhutan for year ended 30 June 2019 in accordance with International Standards of Supreme Audit Institutions (ISSAIs). The approved budget for Fiscal Year (FY) 2018-19 was Nu.45,128.177 million against estimated resources of Nu. 39,893.853 million with a fiscal deficit of Nu.5,234.324 million. During the year, budget outlay was revised to Nu. 49,527.566 million and estimated resources to Nu. 43,634.711 million. At the end of FY, actual expenditure reported was Nu.44,054.133 million against realized resources of Nu. 42,033.296 million resulting in resource gap of Nu. 2,743.430 million (including Nu. 722.593 million advance/suspense) which is about 1.50% of GDP.

During the year, RAA issued 497 financial audit reports, including AFS of the RGoB, requiring audit opinion on the financial statements. The RAA expressed "*Modified/Qualified*" audit opinions on 25 accounts.

As required under Audit Act of Bhutan 2018, the audited agencies concerned were provided with a period of one-month for taking necessary actions against unresolved audit findings. During the year, RAA reported irregularities involving Nu. 3,531.698 million of which, audit findings involving Nu. 2,116.545 million representing 59.93% were either resolved and/or were not found material for inclusion in AAR, based on actions taken and responses received from various agencies. The total unresolved significant irregularities reflected in AAR amounted to Nu. 1,415.153 million as on 31 March 2020. As compared to irregularities of Nu. 604.506 million reported in AAR 2018, irregularities reported have increased significantly by 134.10%. The increase is attributed mainly to issues relating to construction of Gyelposhing-Nganglam Road Project, overdue loans and advances and embezzlement of funds reported for Drungkhag Administration, Samdrupcholing.

The RAA made audit recoveries of Nu. 181.900 million in 2019. The audit recoveries from Corporations and Financial Institutions are credited into Audit Recoveries Accounts (ARA) maintained in their respective corporate offices and as such, the ARA maintained by the RAA does not include recoveries made by these agencies. The total audit recoveries made by corporations and financial institutions in 2019 amounted to Nu. 10.356 million.

As per the Projects Agreement signed between the RoGB and the GoI, the RAA and the Comptroller and Auditor General (C&AG), India jointly audited and issued reports for two hydroelectric projects during the year. The total unresolved significant irregularities reported in AAR 2019 amounted to Nu.380.624 million as on 31 March 2020. The total irregularities

comprised of Non-compliance to Laws and Rules of Nu. 241.065 million (63.33%) and Shortfalls, Lapses and Deficiencies of Nu.139.559 million (36.67%).

During the year, RAA issued 11 Performance Audit Reports and three specific theme-based Compliance Audit Reports and provided recommendations to enhance economy, efficiency and effectiveness in delivery of public services and management of resources.

The AAR also highlights critical milestones and achievements of the RAA during the year. The audit report of accounts and operations of RAA for the year ended 30 June 2019 is annexed with report. It is submitted as part of ensuring accountability of RAA for resources used for delivering audit mandates and strengthening its organizational systems and human resources. It also highlights persisting challenges faced by RAA specifically in the areas of employee attrition, technical manpower, sustainability of implementing ISSAIs and in implementing audit results.

I take this opportunity to acknowledge the unwavering support and cooperation rendered to RAA by the Parliament, Public Accounts Committee and other stakeholders throughout my tenure. Our stakeholders provided prompt responses which facilitated us in effectively delivering our mandates. The media have been instrumental in dissemination of audit reports and playing a critical role in promoting transparency and accountability in the use of public resources. The RAA looks forward to receiving continued support in our endeavor to contribute promoting good governance in the country through auditing and reporting on economy, efficiency and effective in the use of public resources and strengthening public accountability.

Lastly, I would like to offer my humble gratitude to His Majesty the King for the trust and confidence bestowed on me to provide leadership to this august institution. We solemnly pledge to continue committing ourselves to audit without fear, favour or prejudice.



(Tshering Kezang)
Auditor General of Bhutan

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PART I

CHAPTER 1

1.1. CERTIFICATION OF ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements (AFS) of the Royal Government of Bhutan for the Fiscal Year (FY) 2018-19 was audited by the RAA as required under 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 RAA had carried out the certification of individual Letter of Credit (LC) accounts of the budgetary agencies in line with the Audit Act of Bhutan 2018. The budgetary agencies included those that were accorded priority based on its categorization and included in the Annual Audit Schedules 2018-19. The recommendations and observations made at the agency level were considered depending upon the materiality while certifying the consolidated Receipts and Payments Statement.

The approved budget for the FY 2018-19 was Nu. 45,128.177 million against estimated resources of Nu. 39,893.853 million with a fiscal deficit of Nu. 5,234.324 million. During the year, the outlay was revised to Nu. 49,527.566 million and the estimated resources to Nu. 43,634.711 million. At the end of the FY, the actual expenditure reported was Nu. 44,054.133 million against the realized resources of Nu. 42,033.296 million resulting in resource gap of Nu. 2,743.430 million (including Nu. 722.593 million advance/suspense) which is about 1.50% of GDP. The resource gaps were financed through the external borrowings of Nu. 3,432.571 million (i.e. net external borrowings of Nu. 1,101.101 million after and repayment of Nu. 2,331.470 million), internal borrowings and principal recoveries of government lending. This fiscal deficit are financed through the issuance of Treasury Bills (T-Bills). The principal amount of T-Bills outstanding at the end of the FY was Nu. 4,176.827 million. The opening balance for FY 2018-19 was negative Nu. 39.776 million and the Government fund position at the close of the FY stood at negative Nu. 374.252 million.

As against the revised capital budget of Nu. 20,355.591 million, the actual expenditure was Nu. 16,285.470 million with resultant underutilization of capital budget by Nu. 4,070.121 million, which represented 20% of the revised capital budget. As compared to underutilization of 15.42% reported in the FY 2017-18, there was an increase in the underutilization of capital budget by 4.58% during the FY 2018-19. As explained by the Ministry of Finance (MoF), the reasons for underutilization included lengthy procurement process, poor quality of work performed by contractors, lack of implementation capacity, delay in getting various clearances, unforeseen natural calamities, etc. It was further stated that the Ministry in collaboration with office of GPMD has made a mandatory success indicator of awarding 5% of the total Performance Evaluation Score on full utilization of capital budget; and also that it has initiated sensitization on underutilization with budgetary bodies during the budget meetings, workshops and monitoring visits.

The government debt as on 30 June 2019 was Nu. 184,174.524 million, of which Nu. 5,059.597 million accounts for domestic debt and Nu. 179,114.926 million for external debt. The certificate of the Auditor General and the audited Financial Statements are appended herewith.



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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 JUNE 2019

Opinion

The Royal Audit Authority (RAA) has audited the accompanying Annual Financial Statements of the Royal Government of Bhutan (RGoB) for the financial year ended 30 June 2019 and summary of explanatory information, 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 & 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 respect in accordance with the Financial Rules and Regulations 2016.

Basis of 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, in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

Other Matter

As per the information made available by the DPA, there are 638 Letter of Credit (LC) Accounts and Project Letter of Credit (PLC) Accounts during the period under review. Of the total, the RAA had audited for 52% of the total accounts (207 LC Accounts and 122 PLC Accounts) as on 13/02/2020 for the Financial Year ended 30 June 2019. For the remaining Accounts, the RAA had verified the year-end accounts generated from the PEMS and relied on the controls instituted by the DPA.

"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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Responsibility of the Ministry of Finance for the Financial Statements

The Ministry of Finance (MoF) is responsible for preparation of these financial statements in accordance with the Public Finance Act 2007 and Public Finance (Amendment) Act 2012 and Financial Rules & Regulations 2016 and for such internal control as management 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 misstatements, whether due to fraud or error, and to issue 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 International Standard on Supreme Audit Institutions (ISSAIs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

As part of 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.
- 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 DPA'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.

(Tshering Kezang)
Auditor General of Bhutan

Dated: 03.04.2020

Place: Thimphu



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དབུལ་ཚེས་ལྷན་ཁག།
DEPARTMENT OF PUBLIC ACCOUNTS
MINISTRY OF FINANCE



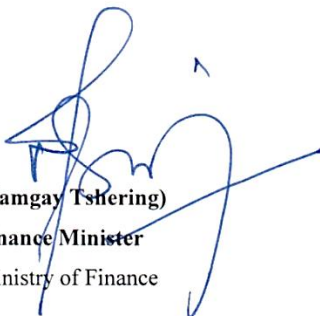
6th February 2020

STATEMENT OF RESPONSIBILITY

The Annual Financial Statement (AFS) of the Royal Government of Bhutan (RGoB) for the Fiscal Year 2018-19 have been prepared by the Department of Public Accounts (DPA), Ministry of Finance (MoF) in accordance with the provisions of the Public Finance Act of Bhutan, 2007, Public Finance (Amendment) Act, 2012 and the Financial Rules and Regulations 2016.

The financial statements are prepared based on the monthly accounts of the budgetary bodies recorded in the Public Expenditure Management System (PEMS) and information received from other relevant agencies and organizations. The AFS presents the financial position of the RGoB as at 30th June, 2019.

We accept the responsibility for the reliability and completeness of the financial statements.


(Namgay Tshering)
Finance Minister
Ministry of Finance


(Tshering Dorji)
Director
Department of Public Accounts

THIMPHU: BHUTAN, Post Box No. 270, Phone: PABX 322604 / 322641 / 322951, Fax: 334994

**CONSOLIDATED RECEIPTS AND PAYMENTS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019**

(Nu. in million)

Receipts	2018-19	2017-18	Payments	2018-19	2017-18
Opening Balance	(39.776)	607.749	Expenditure	44,054.133	56,331.358
i) Cash	72.992	67.009	i) Current	27,768.663	27,494.710
ii) Bank	(112.768)	540.740	ii) Capital	16,285.470	28,836.647
Internal Revenue	34,707.670	36,871.372	Repayment of Loans	2,342.084	2,820.355
i) Tax Revenue	27,171.147	27,107.897	i) Internal	10.614	9.874
ii) Non Tax Revenue	7,536.523	9,763.475	ii) External	2,331.470	2,810.482
External Grants	10,516.481	14,847.070	Lendings	197.593	49.379
i) Cash	10,324.292	14,578.997	i) To individuals	-	-
<i>o/w Program Grant (GoI)</i>	<i>850.000</i>	<i>1,700.000</i>	ii) To Corporations	197.593	49.379
ii) Kind	192.189	268.073			
Borrowings	3,432.572	2,718.332	Other payments	12,397.272	11,852.881
ii) External	3,432.572	2,718.332			
<i>o/w Program Borrowing</i>	<i>2,080.391</i>	<i>1,955.125</i>	Increase in Advances/Suspense	12,871.466	14,977.836
i) Internal	-	-			
Recovery of Loans	1,516.061	2,127.258	Closing Balance	(374.252)	(39.776)
Other Receipts	9,206.417	12,247.607	i) Cash	87.311	72.992
Decrease in advances/Suspense	12,148.871	16,572.643	ii) Bank	(461.563)	(112.768)
TOTAL RECEIPTS	71,488.295	85,992.032	TOTAL PAYMENTS	71,488.295	85,992.032

Note: To smoothen cash flow fluctuation and finance resource gap, series of T-Bills with maturities ranging from 30 to 180 days were issued and redeemed. T-Bills outstanding at the close of the FY is Nu.4,176.827 million which is carried forward as domestic debt stock.

The external borrowing 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. 218.194 million received from the creditors.


(Director)

Department of Public Accounts
Ministry of Finance

Director
Department of Public Accounts
Ministry of Finance
Thimphu : Bhutan


(Deputy Auditor General)

Royal Audit Authority

Deputy Auditor General
Department of Performance &
Commercial Audit
Royal Audit Authority

**SUMMARY OF VARIANCE BETWEEN BUDGET ESTIMATES AND ACTUAL OUTCOMES
FOR FY 2018-19**

Particulars	Nu. in million			% Variance		
	Original Budget	Revised Budget	Actual Outcomes	Original Vs	Revised Vs	Original Vs
TOTAL RESOURCES	39,893.853	43,634.711	42,033.296	9.40%	-3.70%	5.40%
DOMESTIC REVENUE	33,943.967	34,321.818	34,707.670	1.10%	1.10%	2.20%
Tax	25,037.460	26,542.925	27,171.147	6.00%	2.40%	8.50%
Non-Tax	8,906.507	7,778.893	7,536.523	-12.70%	-3.10%	-15.40%
OTHER RECEIPTS	20.000	40.990	(3,190.855)	-	-7884.50%	-
GRANTS	5,929.886	9,271.903	10,516.481	577.30%	18.60%	624.50%
Programme grants	150.000	950.000	989.520	533.30%	4.20%	559.70%
GoI		800.000	850.000			
Others	150.000	150.000	139.520	0.00%	0.00%	0.00%
Project-tied grants	5,779.886	8,321.903	9,526.961	44.00%	14.50%	64.80%
GoI	3,024.114	3,833.162	5,634.765	26.80%	47.00%	86.30%
Others	2,755.772	4,488.741	3,892.196	62.90%	-13.30%	41.20%
TOTAL EXPENDITURE	45,128.177	49,527.566	44,054.133	9.70%	-11.10%	-2.40%
Current	29,075.167	29,171.975	27,768.663	0.30%	-4.80%	-4.50%
Capital	16,053.010	20,355.591	16,285.470	26.80%	-20.00%	1.40%
Advance/Suspense (Net)			722.593	-	-	-
OVERALL BALANCE	(5,234.324)	(5,892.855)	(2,743.430)	12.60%	-53.40%	-47.60%
FINANCING	5,234.324	5,892.855	2,743.430	12.60%	-53.40%	-47.60%
Net Lending	1,433.162	1,389.678	1,318.468	-3.00%	-5.10%	-8.00%
<i>i. Principle recoveries</i>	<i>1,528.190</i>	<i>1,601.118</i>	<i>1,516.061</i>	4.80%	-5.30%	-0.80%
<i>Less: Lending</i>	<i>95.028</i>	<i>211.440</i>	<i>197.593</i>	122.50%	-6.50%	107.90%
Net External Borrowings	961.245	975.689	1,101.101	1.50%	12.90%	14.50%
Borrowings	3,425.554	3,450.613	3,432.571	0.70%	-0.50%	0.20%
<i>a) Project-tied</i>	<i>1,281.689</i>	<i>1,721.617</i>	<i>1,352.180</i>	34.30%	-21.50%	5.50%
<i>b) Program</i>	<i>2,143.865</i>	<i>1,728.996</i>	<i>2,080.391</i>	0.00%	20.30%	0.00%
Less: Repayments	2,464.309	2,474.924	2,331.470	0.40%	-5.80%	-5.40%
Net Internal borrowings						
Surplus/Deficit	2,839.917	3,527.488	323.861	24.20%	-90.80%	-88.60%
<i>i. Internal borrowings</i>	<i>2,850.532</i>	<i>3,538.103</i>	<i>334.475</i>	24.10%	-90.50%	-88.30%
<i>Less: Repayments</i>	<i>10.615</i>	<i>10.615</i>	<i>10.614</i>	0.00%	0.00%	0.00%



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RECONCILIATION OF GOVERNMENT CONSOLIDATED ACCOUNT FOR THE FY 2018-19		
Sl. No.	Particulars	Nu. in million
1	Opening balance as on July 1, 2018	(112.209)
2	Receipts during the year	104,861.831
i	Budget Fund Account (DPA)	67,774.348
ii	Government Revenue Account (BoBL)	35,327.451
iii	Non-Revenue Account (BoBL)	1,760.032
3	Payments during the year	(105,211.185)
i	Budget Fund Account (DPA)	54,837.400
ii	LC Withdrawals (BoBL)	49,754.004
iii	Revenue Refunds (BoBL)	619.781
4	Closing Balance as on 30 June 2019 (DPA)	(461.563)
5	RECONCILIATION:	
	Closing Balance as on 30 June 2019 (BoBL)	(461.472)
i	Add: Fund-in-Transit (Cr.) as on 30/06/2019: BoBL	-
ii	Less: Fund-in-Transit (Dr.) as on 30/06/2019: BoBL	-
6	Closing Balance as on 30 June 2019 (BoBL)	(461.472)
	Add:	
a)	Credits (Deposits) as per DPA but not in BoBL	-
b)	Credits (Payments) as per DPA but not in DPA	-
	Less:	
a)	Credit (Deposits) as per BoBL but not in DPA	(0.091)
b)	Credits (Payments) as per DPA but not in BoBL	-
7	Closing Bank Balance as on 30 June 2019 (DPA)	(461.563)

Source: DPA, DRC and BOBL



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RECONCILIATION OF GOVERNMENT BUDGET FUND ACCOUNT FOR THE FY 2018-

19

Sl.No.	PARTICULARS	Nu. in million	REMARKS
1	Closing Balance as per Bank Statement as of 30.06.2019	12,937.039	
2	Less: Credits as per BoB but not in Cash Book	0.091	Annex - 1
3	Closing Balance as per Cash Book as of 30.06.2019	12,936.948	

Annexure - 1 : CREDITS AS PER BANK BUT NOT IN CASH BOOK

Sl.No.	PARTICULARS	Nu. In million	REMARKS
Deposits of FY 2017-18 credited by BOB in FY 2018-19			
i	Other Project Grants Commercial Agriculture & Resilience Livelihood Enhancement Programme.	0.091	

Source: DPA and BOBL



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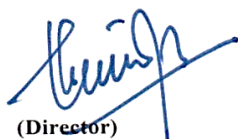


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STATEMENT OF REVENUE COLLECTION FOR FISCAL YEAR 2018-19

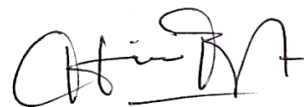
Sl.no.	Source of Revenue	GROSS	REFUND	NET
	Revenue	35,283.524	575.853	34,707.670
A	Taxes	27,575.382	404.234	27,171.147
1	Taxes on Income, Profits and Capital Gains	12,387.491	298.582	12,088.909
1.1	Corporate Income Tax	9,261.054	143.649	9,117.405
1.2	Business Income Tax	1,438.886	16.393	1,422.493
1.3	Personal Income Tax	1,687.551	138.539	1,549.011
2	Taxes on Property	33.480	0.027	33.454
2.1	Recurrent Taxes on immovable property (Dzongkhag Municipality)	7.231	0.005	7.226
2.2	Taxes on Capital Transactions	26.249	0.022	26.227
3	Taxes on Goods and Services	9,682.881	78.888	9,603.993
3.1	Sales Tax	4,817.759	78.575	4,739.184
3.2	Excise	3,405.843	0.040	3,405.802
3.3	Green Tax	1,025.723	0.207	1,025.515
3.4	Taxes on use of goods and on permission to use goods or perform activities	433.557	0.066	433.491
4	Taxes on International Trade and Transactions	702.284	24.175	678.108
4.1	Customs and Other Import Duties	702.284	24.175	678.108
5	Other Taxes	4,769.245	2.562	4,766.683
5.1	Passenger Service Charge	154.229	-	154.229
5.2	Duties	22.027	-	22.027
5.3	Royalty	4,592.989	2.562	4,590.427
B	Other Revenue	6,482.950	161.099	6,321.851
1	Property Income	6,247.949	0.006	6,247.944
1.1	Interest receipt from corporations	1,242.465	-	1,242.465
1.2	Dividend	3,405.356	-	3,405.356
1.3	Withdrawals from income of quasi-corporations	1,550.243	-	1,550.243
1.4	Miscellaneous Rent	49.886	0.006	49.880
2	Social Contributions	235.000	161.094	73.907
2.1	Health Contribution	235.000	161.094	73.907
2.2	Fines & penalties	-	-	-
C	Current Revenue from Government Agencies	1,197.990	8.233	1,189.757
1	Administrative Fees & Charges	822.169	6.362	815.807
1.1	Economic Services	359.521	0.896	358.625
1.2	Social Services	51.002	0.588	50.414
1.3	General Services	411.646	4.878	406.768
2	Sale of Goods and Commodities	375.821	1.871	373.950
2.1	Economic Services	57.161	-	57.161
2.2	General Services	1.215	-	1.215
2.3	Miscellaneous and Unidentified Revenue	317.445	1.871	315.574
D	Capital Revenue from Government Agencies	27.203	2.287	24.916
1	Capital Receipts	27.203	2.287	24.916
1.1	Economic Services	27.203	2.287	24.916



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STATEMENT OF ARREARS FOR FY 2018-19

Sl.No.	Source of Revenue	Opening	Collection	Deposit during the year	Balance	Remarks
1	2	3	4	5	6	7
	Revenue	0.029	35,283.524	35,283.524	0.478	
A	Taxes	0.000	27,575.382	27,575.382	0.420	
1	Taxes on Income, Profits and Capital Gains	0.000	12,387.491	12,387.491	0.000	
2	Taxes on Property	0.000	33.480	33.480	0.000	
3	Taxes on Goods and Services	0.000	9,682.881	9,682.881	0.420	
4	Taxes on International Trade and Transactions	0.000	702.284	702.284	0.000	
5	Other Taxes	0.000	4,769.245	4,769.245	0.000	
B	Other Revenue	0.000	6,482.950	6,482.950	0.000	
1	Property Income	0.000	6,247.949	6,247.949	0.000	
2	Social Contributions	0.000	235.000	235.000	0.000	
C	Current Revenue from Government Agencies	0.029	1,197.990	1,197.990	0.058	
1	Administrative Fees & Charges	0.029	822.169	822.169	0.057	
2	Sale of Goods and Commodities	0.000	375.821	375.821	0.001	
D	Capital Revenue from Government Agencies	0.000	27.203	27.203	0.000	
1	Capital Receipts	0.000	27.203	27.203	0.000	

Footnote:

i.) Short deposit of Nu. 28,517/- for FY 2016-17 still not deposited due to mismatch of User ID under Samdrup Jongkhar RRCO

ii.) Nu. 4,20,315.623/- collected in the DRC system but not deposited in the bank under Samdrup Jongkhar RRCO

iii.) An amount Nu. 28,542/- was collected under the revenue head "Fines and Penalties" where the agency has to give reward incentive to the informer. The agency has forgotten to transfer the reward and paid Nu 1025 reward

iv.) Nu. 500 was collected by Gelephu region, the agency has prepared the deposit challan (DC701880618177) but till now it is not reconciled as the taxpayer is registered at RRCO SJ. About Nu. 24 was not able cancelled from the

Source: DRC, MoF



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STATEMENT OF GOVERNMENT CURRENT DEPOSIT ACCOUNTS (REFUNDABLE DEPOSIT, REVOLVING FUND AND TRUST FUND and OTHERS) FOR THE FY 2018-19

Sl. No.	Operating Agency	Opening Balance	Receipts	Payments	Closing Balance
1	Trust Fund, Revolving Fund and Refundable Total	6,715.651	19,004.683	18,727.499	6,992.834
2	Gewog Total	23.885	12.433	11.617	24.701
3	Judiciary Total	120.181	81.903	76.136	125.948
4	Municipal Total	699.841	1,829.100	1,867.033	661.908
5	Others Total	2,942.198	334,823.554	336,165.541	1,564.651
6	Autonomous School Total	23.910	193.287	196.804	20.393
7	Central School Total	80.840	283.308	319.134	45.014
8	Endowment Fund Total	28.669	41.060	0.840	68.888
	Grand Total	10,635.175	356,269.325	357,364.605	9,504.336

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STATEMENT OF OTHER RECEIPTS AND PAYMENTS FOR THE FY 2018-19

Sl. No:	PARTICULARS	(Nu. in millions)		
		RECEIPTS	PAYMENTS	NET
A	BUDGET FUND ACCOUNT	1,811.078	0.002	1,811.076
i	Bank Charges		0.002	(0.002)
ii	Prior year expenses	91.023		91.023
iii	Prior year advances	37.549		37.549
iv	Closing cash balances	68.680		68.680
v	Refundable External Grants	0.528		0.528
vi	Others *	87.777		87.777
vii	Others (LC/PLC) **	22.604		22.604
viii	Internal Funds***	41.510		41.510
ix	Recoupments from Refundable Deposits	1,461.407		1,461.407
B	NON-REVENUE ACCOUNT	1,760.032	-	1,760.032
i	Deposits as per BOBL (daily GCA)	1,760.032		1,760.032
C	AGENCIES ACCOUNTS	5,617.817	8,607.032	(2,989.214)
i	Revenue Receipts & Remittances	1,059.823	1,059.822	0.001
ii	Others Recoveries & Remittances	4,053.842	4,062.868	(9.026)
iii	Miscellaneous Receipts & Payments	504.153	3,484.342	(2,980.189)
D	OTHER ADJUSTMENTS	17.489	-	17.489
i	Uncashed Cheques of the FY	17.489		17.489
E	Redemption of T-Bill		3,790.238	(3,790.238)
	TOTAL	9,206.417	12,397.272	(3,190.855)

Source: Department of Public Accounts, Budgetary Bodies & Bank of Bhutan



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STATEMENT OF GOVERNMENT EQUITY PORTFOLIO FOR THE YEAR ENDED 30TH JUNE 2019

Sl. No	Corporations	Shareholding as on 01/07/2018				Investment		Investment/Trans		Shareholding as on 30/06/2019		
		No. of shares	Value (Nu)	% Holding	Face value	No. of shares	Amount (Nu)	No. of share	Amount (Nu)	No. of shares	Value (Nu)	% Holding
I	Manufacturing		48,837.26			6,027,406	602.74				49,440.00	
1	Army Welfare Project	25,200	25.20	100%	1,000.00					25,200	25.20	100%
2	Bhutan Agro Industries Limited ¹	290,636	29.06	100%	100.00	480,000	48.00	-	-	770,636	77.06	100%
3	National Housing Development Corp Ltd	2,727,961	2,727.96	100%	1,000.00					2,727,961	2,727.96	100%
4	Kuensel Corporation	255,000	25.50	51%	100.00					255,000	25.50	51%
5	Druk Holding & Investments Ltd ²	459,462,029	45,946.20	100%	100.00					459,462,029	45,946.20	100%
6	Bhutan Livestock Development Corp. Ltd ³	333,300	33.33	100%	100.00	4,223,129	422.31			4,556,429	455.64	100%
7	Menjongsorig Pharmaceutical Corp. Ltd ⁴	500,000	50.00	100%	100.00	1,324,277	132.43			1,824,277	182.428	100%
II	Trading		186.54			40,000	4.00				190.54	
8	Food Corporation of Bhutan	15,000	15.00	100%	1,000.00					15,000	15.00	100%
9	Bhutan Lottery Ltd ⁵	560,000	56.00	100%	100.00	40,000	4.00			600,000	60.00	100%
10	Bhutan Duty Free Ltd	1,155,441	115.54	100%	100.00					1,155,441	115.54	100%
III	Services		887.66								887.66	
11	Bhutan Postal Corporation	235,952	23.60	100%	100.00					235,952	23.60	100%
12	Bhutan Broadcasting Service Limited	1,308,351	130.84	100%	100.00					1,308,351	130.84	100%
13	Royal Bhutan Helicopter Services Ltd	6,070,474	607.05	100%	100.00					6,070,474	607.05	100%
14	Farm Machinery Corporation Ltd	333,220	33.32	100%	100.00					333,220	33.32	100%
15	Green Bhutan Corporation Ltd	418,562	41.86	100%	100.00					418,562	41.86	100%
16	Financial Institutions Training Institute Ltd.	4,000,000	40.00	30.77%	10.00					4,000,000	40.00	30.77%
17	Credit Information Bureau	1,100,000	11.00	44%	10.00					1,100,000	11.00	44%
IV	Financial Institutions		522.00			4,048,350	488.54				1,010.54	
18	Bhutan Development Bank Ltd ⁶	487,024	487.00	96.65%	1,000.00	93,000	93.00			580,024	580.00	97%
19	Rural Enterprise Development Corporation ⁷	350,000	35.00	100%	100.00	3,955,350	395.54			4,305,350	430.54	100%
	TOTAL		50,433.46				1,095.28				51,528.73	


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STATEMENT OF GOVERNMENT EQUITY PORTFOLIO FOR THE YEAR ENDED 30TH JUNE 2019

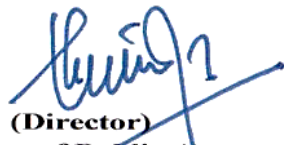
Sl. No	Corporations	Shareholding as on 01/07/2018				Investment		Divestment/Transfer		Shareholding as on 30/06/2019		
		No. of shares	Value (Nu)	% Holding	Face value	No. of shares	Amount (Nu)	No. of share	Amount (Nu)	No. of shares	Value (Nu)	% Holding
I	Manufacturing		39,589.73			15,070,000	1,185.70	12,042	12.04		40,763.39	
1	Penden Cement Authority Limited	15,210,740	152.11	44.74%	10.00					15,210,740	152.11	44.74%
2	Bhutan Board Products Limited	6,683,340	66.83	47.74%	10.00					6,683,340	66.83	47.74%
3	Bhutan Ferro Alloys Limited	3,859,460	38.59	25.73%	10.00					3,859,460	38.59	25.73%
4	Natural Resource Development Corp.	450,000	45.00	100%	100.00					450,000	45.00	100%
5	Dungsam Cement Corporation ⁸	63,739,480	6,373.95	100%	100.00	11,000,000	1,100.00			74,739,480	7,473.95	100%
6	Dungsam Polymers Ltd. ⁹	4,218,900	42.19	51%	10.00	3,570,000	35.70			7,788,900	77.89	51%
7	Druk Green Power Corporation	31,545,688	31,545.69	100%	1,000.00					31,545,688	31,545.69	100%
8	Koufuku International Pvt. Ltd	150,000	15.00	30%	100.00					150,000	15.00	30%
9	Construction Development Corp. Ltd ¹⁰	993,061	993.06	100%	1,000.00			12,042	12.04	981,019	981.02	100%
10	Wood Craft Centre Limited	733,177	73.32	100%	100.00					733,177	73.32	100%
11	State Mining Corporation Ltd ¹¹	1,359,900	243.99	100%	100.00	500,000	50.00			1,359,900	293.99	100%
II	Trading		91.80			-	-	-	-		91.80	
12	State Trading Corporation of Bhutan	9,180,081	91.80	51%	10.00					9,180,081	91.80	51.00%
III	Services		11,527.31			-	-	-	-		11,527.31	
13	Druk Air Corporation	22,252,111	2,225.21	100%	100.00					22,252,111	2,225.21	100.00%
14	Bhutan Telecom Corporation	854,082	854.08	100%	1,000.00					854,082	854.08	100.00%
15	Bhutan Power Corporation	8,225,118	8,225.12	100%	1,000.00					8,225,118	8,225.12	100.00%
16	Thimphu TechPark Ltd.	2,229,012	222.90	100%	100.00					2,229,012	222.90	100.00%
IV	Financial Institutions		3,249.55			-	-	-	-		3,249.55	
17	Bhutan National Bank	37,857,263	378.57	11.50%	10.00					37,857,263	378.57	11.50%
18	Bank of Bhutan	2,400,000	2,400.00	80%	1,000.00					2,400,000	2,400.00	80.00%
19	Royal Insurance Corporation of Bhutan Ltd	47,097,500	470.98	39.25%	10.00					47,097,500	470.98	39.25%
	TOTAL	-	54,458.39			15,070,000	1,185.70	12,042	12.04	-	55,632.05	

NOTE:

1

BAIL ~ Equity (interest amount) on account of Mongar Project loan against which equity shares are issued.

- DHI ~ In the year-end 2018, DHI got the ownership of additional 16 plots of land transferred from its subsidiaries for a total amount of Nu. 39,217,190/- for which an aggregate value of shares of Nu. 24,803,300/- (248,033 number of shares of Nu. 100/- each) has been allotted to MoF. Further during the year 2018 DGPC received Nu. 230,520,000/- from Government of India for onward injection as equity to the Kholongchhu Hydro Energy Limited (KHEL) which was allotted to DHI and DHI further allotted 2,305,200 number of shares to MOF for this.
- 3 BLDCL ~ Capitalization of transfers from the Government against which equity has been issued.
- 4 MSPCL ~ Transfer of Assets and Inventory from the Government against which the shares are issued.
- 5 BLL ~ In the year, MoF injected additional equity of Nu.4 million.
- 6 BDBL ~ Additional equity injection of Nu.93 million.
- 7 REDCL ~ Additional equity injection for RF-II and operation fund during the year.
- 8 DCCL ~ Issue of additional shares during the year 2018.
- 9 DPL ~ Additional issuance of 7,000,000 shares during the year.
- 10 CDCL ~ Adjustment of land on account of prior expenses. The decrease in equity was due to transfer of land to DHI worth of Nu.33,767,723 (Agreement between DHI and CDCL - amount to be met from Retained Earnings), however, CDCL hasn't enough in RE and paid Nu.12,042,000 from Equity.
- 11 SMCL ~ Issuance of share capital for the year.



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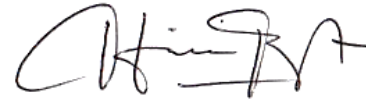
STATEMENT OF GOVERNMENT GUARANTEES AS OF 30 JUNE 2019

Sl.No.	Name of the beneficiary	Date of issue	Issued to	Purpose of Issue	Original	Validity	Outstanding	Remarks
					Nu. Million		Nu. Million	
1	National Housing Development Corporation Ltd.	11th September 2017	NPPF	Financing for Affordable Housing Project in Phuntsholing.	890.00	20 years	869.334	Sanctioned full amount of Nu.890m.
2	Bhutan Agro Industries Ltd.	5th June 2017	BOBL	Financing for set up of an integrated agro based industry in Lingmethang, Mongar.	166.00	20 years	120.000	Guaranteed amount Nu.166m. The loan amount sanctioned is 120m.
3	Bhutan Development Bank Ltd.	9th March 2018	NPPF	OESD Loan Scheme to youths.	521.30	5 years	403.684	Sanctioned 428.772m against gauranteed amount of 521.30m.
4	Drukair Corporation Ltd.	11th February 2019	NPPF	Financing for purchase of new Aircraft A320 Neo.	2,604.31	11 years	586.490	Sanctioned 586.488m against gauranteed amount of USD 36.598m.
TOTAL					4,181.61		1,979.508	



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SUMMARY STATEMENT OF OUTSTANDING DEBT OF THE GOVERNMENT FOR THE PERIOD ENDED JUNE 30 2019

(Amounts in Agreement Currencies in Millions)															
Sl. No.	LENDER AND PROJECTS	Loan Committed		Opening Balance as on 01/07/2018	W I T H D R A W A L S			REPAYMENTS DURING THE YEAR			Closing Balances as on 30/06/19	Closing Balances in USD	Ratio of Debt to GDP	% of Total	
					Principal (Disbursement)	Interest & Charges accrued during the year		Total Liability incurred during the year	Principal	Interest & S/Charges					Total
		Interest	Fees & Charges												
		Curr.	Amount												
A	INTERNAL	Nu.	436.337	8,159.681	46,185.858	289.381	-	46,475.239	49,276.181	299.142	49,575.323	5,059.597	73.131	2.76%	2.75%
i	RMA/BoBL/BNBL/BDL/DPNBL/TBank	Nu.	-	8,112.210	45,824.591	269.473	-	46,094.064	49,265.567	279.234	49,544.801	4,661.473	67.377		
ii	NPPF	Nu.	436.337	47.471	361.267	19.908	-	381.175	10.614	19.908	30.522	398.124	5.754		
B	EXTERNAL: India	Rs.	187,665.450	126,452.840	5,651.276	1,283.179	-	6,934.455	671.296	1,283.179	1,954.475	131,432.822	1,899.730	71.77%	71.36%
C	EXTERNAL: Other than India	Nu.		43,961.695	1,534.727	684.943		2,219.669	1,525.246	711.124	2,236.370	47,682.105	689.197	26.04%	25.89%
i	International Dev. Association (IDA)	XDR	220.074	176.854	23.675	2.260	-	25.935	2.886	2.260	5.146	197.643	273.704		
ii	Asian Development Bank (ADB)	XDR	236.980	153.450	9.122	2.193	-	11.315	5.991	2.193	8.184	156.581	216.839		
iii	Asian Development Bank (ADB)	USD	149.740	61.185	10.211	1.914	-	12.125	0.775	1.914	2.689	70.622	70.622		
iv	International Fund for Agriculture Dev (IFAD)	XDR	38.496	25.829	0.701	0.235	-	0.936	0.807	0.235	1.042	25.723	35.622		
v	Government of Austria (GoA)	Euro	93.516	51.782	-	1.790	-	1.790	7.191	1.790	8.981	44.591	50.714		
vi	Japan International Cooperation Agency (JICA)	JPY	5,424.604	4,417.270	182.922	2.981	-	185.903	106.148	2.981	109.129	4,494.044	41.696		
vii	Germany (DEUTSCHE INVESTITIONS - DEG)	Euro	6.300	6.300	-	0.135	-	0.135	6.300	0.135	6.435	-	-		
	Grand Total	Nu.		178,574.216	53,371.861	2,257.503	-	55,629.363	51,472.723	2,293.445	53,766.167	184,174.524	2,662.059	100.57%	100.0%
	Note: Exchange rates used for	USD	XDR	EURO	JPY('000)										
		Nu.	69.19	95.81	78.69	641.90									
	GDP (Source-NSB)- Oct. 2019 update	Nu.		183,125.824											

Source: Department of Macroeconomics Affairs, Treasury Division, DPA for T-Bills and Overdraft



(Director)

**Department of Public Accounts
Ministry of Finance**
Director
Department of Public Accounts
Ministry of Finance
Thimphu : Bhutan



(Deputy Auditor General)
Royal Audit Authority

Deputy Auditor General
Department of Performance &
Commercial Audit
Royal Audit Authority

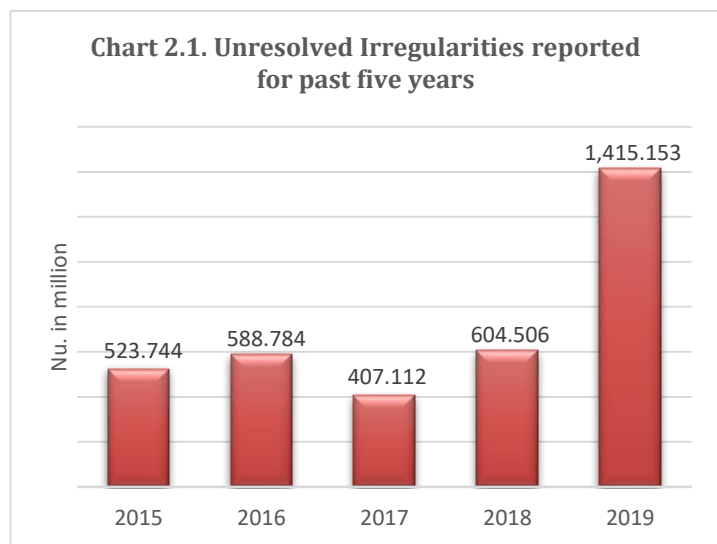
CHAPTER 2

2.1. SUMMARY OF AUDIT FINDINGS

The Annual Audit Report 2019 has been compiled from 564 audit reports issued in 2019 comprising of 497 Financial, 57 Compliance and 11 Performance Audit Reports. The RAA expressed 'Qualified' opinion on 25 accounts. This chapter includes a summary of significant unresolved issues reported during the year.

During the year, the RAA reported irregularities amounting to Nu. 3,531.698 million of which audit findings involving Nu. 2,116.545 million representing 59.93% were either resolved and/or were not material for inclusion in the AAR 2019. The total unresolved significant irregularities having financial implication amounted to Nu. 1,415.153 million as on 31 March 2020 and are reflected in the AAR 2019.

The report contains unresolved significant issues pertaining to 10 Ministries, 16 Dzongkhags Administration, 40 Gewogs Administration, 14 Autonomous Agencies, eight Corporations, five Financial Institutions and three Non-Governmental Organisations. As compared to the irregularities of Nu. 604.506 million reported in AAR 2018, the irregularities have significantly increased by 134.10%. Irregularities reported over the past five years is given in **Chart 2.1**.

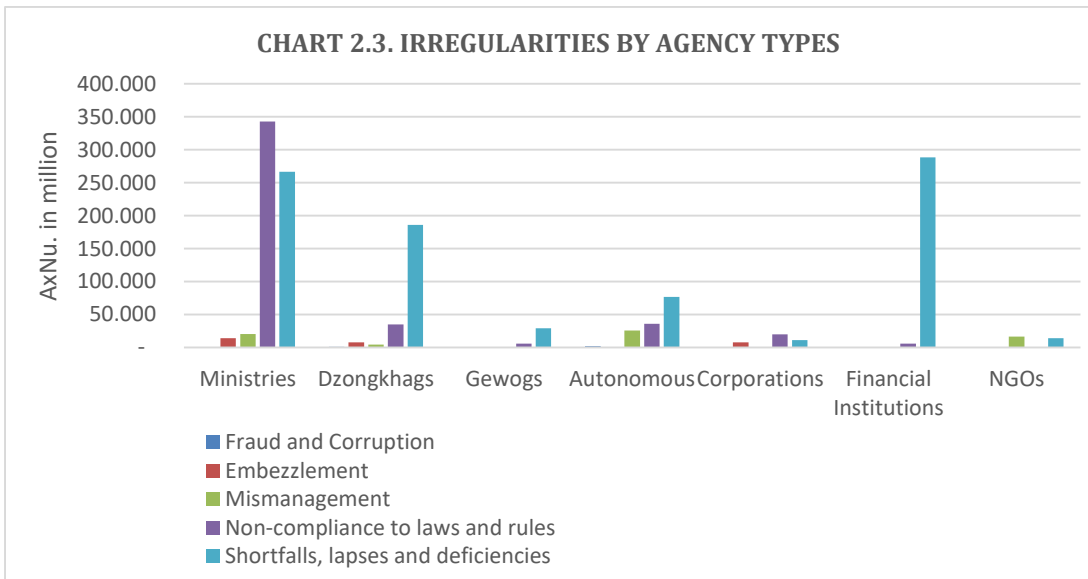
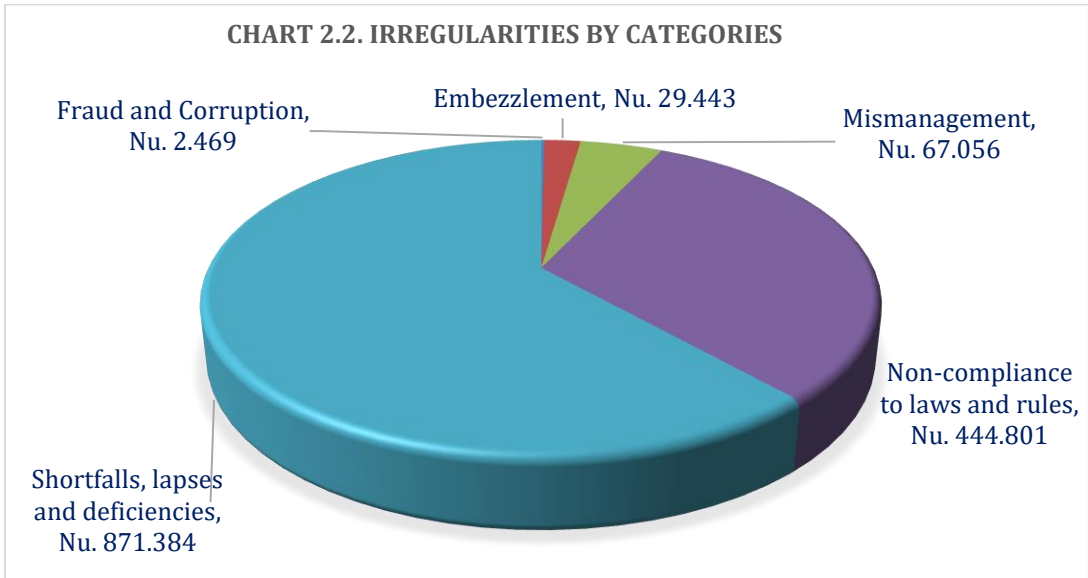


The significant increase in irregularities are attributed mainly to issues related to construction of Gyelposhing-Nganglam Road Project under the Ministry of Works and Human Settlement, overdue loans and advances under Bhutan National Bank Limited and embezzlement of funds reported under Drungkhag Administration, Samdrupcholing in Samdrup Jongkhar.

Amongst the budgetary agencies, the highest amount of irregularities is reported under Ministry of Works and Human Settlements with Nu. 520.026 million, followed by Dzongkhag Administration, Samdrup Jongkhar with Nu. 135.833 million, and Ministry of Home and Cultural Affairs with Nu. 46.183 million.

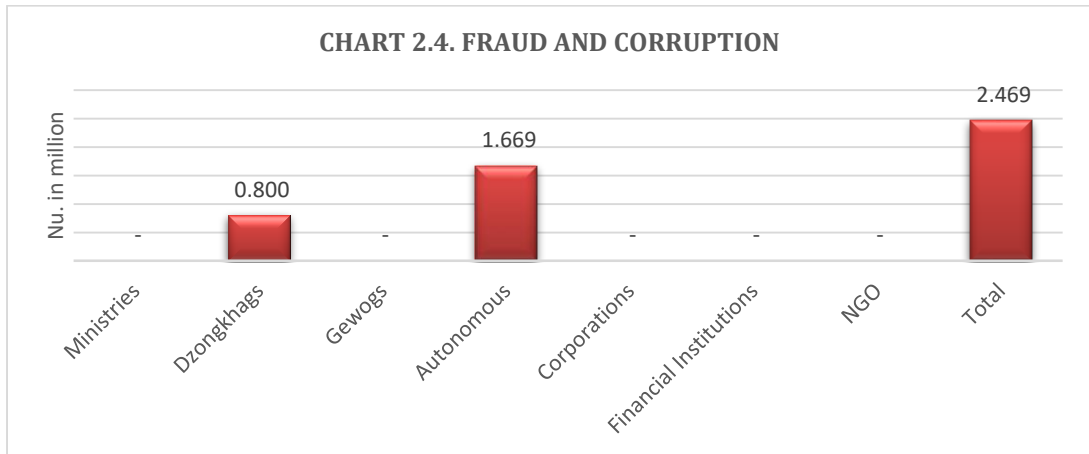
Amongst the non-budgetary agencies, the highest amount of irregularities is reported under Bhutan National Bank Limited with Nu. 229.901 million followed by National Pension and Provident Fund with Nu. 54.427 million and Bhutan Postal Corporation Limited with Nu. 21.112 million.

The observations are grouped into five broad audit categories. A summary of the irregularities by audit categories is given in **Chart 2.2**, agency types in **Chart 2.3**, and detailed in **Tables 2.1 and 2.2** at the end of chapter. The highest amount of irregularities of Nu. 871.384 million was reported under the category ‘Shortfalls, lapses and deficiencies’ followed by Nu. 444.801 million under category ‘Non-compliance to Laws and Rules’. The category, ‘Mismanagement’ had irregularities of Nu. 67.056 million and ‘Embezzlement’ had Nu. 29.443 million. The least amount was reported under the category ‘Fraud and Corruption’ with Nu. 2.469 million.



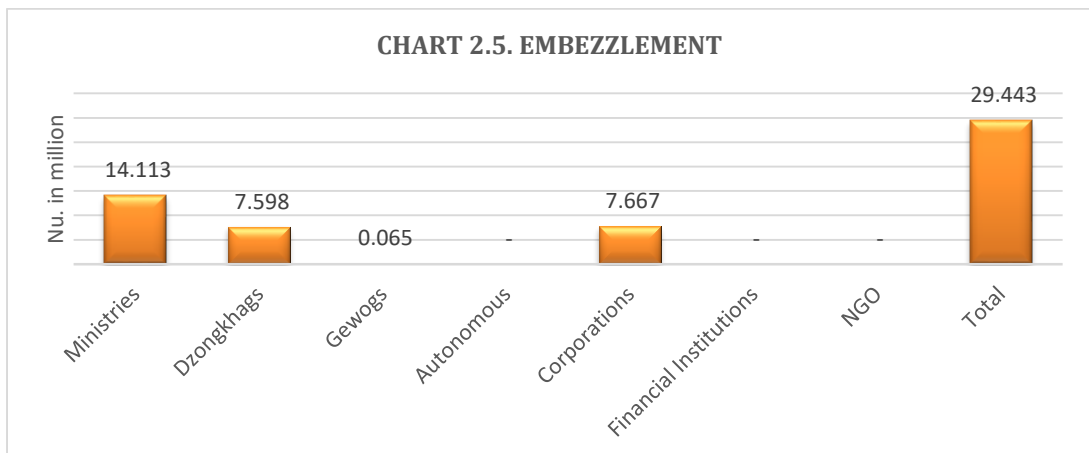
2.1.1. FRAUD AND CORRUPTION

The RAA reported cases with possible elements of fraud and corruption pertaining to some agencies during the year. The total amount of irregularities under this category aggregated to Nu.2.469 million representing 0.17% of the total irregularities. Out of the total irregularities reported, Nu. 1.669 million pertained to Autonomous Agencies representing 67.60%, followed by Dzongkhags Administration with Nu. 0.800 million representing 32.40% of the total irregularities under this category as shown in **Chart 2.4**.



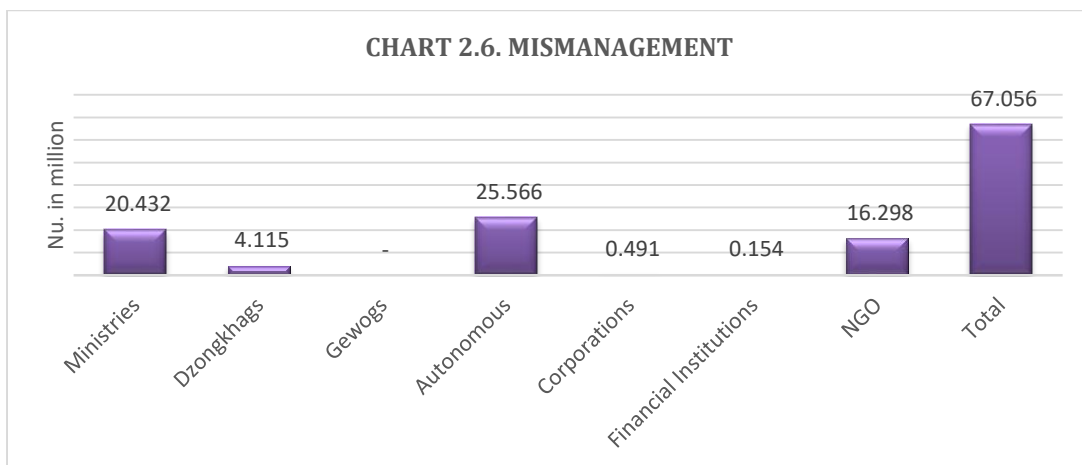
2.1.2. EMBEZZLEMENT

The total irregularities reported under the category 'Embezzlement' amounted to Nu. 29.443 million representing 2.08% of the total irregularities. The highest irregularities were reported under Ministries with Nu. 14.113 million representing 47.93% followed by Corporations with Nu. 7.667 million representing 26.04% and Dzongkhags Administrations with Nu. 7.598 million representing 25.81%. Gewogs Administrations with Nu. 0.065 million represented 0.22% of the total irregularities under this category as given in **Chart 2.5**.



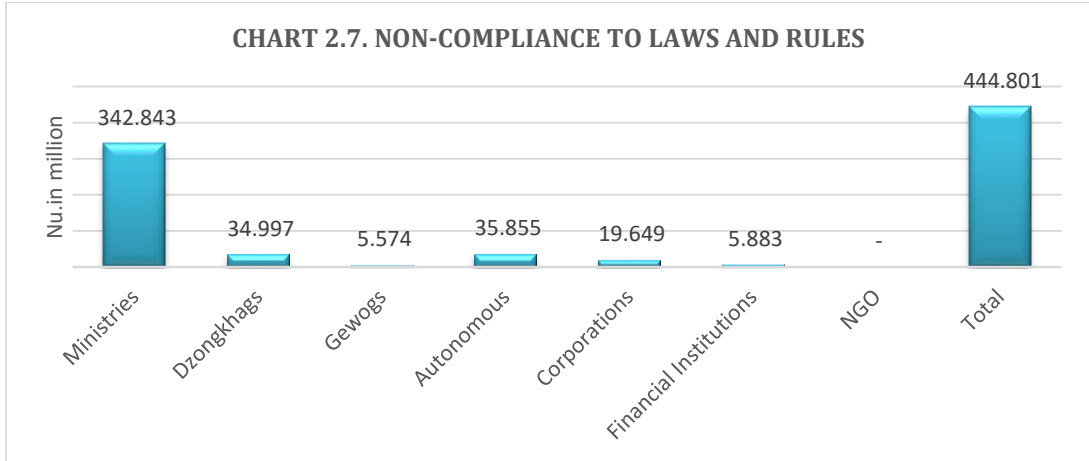
2.1.3. MISMANAGEMENT

The total irregularities reported under the category 'Mismanagement' amounted to Nu. 67.056 million representing 4.74% of the total irregularities. The highest irregularities were reported under Autonomous Agencies with Nu. 25.566 million representing 38.13% followed by Ministries with Nu. 20.432 million representing 30.47% and Non-governmental Organisations with Nu. 16.298 million represented 24.31%. Dzongkhags Administrations with Nu. 4.115 million represented 6.14%, Corporations with Nu. 0.491 million represented 0.73% and Financial Institutions with Nu. 0.154 million represented 0.23% of irregularities under this category as given in **Chart 2.6**.



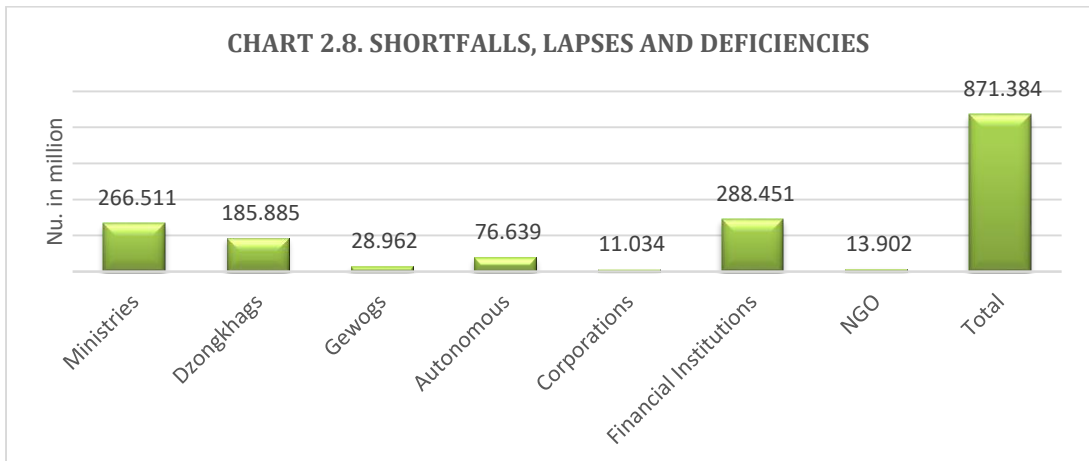
2.1.4. NON-COMPLIANCE TO LAWS AND RULES

The total irregularities reported under the category 'Non-compliance to laws and rules' amounted to Nu. 444.801 million representing 31.43% of the total irregularities. Ministries had highest irregularities amounting to Nu. 342.843 million representing 77.08% followed by Dzongkhags Administration with Nu. 34.997 million representing 7.87% and Autonomous Agencies with irregularities of Nu. 35.855 million representing 8.06%. Corporations with Nu. 19.649 million represented 4.42% and Financial Institutions with Nu. 5.883 million represented 1.32%. Gewogs Administration with Nu. 5.574 million represented 1.25% of the irregularities under this category as depicted in **Chart 2.7**.



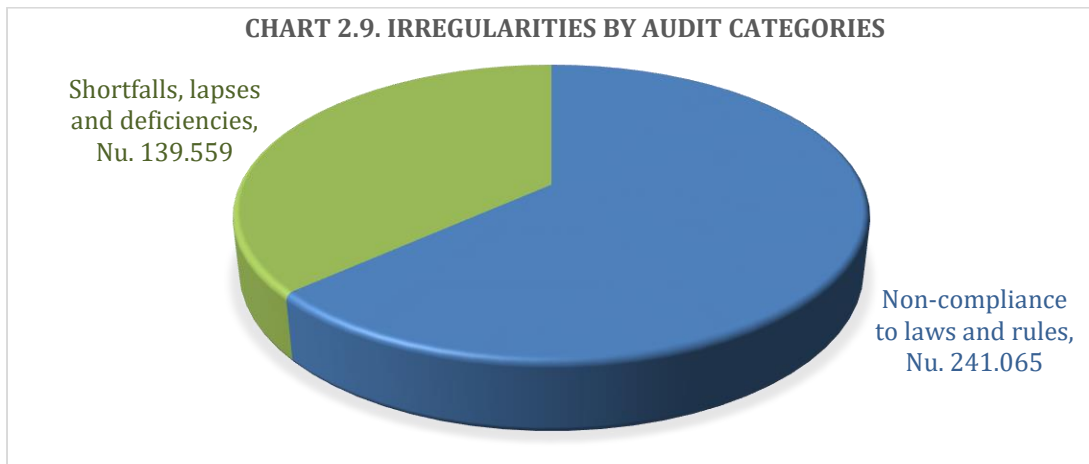
2.1.5. SHORTFALLS, LAPSES AND DEFICIENCIES

The irregularities under the category ‘Shortfalls, lapses and deficiencies’ amounted to Nu.871.384 million representing 61.58% of the total irregularities. Financial Institutions had the highest of irregularities amounting to Nu. 288.801 million representing 33.19% followed by Ministries with Nu. 268.151 million representing 30.82% and Dzongkhags Administrations with Nu. 185.137 million representing 21.28%. Autonomous Agencies with Nu. 76.194 million represented 8.76%, Gewogs Administration with Nu. 26.868 million represented 3.09% and Non-Governmental Organisations with Nu. 13.902 million represented 1.60%. Corporations with Nu. 11.034 million represented 1.27% of the total irregularities reported under this category as depicted in **Chart 2.8**.



2.2. SUMMARY OF JOINT HYDROPOWER AUDITS

The irregularities reported under the two Joint Audits of Hydro Power Projects amounted to Nu. 380.624 million. MHEP had irregularities involving Nu. 231.954 million and PHEP-I had irregularities of Nu. 148.670 million. The highest irregularities for two hydropower projects were reported under Non-Compliance to laws and rules involving Nu. 241.065 million representing 63.33% of the total irregularities and Nu. 139.559 million representing 36.67% was reported under Shortfalls, Lapses and Deficiencies as as illustrated in **Chart 2.9**.



The MHEP had irregularities of Nu. 208.305 million under the category Non-compliance to Laws and Rules and Nu. 23.649 million under Shortfalls, Lapses and Deficiencies. The PHEP-I had irregularities of Nu. 32.760 million under Non-compliance to Laws and Rules and Nu. 115.910 million under Shortfalls, Lapses and Deficiencies as illustrated in **Chart 2.10** below.

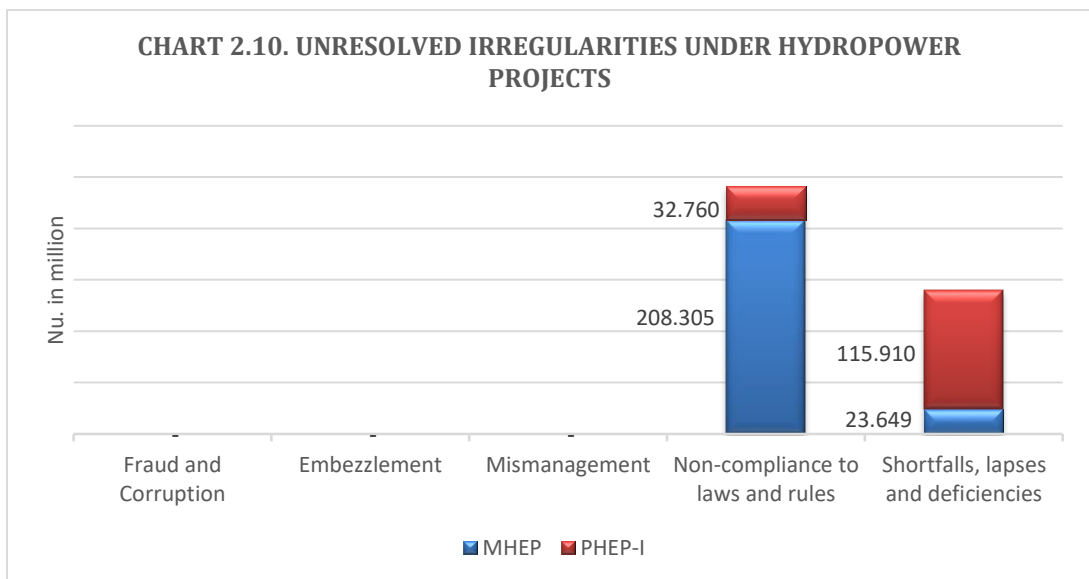


Table 2.1: Summary of irregularities with categories and amount involved as reported in Annual Audit Report 2019 with respect to budgetary agencies:

OBC	Audit Observation Category	MoAF	MoE	MoEA	MoF	MoFA	MoH	MoHCA	MoIC	MoLHR	MoWHS	Ministries	Dzongkhags	Gewogs	Autonomous Agencies	Total (Nu. In Millions)
1	Fraud and Corruption	-	-	-	-	-	-	-	-	-	-	-	0.800	-	1.669	2.469
1.1	Forgery and tampering of documents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2	Malpractice and abuses	-	-	-	-	-	-	-	-	-	-	-	0.800	-	1.669	2.469
2	Embezzlement	-	-	-	-	-	-	-	-	-	14.113	14.113	7.598	0.065	-	21.776
2.1	Misappropriation	-	-	-	-	-	-	-	-	-	14.113	14.113	7.598	0.065	-	21.776
3	Mismanagement	-	0.764	-	17.061	-	1.394	-	0.561	-	0.652	20.432	4.115	-	25.566	50.113
3.1	Mismanagement of fund	-	0.060	-	-	-	0.584	-	-	-	0.065	0.709	2.425	-	12.482	15.616
3.2	Mismanagement of properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.4	Mismanagement of revenue and taxes	-	0.704	-	17.061	-	0.810	-	0.561	-	-	19.136	1.690	-	13.084	33.910
4	Non-compliance to laws and rules	4.166	2.550	-	-	-	1.669	26.213	0.344	15.241	292.660	342.843	34.997	5.574	35.855	419.269
4.1	Violation of service rules	-	-	-	-	-	-	-	-	-	-	-	0.739	-	-	0.739
4.2	Violation of budgetary norms	0.100	-	-	-	-	-	5.239	-	-	-	5.339	-	-	-	5.339
4.3	Violation of accounting norms	0.777	0.768	-	-	-	-	0.589	-	-	-	2.134	5.956	2.299	7.723	18.112
4.4	Violation of procurement norms	3.289	1.782	-	-	-	1.669	20.385	0.344	15.241	292.660	335.370	25.996	2.882	28.132	392.380
4.5	Violation of Acts, Directives and Policies	-	-	-	-	-	-	-	-	-	-	-	2.306	0.393	-	2.699
4.6	Violation of other laws, rules and regulations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Shortfalls, lapses and deficiencies	1.447	6.218	4.410	1.855	3.068	4.598	19.970	6.340	6.004	212.601	266.511	185.885	28.962	76.639	557.997
5.1	Over/Inadmissible/Irregular/Double payments	0.806	3.011	2.570	1.734	2.682	4.598	19.970	6.340	2.309	-	44.020	24.583	9.971	21.579	100.153
5.2	Non- maintenance of records	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.3	Imporper maintenance of records	-	-	-	-	-	-	-	-	-	-	-	-	-	0.210	0.210
5.5	Non-reconciliation/certification of balances	0.210	-	-	-	-	-	-	-	-	-	0.210	-	5.805	9.011	15.026
5.6	Irregularities in advances	0.431	-	1.840	-	0.386	-	-	-	3.695	-	6.352	8.342	0.735	22.992	38.421
5.7	Irregularities in recovries	-	3.207	-	0.121	-	-	-	-	-	-	3.328	24.913	0.478	19.660	48.379
5.9	Irregularities on property managements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.10.	Non-cooperation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.11	Non/short deductions	-	-	-	-	-	-	-	-	-	-	-	0.751	1.739	0.565	3.055
5.12	Shortfalls & uneconomical operations	-	-	-	-	-	-	-	-	-	-	-	13.042	10.234	-	23.276
5.14	Pending disputes & court cases	-	-	-	-	-	-	-	-	-	-	-	-	-	0.788	0.788
5.16	Missing documents/receipts	-	-	-	-	-	-	-	-	-	-	-	114.254	-	1.834	116.088
	Total (Nu. in millions)	5.613	9.532	4.410	18.916	3.068	7.661	46.183	7.245	21.245	520.026	643.899	233.395	34.601	139.729	1,051.624

Table 2.2: Summary of irregularities with categories and amount involved as reported in Annual Audit Report 2019 with respect to Non-budgetary agencies:

OBC	Category Description	BPCL (Post)	BPCL	BTL	DCCL	FCBL	KCL	NRDCL	PCAL	BDBL	BNBL	BOBL	NPPF	RICBL	CAB	CPA	LF	TOTAL
1	Fraud and Corruption	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1	Forgery and tampering of documents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Embezzlement	-	-	1.163	-	-	-	-	-	-	-	-	-	-	-	-	-	7.667
2.1	Misappropriation	-	-	1.163	-	6.504	-	-	-	-	-	-	-	-	-	-	-	7.667
3	Mismanagement	-	0.191	-	-	-	0.300	-	-	-	0.154	-	-	-	16.298	-	-	16.943
3.2	Mismanagement of properties	-	0.191	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.191
3.3	Mismanagement of human resources	-	-	-	-	-	-	-	-	-	0.154	-	-	-	-	-	-	0.154
3.4	Mismanagement of revenue and taxes	-	-	-	-	-	0.300	-	-	-	-	-	-	-	16.298	-	-	16.598
4	Non-compliance to laws and rules	11.878	-	-	3.807	-	-	-	3.705	-	-	-	-	-	-	-	-	25.532
4.1	Violation of service rules	4.787	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.787
4.2	Violation of budgetary norms	0.706	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.706
4.3	Violation of accounting norms	-	-	-	-	-	-	-	-	-	-	-	5.883	-	-	-	-	5.883
4.4	Violation of procurement norms	4.080	-	-	3.807	-	0.196	-	3.705	-	-	-	-	-	-	-	-	11.788
4.5	Violation of Acts, Directives and Policies	-	-	-	-	-	-	0.063	-	-	-	-	-	-	-	-	-	0.063
4.6	Violation of other laws, rules and regulations	2.305	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.305
5	Shortfalls, lapses and deficiencies	9.234	-	1.800	-	-	-	-	-	0.570	229.747	9.590	48.544	-	0.358	0.160	13.384	313.387
5.1	Over/Inadmissible / Irregular/Double payments	1.200	-	1.800	-	-	-	-	-	0.570	0.638	-	48.544	-	-	-	-	52.752
5.2	Non- maintenance of records	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.6	Irregularities in advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.160	-	0.160
5.7	Irregularities in recovries	-	-	-	-	-	-	-	-	-	-	-	-	-	0.358	-	-	0.358
5.11	Non/short deductions	8.034	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8.034
5.12	Shortfalls & uneconomical operations	-	-	-	-	-	-	-	-	-	229.109	9.590	-	-	-	-	13.384	252.083
	Total (Nu. in millions)	21.112	0.191	2.963	3.807	6.504	0.496	0.063	3.705	0.570	229.901	9.590	54.427	-	16.656	0.160	13.384	363.529

CHAPTER 3

3. DETAILED AUDIT FINDINGS

This chapter contains the summaries of unresolved significant audit observations from the audit reports issued in the year 2019 for different agencies. The total irregularities during the year amounted to Nu. 3,531.698 million, out of which Nu. 2,116.545 million were either resolved and/or were not material for inclusion in the AAR 2019.

The total unresolved significant irregularities having financial implication of Nu. 1,415.153 million are as follows:

3.1. MINISTRIES

During the year, 10 Ministries had unresolved irregularities amounting to Nu. 643.899 million as follows:

3.1.1. MINISTRY OF AGRICULTURE AND FORESTS

During the year, the RAA had issued 48 audit reports of the Ministry of Agriculture and Forests (MoAF). Two reports were issued with 'Qualified' opinion. There were 69 observations amounting to Nu. 78.314 million of which Nu. 1.906 million were resolved as of 31 January 2020 and Nu. 70.795 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 5.613 million as summarized below:

Category Code	Category Description	Nu. in million
3	Mismanagement	-
4	Non-compliance to laws and rules	4.166
5	Shortfalls, lapses and deficiencies	1.447
	Total	5.613

3. MISMANAGEMENT

The cases of mismanagement are as indicated below:

3.1 UNDERUTILIZATION OF PROPERTIES

The cases of underutilization of properties includes:

- a) The Department of Livestock (DoL) had not operationalized the Modern Hatchery Plant constructed at Integrated Livestock Farm (ILF), Samrang with a total cost of Nu. 33.339 million. The Department indicated that this was due to budget shortage to procure poultry parent stock that needs to be purchased from third countries. Since the hatchery was not operationalized, the commercial viability of the project remains questionable. (AIN: 15838;

OB No.: 1; Accountabilities: Direct: Sithar Dorji, General Manager, EID No. 9933524; Supervisory: Jigme Wangchuk, CEO, EID No. 9901089)

- b) The Department of Agriculture (DoA) had failed to make use of the Dreychhu irrigation channel in Dagana which was constructed at the cost of Nu. 34.410 million. It was observed that the irrigation channel was strewn with multiple blockages due to landslides at various places and damages to breast and retaining walls. Without timely intervention from Dzongkhag and Gewog administrations, the construction of the irrigation channel was found to be ineffective in delivery of its utility to the community. *(AIN: 16400; OB No.: 1; Accountabilities: Direct: Puran Chhetri, Assistant Engineer, EID No.: 200507227; M/s PST Construction, CDB No.4181; Supervisory: Karma Tshethar, Chief Engineer, EID No.: 9901079)*
- c) The DoA had not utilized the multistage centrifugal pump procured under Government of India's (GoI) Project Tied Assistance at Nu. 1.300 million. The project management had failed to carry out proper need assessment for the centrifugal pump resulting in non-utilization of the equipment. *(AIN: 16400; OB No.: 2; Accountabilities: Direct: Kelzang Dorji, Principal Engineer, EID No.: 8708026; Supervisory: Karma Tshethar, Chief Engineer, EID No.: 9901079)*
- d) The Department of Forest and Park Services (DoFPS) had not utilized the Forest Beat Office at Dungmin, Pemagatshel for the intended purpose which was constructed at a cost of Nu. 1.146 million. Although the facility was taken over by the Divisional Forest Office, Nangkhon on 01 August 2017, the same was being occupied by Gewog Administration Officer as residence without any rental charges. *(AIN: 15775; OB No.: 2; Accountabilities: Direct Sonam Dorji, Adm. Officer, Dungmin Gewog, EID 200805005; Supervisory: Nima Wangdi, Forest Ranger-I, EID No. 20170108069)*

4. NON-COMPLIANCE TO LAWS AND RULES - NU. 4.166 MILLION

The cases of non-compliance to laws and rules involving Nu. 4.166 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Non-adjustment of mobilization advances	1.704
4.2	Non-submission of details on procurement of HDPE pipes	-
4.3	Irrigation works not insured	-
4.4	Recoverable excess payment and 20% penalty upon termination of contract	1.317
4.5	Payment without obtaining non-revenue release	0.100
4.6	Mismatched cheque withdrawal amounts in Cash Book and Bank Statement	-
4.7	Excess withdrawal as per bank statement	0.149
4.8	Payments/Adjustment made without supporting documents	0.628
4.9	Non-reconciliation of budgetary and Non-budgetary funds	-
4.10	Non-implementation of water supply project	-
4.11	Delay in construction and liable Liquidated Damages thereof	0.268
4.12	Non-rectification of defective work	-
	Total	4.166

4.1. NON-ADJUSTMENT OF MOBILIZATION ADVANCES - NU. 1.704 MILLION

The DoA had not adjusted the mobilization advance amounting to Nu. 1.704 million paid to M/s Sonam Mebar Construction, Thimphu in the construction of Zhungkhar Irrigation Scheme, Lhuntse under the Rural Development and Climate Change Response Program (RDCCRP). Despite completion of the construction and payment of final bill, the mobilization advance had not been adjusted resulting in excess payment to the contractor. (AIN: 16297; OB No.: 1.1; Accountabilities Direct: Ugyen Dema, Accounts Assistant, EID No. 9604078, M/s Sonam Mebar Construction, CDB No. 6133; Supervisory: Pema Tenzin, Chief Finance Officer, EID No.: 2101178)

4.2. NON-SUBMISSION OF DETAILS ON PROCUREMENT OF HDPE PIPES

The DoA had not submitted details on the procurement of HDPE pipes in the construction of Zhungkhar Irrigation Scheme, Lhuntse under the RDCCRP. The contractor, M/s Sonam Mebar Construction, Thimphu, had procured HDPE pipes amounting to Nu. 9.187 million for which the details of procurement were not submitted to DNP as required thereby forgoing the rebate amount of Nu. 0.735 million. (AIN: 16297; OB No.: 1.2; Accountabilities: Direct: Kelzang Dorji, Principal Engineer, EID No.: 8708026; Supervisory: Karma Tshethar, Chief Engineer, EID No.: 9901079)

4.3. IRRIGATION WORKS NOT INSURED

The Project Management Unit under MoAF had not insisted on insurance of the World Bank funded project on construction of four irrigation channels in Birkhola and Tharaykhola under Samtse Dzongkhag and Rateykhola and Laringkhola under Sarpang Dzongkhag. Although the contract agreement required the works to be insured, neither the contractor had insured nor had the Project Management Unit insisted on the same. (AIN: 16399; OB No.: 1; Accountabilities: Direct: Jigme Dorji, Project Director, CID No.:11312003463, M/s NTT Construction Company Ltd., CDB No.4114, M/s Wangthang Construction Pvt.Ltd, CDB No.2181, M/s PKC Construction Pvt. Ltd, CDB No.2536, M/s Nakling Builder Pvt. Ltd, CDB No.3532, Supervisory: Jigme Dorji, Project Director, CID No.:11312003463)

4.4. EXCESS PAYMENT AND 20% PENALTY UPON TERMINATION OF CONTRACT - NU. 1.317 MILLION

The DoFPS had failed to recover excess payment and 20% penalty amounting to Nu. 1.317 million on contract termination from M/s Druk Wangi Builders, Thimphu in the construction of Range Office, Staff Quarter, retaining wall and approach road at Neptengkha, Punakha. As the contractor was unable to complete the works on time, the contract was terminated and works valuation showed an excess payment to the contractor and non-levy of applicable penalty of 20% on the remaining works. (AIN: 15697; OB No.: 1; Accountabilities: Direct: DrukWangi Builders, Thimphu. CDB No.6652; Tshering Wangchuk, Accountant, EID No. 200207191, Supervisory: Sangay Norbu, Sr. FO, EID No.20130101182)

4.5. PAYMENT WITHOUT OBTAINING NON-REVENUE RELEASE - NU. 0.100 MILLION

The Jigme Dorji National Park (JDNP), DoFPS had made payment of Nu. 0.100 million for deposit works without obtaining equivalent release. (AIN: 15764; OB No.: 1; Accountabilities: Direct:

Sonam Wangchuk, Accountant, EID No. 2008077278; Supervisory: Namgay, Offtg. CFO, EID No. 9810002)

4.6. MISMATCHED WITHDRAWAL AMOUNTS IN CASH BOOK AND BANK STATEMENT

The JDNP, DoFPS had booked expenses where the amounts in the bank statement and amount recorded in the cash books did not tally for 92 cheques issued during FY 2017-18. 52 numbers of cheques had withdrawn more amount than the recorded amount in cash book and 40 cheques had withdrawn less amount than the recorded amount in cash book with resultant mismatch. *(AIN: 15764; OB No.: 5 Accountabilities: Direct: Sonam Wangchuk, Accountant, EID No. 2008077278 Supervisory: Rinzin Dorji, CFO, EID No. 200401059; Namgay, Offtg. CFO, EID No. 9810002)*

4.7. EXCESS WITHDRAWAL AS PER BANK STATEMENT - NU. 0.149 MILLION

The accountant of JDNP, DoFPS had made withdrawal using self-check amounting to Nu. 0.150 million whereas the actual disbursement was only for Nu. 1,000. Therefore, there was an excess withdrawal of Nu. 0.149 million which could not be authenticated by supporting documents. *(AIN: 15764; OB No.: 6; Accountabilities: Direct: Sonam Wangchuk, Accountant, EID No. 2008077278, Supervisory: Namgay, Offtg. CFO, EID No. 9810002)*

4.8. PAYMENTS/ADJUSTMENTS MADE WITHOUT SUPPORTING DOCUMENTS - NU. 0.628 MILLION

The JDNP, DoFPS had made payment/adjusted for TA/DA and travel claims amounting to Nu. 0.628 million on various forestry activities without any legitimate supporting documents or acknowledgement. *(AIN: 15764; OB No.: 9; Accountabilities: Direct: Sonam Wangchuk, Accountant, EID No. 2008077278, Supervisory: Rinzin Dorji, CFO, EID No. 200401059; Namgay, Offtg. CFO, EID No. 9810002)*

4.9. NON-RECONCILIATION OF BUDGETARY AND NON-BUDGETARY FUNDS

The National Poultry Development and Research Centre, Sarpang had un-reconciled balances from budgetary and non-budgetary funds amounting to Nu. 27.309 million for three FYs. Nu.9.077 million pertained to FY 2015-16, Nu. 15.813 million to FY 2016-17 and Nu. 2.420 million to FY 2017-18. *(AIN: 15937; OB No.: 1; Accountabilities: Direct: Chencho Pem, Accountant, EID No. 9907180, Supervisory: S.B. Chamling Rai, Program Director, EID No. 9007113)*

4.10. NON-IMPLEMENTATION OF WATER SUPPLY PROJECT

The Phibsoo Wildlife Sanctuary, DoFPS had not implemented a project amounting to Nu. 0.300 million under the World Wildlife Fund to “increase water availability and efficient use through community based water resources management” at Yarpelling Chiwog, Sarpang. Although the Park office had made some expenses for procurement of the materials, there were instances where some of the materials had not yet been received and the water supply project had not been implemented. *(AIN: 15946; OB No.:1; Accountabilities: Direct: Kuenley Gyeltshen, Forestry Officer, EID No. 9708040, Supervisory: Dorji Rabten, CFO, EID No. 200901187)*

4.11. NON LEVY OF LIQUIDATED DAMAGES - NU. 0.268 MILLION

The Royal Manas National Park (RMNP), DoFPS had not levied liquidated damages amounting to Nu.0.268 million for delay in the construction of Dining cum Kitchen, RCC gate, water supply, chain link fencing and renovation of approach road to existing eco-lodge at Panbang. The contract was awarded to M/s Dorji Dradhul Construction at a tender amount of Nu. 3.667 million. As on date of audit, the contractor had managed to complete only 68% of the total works, which was delayed by 74 days after the revised completion date. (AIN: 16215; OB No.:2; Accountabilities: Direct: K.R. Chhetri, Principal Engineer, EID No.: 8102035 M/s Dorji Dradhul Construction CDB No. 6938, Supervisory: Magnath Chhetri, Sr. Forest Ranger I, EID No.: 8406027)

4.12. NON-RECTIFICATION OF DEFECTIVE WORK

The RMNP, DoFPS had not rectified defective work in the improvement of approach road towards eco-lodge at Panbang. Despite issue of several reminders to M/s Khenda Construction by the Park management, the contractor had failed to rectify defects noted in the Plain Concrete Cement (PCC) due to use of inappropriate mixture of PCC. The construction was tendered at an amount of Nu. 0.649 million. (AIN: 16215; OB No.:3; Accountabilities: Direct: K.R. Chhetri, Principal Engineer, EID No.: 8102035, M/s Khenda Construction CDB No. 4131 Supervisory: Magnath Chhetri, Sr. Forest Ranger I, EID No.: 8406027)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 1.447 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 1.447 million are as indicated below:

Sl. No.	Observation in Brief	Nu.in million
5.1	Excess Payment in construction	0.806
5.2	Outstanding Advances	0.431
5.3	Non reconciliation of revenue collection with revenue deposits	0.210
5.4	Missing Vouchers	-
	Total	1.447

5.1. EXCESS PAYMENT IN CONSTRUCTION - NU. 0.806 MILLION

The cases of excess payment in constructions include;

