



ANNUAL AUDIT REPORT 2013

(IN FULFILLING THE CONSTITUTIONAL RESPONSIBILITY)

Royal Audit Authority

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Royal Audit Authority

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Vision

"A Premier Audit Institution that promotes value for money in government operations and contribute towards good governance".

Mission

"To audit without fear or favour or prejudice on the prudent and effective use of public resources and report to the Parliament and Stakeholders for enhancing transparency and accountability in the government".



THE AUDITOR GENERAL'S PERSPECTIVE

The Royal Audit Authority is pleased to publish its Annual Audit Report for the year 2013. The AAR 2013 is the Fourth Annual Audit Report issued after assuming my office as the first Auditor General of Bhutan under the Constitution of the Kingdom of Bhutan. In fulfillment of my responsibilities, it is my pleasure to report to the Nation on the results of audit carried out by the Royal Audit Authority for the year 2013. The Annual Audit Report 2013 is prepared in line with Section 69 to 73 of the Audit Act of Bhutan 2006 and as required under the Article 25.5 of the Constitution of the Kingdom of Bhutan. It is a consolidated summary of significant unresolved findings of the Royal Audit Authority compiled from 851 audit reports issued during the year.



The Royal Audit Authority is committed to further boost its efforts in delivering its mandates under the benevolent leadership of His Majesty the King, continued support of the Royal Government and sustained cooperation from the audited agencies. The Royal Audit Authority as the Supreme Audit Institution of Bhutan has a huge responsibility to audit and report on the economy, efficiency and effectiveness in the use of public resources.

The RAA had carried out the certification audit of Annual Financial Statements of the Royal Government of Bhutan for the year ended June 2013. It was noted that the Government had not utilized capital budget of Nu. 2,286.02 million. As compared with previous year, there was some improvement in utilization of capital budget. However, as more than 30-40% of the overall budgetary funds are financed through mobilization of grants and about 3-7% of the overall expenditures are financed through loans, the under-utilization of fund mobilized through loans would have implication on effective and optimal use of borrowed fund and also on debt-service burden on the government.

The relevant excerpt of the Draft Annual Audit Report was circulated to all the agencies concerned in February 2014 as required under the Audit Act of Bhutan 2006. The draft report had significant issues involving Nu. 553.571 million. However, audit findings involving Nu. 292.107 million representing about 52.77% were either resolved fully or substantially based on the action taken and responses received from the agencies rendering it not significant for inclusion in the Annual Audit Report 2013. The Annual Audit Report therefore contains only significant audit findings remaining unresolved as on March 31, 2014 involving amount of Nu. 261.464 million.

The RAA has made highest amount of audit recoveries amounting to Nu. 151.214 million in 2013, which was a slight increase of 2.4% over recoveries made in 2012. The RAA believes that the sharp increase in audit recoveries in the recent years was because of focused audit and vigorous follow-up actions initiated at various levels.



THE AUDITOR GENERAL'S PERSPECTIVE

Outlining the progressive developments carried out during the year, the RAA continued to implement various institutional capacity development activities that were initiated in the earlier years. The RAA initiated Manpower Rationalization Exercise of the RAA, an independent study carried out by consultants to project manpower requirement for the next five years. The development of web-enabled Audit Resource Management System (ARMS) funded by Asian Development Bank (ADB) is at its final stage of development. The ARMS, a comprehensive system which integrates and automates all functions of the RAA is expected to be launched and implemented by July 2014. The drafting of 22 Audit Manuals and two Policy documents funded by the Austrian Development Cooperation is completed. The stakeholders' consultations have also been completed. The final review by the experts shall be carried out before it is pilot tested. In further streamlining the process of undertaking environmental auditing, the RAA launched Environmental Audit Guidelines which was drafted by in-house experts with the financial assistance of UNDP. The ground breaking ceremony for the construction of Professional Development Center of RAA at Tsirang was held on March 26th, 2014. The project is financed by the Government of India (GOI) under the Project Tied Assistance.

The RAA in order to provide hands-on experience completed a Pilot Audit using Risk Based Auditing methodologies for three agencies by engaging 15 team leaders under the technical guidance of M/s Deloitte Haskins & Sells, Chartered Accountants, Kolkata, India. This is expected to further enhance efficiency and effectiveness of auditing through prudent use of available audit resources.

In fulfilling its advisory role, the Royal Audit Authority issued Auditor General's Advisory Series 2013 on Procurement of Consultancy Services. The RAA intended to study whether the government achieve value for money in the procurement of consultancy services by various procuring agencies and highlight issues that impede economy, efficiency and effectiveness in the management and procurement of consultancy services. The report also offers series of recommendations for the government and authorities concerned to bring about value added partnership in the engagement of consultants.

In this report, a separate chapter (Chapter V) is dedicated to report on irregularities persisting in constructions works undertaken by some of the government agencies. The system prevailing in those agencies where irregularities occur is characterized by, amongst others, inadequate internal safeguards and controls, failure to exercise due diligence by those entrusted with the responsibilities and inadequate mechanism for enforcing accountability. The government needs to address these issues through appropriate interventions and directives to reinforce and uphold principle of public procurement.



THE AUDITOR GENERAL'S PERSPECTIVE

I would like to acknowledge the support of the Parliament for deliberating our reports and directing the audited agencies to appropriately deal with the issues. This had enabled RAA to resolve most of the pending issues in the recent past. We look forward to receiving similar support in terms of rendering our audit reports effective through appropriate deliberations, directives and follow up mechanisms and providing impetus to our efforts in promoting transparency and accountability in the public operations.

Lastly, I would also like to acknowledge the support and cooperation rendered by our audited agencies for providing prompt responses to the Draft Annual Audit Report 2013, which had facilitated timely compilation and preparation of the report.

(Ugen Chewang)
Auditor General of Bhutan

April 2014

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CHAPTER 1

ACCOMPLISHMENTS OF THE ROYAL AUDIT AUTHORITY

The Royal Audit Authority 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 Royal Audit Authority 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”

The Royal Audit Authority was instituted as an autonomous body in 1985 and as a constitutional body in December 2005. Under the Auditor General, the Authority is at the moment manned by 234 staff with diverse professional background.



It has four regional offices strategically located across the Kingdom. In line with the provisions of the Constitution of the Kingdom of Bhutan, the Royal Audit Authority started performance audits and theme based audits, besides the routine financial, propriety and compliance audits. A brief account of the activities and initiatives as a part of the accomplishments of the Royal Audit Authority during the year is summarized below:

1. Achievements in terms of auditing

The Royal Audit Authority had completed 534 audits during the year including two performance based audits as shown in the Table 1.1. The number includes only those audits which were completed within 31st December 2013 and excludes those that were already started and under progress at the close of the year. The Annual Audit Plan of the RAA is prepared at the start of every financial year. It contains the Annual Audit Schedules of the Divisions and Regional Offices and the indicative Audit Thrust Areas which are determined on the basis of experiences of the past auditing periods and current audit priorities.

Sl. No.	Types of Audits	No. of Audits
1	Normal Audits	431
2	Certification Audits	101
3	Performance Audits	2
Total		534

Table 1.1: Types and number of audits completed in 2013

2. Achievements in terms of reporting

Audit Reports are the immediate output of the Royal Audit Authority. The audit reports are issued upon completion of the particular audit and it is addressed to appropriate authorities to take timely actions on issues contained in the reports. The RAA adheres to the prescribed timeframe in issuing reports after completion of the field audit to ensure that timely actions are initiated by those responsible.

Sl. No.	Types of Audits	No. of Reports
1	Normal Audits	739
2	Certification Audits	112
3	Performance Audits	2
Total		853

Table 1.2: Types and number of reports issued in 2013

During the period, the Royal Audit Authority issued 853 audit reports as shown in the Table 1.2. These comprised of 739 normal audit reports, 112 certification audit reports and two performance audit reports. The normal audit reports are those audit reports pertaining to the financial audit of Letter of Credit Accounts, Current Deposit Accounts, Revolving Fund Accounts, etc. of budgetary agencies and the accounts and operations of non-budgetary agencies such as Corporations and Financial Institutions, Civil Society Organizations, Political Parties, etc. The certification audit reports include audit reports pertaining to financial audit of donor assisted projects implemented by various agencies, both budgetary and non-budgetary.

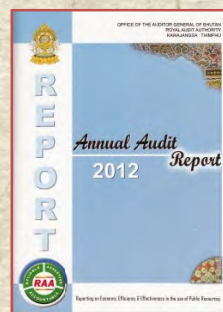
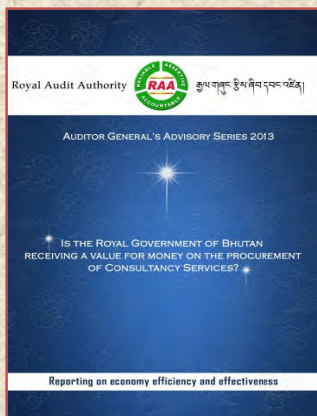
During the year, the RAA also issued 21 statutory audit reports pertaining to the Corporations and Financial Institutions. The statutory audit of these corporations and financial institutions were carried out by the Chartered Accountant Firms empanelled by the Royal Audit Authority. As per Section 72(2) of the Companies Act of Kingdom of Bhutan 2000, the Auditor General is the ex-officio auditor of the government and government controlled companies. These reports are issued under the signatory of the Auditor General.

Further, the RAA also carried out Micro Assessment of 13 Implementing Partners (IPs) under the UN Development Assistance Framework (UNDAF): Bhutan One Programme (2014-18). The assessments were carried out to provide an overall assessment of the Implementing Partners' financial management capacity through review of funds flow, accounting policies and procedures, internal controls, reporting and monitoring and information systems.

In order to ensure that the auditing processes produce appropriate results, and also to expedite the settlement of the outstanding issues, follow up of audit reports are carried out at various stages and levels. In 2013, the Royal Audit Authority also issued 675 follow up reports by respective follow up sections in the OAAGs and Follow-Up & Clearance Division of the RAA, HQ.

In line with Section 48(b) of the Audit Act of Bhutan 2006, the Royal Audit Authority endorsed 6 audit reports containing 9 cases which indicated existence of fraud and corruption to the Anti-Corruption Commission during the period.

During the year, the Annual Audit Report 2012 was submitted to His Majesty the King, the Prime Minister and the Parliament. In line with the directives of the Parliament, the Review Reports on Annual Audit Reports 2008, 2009, 2010 and 2011 were submitted and deliberated in the First Session of the Second Parliament. Further, as required by the Parliament, for the first time, the RAA had reviewed the six performance audit reports issued in the past and submitted the review reports to the Second Session of the Second Parliament.

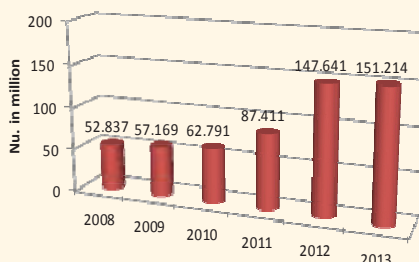


The Royal Audit Authority issued Auditor General's Advisory Series 2013 on Procurement of Consultancy Services. The RAA intended to study whether the government achieve value for money in the procurement of consultancy services by various procuring agencies and highlight issues that impede economy, efficiency and effectiveness in the management and procurement of consultancy services. The report also offers series of recommendations for the government and concerned authorities to bring about value added partnership in the engagement of consultants.

3. Audit Recoveries

The Royal Audit Authority had recovered a record high of Nu. 151.214 million in 2013. The recoveries during 2013 had slightly increased by 2.4% from 2012. The huge audit recoveries made was mainly due to rigorous follow up done by the RAA at various stages & levels, and also because of increasing government expenditure in various sectors as experienced in the past.

Graph 1.1: Audit Recoveries made over the years



Besides, the Parliamentary directives to impose 24% penal interest on overdue outstanding advances and recoverable amounts reflected in the audit reports had expedited settlement of various pending issues. Lastly, settlements of audit issues were also expedited through responsive actions taken by the audited agencies in settling the pending issues.

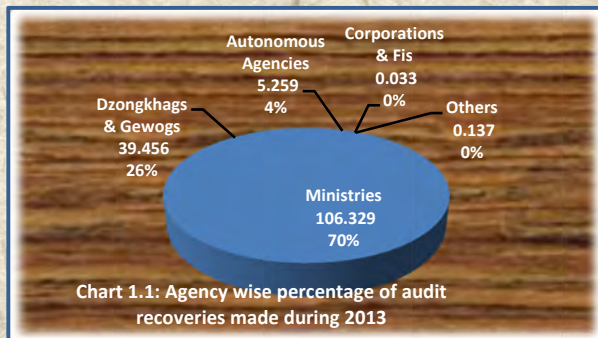
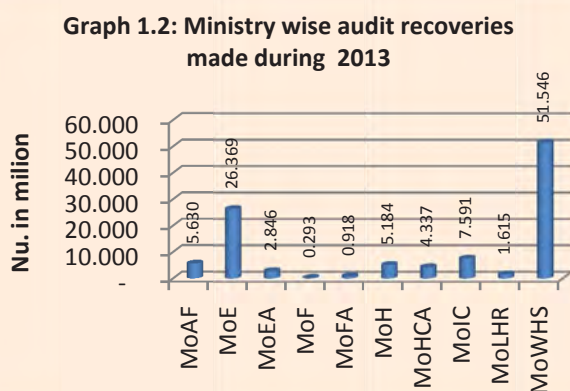


Chart 1.1: Agency wise percentage of audit recoveries made during 2013

During the year audit recoveries of Nu. 106.329 million was made from Ministries accounting for

over 70% of the total recoveries. The recoveries from Dzongkhags and Gewogs was Nu. 39.456 million representing about 26% and Nu. 5.259 million representing about 4% were recovered from the Autonomous Bodies. The audit recoveries from Corporations & Financial Institutions and Others are negligible. However, it is to be noted that the recoveries that need to be made in respect of these agencies are required to be accounted for in their respective Recoveries Account. As such, the total amount of audit recoveries accounted for in the Audit Recoveries Account maintained by the Royal Audit Authority does not include recoveries made from these agencies.

The audit recoveries of 51.546 million made from Ministry of Works & Human Settlement was the highest amongst 10 Ministries representing 48.5% of the recoveries from Ministries followed by Ministry of Education with Nu. 26.369 million representing 24.8%



and Ministry of Information & Communications with Nu. 7.591 million representing 7.1% of the recoveries from Ministries as shown in Graph 1.2.

The recoveries of Nu. 85.506 million made from top three Ministries accounted for over 80.4% of the recoveries under Ministries and over 57% of the total audit recoveries made during the year.

4. Achievements in terms of professional and institutional development

The professional development like elsewhere is an important factor that determines the quality of audit products and services. The Royal Audit Authority had always attached top priority to professional development so that the quality of our products and services is not compromised at any point of time. While it is important to understand that intuitive qualities play a major role, it is nevertheless crucial to set an enabling and as well as compelling environment to ensure professionalism in every aspect of our work.

The RAA completed stakeholders consultation for 22 draft audit manuals and two policy documents initiated under Capacity Development of RAA funded by Austrian Development Cooperation through Global Call for proposals initiated by the International Organization of Supreme Audit Institutions (INTOSAI) – Donor Secretariat, under IDI (INTOSAI Development Initiatives). The draft manuals and policy documents shall further undergo review by experts, both internal as well as external, before it is pilot tested.