- a) The Bhutan Agriculture and Food Regulatory Authority (BAFRA) had made excess payment of Nu. 0.087 million to M/s Druk Elite Builders in the construction of BAFRA office-cum-staff quarter at Trashigang. The excess payment occurred due to differences in quantities for work executed and quantities claimed in the final bill for the item 'providing and laying in position reinforced cement concrete'. (AIN: 16077; OB No.: 1; Accountabilities: Direct: M/s Druk Elite Builders, Contractor, CDB No 1792; Supervisory: Pema Jamtsho, OIC, EID No 200206039; Tshewang Gyeltshen, Site Engineer, EID No 8501093)
- b) The RDCCRP, DoA had made excess payment of Nu.0.666 million to M/s Sonam Mebar Construction, Thimphu in the construction of Zhungkhar Irrigation Scheme, Lhuntse. An excess payment of Nu. 0.599 million had occurred due to discrepancies between actual work

done and work as per Measurement Book (MB) and Nu. 0.067 million had occurred due to payment for work not executed at site. (AIN: 16297; OB No.:1.3; Accountabilities: Direct: Kelang Dorji, Principal Engineer, EID No. 8708026; M/s Sonam Mebar Construction, CDB No.: 6133; Supervisory: Karma Tshethar, Chief Engineer, EID No.: 9901079)

- c) The RPPBC, Lingmethang had made excess payment of Nu. 0.053 million to M/s Tenzin Tsheldrup Construction for the construction of office-cum-conference hall in Lingmethang. The excess payment occurred due to non-deduction of beams and lintels from brickworks of doors and windows. (AIN: 16175; OB No.:1; Accountabilities: Direct: Mr. Lobzang Tshering, Contract Engineer, CID No.: 10504001104; M/s Tenzin Tsheldrup Construction CDB No.: 4062; Supervisory: Mr. Sonam Dendup, Farm Manager, EID No.: 9708012)

5.2. OUTSTANDING ADVANCES - NU. 0.431 MILLION

The cases of outstanding advances include:

- a) The Brown Swiss Cattle Farm, Bumthang had not adjusted official and personal advances amounting to Nu. 0.276 million from staff members within the due date of liquidation. (AIN: 15908; OB No.: 2; Accountabilities: Direct: Chhimi Dorji, Accountant 200607060; Yeshi Nidup, Accountant 200907016; Dorji Tshering, Sr. LPS 9608089 Supervisory: Padam Bahadur Gurung, Farm Manager, EID No. 8708048)
- b) The JDNP, DoFPS had not adjusted personal and public work advances from various parties and staff amounting to Nu. 0.155 million within the due date of liquidation. (AIN: 15764; OB No.: 3 Accountabilities: Direct: Sonam Wangchuk, Accountant, EID No. 2008077278 Supervisory: Rinzin Dorji, CFO, EID No. 200401059) Namgay, Offtg. CFO, EID 9810002; Sonam Wangchuk, Accountant, EID No. 200807278)

5.3. NON-RECONCILIATION OF REVENUE COLLECTED WITH REVENUE DEPOSITS - NU. 0.210 MILLION

The Divisional Forest Office, Gedu had not reconciled the revenue collected with revenue deposits resulting in short deposit of Nu. 0.210 million. The information on deposits in RAMIS indicated short-deposit of Nu.0.091 million for FY 2016-17 and Nu.0.119 million for FY 2017-18. (AIN: 15734; OB No.: 1; Accountabilities: Direct: Dorji Gyeltshen, Accountant, EID No. 201007168; Nima Lhamo, Adm. Asstt. III, EID No. 2112001; Supervisory: Tashi Tobgyel, Chief Forestry Officer (CFO), EID No.9410070)

5.4. MISSING VOUCHERS

The JDNP, DoFPS had six missing vouchers for expenditures amounting to Nu. 3.110 million. Vouchers for Pay and Allowances and TA/DA payments accounted for maximum of the total expenditures. (AIN: 15764; OB No.: 12; Accountabilities: Direct: Sonam Wangchuk, Accountant, EID No. 2008077278; Supervisory: Namgay, Offtg. CFO, EID No. 9810002)

3.1.2. MINISTRY OF EDUCATION

During the year, the RAA had issued 17 audit reports of the Ministry of Education (MoE). One report was issued with 'Qualified' opinion. There were 120 observations amounting to Nu. 211.484 million of which Nu. 36.599 million were resolved as of 31 January 2020 and Nu. 165.353 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 9.532 million as summarised below:

Category Code	Category Description	Nu.in million
3	Mismanagement	0.764
4	Non-compliance to laws and rules	2.550
5	Shortfalls, lapses and deficiencies	6.218
	Total	9.532

3. MISMANAGEMENT – NU. 0.764 MILLION

The cases of mismanagement involving Nu. 0.764 million are as indicated below:

Sl. No.	Observation in Brief	Nu.in million
3.1	Excess withdrawal of fund	0.060
3.2	Non-reconciliation of statutory deductions	0.704
	Total	0.764

3.1. EXCESS WITHDRAWAL OF FUND - NU. 0.060 MILLION

The Dagapela MSS, Department of School Education (DSE) had made excess withdrawal of funds amounting to Nu. 0.060 million for payment of TA/DA without supporting documents. (AIN: 16317; OB No.: 2; Accountabilities: Direct: Tez Bahadur Sunwar, Accountant, EID No. 200607313; Supervisory: Sherab Jigme, Vice Principal, EID No. 200601192)

3.2. NON-RECONCILIATION OF STATUTORY DEDUCTIONS - NU. 0.704 MILLION

The Drujeygang CS, DSE had difference of Nu. 0.704 million between the statutory deduction details maintained with the School and the details of remittances to the Regional Revenue and Customs Office. (AIN: 16440; OB No.: 1.1; Accountabilities: Direct: Karma Tobgay, Accountant, EID No. 201007218; Supervisory: Kinzang Tshewang, Principal, EID No. 200207398)

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 2.550 MILLION

The cases of non-compliance to laws and rules involving Nu. 2.550 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Defective Works	1.782
4.2	Non-channeling of donor funded projects through GNHC	-
4.3	Un-reconciled fund balance	-
4.4	Payment without supporting documents	0.689

4.5	Use of SDF for audit recoveries	0.079
4.6	Non-submission of Reconciled Financial Statements	-
	Total	2.550

4.1. DEFECTIVE WORKS - NU. 1.782 MILLION

The cases of defective works include:

- a) The newly constructed paved approach road to Wanakha CS under Paro Dzongkhag by M/s T&K Construction Pvt. Ltd had developed cracks on the pavement measuring 165.22 sqm valuing Nu. 0.127 million. *(AIN: 16286; OB No.:1.1; Accountabilities: Direct: Ms. Anisha Gurung, Site Engineer CID No. 11316000001; M/s TandK Construction Pvt. Ltd., contractor CDB No.: 2490 Supervisory: Dawa Wangmo Sherpa, Executive Engineer EID No. 200501180)*
- b) The newly constructed approach road to Dorokha CS, Samtse by M/s J M Builders Pvt. Ltd. had developed cracks, segregation and scouring of the pavement with a resultant loss of Nu. 1.655 million. The total area of 2,305.8 sqm was found to be defective due to poor workmanship in construction. *(AIN: 16286; OB No.:2.2; Accountabilities: Direct: Mr. Phuntsho Tobgay, Site Engineer (EID No. 200407005); M/s J M Builders Pvt. Ltd. CDB No.: 7494, Supervisory: Shacha Wangmo, Dy. Executive Engineer EID No. 9207033)*

4.2. NON-CHANNELING OF DONOR FUNDED PROJECTS THROUGH GNHC

- a) The Department of Youth and Sports (DYS) had not channeled a project named “Robert Carr Network Fund Project” for the years 2016, 2017 and 2018 amounting to Nu.1.91 million through Gross National Happiness Commission (GNHC) as required in the GNHC Project Execution Manual 2014. The Project was operated through CD account maintained with Bhutan National Bank. *(AIN:15988; OB No.:1.7; Accountabilities: Direct: Rinzin Wangmo, Chief Program Officer, EID No.: 9111018, Supervisory: Gholing Tshering, Director General, EID No.: 8709035)*
- b) The Scouts and Cultural Education Division, DYS had not channeled seven projects amounting to Nu. 9.651 million through GNHC as required in the GNHC Project Execution Manual 2014. The projects that operated since 2013 relates to various activities including construction and leadership exchange programme. The projects were found operated through CD account maintained with Bhutan National Bank. *(AIN: 15988; OB No.:2.4; Accountabilities: Direct: Karma Tenzin, Chief Program Officer, EID No.: 9308040, Supervisory: Gholing Tshering, Director General, EID No.: 8709035)*

4.3. UNRECONCILED FUND BALANCE

The Dagapela MSS, Dagana had an unreconciled fund balance in their books of accounts amounting to Nu. 1.243 million which could not be traced in the bank balance nor in cash. However, the school administration stated that the lapse had occurred due to non-updation of some cash payments on time. *(AIN: 16317; OB No.: 3; Accountabilities: Direct: Tez Bahadur*

Sunwar, Accountant, EID No. 200607313; Supervisory: Sherab Jigme, Vice Principal, EID No. 20060119)

4.4. PAYMENT WITHOUT SUPPORTING DOCUMENTS - NU. 0.689 MILLION

The Damphu CS had made expenditure amounting to Nu. 0.689 million without supporting documents such as bills and invoices. The purpose of the expenses could not be verified due to lack of details. *(AIN: 16299; OB No.:1; Accountabilities: Direct: Karma Choney Dorji, Accounts Assistant CID No. 11601002863; Supervisory: Dawa Tshering, Principal EID No. 200207377)*

4.5. USE OF SDF TO SETTLE AUDIT OBSERVATIONS - NU. 0.079 MILLION

The Damphu CS, Tsirang had used the School Development Fund (SDF) amounting to Nu. 0.079 million to settle audit observations against staff and officials. As the audit observations were against individual staff, the school had failed to exercise due diligence and recover from the respective individuals. *(AIN: 16299; OB No.: 10; Accountabilities: Direct: Karma Choney Dorji, Accounts Assistant CID No. 11601002863; Supervisory: Dawa Tshering, Principal, EID No. 200207377)*

4.6. NON-SUBMISSION OF RECONCILED FINANCIAL STATEMENTS

The Damphu CS, Tsirang had failed to submit the reconciled financial statements of the CD account maintained by the school. Such lapses were even pointed during previous audits but the maintenance of accounting records and controls showed no improvements. The Financial Statements for CD account were not available for the FY 2017-18. In the absence of Reconciled Financial Statements, the RAA could not certify the CD account. *(AIN: 16299; OB No.: 2; Accountabilities: Direct: Karma Choney Dorji, Accounts Assistant, CID No. 11601002863; Supervisory: Dawa Tshering, Principal, EID No. 200207377)*

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 6.218 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 6.218 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Unjustified expenses from Hospitality and Entertainment budget	2.467
5.2	Outstanding Advances	3.207
5.3	Non-production of documents	-
5.4	Excess payment on procurement	0.544
5.5	Audit Clearance Certificates not obtained	-
	Total	6.218

5.1. UNJUSTIFIED EXPENSES FROM HOSPITALITY AND ENTERTAINMENT BUDGET NU. 2.467 MILLION

The Secretariat, MoE had made unjustified expenses of Nu. 2.467 million from the Hospitality and Entertainment budget in the FY 2016-17 and FY 2017-18. The expenses pertained to *soelra, nyendhar, tshokchang* and donations amounting to Nu. 1.469 for FY 2016-17 and Nu. 0.998 million for FY 2017-18. Since the expenses were discretionary in nature, the booking of the same

under Hospitality and Entertainment was not justifiable. (AIN: 15938; OB No.: 1.2; Accountabilities: Direct: Norbu Wangchuk, Former Minister, MoE, CID No.: 11503003614; Supervisory: Norbu Wangchuk, Former Minister, MoE, CID No.: 11503003614)

5.2. OUTSTANDING ADVANCES - NU. 3.207 MILLION

- a) The Internationally Assisted Project of the MoE had not adjusted various outstanding PW advances amounting to Nu. 1.362 million related to constructions. The advances remained unadjusted since 2015. (AIN: 16286; OB No.: 3; Accountabilities: Direct: Yohan Dahal, Asstn. Engg, SSIA, EID No. 8808003; Pema Chogyel, Principal EID No. 9208033; Supervisory: Yohan Dahal, Asstn. Engg, SSIA, EID No. 8808003; Pema Chogyel, Principal EID No. 9208033)
- b) The Youth Center Division, DYS had not adjusted advances amounting to Nu. 0.626 million issued to various individuals within the due date of liquidation. (AIN: 15988; OB No.: 1.6; Accountabilities: Direct: Tandin, Asst. Program Officer, EID No.: 20160106416 Tashi Wangchuk, Sr. Program Officer, EID No.: 200801587; Tashi Phuntsho, Store, EID No.: 20130602185; Tendrel Gyeltshen, PA to DG, EID No.: 200307053; Yangchen, Sr. Adm. Asst, EID No.: 8507007; Supervisory: Rinzin Wangmo, Chief Program Officer, EID No.: 9111018; Gholing Tshering, Director General EID No. 8709035)
- c) The Scout and Cultural Education Division, DYS had not adjusted PW advances for various works amounting to Nu. 1.165 million within the due date of liquidation. (AIN: 15988; OB No.:2.5; Accountabilities: Direct: Karma Tenzin, Chief Program Officer, EID No.: 9308040 Ngawang Gyeltshen, Sr. Program Officer, EID No.: 2010050; Tshewang Dhendup, Teacher, Zhemgang, EID No.: 20160306834 Tashi Wangchuk, Sr. Program Officer, EID No.: 200801587, M/s Mangpang Construction, Contractor, CDB No.: 5350; Supervisory: Karma Tenzin, Chief Program Officer, EID No.: 9308040 GholingTshering, Director General, EID No.: 8709035)
- d) The Dorokha CS, Samtse had not adjusted personal advances amounting to Nu. 0.054 million paid to its staff in the FY 2017-18 by the end of the FY. (AIN:16324; OB No.: 8 Accountabilities: Direct: Phuntsho, Teacher, EID No. 20104124, Supervisory: Pema Chogyel, Principal, EID No. 9208033)

5.3. NON-PRODUCTION OF DOCUMENTS

The cases of non-production of documents include:

- a) The Drujeygang CS, Tsirang failed to provide remittance vouchers and acknowledgement receipts for Nu. 11.715 million on account of GIS, Education/Festival/Consumer loans from T-Bank, BDBL and Choethuen Tshogpa, etc. remitted to various agencies from the monthly Payroll for the FYs 2016-17 and 2017-18. Consequently, the authenticity of the deductions remitted to concerned agencies could not be ascertained and validated. (AIN: 16440; OB No.: 1.4; Accountabilities: Direct: Karma Tobgay, Accountant, EID No. 201007218; Supervisory: Kinzang Tshewang, Principal, EID No. 200207398)

- b) The Drujeygang CS, Tsirang failed to produce documents related to the withdrawal of Nu. 0.679 million from the School Development Fund due to which the authenticity of the withdrawal could not be validated. *(AIN: 16440; OB No.: 9; Accountabilities: Direct: Karma Tobgay, Accountant, EID No. 201007218; Supervisory: Kinzang Tshewang, Principal, EID No. 200207398)*
- c) The Drujeygang CS, Dagana failed to produce the remittance vouchers and acknowledgement receipt for statutory deductions amounting to Nu. 1.467 million. Without supporting documents, the authenticity of the statutory deductions remitted to concerned agencies could not be ascertained and validated. *(AIN: 16440; OB No.: 1.3; Accountabilities: Direct: Karma Tobgay, Accountant, EID No. 201007218; Supervisory: Kinzang Tshewang, Principal, EID No. 200207398)*
- d) The Drujeygang CS, Dagana did not produce the payroll and disbursement vouchers due to which the genuineness of the disbursement could not be established. *(AIN: 16440; OB No.: 1.6; Accountabilities: Direct: Karma Tobgay, Accountant, EID No. 201007218 Supervisory: Kinzang Tshewang, Principal, EID No. 200207398)*
- e) The Drujeygang CS, Dagana failed to produce its accounting records on the CD account maintained by the school. This was in contravention to the CS operational guidelines 2016 of the MoE. *(AIN: 16440; OB No.: 3.1; Accountabilities: Direct: Karma Tobgay, Accountant, EID No. 201007218 Supervisory: Kinzang Tshewang, Principal, EID No. 200207398)*
- f) The Drujeygang CS, Dagana had not submitted monthly and half-yearly reconciled financial statements to the Dzongkhag, MoE and Department of Public Accounts. This issue was also pointed in prior audits but the school had still failed to comply with requirements. *(AIN: 16440; OB No.: 3.2; Accountabilities: Direct: Karma Tobgay, Accountant, EID No. 201007218 Supervisory: Kinzang Tshewang, Principal, EID No. 200207398)*
- g) The Drujeygang CS, Dagana did not produce the disbursement vouchers pertaining to procurement of goods and services for FY 2017-18 due to which the authenticity of the same could not be made. *(AIN: 16440; OB No.: 4.1; Accountabilities: Direct: Karma Tobgay, Accountant, EID No. 201007218; Supervisory: Kinzang Tshewang, Principal, EID No. 200207398)*

5.4. EXCESS PAYMENT ON PROCUREMENT - NU. 0.544 MILLION

The cases of excess payment on procurement by Drujeygang CS, Dagana include:

- Payment of Nu. 0.462 million to M/s Gyelwang Enterprise, Thimphu for procurement of aluminium partition wall. The excess payment occurred as the supplier had supplied 4,497.014 sq ft against 5,835.000 sq ft. of aluminium partition.
- Payment of Nu. 0.082 million to M/s Gyelwang Enterprise, Thimphu and M/s Brother Sister Enterprise, Thimphu for procurement of floor carpet. The suppliers had supplied lesser quantity against the payment and order resulting in excess payment.

(AIN: 16440; OB No.: 4.3 and 4.4; Accountabilities: Direct: Karma Tobgay, Accountant, EID No. 201007218 Supervisory: Kinzang Tshewang, Principal, EID No. 200207398)

5.5. AUDIT CLEARANCE CERTIFICATES NOT OBTAINED

The Drukjegang CS, Dagana had not obtained Audit Clearance Certificates for the purpose of promotion and resignation in 2017-18 as required under BCSR. (AIN: 16440; OB No.: 6; Accountabilities: Direct: Karma Tobgay, Accountant, EID No. 201007218 Supervisory: Kinzang Tshewang, Principal, EID No. 200207398)

3.1.3. MINISTRY OF ECONOMIC AFFAIRS

During the year, the RAA had issued 14 audit reports of the Ministry of Economic Affairs (MoEA). One report was issued with 'Qualified' opinion. There were 26 observations amounting to Nu. 32.964 million of which Nu. 28.554 million were resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 4.410 million as summarized below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
5	Shortfalls, lapses and deficiencies	4.410
	Total	4.410

4. NON-COMPLIANCE TO LAWS AND RULES

The cases of non-compliance to laws and rules are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Non-deduction of liquidated damages	-
4.2	Non-enforcement of insurance provision	-
4.3	Delay in completion of work	-
	Total	-

4.1. NON-DEDUCTION OF LIQUIDATED DAMAGES

The Department of Industry (DoI) had not calculated and deducted the applicable liquidated damages for the delay in the GoI funded project on 'construction of water supply at Dhamdum Industrial Park, Samtse'. The contract was awarded to M/s Ratnapung Construction for Nu.40.912 million. The work was not completed even after time extension of 60 days and subsequently, the contractor had abandoned the work. However, the DoI had released the 4th RA Bill without deducting the applicable liquidated damages. The case is currently under arbitration. (AIN: 15860; OB No.: 1.5.2; Accountabilities: Direct: Kinley Dorji, Site Engineer, CID No: 20170108548; Sonam Wangchuk Project Engineer, CID No: 12008001786, Karma Yangki, Project Manager, EID No: 20170108548; Supervisory: Kezang Deki, Chief Engineer, EID No: 200401011)

4.2. NON-ENFORCEMENT OF INSURANCE PROVISION

The DoI had not enforced the insurance provision as stipulated in the contract document for the Check Dam and Gabion wall in Motanga, Samdrupjongkhar that was constructed by M/s Tenzin Geleg Construction Pvt. Ltd. at a cost of Nu. 24.590 million. Subsequently, the Check Dam and

Gabion wall had toppled and washed away resulting in a huge financial loss. The failure on the part of the Department to invoke the insurance provision stipulated in the contract document was not justified besides lacking immediate action to repair the damaged work. (AIN 15726; OB No.: 2.3; Accountability: Direct: M/s Tenzin Geleg Construction Pvt.Ltd, CDB No: 1416 Pema Kelzang, Site Engineer, EID:20170108547, Suk Kumar, DEE, EID:201001173; Supervisory: KezangDeki, Chief Engineer, EID:200401011)

4.3. DELAY IN COMPLETION OF WORK

The DoI had not ensured the timely completion of the construction of water supply at Jigmeling Industrial Park, Sarpang. The contract was awarded to M/s Sonam Mebar Construction Pvt. Ltd. for Nu. 34.223 million. Despite a lapse of 10 months from the expected date of completion, the contractor was unable to complete the works and had abandoned the construction works. The case is currently under Arbitration. (AIN: 15860; OB No.: 3.2.2; Accountabilities: Direct: Kushyog Subba, Project Engineer, CID No.: 11204001380 M/s Sonam Mebar Construction, CDB No: 6133; Supervisory: Kezang Deki, Chief Engineer, EID No.: 200401011)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 4.410 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 4.410 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Outstanding Advances	1.840
5.2	Payment without execution of work	2.570
	Total	4.410

5.1. OUTSTANDING ADVANCES - NU. 1.840 MILLION

The Department of Trade (DoT) had outstanding advances of Nu. 1.840 million as Deposit Work advance for establishment of Petroleum Oil and Lubricant (POL) outlets. During FY 2016-17, Nu. 1.380 million was provided to Dagana Dzongkhag and Nu. 0.460 million to Tsirang Dzongkhag which were not adjusted against the Deposit Work Advance despite lapse of two FYs. (AIN: 16289; OB No.: 1; Accountabilities: Direct: Man Bir Rai, Gup, CID No. 11807000504; Supervisory: Nar Bir Tamang, DCFO, EID No. 8403034)

5.2. PAYMENT FOR WORK NOT EXECUTED - NU. 2.570 MILLION

The DoI had made excess payment amounting to Nu. 2.570 in the GoI funded project 'Construction water supply at Dhamdum Industrial Park, Samtse'. The contractor had claimed for executing two buffer tanks against one number executed at site, resulting in excess payment for unexecuted works amounting to Nu. 2.206 million. Further, the quantities for construction of boundary wall for Water Treatment Plant, slow sand filter and clear water reservoir were recorded in excess as against the actual quantities executed at site resulting in payment for unexecuted works amounting to Nu. 0.364 million. (AIN: 15860; OB No.: 1.5.1; Accountabilities: Direct: Kinley Dorji Site Engineer, CID No: 10713000909; Sonam Wangchuk Project Engineer, CID No: 12008001786; Karma Yangki Project Manager, EID No: 20170108548; Supervisory: Kezang Deki Chief Engineer, EID No.: 200401011)

3.1.4. MINISTRY OF FINANCE

During the year, the RAA had issued five audit reports of the Ministry of Finance (MoF). There were 20 audit observations amounting to Nu. 22.271 million of which Nu. 2.399 million were resolved as of 31 January 2020 and Nu. 0.956 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 18.916 million as summarised below:

Category Code	Category Description	Nu. in million
3	Mismanagement	17.061
5	Shortfalls, lapses and deficiencies	1.855
Total		18.916

3. MISMANAGEMENT – NU. 17.061 MILLION

The cases of mismanagement involving Nu. 17.061 million are as indicated below:

3.1. OUTSTANDING TAXES AND LIABLE PENAL INTEREST - NU. 17.061 MILLION

The cases of outstanding taxes and liable penal interest include:

- a) The Regional Revenue and Customs Office (RRCO), Thimphu showed outstanding taxes and liable penal interest on the tax amounting to Nu. 12.941 million. The taxes amounting to Nu. 7.519 million pertained to Business Income Tax and Corporate Income Tax. Penal interest on tax amounted to Nu. 5.422 million. *(AIN: 15723; OB No.: 2; Accountabilities: Direct: Deki Wangmo, Deputy Collector, EID No. 200701109 Supervisory: Nidup Gyeltshen, Regional Director, EID No. 9610072)*
- b) The RRCO, Thimphu had outstanding Bhutan Sales Taxes amounting to Nu. 3.773 million to be collected from seven Sales Tax Collecting Agents (business units). The taxes were due for a period ranging from 2014 to 2018 and were liable for 24% penal interest for late payment in addition to the outstanding tax. *(AIN: 15723; OB No.: 3; Accountabilities: Direct: Deki Wangmo, Deputy Collector, EID No. 200701109; Supervisory: Nidup Gyeltshen, Regional Director, EID No. 9610072)*
- c) The RRCO, Samdrupjongkhar had outstanding tax amounting to Nu. 0.346 million to be collected. The outstanding amount pertained to Business Income Tax for which 24% penal interest on late deposit was also applicable in addition to the outstanding tax. *(AIN: 15846; OB No.: 1; Accountabilities: Direct: Pema Jamtsho, Dy. Collector, 201001052; Supervisory: Anok Kr. Rai, Regional Director, EID No. 9811014)*

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 1.855 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 1.855 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Unjustified expenses from Hospitality and Entertainment budget	1.734
5.2	Outstanding Advances	0.121
	Total	1.855

5.1. UNJUSTIFIED EXPENSES FROM HOSPITALITY AND ENTERTAINMENT BUDGET - NU. 1.734 MILLION

The Secretariat, MoF had made unjustified expenses amounting to Nu. 1.734 million from the Hospitality and Entertainment budget in the FY 2017-18. The expenses pertained to *soelra*, *nyendhar*, *tshokchang* and donations which were discretionary in nature. The booking of the same under Hospitality and Entertainment was not justifiable. (AIN: 16017; OB No.: 1; Accountabilities: Direct: Sumit Giri, Personal Secretary to Finance Minister, EID 200406001; Supervisory: Jigme Namgyel, Director, DoS, EID 9610070)

5.2. OUTSTANDING ADVANCES - NU. 0.121 MILLION

The RRCO, Gelephu had outstanding personal advances amounting to Nu. 0.121 million against various employees which had not been adjusted by the end of FY 2017-18. (AIN: 15949; OB No.: 3; Accountabilities: Direct: Ngawang Gyeltshen, Account Asst., EID No. 200207189; Supervisory: Ugyen Namgyel, Regional Director, EID No. 9101155)

3.1.5. MINISTRY OF FOREIGN AFFAIRS

During the year, the RAA had issued three audit report of the Ministry of Foreign Affairs (MoFA). There were nine observations amounting to Nu. 12.705 million of which Nu. 0.241 million were resolved as of 31 January 2020 and Nu. 9.396 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 3.068 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	3.068
	Total	3.068

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 3.068 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 3.068 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Unjustified expenses from Hospitality and Entertainment budget	0.170
5.2	Unjustified Soelra payment	2.512
5.3	Outstanding Advances	0.386
	Total	3.068

5.1. UNJUSTIFIED EXPENSES FROM HOSPITALITY AND ENTERTAINMENT BUDGET - NU. 0.170 MILLION

The Secretariat, Ministry of Foreign Affairs (MoFA) had incurred Nu. 0.170 million on payment of *soelra*, *semso* and *chagyep* without fulfilling the minimum requirement of producing original bills. As such, these expenses were discretionary in nature and booking of these payments under the 'Hospitality and Entertainment' budget was not justifiable. (AIN: 16070; OB No.: 3; Accountabilities: Direct: Damcho Dorji, Former Minister, MoFA, CID No. 10402000201; Supervisory: Damcho Dorji, Former Minister, MoFA, CID No. 10402000201)

5.2. UNJUSTIFIED SOELRA PAYMENT - NU. 2.512 MILLION

The Secretariat, MoFA had incurred unjustified expenditure of USD 34,359.83 equivalent to Nu. 2.512 million for various delegations on account of cash *soelra* and tips during their travel to third countries. The admissibility of such expenditures was not justifiable in absence of appropriate guidelines and ceilings in place. (AIN: 16070; OB No.: 5; Accountabilities: Direct: Dasho Tshering Tobgay, Former PM, CID No.: 11410002532; Sangay Thinley, Desk Officer, EID No. 20120500246; Damcho Dorji, Former Minister, MoFA, CID No. 10402000201; Doma Tshering, Director, MD, EID No.: 9111022; Karma Phuntsho, Sr. Desk Officer, EID No.: 200211058; Singye Chewang, COD, EID No.: 9101149; Phunstho Namgay, Sr. Finance Officer, EID No.: 200801136; Sangay Tshering, Personal Assistant, EID No.: 9212037; Tashi Peljor, Sr. Desk Officer, EID No.: 200406004; Dechen Wangmo, Chief of Division, EID No.: 2101048; Supervisory: Tenzin Rondel Wangchuk, Offtg. Foreign Secretary EID No.: 9306021)

5.3. OUTSTANDING ADVANCES - NU. 0.386 MILLION

The Secretariat, MoFA had outstanding advances amounting to Nu. 0.386 million at the end of FY 2017-18. Nu. 0.221 million was on account of advances paid to officials for purchase of vehicle, furniture and fuel while Nu. 0.164 million was against Bank of Bhutan Limited, Thimphu for purchase of passport printer. (AIN: 16070; OB No.: 7; Accountabilities: Direct: Damcho Dorji, Former Minister, MoFA, CID No. 10402000201; Jigme Wangchuk, Driver, EID No. 200304017; Tashi Tshering, Accounts Assistant, EID No. 9807016; Supervisory: Tashi Tshering, Accounts Assistant, EID No. 9807016)

3.1.6. MINISTRY OF HEALTH

During the year, the RAA had issued 19 audit reports of the Ministry of Health (MoH). One report was issued with 'Qualified' opinion. There were 39 observations amounting to Nu. 22.197 million of which Nu. 8.021 million were resolved as of 31 January 2020 and Nu. 6.515 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 7.661 million as summarised below:

Category Code	Category Description	Nu. in million
2	Embezzlement	-
3	Mismanagement	1.394
4	Non-compliance to laws and rules	1.669
5	Shortfalls, lapses and deficiencies	4.598
	Total	7.661

2. EMBEZZLEMENT

The cases with elements of embezzlement is as indicated below:

2.1. EMBEZZLEMENT OF GOVERNMENT FUND

The accountant of the Secretariat, MoH had embezzled Nu. 0.732 million from government fund. The accountant had made disbursement of stipend to students who had already completed their studies and double payment of stipend and book allowances for some students for few months through cheques. However, the cheques were encashed by forging signature of the students. Although the amount had been recovered, the Ministry is yet to take an appropriate action as per the Law of the Land. (AIN: 15986; OB No.: 1.1; Accountabilities: Direct: Namgay Phuntsho, Account Asst., EID No. 200907187 Supervisory: Rudra Mani Dhimal, Dy. Chief Finance Officer, EID No. 2001022; Damchu Duba, Chief Procurement Officer, EID No. 8103027; Tenzin Pelden, Finance Officer, EID No. 201101058; Tshering Dekar, Finance Officer, EID No. 200901044; Phub Zam, Finance Officer, EID No. 200801132; Cham Thinley, Account Asstt., EID No. 8511035; Chandra Mani Panda, Account Asstt., EID No.200307139)

3. MISMANAGEMENT – NU. 1.394 MILLION

The cases of mismanagement involving Nu. 1.394 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
3.1	Training without budget provision	0.584
3.2	Non-realization of Sale proceeds	0.810
	Total	1.394

3.1. TRAININGS WITHOUT BUDGET PROVISION - NU. 0.584 MILLION

The Secretariat, MoH had incurred expenses amounting to Nu. 0.584 million for providing irrelevant trainings to officials from the project on Global Fund for Aids, Tuberculosis and Malaria (GFATM) without budget provision. Two Human Resource officials from Secretariat, MoH had availed the training on “Effective HRM and communication skills” which was not related to the Project under the Vector Borne Diseases Control Programme (VDCP). The VDCP office was not aware of the training and had no budget appropriation in line with GFATM for FY2018-19. However, VDCP managed to propose the re-appropriation of fund for capacity development of key officials in Malaria Elimination for the payment. (AIN: 16201; OB No.: 5.3; Accountabilities: Direct: Tobgyel, Program Analyst, EID No. 9301021; Supervisory: Rinzin Namgay, Chief Entomologist, EID No. 9503009)

3.2. NON-REALIZATION OF SALE PROCEEDS - NU. 0.810 MILLION

The Secretariat, Bhutan Health Trust Fund had not realized sale proceeds amounting to Nu. 0.810 million from four Lottery Agents and Bhutan Development Bank Limited. The proceeds were from the sale of Special Annual ‘Move for Health’ Lottery in 2017. (AIN: 15829; OB No.:1; Accountabilities: Direct: Sonam Phuntsho, Director, EID No. 9101145; Supervisory: Sonam Phuntsho, Director, EID No. 9101145)

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 1.669 MILLION

The cases of non-compliance to laws and rules involving Nu. 1.669 million are as indicated below:

4.1. EXCESS PAYMENT DUE TO INCORRECT RATE ANALYSIS - NU. 1.669 MILLION

The GoI funded project Construction of Tsirang Hospital, Damphu had made excess payment of Nu. 1.669 million to M/s Ringdel Construction for the supply, installation, testing and commissioning of Compact Substation. The excess payment occurred due to incorrect rate analysis and failure by the project management to review the original invoices. (AIN: 16233; OB No.: 2; Accountabilities: Direct: Dechen Dema, Executive Engineer, EID No.2008801061; M/s Ringdrel Construction Co. CBD Registration No. 4637, License No. 1024900; Supervisory: Tandin Dorji, Chief Engineer, HIDD, MoH)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 4.598 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 4.598 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Unjustified expenses from Hospitality and Entertainment budget	2.518
5.2	Inadmissible payment of salary	2.080
Total		4.598

5.1. UNJUSTIFIED EXPENSES FROM HOSPITALITY AND ENTERTAINMENT BUDGET - NU. 2.518 MILLION

The Secretariat, MoH had incurred unjustified expenses amounting to Nu. 2.518 on account of payments for *soelra*, *nyendhar*, *tshokchang*, *khaddar* and *semso* from the 'Hospitality and Entertainment' budget for FY 2016-17 and 2017-18. Nu. 1.453 million accounted for FY 2016-17 and Nu. 1.065 million accounted for FY 2017-2018. Since the expenses were discretionary in nature, the payment of the same from the Hospitality and Entertainment budget was not justifiable. (AIN: 15986; OB No.: 3.1; Accountabilities: Direct: Tandin Wangchuk, Former Minister, MoH, CID No. 119070002200 Supervisory: Tandin Wangchuk, Former Minister, MoH, CID No. 119070002200)

5.2. INADMISSIBLE PAYMENT OF SALARY - NU. 2.080 MILLION

The Secretariat, MoH had made inadmissible payment of salary amounting to Nu. 2.080 million to the Executive Engineer who had superannuated on 01 January 2014. The employee was on Contract for the GoI funded project with the Department of Medical Supplies and Health Infrastructures. He had been paid salary for more than seven years till 31 March 2019 from the date of his superannuation. The lapses occurred due to delay in issuance of separation order and negligence by the accounts personnel. (AIN: 15998; OB No.:2; Accountabilities: Direct: Sonam Tshering, Executive Engineer, CID No.11607002058; Supervisory: Yangchen Choeden, Former Chief HRO, EID No. 8903108)

3.1.7. MINISTRY OF HOME AND CULTURAL AFFAIRS

During the year, the RAA had issued 18 audit reports of the Ministry of Home and Cultural Affairs (MoHCA). Two reports were issued with 'Qualified' opinion. There were 85 observations amounting to Nu. 58.015 million of which Nu. 3.794 million were resolved as of 31 January 2020 and Nu. 8.038 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 46.183 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	26.213
5	Shortfalls, lapses and deficiencies	19.970
	Total	46.183

4. NON-COMPLIANCE TO LAWS AND RULES - NU. 26.213 MILLION

The cases of non-compliance to laws and rules involving Nu. 26.213 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Non-enforcement of contract terms upon termination	6.984
4.2	Non-levy of liquidated damages	5.831
4.3	Irregular retention of Cash	5.239
4.4	Non termination for breach of contract	-
4.5	Acceptance of Defective works	5.669
4.6	Work not executed as per the specification	0.616
4.7	Construction of building without obtaining permit	-
4.8	Double payment for works not executed	1.874
	Total	26.213

4.1. NON-ENFORCEMENT OF CONTRACT TERMS UPON TERMINATION - NU. 6.984 MILLION

The Royal Bhutan Police (RBP) had not recovered the 20% employer's additional cost for completing the remaining work valued at Nu. 6.984 million in the construction of integrated academic block at RBP Training Institute, Jigmeling. The RBP had not enforced terms of contract upon termination of M/s Druk Tsentop Construction, Paro for breach of contract. (AIN: 15981; OB No.: 1.1; Accountabilities: Direct: Sonam Phuntsho, Site Engineer, RBP, PIN: 5979, CID No.11505005084; M/s Druk Tsentop Construction Pvt. Ltd. Paro, CDB No. 4081 Supervisory: Sonam Wangdi, Chief Engineer, RBP, PIN2004, CID No. 11506001122)

4.2. NON/SHORT-LEVY OF LIQUIDATED DAMAGES - NU. 5.831 MILLION

The cases of non/short-levy of liquidated damages include:

- a) The RBP had not recovered liquidated damages amounting to Nu 3.492 million from M/s Druk Tsentop Construction, Paro in the construction of Integrated Academic Block at RBP

Training Institute, Jigmeling. The RBP had failed to recover liquidated damages as specified in the contract agreement despite consideration of undue delays and failure of the contractor to complete the work. *(AIN: 15981; OB No.: 1.2; Accountabilities: Direct: Sonam Phuntsho, Site Engineer, RBP, PIN 5979, CID No.11505005084; M/s Druk Tsentop Construction Pvt. Ltd. Paro, CDB No. 4081 Supervisory: Sonam Wangdi, Chief Engineer, RBP, PIN2004, CID No. 11506001122)*

- b) The RBP had not levied liquidated damages amounting to Nu. 2.339 million on M/s K C Construction Pvt. Ltd in the construction of Prison Block at Lungzor, Trashigang. The contractor was granted time extension of three months based on the premise of having executed additional works. However, the time extension and work completion could not be ascertained as it was neither supported by labour coefficient nor the extra works on record. *(AIN: 16003; OB No.: 2.1; Accountabilities: Direct: Sanga Rigyel, Dy. Executive Engineer, RBP, PIN 4646, CID No. 11107000670; M/s K C Construction Pvt. Ltd. Thimphu CDB No. 2146 Supervisory: Sonam Wangdi, Chief Engineer, RBP, PIN 2004, CID No.11506001122)*

4.3. IRREGULAR RETENTION OF FUND - NU. 5.239 MILLION

The cases of irregular retention of funds include:

- a) The RBP had retained Nu. 2.239 million in the form of demand draft which was in contravention to the FRR 2016. The money was retained to avoid fund lapses since the construction of Integrated Academic Block at RBP Training Institute, Jigmeling could not be completed before the closure of FY 2017-18. *(AIN: 15981; OB No.: 1.4; Accountabilities: Direct: Sonam Phuntsho, Site Engineer, RBP, PIN 5979, CID No.11505005084; M/s Druk Tsentop Construction Pvt. Ltd. Paro, CDB No. 4081 Supervisory: Sonam Wangdi, Chief Engineer, RBP, PIN2004, CID No. 11506001122)*
- b) The RBP had retained Nu. 3.000 million in the form of demand draft which was in contravention to the FRR 2016. The money was retained to avoid fund lapses since the construction of Officers' Quarters at Phomshing, Trashigang could not be completed before the closure of FY 2017-18. *(AIN: 15981; OB No.: 2.3; Accountabilities: Direct: Sanga Rigyel, Dy. Executive Engineer, RBP PIN4646, CID No. 11107000670; M/s K C Construction Pvt. Ltd. Thimphu, CDB No. 2146 Supervisory: Sonam Wangdi, Chief Engineer, RBP)*

4.4. NON-TERMINATION FOR BREACH OF CONTRACT

The RBP had not terminated the contract of M/s KC Construction for fundamental breach of contract in the construction of Officers' Quarters at Phomshing, Trashigang. Although the contractor was supposed to complete works on 31 August 2017, the work was found incomplete at the time of audit in January 2019. *(AIN: 15981; OB No.: 2.2; Accountabilities: Direct: Sanga Rigyel, Dy. Executive Engineer, RBP PIN4646, CID No. 11107000670; M/s K C Construction Pvt. Ltd. Thimphu, CDB No. 2146 Supervisory: Sonam Wangdi, Chief Engineer, RBP PIN2004, CID No.11506001122)*

4.5. ACCEPTANCE OF DEFECTIVE WORKS - NU. 5.660 MILLION

The cases of acceptance of defective works include:

- a) The RBP Headquarters, Thimphu had accepted the following defective works valuing Nu. 5.409 million executed by M/s Sonam Mebar Construction Pvt. Ltd. in the construction of four-unit residences for the Deputy Chiefs:
- The retaining/breast wall had developed major cracks;
 - The providing and laying of second class brick works in superstructure had developed cracks in both external and internal partition wall;
 - The laying of 50mm thick plinth protection was not executed as per the technical specification resulting in formation of cracks on most part of the plinth protection work;
 - There were several damages of both full and half brick works due to seepage of water from leakages of plumbing and sanitary works within the walls;
 - Major cracks had developed on columns and in the joints of half/full brick wall that could impact the strength of the columns and compromise on the quality of structure; and
 - The road and parking had major cracks indicating defective works in providing and laying of plain cement concrete.

(AIN: 15981; OB No.: 7.1, 7.2, 7.5, 7.7, 7.9 and 7.11; Accountabilities: Direct: Jambay Gyeltshen. Site Engineer, RBP; M/s Sonam Mebar Construction Pvt. Ltd, Paro, CDB No. 6133; Supervisory: Sonam Wangdi, Chief Engineer, RBP PIN2004, CID No.11506001122)

- b) The RBP Headquarters, Thimphu had accepted defective works amounting to Nu. 0.260 million in the construction of attached toilet and Cracks had developed on the wall in superstructure due to poor quality of materials used for the cement motor by the contractor.

(AIN: 15981; OB No.: 8.1; Accountabilities: Direct: Tandin Wangyel. Site Engineer, RBP PIN 5980, CID No.10102001402; M/s Dawa Builders, Paro, CDB No. 7137 Supervisory: Sonam Wangdi, Chief Engineer, RBP PIN2004, CID No.11506001122)

- c) The RBP had accepted defective works in the blacktopping of internal roads at the Prison Services Division in Chamgang executed by M/s Uphel Construction Pvt. Ltd. The precast cement edging was not done in alignment to the blacktopped road and grass was found growing on the road indicating defective work. *(AIN: 16387; OB No.: 2.2; Accountabilities: Direct: Sonam Tobgay, Assistant Engineer P No. 5029; M/s Uphel Construction Pvt. Ltd. CDB no. 5441 and License No. 1026811; Supervisory: Sonam Wangdi, Chief Engineer, RBP, PIN 2004, CID No.11506001122)*

4.6. WORKS NOT EXECUTED AS PER SPECIFICATION - NU. 0.616 MILLION

The RBP had accepted works valuing Nu. 0.616 million that were not carried out as per specifications in BoQ for various constructions executed by M/s Sherub Dorji Constructions. The providing and laying of plywood lining was not done as per the required specification mentioned in BoQ, but the payment was made at BoQ rate and specification, thereby resulting into payment for materials other than specified. *(AIN:16396; OB No.: 4; Accountabilities: Direct: Deki, Assistant*

Engineer (P No. 5029); M/s Sherub Dorji Construction, Gelephu (CDB No. 4701 and Licence No. 1024998); Supervisory: Sonam Wangdi, Chief Engineer, RBP PIN2004, CID No.11506001122)

4.7. CONSTRUCTION OF BUILDING WITHOUT OBTAINING PERMIT

The RBP had not obtained permit for the construction of Buildings as required under the Development Control Rules and Regulations 2016. The Fire Service Division of RBP, Thimphu had carried out development and construction of buildings in various locations within the Thromde area without obtaining permit. *(AIN: 16125; OB No.: 1; Accountabilities: Direct: Sonam Tobgay, Asstt. Engineer, PIN: 6617 Supervisory: Col. Karma Tshering, Superintendent of Police, PIN: 104)*

4.8. DOUBLE PAYMENT FOR WORKS NOT EXECUTED - NU. 1.874 MILLION

The cases of payment for works not executed include:

- a) The Fire Service Division, RBP, Thimphu had made payment of Nu. 0.089 million to M/s Tshultrim Meto Construction in the construction of fire station and garage at Trongsa. There was double payment for providing and applying synthetic enamel paint works by Nu. 0.074 million. In addition, one manhole and pelmets worth Nu. 0.015 million were also not provided as required. *(AIN: 16125; OB No.: 2.3; Accountabilities: Direct: Sonam Tobgay, Asstt. Engineer, PIN: 6617; M/s Tshultrim Meto Construction, Trongsa, CDB No.2816, License No.5004938 Supervisory: Col. Karma Tshering, Superintendent of Police, PIN: 104)*
- b) The Fire Service Division, RBP, Thimphu had made payment of Nu. 0.440 million to M/s Tshultrim Meto Construction for providing and fixing of windows in the construction of fire station and garage at Trongsa. The contractor had provided only 3mm glass as against the BoQ specified 5mm thick plain glass Aluminium sliding shutter without prior approval. *(AIN: 16125; OB No.: 2.4; Accountabilities: Direct: Sonam Tobgay, Asstt. Engineer, PIN: 6617; M/s Tshultrim Meto Construction, Trongsa, CDB No.2816, License No.5004938 Supervisory: Col. Karma Tshering, Superintendent of Police, PIN: 104)*
- c) The Fire Service Division, RBP, Thimphu had made payment of Nu. 0.845 million to M/s Tshultrim Meto Construction in the construction of fire station and garage at Paro. On assessment, it was observed that the contractor had provided items other than specified in BoQ, whereas the payment has been done as per the BoQ specification. *(AIN:16125; OB No.: 3.3; Accountabilities: Direct: Sonam Tobgay, Asstt. Engineer, PIN: 6617; M/s Tshultrim Meto Construction, Trongsa, CDB No.2816, License No.5004938 Supervisory: Col. Karma Tshering, Superintendent of Police, PIN: 104)*
- d) The Fire Service Division, RBP, Thimphu had made payment of Nu. 0.500 million to M/s Dungkar Construction in the construction of 30 Units' Family Quarter in Thimphu. However, the providing and applying synthetic enamel paint was not executed at site and only nine of 11 numbers of brick masonry manhole were provided. *(AIN: 16125; OB No.: 4.1; Accountabilities: Direct: Sonam Tobgay, Asstt. Engineer, PIN: 6617; M/s Dungkar Construction,*

Thimphu, CDB No.3067, license No.1017513 Supervisory: Sonam Wangdi, Chief Engineer, RBP, PIN: 2004)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 19.970 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 19.970 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Inadmissible Payment in construction	14.068
5.2	Excess Payment	5.512
5.3	Acceptance of Defective works	-
5.4	Excess Booking of House rent	0.390
	Total	19.970

5.1. INADMISSIBLE PAYMENT IN CONSTRUCTION - NU. 14.068 MILLION

The RBP had made inadmissible payments for various constructions as follows:

- Nu. 6.139 million to M/s Druk Tsentop Construction Pvt. Ltd in the construction of RBP training institute at Jigmeling. The contractor had not carried out several BoQ item works at site. *(AIN: 15981; OB No.: 1.3; Accountabilities: Direct: Sonam Phuntsho, Site Engineer, RBP, PIN5979, CID No. 11505005084; Phurba Dorji, Site Engineer, PIN6150, CID No. 12004000562; M/s Druk Tsentop Construction Pvt. Ltd. Paro, CDB No. 4081; Supervisory: Sonam Wangdi, Chief Engineer, RBP PIN2004, CID No.11506001122)*
- Nu. 7.769 million to M/s K C Construction Pvt. Ltd in the construction of officers' quarters at Phomshing in Trashigang. The payment was made for items of work not executed as per the BoQ at site. *(AIN: 15981; OB No.: 2.1; Accountabilities: Direct: Sanga Rigyel, Dy. Executive Engineer, RBP PIN 4646, CID No. 11107000670; M/s K C Construction Pvt. Ltd. Thimphu, CDB No. 2146 Supervisory: Sonam Wangdi, Chief Engineer, RBP PIN2004, CID No.11506001122)*
- Nu. 0.160 to M/s Tshering Samdrup Construction Pvt. Ltd in the construction of G+4 storied Officers Quarter (2x10 units), RBP Headquarters, Thimphu. The payment pertained to window and door works which were not executed at site. *(AIN: 16396; OB No.: 1.1 Accountabilities: Direct: Tshering Phuntsho, Dy. Executive Engineer, PIN: 6153) M/s Tshering Samdrup Construction Pvt. Ltd, Thimphu CDB No. 1146 and Licence No. 1030275 Supervisory: Sonam Wangdi, Chief Engineer, RBP PIN: 2004, CID No. 11506001122)*

5.2. EXCESS PAYMENT - NU. 5.512 MILLION

The RBP had made excess payment for various constructions as follows:

- Nu. 3.379 million to M/s Tshering Samdrup Construction Pvt. Ltd in the Construction of G+4 storied Officers' Quarter (2x10 units), Royal Bhutan Police Headquarters, Thimphu. The payment had occurred due to difference in the actual work done at site as against bills claimed by the contractor. *(AIN: 16396; OB No.: 1.2; Accountabilities: Direct: Tshering*

Phuntsho, Dy. Executive Engineer PIN: 6153; M/s Tshering Samdrup Construction Pvt. Ltd, Thimphu CDB No. 1146 and Licence No. 1030275 Supervisory: Sonam Wangdi, Chief Engineer, RBP PIN: 2004, CID No.11506001122)

- b) Nu. 8.561 million to M/s Tshering Samdrup Construction Pvt. Ltd in the Construction of G+4 storied Officers' Quarter (2x10 units), RBP Headquarters, Thimphu. The payment on account of Price Adjustment was done without using the appropriate formula resulting in inadmissible payment of Nu. 7.870 million. Further, due to decrease in price index, variation of materials recoverable from the contractor amounted to an additional Nu. 0.691 million. *(AIN: 16396; OB No.: 1.4; Accountabilities: Direct: Tshering Phuntsho, Dy. Executive Engineer P No. 6153 M/s Tshering Samdrup Construction Pvt. Ltd, Thimphu CDB No. 1146 and Licence No. 1030275 Supervisory: Sonam Wangdi, Chief Engineer, RBP PIN: 2004, CID No. 11506001122)*
- c) Nu. 0.077 million to M/s Moonlight Construction in the renovation of Officers' and Family Quarters at Pangbang Police Station, Zhemgang. The excess payment was due to differences in quantities of works recorded in Measurement Book as against the actual measurements at site. *(AIN: 16396; OB No.: 3.1; Accountabilities: Direct: Phuntsho, Assistant Engineer PIN: 5979; M/s Moonlight Construction, Gelephu CDB No. 4983 and Licence No. 3007344 Supervisory: Sonam Wangdi, Chief Engineer, RBP PIN: 2004, CID No.11506001122)*
- d) Nu. 0.165 million to M/s L S Construction Pvt. Ltd. in the construction of approach road to vocational workshop, Chamgang. The payment was due to differences in quantities of works recorded in Measurement Book as against the actual measurements at site. *(AIN: 16387; OB No.: 1; Accountabilities: Direct: Sonam Tobgay, Assistant Engineer PIN: 5029 M/s L S Construction Pvt. Ltd. CDB no. 5343 and license No. 5006987 Supervisory: Sonam Wangdi, Chief Engineer, RBP, PIN: 2004, CID No.11506001122)*
- e) Nu. 0.229 million to M/s Uphel Construction Pvt. Ltd in the blacktopping of internal road at the Prison Services Division at Chamgang. The payment occurred due to double inclusion of item of work 'Granular Sub-Base' in the preparation of estimates and BoQ. *(AIN: 16387; OB No.: 2.1; Accountabilities: Direct: Sonam Tobgay, Assistant Engineer PIN: 5029; M/s Uphel Construction Pvt. Ltd. CDB no. 5441 and License No. 1026811; Supervisory: Sonam Wangdi, Chief Engineer PIN: 2004)*
- f) Nu. 0.181 million to M/s Tshultrim Meto Construction in the construction of Fire Station and Garage at Trongsa. The payment occurred due to non-deduction of quantity for RCC door and window lintels from the total quantity of providing and laying second-class brick work. *(AIN: 16125; OB No.: 2.1; Accountabilities: Direct: Sonam Tobgay, Asstt. Engineer, PIN: 6617; M/s Tshultrim Meto Construction, Trongsa, CDB No. 2816, License No. 5004938; Supervisory: Col. Karma Tshering, Superintendent of Police, PIN: 104)*
- g) Nu. 0.790 million to M/s Tshultrim Meto Construction in the construction of Fire Station and Garage at Paro. The payment occurred due to short deduction of the of RCC beams from slab works and non-deduction of quantity for RCC door and window lintels from the quantity in providing and laying second-class brick works. *(AIN: 16125; OB No.: 3.1; Accountabilities:*

Direct: Sonam Tobgay, Asstt. Engineer, PIN: 6617; M/s Tshultrim Meto Construction, Trongsa, CDB No.2816, License No. 5004938; Supervisory: Col. Karma Tshering, Superintendent of Police, PIN: 104)

5.3. ACCEPTANCE OF DEFECTIVE WORKS

The RBP had accepted defective works from M/s Tshultrim Meto Construction in the construction of Fire Station and Garage at Trongsa. The defective works pertained to retaining wall and plinth protection works and the lapses had occurred due to inadequate monitoring, assessment and poor workmanship. *(AIN: 16125; OB No.: 3.2; Accountabilities: Direct: Sonam Tobgay, Asstt. Engineer, PIN: 6617; M/s Tshultrim Meto Construction, Trongsa, CDB No. 2816, License No.5004938; Supervisory: Col. Karma Tshering, Superintendent of Police, PIN: 104)*

5.4. EXCESS BOOKING OF HOUSE RENT NU. 0.390 MILLION

The RBP, Punakha had made excess booking of house rent amounting to Nu. 0.390 million for the rental payment of July 2016. The RBP had booked Nu. 0.542 million against the actual payable amount of Nu. 0.152 million. *(AIN:16301; OB No.: 1; Accountabilities: Direct: Chakten, Drimgom, PIN: 3048; Supervisory: Colonel Karma Tshering, SSP, PIN: 85)*

3.1.8. MINISTRY OF INFORMATION AND COMMUNICATION

During the year, the RAA had issued 15 audit reports of the Ministry of Information and Communication (MoIC). There were 37 observations amounting to Nu. 203.610 million of which Nu. 5.875 million were resolved as of 31 January 2020 and Nu. 190.490 million did not qualify for inclusion in the AAR.

The significant unresolved significant irregularities amounted to Nu. 7.245 million as summarised below:

Category Code	Category Description	Nu. in million
2	Embezzlement	-
3	Mismanagement	0.561
4	Non-compliance to laws and rules	0.344
5	Shortfalls, lapses and deficiencies	6.340
Total		7.245

2. EMBEZZLEMENT

The case with elements of embezzlement is as indicated below:

2.1. EMBEZZLEMENT OF GOVERNMENT FUND

The accountant of Secretariat, MoIC had embezzled Nu. 0.128 million through self cheque from the budget retained for procurement of additional tele-conferencing equipment. The Secretariat had retained the balance budget for procurement of additional tele-conference equipment which was later withdrawn and embezzled by the accountant without procuring the equipment.

Although the amount was recovered, the Ministry is yet to take appropriate action against the accountant. (AIN: 15917; OB No.1; Accountabilities: Direct: Engin Dorji, Accountant, EID No. 200907006; Supervisory: Wangdi Gyeltshen, Former Director General EID No. 8101036)

3. MISMANAGEMENT – NU. 0.561 MILLION

The cases of mismanagement involving Nu. 0.561 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
3.1	Improper plan resulting in non-utilisation of buildings	-
3.2.	Outstanding annual registration renewal fee	0.561
	Total	0.561

3.1. IMPROPER PLAN RESULTING IN NON-UTILIZATION OF BUILDINGS

The Department of Air Transport (DoAT) had not utilized the newly constructed quarters for security guards at the Gelephu Domestic Airport. The quarters constructed through the ADB funded project was not occupied due to lack of electricity connections. Although the project included the internal wiring and electrification of the buildings, there was no plan for connecting overhead lines and transformers. Consequently, the buildings were not occupied with resultant damages to structures by wild animals. (AIN: 16348; OB No.:2.8; Accountabilities: Direct: Jamyang T Dorji, Dy. Ex. Engineer, EID No.201101166; Supervisory: Karma Wangchuk, Director, EID No. 9004059)

3.2. OUTSTANDING ANNUAL REGISTRATION RENEWAL FEE - NU. 0.561 MILLION

The Road Safety and Transport Authority (RSTA) base offices in Monggar and Lhuntse had outstanding renewal fees amounting to Nu. 0.561 million. The outstanding fees pertained to annual renewal of vehicle registration certificates of 130 vehicles. (AIN: 16468; OB No.4; Accountabilities: Direct: Dechen Wangmo, Sr. MVI, EID No.200607016; Supervisory: Lhendup Dorji, Senior RTO, EID No. 201101005)

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 0.344 MILLION

The cases of non-compliance to laws and rules involving Nu. 0.344 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Non-providing of Bank Guarantee against mobilization advance	-
4.2	Non-Insurance of work	-
4.3	Change/Mismatch of contractor's key Personnel	-
4.4	Excess Payment	0.344
	Total	0.344

4.1. NON-PROVIDING OF BANK GUARANTEE AGAINST MOBILIZATION ADVANCE

The DoAT could not furnish documents relating to provision of Bank Guarantee for the ADB funded Construction of Terminal Building at Bumthang Domestic Airport. M/s Rinson

Construction Co. Pvt. Ltd was given Mobilization Advance of Nu. 31.727 million but the Bank Guarantee for the same was not produced for audit verification. (AIN: 16348; OB No.: 1.4; Accountabilities: Direct: Jamyang T Dorji, Dy. Ex. Engineer, EID No.201101166; Supervisory: Karma Wangchuk, Director, EID No. 9004059)

4.2. NON-INSURANCE OF WORK

The DoAT had not enforced the insurance provisions of the contract agreement in the ADB funded Construction of Terminal Building at Bumthang Domestic Airport. M/s Rinson Construction Co. Pvt. Ltd. had not provided insurance for works amounting to Nu. 158.636 million as per contractual terms and conditions. (AIN: 16348; OB No.: 1.5; Accountabilities: Direct: Jamyang T Dorji, Dy. Ex. Engineer, EID No.201101166; Supervisory: Karma Wangchuk, Director, EID No. 9004059)

4.3. CHANGE/MISMATCH OF CONTRACTOR'S KEY PERSONNEL

The DoAT had allowed change/mismatch of contractor's key personnel in the ADB funded Construction of Terminal Building at Bumthang Domestic Airport. M/s Rinson Construction Co. Pvt. Ltd had engaged personnel other than the committed ones without meeting the required work experience and without obtaining the approval from the project management. (AIN: 16348; OB No.: 1.6; Accountabilities: Direct: Jamyang T Dorji, Dy. Ex. Engineer, EID No.201101166; Supervisory: Karma Wangchuk, Director, EID No. 9004059)

4.4. EXCESS PAYMENT IN CONSTRUCTION NU. 0.344 MILLION

The cases of excess payment in construction include:

- a) The DoAT had made excess payment of Nu. 0.102 million to M/s Tshering Samdrup Construction Pvt. Ltd. in the construction of Staff Quarters at Gelephu Domestic Airport. The DoAT had accepted soak pit constructed without meeting the specification resulting in the over payment by Nu. 0.102 million. The required soak pit size was '2500mm dia X 3000mm depth' but the actual size constructed was '2000mm dia X 1500mm depth'. (AIN: 16348; OB No.: 2.2; Accountabilities: Direct: Jamyang T Dorji, Dy. Ex. Engineer, EID No.201101166 Supervisory: Karma Wangchuk, Director, EID No. 9004059)
- b) The DoAT had made inadmissible payment of Nu. 0.242 million to M/s Tshering Samdrup Construction Pvt. Ltd. in the ADB funded Construction of staff quarters at the Gelephu Domestic Airport. The contractor had not executed some items of the works though it was required as per the design and drawings and the project management had also accepted the work without adequate verification. (AIN: 16348; OB No.: 2.4; Accountabilities: Direct: Jamyang T Dorji, Dy. Ex. Engineer, EID No.201101166 Supervisory: Karma Wangchuk, Director, EID No. 9004059)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 6.340 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 6.340 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Unjustified expenses from hospitality and entertainment budget	1.795
5.2	Ineligible payment of consultancy fees	0.915
5.3	Inadequate Consultancy works	-
5.4	Excess Payment	3.630
Total		6.340

5.1. UNJUSTIFIED EXPENSES FROM HOSPITALITY AND ENTERTAINMENT BUDGET - NU. 1.795 MILLION

The Secretariat, Ministry of Information and Communications had incurred expenditure on *soelra, nyendhar, tshokchang, khaddar* and donation amounting to Nu. 1.795 million from the 'Hospitality and Entertainment' budget. Since the expenses were discretionary in nature, the payment of the same from the Hospitality and Entertainment budget was not justifiable. (AIN: 16056; OB No.: 1; Accountabilities: Direct: D. N. Dungyel, Former Minister, MoIC, CID No. 11206004579; Supervisory: D. N. Dungyel, Former Minister, MoIC, CID No. 11206004579)

5.2. INELIGIBLE PAYMENT OF CONSULTANCY FEES - NU. 0.915 MILLION

The DoAT had made ineligible payment of Nu. 0.915 million to M/s LEAPP-Gyaltshen Consultancy in the ADB funded Construction of Terminal Building at Bumthang Domestic Airport. The project management had paid vehicle hire charges and work monitoring and supervision fees for three winter months even when the work was completely stopped in contervention to the contract agreement. (AIN: 16348; OB No.: 1.2; Accountabilities: Direct: Jamyang T Dorji, Dy. Ex. Engineer, EID No.201101166 Supervisory: Karma Wangchuk, Director, EID No. 9004059)

5.3. INADEQUATE CONSULTANCY WORKS

The DoAT had accepted incomplete works from M/s LEAPP-Gyaltshen Consultancy in the ADB funded project on Construction of Terminal Building at Bumthang Domestic Airport. The Consultant had not included form works in the BoQ resulting in award of additional works at a higher cost. The application of base rate of 33% was also not justified as it was done irrespective of the availability of local materials. (AIN: 16348; OB No.: 1.3; Accountabilities: Direct: Jamyang T Dorji, Dy. Ex. Engineer, EID No. 201101166; Supervisory: Karma Wangchuk, Director, EID No. 9004059)

5.4. EXCESS PAYMENT - NU. 3.630 MILLION

The cases of excess payment include:

- a) The DoAT had made excess payment amounting to Nu. 0.125 million to M/s Tshering Samdrup Construction Pvt. Ltd. in the ADB funded project on Construction of Staff Quarters at the Gelephu Domestic Airport. The excess payment occurred due to difference in quantity paid and quantity executed for various items of works in the construction of Bachelor quarters. (AIN: 16348; OB No.: 2.1.1; Accountabilities: Direct: Jamyang T Dorji, Dy. Ex. Engineer, EID No.201101166 Supervisory: Karma Wangchuk, Director, EID No. 9004059)

- b) The DoAT had made excess payment amounting to Nu. 0.164 million to M/s Tshering Samdrup Construction Pvt. Ltd. in the ADB funded project on Construction of Staff Quarters at the Gelephu Domestic Airport. The excess payment occurred due to difference in quantity paid and quantity executed for various items of works in the construction of family quarters. *(AIN:16348; OB No.: 2.1.2; Accountabilities: Direct: Jamyang T Dorji, Dy. Ex. Engineer, EID No. 201101166; Supervisory: Karma Wangchuk, Director, EID No. 9004059)*
- c) The DoAT had made excess payment amounting to Nu. 0.353 million to M/s Tshering Samdrup Construction Pvt. Ltd. in the ADB funded project on Construction of Staff Quarters at the Gelephu Domestic Airport. The excess payment occurred due to difference in quantity paid and quantity executed for various items of works in the construction of Officers' Quarters. *(AIN: 16348; OB No.: 2.1.3; Accountabilities: Direct: Jamyang T Dorji, Dy. Ex. Engineer, EID No.201101166 Supervisory: Karma Wangchuk, Director, EID No. 9004059)*
- d) The DoAT had made excess payment amounting to Nu. 0.221 million to M/s Tshering Samdrup Construction Pvt. Ltd. in the ADB funded project on Construction of Staff Quarters at the Gelephu Domestic Airport. The excess payment occurred due to use of wrong mode of measurement for 'item-welded truss' in the construction of Officers' Quarters. *(AIN: 16348; OB No.: 2.5; Accountabilities: Direct: Jamyang T Dorji, Dy. Ex. Engineer, EID No. 201101166; Supervisory: Karma Wangchuk, Director, EID No. 9004059)*
- e) The DoAT had made excess payment amounting to Nu. 0.335 million (Nu. 0.085 million to M/s Tshering Samdrup Construction Pvt. Ltd. and Nu. 0.250 million to M/s LEAPP-Gyaltshen Consultancy) in the ADB funded project on Construction of Staff Quarters at the Gelephu Domestic Airport. The revised project duration for the construction was 19 months and the work was also found completed within the revised project duration. However, the contractor was paid for providing office space and operating utility vehicle besides payment of consultancy fees to the supervising consultant engineer for one additional month. *(AIN: 16348; OB No.: 2.6; Accountabilities: Direct: Jamyang T Dorji, Dy. Ex. Engineer, EID No.201101166 Supervisory: Karma Wangchuk, Director, EID No. 9004059)*
- f) The DoAT had made excess payment of Nu. 2.357 million to M/s Penjor Construction Pvt. Ltd in the construction of Parallel Taxi Way at Paro International Airport. The contractor had made additional claims for 380.20 barrels of bitumen over and above the specified quantity in the BoQ on the basis of tests conducted by M/s Advanced Geo Tech Engineering and Testing Services. The claim was made after conducting the bitumen content test which was neither asked nor validated by the Department. The works supervisor, M/s Progressive Research and Consultancy Services had also failed to indicate the actual number of bitumen barrels used in the construction. *(AIN: 15968; OB No.: 2.1; Accountabilities: Direct: Palden Lhamo, Dy. EE (EID No.201101157) Supervisory: Ugyen Dorji, Offtg. Chief of Airport Devl. Division EID No.8908106)*

- g) The RSTA had made excess payment of Nu. 0.075 million to M/s Tshondup Construction for office expansion and alteration of Road Safety and Transport Authority, Regional Office Building, Monggar. The excess payment occurred due to differences in quantities of work actually executed and quantities for which payment was made. *(AIN: 16468; OB No.: 1; Accountabilities: Direct: Lhendup Dorji, Senior RTO, EID No. 201101005; Supervisory: Lhendup Dorji, Senior RTO, EID No. 201101005)*

3.1.9. MINISTRY OF LABOUR AND HUMAN RESOURCES

During the year, the RAA had issued eight audit reports of the Ministry of Labour and Human Resources (MoLHR). There were 24 observations amounting to Nu. 22.476 million of which Nu. 1.019 million were resolved as of 31 January 2020 and Nu. 0.212 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 21.245 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	15.241
5	Shortfalls, lapses and deficiencies	6.004
	Total	21.245

4. NON-COMPLIANCE TO LAWS AND RULES - NU. 15.241 MILLION

The cases of non-compliance to laws and rules involving Nu. 15.241 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Outstanding Advances	9.938
4.2	Non-levy of Liquidated Damage	5.303
	Total	15.241

4.1. OUTSTANDING ADVANCES - NU. 9.938 MILLION

The cases of outstanding advances include:

- a) The Department of Technical Training Institute (DTTI) had unadjusted advances amounting to Nu. 8.938 million against M/s Druk Tsentop Construction Pvt. Ltd. in the GoI funded project on Construction of Training Center at Jigme Wangchuck Power Training Institute in Dekiling, Sarpang. The contractor for Package-C was terminated by the Ministerial Level Tender Committee for fundamental breach of contract but the advances paid to the contractor remained unadjusted. *(AIN: 16150; OB No.: 1.1; Accountabilities: Direct: Lobzang Dorji, Site Engineer, EID No. 9001016; Thaye Choden Dorji, Project Engineer, EID No. 20150105099; M/s Druk Tsentop Construction Pvt. Ltd. Paro, CDB No. 4801; Supervisory: Sangay Dorji, Chief Programme Officer, EID No. 9109013, Pelden Tshering, Training Director, EID No. 9011034)*

b) The DTTI had unadjusted advances amounting to Nu. 1.000 million against M/s Tenzin Geleg Construction in the GoI funded project on Construction of Training Center at the Jigme Wangchuck Power Training Institute in Dekiling, Sarpang. The construction of Executive Hostel, Barrack type and Director’s Quarter showed an outstanding materials advance which had not been adjusted although 91.2% of the total contract work were completed. *(AIN: 16150; OB No.: 2.6; Accountabilities: Direct: Lobzang Dorji, Site Engineer, EID No. 9001016; Thaye Choden Dorji, Project Engineer, EID No. 20150105099; M/s Tenzin Geleg Construction Pvt. Ltd., Gelephu, CDB No.10 1416, CID 11509003165; Supervisory: Sangay Dorji, Chief Programme Officer, EID No. 9109013, Pelden Tshering, Training Director, EID No. 9011034)*

4.2. NON-LEVY OF LIQUIDATED DAMAGES - NU. 5.303 MILLION

The DTTI had not levied liquidated damages amounting to Nu. 5.303 million on M/s Druk Tsentop Construction Pvt. Ltd in the GoI funded project on Construction of Training Center at Jigme Wangchuck Power Training Institute in Dekiling, Sarpang. The Construction of Package C (Instrumentation Lab, Plumbing and Mechanical Workshop and Recreational hall) was delayed by 172 days as on the date of termination of the contract and liable for LD at maximum percentage of 10% was also not levied. *(AIN: 16150; OB No.: 1.4; Accountabilities: Direct: Lobzang Dorji, Site Engineer, EID No. 9001016; Thaye Choden Dorji, Project Engineer, EID No. 20150105099; M/s Druk Tsentop Construction Pvt. Ltd. Paro, CDB No. 4801 Supervisory: Sangay Dorji, Chief Programme Officer, EID No. 9109013, Pelden Tshering, Training Director, EID No. 9011034)*

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 6.004 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 6.004 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Unjustified expenses from hospitality and entertainment budget	1.650
5.2	Grant of excessive material secured advance	3.695
5.3	Excess Payment	0.659
	Total	6.004

5.1. UNJUSTIFIED EXPENSES FROM HOSPITALITY AND ENTERTAINMENT BUDGET - NU. 1.650 MILLION

The Secretariat, MoLHR had incurred expenses under ‘Hospitality and Entertainment’ budget amounting to Nu. 1.650 million. The unjustified expenses pertained to purchase of gifts, food and lodging expenses. *(AIN:16221; OB No.: 1; Accountabilities: Direct: Ugyen Dorji, Minister, MoLHR EID 9931079U; Supervisory: Ugyen Dorji, Minister, MoLHR, EID 9931079U)*

5.2. GRANT OF EXCESSIVE MATERIAL SECURED ADVANCE - NU. 3.695 MILLION

The DTTI had granted excessive materials advance amounting to Nu. 3.695 million to M/s Druk Tsentop Construction Pvt. Ltd in the GoI funded project on Construction of Training Center at the Jigme Wangchuck Power Training Institute in Dekiling, Sarpang. The Contractor was provided

with material advance of Nu. 7.389 without actually receiving equivalent materials at site resulting in excessive advance of Nu. 3.695 million in the Construction of Package C (Instrumentation Lab, Plumbing and Mechanical Workshop and Recreational hall). *(AIN: 16150; OB No.: 1.1; Accountabilities: Direct: Lobzang Dorji, Site Engineer, EID No. 9001016; Thaye Choden Dorji, Project Engineer, EID No. 20150105099; M/s Druk Tsentop Construction Pvt. Ltd. Paro, CDB No. 4801; Supervisory: Sangay Dorji, Chief Programme Officer, EID No. 9109013, Pelden Tshering, Training Director, EID No. 9011034)*

5.3. EXCESS PAYMENT - NU. 0.659 MILLION

The DTTI had made excess payments for various construction works as follows:

- a) Nu. 0.404 million to M/s Tenzin Geleg Construction in the GoI funded project on Construction of Training Center at the Jigme Wangchuck Power Training Institute in Dekiling, Sarpang. The work for construction of Executive Hostel, Barrack type and Director's quarter showed that there was double payment due to improper verification of claims by the site engineer and repetitive inclusion of items by the contractor. *(AIN: 16150; OB No.:2.6; Accountabilities: Direct: Lobzang Dorji, Site Engineer, EID No. 9001016; Thaye Choden Dorji, Project Engineer, EID No. 20150105099; M/s Tenzin Geleg Construction Pvt. Ltd., Gelephu, CDB No.10 1416, CID 11509003165; Supervisory: Sangay Dorji, Chief Programme Officer, EID No. 9109013, Pelden Tshering, Training Director, EID No. 9011034)*
- b) Nu. 0.111 million to M/s Tenzin Geleg Construction in the GoI funded project on Construction of Training Center at the Jigme Wangchuck Power Training Institute in Dekiling, Sarpang. The excess payment occurred due to non-deduction of staircase openings from the slab works in the construction of Executive Hostel, Barrack type and Director's quarter. *(AIN: 16150; OB No.:2.6; Accountabilities: Direct: Lobzang Dorji, Site Engineer, EID No. 9001016; Thaye Choden Dorji, Project Engineer, EID No. 20150105099; M/s Tenzin Geleg Construction Pvt. Ltd., Gelephu, CDB No.10 1416, CID 11509003165; Supervisory: Sangay Dorji, Chief Programme Officer, EID No. 9109013, Pelden Tshering, Training Director, EID No. 9011034)*
- c) Nu. 0.144 million to M/s Tenzin Geleg Construction in the GoI funded project on Construction of Training Center at the Jigme Wangchuck Power Training Institute in Dekiling, Sarpang. The excess payment occurred due to non-deduction of window openings from the slab works in the construction of Executive Hostel, Barrack type and Director's quarter. *(AIN: 16150; OB No.2.6; Accountabilities: Direct: Lobzang Dorji, Site Engineer, EID No. 9001016; Thaye Choden Dorji, Project Engineer, EID No. 20150105099; M/s Tenzin Geleg Construction Pvt. Ltd., Gelephu, CDB No.10 1416, CID 11509003165; Supervisory: Sangay Dorji, Chief Programme Officer, EID No. 9109013, Pelden Tshering, Training Director, EID No. 9011034)*

3.1.10. MINISTRY OF WORKS AND HUMAN SETTLEMENT

During the year, the RAA had issued 15 audit reports of the Ministry of Works and Human Settlement (MoWHS). Two reports were issued with 'Qualified' opinion. There were 181

observations amounting to Nu. 861.881 million of which Nu. 105.912 million were resolved as of 31 January 2020 and Nu. 235.943 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 520.026 million as summarised below:

Category Code	Category Description	Nu. in million
2	Embezzlement	14.113
3	Mismanagement	0.652
4	Non-compliance to laws and rules	292.660
5	Shortfalls, lapses and deficiencies	212.601
Total		520.026

2. EMBEZZLEMENT – NU. 14.113 MILLION

The cases with elements of embezzlement involving Nu. 14.113 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
2.1	Shortages of Bitumen	1.985
2.2	Misuse of bitumen by contractor	12.128
Total		14.113

2.1. SHORTAGES OF BITUMEN - NU. 1.985 MILLION

The Haa Sub Division IV of the Regional Office, Department of Roads (DOR), Thimphu showed shortage of 340 barrels of Bitumen VG-10 at a value of Nu. 1.985 million. The shortage could be attributed to poor custody of construction materials in the stockyard since the barrels were stocked in open space. (AIN: 16234; OB No.: 1; Accountabilities: Direct: *Yeshi Tshering, Asstt. Engineer, EID No. 20140704515; M/s Raven Builders and Company Pvt. Ltd, CDB Registration No. 2356; Supervisory: Sangay Tenzin, Executive Engineer, EID No. 200607203*)

2.2. MISUSE OF BITUMEN BY CONTRACTOR - NU. 12.128 MILLION

M/s Raven Builder and Company Pvt. Ltd. had misused 2,878 barrels of Bitumen VG-10 amounting to Nu. 12.128 million in the construction of roads under the Haa Sub Division IV of the Regional Office, DoR, Thimphu. The execution of blacktopping works of Khamina-Gakidling SNH and Gakidling-Rangtse Gewog Connectivity (GC) road was not carried out by the contractor besides misusing 2,878 barrels of Bitumen VG-10. (AIN: 16234; OB No.: 2.1; Accountabilities: Direct: *Ugyen Norbu, Assistant Engineer, EID No. 201101248; M/s Raven Builders and Company Pvt. Ltd, CDB Registration No. 2356; Supervisory: Sangay Tenzin, Executive Engineer, EID No. 200607203*)

3. MISMANAGEMENT – NU. 0.652 MILLION

The cases of mismanagement involving Nu. 0.652 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
3.1	Avoidable payment of interest	0.652
Total		0.652

3.1 AVOIDABLE PAYMENT OF INTEREST - NU. 0.652 MILLION

The Regional Office (RO), DoR, Lingmethang had made avoidable payment of Nu. 0.652 million to M/s Rinson Construction Co. Pvt. Ltd. for delay in disbursement of the contractor's claims in the "Formation Cutting from 28.00 – 42.60 km" on Gyelposhing – Nganglam Road Project from Nganglam side. The Project Management had delayed payment for 61 days (5th RAB) and 308 days (10th RAB) resulting in avoidable expenditure on the interest for delayed disbursement. The RO also failed to provide justification for withholding the payment. (AIN: 16045; OB No.: 5.3.1; Accountabilities: Direct: Thinley Tenzin, Project Engineer, EID No. 9207046; M/s Rinson Construction Co. Pvt. Ltd. CDB 1965; Supervisory: Lungten Jamtsho, CE, EID No. 2101064)

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 292.660 MILLION

The cases of non-compliance to laws and rules involving Nu. 292.660 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Audit clearance certificates not obtained	-
4.2	Execution of sub-standard works	-
4.3	Non-adherence to contractual terms and conditions	-
4.4	Non-execution of work as per specification	-
4.5	Additional cost due to flaws in drawing and design	-
4.6	Non-deduction of 10% retention money from final bill	-
4.7	Outstanding advances	62.211
4.8	Non-recovery of 20% penalty for incomplete works	12.026
4.9	Non/short-levy of liquidated damages	56.151
4.10	Financial losses due to flawed tendering process	120.089
4.11	Cost escalation due to unjustified revision of rates	42.183
4.12	Non-rectification of defective works	-
Total		292.660

4.1 AUDIT CLEARANCE CERTIFICATES NOT OBTAINED

The officials of the MoWHS had not obtained audit clearance certificates while undergoing trainings. Some officials had availed trainings despite having unresolved audit observations. The availing of trainings without obtaining valid Audit Clearance Certificates was in violation of the BCSR. (AIN: 16094; OB No.: 3; Accountabilities: Direct: Sonam Jamtsho, Engineer, P/Gatshel Dzongkhag, EID No. 201001181 Choden, AE, RO, DOR, Phuentsholing, EID No. 9401084 Pema Chopel, AE, Phuentsholing Thromde, EID No. 201101252 Cheki Wangchuk, Urban Planner, Wangude Phodrang Dzongkhag, EID No. 20160106461 Wangda Dorji, Architect, Samdrup Jongkhar Thromde EID No. 201101150 Yam Kumar Kami, JE, RO Phuentsholing, EID No. 20140704527 Nado, Sr. Accountant, RO Limithang, EID No. 9709042; Supervisory: Pem Tshewang, Chief HRO, RCSC, EID No. 8709054 Sonam Dorji Offtg. Chief HRO, RCSC, EID No. 200409017 Gem Tshering, Offtg. Chief HRO, EID No. 200207334)

4.2 EXECUTION OF SUB-STANDARD WORKS

The RO, DoR, Thimphu had not maintained standards in the departmentally executed construction of Sombay-Amma-Nakhekha-Nakha to Tashigang farm road under Sombay Gewog. A stretch of 15.26 kms farm roads had steep gradient and narrow width in contravention to the required standard thereby resulting in wasteful expenditures. (AIN: 16234; OB No.: 3.1; Accountabilities: Direct: Phuntsho Dhendup, Assistant Engineer, EID No. 201101242; Supervisory: Sangay Tenzin, Executive Engineer, EID No. 200607203)

4.3 NON-ADHERENCE TO CONTRACTUAL TERMS AND CONDITIONS

The RO, DoR, Thimphu had not adhered to contractual terms and conditions and had allowed unjustified time extension for various contract works. The claims of hindrances by respective contractors were accepted although hindrances were not *force majeure* indicating extension of undue favour to contractors. (AIN: 16234; OB No.: 11.1; Accountabilities: Direct: Pempa Dorji, Assistant Engineer, EID No. 20140704511; Yeshi Tshering, Assistant Engineer, EID No. 20140704515; Ugyen Norbu, Assistant Engineer, EID No. 2011012481; M/s Tacho Construction, CDB No. 2001; M/s Joenshing Construction, CDB No. 1692; M/s Lotay Construction, CDB No. 3325; M/s Raven builder and Company Pvt. Ltd. CDB No. 2356; Supervisory: Sangay Tenzin, Executive Engineer, EID No. 200607203)

4.4 NON-EXECUTION OF WORK AS PER SPECIFICATION

The cases of non-execution of work as per specification include:

- a) The Department of Engineering Services (DES) had not constructed the Sarpang Water Supply as per drawings and designs in the ADB funded project “*Secondary Town Urban Development Project*”. M/s EW and JM Pvt. Ltd. had constructed 3m of Gabion Wall instead of the required 3.5m from ground for protection of intake structure. The bottom most portion of the gabion wall of 0.5m height was also not constructed. Further, the intake tank protection gabion wall was constructed in vertical position instead of inclined position in deviation from the drawing and design. (AIN: 16276; OB No.: 1.1; Accountabilities: Direct: Chimi Dema, Engineer, EID No.20180111323; M/s EW Construction, CDB No.2319; M/s JM Builders, CDB No.7494; Supervisory: Tashi Chopel, Project Manager, EID No.89008076)
- b) The DES had not ensured the Construction of Sarpang Water Supply Development by M/s EW and JM Pvt. Ltd. as per the drawings and designs provided in the ADB funded Project on “*Secondary Town Urban Development Project, Loan No. BHU 3674*”. The wire mesh used for the Gabion Box was 2.5mm diameter against the 3.25mm diameter specified in the BoQ. (AIN:16276; OB No.: 1.2; Accountabilities: Direct: Chimi Dema, Engineer, EID No.20180111323; M/s EW Construction, CDB No.2319; M/s JM Builders, CDB No.7494; Supervisory: Tashi Chopel, Project Manager, EID No.89008076)
- c) The RO, DoR, Lingmethang had failed to ensure construction of Cross Drainage in the construction of L-drain and Cross Drainage at Chainage 20.00-32.46km of the Gyelposhing-Nganglam Road Project. Neither the initial contractor, M/s Norbu Construction nor the succeeding contractor M/s Rigsar Construction had executed the required structures. There

was no cross drainage constructed for the whole stretch and only 3km of L-drain was constructed. (AIN: 16045; OB No.: 4.6; Accountabilities: Direct: San Man Tamang, AE, EID No. 200902092; M/s Rigsar Construction Co. Pvt. Ltd. CDB 2435 Supervisory: Karma Rinzin, CE, EID No. 8908095)

4.5 ADDITIONAL COST DUE TO FLAWS IN DRAWING AND DESIGN

The DES had incurred additional expenses of Nu. 3.179 million in the construction of Sarpang Water Supply Development under ADB funded Project "Secondary Town Urban Development Project". M/s Progressive Research and Consultancy Services had not carried out proper planning, design and estimation leading to additional financial cost. The consultant firm had kept the pipes alignment over existing bridge which was objected by DoR during execution as the bridge was not designed/constructed to carry the weight of pipelines, which should have been assessed during the design phase by the consultant. (AIN: 16276; OB No.: 1.3; Accountabilities: Direct: Karma Dupchuk, Project Director, EID No.2101057; M/s Progressive Research Consultancy Service, CDB No. 101; Supervisory: Karma Dupchuk, Project Director, EID No.2101057)

4.6 NON-DEDUCTION OF 10% RETENTION MONEY FROM FINAL BILL

The RO, DoR, Trongsa had not deducted the 10% retention money from the final bill of M/s Druk Wangyel Construction in the construction of improvement works on the Kharshong Dzongkhag Road. The RO had deposited the equivalent amount into the Refundable Deposit Account from the overall budget balance instead of deducting from the contractor's bill. (AIN: 15747; OB No.: 5; Accountabilities: Direct: Tsheten Wangchuk, Accountant Asst-IV, EID 9404035 Supervisory: Ugyen Dorji, Chief Engineer, EID 9107095)

4.7 OUTSTANDING ADVANCES - NU. 62.211 MILLION

The RO, DoR, Lingmethang had not adjusted PW advances amounting to Nu. 62.211 million against various contractors by the end of the FY 2017-18. The contractors were paid other forms of advances besides the mobilization and secured advances and the same was not adjusted within the FY. (AIN: 16046; OB No.: 3; Accountabilities: Direct: Nado, Accountant, EID No. 9709042; Supervisory: Karma Rinzin, Chief Engineer, EID No. 8908095)

4.8 NON-RECOVERY OF 20% PENALTY FOR INCOMPLETE WORKS - NU. 12.026 MILLION

The cases of non-recovery of 20% penalty for incomplete works include:

- a) The RO, DoR, Lingmethang had not recovered 20% penalty on incomplete works amounting to Nu. 7.598 million upon termination of contract of M/s Norbu Construction Pvt. Ltd in the double laning of the Northern East-West Highway from Monggar to Gangola. The RO had terminated the contract on the grounds of fundamental breach of contract by the contractor but 20% penalty on the value of incomplete works were not levied. Although Nu. 7.598 million was recovered, the penalty for late payment was not levied and recovered. (AIN: 16046; OB No.: 5.2; Accountabilities: Direct: Sonam Wangchuk, EE, EID No. 9807033; M/s

Norbu Construction Pvt. Ltd. (CDB No. 1957); Supervisory: Karma Rinzin, Chief Engineer, EID No. 8908095)

- b) The RO, DoR, Lingmethang had not recovered 20% penalty on incomplete works amounting to Nu. 2.070 million upon termination of contract of M/s Diamond Construction Pvt. Ltd. in the blacktopping of the Tsakaling GC road. The RO had terminated the contract on the grounds of fundamental breach of contract by the contractor but 20% penalty on the value of incomplete works was not levied. *(AIN: 16046; OB No.: 7.2; Accountabilities: Direct: Galey, EE, EID No. 9607019; M/s Diamond Construction Pvt. Ltd. (CDB No. 2304); Supervisory: Karma Rinzin, Chief Engineer, EID No. 8908095)*
- c) The RO, DoR, Lingmethang had not recovered 20% penalty on incomplete works amounting to Nu. 8.823 million upon termination of contract of M/s Norbu Construction Pvt. Ltd in the construction of L-drain and cross Drainage on Gyelposhing-Nganglam Road Project (20-32.46km). The RO had terminated the contract on the grounds of fundamental breach of contract by the contractor but 20% penalty on the value of incomplete works was not levied. *(AIN: 16045; OB No.: 4.1; Accountabilities: Direct: San Man Tamang, AE, EID No. 200902092; M/s Norbu Construction Pvt. Ltd. CDB 1957 Supervisory: Karma Rinzin, CE, EID No. 8908095)*
- d) The RO, DoR, Lingmethang had not recovered 20% penalty on incomplete works amounting to Nu. 1.133 million upon termination of contract of M/s Rinson Construction Co. Pvt. in the Formation Cutting work from 28.00–42.60 km on Gyelposhing – Nganglam Road Project. The RO had terminated the contract on the grounds of fundamental breach of contract by the contractor but 20% penalty on the value of incomplete works was not levied. *(AIN: 16045; OB No.: 5.5; Accountabilities: Direct: Thinley Tenzin, Project Engineer, EID No. 9207046; M/s Rinson Construction Co. Pvt. Ltd. (CDB 1965); Supervisory: Lungten Jamtsho, CE, EID No. 2101064)*

4.9 NON-LEVY OF LIQUIDATED DAMAGES - NU. 56.151 MILLION

The cases of non-levy of liquidated damages include:

- a) The RO, DoR, Lingmethang had not levied liquidated damages amounting to Nu. 1.714 million on M/s Phuntsho Rabten Construction for delay in the blacktopping of Tsakaling GC road. The RO had terminated the contract for failure to complete the work on time but applicable liquidated damages were not levied. *(AIN: 16046; OB No.: 6.1; Accountabilities: Direct: Galey, EE, EID No. 9607019; M/s Phuntsho Rabten Construction CDB No. 1836 Supervisory: Karma Rinzin, Chief Engineer, EID No. 8908095)*
- b) The RO, DoR, Lingmethang had not levied liquidated damages amounting to Nu. 27.420 million on M/s Rirab Construction in the construction of KM22 till Gongrizomsa of the GoI funded Gyelposhing-Nganglam Road Project. Even after grant of time extension of more than 34 months the contractor failed to complete the works after which the contract was terminated. However, the liquidated damages at 10% of the final contract price were not levied. *(AIN: 16045; OB No.: 3.2; Accountabilities: Direct: San Man Tamang, AE, EID No.*

200902092; M/s Rirab Construction, Trashigang CDB No. 1828 Supervisory: Lungten Jamtsho, CE, EID No. 2101064)

- c) The RO, DoR, Lingmethang had not levied liquidated damage of Nu. 16.750 million to M/s Rinson Construction Co. Pvt for delay in the completion of Formation Cutting work from 28.00–42.60 km on Gyelposhing – Nganglam Road Project. The contractor was liable for 10% of the final contract price as liquidated damages as the delay was beyond the provision of time extension. (AIN: 16045; OB No.: 5.1; Accountabilities: Direct: Thinley Tenzin, Project Engineer, EID No. 9207046; M/s Rinson Construction Co. Pvt. Ltd. CDB 1965; Supervisory: Lungten Jamtsho, CE, EID No. 2101064)
- d) The RO, DoR, Lingmethang had short levied liquidated damages by Nu. 3.452 million on M/s Diamond Construction Co. Pvt. Ltd in the Construction of L-drain and Cross Drainage from Chainage 32.00-42.60km on Gyelposhing-Nganglam Road from Nganglam side. The RO had only levied liquidated damage of Nu. 1.975 million for delay in completion although the contractor was liable for maximum liquidated damages of 10%. (AIN: 16045; OB No.: 6.3; Accountabilities: Direct: Jai Kr. Ghalley, AE, EID No. 201101236; M/s Diamond Construction Pvt. Ltd. CDB No. 2403; Supervisory: Jigme Tenzin, PE, EID No. 20150105036)
- e) The Central Stores, DoR, Phuentsholing had short levied liquidated damages amounting to Nu. 0.692 million for delay in supply of the materials in the procurement of Bailey Bridge parts. Nu. 0.692 million out of Nu. 1.906 million was not levied on M/s Titagarh Wagon Limited and M/s Viyanayak Rail Track (India) Pvt. Ltd. (AIN:15668; OB No.: 1; Accountabilities: Direct: Sonam Tshewang, Accounts Officer, EID No. 9110023; Supervisory: Dorji Wangdi, Chief Engineer, EID No. 8601100)
- f) The RO, DoR, Phuentsholing had not levied liquidated damages amounting to Nu. 6.123 against M/s Rabdhuen Pvt. Ltd for delay in the supply of Bitumen VG 10. The contractor had failed to provide the materials as per the delivery schedule stipulated in the MoU for which applicable liquidated damages were not levied. (AIN:15668; OB No.: 2; Accountabilities: Direct: Sonam Tashi, Estate Manager, EID No. 99071654; Em Nath Chetri, Assistant Engineer, EID No. 8401039; Supervisory: Dorji Wangdi, Chief Engineer, EID No. 8601100)

4.10 FINANCIAL LOSSES DUE TO FLAWED TENDERING PROCESS - NU. 120.089 MILLION

The RO, DoR, Lingmethang suffered financial loss of Nu. 120.089 million in the construction of the GoI funded Gyelposhing-Nganglam Road Project. M/s Rirab Construction was paid according to the change in contract modality from Lumpsum Contract to 'Item Based/As Built Contract' for the construction of KM22 till Gongrizomsa. The case is under arbitration. (AIN: 16045; OB No.: 3.1; Accountabilities: Direct: San Man Tamang, AE, EID No. 200902092; M/s Rirab Construction, Trashigang CDB No. 1828; Supervisory: Lungten Jamtsho, CE, EID No. 2101064)

4.11 COST ESCALATION DUE TO UNJUSTIFIED REVISION OF RATES - NU. 42.183 MILLION

The RO, DoR, Lingmethang incurred financial implication of Nu. 42.183 million in the formation cutting work from 28.00-42.60 km on Gyelposhing-Nganglam Road Project. M/s Rinson Construction Co. Pvt. Ltd. was paid for 4.54 km based on other contractor's quoted rate for similar terrain instead of the Contractor's own quoted rate. (AIN: 16045; OB No.: 5.2; Accountabilities: Direct: Thinley Tenzin, Project Engineer, EID No. 9207046; M/s Rinson Construction Co. Pvt. Ltd. CDB 1965 Supervisory: Lungten Jamtsho, CE, EID No. 2101064)

4.12 NON-RECTIFICATION OF DEFECTIVE WORKS

The cases of non-rectification of defective works include:

- a) The RO, DoR Trashigang had not directed the contractor to rectify defective works in the improvement of Merak Gewog Connectivity Road carried out by M/s Samphel Construction. There were stretches of road where GSB course and humps along the roads had been worn out due to marshy conditions but were not repaired within the defect liability period. (AIN: 15863; OB No.: 2; Accountabilities: Direct: Ram Bdr. Bhujel, JE, EID No: 20120100012; M/s Samphel Construction, Thimphu, CDB. No. 7800; Supervisory: Karma Tshewang, EE, EID No: 9707044)
- b) The RO, DoR Trashigang had not rectified defective works in the blacktopping of Tsherzam-Bumdeling Gewog Connectivity Road carried out by M/s Topden Construction Pvt. Ltd. There was formation of potholes and striping of blacktopping due to poor workmanship and inadequate monitoring and supervision by Regional Office. (AIN: 15863; OB No.: 3; Accountabilities: Direct: Chenga Dorji, JE, EID No: 201101247; M/s Topden Construction Pvt. Ltd. Gelephu, CID. No.2233 Supervisory: Letho Dorji, EE, EID No. 9204021)
- c) The RO, DoR Trashigang had not directed the contractor to rectify defective works in the blacktopping of Phuyang-Thragom Gewog Connectivity Road carried out by M/s.T-Kunzom Const. Pvt. Ltd., Thimphu. There were debris on the road and the damaged drains were not rectified within the defect liability period. (AIN: 15863; OB No.: 5; Accountabilities: Direct: Namgay Wangmo, JE, EID No: 20140704510; M/s T-Kunzom Construction, Pvt. Ltd., CID. No. 3590 Supervisory: Letho Dorji, EE, EID No. 9204021)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 212.601 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 212.601 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Unjustified expenses from hospitality and entertainment budget	1.209
5.2	Inadmissible grant of advances	-
5.3	Excess payment	2.348
5.4	Improper planning of construction works	-

5.5	Outstanding advances	188.752
5.6	Inadmissible payment of price adjustment	11.227
5.7	Difference in closing stock of bitumen and emulsion	-
5.8	Non-reconciliation of outstanding advances	-
5.9	Damaged blacktopping works	1.105
5.10.	Avoidable expenditure in construction	4.068
5.11	Remittance of audit recoveries from budgetary release	1.925
5.12	Non-accountal of sales proceeds	0.179
5.13	Non-reconciliation of stocks	-
5.14	Excess payment to the transporters	1.788
Total		212.601

5.1 UNJUSTIFIED EXPENSES FROM HOSPITALITY AND ENTERTAINMENT BUDGET - NU. 1.209 MILLION

The Secretariat, MoWHS had incurred an expense of Nu. 1.209 million from the 'Hospitality and Entertainment' budget for *soelra, nyendar, khaddar* and donations/contributions which were discretionary in nature defeating the very purpose of providing annual discretionary grants to the Ministers. (AIN: 16094; OB No.: 1.1; Accountabilities: Direct: Dorji Choden, Former Minister, MoWHS, CID No. 11504002130; Supervisory: Dorji Choden, Former Minister, MoWHS, CID No. 11504002130)

5.2. INADMISSIBLE GRANT OF ADVANCES

The cases of inadmissible grant of advances include:

- a) The RO, DoR, Thimphu had sanctioned special advance of Nu. 10.245 million and inadmissible advances on fuel and works aggregating to Nu. 11.264 million to M/s Raven Builders and Company Pvt. Ltd in the blacktopping works on Khamina–Gakidling Secondary National Highway and Gakidling–Rangtse Gewog Connectivity road. The contractor was provided with the above advances in addition to the mobilization advance based upon the request of the contractor. The total advances amounted to Nu. 21.509 million. Nu. 9.898 million had been adjusted and recovered leaving a balance of outstanding advance of Nu. 11.611 million. (AIN: 16234; OB No.: 2.2; Accountabilities: Direct: Ugyen Norbu, Assistant Engineer, EID No. 201101248; M/s Raven Builders and Company Pvt. Ltd, CDB Registration No. 2356; Supervisory: Chador Gyeltshen, Executive Engineer, EID No. 9106034)
- b) The RO, DoR, Lingmethang had granted excessive advance amounting to Nu. 37.237 million to M/s Rinson Construction Co. Pvt. Ltd in the "Formation Cutting from 28.00–42.60 km on Gyelposhing–Nganglam Road Project from Nganglam side". The payment of advance accounted to 50% of the value of work which was irregular. (AIN: 16045; OB No.: 5.3.3; Accountabilities: Direct: Thinley Tenzin, Project Engineer, EID No. 9207046; M/s Rinson Construction Co. Pvt. Ltd. CDB 1965 Supervisory: Lungten Jamtsho, CE, EID No. 2101064)

5.3 EXCESS PAYMENT NU. 2.348 MILLION

The cases of excess payment include:

- a) The DES had made excess payment of Nu. 0.626 million to Joint Venture firm of M/s Hi Tech and Chimi RD Construction in the ADB funded “Thimphu Road Improvement Project” Lot-I. The excess payment occurred due to arithmetic errors and wrong recordings in Measurement Book. *(AIN: 16409; OB No.: 1.1; Accountabilities: Direct: Dendup Lhamo, Dy Executive Engineer, EID No. 20140103289; M/s Hi-Tech and Chimmi RD JV CDB No. 4840 and 5455; Supervisory: Nakphel Drukpa, Offtg. Chief Engineer EID No. 8601090)*
- b) The DES had made excess payment of Nu. 0.275 million to Joint Venture firm of M/s SL Construction and M/s Nima Construction in the ADB funded “Thimphu Road Improvement Project” Lot-II. The excess payment occurred due to short execution of road length and inadequacies in verification by site engineer. *(AIN: 16409; OB No.: 2.1; Accountabilities: Direct: Kunlay Yangdon, Dy. Executive Engineer, EID No. 201201095; M/s SL Construction (CDB No. 3966) and M/s and Nima Construction (CDB No. 1590); Supervisory: Nakphel Drukpa, Offtg. Chief Engineer EID No. 8601090)*
- c) The DES had made excess payment of Nu. 0.084 million to Joint Venture firm of M/s SL Construction and M/s Nima Construction in the ADB funded “Thimphu Road Improvement Project” Lot-II. The excess payment occurred due to short execution of drain length and inadequacies in verification by site engineer. *(AIN: 16409; OB No.: 2.2; Accountabilities: Direct: Kunlay Yangdon, Dy. Executive Engineer EID No. 201201095; M/s SL Construction (CDB No. 3966); M/s Nima Construction (CDB No. 1590); Supervisory: Nakphel Drukpa, Offtg. Chief Engineer EID No.8601090)*
- d) The DES had made excess payment of Nu. 0.755 million to Joint Venture firm of M/s T-Kunzom and M/s Noryang Pvt. Ltd. Construction in the ADB funded ‘Thimphu Road Improvement Project’ Lot-V. The excess payment occurred due to acceptance of contractor’s claim without physically measuring the work done at site in the construction of retaining wall. *(AIN: 16409; OB No.: 3.1; Accountabilities: Direct: Ngawang Tashi, Dy. Executive Engineer EID No. 201201105; M/s Kunzom Construction CDB 3590; M/s and Noryang Pvt. Ltd. CDB No. 2826; Supervisory: Nakphel Drukpa, Offtg. Chief Engineer EID No.8601090)*
- e) The RO, DoR, Lingmethang had made excess payment amounting to Nu. 0.389 million to M/s Rirab Construction in the road formation cutting stretch from KM22 till Gongrizomsa in the Gyelposhing-Nglanglam Road Project. The excess payment occurred due to error in computation of payments. *(AIN: 16045; OB No.: 3.4; Accountabilities: Direct: San Man Tamang, AE, EID No. 200902092 M/s Rirab Construction, Trashigang CDB No. 1828; Supervisory: Lungten Jamtsho, CE, EID No. 2101064)*
- f) The RO, DoR, Lingmethang had made excess payment amounting to Nu. 0.219 million to M/s Norbu Construction Pvt. Ltd. in the Providing and Laying of Base Course, Bitumen Sealing and Construction of L-drain and Cross Drainage from Chainage 20.00 – 32.46km in the Gyelposhing-Nglanglam Road Project. The excess payment occurred due to wrong recording of length of drain in the Measurement book against the actual construction at site. *(AIN: 16045; OB No.: 4.2; Accountabilities: Direct: San Man Tamang, AE, EID No. 200902092; M/s Norbu Construction Pvt. Ltd. CDB 1957; Supervisory: Karma Rinzin, CE, EID No. 8908095)*

5.4 IMPROPER PLANNING OF CONSTRUCTION WORKS

The DES had not carried out proper planning of the Hejo-Samteling Local Area Plan under the World Bank funded “Bhutan Urban Development Project – Additional Finance (AF-BUDP-II, Credit No. 5431)”. The improper planning and coordination had resulted in incomplete works as the blacktopping of the widened road was not included in the contract package. *(AIN: 16422; OB No.: 3.3; Accountabilities: Direct: Penjor Dukpa, Executive Engineer, Project Engineer, EID 2107163; M/s Tundi and Chimmi RD, JV CDB Registration No: 5455 and License No.1026944 Supervisory: Pekar Rabgay, Principal Engineer, Project Manager, EID 9009029)*

5.5 OUTSTANDING ADVANCES - NU. 188.752 MILLION

The cases of outstanding advances include:

- a) The RO, DoR, Trongsa had not adjusted outstanding advances amounting to Nu. 30.352 million against the Central Stores, DoR, Phuentsholing. The advances were released for supply of Bitumen and Emulsion but had not been adjusted indicating non-receipt of the goods. *(AIN: 15747; OB No.: 8.1; Accountabilities: Direct: Tsheten Wangchuk, Accountant Asst. IV, EID No. 9404034; Supervisory: Ugyen Dorji, Chief Engineer, EID No.: 9107094)*
- b) The RO, DoR, Lingmethang had not adjusted outstanding advances amounting to Nu. 16.440 million against various contractors in the Gyelposhing-Nganglam Road Project whose works were either completed or terminated. *(AIN: 16045; OB No.: 8; Accountabilities: Direct: Nado, Accountant, EID No. 9709042; Supervisory: Karma Rinzin, Chief Engineer, EID No. 8908095)*
- c) The RO, DoR, Phuentsholing had not recovered advances and 20% penalties on termination of contract amounting to Nu. 1.040 million from M/s Joenshing Construction in the construction of permanent works of the Drukdingkha-Metekha GC road (Package 11-6Km). The RO had not recovered 20% penalties on termination of contract due to slow progress of work and non-adjustment of advance provided to the contractor. *(AIN: 16197; OB No.: 1.11; Accountabilities: Direct: Nir Maya Chhetri, JE, EID No. 2014070400; M/s Joenshing Construction, CDB No. 5728; Supervisory: Naten Tshering, AE, EID No. 9907117)*
- d) The RO, DoR, Phuentsholing had not adjusted PW Advances amounting Nu. 8.022 million as of June 2019 against various contractors since FY 2016-17. *(AIN: 16197; OB No.: 2.2; Accountabilities: Direct: Choden, AE, EID 9401084; Nirmaya Chettri, AE, EID 2014070400; Rinchen Khandu, EID 20120100020; Supervisory: Dorji Wangdi, CE, RO, DoR, P/Ling, EID No. 8601100)*
- e) The RO, DoR, Lingmethang had not adjusted advance amounting to Nu. 132.898 million against the Central Stores, DoR, Phuentsholing. The advances released for supply of Bitumen and Emulsion were not adjusted indicating non-receipt of the goods and difference in records maintained by the RO and Central Stores. *(AIN: 16046; OB No.: 11; Accountabilities: Direct: Nado, Accountant, EID No. 9709042; Supervisory: Karma Rinzin, Chief Engineer, EID No. 8908095)*

5.6 INADMISSIBLE PAYMENT OF PRICE ADJUSTMENT - NU. 11.227 MILLION

The cases of inadmissible payment of price adjustment include:

- a) The RO, DoR, Lingmethang had made inadmissible payment of price adjustment amounting to Nu. 6.468 million to M/s Rirab Construction in the formation cutting of KM22 till Gongrizomsa in Gyelposhing-Nganglam Road Project. The inadmissible payment occurred due to application of price adjustment on works completed before the period applicable for price adjustment. *(AIN: 16045; OB No.: 3.3; Accountabilities: Direct: San Man Tamang, AE, EID No. 200902092; M/s Rirab Construction, Trashigang CDB No. 1828 Supervisory: Lungten Jamtsho, CE, EID No. 2101064)*
- b) The RO, DoR, Lingmethang had made inadmissible payment on price adjustment amounting to Nu. 0.956 million to M/s Norbu Construction Pvt. Ltd. in the Providing and Laying of Base Course, Bitumen Sealing and Construction of L-drain and Cross Drainage from Chainage 20.00-32.46 km on the Gyelposhing-Nganglam Road Project. The inadmissible payment occurred due to application of price adjustment on works completed before the period applicable for price adjustment. *(AIN: 16045; OB No.: 4.3; Accountabilities: Direct: San Man Tamang, AE, EID No. 200902092; M/s Norbu Construction Pvt. Ltd. CDB 1957; Supervisory: Karma Rinzin, CE, EID No. 8908095)*
- c) The RO, DoR, Lingmethang had made inadmissible payment of price adjustment amounting to Nu. 1.000 million to M/s Rinson Construction Co. Pvt. Ltd in the contract for 'Formation Cutting from 28.00-42.60 km on Gyelposhing-Nganglam Road Project from Nganglam side'. The excess payment occurred due to application of price adjustment on works completed before the period applicable for price adjustment. *(AIN: 16045; OB No.: 5.4; Accountabilities: Direct: Thinley Tenzin, Project Engineer, EID No. 9207046; M/s Rinson Construction Co. Pvt. Ltd., CDB 1965; Supervisory: Lungten Jamtsho, CE, EID No. 2101064)*
- d) The RO, DoR, Lingmethang had made inadmissible payment of price adjustment amounting to Nu. 2.611 million to M/s Diamond Construction Pvt. Ltd. in the 'Providing and Laying of Base Course, Bitumen Sealing, Construction of L-drain and Cross Drainage from Chainage 32.00-42.60 km on Gyelposhing-Nganglam Road from Nganglam side'. The excess payment occurred due to application of price adjustment on works completed before the period applicable for price adjustment. *(AIN: 16045; OB No.: 6.1; Accountabilities: Direct: Sonam Tenzin, EE, EID No. 200901230; M/s Diamond Construction Pvt. Ltd. (CDB No. 2403); Supervisory: Karma Rinzin, CE, EID No. 8908095)*
- e) The RO, DoR, Lingmethang had made inadmissible payment of price adjustment amounting to Nu. 0.192 million to M/s Diamond Construction Pvt. Ltd. in the 'Providing and Laying of Base Course, Bitumen Sealing, Construction of L-drain and Cross Drainage from Chainage 32.00-42.60 km on Gyelposhing-Nganglam Road from Nganglam side'. The inadmissible payment occurred due to improper verification of bills and payment of the same price adjustment in different bills. *(AIN: 16045; OB No.: 6.2; Accountabilities: Direct: Sonam Tenzin, EE, EID No. 200901230; M/s Diamond Construction Pvt. Ltd. CDB No. 2403 Supervisory: Karma Rinzin, CE, EID No. 8908095)*

5.7 DIFFERENCE IN CLOSING STOCK OF BITUMEN AND EMULSION

The RO, DoR, Trongsa had difference in closing stock of bitumen and emulsion in the records maintained as against the actual receipts and issues. The receipt and issue of bitumen and emulsion showed a closing stock of 184 drums of bitumen and 292 drums of emulsion but only seven drums of bitumen and 267 drums of Emulsion were recorded as closing stock by the Regional Office indicating lack of proper stock management and record keeping. (AIN: 15747; OB No.: 8.2; Accountabilities: Direct: Singay Dema, Technician, EID No. 20131002760; Ganga Subba, Store Assistant, EID No. 8506051 Supervisory: Ugyen Dorji, Chief Engineer, EID No.: 9107094)

5.8 NON-RECONCILIATION OF OUTSTANDING ADVANCES

The RO, DoR, Lingmethang had not reconciled the advances released to the Central Stores in Phuentsholing for the supply of Bitumen and Bitumen emulsion resulting in a difference of Nu.28.372 million in the Gyeposhing-Nganglam Road Project. (AIN: 16045; OB No.: 11; Accountabilities: Direct: Nado, Accountant, EID No. 9709042; Supervisory: Karma Rinzin, Chief Engineer, EID No. 8908095)

5.9 DAMAGED BLACKTOPPING WORKS - NU. 1.105 MILLION

The cases of damaged blacktopping works include:

- a) The RO, DoR, Phuentsholing had accepted defective works valuing Nu. 0.228 million from M/s Somson Company Pvt. Ltd. in the blacktopping works of the Tendruk-Norgaygang GC road (5.2-17.4km). The blacktopping works were damaged and riddled with potholes indicating defective execution and inadequate supervision and monitoring. (AIN: 16197; OB No.: 1.4; Accountabilities: Direct: Hem Lal Humagai, Junior Engineer, EID No. 20140704526; M/s Somson Company Pvt. Ltd, CDB No.7827 Supervisory: Tanka Bdr. Powdel, AE, EID No. 90412010)
- b) The RO, DoR, Phuentsholing had accepted defective works amounting to Nu. 0.124 million from M/s Meri construction in the blacktopping works of the Sangnagcholing GC road (4.2Km). The blacktopping works were damaged and riddled with potholes indicating defective execution and inadequacies in supervision and monitoring. (AIN: 16197; OB No.: 1.5; Accountabilities: Direct: Hari Maya Dahal, Assistant Engineer IV, EID No. 20120100018; M/s Meri construction, CDB No.3894 Supervisory: Tanka Bdr. Powdel, AE, EID No. 90412010)
- c) The RO, DoR, Phuentsholing had accepted defective works amounting to Nu. 0.753 million from M/s Jangup Construction in the blacktopping works of Halalay to Dorokha GC road (4.2Km). The blacktopping works were damaged and riddled with potholes indicating defective execution and inadequate supervision and monitoring. (AIN: 16197; OB No.1.6; Accountabilities: Direct: Choden, AE, EID No. 9401084; M/s Jangup Construction CDB No.4528; Supervisory: D.P. Subba, AE, EID No. 9207039)

5.10 AVOIDABLE EXPENDITURE IN CONSTRUCTION - NU. 4.068 MILLION

The RO, DoR, Phuentsholing, on requests of Local Government and public, had considered the road take-off point from Bangay and incurred an avoidable expenditure amounting to Nu. 4.068 million in the construction of permanent structures at Pachudara. The road had been damaged and was not pliable.

The RO had not adhered to the Geo Technical Assessment Report which clearly indicated that 'the takeoff point at Bangay was in a very fragile and unstable area, as well as the infrastructure would incur huge recurring cost for restoration and maintenance in future' and recommended an alternative road via Purbey. *(AIN: 16197; OB No.: 1.10; Accountabilities: Direct: Samten Zangmo, JE, EID No. 20140704508; Supervisory: E.N. Chhetri, AE, EID No. 8401039)*

5.11. REMITTANCE OF AUDIT RECOVERIES FROM BUDGETARY RELEASE - NU. 1.925 MILLION

The RO, DoR, Phuentsholing had inappropriately remitted the audit recoveries amounting to Nu. 1.925 million pending against M/s Gongphel Construction Pvt. Ltd. in the resurfacing works on Halhalay-Dorokha GC road from the budgetary release. The audit observation was settled by the RO without deduction of the same from the contractor's bills. *(AIN: 16197; OB No.: 2.1; Accountabilities: Direct: Sonam Tshewang, Accountant, EID No. 910023; Supervisory: Dorji Wangdi, CE, RO, DoR, P/Ling, EID No. 8601100)*

5.12. NON-ACCOUNTAL OF SALES PROCEEDS - NU. 0.179 MILLION

The RO, DoR, Phuentsholing had not accounted for Nu. 0.179 million received from sale of unserviceable drill rods from the Dophuchen-Denchuka GC road and Dopuchen-Dumtoed GC road. The sale proceeds were neither reflected in the CD account nor in the LC account. *(AIN: 16197; OB No.: 3.1; Accountabilities: Direct: Sonam Tshewang, Accountant, EID No. 910023; Supervisory: Dorji Wangdi, CE, RO, DoR, P/Ling, EID No. 8601100)*

5.13. NON-RECONCILIATION OF STOCKS

The Central Stores, DoR, Phuentsholing had not reconciled the stock balance of Bitumen VG-10 and Bitumen emulsion resulting in huge differences in the available stock and records. The difference showed that proper reconciliation, stock keeping and recording was not carried out. *(AIN: 15668; OB No.: 3; Accountabilities: Direct: Dorji Wangchuk, Store Keeper, EID No. 9101121; Supervisory: Sonam Tashi, Estate Manager, EID No. 99071654)*

5.14. EXCESS PAYMENT TO THE TRANSPORTERS - NU. 1.788 MILLION

The Central Stores, DoR, Phuentsholing had incurred excess payments amounting to Nu. 1.788 million to the transporters due to unloading of consignments in destinations other than Regional Stores/specific destinations. During the three FYs 2014-15, 2015-16 and 2016-17, consignments such as bitumen, bridge parts and hume pipes dispatched from Central Store to various Regional Offices' Stores were unloaded at the site where actual works were being carried out.

However, payment for the transporters were made at the rate for the designated Regional Office Stores. Moreover, in few cases, the distances covered were found more than the RSTA prescribed distance. (AIN: 15668; OB No.: 5; Accountabilities: Direct: Sonam Tashi, Estate Manager, EID No. 99071654; Dorji Wangchuk, Store Keeper, EID No. 9101112 and Rinzin, Store Keeper, EID No. 9910021; Supervisory: Dorji Wangdi, Chief Engineer, EID No. 8601100, Tandin Zangmo, Sr. Adm. Asstt, EID No. 2109021)

3.2. DZONGKHAGS ADMINISTRATION

During the year, 16 Dzongkhags Administration had unresolved irregularities amounting to Nu. 233.395 million as follows:

3.2.1. DZONGKHAG ADMINISTRATION, BUMTHANG

During the year, the RAA had issued one audit report of the Dzongkhag Administration, Bumthang. There were 71 observations amounting to Nu. 36.530 million which were not resolved as of 31 January 2020 and Nu. 33.564 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 2.966 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
5	Shortfalls, lapses and deficiencies	2.966
	Total	2.966

4. NON-COMPLIANCE TO LAWS AND RULES

The cases of non-compliance to laws and rules are as summarised below:

4.1 ACCEPTANCE/NON RECTIFICATION OF DEFECTIVE/SUBSTANDARD WORKS

- a) The Dzongkhag Administration, Bumthang had accepted substandard works of providing and laying of coloured Tri-hex interlocking paver blocks valuing Nu. 0.378 million in the Construction and Improvement work of Bathpalathang Road awarded to M/s Tshoki Construction. It was noted that there was no proper bonding of joints of the tiles and in most of the stretches, the tiles were laid unevenly resulting in gaps and undulations. (AIN: 16319; OB No.: 4.4(b); Accountabilities: Direct: Tharchen, Dy. EE, EID No. 9707053; M/s Tshoki Construction, Thimphu, CDB No. 2469; Supervisory: Yeshey Dorji, DE, EID No. 9307017)
- b) The Dzongkhag Administration, Bumthang had notified to the contractor to rectify/re-do certain defective/incomplete items of works in the construction of Dzongkhag Yargay Tshogdu Hall awarded to M/s Yarphel Builders, Zhemgang. However, the rectification works like re-plastering of plinth and drain, cleaning of toilet tiles, and filling up of gap in ceilings were not completed as notified hindering timely use of the structure. (AIN: 16319; OB No.: 5;

Accountabilities: Direct: Pema Letho, AE, EID No. 20150105051; M/s Yarphel Builders, Zhemgang, CDB 7963; Supervisory: Yeshey Dorji, DE, EID No. 9307017)

- c) The Dzongkhag Administration, Bumthang had accepted substandard works of box drain valuing Nu. 0.170 million in the construction of Chamkhar–Dekiling Urban Road awarded to M/s Bikay Construction, Wangdue. The whole stretch of 143 meter of drain were found in deteriorated conditions. *(AIN: 16319; OB No.: 7.2.1; Accountabilities: Direct: Pema Letho, AE, EID No. 20150105051; Supervisory: Yeshey Dorji, DE, EID No. 9307017)*
- d) The Dzongkhag Administration, Bumthang had accepted defective marble chips flooring works in the construction of Multipurpose Hall at Gangrithang PS awarded to M/s Sangay Thinley Construction, Bumthang. The contractor had not provided proper grinding and fine finishing of the marble chips flooring work. *(AIN: 16319; OB No.: 12.5; Accountabilities: Direct: Tharchen, Dy. EE (EID No. 9707053); M/s Sangay Thinley Construction, Bumthang (CDB No. 1432); Supervisory: Yeshey Dorji, DE, EID No. 9307017)*
- e) The Dzongkhag Administration, Bumthang had accepted defective works in the construction of 64-Bedded Boys Hostel at Ura CS awarded to M/s Wangda Norzang Construction, Bumthang. Cracks have developed on the walls mostly along the vertical and horizontal wall-column junctions and at window sill. *(AIN: 16319; OB No.:13.4.1; Accountabilities: Direct: Tashi Dema, AE, EID No. 201101208; M/s Wangda Norzang Construction, Bumthang, CDB No. 3385; Supervisory: Yeshey Dorji, DE, EID No. 9307017)*
- f) The Dzongkhag Administration, Bumthang had accepted the defective works in the construction of 64-Bedded Girls Hostel at Ura CS awarded to M/s Saram Construction, Bumthang. Cracks have developed on the walls of the ground floor and marble chips and finishing of the floor were not executed properly. *(AIN: 16319; OB No.:14.2 and 14.3; Accountabilities: Direct: Tashi Dema, AE, EID No. 201101208; M/s Saram Construction, Bumthang, CDB No. 3368; Supervisory: Yeshey Dorji, DE, EID No. 9307017)*
- g) The Dzongkhag Administration, Bumthang had accepted defective works in the Construction of Four Unit Staff Quarter at Ura CS awarded to M/s Sangay Thinley Construction, Bumthang. Major cracks were noted along the RCC plinth protection works. *(AIN: 16319; OB No.:15.2.1; Accountabilities: Direct: Tashi Dema, AE, EID No. 201101208; M/s Sangay Thinley Construction, Bumthang, CDB No. 1432; Supervisory: Yeshey Dorji, DE, EID No. 9307017)*
- h) The Dzongkhag Administration, Bumthang had accepted the defective works in the construction of a Laboratory at Ura CS awarded to M/s Sonam T Construction, Bumthang. Cracks were noted on the walls of the ground floor. Further, the contractor had not executed the marble chips flooring properly. *(AIN: 16319; OB No.:16.6.2 and 16.6.3; Accountabilities: Direct: Tashi Dema, AE, EID No. 201101208; M/s Sonam T. Construction, Bumthang, CDB No. 4197; Supervisory: Yeshey Dorji, DE, EID No. 9307017)*

5. SHORTFALLS, LAPSES AND DEFICIENCIES - NU. 2.966 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 2.966 million are as summarised below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Short/non deduction of rent	0.113
5.2	Excess/over payment	2.450
5.3	Double payment	0.136
5.4	Outstanding lease rent	0.267
	Total	2.966

5.1 SHORT/NON-DEDUCTION OF HOUSE RENT – NU. 0.113 MILLION

The Dzongkhag Administration, Bumthang had made short-deduction of monthly house rents from the occupants of Government quarters to the tune of Nu. 0.113 million as at 31 December 2018. The lapses had occurred due to non-revision of house rent as notified by the Ministry of Finance vide MoF/DNB/Rules/2018-19/299 dated 23 November 2018. Further, the deduction could not be applied as carpet area was not measured and recorded. (AIN: 16319; OB No.:3; Accountabilities: Leki Dorji, Teacher, EID: 200208010; Phurpa Namgyel, Teacher, EID: 8604136; Jambay Dorji, Teacher, EID: 9207019; Kelzang Penjor, Teacher, EID: 200401255; Yeshi Samdrup, Teacher, EID: 8203006; Rinchen, Teacher, EID: 8603064; Pema Jamtsho, Teacher, EID: 200901548; Sonam Jamtsho, Teacher, EID: 201109055; Supervisory: Tshering Penjor, AAO EID No. 200507266)

5.2 EXCESS/DOUBLE PAYMENTS – NU. 2.450 MILLION

- a) The Dzongkhag Administration, Bumthang had made excess payment of Nu. 0.296 million to M/s Tshoki Construction, Thimphu in the construction of Retaining wall under Construction and Improvement of Bathpalathang Road. The excess payment had occurred due to wrong computation of width of the retaining wall. (AIN: 16319; OB No.:4.1; Accountabilities: Direct: Tharchen, Dy. EE, EID No. 9707053, M/s Tshoki Construction, Thimphu, CDB No. 2469; Supervisory: Yeshey Dorji, DE, EID No. 9307017)
- b) The Dzongkhag Administration, Bumthang had made excess payment of Nu. 0.068 million to M/s J.M Builders Pvt. Ltd., Thimphu in the Construction of Wangdicholing – Jakar Lhakhang (1.2 km) Urban Road. The excess payment had occurred due to wrong computation of total quantity for PCC works along the footpath. (AIN: 16319; OB No.:8; Accountabilities: Direct: Pema Letho, AE, EID No. 20150105051; M/s J.M Builders Pvt. Ltd., Thimphu, CDB No. 7494; Supervisory: Yeshey Dorji, DE, EID No. 9307017)
- c) The Dzongkhag Administration, Bumthang had made excess payment of Nu. 0.271 million to M/s Wangda Norzang Construction, Bumthang in the Construction of BHU and Kitchen cum Store at Tang Gewog. The excess payment had occurred due to acceptance of excess height of the RRM works while passing the contractor's claim as against the height stipulated in the drawings without the prior approval of the competent authorities for such deviations. (AIN: 16319; OB No.:9.1.1; Accountabilities: Direct: Pema Letho, AE, EID No. 20150105051; M/s

Wangda Norzang Construction, Bumthang, CDB No. 3385; Supervisory: Yeshey Dorji, DE, EID No. 9307017)

- d) The Dzongkhag Administration, Bumthang had made excess payment of Nu. 0.106 million to M/s J.M Builders Pvt. Ltd., Thimphu in the Construction of BHU and Kitchen cum Store at Tang Gewog. The excess payment had occurred due to acceptance of higher dimensions of the CRM works in the superstructure and half bricks partition walls. *(AIN: 16319; OB No.:9.1.2; Accountabilities: Direct: Pema Letho, AE, EID No. 20150105051; M/s J.M Builders Pvt. Ltd., Thimphu CDB No. 7494; Supervisory: Yeshey Dorji, DE, EID No. 9307017)*
- e) The Dzongkhag Administration, Bumthang had made excess payment of Nu. 0.090 million to M/s Wangda Norzang Construction, Bumthang in the Construction of BHU and Kitchen cum Store at Tang Gewog. The excess payments had occurred due to non-deduction of beams and short deduction of areas occupied by windows from the CRM walls and short/non-deduction of beams from the brick works. *(AIN: 16319; OB No.:9.2; Accountabilities: Direct: Pema Letho, AE, EID No. 20150105051; M/s Wangda Norzang Construction, Bumthang, CDB No. 3385; Supervisory: Yeshey Dorji, DE, EID No. 9307017)*
- f) The Dzongkhag Administration, Bumthang had made excess payment of Nu. 0.249 million to M/s Sangay Thinley Construction, Bumthang in the Construction of Four-unit classroom at Wangduechoeling LSS. The excess payments had occurred due to acceptance of higher dimensions of the RCC and RRM works in the foundation as against the dimensions stipulated in the drawings without the prior approval of the competent authorities for such deviations. *(AIN: 16319; OB No.:10.1; Accountabilities: Direct: Pema Letho, AE, EID No. 20150105051; M/s Sangay Thinley Construction, Bumthang; Supervisory: Yeshey Dorji, DE, EID No. 9307017)*
- g) The Dzongkhag Administration, Bumthang had made excess payment of Nu. 0.168 million to M/s Sonam T. Construction, Bumthang in the construction of Nangar-Pharbee RCC Bridge. The payments for two items of works were made at higher rates than quoted rates. *(AIN: 16319; OB No.:11.2; Accountabilities: Direct: Dawa Dema, AE, EID No. 20120100130; M/s Sonam T. Construction, Bumthang, CDB # 4197; Supervisory: Yeshey Dorji, DE, EID No. 9307017)*
- h) The Dzongkhag Administration, Bumthang had made excess payment of Nu. 0.475 million to M/s Sonam T. Construction, Bumthang for RCC works in the construction of Nangar-Pharbee RCC Bridge. The excess payment had occurred due to difference in the quantities of RCC works paid for and actually executed at site. *(AIN 16319; OB No.:11.3; Accountabilities: Direct: Dawa Dema, AE, EID No. 20120100130; M/s Sonam T. Construction, Bumthang, CDB No. 4198; Supervisory: Yeshey Dorji, DE, EID No. 9307017)*
- i) The Dzongkhag Administration, Bumthang had made excess payment of Nu. 0.350 million to M/s Sonam T. Construction, Bumthang for RRM wing walls in the construction of Nangar-Pharbee RCC Bridge due to difference in the quantities paid for and quantities actually executed at site. *(AIN 16319; OB No.:11.4; Accountabilities: Direct: Dawa Dema, AE (EID No.*

20120100130); M/s Sonam T. Construction, Bumthang (CDB No. 4197); Supervisory: Yeshey Dorji, DE, EID No. 9307017)

- j) The Dzongkhag Administration, Bumthang had made excess payment of Nu. 0.105 million to M/s Wangda Norzang Construction, Bumthang in the Construction of 64-Bedded Girls Hostel at Ura CS. The excess payments had occurred due to non-deduction of RCC columns and Beams from CRM works. (AIN: 16319; OB No.:14.1; Accountabilities: Direct: Tashi Dema, AE, EID No. 201101208; M/s Wangda Norzang Construction, Bumthang CDB No. 3385; Supervisory: Yeshey Dorji, DE, EID No. 9307017)
- k) The Dzongkhag Administration, Bumthang had made excess payment of Nu. 0.064 million to M/s Wangda Norzang Construction, Bumthang in the Construction of Laboratory at Ura CS. The excess payments had occurred due to non-deduction of RCC works for CRM walls. (AIN: 16319; OB No.:16.3.1; Accountabilities: Direct: Tashi Dema, AE, EID No. 201101208; M/s Wangda Norzang Construction, Bumthang CDB No. 3385; Supervisory: Yeshey Dorji, DE, EID No. 9307017)
- l) The Dzongkhag Administration, Bumthang had made excess payment of Nu. 0.059 million to M/s Ngawang Construction, Trashigang in the Construction of MCH at Wangdicholing Hospital. The excess payments had occurred due to non-deduction of lintel beams from the CRM and bricks walls in the superstructure. (AIN: 16319; OB No.:17.1; Accountabilities: Direct: Tshering Lham, AE, EID No. 200707081; M/s Ngawang Construction, Trashigang, CDB No. 2307; Supervisory: Yeshey Dorji, DE, EID No. 9307017)
- m) The Dzongkhag Administration, Bumthang had made excess payment of Nu. 0.096 million to M/s Yeerang Construction, Bumthang in the construction of Log Cabin at Chari. The excess payments had occurred due to acceptance of higher rates instead of quoted rates for roofing and painting works. (AIN: 16319; OB No.:20; Accountabilities: Direct: Tharchen, Dy. EE, EID No. 9707053; M/s Yeerang Construction, Bumthang, CDB No. 3902; Supervisory: Yeshey Dorji, DE, EID No. 9307017)
- n) The Dzongkhag Administration, Bumthang had made excess payment of Nu. 0.053 million to M/s Tag Druel Construction in the Construction of Internal Road at Gaytsha LSSfor V-shaped drains. The excess payments had occurred due to payment for 241 metres length as against actual execution of 174.20 metres at site. (AIN: 16319; OB No.:24.1; Accountabilities: Direct: Dawa Dema, AE, EID No. 20120100130; M/s Tag Druel Construction, CDB No. 7966; Supervisory: Yeshey Dorji, DE, EID No. 9307017)

5.3 DOUBLE PAYMENT FOR TIMBER CEILING WORKS – NU 0.136 MILLION

The Dzongkhag Administration, Bumthang had made double payments amounting to Nu. 0.136 million to M/s Wangda Norzang Construction, Bumthang in the Construction of Laboratory at Ura CS against the timber ceiling works due to repetition of same item of works under item No. 15 and 47 in BoQ compounded by failure of the Site Engineer to exercise due diligence. (AIN: 16319; OB No.:16.2; Accountabilities: Direct: Tashi Dema, AE, EID No. 201101208; M/s Wangda Norzang Construction, Bumthang CDB No. 3385; Supervisory: Yeshey Dorji, DE, EID No. 9307017)

5.4. OUTSTANDING LAND LEASE - NU. 0.267 MILLION

The Dzongkhag Administration, Bumthang had overdue outstanding land lease rents amounting to Nu. 0.267 million against 15 lessees pertaining to the year 2017 and 2018. (AIN: 16319; OB no.: 27; Accountabilities: Direct: Tshewang Penjor, Municipal Engineer, EID No. 2108076; Supervisory: Tandin Dorji, Dzongrab, EID No.8602013)

3.2.2. DZONGKHAG ADMINISTRATION, CHHUKHA

During the year, the RAA had issued two audit reports of Dzongkhag Administration Chhukha and its Drungkhag. There were 51 observations amounting to Nu. 5.309 million of which Nu. 1.742 million were resolved as of 31 January 2020 and Nu. 0.306 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 3.261 million as summarised below:

Category Code	Category Description	Nu. in million
3	Mismanagement	1.358
4	Non-compliance to laws and rules	0.360
5	Shortfalls, lapses and deficiencies	1.543
	Total	3.261

3. MISMANAGEMENT – NU. 1.358 MILLION

The cases of mismanagement involving Nu. 1.358 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
3.1	Adjustment of advances without supporting documents	0.255
3.2	Short-deposit of Security Deposit	1.103
	Total	1.358

3.1 ADJUSTMENT OF ADVANCES WITHOUT SUPPORTING DOCUMENTS – NU. 0.255 MILLION

The Dzongkhag Administration, Chhukha had adjusted Nu. 0.255 million pertaining to *Moenlam Chhenmo* Accounts without supporting documents. The adjustments were made on account of expenses incurred for conduct of *Moenlam Chhenmo* Activities. (AIN 16019; OB No.:30.3; Accountabilities: Direct: Tshering Nidup, DT Chairperson, CID No. 10203002306; Supervisory: Ugyen Chada, Cultural Officer, EID No. 200905024)

3.2 SHORT-DEPOSIT OF SECURITY DEPOSITS – NU. 1.103 MILLION

The Drungkhag Administration, Phuentsholing had a case of short-deposit of security deposits recovered/deducted from the contractors amounting to Nu. 1.103 million into the Refundable Deposit Account as at 30 June 2018. (AIN: 16086; OB No.:8; Accountabilities: Direct: Yashoda Phuyel, Accountant, EID No. 200507269; Supervisory: Karma Rinchen, Drungpa, EID No. 9308053)

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 0.360 MILLION

The cases of non-compliance to laws and rules involving Nu. 0.360 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Defective/Sub-standard works	-
4.2	Payment of Refundable Deposits without obtaining releases	0.360
	Total	0.360

4.1 DEFECTIVE/SUB-STANDARD WORKS

- a) The Dzongkhag Administration, Chhukha had accepted defective work in the Construction of Metakha-Panju Farm Road executed by M/s Galaxy Builder Pvt. Ltd., Phuentsholing. The road was found damaged at several locations. *(AIN: 16019; OB No.:5.2; Accountabilities: Direct: Basan Kumar Rai, Asstt. Engineer, EID No. 20131003017; M/s Galaxy Builder Pvt. Ltd., Phuentsholing, CDB No. 5126; Supervisory: Tshering Chopel, DE (EID No. 808013)*
- b) The Dzongkhag Administration, Chhukha had accepted defective work in the Construction of Dugna-Mondokha Farm Road executed by M/s Galaxy Builder Pvt. Ltd., Phuentsholing. It was noted that at certain stretches the required width of 5.1m for farm road and gradient near Choelumchhu cliff were not maintained. *(AIN: 16019; OB No.:6; Accountabilities: Direct: Kezang Tobgay, Engineer, EID No. 20150105064; M/s Galaxy Builder Pvt. Ltd., Phuentsholing, CDB No. 5126; Supervisory: Tshering Chopel, DE, EID No. 808013)*
- c) The Dzongkhag Administration, Chhukha had accepted defective work in the Construction of Khamjo-Babana Farm Road executed by M/s Peldhang Construction Pvt. Ltd., Chukha. It was noted that at certain stretches the required width of 5.1m for farm road was not maintained. At some locations, turnings were very narrow and the road width was obtained by filling earth over fallen trees. Further, the contractor had not constructed 'passing zones' per kilometer in three instances as required under the BoQ and contract agreement. *(AIN: 16019; OB No.:8; Accountabilities: Direct: Kezang Tobgay, Engineer, EID No. 20150105064; M/s Peldhang Construction Pvt. Ltd., Chukha, CDB No. 3163; Supervisory: Tshering Chopel, DE, EID No. 808013)*
- d) The Dzongkhag Administration, Chhukha had accepted defective work in the Construction of Singor/Shomchee to Chazhi and Papaling Farm Road executed by M/s Nor-Zang Construction Pvt. Ltd., Thimphu. It was noted that at certain stretches the required width of 5.1m of the farm road was not maintained. At some locations, turnings were very narrow and the road width was obtained by filling earth over fallen trees. Further, the contractor had not constructed 'passing zones' per kilometer in three instances as required under the BoQ and contract agreement. *(AIN: 16019; OB No.: 9; Accountabilities: Direct: Kezang Tobgay, Engineer, EID No. 20150105064; M/s Nor-Zang Construction Pvt. Ltd., Thimphu, CDB No. 7906; Supervisory: Tshering Chopel, DE, EID No. 808013)*
- e) The Dzongkhag Administration, Chhukha had accepted defective works in the construction of drain near Chhukha Dzong Gate at the cost of Nu. 0.519 million executed by M/s Jabtsho

Construction, Chhukha. Major cracks in providing and laying RCC works were noted indicating inadequate monitoring and supervision during execution. (AIN: 16019; OB No.:22.2; Accountabilities: Direct: Damchoe Dorji, Engineer, EID No. 201101228; M/s Jabtsho Construction, Chhukha, CDB No. 3707; Supervisory: Tshering Chopel, DE, EID No. 808013)

- f) The Dzongkhag Administration, Chhukha had not directed the contractor to rectify the defects noted in the construction of Public Toilet attached to Tshechu Gallery at the cost of Nu. 0.732 million. Major cracks were noted in the RRM wall and PCC works indicating execution of substandard work. (AIN: 16019; OB No.:23; Accountabilities: Direct: Damchoe Dorji, Engineer, EID No. 201101228; M/s DOR-G, Builders, CDB No. 6121; Supervisory: Tshering Chopel, DE, EID No. 808013)

4.2 PAYMENT OF REFUNDABLE DEPOSIT WITHOUT OBTAINING RELEASE – NU. 0.360 MILLION

The Drungkhag Administration, Phuentsholing had refunded Nu. 0.360 million to the contractors from the budgetary releases instead of obtaining equivalent Refundable Release from Department of Public Accounts. (AIN: 16086; OB No.:9; Accountabilities: Direct: Yashoda Phuyel, Accountant, EID No. 200507269; Supervisory: Karma Rinchen, Drungpa, EID No. 9308053)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 1.543 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 1.543 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Excess/Double Payments	1.226
5.2	Outstanding Advances	0.317
	Total	1.543

5.1 EXCESS/DOUBLE PAYMENTS – NU. 1.226 MILLION

- a) The Dzongkhag Administration, Chhukha had made excess payment of Nu. 0.327 million to M/s Doljang Construction, Paro for RCC works in the construction of Market Shed at Tsimalakha. The excess payments had occurred due to difference in quantities claimed by the contractor and actual quantities executed at site. (AIN: 16019; OB No.:2; Accountabilities: Direct: Damchoe Dorji, Engineer, EID No. 201101228; M/s Doljang Construction, Paro, CDB No. 7350; Supervisory: Tshering Chopel, DE, EID No. 808013)
- b) The Dzongkhag Administration, Chhukha had made double payment of Nu. 0.107 million to M/s Damche Construction, Chhukha in the construction of Sedimentation and Filtration tank at Tsimakha by resorting to double entry of TMT items in the Measurement Book. (AIN: 16019; OB No.:3.2; Accountabilities: Direct: Damchoe Dorji, Engineer, EID No. 201101228; M/s Damche Construction, Chhukha, CDB No. 1403; Supervisory: Tshering Chopel, DE, EID No. 808013)

- c) The Dzongkhag Administration, Chhukha had made excess payment of Nu. 0.131 million to M/s DE DE Construction, Chhukha in the construction of Gabion wall, drains, Hume pipes and wall along approach road to *Moelam Chhenmo* hall at Gedu. The excess payments had occurred due to computation error and non-deduction of Running Account bills. (AIN: 16019; OB No.:4; Accountabilities: Direct: Tanka Nath Mishra, Accountant, EID No. 200808006; M/s DE DE Construction, Chhukha, CDB No. 8071; Supervisory: Tshering Chopel, DE, EID No. 808013)
- d) The Dzongkhag Administration, Chhukha had made excess payment of Nu. 0.230 million to M/s Jamtsho Construction, Chhukha in the construction of Pavilion for *Moelam Chhenmo* at Gedu. The excess payments had occurred due to difference in the quantities claimed by the contractor and actual quantities executed at site. (AIN: 16019; OB No.:11; Accountabilities: Direct: Sangay Dorji, Engineer, EID No. 20160106537; M/s Jamtsho Construction, Chhukha, CDB No. 2467; Supervisory: Tshering Chopel, DE, EID No. 808013)
- e) The Dzongkhag Administration, Chhukha had made excess payment of Nu. 0.141 million to M/s Tshering Construction, Chhukha in the construction of Tshechu Gallery at Tshimasham. The excess payments had occurred due to difference in the quantities claimed by the contractor and actual quantities executed at site. (AIN: 16019; OB No.:12; Accountabilities: Direct: Damchoe Dorji, Engineer, EID No. 201101228; M/s Tshering Construction, Chhukha, CDB No. 1542; Supervisory: Tshering Chopel, DE, EID No. 808013)
- f) The Drungkhag Administration, Phuentsholing had made excess payment of Nu. 0. 290 million to M/s Jangcholing Construction, Lhuntse in the Improvement of approach road, ground development and water supply works at Khateykha PS under Lokchina Gewog. The excess payment had occurred due to booking of expenditure before the actual completion of the work. Further, the Drungkhag Administration had not recovered liable maximum liquidated damages (10%) of Nu. 0.103 million. (AIN: 16086; OB No.:2; Accountabilities: Direct: Basant Kr. Rai, Engineer, EID No. 2013100301; M/s Jangcholing Construction, Lhuntse, CDB No. 7514; Supervisory: Tshering Chopel, DE, EID No. 8808013)

5.8 OUTSTANDING ADVANCES – NU. 0.317 MILLION

- a) The Dzongkhag Administration, Chhukha had outstanding advances pertaining to *Moelam Chhenmo* Accounts amounting to Nu. 0.165 million against individuals. The advances were released in between 2012-2016 for conduct of *Moelam Chhenmo* activities. (AIN: 16019; OB No.:30.2; Accountabilities: Direct: Tshering Nidup, Thrizin, CID No. 10203002306; Supervisory: Ugyen Chada, Cultural Officer, EID No. 200905024)
- b) The Drungkhag Administration, Phuentsholing had outstanding Public Works Advances amounting to Nu. 0.152 million as on 30 June 2018 lying unadjusted against the Accountant. (AIN: 16086; OB No.: 3; Accountabilities: Direct: Chhimi Dorji, Accountant, EID No. 9206009; Supervisory: Karma Rinchen, Drungpa, EID No. 9308053)

3.2.3. DZONGKHAG ADMINISTRATION, DAGANA

During the year, the RAA had issued two audit reports of the Dzongkhag Administration Dagana and its Drungkhag. One report was issued with 'Qualified' opinion. There were 34 observations amounting to Nu. 66.896 million of which Nu. 6.132 million were resolved as of 31 January 2020 and Nu. 19.768 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 40.996 million as summarised below:

Category Code	Category Description	Nu. in million
3	Mismanagement	2.425
4	Non-compliance to laws and rules	4.911
5	Shortfalls, lapses and deficiencies	33.660
	Total	40.996

3. MISMANAGEMENT – NU. 2.425 MILLION

The case of mismanagement involving Nu. 2.425 million is as indicated below:

3.1 NON-SURRENDER OF CLOSED WORK ACCOUNT BALANCE – NU. 2.425 MILLION

The Dzongkhag Administration, Dagana had retained Nu. 9.372 million under Closed Works Account for 11 construction activities during the FY 2016-17. However, the unspent closed works account balance from above activities amounting to Nu. 2.425 million were not surrendered to the Department of Public Accounts despite settling the closed works account in subsequent year i.e. 2017-18 in contravention to FRR 2016. *(AIN: 15730; OB No.: 2.2; Accountabilities: Direct: Norbu Tsheringt, AFO, EID No. 20170107803; Supervisory: Karma Dorji, Sr. Dzongrab, EID No. 2010015)*

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 4.911 MILLION

The cases of non-compliance to laws and rules involving Nu. 4.911 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Payment of refundable deposits without obtaining releases	0.551
4.2	Inadmissible payment of advances	-
4.3	Payment before actual completion of works	-
4.4	Non-Renewal of Bank Guarantee	0.759
4.5	Non-Renewal of Performance Securities	2.040
4.6	Irregular waive-off of liquidated damages	1.137
4.7	Short-deduction of liquidated damages.	0.424
	Total	4.911

4.1 PAYMENT OF REFUNDABLE DEPOSITS WITHOUT OBTAINING RELEASES – NU. 0.551 MILLION

The Dzongkhag Administration, Dagana had refunded Nu. 0.551 million during FY 2016-17 to contractors from the budgetary releases instead of obtaining equivalent Refundable Release from Department of Public Accounts. (AIN: 15730; OB No.: 4.1(Part-IV); Accountabilities: Direct: Norbu Tshering, AFO, EID No. 20170107803; Supervisory: Karma Dorji, Sr. Dzongrab, EID No. 2010015)

4.2 INADMISSIBLE PAYMENT OF ADVANCES

The Dzongkhag Administration, Dagana had released inadmissible advance of Nu. 4.700 million to M/s Zangchog Construction in the construction of permanent structures along Gumla to Kalizingkha Farm Road besides 10% mobilization advance and material secured advance. The Dzongkhag had released the advance against the 2nd RA Bill on 07 April 2017 based on the appeal of the contractor. On the contrary, the 2nd RA Bill was found disbursed on 18 January 2017, prior to the advance payment. (AIN: 16425; OB No.: 3.1; Accountabilities: Direct: Karma Dorji, Dzongrab, EID No. 2010015; Norbu Tshering, AAO, EID No. 20170107803; M/s Zangchog Construction, CDB No. 1032811; Supervisory: Karma Dorji, Dzongrab, EID 2010015; Norbu Tshering, AAO, EID No. 20170107803)

4.3 PAYMENT BEFORE ACTUAL COMPLETION OF WORKS

The Dzongkhag Administration, Dagana had released full payment amounting to Nu. 7.033 million to M/s Zangchog Construction before actual completion of construction of permanent structures along Gumla to Kalizingkha Farm Road in contravention to the financial norms. (AIN: 16425; OB No.: 3.2; Accountabilities: Direct: Ngawang Dorji, Asst. Engineer, EID No. 20120100116; Sangay Pelmo, Asst. Engineer, EID 20130101891; M/s Zangchog Construction, CDB No. 1032811; Supervisory: Jamyang Dorji, DE, EID No. 9207043)

4.4 NON-RENEWAL OF BANK GUARANTEE - NU. 0.759 MILLION

The Dzongkhag Administration, Dagana had not directed M/s Zangchog Construction to renew the expired Bank Guarantee (BG) pertaining to release of 10% retention monies deducted from the 1st and 2nd Running Account Bills valuing Nu. 0.759 million in the construction of permanent structures along Gumla to Kalizingkha Farm Road. (AIN: 16425; OB No.: 3.3; Accountabilities: Direct: Ngawang Dorji, Asst. Engineer, EID No. 20120100116; Sangay Pelmo, Asst. Engineer, EID No. 20130101891; Bir Bdr. Tamang, Account Asst. EID No. 20141104866; M/s Zangchog Construction, CDB No. 1032811; Supervisory: Jamyang Dorji, DE, EID No. 9207043)

4.5 NON-RENEWAL OF PERFORMANCE SECURITY – NU. 2.040 MILLION

The Dzongkhag Administration, Dagana had not directed M/s Zangchog Construction to renew the expired Performance Security valuing Nu. 2.040 million in the construction of permanent structures along Gumla to Kalizingkha Farm Road. (AIN: 16425; OB No.: 3.5; Accountabilities: Direct: Ngawang Dorji, Asst. Engineer, EID No. 20120100116; Sangay Pelmo, Asst. Engineer, EID No. 20130101891; M/s Zangchog Construction, CDB No. 1032811; Supervisory: Jamyang Dorji, DE, EID No. 9207043)

4.6 IRREGULAR WAIVE-OFF OF LIQUIDATED DAMAGES – NU. 1.137 MILLION

The Dzongkhag Administration, Dagana, had waived off 50% liquidated damages amounting to Nu. 1.137 million of M/s Zangchog Construction in the construction of permanent structures along Gumla to Kalizingkha Farm Road in violation to the provisions of the Standard Bidding Documents. The grounds for the waive-off did not constitute *force majeure* as per the Standard Bidding Document. (AIN: 16425; OB No.: 3.6; Accountabilities: Direct: Jamyang Dorji, DE, EID No. 9207043; Passang Tshering, DAO, EID No. 200901184; Bishnu Bhakta, PO, EID No. 20170107820; Norbu Tshering, AAO, EID No. 20170107803; Karma Dorji, Dzongrab, EID No. 2010015; Phintsho Choeden, Dzongdag, EID No. 8410005; M/s Zangchog Construction, CDB No. 1032811; Supervisory: Phintsho Choeden, Dzongdag, EID No. 8410005)

4.7 SHORT-DEDUCTION OF LIQUIDATED DAMAGES - NU. 0.424 MILLION

The Dzongkhag Administration, Dagana had short-deducted the liquidated damages of Nu. 0.424 million from M/s Dhoenyoe Khorlo Construction in the construction of Thangna-Pangna Irrigation Channel. The maximum liquidated damages of 10% were not levied on the final contract price although the number of days delayed had exceeded 100 days. (AIN: 16425; OB No.: 5.2; Accountabilities: Direct: Tashi Tobgay, AE, EID No. 20140103475; M/s Dhoenyoe Khorlo Construction, CDB No. 1034581; Supervisory: Jamyang Dorji, DE, EID No. 9207043)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 33.660 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 33.660 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Excess payments	0.925
5.2	Outstanding advances	18.933
5.3	Non-liquidation of advances	0.427
5.4	Short-deduction of 10% retention money.	0.105
5.5	Non-adjustment of cement and fuel cost	0.228
5.6	Wasteful expenditure on irrigation channel	13.042
	Total	33.660

5.1 EXCESS PAYMENTS - NU. 0.925 MILLION

- a) The Dzongkhag Administration, Dagana had made excess payment amounting to Nu. 0.131 million to M/s Thilam Construction in the construction of RCC Gate and Retaining Wall at *Moenlam Chhenmo* Hall. The excess payments had occurred due to difference in quantities claimed by the contractor and actual quantities executed at site. (AIN: 15730; OB No.:1.1 (Part -I); Accountabilities: Direct: Sangay Pem, Asst. Engineer, EID No. 20130101891; M/s Thilam Construction, Thimphu, CDB No. 3216; Supervisory: Jamyang Dorji, DE, EID No. 9207044)
- b) The Dzongkhag Administration, Dagana had made excess payment of Nu. 0.794 million to M/s Dhoenyoe Khorlo Construction in the construction of Thangna-Pangna Irrigation Channel due to difference in quantities claimed by the contractor and actual quantities

executed at site. The case has been forwarded to Royal Court of Justice, Dagana. (AIN: 16425; OB No.:5.1; Accountabilities: Direct: Tashi Tobgay, AE, EID No. 20140103475; M/s Dhoenyoe Khorlo Construction, CDB No. 1034581; Supervisory: Jamyang Dorji, DE, EID No. 9207043)

5.2 OUTSTANDING ADVANCES – NU. 18.933 MILLION

The Dzongkhag Administration, Dagana had not adjusted outstanding Public Works Advances amounting to Nu. 18.933 million against various contractors, parties and individuals as on 30 June 2017. (AIN: 15730; OB No.:2.3 (Part-II); Accountabilities: Direct: (Refer list in the Audit Report); Supervisory: Karma Dorji, Sr. Dzongrab, EID No. 2010015, Norbu Tshering, AFO, EID No. 20170107803, Passang Tshering, DAO, EID No. 200901184, Pema Wangchuk, DLO, EID No. 9507135)

5.3 NON-LIQUIDATION OF ADVANCES – NU. 0.427 MILLION

The Dzongkhag Administration, Dagana had not liquidated advances amounting to Nu. 0.427 million from the final bill of M/s Norbugang Construction in the extension of Guest House at Dagana. (AIN: 16425; OB No.:1; Accountabilities: Direct: Ngawang Dorji, Asst. Engineer, EID No. 20120100116; M/s Norbugang Construction, CDB No. 3007425; Supervisory: Jamyang Dorji, DE, EID No. 9207044)

5.4 SHORT DEDUCTION OF 10% RETENTION MONEY – NU. 0.105 MILLION

The Dzongkhag Administration, Dagana had short deducted 10% retention money amounting to Nu. 0.105 million from M/s Zangchog Construction in the construction of permanent structures along Gumla to Kalizingkha Farm Road. As against the total bill payments of Nu. 22.782 million, the Dzongkhag Administration was rerequired to deduct Nu. 2.278 million but had deducted only Nu. 2.173 million. (AIN: 16425; OB No.: 3.4; Accountabilities: Direct: Bir Bdr. Tamang, Account Asst. EID No. 20141104866; M/s Zangchog Construction, CDB No. 1032811; Supervisory: Karma Dorji, Dzongrab, EID 2010015; Norbu Tshering, AAO, EID No. 20170107803)

5.5 NON-ADJUSTMENT OF CEMENT AND FUEL COST – NU. 0.228 MILLION

The Dzongkhag Administration, Dagana had placed supply order to the Cement agent and BoD to supply cement and fuels respectively on behalf of M/s Zangchog Construction in the construction of permanent structures along Gumla to Kalizingkha Farm Road. However, the Dzongkhag Administration had failed to adjust the cost of cement and transportation bills amounting to Nu. 0.228 million against the contractor. (AIN: 16425; OB No.:3.7; Accountabilities: Direct: Ngawang Dorji, Asst. Engineer, EID No. 20120100116; Sangay Pelmo, Asst. Engineer, EID No. 20130101891; M/s Zangchog Construction, CDB No. 1032811; Supervisory: Jamyang Dorji, DE, EID No. 9207043)

5.6 WASTEFUL EXPENDITURE ON IRRIGATION CHANNEL – NU. 13.042 MILLION

The Dzongkhag Administration, Dagana had spent Nu. 13.042 million for the construction of Karilum Irrigation Channel through Small Development Project funding executed by M/s Ningtop Construction. However, the irrigation channel was not utilized resulting in wasteful expenditure.