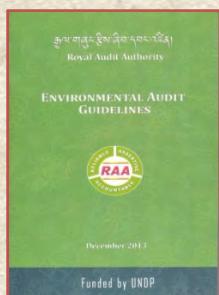
The development of web-enabled Audit Resource Management System (ARMS) is at its final stage of development. Of the total 11 modules, the development of 10 modules are completed and deployed for pilot testing. The inline activities for the ARMS Project include user training till June 2014 and by July 2014 it is expected to be launched and implemented. The project is funded by Asian Development Bank (ADB) and developed by the in-house team of IT professionals with professional guidance of an external consultant.

The RAA in its pursuit of enhancing institutional and human capabilities of delivering the mandates, trainings are conducted on a continuous basis. During the year, 42 officials availed ex-country training including seminars, workshops and meetings, 3 officials including two for Indian Accounts & Audit Service and one for Master's Degree were sent for long term studies. Besides, the RAA also facilitated 8 in-house trainings catering to 256 auditors/officials on different topics/subjects. These in-house trainings were conducted by the in-house experts in accordance with the Continuing Professional Development Policy of the Royal Audit Authority.

The ground breaking ceremony for the construction of Professional Development Center of RAA at Tsirang was held on March 26th, 2014. The project is estimated to cost around Nu. 193 million (including Nu.43 million used up in tenth five year plan) financed entirely by the Government of India under Project Tied Assistance. While the consultancy services, drawings and designs, construction of approach road, construction of site office and water supply works were completed during the 10th FYP, the major component of the work for this phase will be the construction of main academic block, two general hostels that will accommodate around 120 heads and landscaping works. The Government of India has committed Nu. 150 million in the eleventh Five Year Plan to implement the second and final phase of the project including furnishing and electrification works for the buildings. The construction of training center was endorsed by the 87th Session of the National Assembly and the center is expected to come into function by 2016-17 Financial Year.



The Product Development Meeting for ISSAI Implementation handbook for Performance Audit was conducted from 18th to 26th April 2013 in Paro. The programme was initiated and funded by INTOSAI Development Initiative (IDI). The meeting developed the course materials for performance audit. It was attended by participants from Supreme Audit Institutions of Fiji, Lesotho, Brazil, India and Bhutan.

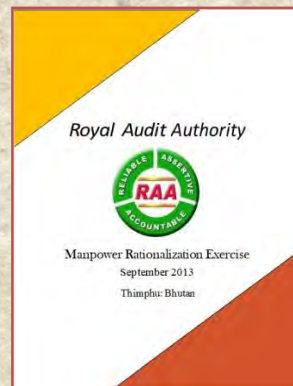


The RAA launched the Environmental Audit Guidelines on 27th March 2014 during the Mid-Term Review Meeting 2013-14 held in Tsirang. The Environmental Audit Guidelines was drafted by the in-house environmental auditors from the Thematic Audit Division and the Performance & Systems Audit Division of the RAA, and with the financial assistance of UNDP. The draft was reviewed by external experts and stakeholders before finalization. The guidelines will provide minimal guidance to auditors in carrying out environmental audits.

As a part of the implementation of Risk-Based Financial Audit approach in RAA, a pilot audit using the Risk Based Audit Methodologies was conducted on 22nd August, 2013. The programme was carried out with assistance from M/s Deloitte Haskins & Sells, Chartered Accountants, Kolkata, India. It covers all areas of audit starting from Pre-Planning to Completion of Audit & Review. 15 audit team leaders representing all Divisions and

Regional Offices were involved in the pilot financial audits of Bhutan Power Corporation (BPC), Royal University of Bhutan (RUB) & Dzongkhag Administration, Thimphu from 5th-22nd August 2013. The knowledge and experiences gained through this engagement is being shared to other members in their respective Divisions/ Regions.

The Manpower Rationalization Exercise of the RAA was carried out by an independent consultant to project requirement of manpower for the next five years considering the roles and responsibilities of each division and RAA on the whole. The projections of manpower, both qualitative as well quantitative aspects, were worked out to sustain RAA's capabilities in terms of human resources to deliver its constitutional mandates in the next five years. This document shall form a basis for requisitioning additional manpower to the Royal Civil Service Commission during the 11th Five Year Plan.



The RAA has developed a document on "Institutional Development Initiatives 2013-18" which contains a list of prioritized activities for institutional development encompassing Professional Staff Development, Organizational System Development and Infrastructure Development. The activities envisaged under this Strategic Intent are expected to foster sustained growth of the RAA in delivering its constitutional mandates and be responsive to the expectations of the stakeholders. The activities shall be implemented in parallel to the Eleventh Five Year Plan 2013-18 of the Royal Government of Bhutan.

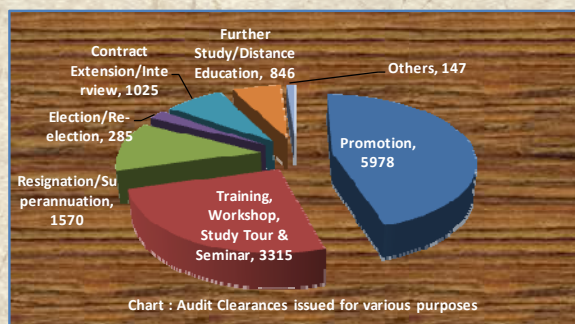


RAA as the signatory to the South African Declaration adopted a comprehensive set of ISSAIs. It is expected to strengthen audit profession, embrace internationally recognized best practices and enhance credibility of the reports generated by the RAA. Two officials of RAA were certified as IDI- PSC ISSAI Facilitators on successful completion of 3i Programme initiated by IDI. As a trained facilitator, they will promote and support ISSAI implementation at RAA through formulation of individual action plans.

Royal Audit Authority in collaboration with the INTOSAI Development Initiative (IDI) hosted the 'SAI Performance Measurement Framework' training from 27th to 31st January, 2014 in Thimphu. The SAI Performance Measurement Framework designed to give a high level overview of SAI performance and to facilitate managing, measuring and monitoring performance over time was attended by a total of 42 participants from 15 countries.

The Royal Audit Authority had expressed interest to the INTOSAI-Donor Secretariat within the IDI to carry out the performance assessment as a part of the phase II pilot test under Supreme Audit Institution Performance Management Framework (SAI PMF). The assessment is planned to be carried out within April to September 2014 by the Office of the Auditor General of Norway (OAGN) and the INTOSAI Development Initiative (IDI). It shall provide opportunities to strengthen performance and establish baseline against which future progress can be measured besides supporting the process of developing the SAI PMF as a global tool for assessment and monitoring of SAIs.

5. Achievements in terms of enhancing service delivery system



During the year, the RAA had issued 13,166 Audit Clearances for various purposes as shown in Chart 1.2. As required by the Audit Act of Bhutan 2006 and Bhutan Civil Service Rules and Regulations, the RAA is charged with the responsibility of holding the officials accountable until either the recoveries are effected or appropriate actions are taken on the accountable official for the lapses uncovered

during auditing. This process of issuing audit clearances to the public officials and civil servants serves as an important tool for Royal Audit Authority to strengthen accountability in the overall governance system and instill a sense of accountability and responsibility in the officials in discharging their duties.

The improvement of the online clearance system during the year had eliminated the multilayered processing of online audit clearances at the agency level. The applicant can now apply online through RAA's webpage unlike the past practice of requiring applicants to submit manually filled application forms to the identified operators in their respective agencies, who would then process online. The Online Clearance System is integrated with the database of Royal Civil Service Commission and Ministry of Home and Cultural Affairs in sharing information and details of the applicants. This had enhanced accessibility of applicants in terms of delivering services at their own desktop/computers.

6. Achievements in terms of International Cooperation

In order to keep abreast of new developments taking place in auditing profession it is essential for RAA to maintain sound professional linkages particularly with Supreme Audit Institutions around the world. In line with this objective, the RAA had further boosted its efforts in integrating itself into various international forums and organizations.

The Auditor General led a three member delegation to attend XXI International Congress of SAIs (INCOSAI) held from 22nd to 25th October 2013 in Beijing, China which had the participation of more than 600 delegates from over 160 INTOSAI members, European Court of Auditors as supranational organization and 26 associated and other organizations. The Congress deliberated on two themes: **National Audit and National Governance and The Role of SAIs in Safeguarding Long Term sustainability of Finance Policies**. The INCOSAI was concluded with the adoption of the Beijing Declaration which summarizes the historic achievements and fundamental experience of the past 60 years as well as the results of the two themes.

A two member delegation led by the Auditor General attended the 15th Meeting of the INTOSAI Working Group on Environmental Auditing (WEGA) held in Estonia from 3rd to 6th June 2013. The meeting centered discussion on the latest developments in public sector environmental auditing practice along with the challenges and success stories of Supreme Audit Institutions in conducting environmental audits. The Royal Audit Authority presented

its paper on **“Success Stories of Development in Environmental Auditing in SAI Bhutan”**.

The Auditor General led a two member delegation to attend the 22nd UN/INTOSAI Symposium convened at Vienna International Center, Austria from 5th to 7th March 2013. The symposium focused its discussion on **“Audit and Counseling by SAIs: Risks and Opportunities, as well as Possibilities for Engaging Citizens”**. The presentations dealt with the following three subthemes: Audit and Advisory by SAIs: Requirements and Opportunities for Government Auditing; Risks and Opportunities of Audit and Advisory by SAIs; and Effectiveness and Transparency of Audit and Advisory through the Participation of Citizens.

A two member delegation led by Deputy Auditor General attended the International Conference under the Theme of SAIs **“Meeting Higher Expectations”** organized by Auditor General’s Department of Sri Lanka. The conference was held in Colombo on 25th and 26th July 2013 and conducted on four sub-themes: Stakeholder Expectations, Responses to increased Stakeholder Expectations, ISSAI Implementation Challenges and Performance Auditing Frontiers. The presentations were made by members from 18 countries. The RAA presented paper on **“Auditing in GNH Society”**.

The Royal Audit Authority and the Office of the Comptroller & Auditor General of India signed the Standard Operating Procedures (SOP) on Joint Audit of Government of India (GoI) Assisted Hydropower Projects in Bhutan. The SOP was signed pursuant to the requirement of the bilateral agreement between the Royal Government of Bhutan and the Government of India/the Project Authority constituted by the two governments to facilitate the conduct of joint audits of such projects.

7. Independent external audit of the Royal Audit Authority

In line with the Audit Act of Bhutan 2006, the accounts and operations of the Royal Audit Authority for the Fiscal Year ended 30th June 2013 was audited by M/s S. Ghose & Co. The Auditor’s report along with certified Receipts & Payments Statement of the Royal Audit Authority is given in Exhibit I. The appointment of auditors was done based on the selection of auditors made by the Public Accounts Committee on behalf of the Parliament as required under the Audit Act.

8. Sensitization and awareness programme

In an effort to promote awareness on the accountability and transparency in the public resources, the RAA had conducted Audit Awareness and Review Meetings in Dzongkhags and Gewogs in the past year. In 2013, such programmes were organized for Royal Bhutanese Embassies, Bangkok and Belgium and Permanent Mission of Bhutan, Geneva. The Auditor General made presentations on **“Role of Royal Audit Authority in promoting accountability and transparency in the use of public resources”** The meeting also discussed pending audit issues pertaining to embassies and mission.

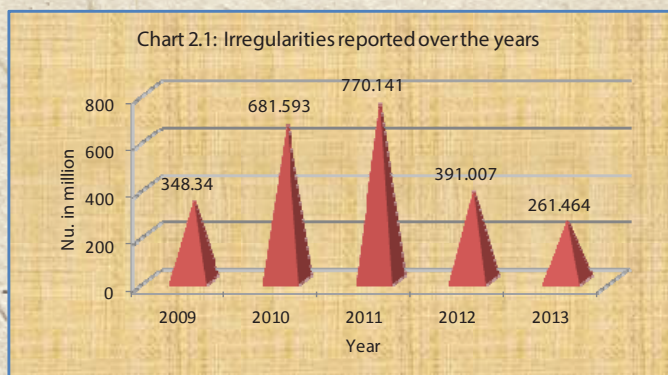
CHAPTER 2

SUMMARY OF AUDIT FINDINGS

The Annual Audit Report 2013 has been compiled from 851 audit reports issued during the year. The report includes a chapter on the certification of the Annual Financial Statements of the Royal Government for the fiscal year ended June 30, 2013, significant unresolved observations of reports issued during the year and a chapter on issues in construction audits. The Report also includes chapters on the audit of accounts and operations of the RAA and accomplishments made by it during the year.

In the process of carrying out the audit of Annual Financial Statements, the Royal Audit Authority had also reviewed utilization of the budget approved by the National Assembly for the Fiscal Year ended June 2013. It was noted that the Government had not utilized capital budget of Nu. 2,286.02 million against the revised budget of Nu. 20,717.288 million against the fund released. As compared with previous year, there was some improvement in utilization of capital budget. However, as more than 30-40% of the overall expenditure budgets are financed through mobilization of grants and about 3-7% of the overall expenditures are financed through loans, the under-utilization of fund mobilized through loans would have implication on effective and optimal use of borrowed fund and also on debt-service burden on the government.

The relevant excerpt of the Draft Annual Audit Report was circulated to all the agencies concerned in February 2014 as required under the Audit Act of Bhutan 2006. The draft report had significant issues involving Nu. 553.571 million. However, audit findings involving Nu. 292.107 million representing about 52.77% were either resolved fully or



or substantially or not considered for inclusion based on the action taken and responses received from the agencies. The total unresolved significant issues reflected in the Annual Audit Report 2013 amounted to Nu. 261.464 million. The report contains unresolved significant issues pertaining to all Ministries, 8 Dzongkhags, 26 Gewogs of 15 Dzongkhags, 5 Autonomous

Bodies, 13 Corporations, one Financial Institution and three Non Governmental Organizations. As compared to the irregularities of Nu. 391.007 million reported in Annual Audit Report 2012, the irregularities have decreased by 33.13%. A comparative figures of irregularities reported over the past three years is given in graph 2.1.

Since 2011, there had been decline in the amount of irregularities reported in the Annual Audit Reports. Under the budgetary agencies, the highest amount of irregularities is reported under Ministry of Works and Human Settlement with Nu. 49.544 million followed

by Ministry of Economic Affairs with Nu. 31.095 million and Ministry of Education with Nu. 22.151 million.

Under the non budgetary agencies, State Trading Corporation of Bhutan Limited has the single largest amount of reported irregularities of Nu. 72.100 million representing 72.34% of the total irregularities reported under non budgetary agencies followed by Dungsam Cement Corporation Limited with irregularities of Nu. 14.805 million.