(AIN: 16425; OB No.:4.1; Accountabilities: Direct: Sonam Tobgay, AE, EID No. 200507195; M/s Ningtop Construction, CDB No. 3574; Supervisory: Jamyang Dorji, DE, EID No. 9207043)

3.2.4. DZONGKHAG ADMINISTRATION, LHUENTSE

During the year, the RAA had issued one audit report of the Dzongkhag Administration, Lhuentse. There were 20 observations amounting to Nu. 2.167 million of which Nu. 1.749 million were resolved as of 31 January 2020 and Nu. 0.001 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 0.417 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.417
	Total	0.417

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.417 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.417 million is as indicated below:

5.1 EXCESS PAYMENTS – NU. 0.417 MILLION

- a) The Dzongkhag Administration, Lhuentse had made excess payment of Nu. 0.191 million to M/s Dzoeth-Dhen Construction in the blacktopping of approach road to Tangmachu BHU. The excess payments had occurred due to payment for 81m as against actual execution of 60.10m. *(AIN: 16176; OB No.:8.2; Accountabilities: Direct: Sonam, Assistant Engineer, EID No. 200901079; M/s Dzoeth-Dhen Construction, CDB No. 7477; Supervisory: Kelzang Lhundup, DE, EID No. 9707074)*
- b) The Dzongkhag Administration, Lhuentse had made excess payment of Nu. 0.144 million to M/s Sonam Jamtsho and Bros Construction in the construction of permanent structures for Manjabi to Meadtsho Gewog Farm Road. The excess payments had occurred due to wrong computation of earthwork volume and non-deduction of 15% voids applicable for supply/collection of boulders. *(AIN: 16176; OB No.:9.1; Accountabilities: Direct: Sonam, Assistant Engineer, EID No. 200901079; M/s Sonam Jamtsho and Bros Construction, CDB. 3248; Supervisory: Kelzang Lhundup, DE, EID No. 9707074)*
- c) The Dzongkhag Administration, Lhuentse had made excess payment of Nu. 0.082 million to M/s Tashi Wangchuk Construction in the Construction of Approach Road towards Thimyu Nagtshang. The excess payments had occurred due to difference in the quantities paid for and quantities actually executed at site. *(AIN: 16176; OB No.:12; Accountabilities: Direct: Singye Dorji, Assistant Engineer, EID No. 200607206; M/s Tashi Wangchuk Construction, CDB No. 1071; Supervisory: Kelzang Lhundup, DE, EID No. 9707074)*

3.2.5. DZONGKHAG ADMINISTRATION, MONGGAR

During the year, the RAA had issued one audit report of the Dzongkhag Administration, Monggar. There were 76 observations amounting to Nu. 10.529 million of which Nu. 0.629 million were resolved as of 31 January 2020 and Nu. 1.446 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 8.454 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	2.540
5	Shortfalls, lapses and deficiencies	5.914
	Total	8.454

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 2.540 MILLION

The cases of non-compliance to laws and rules involving Nu. 2.540 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Taking over of works without completion	-
4.2	Non-levy of liquidated damages	2.540
	Total	2.540

4.1 TAKING OVER OF WORKS WITHOUT COMPLETION

- a) The Dzongkhag Administration, Monggar had taken over the construction of 64-bedded Hostel at Keydheykhar CS awarded to M/s Gayjure Construction, Monggar before the completion of the works in all respect and was liable for applicable liquidated damages as per the terms of the contract. *(AIN: 16284; OB No.: 1.5; Accountabilities: Direct: Lobzang Tshering, Site Engineer, EID No. 200901074; M/s Gayjure Construction Pvt. Ltd., Monggar, CDB No. 1392; Supervisory: Sonam Tashi, DE, EID No. 200801079)*
- b) The Dzongkhag Administration, Monggar had taken over the construction of Six-Unit classroom at Keydheykhar CS awarded to M/s Yongphel Builders, Monggar before the completion of the works in all respect and was liable for applicable liquidated damages as per the terms of the contract. *(AIN: 16284; OB No.: 2.7; Accountabilities: Direct: Lobzang Tshering, Site Engineer, EID No. 200901074; M/s Yongphel Builders, CDB No. 3531; Supervisory: Sonam Tashi, DE, EID No. 200801079)*

4.2 NON-LEVY OF LIQUIDATED DAMAGES – NU. 2.540 MILLION

- a) The Dzongkhag Administration, Monggar had not levied liquidated damages of Nu. 2.540 million for delay in the completion of water supply distribution networks for Monggar town awarded to M/s Issup Construction. There was substantial delay of more than a year in completion of the work. *(AIN: 16284; OB No.: 10.5; Accountabilities: Direct: Ram Bdr Darjee,*

Site Engineer, EID No. 20150105048; M/s Issup Construction, CBD No. 4698; Supervisory: Sonam Tashi, DE, EID No. 200801079)

- b) The Dzongkhag Administration, Monggar had not levied applicable liquidated damages in the Development of Urban Road at Gyelposhing, Alignment-I (Package-1) awarded to M/s Rabsel Construction, Trashigang. The works scheduled to be completed by 15 August 2018 were found incomplete even after the lapse of six months from the scheduled completion date. *(AIN: 16284; OB No.:16; Accountabilities: Direct: Tshering Gyeltshen, Site Engineer, EID No. 2007056; Supervisory: Sonam Tashi, DE, EID No.:200801079)*
- c) The Dzongkhag Administration, Monggar had not levied applicable liquidated damages in the Development of Urban Road at Gyelposhing, Alignment-II (Package-2) awarded to M/s Somson Company Pvt. Ltd, Gelephu. The works scheduled to be completed by 15 August 2018 were found incomplete even after the lapse of six months from the scheduled completion date. *(AIN: 16284; OB No.:17; Accountabilities: Direct: Tshering Gyeltshen, Site Engineer, EID No. 2007056; Supervisory: Sonam Tashi, DE, EID No.:200801079)*

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 5.914 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 5.914 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Payment for works not executed/ incompleteness of works	2.583
5.2	Excess/over payments	3.249
5.3	Double Payments	0.082
5.4	Non-utilization of water pipe lines	-
Total		5.914

5.1 RELEASE OF FINAL BILL BEFORE ACTUAL COMPLETION OF WORKS – NU. 2.583 MILLION

- a) The Dzongkhag Administration, Monggar had released the payment of Nu. 1.001 million without completing various items of works in the Construction of 64-bedded Hostel at Keydheykhar CS awarded to M/s Gayjure Construction, Monggar. The work items related to water tank was not complete during physical verification. *(AIN: 16284; OB No.: 1.1; Accountabilities: Direct: Lobzang Tshering, Site Engineer, EID No. 200901074; M/s Gayjure Construction, Monggar, CDB No. 1392; Supervisory: Sonam Tashi, DE, EID No.:200801079)*
- b) The Dzongkhag Administration, Monggar had made payment of Nu. 0.518 million without completing various items of civil works in the construction of 64-bedded hostel at Keydheykhar CS. The work was awarded to M/s Gayjure Construction, Monggar. *(AIN: 16284; OB No.:1.2; Accountabilities: Direct: Lobzang Tshering, Site Engineer, EID No. 200901074; M/s Gayjure Construction, Monggar, CDB No. 1392; Supervisory: Sonam Tashi, DE, EID No.: 200801079)*
- c) The Dzongkhag Administration, Monggar had made payment of Nu. 0.097 million for electrical works in construction of 64 bedded hostel at Keydheykhar CS awarded to M/s Gayjure Construction, Monggar. The electrical works were not executed at site. *(AIN: 16284;*

OB No.:1.3; Accountabilities: Direct: Tshering Dukpa, Electrical Engineer, EID No. 8603046; M/s Gayjure Construction, Monggar, CDB No. 1392; Supervisory: Sonam Tashi, DE, EID No.: 200801079)

- d) The Dzongkhag Administration, Monggar had made payment of Nu. 0.252 million for civil works in the construction of Six-Unit classroom at Keydheykhar CS awarded to M/s Yongphel builders, Monggar. The works were not completed at site. *(AIN: 16284; OB No.:2.1; Accountabilities: Direct: Lobzang Tshering, Site Engineer, EID No. 200901074; M/s Yongphel Builders, CDB No. 3531; Supervisory: Sonam Tashi, DE, EID No.: 200801079)*
- e) The Dzongkhag Administration, Monggar had made the payment of Nu. 0.202 million towards civil works in the Construction of Six-Unit classroom at Keydheykhar CS awarded to M/s Yongphel Builders, Monggar. The works were not completed at site. *(AIN: 16284; OB No.:2.2; Accountabilities: Direct: Lobzang Tshering, Site Engineer, EID No. 200901074; M/s Yongphel Builders, CDB No. 3531; Supervisory: Sonam Tashi, DE, EID No. 200801079)*
- f) The Dzongkhag Administration, Monggar had made payment of Nu. 0.132 million for civil works in the Construction of Two-unit RNR staff quarter at Tsamang Gewog awarded to M/s Lhatu Construction, Thimphu. Various items of works were not executed at site. *(AIN: 16284; OB No.: 4.2; Accountabilities: Direct: Kinley Penjo, Site Engineer, EID No. 201001714; Sherab Chezom, Site Engineer, EID No. 201001731; M/s Lhatu Construction, Thimphu, CDB No. 5259; Supervisory: Sonam Tashi, DE, EID No. 200801079)*
- g) The Dzongkhag Administration, Monggar had made payment of Nu. 0.074 million towards completion of toilet in the construction of Six-Unit classroom at Tsamang CPS awarded to M/s Yeshey Construction, Thimphu. Various items of works were not executed at site. *(AIN: 16284; OB No.: 5.9; Accountabilities: Direct: Kinley Penjor, Site Engineer, EID No. 201001714; Sherab Chezom, Site Engineer, EID No. 201001731; M/s Yeshey Construction, Thimphu, CDB No. 2953; Supervisory: Sonam Tashi, Dzongkhag Engineer, EID No.: 200801079)*
- h) The Dzongkhag Administration, Monggar had made payment of Nu. 0.129 million for items not executed in the Construction of Principal Quarter, Dining Hall, Kitchen-cum-store at Tsamang CPS awarded to M/s Lhatu Construction, Thimphu. Various items of works were not executed at site. *(AIN: 16284; OB No.:6.8; Accountabilities: Direct: Kinley Penjor, Site Engineer, EID No. 201001714; Sherab Chezom, Site Engineer, EID No. 201001731; M/s Lhatu Construction, CDB No. 5259; Supervisory: Sonam Tashi, DE, EID No. 200801079)*
- i) The Dzongkhag Administration, Monggar had made payments of Nu. 0.178 million in the blacktopping works of internal Road within Drametse CS awarded to M/s Zimrunghu Construction, Monggar. The seal coating was not provided at site and hence the payment was not admissible. *(AIN: 16284; OB No.:20; Accountabilities: Direct: Sunita Rai, Site Engineer, EID No. 20120100129; M/s Zimrunghu Construction, CDB No. 3339; Supervisory: Sonam Tashi, DE, EID No. 200801079)*

5.2 EXCESS/OVER PAYMENT – NU. 3.249 MILLION

- a) The Dzongkhag Administration, Monggar had made excess payment of Nu. 0.146 million for site development works in the construction of Water Treatment Plant at Kadam awarded to M/s Chimi-DEW Joint Venture, Paro. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. *(AIN: 16284; OB No.:3.1;*

Accountabilities: Direct: Ram Bdr Darjee, Site Engineer, EID No. 20150105048; M/s Chimi-DEW Joint Venture, CDB No. 5455; Supervisory: Sonam Tashi, DE, EID No. 200801079)

- b) The Dzongkhag Administration, Monggar had made excess payment of Nu. 0.120 million for providing and laying RCC slab and staircase in the Construction of Water Treatment Plant at Kadam awarded to M/s Chimi-DEW Joint Venture, Paro. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. *(AIN: 16284; OB No. 3.5; Accountabilities: Direct: Ram Bdr Darjee, Site Engineer, EID No. 20150105048; M/s Chimi Dew Joint Venture, CDB No. 5455; Supervisory: Sonam Tashi, DE, EID No. 200801079)*
- c) The Dzongkhag Administration, Monggar had made excess payment of Nu. 0.054 million in the Construction of Water Treatment Plant awarded to M/s Chimi-DEW Joint Venture, Paro. The excess payment had occurred due to non-deduction of RCC columns and Beams for laying second class brick works in superstructure of laboratory. *(AIN: 16284; OB No.:3.6; Accountabilities: Direct: Ram Bdr Darjee, Site Engineer, EID No. 20150105048; M/s Chimi Dew Joint Venture, CDB No. 5455; Supervisory: Sonam Tashi, DE, EID No. 200801079)*
- d) The Dzongkhag Administration, Monggar had made excess payment of Nu. 0.342 million for providing and laying RRM for site development works in the construction of Six-Unit classroom at Tsamang CPS awarded to M/s Yeshey Construction, Thimphu. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. *(AIN: 16284; OB No.:5.1; Accountabilities: Direct: Kinley Penjor, Site Engineer, EID No. 201001714; Sherab Chezom, Site Engineer, EID No. 201001731; M/s Yeshey Construction, Thimphu CDB no. 2953; Supervisory: Sonam Tashi, DE, EID No. 200801079)*
- e) The Dzongkhag Administration, Monggar had made excess payment of Nu. 0.119 million in the Construction of Six-unit classroom at Tsamang CPS awarded to M/s Yeshey Construction, Thimphu. The excess payment had occurred due to acceptance of higher dimensions of the RCC works as against the dimensions stipulated in the drawings without the prior approval of the competent authorities. *(AIN: 16284; OB No.:5.2; Accountabilities: Direct: Kinley Penjor, Site Engineer, EID No. 201001714; Sherab Chezom, Site Engineer, EID No. 201001731; M/s Yeshey Construction, Thimphu CDB no. 2953; Supervisory: Sonam Tashi, DE, EID No. 200801079)*
- f) The Dzongkhag Administration, Monggar had made excess payment of Nu. 0.137 million in the construction of Six-Unit classroom at Tsamang CPS awarded to M/s Yeshey Construction, Thimphu. The excess payments had occurred due to non-deduction of RCC works from laying second class brick works in superstructure. *(AIN: 16284; OB No.:5.6; Accountabilities: Direct: Kinley Penjor, Site Engineer, EID No. 201001714; Sherab Chezom, Site Engineer, EID No. 201001731; M/s Yeshey Construction, Thimphu CDB no. 2953; Supervisory: Sonam Tashi, DE, EID No. 200801079)*
- g) The Dzongkhag Administration, Monggar had made excess payment of Nu. 0.114 million in the construction of Principal Quarter, Dining Hall, Kitchen cum Store at Tsamang CPS awarded to M/s Lhatu Construction, Thimphu. The excess payments had occurred due to

application of higher rates instead of quoted rates for two work items. *(AIN: 16284; OB No.:6.1; Accountabilities: Direct: Kinley Penjor, Site Engineer, EID No. 201001714; Sherab Chezom, Site Engineer, EID No. 201001731; M/s Lhatu Construction, CDB No. 5259; Supervisory: Sonam Tashi, DE, EID No. 200801079)*

- h) The Dzongkhag Administration, Monggar had made excess payment of Nu. 0.173 million for providing and laying RRM works for site development in the Construction of Principal Quarter, Dining Hall, Kitchen cum Store at Tsamang CPS awarded to M/s Lhatu Construction, Thimphu. The excess payments had occurred due to difference in the quantities paid for and actually executed at site. *(AIN: 16284; OB No.:6.5; Accountabilities: Direct: Kinley Penjor, Site Engineer, EID No. 201001714; Sherab Chezom, Site Engineer, EID No. 201001731; M/s Lhatu Construction, CDB No. 5259; Supervisory: Sonam Tashi, DE, EID No.:200801079)*
- i) The Dzongkhag Administration, Monggar had made excess payment of Nu. 0.072 million for RRM in Septic Tank in the construction of Principal Quarter, Dining Hall, Kitchen cum Store at Tsamang CPS awarded to M/s Lhatu Construction, Thimphu. The excess payment had occurred due to difference in the quantities paid for and actually executed at site. *(AIN: 16284; OB No.:6.7; Accountabilities: Direct: Kinley Penjor, Site Engineer, EID No. 201001714; Sherab Chezom, Site Engineer, EID No. 201001731; M/s Lhatu Construction, CDB No. 5259; Supervisory: Sonam Tashi, DE, EID No. 200801079)*
- j) The Dzongkhag Administration, Monggar had made excess payment of Nu. 0.277 million in the Construction of Principal Quarter, Dining Hall, Kitchen cum Store at Tsamang CPS awarded to M/s Lhatu Construction, Thimphu. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. *(AIN: 16284; OB No.:6.9; Accountabilities: Direct: Kinley Penjor, Site Engineer, EID No. 201001714; Sherab Chezom, Site Engineer, EID No. 201001731; M/s Lhatu Construction, CDB No. 5259; Supervisory: Sonam Tashi, DE, EID No. 200801079)*
- k) The Dzongkhag Administration, Monggar had made excess payment of Nu. 0.136 million in the Construction of 15m RCC Bridge at Chopa under Thangrong Gewog awarded to M/s Tshering T Construction, Monggar. The excess payment had occurred due to difference in the quantities of TMT bars paid for and quantities actually executed at site. *(AIN: 16284; OB No.:8; Accountabilities: Direct: Jigme Dorji, Site Engineer, EID No. 9707059; M/s Tshering T Construction, CDB No. 8021; Supervisory: Sonam Tashi, DE, EID No. 200801079)*
- l) The Dzongkhag Administration, Monggar had made excess payment of Nu. 0.223 million in the Construction of Water Supply Distribution Networks for Monggar Town awarded to M/s Issup Construction. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site for water tank and fencing works. *(AIN: 16284; OB No.:10.1; Accountabilities: Direct: Ram Bdr Darjee, Site Engineer, EID No. 20150105048; M/s Issup Construction, CBDNo. 469; Supervisory: Sonam Tashi, DE, EID No. 200801079)*
- m) The Dzongkhag Administration, Monggar had made excess payments amounting to Nu. 0.069 million to M/s Mangalam Construction in the construction of 2 units RNR Staff Quarter Nagor under Silambi Gewog. The excess payments had occurred due to difference in the quantities

claimed by the contractor and actual quantities executed at site. (AIN: 16284; OB No.:13; Accountabilities: Direct: Dorji Tshering, Site Engineer, EID No. 201101234; M/s Mangalam Construction, CBDNo. 1721; Supervisory: Sonam Tashi, DE, EID No. 200801079)

- n) The Dzongkhag Administration, Monggar had made excess payments amounting to Nu. 0.147 million to M/s Larjab Construction in the construction of Warden and Matron Quarters at Nagor LSS due to non-deduction of RCC works from the Random Rubble Masonry in the superstructure. (AIN: 16284; OB No.:15; Accountabilities: Direct: Dorji Tshering, Site Engineer, EID No. 201101234; M/s Larjab Construction, CDB No. 4703; Supervisory: Sonam Tashi, DE, EID No. 200801079)
- o) The Dzongkhag Administration, Monggar had made excess payments amounting to Nu. 0.302 million to M/s Ugyen Tshendhen Construction in the construction of Multipurpose Hall at Drametse CS. The excess payments had occurred due to difference in quantities claimed by contractor and actual quantities executed at site. (AIN: 16284; OB No.:18; Accountabilities: Direct: Sunita Rai, Site Engineer, EID No. 20120100129; M/s Ugyen Tshendhen Construction, CDB No. 2978; Supervisory: Sonam Tashi, DE, EID No. 200801079)
- p) The Dzongkhag Administration, Monggar had made excess payments amounting to Nu. 0.709 million to M/s Ugyen Tshendhen Construction in the construction of 120-bedded Girls Hostel at Drametse CS. The excess payments had occurred due to difference in the quantities claimed by contractor and actual quantities executed at site. (AIN: 16284; OB No.:19; Accountabilities: Direct: Sunita Rai, Site Engineer, EID No. 20120100129; M/s Ugyen Tshendhen Construction, CDB No. 2978; Supervisory: Sonam Tashi, DE, EID No. 200801079)
- q) The Dzongkhag Administration, Monggar had made excess payments amounting to Nu. 0.109 million to M/s Ugyen Gatshel Construction in the construction of Footpath, Drainage and Chain link fencing for Drametse CS. The excess payments had occurred due to payment for MS Angle 55x55x6mm as against actual execution of MS Angle 50x50x5mm at site. (AIN: 16284; OB No.:21; Accountabilities: Direct: Tshewang Rinzin, Site Engineer, EID No. 9301052; M/s Ugyen Gatshel Construction, CDB No. 3956; Supervisory: Sonam Tashi, DE, EID No. 200801079)

5.3 DOUBLE PAYMENTS – NU. 0.082 MILLION

The Dzongkhag Administration, Monggar had made double payment of Nu. 0.082 million in the Construction of Six-Unit classroom at Tsamang CPS awarded to M/s Yeshey Construction, Thimphu. The payment of RCC works in plinth beam was found made twice. (AIN: 16284; OB No.:5.7; Accountabilities: Direct: Kinley Penjor, Site Engineer, EID No. 201001714; Sherab Chezom, Site Engineer, EID No. 201001731; M/s Yeshey Construction, Thimphu CDB no. 2953; Supervisory: Sonam Tashi, DE, EID No. 200801079)

5.4 NON/UNDER UTILIZATION OF PROPERTY

The Dzongkhag Administration, Monggar had constructed drinking water pipeline for Kidheykhar Community at the total cost of Nu. 1.543 million. The pipelines were not put to use

and the community continued to face shortage of water. The Dzongkhag stated that the pipeline could not be used due to conflict among the beneficiaries. There were apparent inadequacies in planning and consultation with the community to rule out possibility of such conflicts. The Dzongkhag had assured to source water with construction of reservoirs in the subsequent FY. (AIN: 16284; OB No.:10.3; Accountabilities: Direct: Ram Bdr Darjee, Site Engineer, EID No. 20150105048; M/s Issup Construction, CBD No. 4698; Supervisory: Sonam Tashi, DE, EID No. 200801079)

3.2.6. DZONGKHAG ADMINISTRATION, PARO

During the year, the RAA had issued one audit report of the Dzongkhag Administration, Paro. There were 17 observations amounting to Nu. 14.808 million of which Nu. 10.754 million were resolved as of 31 January 2020 and Nu. 0.168 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 3.886 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	0.923
5	Shortfalls, lapses and deficiencies	2.963
Total		3.886

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 0.923 MILLION

The cases of non-compliance to laws and rules involving Nu. 0.923 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Non-levy of Liquidated Damages	0.739
4.2	Payment for works not executed	0.184
Total		0.923

4.1 NON-LEVY OF LIQUIDATED DAMAGES – NU. 0.739 MILLION

The Dzongkhag Administration, Paro had not levied liquidated damages amounting to Nu. 0.739 million to M/s Tse Phug Construction, Thimphu in the construction of four-unit staff quarter at Gunitsawa PS despite delay of 92 days. (AIN: 15794; OB No.:3.2; Accountabilities: Direct: Rinchen Tshering, AE, EID No. 200407007; M/s Tse Phug Construction, Thimphu, Contractor, CDB No. 2578; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228)

4.2 INADMISSIBLE PAYMENT FOR WORKS NOT EXECUTED – NU. 0.184 MILLION

The Dzongkhag Administration, Paro had made inadmissible payment of Nu. 0.184 million to M/s Tse Phug Construction, Thimphu in the construction of four-unit staff quarter at Gunitsawa PS. The lapses had occurred due to payment for items of works not executed at site and non-deductions of openings. (AIN: 15794; OB No.:3.3; Accountabilities: Direct: Rinchen Tshering, AE, EID No. 200407007; M/s Tse Phug Construction, Thimphu, Contractor, CDB No. 2578; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 2.963 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 2.963 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Excess payment in construction of quarters	0.560
5.2	Payment for works not executed	0.196
5.3	Excess booking and non-recovery of penalty	2.207
	Total	2.963

5.1 EXCESS PAYMENT IN CONSTRUCTION OF QUARTERS – NU. 0.560 MILLION

The Dzongkhag Administration, Paro had made excess payment of Nu. 0.560 million to M/s Tse Phug Construction in the construction of four-unit staff quarter at Gunitsawa PS due to computation errors. (AIN: 15794; OB No.:3.1; Accountabilities: Direct: Jigme Lhendup, AE, EID No. 201001706; M/s Tse Phug Construction, Contractor, Thimphu, CDB No. 2578; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228)

5.2 PAYMENT FOR WORKS NOT EXECUTED – NU. 0.196 MILLION

- a) The Dzongkhag Administration, Paro had made excess payment of Nu. 0.114 million to M/s Tse Phug Construction for works not executed in the construction of six-unit classroom at Gaupel LSS. The lapses had occurred due to release of payment for items which were not provided at site and non-deduction of openings for the painting and plastering works. (AIN: 15794; OB No.:6; Accountabilities: Direct: Chundu Dorji, AE, EID No. 200707084; M/s Tse Phug Construction, Contractor, CDB No. 2578; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228)
- b) The Dzongkhag Administration, Paro had made excess payment of Nu. 0.082 million to M/s Kuenphen Builders, Paro for works not executed in the construction of toilets at Shaba PS. Payment were made for some of the items not provided at site and acceptance of excess measurements for some items of works. (AIN: 15794; OB No.:7; Accountabilities: Direct: Rinchen Tshering, AE, EID No. 200407007; M/s Kuenphen Builders, Paro, Contractor, CDB No. 7120; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228)

5.3 EXCESS BOOKING AND NON-RECOVERY OF PENALTY – NU. 2.207 MILLION

The Dzongkhag Administration, Paro had awarded the construction of Six-Unit classroom block at Khangkhu MSS to M/s Druk Dhoedjung Construction in December 2016 with contract duration expiring on 12 December 2017. However, the contractor could not complete the work and was terminated in July 2018.

Subsequently, the Dzongkhag Administration had booked an expenditure of Nu. 5.979 million and retained it as a draft at the end of FY 2017-18 prior to the Joint Measurement Committee's assessment of value of work done by the contractor. The assessed value amounted to Nu. 4.621 million with resultant excess booking of Nu. 1.358 million.

Further, the Dzongkhag Administration had also failed to recover Nu. 0.849 million on account of 20% penalty on value of incomplete works upon termination of contract, short deduction of security deposits and short levy of liquidated damages. (AIN: 15794; OB No.:11; Accountabilities: Direct: Kumar Subba, AE, EID No. 201101254; M/s Druk Dhoedjung Construction, CDB No. 4560; Supervisory: Chane Zangmo, Chief Dzongkhag Engineer, EID No. 9901228)

3.2.7. DZONGKHAG ADMINISTRATION, PEMAGATSHEL

During the year, the RAA had issued two audit reports of the Dzongkhag Administration, Pemagatshel and its Drungkhag. The reports were issued with 'Qualified' opinion. There were 31 observations amounting to Nu. 14.539 million of which Nu. 6.462 million were resolved as of 31 January 2020 and Nu. 0.217 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 7.860 million as summarised below:

Category Code	Category Description	Nu.in million
5	Shortfalls, lapses and deficiencies	7.860
	Total	7.860

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 7.860 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 7.860 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Un-realised loans/advances from <i>Moенlam Chhenmo</i> Accounts	6.029
5.2	Outstanding Advance	1.470
5.3	Excess/Over Payments	0.361
	Total	7.860

5.1. UNREALIZED LOAN/ADVANCES FROM MOENLAM CHHENMO ACCOUNT – NU. 6.029 MILLION

The Dzongkhag Administration, Pemagatshel had cases of un-realised loans/advances amounting to Nu. 6.029 million granted to three contractors on interest @ 4% per month out of *Moенlam Chhenmo* Account. Loans/advances had remained overdue ranging from one year to four years. (AIN:15896; OB No.:7; Accountabilities: Direct: Norbu Tenzin, Cultural Officer, EID No. 200505006; Supervisory: Phuntsho, Dzongdag, EID No. 8709017)

5.2. OUTSTANDING ADVANCES – NU. 1.470 MILLION

The Dzongkhag Administration, Pemagatshel had not adjusted advances of Nu. 1.470 million lying against the Land Record Officer as on 30 June 2018. The advance was on account of refund of excess land compensation to the public. (AIN: 15896; OB No.:12; Accountabilities: Direct: Wangdu, LR, EID No. 9212058; Supervisory: Passang Dorji, Dzonggrab, EID No. 9507318)

5.3. EXCESS/OVER PAYMENTS - NU. 0.361 MILLION

- a) The Dzongkhag Administration, Pemagatshel had made excess payment of Nu. 0.080 million to M/s Ugyen Construction, Pemagatshel in the construction of Administrative Block at Khar PS. The excess payment had occurred due to wrong quantification of item of work in square metre instead of cubic metre for 'Providing and laying sand bedding including watering and ramming and dressing'. (AIN: 15896; OB No.:16; Accountabilities: Direct: Kinley Wangdi, JE, EID No. 20140103482; M/s Ugyen Construction, CDB No. 1078; Supervisory: Sonam Jamtsho, DE, EID No. 201001181)
- b) The Drungkhag Administration, Nganglam had made over payment of Nu. 1.281 million to M/s Tshangla Construction in the major renovation of Four-unit staff quarters and 32-bedded Boy's Hostel at Nganglam CS. Out of Nu. 1.281 million, Nu. 1.000 million had been recovered leaving a balance of Nu. 0.281 million. The excess payments had occurred due to difference in the quantities claimed by the contractor and actual quantities executed at site. (AIN: 15760; OB No.:3; Accountabilities: Direct: Karma Duptho, Asst. Engineer, EID No. 201101213; M/s Tshangla Construction, CDB 6414; Supervisory: Karma Wangdi, Sr. Drungpa, EID No. 9507318)

3.2.8. DZONGKHAG ADMINISTRATION, SAMDRUP JONGKHAR

During the year, the RAA had issued three audit reports of the Dzongkhag Administration, Samdrup Jongkhar and its Drungkhags. Two reports were issued with 'Qualified' opinion. There were 74 observations amounting to Nu. 148.789 million of which Nu. 12.925 million were resolved as of 31 January 2020 and Nu. 0.031 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 135.833 million as summarised below:

Category Code	Category Description	Nu. in million
1	Fraud and Corruption	0.800
2	Embezzlement	7.598
4	Non-compliance to laws and rules	11.155
5	Shortfalls, lapses and deficiencies	116.280
	Total	135.833

1. FRAUD AND CORRUPTION - NU. 0.800 MILLION

The case of elements of fraud and corruption involving Nu. 0.800 million is as indicated below:

1.1 MISAPPROPRIATION OF FUNDS – NU. 0.800 MILLION

The Accounts Assistant of the Drungkhag Administration, Samdrupcholing had misappropriated funds as follows:

- a) The contractor's bill was inflated by Nu. 0.400 million in the construction of approach road and maintenance of RNR staff quarter under Martshala Gewog. As against the contract value

of Nu. 0.456 million, the final value of work verified and passed by the concerned site engineer was Nu. 0.401 million. However, the Accounts Assistant had deliberately booked Nu. 0.801 million. (AIN: 16344; OB No.:6 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Acctts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079; Sangay Gyeltshen, Acctt. Asstt., EID No. 2018011519)

- b) A cheque for Nu. 3.000 million was issued for Martshala CS instead of Nu. 0.300 million of which only Nu. 2.700 million was deposited into Martshala CS's account. The balance amount of Nu. 0.300 million was deposited in the Accounts Assistant's personal Savings Account. (AIN: 16344; OB No.:7 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Acctts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079; Sangay Gyeltshen, Acctt. Asstt., EID No. 2018011519)
- c) The vegetable supplier's bill for Karmaling HSS was inflated by Nu. 0.100 million by prefixing digit '1' in front of Nu. 0.050 million and making it Nu. 0.150 million. The excess amount of Nu. 0.100 million was confirmed to have been handed over in cash to the Accounts Assistant by the vegetable supplier after withdrawing from the bank. (AIN: 16344; OB No.:12 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Acctts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)

2. EMBEZZLEMENT - NU. 7.598 MILLION

The cases with elements of embezzlement involving Nu. 7.598 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
2.1	Misappropriation of Pay and Allowances	3.254
2.2	Misappropriation of Leave Encashment and LTC	0.165
2.3	Deposit of Rigsungpas Salary into personal account	0.058
2.4	Misuse of funds	1.398
2.5	Misuse of TA/DA	0.918
2.6	Withdrawal of fund in excess of actual requirements	0.050
2.7	Misuse of Loan deductions and inadmissible payments	0.127
2.8	Amount deposited into Personal Saving Account	0.291
2.9	Encashment of cancelled cheque	0.032
2.10	Misappropriation of electricity bill	0.014
2.11	Misuse through direct booking of expenditure	0.102
2.12	Misappropriation of House Rent remittances	0.064
2.13	Misuse through double payment of transfer grants	0.132
2.14	Payment without supporting documents	0.993
Total		7.598

2.1. MISAPPROPRIATION OF PAY AND ALLOWANCES – NU. 3.254 MILLION

The Accounts Assistant of Drungkhag Administration, Samdrupcholing had misappropriated Pay and Allowances as follows:

- a) Nu. 3.152 million was misappropriated by including ghost employees in the payroll and the payments were deposited into his personal Savings Account. He had intentionally deposited excess salary for other officials and later asked them to deposit the excess amounts into his personal Savings Account and his spouse. Similarly, he had also credited excess monthly salaries for himself and spouse.

The *modus operandi* adopted was preparation of salary schedules in MS excel sheet instead of preparing in PEMS as required by financial norms. (AIN: 16344; OB No.:1 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Acctts. Asstt., EID No. 200807270; Lamdon, OA, EID No. 201003023; Mon Bdr. Gurung, Ex-Gup, CID No. 11110000068; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)

- b) Salaries amounting to Nu. 0.102 million were misappropriated by including ghost employees and impersonation in the salary sheet, enhancing employees' monthly salary at the time of disbursement and later asking concerned officials to refund the excess amount into his personal Savings Account.

The *modus operandi* adopted was preparation of salary schedules in MS excel sheet instead of preparing in PEMS as required by financial norms. (AIN: 16344; OB No.:1 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Acctts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)

2.2 MISAPPROPRIATION OF LEAVE ENCASHMENT AND LTC – NU. 0.165 MILLION

The Accounts Assistant of Drungkhag Administration, Samdrupcholing had misappropriated leave encashment and Leave Travel Concession (LTC) as follows:

- a) Leave Encashment of Nu. 0.026 million was misappropriated by making double payment to other Gewog Accountant colleague by issuing self cheque. (AIN: 16344; OB No.:2 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Acctts. Asstt., EID No. 200807270; Phuntsho Choden, Acctts. Asstt., EID No. 20130802301; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)
- b) LTC of Nu. 0.075 million was misappropriated by impersonating himself as an employee under different sectors. LTC payment was also made against two Gewog Administrative Officers who were on Extra Ordinary Leave (EOL) and the amounts were deposited into his personal Savings Account. (AIN: 16344; OB No.:3 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Acctts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)
- c) LTC and Leave Encashment amounting to Nu. 0.064 million was misappropriated by claiming from both the Dzongkhag Administration and Samdrupcholing Drungkhag. The Account Assistant had also claimed more than his actual entitlements for leave encashment and LTC. (AIN: 16344; OB No.:2 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Acctts. Asstt., EID No. 200807270; Supervisory: Wangchuk Dorji, Sr. Dzongrab, EID No. 9308038; Lobzang Dorji, Sr. Dungpa, EID No. 8801079; Lakdhen, Acctts. Officer, EID No. 200901066)

2.3 DEPOSIT OF RISUNGPAS SALARY INTO PERSONAL SAVINGS ACCOUNT – NU. 0.058 MILLION

- a) The Account Assistant of Drungkhag Administration, Samdrupcholing had deposited monthly salary of *Risungpas* amounting to Nu. 0.013 million into his personal Savings Account which confirmed that salaries were not disbursed to *Risungpas*. Further, requisite documents were not maintained to substantiate the release of payment to intended beneficiaries. *(AIN: 16344; OB No.:8 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*
- b) The Accounts Assistant of the Drungkhag Administration, Samdrupcholing had misappropriated salary of *Risungpas* amounting to Nu. 0.045 million by issuing self cheque and depositing into his personal Savings Account. There was no original payment voucher authenticating further disbursement to *Risungpas*. *(AIN: 16344; OB No.:10 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*

2.4 MISAPPROPRIATION OF FUNDS – NU. 1.398 MILLION

The Accounts Assistant of the Drungkhag Administration, Samdrupcholing had misappropriated fund as follows:

- a) Nu. 0.031 million was misappropriated by enclosing the same bills twice on 31 January 2018 and 28 February 2018. The double claim under subsequent voucher was done along with VIP related expenditure bills as it pertained to patient diet of Samdrupcholing BHU. *(AIN: 16344; OB No.:13 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*
- b) Nu. 0.100 million was misappropriated on account of stipend of Martshala CS. No bills/cash memos were available for verification and the amounts were found deposited into his personal Savings Account. *(AIN: 16344; OB No.:4 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Wangchu Dorji, Sr. Dzongrab, EID No. 9308038; Lakdhen, Accts. Officer, EID No. 200901066)*
- c) Nu. 0.145 million was misappropriated by creating fictitious bill against M/s Karma Yangchen Logging. The Cheque was found encashed by the accountant himself by depositing Nu. 0.059 million into his personal Savings Account and Nu. 0.086 million into account of the person who is not regular client of the Drungkhag. *(AIN: 16344; OB No.:12 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Wangchu Dorji, Sr. Dzongrab, EID No. 9308038; Tshewang Rinzin, HRO, EID No. 20130101095)*
- d) Nu. 0.282 million was misappropriated pertaining to stipend without supporting documents. Against the total booking of Nu. 0.555 million, Nu. 0.273 million pertained to TA/DA claims of the School staff under Samdrupcholing Drungkhag, while Nu. 0.282 million pertained to stipend. However, the stipend bills were not available for verification and the amount of Nu. 0.282 million was found deposited in his personal Savings Account. *(AIN: 16344; OB No.:7.2)*

(Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Wangchu Dorji, Sr. Dzongrab, EID No. 9308038)

- e) Nu. 0.248 million was misappropriated on account of stipend and Rural Life Insurance by depositing into his personal Savings Account. Nu. 0.126 million pertained to stipends and Nu. 0.122 million pertained to Rural Life Insurance. The original payment vouchers were not supported by attendance sheets of students, duly verified forms, bills/cash memos by Gup and Census Officer. *(AIN: 16344; OB No.:3 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Tenzin Phuntsho, Accts. Officer, EID No. 20130101125; Tshewang Rinzin, HRO, EID No. 20130101095)*
- f) Nu. 0.075 million was misappropriated on account of Rural Life Insurance by depositing into his personal Savings Account. There were no evidences of having disbursed the amounts to legitimate claimants. *(AIN: 16344; OB No.:5 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Lakdhen, Accts. Officer, EID No. 200901066, Tshewang Rinzin, HRO, EID No. 20130101095)*
- g) Nu. 0.360 million was misappropriated on account of Rural Life Insurance. The amount was disbursed as an advance for Rural Life Insurance in the name of dealing accountant and later adjusted without supporting documents like death certificates, authorization letter from Gewog Administration etc. There were no evidences on record of having disbursed to legitimate claimants. Further, the advance availed for Rural Life Insurance was found adjusted from the Budget Head '5.01 – Stipend' leading to wrong booking as well. *(AIN: 16344; OB No.:6 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Wangchuk Dorji, Accts. Asstt., EID No. 200807270)*
- h) Nu. 0.157 million was misappropriated from fund pertaining to stipend of Martshala PS and Karmaling HSS and Rural Life Insurance without supporting documents. The whereabouts of fund was not ascertainable. *(AIN: 16344; OB No.:11 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Wangchu Dorji, Sr. Dzongrab, EID No. 9308038; Sonam Dorji, Accts. Asstt., EID No. 9504021)*

2.5 MISUSE OF TA/DA – NU. 0.908 MILLION

The Accounts Assistant of Drungkhag Administration, Samdrupcholing had misappropriated TA/DA funds as follows:

- a) Nu. 0.036 million was double booked vide cheque No. 001145 dated 20 December 2017 and cheque No. 001306 dated 27 December 2017. While the second cheque was supported with complete documents, the first cheque did not have supporting documents. The employee immediately informed to the Account Assistant having received the amount twice. Subsequently, the employee was asked to refund the amount to his personal Savings Account. However, the Account Assistant never restituted the amount into government account. *(AIN: 16344; OB No.:9.1 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*

- b) Nu. 0.149 million was withdrawn as TA/DA of Drungkhag officials vide Cheque No. 000297 dated 4 September 2017 through office driver. The Accounts Assistant had asked the driver to deposit Nu. 0.100 million into Accounts Assistant's personal Savings Account and balance of Nu. 0.049 million was handed over in cash. *(AIN: 16344; OB No.:9.2 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Acctts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*
- c) Nu. 0.086 million was misappropriated by way of preparing cheque in the name of Principal on 17 August 2017 for TA/DA of staff of Sarjung PS. However, the amount was found deposited into his personal Savings Account. Further, original payment voucher with supporting documents such as approved travel authorization and travel claims were not available for verification. There were no evidences of having paid the amount to staff of the school as indicated in the payment voucher. *(AIN: 16344; OB No.:9.3 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Acctts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*
- d) Nu. 0.043 million was misappropriated by way of inflating the TA/DA amount of the driver of Martshala Gewog. The Accounts Assistant had given the driver a cheque for Nu. 0.047 million and asked the driver to retain his TA/DA claims of Nu. 4,000.00 and deposit the balance into the Accounts Assistant's personal Savings Account. There were no supporting documents and original vouchers for the amount deposited into the Accounts Assistant's personal Savings Account. *(AIN: 16344; OB No.: 9.4 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Acctts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*
- e) Nu. 0.106 million was misappropriated by inflating TA/DA claims of the employees. As against the total booking of Nu. 0.193 million on 24 September 2017, only Nu. 0.077 million was found deposited into the accounts of claimants. From the balance, Nu. 0.010 million was found paid to incumbent Gup of Pemathang Gewog and Nu. 0.106 million was found deposited into Accounts Assistant's personal Savings Account. *(AIN: 16344; OB No.: 9.5 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Acctts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*
- f) Nu. 0.113 million was misappropriated by way of inflating the TA/DA amounts of employees, booking TA/DA in the names of employees who are not part of Drungkhag payroll and claiming TA/DA by Accounts Assistant himself without travel authorization, travel claim bills and other supporting documents. *(AIN: 16344; OB No.: 9.6 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Acctts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*
- g) As against the TA/DA claim of employees amounting to Nu. 0.152 million, Nu. 0.146 million was paid to claimants and balance of Nu. 5,550.00 retained with the Accounts Assistant. *(AIN: 16344; OB No.: 9.9 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Acctts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*

- h) As against the withdrawal of Nu. 0.039 million, the verified claim of incumbent Gup of Samrang Gewog amounted to Nu. 0.029 million only and balance amount of Nu. 0.010 million was handed over to the Accounts Assistant. *(AIN: 16344; OB No.: 9.10 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*
- i) Nu. 0.169 million was misappropriated through fictitious claims of TA/DA, passing claims more than actual, and claims without supporting documents which was deposited into his personal Saving Account. *(AIN: 16344; OB No.: 7.1 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accounts Assistant, EID No. 200807270; Supervisory: Lobzang Dorji, Senior Dungpa, EID No. 8801079; Wangchu Dorji, Senior Dzongrab, EID No. 9308038; Sonam Dorji, Accounts Assistant, EID No. 9504021)*
- j) Nu. 0.160 million was misappropriated from TA/DA claims of 30 June 2017. There were no records to substantiate the disbursement of the amount to legitimate claimants nor was it available as cash balance. *(AIN: 16344; OB No.: 7.4 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*
- k) Nu. 0.030 million was misappropriated from funds disbursed on 26 October 2018 on account of TA/DA to Gup, Gaydrungs and caretaker. Further, the amount was deposited into his personal Savings Account instead of crediting the amount into the respective individual claimants' account. *(AIN: 16344; OB No.:7.5 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079; Wangchuk Dorji, Sr. Dzongrab, EID No. 9308038; Sonam Dorji, Accts. Asstt., EID No. 9504021)*

2.6 WITHDRAWAL OF FUND IN EXCESS OF ACTUAL REQUIREMENTS - NU. 0.050 MILLION

The Accounts Assistant of the Drungkhag Administration, Samdrupcholing had misappropriated Nu. 0.050 million by overbooking TA/DA payment of Samdrupcholing Basic Health Unit staff. The Accounts Assistant had asked the Ambulance driver to withdraw Nu. 0.256 million from the bank and handover Nu. 0.201 million to the BHU Doctor. The balance of Nu. 0.055 million was deposited into the Accounts Assistant's personal Saving Account of which Nu. 5,000.00 was found transferred to the bank account of Malaria Technician, Pemathang BHU. *(AIN: 16344; OB No.: 9.8 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*

2.7 MISUSE OF LOAN DEDUCTIONS AND INADMISSIBLE PAYMENTS - NU. 0.127 MILLION

The Accounts Assistant of the Drungkhag Administration, Samdrupcholing had misappropriated loan remittances amounting to Nu. 0.059 million by not remitting into respective loan accounts after deduction from monthly salary of one Contract Teacher of Martshala CS.

Further, the Accounts Assistant had also made inadmissible payments amounting to Nu. 0.068 million against the same teacher on account of Teaching Allowance, Pay Arrears and 50% Contract Allowance payment instead of the entitled 30%. *(AIN: 16344; OB No.:11 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Nima Dorji, Teacher, EID No. 201103003; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*

2.8 AMOUNT DEPOSITED INTO PERSONAL SAVING ACCOUNT – NU. 0.291 MILLION

The Accounts Assistant of Drungkhag Administration, Samdrupcholing had deposited Nu. 0.291 million into his personal Savings Account. The amount pertained to stipend, National Day Celebration, Rural Life Insurance and TA/DA payment of Education sector. There were no evidences of having disbursed to legitimate claimants. *(AIN: 16344; OB No. 9 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Wangchu Dorji, Sr. Dzongrab, EID No. 9308038; Sonam Dorji, Accts. Asstt., EID No. 9504021; Tenzin Phuntsho, Accts. Officer, EID No. 20130101125)*

2.9 ENCASHMENT OF CANCELLED CHEQUE – NU. 0.032 MILLION

The Drungkhag Administration, Samdrupcholing had cancelled cheque No. 345346 in the PEMS. However, the same cheque was found presented to bank for encashment on 14 June 2017 for an amount of Nu. 0.032 million and deposited into the account of the accountant. *(AIN: 16344; OB No.: 10 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Kinzang Chopel, Admn. Asstt., EID No. 201004029)*

2.10 MISAPPROPRIATION OF ELECTRICITY BILL – NU. 0.014 MILLION

The Accounts Assistant of Drungkhag Administration, Samdrupcholing had misappropriated electricity charges by indicating as reimbursement made to him for an amount of Nu. 0.014 million without documents like energy charges bills. The amount was found deposited into his personal Savings Account. *(AIN: 16344; OB No.:13 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*

2.11 MISUSE THROUGH DIRECT BOOKING OF EXPENDITURE – NU. 0.102 MILLION

The Accounts Assistant of Drungkhag Administration, Samdrupcholing had deposited Nu. 0.102 million vide Cheque No. 345387 dated 14 June 2017 and cheque No. 345352 dated 14 June 2017 into his personal Savings Account. *(AIN: 16344; OB No.:14 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Kinzang Chopel, Admn. Asstt., EID No. 201004029)*

2.12 MISAPPROPRIATION OF HOUSE RENT REMITTANCES – NU. 0.064 MILLION

The Accounts Assistant of Drungkhag Administration, Samdrupcholing had misappropriated government house rent remittances amounting to Nu. 0.064 million. The dealing accountant instead of depositing the remittances into respective account had deposited into his personal Savings Account. *(AIN: 16344; OB No.:15 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270 ; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*

2.13 MISUSE THROUGH DOUBLE PAYMENT OF TRANSFER GRANTS – NU. 0.132 MILLION

The Accounts Assistant of Drungkhag Administration, Samdrupcholing had intentionally double booked transfer grants of six teachers of various schools amounting to Nu. 0.132 million. The actual transfer grants were disbursed under different vouchers of December 2016 and January 2017. However, the transfer grants for same teachers were again found booked vide voucher No. 143 dated 08 March 2017. *(AIN: 16344; OB No.:18 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Sonam Dorji, Accts. Asstt., EID No. 9504021; Tshewang Rinzin, HRO, EID No. 20130101095)*

2.14 PAYMENT WITHOUT SUPPORTING DOCUMENTS – NU. 0.993 MILLION

The Accounts Assistant of Drungkhag Administration, Samdrupcholing had made payments without supporting documents as follows:

- a) As against the total disbursement of Nu. 0.097 million only Nu. 0.024 million was found genuine and supported with bills and office orders. The balance of Nu. 0.073 million was booked under different budget activities without supporting documents. The cheque was found issued in the name of Accounts Assistant. *(AIN: 16344; OB No.:4 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*
- b) Nu. 0.016 million was booked on account of TA/DA to one of the Assistant Engineer without supporting documents. The amount was transferred into his personal Savings Account. *(AIN: 16344; OB No.:5 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*
- c) TA/DA claims of Nu. 0.091 million were booked vide DV No. 8.98 dated 31 August 2017 without supporting documents such as travel authorization, travel claim bills and tour report. *(AIN: 16344; OB No.:9.7 (Part-II A); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Lobzang Dorji, Sr. Dungpa, EID No. 8801079)*
- d) TA/DA of Nu. 0.061 million was claimed without supporting documents. The amount was found deposited into his personal Savings Account. *(AIN: 16344; OB No.:7.3 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Wangchu Dorji, Sr. Dzongrab, EID No. 9308038)*
- e) Nu. 0.105 million were found adjusted against various employees without supporting documents. Further verification of adjustments revealed that advances were recovered from above employees on installment basis from monthly salary. However, the amounts so recovered were found credited into his personal Savings Account. *(AIN: 16344; OB No.:8 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Wangchu Dorji, Sr. Dzongrab, EID No. 9308038)*
- f) Nu. 0.438 million was embezzled and deposited directly into his personal Savings Account vide Cheque No. 582722 of 30 June 2017. Original payment vouchers and related supporting

documents were not available. The cheque was prepared in the name of dealing accountant. (AIN: 16344; OB No.:16 (Part-II B); Accountabilities: Direct: Jamyang Gyeltshen, Gup, CID No. 11109000378; Supervisory: Ugyen Wangchuk, GAO, EID No. 201105018)

- g) Nu. 0.162 million was disbursed vide voucher No. 5.65 dated 01 May 2017 for supply of vegetables to Martshala CS. Original payment vouchers with supporting documents were not available for verification. (AIN: 16344; OB No.:17 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Sonam Dorji, Accts. Asstt., EID No. 9504021; Tshewang Rinzin, HRO, EID No. 20130101095)
- h) Nu. 0.047 million was disbursed on account of TA/DA during Local Government Election on 05 October 2016. However, no supporting documents such as Travel Authorization, Travel Claims were available for verification. (AIN: 16344; OB No.:19 (Part-II B); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Sonam Dorji, Accts. Asstt., EID No. 9504021; Tshewang Rinzin, HRO, EID No. 20130101095)

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 11.155 MILLION

The cases of non-compliance to laws and rules involving Nu. 11.155 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Non-compliance to provision of Closed Works	2.197
4.2	Outstanding Advances	2.229
4.3	Non-recovery of 20% penalty for incomplete works	3.204
4.4	Non-forfeiture of performance security deposits	3.525
Total		11.155

4.1. NON-COMPLIANCE TO PROVISION OF CLOSED WORKS – NU. 2.197 MILLION

The Dzongkhag Administration, Samdrup Jongkhar had retained Nu. 2.197 million under Closed Works Account during the FY 2017-18 for the construction of Four-Units Staff Quarters-cum-Library Block at Phuntshothang MSS. However, despite closure of the subsequent FY 2018-19, the Dzongkhag Administration had not settled the Closed Works Account. (AIN: 15978; OB No.: 1; Accountabilities: Direct: Tshering Yangzom, AE, EID No. 200307014; M/s P.T Construction, Sarpang, CDB. No. 4946; Supervisory: Lobzang Dorji, Dungpa, EID No. 8801079)

4.2 OUTSTANDING ADVANCES – NU. 2.229 MILLION

The Dzongkhag Administration, Samdrup Jongkhar had outstanding mobilization and materials advances amounting to Nu. 2.229 million against M/s Deki Builder Pvt. Ltd. for construction of 120-bedded Hostel and Kitchen-cum-store at Garpawoong MSS. The Dzongkhag Administration had failed to settle the advance upon termination of the contract. The case is currently under the Royal Court of Justice, Samdrup Jongkhar. (AIN: 15978; OB No.: 6.1; Accountabilities: Direct: Geduen Dema, AE, EID No. 200807188; M/s Delek Builder Pvt. Ltd., CDB. No. 7183; Supervisory: Tharchin Lhendup, Dzongdag, EID No. 8709022; Pema Dorji, Dzongrab, EID No. 9607074; Rinchen

Gyeltshen, DEO, EID No. 9108071; Tenzin Phuntsho, FO, EID No. 20130101125; Chador Phuntsho, DE, EID No. 9102052)

4.3 NON-RECOVERY OF 20% PENALTY FOR INCOMPLETE WORKS – NU. 3.204 MILLION

The Dzongkhag Administration, Samdrup Jongkhar had not realized Nu. 3.204 million from M/s Delek Builder Pvt. Ltd., 20% on the value of incomplete works in line with contract agreement upon termination of the contract in the construction of 120-bedded Hostel and Kitchen-cum-store at Garpawoong MSS. The case is currently under the Royal Court of Justice, Samdrup Jongkhar. *(AIN: 15978; OB No.:6.3; Accountabilities: Direct: Gaduen Dema, AE, EID No. 200807188; M/s Delek Builder Pvt. Ltd., CDB. No. 7183; Supervisory: Tharchin Lhendup, Dzongdag, EID No. 8709022; Pema Dorji, Dzongrab, EID No. 9607074; Rinchen Gyeltshen, DEO, EID No. 9108071; Tenzin Phuntsho, FO, EID No. 20130101125; Chador Phuntsho, DE, EID No. 9102052)*

4.4. NON-FORFEITURE OF PERFORMANCE SECURITY DEPOSITS – NU. 3.525 MILLION

- a) The Dzongkhag Administration, Samdrup Jongkhar had not forfeited the Performance Security amounting to Nu. 3.204 million upon termination of the contract in the construction of 120 bedded Hostel and Kitchen-cum-store at Garpawoong MSS. M/s Delek Builder Pvt. Ltd. was awarded the contract in February 2016 and scheduled to be completed on 22 August 2017, but had failed to comply with the contract agreement with resultant termination of the contract on 9 April 2018. The case is currently under the Royal Court of Justice, Samdrup Jongkhar. *(AIN: 15978; OB No.:6.4; Accountabilities: Direct: Gaduen Dema, AE, EID No. 200807188; M/s Delek Builder Pvt. Ltd., CDB. No. 7183; Supervisory: Tharchin Lhendup, Dzongdag, EID No. 8709022; Pema Dorji, Dzongrab, EID No. 9607074; Rinchen Gyeltshen, DEO, EID No. 9108071; Tenzin Phuntsho, FO, EID No. 20130101125; Chador Phuntsho, DE, EID No. 9102052)*
- b) The Dzongkhag Administration, Samdrup Jongkhar had not forfeited the Performance Security amounting to Nu. 0.321 million upon termination of the contract due to expiry of validity of Bank Guarantee in the construction of flood protection works along Chukharpo stream, Phase-II at Jomotshangkha. M/s KandK Construction, Trashigang was awarded the contract in February 2018, but the contractor had failed to start the work even in June 2018 despite several reminders which resulted in termination of contract in 21 June 2018. The Dzongkhag Administration had failed to exercise due diligence in reviewing the validity of the Bank Guarantee. *(AIN: 15978; OB No.:9.2; Accountabilities: Direct: Tashi Phuntsho, AE, EID No. 201101232; M/s K and K Construction, Trashigang, CDB No. 1753; Supervisory: Lamdra Wangdi, Dungpa, EID No. 9507333)*

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 116.280 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 116.280 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Unjustified payment for wood works	0.108
5.2	Payment without rate analysis	0.109
5.3	Excess interim bill payments to the contractor	1.750
5.4	Excess payment in steel works	0.059
5.5	Payment made without supporting documents	9.412
5.6	Missing disbursement vouchers	104.842
Total		116.280

5.1. UNJUSTIFIED PAYMENT FOR WOOD WORKS – NU. 0.108 MILLION

The Dzongkhag Administration, Samdrup Jongkhar had made unjustified payments to M/s Tenzin Tshewang Construction for wood works ‘pem’ in doors and windows in the renovation of Dzongkhag Tshogdu Hall amounting to Nu. 0.108 million. The rate for wooden ‘pem’ was built-in with the price of cornices and thus, did not necessitate separate payment. Besides, no drawing of the cornices was provided to the contractor and the BoQ also did not specify separate payment for ‘pem’. (AIN: 15978; OB No.:5.2; Accountabilities: Direct: Kezang Wangmo, AE, EID No. 20120100123; M/s Tenzin Tshewang Construction, CDB. No. 2771; Supervisory: Chador Phuntsho, DE, EID No. 9102052)

5.2 PAYMENT WITHOUT RATE ANALYSIS – NU. 0.109 MILLION

The Dzongkhag Administration, Samdrup Jongkhar had made excess payment of Nu. 0.109 million for erecting eight new doors in the renovation works of Dzongkhag Tshogdu Hall. The rate for windows with aluminium component was applied for calculating cost of doors which did not have any aluminium component. The Dzongkhag Administration had not properly analysed the rate while making payment. (AIN: 15978; OB No.:5.3; Accountabilities: Direct: Kezang Wangmo, AE, EID No. 20120100123; M/s Tenzin Tshewang Construction, CDB. No. 2771; Supervisory: Chador Phuntsho, DE, EID No. 9102052)

5.3 EXCESS INTERIM BILL PAYMENTS TO CONTRACTOR – NU. 1.750 MILLION

The Dzongkhag Administration, Samdrup Jongkhar had made excess payment of Nu. 1.750 million to M/s Delek Construction in the construction of 120-bedded Hostel and Kitchen-cum-store at Garpawoong MSS. The lapses had occurred due to release of excess payments in RA Bills as against actual quantities of work executed at site. The case is currently under the Royal Court of Justice, Samdrup Jongkhar. (AIN: 15978; OB No.:6.2; Accountabilities: Direct: Geduen Dema, AE, EID No. 200807188; M/s Delek Construction, CDB. No. 7183; Supervisory: Tharchin Lhendup, Dzongdag, EID No. 8709022)

5.4 EXCESS PAYMENT IN STEEL WORKS – NU. 0.059 MILLION

The Dzongkhag Administration, Samdrup Jongkhar had made excess payment of Nu. 0.059 million to M/s Dhenzang Construction, Monggar in the construction of Six-unit classroom at Jomotshangkha MSS. The excess payment had occurred due to application of wrong conversion weight while computing the quantities of steel tubular trusses. (AIN: 15978; OB No.:7; Accountabilities: Direct: Preeti Rai, AE, EID No. 20140103490; M/s Dhenzang Construction, Monggar, CDB. No. 7913; Supervisory: Pema Dorji, Dzongrab, EID No. 9607074; Rinchen Gyeltshen,

DEO, EID No. 9108071; Tenzin Phuntsho, FO, EID No. 20130101125; Chador Phuntsho, DE, EID No. 9102052; Lamdra Wangdi, Sr. Dungpa, EID No. 9507335)

5.5 PAYMENT WITHOUT SUPPORTING DOCUMENTS – NU. 9.412 MILLION

The Drungkhag Administration, Samdrupcholing had booked expenditure aggregating to Nu. 9.412 million on account of various expenses without supporting documents for the FYs 2016-17 and 2017-18. (AIN: 16344; OB No.: 1 (Part-I A); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Wangchuk Dorji, Accts. Asstt., EID No. 200807270)

5.6 MISSING DISBURSEMENT VOUCHERS – NU. 104.842 MILLION

The Drungkhag Administration, Samdrupcholing had cases of missing vouchers valuing Nu. 104.842 million for the FY 2016-17 and 2017-18 on account of various expenses. The expenses were found reflected in the Cash Book but the disbursement/Journal/other and reversal vouchers were not physically available. (AIN: 16344; OB No.:2 (Part-I A); Accountabilities: Direct: Wangchuk Dorji, Accts. Asstt., EID No. 200807270; Supervisory: Wangchuk Dorji, Accts. Asstt., EID No. 200807270)

3.2.9. DZONGKHAG ADMINISTRATION, SAMTSE

During the year, the RAA had issued one audit report of the Dzongkhag Administration, Samtse. There were 10 observations amounting to Nu. 4.908 million of which Nu. 0.020 million were resolved as of 31 January 2020 and Nu. 0.834 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 4.054 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	2.324
5	Shortfalls, lapses and deficiencies	1.730
	Total	4.054

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 2.324 MILLION

The cases of non-compliance to laws and rules involving Nu. 2.324 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Defective works	-
4.2	Damaged to newly constructed Weir	2.324
	Total	2.324

4.1 DEFECTIVE WORKS

- a) The Dzongkhag Administration, Samtse had accepted defective works noted in the construction of two-block 32-bedded hostel with toilet at Taba Dramtoe LSS. M/s Yeshey Construction, Thimphu was not directed to rectify the defects. The construction work completed at the cost of Nu. 12.869 million had cracks on hostel walls, drains, RRM wall for

the boy's hostel and leakages from toilet. (AIN: 16160; OB No.:1; Accountabilities: Direct: Tshering Wangchuk, AE, EID No. 200407023; M/s Yeshey Construction, Thimphu, CDB No. 2953; Supervisory: Kinzang Dorji, DE, EID No. 9807036)

- b) The Dzongkhag Administration, Samtse had accepted defective works noted in the construction of three-unit staff quarters at Ugyentse. The contractor, M/s G-II Construction, Samtse, was not directed to rectify the defects. The construction work completed at the cost of Nu. 2.875 million had developed cracks along columns and side of the doors, windows and over the drain and plinth protection works. (AIN: 16160; OB No.: 5; Accountabilities: Direct: Tshewang, Junior Engineer, EID No. 2001117; Supervisory: Kinzang Dorji, DE, EID No. 9807036)

4.2 DAMAGE TO NEWLY CONSTRUCTED WEIR – NU. 2.324 MILLION

The Weir¹ at Damdum Pump House constructed at the total expenditure of Nu. 2.324 million under Samtse Municipality was damaged. However, there was contradiction over the claim that the weir was damaged due to river dredging works downstream and not by swollen river. The Dzongkhag Administration had not furnished expert's view on the cause of damage. (AIN: 16160; OB No.: 6; Accountabilities: Direct: Pema Dorji, Junior Engineer, EID No. 200607064; Supervisory: Tenzin Dakpa, Municipal Incharge, EID No. 9607008)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 1.730 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 1.730 million is as indicated below:

5.1 OUTSTANDING ADVANCES – NU. 1.730 MILLION

The Dzongkhag Administration, Samtse had not adjusted outstanding PW Advances amounting to Nu. 1.730 million against contractors and parties as on 30 June 2018. Most of the outstanding advances pertained to the FY 2016-17. (AIN: 16160; OB No.:9; Accountabilities: Direct: Paras Moktan, Dy. Chief Accounts Officer, EID No. 9411005; Yan Kumar Subba, Accounts Assistant, EID No. 9604092; Damchoe, Engineer, EID No. 200307025; Supervisory: Paras Moktan, Dy. Chief Accounts Officer, EID No. 9411005; Kinzang Dorji, DE, EID No. 9807036)

3.2.10. DZONGKHAG ADMINISTRATION SARPANG

During the year, the RAA had issued one audit report of the Dzongkhag Administration, Sarpang. There were seven observations amounting to Nu. 2.937 million of which Nu. 2.747 million were resolved as of 31 January 2020 and Nu. 0.087 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 0.103 million as summarised below:

¹ A weir or low head dam is a barrier across the width of a river to alter the flow of water and change level of river.

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.103
	Total	0.103

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.103 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.103 million is as indicated below:

5.1. NON-RECOVERY OF OUTSTANDING ADVANCE UPON TERMINATION OF CONTRACT – NU. 0.103 MILLION

The Dzongkhag Administration, Sarpang had not recovered outstanding advance amounting to Nu. 0.103 million from M/s Ninda Karsoom Construction, Gelephu pertaining to major renovation of classrooms building and development of football ground at Lharing PS upon termination of the contract. Although the Dzongkhag subsequently forfeited the contractor's performance bond, cash warrant of differential amount and retention money of interim bills, these were not enough to adjust the excess payment. *(AIN: 16157; OB No.: 1; Accountabilities: Direct: Sigyel Wangchuk, JE, EID No. 20140103486; M/s Ninda Karsoom Construction, Gelephu, CBD No. 7928; Supervisory: Sangay Tenzin, Chief DE, EID No. 8808028)*

3.2.11. DZONGKHAG ADMINISTRATION, THIMPHU

During the year, the RAA had issued one audit report of the Dzongkhag Administration, Thimphu. There were six observations amounting to Nu. 2.515 million of which Nu. 0.116 million were resolved as of 31 January 2020 and Nu. 0.020 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 2.379 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	2.306
5	Shortfalls, lapses and deficiencies	0.073
	Total	2.379

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 2.306 MILLION

The case of non-compliance to laws and rules involving Nu. 2.306 million is as indicated below:

4.1 NON-SUBMISSION OF DETAILS ON PROCUREMENT OF HDPE PIPES TO DNP – NU. 2.306 MILLION

The Dzongkhag Administration, Thimphu had procured HDPE pipes valuing Nu. 36.469 million during 2017-18. However, the Dzongkhag Administration had failed to endorse the total quantities purchased to the Department of National Properties, MoF as required for processing 6% rebate. As a result, the Department of National Properties, MoF could not avail 6% rebate

amounting to Nu. 2.306 million offered by M/s Bhutan Polythene Corporation Limited, Phuentsholing. (AIN: 16102; OB No.: 1; Accountabilities: Direct: Tshewang Samdrup, AE, EID No. 200311004; Supervisory: Chhabi Lal Das, DE, EID No. 8808036)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.073 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.073 million is as indicated below:

5.1 EXCESS PAYMENT – NU. 0.073 MILLION

The Dzongkhag Administration, Thimphu had made excess payment amounting to Nu. 0.073 million to M/s Phuntshok Delek Construction, Thimphu in the construction of fencing, site development works and construction of retaining wall at Hongtsho PS. The excess payment had occurred due to wrong computation of total quantities for MS flat and the G.I chain link fencing works. (AIN: 16102; OB No.:6; Accountabilities: Direct: Ganga Devi Chhetri, AE, EID No. 201001724; M/s Phuntshok Delek Construction, Thimphu, CDB No. 4702; Supervisory: Chhabi Lal Das, DE, EID No. 8808036)

3.2.12. DZONGKHAG ADMINISTRATION, TRASHIGANG

During the year, the RAA had issued one audit report of the Dzongkhag Administration, Trashigang. The report was issued with 'Qualified' opinion. There were 11 observations amounting to Nu. 2.838 million of which Nu. 2.563 million were resolved as of 31 January 2020 and Nu. 0.055 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 0.220 million as summarised below:

Category Code	Category Description	Nu.in million
5	Shortfalls, lapses and deficiencies	0.220
	Total	0.220

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.220 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 0.220 million are as indicated below:

5.1 PAYMENT OF MONTHLY SALARY TO RETIRED EMPLOYEES – NU. 0.220 MILLION

The Dzongkhag Administration, Trashigang had made inadmissible payment of Nu. 0.769 million to the retired Non-Formal Education Instructors and Caretaker during FY 2017-18. Subsequently, the Dzongkhag had recovered Nu. 0.549 million leaving a balance of Nu. 0.220 million. The inadmissible payments had occurred due to non-deactivation of Pay Roll System even after separation from service. (AIN: 15776; OB No.:8; Accountabilities: Direct: Karma Yangdon, NFE Instructor, CID No. 10903000366/9934474; Sherub Dorji, NFE Instructor, CID No. 11506004311/9934475; Cheki, Caretaker, CID No. 11515000413/993447; Supervisory: Pema Dekar, Accounts Officer, EID No. 20140103354)

3.2.13. DZONGKHAG ADMINISTRATION, TRASHIYANGTSE

During the year, the RAA had issued one audit report of the Dzongkhag Administration, Trashiyangtse. The report was issued with 'Qualified' opinion. There were 19 observations amounting to Nu. 35.081 million of which Nu. 1.475 million were resolved as of 31 January 2020 and Nu. 28.227 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 5.379 million as summarised below:

Category Code	Category Description	Nu. in million
3	Mismanagement	-
4	Non-compliance to laws and rules	2.664
5	Shortfalls, lapses and deficiencies	2.715
	Total	5.379

3. MISMANAGEMENT

The case of non-compliance to laws and rules is as indicated below:

3.1. NON-UTILIZATION OF GOVERNMENT PROPERTIES

The Dzongkhag Administration, Trashiyangtse had not been able to derive value-for-money from the creation of Milk Processing Unit under Khamdang Gewog at the cost of Nu. 0.397 million, Irrigation water Pump at Wangringmo under Ramjar Gewog at the cost of Nu. 1.830 million and Construction of Irrigation Water Storage Tank at Gongza. The facilities and infrastructures established were not put to intended use and had ultimately resulted in wasteful expenditure. (AIN: 15891; OB No.:18; Accountabilities: Direct: Norbu, Gup, Khamdang, CID No. 11603001382; Tenzin Wangda, Gup, Ramjar, CID No. 11604000551; Dechen Wangdi, Gup Toedtsho, CID No. 11605001081; Supervisory: Norbu, Gup, Khamdang, CID No. 11603001382; Tenzin Wangda, Gup, Ramjar, CID No. 11604000551; Dechen Wangdi, Gup Toedtsho, CID No. 11605001081)

4. NON-COMPLIANCE TO LAWS AND RULES - NU. 2.664 MILLION

The cases of non-compliance to laws and rules involving Nu. 2.664 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Retention of fund under Closed Works Account	2.664
4.2.	Non-insurance of works	-
	Total	2.664

4.1 RETENTION OF FUND UNDER CLOSED WORKS ACCOUNT - NU. 2.664 MILLION

The Dzongkhag Administration, Trashiyangtse had retained Nu. 2.664 million under Closed Work Account during the FY 2017-18 for the construction of internal water pipeline at Duksum. However, despite closure of the subsequent FY 2018-19, the Dzongkhag Administration had not settled the closed work account. (AIN: 15891; OB No.: 1; Accountabilities: Direct: Tashi Rabten,

Junior Engineer, EID No. 200807179; M/s Dawa Zangpo Construction, CDB No. 7184; Supervisory: Rinchen Laydra, Assistant Engineer, EID No. 9907022)

4.2. NON-INSURANCE OF WORKS

The Dzongkhag Administration, Trashiyangtse had awarded the contract for construction of *Bazam* (traditional bridge) over *Serkang Chhu* at the cost of Nu. 0.965 million to M/s Jangchukla Construction. However, as required under the contract document, the structure was not insured resulting in non-restoration of collapsed part of bridge including the timber railing and its roofing shortly after taking over the structure. *(AIN: 15891; OB No.:12; Accountabilities: Direct: Tashi Rabten, JE, EID No. 200807179; M/s Jangchukla Construction, CDB No. 3646; Supervisory: Tshering Wangchuk, Principal Engineer, EID No. 9307023)*

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 2.715 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 2.715 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Non-surrender of Fund balance	0.558
5.2	Excess Payments	0.798
5.3	Non-Recovery of 20% penalty for incomplete works	1.359
	Total	2.715

5.1 NON-SURRENDER OF FUND BALANCES – NU. 0.558 MILLION

The Dzongkhag Administration, Trashiyangtse had not surrendered unspent fund balance of Nu. 0.558 million pertaining to River Training works at *Serkang Chhu* - Phase I to the Department of Public Account despite settling the final bill. The amount was initially retained under Closed Work Account. *(AIN: 15891; OB No.:2; Accountabilities: Direct: Tashi Rabten, Junior Engineer, EID No. 200807179; Supervisory: Rinchen Dorji, Finance Officer, EID No. 20150104953)*

5.2 EXCESS PAYMENTS – NU. 0.798 MILLION

- a) The Dzongkhag Administration, Trashiyangtse had made excess payment of Nu. 0.398 million to M/s Lungkhor Construction for works not executed at site in the River Training wall at *Serkang Chhu* - Phase II. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site for plum concrete works. *(AIN: 15891; OB No.:7; Accountabilities: Direct: Tashi Rabten, Junior Engineer, EID No. 200807179; M/s Lungkhor Construction, CDB No. 4793; Supervisory: Rinchen Dorji, Finance Officer, EID No. 20150104953)*
- b) The Dzongkhag Administration, Trashiyangtse had made excess payment of Nu. 0.232 million to M/s KTP Construction for the construction of steel frame Multipurpose Hall at Trashiyangtse LSS. The lapses had occurred due to acceptance of excess claim of dimensions in the footing works, application of wrong standard conversion weight for reinforcement bars, excess claims of number of RCC footing pads and short deductions of lump sum rebate.

Further, cracks between RCC column and CRM wall was also noted requiring immediate rectification. *(AIN: 15891; OB No.:14; Accountabilities: Direct: Damodar Adhikari, JE, EID No. 20130101893; M/s KTP Construction, CDB No. 5465; Supervisory: Tshering Wangchuk, Principal Engineer, EID NO. 9307023)*

- c) The Dzongkhag Administration, Trashiyangtse had made excess payment of Nu. 0.168 million to M/s KTP Construction in the construction of steel framed Multipurpose Hall at Tshengkharla CS. The excess payment had occurred due to inadmissible payment for mix ratios and application of wrong standard conversion weight for reinforcement bars. The release of payment for entire area of floor occupied by the building for flooring works without deducting the area occupied by the portion of stage despite paying separately as it is provided and laid with wooden flooring. *(AIN: 15891; OB No.:15; Accountabilities: Direct: Rinchen Leyda, AE, EID No. 9907022; M/s KTP Construction, CDB No. 5465; Supervisory: Tshering Wangchuk, Principal Engineer, EID No. 9307023)*

5.3 NON-RECOVERY OF 20% PENALTY FOR INCOMPLETE WORKS – NU. 1.359 MILLION

The Dzongkhag Administration, Trashiyangtse had not recovered 20% on the value of works not completed and mobilisation advance amounting to Nu. 1.359 million from the construction of Four-Unit Staff Quarter at Kheni LSS awarded to M/s Lhawang Gyajin Construction, Trashiyangtse upon termination of the contract. The case is under Royal Court of Justice, Trashiyangtse. *(AIN: 15891; OB No.:9; Accountabilities: Direct: Namgay Phuntsho, JE, EID No. 20140103499; M/s Lhawang Gyajin Construction, CDB No. 5007; Supervisory: Tshering Wangchuk, Principal Engineer, EID No. 9307023)*

3.2.14. DZONGKHAG ADMINISTRATION, TRONGSA

During the year, the RAA had issued one audit report of the Dzongkhag Administration, Trongsa. There were 38 observations amounting to Nu. 23.537 million which were not resolved as of 31 January 2020 and Nu. 12.670 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 10.867 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	6.845
5	Shortfalls, lapses and deficiencies	4.022
	Total	10.867

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 6.845 MILLION

The cases of non-compliance to laws and rules involving Nu. 6.845 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Extravagant payment	6.419
4.2	Short/Non-levy of Liquidated Damages	0.426
4.3	Defective works	-
Total		6.845

4.1 EXTRAVAGANT PAYMENT – NU. 6.419 MILLION

The Dzongkhag Administration, Trongsa had made extravagant payment amounting to Nu. 6.419 million to M/s Dechen Construction, Sarpang against an item of wood work in the construction of Eight-Unit Classroom with ADM Block and Laboratory Block at Tshangkha CS.

The estimated rate prepared by the Dzongkhag Administration for the item of work 'Providing and Fixing dressed wood work in timber nailing strip 50x25 including finishing with two coat of touch wood polish' based on the BSR 2013, Gelephu with 20% cost index was only Nu. 63.79 per metre as against the quoted rate of Nu. 15,000.00 per metre. As per estimate, the value of work amounted to Nu. 0.027 million only.

The evaluation committee had failed to detect the highly inflated bid price quoted for the item and had also failed to ask for rate analysis from the contractor resulting into the above extravagant payment. (AIN: 16452; OB No.: 17.6; Accountabilities: Direct: Lhawang Gyelmo, AE, EID No. 200307021; M/s Dechen Construction, Sarpang, CDB No. 1899; Supervisory: Sonam Dorji, DE, EID No. 200507214)

4.2 SHORT/NON-LEVY OF LIQUIDATED DAMAGES – NU. 0.426 MILLION

a) The Dzongkhag Administration, Trongsa had short-levied liquidated damages amounting Nu. 0.244 million in the construction of Six-Unit Classroom Block at Samcholing MSS awarded to M/s L S Construction. The contractor was liable for Nu. 0.319 million for delay in completion of works but was levied only Nu. 0.075 million. The contractor had submitted work completion report on 20 June 2017 but the Dzongkhag Administration had taken over the completed works only on 30 January 2018 after a substantial lapse of seven months. (AIN: 16452; OB No.: 19; Accountabilities: Direct: Dawa Lhamo, AE, EID No. 200508155; M/s L.S. Construction, CDB No. 5343; Supervisory: Sonam Dorji, DE, EID No. 200507214)

b) The Dzongkhag Administration, Trongsa had not levied liquidated damages amounting to Nu. 0.182 million for delay in completion of construction of Eco-Tourism Guest House at Nabji-Korphu awarded to M/s Tshering Tenzin Construction, Zhemgang. The completion was delayed by nine months. (AIN: 16452; OB No.: 20.1; Accountabilities: Direct: Sangay Dorji, AE, EID No. 20140103509; M/s Tshering Tenzin Construction, CDB No. 2135; Supervisory: Sonam Dorji, DE, EID No. 200507214)

4.3 DEFECTIVE WORKS

The Dzongkhag Administration, Trongsa had accepted defective works in the construction of Eco-Tourism Guest House at Nabji-Korphu. The defective works included; a) water seepage on the toilet walls due to improper and substandard executions of shower fittings, b) leakage from

the CGI sheet roofing damaging plywood ceiling, c) the electrical wirings were not properly laid and the electric fan provided was unserviceable, and d) substandard flooring works and window frames without smooth finishing. (AIN: 16452; OB No.: 20.4; Accountabilities: Direct: Sangay Dorji, AE, EID No. 20140103509; M/s Tshering Tenzin Construction, CDB No. 2135; Supervisory: Sonam Dorji, DE, EID No. 200507214)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 4.022 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 4.022 million are as indicated below:

Sl. No.	Observation in brief	Nu. In million
5.1	Short deduction of house rent	0.188
5.2	Double payment of TA/DA	0.302
5.3	Excess/Over Payments	1.736
5.4	Outstanding advances	1.718
5.5	Lapses in loan disbursement and repayments	-
5.6	Non-submission of details on procurement of HDPE pipes to DNP	0.078
	Total	4.022

5.1 SHORT-DEDUCTION OF HOUSE RENT – NU. 0.188 MILLION

The Dzongkhag Administration, Trongsa had made short-deduction of monthly house rents from the occupants of Government quarters to the tune of Nu. 0.188 million. The lapses had occurred due to non-revision of house rent as notified by the Ministry of Finance in 2018. (AIN: 16452; OB No.: 4; Accountabilities: Direct: (For Accountabilities refer Audit Report); Supervisory: Sangay Chojay, Assistant Accounts Officer, EID No. 20160106472)

5.2 DOUBLE PAYMENT OF TA/DA – NU. 0.302 MILLION

The Dzongkhag Administration, Trongsa had made double payments amounting to Nu. 0.302 million on account of Travelling and Daily Allowances of various officials. The double payments had occurred mainly due to non-maintenance of travel register and lack of effective controls. (AIN: 16452; OB No.: 7; Accountabilities: Direct: (For Accountabilities refer Audit Report); Supervisory: Sangay Chojay, Assistant Accounts Officer, EID No. 20160106472)

5.3 EXCESS/OVER PAYMENT – NU. 1.736 MILLION

- a) The Dzongkhag Administration, Trongsa had made excess payment amounting to Nu. Nu. 0.084 million for plinth protection works in the construction of Eight-Unit Classroom with ADM Block and Laboratory Block at Tshangkha CS to M/s Dechen Construction, Sarpang. The excess payment had occurred due to payment for RCC plinth protection works instead of PCC plinth protection works executed at site. (AIN: 16452; OB No.: 17.7; Accountabilities: Direct: Lhawang Gyelmo, AE, EID No. 200307021; M/s Dechen Construction, Sarpang, CDB No. 1899; Supervisory: Sonam Dorji, DE, EID No. 200507214)
- b) The Dzongkhag Administration, Trongsa had made excess payment of Nu. 0.474 million on account of procurement of various goods. The excess payments had occurred due to

acceptance of higher rates instead of quoted rates. *(AIN: 16452; OB No.:14; Accountabilities: Direct: Pema Chopel, Procurement Officer, EID No. 20140504341; Supervisory: Pema Chopel, Procurement Officer, EID No. 20140504341)*

- c) The Dzongkhag Administration, Trongsa had made excess payment of Nu. 0.341 million to the contractor in the construction of Eight-Unit Classroom with Administrative Block and Laboratory Block at Tshangkha CS awarded to M/s Dechen Construction, Sarpang. The excess payment had occurred due to non-deduction of beams and slabs for computing quantity of concrete bricks work for the superstructure. *(AIN: 16452; OB No.:17.1; Accountabilities: Direct: Lhawang Gyelmo, AE, EID No. 200307021; M/s Dechen Construction, CDB No. 1899; Supervisory: Sonam Dorji, DE, EID No. 200507214)*
- d) The Dzongkhag Administration, Trongsa had made excess payment of Nu. 0.053 million to the contractor in the construction of 8 Unit Classroom with Administrative Block and Laboratory Block at Tshangkha CS M/s Dechen Construction, Sarpang. The excess payment had occurred due to payment for 5.64 m³ as against actual execution of 2.70 m³ at site for providing and fixing flooring joists. *(AIN: 16452; OB No.:17.4; Accountabilities: Direct: Lhawang Gyelmo, AE, EID No. 200307021; M/s Dechen Construction, CDB No. 1899; Supervisory: Sonam Dorji, DE, EID No. 200507214)*
- e) The Dzongkhag Administration, Trongsa had made excess payment of Nu. 0.229 million to the contractor in the Construction of 120 bedded hostels for Boys and Girls with site development at Tshangkha CS awarded to M/s Samphel Dhendup Construction, Punakha. The excess payment had occurred due to non-deduction of beams and slabs for computing quantity of concrete bricks work for the superstructure. *(AIN: 16452; OB No.:18.2; Accountabilities: Direct: Lhawang Gyelmo, AE, EID No. 200307021; M/s Samphel Dhendup Construction, Punakha CDB No. 2266; Supervisory: Sonam Dorji, DE, EID No. 200507214)*
- f) The Dzongkhag Administration, Trongsa had made excess payment of Nu. 0.555 million to M/s Blue Heaven Construction in the construction of Dzongkhag Veterinary Hospital. The excess payment had occurred due to short deduction of advances from the final bill. *(AIN: 16452; OB No.:30; Accountabilities: Direct: Phuntsho Ghalay, Site Engineer, EID No. 20140103513; Yonten Namgay, Accountant, EID No. 200907007; M/s Blue Heaven Construction, CDB No.1174; Supervisory: Sonam Dorji, DE, EID No. 200507214)*

5.4 OUTSTANDING ADVANCES – NU. 1.718 MILLION

- a) The Dzongkhag Administration, Trongsa had outstanding Public Works Advances amounting to Nu. 1.184 million lying against M/s AP Sha Construction, Thimphu pertaining to the Re-electrification of Trongsa Dzong. The advance was not adjusted from the final bill. *(AIN: 16452; OB No.:22; Accountabilities: Direct: Tshering Dawa, Accounts Assistant, EID No. 20141204880; M/s Ap Sha Construction, CDB No. 4153; Supervisory: Sangay Chojay, Assistant Accounts Officer, EID No. 20160106472)*
- b) The Dzongkhag Administration, Trongsa had outstanding Public Works Advances amounting to Nu. 0.534 million lying unadjusted against M/s AK Construction pertaining to

Monmay Gang Irrigation Channel. The Dzongkhag had not deducted the advances released to the contractor from the bills. (AIN 16452: OB No.: 21; Accountabilities: Direct: Tshering Dawa, Accounts Assistant, EID No. 20141204880; M/s AK Construction, CDB No. 6097; Supervisory: Sangay Chojay, Assistant Accounts Officer, EID No. 20160106472)

5.5 LAPSES IN LOAN DISBURSEMENT AND REPAYMENTS

The Dzongkhag Administration, Trongsa had disbursed loans amounting to Nu. 14.916 million (including interest) to various individuals and party from the *Moenlam Chhenmo* Fund. There were no records to authenticate the repayment of these loans and the same could not be verified during audit. The RAA could not verify the account of the funds in the absence of records. The Dzongkhag was asked to furnish relevant documents for further review. (AIN: 16452; OB No.: 31.2; Accountabilities: Direct: Tashi Pelden, CID No. 11704001027; Jigme Namgayl, CID No. 11705001719; Supervisory: Kinley Gyeltshen, Dzongrab, EID No. 9904019; Tashi Pelden, CID No. 11704001027; Jigme Namgayl, CID No. 11705001719)

5.6 NON-SUBMISSION OF DETAILS ON PROCUREMENT OF HDPE PIPES TO DNP

The Dzongkhag Administration, Trongsa had procured HDPE pipes valuing Nu. 1.303 million during 2017-18. However, the Dzongkhag Administration had failed to endorse the total quantities purchased to the Department of National Properties, Ministry of Finance as required for processing 6% rebate. As a result, the Department of National Properties, Ministry of Finance could not avail 6% rebate amounting to Nu. 0.078 million offered by M/s Bhutan Polythene Corporation Limited, Phuentsholing. (AIN: 16452; OB No.: 15; Accountabilities: Direct: Pema Chopel, Procurement Officer, EID No. 20140504341; Supervisory: Pema Chopel, Procurement Officer, EID No. 20140504341)

3.2.15. DZONGKHAG ADMINISTRATION, WANGDUE PHODRANG

During the year, the RAA had issued one audit report of the Dzongkhag Administration Wangdue Phodrang. There were 17 observations amounting to Nu. 3.692 million of which Nu. 0.816 million were resolved as of 31 January 2020 and Nu. 0.611 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 2.265 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
5	Shortfalls, lapses and deficiencies	2.265
	Total	2.265

4. NON-COMPLIANCE TO LAWS AND RULES

The case of non-compliance to laws and rules is as indicated below:

4.1 DEFECTIVE WORKS

- a) The Dzongkhag Administration, Wangdue Phodrang had accepted defective works in the construction of 120-bedded hostel with Matron's quarter, two toilets and Eight-unit classrooms at Gaselo CS executed by M/s Druk Lam-sel Construction, Thimphu. There were defects in fixation of Glass-fibre Reinforced Concrete (GRC) cornices with gap between wall and cornices covered with PCC filling, execution of substandard mosaic flooring work resulting into development of potholes and, leakages in toilet pipe lines damaging the structure. (AIN: 16302; OB No.:1.2; Accountabilities: Direct: Tapas Biswa, JE, CID No. 11308001154; M/s Druk Lam-sel Construction, Thimphu, CDB No. 7680; Supervisory: Labchu, DE, EID No. 8601092)
- b) The Dzongkhag Administration, Wangdue Phodrang had accepted defective work in the construction of basketball court at Gaselo CS. There was formation of gaps between the PCC slabs and the PCC works were peeling off requiring immediate rectification. The works were carried out by M/s Pema Jungney Construction. (AIN: 16302; OB No.:2.2; Accountabilities: Direct: Tapas Biswa, JE, CID No. 11308001154; M/s Pema Jungney Construction, Thimphu, CDB No. 6158; Supervisory: Labchu, DE, EID No. 8601092)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 2.265 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 2.265 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Excess Payments	0.235
5.2	Irregular booking of expenses	0.151
5.3	Non-documentation of acknowledgement receipts	0.070
5.4	Outstanding Advances	1.809
	Total	2.265

5.1 EXCESS PAYMENTS - NU. 0.235 MILLION

The Dzongkhag Administration, Wangdue Phodrang had made excess payments of Nu. 0.235 million to M/s Khuju Construction, Thimphu for providing and laying concrete brick work masonry in the construction of Multi-Purpose Hall at Bajo HSS. The excess payments had occurred due to difference in quantities claimed by the contractor and actual quantities executed at site. (AIN: 16302; OB No.:3; Accountabilities: Direct: Tashi Wangchuk, AE, EID No. 200607211; M/s Khuju Construction, Thimphu, CDB No. 4193; Supervisory: Labchu, DE, EID No. 8601092)