The observations in Annual Audit Report have been grouped into four broad categories. A summary of the irregularities by categories is given in Chart 2.2 and detailed summary is

appended in Tables 2.1 & 2.2 at the end of this chapter. The highest amount of irregularities of Nu. 168.504 million is reported under the category, Shortfalls, Lapses and Deficiencies followed by Nu. 53.765 million under the category, Mismanagement. The amount of Nu. 36.141 million is reported under the category, Violation of Laws and Rules and Nu. 3.054 million is reported under the category, Fraud, Corruption & Embezzlement. A

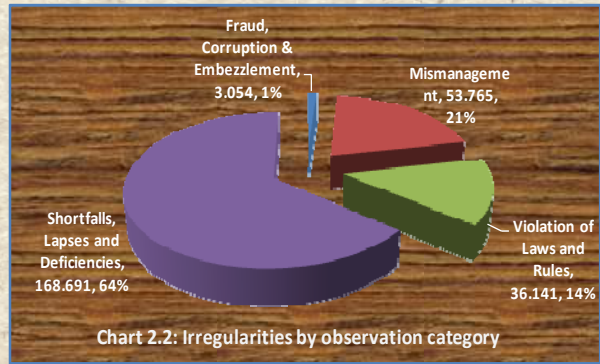


Chart 2.2: Irregularities by observation category

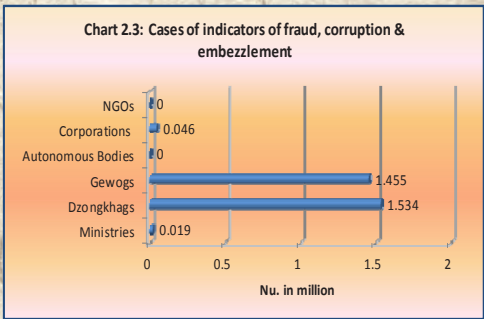
summary of the irregularities under these categories is given below:

1. Fraud, Corruption and Embezzlement

The Royal Audit Authority reported indicators of fraud, corruption and embezzlement cases in some of the agencies during the year. The total amount reported under this category amounted to Nu. 3.054 million with Nu. 1.534 million under Dzongkhags representing highest proportion of 50.23 % of the total amount closely followed by Gewogs with Nu. 1.455 million representing 47.64% of the total irregularities as shown in the Chart 2.3.

As depicted in the Chart 2.3, irregularities under the Dzongkhags is solely represented by the Dzongkhag Administration, Punakha. It pertained to the release of entire payments to the contractor before completion of the construction of Administrative Block at Laptakha Primary School. The work had remained abandoned and the contract was terminated. However, the Dzongkhag Administration had not received the refund along with specified liability under the contract.

Under the Gewogs, the Gewog Administration, Gakidling under Haa Dzongkhag had irregularities of Nu. 0.796 million followed by Gewog Administration, Zobel under Pemagatshel Dzongkhag with Nu. 0.458 million and Gewog Administration, Talo under Punakha Dzongkhag with Nu. 0.108 milion. Others include Gewog Administrations of



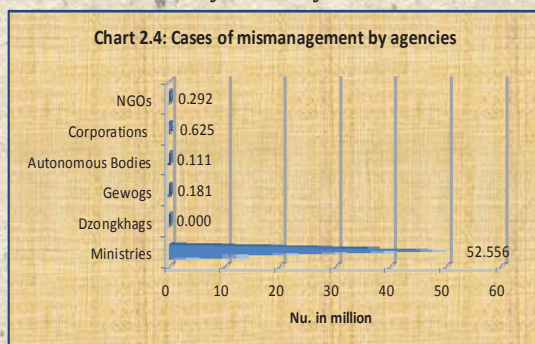
Shompangkha under Sarpang Dzongkhag with 0.045 million, Barp under Punakha Dzongkhag with Nu. 0.035 million, Ngangla under Zhemgang Dzongkhag with Nu. 0.013 million and Sampheling under Chukha Dzongkhag.

The amount under Ministries is represented by Ministry of Works and Human Settlement with Nu. 0.019 million.

Under Corporation, the amount of Nu. 0.046 million pertained to State Trading Corporation of Bhutan Limited. There are no reported irregularities of Fraud, Corruption and Embezzlement under the Autonomous Bodies and NGOs.

2. Mismanagement

The total irregularities under this category amounted to Nu. 53.765 million of which 97.75% is represented by the Ministries with irregularities of Nu. 52.556 million. Under the Ministries, the Ministry of Economic Affairs had the highest irregularities with Nu. 31.095 million followed by Ministry of Works and Human Settlement with the regularities of Nu.



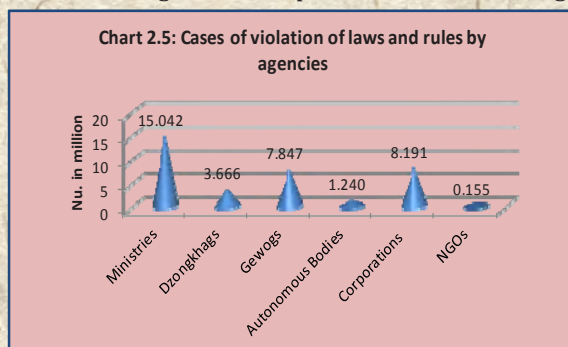
18.067 million. The irregularities of mismanagement under Ministry of Economic Affairs pertained to short levy of penalty amounting to Nu. 25.230 million for unauthorized talc mining at Sukreti, Samtse and non-collection of environmental restoration bond of Nu. 5.865 million on account of mining leases. The irregularities under Ministry of Works and Human Settlement pertain to non-collection of lease rent of Nu. 8.936 million by the Gelephu Thromde

and the irregular payment of advances amounting to Nu. 8.500 million by the Field Division, Trongsa.

Others represent very negligible proportion of irregularities reported under this category as can be seen from the Chart 2.4.

3. Violation of Laws and Rules

The total irregularities reported under this category amounted to Nu. 36.141 million. As



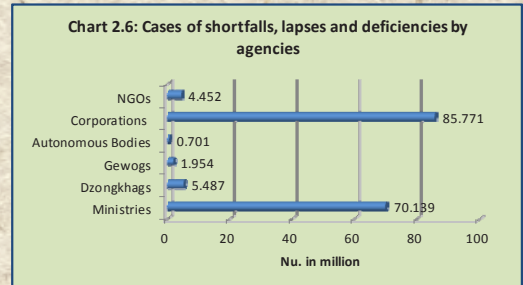
depicted in the Chart 2.5, the irregularities reported under Ministries was Nu. 15.042 million representing 41.62% of the irregularities reported under this category. Of the total irregularities reported under Ministry, the Ministry of Labour and Human Resources had irregularities of Nu. 4.899 million pertaining to deposit of liquidated

damages into Non-Revenue Account by the Department of Human Resources. The Ministry of Education had irregularities of Nu. 4.623 million for violation of accounting norms.

The irregularities of Nu. 8.191 million was represented by Corporations and Nu. 7.847 million by Gewogs.

4. Shortfalls, Lapses and Deficiencies

The irregularities under shortfalls, lapses and deficiencies amounted to Nu. 168.504 million. As depicted in the Chart 2.6, the Corporations had the highest amount of irregularities of Nu. 85.771 million followed by Ministries with irregularities of Nu. 70.139



million reported under this category. The irregularities under the Corporation is largely represented by outstanding sundry debtors of Nu. 72.054 million pertaining to State Trading Corporation of Bhutan Limited. The Dungsum Cement Corporation Limited also had irregularities of Nu. 10.930 million under this category.

Under the Ministries, irregularities of Nu. 29.758 million pertained to Ministry of Works and Human Settlement, Nu. 15.152 to Ministry of Education and Nu. 14.808 million to Ministry of Foreign Affairs.

Table 2.1: Summary of Annual Audit Report 2013 with categories of irregularities and amount involved with respect of budgetary agencies.

Sl. No.	Categories of irregularities	MoWHS	MoEA	MoE	MoFA	MoHCA	MoLHR	MoF	MoLC	MoH	MoAF	Dzongkhags	Gewogs	Autonomous	Total
1	Fraud, Corruption & Embezzlement	0.019	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.534	1.455	0.000	3.008
1.1	Forgery & tampering of documents	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
1.2	Malpractices & abuses	0.019	-	-	-	-	-	-	-	-	-	1.534	1.407	-	2.960
1.3	Misappropriation	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
1.4	Non/short accountal	-	-	-	-	-	-	-	-	-	-	-	0.048	-	0.048
2	Mismanagement	18.067	31.095	2.376	0.040	0.000	0.000	0.407	0.462	0.000	0.109	0.000	0.181	0.111	52.848
2.1	Misma management of funds	8.500	-	2.376	-	-	-	-	-	-	-	-	0.039	0.046	10.961
2.2	Misma management of properties	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
2.3	Misma management of human resources	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
2.4	Misma management of revenue and taxes	9.567	31.095	-	0.040	-	-	0.407	0.462	-	0.109	-	0.142	0.065	41.887
3	Violation of Laws and Rules	1.700	0.000	4.623	0.193	1.687	4.899	0.000	0.000	1.940	0.000	3.666	7.847	1.240	27.795
3.1	Violation of service rules	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
3.2	Violation of budgetary norms	-	-	0.731	-	-	-	-	-	-	-	-	-	-	0.731
3.3	Violation of accounting norms	-	-	3.892	-	-	-	-	-	1.940	-	0.517	5.512	-	11.861
3.4	Violation of procurement norms	1.700	-	-	-	1.687	4.899	-	-	-	-	3.149	2.335	1.240	15.010
3.5	Violation of Acts, Directives and Policies	-	-	-	0.193	-	-	-	-	-	-	-	-	-	0.193
4	Shortfalls, lapses and deficiencies	29.758	0.000	15.152	14.808	4.026	0.144	3.533	2.364	0.069	0.285	5.487	1.954	0.701	78.281
4.1	Over/inadmissible/irregular/double payments	0.527	-	-	1.933	-	-	-	-	-	0.205	1.391	1.771	0.308	6.135
4.2	Non maintenance of records	-	-	0.373	-	-	-	-	-	-	-	-	-	-	0.373
4.3	Improper maintenance of records	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
4.4	Non/Improper recording in books	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
4.5	Non-reconciliation/certification of balances	0.167	-	-	-	-	-	-	-	-	-	-	-	-	0.167
4.6	Irregularities in advances	1.160	-	5.938	9.539	4.026	0.144	3.533	2.364	0.069	0.080	0.719	-	0.239	27.811
4.7	Irregularities in recoveries	-	-	-	3.336	-	-	-	-	-	-	3.377	-	0.154	6.867
4.8	Irregularities in disposals & auctions	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
4.9	Irregularities in property management	-	-	-	-	-	-	-	-	-	-	-	0.148	-	0.148
4.10	Non/short deductions	-	-	8.841	-	-	-	-	-	-	-	-	-	-	8.841
4.11	Non cooperation	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
4.12	Shortfalls & uneconomical operations	27.904	-	-	-	-	-	-	-	-	-	-	-	-	27.904
4.13	Missing documents/receipts	-	-	-	-	-	-	-	-	-	-	-	0.035	-	0.035
		49.544	31.095	22.151	15.041	5.713	5.043	3.940	2.826	2.009	0.394	10.687	11.437	2.052	161.932
		Nu. in million													

Table 2.2: Summary of Annual Audit Report 2013 with categories of Irregularities and amount involved with respect of non budgetary agencies.

Sl. No.	Categories of Irregularities	STCBL	DCCL	FCBL	PCAL	Wooden ft	BBPL	Dungsum Poly	BPCL	Bhutan Post	CDCL	NRDCL	BTL	DHI Infra	RICB	BCCI	RSPN	Tarayana	Total
1	Fraud, Corruption & Embezzlement	0.046	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.046
1.1	Forgery & tampering of documents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
1.2	Malpractices & abuses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
1.3	Misappropriation	0.046	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.046
1.4	Non/short accountal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
2	Mismanagement	0.000	0.000	0.625	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.292	0.000	0.000	0.917
2.1	Mismanagement of funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
2.2	Mismanagement of properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
2.3	Mismanagement of human resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
2.4	Mismanagement of revenue and taxes	-	-	0.625	-	-	-	-	-	-	-	-	-	-	-	0.292	-	-	0.292
3	Violation of Laws and Rules	0.000	3.875	2.057	2.208	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.051	0.000	0.000	0.000	0.155	8.346
3.1	Violation of service rules	-	-	-	-	-	-	-	-	-	-	-	-	0.051	-	-	-	-	0.051
3.2	Violation of procurement norms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
3.3	Violation of budgetary norms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.155	0.155
3.4	Violation of accounting norms	-	3.875	2.057	2.208	-	-	-	-	-	-	-	-	-	-	-	-	-	8.140
3.5	Violation of Acts, Directives and Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
4	Shortfalls, lapses and deficiencies	72.054	10.930	0.000	0.000	0.896	0.527	0.421	0.347	0.300	0.174	0.122	0.000	0.000	0.000	0.300	0.218	3.934	90.223
4.1	Over/inadmissible/irregular/double payments	-	5.597	-	-	-	-	0.421	0.347	0.300	-	0.122	-	-	-	0.300	-	-	7.087
4.2	Non maintenance of records	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
4.3	Improper maintenance of records	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
4.4	Non/improper recording in books	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
4.5	Non-reconciliation/certification of balances	-	3.949	-	-	0.896	-	-	-	-	-	-	-	-	-	-	-	-	0.000
4.6	Irregularities in advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.845
4.7	Irregularities in recoveries	-	-	-	-	-	-	-	-	-	0.174	-	-	-	-	-	0.218	3.934	4.326
4.8	Irregularities in disposals & auctions	-	1.384	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.384	1.384
4.9	Irregularities in property management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
4.10	Non/short deductions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
4.11	Non cooperation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
4.12	Shortfalls & uneconomical operations	72.054	-	-	-	-	0.527	-	-	-	-	-	-	-	-	-	-	-	0.000
4.13	Missing documents/receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72.581
		72.100	14.805	2.682	2.208	0.896	0.527	0.421	0.347	0.300	0.174	0.122	0.000	0.051	0.000	0.592	0.218	4.089	99.532
																			Nu. in million

CHAPTER 3

CERTIFICATION OF ANNUAL FINANCIAL STATEMENT

The Annual Financial Statement (AFS) of the budgetary operation of the Royal Government of Bhutan for the Fiscal Year 2012-13 was audited by the Royal Audit Authority (RAA) as required under the Audit Act of Bhutan 2006 and the Public Finance Act of Bhutan 2007. The Audit was conducted in accordance with the RAA's Auditing Standards and the Generally Accepted Auditing Standards (GAAS). The RAA has issued qualified audit opinion based on the pending detailed review and reconciliation of the discrepancies noted on account of Non-revenue Account and Refundable Deposit Account, employees' and employers' matching contribution including the mismatch between amounts shown as payment to DPA and the amount actually surrendered to the DPA in both LC and PLC accounts across all budgetary agencies, the exact extent of impact of such discrepancies in these accounts cannot be ascertained.

The RAA had carried out the certification of the individual Letter of Credit (LC) accounts of the budgetary agencies in line with the Audit Act of Bhutan 2006. The budgetary agencies included those that were accorded priority based on its categorization and included in the Annual Audit Schedules 2012-13. The recommendations and observations made at the agency level are considered depending upon the materiality while certifying the consolidated statements.

The approved budget for the Fiscal Year 2012-13 of the Royal Government was Nu.33,486.239 million against estimated resources of Nu. 31,891.042 million with a fiscal deficit of Nu. 1,595.197million. Given that the scheduled loan repayment of Nu. 2,519.015 million was lower than the project tied borrowings of Nu. 3,443.781 million, the resource gap was estimated at Nu. 670.437 million. During the year, the outlay was revised to Nu.38,604.393 million and the resources to Nu. 37,648.230 million. At the end of the Fiscal Year, the actual outlay reported was Nu. 34,902.407 million against the realized resources of Nu. 30,656.117 million resulting into a fiscal deficit of Nu. 3,753.982 million.

As against the revised capital budget of Nu. 20,717.288 million, the actual expenditure reported was Nu. 18,431.264 million with resultant underutilization of capital budget of Nu. 2,286.02 million, which is 11.03% of the revised capital budget.

The government debt as on 30th June 2013 was Nu. 101,310.220 million.