5.2 IRREGULAR BOOKING OF EXPENSES – NU. 0.151 MILLION

The Dzongkhag Administration, Wangdue Phodrang had booked Nu. 0.225 million on account of maintenance of Election Advertising Board for National Council Election 2018 in seven Gewogs. However, records showed that only Nu. 0.044 million were paid for the maintenance works carried out, leaving a balance of Nu. 0.151 million which was not properly accounted for. (AIN:

16302; OB No.:10; Accountabilities: Direct: Kunzang, LRO, EID No. 91013020; Gyembo, LRO, EID No. 200803006; Supervisory: Kunzang, LRO, EID No. 91013020; Gyembo, LRO, EID No. 200803006)

5.3 NON-DOCUMENTATION OF ACKNOWLEDGEMENT RECEIPTS – NU. 0.070 MILLION

The Dzongkhag Administration, Wangdue Phodrang had disbursed Nu. 0.070 million to Gewog Administrative Officers of nine Gewogs as working charges for construction of 14 Temporary Polling Stations @ Nu. 5,000.00 per polling station for National Council Election 2018. However, during the site visit to the Gewogs and on inquiry with the beneficiaries, it was found that they did not receive the amount in full. Further, no details of recipients were documented by the concerned Gewog Administrative Officer to substantiate disbursements. (AIN: 16302; OB No.:11; Accountabilities: Direct: Dorji Wangdi, DzEO, EID No. 201008014; Kelzang Dema, GAO, Nysho Gewog, EID No. 200805035; Supervisory: Dorji Wangdi, DzEO, EID No. 201008014)

5.4 OUTSTANDING ADVANCES – NU. 1.809 MILLION

The Dzongkhag Administration, Wangdue Phodrang had not adjusted outstanding Personal Advances amounting to Nu. 0.015 million and PW Advances of Nu. 1.793 million against various parties and individuals as on 30 June 2018. (AIN: 16302; OB No.:12; Accountabilities: Direct: Sonam Tobgay B, DT Secretary, EID No. 200508168; Shacha Gyeltshen, Cultural Officer, EID No. 200505019; Kumbu Dorji, JE, EID No. 20120100119; Younten Dorji, Finance Officer, 200901056; Tshering Choki, Technician, EID No. 20121201951; Sonam Wangchuk, Accounts Asstt. V, EID No. 20120700715; Sangay, Accounts Asstt. III, EID No. 200907176; Tashi Zangpo, Sr. Technician, EID No. 8505068; Pemba, Gup, Dangchu, CID No. 11904000420; Khandu Dorji, Gup, Athang, CID No. 11901000845; Tashi Dema, JE, EID No. 201101208; Karma Dupchu, Dental Technician, EID No. 9907067; Tenzin Phuntsho, AHRO, EID No. 200508101; Melam, VP, EID No. 9507156; Jampel Choda, Procurement Officer, EID No. 200707184; Dr. Dawa Gyeltshen, GDMO, EID No. 20170709561; Dilli Ram Rai, Caretaker, CID No. 11808001721; Joshwa Construction, CDB No. 4647; Lucky Gongphel Construction, CDB No. 6081; Ngo Tshar Tashi Yangkhil Construction, CDB No. 5896; Supervisory: Younten Dorji, Finance Officer, EID No. 200901056)

3.2.16. DZONGKHAG ADMINISTRATION, ZHEMGANG

During the year, the RAA had issued one audit report of the Dzongkhag Administration, Zhemgang. There were 37 observations amounting to Nu. 15.445 million of which Nu. 0.117 million were resolved as of 31 January 2020 and Nu. 10.873 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 4.455 million as summarised below:

Category Code	Category Description	Nu. in million
3	Mismanagement	0.332
4	Non-compliance to laws and rules	0.969
5	Shortfalls, lapses and deficiencies	3.154
	Total	4.455

3. MISMANAGEMENT - NU. 0.332 MILLION

The case of Mismanagement involving Nu. 0.332 million is as indicated below:

3.1 RETENTION OF RENTAL CHARGES – NU. 0.332 MILLION

The Dzongkhag Administration, Zhemgang had retained rental charges of Nu. 0.332 million realized from the two-storied building at Duenmang Tshachu. The amount was deposited in Current Deposit Account maintained with Bank of Bhutan Limited without approval of Ministry of Finance. *(AIN: 16290; OB No.:24.1; Accountabilities: Direct: Karma Darjay, EID No. 8907130; Supervisory: Kinzang Dorji, Dzongrab, EID No. 200310189)*

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 0.969 MILLION

The cases of non-compliance to laws and rules involving Nu. 0.969 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Payment of final bill before completion of work	-
4.2	Payment for works not executed	-
4.3	Non-levy of Liquidated Damages	0.606
4.4	Non-deduction of rebate	0.253
4.5	Non-installation of the poly houses	0.110
4.6	Audit Clearance Certificates not obtained	-
	Total	0.969

4.1 PAYMENT OF FINAL BILL BEFORE COMPLETION OF WORK

The Dzongkhag Administration, Zhemgang had released final bill amounting to Nu. 2.914 million to the contractor without completion of works in the Construction of Footpath and Compound Light at Zhemgang CS awarded to M/s Rabten Lhanam Construction, Zhemgang. The railing along footpath was not completed at site. *(AIN: 16290; OB No.:3.1; Accountabilities: Direct: Yeshey Rinzin, Engineer, EID No. 201101215; M/s Rabtem Lhanam Construction, CDB No. 7087; Supervisory: Kintu, District Engineer, EID No. 200801083)*

4.2 NON-LEVY OF LIQUIDATED DAMAGES – NU. 0.606 MILLION

- a) The Dzongkhag Administration, Zhemgang had not levied liquidated damages amounting to Nu. 0.346 million for delay in completion of Construction of Footpath and Compound Light at Zhemgang CS awarded to M/s Rabten Lhanam Construction, Zhemgang. The contractor had failed to complete the work within extended time. *(AIN: 16290; OB No.:3.5; Accountabilities: Direct: Yeshey Rinzin, Engineer, EID No. 201101215; M/s Rabtem Lhanam Construction, CDB No. 7087; Supervisory: Kintu, District Engineer, EID No. 200801083)*
- b) The Dzongkhag Administration, Zhemgang had not levied liquidated damages of Nu. 0.260 million for delay in completion of Construction of sub-post at Duenmang awarded to M/s Dramaru Construction, Zhemgang. The contractor could not complete the work despite extension of time and repeated reminders. *(AIN: 16290; OB No.:12.2; Accountabilities: Direct:*

Kuenga, Assistant Engineer, EID No. 20087185; M/s Dramaru Construction, CDB No. 7055; Supervisory: Kintu, District Engineer, EID No. 200801083)

4.3 NON-DEDUCTION OF REBATE – NU. 0.253 MILLION

The Dzongkhag Administration, Zhemgang had not deducted the lump sum rebate of Nu. 0.253 million in the Maintenance work of staff quarter at Gomphu BHU awarded to M/s Tendrel Phuensum Construction, Zhemgang. *(AIN: 16290; OB No.:13.2; Accountabilities: Direct: Yeshey Rinzin, Engineer, EID No. 201101215; Tendrel Phuensum Construction, CDB No. 4372; Supervisory: Kintu, District Engineer, EID No. 200801083)*

4.4 NON-INSTALLATION OF POLY HOUSES – NU. 0.110 MILLION

The Dzongkhag Agriculture Sector, Zhemgang had supplied materials for poly houses to Gewogs and Chiwogs for onward distribution to farmers. During the physical verification, it was noted that poly houses and materials worth Nu. 0.110 million were not installed and lying idle at site. *(AIN: 16290; OB No.:23; Accountabilities: Direct: Phuntsho, District Agriculture Officer, EID No. 9608072; Supervisory: Phuntsho, District Agriculture Officer, EID No. 9608072)*

4.6 AUDIT CLEARANCE CERTIFICATES NOT OBTAINED

The Dzongkhag Administration, Zhemgang had not documented the Audit Clearance Certificate of 10 employees who had availed ex-country trainings in breach of the provision of the BCSR. The Dzongkhag Administration is yet to submit the appropriate administrative action taken against the defaulting officials. *(AIN: 16290; OB No.: 22; Accountabilities: Direct: (For Accountabilities refer Audit Report); Supervisory: Tshewang Dorji, Offtg. HRO, EID No. 200909016)*

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 3.154 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 3.154 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Payment for works not executed	1.828
5.2	Excess payment	0.557
5.3	Payment made without receipt of materials	0.078
5.4	Outstanding Advances	0.691
	Total	3.154

5.1. PAYMENT FOR WORKS NOT EXECUTED – NU. 1.828 MILLION

a) The Dzongkhag Administration, Zhemgang had made payment for works not executed at site amounting to Nu. 0.089 million in the Maintenance of Drainage System and Resurfacing of Road at Tingtibi awarded to M/s Keebu Construction, Zhemgang. The payment was made based on wrong certification of works by the site engineer concerned. *(AIN: 16290; OB No.:8.2; Accountabilities: Direct: Binod Kr. Tamang, Engineer, EID No. 200407010; M/s Keebu Construction, CDB No. 4953; Supervisory: Kintu, DE, EID No. 200801083)*

- b) The Dzongkhag Administration, Zhemgang had made payment of Nu. 1.739 million towards installation of compound light in the Construction of Footpath and Compound Light at Zhemgang CS awarded to M/s Rabten Lhanam Construction, Zhemgang. The works remained uncompleted even after five months of releasing the payment. *(AIN: 16290; OB No.: 3.4; Accountabilities: Direct: Yeshey Rinzin, Engineer EID No. 201101215; M/s Rabtem Lhanam Construction, CDB No. 7087; Supervisory: Kintu, District Engineer, EID No. 200801083)*

5.2 EXCESS PAYMENT – NU. 0.557 MILLION

- a) The Dzongkhag Administration, Zhemgang had made excess payment of Nu. 0.276 million in the blacktopping of Approach Road and Maintenance of Drainage System at Buli CS awarded to M/s Pema Construction, Zhemgang. The excess payments had occurred due to acceptance of 1365 metres for payment as against actual execution of 1230 metres of road length resulting in difference of 135 metres. *(AIN: 16290; OB No.:9; Accountabilities: Direct: Kuenga, Assistant Engineer, EID No. 20087185; M/s Pema Construction, CDB No. 1846; Supervisory: Kintu, DE, EID No. 200801083)*
- b) The Dzongkhag Administration, Zhemgang had made excess payment of Nu. 0.214 million for construction of RRM open surface drain in the Improvement Work of Drainage System at Gomphu LSS awarded to M/s Urung Construction, Trashigang. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. The works completed included quantities of footpath already constructed and paid in the previous FY. *(AIN: 16290; OB No.:15; Accountabilities: Direct: Binod Kr. Tamang, Engineer, EID No. 200407010; M/s Urung Construction, CDB No. 7974; Supervisory: Kintu, DE, EID No. 200801083)*
- c) The Dzongkhag Administration, Zhemgang had made excess payment of Nu. 0.067 million in the Construction of Two Units Lam's Zhimchung at Phumethang awarded to M/s CC Construction. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. *(AIN: 16290; OB No.:18; Accountabilities: Direct: Kintu, DE, EID No. 200801083; M/s CC Construction, CDB No. 7885; Supervisory: Kintu, DE, EID No. 200801083)*

5.3 PAYMENT MADE WITHOUT RECEIPT OF MATERIALS – NU. 0.078 MILLION

The Dzongkhag Administration, Zhemgang had made payment of Nu. 0.078 million for materials to be used for Construction of Bridge at Berti, which was undertaken departmentally. During the physical verification, it was observed that the Dzongkhag had not received the materials despite releasing the payment. *(AIN: 16290; OB No.:17; Accountabilities: Direct: Kintu, DE, EID No. 200801083; Supervisory: Kintu, DE, EID No. 200801083)*

5.4 OUTSTANDING ADVANCES – NU. 0.691 MILLION

The Dzongkhag Administration, Zhemgang had overdue outstanding advances of Nu. 0.691 million against four parties and an individual. All outstanding advances against four parties pertained to 2011, 2013 and 2014. *(AIN: 16290; OB No.: 20; Accountabilities: Direct: Tilak Thara,*

Accountant, EID No. 201007232; Tshering Nidup, Accounts Assistant, EID No. 201007231; Tashi Choden, Thrummed, EID No. 12008003800; Tshering Nidup, Accounts Assistant, EID No. 201007231; Supervisory: Jigme Dorji, Finance Officer, EID No. 20130101147; Til Bahadur Ghalley, Accounts Officer, EID No. 200701133; Tshering Choden, Accounts Officer; EID No. 20160106474)

3.3. GEWOGS ADMINISTRATIONS

During the year, 40 Gewogs Administration under 10 Dzongkhags had unresolved irregularities amounting to Nu. 34.601 million as follows:

3.3.1. GEWOGS ADMINISTRATION UNDER BUMTHANG DZONGKHAG

I. CHHOEKHOR

During the year, the RAA had issued one audit report of the Gewog Administration, Chhoekhor. There were seven observations amounting to Nu. 0.399 million of which Nu. 0.004 million were resolved as of 31 January 2020 and Nu. 0.003 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 0.392 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	0.318
5	Shortfalls, lapses and deficiencies	0.074
Total		0.392

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 0.318 MILLION

The cases of non-compliance to laws and rules involving Nu. 0.318 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Shortage of HDPE pipes	0.318
4.2	Acceptance of defective works	-
Total		0.318

4.1. SHORTAGE OF HDPE PIPES – NU. 0.318 MILLION

The Gewog Administration, Chhoekhor had shortages of HDPE Pipes valuing Nu. 0.318 million purchased for Rural Water Supply Scheme. There were differences in the stock balance as per the stock register and ground balance. *(AIN: 16253; OB No.: 7; Accountabilities: Direct: Pema Doengyel, Gup, CID No. 10101004727; Supervisory: Pema Doengyel, Gup, CID No. 10101004727)*

4.2. ACCEPTANCE OF DEFECTIVE WORKS

The Gewog Administration, Chhoekhor had accepted defective works in the maintenance of road from Gewog office till Toktophel junction executed by M/s Tshering Choden Construction, Bumthang. Base course works had started wearing off indicating execution of substandard

works. (AIN: 16253; OB No.: 1; Accountabilities: Direct: Tshering Lham, JE, EID No. 200707081; Supervisory: Pema Doengyel, Gup, CID No. 10101004727)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.074 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.074 million is as indicated below:

5.1. EXCESS PAYMENT IN PAVEMENT WORKS – NU. 0.074 MILLION

The Gewog Administration, Chhoekhor had made excess payment of Nu. 0.074 million to the community contractor for providing and laying *Dolep* (flat stone) pavement at Nga Lhakhang. The excess payments had occurred due to application of higher rates than rates actually admissible. (AIN: 16253; OB No.: 3; Accountabilities: Direct: Tshering Lham, JE, EID No. 200707081; Supervisory: Pema Doengyel, Gup, CID No. 10101004727)

II. CHUMEY

During the year, the RAA had issued one report of the Gewog Administration, Chumey. There were six observations amounting to Nu. 0.751 million of which Nu. 0.249 million was resolved as of 31 January 2020 and Nu. 0.502 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities are as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
	Total	-

4. NON-COMPLIANCE TO LAWS AND RULES

The cases of non-compliance to laws and rules are as indicated below:

4.1 ACCEPTANCE OF DEFECTIVE WORKS

The Gewog Administration, Chumey had accepted defective works in the construction of Farm Road at Phurjoen executed by M/s Sambha Ngurdruk Construction, Bumthang. The 308m of stone soling works provided at site were not properly laid indicating inadequate monitoring and supervision. No drains were provided exposing the roads to further damage during the monsoon. (AIN: 16252; OB No.:5; Accountabilities: Direct: Dawa Dema, AE, EID No. 2012010013; Supervisory: Jampel, Gup, CID No.10102002485)

III. URA

During the year, the RAA had issued one audit report of the Gewog Administration, Ura. There were five observations amounting to Nu. 0.669 million of which no observations were resolved as of 31 January 2020 and Nu. 0.377 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 0.292 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.292
	Total	0.292

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.292 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.292 million is as indicated below:

5.1 EXCESS PAYMENT – NU. 0.292 MILLION

The Gewog Administration, Ura had made excess payment of Nu. 0.292 million for CGI Roofing works in the construction of Crematorium Ground at Tangsibee and Shingkhar. The excess payments had occurred due to difference in the quantities claimed by the contractor and actual quantities executed at site. *(AIN: 16255; OB No.:4; Accountabilities: Direct: Tshering Tashi, AE, EID No. 200707077; Supervisory: Khandu Wangchuk, Gup, CID No. 10104001577)*

3.3.2. GEWOGS ADMINISTRATION UNDER CHHUKHA DZONGKHAG

I. BONGO

During the year, the RAA had issued one audit report of the Gewog Administration, Bongo. There were four observations amounting to Nu. 0.644 million which were not resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 0.644 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.644
	Total	0.644

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.644 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 0.644 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Excess Payment to contractor	0.567
5.2	Non-deposit of Rural Taxes	0.077
	Total	0.644

5.1 EXCESS PAYMENT TO CONTRACTOR – NU. 0.567 MILLION

The Gewog Administration, Bongo had made excess payment of Nu. 0.567 million on account of supply of boulders in the re-construction of Gedu Eukha Lhaxhang. The excess payment had occurred due to release of payments for 678m³ as against the actual supply of 81m³ of boulders. *(AIN: 16057; OB No.:1.2; Accountabilities: Direct: Dewas Biswa, JE, EID 20140103469; Tshering Nidup, Gup, CID No: 10203002306; Supervisory: Tshering Nidup, Gup, CID No: 10203002306)*

5.2 NON-DEPOSIT OF RURAL TAXES – NU. 0.077 MILLION

The Gewog Administration, Bongo had not deposited rural tax amounting to Nu. 0.077 million pertaining to year 2017 into the Gewog CD Account. The tax amount had been misused by the Gewog Gaydrung. (AIN: 16057; OB No.:2; Accountabilities: Direct: Khandu Tshering, Gaydrung, CID No: 10203005376; Supervisory: TsheringNidup, Gup, CID No: 10203002306)

II. DARLA

During the year, the RAA had issued one audit report of the Gewog Administration, Darla. The report was issued with 'Qualified' opinion. There were seven observations amounting to Nu. 12.745 million of which Nu. 0.154 million were resolved as of 31 January 2020 and Nu. 0.027 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 12.564 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
5	Shortfalls, lapses and deficiencies	12.564
	Total	12.564

4. NON-COMPLIANCE TO LAWS AND RULES

The case of non-compliance to laws and rules is as indicated below:

4.1 ACCEPTANCE OF SUBSTANDARD WORK

The Gewog Administration, Darla had accepted substandard works for the construction of water supply at Kezari, Nimgang, upper and lower Darla at the total cost of Nu. 19.783 million carried out by M/s Bhutan Alliance Pvt. Ltd. The sub-standard works were noted in (i) HDPE pipes and GI pipes supported with small wooden poles in gullies; (ii) GI pipes laid along road shoulders and drain exposed to damage by vehicles and pedestrians, (iii) FCR tanks were not fenced, (iv) trenching for tanks were not covered with earth as required and (v) GI Pipes were not properly joined with GI Joints. (AIN: 16085; OB No.:1.5; Accountabilities: Direct: Rupa Gurung, Engineer, EID No. 200307013; M/s Bhutan Alliance Pvt. Ltd., CDB No. 4271; Mil Kumar Monggar, Gup, CID No. 10205005231; Supervisory: Mil Kumar Monggar, Gup, CID No.: 10205005231)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 12.564MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 12.564 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Excess payment for works not executed	2.330
5.2	Wastage in construction of water supply	10.040
5.3	Wasteful expenditure due to inadequate planning	0.194
	Total	12.564

5.1 EXCESS PAYMENT FOR WORKS NOT EXECUTED – NU. 2.330 MILLION

The Gewog Administration, Darla had accepted works valuing Nu. 2.330 million which were not executed as per the specification in the construction water supply for Kezari, Nimgang, upper and lower Darla. M/s Bhutan Alliance Pvt. Ltd. had not laid the HDPE and GI pipes as required. (AIN: 16085; OB No.: 1.1; Accountabilities: Direct: Rupa Gurung, Engineer, EID No. 200307013; M/s Bhutan Alliance Pvt. Ltd., CDB No. 4271; Supervisory: Mil Kumar Monggar, Gup, CID No.: 10205005231)

5.2 WASTAGE IN CONSTRUCTION OF WATER SUPPLY – NU. 10.040 MILLION

The water supply at Kezari, Nimgang, Upper and Lower Darla was constructed at a cost of Nu. 10.040 million. However, the Gewog Administration had failed to provide proper filtration system and protection to catchment areas at the source which caused frequent blockages and water supply could be used by the community. This has resulted in wastage of resources. (AIN: 16085; OB No.: 1.3; Accountabilities: Direct: Rupa Gurung, Engineer, EID No. 200307013; Mil Kumar Monggar, Gup, CID No.: 10205005231; Supervisory: Mil Kumar Monggar, Gup, CID No.: 10205005231)

5.3. WASTEFUL EXPENDITURE DUE TO INADEQUATE PLANNING – NU. 0.194 MILLION

The Gewog Administration, Darla had abandoned about 800m of drinking water pipeline at site costing Nu. 0.194 million at the old water source due to source drying up, which is indicative of inadequate assessment of water sources at the time of planning. As a result, water pipes were in forest unutilized. (AIN: 16085; OB No.:1.4; Accountabilities: Direct: Rupa Gurung, Engineer, EID 200307013; M/s Bhutan Alliance Pvt Ltd., CDB No. 4271; Supervisory: Mil Kumar Monggar, Gup, CID No. 10205005231)

III. GELING

During the year, the RAA had issued one audit report of the Gewog Administration, Geling. There were three observations amounting to Nu. 0.145 million of which were not resolved as of 31 January 2020 and Nu. 0.005 million did not qualify for inclusion in the AAR.

The significant unresolved irregularity amounted to Nu. 0.140 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.140
	Total	0.140

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.140 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.140 million is as indicated below:

5.1 EXCESS PAYMENT – NU. 0.140 MILLION

The Gewog Administration, Geling had made excess payment of Nu. 0.140 million to M/s PD and TT Construction in the construction of permanent structures for Amrigang to Dhap Farm Road. The excess payment had occurred due to release of payments for 420m as against the actual execution of 279.90m of lined V-shaped drains. (AIN: 16082; OB No.:1; Accountabilities: Direct: Sangay Dorji, Engineer, EID No. 20160106537; M/s PD and TT Construction, CDB No. 6304; Supervisory: Phub Dorji, Gup, CID No. 10207401537)

IV. GETANA

During the year, the RAA had issued one audit report of the Gewog Administration, Getana. There was one observation which was not resolved as of 31 January 2020.

The significant unresolved irregularity is as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
	Total	-

4. NON-COMPLIANCE TO LAWS AND RULES

The case of non-compliance to laws and rules is as indicated below:

4.1 ACCEPTANCE OF SUB-STANDARD WORKS

The Gewog Administration, Getana had accepted sub-standard causeways in the construction of farm road from Bachu to Cheyul executed by M/s Lang Nyels Construction. As against the requirement to execute PCC thickness of 300mm for the causeways as per the design and specification, the contractor had executed causeways of PCC thickness lesser than 150mm due to which four numbers of causeways were damaged. (AIN: 16081; OB No.:1; Accountabilities: Direct: Ngawang Dorji, Site Engineer, EID No. 20130103472; Supervisory: Kinley, Gup, CID No. 10208000687)

V. SAMPHELLING

During the year, the RAA had issued one audit report of the Gewog Administration, SampHELLing. There were three observations amounting to Nu. 0.088 million which were not resolved as of 31 January 2020 and Nu. 0.010 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 0.078 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.078
	Total	0.078

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.078 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.078 million is as indicated below:

5.1 EXCESS PAYMENT – NU. 0.078 MILLION

The Gewog Administration, Samphelling had made excess payment of Nu. 0.078 million to M/s Jitchen Norbu Construction in the construction of Farm Road from Pana C to Ambartary. The excess payments had occurred due to difference in the quantities claimed by contractor and actual quantities executed at site. (AIN: 16084; OB No.:1; Accountabilities: Direct: Jyoti Gurung, Engineer, EID No. 20140103471; M/s Jitchen Norbu Construction, CDB No. 5123; Supervisory: Karma, DE, EID No. 9807050)

3.3.3. GEWOGS ADMINISTRATION UNDER DAGANA DZONGKHAG

I. DRUJEYGANG

During the year, the RAA had issued two audit reports of the Gewog Administration DrujeYGang. One report was issued with 'Qualified' opinion. There were six observations amounting to Nu. 0.813 million of which Nu. 0.301 million was resolved as of 31 January 2020 and Nu. 0.250 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 0.262 million as summarised below:

Category Code	Category Description	Nu. in million
2	Embezzlement	0.065
4	Non-compliance to laws and rules	0.063
5	Shortfalls, lapses and deficiencies	0.134
	Total	0.262

2. EMBEZZLEMENT - NU. 0.065 MILLION

The case with elements of embezzlement involving Nu. 0.065 million is as indicated below:

2.1 EMBEZZLEMENT OF RURAL TAXES – NU. 0.065 MILLION

The Gaydrung of Gewog Administration, DrujeYGang had embezzled rural tax collections for the year 2016 amounting to Nu. 0.065 million. The Gewog Administration had neither recovered the amount nor taken any actions against the Gaydrung. (AIN: 15766; OB No.:5; Accountabilities: Direct: Sonam, Gaydrung, CID No. 10706003223; Supervisory: Karma Tshering, Gup, CID No.10310001047)

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 0.063 MILLION

The case of non-compliance to laws and rules involving Nu. 0.063 million is as indicated below:

4.1 PAYMENT OF REFUNDABLE DEPOSIT WITHOUT OBTAINING RELEASE – NU. 0.063 MILLION

The Gewog Administration, Drujeygang had refunded 10% security deposits amounting to Nu. 0.063 million to the parties without obtaining equivalent Refundable Deposit Release from Department of Public Accounts. (AIN: 16445; OB No.:1; Accountabilities: Direct: Karma Tobgay, Accounts Assistant, EID No. 201007218; Supervisory: Karma Tshering, Gup, CID No.10310001047)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.134 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.134 million is as indicated below:

5.1 INADMISSIBLE BOOKING OF PAY AND ALLOWANCES – NU. 0.134 MILLION

The Gewog Administration, Drujeygang had released inadmissible pay and allowances amounting to Nu. 0.134 million to Gup, Mangmis and Tshogpas for the month of August and September 2016. This was in contravention to Office Order of the Department of Local Governance dated 02 August 2016 wherein, the local leaders were asked to vacate their offices since their five-year term ended on 28 July 2016. (AIN: 15766; OB No.:1; Accountabilities: Direct: Karma Tobgay, Accounts Assistant, EID No. 2010072187; Supervisory: Karma Tshering, Gup, CID No. 10310001047)

II. GESARLING

During the year, the RAA had issued two audit reports of the Gewog Administration Gesarling. There were three observations amounting to Nu. 0.549 million which were not resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 0.549 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	0.166
5	Shortfalls, lapses and deficiencies	0.383
	Total	0.549

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 0.166 MILLION

The case of non-compliance to laws and rules involving Nu. 0.166 million are as indicated below:

4.1 NON-SUBMISSION OF DETAILS ON PROCUREMENT OF HDPE PIPES TO DNP

The Gewog Administration, Gesarling had procured HDPE pipes valuing Nu. 0.166 million during FY 2017-18. However, the Gewog Administration had failed to endorse the total quantities purchased to the Department of National Properties, MoF as required for processing rebate. (AIN: 16444; OB No.:1; Accountabilities: Direct: Pema Wangmo Tamang, Gup (CID No. 10303000479; Supervisory: Jigme Wangdi, Technician, EID No. 200912019)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.383 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 0.383 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Short deposit of 10% Security Deposits	0.190
5.2	Payment of refundable deposit without obtaining release	0.193
	Total	0.383

5.1 SHORT DEPOSIT OF 10% SECURITY DEPOSITS – NU. 0.190 MILLION

The Gewog Administration, Gesarling had short deposited the amount of Nu. 0.190 million on account of 10% security deposits into the Refundable Deposit Account during the FY 2016-17. As against the total receipts of Nu. 0.615 million, the Gewog Administration had deposited only Nu. 0.425 million. *(AIN: 15778; OB No.:1; Accountabilities: Direct: Tej Bdr. Sunwar, Accountant, EID No. 200607313; Supervisory: Pema Wangmo Tamang, Gup, CID No.103000479)*

5.2 PAYMENT OF REFUNDABLE DEPOSIT WITHOUT OBTAINING RELEASE – NU. 0.193 MILLION

The Gewog Administration, Gesarling had refunded 10% security deposits amounting to Nu. 0.193 million to the parties without obtaining equivalent Refundable Deposit Release from Department of Public Accounts. *(AIN: 15778; OB No.:2; Accountabilities: Direct: Tej Bdr. Sunwar, Accountant, EID No. 200607313; Supervisory: Pema Wangmo Tamang, Gup, CID No.103000479)*

III. GOSHI

During the year, the RAA had issued one audit report of the Gewog Administration, Goshi. There were three observations amounting to Nu. 0.901 million of which Nu. 0.032 million was resolved as of 31 January 2020 and Nu. 0.024 million did not qualify for inclusion in the AAR.

The significant unresolved irregularity amounted to Nu. 0.845 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.845
	Total	0.845

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.845 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.845 million is as indicated below:

5.1 PAYMENT OF REFUNDABLE DEPOSIT WITHOUT OBTAINING RELEASE – NU. 0.845 MILLION

The Gewog Administration, Goshi had refunded 10% security deposits amounting to Nu. 0.845 million to the parties without obtaining equivalent Refundable Deposit Release from Department

of Public Accounts. *(AIN: 15781; OB No.:2.2; Accountabilities: Direct: Tej Bdr. Sunwar, Accounts Assistant, EID No. 200607313; Supervisory: Tandin, Gup, CID No. 10101005059)*

IV. KARMALING

During the year, the RAA had issued one audit report of the Gewog Administration Karmaling. The report was issued with 'Qualified' opinion. There were four observations amounting to Nu. 1.146 million of which Nu. 0.883 million were resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 0.263 million as summarised below:

Category Code	Category Description	Nu. in million
1	Fraud and Corruption	-
5	Shortfalls, lapses and deficiencies	0.263
	Total	0.263

1. FRAUD AND CORRUPTION

The case of fraud and corruption were noted as indicated below:

1.1 EMBEZZLEMENT OF FUNDS THROUGH FORGERY AND TAMPERING OF BILLS.

The Accountant of Gewog Administration, Karmaling had embezzled funds amounting to Nu. 0.037 million by tampering of bills and forging signatures of competent authorities. It was also noted that some vouchers did not have complete documentation. Although full amount had been recovered, no appropriate actions had been taken by the Gewog Administration against the Accountant. *(AIN: 15825; OB No.:1; Accountabilities: Direct: Singye Dorji, Accounts Asst. EID No. 20141204884; Supervisory: Gyan Bdr. Subba, Gup, CID No. 11304000136)*

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.263 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.263 million is as indicated below:

5.1 ACCEPTANCE OF EXPENDITURE WITHOUT SUPPORTING DOCUMENTS – NU. 0.263 MILLION

The Gewog Administration, Karmaling had disbursed Nu. 0.263 million on account of TA/DA without supporting documents such as office orders and travel authorization forms. *(AIN: 15825; OB No.:2; Accountabilities: Direct: Singye Dorji, Accounts Asstt. EID No. 20141204884; Supervisory: Gyan Bdr. Subba, Gup, CID No. 11304000136)*

V. TRASHIDING

During the year, the RAA had issued one audit report of the Gewog Administration Trashiding. There were two observations amounting to Nu. 0.312 million which were not resolved as of 31 January 2020 and Nu. 0.036 million did not qualify for inclusion in the AAR 2019.

The significant unresolved irregularity amounted to Nu. 0.276 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.276
	Total	0.276

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.276 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.276 million is as indicated below:

5.1 PAYMENT OF REFUNDABLE DEPOSIT WITHOUT OBTAINING RELEASE – NU. 0.276 MILLION

The Gewog Administration, Trashiding had refunded 10% security deposits amounting to Nu. 0.276 million to the parties without obtaining equivalent Refundable Deposit Release from Department of Public Accounts. *(AIN: 15777; OB No.:1.2; Accountabilities: Direct: Tej Bdr. Sunwar, Accounts Assistant, EID No. 200607313; Supervisory: Namgay Pelden, Gup, CID No. 10308001002)*

VI. TSHENDAGANG

During the year, the RAA had issued one audit report of the Gewog Administration Tshendagang. There were six observations amounting to Nu. 0.325 million of which Nu. 0.060 million was resolved as of 31 January 2020 and Nu. 0.089 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 0.176 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.176
	Total	0.176

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.176 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.176 million is as indicated below:

5.1 PAYMENT OF REFUNDABLE DEPOSIT WITHOUT OBTAINING RELEASE – NU. 0.176 MILLION

The Gewog Administration, Tshendagang had refunded 10% security deposits amounting to Nu. 0.176 million to the parties without obtaining equivalent Refundable Deposit Release from Department of Public Accounts. *(AIN: 15765; OB No.:6; Accountabilities: Direct: Tej Bdr. Sunware, Accounts Assistant, EID No. 200607313; Supervisory: Bal Bdr. Rana, Gup, CID No. 10309000585)*

3.3.4. GEWOGS ADMINISTRATION UNDER LHUENTSE DZONGKHAG

I. MAENBI

During the year, the RAA had issued one audit report of the Gewog Administration, Maenbi. There were two observations amounting to Nu. 0.199 million which were not resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 0.199 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.199
	Total	0.199

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.199 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 0.199 million are as indicated below:

5.1 EXCESS PAYMENTS IN CONSTRUCTIONS – NU. 0.199 MILLION

- a) The Gewog Administration, Maenbi had made excess payment of Nu. 0.117 million to M/s Jigme Dorji Construction, Lhuentse in the construction of permanent structures for Takila to Rawabi Farm Road. The excess payment had occurred due to release of payments for 105m³ of earthwork excavation as against actual earthwork excavation of 52.50m³ at site and non-deduction of 15% void on supply/collection of boulders. *(AIN: 16131; OB No.:1; Accountabilities: Direct: Sonam, Assistant Engineer, EID No. 200901079; M/s Jigme Dorji Construction, Lhuentse, CDB No. 1093; Supervisory: Tsheltrimla, Gup, CID No. 10605002720)*
- b) The Gewog Administration, Maenbi had made excess payment of Nu. 0.082 million to M/s Jigme Dorji Construction in the blacktopping of approach road to Tangmachu BHU. The lapses had occurred due to non-adherence to the detailed drawings and technical specifications at the time of certification of the contractor's claims. *(AIN: 16131; OB No.:2; Accountabilities: Direct: Sonam, Assistant Engineer, EID No. 200901079; M/s Jigme Dorji Construction, CDB No. 1093; Supervisory: Tsheltrimla, Gup, CID No.: 10605002720)*

II. MINJEY

During the year, the RAA had issued one audit report of the Gewog Administration, Minje. There was one observation amounting to Nu. 0.098 million which was not resolved as of 31 January 2020.

The significant unresolved irregularity amounted to Nu. 0.098 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.098
	Total	0.098

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.098 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.098 million is as indicated below:

5.1 EXCESS PAYMENT DUE TO WRONG COMPUTATION OF WORK DONE – NU. 0.098 MILLION

The Gewog Administration, Minjey had made excess payment of Nu. 0.098 million to M/s Pem Cee Construction, Monggar for excavation of road formation cutting including over areas/trace/box cutting in the construction of *Chusa-Amdrang* farm road. The excess payment had occurred due to wrong computation of actual work done at site. (AIN: 16133; OB No.:1; Accountabilities: Direct: Pema Thekcho, Assistant Engineer, EID No. 20120100125; M/s Pem Cee Construction, Monggar, CDB No. 4549; Supervisory: Tashi Norbu, Gup, CID No.: 10606001800)

3.3.5. GEWOGS ADMINISTRATION UNDER MONGGAR DZONGKHAG

I. BALAM

During the year, the RAA had issued one audit report of the Gewog Administration, Balam. There were two observations amounting to Nu. 0.038 million of which Nu. 0.038 million was resolved as of 31 January 2020.

The significant unresolved irregularity is as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
	Total	-

4. NON-COMPLIANCE TO LAWS AND RULES

The case of non-compliance to laws and rules is as indicated below:

4.1 NON-SUBMISSION OF DETAILS ON PROCUREMENT OF HDPE PIPES TO DNP

The Gewog Administration, Balam had procured HDPE pipes valuing Nu. 0.324 million during 2017-18. However, the Gewog Administration had not endorsed the total quantities purchased to the Department of National Properties, MoF as required for processing rebate. (AIN: 16245; OB No.: 2; Accountabilities: Direct: Yeshi Chofil, Sr. Tech-II, EID No. 200312007; Supervisory: Lungten, Gup, CID No. 10701000195)

II. CHASKHAR

During the year, the RAA had issued one audit report of the Gewog Administration, Chaskhar. There were two observations amounting to Nu. 0.014 million which were not resolved as of 31 January 2020 and Nu. 0.014 million did not qualify for inclusion in the AAR 2019.

The significant unresolved irregularity is as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
	Total	-

4. NON-COMPLIANCE TO LAWS AND RULES

The case of non-compliance to laws and rules is as indicated below:

4.1 NON-SUBMISSION OF DETAILS ON PROCUREMENT OF HDPE PIPES TO DNP

The Gewog Administration, Chaskhar had procured HDPE pipes valuing Nu. 0.872 million during 2017-18. However, the Gewog Administration had failed to endorse the total quantities purchased to the Department of National Properties, MoF as required for processing rebate. *(AIN: 16287; OB No.:2; Accountabilities: Direct: Pema Dorji, Gup CID No. 10703001090; Supervisory: Pema Dorji, Gup CID No. 10703001090)*

III. CHHALING

During the year, the RAA had issued one audit report of the Gewog Administration, Chhaling. There were four observations amounting to Nu. 0.030 million which were not resolved as of 31 January 2020 and Nu. 0.030 million did not qualify for inclusion in the AAR.

The significant unresolved irregularity is as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
	Total	-

4. NON-COMPLIANCE TO LAWS AND RULES

The case of non-compliance to laws and rules is as indicated below:

4.1 ACCEPTANCE OF DEFECTIVE WORKS

The Gewog Administration, Chhaling had accepted defective works in plinth protection and plinth wall which had developed cracks along front side of the structure in the construction of two-unit staff quarters at Chhaling RNR Center carried out by M/s Brothers Construction. The lapse had occurred mainly due to inadequate monitoring and supervision. *(AIN: 16246; OB No.:1.2; Accountabilities: Direct: Namgang Lhamo, Site Engineer, EID No.201101212; M/s Brothers Construction, CDB No. 4601; Supervisory: Tashi Dhendup, Gup, CID No. 10702001856)*

IV. DREMETSE

During the year, the RAA had issued one audit report of the Gewog Administration, Dremetse. There was one observation which was not resolved as of 31 January 2020.

The significant unresolved irregularity is as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
	Total	-

4. NON-COMPLIANCE TO LAWS AND RULES

The case of non-compliance to laws and rules is as indicated below:

4.1 NON-SUBMISSION OF DETAILS ON PROCUREMENT OF HDPE PIPES TO DNP

The Gewog Administration, Dremetse had procured HDPE pipes valuing Nu. 0.916 million during 2017-18. However, the Gewog Administration had failed to endorse the total quantities purchased to the Department of National Properties, MoF as required for processing rebate. *(AIN: 16247; OB No.:1; Accountabilities: Direct: Yeshi Chofil, Sr. Tech-II, EID No. 200312007; Supervisory: Kinzang Tshering, Gup, CID No. 10704000961)*

V. GONGDU

During the year, the RAA had issued one audit report of the Gewog Administration, Gongdu. There were five observations amounting to Nu. 0.205 million which were not resolved as of 31 January 2020 and Nu. 0.127 million did not qualify for inclusion in the AAR.

The significant unresolved irregularity amounted to Nu. 0.078 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	0.078
	Total	0.078

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 0.078 MILLION

The case of non-compliance to laws and rules involving Nu. 0.078 million is as indicated below:

4.1 ADJUSTMENT OF ADVANCES WITHOUT PROCURING MATERIALS – NU. 0.078 MILLION

The Gewog Administration, Gongdu had adjusted advance of Nu. 0.078 million without procuring materials for the construction of waste disposal pit. *(AIN: 16249; OB No.:3; Accountabilities: Direct: Langay Tshering, Forest Ranger, EID No. 20120700792; Supervisory: Dorji Tshering, Gup, CID No. 10706000868)*

VI. MONGGAR

During the year, the RAA had issued one audit of the Gewog Administration, Monggar. There were six observations amounting to Nu. 0.758 million of which Nu. 0.018 million was resolved as of 31 January 2020 and Nu. 0.025 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 0.715 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
5	Shortfalls, lapses and deficiencies	0.715
	Total	0.715

4. NON-COMPLIANCE TO LAWS AND RULES

The case of non-compliance to laws and rules is as indicated below:

4.1 NON-SUBMISSION OF DETAILS ON PROCUREMENT OF HDPE PIPES TO DNP

The Gewog Administration, Monggar had procured HDPE pipes valuing Nu. 0.663 million during 2017-18. However, the Gewog Administration had failed to endorse the total quantities purchased to the Department of National Properties, Ministry of Finance as required for processing rebate. *(AIN: 16258; OB No.:3; Accountabilities: Direct: Tenzin Wangchuk, Gup, CID No. 10709004083; Supervisory: Tenzin Wangchuk, Gup, CID No. 10709004083)*

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.715 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.715 million is as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Excess Payment in constructions	0.315
5.2	Payment of final bill before completion of work	0.400
	Total	0.715

5.1 EXCESS PAYMENTS IN CONSTRUCTIONS – NU. 0.315 MILLION

The Gewog Administration, Monggar had made excess payment of Nu. 0.315 million to to M/s Zhenphen Builders in the construction of RCC and RRM walls and other site development works at Monggar Gewog Center. The excess payments had occurred due to differences in quantities claimed by the contractor and actual quantities executed at site. *(AIN: 16258; OB No.:2.2 and 2.3; Accountabilities: Direct: Tshering Yangzom, Site Engineer, EID No. 20140103493; M/s Zhenphen Builders, CBD No. 8022; Supervisory: Tenzin Wangchuk, Gup, CID No. 10709004083)*

5.2 PAYMENT OF FINAL BILL BEFORE COMPLETION OF WORK – NU. 0.400 MILLION

The Gewog Administration, Monggar had awarded the traditional debri painting at Shamey Lhaxhang to M/s Sonam Nymrub Detshen, Community contractor with contract duration of 1.5 months commencing from 11 May 2018 to 25 June 2018. Subsequently, the entire contract amount of Nu. 0.400 million was released on 28 June 2018. However, during the physical verification of site on 27 May 2019 along with the Dzongkhag and Gewog officials, the debri painting work was ongoing at site despite lapse of almost a year. *(AIN: 16258; OB No.:4; Accountabilities: Direct: Tenzin Wangchuk, Gup, CID No. 10709004083; Supervisory: Tenzin Wangchuk, Gup, CID No. 10709004083)*

VII. SHERMUHUNG

During the year, the RAA had issued one audit report of the Gewog Administration, Shermuhung. There was one observation which was not resolved as of 31 January 2020.

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

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
	Total	-

4. NON-COMPLIANCE TO LAWS AND RULES

The case of non-compliance to laws and rules is as indicated below:

4.1 NON-SUBMISSION OF DETAILS ON PROCUREMENT OF HDPE PIPES TO DNP

The Gewog Administration, Shermuhung had procured HDPE pipes valuing Nu. 1.249 million during 2017-18. However, the Gewog Administration had failed to endorse the total quantities purchased to the Department of National Properties, Ministry of Finance as required for processing rebate. *(AIN: 16262; OB No.:1; Accountabilities: Direct: Kinley Wangchuk, Gewog Administrative Officer, EID 20170809760; Supervisory: Ugyen, Gup, CID No. 10712000257)*

VIII. SILAMBI

During the year, the RAA had issued one audit of the Gewog Administration, Silambi. There were three observations amounting to Nu. 1.783 million which were not resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 1.783 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	0.576
5	Shortfalls, lapses and deficiencies	1.207
	Total	1.783

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 0.576 MILLION

The case of non-compliance to laws and rules involving Nu. 0.576 million is as indicated below:

4.1 NON-LEVY OF LIQUIDATED DAMAGES – NU. 0.576 MILLION

The Gewog Administration, Silambi had not levied liquidated damages amounting to Nu. 0.576 million for delay of 261 days in completion of construction of Gyelgong Farm Road. The work was awarded to M/s Doenay Khorlo Construction, Zhemgang at the tendered amount of Nu. 5.900 million in June 2016 and completed only on 1 April 2018 after substantial delay. *(AIN: 16263; OB*

No.:1; Accountabilities: Direct: Padam Bdr. Rai, Site Engineer, EID No. 20120100121; M/s Doenay Khorlo Construction, CBD No. 7825; Supervisory: Dorji Wangchuk, Gup, CID No. 10713001850)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 1.207 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 1.207 million is as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Payment for Works not executed	0.767
5.2	Double payment of hiring charges	0.440
	Total	1.207

5.1 PAYMENT FOR WORKS NOT EXECUTED – NU. 0.767 MILLION

The Gewog Administration, Silambi had paid Nu. 0.767 million to M/s Doenay Khorlo Construction, Zhemgang for works not executed in the construction of Gyelgong Farm Road. The work was awarded at tendered amount of Nu. 5.900 million in June 2016 and was stated to have been completed on 1 April 2018. However, the V-shaped earthen drains were found not executed during the physical verification of site carried out on 23 May 2018 along with Dzongkhag and Gewog Officials. (AIN: 16263; OB No.: 1.2; Accountabilities: Direct: Padam Bdr. Rai, Site Engineer, EID No. 20120100121; M/s Doenay Khorlo Construction, CBD No. 7825; Supervisory: Dorji Wangchuk, Gup, CID No. 10713001850)

5.2. DOUBLE PAYMENT OF HIRING CHARGES – NU. 0.440 MILLION

The Gewog Administration, Silambi had made double payments of Nu. 0.440 million for hiring of excavator in the maintenance of Nagor Farm Road for the months of August and September 2017. It was noted that double payments were made on 20 September 2017 and 24 January 2018. (AIN: 16263; OB No.: 2; Accountabilities: Direct: Padam Bdr. Rai, Site Engineer, EID No. 20120100121; M/s Ngawang Hiring, License No. 6009217; Supervisory: Dorji Wangchuk, Gup, CID No. 10713001850)

IX. THANGRONG

During the year, the RAA had issued one audit report of the Gewog Administration, Thangrong. There was one observation which was not resolved as of 31 January 2020.

The significant unresolved irregularity is as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
	Total	-

4. NON-COMPLIANCE TO LAWS AND RULES

The case of non-compliance to laws and rules is as indicated below:

4.1 NON-SUBMISSION OF DETAILS ON PROCUREMENT OF HDPE PIPES TO DNP

The Gewog Administration, Thangrong had procured HDPE pipes valuing Nu. 0.825 million during 2017-18. However, the Gewog Administration had failed to endorse the total quantities purchased to the Department of National Properties, MoF as required for processing rebate. (AIN: 16264; OB No.:1; Accountabilities: Direct: Cheten Tshering, Gewog Administrative Officer, EID No. 200803034; Supervisory: Chenga, Gup, CID No. 10714000763)

X. TSAKALING

During the year, the RAA had issued one audit of the Gewog Administration, Tsakaling. There were four observations amounting to Nu. 0.284 million which were not resolved as of 31 January 2020 and Nu. 0.026 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 0.258 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
5	Shortfalls, lapses and deficiencies	0.258
	Total	0.258

4. NON-COMPLIANCE TO LAWS AND RULES

The case of non-compliance to laws and rules is as indicated below:

4.1 NON-SUBMISSION OF DETAILS ON PROCUREMENT OF HDPE PIPES TO DNP

The Gewog Administration, Tsakaling had procured HDPE pipes valuing Nu. 0.318 million during 2017-18. However, the Gewog Administration had failed to endorse the total quantities purchased to the Department of National Properties, MoF as required for processing rebate. (AIN: 16265; OB No.:2; Accountabilities: Direct: Karma Sonam Wangchuk, Gup, CID No. 10716002494; Supervisory: Karma Sonam Wangchuk, Gup, CID No. 10716002494)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.258 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 0.258 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Excess Payment in CRM works	0.101
5.2	Non-recovery of positive difference	0.157
	Total	0.258

5.1 EXCESS PAYMENT IN CRM WORKS – NU. 0.101 MILLION

The Gewog Administration, Tsakaling had made excess payment of Nu. 0.101 million to M/s Wangdi Shermung Construction in the construction of meeting hall at Tsakaling Gewog Centre. The excess payments had occurred due to non-deduction of RCC works from CRM in

superstructure works. (AIN: 16265; OB No.:1.1; Accountabilities: Direct: Tshewang Rinzin, Site Engineer, EID No. 9301052; M/s Wangdi Shermung Construction, CBD No. 4233; Supervisory: Karma Sonam Wangchuk, Gup, CID No. 10716002494)

5.2 NON-RECOVERY OF THE POSITIVE DIFFERENCE - NU. 0.157 MILLION

The Gewog Administration, Tsakaling had failed to recover the positive difference of Nu. 0.157 million between the lowest and second evaluated bidder upon withdrawal by the first lowest evaluated bidder with a bid value of Nu. 2.232 million in the construction of Gewog meeting hall. Subsequently, the work was awarded to the second lowest evaluated bidder M/s Wangdi Shermung Construction, Monggar at the bid price of Nu. 2.389 million. (AIN: 16265; OB No.:2; Accountabilities: Direct: Tshewang Rinzin, Site Engineer, EID No.9301052; M/s Wangdi Shermung Construction, CBD No. 4233; Supervisory: Karma Sonam Wangchuk, Gup, CID No. 10716002494)

XI. TSAMANG

During the year, the RAA had issued two audit reports of the Gewog Administration, Tsamang. There were seven observations amounting to Nu. 0.209 million of which Nu. 0.183 million was resolved as of 31 January 2020 and Nu. 0.026 million did not qualify for inclusion in the AAR.

The significant unresolved irregularity is as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
	Total	-

4. NON-COMPLIANCE TO LAWS AND RULES

The case of non-compliance to laws and rules is as indicated below:

4.1 ACCEPTANCE OF DEFECTIVE ELECTRICAL WORKS

The Gewog Administration, Tsamang had accepted defective electrical items in the construction of Gewog meeting hall. The fan and fan switches were non-functional and wiremesh shutter over distribution box not provided. (AIN: 16266; OB No.:2; Accountabilities: Direct: Sonam Darjay, Gup, CID No. 10715001963; Supervisory: Sonam Darjay, Gup, CID No. 10715001963)

3.3.6. GEWOGS ADMINISTRATION UNDER SAMDRUP JONGKHAR DZONGKHAG

I. PHUNTSHOTANG

During the year, the RAA had issued one audit report of the Gewog Administration, Phuntshothang. There were four observations amounting to Nu. 2.218 million of which Nu. 0.002 million was resolved as of 31 January 2020 and Nu. 0.058 million did not qualify for inclusion in the AAR.

The significant unresolved irregularity amounted to Nu. 2.158 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	2.158
	Total	2.158

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 2.158 MILLION

The case of non-compliance to laws and rules involving Nu. 2.158 million is as indicated below:

4.1 NON-COMPLIANCE TO PROVISION OF CLOSED WORKS – NU. 2.158 MILLION

The Gewog Administration, Phuntshothang had retained Nu. 2.158 million under Closed Work Account during the FY 2017-18 for various incomplete construction activities. The joint physical verification of the works booked under Closed Works during January 2019 revealed that the construction works were not completed even after lapse of more than six months. *(AIN: 15855; OB No.:1; Accountabilities: Direct: Damcho Zangmo, AE, 9707098; M/s Sangay Lhamo Construction, CDB No. 4769; M/s Samdendup Construction, CDB No. 5511; Supervisory: Jamyang Gyeltshen, Gup, 11109000379)*

3.3.7. GEWOGS ADMINISTRATION UNDER THIMPHU DZONGKHAG

I. MAEDWANG

During the year, the RAA had issued one audit report of the Gewog Administration, Maedwang. There was one observation amounting to Nu. 0.075 million which was not resolved as of 31 January 2020.

The significant unresolved irregularity amounted to Nu. 0.075 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	0.075
	Total	0.075

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 0.075 MILLION

The case of non-compliance to laws and rules involving Nu. 0.075 million is as indicated below:

4.1 NON-SUBMISSION OF DETAILS ON PROCUREMENT OF HDPE PIPES - NU. 0.075 MILLION

The Gewog Administration, Mewang had procured HDPE pipes valuing Nu. 2.820 million during 2017-18. However, the Gewog Administration had failed to endorse the total quantities purchased to the Department of National Properties, MoF as required for processing rebate amounting to Nu. 0.075 million. *(AIN: 16099; OB No.:1; Accountabilities: Direct: Ran Bdr. Biswa, Engineer, EID No. 200407022; Supervisory: Chenchu Tenzin, Gup, CID No. 11407000658)*

3.3.8. GEWOGS ADMINISTRATION UNDER TRONGSA DZONGKHAG

I. KORPHU

During the year, the RAA had issued one audit report of the Gewog Administration, Korphu. There were three observations amounting to Nu. 1.202 million which were not resolved as of 31 January 2020 and Nu. 0.821 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 0.381 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.381
	Total	0.381

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.381 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.381 million is as indicated below:

5.1 OUTSTANDING ADVANCES – NU. 0.381 MILLION

The Gewog Administration, Korphu had not adjusted advances of Nu. 0.381 million against parties and individuals as on 30 June 2018. All outstanding advances pertained to prior FYs. (AIN: 16479; OB No.:2; Accountabilities: Direct: Tshering Dendup, Accounts Assistant, EID No. 200307157; Supervisory: Sangay Khandu, Gup, CID No. 11702001343)

II. LANGTHIL

During the year, the RAA had issued one audit report of the Gewog Administration, Langthil. There were four observations amounting to Nu. 0.281 million which were not resolved as of 31 January 2020 and Nu. 0.189 million did not qualify for inclusion in AAR.

The significant unresolved irregularities amounted to Nu. 0.092 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.092
	Total	0.092

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.092 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.092 million is as indicated below:

5.1 EXCESS PAYMENT OF MACHINE HIRE CHARGES – NU. 0.092 MILLION

The Gewog Administration, Langthil had made excess payment of Nu. 0.092 million towards hiring charges of machinery in the restoration work of Ramedegang Farm Road. The excess payments had occurred due to payment for 320 hours as against actual engagement for 287

hours. (AIN: 16482; OB No.:3; Accountabilities: Direct: Sonam Tshering, AE, EID No. 20140103506; Supervisory: Sonam Dendup, Gup, CID No. 11703000276)

III. NUBI

During the year, the RAA had issued one audit report of the Gewog Administration, Nubi. There were seven observations amounting to Nu. 1.739 million which were not resolved as of 31 January 2020 and Nu. 0.304 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 1.435 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	0.957
5	Shortfalls, lapses and deficiencies	0.478
	Total	1.435

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 0.957 MILLION

The case of non-compliance to laws and rules involving Nu. 0.957 million is as indicated below:

4.1 ACCEPTANCE OF SUBSTANDARD WORKS – NU. 0.957 MILLION

The Gewog Administration, Nubi had accepted substandard quality of RCC walls valuing Nu. 0.957 million in the construction of counterfort wall executed by M/s Kuenphen Redna Construction at Nubi Gewog at the cost of Nu. 1.766 million. (AIN: 16490; OB No.:4.1; Accountabilities: Direct: Choida, Dy. EE, EID No. 200307016; Ugyen Tenzin, Gup, CID No. 11704000066; Supervisory: Ugyen Tenzin, Gup, CID No. 11704000066)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.478 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.478 million is as indicated below:

5.1 OUTSTANDING ADVANCES – NU. 0.478 MILLION

The Gewog Administration, Nubi had not adjusted advances of Nu. 0.478 million against two parties and two individuals as on 30 June 2018. Major portion of the outstanding advances pertained to years prior to FY 2016-17. (AIN: 16490; OB No.:5; Accountabilities: Direct: Yonten Namgay, Accounts Assistant, EID No. 200907007; Supervisory: Ugyen Tenzin, Gup, CID No. 11704000066)

IV. TANGSIBJI

During the year, the RAA had issued one audit report of the Gewog Administration, Tangsibji. There were five observations amounting to Nu. 0.195 million which were not resolved as of 31 January 2020 and Nu. 0.117 million did not qualify for inclusion in the AAR.

The significant resolved irregularities amounted to Nu. 0.078 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.078
	Total	0.078

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.078 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.078 million is as indicated below:

5.1 OUTSTANDING ADVANCES – NU. 0.078 MILLION

The Gewog Administration, Tangsibji had not adjusted advance of Nu. 0.078 million lying against M/s Tshering Choden Construction as on 30 June 2018. *(AIN: 16481; OB No.:5; Accountabilities: Direct: Kinzang Tenzin, EID No. 201001716; Supervisory: Gyembo Dorji, Gup, CID No. 11705002197)*

3.3.9. GEWOGS ADMINISTRATION UNDER ZHEMGANG DZONGKHAG

I. BARDO

During the year, the RAA had issued one audit report of the Gewog Administration, Bardo. There were four observations amounting to Nu. 2.871 million of which Nu. 2.547 million were resolved as of 31 January 2020 and Nu. 0.048 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 0.276 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.276
	Total	0.276

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.276 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.276 million is as indicated below:

5.1 OUTSTANDING ADVANCES – NU. 0.276 MILLION

The Gewog Administration, Bardo had not adjusted advances of Nu. 0.276 million lying against local leader and an employee as on 30 June 2018. *(AIN: 16227; OB No.:4; Accountabilities: Direct: Sonam Dorji, Gaydrung, CID No: 11301001243; Supervisory: Jurmey, Gup, CID No: 12001004072)*

II. GOSHING

During the year, the RAA had issued one audit report of the Gewog Administration, Goshing. There were seven observations amounting to Nu. 1.427 million which were not resolved as of 31 January 2020 and Nu. 0.080 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 1.347 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	0.177
5	Shortfalls, lapses and deficiencies	1.170
	Total	1.347

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 0.177 MILLION

The case of non-compliance to laws and rules involving Nu. 0.177 million is as indicated below:

4.1 PAYMENT WITHOUT RECEIVING GOODS – NU. 0.177 MILLION

The Gewog Administration, Goshing had made payment of Nu. 0.177 million without receiving 2,800m of various sizes of HDPE pipes from M/s Muktsen Construction, Phuentsholing for Rural Water Supply Scheme at Lechibe. *(AIN: 16229; OB No.:1; Accountabilities: Direct: Pema Samdrup, Mangmi, CID No. 12003001794; M/s Muktsen Construction, Phuentsholing, License No. 2007617; Supervisory: Sherab Gyeltshen, GAO, EID No. 20085009)*

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 1.170 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 1.170 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Excess Payments in constructions	0.266
5.2	Earthen drain not physically available	0.904
	Total	1.170

5.1 EXCESS PAYMENT IN CONSTRUCTIONS – NU. 0.266 MILLION

- a) The Gewog Administration, Goshing had made excess payment of Nu. 0.085 million to M/s Thukten Construction, Zhemgang in the construction of Crematorium at Goshing Trong. The excess payments had occurred due to difference in quantities claimed by the contractor and actual quantities executed at site. *(AIN: 16229; OB No.:3; Accountabilities: Direct: Thukar, Site Engineer, EID No. 200408077; M/s Thukten Construction, Zhemgang, CDB No. 4349; Supervisory: Thukar, Site Engineer, EID No. 200408077)*
- b) The Gewog Administration, Goshing had made excess payment of Nu. 0.181 million to M/s Dhoenyoe Khorlo Construction, Zhemgang in the construction of Lechibe to Amdha Farm Road. The excess payment had occurred due to payment for 11,240m as against actual execution of 10,910m. *(AIN: 16229; OB No.:5.1; Accountabilities: Direct: Thukar, Site Engineer, EID No. 200508077; M/s Dhoenyoe Khorlo Construction, Zhemgang, CDB No. 7825; Supervisory: Thukar, Site Engineer, EID No. 200508077)*

5.2. EARTHEN DRAIN NOT PHYSICALLY AVAILABLE – NU. 0.904 MILLION

The earthen drain constructed at the total cost of Nu. 0.904 million by M/s Dhoenyoe Khorlo Construction, Zhemgang along Lechibe to Siligang Farm Road was not traceable throughout the

stretch of road at the time of audit in March 2019. (AIN: 16229; OB No.:5.2; Accountabilities: Direct: Thukar, Site Engineer, EID No. 200508077; M/s Dhoenyoe Khorlo Construction, Zhemgang, CDB No. 7825; Supervisory: Thukar, Site Engineer, EID No. 200508077)

III. NANGKOR

During the year, the RAA had issued one audit report of the Gewog Administration, Nangkor. There were seven audit observations amounting to Nu. 8.158 million of which Nu. 0.401 million was resolved as of 31 January 2020 and Nu. 0.091 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 7.666 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	1.006
5	Shortfalls, lapses and deficiencies	6.660
	Total	7.666

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 1.006 MILLION

The cases of non-compliance to laws and rules involving Nu. 1.006 million are as indicated below:

4.1 NON-LEVY OF LIQUIDATED DAMAGES – NU. 1.006 MILLION

- a) The Gewog Administration, Nangkor had not levied liquidated damages amounting to Nu. 0.836 million to M/s Zangchong Kjz Pvt. Ltd., Zhemgang for 147 days of delay in completion of laying of GSB and construction of V-Shaped drain on Tali to Goling Farm Road. (AIN: 16277; OB No.: 1.1; Accountabilities: Direct: Kuenga, Site Engineer, EID No. 200807185; M/s Zangchong Kjz Pvt. Ltd., Zhemgang, CDB No.7644; Supervisory: Dorji Wangchuk, Gup, CID No. 12004004480)
- b) The Gewog Administration, Nangkor had not levied liquidated damages amounting to Nu. 0.170 million to M/s Tshelzin Construction, Zhemgang for 90 days of delay in completion of restoration of Irrigation Channel at Wangdang. (AIN: 16277; OB No.: 2; Accountabilities: Direct: Kuenga, Site Engineer, EID No. 200807185; M/s Tshelzin Construction, Zhemgang, CDB No. 3578; Supervisory: Dorji Wangchuk, Gup, CID No. 12004004480)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 6.660 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 6.660 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Excess payment	0.796
5.2	Non-deduction of rebate	4.125
5.3	Non-recovery of 20% penalty on incomplete works	1.739
	Total	6.660

5.1 EXCESS PAYMENT – NU. 0.796 MILLION

The Gewog Administration, Nangkor had made excess payment of Nu. 0.796 million to M/s Zangchong Kjz Pvt. Ltd., Zhemgang for laying of GSB and construction of V-Shaped drain on Tali to Goling Farm Road. The excess payments had occurred due to difference in the value of work paid for and actual value of work done at site prior to termination of the contract. (AIN: 16277; OB No.:1.2; Accountabilities: Direct: Kuenga, Site Engineer, EID No. 200807185; M/s Zangchong Kjz Pvt. Ltd., Zhemgang, CDB No. 7644; Supervisory: Dorji Wangchuk, Gup, CID No. 12004004480)

5.2 NON-DEDUCTION OF REBATE – NU. 4.125 MILLION

The Gewog Administration, Nangkor had not deducted lumpsum rebate amounting to Nu. 4.125 million from the bills of M/s Zangchong Kjz Pvt. Ltd, Zhemgang in laying of GSB and construction of V-Shaped drain on Tali to Goling Farm Road. The work was awarded at the tendered amount of Nu. 16.356 million. (AIN: 16277; OB No.:1.3; Accountabilities: Direct: Kuenga, Site Engineer, EID No. 200807185; M/s Zangchong Kjz Pvt. Ltd., Zhemgang, CDB No. 7644; Supervisory: Dorji Wangchuk, Gup, CID No. 1200400448)

5.3 NON-RECOVERY OF 20% PENALTY ON VALUE OF INCOMPLETE WORKS – NU. 1.739 MILLION

The Gewog Administration, Nangkor had not imposed 20% penalty to M/s Zangchong Kjz Pvt. Ltd., Zhemgang on value of incomplete works amounting to Nu. 1.739 million upon termination of contract. The contractor had carried out the laying of GSB and construction of V-Shaped drain on Tali to Goling Farm Road. (AIN: 16277; OB No.:1.4; Accountabilities: Direct: Kuenga, Site Engineer, EID No. 200807185; M/s Zangchong Kjz Pvt. Ltd., Zhemgang, CDB No. 7644; Supervisory: Dorji Wangchuk, Gup, CID No. 12004004480)

IV. PHANGKHAR

During the year, the RAA had issued one audit report of the Gewog Administration, Phangkhar. There were three observations amounting to Nu. 1.169 million of which Nu. 0.125 million was resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 1.044 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	1.044
	Total	1.044

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 1.044 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 1.044 million is as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Payment For Works Not Executed	0.894
5.2	Excess Payment	0.150
	Total	1.044

5.1 PAYMENT FOR WORKS NOT EXECUTED – NU. 0.894 MILLION

The Gewog Administration, Phangkhar had paid Nu. 0.894 million for construction of additional 799 metres of Kulamti to Salapong Farm Road. However, the concerned engineer could not show construction of additional 799m of road supposedly constructed after the termination of earlier contract. (AIN: 16250; OB No.:1.2; Accountabilities: Direct: Tenzin Phuntsho, Accountant, EID No. 20141104877; Karma Phuntsho, Site Engineer, EID No.20180111343; Supervisory: Tashi, Gup, CID No. 12006001073)

5.2. EXCESS PAYMENT – NU. 0.150 MILLION

The Gewog Administration, Phangkhar had made excess payment of Nu. 0.150 million to M/s Thukten Sangag Choling Construction, Zhemgang in the construction of Kulamti to Salapong farm road. The excess payments had occurred due to payment for 2,550m as against actual execution of 2,430m. (AIN: 16250; OB No.:1.1; Accountabilities: Direct: Tenzin Phuntsho, Accountant, EID No. 20141104877; Karma Phuntsho, Site Engineer, EID No. 20180111343; M/s Thukten Sangag Choling Construction, Zhemgang, License No. 5006102, CDB No. 3363; Supervisory: Tashi, Gup, CID No. 12006001073)

V. TRONG

During the year, the RAA had issued one audit report of the Gewog Administration, Trong. There were two observations amounting to Nu. 0.487 million which were not resolved as of 31 January 2020 and Nu. 0.050 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 0.437 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.437
	Total	0.437

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.437 MILLION

The case of Shortfalls, lapses and deficiencies involving Nu. 0.437 million is as indicated below:

5.1 PAYMENT FOR MATERIALS NOT RECEIVED – NU. 0.437 MILLION

The Gewog Administration, Trong had made payment of Nu. 0.437 million without receiving cement, stone aggregates, TMT rods and river sand for restoration of Paibang Farm Road. The materials were procured for construction of permanent works like causeways and RCC culverts. (AIN: 16226; OB No.:1.1; Accountabilities: Direct: Yeshi Rinzin, Site Engineer, EID No. 201101215; Supervisory: Wangay, Gup, CID No. 12008000830)

3.4. AUTONOMOUS AGENCIES

During the year, 14 Autonomous Agencies had unresolved irregularities amounting to Nu. 139.729 million as follows:

3.4.1. BHUTAN INFO-COMM AND MEDIA AUTHORITY

During the year, the RAA had issued one audit report of Bhutan InfoComm and Media Authority (BICMA). There were six observations amounting to Nu. 0.664 million of which Nu. 0.656 million were resolved as of 31 January 2020 and Nu. 0.008 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities are as summarised below:

Category Code	Category Description	Nu. in million
2	Embezzlement	-
	Total	-

2. EMBEZZLEMENT

The case with element of embezzlement is as indicated below:

2.1. NON-DEPOSIT OF REVENUE COLLECTED

- a) BICMA had not deposited revenue collected on account of various fees and penalties amounting to Nu.1.248 million into RGR Account and a penalty of Nu.0.510 million was also levied for late deposit. The lapses had occurred due to lack of internal controls and monitoring of manually issued revenue receipts. The amount was deposited into the Audit Recoveries Account in December 2019 and the case was forwarded to ACC for further investigation. *(AIN:16210; OB No:1; Accountabilities: Direct: Namgyel Phuntsho, Accountant, EID No. 20090187; Supervisory: Wangay Dorji, Officiating Director, EID No. 2101068)*
- b) BICMA had not deposited revenue collected on account of annual cable renewal fees and penalties amounting to Nu.0.051 million into RGR Account. A penalty of Nu.0.015 million was levied for late deposit. The lapses had occurred due to poor internal control mechanism and monitoring system. The amount was deposited into the Audit Recoveries Account in December 2019 and the case was forwarded to ACC for further investigation. *(AIN: 16210; OB No:2; Accountabilities: Direct: Namgyel Phuntsho, Accountant, EID No. 20090187; Supervisory: Wangay Dorji, Officiating Director, EID No. 2101068)*

3.4.2. CABINET SECRETARIAT

During the year, the RAA had issued two audit reports of the Cabinet Secretariat. There was one observation amounting to Nu. 0.419 million which was not resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 0.419 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.419
	Total	0.419

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.419 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.419 million is as indicated below:

5.1. UNJUSTIFIED EXPENSES FROM HOSPITALITY AND ENTERTAINMENT BUDGET – NU. 0.419 MILLION

The Cabinet Secretariat had incurred Nu. 0.419 million on payment of *soelra, nyendar, changyeb* and *semso* without fulfilling the minimum requirement of producing original bills. The expenses were discretionary in nature and booking of these payments under the ‘Hospitality and Entertainment’ budget was not justifiable. (AIN: 16308; OB No:1.1; Accountabilities: Direct: Kesang Wangdi, Cabinet Secretary, EID No. 8203018; Supervisory: Kesang Wangdi, Cabinet Secretary, EID No. 8203018)

3.4.3. CONSTRUCTION DEVELOPMENT BOARD

During the year, the RAA had issued one audit report of the Construction Development Board (CDB). There were two observations amounting to Nu. 9.029 million of which Nu. 0.018 million was resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 9.011 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	9.011
	Total	9.011

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 9.011 MILLION

The case of shortfall, lapses and deficiencies involving Nu. 9.011 million is as indicated below:

5.1. UNRECONCILED FIGURES BETWEEN RAMIS AND E-ZOTIN SYSTEMS - NU. 9.011 MILLION

The CDB’s e-Zotin system and RAMIS had un-reconciled figures of Nu.9.011 million on account of revenue collections for the FYs 2016-17 and 2017-18. (AIN: 15971; OB No: 1; Accountabilities: Direct: Choney Wangmo, Accounts Assistant, EID No.: 200807247; Pema Wangmo, Accounts Assistant, EID No.: 200807025; Supervisory: Phub Rinzin, Director, EID No.: 9207069, Chengay, Offtg. Director, EID No.: 8908070)

3.4.4. DRATSHANG LHENTSHOG

During the year, the RAA had issued four audit reports of the Dratshang Lhentshog. There were five observations amounting to Nu. 19.760 million of which Nu. 1.363 million were resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 18.397 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	18.397
	Total	18.397

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 18.397 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 18.397 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Outstanding Advances	13.602
5.2	Short recovery of Liquidated Damages	4.795
	Total	18.397

5.1. OUTSTANDING ADVANCES - NU. 13.602 MILLION

- a) The Dratshang Lhentshog had not adjusted Public Works Advances of Nu.13.296 million from M/s Pelden Construction. The outstanding advances remained unadjusted even after payment of final bill on June 2018 to contractor due to excessive release of advances. (AIN: 15843; OB No: 1.1; Accountabilities: Direct: Rinzin Phurba, Principal Engineer, EID No.: 9507029, Ugyen Tshering, EID: 200901028; M/s Pelden Construction, Samdrup Jonkhar, CDB No. 2250; Supervisory: Karma Tshering Namgyal, Secretary, EID. No: 8302025)
- b) The Dratshang Lhentshog had not adjusted advances of Nu. 0.306 million from an official for construction of Drasha under Tsirang Rabdey. The departmentally executed construction of Drasha was incomplete even after two FYs 2016-17 and 2017-18. (AIN: 15958; OB No: 2; Accountabilities: Direct: Lhab Tshering, Drungchen, Tsirang Rabdey, CID No. 11812000802; Supervisory: Karma Tshering Namgyal, Secretary, EID. No: 8302025)

5.2. SHORT RECOVERY OF LIQUIDATED DAMAGES - NU. 4.795 MILLION

The Dratshang Lhentshog had short-recovered liquidated damages of Nu. 4.795 million from M/s Pelden Construction in the construction of *Losel Yangchenling Anim Zhirim Lobdra* at Yakpugang in Monggar. The construction was supposed to be completed by 24 August 2013, but was completed only on 28 December 2017 after a substantial delay of 4 years and 8 months. The applicable liquidated damages for the delays amounted to Nu. 6.518 million, but only Nu. 1.723 million was recovered leaving a balance of Nu. 4.795 million. (AIN: 15843; OB No: 1.2; Accountabilities: Direct: Rinzin Phurba, Principal Engineer, EID No.: 9507029, Ugyen Tshering, EID:

200901028; M/s Pelden Construction, Samdrup Jonkhar, CDB No. 2250; Supervisory: Karma Tshering Namgyal, Secretary, EID. No: 8302025)

3.4.5. JIGME DORJI WANGCHUCK NATIONAL REFERRAL HOPITAL

During the year, the RAA had issued one audit report of the Jigme Dorji Wangchuck National Referral Hospital (JDWNRH). There were 11 observations amounting to Nu. 8.626 million of which Nu. 0.440 million were resolved as of 31 January 2020 and Nu. 2.965 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 5.221 million as summarised below:

Category Code	Category Description	Nu. in million
3	Mismanagement	3.492
5	Shortfalls, lapses and deficiencies	1.729
	Total	5.221

3. MISMANAGEMENT – NU. 3.492 MILLION

The case of mismanagement involving Nu. 3.492 million is as indicated below:

3.1. UNCLAIMED GST ON PROCUREMENT OF DRUGS - NU.3.492 MILLION

The JDWNRH had not claimed the Goods and Services Tax (GST) amounting to Nu. 3.492 million for procurement of Named Patient Drugs (NPD). A total expenditure of Nu. 30.000 million was incurred for the NPD for the FY 2017-18, which includes GST. (AIN: 16062; OB No: 1; Accountabilities: Direct: Thupten Tshering, EID No. 200901171; Supervisory: Thupten Tshering, EID No. 200901171)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 1.729 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu.1.729 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Outstanding Canteen rent	0.788
5.2	Excess payment due to improper verification	0.941
	Total	1.729

5.1. OUTSTANDING CANTEEN RENT - NU.0.788 MILLION

The JDWNRH had not collected rent amounting to Nu. 0.788 million including penalty of Nu.0.003 million from M/s Food Safari Canteen for a duration of eight months from December 2016 to July 2017. (AIN: 16062; OB No: 4; Accountabilities: Direct: Lhab Dorji, President EID No. 9103044; Supervisory: Lhab Dorji, President EID No. 9103044)

5.2. EXCESS PAYMENT DUE TO IMPROPER VERIFICATION - NU.0.941 MILLION

The JDWNRH had made an excess payment amounting to Nu. 0.941 million to M/s Ugyen Tshendhen Construction Pvt. Ltd. for the Construction of Bio-Medical, Maintenance and Procurement Office Building. The excess payment had occurred due to wrong recording of measurement, non-deduction of openings and arithmetical error with resultant improper verification and certification of the contractor's bill. *(AIN: 16062; OB No: 6.1; Accountabilities: Direct: Chhimi Wangchuk, Engineer II, EID No. 20170107917; Supervisory: Dawa Tshering, Engineer, EID No. 20160106495)*

3.4.6. JUDICIARY OF BHUTAN

During the year, the RAA had issued 21 audit reports of the Judiciary of Bhutan. There were 13 observations amounting to Nu. 4.204 million of which Nu. 0.196 million were resolved as of 31 January 2020 and Nu. 0.061 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 3.947 million as summarized below:

Category Code	Category Description	Nu. In million
3	Mismanagement	0.065
5	Shortfalls, lapses and deficiencies	3.882
	Total	3.947

3. MISMANAGEMENT – NU. 0.065 MILLION

The case of mismanagement involving Nu.0.065 million is as indicated below:

3.1. NON-DEPOSITS OF REVENUE - NU. 0.065 MILLION

The Royal Court of Justice, Pemagatshel had not deposited revenue collections amounting to Nu. 0.065 million into Royal Government Revenue Account. The periodic reconciliation of collection and deposit in RAMIS was also not carried out indicating weak internal controls and inadequate monitoring. *(AIN: 15972; OB No: 2; Accountabilities: Direct; Dhendup Tshering, Accountant, EID No: 200807257; Supervisory: Dasho Tharchean, Drangpon, EID No: 9502033)*

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 3.882 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu.3.882 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Missing of Vouchers and Supporting documents	1.834
5.2	Payment of Soelra, Semso, Chagyep and Donations/contributions	2.048
	Total	3.882

5.1. MISSING OF VOUCHERS AND SUPPORTING DOCUMENTS - NU.1.834 MILLION

The Royal Court of Justice, Pemagatshel had not produced vouchers and related supporting documents for Nu.1.834 million pertaining to FYs 2015-16, 2016-17 and 2017-18. The missing documents indicated lack of adequate supervision and failure to exercise due diligence while

approving the payments. (AIN: 15972; OB No: 5; Accountabilities: Direct; Dhendup Tshering, Accountant, EID No: 200807257; Supervisory: Dasho Tharchean, Drangpon, EID No: 9502033)

5.2. UNJUSTIFIED EXPENSES FROM HOSPITALITY AND ENTERTAINMENT BUDGET - NU.2.048 MILLION

The Supreme Court of Bhutan had incurred expenditure of Nu. 2.048 million on account of *soelra*, *nyendar*, *changyeb* and *semso* for two FYs 2017-18 and 2018-19. Original bills were not produced as required. Further, the expenses were discretionary in nature and booking of such payments under the 'Hospitality and Entertainment' budget was not justifiable. (AIN: 16016; OB No: 1; Accountabilities: Direct; Tshering Wangchuk, Chief Justice of Bhutan, EID No. 8709038; Supervisory: Tshering Dorji, Registrar General, EID No. 9511031)

3.4.7. NATIONAL ENVIRONMENT COMMISSION

During the year, the RAA had issued two audit reports of the National Environment Commission (NEC). There were three observations amounting to Nu. 2.609 million of which Nu. 1.811 million was resolved as of 31 January 2020 and Nu. 0.600 million did not qualify for inclusion in the AAR.

The significant unresolved irregularity amounted to Nu. 0.198 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.198
	Total	0.198

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.198 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.198 million is as indicated below:

5.1. OUTSTANDING ADVANCES - NU. 0.198 MILLION

The Secretariat, NEC had not adjusted advances amounting to Nu. 0.198 million against an official pertaining to FY 2017-18. The additional advances were paid to an official without adjusting the previous advances. (AIN: 15823; OB No: 2; Accountabilities: Direct; Passang, Driver, EID No: 200907026; Supervisory: Kesang Jamtsho, Sr. Human Resource Officer EID No: 200502008)

3.4.8. NATIONAL LAND COMMISSION

During the year, the RAA had issued two audit reports of the National Land Commission (NLC). There were four observations amounting to Nu. 11.552 million of which Nu. 4.290 million were resolved as of 31 January 2020.

The significant unresolved irregularity amounted to Nu. 7.262 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	7.262
	Total	7.262

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 7.262 MILLION

The case of shortfalls, lapses and deficiencies involving Nu.7.262 million is as indicated below:

5.1. OUTSTANDING ADVANCES - NU. 7.262 MILLION

The Secretariat, NLC had not adjusted advances of Nu. 7.262 million against an official and suppliers during FY 2017-18. The major portion of the advances amounting to Nu. 7.249 million were granted to suppliers and were overdue at the time of audit in April 2019. *(AIN: 15966; OB No: 2; Accountabilities: Direct; Chhimi Wangchuk, EID No: 20170409319; Phuntsho, Technician, EID No: 200407154; Til Bahadur Ghalley, Sr. Accounts Officer, EID No: 200701133; Tshewang Namgay, Adm. Officer, EID No: 201008001; Supervisory: Tshewang Namgay, Adm. Officer, EID No. 201008001; Til Bahadur Ghallay, SAO, EID No. 200701133)*

3.4.9. OFFICE OF ATTORNEY GENERAL

During the year, the RAA had issued one audit report of the Office of Attorney General (OAG). There were three observations amounting to Nu. 0.143 million of which Nu. 0.014 million was resolved as of 31 January 2020 and Nu. 0.129 million did not qualify for inclusion in the AAR.

The significant unresolved irregularity is as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
	Total	-

4. NON-COMPLIANCE TO LAWS AND RULES

The case of non-compliance to laws and rules is as indicated below:

4.1. AUDIT CLEARANCE CERTIFICATES NOT OBTAINED

The officials of the OAG had availed short-term trainings without obtaining Audit Clearance Certificates as required by BCSR. The HR Section had failed to ensure compliance to requirements of the extant rules. *(AIN: 16146; OB No: 3; Accountabilities: Direct; Deki Choden Dorji, Asstt. HRO, EID No. 20190113551; Supervisory: Dasho Shera Lhendup, AG, CID No. 10605001348)*

3.4.10. ROYAL UNIVERSITY OF BHUTAN

During the year, the RAA had issued seven audit reports of the Royal University of Bhutan (RUB) and its colleges. There were 32 observations amounting to Nu. 131.525 million of which Nu. 38.954 million were resolved as of 31 January 2020 and Nu. 76.857 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 15.714 million as summarised below:

Category Code	Category Description	Nu. in million
3	Mismanagement	-
4	Non-compliance to laws and rules	13.444
5	Shortfalls, lapses and deficiencies	2.270
Total		15.714

3. MISMANAGEMENT

The case of mismanagement is as indicated below:

3.1. NON-FUNCTIONAL CCTV CAMERAS

The Sherubtse College, Kanglung had installed 159 CCTV cameras worth Nu. 2.146 million in the college campus during the FY 2016-17. However, 86 CCTV cameras were non-functional due to wires disturbances and fibre optic line damaged by felling of trees within the campus leading to the disappearance of two sets of computers. (AIN: 15886; OB No: 2.1; Accountabilities: Direct: Rinzin Phuntsho, ICT Officer, EID: 200801108; Supervisory: Tshering Wangdi, President, EID: 9811035)

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 13.444 MILLION

The cases of non-compliance to laws and rules involving Nu. 13.444 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Defective works in construction of Hostels	-
4.2	Non-levy of 10% Liquidated Damages	4.280
4.3	Non-levy Liquidated Damages	9.164
Total		13.444

4.1. DEFECTIVE WORKS IN CONSTRUCTION OF HOSTELS

The Sherubtse College, Kanglung had not directed M/s Penjor Construction Pvt. Ltd. to rectify defective works in the construction of self-catering hostels. It was noted that there were cracks/fissures on hostel walls and plinth protection of toilets due to improper planning and lack of adequate supervision and monitoring. (AIN: 15885; OB No: 3; Accountabilities: Direct: Tandin Wangdi, Site Engineer, CID No/EID No: 11102003847/9934561; M/s Penjore Construction Pvt. Ltd., Haa, CDB No. 1958; Supervisory: Tshering Wangdi, President, EID: 9811035)

4.2. NON-LEVY OF 10% LIQUIDATED DAMAGES - NU. 4.280 MILLION

The Sherubtse College, Kanglung had not levied liquidated damages for non-receipt of furniture worth Nu. 4.280 million from M/s JK Furniture, Samtse. Against the supply order of furniture worth Nu. 14.553 million on 04 June 2018, furniture worth Nu. 4.280 million was not received even at the time of audit in March 2019. Further, the College had neither followed up for supply of furniture, nor levied liable liquidated damages for the delays. (AIN: 15885; OB No: 4;

Accountabilities: Direct: Yeshi Penjor, Asstt. Adm. Officer, EID: 9920747; Supervisory: Tshering Wangdi, President, EID No: 9811035)

4.3. NON-LEVY OF LIQUIDATED DAMAGES - NU. 9.164 MILLION

The College of Natural Resources (CNR) had not levied liquidated damages amounting to Nu.9.164 million for delay of 389 days in the construction of Academic Buildings and its site development from M/s Raven Builders Pvt. Ltd. The contractor was already granted two time extensions aggregating to 169 days till 17 July 2018, but the works were incomplete at the time of audit in August 2019. *(AIN: 16280; OB No: 1.1; Accountabilities: Direct: Yadav Dhungana, Site Supervising Engineer, EID No. RUB1502002, M/s Raven Builders Pvt. Ltd, CDB No. 2356; Supervisory: Dr. Phub Dorji, President, EID No. 9312018)*

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 2.270 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 2.270 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Outstanding Advances	1.353
5.2	Excess payment	0.154
5.3	Grant of excessive advances	-
5.4	Delayed encashment of claims against Bank Guarantees	-
5.5	Unsuccessful encashment of claims against Bank Guarantees	-
5.6	Irregular Deposit for Deposit Works into CD Account.	0.763
	Total	2.270

5.1. OUTSTANDING ADVANCES - NU. 1.353 MILLION

The CNR had not adjusted advances amounting to Nu.1.353 million against ten officials. Some of the dues pertained to FY 2014-15. *(AIN: 15696; OB No: 2; Accountabilities: Direct: Ugyen, Thinley, Sr. Lecturer, EID No: 980167; Lobzang Penjor, Research Officer, EID No: 201104034; Dr. Phub Dorji, President, EID No: 9312018; Dr. Penjor, Research Officer, EID No: 9801066; Phuntsho Choden, Asstt. Lecturer, EID No: 1403059; Tshotsho, Lecturer EID No: 200801039; PP Chapagai, Associate Lecturer, EID No: 200407356; Gyembo Namgyal, Farm Manager, EID No: 1707030; Dr. Tulsi Gurung, Asstt. Professor, EID No: 9502021; Jigme Choden- Farm Attendant, CID No: 11604000471; Supervisory: Dr. Phub Dorji, President (EID No. 9312018)*

5.2. EXCESS PAYMENT - NU. 0.154 MILLION

- a) The CNR had made excess payments of Nu.0.088 million to M/s Drasindra Technology, Thimphu due to application of rates higher than quoted for procurement of ten Laptops. *(AIN:15696; OB No: 3; Accountabilities: Direct: Sonam Choden, ADM Officer, EID No: RUB1708034; Supervisory: Dr. Phub Dorji, President (EID No. 9312018)*
- b) The Gedu College of Business Studies (GCBS) had made excess payment of Nu. 0.066 million to M/s KW Construction for the Construction of Human Development Center and Library Building. The excess payment had occurred due to difference in quantities passed as per

Measurement Book and actual quantities executed at site. (AIN:16312; OB No: 1.1.1; Accountabilities: Direct: Nar Bahadur Tamang, Site Engineer, EID No: RUB 1408090; M/s K W Construction, CDB No. 7813; Supervisory: Dr. Sonam Choiden, President, EID No.1707042)

5.3. GRANT OF EXCESSIVE ADVANCES

The CNR had made excessive advances amounting to Nu. 51.388 million to M/s Raven Builders Pvt. Ltd. in the construction of academic block and site development despite substantial delays. The advances were released without obtaining bank guarantee in deviation to the provisions of contract terms and conditions. (AIN: 16280; OB No: 1.2; Accountabilities: Direct: Yadav Dhungana, Site Supervising Engineer, EID No. RUB1502002; M/s Raven Builders Pvt. Ltd, CDB No. 2356; Supervisory: Dr. PhubDorji, President, EID No. 9312018)

5.4. DELAYED ENCASHMENT OF CLAIMS AGAINST BANK GUARANTEES

The CNR could not encash the renewed Bank Guarantee amounting to Nu.13.700 million of M/s Raven Builders Pvt. Ltd., Gelephu in the construction of academic block and site development works. The Bank Guarantee was obtained against Performance Security of Nu.6.580 million and Mobilization Advance of Nu. 6.580 million from the Bhutan National Bank Limited, Wangdue Phodrang. (AIN: 16280; OB No: 1.3; Accountabilities: Direct: Yadav Dhungana, Site Supervising Engineer, EID No. RUB1502002; M/s Raven Builders Pvt. Ltd, CDB No. 2356; Supervisory: Dr. PhubDorji, President, EID No. 9312018)

5.5. UNSUCCESSFUL ENCASHMENT OF CLAIMS AGAINST BANK GUARANTEES

The CNR could not encash Performance Bank Guarantees (BG) amounting to Nu. 7.813 million of M/s Raven Builders Pvt. Ltd, Gelephu in the construction of academic block and site development works. M/s T-Bank did not entertain the claims for Performance BGs of Nu. 5.500 million from Thimphu Branch and Nu. 2.313 million from Wangdue Branch as the contractor had defaulted the Overdraft facility. (AIN: 16280; OB No: 1.4; Accountabilities: Direct: Yadav Dhungana, Site Supervising Engineer, EID No. RUB1502002; M/s Raven Builders Pvt. Ltd, CDB No. 2356; Supervisory: Dr. PhubDorji, President, EID No. 9312018)

5.6. IRREGULAR RETENTION OF FUND IN CD ACCOUNT- NU. 0.763 MILLION

The CNR had irregularly retained fund balance of Nu. 0.763 million from the construction of Power Sub-station under the GoI Funded Project 'Development of Infrastructures and Teachings' in the Current Deposit Account. (AIN: 16280; OB No: 2.1; Accountabilities: Direct: Tshewang Dorji, FO, EID No: RUB-1209051; Supervisory: Dr. Phub Dorji, President, EID No. 9312018)

3.4.11. GELEPHU THROMDE

During the year, the RAA had issued four audit reports of the Gelephu Thromde. One report was issued with 'Qualified' opinion. There were 47 observations amounting to Nu. 785.980 million of which Nu. 15.139 million were resolved as of 31 January 2020 and Nu. 738.283 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 32.558 million as summarised below:

Category Code	Category Description	Nu. in million
3	Mismanagement	9.528
4	Non-compliance to laws and rules	7.848
5	Shortfalls, lapses and deficiencies	15.182
	Total	32.558

3. MISMANAGEMENT – NU. 9.528 MILLION

The cases of mismanagement involving Nu. 9.528 million are as indicated below:

3.1. NON-COLLECTION OF TAXES AND LEASE RENT - NU. 9.528 MILLION

- a) The Gelephu Thromde had failed to collect land taxes amounting to Nu.7.346 million including the penalty amount of Nu.1.985 million. The land taxes were not collected for four years from 2015 till 2018. The lapses had occurred mainly due to the lack of follow up and monitoring mechanism. *(AIN: 16359; OB NO: 8.1; Accountabilities: Direct: Pema Wangmo, Land Record Officer, EID No: 20120600403; Supervisory: Pema Wangmo, Land Record Officer, EID No. 20120600403)*
- b) The Gelephu Thromde had failed to collect urban taxes amounting to Nu.1.482 million including the penalty amount of Nu.1.232 million. The Building/House/Streetlight/Solid Waste and Commercial taxes were not collected for four years from 2015 till 2018. The lapses had occurred mainly due to the lack of follow up and monitoring mechanism. *(AIN: 16359; OB No: 8.3; Accountabilities: Direct: Pema Wangmo, Land Record Officer, EID No: 20120600403; Supervisory: Pema Wangmo, Land Record Officer, EID No.:20120600403.)*
- c) The Gelephu Thromde had failed to collect the land lease rent amounting to Nu. 0.700 million on time attracting penalties. The lease rents were due for periods ranging from four to twelve months. The land lease rents were not collected from 14 parties. The lapses had occurred due to the lack of follow up and monitoring mechanism. *(AIN: 16359; OB No: 8.4; Accountabilities: Direct: Pema Wangmo, Land Record Officer, EID No. 20120600403; Supervisory: Pema Wangmo, Land Record Officer, EID No. 20120600403)*

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 7.848 MILLION

The cases of non-compliance to laws and rules involving Nu. 7.848 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Short-deduction of liquidated damages	0.125
4.2	Non-reconciliation of Deposit Works	-
4.3	Non-surrender of fund balance under Deposit Works	-
4.4	Less deposit of 10% retention money	1.955
4.5	Non-accountal of fund received in Current Deposit Account	4.716
4.6	Payment without supporting documents	1.052

4.7	Drawings and Designs not prepared by Professionals	-
Total		7.848

4.1. SHORT-DEDUCTION OF LIQUIDATED DAMAGES - NU. 0.125 MILLION

The Gelephu Thromde had short-deducted liquidated damages amounting to Nu. 0.125 million from M/s Tenzin Dorji Construction for delay in completion of construction of road network and other infrastructure in industrial service centers. The Liquidated damages levied should be 10% on the final contract amount of Nu. 65.353 million, whereas it was levied on initial contract amount of Nu. 64.102 million with resultant short-deduction of Liquidated Damages of Nu. 0.125 million. *(AIN: 16303; OB No: 1.1; Accountabilities: Direct: Dorji Khandu, Engineer, EID No: 9407015; Supervisory: Tenzin Pema, Engineer, EID No: 200507276)*

4.2. NON-RECONCILIATION OF DEPOSIT WORKS

The Gelephu Thromde had not reconciled amounts received as deposit work from different agencies, since it was not deposited to a non-revenue account. The amount received was Nu. 6.807 million against which the deposit made was Nu. 2.507 million in non-revenue deposit account. The less deposit in the non-revenue account was Nu. 4.300 million for the FY 2016-17. *(AIN: 16303; OB No: 2.2; Accountabilities: Direct: Jamyang Gyeltshen, Accounts Officer, EID No. 201201151; Supervisory: Pema, Executive Secretary, EID No. 9801096)*

4.3. NON-SURRENDER OF FUND BALANCE UNDER DEPOSIT WORKS

The Gelephu Thromde had not surrendered Nu. 267.018 million to DPA as required and had not carried out reconciliation of non-revenue releases with payments for Deposit Works. Against Nu. 289.175 million obtained as non-revenue releases, only Nu. 22.157 million was paid for Deposit Works for the FY 2016-17. *(AIN: 16303; OB No: 2.3; Accountabilities: Direct: Jamyang Gyeltshen, Accounts Officer, EID No. 201201151; Supervisory: Pema, Former Executive Secretary, EID No. 9801096).*

4.4. LESS DEPOSIT OF 10% RETENTION MONEY - NU.1.955 MILLION

The Gelephu Thromde had not deposited Nu.1.955 million for the FY 2016-17 on account of 10% retention money from contractors into the Refundable Deposit Account. The total retention money received was Nu.15.669 million against which only Nu.13.714 million was deposited. *(AIN: 16303; OB No: 2.4; Accountabilities: Direct: Jamyang Gyeltshen, Accounts Officer, EID No. 201201151; Supervisory: Pema, Former Executive Secretary, EID No. 9801096)*

4.5. NON-ACCOUNTAL OF FUND RECEIVED IN CURRENT DEPOSIT ACCOUNT- NU.4.716 MILLION

The Gelephu Thromde had not accounted for Nu. 4.716 million received from other agencies in the Current Deposit Account. The lapses had occurred due to non-conduct of periodic reconciliation of budgetary release, non-revenue deposit and the refundable deposit accounts. *(AIN: 16303; OB No: 2.9; Accountabilities: Direct: Jamyang Gyeltshen, Accounts Officer, EID No. 201201151; Supervisory: Pema, Former Executive Secretary, EID No. 9801096)*

4. 6. PAYMENT WITHOUT SUPPORTING DOCUMENTS - NU.1.052 MILLION

The Gelephu Thromde had failed to produce supporting documents for expenditures amounting to Nu.1.052 million towards DSA and retirement benefits. (AIN: 16303; OB No: 4; Accountabilities: Direct: Jamyang Gyeltshen, Accounts Officer, EID No. 201201151; Supervisory: Pema, Former Executive Secretary, EID No. 9801096)

4.7. DRAWINGS AND DESIGNS NOT PREPARED BY PROFESSIONALS

The Gelephu Thromde had not ensured that structural, electrical, sewerage and water supply components in buildings designs and drawings were prepared by registered professionals with required experiences as specified in Development Control Regulations 2014 and 2016. The Designs and Drawings of Completed Buildings were prepared and approved by those other than registered professionals with the Construction Development Board and minimum qualifications of the Professionals were also not met. (AIN: 16303; OB No: 9.7; Accountabilities: Direct: Ugyen Chophel, Executive Architect, EID No.200801068; Supervisory: Pema, Jigme, Chief Development Regulatory Officer, DRD, EID No. 200401022).

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 15.182 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 15.182 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Irregular booking of TA/DA without bills.	0.300
5.2	Non-deduction of 10 % discount offered by the Supplier.	0.057
5.3	Non-maintenance of buildings inventory	-
5.4	Non-collection of betterment charges	0.210
5.5	Inadmissible payment of pay and allowance during leave	0.406
5.6	Grant of excessive material advance and non-recovery	0.851
5.7	Excessive release of 10% retention money	1.400
5.8	Double Payment of Running Account Bill	-
5.9	Outstanding Advances	11.958
	Total	15.182

5.1. PAYMENT OF TA/DA BILLS WITHOUT SUPPORTING DOCUMENTS - NU.0.300 MILLION

The Gelephu Thromde had made payments amounting to Nu. 0.300 million to officials as TA/DA without supporting documents for the FY 2016-17. Further, the Thromde had not maintained travel register, which was indicative of lack of internal controls and failure to exercise due diligence while approving payments. (AIN: 16303; OB No: 5; Accountabilities: Direct: Jamyang Gyeltshen, Accounts Officer, EID No. 201201151; Supervisory: Pema, Former Executive Secretary, EID No. 9801096)

5.2. NON-DEDUCTION OF 10% DISCOUNT - NU.0.057 MILLION

The Gelephu Thromde had not deducted Nu. 0.057 million on account of 10% discount offered by M/s TCD Trader on supply of CCTV items. The lapses had occurred mainly due to negligence on the part of the responsible officials while passing the bills. *(AIN: 16303; OB No: 7; Accountabilities: Direct: Jamyang Gyeltshen, Accounts Officer, EID No. 201201151; Supervisory: Pema, Former Executive Secretary, EID No. 9801096).*

5.3. NON-MAINTENANCE OF BUILDINGS INVENTORY

The Gelephu Thromde had not adhered to the requirements to maintain inventory of buildings within its own jurisdictions as per prevailing norms. The total numbers of buildings were not documented and hence correctness of House Tax Collection which was accounted in consolidated Revenue Statement could not be authenticated. *(AIN: 16303; OB No: 9.3; Accountabilities: Direct: Jigme, Chief Development Regulatory Officer, DRD, EID No. 200401022; Supervisory: Jigme, Chief Development Regulatory Officer, DRD, EID No. 200401022)*

5.4. NON-COLLECTION OF BETTERMENT CHARGES - NU. 0.210 MILLION

The Gelephu Thromde had neither collected Betterment charges (Cash payment in lieu of land pooling) amounting to Nu.0.210 million nor obtained clearance for non-liability in violation of provisions outlined in Development Control Regulations 2014 and 2016. Further, the documentation system for assessment, collection and deposit of betterment charges was not adequate leading to non-ascertainment of receivables in respect of completed buildings. *(AIN: 16303; OB No: 9.5; Accountabilities: Direct: Pema Wangmo, Assistant Land Registrar, EID No.20120600403; Supervisory: Chhoephey Dorji, Princial Engineer, EID No.9001088)*

5.5. INADMISSIBLE PAYMENT OF PAY AND ALLOWANCE DURING LEAVE - NU. 0.406 MILLION

The Gelephu Thromde had made inadmissible payment of Nu. 0.406 million on account of pay and allowances to three officials hwo were on Study Leave and Extra Ordinary Leave due. The lapses occurred due to non-updation of information in the payroll system. *(AIN: 16303; OB No: 1; Accountabilities: Direct: Tashi Wangchuk, Teacher EID No: 2107280; Karma Choki, Teacher EID No: 200701393; Supervisory: Tashi Wangmo, Executive Secretary, EID No: 2001076).*

5.6. GRANT OF EXCESSIVE MATERIAL ADVANCE AND NON-RECOVERY - NU. 0.851 MILLION

The Gelephu Thromde had made excessive material advances of Nu. 19.453 million to M/s Tobden Construction Pvt. Ltd. in the Construction of Urban Infrastructures such as Road, Sewer network, Water Supply and Street Lights. This had resulted in non-recovery of Nu. 0.851 million despite settling the Final Bill of the contractor. *(AIN: 16359; OB No: 1.2; Accountabilities: Direct: Indra Prasad Phugyel, Engineer, EID No: 9607023; Dorji Khandu, Engineer, EID No: 9407015; Karma Tenzin, Asstt. Engineer, EID No: 910404; Krishna P. Khatawari, Asst. Engineer, EID No. 200507258; M/s Tobden Construction Pvt Ltd, CDB No.2233; Supervisory: Indra Prasad Phugyel, Engineer, EID No: 9607023; Dorji Khandu, Engineer, EID No: 9407015; Karma Tenzin, Asstt. Engineer EID No: 910404; Krishna P. Khatawari, Asst. Engineer, EID No. 200507258).*

5.7. EXCESSIVE RELEASE OF 10% RETENTION MONEY - NU. 1.400 MILLION

The Gelephu Thromde had released in excess of Nu. 1.400 million from 10% retention money. The retention money deducted from M/s Tobden Construction Pvt. Ltd. amounted to Nu.3.145 million, but was refunded Nu. 4.545 million in the Construction of Urban Infrastructures such as Road, Sewer network, Water Supply and Street Lights. Further, the contractor was paid before liquidating material advances. (AIN: 16359; OB No: 1.3; Accountabilities: Direct: Indra Prasad Phugyel, Engineer, EID No: 9607023; Dorji Khandu, Engineer, EID No: 9407015; Karma Tenzin, Asstt. Engineer, EID No: 910404; Krishna P. Khatawari, Asst. Engineer, EID No. 200507258; M/s Tobden Construction Pvt Ltd, CDB No.2233; Supervisory: Indra Prasad Phugyel, Engineer, EID No: 9607023; Dorji Khandu, Engineer, EID No: 9407015; Karma Tenzin, Asstt. Engineer EID No: 910404; Krishna P. Khatawari, Asst. Engineer, EID No. 200507258)

5.8. DOUBLE PAYMENT

The Gelephu Thromde had made double payment of Nu.1.744 million to M/s Druk Tsentop Construction Pvt. Ltd. in the Construction of Urban Infrastructures at LAP II under Gelephu Thromde. Nu.1.744 million was paid twice on 27 June 2018 and 28 June 2018. Though the double payment was adjusted from the subsequent Running Bills of the contractor, the commercial interest was not levied and recovered which should be calculated from actual date of double payment till the amount was recovered. (AIN: 16359; OB No: 2; Accountabilities: Direct: Tshering Wangchuk, Accounts Assistant, EID No: 200207191; M/s Tsentop Construction Pvt. Ltd., CDB No. 4801; Supervisory: Paras Moktan, Dy. Chief Finance Officer, EID No. 9411005)

5.9. OUTSTANDING ADVANCES - NU. 11.958 MILLION

The Gelephu Thromde had not adjusted Public Work Advances amounting to Nu.11.958 million lying against parties, individuals and contractors for the FY 2017-18. Most of the advances pertained to mobilization and material advances and were not adjusted as on 30 June 2019. (AIN: 16359; OB No: 10; Accountabilities: Direct: Tshering Wangchuk, Accounts Assistant, EID No: 200207191; M/s Tsentop Construction Pvt. Ltd., CDB No. 4801; Supervisory: Paras Moktan, Dy. Chief Finance Officer, EID No. 9411005)

3.4.12. PHUENTSHOLING THROMDE

During the year, the RAA had issued two audit reports of the Phuentsholing Thromde. The reports were issued with 'Qualified' opinion. There were 29 observations amounting to Nu. 12.767 million of which Nu. 0.191 million were resolved as of 31 January 2020 and Nu. 1.209 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 11.367 million as summarised below:

Category Code	Category Description	Nu. in million
3	Mismanagement	4.350
4	Non-compliance to laws and rules	4.595
5	Shortfalls, lapses and deficiencies	2.422
	Total	11.367

3. MISMANAGEMENT – NU. 4.350 MILLION

The cases of mismanagement involving Nu. 4.350 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
3.1	Irregular booking of expenditure and diversion of funds	3.483
3.2	Irregular retention of fund at the close of the financial year	0.867
	Total	4.350

3.1. IRREGULAR BOOKING OF EXPENDITURE AND DIVERSION OF FUNDS – NU. 3.483 MILLION

The Phuentsholing Thromde had made irregular booking of expenditures amounting to Nu.3.483 million. The funds were diverted towards unauthorized activities misrepresenting financial statements for FY 2017-18. The lapses have occurred due to non-adherence of the FRR 2016. (AIN: 16193; OB No: 2; Accountabilities: Direct: Uma Pradhan, Accounts Officer, EID No: 201101060; Supervisory: Uma Pradhan, Accounts Officer, EID No: 201101060)

3.2 IRREGULAR RETENTION OF FUND AT THE CLOSE OF THE FINANCIAL YEAR - NU. 0.867 MILLION

The Phuentsholing Thromde had retained fund amounting to Nu.0.867 million under closed work. Nu.0.732 million was retained at the close of the financial year 2016-2017 for the Construction of eight Class Room-Cum- Administrative Block at Phuentsholing LSS. Nu.0.135 was retained at the close of Financial Year 2017-2018 for the Construction of Caretaker Quarters at Phuentsholing MSS/Phuentsholing LSS. (AIN: 16193; OB No: 3; Accountabilities: Direct: Uma Pradhan, Accounts Officer, EID No: 201101060; Supervisory: Uma Pradhan, Accounts Officer, EID No: 201101060)

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 4.595 MILLION

The cases of non-compliance to laws and rules involving Nu. 4.595 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Non-recovery of 20% penalty for incomplete works and payment at higher rate	3.606
4.2	Inappropriate rate analysis	0.989
4.3	Audit Clearance Certificates not obtained	-
	Total	4.595

4.1. NON-RECOVERY OF 20% PENALTY FOR INCOMPLETE WORKS AND PAYMENT AT HIGHER RATE – NU. 3.606 MILLION

The Phuentsholing Thromde had not realized 20% penalty on the value of incomplete works amounting to Nu. 3.166 million from the contractor upon termination of contract in the construction of Urban Road (Base Course & Permanent works) at Pekarzhang. The contract was terminated due to failure of M/s K.W Construction Pvt. Ltd., Thimphu to re-submit Performance

Security in accordance to the revised due date of completion from earlier 25 November 2017 to 25 January 2018.

Further, the contractor was paid Nu. 0.440 million in excess for preparation of sub grade due to payment at a rate higher than quoted rate. (AIN: 16337; OB No.: 7; Accountabilities: Direct: Wangchuk Thaye, Exe. Secretary, EID No.: 9407082; Uma Pradhan, Accounts Officer, EID No.: 201101060; Nima Wangmo, Env. Officer, EID No.: 20160106396; Govinda Sharma, Sr. Architect, EID No.: 201001102; Tshewang Jeipo, Chief Engineer, EID No.: 200601091; Lobzang, Principal Engineer, EID No.: 8403052); Supervisory: Wangchuk Thaye, Exe. Secretary, EID No.: 9407082; Uma Pradhan, Accounts Officer, EID No.: 201101060; Nima Wangmo, Env. Officer, EID No.: 20160106396; Govinda Sharma, Sr. Architect, EID No.: 201001102; Tshewang Jeipo, Chief Engineer, EID No.: 200601091; Lobzang, Principal Engineer, EID No.: 8403052)

4.2 INAPPROPRIATE RATE ANALYSIS – NU. 0.989 MILLION

The Phuentsholing Thromde had to change the BoQ specification of ‘Providing & Laying Precast Stone Masonry blocks (1:5:8) in cement mortar 1:6 in foundation and plinth - 20cm thick (preferably factory made paver blocks)’ to precast masonry blocks of 60mm thick in the Landscaping and Beautification Project, Phase II due to non-availability of Precast Stone Masonry blocks in the factory. The work was awarded to M/s Druksam Builders, Phuentsholing. However, Thromde had analyzed and accepted the rate of Nu. 885.48 per square meter for 60mm thick paver blocks for providing and laying precast masonry blocks of 20cm (200mm) thick which stand inappropriate. (AIN: 16337; OB No.: 12.1; Accountabilities: Direct: Migma Sherpa, Jr. Engineer, EID No. 200607017; Supervisory: Karma Thinley, E. Engineer, EID No.: 8403053; Lobzang, Principal Engineer, EID No.: 8403052)

4.3 EX-COUNTRY TRAININGS AVAILED WITHOUT OBTAINING AUDIT CLEARANCE

The official of Phuentsholing Thromde had availed short-term trainings without obtaining valid Audit Clearance Certificates as required by the BCSR. The HR Section had failed to ensure compliance to requirements of the extant rules. (AIN: 16193; OB No: 10; Accountabilities: Direct: Wangchuk Thaye, Former ES, EID No. 940708; Supervisory: Kuenzang Lhamo, Sr. HRO, EID No: 201001027)

5. SHORTFALLS, LAPSES AND DEFICIENCIES - NU. 2.422 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 2.422 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Excess Payment	1.727
5.2	Non-carrying of rate analysis for new item	0.195
5.3	Outstanding Advances	0.500
	Total	2.422

5.1. EXCESS PAYMENT - NU. 1.727 MILLION

The cases of excess payments are as follows:

- a) The Phuentsholing Thromde had made excess payment of Nu. 0.084 million to M/s Jurmey Rabten Youngdrup Construction for steel works in Dismantling & Re-roofing of PMSS (Location II) near Rabten Workshop. The excess payment occurred due to difference in quantities claimed by the contractor and actual quantities executed at site for steel welding works. *(AIN: 16193; Ob. No: 9; Accountabilities Direct: Budhi Man Darjee, AE (EID No.200807191), UgyenChoden, Technician, EID No.200301058, M/s JurmeyRabtenYoungdrup Construction, CDB Registration No. 7837; Supervisory: Lobzang, PE, EID No. 8403052)*
- b) The Phuentsholing Thromde had made excess payment of Nu. 0.374 million to M/s Yashodhara builders for installation of prefabricated Zinalume Water Tank in improvement of water supply works at Rinchending. The excess payment had occurred due to inaccurate application of rates after changes in scope of work. *(AIN: 16337; Ob. No:1.1; Accountabilities Direct: Namgay Phuntsho, Sr. Tech. II, EID No. 951103, M/s Yashodara Builders, CDB No. 8058; Supervisory: Lobzang, Principal Engineer, EID No. 8403052)*
- c) The Phuentsholing Thromde had made excess payment of Nu. 0.132 million to M/s Kencho Tshering Construction Pvt. Ltd in the construction of Urban Road at Amochu LAP, Phuentsholing. The excess payment occurred due to erroneous computation of the work quantity for the use of TMT rebar reinforcement works. *(AIN: 16337; Ob. No: 3; Accountabilities Direct: Karma Tenzin, Asst. Engineer, EID 20140103523, M/s Kencho Tshering Construction Pvt. Ltd, CDB 1677; Supervisory: Lobzang, Principal Engineer, EID No. 8403052, Karma Thinley, E. Engineer, EID No. 8403053)*
- d) The Phuentsholing Thromde had made excess payment of Nu. 0.751 million to M/s De-Keeling Builders Pvt. Ltd. in the construction of Access Road at Dhamdara. The excess payment occurred due to payment on works not executed, double payments and payment for more quantities of work than actually executed. *(AIN: 16337; Ob. No: 4.1; Accountabilities Direct: Karma Tenzin, Asst. Engineer, EID 20140103523, M/s De-Keeling Builders Pvt. Ltd, CDB 2283; Supervisory: Lobzang, Principal Engineer, EID No. 8403052, Karma Thinley, E. Engineer, EID No. 8403053)*
- e) The Phuentsholing Thromde had made excess payment of Nu. 0.096 million to M/s Wooling Construction in the construction of Storm Water Drain at Kabreytar. The excess payment occurred due to differences in quantities of work claimed by the contractor and actual quantities executed at site. *(AIN: 16337; Ob. No: 6.1; Accountabilities Direct: Chencho, Asst. Engineer EID No. 201101353, M/s Wooling Construction, CDB. 7046; Supervisory: Karma Thinley, E. Engineer, EID No. 8403053)*
- f) The Phuentsholing Thromde had made excess payment of Nu. 0.079 million to M/s Yungkhar construction in the construction of new Urban Roads at Alley (Permanent work, Package-II). The excess payment occurred due to differences in quantities of work claimed by the contractor and actual quantities executed at site for RRM wall *penal no 10*. *(AIN: 16337; Ob. No: 9; Accountabilities Direct: Pema Chopel, Asst. Engineer EID No. 201101252, M/s Yungkhar Construction, CDB. 7647; Supervisory: Karma Thinley, E. Engineer, EID No. 8403053, Lobzang, Principal Engineer, EID No. 8403052)*

- g) The Phuentsholing Thromde had made excess payment of Nu. 0.211 million to M/s Druksam Builders in the Landscaping and Beautification Project Phase-II works. The excess payment had occurred due to differences in quantities claimed by the contractor and actual quantities executed at site besides payment at rate higher than the quoted rate for an item. (AIN: 16337; Ob. No: 12.2; Accountabilities Direct: Migma Sherpa, Jr. Engineer EID No. 200607017, M/s Druksam Builders, CDB. 3737; Supervisory: Karma Thinley, E. Engineer, EID No. 8403053, Lobzang, Principal Engineer, EID No. 8403052)

5.2 NON-CARRYING OF RATE ANALYSIS FOR NEW ITEM – NU. 0.195 MILLION

The Phuentsholing Thromde had paid Nu. 0.195 million to M/s Yoezor Ugyen Construction, Chhukha without carrying out rate analysis for new item of work. A new item of work viz. "Providing, making & fixing M.S straps, flats, sole plates etc. (item code: SW0090)" was provided in lieu of BoQ Item No. 13 "Providing & fixing bright finish brass spring-loaded, hinged door closer with necessary screws etc. complete (code: WW0676)". However, the Thromde had released the payment for new item of work at the quoted rate of BoQ item No. 13 without analyzing as required. (AIN: 16337; OB No.: 8; Accountabilities: Direct: Pema Chopel, Asstt. Engineer, EID No.: 201101252; M/s Yoezor Ugyen Construction, CDB No.: 6347); Supervisory: Karma Thinley, E. Engineer, EID No.: 8403053; Lobzang, Principal Engineer, EID No.: 8403052)

5.3 OUTSTANDING ADVANCES – NU. 0.500 MILLION

The Phuentsholing Thromde had not adjusted Public Work Advances and Personal Advances amounting to Nu. 0.500 million against the officials pertaining to Financial Year 2017-2018. Nu.0.277 million pertains to Public Work Advances and Nu.0.224 million was for Personal Advances. (AIN: 16337; OB No: 14; Accountabilities: Direct: Krishna Chhetri, Accountant, EID No: 9709054; Supervisory: Uma Pradhan, Accounts Officer, EID No: 201101060)

3.4.13. SAMDRUP JONGKHAR THROMDE

During the year, the RAA had issued one audit report of the Samdrup Jongkhar Thromde. There were seven observations amounting to Nu. 0.374 million of which Nu. 0.102 million were resolved as of 31 January 2020 and Nu. 0.149 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 0.123 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.123
	Total	0.123

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.123 MILLION

The case of shortfalls, lapses and deficiencies involving Nu.0.123 million is as indicated below:

5.1. OVERPAYMENT IN CONSTRUCTION OF FLOOD PROTECTION WALLS - NU. 0.123 MILLION

The Samdrup Jongkhar Thromde had made excess payments of Nu.0.123 million to M/s Tenzin Dorji Construction in the construction of flood protection wall along Dungsam Chhu. The excess payment had occurred due to calculation error, and improper verification and certification of contractor's bill. (AIN: 16145; OB No: 1; Accountabilities: Direct: Sonam Dhendup, Assistant Engineer, 200707092, M/s Tenzin Dorji Construction, Nganglam, CDB No. 2000; Supervisory: Pema Chokey Executive Engineer, 9307033)

3.4.14. THIMPHU THROMDE

During the year, the RAA had issued eight audit reports of the Thimphu Thromde. One report was issued with 'Qualified' opinion. There were 84 observations amounting to Nu. 42.561 million of which Nu. 6.216 million were resolved as of 31 January 2020 and Nu. 0.833 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 35.512 million as summarised below:

Category Code	Category Description	Nu. in million
1	Fraud and Corruption	1.669
3	Mismanagement	8.131
4	Non-compliance to laws and rules	9.968
5	Shortfalls, lapses and deficiencies	15.744
	Total	35.512

1. FRAUD AND CORRUPTION - NU. 1.669 MILLION

The cases with elements of fraud and corruption involving Nu.1.669 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
1.1	Overpayment to the contractor	0.412
1.2	Excess payment due to difference in quantities	1.257
	Total	1.669

1.1. OVERPAYMENT TO CONTRACTOR - NU. 0.412 MILLION

The Thimphu Thromde had made overpayment to M/s Sonam Yangdak Construction in the construction of sewer network for YHS area amounting to Nu. 0.412 million for the works not executed at site. The overpayments were made on HDPE (Druk Pipes) and Manholes not executed in YHS area.

The lapses had occurred due to improper verification and certification of contractor's bills for payment and failure on the part of the Supervising Engineer to carry out necessary checks to ensure the admissibility of contractor's claims. (AIN: 15979; OB No: 1.1; Accountabilities: Direct: Ram Bdr. Rai, Asstt. Engineer EID No. 201001755; Sonam Yangdak Construction, CDB No.2775; Supervisory: Jigme Dorji, Chief Engineer, EID No. 200201095)

1.2. EXCESS PAYMENT DUE TO DIFFERENCE IN QUANTITIES - NU. 1.257 MILLION

- a) The Thimphu Thromde had made excess payment of Nu.0.438 million to M/s Chimi Phagma Construction in the Construction of Sewer Network for Upper Taba and Upper Langiophakha. The excess payment was due to difference in quantities claimed by the contractor and actual quantities executed at site. (AIN: 15979; OB No: 2.1; Accountabilities: Direct: Ram Bdr. Rai, Asstt. Engineer EID No. 201001755; Chimi Phagma Construction CDB License No.7301; Supervisory: Jigme Dorji, Chief Engineer, EID No. 200201095)
- b) The Thimphu Thromde had made excess payment of Nu.0.504 million to M/s Chimi Phagma Construction in the Construction of Sewer Network for Motithang, Changangkha and adjoining areas. The excess payment was due to the differences in quantities claimed by the contractor and actual quantities executed at site. (AIN: 15979; OB No: 3.1; Accountabilities: Direct: Thinley Penjor, Engineer, EID No. 201001177; Chimi Phagma Construction, CDB No.7301; Supervisory: Jigme Dorji, Chief Engineer, EID No. 200201095)
- c) The Thimphu Thromde had made excess payment of Nu.0.315 million to M/s Sonam Yangdak Construction in the Construction of Sewer Network for Motithang and Kawajangsa Area. The excess payment was due to the differences in quantities claimed by the contractor and actual quantities executed at site. (AIN: 15979; OB No: 4.1; Accountabilities: Direct: Ram Bdr. Rai, Asstt. Engineer EID No. 201001755; Sonam Yangdak Construction CDB No.2775; Supervisory: Jigme Dorji, Chief Engineer, EID No. 200201095)

3. MISMANAGEMENT – NU. 8.131 MILLION

The cases of mismanagement involving Nu.8.131 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
3.1	Wasteful expenditure on design and construction of bridge	7.599
3.2	Wasteful expenditure on surveys and study	0.533
	Total	8.132

3.1. WASTEFUL EXPENDITURE ON DESIGN AND CONSTRUCTION OF BRIDGE - NU. 7.599 MILLION

The Thimphu Thromde had incurred expenditure amounting to Nu. 7.599 million on the design and site development works for the construction of 30-meter permanent double lane RCC rigid frame bridge near Ministerial Enclave, Motithang. The Thromde had incurred expenditures of Nu. 2.025 million for procuring MIDAS software, Nu. 1.800 million for drawing and design fees, Nu. 1.300 million for site establishment and Nu. 2.474 million for equipment, materials and other associated costs.

The work was awarded to CDCL and later cancelled as per the directives of MoWHS. The lapses had occurred due to lack of proper planning, need assessment, coordination, consultative feedback and approval from the competent authority prior to design and award of the work. (AIN: 15859; OB No: 7; Accountabilities: Direct: Ngawang Tashi, Dy. Executive Engineer, EID No: 201201105; Supervisory: Kinlay Dorjee, Thrompon, CID No. 1141000297).

3.2. WASTEFUL EXPENDITURE ON SURVEY AND STUDIES - NU. 0.533 MILLION

The Thimphu Thromde had incurred expenditure amounting to Nu. 0.533 million on various survey and studies for the construction of the underpasses in Thimthrom. The work was awarded to CDCL and later stopped on verbal instruction from the Cabinet. The lapses had occurred due to lack of proper planning, need assessment, coordination, consultative feedback and approval from the competent authority prior to design and award of the work. (AIN: 15859; OB No: 8; Accountabilities: Direct: Ngawang Tashi, Dy. Executive Engineer, EID No: 201201105; Supervisory: Ngawang Tashi, Dy. Executive Engineer Engineer, EID No: 201201105).

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 9.968 MILLION

The cases of non-compliance to laws and rules involving Nu. 9.968 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Non-levy of Liquidated Damages	-
4.2	Non-Deployment of Independent Engineer for Monitoring	-
4.3	Ad-hoc procurement without proper feasibility studies	-
4.4	Non-conduct of tests for Pavement works	-
4.5	Non-levy of liquidated damages	1.150
4.6	Sub-standard and incomplete footpath works	-
4.7	Non-renewal of Bank Guarantee	1.150
4.8	Non-termination of the Contract	-
4.9	Non-collection of differential security amount	3.255
4.10	Non/short deposit of differential security	3.490
4.11	Audit Clearance Certificates not obtained	-
4.12	Construction of chambers other than specified	0.055
4.13	Non-levy of liquidated damages	-
4.14	Non-levy of penalty for non-deployment of key personnel	0.689
4.15	Acceptance of defective mosaic flooring works	0.179
	Total	9.968

4.1. NON-LEVY OF LIQUIDATED DAMAGES

The Thimphu Thromde had not levied applicable liquidated damages to M/s KCR Pvt. Ltd. for delays in the construction of Multi-Level Car Parks (MLCP) 1 and 2 in Thimthrom. The actual completion date of the work as per Concession Agreement was November 2017 and July 2017 respectively. The Thromde had neither enforced provisions of the contract on liquidated damages nor terminated the works despite delay of more than 180 days at the time of audit in March 2018. (AIN: 15859; OB No: 2.1; Accountabilities: Direct: Ugyen Lhamo, Assistant Engineer, EID No: 9901114; KCR Construction Pvt. Ltd, Trade License No: 1032132; Supervisory: Kinlay Dorjee, Thrompon, CID No: 1141000297).

4.2. NON-DEPLOYMENT OF INDEPENDENT ENGINEER FOR MONITORING

The Thimphu Thromde had not deployed independent engineers for performance monitoring in MLCP construction as per the concession agreement. The failure in deploying independent engineers was a breach of the Concession Agreement which had adversely affected the progress

of the project with resultant significant delays in completion of works. *(AIN: 15859; OB No: 2.2; Accountabilities: Direct: Ugyen Lhamo, Assistant Engineer, EID No: 9901114; KCR Construction Pvt. Ltd, Trade License No: 1032132; Supervisory: Kinlay Dorjee, Thrompon, CID No: 1141000297).*

4. 3. AD-HOC PROCUREMENT WITHOUT PROPER FEASIBILITY STUDIES

The Thimphu Thromde had incurred expenditure of Nu.13.896 million on the ad-hoc procurement of two road sweeping machines. As there was no approved budget for the procurement, the payment was met from Thromde Reserve Fund and World Bank Project. The Thromde had also not carried out proper feasibility studies in terms of effectiveness of sweeping machines with due consideration of road conditions in and around Thimphu Thromde. A four-member inspection team from Thimphu Thromde had visited factory premises prior to delivery of machines but had failed to submit report on efficiency and functionality of machines. This was indicative of non-inspection of road sweeping machine despite having incurred huge travel expenses of Nu. 0.263 million. *(AIN: 15859; OB No: 3.1 and 3.2; Accountabilities: Direct: Kinlay Dorjee, Thrompon, CID No. 1141000297; Supervisory: Kinlay Dorjee, Thrompon, CID No: 1141000297).*

4. 4. NON-CONDUCT OF TESTS FOR PAVEMENT WORKS

The Thimphu Thromde had not conducted the Aggregate Impact Test, Abrasion Test, Gradation Test, Elongation and Flakiness Test and CBR tests which are necessary in order to achieve the required standards and strength of the road while laying of Granular Sub-Base and Wet-Mix Macadem in the construction of elevated car parking near Norzin Lam and Improvement of road at Olarongchu.

Further, the contractor, M/s Passang Construction Pvt. Ltd had not submitted Job mix formula to Site Engineer. Without preparing the job mix formula and conduct of required tests, it was not possible to determine correctness of the required quantity of bitumen content and strength of materials and bitumen consumption. The contractor had not achieved proper ratio of required materials. *(AIN: 15859; OB No: 5.2; Accountabilities: Direct: Ngawang Tashi, Dy. Executive Engineer, EID No: 201201105; M/s Passang Construction Pvt. Ltd, CDB No: 2061; Supervisory: Ngawang Tashi, Dy. Executive Engineer, EID No: 201201105)*

4. 5. NON-LEVY OF LIQUIDATED DAMAGES - NU. 1.150 MILLION

The Thimphu Thromde had not levied liquidated damages amounting to Nu.1.150 million to M/s Goodwill Construction Pvt. Ltd. for delay/non-completion in the construction of footpath, drains and RRM walls. The actual completion date of work was 25 July 2016 but later granted a time extension of 45 days and scheduled the completion date at 08 September 2016. *(AIN: 15859; OB No: 6.5; Accountabilities: Direct: Dhendup Lhamo, Site Engineer, EID No: 20140103289; M/s Goodwill Construction Pvt. Ltd, CDB No: 1547; Supervisory: Dhendup Lhamo, Site Engineer, EID No: 20140103289)*

4. 6. SUB-STANDARD AND INCOMPLETE FOOTPATH WORKS

The M/s Goodwill Construction Pvt. Ltd. had not laid 60mm thick hydraulic pressured interlocking block on the footpath as required by BoQ in the construction of footpath, drains and

RRM walls. The contractor had left work unattended and Thimphu Thromde had failed to take appropriate actions which had resulted in the sub-standard quality in portions of works completed and non-completion of contract.

Further, the footpath had portions with worn out PCC works, stretches filled with soil, damaged edging works and portions buried under bushes. *(AIN: 15859; OB No: 6.6; Accountabilities: Direct: Dhendup Lhamo, Site Engineer, EID No: 20140103289; M/s Goodwill Construction Pvt. Ltd, CDB No: 1547; Supervisory: Dhendup Lhamo, Site Engineer, EID No: 20140103289)*

4.7. NON-RENEWAL OF BANK GUARANTEE - NU. 1.150 MILLION

The Thimphu Thromde had not ensured renewal of Bank Guarantee against Performance Security amounting to Nu.1.150 million for the construction of drains, footpaths and RRM walls in and around Thimphu Thromde awarded to M/s Goodwill Construction Pvt. Ltd., Thimphu. The Bank Guarantee expired on 22 July 2016 and was not renewed by the contractor. *(AIN: 15859; OB No: 6.7; Accountabilities: Direct: Dhendup Lhamo, Site Engineer, EID No: 20140103289; M/s Goodwill Construction Pvt. Ltd, CDB No: 1547; Supervisory: Dhendup Lhamo, Site Engineer, EID No: 20140103289)*

4.8. NON-TERMINATION OF CONTRACT

The Thimphu Thromde had neither terminated the contract as per contract agreement nor taken any other action against M/s Goodwill Construction Pvt. Ltd. for non-completion of work and abandonment in the construction of drains, footpaths and RRM walls. The Contractor had availed time extension of 45 days and then stopped works from 15 March 2017. *(AIN: 15859; OB No: 6.8; Accountabilities: Direct: Dhendup Lhamo, Site Engineer, EID No: 20140103289; M/s Goodwill Construction Pvt. Ltd, CDB No: 1547; Supervisory: Dhendup Lhamo, Site Engineer, EID No: 20140103289)*

4.9. NON-COLLECTION OF DIFFERENTIAL SECURITY AMOUNT - NU. 3.255 MILLION

The Thimphu Thromde had neither rejected the abnormally low bid nor collected additional differential security amount of Nu.3.255 million from the Lowest Evaluated Bidder, M/s Goodwill Construction Pvt. Ltd. in the Construction of Drains, Footpaths and RRM Walls.

M/s Goodwill Construction's bid was 22.06% below Thromde's estimates. Accepting abnormally low bid had resulted in poor quality of works, delays in completion and subsequent abandonment of works. *(AIN: 15859; OB No: 6.9; Accountabilities: Direct: Dhendup Lhamo, Site Engineer, EID No: 20140103289; M/s Goodwill Construction Pvt. Ltd, CDB No: 1547; Supervisory: Dhendup Lhamo, Site Engineer, EID No: 20140103289)*

4.10. NON/SHORT-DEPOSIT OF DIFFERENTIAL SECURITY - NU. 3.490 MILLION

The Thimphu Thromde had awarded contracts to four bidders who had quoted abnormally low rates. The Thromde had neither collected additional differential security amount of Nu. 2.990 million nor obtained rate analysis from bidders for relevant items for consideration of bid during evaluation. The abnormally low rates quoted ranged from 25.19% to 40.49% below the Thromde's estimates for various contracts.

Further, two contractors had deposited differential security amount of Nu. 0.218 million only from the total Nu. 0.718 million with resultant short-deposit of Nu. 0.500 million. (AIN: 15859; OB No: 9; Accountabilities: Direct: Nakphel Drukpa, Principal Engineer, EID No: 8601090; Dechen Tshomo, Assistant Engineer, EID No: 200507222; Supervisory: Nakphel Drukpa, Principal Engineer, EID No. 8601090)

4.11. AUDIT CLEARANCE CERTIFICATES NOT OBTAINED

The officials of Thimphu Thromde had availed short-term trainings without obtaining Audit Clearance Certificates as required by the BCSR. The HR Section had failed to ensure compliance to requirements of the extant rules. (AIN: 15859; OB No: 20; Accountabilities: Direct: Cheki Yangzom, HRO, EID No: 20170107801; Supervisory: Cheki Yangzom, HRO, EID No: 20170107801)

4.12. CONSTRUCTION OF CHAMBERS OTHER THAN SPECIFIED - NU. 0.055 MILLION

The Thimphu Thromde had accepted 13 chambers sized 900x900 mm instead of the specified 1300x1300 mm as per BoQ in the construction of Sewer Network for YHS area which resulted in the excess payment of Nu. 0.055 million to M/s Sonam Yangdak Construction. (AIN: 15859; OB No: 1.2; Accountabilities: Direct: Ram Bdr. Rai, Asstt. Engineer, EID No: 201001755; M/s Sonam Yangdak Construction, CDB No: 2775; Supervisory: Jigme Dorji, Chief Engineer, EID No: 200201095)

4.13. NON-LEVY OF LIQUIDATED DAMAGES

The Thimphu Thromde had not levied applicable liquidated damages against M/s C.N Construction for delays in the construction and maintenance of roads, drains and footpath at Changangkha. The contractor had delayed the works by five months at the time of audit in January 2019 despite granting time extension of 78 days. (AIN: 15859; OB No: 6.1; Accountabilities: Direct: Dendup Lhamo, Dy. Executive Engineer, EID No: 20140103289; C.N Construction, CDB No: 3512; Supervisory: Karma Jamtsho, Chief Engineer, EID No: 200301032)

4.14. NON-LEVY OF PENALTY FOR NON-DEPLOYMENT OF KEY PERSONNEL - NU. 0.689 MILLION

The Thimphu Thromde had not levied applicable penalty of Nu.0.689 million against M/s C.N Construction for failing to deploy committed key personnel as required in the Construction and Maintenance of roads, drains and footpath at Changangkha. (AIN: 15859; OB No: 6.2; Accountabilities: Direct: Dendup Lhamo, Dy. Executive Engineer, EID No: 20140103289; C.N Construction, CDB No: 3512; Supervisory: Karma Jamtsho, Chief Engineer, EID No: 200301032)

4.15. ACCEPTANCE OF DEFECTIVE MOSAIC FLOORING WORKS - NU. 0.179 MILLION

The Education Sector, Thimphu Thromde had accepted defective 40mm thick mosaic flooring works valuing Nu.0.179 million from M/s Zeko Construction in the Construction of eight-unit class rooms with Academic block at Dechencholing HSS. The mosaic flooring works were not properly executed, the surface was rough and marble chips were not evenly exposed. (AIN: 15859; OB No: 4.5; Accountabilities: Direct: Tshering Dorji, Asstt. Engineer, EID No: 20140103519; M/s Zeko Construction, CDB No: 2265; Supervisory: Nagphel Dukpa, Offgt. Chief Engineer, EID No: 861090)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 15.744 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu.15.744 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Damages to public roads and land by constructions	-
5.2	Overpayment in Construction	1.694
5.3	Non-recovery of Mobilization and Material Advances	1.179
5.4	Non recovery of excess payment	0.508
5.5	Outstanding Advances	0.191
5.6	Unjustified payment for hard rock cutting	0.892
5.7	Payment for items other than specified	10.964
5.8	Acceptance of Defective Work	-
5.9	Inadmissible payment	0.316
	Total	15.744

5.1. DAMAGES TO PUBLIC ROADS AND LAND BY CONSTRUCTIONS

The Thimphu Thromde had not taken any action against private individuals and corporate offices for damages and destruction caused to government property by respective building construction works in Babesa Thimphu indicating inadequate monitoring and inspection of sites under development.

The construction of DGPC office had damaged 960.43 sq.m of government land and public road; constructions of four private buildings had damaged blacktopping and L-drains for road measuring 67 meters; and building construction belonging to Dratshang Lhentshog had damaged 18 meters of public roads. *(AIN: 15859; OB No: 1; Accountabilities: Direct: Kinlay Dorjee, Thrompon, CID No:1141000297; Supervisory: Kinlay Dorjee, Thrompon, CID No. 1141000297)*

5.2. OVERPAYMENT IN CONSTRUCTION - NU. 1.694 MILLION

- a) The Thimphu Thromde had made overpayment of Nu. 0.253 million to M/s Goodwill Construction Pvt. Ltd. for construction of drains, footpaths and RRM walls in and around Thimphu Thromde due to application of wrong BoQ rate, improper verification and certification of contractor's bill for payment. *(AIN: 15859; OB No: 6.1; Accountabilities: Direct: Dhendup Lhamo, Engineer, EID No: 20140103289; Goodwill Construction Pvt. Ltd, CDB No. 1547; Supervisory: Dhendup Lhamo, Engineer, EID No: 20140103289)*
- b) The Thimphu Thromde had made overpayment of Nu. 0.209 million to M/s Goodwill Construction Pvt. Ltd. for construction of drains, footpaths and RRM walls in and around Thimphu Thromde due to wrong recording of measurement, improper verification and certification of contractor's bill for payment. *(AIN: 15859; OB No: 6.2; Accountabilities: Direct: Dhendup Lhamo, Engineer, EID No: 20140103289; Goodwill Construction Pvt. Ltd, CDB No. 1547; Supervisory: Dhendup Lhamo, Engineer, EID No: 20140103289)*

- c) The Thimphu Thromde had made overpayment of Nu. 0.535 million to M/s C.N Construction in the construction and maintenance of roads, drains and footpaths along Changangkha road. The over payment had occurred due to discrepancies in quantities passed as per Measurement Book and quantity physically measured at site, improper verification and certification of contractor's bill for payment. *(AIN: 15979; OB No: 6.3; Accountabilities: Direct: Dhendup Lhamo, Engineer, EID No: 20140103289; M/s C.N Construction, CDB License No. 3512; Supervisory: Dhendup Lhamo, Engineer, EID No: 20140103289)*
- d) The Education Sector, Thimphu Thromde had made overpayment of Nu. 0.060 million to Bhutan Power Corporation Limited for the construction of HV-ABC line and 250 kVA substations in schools due to discrepancies in quantities passed as per Measurement Book and quantity physically measured at site, improper verification and certification of contractor's bill for payment. *(AIN: 16120; OB No: 1.1; Accountabilities: Direct; Sonam Tobgay, Asst. Engineer, EID No: 9401047; Supervisory: Kinzang Gyeltshen, Asstt. Engineer, EID No: 200507273)*
- e) The Education Sector, Thimphu Thromde had made overpayment of Nu. 0.278 million to M/s Drukair Pvt. Ltd. in the construction of Administrative Block with eight unit classrooms at Loseling MSS due to discrepancies in quantities passed as per Measurement Book and quantity physically measured at site, improper verification and certification of contractor's bill for payment. *(AIN: 16120; OB No: 2.1; Accountabilities: Direct; Sonam Namgay, Dy. Engineer, EID No: 20140103287; M/s Drukair Pvt. Ltd. CDB No: 1064; Supervisory: Nagphel Dukpa, Offgt. Chief Engineer, EID No:8601090)*
- f) The Education Sector, Thimphu Thromde had made overpayment of Nu. 0.083 million to M/s Chimi Dorji Construction in the construction of Academic Toilet at various schools within Thimphu Thromde due to discrepancies in quantities passed as per Measurement Book and quantity physically measured at site, improper verification and certification of contractor's bill for payment. *(AIN: 16120; OB No: 3.1; Accountabilities: Direct; Puspa Raj Sharma, Asstt. Engineer, EID No: 20087190; M/s Chimi Dorji Construction, CDB No: 7816; Supervisory: Nagphel Dukpa, Offgt. Chief Engineer, EID No:8601090)*
- g) The Education Sector, Thimphu Thromde had made overpayment of Nu. 0.276 million to M/s Zeko Construction in the construction of an eight-unit class room with Academic Block at Dechencholing HSS due to application of wrong BoQ rate, improper verification and certification of contractor's bill for payment. *(AIN: 16120; OB No: 4.3; Accountabilities: Direct; Tshering Dorji, Asstt. Engineer, EID No: 20140103519; M/s Zeko Construction, CDB No: 2265; Supervisory: Nagphel Dukpa, Offgt. Chief Engineer, EID No:8601090)*

5.3. NON-RECOVERY OF MOBILIZATION AND MATERIAL ADVANCES - NU. 1.179 MILLION

The Thimphu Thromde had failed to recover outstanding advances of Nu.1.179 million from M/s Goodwill Construction Pvt. Ltd. in the construction of drains, footpaths and RRM walls in and

around Thimphu Thromde. Nu.1.150 million pertained to 10% Mobilization Advance and Nu.1.374 million pertained to Materials Advance.

The Contractor had completed only 46.71% of works even after the expiry of LD period and works remained unattended. The Thromde had not taken any action against contractor despite delay in completion of the works at the time of audit in August 2018. (AIN: 15859; OB No: 6.3; Accountabilities: Direct: Dhendup Lhamo, Engineer, EID No: 20140103289; M/s Goodwill Construction Pvt. Ltd, CDB No. 1547; Supervisory: Dhendup Lhamo, Engineer, EID No. 20140103289)

5.4. NON-RECOVERY OF EXCESS PAYMENT - NU. 0.508 MILLION

The Thimphu Thromde had not recovered excess payment of Nu. 0.508 million from the 1st Running Account Bill of M/s Goodwill Construction Pvt. Ltd. in the Construction of drains, footpaths and RRM walls. The non-adjustment of the excess payment from the subsequent RA bills indicates laxity of the concerned officials while certifying the contractor's claims for payment. (AIN: 15859; OB No: 6.4; Accountabilities: Direct: Dhendup Lhamo, Engineer, EID No: 20140103289; M/s Goodwill Construction Pvt. Ltd, CDB No. 1547; Supervisory: Dhendup Lhamo, Engineer, EID No. 20140103289)

5.5. OUTSTANDING ADVANCES - NU. 0.191 MILLION

The Thimphu Thromde had not adjusted outstanding Public Work Advances amounting to Nu. 0.191 million against M/s Namdrol Construction and M/s Chimi Wangmo Construction pertaining to FY 2012-13 and FY 2016-17 respectively. (AIN: 15859; OB No: 25; Accountabilities: Direct: Tek nath, Dy. Executive Engineer, EID No: 201001178; Tashi Kencho, Dy. Executive Engineer, EID No: 200307026; M/s Namdrol Construction, CDB No: 3207; Supervisory: Tek nath, Dy. Executive Engineer, EID No: 201001178; Tashi Kencho, Dy. Executive Engineer, EID No.:200307026)

5.6. UNJUSTIFIED PAYMENT FOR ROCK CUTTING WORKS - NU. 0.892 MILLION

- a) The Thimphu Thromde had made unjustified payment of Nu. 0.226 million for 'trenching works' and 'excavation of rock requiring chiseling' in the construction of Sewer Network for YHS area to M/s Sonam Yangdak Construction. The contractor was paid for 'excavation of rock requiring chiseling' but had actually carried out only 'cutting of bituminous paved road'. The Thromde failed to produce survey report and had also not maintained the 'Extracted Materials Account Register' for extracted boulders at site to authenticate claims. (AIN: 15979; OB No 1.3; Accountabilities: Direct: Ram Bdr. Rai, Asstt. Engineer, EID No: 201001755; M/s Sonam Yangdak Construction, CDB No: 2775; Supervisory: Jigme Dorji, Chief Engineer, EID No. 200201095)
- b) The Thimphu Thromde had made unjustified payment of Nu. 0.265 million for 'trenching works' and 'excavation of rock requiring chiseling' in the construction of Sewer Network at Upper Taba and Upper Langiophakha to M/s Chimi Phagma Construction. The contractor was paid for 'excavation of rock requiring chiseling' but had actually carried out only 'cutting of bituminous paved road'. The Thromde failed to produce survey report and had also not maintained the 'Extracted Materials Account Register' for extracted boulders at site to

authenticate claims. (AIN: 15979; OB No: 2.2; Accountabilities: Direct: Ram Bdr. Rai, Asstt. Engineer, EID No: 201001755; M/s Chimi Phagma Construction, CDB No.7301; Supervisory: Jigme Dorji, Chief Engineer, EID No. 200201095)

- c) The Thimphu Thromde had made unjustified payment of Nu. 0.287 million for ‘trenching works’ and ‘excavation of rock requiring chiseling’ in the construction of Sewer Network at Motithang, Changangkha and adjoining areas to M/s Chimi Phagma Construction. The contractor was paid for ‘excavation of rock requiring chiseling’ but had actually carried out only ‘cutting of bituminous paved road’. The Thromde failed to produce survey report and had also not maintained the ‘Extracted Materials Account Register’ for extracted boulders at site to authenticate claims. (AIN: 15979; OB No: 3.2; Accountabilities: Direct: Thinley Penjor, Engineer, EID No. 201001177; M/s Chimi Phagma Construction, CDB No.7301; Supervisory: Jigme Dorji, Chief Engineer, EID No. 200201095)
- d) The Thimphu Thromde had made unjustified payment of Nu. 0.115 million for ‘trenching works’ and ‘excavation of rock requiring chiseling’ in the construction of Sewer Network at Motithang and Kawajangsa areas to M/s Sonam Yangdak Construction. The contractor was paid for ‘excavation of rock requiring chiseling’ but had actually carried out only ‘cutting of bituminous paved road’. The Thromde failed to produce survey report and had also not maintained the ‘Extracted Materials Account Register’ for extracted boulders at site to authenticate claims. (AIN: 15979; OB No: 4.2; Accountabilities: Direct: Ram Bdr. Rai, Asstt. Engineer, EID No: 201001755; M/s Sonam Yangdak Construction, CDB No: 2775; Supervisory: Jigme Dorji, Chief Engineer, EID No. 200201095)

5.7 PAYMENT FOR ITEMS OTHER THAN SPECIFIED - NU. 10.964 MILLION

- a) The Thimphu Thromde had accepted 2.649 mm G.I wire mesh instead of 4mm G.I wire mesh specified as per BoQ in the Construction of Gabion Wall along upstream and downstream of Heydrong Bridge executed by Construction Development Corporation Limited. The payment made for the work was Nu. 10.964 million without fulfilling technical specification. (AIN: 15979; OB No: 5.1; ccountabilities: Direct: Ngawang Tashi, Dy. Executive Engineer EID No: 201201105; M/s CDCL, Thimphu; Supervisory: Jigme Dorji, Chief Engineer, EID No: 200201095)
- b) The Education Sector, Thimphu Thromde had accepted 3.1 mm (10SWG) G.I chain-link mesh instead of 4mm (8SWG) G.I chain-link mesh specified as per BoQ in the Construction of HV-ABC line and 250 kVA substations in Schools executed by Bhutan Power Corporation Limited. (AIN: 16120; OB No: 1.2; Accountabilities: Direct: Sonam Tobgay, Asst. Engineer, Asstt. Engineer, EID No: 9401047; Supervisory: Kinzang Gyeltshen, Asstt. Engineer, EID No: 200507273)

5.8. ACCEPTANCE OF DEFECTIVE WORKS

The Education Sector, Thimphu Thromde had accepted defective works executed by M/s Zeko Construction in the construction of an eight-unit classroom with Academic Block at Dechencholing HSS constructed at a cost of Nu.12.636 million. Sub-standard works and major

defects including cracks on several parts of the buildings were noted and toilets were also not usable due to leakages. (AIN: 16120; OB No: 4.1; Accountabilities: Direct: Tshering Dorji, Asstt. Engineer, EID No: 20140103519; M/s Zeko Construction, CDB No: 2265; Supervisory: Nagphel Dukpa, Offgt. Chief Engineer, EID No: 8601090)

5.9. INADMISSIBLE PAYMENTS - NU. 0.316 MILLION

The Education Sector, Thimphu Thromde had made inadmissible payments of Nu.0.316 million to M/s Zeko Construction in the construction of eight-unit class rooms with Academic Block at Dechencholing HSS. The inadmissible payment had occurred due to double payment for filling works in the ground floor and 16mm dia TMT rod for footing and plinth beam and payments made for works unexecuted. (AIN: 16120; OB No: 4.2; Accountabilities: Direct: Tshering Dorji, Asstt. Engineer, EID No: 20140103519; M/s Zeko Construction, CDB No: 2265; Supervisory: Nagphel Dukpa, Offgt. Chief Engineer, EID No: 8601090)

3.5. CORPORATIONS

During the year, 8 Corporations had unresolved irregularities amounting to Nu. 38.842 million as follows:

3.5.1. BHUTAN POSTAL CORPORATION LIMITED

During the year, the RAA had issued one audit report of the Bhutan Postal Corporation Limited (Bhutan Post). There were 27 observations amounting to Nu. 21.980 million which no observation was resolved as of 31 January 2020 and Nu. 0.778 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 21.112 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	11.878
5	Shortfalls, lapses and deficiencies	9.234
	Total	21.112

4. NON-COMPLIANCE TO LAWS AND RULES - NU. 11.878 MILLION

The cases of non-compliance to laws and rules involving Nu. 11.878 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Non-renewal of Post Box Rentals	2.305
4.2	Un-reconciled difference in tickets issued and ticket sales	0.706
4.3	Wrong pay fixation resulting into excess payment	4.787
4.4	Excess payment for substandard works	0.136
4.5	Items provided other than specified	0.172
4.6	Non-levy of liquidated damages	3.241
4.7	Overpayment due to incorrect rate analysis	0.481
4.8	Inadmissible payment in electrical works	0.050
	Total	11.878

4.1. NON-RENEWAL OF POST BOX RENTALS - NU. 2.305 MILLION

The Bhutan Post had lost revenue amounting to Nu. 2.305 million due to non-renewal of lease for Post Box facility by clients and penalties amounting to Nu. 12.049 million due from defaulters.

The management had neither followed up with clients, nor cancelled expired lease agreements. The Post Boxes were occupied despite non-payment of rent, and there were clients on waiting list who could not obtain a post box. *(AIN: 16401; OB No: 3; Accountabilities: Direct: Thinley Wangchuk, Dy. Manager, CID No: 11504002442; Supervisory: Sonam Cheki, Manager, CID No: 11515000257)*

4.2. UN-RECONCILED DIFFERENCE IN TICKETS ISSUED AND TICKET SALES - NU. 0.706 MILLION

The Bhutan Post had un-reconciled differences amounting to Nu. 0.706 million in the tickets issued and sales of the tickets for City Bus services as on 31 July 2019. *(AIN: 16401; OB No: 5; Accountabilities: Direct: Norbu Wangdi, CID No: 11501001819; Supervisory: Sangay Dorji, CID No: 10811000831)*

4.3. EXCESS PAYMENT DUE TO WRONG PAY FIXATION - NU. 4.787 MILLION

The Bhutan Post had wrongly fixed pay of officials resulting in excess payment of Nu. 4.787 million. The pay fixed was not in line with MoF circular issued on 16 February 2016 and most employees were given one to two increments in addition to basic pay, while some were found paid less than their entitlements. *(AIN: 16401; OB No: 8; Accountabilities: Direct: Jigme Tenzin, Dy.G.M, CID No: 10712002191, EID No: 2011229; Norbu Zangmo, Dy.G.M, CID No: 1107000167; Pasang Tshering, Manager, CID No: 10811001709; Wangmo, Dy. Manager, CID No: 10101003892; Tashi Phuntsho, Senior Manager, CID No: 10604002394; Yeshey Peldon, Dy. Manager, CID No: 10104001649; Chencho Lhamo, Dy. Supervisor, CID No: 10804000119; Supervisory: Tshering Chhokie, Dy.G.M, CID No: 11410003735)*

4.4. EXCESS PAYMENT FOR SUBSTANDARD WORKS - NU. 0.136 MILLION

The Bhutan Post had made excess payment of Nu. 0.136 million to M/s USD Construction in the execution of Asphalt Concrete of Bhutan Post Parking due to acceptance of substandard work. The thickness of Asphalt Concrete was 31.50 mm against the required 40 mm. *(AIN: 16401; OB No: 10; Accountabilities: Direct: Phuntsho Wangdi, Contract Engineer, M/s USD Construction, CDB No: 3715; Supervisory: Tashi Phuntsho, Senior Manager, CID No: 10604002394)*

4.5. INADMISSIBLE PAYMENTS IN CIVIL AND ELECTRICAL WORKS - NU. 0.172 MILLION

The Bhutan Post had made inadmissible payment amounting to Nu. 0.172 million to M/s Leki Construction for Civil and Electrical Works at ground floor of Thimphu GPO due to non-adjustment of price for providing floor tiles of lesser thickness than required. *(AIN: 16401; OB No: 11 (i); Accountabilities: Direct: Phuntsho Wangdi, Contract Engineer, M/s Leki Construction, CDB No: 1698; Supervisory: Sonam Penjor, Senior Supervisor, CID No: 10601001122)*

4.6. NON-LEVY OF LIQUIDATED DAMAGES - NU. 3.241 MILLION

The Bhutan Post had not levied liquidated damages of Nu. 3.241 million on M/s Jamtsho Construction for delay in the construction of the G+4 building, Phuentsholing. The total delay for the construction was 94 days which had resulted in non-levy of liquidated damages of Nu. 3.241 million (0.1%*94*34.474 million). The case is under arbitration. (AIN: 16401; OB No: 13(iii); Accountabilities: Direct: Phuntsho Wangdi, Contract Engineer; Tashi Phuntsho, Sr. Manager, CID No: 10604002394; M/s Jamtsho Construction, CDB No: 2145; Supervisory: Karma Wangdi, C.E.O, CID No: 11503000020)

4.7. OVER PAYMENT DUE TO INCORRECT RATE ANALYSIS - NU. 0.481 MILLION

The Bhutan Post had made excess payments of Nu. 0.481 million to the M/s Jamtsho Construction Pvt. Ltd. for the construction of G+4 residential building, Phuentsholing due to incorrect rate analysis, improper verification and certification of contractor's bill for payment. The case is under arbitration. (AIN: 16401; OB No: 13(iv); Accountabilities: Direct: Phuntsho Wangdi, Contract Engineer; Tashi Phuntsho, Sr. Manager, CID No: 10604002394; M/s Jamtsho Construction, CDB No: 2145; Supervisory: Karma Wangdi, C.E.O, CID No: 11503000020)

4.8. INADMISSIBLE PAYMENT IN ELECTRICAL WORKS - NU. 0.050 MILLION

The Bhutan Post had made inadmissible payment of Nu. 0.050 million as 5% contingencies on additional electrical works due to improper verification of final bill by Site Engineer and improper handing taking of contract documents by the management. The case is under arbitration. (AIN: 16401; OB No: 13(v); Accountabilities: Direct: Phuntsho Wangdi, Contract Engineer; Tashi Phuntsho, Sr. Manager, CID No: 10604002394; M/s Jamtsho Construction, CDB No: 2145; Supervisory: Karma Wangdi, C.E.O, CID No: 11503000020)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 9.234 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 9.234 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Excess Payment	1.200
5.2	Non-deduction of rebate	8.034
	Total	9.234

5.1. EXCESS PAYMENT DUE TO OVER-WRITING - NU. 1.200 MILLION

a) The Bhutan Post, Thimphu had made excess payment of Nu. 0.989 million to M/s Jamtsho Construction, Thimphu in the construction of G+4 residential building due to over-writing in the BoQ rates. (AIN: 16401; OB No: 13(i); Accountabilities: Direct: Phuntsho Wangdi, Contract Engineer; M/s Jamtsho Construction, CDB No: 2145; Supervisory: Karma Wangdi, C.E.O, CID No: 11503000020; Karma Choden, Dy. Manager, CID No: 11603004075; Tashi Phuntsho, Senior Manager, 10604002394; Kezang Norden Dekar, Manager, BDMD, CID No: 11107003114; Dechen Choden, Asst. Manager, CID No: 10102003036, Thinley Wangchuk, Dy. Manager, CID No: 11504002442)

- b) The Bhutan Post, Thimphu had made excess payment of Nu. 0.077 million for electrical works to M/s Jamtsho Construction, Thimphu in the Construction of G+4 Residential Building, Phuentsholing. The excess payment had occurred due to making payment in BSR 2017 rates and without deducting overall quoted percentage, improper verification and certification of contractor's bill for payment. *(AIN: 16401; OB No: 13(vi); Accountabilities: Direct: Phuntsho Wangdi, Contract Engineer; Tashi Phuntsho, Sr. Manager, CID No: 10604002394, M/s Jamtsho Construction, CDB No: 2145; Supervisory: Karma Wangdi, C.E.O, CID No: 11503000020)*
- c) The Bhutan Post, Thimphu had made excess payment of Nu. 0.062 million to the M/s Jamtsho Construction, Thimphu for the Construction of G+4 Residential Building, Phuentsholing. The excess payment had occurred due to application of rates other than the quoted rates, improper verification and certification of the contractor's bill for payment. *(AIN: 16401; OB No: 13(ix); Accountabilities: Direct: Phuntsho Wangdi, Contract Engineer; Tashi Phuntsho, Sr. Manager, CID No: 10604002394, M/s Jamtsho Construction, CDB No: 2145; Supervisory: Karma Wangdi, C.E.O, CID No: 11503000020)*
- d) The Bhutan Post, Thimphu had made excess payment of Nu. 0.072 million for cement plaster works to the M/s Jamtsho Construction, Thimphu for the Construction of G+4 Residential Building, Phuentsholing. The excess payment had occurred due to items of works less-executed at site, improper verification and certification of contractor's bill for payment. *(AIN: 16401; OB No: 13(x); Accountabilities: Direct: Phuntsho Wangdi, Contract Engineer; Tashi Phuntsho, Sr. Manager, CID No: 10604002394, M/s Jamtsho Construction, CDB No: 2145; Supervisory: Karma Wangdi, C.E.O, CID No: 11503000020)*

5.2. NON-DEDUCTION OF REBATE - NU. 8.034 MILLION

The Bhutan Post had not deducted Nu. 8.034 million from M/s Jamtsho Construction on account of 28% rebate offered against the bid amount of Nu. 28.813 million in the construction of G+4 building, Phuentsholing. *(AIN: 16401; OB No: 13(ii); Accountabilities: Direct: Phuntsho Wangdi, Contract Engineer; Tashi Phuntsho, Sr. Manager, CID No: 10604002394, M/s Jamtsho Construction, CDB No: 2145; Supervisory: Karma Wangdi, C.E.O, CID No: 11503000020)*

3.5.2. BHUTAN POWER CORPORATION LIMITED

During the year, the RAA had issued 12 audit reports of the Bhutan Power Corporation Limited (BPCL). There were 36 observations amounting to Nu. 34.493 million of which Nu. 33.416 million were resolved as of 31 January 2020 and Nu. 0.886 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 0.191 million as summarised below:

Category Code	Category Description	Nu. in million
3	Mismanagement	0.191
	Total	0.191

3. MISMANAGEMENT – NU. 0.191 MILLION

The case of mismanagement involving Nu. 0.191 million is as indicated below:

3.1. NON-COLLECTION OF MATERIALS RECOVERED FROM RE-ALIGNMENT WORKS - NU. 0.191 MILLION

The Electricity Service Division, Trashiyangtse had not collected materials worth Nu. 0.191 million recovered from re-alignment work for 33KV ACSR over head line on Galvanized Telescopic poles for construction of Kholongchu Hydro Energy Ltd. (KHEL) colony at Khitshang. The re-alignment work was completed at a cost of Nu. 0.882 million and handed over to the KHEL on 25 May 2018. *(AIN: 16015; OB No: 1; Accountabilities: Direct: Dawa Tshering, Associate Engineer, EID No: 30000353; Supervisory: Ugyen Dorji, Sr. Div. Manager, EID No: 30000341)*

3.5.3. BHUTAN TELECOM LIMITED

During the year, the RAA had issued eight audit reports of Bhutan Telecom Limited (BTL). There were 27 observations amounting to Nu. 5.856 million of which Nu. 1.417 million were resolved as of 31 January 2020 and Nu. 1.485 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 2.963 million as summarised below:

Category Code	Category Description	Nu. in million
2	Embezzlement	1.163
5	Shortfalls, lapses and deficiencies	1.800
Total		2.963

2. EMBEZZLEMENT - NU. 1.163 MILLION

The case with element of embezzlement involving - Nu. 1.163 million is as indicated below:

2.1. MISAPPROPRIATION OF REVENUES - NU. 1.163 MILLION

The BTL, Wamrong had not initiated any actions against Sales Representative for misappropriations of revenue amounting to Nu. 1.673 million in 2016. A recovery of Nu. 0.510 million was made leaving a balance of Nu. 1.163 million. The misappropriation was detected by the internal auditors. *(AIN: 16034; OB No.: 2.1; Accountabilities: Direct: Choezang Wangmo, Account Officer, EID No.: 02694; Supervisory: Nar Bdr. Raika, Sr. Manager, EID No.: 02447; Nar Bdr. Chetteri, Regional Director, EID No.: 00420)*

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 1.800 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 1.800 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Excess payment for PCC works	0.135
5.2	Overpayment due to improper rate computation	1.665
	Total	1.800

5.1. EXCESS PAYMENT FOR ABNORMAL PCC WORKS - NU. 0.136 MILLION

The BTL, Thimphu had made excess payments of Nu. 0.136 million to M/s Rickphel Construction, Punakha in the Construction of Equipment Building at Corporate Office, Thimphu. The excess payment had occurred due to execution of Plain Concrete Cement works which was not as per drawings and designs. (AIN: 16034; OB No: 1.2.1; Accountabilities: Direct: Bishnu Kr. Subba, Dy. Executive Engineer, EID No: 02467; Supervisory: Jangchuk Dorji, AGM, Civil Section, EID No: 00042)

5.2. OVERPAYMENT DUE TO IMPROPER RATE COMPUTATION - NU. 1.665 MILLION

The BTL, Thimphu had made over payments of Nu.1.665 million to M/s Rickphel Construction, Punakha in the Construction of Equipment Building at Corporate Office, Thimphu. The over payment had occurred due to improper rate computation for additional works. (AIN: 16034; OB No: 1.2.1; Accountabilities: Direct: Bishnu Kr. Subba, Dy. Executive Engineer, EID No.02467; Supervisory: Jangchuk Dorji, AGM, Civil Section, EID No: 00042)

3.5.4. DUNGSUM CEMENT CORPORATION LIMITED

During the year, the RAA had issued one audit report of the Dungsum Cement Corporation Limited (DCCL), Nganglam. There were five observations amounting to Nu. 40.538 million which were not resolved as of 31 January 2020 and Nu. 36.731 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu.3.807 million as summarised below:

Category Code	Category Description	Nu.in million
4	Non-compliance to laws and rules	3.807
	Total	3.807

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 3.807 MILLION

The cases of non-compliance to laws and rules involving Nu. 3.807 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Outstanding Advances	1.536
4.2	Non-adjustment of advance for POL deposit with BOC	2.271
	Total	3.807

4.1. OUTSTANDING ADVANCES - NU. 1.536 MILLION

The DCCL, Nganglam had not adjusted advances of Nu. 1.536 million against the eight parties/suppliers for supply of raw materials and spare parts as at 31 December 2018. The non-

adjustment had occurred due to delay in delivery of the materials, spare parts and delay in declaration for which the advances were paid. (AIN: 16010; OB No: 3; Accountabilities: Direct: Tashi Tenzin, Asstt. Procurement Manager, EID/CID: 09934631/10205007554; Supervisory: Loday Zangpo, Procurement Manager, EID/CID: 9934632/ 11510002798)

4.2. NON-ADJUSTMENT OF ADVANCE FOR POL DEPOSIT WITH BOC - NU. 2.271 MILLION

The DCCL, Nganglam had not adjusted advances of Nu. 2.271 million against M/s Bhutan Oil Corporation on account of POL deposit. The advances pertaining to 2013, 2014, 2015, 2017 and 2018 were unadjusted at the time of audit in April 2019. (AIN: 16010; OB No.:4; Accountabilities: Direct: Yeshey Zangmo, Jr. Associate Accountant, EID/CID: 9920398/ 11602002571; Supervisory: Choedala, Assistant Finance Officer, EID/CID: 9934633/10608002132)

3.5.5. FOOD CORPORATION OF BHUTAN LIMITED

During the year, the RAA had issued one audit report of the Food Corporation of Bhutan Limited (FCBL). There were two observations amounting to Nu. 6.852 million which were not resolved as of 31 January 2020 and Nu. 0.348 million did not qualify for inclusion in the AAR.