The certificate of the Auditor General and the 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 2013

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 2013, which comprises of:

- 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. Statement of Outstanding Loans;
- iv. Statement of Equity Portfolio of the Government;
- v. Summary Statement of Arrears of Revenue;
- vi. Statement of the operations of Refundable Deposits Account, Revolving & Trust Funds; and
- vii. Government Consolidated Account Reconciliation Statement

The audit was conducted by the RAA as required under the Audit Act of Bhutan 2006 and the Public Finance Act of Bhutan 2007.

Responsibility of the Ministry of Finance for the Financial Statements

The Ministry of Finance is responsible for preparation and fair presentation of these financial statements in accordance with the Public Finance Act 2007 and Financial Rules and Regulations 2001. This responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

RAA's responsibility

The RAA's responsibility is to express an opinion on these Financial Statements based on its audit. The RAA conducted the audit in accordance with RAA's Auditing Standards and Generally Accepted Auditing Standards. These standards require that the RAA plans and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatements.

Scope of Audit

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgement, including the risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the entity's internal control.

As per the information made available by the DPA, there are 533 Letter of Credit (LC) Accounts and 173 Project Letter of Credit (PLC) Accounts. Of the total, the RAA had audited

"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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287 LC Accounts and 81 PLC Accounts as on 20 March 2014 for the fiscal year ended 30 June 2013. Of the total audit completed, the RAA had issued reports for 247 LC Accounts with balance 40 reports yet to be issued, an all the 81 PLC Accounts audit reports had been issued. These audited agencies comprise mostly of bigger agencies. For those accounts that are yet to be audited, the RAA had relied upon the year end accounts submitted by the respective agencies.

The RAA believes that the audit evidence obtained by it is sufficient and appropriate to provide a basis for its qualified audit opinion.

Basis of "Qualified" Audit Opinion

1. Review of records of Non-revenue Account and Refundable Deposit Accounts for twenty Dzongkhags revealed instances of refunds made without obtaining releases, refunds not made upon receipt of equivalent releases and excess and non- deposits of non-revenue receipts and refundable deposit involving huge amounts indicating prevalence of such discrepancies across other budgetary agencies. Pending detailed review and reconciliation of these discrepancies across all budgetary agencies, the exact extent of impact of such discrepancies in these accounts cannot be ascertained.
2. There were cases of un-reconciled differences between employees' and employers' matching contribution, and instances were observed where excess contributions were remitted to the NPPF. Pending review and reconciliation of these differences, the exact extent of impact of which in these accounts is not ascertainable.
3. There were mismatch between amounts shown as payment to DPA which included closing cash balances, recoveries of prior year advances and expenditures and refundable external grants in the financial statements of various agencies and the amount actually deposited to the DPA both in the LC and PLC accounts with aggregate difference of Nu. 69,298,591.14. Pending review and reconciliation of these differences, the exact extent of impact of which in these accounts is not ascertainable.

Opinion

In RAA's opinion, except for the effect of the matters referred in the Basis of Qualified Audit Opinion paragraph, the Consolidated Receipts & Payments Statement together with the schedules attached thereto, including the Notes to Accounts present fairly, in all material respect the financial operations of the Royal Government of Bhutan for the year ended 30 June 2013 and the position of the Outstanding Loans, Equity Portfolio of the Government, Refundable Deposits, Revolving & Trust Funds as on that date as required by the Public Finance Act 2007 and the Financial Rules & Regulations 2001 in the manner so required.

(Ugen Chewang)
Auditor General of Bhutan

Dated: 15 April 2014
Place: Thimphu



"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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དངུལ་རྩིས་ལྷན་ཁག།
ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



31st December 2013

STATEMENT OF RESPONSIBILITY

The Annual Financial Statements (AFS) of the Royal Government of Bhutan (RGoB) for the Financial Year 2012-13 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 of Bhutan, 2012 and the Financial Rules and Regulations 2001.

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 2013.

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

[Namgay Dorji]
Finance Minister
Ministry of Finance

[Choiten Wangchuk]
Director General
Department of Public Accounts

Post Box No 117. Tel # (PABX: 00975-2- 322223/322514/327763/322285/322223). Fax: 323154.
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**ANNUAL FINANCIAL STATEMENTS OF THE ROYAL GOVERNMENT OF BHUTAN
CONSOLIDATED RECEIPTS AND PAYMENTS STATEMENT FOR THE YEAR ENDED 30TH JUNE 2013**

RECEIPTS	SCHEDULES	AMOUNTS IN MILLION		PAYMENTS	SCHEDULES	AMOUNTS IN MILLION	
		2012-13	2011-12			2012-13	2011-12
Opening Balance		(2,064,428)	(15,626)	Expenditure		36,527,816	34,842,762
i) Cash		-	-	i) Current	11	18,096,551	16,705,648
ii) Bank		(2,064,428)	(15,626)	ii) Capital	12	18,431,264	18,137,114
Internal Revenue		21,101,691	20,354,462	Repayment of Loans		15,971,150	2,220,014
i) Tax Revenue	2	15,403,118	14,676,929	i) Internal	13	13,067,758	4,991,397
ii) Non Tax Revenue	3	5,698,573	5,677,533	ii) External	14	2,903,392	2,228,617
External Grants		9,562,637	12,501,520	Lendings		1,133,340	875,010
i) Cash	4	9,345,037	11,780,968	i) to individuals	15	-	-
ii) Kind	5	217,600	720,552	ii) to Corporations	16	1,133,340	875,010
Borrowings		16,463,656	6,212,866	Other payments	9	7,037,926	6,803,638
i) Internal	6	12,892,456	5,207,431	Increase in Advances/Suspense	10	10,240,438	10,934,429
ii) External	7	3,571,001	1,005,435	Closing Balance		(5,816,814)	(2,064,428)
Recovery of Loans	8	1,873,229	1,911,583	i) Cash		-	-
Other Receipts	9	7,029,715	6,594,011	ii) Bank		(5,816,814)	(2,064,428)
Decrease in advances/Suspense	10	11,127,555	11,052,609				
TOTAL RECEIPTS	1	65,093,855	58,611,425	TOTAL PAYMENTS		65,093,855	58,611,425

Summary of variance for FY 2012-2013
Notes to Account

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(Director General)
Department of Public Accounts
Ministry of Finance
Thimphu : Bhutan


(Accounts Officer)
Department of Public Accounts
Ministry of Finance



STATEMENT OF ORIGINAL AND REVISED BUDGET ESTIMATES AND VARIATIONS WITH ACTUAL OUTCOMES FOR THE FY 2012-2013

PARTICULARS	NU. IN MILLION			% VARIANCE	
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL OUTCOMES	ORIGINAL VS REVISED	REVISED VS ACTUAL
A RESOURCES	31,891,042	37,648,230	30,656,117	18.10%	-18.60%
I. Domestic Revenue	21,157,457	21,183,512	21,101,691	0.10%	-0.40%
i. Tax	15,282,381	15,361,751	15,403,118	1.80%	1.00%
ii. Non-Tax	5,875,076	5,821,761	5,698,573	-4.30%	-1.40%
II. Other Receipts (Net)	42,344	666,109	(8,710)	1473.10%	-101.20%
III. Grants	10,691,241	15,798,609	9,562,636	47.80%	-39.50%
i. Programme grants	2,075,725	3,202,378	2,618,453	54.30%	-18.20%
a) Govt	1,400,000	1,400,000	1,050,000	0.00%	-25.00%
b) Other Donors	675,725	1,802,378	1,568,453	166.70%	-13.00%
ii. Project-tied grants	8,615,516	12,596,231	6,900,264	46.20%	-45.20%
a) Govt	6,104,336	9,097,023	3,643,403	49.00%	-59.90%
c) Other Donors	2,511,190	3,499,208	3,256,861	39.30%	-6.90%
B OUTLAY	33,486,239	38,604,393	34,902,407	15.30%	-9.60%
I. Total expenditure	34,515,549	39,343,353	36,527,815	14.00%	-7.20%
i. Current	18,262,630	18,626,065	18,096,551	2.00%	-2.80%
ii. Capital	16,252,919	20,717,288	18,431,264	27.50%	-11.00%
II. Net Lending	(1,029,310)	(738,960)	(738,889)	-28.20%	0.00%
III. Advance/suspense(Net)	-	-	(886,519)	-	-
C OVERALL BALANCE	(1,595,197)	(956,163)	(4,246,290)	-40.10%	-344.10%
D FINANCING	1,595,197	956,163	4,246,294	40.10%	-344.10%
Net Borrowings	924,766	744,725	492,308	-19.50%	-33.90%
i. Borrowings	3,443,781	16,715,878	16,463,458	385.40%	-1.50%
ii. Repayments	2,519,015	15,971,153	15,971,150	534.00%	0.00%
RESOURCE GAP	(670,431)	(211,436)	(3,753,982)	-68.50%	1675.45%



(Director General)
Department of Public Accounts
Ministry of Finance
Thimphu : Bhutan

(Accounts Officer)
Department of Public Accounts
Ministry of Finance



(Assistant Auditor General)
Royal Audit Authority

SUMMARY STATEMENT OF OUTSTANDING DEBT OF THE GOVERNMENT FOR THE PERIOD ENDED JUNE 30, 2013

Sl. No.	LENDER AND PROJECTS	Last Committed		Operating balances as on 01/07/12	Interest & Charges accrued during the year				Total Liability Incurred during the year	REPAYMENTS DURING THE YEAR			Closing Balance as on 30/06/13	Closing Balances in USD		
		Amount			Principal	Interest	Fees & Charges	Principal		Interest & Charges	Total					
		Curr.	Alt.													
W I T H I N D R A W A L S																
(Amounts in Approximate Crores)																
A.	INTERNAL			2,706,638,814.220	16,644,642,380.540	-	-	16,644,642,380.540	13,067,757,900.000	186,127,138.250	13,253,904,038.250	13,067,757,900.000	186,127,138.250	13,253,904,038.250	6,542,271,284.250	106,734,897.662
i.	Built 2000/2001/2002/2003/2004/2005/2006/2007/2008/2009/2010/2011/2012/2013/2014/2015/2016/2017/2018/2019/2020/2021/2022/2023/2024/2025/2026/2027/2028/2029/2030/2031/2032/2033/2034/2035/2036/2037/2038/2039/2040/2041/2042/2043/2044/2045/2046/2047/2048/2049/2050/2051/2052/2053/2054/2055/2056/2057/2058/2059/2060/2061/2062/2063/2064/2065/2066/2067/2068/2069/2070/2071/2072/2073/2074/2075/2076/2077/2078/2079/2080/2081/2082/2083/2084/2085/2086/2087/2088/2089/2090/2091/2092/2093/2094/2095/2096/2097/2098/2099/2100/2101/2102/2103/2104/2105/2106/2107/2108/2109/2110/2111/2112/2113/2114/2115/2116/2117/2118/2119/2120/2121/2122/2123/2124/2125/2126/2127/2128/2129/2130/2131/2132/2133/2134/2135/2136/2137/2138/2139/2140/2141/2142/2143/2144/2145/2146/2147/2148/2149/2150/2151/2152/2153/2154/2155/2156/2157/2158/2159/2160/2161/2162/2163/2164/2165/2166/2167/2168/2169/2170/2171/2172/2173/2174/2175/2176/2177/2178/2179/2180/2181/2182/2183/2184/2185/2186/2187/2188/2189/2190/2191/2192/2193/2194/2195/2196/2197/2198/2199/2200/2201/2202/2203/2204/2205/2206/2207/2208/2209/2210/2211/2212/2213/2214/2215/2216/2217/2218/2219/2220/2221/2222/2223/2224/2225/2226/2227/2228/2229/2230/2231/2232/2233/2234/2235/2236/2237/2238/2239/2240/2241/2242/2243/2244/2245/2246/2247/2248/2249/2250/2251/2252/2253/2254/2255/2256/2257/2258/2259/2260/2261/2262/2263/2264/2265/2266/2267/2268/2269/2270/2271/2272/2273/2274/2275/2276/2277/2278/2279/2280/2281/2282/2283/2284/2285/2286/2287/2288/2289/2290/2291/2292/2293/2294/2295/2296/2297/2298/2299/2300/2301/2302/2303/2304/2305/2306/2307/2308/2309/2310/2311/2312/2313/2314/2315/2316/2317/2318/2319/2320/2321/2322/2323/2324/2325/2326/2327/2328/2329/2330/2331/2332/2333/2334/2335/2336/2337/2338/2339/2340/2341/2342/2343/2344/2345/2346/2347/2348/2349/2350/2351/2352/2353/2354/2355/2356/2357/2358/2359/2360/2361/2362/2363/2364/2365/2366/2367/2368/2369/2370/2371/2372/2373/2374/2375/2376/2377/2378/2379/2380/2381/2382/2383/2384/2385/2386/2387/2388/2389/2390/2391/2392/2393/2394/2395/2396/2397/2398/2399/2400/2401/2402/2403/2404/2405/2406/2407/2408/2409/2410/2411/2412/2413/2414/2415/2416/2417/2418/2419/2420/2421/2422/2423/2424/2425/2426/2427/2428/2429/2430/2431/2432/2433/2434/2435/2436/2437/2438/2439/2440/2441/2442/2443/2444/2445/2446/2447/2448/2449/2450/2451/2452/2453/2454/2455/2456/2457/2458/2459/2460/2461/2462/2463/2464/2465/2466/2467/2468/2469/2470/2471/2472/2473/2474/2475/2476/2477/2478/2479/2480/2481/2482/2483/2484/2485/2486/2487/2488/2489/2490/2491/2492/2493/2494/2495/2496/2497/2498/2499/2500/2501/2502/2503/2504/2505/2506/2507/2508/2509/2510/2511/2512/2513/2514/2515/2516/2517/2518/2519/2520/2521/2522/2523/2524/2525/2526/2527/2528/2529/2530/2531/2532/2533/2534/2535/2536/2537/2538/2539/2540/2541/2542/2543/2544/2545/2546/2547/2548/2549/2550/2551/2552/2553/2554/2555/2556/2557/2558/2559/2560/2561/2562/2563/2564/2565/2566/2567/2568/2569/2570/2571/2572/2573/2574/2575/2576/2577/2578/2579/2580/2581/2582/2583/2584/2585/2586/2587/2588/2589/2590/2591/2592/2593/2594/2595/2596/2597/2598/2599/2600/2601/2602/2603/2604/2605/2606/2607/2608/2609/2610/2611/2612/2613/2614/2615/2616/2617/2618/2619/2620/2621/2622/2623/2624/2625/2626/2627/2628/2629/2630/2631/2632/2633/2634/2635/2636/2637/2638/2639/2640/2641/2642/2643/2644/2645/2646/2647/2648/2649/2650/2651/2652/2653/2654/2655/2656/2657/2658/2659/2660/2661/2662/2663/2664/2665/2666/2667/2668/2669/2670/2671/2672/2673/2674/2675/2676/2677/2678/2679/2680/2681/2682/2683/2684/2685/2686/2687/2688/2689/2690/2691/2692/2693/2694/2695/2696/2697/2698/2699/2700/2701/2702/2703/2704/2705/2706/2707/2708/2709/2710/2711/2712/2713/2714/2715/2716/2717/2718/2719/2720/2721/2722/2723/2724/2725/2726/2727/2728/2729/2730/2731/2732/2733/2734/2735/2736/2737/2738/2739/2740/2741/2742/2743/2744/2745/2746/2747/2748/2749/2750/2751/2752/2753/2754/2755/2756/2757/2758/2759/2760/2761/2762/2763/2764/2765/2766/2767/2768/2769/2770/2771/2772/2773/2774/2775/2776/2777/2778/2779/2780/2781/2782/2783/2784/2785/2786/2787/2788/2789/2790/2791/2792/2793/2794/2795/2796/2797/2798/2799/2800/2801/2802/2803/2804/2805/2806/2807/2808/2809/2810/2811/2812/2813/2814/2815/2816/2817/2818/2819/2820/2821/2822/2823/2824/2825/2826/2827/2828/2829/2830/2831/2832/2833/2834/2835/2836/2837/2838/2839/2840/2841/2842/2843/2844/2845/2846/2847/2848/2849/2850/2851/2852/2853/2854/2855/2856/2857/2858/2859/2860/2861/2862/2863/2864/2865/2866/2867/2868/2869/2870/2871/2872/2873/2874/2875/2876/2877/2878/2879/2880/2881/2882/2883/2884/2885/2886/2887/2888/2889/2890/2891/2892/2893/2894/2895/2896/2897/2898/2899/2900/2901/2902/2903/2904/2905/2906/2907/2908/2909/2910/2911/2912/2913/2914/2915/2916/2917/2918/2919/2920/2921/2922/2923/2924/2925/2926/2927/2928/2929/2930/2931/2932/2933/2934/2935/2936/2937/2938/2939/2940/2941/2942/2943/2944/2945/2946/2947/2948/2949/2950/2951/2952/2953/2954/2955/2956/2957/2958/2959/2960/2961/2962/2963/2964/2965/2966/2967/2968/2969/2970/2971/2972/2973/2974/2975/2976/2977/2978/2979/2980/2981/2982/2983/2984/2985/2986/2987/2988/2989/2990/2991/2992/2993/2994/2995/2996/2997/2998/2999/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STATEMENT OF GOVERNMENT EQUITY PORTFOLIO AS OF 30TH JUNE 2013

A. DIRECT SHAREHOLDINGS			SHAREHOLDINGS AS OF 30 JUNE 2012				SHAREHOLDINGS AS OF 30 JUNE 2013				AMOUNT (NULIN MILLION)	
SL. NO.	CORPORATIONS	NO. OF SHARES	VALUE (NUL)	% OF HOLDING	INVESTMENT	NO. OF SHARES	AMOUNT IN NUL	DIVESTMENT/TRANSFER	NO. OF SHARES	AMOUNT IN NUL	VALUE (NUL)	% OF HOLDING
I	Manufacturing		44,907.874								44,907.874	
1	Army Welfare Project	25,000	25,000	100%							25,000	100%
2	Bhutan Agro Industries Limited	290,636	290,636	100%							290,636	100%
3	Construction Development Corporation	4,013,830	401,380	100%							401,380	100%
4	Wood Craft Centre Limited	96,820	96,820	100%							96,820	100%
5	Kumool Corporation	255,000	25,500	51%							25,500	51%
6	Brick Holding & Investments Ltd	442,682,486	44,328,114	100%							44,328,114	100%
II	Trading		15,000								15,000	
7	Frost Corporation of Bhutan	15,000	15,000	100%							15,000	100%
III	Services		187,000								187,000	
8	Bhutan Postal Corporation	235,952	23,595	100%							23,595	100%
9	Bhutan Broadcasting Service Limited	1,308,351	130,835	100%							130,835	100%
IV	Financial Institutions		187,000								187,000	
10	Corp Ltd											
	National Housing Development											
	Financial Institutions											
	Bhutan Development Bank											
9	Limited	187,000	187,000	93.50%	100,000,000	100,000					287,000	95.67%
	TOTAL		45,284,304								45,284,304	



B. SHAREHOLDING THROUGH DRUKHOLDING & INVESTMENT (THD)									
SL NO.	CORPORATIONS	NO. OF SHARES	VALUE IN NUL	% OF HOLDING	INVESTMENT AMOUNT IN NUL	NO. OF SHARES	AMOUNT IN NUL	NO. OF SHARES	% OF HOLDING
1	Manufacturing		31,638,067						
1	Powder Cement Authority Limited	1,251,074	152,107	44.74%					44.74%
2	Bhutan Cement Limited	305,946	36,850	25.73%					25.73%
3	Bhutan Ferro Alloy Limited	305,946	36,850	25.73%					25.73%
4	Natural Resource Development	300,000	30,000	100%					100%
5	UHL Infra	2,000,000	200,000	100%					100%
6	UHL Green Power Corporation	30,500,291	3,050,290	100%					100%
7	Dungsum Cement Corporation Ltd	421,800	42,180	100%					100%
8	Kerfuko Plymers			30%					30%
9	Kerfuko International Pvt Ltd			51.00%					51.00%
10	State Trading Corporation of Bhutan	459,002	45,900	100.00%					100.00%
11	UHL Air Corporation	22,252,111	2,225,210	100.00%					100.00%
12	Bhutan Telecom Corporation	854,062	85,406	100.00%					100.00%
13	Bhutan Telecom Development Pvt Ltd	7,313,675	731,367	100.00%					100.00%
14	Bhutan National Bank Ltd	3,200,000	320,000	100.00%					100.00%
15	Bhutan National Bank 1	3,200,000	320,000	100.00%					100.00%
16	Royal Insurance Corporation of Bhutan Ltd	941,950	94,195	39.25%					39.25%
17	TOTAL		41,790,254						

[Signature]
 Director General
 Department of Public Accounts
 Ministry of Finance

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

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 Royal Audit Authority



CHAPTER 4

DETAILED AUDIT FINDINGS

1. MINISTRIES

4.1.1 Ministry of Works and Human Settlement

During the period the Royal Audit Authority had issued 24 audit reports of the Ministry of Works and Human Settlement and its Departments, Divisions and Units. There were 103 observations pointed out in the reports involving Nu. 86.554 million, out of which 44 observations amounting to 19.053 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 67.501 million.

Based on the responses received after the issue of the Draft AAR 2013 and action taken by the Ministry and agencies concerned under it, observations amounting to Nu. 17.957 million were either resolved fully or substantially. The unresolved significant irregularities amounted to Nu. 49.544 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.019	1 & 2
2	Mismanagement	18.067	3
3	Violation of laws and rules	1.700	4
4	Shorfalls, lapses and deficiencies	29.758	5
Total		49.544	

1. Fraud Corruption & Embezzlement – Nu. 0.019 million

The case of indicator of fraud, corruption and embezzlement is as indicated below:

1.1 Acceptance of defective goods – Nu. 0.019 million

The Changangkha Middle Secondary School under the Thimphu Thromde had accepted defective sports goods valuing Nu. 0.019 million from the supplier. It was noted that despite the defect, the sports coordinator had signed the challans and accepted the goods without giving any remark on the supplier's challans/bills. (AIN 11689; Para 5.11; Accountabilities: Direct: Tshewang Rinzin, Vice Principal, EID No. 8807029; Supervisory: Ugyen Tshering, Offtg. TEO, EID No. 9707123)

2. Mismanagement – Nu. 18.067 million

There were cases of mismanagement involving Nu. 18.067 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Outstanding revenue	0.037
2.2	Non/short collection of revenue	9.530
2.3	Under development of private land	-
2.4	Lease of government land and lapses thereof	-
2.5	Irregularities in disbursing advances	8.500
	Total	18.067

The cases of mismanagement are as indicated below:

2.1 Outstanding revenue – Nu. 0.037 million

The Gelephu Thromde had outstanding revenue of Nu. 0.037 million on account of property taxes. (AIN 11470; Para 1; Accountabilities: Direct: Tow Tshering, LRO, EID No. 200803020; Supervisory: Harka S Tamang, Executive Secretary, EID No. 8304001)

2.2 Non/short collection of revenue – Nu. 9.530 million

- a) The Thimphu Thromde had not collected the lease rent of Nu. 0.594 million from the Royal Golf Club under the Thromde. It was noted that the Royal Golf Club has been categorized under sports facilities and recreational parks as per the lease rates schedule prescribed by the National Land Commission for which the rent leviable was Nu. 0.10 per sq.ft per annum. However, the Thromde had collected lumpsum amount of Nu. 0.050 million per year resulting in short collection. (AIN 11644; Para 1; Accountabilities: Direct: Dorji Phurba, Asstt. Administrative Officer, EID No. 200905017; Supervisory: Bishwanath Pradhan, Dy. Chief Survey Engineer, EID No. 9011078)
- b) The Gelephu Thromde had not collected the lease rent of Nu. 8.936 million on account of commercial lease of government land. It was noted that the Thromde had levied lease rent @ Nu. 3.00 per sq. ft per annum as against the prescribed rate of Nu. 42.00 per sq. ft per annum which was effective from February 2009. (AIN 11643; Para 1; Accountabilities: Direct: Chopel Dorji, Head, Urban Planning Division, EID No. 901088; Supervisory: Harka Singh Tamang, Executive Secretary, EID No. 8304001)

2.3 Under development of private land

The pre-conditions specified for development of land under different precincts defined in the Thimphu Structural Plan of the Thimphu Thromde had resulted in many of the land owners not being able to utilize or develop their land. While the Land Act of Bhutan 2007 allows ownership of land parcel measuring less than 10 decimal prevalent before the enactment of the Act, the development of such land falling under different precincts are being regulated by the requirements stipulated for each precincts. Further, the Act also contains provisions allowing

the government and local authority to enforce means to discourage underutilization and under development of land. Thus, there exists a conflict in the provisions of the Act which deprives the land owners of deriving any benefits from their lands. (AIN 11560; Para 5; Accountabilities: Direct: Minjur Dorji, Executive Secretary, EID No. 9509038; Supervisory: Kinley Dorji, Thrompon, EID No. 1141000237)

2.4 Lease of government land and lapses thereof

The scrutiny of records related to the lease of government land administered by the Thimphu Thromde revealed that though required by the Land Act of Bhutan 2007 and Land Rules and Regulations 2007, rules on leasing of government land was not formulated and the inventory of government land was not maintained. Further, it had permitted construction of permanent structures over the leased land without outlining the course of action to be taken on expiry of the lease. The records of lease executed before 2011 was not maintained properly to ascertain the outstanding lease rents if any.

There were also instances of deviations in the application of lease rates for private schools and other business activities resulting in under collection of lease rents. In some of the cases, the management had failed to renew the lease agreements, demarcate the boundaries and maintain proper lease records. (AIN 11560; Para 6; Accountabilities: Direct: Individuals concerned; Supervisory: Biswanath Pradhan, Dy. Chief Survey Engineer, EID No. 9011078)

2.5 Irregularities in disbursing advances – Nu. 8.500 million

The Field Division, Trongsa had made irregular payment of advances amounting to Nu. 8.500 million for hiring of Crawl Drilling Machine to M/s Construction Development Corporation Limited for deployment at the construction site of Reffee-Khosala bypass road. The payment represented 100% advance payment without prior approval from the competent authority. (AIN 11619; Para 7; Accountabilities: Direct: Karma Tenzin, Accountant, EID No. 9504017; Supervisory: H.R Ghalley, Executive Engineer, EID No. 831209)

3. Violation of Laws and Rules – Nu. 1.700 million

There were cases of violation of laws and rules involving Nu.1.700 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Non levy of liquidated damages	0.358
3.2	Abnormal/undue delay in the execution of work	-
3.3	Execution of substandard works	0.148
3.4	Unbudgeted expenditure on procurement	0.108
3.5	Non obtaining of 10% performance security	1.086
	Total	1.700

The cases of violation of laws and rules are as indicated below:

3.1 Non levy of liquidated damages – Nu. 0.358 million

The Thimphu Thromde Education Sector had not levied liquidated damages amounting to Nu. 0.358 million for the late delivery of text books and sports goods by various suppliers. (AIN 11689; Para 5.4; Accountabilities: Direct: Individuals concerned; Supervisory: Ugyen Tshering, Offtg. TEO, EID No. 9707123)

3.2 Abnormal/undue delay in the execution of work

The Thimphu Thromde Education Sector had not completed the Construction of Administration Block and two nos. of eight classroom block and site development work at Zilukha Lower Secondary School within the stipulated time. (AIN 11689; Para 3.1; Accountabilities: Direct: Kesang Chopel, Site Engineer, CID No. 11410005944; Supervisory: Pekar Rabgay, Executive Engineer, EID No. 90090294)

3.3 Execution of substandard works – Nu. 0.148 million

- a) The Thimphu Thromde Education Sector had accepted substandard work valuing Nu. 0.148 million in the construction of Integrated Academic Block at Taba Primary School. It was found that the marble chip flooring was not executed properly as uneven distributions of marble chips resulted due to adoption of improper grinding method and tools or failure to maintain the required ratio of cement to marble chips. (AIN 11689; Para 1.2; Accountabilities: Direct: Kesang Chopel, Site Engineer, CID No. 11410005944; Supervisory: Pekar Rabgay, Executive Engineer, EID No. 9009029)
- b) The Thimphu Thromde Education Sector had accepted substandard work of joints at prop and truss in the construction of Integrated Academic Block at Taba Primary School. It was noted that four nos. of 20mm bolts were not properly bolted which were to be embedded on the prop and extended and connected to the MS Plate on which bottom chord of the truss rest. (AIN 11689; Para 1.3; Accountabilities: Direct: Kesang Chopel, Site Engineer, CID No. 11410005944; Supervisory: Pekar Rabgay, Executive Engineer, EID No. 9009029)
- c) The Thimphu Thromde Education Sector had accepted substandard work in the construction of Principal's Quarter and Site Development Work at Taba Primary School. It was found that the basketball court had alligator cracks and barked off plasters. The bitumen was not provided in the joints and formwork strips and was left embedded in the concrete, which could result in extra pressure exerted on the concrete box with changes in the season. (AIN 11689; Para 2.1; Accountabilities: Direct: Kesang Chopel, Site Engineer, CID No. 11410005944; Supervisory: Sonam Tashi, Engineer, EID No. 200801079)
- d) The Thimphu Thromde Education Sector had accepted substandard work of RRM wall in the construction of Principal's Quarter and Site Development Work at Taba Primary School. It was noted that the earth fill sides of the wall was left exposed. (AIN 11689; Para 2.2; Accountabilities: Direct: Kesang Chopel, Site Engineer, CID No. 11410005944; Supervisory: Sonam Tashi, Engineer, EID No. 200801079)

- e) The Thimphu Thromde Education Sector had accepted substandard work in the construction of 12 Classroom Block & Access Road at new Changbangdu Primary School. It was noted that there were numerous longitudinal edge cracks in the road constructed. (AIN 11689; Para 4.1; Accountabilities: Direct: Sonam Jamtsho, Site Engineer, EID No. 201101161; Supervisory: Mahesh Pradhan, Chief Engineer, EID No. 8901047)

3.4 Unbudgeted expenditure on procurement – Nu. 0.108 million

The Thimphu Thromde had made unbudgeted expenditure of Nu. 0.108 million for the procurement of bicycles on the basis of the approval of the Thromde Tshogde. It was noted that the procurement of bicycles was not covered under the RGoB rules and no budget provisions were available for such payment. (AIN 11560; Para 14; Accountabilities: Direct: Thinley Dorji, Procurement Officer, EID No. 8506031; Supervisory: Sangay Wangdi, Executive Engineer, EID No. 8908078)