The significant unresolved irregularity amounted to Nu. 6.504 million is as summarised below:

Category Code	Category Description	Nu. in million
2	Embezzlement	6.504
	Total	6.504

2. EMBEZZLEMENT - NU. 6.504 MILLION

The case with element of embezzlement involving Nu. 6.504 million is as indicated below:

2.1. SHORTAGES OF STOCK - NU. 6.504 MILLION

The FCBL had overall shortages in food grains, agency items, physical cash and RNR items amounting to Nu. 6.504 million against various depots and farm shops due to non-reconciliation of the stocks. In addition, there were unreconciled differences between the Druk Inventory System and Enterprise Resource Planning (ERP) System for the year 2017. (AIN: 16093; OB No: 1; Accountabilities: Direct: Tashi Wangchuk, Ex-Depot Manager, Dagapela Depot, EID No. 909903; CID No. 10802000066; Kencho Dorji, Sales Assistant, Dagapela Depot, EID No. 919896; CID No. 11911000229; Phub Dem, Ex-Depot Manager, Paro, EID No. 919147; CID No. 10204000779; Bepak Subba, Ex-Farm Shop In-Charge, Chhumey, EID No. 920111; CID No. 11804000038; Jambay Nidup, Ex-Farm Shop In-Charge, Ura, EID No. 2017034; CID No. 12005003153; Karma Yonten, Ex-Farm Shop In-Charge, Lhamoizingkha, EID No. 2017022; CID No. 10711001312; Supervisory: Ugyen Choidup, Regional Manager, Gelephu, EID No 850126; CID No. 10607000759; Pelden Tashi, Regional Manager, Thimphu, EID No 919930; CID No. 11513000190)

3.5.6. KUENSEL CORPORATION LIMITED

During the year, the RAA had issued one audit report of the Kuensel Corporation Limited (KCL). There were eight observations amounting to Nu. 14.700 million of which Nu. 14.204 million were resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 0.496 million as summarised below:

Category Code	Category Description	Nu. in million
3	Mismanagement	0.300
4	Non-compliance to laws and rules	0.196
5	Shortfalls, lapses and deficiencies	-
	Total	0.496

3. MISMANAGEMENT – NU. 0.300 MILLION

The case of mismanagement involving Nu. 0.300 million is as indicated below:

3.1. NON-COLLECTION OF COMPENSATORY VALUE - NU. 0.300 MILLION

The KCL had not collected compensatory value of Nu. 0.300 million from M/s D Lhen Pvt. Ltd., Chukha for failing to deploy VTI graduates in the construction of office building at Thimphu as agreed in Contract documents. (AIN: 16322; OB No.:1.2; Accountabilities: Direct: Thinley Namgyel, GMO, EID No: 1994004; Ugyen Lhendup, Manager, Finance, EID No: 2008004; Sonam Dorji, Adm. Officer, EID No: 2011023; Supervisory: Bachu Phub Dorji, MD, EID No: 2014002; M/s D Lhen Pvt. Ltd., Chukha, CDB No: 1542)

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 0.196 MILLION

The case of non-compliance to laws and rules involving Nu. 0.196 million is as indicated below:

4.1. PAYMENTS WITHOUT RECEIPT OF GOODS - NU. 0.196 MILLION

The KCL had made payment of Nu.0.196 million without receipt of goods. Although payments were made in 2007, the full supply of goods had not been received and applicable TDS was also not deducted. (AIN: 16322; OB No.3; Accountabilities: Direct: Phuntsho Norbu, Procurement Officer, EID No. 2008004; Supervisory: Thinley Namgyal, GM, EID No. 1994004)

5. SHORTFALLS, LAPSES AND DEFICIENCIES

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

5.1. NON-REALISATION OF TAX CREDIT

The KCL had not realized the tax credit or not received the tax certificates of Nu.8.001 million for two FYs 2017 and 2018. The TDS deducted by withholding agencies from KCL bills was not

remitted to RRCO due to which KCL has not been able to get tax credit. The KCL had also not followed up with clients to ensure proper remittance of taxes. (AIN: 16322; OB No.: 2; Accountabilities: Direct: Ugyen Lhendup, Manager, Finance, EID No. 2008004; Supervisory: Bachu Phub Dorji, MD, EID No. 2014002)

3.5.7. NATURAL RESOURCES DEVELOPMENT CORPORATION LIMITED

During the year, the RAA had issued one audit report of the Natural Resources Development Corporation Limited (NRDCL). There were three observations amounting to Nu. 0.063 million which were not resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 0.063 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	0.063
	Total	0.063

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 0.063 MILLION

The case of non-compliance to laws and rules involving Nu. 0.063 million is as indicated below:

4.1. NON-LEVY OF LIQUIDATED DAMAGES - NU. 0.063 MILLION

The NRDCL had not deducted the liquidated damages amounting to Nu. 0.063 million from M/s Deelek Rabgay Construction for delays in the construction of 880 meters of forest road at Dewathang. The contractor was granted time extension twice, first time extension granted till 29 September 2018 against initial completion date of 05 July 2018. The second time extension was granted till 31 October 2018 with penalty which was not levied. (AIN: 16383; OB No.:3; Accountabilities: Direct: J.K. Nepal, Sr. Engineer, CID No 11804001480; Namgyal, Finance Officer, CID No. 11701002517; Supervisory: Kinley, Regional Manager, CID No: 10606000353; Sonam Chophel, General Manager, CID No: 1107000692; Dorji Wangmo, General Manager, CID No 10706000185)

3.5.8. PENDEN CEMENT AUTHORITY LIMITED

During the year, the RAA had issued one audit report of the Penden Cement Authority Limited (PCAL). There were four observations amounting to Nu. 4.576 million of which Nu. 0.871 million were resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 3.705 million as summarized below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	3.705
	Total	3.705

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 3.705 MILLION

The cases of non-compliance to laws and rules involving Nu. 3.705 million are as indicated below:

Sl. No.	Observation in rief	Nu. in million
4.1	Non-restoration of Breast Wall	-
4.2	Collapsed RRM Breast Wall	0.177
4.3	Short receipt and non-levy of penalty	1.951
4.4	Non-levy of liquidated damages	1.577
	Total	3.705

4.1. NON-RESTORATION OF BREAST WALL

The PCAL, Gomtu had not restored a breast wall at Lhakhang costing Nu.0.164 million by M/s Delma Construction, Gomtu. 23m out of 32m of the wall had collapsed due to heavy rainfall which has blocked the roads and drain water. It was noted that the breast wall had collapsed as a result of improper planning of drainage system at the design phase. (AIN: 16177; OB No.1; Accountabilities: Direct: Ratu Namgay, Site Engineer, CID No: 11908000491/PCAL ID No: 00212; Supervisory: Som Nath Giri, Head, Civil Department, CID No: 11214001221/PCAL ID No: 00081)

4.2. COLLAPSED RRM BREAST WALL - NU.0.177 MILLION

The PCAL, Gomtu had not recovered Nu.0.177 million from M/s Samphel Engineering Works, Gomtu for collapsed RRM breast wall constructed at cost of Nu. 0.883 million. The RRM breast wall above Dhendup turning at Quarry had collapsed due to improper planning of drainage system at the design phase. The collapse of RRM Breast Wall was also attributed to poor workmanship at construction stage as several rectifications were carried out by the contractor before Handing and Taking of the structure. Since the constructed breast wall was not officially taken over by PCAL, the contract provisions and the inspection reports should be thoroughly reviewed to establish the fact on the structure. (AIN: 16177; OB No.:2; Accountabilities: Direct: Dil Bahadur Rana, Site Engineer, CID No: 1180900360/ PCAL ID No: 00087; M/s Samphel Engineering Works, Gomtu, CDB No: 3581; Supervisory: Nar Bahadur Gurung, Sr. Civil Engineer, CID No: 1130300090/ PCAL ID No: 00218)

4.3. SHORT RECEIPT AND NON-LEVY OF PENALTY - NU.1.951 MILLION

The PCAL, Gomtu had not received clinker valuing Nu.1.951 million from M/s Calcom Cement India Limited, Guwahati for which no penalty was levied as per the terms and conditions of contract documents. The lapse had occurred due to failure on the part of management to follow up. (AIN: 16177; OB No. 3; Accountabilities: Direct: Nar Bahadur Pradhan, Head, Production Department, CID No: 11213000944/PCAL ID No: 00162; Supervisory: Buddhi Raj Sharma, Director, CID No: 1180500615/PCAL ID No: 02003)

4.4. NON-LEVY OF LIQUIDATED DAMAGES - NU. 1.577 MILLION

The PCAL, Gomtu had not levied 10% liquidated damages of Nu. 1.577 million to M/s Omex Cranes Pvt. Ltd., Punjab for substantial delays in the 'Design, Supply, Installation, Testing and

Commissioning of 10MT capacity of Electric Overhead Travelling (EOT) Crane' estimated at total cost of Nu. 15.775 million.

From the initial due date of 28 February 2018 for completion of design, fabrication, transportation to site and erection of EOT Crane, time extensions were granted till 30 September 2018, but there were no documents maintained to ascertain requirements of time extensions. In addition, the supplier had expressed reservations on the rail alignment, leveling and integrity of supporting structures indicating that proper study was not carried out prior to invitation of such tender.

Further, although the EOT Crane was delivered to PCAL on 14 January 2019, the crane had not been installed, tested and commissioned at the time of audit in June 2019. (AIN: 16177; OB No.:4; Accountabilities: Direct: Tshewang Dorji, Head, CMD, CID No: 10709002421/ PCAL ID No: 00202; Supervisory: Buddhi Raj Sharma, Director, CID No: 1180500615/PCAL ID No: 02003)

3.6. FINANCIAL INSTITUTIONS

During the year, five Financial Institutions had unresolved irregularities amounting to Nu. 294.488 million as follows:

3.6.1. BHUTAN DEVELOPMENT BANK LIMITED

During the year, the RAA had issued one audit report of the Bhutan Development Bank Limited (BDBL). There were 21 observations amounting to Nu 0.570 million of which one observation was resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 0.570 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
5	Shortfalls, lapses and deficiencies	0.570
Total		0.570

4. NON-COMPLIANCE TO LAWS AND RULES

The cases of non-compliance to laws and rules are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Loan sanctioned and disbursed without approval	-
4.2	Other irregularities with overdraft loans	-
4.3	Inadmissible disbursement of working capital loan	-
4.4	Violation of service rules	-
Total		-

4.1. LOAN SANCTIONED AND DISBURSED WITHOUT APPROVAL

The Bhutan Development Bank Limited (BDBL) had sanctioned the loans without approvals and without signing of loan agreement, sanction letter, appraisal form and disbursement memo in violation of BDBL Credit Manual 2015 to 52 accountholders amounting to Nu.50.336 million. The disbursement and sanctioning of the loans to clients should be done only upon approval of the credit committees. (AIN: 15795; OB No.:6; Accountabilities: Direct: Janga Bdr Rai, CID No. 11307001401; Yeshi K Tshering, CID No. 10811001382; Lobzang Chophel, CID No. 11502002849; Ugyen Tshewang, CID No. 11605002404; Yangchen Lhamo, CID No. 11811002613; Supervisory: Janga Bdr Rai, CID No. 11307001401; Yeshi K Tshering, CID No. 10811001382; Lobzang Chophel, CID No. 11502002849; Ugyen Tshewang, CID No. 11605002404; Yangchen Lhamo, CID No. 11811002613)

4.2. OTHER IRREGULARITIES WITH OVERDRAFT LOANS

- a) The BDBL had not ensured debt to equity ratio of 75:25 while sanctioning loans in contravention to BDBL Credit Manual 2015. The bank had sanctioned an OD loan of Nu.10.000 million for a client which accounted for 92% of the total project cost for expansion of business. (AIN: 15795; OB No.:9; Accountabilities: Direct: Tshering Dorji, BM, CID No. 10601002053; Supervisory: Tshering Dorji, BM, CID No. 10601002053)
- b) The BDBL had sanctioned the overdraft loan amounting to Nu.2.000 million to client on 30 June 2015 which was beyond the value of collateral due to wrong appraisal by the concerned Project Service Officers and improper verification by the credit committee or the approving officer. Sanctioning such loans without complying with *Loan to Collateral Value* requirement may result in high credit risk which will be difficult to recover in case of a default. (AIN: 15795; OB No.:12; Accountabilities: Direct: Pem Tashi, BM, CID No. 11705000923; Supervisory: Pem Tashi, BM, CID No. 11705000923)

4.3. INADMISSIBLE DISBURSEMENT OF WORKING CAPITAL LOAN

The BDBL had sanctioned multiple loans amounting to Nu.3.000 million to a client against the boulder extraction works. Nu. 1.700 million was provided as working capital loan and further enhanced by Nu. 1.300 million. However, the same work order was found pledged to an Over Draft (OD) Loan of Nu. 63.000 million with BDBL against transportation of stone from quarry to crusher plant.

The above work order was found valid only till 31 December 2017 but the OD loan facility was renewed till 12 June 2018 which was not in line with prevailing requirements for work orders. Providing the client with additional loans despite lack of evidence showcasing the continuity of work or without any proof of work at hand was in contravention to BDBL Credit Manual 2015. (AIN: 15795; OB No.:10; Accountabilities: Direct: Yangchen Lhamo, BM, CID No. 11811002613; Supervisory: Yangchen Lhamo, BM, CID No. 11811002613)

4.4. VIOLATION OF SERVICE RULES

The BDBL had not observed the six months training gap or cooling period while nominating and sending 10 employees for training as stated in the Human Resource Internal Service Rule 2013 during the period 2016 and 2017. (AIN: 15795; OB No.:19; Accountabilities: Direct: Phub Dorji, CEO, CID No. 11906001371; Ugyen Dhendup, Dy .CEO (Policy), CID No. 108020019557; Sonam Rigyel, Dy. CEO (Operation), CID No.11513002211; Tshering Dukpa, GM Administration, CID No. 11107001121; Nidup Tshering, GM Finance, CID No. 10605002331; Pema Wangdi, GM CPRD, CID No.11906001182; Karma Jigme, OGM Credit, CID No.11410003453; Pema Choden, OGM Banking, CID No. 10709002218; Sonam Letho, DGM HRM, CID No. 11401000972; Supervisory: Phub Dorji, CEO, CID No. 11906001371; Ugyen Dhendup, Dy .CEO (Policy), CID No. 108020019557; Sonam Rigyel, Dy. CEO (Operation), CID No.11513002211; Tshering Dukpa, GM Administration, CID No. 11107001121; Nidup Tshering, GM Finance, CID No. 10605002331; Pema Wangdi, GM CPRD, CID No.11906001182; Karma Jigme, OGM Credit, CID No.11410003453; Pema Choden, OGM Banking, CID No. 10709002218; Sonam Letho, DGM HRM, CID No. 11401000972)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.570 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 0.570 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Inconsistency in application of insurance value	-
5.2	Ever-greening of loan	-
5.3	Non-adherence to the Credit Manual	-
5.4	Excess payment made to contractor	0.570
	Total	0.570

5.1. INCONSISTENCY IN APPLICATION OF INSURANCE VALUE

The BDBL had inconsistencies in application of insurance values for properties mortgaged with the bank for two clients. The property that was insured previously and the consequent insurance for the same property need to be less than the previous insurance. The property is subjected to depreciation therefore the insurance value become lower than the previous value. Further, insuring the vehicle less than the invoice price has expose the bank to a higher risk. (AIN: 15795; OB No.:16; Accountabilities: Direct: Phub Dorji, CID No. 11410000199; Pem Tashi, CID No. 11705000923; Janga Bdr Rai, CID No.11307001401; Yonten, CID No. 11510002573; Yeshe K Tshering, CID No. 10811001382; Ugyen Tshewang, CID No. 11605002404; Tshering Dorji, CID No. 10601002053; Supervisory: Phub Dorji, CID No. 11410000199; Pem Tashi, CID No. 11705000923; Janga Bdr Rai, CID No.11307001401; Yonten, CID No. 11510002573; Yeshe K Tshering, CID No. 10811001382; Ugyen Tshewang, CID No. 11605002404; Tshering Dorji, CID No. 10601002053)

5.2. EVER-GREENING OF LOAN

The BDBL had sanctioned additional and ad-hoc loan facilities to non-performing loan account holders in contravention to RMA Prudential Regulations. From sample loan accounts verified it was revealed that three clients were sanctioned Nu. 0.500 million each in 2016 and later Nu.1.500 million was sanctioned to same client who were non-performing loan account holders

in 2018. (AIN: 15795; OB No.:17; Accountabilities: Direct: Yangchen Lhamo, BM, CID No. 1181100261; Supervisory: Yangchen Lhamo, BM, CID No. 1181100261)

5.3. NON-ADHERENCE TO THE CREDIT MANUAL

The BDBL had failed to adhere to the Credit Manual 2015 and sanctioned loan for renovation of buildings before completion of 10 years of occupancy. The appraising and approving officers had not verified related documents prior to sanctioning loan. (AIN: 15795; OB No.: 18; Accountabilities: Direct: Sangay Wangdi, BM, CID No. 11007001285; Supervisory: Sangay Wangdi, BM, CID No. 11007001285)

5.4. EXCESS PAYMENT MADE TO CONTRACTOR - NU.0.570 MILLION

The BDBL had made excess payment of Nu.0.570 million to M/s Passang Construction Pvt. Ltd. for construction of G+3 storied offices-cum-residential building at Punakha due to inadequate supervision and improper verification of contractor's bills by concerned Site Engineer. (AIN: 15795; OB No.:21; Accountabilities: Direct: Pema Tshering, MD; Sonam Rigyel, Dy. CEO Operation, CID No. 11513002211; Ugyen Dhendup, Dy. CEO Policy, CID No. 108020019557; Nidup Tshering, GM Finance, CID No. 10605002331; Tshering Drukpa, GM Administration, CID No. 11107001121; Kencho Lhaden, Asstt. Engineer, CID No.10704000049; Karma Tobgay, AGM, ADM/HRM, CID No. 12007000607; Tshewang Namgyel K, Engineer, CID No. 11603003341; Supervisory: Tshewang Namgyel K, Engineer, CID No. 11603003341)

3.6.2. BHUTAN NATIONAL BANK LIMITED

During the year, the RAA had issued two audit reports of the Bhutan National Bank Limited (BNBL). There were 13 observations amounting to Nu. 230.785 million which were not resolved as of 31 January 2020 and Nu. 0.884 million did not qualify for inclusion in the AAR 2019.

The significant irregularities amounted to Nu. 229.901 million as summarised below:

Category Code	Category Description	Nu. in million
1	Fraud and Corruption	-
3	Mismanagement	0.154
5	Shortfalls, lapses and deficiencies	229.747
Total		229.901

1. FRAUD AND CORRUPTION

The case with elements of fraud and corruption is as indicated below:

1.1. RECRUITMENT OF STAFF BASED ON FORGED DOCUMENTS

The BNBL had recruited ten staff who had submitted forged marksheets at the time of selection. The candidates had deliberately manipulated and forged their original result to fulfill criteria. Further, the concerned dealing officials had failed to exercise due diligence in verifying

genuineness of the documents submitted by the applicants. *(AIN: 16363; OB No.:4.1; Accountabilities: Direct: Bidha Dorji, Head, HRA Department, CID No.11007000915; Supervisory: Om P Nirola, Chief Resource Officer, CID No.11108000882)*

3. MISMANAGEMENT – NU. 0.154 MILLION

The case of mismanagement involving Nu. 0.154 million are as indicated below:

3.1. PAYMENT OF RETIREMENT BENEFITS AND NON-TERMINATION OF STAFFS - NU. 0.154 MILLION

- a) The BNBL had recruited ten staff based on forged documents, of which five employees were separated from services with benefits instead of being terminated. The remaining five employees are still serving with the Bank. Three employees have been confirmed to have also submitted forged documents but no actions were taken at the time of audit in August 2019. The documents for two employees could not be authenticated as the concerned school authorities were unable to validate their results due to non-availability of records as stated in their response. Non-termination of such employees, despite being aware of the deceptive practices was in contravention to the BNBL Human Resource Policy Manual 2016. *(AIN: 16363; OB No.:4.2; Accountabilities: Direct: Bidha Dorji, Head, HRA Department, CID No.11007000915; Supervisory: Om P Nirola, Chief Resource Officer, CID No.11108000882)*
- b) The BNBL had paid retirement benefits amounting to Nu. 0.154 million for six staff in contravention to the Human Resource Policy Manual 2016. The bank instead of terminating services of those staff who had been recruited based on forged documents had asked the employees to put up resignation letters, which were then accepted and employees relieved from service with benefits. *(AIN: 16363; OB No.:4.1; Accountabilities: Direct: Bidha Dorji, Head, HRA Department, CID No.11007000915; Supervisory: Om P Nirola, Chief Resource Officer, CID No.11108000882)*

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 229.747 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 229.747 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Excess Payment without execution of work	0.638
5.2	No action against defaulted loan accounts	3.944
5.3	Outstanding Loans and Advances	223.110
5.4	Unclaimed Demand Drafts	2.055
	Total	229.747

5.1. EXCESS PAYMENT WITHOUT EXECUTION OF WORK - NU. 0.638 MILLION

The BNBL had made excess payment of Nu. 0.638 million to M/s STCBL, M/s Bhutan Digital Automation and M/s SAP Automation, India for the execution of Mechanical, Electrical and

Plumbing (MEP) work due to differences in the quantities of work executed at site and quantities of work claimed in the bills. (AIN: 16363; OB No.1; Accountabilities: Direct: Sangay Wangdi, Head, Engineering Department, CID No.11514000232; Supervisory: Om P Nirola, Chief Resource Officer, CID No.11108000882)

5.2. NO ACTION AGAINST DEFAULTED LOAN ACCOUNTS - NU. 3.944 MILLION

The BNBL had loans amounting to Nu. 3.944 million under suspense account due to default by client. The bank had sanctioned an industrial loan of Nu. 3.874 million to client on 24 February 2015 for the purchase one unit of Kobelco Excavator. The client was required to submit all relevant documents i.e. registration document and insurance policy for the machinery within one month from date of disbursement.

However, the bank had failed to follow-up with the client. The machinery had not been purchased and the client had passed away in September 2015. (AIN: 16363; OB No.8; Accountabilities: Direct: Deki Wangmo, Head, Legal Department, CID No.10802000402; Supervisory: Pelzore Rumba, Chief Credit Officer, CID No.11305000672)

5.3. OUTSTANDING LOANS AND ADVANCES - NU. 223.110 MILLION

The Branch Office, BNBL, Gelephu had outstanding loans and advances amounting to Nu. 111.294 million against 68 clients and defaulted Overdraft loan amounting to Nu. 111.816 million against 28 clients. The loans have been due ranging from 91 days to 628 days. The credit monitoring and supervision unit had failed to rigorously follow-up with clients to expedite recovery and regularize loan accounts and OD accounts. (AIN: 16391; OB No.:1; Accountabilities: Direct: Tshewang Dorji, Recovery Officer, EID No. 1989090101; Supervisory: Pema Jamtsho, Branch Manager, EID No. 2004051723)

5.4. UNCLAIMED DEMAND DRAFTS - NU. 2.055 MILLION

The Branch Office, BNBL, Gelephu had unclaimed demand drafts amounting to Nu. 2.055 million pertaining to five years from 2014 to 2018. The bank had not dealt with the unclaimed demand drafts as per Abandoned Property Rules and Regulations 2018. (AIN: 16391; OB No.2; Accountabilities: Direct: Tashi Wangmo, Branch Op. Incharge, EID No. 2006050119; Supervisory: Pema Jamtsho, Branch Manager, EID No. 2004051723)

3.6.3. BANK OF BHUTAN LIMITED

During the year, the RAA had issued three audit reports of the Bank of Bhutan Limited (BoBL). There were 18 observations amounting to Nu. 10.136 million of which no observations were resolved as of 31 January 2020 and Nu. 0.546 million did not qualify for inclusion in the AAR.

The significant irregularities amounted to Nu. 9.590 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	9.590
	Total	9.590

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 9.590 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 9.590 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1.	Overdue loans	4.947
5.2.	Unclaimed demand drafts	4.643
	Total	9.590

5.1. OVERDUE LOANS - NU.4.947 MILLION

The Branch Office, BoBL, Gelephu had outstanding loans and advances of Nu. 4.947 million against 17 clients accruing interest of Nu. 0.600 million. The loans were due ranging from 91 days to 1800 days or more. The credit monitoring and supervision unit had not rigorously followed-up with the clients to expedite recovery and regularize the loan accounts and OD accounts. (AIN: 16390; OB No.:1; Accountabilities: Direct: Rukmina Chhetri, Desk Officer, EID/CID No. 2427/11201002151; Supervisory: D.B. Chhetri, Manager, EID/CID No.1500/ 11109001635)

5.2. UNCLAIMED DEMAND DRAFTS - NU. 4.643 MILLION

The Branch Office, BoBL, Gelephu had unclaimed demand drafts amounting to Nu. 4.643 million pertaining to six years from 2013 to 2018. The Branch Office had not dealt with the unclaimed demand draft as per the Abandoned Property Rules and Regulations 2018. (AIN: 16390; OB No.: 2; Accountabilities: Direct: Tshering Dolma Tamang, EID/CID No. 1680/ 11311000150; Supervisory: Rajan Kujur, Manager, EID/CID No. 1498/ 11203001696)

3.6.4. NATIONAL PENSION AND PROVIDENT FUND

During the year, the RAA had issued one audit report of the National Pension and Provident Fund (NPPF). There were four observations amounting to Nu. 54.482 million of which Nu. 0.055 million were resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 54.427 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	5.883
5	Shortfalls, lapses and deficiencies	48.544
	Total	54.427

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 5.883 MILLION

The case of non-compliance to laws and rules involving Nu. 5.883 million is as indicated below:

4.1. PAYMENT OF BONUS AND PBVA ALLOWANCES WITHOUT COMPETENT APPROVAL - NU. 5.883 MILLION

The NPPF had paid two months' salaries as bonuses to all employees apart from Performance Based Variable Allowances (PBVA) to 168 staffs of NPPF, based on aggregate target achievement of 98.23%. The Board had set a target of 16% increase in growth of investment portfolio for the year, but NPPF had only achieved 14% growth for the same. The PBVA and bonuses were paid regardless of the target achievement.

Further, the payment of bonus and PBVA had not been deliberated and approved by the Board. (AIN: 16035; OB No.: 2; Accountabilities: Direct: Tshering Dorji, Planning Officer, EID No: 20001114; Supervisory: Dungtu Drukpa, Chief Executive Officer, EID No.201608222)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 48.544 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 48.544 million is as indicated below:

5.1. UNCLAIMED GOVERNMENT EMPLOYEE PROVIDENT FUNDS - NU. 48.544 MILLION

The NPPF had unclaimed Government Employee Provident Funds amounting to Nu. 48.544 million. The funds had remained unclaimed for many years as beneficiaries were either expired, did not possess required documents for releasing the payments or were not traceable. (AIN: 16035; OB No.:4; Accountabilities: Direct: Tshewang Dorji, Chief, EID No.201009108; Supervisory: Sonam Yeshi, Operation Director, EID No.201612227)

3.6.5. ROYAL INSURANCE CORPORATION OF BHUTAN LIMITED

During the year, the RAA had issued two audit reports of the Royal Insurance Corporation of Bhutan Limited (RICBL). There were 20 observations which were not resolved as of 31 January 2020.

The significant unresolved irregularities are as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	-
5	Shortfalls, lapses and deficiencies	-
	Total	-

4. NON-COMPLIANCE TO LAWS AND RULES

The cases of non-compliance to laws and rules are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Operation of CRCS beyond the work/supply order period	-
4.2	Over-valuation of collateral land	-
	Total	-

4.1. OPERATION OF CRCS BEYOND WORK/SUPPLY ORDER PERIOD

The RICBL had sanctioned the Contractor's Revolving Credit Scheme (CRCS) loan, an Overdraft credit facility, beyond the maximum period of 12 months or equivalent to the tenure of work/supply order whichever is less. Some of the loan accounts were neither appraised for renewal nor closed after the expiry of their term period. (AIN: 16376; OB No.: 3; Accountabilities: Direct: Namgay Lhendup, CID No: 11704000003; Sonam Dorji, CID No: 10711001789; Kinzang Dorji, CID No: 11805002787; Jambay Wangchuk, CID No: 11605001200; Tandin Wangchuk, CID No: 11803001742; Jigme Namgyel, CID No: 10716002056; Metho Seldon, CID No: 11410001835; Dechen Dema, CID No: 12008002292; Ugyen Lhamo, CID No: 10903001253; Phuntsho Choden, CID No: 10905002570; Pema Tshering, CID No: 11703003506; Jurme Chetsho, CID No: 10603000910; Supervisory: Kinzang Dorji, CID No: 11805002787)

4.2. OVER-VALUATION OF COLLATERAL LAND

The RICBL had not done the land valuation as per the approved rate at the time of loan appraisal for 27 account holders. In a few cases the collateral pledged was evaluated after sanctioning the loan indicating wrong appraisal procedure. The management had also over-valued the land based on the policy of "know your client", thereby leading to high exposure of loan to collateral securities and ultimately increasing the risk of loan becoming non-performing Loan. (AIN: 16376; OB No.: 8; Accountabilities: Direct: Jambay Wangchuk, CID No: 11605001200; Supervisory: Kinzang Dorji, CID No: 11805002787)

5. SHORTFALLS, LAPSES AND DEFICIENCIES

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

Sl. No.	Observation in Brief	Nu. in million
5.1	Non-carrying out of security analysis for client with multiple loan accounts	-
5.2	Non-performing loans and Litigation	-
	Total	-

5.1. NON-CARRYING OUT OF SECURITY ANALYSIS FOR CLIENT WITH MULTIPLE LOAN ACCOUNTS

The RICBL had not carried out the security analysis for clients with multiple loan accounts. The analysis of securities pledged by the client against each loan account has not been conducted as required by Credit Manual 2011. As a consequence, it revealed that the loan amounts were more than the value of collateral securities exposing the company to higher risks. (AIN: 16376; OB No.: 11; Accountabilities: Direct: Namgay Lhendup, CID No: 11704000003; Sonam Dorji, CID No: 10711001789; Kinzang Dorji, CID No: 11805002787; Jambay Wangchuk, CID No: 11605001200; Tandin Wangchuk, CID No: 11803001742; Jigme Namgyel, CID No: 10716002056; Metho Seldon, CID No: 11410001835; Thinley Choden, CID No: 11604000681; Ugyen Lhamo, CID No: 10903001253; Phuntsho Choden, CID No: 10905002570; Lungten Drala, CID No: 10905004056; Jurme Chetsho, CID No: 10603000910; Sonam Tenzin, CID No: 11505004888; Yeshe Jamtsho, CID No: 10711001985; Phub Lham, CID No: 11914000350; Rada Phuntsho Choden, CID No: 11915001351; Supervisory: Kinzang Dorji, CID No: 11805002787)

5.2. NON-PERFORMING LOANS AND LITIGATION CASES

The RICBL, Wangdue had 22 Non-Performing Loan accounts and four litigation cases. The RICBL, Wangdue in consultation with the Head Office should initiate ways to get the accounts regularized before it becomes bad debt and irrecoverable. (AIN: 16239; OB No.:2.1; Accountabilities: Direct: Chenga Lham, Supervisor, EID No. 114927; Supervisory: Nima Pelden, Manager, EID No. 114820)

3.7. NON-GOVERNMENTAL ORGANISATIONS

During the year, three Non-Governmental Organisations had unresolved irregularities amounting to Nu. 30.200 million as follows:

3.7.1. CONSTRUCTION ASSOCIATION OF BHUTAN

During the year, the RAA had issued one audit report of the Construction Association of Bhutan (CAB). There were three observations amounting to Nu. 16.772 million of which observation amounting to Nu. 0.116 million were resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 16.656 million as summarised below:

Category Code	Category Description	Nu. in million
3	Mismanagement	16.298
5	Shortfalls, lapses and deficiencies	0.358
	Total	16.656

3. MISMANAGEMENT – NU. 16.298 MILLION

The case of mismanagement involving Nu. 16.298 million is as indicated below:

3.1. OUTSTANDING MEMBERSHIP FEES - NU.16.298 MILLION

The CAB had outstanding membership fees amounting to Nu.16.298 million due from 180 contractors. (AIN: 16033; OB No.: 3; Accountabilities: Direct: Wangdi Gyeltshen, General Secretary, CID No: 11107000715; Supervisory: Wangdi Gyeltshen, General Secretary, CID No. 11107000715)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.358 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.358 million is as indicated below:

5.1. OUTSTANDING ADVANCES – NU. 0.358 MILLION

The CAB had not adjusted personal advances of Nu. 0.358 million against eight officials as at 31 May 2019. (AIN: 16033; OB No.:1; Accountabilities: Direct: Namgay Tshering, CID No: 11007000926; Papu Maya Yonjen, CID No: 11805003236; Sonam Rinzin, CID No: 11411002377;

3.7.2. CHITHUEN PHENDHEY ASSOCIATION

During the year, the RAA had issued one audit report of the Chithuen Phendhey Association. There were two observations amounting to Nu. 1.833 million of which Nu. 1.673 million was resolved as of 31 January 2020.

The significant unresolved irregularity amounted to Nu. 0.160 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	0.160
	Total	0.160

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 0.160 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 0.160 million is as indicated below:

5.1. OUTSTANDING ADVANCES - NU. 0.160 MILLION

The Chithuen Phendhey Association had not adjusted advances of Nu. 0.160 million against individuals. The initial unadjusted advances were Nu. 0.717 million out of which Nu. 0.253 million was written-off by the Board and Nu. 0.304 million was recovered leaving a balance of Nu. 0.160 million. *(AIN: 15758; OB No.: 2; Accountabilities: Direct: Chenga Lhamo, Asst. Accountant, CID No: 10713000664; Supervisory: Tshewang Tenzin, Executive Director, CID No: 10308002284)*

3.7.3. LODEN FOUNDATION

During the year, the RAA had issued one audit report of the Loden Foundation. There were two observations amounting to Nu. 13.384 million which were not resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 13.384 million as summarised below:

Category Code	Category Description	Nu. in million
5	Shortfalls, lapses and deficiencies	13.384
	Total	13.384

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU.13.384 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 13.384 million is as indicated below:

5.1. OUTSTANDING LOANS - NU. 13.384 MILLION

The Loden Foundation had outstanding loans amounting to Nu. 13.384 million against 38 individuals as of 31 December 2018. *(AIN: 16406; OB No: 1.1; Accountabilities: Direct: Namgay Lhendup Wangchuk, Finance Officer, CID No: 10104000420; Supervisory: Phuntsho Namgay, Officiating Executive Director, CID No: 10101004145)*

CHAPTER 4

4. JOINT AUDITS OF HYDROPOWER PROJECTS

The RAA had undertaken two Joint Audits of Hydro Power Projects of Mangdechhu Hydro-Electric Project and Punatsangchhu-I Hydro-Electric Project during 2019. The audits were conducted as per the Standard Operating Procedures signed between the RAA and the Comptroller and Auditor General of India and the Projects Agreement signed between the Royal Government of Bhutan and the Government of India.

The AAR 2019 includes only the unresolved significant audit observations of Mangdechhu Hydro-Electric Project Authority and Punatsangchhu-I Hydro-Electric Project Authority.

4.1. MANGDECHHU HYDRO-ELECTRIC PROJECT

During the year, the RAA had issued one audit report of the Mangdechhu Hydro-Electric Project (MHEP), Trongsa. There were eight observations amounting to Nu. 1,392.413 million which were not resolved as of 31 January 2020 and Nu. 1,160.459 million did not qualify for inclusion in the AAR.

The significant unresolved irregularities amounted to Nu. 231.954 million as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	208.305
5	Shortfalls, lapses and deficiencies	23.649
	Total	231.954

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 208.305 MILLION

The cases of non-compliance to laws and rules involving Nu. 208.305 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Non-furnishing of Bank Guarantee	201.400
4.2	Excess payment due to higher cost in rate analysis	6.905
	Total	208.305

4.1. NON-FURNISHING OF BANK GUARANTEE

The contractors of MHEP for C-1 package works, M/s Jaiprakash Associates Limited and M/s GECPL had furnished Bank Guarantee of Nu. 748.50 million against the required amount of Nu. 949.900 million towards 5% (Nu. 474.950 million) Performance Security and 5% (Nu. 474.950 million) Retention Money as Security Deposit required by contractual provisions of the General Condition of Contract (GCC). The Bank Guarantee was short to the extent of Nu. 201.400 million. The expenditure under Work-in-Progress-Civil Structure Dam for the year ended 31 March 2019 was Nu. 9,499.600 million. (AIN: 16305; OB No.: 3; Accountabilities: Direct: S. N. Jha, CE, WPN:

00000201031; Supervisory: Bhupal Nanda, Director (Finance), WPN 1717032771137752; Raj Kumar Chaudhary, D (T), WPN: 171703277521100)

4.2. EXCESS PAYMENT DUE TO HIGHER COST IN RATE ANALYSIS

The MHEP had made excess payment amounting to Nu. 6.905 million due to application of higher cost in rate analysis of Rock Bolt items under Contract Package C-2, C-3 and Adit-V. The rate for Rock Support item was analysed including the cost for threading, marking and cutting of tip on lump-sum basis and the works were required to be carried out only once for each drilling. However, MHEP had not analysed rate correctly and the above cost component was embedded and paid for every meter of Rock bolts executed with resultant excess payment of Nu. 6.905 million. (AIN: 16305; OB No.: 7; Accountabilities: Direct: S. N. Jha, CE, WPN: 00000201031; Nim Dorji, EIC (UGPH), CID No. 10505000245; Supervisory: Raj Kumar Chaudhary, D (T), WPN: 171703277521100)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 23.649 MILLION

The case of shortfalls, lapses and deficiencies involving Nu. 25.839 million is as indicated below:

5.1. PAYMENT FOR QUANTITIES OF OVERBREAK USING 3-D LOG

The MHEP had made excess payments amounting to Nu. 23.649 million for geological overbreaks in addition to the approved Nu. 427.831 million. The payments for geological overbreaks were approved based on the measurement submitted by the contractor, M/s GECPL to the Geology Division, MHEP on monthly basis for evaluation and approvals of face logs/3D log data.

The contractor, M/s GECPL had submitted a plea in June 2015 for re-consideration of all cross sections of overbreaks on geological conditions including those not approved. The management had considered to carry out re-evaluation of the Geological Cross sections for various RD in July 2015. During the re-evaluation, measurement of overbreaks initially not approved were admitted for payment and the contractor was compensated with an additional claim of Nu. 23.649 million. This was in deviation to Section B, 2.1.2 of the Technical Specifications for 'Geological Overbreak and Unsuitable Foundations'² since there had been significant gap in between the actual date of excavation and the submission for re-evaluation by the contractor. (AIN: 16305; OB No.: 1; Accountabilities: Direct: S. N. Jha, CE, WPN: 00000201031; Arvind Kumar Sthapak, CE, WPN: 1717010115800170; Supervisory: Raj Kumar Chaudhary, D(T), WPN: 171703277521100; Bhupal Nanda, Director (Finance), WPN 1717032771137752)

² Measurement for payment for the removal of material arising from overbreak accepted by the Engineer-in-Charge as occurring entirely for geological reasons, will only be made if the Contractor requests measurement directly after excavation, and as long as the overbreak can clearly be determined as being due to adverse geological conditions.

4.2. PUNATSANGCHHU HYDRO-ELECTRIC PROJECT-I

During the year, the RAA had issued one audit report of the Punatsangchhu Hydro-Electric Project I (PHEP-I), Wangdue Phodrang. There were ten observations amounting to Nu. 148.670 million which were not resolved as of 31 January 2020.

The significant unresolved irregularities amounted to Nu. 148.670 million irregularities as summarised below:

Category Code	Category Description	Nu. in million
4	Non-compliance to laws and rules	32.760
5	Shortfalls, lapses and deficiencies	115.910
	Total	148.670

4. NON-COMPLIANCE TO LAWS AND RULES – NU. 32.760 MILLION

The cases of non-compliance to laws and rules involving Nu. 32.760 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
4.1	Termination and re-award of construction works	20.710
4.2	Avoidable payment on price escalation	12.050
	Total	32.760

4.1. TERMINATION AND RE-AWARD OF CONSTRUCTION WORKS

- a) The PHEP-I had terminated the contract for construction of Water Treatment Plant including its approach road in PHEP-I Colony near Dam Complex at Bjimthangkha due to the inability of the former contractor, M/s Dawa Construction to complete works despite grant of additional time up to five years. M/s Dawa Construction was awarded the contract in June 2012 with a completion period of nine months. The contract amount was valued at Nu. 32.97 million.

After termination, the work was re-awarded to M/s 2Q Engineering Works Pvt. Ltd. as per Clause 63 of GCC of the Agreement at the risk and cost of the former contractor. The works were re-awarded at a cost of Nu. 18.06 million in September 2017 and the works were completed at a cost of Nu. 13.73 million. The risk and cost to be recovered from M/s Dawa Construction was estimated at Nu. 4.530 million by the PHEP-I. The amount had not been recovered till date of audit in 2019. *(AIN: 16397; OB No.: 1; Accountabilities: Direct: Dorji Choda, AE (Infra.) CID No: 10714001389 Pemba Dukpa, SE (Infra.) CID No: 10505000387; Supervisory: N.C Bansal, MD WPN: 919060021312105; Karma Tshewang, JMD CID No: 10601002108; R.P Sharma, DT WPN:191906277588184)*

- b) The PHEP-I had incurred a loss amounting to Nu. 16.18 million (Nu. 14.53 million + Nu. 1.65 million) in its attempt to execute the balance work for construction of H-Type Buildings for permanent colony at Bjimthangkha. The Package-II contract for 13 blocks (later reduced to 10 blocks) was initially awarded to M/s Pelden Construction in October 2010 for Nu. 127.17 million of which only 2 blocks were completed in December 2016. The PHEP-I had paid Nu.

53.82 million up to the 10th RA Bill, when the contract was terminated due to the inability the contractor to complete works due to financial liabilities. In addition, the contractor was also granted additional time up to six years as of December 2016.

Subsequently, the balance works of eight Blocks were re-awarded to M/s T-Kunzom Pvt. Ltd. at a cost of Nu. 69.53 million in September 2017 at the risk and cost of M/s Pelden Construction as per the Clause 63 of the Contract. However, the value of works estimated by the consultant, M/s Water and Power Consultancy Company Limited (WAPCOS), New Delhi was Nu. 55.000 million, thereby resulting in an excess amount against the estimated value by Nu. 14.53 million. The risk and cost analysis of M/s Pelden Construction was estimated at Nu. 15.730 million. Against which the PHEP-I realized various assets amounting to Nu. 14.080 million leaving a balance liability of Nu. 1.65 million. *(AIN: 16397; OB No.: 2; Accountabilities: Direct: Langa Norbu, EE (Infra.) CID No: 10902000597; Pemba Dukpa, SE (Infra.) CID No: 10505000387; Supervisory: N.C Bansal, MD WPN: 919060021312105; Karma Tshewang, JMD CID No: 10601002108; R.P Sharma, DT WPN: 191906277588184; Pranav Kumar Mallick, DF WPN: 1919072771100457)*

4.2. AVOIDABLE PAYMENT ON PRICE ESCALATION

- a) The PHEP-I had made avoidable payment of Nu. 1.580 million to the contractor, M/s Noryang Pvt. Ltd. on account of price escalation in the construction of primary school building.

The contract work was awarded to M/s Noryang Pvt. Ltd. at a cost of Nu. 82.825 million on 10 November 2013 and was scheduled to be completed on 09 May 2015, but the actual work was found completed on 30 June 2017 after a significant delay of 783 days. The delay in completion of the work was mainly due to the failure of PHEP-I in providing required documents, drawings, change in scope of works etc. and clearance certificates to the contractor on time in violation to the Clauses of the General Conditions of Contract. *(AIN: 16397; OB No.: 3; Accountabilities: Direct: Dorji Choda, AE (Infra.) CID No: 10714001389; Pemba Dukpa, SE (Infra.) CID No: 10505000387; Supervisory: Karma Tshewang, JMD CID No: 10601002108; R.P: N.C Bansal, MD WPN: 1919060021312105 Sharma, DT WPN: 191906277588184; Pranav Kumar Mallick, DF WPN: 1919072771100457)*

- b) The PHEP-I had made avoidable payment of Nu. 36.840 million to the contractor, M/s Lhaki Construction, Wangdue on account of price escalation in the construction of Residential Complex for 40-Bedded Hospital at Jatshokha, Wangdue. The contract was awarded on 7 April 2011 for Nu. 174.427 million and was scheduled to commence on 6 May 2011 and to be completed on 5 May 2013. The actual date of completion of the work was 28 February 2017 with a delay of 1,417 days and the Final Bill amount was Nu. 169.231 million.

The PHEP-I cited the following reasons for the delays, as follows:

- 167 days for non-finalization of land acquisition;
- 1212 days for revision and late issuance of drawings and
- 38 days against the contractor.

The requirement for additional land, revision of drawings, changes to proposed plan implied that the initial plan was not prepared with due care, adequate site survey and investigation. Further, the PHEP-I had neither questioned nor levied liquidated damages against M/s WAPCOS, the drawing consultant for the delays in preparation of drawings, if any. *(AIN: 16397; OB No.: 6; Accountabilities: Direct: Pemba Dukpa, SE (Infra.) CID No: 10505000387;*

Yeshila, EE (Infra.) CID No: 10605000196; Dechen Lhendup, CFO, CID No: 10905001120; Supervisory: N.C Bansal, MD WPN: 919060021312105; Karma Tshewang, JMD CID No: 10601002108; R.P Sharma, DT WPN: 191906277588184; Pranav Kumar Mallick, DF WPN: 191907277110045)

5. SHORTFALLS, LAPSES AND DEFICIENCIES – NU. 115.910 MILLION

The cases of shortfalls, lapses and deficiencies involving Nu. 115.910 million are as indicated below:

Sl. No.	Observation in Brief	Nu. in million
5.1	Irregular reimbursement for accommodation in Bhutan for Consultant	1.600
5.2	Irregular payment of BCA and unjustified rate of Man-Month	-
5.3	Overpayment due to incorrect computation of ownership cost in respect of Machine Hour Rate	102.760
5.4	Excess payment due to incorrect rate analysis for cement in MC 1 Package	2.150
5.5	Incorrect computation of labour wages on account of indirect charges	-
5.6	Incorrect computation of rebound wastage in respect of Plain shotcrete resulted in overpayment	9.400
Total		115.910

5.1. IRREGULAR REIMBURSEMENT FOR ACCOMMODATION IN BHUTAN FOR CONSULTANT

The PHEP-I had made irregular reimbursement of accommodation charges of Nu. 1.606 million to the employees of M/s WAPCOS working at Project Site. The payment of HRA for employees of WAPCOS was already included in the Man-Month rate calculations as per Clause 4.1 of the Agreement between the PHEP-I and WAPCOS, New Delhi (for consultancy services in respect of various project-related activities). Therefore, a separate reimbursement for their accommodation in Bhutan was found to be irregular. *(AIN: 16397; OB No.: 4; Accountabilities: Direct: Arvind Kumar, CPD, WAPCOS, WPN: 1919132771285341; Supervisory: N.C Bansal, MD WPN: 919060021312105; Karma Tshewang, JMD CID No: 10601002108; R.P Sharma, DT WPN: 191906277588184; Pranav Kumar Mallick, DF WPN: 1919072771100457)*

5.2. IRREGULAR PAYMENT OF BCA AND UNJUSTIFIED RATE OF MAN-MONTH

The PHEP-I had made irregular payment of Bhutan Compensatory Allowance (BCA) and applied unjustified rates for man-month calculations.

The BCA is admissible only to the employees of Government of India (GoI)/State Government posted in Bhutan and the rates are fixed depending on their Grade Pay, and revision of such rates from time to time. M/s WAPCOS is a GoI Public Sector undertaking with a different pay structure from those of the GoI/State Government employees. In addition, there was no specific order from the Ministry of External Affairs, GoI to the effect of parity in between these different pay structures. *(AIN: 16397; OB No.: 5; Accountabilities: Direct: Arvind Kumar, CPD, WAPCOS, WPN: 1919132771285341; Supervisory: N.C Bansal, MD WPN: 919060021312105; Karma Tshewang, JMD CID No: 10601002108; R.P Sharma, DT WPN: 191906277588184; Pranav Kumar Mallick, DF WPN: 1919072771100457)*

5.3. OVERPAYMENT DUE TO INCORRECT COMPUTATION OF OWNERSHIP COST IN RESPECT OF MACHINE HOUR RATE

The PHEP-I had made overpayment of Nu. 102.760 million due to incorrect computation of ownership cost in respect of machine hour rate for two deviated items up to 110th Running Account Bills. As per the Central Water Commission (CWC) Guidelines, Chapter 2 provides the methodology to derive the hourly use rate of tools and plants and stipulates that ownership cost is to be computed by considering depreciation only.

Chapter 3 of the CWC Guidelines deals with the calculation of machine hour rate in cases where tools and plants have been supplied by the department to the contractor and stipulates that ownership cost is to be computed by considering depreciation as well as interest on capital investment made by the department.

Since no machineries were lent by PHEP-I to the contractor, the provisions of Chapter 3 were found irrelevant for the calculation of machine hour rate. However, the analysis of hourly rate of equipment computed by the PHEP-I revealed that rates were applied as per Chapter 3 (by considering interest on capital investment and depreciation) instead of Chapter-2 (only depreciation) with resultant excess payment of Nu.102.760 million. *(AIN: 16397; OB No.: 7; Accountabilities: Direct: Kado, EE (Dam), CID No: 10807000856; Karma, EE (Dam), CID No: 11107004217; J.S. Bajwa, EIC (Dam), WPN: 191907011552844; Sonam Chofel, SE (Con), CID No: 10711001402; Dechen Lhendup, CFO, CID No: 10905001120; Supervisory: N.C Bansal, MD WPN: 919060021312105; Karma Tshewang, JMD CID No: 10601002108; R.P Sharma, DT WPN: 191906277588184; Pranav Kumar Mallick, DF WPN: 1919072771100457)*

5.4. EXCESS PAYMENT DUE TO INCORRECT RATE ANALYSIS FOR CEMENT IN MC 1 PACKAGE

The PHEP-I had made excess payment of Nu. 2.153 million due to incorrect rate analysis for cement in MC1 Package. As per Clause 3.2 of CWC Guidelines, wastages for cement are allowed up to 5% for handling, short weight, losses in storage etc. Review of the rate analysis of deviated items revealed that PHEP-I in violation to the CWC Guidelines had allowed an additional 3% towards wastage on the 'cost of cement' at store, which effectively led to allowing 8.15³ percent towards wastage on cement and provided undue financial benefit to the contractor.

The PHEP-I stated that additional storage charges of cement were taken in to consideration as per the Detailed Project Report (DPR). However, the DPR allows only two percent storage charges, and the PHEP-I has taken the wastage charges as three percent leading to excess payment of Nu. 2.153 million in respect of eight deviated items. The amount has not been recovered from the contractors till date. *(AIN: 16397; OB No.: 8; Accountabilities: Direct: Kado, EE (Dam), CID No: 10807000856; Karma, EE (Dam), CID No: 11107004217; J.S. Bajwa, EIC (Dam), WPN: 191907011552844; Sonam Chofel, SE (Con), CID No: 10711001402; Dechen Lhendup, CFO, CID No: 10905001120; Supervisory: N.C Bansal, MD WPN: 919060021312105; Karma Tshewang, JMD CID No: 10601002108; R.P Sharma, DT WPN: 191906277588184; Pranav Kumar Mallick, DF WPN: 1919072771100457)*

³8.15 percent=1.05x (100+3)-100

5.5. INCORRECT COMPUTATION OF LABOUR WAGES ON ACCOUNT OF INDIRECT CHARGES

The PHEP-I had computed incorrect labour wages on account of indirect charges by considering net wages instead of basic wages while computing the hourly rate of labour component in Deviated and Extra Items. The review of rates for 12 deviated items (BoQ+30%) and 34 extra-items revealed that there was an average overestimation of labour hourly rate by 8.83% resulting in an excess payment of Nu.116.72 million up to 110th RA Bill. As per the CWC guidelines, the basic wage was to be considered for analysis for both indirect charges i.e. 80% for skilled and 55% for un-skilled labour for determining the cost of labour component.

In addition, as per the contract of MC-I Package, the Project had considered 30% labour component while computing escalation and the same percentage was being applied while making escalation payment in respect of approved deviated items and approved extra items. From the total amount paid to the contractor up to the 110th RA Bill, Nu. 8,216.16 million was towards approved deviated items (BoQ+30%) and Nu. 4,006.52 million was towards approved extra items, with resultant excess payment of approximately Nu. 323.78 million. (AIN: 16397; OB No.: 9; Accountabilities: Direct: Kado, EE (Dam), CID: 10807000856; Karma, EE (Dam), CID No: 11107004217; J.S. Bajwa, EIC (Dam), WPN: 191907011552844; Sonam Chofel, SE (Con), CID No: 10711001402; Dechen Lhendup, CFO, CID No: 10905001120; Supervisory: N.C Bansal, MD WPN: 919060021312105; Karma Tshewang, JMD CID No: 10601002108; R. P. Sharma, DT WPN: 191906277588184; Pranav Kumar Mallick, DF WPN: 1919072771100457)

5.6. INCORRECT COMPUTATION OF REBOUND WASTAGE IN RESPECT OF PLAIN SHOTCRETE RESULTED IN OVERPAYMENT

The PHEP-I had made overpayment of Nu. 9.40 million due to incorrect computation of rebound wastage in respect of Plain Shotcrete. The review of plain shotcrete rate analysis revealed that the approved rate for Plain shotcrete with more than 50mm thickness was derived by adding rebound wastage of 60 percentages per 1 Cum of Plain shotcrete, which considered, 15% for 'Longitudinal undulations', 15% for 'Transverse undulations' and 5% for 'Over profile factor' and 25% for 'Average rebound from crown and wall $(35+15)/2=25$ '. While the approved parameters/provisions to be adopted in rate analysis also provides for wastage of 60%, no documents were found evidencing how the percentage of wastage had been arrived at.

Further, there was no crown available in MC-1 package for shotcreting and the wastage should have been restricted to 50 percent (15% for Longitudinal undulations; 15% for Transverse undulations; 5% for Over profile factor and 15% for Average rebound from wall) instead of 60 percent. Due to wrong consideration of rebound wastage, it had provided the contractor with undue financial benefit to tune of Nu. 9.396 million. (AIN: 16397; OB No.: 10; Accountabilities: Direct: Kado, EE (Dam), CID No: 10807000856; Karma, EE (Dam), CID No: 11107004217; J.S. Bajwa, EIC (Dam), WPN: 191907011552844; Sonam Chofel, SE (Con), CID No: 10711001402; Dechen Lhendup, CFO, CID No: 10905001120; Supervisory: N.C Bansal, MD WPN: 919060021312105; Karma Tshewang, JMD CID No: 10601002108; R.P. Sharma, DT WPN: 191906277588184; Pranav Kumar Mallick, DF WPN: 1919072771100457)

CHAPTER 5

5. COMPLIANCE AUDIT REPORTS

During the year, the RAA issued three theme-based compliance audits on Northern East-West Highway Construction, Surface Collection and Dredging of Riverbed Materials and Government Property Management.

5.1. NORTHERN EAST-WEST HIGHWAY CONSTRUCTION

The Compliance Audit on the GoI funded “Northern East-west Highway Project” (NEHC) was carried out to review the operations, accounting records, internal controls and contract management. Compliance audit on the NEHC reviewed the compliance to the contract agreements; design and drawings, technical specifications, FRR and Procurement Manual. The RAA had issued four compliance audit reports on the NEHC considering the project was handled by four Regional Offices (RO) of the Department of Roads (DoR) in Thimphu, Lobeysa, Trongsa and Lingmethang. The scope of work and total estimates for each RO is provided in **Table 1**:

Regional Office	Scope of work (distance in Km)	Locations	Total Estimates (Nu. in million)
Thimphu and Lobeysa	65	Semtokha-Wangdue	764.217
Lobeysa	82	Wangdue-Chuserbu	1,156.061
Trongsa	100	Chuserbu-Trongsa- Nangar	2,454.575
Lingmethang	39	Yadi-Lingmithang	1,763.745
Project DANTAK	52	Trashigang –Yadi	1,145.613
	Total		7,284.211

The RO of Trongsa was provided with the maximum scope of the work followed by Lobeysa, Thimphu and Lingmethang. The scope of work handled by Project DANTAK was not considered for the audit. The unresolved non-compliances to existing rules and regulations for the GoI funded construction of the Northern East-West Highway were as follows:

5.1.1. GENERAL FINDINGS

1. INADMISSIBLE PAYMENTS OF 15% ENHANCED RATE FOR COMPLETED FC WORKS PRIOR TO APPROVAL

The RO, DoR in Thimphu, Lingmethang, Lobeysa and Trongsa had not complied to application of the 15% enhancement of the Formation Cutting (FC) works resulting in inadmissible payment of Nu. 5.329 million. The ROs had allowed the enhanced rate for the FC works that were completed prior to the issue of the executive order although the executive order did not specify the effective date of the applicability of the enhanced rate.

Therefore, the payment of the enhanced rate for those formation cuttings completed before the issue of the executive order was not admissible and in contravention to the executive order.

2. NON AMENDMENT OF CONTRACT DOCUMENT PERTAINING TO ENHANCEMENT OF DEFECTIVE LIABILITY PERIOD

The RO, DoR in Thimphu, Lingmethang, Lobeysa and Trongsa had not complied to the decision of the meeting and corresponding letter issued by the Secretary on the enhancement of defect liability period from one year to three years. The RO's besides failing to include such important item in the contract agreements had made other amendments which was beneficial to the contractors. The ROs had included only two of the following three decisions thereby defying the decisions of the meetings and complete disregard of the letter issued by the Secretary regarding the enhancement of liability period.

- Enhance rate of 15% on FC Works: Since the contractors executing the widening works are required to work at night (7pm to 8AM) to allow undisturbed flow of traffic during the day, it has been decided to enhance the rate of FC work by 15%.
- Increase in pavement width from 6.50mtr to 7.50mtr: It has also been decided to increase the width of pavement by 1meter from 6.5m- 7.5m.
- Enhancement of Defect Liability Period from 1year to 3 years: During the meeting held between the Prime Minister and the contractors working on NEWH on 24/8/15, the contractors have agreed to the proposal of increasing the defect liability period for the works from one to three years.

3. NON-DEPLOYMENT/MISMATCH OF PERSONNEL AT SITE AS PER THE REQUIREMENTS AND NON-DEDUCTION OF APPLICABLE PENALTY

The RO, DoR in Thimphu, Lingmethang, Lobeysa and Trongsa had failed to ensure compliance from the contractors on deploying and maintaining key personnel at site besides failing to recover the applicable penalty of Nu. 40.579 million. As per the bidding data sheet, Section II, Employer's Requirements (ERQ) key personnel requirements on the widening and pavement construction works were found met by contractors in terms of the declared individual CV submitted along with the project profile.

However, the contractors for various packages under DOR, Lobeysa had not deployed the committed key personnel at site. The site verification revealed that the personnel committed were not present but different set of key personnel were found deployed at site in 23 packages which could compromise the quality of work besides time overrun. The non-compliance was also indicative of lack of adequate supervision and monitoring by the respective site engineers and the ROs.

4. NON-DEPLOYMENT OF EQUIPMENT AT SITE AS PER REQUIREMENTS AND NON-DEDUCTION OF PENALTY

The RO, DoR in Thimphu, Lingmethang, Lobeysa and Trongsa had failed to ensure compliance from the contractors on deploying and maintaining key equipment at site besides failing to recover the applicable penalty of Nu. 94.388 million. Although the contractors had complied in providing details of equipment to be deployed at site, the verification at site revealed that most contract packages were being carried out without the committed equipment at site. Such lapses

were indicative of non-compliance to requirements and inadequacies in monitoring and supervision by respective site engineers and ROs.

5. INADMISSIBLE PAYMENT AND NON-ESTABLISHMENT OF LAB AS REQUIRED

The RO, DoR in, Lingmethang and Trongsa had failed to ensure compliance from the contractors on the establishment of Lab as required by the BoQ even after making payment of Nu. 28.411 million on account of establishment of Lab. The Regional Office, Trongsa and Lingmethang, despite clear instruction in the technical specification that no separate measurements and payment to be made on the provisions and maintenance of Camps, Offices, Stores, Equipment Yards and Workshops, had prepared detailed estimates for Installation of Labour camps, contractors' site office, accommodation with proper toilets and sanitation, stores signage, water supply, electricity, lab facilities including equipment etc. and included as a separate "item of work" in the BoQ. For this item of work, the contractors had quoted lump sum amounts and were paid for including establishment of laboratory at work sites.

Besides, verification at sites revealed that although the payments were made, some contractors had not installed laboratory and some had failed to procure necessary equipment for the laboratory which was in contravention to the requirements and payments were not admissible.

5.1.2. REGIONAL OFFICE, DEPARTMENT OF ROADS, THIMPHU

1. NON-REALIZATION OF COST DIFFERENCE

The RO, DoR, Thimphu had not complied to the decision of the meeting held on 10 May 2017 and failed to realize the cost difference of Nu. 9.553 million from M/s Raven Builders and Company (P) Ltd. The meeting decision stated '*In the event, the progress is seen not done as per revised work plan then additional resources like allotting a part of works to other reliable firm will be initiated and the extra cost will have to be borne by M/s Raven Builders and Company (P) Ltd.*'. Both the parties in the interest of work and for the benefit of public had accepted this arrangement.

Although a part of the work was allocated to the next higher bidder with the additional cost to be borne by M/s Raven Builders and Company (P) Ltd., the amount was paid by the Regional Office from the Government Budget indicating non-compliance to the meeting decisions.

2. NON-RETURN OF EXCESSIVE ISSUE OF BITUMEN VG-10 ON COMPLETION OF BITUMINOUS WORKS WITH RESULTANT MISUSE

The RO, DoR, Thimphu had not complied to the BoQ and had made excessive issued of bitumen to M/S Raven Builders and Company (P) Ltd besides failing to ensure return of excessive issue of Bitumen VG-10 amounting to Nu. 14.966 million. This had resulted in misuse of Bitumen by M/S Raven Builders and Company (P) Ltd on completion of Bituminous works. The non-return of Bitumen had occurred when part of the work of was awarded to another contractor for which separate quantity of bitumen was issued. The actual quantity of work executed by M/S Raven Builders and Company (P) Ltd also showed that the quantity of Bitumen issued to the contractor far exceeded the quantity executed at site indicating non-compliance and adherence to the specification provided in the BoQ.

5.1.3. REGIONAL OFFICE, DEPARTMENT OF ROADS, LOBEYSA

1. NON-COMPLIANCE TO TECHNICAL SPECIFICATIONS

- a) The RO, DoR, Lobeysa not ensured compliance by the contractors in carrying out the pavement works as provided in design and drawing resulting in inadmissible payment for the damaged pavement and failed to recover the cost of bitumen from damaged pavement works amounting to Nu. 10.574 million. The inadmissible payment for damage to pavement amounted to Nu. 3.494 million for three packages and recoverable cost of bitumen from the damaged pavement works amounted to Nu. 7.085 million. The damaged pavement works were due to poor workmanship, execution of substandard works due to non-deployment of key personnel and machineries and failure to obtain insurance coverage for the works despite payments through item rates. The responsible officials had also failed to carryout proper monitoring, supervision and verification of the works and thereby resulted in inadmissible payment and non-recovery of the additional costs.
- b) The RO, DoR, Lobeysa had not adhered to the requirements in the special conditions of contract and made inadmissible payment amounting to Nu. 4.998 million due to acceptance of inflated rates of Dense Bituminous Mix (DBM) and Asphalt Concrete (AC). The Special Conditions of Contract (SCC) states *'The rates for Bitumen (VG-10) must be '0' (zero) during the analysis of rate for DBM and AC by the bidders i.e. the cost of bitumen shall not be included in analysis'*. However, Review of rate analysis submitted by the contractor for DBM and Asphalt concrete works, it was noted that the rate analysis included cost of Bitumen contrary to the aforementioned additional provision of the SCC.
- c) The RO, DoR, Lobeysa had not adhered to the requirements in the special conditions of contract and made inadmissible payment payment of Nu. 0.665 million for slip clearance works in contravention to the Special Conditions of Contract. The Special Conditions of Contract stipulates that *'The contractor shall assume full responsibility for the removal of landslide/debris of any volume until the completion and handing over of the project to the Client'*. The payment of Nu. 0.665 was, therefore, made in contravention to the provisions of the contract documents.
- d) The RO, DoR, Lobeysa had failed to ensure construction of abutment walls for RCC slabs as per specifications resulting in inadmissible payment of Nu. 0.113 million. The abutment walls for the Reinforced Concrete Cement (RCC) slab were to be constructed with Coursed Rubble Masonry (CRM) with hard stone hammer dressed but Random Rubble Masonry were used and hammer dressing were not provided on the face stones. Further, the abutment walls were constructed without adhering to the drawings and specifications of constructions for abutment wall for the RCC slab as the works executed at site were neither CRM nor RRM item of work. The execution of abutment walls with huge boulders and weak cement mortar was not actually a load-bearing wall indicating poor workmanship and lack of supervision, monitoring and non-compliance to requirements.
- e) The RO, DoR, Lobeysa had not complied to the technical specifications and provisions of the contract documents and made ineligible payments of Nu. 3.504 million on account of Monsoon Restoration Works. In terms of the technical specifications and provisions of the Contract Documents, the cost on the Maintenance of Existing and Newly Constructed Roads were to be in-built in their quoted rates and the payment was in total violation of provisions of the contract agreement and technical specifications.

- f) The RO, DoR, Lobeysa had not ensured that the required DBM and AC thickness were maintained in the construction resulting in excess payments of Nu. 0.803 million. The claim for DBM and AC works for 2.04KM was made through 6th running bill for which the five core samples collected showed that the laying of DBM and AC were not carried out as per the requisite thickness outlined in the drawings and technical specifications. The DBM and AC works measured an average thickness of 87mm $\{(80+60+100+95+100)/5\}$ as against the required thickness of 100mm (DBM 60mm+AC 40mm). The payments for the DBM and AC works had been made without site verification and ascertaining the achievement of the DBM and AC thickness as outlined in the technical specifications. It also indicated that the RO had failed to conduct core testing of the pavement works as stipulated under 1204(7) in the technical specifications.
- g) The RO, DoR, Lobeysa had not ensured compliance to technical specifications thereby making inadmissible payments of Nu. 1.411 million. due to payment for pavement works beyond the approved carriageway width. It was noted that the average width of WMM works executed worked out to 8.39m as per the contractor's bill which exceeded by 0.89m from the approved carriage width of 7.50m. In addition, it was noted that the site and supervising engineer had recorded instruction not to execute beyond the approved pavement width and no approvals were given for execution of pavements work exceeding the carriageway width. Therefore, the unauthorized execution of works was not in compliance to the technical specification and not eligible for payment.
- h) The RO, DoR, Lobeysa had not ensured compliance to the requirements of GSB works in the technical specifications resulting in inadmissible payments of Nu. 1.311 million. due to payment for works beyond approved width. The providing and laying of GSB on widened road was only admissible to the extent of 3.27m (i.e. Carriageway of 7.50m less existing road width of 4.23m). However, the Regional Office had accepted and paid for width beyond 4.23m resulting in the inadmissible payment. Such lapses had occurred due to lack of proper monitoring and supervision by concerned officials and non-verification of bills with actual work done at site.
- i) The RO, DoR, Lobeysa had not complied with the technical specifications resulting in inadmissible payments of Nu. 2.127 million as the payments for pavement works were made beyond the carriageway width approved in the revised drawing. It was noted that the average width of WMM works executed worked out to 8.63m as per the contractor's bill which exceeded by 1.13m from the approved carriage width of 7.50m. In addition, it was noted that the site and supervising engineer had recorded instruction not to execute beyond the approved pavement width and no approvals were given for execution of pavements works exceeding the carriageway width. Therefore, the unauthorized execution of works was not eligible for payment for which the Regional Office had incurred expenses amounting to Nu. 2.127 million.
- j) The RO, DoR, Lobeysa had not complied with the technical specifications for GSB works and made inadmissible payments of Nu. 3.914 million as the payments were made beyond the carriageway width approved in the revised drawing. The providing and laying of GSB on widened road was only admissible to the extent of 3.27m (i.e. Carriageway of 7.50m less existing road width of 4.23m). However, the Regional Office had accepted and paid for width beyond 4.23m resulting in the inadmissible payment. Such lapses had occurred due to lack of proper monitoring and supervision by concerned officials and non-verification of bills with actual work done at site.

2. NON-COMPLIANCES RELATED DIRECT AWARD OF CONTRACT

- a) The DoR had directly awarded Package XV of the NEHP to M/s Empire Construction with resultant financial implications to the government amounting to Nu. 15.861 million in contravention to the Procurement Rules. The Ministry of Finance had approved the direct award of work for the pavement construction from Nobding-Dungdungnyelsa covering Chainages from 395Km to 392.25Km with a total road stretch of 2.75Km to M/s Empire Construction based on the proposal submitted by Minister, MoWHS for the direct award of work in lieu of the work made to surrender under the RO, Trongsa. The direct award had led to exorbitantly high analyzed rates for sand and aggregates in comparison to the Bhutan Schedule of Rates leading to huge cost difference. The circumstances leading to preparation of estimates by analyzing rates despite existence of BSR 2015 was not on record.
- b) The DoR had directly awarded package XV of the NEHP with resultant financial implications to the government amounting to Nu. 39.40 million. The work was directly awarded in lieu of the work made to surrender under the RO, Trongsa. The surrender of ongoing work and direct award of additional work was not justified besides violation of the procurement norms. The contractor was paid for the whole contract amount despite only completing 30% of the work leading to the financial implication besides total disregard to the procurement rules.
- c) The RO, DoR, Lobeysa had given direct award of work in violation to the Exclusion Criteria in the terms of Public Announcement issued on 2nd July 2016 by awarding it to the contractor who had not completed prior works of the DoR. It was apparent from the related records that M/s Empire Construction was awarded contract for carrying out the critical widening works especially the 2.5 km cliff of Dzongkhalum by the RO Trongsa based on MoU signed by the Ministry with MHPA on 16 September 2014. Although the progress of the work was very slow and the Contractor faced penalty, the DoR had asked the contractor to surrender the work after paying the full amount and also given another work without following procurement norms. It was evident that the Ministry had favored the contractor and failed to enforce the approved Exclusion Criteria while granting direct award of work.

3. CHANGE IN SPECIFICATION AFTER AWARD OF WORK WITH RESULTANT EXTRA PAYMENTS

The RO, DoR, Lobeysa had made changes in specifications after award of work resulting in extra payment amounting to Nu. 1.268 million on account of procurement of Gabion wires. The flaws in evaluation of bids and change of specification after award of works had cost the government an additional Nu. 1.268 million on the supply of Gabion Mesh.

The winning bidder had provided different rates for 2.7mm wire thickness and 3.7 mm wire thickness and had supplied wire mesh of 2.7mm thickness at his quoted rates based on the supply orders placed by the RO for use in the departmentally executed Gabion works. However, under the directive of Phuntsho Wangdi, Ex Secretary, MoWHS, on the use of 8 to 10 SWG wire mesh on the basis of strength and durability point of view instead of 12 SWG wire mesh presently being used on all gabion works. The review noted that wire thickness of 2.7mm was equivalent to 12

SWG and wire thickness of 3.7mm was equivalent to 8 to 10 SWG wire mesh which lead to additional financial cost to the government.

4. IRREGULARITIES IN PROCUREMENT OF GABION BOX WITH RESULTANT FINANCIAL IMPLICATIONS

The RO, DoR, Lobeysa had not used due diligence and procured gabion box of different sizes valuing Nu. 8.876 million from M/s Bhutan Hardware Phuentsholing based on the existing rates at the fag end of the FY 2014-2015. It was noted that supply order for the said procurement was issued on the last date of the FY 2014-2015 i.e. as on 30 June 2015 and the payments were found released during FY 2015-2016 vide DV. No. 8.111 of 26 August 2015 and DV. No. 8.113 of 27 August 2015.

In comparison of the quoted rates for the gabion boxes for FY 2014-2015 and 2015-2016, it was noted that the rates for FY 2014-2015 was found much higher than the quoted rates of the FY 2015-2016. Thus, the procurement of the gabion box at the quoted rates of the FY 2014-2015 had resulted into excess payment of Nu.0.396 million. The placing of supply order at the close of the FY (30 June 2015) and that too at higher rates despite knowing the quoted rates for FY 2015-2016 was lower than the earlier selected rates was a deliberate action to favor the supplier.

5.1.4. REGIONAL OFFICE, DEPARTMENT OF ROADS, LINGMETHANG

1. NON-COMPLIANCE TO TECHNICAL SPECIFICATIONS

The RO, DoR, Lingmethang not complied with required technical specification and had accepted road constructions where the formation width was not maintained at the required 10.5 meters in few chainages/stretchches of the road. This indicated existence of inadequate monitoring and supervision by the site engineer over the execution works as well as breach of contract obligation by the contractor with resultant execution of works in deviation to the technical design and specification. Further, the non-achievement of the required widening width entailed payments for unexecuted works as the quotes for FC works were on lump sum basis. Thus the payments on the basis of lump sum contract had resulted in payments for unexecuted works. The Regional office had not assessed the cost difference for the width not achieved and recovered from the contractor.

The RO, DoR, Lingmethang had not enforced compliance to design and drawings and accepted road constructions where the standard designs and drawings were not adhered to. The formation width was not maintained at the required 10.5 meters, the one-meter gap between L-Drain and hillside and one-meter hard shoulder at valley side were also not maintained in few chainages/stretchches of the road. This indicated existence of inadequate monitoring and supervision by the site engineer over the execution works as well as breach of contract obligation by the contractor with resultant execution of works in deviation to the technical design and specification. Further, the non-achievement of the required widening width entailed payments for unexecuted works as the quotes for FC works were on lump sum basis. Thus the payments on the basis of lump sum contract had resulted in payments for unexecuted works. The Regional office had not assessed the cost difference for the width not achieved and recovered from the contractor.

2. NON-COMPLIANCES RELATED TO DIRECT AWARD OF WORK

- a) The RO, DoR, Lingmethang under the directives of the Ministry of Works and Human Settlement had directly awarded the contract to M/s Bhutan ZeoCrete Pavement Technologies (JV), a Joint Venture Company on the use of ZeoCrete Pavement Technology. The direct award was done without assessment to ascertain the availability of other contractors in the market with the required technical capability. The direct award of contract without assessments and comparisons of cost prior to award of the contract indicated flaws not only in the award for implementing such new technology for a stretch of 10km as a demonstration but also awarding at the estimated cost submitted by the JV firm of Nu. 159.921 million without ascertaining the reasonableness of the cost offered by the JV firm. The direct award also violated the procurement norms and instruction by the Ministry of Finance to assess the availability of competitors in the market.
- b) The RO, DoR, Lingmethang had failed to incorporate the cost and risk factor for the demonstration of technology in the contract agreement as required in the letter by the Secretary of MoWHS to the Minister. The letter categorically stated that *'If approved, the JV Company will be given the opportunity to carry out the demonstration of the technology at their costs and risks under strict supervision of DoR engineers. In the event the technology fails they will be required to redo the pavement works by conventional system'*. This non-compliance could have huge financial implications to the government if the technology fails and work is not up to the standard.
- c) The RO, DoR, Lingmethang under instructions from the ministry had revised the contract amount with undue benefit to the contractor amounting to Nu. 6.684 million. The initial contract price was Nu. 159.921 million but was increased to Nu. 166.705 million without revising the whole contract document after incorporating all applicable taxes in the Kingdom of Bhutan. The approval of additional contract price of on account of taxes/duties after signing the contract was not justified as the contract agreement was not revised and details of the increase in the amount not incorporated.
- d) The RO, DoR, Lingmethang had failed to ensure that the requisite testing machines, equipment and key personnel were deployed at site as required in the contract agreement. In addition, it was noted that the site engineer of RO also lacked knowledge in new technology leaving the standard of execution and quality of work in the hands of the operators of the machines. Moreover, the also agreement did not specify the deductions to be made from the RA Bills on the non-deployment of key machineries and personnel.
- e) The RO, DoR, Lingmethang had failed to incorporate the proposed machineries and testing process in the contract document. This had impacted the implementation of the work as key personnel, machineries and the testing process was not carried out. In term of the proposal of the JVC firms, all the tests are to be conducted by the contractor in the presence of DoR engineers. The contractor is responsible for preparation of moulds in the presence of the DoR engineers, extraction of cores and deployment of requisite machinery. However, the clauses were not incorporated in the contract agreement. The mismatch in commitments of

key personnel and equipment/machineries as well as tests to be conducted as indicated in the proposals and the contract agreement prove to showed flawed proposals by the JVC firms to get the direct contract of the new technology as well as undue favour extended by the Ministry to the JVC firms.

- f) The RO, DoR, Lingmethang had failed to incorporate the increase in Defect Liability Period in the contract agreement in the use of ZeoCrete Technology which is a proven system of providing simpler, faster, durable and the most vital parameter the 'impervious layer' for better performance resulting in savings in millions of scarce resources over the life of the pavement which is expected to be well over 10 years. As for the cost, the estimated expenditure is comparable to the convention one and estimated about 3.7% higher, which will be compensated by reduced maintenance requirement, the benefit the government will accrue is immense. However, the contract agreement under SCC (GCC 35.1) stipulated the defect liability period of just 36 months same as the revised defect liability period fixed for contractors executing the pavement works under the conventional construction method and that too at lower contract cost.
- g) The RO, DoR, Lingmethang failed to produce the technical specification and Performance Requirements and Drawings in the Contract of ZeoCrete Technology. Thus, in the absence of the technical specification and drawings, the executions of works at site could not be cross checked with the technical specification and drawings. The conduct of monitoring and supervision and work at site is also questionable as the Regional Office did not seem in custody of the required documents.
- h) The RO, DoR, Lingmethang had not ensured consistency in the technical specification of the Cementitious Base Layer in the contract of ZeoCrete Technology. As per the proposal submitted, the thickness of Cementitious base layer (CBTLy) was provided as 210-250 mm and under Comparative Pavement Behavior as 210mm thick.
- i) There was ambiguity in the technical specification of thickness of Cementitious base layer (CBTLy) of 210-250 mm as the test conducted was for 225-250mm thick CTB Layer per m2 soil of mass. Such non-compliance to the requirements could impact the strength and durability of the concrete pavement.
- j) The RO, DoR, Lingmethang had failed to ensure that the applicability and accuracy of the design mix in the contract for ZeoCrete technology which states "*Each soil is different and shall have different composition of Admixture mix and dosage. The dosage is set from the Lab tests for 7d, 28d, curing for the E-Values achieved and confirmation to designed values*". However, the test for the elements if carried out was not available and the unconfirmed Compressive Strength and corresponding E-values were not carried out. Thus absence of the basis considered for the CTB layer indicated flaws in the design mix. Without proper records on the tests of the elements, the strength and durability of the pavement might be compromised while application at site.
- k) The RO, DoR, Lingmethang had not ensured that the application of factors was in line with the requirements. Although the proposal indicated use of applied factor of 1000 for deriving

the E-Values, the tests were done using an applied factor of 1125 thereby achieving positive result for CTB layer. The use of higher applied factor is indicative of inappropriate mix design with resultant overdose of soil treatment with OPC and ZeoCrete materials and extra cost to the Government.