3.5 Non obtaining of 10% performance security – Nu. 1.086 million

The Thimphu Thromde Education Sector had not collected 10% performance security amounting to Nu. 1.086 million from the suppliers for the supply of various goods for the schools under the Thromde. The non-collection of performance security was in deviation to the Procurement Rules and Regulations 2009. It was further noted that the bid security of Nu. 0.086 million collected during the year was kept without depositing into the Refundable deposit Account. (AIN 11689; Para 5.12; Accountabilities: Direct: Thinley Dorji, Procurement Officer, EID No. 8506031; Supervisory: Ugyen Tshering, Offtg. TEO, EID No. 9707123)

4. Shortfalls, lapses and deficiencies – Nu. 29.758 million

There were cases of shortfalls, lapses and deficiencies involving Nu.29.758 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
4.1	Acceptance of defective works	-
4.2	Excess/over payment	0.527
4.3	Non reconciliation of revenue accounts	0.167
4.4	Deficiencies in the Urban Land Management System	-
4.5	Under development of land	-
4.6	Land tax not commensurate with the total area of land available	-
4.7	Non availability of records	-
4.8	Occupation of excess land	-
4.9	Irregularities in the acquisition of land	-
4.10	Lack of proper coordination resulting in wasteful expenditure	0.284
4.11	Outstanding advances	1.160
4.12	Under utilization of capital budget	27.620
	Total	29.758

The cases of shortfalls, lapses and deficiencies are as indicated below:

4.1 Acceptance of Defective works

The Phuentsholing Thromde had accepted several defective works in the construction of boundary wall at Sewerage Treatment Plant and the constructions of 75 meter drain at Karbartar. (AIN 11273; Para 1.5; Accountabilities: Direct: Sonam Tobgay, JE, EID No. 200301058; Supervisory: Jigme Phuentsho, Head, Environment Division, EID No. 200821680)

4.2 Excess/over payment – Nu. 0.527 million

- a) The Thimphu Thromde Education Sector had made overpayment of Nu. 0.494 million in the construction of Integrated Academic Block at Taba Primary School. The overpayment had occurred due to recording of inflated quantities in the bills without ascertaining the quantity of works actually executed at site. (AIN 11689; Para 1; Accountabilities: Direct: Kesang Chopel, Site Engineer, CID No. 11410005944; Supervisory: Pekar Rabgay, Executive Engineer, EID No. 9009029)
- b) The Phuentsholing Thromde had made excess payment of Nu. 0.033 million in the work of repair of compound wall at Sewerage Treatment Plant. The excess payment had occurred due to payment made for items not provided at site. (AIN 11273; Para 3; Accountabilities: Direct: Chenchu, JE, EID No. 200301058; Supervisory: Jigme Phuentsho, Head, Environment Division, EID No. 200821680)

4.3 Non reconciliation of revenue accounts – Nu. 0.167 million

The Samdrupjongkhar Thromde had not reconciled the difference of Nu. 0.167 million in the collection and deposit of revenue for 2011-12. It was found that there was excess deposit into the Government Revenue Account. (AIN 11489; Para 2.2; Accountabilities: Direct: Damcho Zangmo, AE, EID No. 9707078; Supervisory: Damcho Zangmo, AE, EID No. 9707078)

4.4 Deficiencies in the Urban Land Management System

The Thimphu Thromde had not categorized the land under Thromde as per the recommendations of the Property Assessment & Valuation Agency (PAVA) on the basis of land use, sanctions and encumbrances such as ground coverage, building height, setbacks, building uses, accessibility to levels of street widths, infrastructural services etc. for valuation of land under different precincts. (AIN 11560; Para 1.1; Accountabilities: Direct: Geley Norbu, Chief Urban Planner, EID No. 200201100 and Biswanath Pradhan, Dy. Chief Survey Engineer, EID No. 9011078; Supervisory: Minjur Dorji, Executive Secretary, EID No. 9509038)

4.5 Under Development of Land

The Thimphu Thromde had not been able to approve the development of land area of around 1663.59 acres within the Thimphu Municipal Boundary pending the initiation/finalization of Local Area Plan. Further, there were also inconsistencies in the land area information as indicated in the Thimphu Structural Plan (TSP) and the land use reflected in the report for areas having LAPS and without LAPS. (AIN 11560; Para 1.2; Accountabilities: Direct: Geley Norbu, Chief Urban Planner, EID No. 200201100 and Biswanath Pradhan, Dy. Chief Survey Engineer, EID No. 9011078; Supervisory: Minjur Dorji, Executive Secretary, EID No. 9509038)

4.6 Land tax not commensurate with the total area of land available

On the basis of RAA's rough computation of realizable land tax from the land area under Thimphu Thromde, it suggested to show that the land tax collections done by the Thromde are not commensurate with the total land area given the existing rate. Though the Thromde refuted the analysis not being fair and correct to which RAA also agrees, the RAA did not have better alternative in view of non-availability of relevant undated land records for more objective analysis. However, result of the analysis is indicative of revenue loss in terms of pilferage and cannot rule out the non-collection if measures to maintain proper and updated land records are not initiated. *(AIN 11560; Para 1.3; Accountabilities: Direct: Geley Norbu, Chief Urban Planner, EID No. 200201100 and Biswanath Pradhan, Dy. Chief Survey Engineer, EID No. 90110788; Supervisory: Minjur Dorji, Executive Secretary, EID No. 9509038)*

4.7 Non availability of records

The Thimphu Thromde had not maintained the details of unused land acquired from private parties for the construction of 7 KM Express Way which was taken over from the Department of Roads. In absence of proper inventory, the possibilities of encroachment by private parties cannot be ruled out. *(AIN 11560; Para 2; Accountabilities: Direct: Individuals concerned; Supervisory: Biswanath Pradhan, Dy. Chief Survey Engineer, EID No. 9011078)*

4.8 Occupation of excess land

The Thimphu Thromde had several cases of Thram Holders occupying land in excess of areas registered under their Thrums. The management accepted the existence of such cases and that the re-survey exercise for 400 plots in the core area was completed in 2009 and the report submitted to National Land Commission for final decision which is yet to be received by the Thromde. *(AIN 11560; Para 3; Accountabilities: Direct: Biswanath Pradhan, Dy. Chief Survey Engineer, EID No. 9011078; Supervisory: Minjur Dorji, Executive Secretary, EID No. 9509038)*

4.9 Irregularities in the acquisition of land

The review of the compensation payment made for the private land acquired for Green Zone at Dzong precinct under Thimphu Thromde revealed various deficiencies in the acquisition and finalization of compensation payment to the land owners. It was found that proper documentations of compensation process, government directives, land profiles etc., were not maintained except for the soft copy in MS Excel containing the list of identified areas, registered land owners and occupied areas and Thram/Plot details of land falling under the Green Zone. The acquisition and compensation process were made on the basis of the information from the soft copy though its validity and authenticity could not be validated. Further, acquisition and compensation of land from some of the owners were not completed as owners claimed for land substitution. This had potential to complicate the issue in the absence of definite timeframe to complete the acquisition processes.

It was also noted few instances of land owners occupying areas in excess of what was registered under their Thrums. The management had not produced any evidence of action and decision on such issues for acquisition. There were cases where the owners of the land could not be traced through the documents.

The RAA observed that the payment of compensation was not uniform as some were paid for registered area and some were paid for occupied area. The possibility of payment for excess areas that were yet to be regularized could not be ruled out. The Thromde was yet to register the land acquired under its Thram. *(AIN 11560; Para 8; Accountabilities: Direct: Individuals concerned; Supervisory: Biswanath Pradhan, Dy. Chief Survey Engineer, EID No. 9011078)*

4.10 Lack of proper coordination resulting in wasteful expenditure – Nu. 0.284 million

The implementation of Local Area Plan at Babesa under Thimphu Thromde with the financial assistance from the Asian Development Bank implemented by Urban Infrastructure Development Project, Thimphu Thromde had resulted in demolishing of recently constructed drain works rendering waste of expenditure to the tune of Nu. 0.284 million. This had apparently occurred due to improper planning and coordination between the units under the Thimphu Thromde. *(AIN 11560; Para 9; Accountabilities: Direct: Kumar Subba, Jr. Engineer, EID No. 201101254; Supervisory: Gyeltshen Dupa, Chief Environment Officer, EID No. 9006165)*

4.11 Outstanding advance – Nu. 1.160 million

- a) The Thimphu Thromde had outstanding advances of Nu. 1.116 million against various officials and parties. *(AIN 11560; Para 15; Accountabilities: Direct: Individuals concerned; Supervisory: Krishna Kumar Thapa, Dy. Chief Accounts Officer, EID No. 7709016)*
- b) The Liaison Office, Phuentsholing had outstanding advances of Nu. 0.044 million against various officials. *(AIN 11035; Para 3; Accountabilities: Direct: Individuals concerned; Supervisory: Jambay Nima, Chief Adm. Officer, EID No. 9107090)*

4.12 Underutilization of capital budget – Nu. 27.620 million

The Thimphu Thromde Education Sector had not utilized capital budget amounting to Nu. 27.620 million for the fiscal year 2011-12. The underutilization of funds for capital activities ranged from 22.95% to 94.02% indicating that the management had either not planned the capital activities properly or failed to execute the planned activities. *(AIN 11689; Para 5.13; Accountabilities: Direct: Individuals concerned; Supervisory: Ugyen Tshering, Ofgtg. TEO, EID No. 9707123)*

4.1.2 Ministry of Economic Affairs

During the period the Royal Audit Authority had issued 16 audit reports of the Ministry of Economic Affairs and its Departments, Divisions and Units. There were 17 observations pointed out in the reports involving Nu 31.773 million, out of which 13 observations amounting to Nu. 0.554 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 31.219 million.

Based on the responses received after the issue of draft AAR 2013 and action taken by the Ministry and agency concerned under it, observations amounting to Nu. 0.124 million were either resolved fully or substantially. The unresolved significant irregularities amounted to Nu. 31.095 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	31.095	3
	Total	31.095	

1. Mismanagement – Nu. 31.095 million

There were cases of mismanagement involving Nu. 31.095 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Non collection of Environmental Restoration Bond	5.865
1.2	Unauthorized talc mining at Sukreti, Samtse and short levy of penalty	25.230
	Total	31.095

The cases of mismanagement are as indicated below:

1.1 Non collection of Environmental Restoration Bond – Nu. 5.865 million

The Department of Geology and Mines had not collected the Environmental Restoration Bond (ERB) amounting to Nu. 5.865 million from various lessees across the country as on 31.12.2012. As per the MMMR 2002, the environmental bond shall be payable proportionate to the amount specified in the approved FMFS in the first month of each lease year during the first month of the lease period and its extensions, if any. (AIN 11642; Para 1; Accountabilities: Direct: Individuals concerned; Supervisory: Sangay Tshering, Head, Mining Division, EID No. 200401042)

1.2 Unauthorized talc mining at Sukreti, Samtse and short levy of penalty – Nu. 25.230 million

The Department of Geology and Mines had made short levy of fines amounting to Nu. 25.230 million on account of unauthorized mining and selling of talc. The joint investigation team on the directives of the Anti-Corruption Commission had confirmed the illegal mining operations being carried out by a proponent who was given the approval for construction of private Higher

Secondary School at the closed Talc mine site at Sukreti, Samtse. It was found that the Department had levied penalty for illegal operation only on 90 MT of stacked material. However, the records showed that the proponent had dispatched 8500 MT of mineral for which no penalty was levied.(AIN 11642; Para 2; Accountabilities: Direct: Sangay Tshering, Head, Mining Division, EID No. 200401042; Supervisory: Sangay Tshering, Head, Mining Division, EID No. 200401042)

4.1.3 Ministry of Education

During the period the Royal Audit Authority had issued 12 audit reports of the Ministry of Education and its Departments, Divisions and Units. There were 40 observations pointed out in the reports involving Nu. 108.205 million, out of which 19 observations amounting to Nu. 73.751 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 34.454 million.

Based on the responses received after the issue of draft AAR 2013 and action taken by the Ministry and agency concerned under it, observations amounting to Nu. 12.303 million were either resolved fully or substantially. The unresolved significant irregularities amounted to Nu. 22.151 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	2.376	3
2	Violation of laws and rules	4.623	4
3	Shorfalls, lapses and deficiencies	15.152	5
	Total	22.151	

1. Mismanagement – Nu. 2.376 million

The case of mismanagement involving Nu. 2.376 million is as indicated below:

1.1 Non-refund of expenses Nu. 2.376 million

The Ministry of Education had not recovered the amount of Nu. 2.376 million from 23 volunteer students who had failed to honour the undertakings drawn with the Ministry to take up teaching profession after completion of graduation in the field of Physics and Mathematics from Sherubtse College during 2007 to 2009. The students were supposed to refund double the stipends paid to them during the course of their studies if they failed to join the teaching profession. It was found that the Ministry was not able to trace the individuals to obtain the refund of the expenses.

Further, it was also noted that the programme was not supported by the government directives and there was no coordination with the RCSC resulting in poor monitoring and execution of the programmes. (AIN 11572; Para 1; Accountabilities: Direct: Bhumika Ghalley, Dy. Chief HRO, EID No. 8801015 and Tshering Dorji, Former HRO, EID No. 9407070; Supervisory: Sonam Wangyal, Former Chief HRO, EID No. 9308041)

2. Violation of Laws and Rules – Nu. 4.623 million

There were cases of violation of laws and rules involving Nu. 4.623 million as indicated below:

Sl. No.	Observation in brief	Nu. in million
2.1	Excess printing of booklet	-
2.2	Non recognition of expenditure	1.927
2.3	Retention of recoveries on account of excess issue of materials and wages	0.731
2.4	Deficiencies in accounts	-
2.5	Execution of substandard works	-
2.6	Time barred adjustments	1.965
	Total	4.623

The cases of violation of laws and rules are as indicated below:

2.1 Excess printing of booklet

The Save the Children Project implemented by the Ministry of Education had printed excess quantity of booklet titled “Career Option after Class 10 & 12”. It was noted that as against 1500 copies of booklet ordered for printing, the firm had printed and supplied 2321 copies resulting in excess of 821 copies. Further, the work of printing was to be awarded equally to two firms as both were evaluated as lowest bidder, the entire printing works were awarded to single firm which was against the decision of the committee. It was also found that the GIN date had preceded the GRN date and Challan which indicated that the booklets were dispatched prior to its receipts. *(AIN 10797; Para 5; Accountabilities: Direct: Bahadur Tamang, EID No. 8702004; Supervisory: Tashi Pelzom, Chief, CECD, EID No. 9003012)*

2.2 Non recognition of expenditure – Nu. 1.927 million

- a) The Education Development Project funded by World Bank had not recognized the expenditure of Nu. 0.963 million in the final Running Account bills for the construction of Buli Middle Secondary School. It was noted that project had booked expenditure of Nu. 1.313 million after deducting liquidated damages of Nu. 0.963 million from the Running Account bill of Nu. 2.275 million. This had resulted in understatement of reported expenditure on the infrastructure works. *(AIN 11390; Para 2(a); Accountabilities: Direct: Diwakar Lama, Executive Engineer, EID No. 8808002; Supervisory: Karma Sonam, Chief Engineer, EID No. 9107112)*
- b) The Education Development Project funded by World Bank had not booked expenditure of Nu. 0.964 million recovered on account of excess materials supplied and liquidated damages in the construction of Dungti Middle Secondary School and Dashinging Higher Secondary School. This had resulted in understatement of expenditure for these construction works. *(AIN 11390; Para 4 Accountabilities: Direct: Diwakar Lama, Executive Engineer, EID No. 8808002; Supervisory: Karma Sonam, Chief Engineer, EID No. 9107112)*