- l) The RO, DoR, Lingmethang had failed to conduct proper verification of the proposal submitted for the ZeoCrete technology which showed that some rates had been specifically lowered in comparison to the market rate. The OPC rates submitted by the firm and the market rate for the specific OPC showed that the firm had deliberately applied lower OPC rates not only to minimize estimates and reduce cost gaps for comparability with the estimated cost under conventional method but also to accrue benefits on completion of the execution by way of price adjustment as permissible under the contract. It is also apparent that the Ministry without exercising due diligence had accepted the OPC rates as proposed and with price adjustment clause knowingly that the contract duration was fixed for 18 months.
- m) The RO, DoR, Lingmethang had failed to incorporate the rates for recovery of Bitumen and Emulsion in the Contract Agreement for the ZeoCrete technology. As indicated in the BoQ, *“Bitumen Emulsion and Bitumen VG 30 shall be issued by the department and shall be recovered from the running bills against item No. 5 a/a for P and L layer, @ Bitumen and emulsion rates prevailing at the time of issue of work order”* However, the recovery rates for the bitumen and emulsion were not incorporated in the contract agreement but stipulated that recovery to be made from RA bills at rates prevailing at the time of issue of work order. Non-incorporation of rates to be recovered in the contract agreement could lead to financial impact to the government as the cost could fluctuate in between the issue of work order and the supply of the said bitumen during execution.
- n) The RO, DoR, Lingmethang had failed to assess the contract duration considering the proposal submitted for the ZeoCrete Technology. The contract duration provided was 18 months although the proposal by the firm had indicated the following advantages;
- High speed of construction, almost 1.0Km per day – Faster completion of works
 - Highly Mechanistic Construction - Ensures consistency in quality output and least dependency on labour
 - Workable in all terrains and weathering conditions
 - ZeoCrete homogenised with “As available Soil/SMB along the stretch”
 - Aggregates requirements limited to 30/40mm BC layers
 - Deploy Two Brand New Insitu Rock/boulder Crushers-Cum-Pulverisers-Cum Homogenisers with integrated Paving.
 - Deployment of testing machine for UCS testing and Marshall Testing Machine for 40mm thick BC layer
 - One supervisor-cum-resource manager
 - Spare parts for all the machinery with trained operators

Given the substantial amount of advantages of the new technology over the conventional system proposed by the JV firm and further validated and recommended by the Secretary, the fixation of contract duration of 18 months for a stretch of 10 km roads was found not rational and justified. It was to reiterate that both the firm and the Secretary had categorically mentioned that the speed of construction was almost 1.0 km per day indicating requirement of minimum contract duration to complete the works.

- o) The RO, DoR, Lingmethang had failed to enforce the terms of contract for the on Zeocrete Technology and provided irregular time extension with intent to prevent imposition of liquidated damages through provision of drainage work of Nu. 13.656 million. Although the progress of the work was very slow with only about 30% of the work completed by the end of the contract duration, the Regional Office had not levied Liquidated Damages or terminated the contract as required in the contract agreement. However, the contract duration was found revised up to March 2018 based on the proposal to directly award the Drainage works although the work was not awarded till date of audit (02 December 2017). The time extension granted on the basis of proposal to award additional works at the verge of expiry of contract period was not appropriate and was an extension of undue favour as it had resulted in waiver of the applicable liquidated damages.
- p) The RO, DoR, Lingmethang had not assessed the actual cost saving from use of Zeocrete Technology for pavement works over the conventional system. The cost of implementing the Zeocrete Technology was higher than conventional system by 3.7 times and the intended benefits were to have reduced cost of maintenance over the years, long durability and less construction duration. However, the Regional Office had not assessed the actual savings that could be accrued from the use of the new technology. While the technology may revolutionize the system of doing highway pavements works, it is imperative to ensure its cost effectiveness in terms of use of scarce government resources. The works at site also revealed that there were damages to the pavement immediately after execution indicating inferior quality works, inadequate supervision and monitoring or the non-durability of the pavement as proposed.
- q) The RO, DoR, Lingmethang had failed to properly compare the cost between the Zeocrete Pavement Technology and conventional Pavement construction resulting in additional cost of Nu. 9.974 million. The adoption of Zeocrete pavement technology was found discussed in the MLTC where Secretary, M,oWHS highlighted the advantages of Zeocrete Pavement Technology as here under:
- Minimize the Bitumen import quantity;
 - Minimize the Bitumen burning thereby causing no damage to the environment;
 - Reduction in query production of aggregates;
 - Reduction in construction time;
 - Cementitious base (CTB) is very effective in cold and marshy areas; and
 - Lower cost compared to the conventional construction.

In addition, the MOWHS showed cost saving of Nu. 0.696 million per kilometer by using the Zeocrete pavement technology but the cost comparisons were made by applying BSR 2017 base rates despite the fact that the works were being awarded and executed from June 2016 and up to December 2017. However, cost comparison in consideration to the BSR 2015 base rates alone revealed that the cost of construction of pavement works under the conventional construction system was lower by Nu. 9.974 million (5.98%) as compared to Zeocrete pavement technology indicating inaccuracies in assessment and resultant higher cost.

- r) The RO, DoR, Lingmethang had not conducted rate analysis for CTB work resulting to acceptance of the rates proposed by the firm. The rates for the Cementitious base (CTB) layer was agreed at Nu. 1,295 per square meter for execution of 75,000 square meter CTB amounting to Nu. 97.125 million. Since, item of work is not in BSR, the rate should have been analyzed as required in terms of PRR and BSR for rates not available in the BSR instead of accepting the rates quoted JV firm. The Regional Office had also not explored other manufacturers of binder admixture for road works to ensure reasonableness of the quoted rates by the firm.

5.1.5. REGIONAL OFFICE, DEPARTMENT OF ROADS, TRONGSA

1. INADMISSIBLE EXPENDITURE AND HINDRANCES

The RO, DoR, Trongsa had failed to enforce the contract requirements and incurred inadmissible expenditure on the cost of maintenance and Boulder Walls amounting to Nu. 27.650 million and granted excessive time extensions. Further, review of the estimates and BoQs prepared by RO for additional works showed that the RO had included amounts for maintenance works and boulder works, which were in contravention to the provisions of the technical specifications. Hindrance registers maintained also reflected hindrances on road maintenance, rainfall and clearing of debris, which were not admissible.

2. NON-COMPLIANCE TO TECHNICAL SPECIFICATIONS

- a) The RO, DoR, Trongsa had not adhered to technical specifications and made overpayment of Nu.1.101 million due to inflated plinth area and wrong specification of toilet used for valuation in payment of compensation for damages to a private house. Although the payment was released based on the valuation done by the Dzongkhag Administration, Trongsa, physical verification and review of the documents showed that there was inflated plinth area and wrong specification of toilet used for valuation. The specification of toilet for foundation and plinth, superstructure in actual were constructed with RRM in mud mortar as against RRM in cement mortar recorded for valuation. In addition, cornices were not found constructed in toilet resulting in excess compensation.
- b) The RO, DoR, Trongsa had accepted work which had not been constructed as per specification. The technical specification for providing RCC deck slab was 300mm thickness and M25 grade but execution at site was of M20 grade of 260mm thickness. Further, the

payment was found made @ Nu. 5,000 per cum quoted for Providing and Laying RCC (M25) deck slab instead of regulating the rate for M20 executed at site.

- c) The RO, DoR, Trongsa had accepted work which had not been constructed as per specification. As per contract documents, the formation cutting were to achieve overall road width of 10.50 m for ensuring standard carriageway of 7.50m, including 1.5m shoulder on valley side and 0.50 m behind L-drain towards hill side and 1m between L-drain and pavement. However, the contractor had not done formation cutting as per specifications in chainages involving aggregate length of 181m. The reason for non-execution of FC works for the above chainages was not documented. It also indicated inadequate monitoring and supervision by the site engineer over the execution of works.
- d) The RO, DoR, Trongsa had not conducted adequate supervision and monitoring of the construction resulting in non-execution of work as per the survey and design and creating an additional financial burden of Nu. 0.492 million. The Formation cutting also included box cutting work measuring 60 meters as per survey and design report. However, the box cutting work was found cancelled as per the instruction of Minister, MoWHS resulting in decrease in scope of work as well as an increase in the length of road by 70 m net of box cutting length of 60m. The formation cutting due to net increase in length of roads due to cancellation of the box cutting amounted to Nu. 0.492 million. The decision to drop the box cutting works initially incorporated in the design, technical specification, BoQ estimates based on the survey report that too just few days before the expiry of the completion date scheduled on 31 December 2017, was definitely an extension of undue financial favour to the contractor as major cost involved in Box cutting were minimized and delays to the extent of time involved for box cutting was avoided and liquidated damaged leviable for delays were nullified to that extent.

3. UNJUSTIFIED CURTAILMENT OF SCOPE

The RO, DoR, Trongsa had allowed un-justified curtailment of scope and non-adjustment of quoted rates to the reduced scope of work with resultant extension of undue financial benefit to the contractor. The Ministry and the MLTC had taken decisions to scope down the excavation work at Thomangdrak on the basis of the proposal for carrying out tunneling work after receiving and opening the bids.

It would be apparent from the quantum of excavation required, that the excavation of rocks represented almost 92% of the total formation cutting works. Thus, it was apparent that the quoted rates by the contractor were based on excavation of rocky areas, the difficult terrain of 800m excavation requiring maximum input of resources. Subsequently, the widening of twoDOR meters' width at Thomnagdrak was also cancelled and the contractor was not required to widen the 800m rocky areas of road but the quoted rate was not adjusted accordingly.

4. UNJUSTIFIED AWARD OF ADDITIONAL WORKS

The RO, DoR, Trongsa had granted unjustified additional works valuing Nu. 15.028 million resulting in further delay in the completion of the contract works and violation of Procurement

norms. In terms of contract agreement, completion deadline for the contract was 17 December 2017. The RO experiencing abnormal delays and foreseeing contractor's failure to complete the contract works within the completion deadline, had drawn up a Milestone Commitment Agreement just three months before the completion granting time extension of 4 months for completion.

However, the Ministerial Level Tender Committee (MLTC) had approved additional works along with time extension of 4 months despite poor progress towards the expiry of contract deadline showed attempts to cover-up delays and avoid imposition of applicable liquidated damages. The value of additional works also exceeded twenty percent (20%) indicating non-adherence to the requirements of the Procurement Rules and Regulations.

5. SUB-LETTING OF ROAD FORMATION CUTTING AND OTHER WORKS

The RO, DoR, Trongsa had failed to carry out rigorous monitoring and supervision of the contract works for Package VI resulting in possible illegal subletting of the works. Joint physical site verification found that formation cutting works and road side structures were being executed by M/s T&C Pvt. Ltd. Besides, all machineries and human sources deployed at sites were owned by M/s T&C Pvt. Ltd which apparently indicated that the works were sub-let to M/s T&C Pvt. Ltd. by the M/s Raven Builders and Pvt. Ltd.

Although the General Conditions of Contract (GCC) allowed subletting with prior approval and at a maximum of 20% of the contract price the approval sought and approval accorded by the RO was not available and the exact date and amount of sublet were not maintained. Such sub-let of work is construed as fundamental breach of contract besides creating complications in the event of failure to complete the works and resorting to legal course of action in settlement of disputes.

5.2. SURFACE COLLECTION AND DREDGING OF RIVERBED MATERIALS

The Review of Surface Collection and Dredging of Riverbed Materials (RBM) activities in Phuentsholing, Gomtu and Samtse for the period from January 2015 to October 2018 was conducted to ascertain compliances to applicable laws and regulations in its operations. The review included, the adequacy of legal and policy instruments, coordination amongst stakeholders and the monitoring and enforcement mechanism in place. The inadequacies in policies, practices and non-compliances are as provided below:

5.2.1. LEGAL INSTRUMENTS

1. OVERLAPPING LEGAL MANDATES

There were conflicting provisions of mandates within the legal instruments on surface collection of RBM which impacted the effective implementation of the activities. The legal instruments are the Forest and Nature Conservation Act of Bhutan 1995 (FNCA), the Mines and Minerals Management Act 1995 (MMMA), and the Water Act of Bhutan 2011 that provide different agencies with the mandate of overseeing the surface collection of RBM and dredging works.

While other regulations mandate respective Departments for the surface collection of RBM such as stone and boulders, the Water Act provides specific mandate for surface collection of boulders to a State Agency only. Therefore, the issuing of permits to parties by the DoFPS in line with revised Forest and Nature Conservation Rules and Regulations (FCNRR 2017) for surface collection and dredging of RBM including exports was not in accordance with the provisions of the MMMA, Water Act and joint Guidelines 2010. Similarly, Rule 363 under FCNRR 2017 allows export of surface collection materials which is not permitted as per Cabinet directives and Guidelines jointly developed by MoAF and MoEA in 2010. Such conflicts in legal mandates and responsible agencies have led to various cases of non-compliances.

2. CORE SOCIAL MANDATE OF ESTABLISHMENT OF NRDCL UNDERMINED

The Executive order issued by the then Prime Minister to the Natural Resources Development Corporation Limited (NRDCL) specifically emphasized the need to:

- Promote rapid development of housing, construction and infrastructure development to support nation building;
- Bear responsibility for the sustainable use of the natural resources and in order to keep them affordable, accessible and available for judicious use in the best interest of the nation and people, and
- Prevent corruption, inefficiencies and undue profiteering in the collection, delivery and sale of natural products.

Further, the order also expressed to restructure the erstwhile Forestry Development Corporation Ltd. as NRDCL and was accorded the social mandate for the collection of sand and stones from the riverbeds and also operation of stone quarries in the Forest Management Units (FMUs) on a need basis.

However, the NRDCL had applied for approval from DoFPS for surface collection of RBM in Phuentsholing and Samtse. Later, it had contracted out to private parties besides operating on its own. This commercial operation of NRDCL was not in accordance with the noble intent of establishment and its social mandate of undertaking activities responsibly and ensuring sustainable use of the natural resources.

3. INCLUSION OF DREDGING IN FNCRR PROVIDED UNDUE POLICY BENEFITS

Section 436(63) of the FNCRR 2017, defined surface collection as 'collection of loose boulders, stone, and gravel from riverbeds and land surface which may include dredging of sand and boulder from river bed by using excavator'. The FNCRR had included dredging of stone, sand and boulder and through use of excavator resulting in extensive use of excavators for the surface collections and unrestraint surface collection of RBM and huge quantities of export.

Inclusion of dredging of stone and boulders from riverbeds in the FNCRR was not in accordance with the definition of surface collection specified in the guidelines resulting in undue policy benefits as there was no limit to dredging resulting in more mining-like excavation of RBM.

The revision of FCNRR was also carried out without proper consultation with relevant stakeholders like DGM, National Environment Commission Secretariat (NECS), NRDCL, thereby receiving undue policy benefit and profiteering at the cost of State resources.

4. LACK OF STANDARDIZED CARRYING CAPACITY FOR TRUCK LEADING TO REVENUE FORGONE - NU. 230.920 MILLION

The surface collections of RBM under the jurisdiction of Divisional Forest Office (DFO) Gedu and Samtse had levied royalty on truck load basis instead of per metric tons thereby forgoing revenue to the tune of Nu 230.920 million. The exporters earned huge revenue ranging from minimum of USD 14 to as high as USD 27 per metric ton while the government received only Nu.40.00 per truck load as royalty.

The competent authorities have failed to exercised due diligence and levy royalty per metric tons and not on truckloads basis.

5. LACK OF CLARITY IN EXPORT PERMIT FEES LEADING TO SHORT COLLECTION - NU. 1.752 MILLION

The DFO, Gedu had short collected Nu. 1.752 million on export permit fees for the export of surface collection and river dredging materials due to lack of clarity in application of the rates. The DFO, Samtse had levied export permit fees @ Nu.20 per permit page. On the other hand, the DFO, Gedu charged only Nu.10.00 using the new form (*Annexure XI* of FNCRR 2017) where no amount was mentioned. It was noted that there was no basis for revision of export permit fee from Nu.10 to Nu.20 were not produced during the audit

The inconsistency in charging of fee and lack of clarity in the application of export permit fees led to short collection of Nu. 1.752 million.

5.2.2. ISSUANCE OF CLEARANCES

1. FORESTRY CLEARANCE ISSUED WITHOUT FULFILLING REQUIREMENTS

The DFO, Gedu and Samtse had failed to ensure the compliance to the requirements for issue of forestry clearance although all 16 requirements were marked as fulfilled in the inspection reports. The site inspection team not declaring habitats of peacock along Budhoney River, permitting dredging work within the vicinity of critical watershed, water sources and not meeting the distances coverage from the highway is in total violation to conditions prescribed in FNCRR 2017.

2. SURFACE COLLECTION AND DREDGING WITHOUT FORESTRY CLEARANCE

The DFO, Gedu and Samtse had not ensured that surface collection and dredging activities were carried out after obtaining all clearances. A total of 25 parties comprising of 13 under DFO, Samtse and 12 under DFO, Gedu were operating dredging works without forestry clearance. Out of 25 parties, 15 parties had forestry clearance for surface collections only and 10 parties did not obtain forestry clearance for both surface collection and dredging works.

Operating surface collections and dredging activities without obtaining the forestry clearance is a direct violation of prevailing Acts and Rules.

3. NO UNIFORMITY IN OBTAINING CLEARANCES FROM OTHER RELEVANT AUTHORITIES PRIOR TO ISSUE OF FORESTRY CLEARANCE

The DFO, Gedu and Samtse had not enforced the need to obtain all required clearances indicating extension of undue favour to the operators and laxity on the part of regulatory agencies. The FCNRR 2017 requires the parties to obtain clearances from relevant agencies like local government, local community, Bhutan Power Corporation (BPC), DoR, and other related stakeholders, wherever applicable, after conducting field inspection at sites prior to issuance of forestry clearance. For example, if the activities fall within highways and nearer to human settlements, the clearances from the DoR and local community should be obtained indicating that there is no adverse impact from carrying out surface collection and dredging of RBM.

However, there were instances where applicable clearances from the relevant authorities were not obtained by a total of 32 operators.

4. IRREGULARITIES IN ISSUANCE OF ENVIRONMENTAL CLEARANCES

The DFO, Gedu and Samtse had not complied with the requirement for Environmental Clearance (EC) for surface collection and dredging activities for RBM. The review of EC for the establishments of stone crushing plants, surface collection of sand and boulders and dredging activities revealed the following shortfalls:

- The EC for surface collections of sand and boulders should have been obtained from DoFPS while for dredging activities, the EC should have been obtained from NECS. However, the DoFPS had issued one EC for both surface collections and dredging works for nine parties which was in contravention to the provision outlined in Regulations for Environmental Clearance of Project.
- Although all the parties were engaged in dredging work, none of the parties had obtained EC from the NECS, except by M/s BMML enterprise. The remaining 21 parties had not obtained EC from any authorities.
- Instances were observed where the activities indicated in the Detailed Project Report for environmental mitigation and prevention works were not carried out. Operators had also not carried out proper demarcation, plantation activities as indicated in the conditions of EC.
- Nine operators who also operate stone crushing plants beside surface collection and dredging had not obtained the EC from Dzongkhag to operate the stone crushing plants.
- It is important to set a rational limit of depth of excavations and demarcate the area for dredging works to operate in a sustainable way and minimize environmental impacts. With regard to depth, generally, there is no limit set on the depth of excavation for dredging works;

Such non-compliances to the applicable provisions/ terms and conditions of the regulations and the work order had led to violation of terms and conditions of the work order and Regulations for Environmental Clearance of Projects. The surface collection and dredging of RBM without

valid ECs and also violation of terms and conditions under EC and work order question the legitimacy of the operation and lack of due diligence on the part of regulatory authorities.

5. NON-ENFORCEMENT OF PRESCRIBED CONDITIONS IN THE EC

The DFO, Gedu and Samtse had not enforced the compliance to the prescribed conditions in the EC by the operators in the surface collection and dredging of RBM. The operators had not adhered to the requirements stated in the EC resulting in huge negative environmental and social impacts. Instances like diversion of river due to excessive dredging, damages to government properties, non-implementation of mitigation measures, damages to river ecology and aquatic life etc. were observed. The lapses could be attributed to issue of EC without proper assessment of environmental impact besides lack of adequate monitoring and coordination.

5.2.3. MONITORING AND COORDINATION

1. INADQUACIES IN FOREST INFORMATION REPORTING AND MONITORING SYSTEM

The Forest Information Reporting and Monitoring system (FIRMS) had failed to achieve its intended objective of providing vital information for informed decision making and day to day operation and monitoring of surface collection and dredging activities. The FIRMS showed the following deficiencies;

- The materials recorded are in truckloads irrespective of carrying capacity of trucks thereby failing to capture actual quantities exported and royalty paid;
- General Forest Produce Movement Order (GFPMOs) indicated the total quantity to be extracted and royalty and permit fee to be paid, but the system has no provision to record GFPMO number which could lead to repeated use of same GFPMO;
- There is no provision in the system to record the name of location from where the materials were extracted, which if recorded would enable comparison of actual collections as per GFPMOs against the actual quantity extracted from the particular location;
- Name of private parties and exporters were not properly recorded and updated in the system; and
- There is no provision in the system to record the issuance and validity of forestry and ECs to render effective monitoring.

2. LACK OF COORDINATION AMONG RELEVANT AGENCIES

There was lack of coordination among relevant agencies in the governance, management and operation of surface collections and dredging of RBM. Most agencies were functioning in isolation leading to problems like issue of clearances, record keeping, endorsement of duplicate copies of Certificate of Origin (CoO) to relevant agencies and poor collaboration amongst agencies for issues of permits resulting in operation of activities in areas that were not permissible.

3. ILLEGAL MINING IN THE NAME OF SURFACE COLLECTION

The DoFPS had failed to initiate actions against Mr. Jamyang Loden as per the letter communicated by the DGM for violating the provisions of Environment Assessment Act 2000 and the MMMA 1995. The Dzongkhag Administration, Chhukha had granted an administrative approval for surface collections of stone/boulders at Gumpadara under Sampheling Gewog. However, a joint report of NECS, DGM and Ministry of Labour and Human Resources (MoLHR) stated that Mr. Jamyang Loden had been carrying out mining instead of approved surface collection.

4. COMMERCIALIZATION OF CONSTRUCTION MATERIALS

The DoR, Phuentsholing and DoFPS had approved the collection of materials in the widening works at Manitar-Raidak road of chainage 35 Km and export of the extracted materials respectively to M/s Gyeldron Venture in contravention to the Road Act of Bhutan resulting in commercialization of extracted materials by M/s Gyeldron Venture.

5. NON-EXECUTION OF MITIGATION PLAN

The DFOs, Gedu and Samtse have not reviewed and demarcated the areas for mitigation works and also not enforced the mitigation plans submitted by the parties. Only six parties had submitted mitigation plans for obtaining the EC. However, none of the six parties have executed the mitigation plans. As per the mitigation plans submitted by the parties, they are required to carry out mitigation work valuing to Nu.622.581 million. The non-execution of mitigation plans indicates lack of adequate supervision, monitoring and enforcement of the requirements by the respective DFOs.

5.2.4. CERTIFICATE OF ORIGIN AND EXPORTS

1. INADEQUACIES IN MANAGEMENT OF CERTIFICATE OF ORIGIN

The RTIO had not maintained the Certificate of Origin (CoO) adequately as the CoOs were issued in bulk and in advance to private parties. There were also instances where the information in the CoO were not adequate, the CoO were cancelled and copies were found missing. Such lapses could lead to misuse of the CoO by other parties, tax-evasion, use of CoO for purpose other than issued and inadequacies to authenticate the actual quantities of exports.

2. NON-COMPLIANCE TO GUIDELINES FOR ISSUANCE OF CERTIFICATE OF ORIGIN

The RTIO, Phuentsholing had failed to ensure that required documents were produced by parties for issuance of the CoO. The Letter of Credit (LC No.) though required by the CoO form was not recorded properly and consistently. Inadequacy in such vital information may lead to payment for the exports in cash instead of being transferred to the LC account. There was also no system or practice in place to assess whether the export material had added any. The requirement of two different stamps/seals on the CoOs was also not maintained as only round stamp was obtained on the CoO and no stamp of the issuing authority is obtained. Without the stamp of the issuing authority on the CoO, it is difficult to ascertain who has issued the CoO and whether the official who had issued has authority to issue or not.

3. MASSIVE EXTRACTION OF RBM DUE TO INCREASED EXPORT

The extraction of RBM had increased greatly due to FNCRR which allows for export leading to negative impact on the sustainability and environmental safety. The extraction has increased from 41,488MT in 2015 to 1,962,015MT in 2018 mainly due to increase in export of RBM. Of the total extraction from January 2015 to October 2018, the domestic consumption was only 0.318 million MT representing 9.50 % and the export quantity was 3.031 million MT representing 90.49 % of the total consumption. If extraction of RBM continues at the same trend, the sustainability and environment safety remain uncertain.

4. EXPORT OF RBM WITHOUT EXPORT APPROVALS

The DFOs, Gedu and Samtse had failed to regulate export of RBM resulting in export without approvals. The quantity exported and quantity for which approval for export was granted showed the 309,468MT of RBM were exported without approval. The exports without approvals is due to failure on the part relevant authorities to exercise proper supervision and monitoring. Further, the export of RBM in excess of approved quantities led to incorrect information on exports records maintained by DoFPS which may impede informed decision making.

5. DISCREPANCIES IN QUANTITIES LEADING TO NON-ACCOUNTAL OF ROYALTY AND PERMIT FEES - NU. 25.764 MILLION

The DFOs, Gedu and Samtse had failed to conduct proper supervision and monitoring resulting in collection and dredging of RBM without paying royalty, permit and export fees to the tune of Nu 25.764 million. The royalties and permit fees for surface collection and dredging of RBM were paid in advance of collection and dredging. However, the quantities for which royalty and permit fee had been paid vis-à-vis quantities collected comprising of stocks balance at site and quantities exported showed that the quantities collected exceeded the quantities for which royalties and permit fees were realized. The collection and dredging of RBM without paying for royalty, permit and export fees is indicative of failure on the part of relevant authorities to exercise due diligence besides a financial implication of Nu. 25.764 million.

6. STOCK DIFFERENCES AND IRREGULARITIES THEREOF

The DFOs, Gedu and Samtse had failed to collect royalties and permit fees for the excess collection of RBM amounting to Nu. 0.356 million and failed to appropriately assess the stock balance from Mrs. Sonam Dema. The Samtse Range Office had collected royalty and permit fees amounting to Nu. 2.052 million for surface collection and dredging of RBM of 41,039 truckloads against the available 43,158 truckloads. The DFOs had also failed to carry out physical verification of the stock balance of another site at Toorsa river belonging to Mrs. Sonam Dema.

5.2.5. FINANCIAL IMPLICATIONS TO THE GOVERNMENT

1. REVENUE FOREGONE DUE TO DIRECT AWARD – NU. 299.868 MILLION

The DoFPS had directly awarded the surface collections and dredging of RBM to 33 individuals and private parties without resorting to auctioning or awarding to NRDCCL forgoing huge

revenue. It not only deprived the government of additional revenue amounting to Nu. 299.868 million but also deprived competition and fair opportunity to the citizens who are trustees of state resources.

2. FINANCIAL IMPLICATION DUE TO NON-OPERATION BY DGM- NU. 23.494 MILLION

The inclusion of dredging of RBM in surface collection had led to lower royalty and leading to financial implication of Nu 23.494 million due to operation of dredging activities by private parties instead of DGM. Although the activity of dredging is similar to mining is included in surface collection and applicable to royalty as levied by DOFPS. The dredging, if considered as mining, would be governed and managed by the Department of Geology and Mines (DGM) with different rate of levies leading to financial gain to the government.

5.2.6. RECOMMENDATIONS

The RAA provided following recommendations to address the legal, policy, institutional framework governing the surface collection and dredging of RBM inadequacies:

- Harmonize conflicting provisions in the existing regulations governing surface collection, dredging and export of RBM;
- Review the Legality of “dredging” to ensure financial gain;
- Consider revision of royalty rate for RBM;
- Issue, approval and implementation of the various clearances should be strictly enforced;
- Proper coordination, monitoring and supervision between and amongst relevant authorities should be enhanced; and
- Carryout inspection to curb illegal activities.

The implementation of the above recommendation would help the agencies to overcome lapses and sustainably harvest the RBM besides contributing towards the country’s economic growth and development.

5.3. GOVERNMENT PROPERTY MANAGEMENT

The objective of the Compliance Audit was to ascertain whether the Government Property Management system is in compliance to Property Management Manual, Financial Accounting Manual (relevant excerpts), other relevant/applicable rules and regulations. The focus of the audit included acquisition, storage, maintenance, utilization, disposal and record-keeping of government properties. The audit was conducted covering a period of three years from 01 July 2015 to 30 June 2018 for a sample of 16 government agencies beside the Department of National Properties.

On review, the following cases of non-compliances in government property management were observed which have not been resolved;

5.3.1. ACQUISITION AND RECORD KEEPING

1. NON-ACCOUNTAL AND REGISTRATION OF EQUIPMENTS

- a) The Department of Medical Supplies and Health Infrastructure under the Ministry of Health had received various health related equipment from various donors for which there were no corresponding records and accountal in the Fixed Assets Register besides not registering with the DNP. This is in contravention to the Property Management Manual which requires properties received as grants in-kind to be recorded and accounted alongside registering with DNP.
- b) Various government agencies had no system of endorsing a copy of the updated asset inventory to the DNP while submitting their budget proposal in contravention to the Property Management Manual.
- c) Most sampled agencies for the audit of Property Management had not submitted required information as per PMM-3 for surrender of obsolete properties to the DNP in contravention to the provisions of the Property Management Manual. The required information pertaining to the original value, cost of acquisition and depreciated value were mostly left blank without which it would be difficult to ascertain the fair value of the properties during auction by DNP.
- d) The PMM requires that the DNP shall register the non-expendable properties in their central inventory and allot an identification code to each item. This is done to ensure that the properties can be easily traced and tracked. However, most agencies had not registered their properties leading to non-codification of the properties for properties procured during 2015-2018.

2. LAPSES OF THE DEPARTMENT OF NATIONAL PROPERTIES

- a) The Department of National Properties is mandated to maintain an updated central inventory of non-consumable properties of the government which was not maintained for land and building for government agencies. The accuracy and comprehensiveness of the existing inventories is also questionable with weak recording/updating system. Aside from land and buildings, there was no central inventory maintained with the DNP for other non-expendable properties.
- b) The Department of National Properties had not compiled the required annual reports on agency-wise non-expendable properties despite existing mandate to do the same. Lack of the annual report hampers appropriate procurement and management system for government properties.

5.3.2. UTILIZATION AND MANAGEMENT OF PROPERTIES

1. LAPSES IN UTILIZATION OF PROPERTIES

- a) The Property Management Manual prescribes agencies to utilize properties responsibly and judiciously which includes use of properties for their useful life. The Royal Education Council had used computers for 3-4 years only when their useful life indicated six years thereby contributing to injudicious expenditure and unnecessary purchases.
- b) The government norms and requirement states that an official should be provided with one computer-either a laptop or a desktop. The REC had, however, supplied more than one computer to an individual official in contravention to the government norm and requirements.
- c) Although the Budget Manual requires agencies to carryout proper need analysis for procurement, the same was not followed in all the sample agencies for which review of property management was audited. The same could lead to non-rationalization and wastage of government's limited revenue.

2. LAPSES IN MANAGEMENT OF PROPERTIES

- a) Some agencies of the government had failed to maintain fixed asset register for the non-expendable properties and had only recorded the properties in the stock register which is against the requirements of the Property Management Manual.
- b) There were instances where agencies had failed to maintain the details as required by the Property Management Manual for recording of properties in the Fixed Assets Register. Information relating to current location of properties, DNP's identification code, maintenance done, depreciation and transfer/disposal were not recorded.
- c) There was no practice of conducting annual physical verification of the properties as required by the PMM in all the sampled agencies which could lead to loss, damage and misuse of properties.
- d) The Royal Education Council had transferred various properties to other government agencies without updating in the corresponding property registers in contravention to the requirement of the Property Management Manual. The information on the transfer was not shared with the DNP for updation in the central inventory leading to inaccurate information.
- e) The Property Management Manual has a property transfer note (PMM-4) which should be used to record transfer of property from one government agency to another. However, the Royal Education Council had transferred various properties without using the prescribed form and without sending a copy to the DNP for updation in the central inventory.

5.3.3. DISPOSAL OF PROPERTIES

1. INADEQUATE INFORMATION ON SURRENDER OF PROPERTIES

Most sampled agencies for the audit of Property Management had not submitted required information as per PMM-3 for surrender of obsolete properties to the DNP in contravention to the provisions of the Property Management Manual. The required information pertaining to the

original value, cost of acquisition and depreciated value were mostly left blank without which it would be difficult to ascertain the fair value of the properties during auction by DNP.

2. NON-SURRENDER OF PROPERTIES

Various agencies had not surrendered a total of 41 old vehicles which were above 15 years old to the DNP in contravention to the directives of Lhengye Zhungtshog. The directive had intended to withdraw old vehicles in a phased manner considering the safety and high emission rates which was not followed by some of the sample agencies.

3. REALLOCATION OF SURRENDERED PROPERTIES

The Department of National Properties had re-allocated 27 surrendered pool vehicles to various agencies with approval from Ministry of Finance which is in contradiction to the Lhengye Zhungtshog order requiring pool vehicles to be withdrawn in a phased manner considering the safety of using pool vehicles owing to its old condition and high emission rate.

5.3.4. RECOMMENDATIONS

These cases of non-compliances with regard to property management under all three phases – acquisition and issue, maintenance and utilization, and the disposal of properties - needs to be addressed for effective management of government properties. These non-compliances observed had resulted mainly because of the following:

- Lack of awareness on the requirements of the property management;
- Lack of training on the required procedures of property management;
- Lack of competent personnel dealing with/for property management; and
- Non-stabilization of the system ‘Asset Inventory Management System’ (AIMS).

Therefore, in order to address these root causes that will prevent and avoid the recurrence of these non-compliances in the future, the RAA recommends the following:

- a) The Department of National Properties should initiate to provide awareness and training on the Property Management, its requirements and procedures to all the budgetary agencies;
- b) The Department of National Properties should expedite the stabilization of its new system ‘Asset Inventory Management System (AIMS)’. Once the AIMS is stabilized, the DNP should acquaint and train the concerned officials of all the budgetary agencies at length on AIMS; and
- c) The concerned agencies with no designated procurement and properties related officials should initiate redeployment of officials within their available human resources for effective property.

CHAPTER 6

6. PERFORMANCE AUDIT REPORTS

During the year the RAA issued 11 Performance Audit Reports as follows:

6.1. FOOD SELF-SUFFICIENCY AND SECURITY

The audit on Food Self-sufficiency and Security was conducted to ascertain the existence and/or adequacy of legal and institutional framework; policies of the Ministry of Agriculture and Forests in enhancing food self-sufficiency and security; and to review and assess the efficiency and effectiveness of the Ministry's interventions for enhancement of availability and accessibility of food. The audit was conducted in the Department of Agriculture, MoAF covering the period 2012-13 to 2016-17. The report discussed the notable initiatives and positive developments as well as deficiencies and shortcomings. The report contains 10 findings and 14 recommendations aimed at enhancing efficiency and effectiveness in enhancing food self-sufficiency and security.

6.2. HOUSING DEVELOPMENT - ADEQUACY AND AFFORDABILITY

The audit on Housing Development – Adequacy and Affordability was conducted with an overall objective to ascertain the effectiveness of national policies, mandates, institutional systems and housing development activities including home ownership programmes in providing adequate, affordable and livable housing in urban centers. The audit also studied the situation of the informal settlements within the Thimphu and Phuentsholing and visited relevant stakeholders such as MoWHS, NLC, NHDCL, NPPF, NSB, Thimphu Thromde and Phuentsholing Thromde. The audit covered the period from 2013 to 2017 focusing on Thimphu Thromde and Phuentsholing Thromde. The report contains the significant progress made by the mandated institutions and the deficiencies with room for improvement in the whole spectrum of housing development. The report has nine findings and fifteen recommendations aimed at strengthening the legal and policy environment for housing development.

6.3. GOVERNMENT VEHICLES AND FOREIGN VEHICLE QUOTA SYSTEM

The review on Government Vehicles and Foreign Vehicle Quota System was carried out with an overall objective to determine whether the Government vehicles and foreign vehicle quota were operating economically, efficiently and effectively. The RAA conducted the review in 10 Ministries, Royal Court of Justice, Dzongkhag Administrations in Chhukha and Paro, Thromde Administrations in Thimphu and Phuentsholing and the National Land Commission Secretariat. The audit covered the period from 2013-14 to 2017-18. The report highlights positive initiatives as well as shortcomings and deficiencies observed. The report has eight findings and eleven recommendations requiring appropriate policy interventions at appropriate levels.

6.4. PUBLIC SERVICE DELIVERY THROUGH G2C PLATFORM

The IT Audit on Government to Citizen (G2C) system assessed the efficiency and effectiveness in public service delivery through G2C platform. Two online services for issuance of passport under Ministry of Foreign Affairs and issuance of rural timber permit by Ministry of Agriculture and Forests were reviewed. The audit also reviewed the governance and management aspects of the G2C services concerning Public Services and Grievances Redressal Division, Department of Local Governance, Community Centres, and Department of Information Technology and Telecom. The audit covered the period from 01 January 2015 to 31 December 2017. The report has six audit findings and nine recommendations aimed at enhancing efficiency and effectiveness in public service delivery through G2C platform.

6.5. CORE BANKING SYSTEM IN BHUTAN DEVELOPMENT BANK LIMITED

The IT Audit on Core Banking System (CBS) in Bhutan Development Bank Limited assessed the effectiveness of system migration in achieving the organisation goals including accuracy and completeness of data migration, effective incorporation of compliance requirements, adequacy and effectiveness of IT controls in Finacle CBS. The report discussed both achievements brought in by the implementation of Finacle CBS and shortcomings it suffered. The IT audit covered the period from 01 April 2017 to 30 September 2018 and contains six audit findings and four recommendations targeted to improve and enhance CBS and its services.

6.6. REVIEW OF JUDICIARY SYSTEM AND PRACTICES

The review of Judiciary System and Practices was conducted to ascertain the efficiency and effectiveness in delivering fair, just and equitable justices. The review was conducted in the Royal Courts of Justice covering the period from 2012 to 2016. The report contains three audit findings with 22 sub-findings and 17 recommendations.

6.7. ROAD MAINTENANCE WORKS

The audit on Road Maintenance Works was conducted to ascertain the economy, efficiency and effectiveness of Department of Roads (DoR) in the operation and management of road maintenance works. The audit was conducted in the DoR, Ministry of Works and Human Settlement and five Regional Offices of Thimphu, Lobeyesa, Sarpang, Lingmithang, and SamdrupJongkhar, covering the period from 2013-14 to 2017-18. The report contains three audit findings with 23 sub-findings and eight recommendations.

6.8. SOCIO-ECONOMIC IMPACT OF MICRO-FINANCING

The audit on Micro-financing was conducted to ascertain the efficiency and effectiveness of micro-financing services in terms of agricultural development, poverty alleviation and women empowerment and entrepreneurship. The objectives were to ascertain whether there were clear strategic focus, adequate regulations and appropriate institutional systems in micro-financing; to assess whether there were effective and appropriate systems of appraisal, approval and

follow-up mechanisms for credit and non-credit microfinance management; and to assess the extent of intervention through micro-financing operations in agricultural development, poverty alleviation, women empowerment and entrepreneurship. The audit was conducted in Royal Monetary Authority (RMA), Bhutan Development Bank Limited (BDBL), Rural Enterprise Development Corporation Limited (REDCL), Respect, Educate, Nature, and Empower Women (RENEW) and Bhutan Association of Women Entrepreneurs (BAOWE). The audit covered the period from 01 January 2014 to 31 December 2018 and the report contains three audit findings with 18 sub-findings and six recommendations.

6.9. URBAN PLANNING AND DEVELOPMENT IN THIMPHU THROMDE

The audit on Urban Planning and Development in Thimphu Throm was conducted with the objectives to ascertain the existence of appropriate institutional framework for effective and efficient urban planning and development, and compliance to urban planning and development standards and norms. The audit identified the implementation of the Thimphu Structure Plan (TSP) 2002-2027 as the main plan document and focused primarily on institutional framework, land use, traffic and circulation, road and footpath components of the TSP. The audit was conducted at the Thimphu Thromde and Department of Human Settlement, MoWHS and covered the period from 2013-14 to 2017-18. The report contains two audit findings with 18 sub-findings and 11 recommendations.

6.10. IT SYSTEMS IN ROYAL MONETARY AUTHORITY

The audit on IT Systems in RMA was conducted to determine the efficiency and effectiveness of Integrated Central Banking system (ICBS), Indian Rupee and Convertible currencies system (INRandCC) and Authorized Money Changer (AMC) systems in RMA. The audit mainly assessed whether IT based system deliver the operations of RMA efficiently and effectively; and ascertained the adequacy of general and application controls in the IT systems under review. The audit covered the period from 01 January 2018 to 31 December 2018. The report contains four audit findings and four recommendations targeted to render the systems' effectiveness and credibility.

6.11. REVIEW OF 11TH FIVE YEAR PLAN

The Review on Implementation of 11th Five Year Plan was conducted to ascertain the extent to which the input deliverables, activities, targets/goals and objectives were achieved. The formulation process of targets and indicators at the national and agency levels were reviewed, as well as the realization of overall objectives by assessing the achievement of National Key Result Areas and Sector Key Result Areas. The review was conducted in the Gross National Happiness Commission, all Ministries, Nine Autonomous Agencies and the Government Performance Management Division under the Prime Minister's Office, and covers the period from 2013-14 to 2017-18. The report contains six audit findings and three recommendations.

CHAPTER 7

7. OTHER MATTERS

7.1. OTHER REPORTS

During the year, the RAA issued an Auditor General's Advisory Series on 'Bhutan Schedules of Rates (BSR) and its applications by the Government Agencies' to the Government in line with the Section 114 of the Audit Act of Bhutan 2018, which stipulates, "The Auditor General may submit to His Majesty the Druk Gyalpo, the Prime Minister and the Parliament, any other report including the Auditor General's Advisory Series and Occasional Papers covering specific or range of issues intended towards promoting accountability, transparency, integrity and value for money in public operations".

The overall objective of the review was to ascertain whether the existing Bhutan Schedules of Rates is being uniformly and consistently applied across all government agencies, and achieving value for money in implementation of Government and Donor Funded infrastructure Projects.

The review noted several significant findings, and accordingly, following recommendations were provided with a hope to further improve the BSR, and render more accurate and realistic basis of estimating cost of public works and regulating expenditure thereto and deriving value for money.

- The Ministry of Works and Human Settlement should ensure mandatory and appropriate use of the published BSR in the estimation of project cost;
- BSR should either incorporate all Dzongkhags as Base Town or provide appropriate cost indices to avoid inconsistencies in the application of cost indices;
- Develop Standard Format and procedures for computing weightage percentage of particular material in terms of total cost of the project;
- Develop Standard guidelines in deriving labour and materials cost at project locations as to ensure realistic calculation of cost indices;
- BSR should incorporate machinery and equipment hiring rates prevailing in the market instead of CDCL hiring charges;
- Develop Standard Format and procedures for carrying out rate analysis of item;
- Labour and Material coefficients should recognize and reflect the rapid mechanization of construction industry;
- BSR should be made more comprehensive;
- The Ministry should institute adequate and effective monitoring mechanism to render effective and cost-effective cost indices and rate analysis for project cost estimations;
- Database for prevailing prices of various brands of materials available in the market including labour at Dzongkhag levels should be maintained;
- Ministry should ensure that all government agencies and engineering personnel are adequately acquainted with the process and procedures in the calculation of cost indices and rate analysis; and

- The rates of locally available materials at project locations should be ascertained and approved.

It is imperative that BSR is relevant, comprehensive and its application, results in preparation of accurate and reliable cost estimates and analysis of rates, and also in effectively regulating payments for variations. It is, therefore, advisable that government embraces a holistic and systematic approach to strengthen the calculation of cost indices and rate analysis and achieve value for money from realistic and reliable estimation of project costs.

7.2. AUDIT ISSUES UNDER ARBITRATION

With the establishment of Bhutan Alternative Dispute Resolution Centre, the contractors have increasingly resorted to taking audit issues for arbitration. As per the records maintained by the RAA, fourteen cases involving audit observations amounting to Nu. 44.622 million were taken for arbitration during the year.

7.3. AUDIT ISSUES REMAINING UNRESOLVED AFTER COURT VERDICTS

Eight audit issues have remained unresolved even after the issue of verdict by the Royal Court of Justice.

7.4. AUDIT ISSUES FORWARDED TO ACC

In line with Section 34(7) of the Audit Act of Bhutan 2018, the RAA forwarded two cases from reports issued in 2019 that indicated existence of fraud and corruption to the Anti-Corruption Commission (ACC). The cases were forwarded by the Follow-up and Clearance Division of RAA as required actions were not initiated against the incumbent.

7.5. PENDING ISSUES WITHOUT RESPONSES

During the period, two audit issues from past audit reports pertaining to non-execution of works and execution of substandard works have remained unresolved due to lack of response from the audited agencies even after serving the Action Taken Reminder.

CHAPTER 8

8. RECOMMENDATIONS

8.1. NEED FOR AGENCIES TO ENFORCE CONTRACTUAL PROVISION OF INSURANCE FOR WORKS

The Standard Bidding Document requires for providing insurance cover from the Start Date of work to the end of Defect Liability Period with minimum insurance amounts and deductibles specifically provided under Special Conditions of Contract. The contractor is required to provide, in the joint names of the Employer and the Contractor, insurance cover to provide for any risk of loss of or damage to the works, plants and materials to be built into the works. In the event the contractor does not provide any of the policies and certificates required, the Employer may affect the insurance which the contractor should have provided and recover the premiums the employer has paid from payments.

The RAA's findings on the review of works contract showed that most of the procuring agencies do not comply with insurance requirement. In most instances, it was found that neither the contractors provide insurance cover nor the procuring agencies initiate provision of insurance on behalf of the contractor. In cases of unforeseen events wherein losses of/or damage to works result in contractors not being able to restore/remedy the damages as there had not been any protection against such losses. Such losses are merely attributed to factors beyond control of the contractors and in most cases, procuring agencies do not insist on delivering commensurate value of work. Such practices result in government not getting value for money in procurement of works.

In order to ensure adequate safeguard and protection of interest of both the contractors as well as the government, the relevant authorities must make it mandatory for contractors to comply with the insurance requirement as per the Standard Bidding Documents. Only those works or contract that may not require insurance coverage by virtue of being lesser value or whose risks from damages are very remote may be exempted so as to avoid hiking of cost of contract.

8.2. NEED TO ENSURE COMPLIANCES TO GOVERNMENT PROPERTY MANAGEMENT MANUAL IN MANAGING GOVERNMENT PROPERTIES

The Government Property Management 2016 prescribes procedures considered essential for up-keeping of proper inventories of all Government Properties, establishment of and adherence to the maintenance schedules, ensuring economic and rightful utilization and establishment of accountability. These are basic procedures prescribed for management of government properties and the line agencies are expected to institute additional procedures as part of their respective administrative and internal control measures.

The RAA had carried out the compliance review of Government Property Management System covering areas of acquisition, storage, maintenance, utilization, disposal and record-keeping of government properties for the select government agencies including the Department of National

Properties. The RAA noted several lapses as reported in this report mainly regarding recording and inventory of properties apparently fueled by inadequate monitoring and reporting process. The non-compliances to the basic procedures of Government Property Management in recording and maintenance of proper records undermines the very intent of ensuring proper safeguards and accountal of government properties and also ensuring that it is used for rightful purposes. The RAA observed various inconsistent practices of managing government properties across agencies disregarding the prescribed procedures.

There is a need for the Department of National Properties (DNP), MoF to mandate all line agencies to ensure compliances to Government Property Management in managing government properties. As a central agency, the DNP is required to spearhead the development of appropriate information system to facilitate centralized inventories of properties maintained at all government agencies and ensure continuous monitoring and reporting on overall management of government properties.

8.3. NEED FOR RECTIFICATION/RECONCILIATIONS OF DIFFERENCES IN ACCOUNTS OF BUDGETARY AGENCIES

One of the common issues of accounting noted in the budgeted agencies is the non-reconciliation of financial statements. These are mostly due to lapses such as wrong booking, non-carry forward of account balances of previous years, non updation in the accounting systems, non-obtaining of releases for refundable deposits, non-deposit of funds in refundable deposits etc. These differences or unreconciled figures continue to distort the financial statements if not rectified and corrected in the system based on required evidences. For such cases, the RAA insists on initiating rectification of accounts by the respective budgetary agencies in consultation with the Department of Public Accounts since it is a centralized system which needs involvement of department for any rectification/corrections to be made in the system.

However, despite repeated recommendations of RAA to resolve the issues in consultation with the Department of Public Accounts, these issues continue to surface across many budgetary agencies. Therefore, besides initiating remedying the system to prevent such errors hence, the Department of Public Accounts must review the existing differences across all budgetary agencies and resolve it through proper authentication of those differences.

8.4. REVIEW THE PREVALENT PRACTICE OF GRANTING ADVANCES TO CONTRACTORS BEYOND THE SCOPE OF PRR

The Procurement Rules and Regulations 2019 specifies only forms of advances to be released to contractors engaged by the government procuring agencies; mobilization and secured advances. The mobilization advance of 10% of the contract price is allowed against the unconditional guarantee issued by a reputed Financial Institution. The advance is recoverable through a percentage deduction from the interim progress payments and the full recovery is made prior to the time when 80% of the contract price is certified for interim progress payment. The secured advances are allowed against the construction materials brought at site by the contractor subject to maximum of 75% of the cost of materials delivered at site. The recoveries are to be made from the interim progress payments in the months in which these materials are used in the works.

The RAA noted that in most cases, the procuring agencies resort to releasing other forms of advances beyond the scope of the Procurement Rules and Regulations 2019. Most common forms of additional advances include special advances, and advances against running bills. The RAA noted that these forms of advances are resorted to in situations of poor progress of works to expedite the progress. However, such practices though done in good faith, does not bear legality as far as procurement norms are concerned. There were also cases of excessive advances being released in this manner and had remained unrecovered even after completion of works. If not restricted, such practices may lead to indiscriminate release of advances having little regard to PRR. Further, the RAA also noted recoveries of advances were not regulated as per the procedures specified in the PRR and had remained outstanding against the contractors. These practices not only contravene the extant norms of the Public Procurement but also potentially distort overall financial management of the Royal Government.

There is a need to determine legality of advances granted beyond the scope of the PRR. The MoF should review the prevalent practices and ensure that appropriate remedies are put in place to comply with the prevalent rules.

8.5. NEED FOR GUIDELINES ON HOSPITALITY AND ENTERTAINMENT EXPENSES

The use of the Hospitality and Entertainment budget was one of the thrust areas of audit in the Financial Year 2018-19. The RAA noted various inconsistent practices adopted in the use of this budget. For the purpose of review of hospitality and entertainment expenses, the RAA used principle of financial management in exercising prudence and incurring expenditure as applicable to other forms of expenditures. Since the purpose of hospitality and entertainment expense ranges to a wide extent, there is a difficulty in ascertaining the admissibility of certain expenditure booked under this budget head. Therefore, in the absence of appropriate guidelines to regulate such expenditure, there is a risk of indiscriminate use and misappropriation of government fund.

In order to provide appropriate control over this expenditure head, there is a need to develop guidelines that specifies principles, scope and purpose of such expenditure.

8.6. NEED TO REVIEW POLICY OF DIRECT PURCHASE OF HDPE PIPES FROM DOMESTIC MANUFACTURERS

The Ministry of Finance had issued Circular in 2015 requiring all government agencies executing government budgeted construction works that use HDPD pipes to procure from the recognized manufacturer M/s Bhutan Polythene Company Limited and M/s Bhutan Plastic Industry. The MoF had drawn contractual agreements wherein the domestic manufacturers agreed to offer a bulk purchase rebate to the government. This measure was intended to curb inflow of substandard products towards achieving value for money. As an arrangement to facilitate direct purchase, the procuring agencies are required to make mandatory for the contractors to procure brands of Druk Pipes and Rabten Pipes by incorporating it in the bidding documents. The procuring agencies are required to submit report of HDPE pipe procured by contractor to the Department of National Properties for validation of the rebate offered by the domestic manufacturers.

The current arrangements for direct purchase from local suppliers are intended to support domestic industries as well as to ensure quality of pipe. However, the RAA on many occasions had observed that most procuring agencies do not submit report of HDPE pipe procured by contractors to the Department of National Properties for validation of rebates. In such situations, the government may not be able to realize the actual rebates from the suppliers. Further, this mandatory requirement to purchase from identified sources restricts use of other brands/make of pipes which have passed quality requirement test conducted and certified by the Bhutan Standard Bureau.

Therefore, there is a need for review of the requirement set for purchasing from identified sources vis-à-vis certification requirements of pipes manufactured by other manufacturers within or outside the country.

PART II

CHAPTER 9

9. PERFORMANCE OF RAA

This section is on the overall achievement of the RAA during the FY 2018-2019. It consists of activities, program, functions and operations conducted within the year, which are aligned to RAA's Strategic Plan 2015-2020, through the implementation of Operational Plan 2015-2020.

9.1. ABOUT RAA

The Royal Audit Authority (RAA) derives its mandates from the Article 25.1 of the Constitution of the Kingdom of Bhutan, which states that, *"There shall be a Royal Audit Authority to audit and report on the economy, efficiency and effectiveness in the use of public resources."* The Article 25.4 of the Constitution further provides that *"The RAA shall, without fear, favour or prejudice, audit the accounts of all departments and offices of the Government, including all offices in the Legislature and the Judiciary, all public authorities and bodies administering public funds, the police and the defense forces as well as the revenues, public and other monies received and the advances and reserves of Bhutan"*.

Since 1985 the RAA was declared as an autonomous body, followed by the declaration as the Constitutional Body in December 2005. The Authority has four regional offices strategically located across the Kingdom. In the fulfillment of constitutional responsibilities, the RAA conducts financial, compliance and performance audits.

9.1.1. STRATEGIC PLAN 2015-2020

The RAA's Strategic Plan 2015-2020 is the second successive plan which was formulated to align to the term of the current Auditor General.

The Outcomes of the Strategic Plan 2015-2020 are:

Greater audit impact leading to improved accountability, transparency and ethical behavior in the public sector in Bhutan; and

Improved public sector performance in National Key Result Areas and Sustainable Development Goals commitments in achieving the Gross National Happiness.

In order to channel the resources, efforts and initiatives of the RAA to ensure that it contributes to achievement of the intended outcomes, the following three Strategic goals are identified:

- ✓ RAA delivers high quality audits as per international standards, including ISSAIs - **Delivering Quality**;
- ✓ RAA leads by example in being accountable, transparent and ethical organization - **Demonstrating Excellence**; and
- ✓ RAA enjoys strong partnerships and cooperation with key stakeholders - **Fostering Collaboration**.

To measure progress and achievement of outcomes and goals of the plan, key performance indicators were identified, and progress of the Strategic Plan is reviewed and revised during the mid-term and terminal reviews.

9.1.2. OPERATIONAL PLAN 2015-2020

The Operational Plan 2015-2020 is the implementation strategy of the Strategic Plan. It consists of specific activities classified under four programs given below:

- i. Audit and Assurance Services;
- ii. Professional Staff Development;
- iii. Institutional and Organizational Systems Development; and
- iv. Collaboration with Stakeholders.

The activities planned in its Operational Plan are implemented through Annual Audit Plan, Annual Audit Schedule and Annual Performance Targets. The implementation, progress and achievement of operational plan are reviewed during mid-year and annual reviews.

9.1.3. AUDIT UNIVERSE 2018-2019

The RAA annually updates the list of agencies to be audited based on information provided by the relevant authorities i.e. Ministry of Finance, Gross National Happiness Commission, Donors, etc. Since it is not feasible to audit all the agencies every year due to limited resources, the audit agencies are categorized into three categories based on the regulatory requirements and, size and functions of the agencies. Agencies categorization exercise has helped the RAA to prioritize and rationalize its annual audit plans and annual audit schedules. During the year, there were 816 agencies with 1237 accounts to be audited. In addition to certification of financial audits, the RAA also conduct compliance and performance audits on theme based topics.

9.1.4. ANNUAL AUDIT PLAN 2018-2019

The Annual Audit Plan (AAP) contains all the activities to be implemented during the year. The Annual Audit Schedules is one of the main components of the AAP and it consists of list of agencies and audit topics planned to audit in the year. For the FY 2018-2019, the RAA planned to conduct a total of 648 numbers of audits. Based on the experiences gained from past audits and also on current issues and priorities, audit thrust areas were identified, which are as below:

- I. Closed works; and
- II. Property Management in Public offices

The Audit Thrust Areas ensure special focus on pertinent issues and priorities in the public sector. The AAP also consists of a list of activities to be implemented and Annual Performance Target based on which the budget for FY 2018-2019 is approved.

9.1.5. IMPLEMENTATION OF OPERATIONAL PLAN

I. AUDITS CONDUCTED

The RAA conducted 616 audits during the year, which comprised of 558 Financial Audits, 52 Compliance Audits, and 6 Performance Audits as shown in **Table 9.1**. The number includes audits completed within 31 December 2019 but excludes those audits started and under progress at the close of the year.

AUDIT TYPE	AUDITS CONDUCTED
Financial Audits	558
Compliance Audits	52
Performance Audits	6
Total	616

Table 9.1: Audits conducted in 2019

II. AUDIT REPORTS ISSUED

The Audit Reports are issued after a prescribed time period upon completion of audits. This is to ensure that responsible agencies initiate timely follow-up actions on issues and recommendations provided in the report. During the period, the RAA issued 565 audit reports as shown in the **Table 9.2**. These comprised of 497 Financial Audit Reports. The RAA also issued 57 Compliance Audit Reports, and 11 Performance Audit Reports.

AUDIT TYPE	REPORTS ISSUED
Financial Audits	497
Compliance Audits	57
Performance Audits	11
Total	565

Table 9.2: Audits Reports issued in 2019

III. STATUTORY AUDITS

During the year, the RAA also issued 43 Statutory Audit Reports pertaining to the corporations and financial institutions. The Chartered Accountant Firms empaneled with the RAA carried out the statutory audit of these corporations and financial institutions. As per Section 255 of the Companies Act of Bhutan 2016, the Auditor General is the ex-officio auditor of the government and government controlled companies.

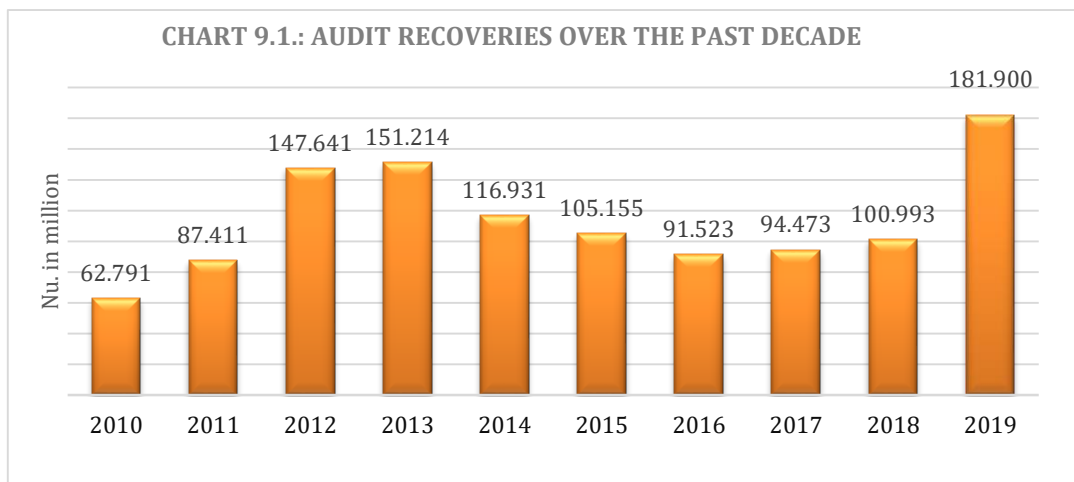
IV. FOLLOW-UP AUDIT REPORTS

In order to ensure that the auditing processes produce appropriate results, and also to expedite the settlement of the outstanding audit issues, follow-up of audit reports are carried out at various stages and levels. In the year 2019, the RAA issued 473 follow-up reports.

V. AUDIT RECOVERIES

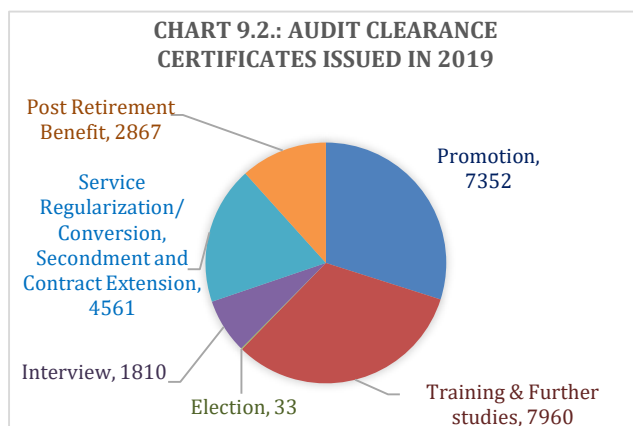
In the year 2019, the RAA made audit recoveries of Nu. 181.900 million which was collected and maintained with the Audit Recoveries Account (ARA). The recovery amount has increased by 80.11% as compared to Nu. 100.993 million in 2018. The audit recoveries made over the last 10 years are illustrated in **Chart 9.1**.

The recoveries amount reflected excludes Nu. 10.356 million recovered from Corporations and Financial Institutions which are retained in their respective ARA.



VI. AUDIT CLEARANCE CERTIFICATES

During the year 2019, the RAA issued 24,583 Audit Clearance Certificates for various purposes as shown in **Chart 9.2.** The Audit Act of Bhutan 2018 mandates issuance of Audit Clearance Certificates to public officials. This process of issuing Audit Clearance Certificates to public officials serves as an important tool for RAA to enhance accountability in the overall governance system and instill sense of accountability and responsibilities.



VII. EXTERNAL AND INTERNAL AUDIT OF RAA

To ensure good internal governance of the RAA, accounts and operations of the office is audited annually by external as well as internal audits. This is also in line with the Audit Act of Bhutan 2018. The accounts and operations of the RAA for the FY 2018-19 was audited by the Gupta and Co., Kolkata. The Auditor's report along with certified Receipts and Payments Statement of the RAA is given in **Exhibit I.** The auditor was appointed by the Public Accounts Committee.

To further add value to external audit of the RAA, internal audit of its Headquarter and the four regional offices, covering FY 2018-19 period was also conducted by an internal audit team. As mandated by the Audit Act 2018, the internal audit team was formed by the Audit Committee of RAA.

9.2. INSTITUTIONAL LINKAGES

9.2.1. NATIONAL LEVEL

I. PARLIAMENT

The RAA tabled the Annual Audit Report (AAR) 2018 and four performance audit reports during the 2nd Session of 3rd Parliament. The RAA also attended two days consultative meeting organized by the Public Accounts Committee (PAC) for unresolved observations in AARs from 2010 to 2017 at Gelephu for four Dzongkhags Administration of Dagana, Tsirang, Trongsa and Zhemgang, and the Gelephu Thromde. The RAA also presented AAR 2018 to the PAC and Members of Parliament on 24 July 2019. The presentation focused on significant findings and key recommendations.

II. GOVERNMENT AGENCIES

The RAA, GNHC and MoF conducted meeting to discuss on way-forward for audit of projects, where it was agreed to audit projects at Project Management Unit (PMU) in order to overcome resource constraint issues, increase audit coverage and ensure effective and timely audit service.

III. CONSTITUTIONAL BODIES

The RAA continuously engages with the other constitutional offices through coordination and bilateral meetings to pursue the matters of mutual interests.

9.2.2. INTERNATIONAL LEVEL

A. INTERNATIONAL RELATIONS, COLLABORATION AND PARTICIPATION

To achieve the desired impacts and to draw synergy for the common objective of promoting good governance, the RAA has been actively involved in various international organizations and further strengthened existing institutional relationships with peer Supreme Audit Institutions (SAIs). Some of the initiatives undertaken during the year include:

I. HOSTED 10TH INTOSAI PROFESSIONAL PRONOUNCEMENTS (FIPP) MEETING IN BHUTAN

As a member of INTOSAI, the RAA has successfully hosted the 10th Forum for INTOSAI Professional Pronouncements (FIPP) meeting from 04-08 March 2019. FIPP is a permanent body of INTOSAI that oversees overall quality, clarity, consistency and practical usefulness of INTOSAI's professional pronouncements including Auditing Standards (ISSAIs).

II. INSTITUTIONAL VISITS FROM PEER SUPREME AUDIT INSTITUTION (SAIS)

During the year, the RAA has received institutional visits from State Audit Office of Vietnam (SAOV) and National Audit Office of Finland (NAOF) to discuss the possibility of devising collaborative strategies for capacity development.

The RAA has received a seven-member delegation, led by the Deputy Auditor General, from the State Audit Office of Vietnam (SAOV) from 15-31 December 2018 during which the RAA and the SAOV exchanged knowledge and experiences of institutional development, HR Management and ISSAI based Audits. Subsequent to the institutional visit of the SAOV, the RAA had an honor to receive Mr. Pham Sanh Chau, the Ambassador of Vietnam to India, Nepal and Bhutan who visited Bhutan on 04 January 2019. The Ambassador visited the RAA and expressed opportunity of future collaboration between SAOV and RAA.

In addition, a three-member delegation from National Audit Office of Finland (NAOF) led by the Auditor General of Finland visited RAA from 06-09 May 2019. The delegates imparted training on Environmental Auditing in the context of Performance Audit to 30 auditors of RAA including a session on self-awareness and change leadership by the Auditor General of Finland.

III. ATTENDED 14TH ASOSAI GENERAL ASSEMBLY AND 7TH ASOSAI SYMPOSIUM

As a member of ASOSAI, the RAA represented by the Auditor General, has attended the 14th ASOSAI General Assembly and 7th ASOSAI Symposium on the theme "Environmental Auditing for Sustainable Development" held in Hanoi, Vietnam from 19-22 September 2018. The ASOSAI General Assembly is held once in every three years and it is attended by the Auditors General of all member countries.

IV. PARTICIPATED IN VARIOUS EX-COUNTRY EVENTS UNDER SUPPORT OF IDI

Under the support of the INTOSAI Development Initiatives (IDI) the RAA has participated in Resource person for eLearning specialist held in Norway, from 14-18 January 2019, Regional Audit Review Meeting held in Thailand from 1-5 April 2019, and SPMR Resource Person Training held in Norway from 11-19 June 2019.

V. PARTICIPATED IN VARIOUS EX-COUNTRY EVENTS AND TRAINING UNDER THE SUPPORT OF ADC PROJECT

Under the support of the Austrian Development Cooperation, the RAA has participated in Follow-up of Audit Results in Thailand from 05-10 November 2018, Quality Assurance Training held in Thailand from 05-18 November 2018, IT Audit/Forensic Audit held in UAE from 11-15 November 2018, Data Analytics Training held in Singapore from 26-30 November 2018, Environment/ Social Impact Assessment held in Vietnam from 26-30 November 2018, Financial Audit Training held in UAE from 09-13 December 2018, and Citizen Participatory Audit Training held in Philippines from 17-21 December 2018.

VI. PARTICIPATED IN VARIOUS EX-COUNTRY EVENTS WITH SUPPORT OF ADB

Under the support of Asian Development Bank (ADB), the RAA has participated in ADB Workshop on Corruption held in China from 03-07 September 2019 and Asian Evaluation Week Seminar held in China from 10-14 September 2019.

VII. PARTICIPATED IN VARIOUS EX-COUNTRY EVENTS UNDER THE SUPPORT OF JICA AND KOICA

Under the support of the Japan International Cooperation Agency (JICA), the RAA has participated in the training on Cyber Security Technology held in Tokyo, Japan from 30 October to 08 November 2018. The RAA has also attended the Audit Seminar hosted by the Board of Audit and Inspection of Korea (SAI Korea) in Seoul, Korea from 29 April to 02 May 2019.

VIII. TRAININGS SUPPORTED BY COMPTROLLER AND AUDITOR GENERAL, INDIA

Under the MoU signed with the Comptroller and Auditor General (CAG) of India, two senior Audit Officers have attended Indian Audit and Accounts Service (IAAS) course at the National Academy of Audit and Accounts in Shimla. RAA also participated in International Training on Environmental Auditing and SDGs conducted by iCED, Jaipur during the year. In addition, the RAA hosted 11th Indo-Bhutan Training on Data Analytics which included Data Analytics Software like IDEA, KNIME, MS-Excel and Tableau from 08-12 April 2019 at the Professional Development Centre of RAA, Tsirang. The training was delivered by the two officials of CAG.

IX. ATTENDED IAFP AT GAO, USA

Upon invitation of the Government Accountability Office (GAO) of USA, two senior officers attended the International Auditor Fellowship Programme (IAFP), which covered areas like Strategic Planning, Performance Auditing. Leadership, etc.

X. INTERNATIONAL EVENTS AND TRAINING UNDER THE SUPORT OF RGOB

The RAA also had an opportunity to attend following ex-country events and training under RGoB funding and on support of other government agencies:

Sl. No.	Event	Funding	Country	Date
1	SAI Leadership and Stakeholders Meeting	RAA	USA	19-20 July 2018
2	INTOSAI WGEA Meeting	RAA	Indonesia	16-19 July 2018
3	WGPD Meeting	RAA	India	11-13 July 2018
4	INTOSAI WGEA Forestry Audit	RSPN	Indonesia	24-28 September 2018
5	To support Dorjidhen Moenlam Chhenmo	RAA	India	09-23 November 2018
7	Forensic Accounting and Fraud control training	GNHC	England	12-16 February 2019
8	Training on audit of waste management	RAA and Colombo Plan	India	25 February-01 March 2019
9	SAI PMF/SPMR event	RAA	Abu Dhabi	18-22 March 2019
10	WGITA Meeting	RAA	Fiji	01-05 April 2018
11	WGBD Meeting	RAA	Denmark	25-26 April 2018
12	Effective Administrative Skills Training (Batch-I)	DLG	Thailand	13-17 May 2019
13	Effective Administrative Skills Training (Batch-II)	DLG	Thailand	07-11 May 2019
14	ASP Net MVC with language	DLG	Malaysia	27-31 May 2018

9.3. ANNUAL BUDGET OUTLAY 2018-2019

For FY 2018-19, a total budget of Nu. 259.866 million was approved for the RAA, of which the current budget was Nu. 180.294 million and capital budget was Nu. 79.572 million. Against the approved budget, the RAA has utilized Nu. 251.143 million (Current - Nu. 175.194 and Capital - Nu. 75.949 million), which is 96.64% financial achievement.

9.4. HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

In the year 2019, 10 new employees were recruited. Four were recruited as regular employees and six on consolidated contract. A total of 14 employees have left RAA on voluntary resignation of which two left upon completion of contract period. One employee was transferred laterally.

Capacity development is accorded high priority in the RAA's Strategic Plan and accordingly it pursues continuous delivery of training to the auditors. In the year 2019, the RAA conducted 25 in-country trainings including in-house trainings and workshops, and 14 ex-country trainings, workshops and seminars. A total of eight employees are currently pursuing further studies.

9.4.1. RAA'S CHALLENGES AND ISSUES

A. HUMAN RESOURCE CHALLENGES AND ISSUES

I. HIGH ATTRITION RATE

The RAA faces shortage of manpower and inability to retain skills and talents in its workforce. The high attrition rate is attributable to occupational hazards associated to auditing profession. Most of the experienced auditors have either left for pursuing higher studies or resigned from the service. While there are replacements through new recruitment and lateral transfers, it is difficult to overcome the gaps as experience, skills and competences cannot be built overnight.

II. INADEQUATE TECHNICAL MANPOWER

The construction lapses constitute a significant portion of audit observations and findings, and the trend is likely to continue as long as the government continues investment on infrastructure development. And with only about 3% of the RAA's manpower consists of engineers with technical skills and knowledge, it is impeding timely and effective audit of construction sectors.

III. AUDIT COVERAGE VS HUMAN RESOURCE

The number of agencies requiring audit services increase every year and the RAA faces challenges of ensuring desired audit coverage with the given human resources. During the year 2018-2019, the RAA was able to audit 602 accounts out of the total accounts of 1237, with coverage of 48.67% only.

In addition to lengthy processes involved in recruitment of new employees, filling competency gaps by the new recruits takes longer time. The RAA also lacks employees with professional

qualifications such as CPA and ACCA. This significantly affects overall human resource capacity of the organization.

B. SUSTAINABILITY OF ISSAI IMPLEMENTATION

The RAA had adopted the International Standards for Supreme Audit Institutions (ISSAIs) as the authoritative standards, which was initially supported by the World Bank project which ended in 2018. However, to continue conducting audits as per the ISSAIs, the auditors need to be constantly trained on the standards. So the RAA would require fund support either from the Government or donors to continue building such professional capacities.

C. IMPLEMENTATION OF AUDIT RESULTS

I. FOLLOW-UP MECHANISMS

In most audit agencies, the mechanism on follow-up of the implementation of audit results is either non-existent or weak. As a result, the responsibility of follow-up falls squarely on the RAA, which if instituted or strengthened in audit agencies will reduce RAA's workload and ensure effective responsibility fixation.

II. STAKEHOLDERS' ACCEPTABILITY OF AUDIT RESULTS

While RAA would like to acknowledge that the audited agencies have been complying with the opinions and recommendations, but on many occasions RAA's efforts have gone into vain. In fact, the audit reports do not attract the attention that it deserves. Thus, there is greater room to act collectively in order to remedy the deficiencies and promote good governance in the operations of the public sector agencies.

AUDITOR'S REPORT ON THE AUDIT OF ACCOUNTS AND OPERATIONS OF THE ROYAL AUDIT AUTHORITY FOR THE FY ENDED 30 JUNE 2019

Gupta & Co.
Chartered Accountants

30B, Suhasini Ganguly Sarani,
(Suburban School Road)
First Floor, Bhowanipore,
Kolkata - 700 025
Phone: 2454-6024, 2454-6026/27
Fax: (91) (033) 2454-6025
Email: guptaco55@hotmail.com

R-6A:11:3299
Date: 12.11.2019

The Auditor General of Bhutan
Royal Audit Authority
Bhutan Integrity House,
Thimphu,
Bhutan

Dear Sir,

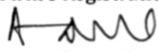
**Subject: Audit of Accounts and Operations of the Royal Audit Authority
for the financial year ended 30th June, 2019**

We have carried out audit of accounts and operations of the Royal Audit Authority for the financial year ended 30th June, 2019 in terms of your letter no. RAA/AG-SP/AC/2019/1224 dated 13th May, 2019.

Our Audit Reports on the Receipts & Payments Statement of LC Account No. 110.01 and Statements of Audit Recoveries Account No 100890623 for the financial year ended 30th June, 2019 are enclosed for your kind perusal.

Thanking you
Yours faithfully

For Gupta & Co
Chartered Accountants
Firm's Registration No. 301028E

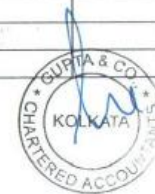

Arnab Deb
Partner



Encl: Audit Reports

ROYAL AUDIT AUTHORITY
Receipts and Payment Statement
For the year ended 30th June 2019
LC-110.01

No.	Group/Broad Head Of Account	RECEIPTS					TOTAL	PAYMENTS					TOTAL
		HQ	P/LING	S/Jongkhar	Tsirang	Bumthang		HQ	P/LING	S/Jongkhar	Tsirang	Bumthang	
1	Opening Balance :												
	a. Cash			1,300.00	100.00	12.55	1,412.55						
	b. Bank												
2	Releases :												
	a. Budgetary	147,875,850.00	13,215,000.00	18,277,000.00	34,094,000.00	17,517,000.00	231,068,850.00						
	b. Non-Revenue												
	c. Refundable Deposits	329,244.00					329,244.00						
	d. Un-cashed Cheques			1,027.00			1,027.00						
3	Grants in-Kind :												
4	Borrowings in-Kind :												
5	Revenue Receipts/Remittances :	6,911,955.00	622,840.00	782,826.00	695,695.00	468,921.00	8,579,637.00	8,911,605.00	622,840.00	782,826.00	695,695.00	468,921.00	8,579,637.00
6	Other Recoveries/Remittances :												
	a. CPF: Employee Contribution	4,262,593.00	507,182.00	628,555.00	787,560.00	664,632.00	6,842,508.00	4,262,593.00	507,182.00	628,555.00	787,560.00	664,632.00	6,842,508.00
	b. Govt. Insurance Scheme	688,000.00	76,800.00	106,240.00	147,200.00	121,300.00	1,149,540.00	688,000.00	76,800.00	106,240.00	147,200.00	121,300.00	1,149,540.00
	c. Other Insurance Premia	1,623,231.00	193,510.21	225,611.00	398,599.00	197,619.00	2,444,499.21	1,623,231.00	193,510.21	225,611.00	398,599.00	197,619.00	2,444,499.21
	d. Loans from Fin. Instts.	11,186,642.00	1,485,086.00	2,721,075.00	2,008,400.00	2,511,882.00	21,113,985.00	11,186,642.00	1,485,086.00	2,721,075.00	2,008,400.00	2,511,882.00	21,113,985.00
	e. Others	4,434,954.41	1,587,568.00	203,600.00	730,373.00	454,210.00	7,380,995.41	4,434,954.41	1,587,568.00	203,600.00	730,373.00	454,210.00	7,380,995.41
7	Personal Advances :	16,435,814.95	191,799.00	2,662,505.00	4,802,600.00	2,295,576.00	26,392,374.95	16,435,814.95	191,799.00	2,662,505.00	4,802,600.00	2,295,576.00	26,392,374.95
8	Miscellaneous Receipts/Payments :												
	a. Non-Revenue A/C. Deposits												
	b. Refundable Deposit A/C. Deposits							2,10,102.00			2,28,781.00		4,019,815.00
	c. Payments to DPA	8.50					8.50			2,327.00	198.00		2,445.50
	d. Others			1,027.00		35,075.00	36,102.00			1,027.00		35,075.00	36,102.00
9	Sur-charge :												
	a. Stock												
	b. Purchases												
	c. F/W Advances	7,680,677.20	1,325,858.00	458,677.00	5,991,599.00	298,711.00	15,756,742.00	6,660,983.00	1,325,858.00	458,677.00	5,961,559.00	778,912.00	14,986,329.00
	d. Intra-Agency Assignments												
	e. Deposit Works							8.50					8.50
	f. Other Deposits	2,393,052.00			2,226,781.00		4,619,833.00		329,244.00				329,244.00



10	Budgetary Expenditure :												
	a. Current						100,000,876.71	13,197,671.43	10,666,095.28	27,690,578.21	16,737,803.52	175,193,704.14	
	b. Capital						45,717,300.71		1,661,916.00	6,880,436.89	228,490.00	51,493,143.51	
	c. Lending												
	d. Repayment												
11	Closing Balances :												
	a. Cash									62,468.89	16,721.85	80,991.85	
	b. Bank						2,448,814.79	17,326.57	6,388.77	90,721.88	120,881.64	2,682,555.64	
	Total	196,721,342.15	19,079,849.21	26,961,826.89	51,345,980.89	25,011,455.56	320,211,361.92	196,721,842.15	19,079,849.21	26,963,826.89	51,345,980.89	320,212,361.92	

M/s Gupta & Co.
Chartered Accountants
FRN : 301028E



Anub Deb
Partner
Membership No:062018
Date: 18.09.2019
Place: Thimphu




Asst. Auditor General
Adm & Finance Division



Kunal Gurung
Dy. Chief Finance Officer
Adm & Finance Division

GLOSSARY OF TERMS

Following words in the AAR 2019 shall mean the commission or omission of the actions stated against it.

Fraud and corruption	Willful malpractice by public functionaries either for direct or indirect personal gains.
Embezzlement	The act of withholding assets/money for the purpose of conversion directly or indirectly.
Mismanagement	The process or practice of managing ineptly, incompetently, or dishonestly.
Non-compliance to laws and rules	Non-compliance to Acts, Rules and Regulations, Policies and any other authorities governing the entities/individuals.
Shortfalls, lapses and deficiencies	Deficiencies and lapses in the operations, resulting in inefficiencies, losses and non-attainment of intended goals.