2.3 Retention of Recoveries on account of excess issue of materials and wage –

The Education Development Project funded by World Bank had booked amount of Nu. 0.731 million under account code 89.24 – Others, which should have been credited in the account in which the payments were initially booked. The amount was the recoveries made on account of excess materials consumptions and wages. This had resulted in increase of the reported expenditure in the Expenditure Statement.(AIN 11390; Para 2(b); Accountabilities: Direct: Diwakar Lama, Executive Engineer, EID No. 8808002; Supervisory: Karma Sonam, Chief Engineer, EID No. 9107112)

2.4 Deficiencies in accounts

The Education Development Project funded by World Bank had cases of deficiencies in accounts such as temporary advances released from the International Assistance (IA) Project Account which were directly paid to parties without booking in the books of accounts of the Education Development Project. Further, there was also a case where cheque received from EDP was further released to another party and the cheque was not presented to the bank before the lapse of financial year resulting in uncashed cheque.(AIN 11390; Para 5; Accountabilities: Direct: Tashi Tshering, Account Assistant, EID No. 9807016; Supervisory: Pema Yangden, Sr. Accounts Officer, EID No. 2001020)

2.5 Execution of substandard works

The International Assisted Project implemented by the Ministry of Education had accepted various sub-standard works in the construction of Pangsepo Primary School. Various defects were noted particularly in the alignment of TMT/Reinforcement bars and brickworks.(AIN 11575; Para 7.2; Accountabilities: Direct: Pasang Wangdi Sherpa, Engineer, EID No. 201009081; Supervisory: Diwakar Lama, Executive Engineer, EID No. 8808002)

2.6 Time barred adjustment – Nu. 1.965 million

The Save the Children Project implemented by the Ministry of Education had made time barred adjustments for expenditure amounting to Nu. 1.965 million in deviation to the Finance and Accounting Manual of the Financial Rules and Regulations 2001. It was found that such claims and adjustments ranged from 549 days to 1066 days after the due date of adjustments.(AIN 11703; Para 2; Accountabilities: Direct: Sherab Gyeltshen, Accountant, EID No. 2107080; Supervisory: Pema Yangden, Sr. Accounts Officer, EID No. 2001020)

3. Shortfalls, lapses and deficiencies – Nu. 15.152 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 15.152 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Non production of vouchers	0.373
3.2	Outstanding advances	5.938
3.3	Non recovery of liquidated damages	8.841
	Total	15.152

The cases of shortfalls, lapses and deficiencies are as indicated below:

3.1 Non production of vouchers – Nu. 0.373 million

The Save the Children Project implemented by the Ministry of Education had not produced vouchers for the expenditure aggregating to Nu. 0.373 million. In absence of the vouchers and related supporting documents, the authenticity of expenditures to that extent could not be ascertained. *(AIN 10797; Para 6; Accountabilities: Direct: Sherub Gyeltshen, Project Accountant, EID No. 2107080; Supervisory: Ugyen Mama Dorji, SAO, EID No. 9308078)*

3.2 Outstanding Advances – Nu. 5.938 million

- a) The Save the Children Project implemented by the Ministry of Education had outstanding advances of Nu. 0.060 million lying against various officials and parties. *(AIN 10797; Para 11; Accountabilities: Direct: Individuals concerned; Supervisory: Sherub Gyeltshen, Project Accountant, EID No. 2107080)*
- b) The International Assisted Project implemented by Ministry of Education had outstanding advances of Nu. 5.712 million against officials, suppliers and parties. *(AIN 11575; Para 2; Accountabilities: Direct: Individuals concerned; Supervisory: Individuals concerned)*
- c) The Save the Children Project implemented by the Ministry of Education had outstanding advances of Nu. 0.166 million against employees and parties. *(AIN 11703; Para 1; Accountabilities: Direct: Individuals concerned; Supervisory: Individuals concerned)*

3.3 Non recovery of liquidated damage – Nu. 8.841 million

The Education Development Project funded by World Bank had not recovered liquidated damages amounting to Nu. 8.841 million for delay in the completion of construction works and recovery on account of excess materials supplied. *(AIN 11390; Para 3; Accountabilities: Direct: Diwakar Lama, Executive Engineer, EID No. 8808002; Supervisory: Karma Sonam, Chief Engineer, EID No. 9107112)*

4.1.4 Ministry of Foreign Affairs

During the period the Royal Audit Authority had issued 10 audit reports of the Ministry of Foreign Affairs and its Departments, Divisions and Units. There were 21 observations pointed out in the reports involving Nu 17.769 million, out of which 8 observations amounting to Nu. 1.776 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 15.993 million.

Based on the responses received after the issue of draft AAR 2013 and action taken by the Ministry and agency concerned under it, observations amounting to Nu. 0.952 million were either resolved fully or substantially. The unresolved significant irregularities amounted to Nu. 15.041 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.040	3
2	Violation of laws and rules	0.193	4
3	Shorfalls, lapses and deficiencies	14.808	5
Total		15.041	

1. Mismanagement – Nu. 0.040 million

The case of mismanagement is as indicated below:

1.1 Non collection of value added tax – Nu. 0.040 million

The Royal Bhutanese Embassy, Delhi had not processed for refund of value added tax amounting to Nu. 0.040 million on account of various official purchases made during 2011-12. (AIN 11366; Para 2; Accountabilities: Direct: Pramet Paul, Adm. Asstt.; Supervisory: Ugyen Gongphel, Head of Chancery, EID No. 9101153)

2. Violation of Laws and Rules – Nu. 0.193 million

The case of violation of laws and rules is as indicated below:

2.1 Excess payment of rental charges – Nu. 0.193 million

The Royal Bhutanese Embassy, Dhaka had made excess payment of Nu. 0.193 million on account of rental charges for the officials. It was found that the monthly rental charges paid for the hire of private apartments for officials/staff had exceeded the prescribed rental ceiling even after considering the 10% additional payments in some cases. (AIN 11359; Para 1; Accountabilities: Direct: Karma S. Tshosar, Counsellor, EID No. 9612009, Dorji Rinchen, Counsellor, EID No. 8607119 and Chimi Dolma, PA, EID No. 9303042; Supervisory: Dasho Bap Kesang, Ambassador, EID No. 7812008)

3. Shortfalls, lapses and deficiencies – Nu. 14.808 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 14.808 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Outstanding advances	9.539
3.2	Inadmissible payment of Children's Education Allowance	1.933
3.3	Non deduction of TDS from local recruit	3.336
	Total	14.808

The cases of shortfalls, lapses and deficiencies are as indicated below:

3.1 Outstanding advances – Nu. 9.539 million

- The Ministry of Foreign Affairs had outstanding advance of Nu 0.046 million against various officials. (AIN 11409; Para 3; Accountabilities: Direct: Tshering Tobgay, EID No. 20102018; Supervisory: Samdrup Dargay, Former Accounts Officer, EID No. 200701136, Chitem Tenzin, Former Chief, AFD, EID No. 77050075 and Yeshey Zangmo, Accounts Officer, EID No. 200501069)
- The Royal Bhutanese Embassy, Dhaka had outstanding advances of Nu. 0.040 million against various parties. (AIN 11359; Para 5; Accountabilities: Direct: Jigme Namgyel, First Secretary(Finance), EID No. 9610070; Supervisory: Dasho Bap Kesang, Ambassador, EID No. 7812008)
- The PMB, New York had outstanding advances of Nu. 9.187 million against various officials and parties. (AIN 11377; Para 1; Accountabilities: Direct: Phenphay R. Drukpa, HOC, EID No. 9202014; Supervisory: Lhatu Wangchuk, Ambassador, EID no. 6801002)
- The Royal Bhutanese Embassy, Bangkok had outstanding advances of Nu. 0.266 million against various officials and parties. (AIN 11286; Para 2; Accountabilities: Direct: Chenda Topgay; Supervisory: Gyembo, Councillor(Finance), EID No. 9610061)

3.2 Inadmissible payment of Children's Education Allowance – Nu. 1.933 million

- The Royal Bhutanese Embassy, New Delhi had made inadmissible payment of Nu. 0.366 million on account of Children's Education Allowance. It was found that children education allowances were paid for those children who were studying in various government schools in Bhutan. As per the Foreign Service Rules and Regulations, such allowances are payable only if the children are not in receipt of free education either in Bhutan or abroad. (AIN 11366; Para 1; Accountabilities: Direct: Individuals concerned; Supervisory: Ugyen Gongphel, Head of Chancery, EID No. 9101153)
- The Royal Bhutanese Embassy, Dhaka had made inadmissible payment of Nu. 0.247 million on account of Children's Education Allowance. It was found that children

education allowances were paid for those children who were studying in various government schools in Bhutan. As per the Foreign Service Rules and Regulations, such allowances are payable only if the children are not in receipt of free education either in Bhutan or abroad. (AIN 11359; Para 2; Accountabilities: Direct: Dorji Rinchen, Counsellor, EID No. 8607119; and Jigme Namgyel, First Secretary, EID No. 9610070; Supervisory: Dasho Bap Kesang, Ambassador, EID No. 7812008)

- c) The PMB, Geneva had made inadmissible payment of Nu. 1.087 million on account of Children's Education Allowance. It was found that children education allowances were paid for children who were studying in government school in Bhutan. As per the Foreign Service Rules and Regulations, such allowances are payable only if the children are not in receipt of free education either in Bhutan or abroad. (AIN 11361; Para 2; Accountabilities: Direct: Pema Wangdi, Tutor, EID No. 9901003; Supervisory: Daw Penjo, Ambassador, EID No. 8003024)
- d) The Royal Bhutanese Consulate Office, Kolkata had made inadmissible payment of Nu. 0.233 million on account of Children's Education Allowance. It was found that the children education allowances were paid for children who were studying in government schools in Bhutan in contravention to the Foreign Service Rules and Regulations. (AIN 11585; Para 1; Accountabilities: Direct: Nim Dorji, Consul (Finance), EID No. 7905009 and Phurba, Liaison Assistant, EID No. 9403054; Supervisory: Nim Dorji, Consul (Finance), EID No. 7905009)

3.3 Non deduction of TDS from local recruit – Nu. 3.336 million

- a) The Royal Bhutanese Embassy, Brussels had not deducted TDS amounting to Nu. 1.565 million from the salaries of various local recruits working in the Embassy. The non-deduction of TDS on salary was in contravention to the Rules on the Income Tax Act of the Kingdom of Bhutan 2001. (AIN 11297; Para 2; Accountabilities: Direct: Individuals concerned; Supervisory: Sonam Tobden Rabgye, Ambassador, EID No. 7903021)
- b) The PMB, Geneva had not deducted TDS amounting to Nu. 1.771 million from salaries of various local recruits working in the Mission. The non-deduction of TDS on salary was in contravention to the Rules on the Income Tax Act of the Kingdom of Bhutan 2001. (AIN 11361; Para 1; Accountabilities: Direct: Individuals concerned; Supervisory: Daw Penjo, Kutsab, EID No. 8003024)

4.1.5 Ministry of Home and Cultural Affairs

During the period the Royal Audit Authority had issued 16 audit reports of the Ministry of Home & Cultural Affairs and its Departments, Divisions and Units. There were 15 observations pointed out in the reports involving Nu. 6.065 million, out of which 9 observations amounting to Nu. 0.258 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 5.807 million.

Based on the responses received after the issue of draft AAR 2013 and action taken by the Ministry and agency concerned under it, observations amounting to Nu. 0.094 million were either resolved fully or substantially. The unresolved significant irregularities amounted to Nu. 5.713 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	1.687	4
2	Shortfalls, lapses and deficiencies	4.026	5
Total		5.713	

1. Violation of Laws and Rules – Nu. 1.687 million

The case of violation of laws and rules is as indicated below:

1.1 Excess procurement of materials – Nu. 1.687 million

The GOI Funded Project, “Paro Dzong Conservation Project” implemented by Department of Culture had made excess procurement of timber and bricks valuing Nu. 1.687 million. The management justified that the excess procurement of these materials had occurred due to change in original plans. (AIN 11710; Para 2; Accountabilities: Direct: Tshering Phuntsho, DCAO, EID No. 8201009; Supervisory: Lhaten Dorji, Project Engineer, EID No. 8810010)

2. Shortfalls, lapses and deficiencies – Nu. 4.026 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 4.026 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Outstanding advances	4.026
2.2	Difference in quantity of materials issued and consumed	-
2.3	Non preparation of Part III in the Muster Roll	-
Total		4.026

The cases of shortfalls, lapses and deficiencies are as indicated below:

2.1 Outstanding advance – Nu. 4.026 million

- a) The National Museum of Bhutan, Paro had outstanding advance of Nu. 1.194 million against contractor for the construction of exhibition hall at Paro Museum. (AIN 11444; Para 1; Accountabilities: Direct: Tshering Nidup, Chief Accountant, EID No. 9807008 and Phuntsho Wangdi, Engineer, EID No. 8908122; Supervisory: Khenpo Phuntsho Tashi, Director, EID No. 9105003)
- b) The GOI Funded Project, “Paro Dzong Conservation Project” implemented by Department of Culture had outstanding advance of Nu. 2.832 million against various officials, staff and labourers. (AIN 11710; Para 4; Accountabilities: Direct: Tshering Phuntsho, Deputy Chief Accounts Officer, EID No. 8201009, and Tshering Dorji, Accountant, EID No. 9305013; Supervisory: Lhaten Dorji, Project Engineer, EID No. 8810010)

2.2 Difference in quantity of materials issued and consumed

The GOI Funded Project, “Paro Dzong Conservation Project” implemented by Department of Culture had huge differences in the quantity of materials issued and actually consumed. It was found that the quantity of timber and dolep used was less than the quantity issued. On the contrary, the quantity of boulders and sand showed that the quantity used was more than the quantity issued. In both the scenarios, there were huge differences in the quantity issued and used. (AIN 11710; Para 1; Accountabilities: Direct: Sonam Norbu, Project Engineer, EID No. 200207042; Supervisory: Lhaten Dorji, Project Engineer, EID No. 8810010)

2.3 Non preparation of Part III in the Muster Roll

The GOI Funded Project, “Paro Dzong Conservation Project” implemented by Department of Culture had not prepared and maintained separate Part III of the Muster Roll pertaining to the project. (AIN 11710; Para 5; Accountabilities: Direct: Sonam Norbu, Project Engineer, EID No. 200207042; Supervisory: Lhaten Dorji, Project Engineer, EID No. 8810010)

4.1.6 Ministry of Labour and Human Resources

During the period the Royal Audit Authority had issued 14 audit reports of the Ministry of Labour & Human Resources and its Departments, Divisions and Units. There were 10 observations pointed out in the reports involving Nu 9.825 million, out of which 6 observations amounting to Nu. 0.968 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 8.857 million.

Based on the responses received after the issue of draft AAR 2013 and action taken by the Ministry and agency concerned under it, observations amounting to Nu. 3.814 million were either resolved fully or substantially. The unresolved significant irregularities amounted to Nu. 5.043 million is as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	4.899	4
2	Shorfalls, lapses and deficiencies	0.144	5
	Total	5.043	

1. Violation of Laws and Rules – Nu. 4.899 million

There were cases of violation of laws and rules involving Nu. 4.899 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Execution of substandard works	-
1.2	Deposit of liquidated damages into Non-Revenue Account	4.899
	Total	4.899

The cases of violation of laws and rules are as indicated below:

1.1 Execution of sub-standard works

The Construction of Vocational Training Institute (VTI) at Dolungang, Sarpang undertaken by Department of Human Resources had several cases of defective and substandard works being carried out. The defects were noted in staircases, beams, columns and bricks work. It was noted that the substandard works were carried out despite engagement of supervising consultants.

The Ministry responded on rectifications carried out for other works except for improper alignment of columns, beams and brick works. (AIN 11287; Para 1; Accountabilities: Direct: Sonam Tshering, Dy. Executive Engineer, EID No. 200501182; Supervisory: Karma, Chief Program Officer, VETD, EID No. 9507033)

1.2 Deposit of liquidated damages into Non-Revenue Account – Nu. 4.899 million

The Department of Human Resources had deposited liquidated damage of Nu. 4.899 million into Non Revenue Account which otherwise should have been deposited into Revenue Account.(AIN 11287; Para 2; Accountabilities: Direct: Sonam Tshering, Dy. Executive Engineer, EID No. 200501182; Supervisory: Karma, Chief Program Officer, VETD, EID No. 9507033)

2. Shortfalls, lapses and deficiencies – Nu. 0.144 million

The case of shortfalls, lapses and deficiencies is as indicated below:

2.1 Outstanding advance – Nu. 0.144 million

The National Institute of Zorig Chusum had outstanding advances of Nu. 0.144 million against the Construction Service Center for the construction work at Wood Craft Center. The advance was released from the Institutional Development Fund.(AIN 11397; Para 1; Accountabilities: Direct: Karma, Chief Program Officer, VETD, EID No. 9507033; Supervisory: Jigme Dorji, Principal, EID No. 9407142)

4.1.7 Ministry of Finance

During the period the Royal Audit Authority had issued 11 audit reports of the Ministry of Finance and its Departments, Divisions and Units. There were 15 observations pointed out in the reports involving Nu 7.161 million, out of which 13 observations amounting to Nu. 3.221 million were either resolved prior to the compilation of the Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013. The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 3.940 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.407	3
2	Shortfalls, lapses and deficiencies	3.533	5
Total		3.940	

1. Mismanagement – Nu. 0.407 million

The case of mismanagement involving Nu.0.407 million is as indicated below:

1.1 Short realization of sales tax – Nu. 0.407 million

The Regional Revenue and Customs Office, Samdrupjongkhar had not collected sales tax of Nu. 0.407 million on account of sale of beer imported from India.(*AIN 11131; Para 1.4; Accountabilities: Direct: Rinzin Wangmo, Assistant Collector, EID No. 200501079; Supervisory: Ganesh Lama Kelden, Regional Director, EID No. 8903104*)

2. Shortfalls, lapses and deficiencies – Nu. 3.533 million

The case of shortfalls, lapses and deficiencies is summarized below:

2.1 Outstanding advance – Nu. 3.533 million

The Liaison and Transit Office, Kolkata had outstanding advance of Nu. 3.533 million against various parties and officials.(*AIN 11667; Para 1; Accountabilities: Direct: Passang Tshering, Revenue Inspector, EID No. 9404027; Supervisory: Karma Loday, Commissioner, EID No. 8905058*)

4.1.8 Ministry of Information and Communications

During the period the Royal Audit Authority had issued 12 audit reports of the Ministry of Information & Communications and its Departments, Divisions and Units. There were 9 observations pointed out in the reports involving Nu. 12.337 million, out of which 5 observations amounting to Nu. 0.206 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013. The total unresolved significant observations reflected in the Draft AAR 2013 amounted to Nu. 12.131 million.

Based on the responses received after the issue of draft AAR 2013 and action taken by the Ministry and agency concerned under it, observations amounting to Nu. 9.305 million were either resolved fully or substantially. The unresolved significant irregularities amounted to Nu. 2.826 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.462	3
2	Shortfalls, lapses and deficiencies	2.364	5
	Total	2.826	

1. Mismanagement – Nu. 0.462 million

There were cases of mismanagement involving Nu. 0.462 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Non collection of revenue	0.462
1.2	Pending settlement of Transport Infringement Notice cases	-
	Total	0.462

The cases of mismanagement are as indicated below:

1.1 Non collection of revenue – Nu. 0.462 million

The Regional Office, RSTA, Phuentsholing had not collected 5% Motor Vehicle Ownership Transfer Tax amounting to Nu. 0.462 million. The outstanding taxes pertained to transfer of five trucks during change of ownership from joint proprietorship to a next proprietor.(*AIN 11505; Para 1; Accountabilities: Direct: Karma, MVI, EID No. 96011053; Supervisory: Sonam Gyeltshen, RTO, EID No. 7704035*)

1.2 Pending settlements of Transport Infringement Notice cases

The Regional Office, RSTA, Phuentsholing had not collected applicable fines and penalties from individuals who were issued Transport Infringement Notice by the Traffic Police.(*AIN 11505; Para 2; Accountabilities: Direct: Ugen, Base In-charge, CID No. 11914001533; Supervisory: Ugen, Base In-charge, CID No. 11914001533*)

2. Shortfalls, lapses and deficiencies – Nu. 2.364 million

The case of shortfalls, lapses and deficiencies is summarized below:

2.1 Outstanding advances – Nu. 2.364 million

The SAARC Development Fund (SDF) Project, “Empowering the Rural Community: Reaching the Unreached”, implemented by Ministry of Information and Communications had outstanding advances of Nu. 2.364 million against various Dzongkhags for the construction of community centers in Gewogs. *(AIN 11702; Para 1; Accountabilities: Direct: Sangay Tenzin, Assistant Accounts Officer, EID No. 8511043; Supervisory: Chenko, Head, Promotion Division, EID No. 200406018)*

4.1.9 Ministry of Health

During the period the Royal Audit Authority had issued 20 audit reports of the Ministry of Health and its Departments, Divisions and Units. There were 23 observations pointed out in the reports involving Nu. 4.484 million, out of which 17 observations amounting to Nu. 2.214 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 2.270 million.

Based on the responses received after the issue of draft AAR 2013 and action taken by the Ministry and agency concerned under it, observations amounting to Nu. 0.261 million were either resolved fully or substantially. The unresolved significant irregularities amounted to Nu. 2,009 million is as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	-	3
2	Violation of laws and rules	1.940	4
3	Shorfalls, lapses and deficiencies	0.069	5
Total		2.009	

1. Mismanagement

The case of mismanagement is as indicated below:

1.1 Machineries/equipment kept idle

The Ministry of Health had procured 26 numbers of Link well 86VT Vehicle Mounted GPS Tracker devices for installation in the ambulance for automatic vehicle location tracking purpose under Health Help Centre (HHC), JDWNRH, Thimphu. However, it was found that the devices were not installed even after almost a year of purchase. (AIN 11695; Para 1; Accountabilities: Direct: Dr. Karma Sangay, CEO, EID No. 200501129; Supervisory: Rinchen Namgyal, CPO, EID No. 7905016)

2. Violation of Laws and Rules – Nu. 1.940 million

The cases of violation of laws and rules are as indicated below:

2.1 Wrong booking – Nu. 1.940 million

- a) The Regional Referral Hospital Construction Project, Gelephu had not surrendered the amount of Nu. 1.065 million received on account of refund of funds utilized for Samtse Hospital Construction Project. It was found that from the total refund of Nu. 2.336 million, only Nu. 1.271 was refunded to the Department of Public Accounts. Further, the advance paid to M/s Progressive Research & Consultancy Services on behalf of the Samtse Hospital Construction Project was wrongly charged as expenditure instead of

booking as it advances.(AIN 11576; Para 1; Accountabilities: Direct: N. Shree Kumar, Finance Manager, W/P No. 2256705; Supervisory: S. B Gurung, Offtg. Project Director, EID No. 11201001493)

- b) The Regional Referral Hospital Construction Project, Gelephu had wrongly deposited the security deposit of Nu. 0.654 million into Non Revenue Account.(AIN 11576; Para 2; Accountabilities: Direct: N. Shree Kumar, Finance Manager, W/P No. 2256705; Supervisory: S. B Gurung, Offtg. Project Director, EID No. 11201001493)
- c) The Regional Referral Hospital Construction Project, Gelephu had wrongly deposited the recovery of advances amounting to Nu. 0.221 million into refundable deposit account instead of surrendering it to the Department of Public Accounts. (AIN 11576; Para 3; Accountabilities: Direct: N. Shree Kumar, Finance Manager, W/P No. 2256705; Supervisory: S. B. Gurung, Offtg. Project Director, EID No. 11201001493)

3. Shortfalls, lapses and deficiencies – Nu. 0.069 million

The case of shortfalls, lapses and deficiencies is as indicated below:

3.1 Outstanding advances – Nu. 0.069 million

The Secretariat, Ministry of Health had outstanding advances of Nu. 0.069 million against various officials and suppliers.(AIN 11695; Para 3; Accountabilities: Direct: Nidup Tshering, PA, EID No. 9907169; Supervisory: Wangchuk Dorji, Accountant, EID No. 9709044)

4.1.10 Ministry of Agriculture & Forests

During the period the Royal Audit Authority had issued 91 audit reports of the Ministry of Agriculture & Forests and its Departments, Divisions and Units. There were 114 observations pointed out in the reports involving Nu.12.198 million, out of which 100 observations amounting to Nu. 11.239 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the Draft AAR 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu.0.959 million.

Based on the responses received after the issue of draft AAR 2013 and action taken by the Ministry and agency concerned under it, observations amounting to Nu. 0.565 million were either resolved fully or substantially. The unresolved significant irregularities amounted to Nu. 0.394 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	-	1 & 2
2	Mismanagement	0.109	3
3	Violation of laws and rules	-	4
4	Shorfalls, lapses and deficiencies	0.285	5
Total		0.394	

1. Fraud Corruption & Embezzlement

1.1 Misappropriation of sale proceeds

The National Seed Centre had a case of misappropriation of sale proceeds amounting to Nu. 0.443 million by the officials in the two regional farms, Chenary and Trashiyangtse. It was found that the officials deputed from National Seed Centre, Headquarters, Paro had detected the case of misappropriation but had subsequently booked the misappropriated amount as advances against the officials. The amount was recovered, however, appropriate action against one official is awaited. The case was forwarded to the Anti-Corruption Commission. (AIN 11551; Para 1; Accountabilities: Direct: Dechen Duba, EID No. 200507271; Supervisory: Dechen Duba, EID No. 200507271)

2. Mismanagement – Nu. 0.109 million

The case of mismanagement is as indicated below:

2.1 Non/Short deposit of revenue – Nu. 0.109 million

The Divisional Forest Office, Samdrupjongkhar had not deposited the revenue amounting to Nu. 0.109 million in the Royal Government Revenue Account. The differences had occurred due to lack of internal controls including supervision and monitoring and negligence of the dealing official.(AIN 11063; Para 1; Accountabilities: Direct: Dechen Dorji, Accountant, EID No. 9404030; Supervisory: Kaka Tshering, CFO, EID no. 8205001)

3. Violation of Laws and Rules

The case of violation of laws and rules is as indicated below:

3.1 Execution of substandard/defective works

The Divisional Forest Office, Samdrupjongkhar had accepted defective works in the construction of retaining wall at Forest Range Office, Pemagatshel. It was noted that there were several cracks in 8.3 meters of walls in stage I to IV which required immediate rectification. (AIN 11063; Para 7; Accountabilities: Direct: Damchen, Site Engineer, EID No. 200807175; Supervisory: Lhab Dorji, Forest Ranger, EID No. 9011016)

4. Shortfalls, lapses and deficiencies – Nu. 0.285 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.285 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
4.1	Excess payment	0.131
4.2	Inadmissible payment	0.074
4.3	Non updating of consolidated Revenue Cash Book	-
4.4	Non return of properties issued to individual	-
4.5	Outstanding advances	0.080
	Total	0.285

The cases of shortfalls, lapses and deficiencies are as indicated below:

4.1 Excess payment – Nu. 0.131 million

- a) The Divisional Forest Office, Gedu had made excess payment of Nu. 0.064 million in the construction of concrete road from office gate to CFO's residence and office garage. The excess payment had occurred due to difference in the quantities paid for and quantities actually executed at site. (AIN 11537; Para 1; Accountabilities: Direct: Dorji Tshering, Site Engineer, EID No. 200608004; Supervisory: Tashi Tobgyel, Chief Forest Officer, EID No. 9410070)
- b) The Divisional Forest Office, Lobeysha had made excess payment of Nu. 0.067 million in the construction of staff quarter at Phetakhab. The excess payment had occurred due to wrong measurements of various items of works. (AIN 11488; Para 3.1; Accountabilities: Direct: Kinzang Choden, JE, EID No. 200607200; Supervisory: Gomchen Drukpa, CFO, EID No. 7810002)

4.2 Inadmissible payment – Nu. 0.074 million

The Divisional Forest Office, Paro had made inadmissible payment of Nu. 0.074 million on account of Daily Subsistence Allowance (DSA). The officials who had received the allowances were on probation and were not eligible for DSA as per the BCSR.(AIN 11757; Para 1; Accountabilities: Direct: Individuals concerned; Supervisory: Sithar Dorji, CFO, EID No. 8410023)

4.3 Non updating of consolidated Revenue Cash Book

The Divisional Forest Office, Samdrupjongkhar had not updated the Revenue Cash Book since August 2012 in deviation to the Revenue Accounting Manual 2004. Further, it was noted that the Revenue Management System was not operational.(AIN 11063; Para 2; Accountabilities: Direct: Dechen Dorji, Accountant, EID No. 9404030; Supervisory: Kaka Tshering, CFO, EID no. 8205001)

4.4 Non return of properties issued to individuals

The Thrumshingla National Park had not takenover the properties issued to the official who was transferred from the Park. The properties included a laptop computer, external hard drive and a printer.(AIN 11547; Para 1; Accountabilities: Direct: Ratu Wangchuk, CFO, EID No. 8311023; Supervisory: Ratu Wangchuk, CFO, EID No. 8311023)

4.5 Outstanding advances – Nu. 0.080 million

The Secretariat, Bhutan Climate Summit, MoAF had outstanding advances of Nu. 0.080 million against an official.(AIN 11679; Para 1; Accountabilities: Direct: Tashi Jamtsho, Dy. Chief Planning Officer, BCCS, EID No. 2002201056; Supervisory: Tashi Jamtsho, Dy. Chief Planning Officer, BCCS, EID No. 2002201056)

4.2 DZONGKHAGS

4.2.1 Dzongkhag Administration, Chhukha

During the period, the Royal Audit Authority had issued two audit reports under the Dzongkhag Administration, Chhukha. There were 21 observations pointed out in the reports involving Nu. 2.588 million out of which 18 observations were resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 0.465 million.

Based on the actions taken after the draft AAR 2013 was issued, observations amounting to Nu. 0.310 million was resolved. The total unresolved irregularities amounted to Nu. 0.155 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.155	5
	Total	0.155	

1. Shortfalls, lapses and deficiencies – Nu. 0.155 million

The cases of shortfalls, lapses and deficiencies involving Nu. 0.155 million are as indicated below:

1.1 Excess payment – Nu. 0.155 million

- a) The Dzongkhag Administration had made excess payment of Nu. 0.110 million in the construction of L-shaped drain under Phuentsholing Gewog. It was found that the contractor was paid more than what was payable on termination of the contract. *(AIN 11133; Para 1.1; Accountabilities: Direct: Tika Ram Giri, AE, EID No. 8601098; Supervisory: Tshering Chopel, DE, EID No. 8808013)*
- b) The Dzongkhag Administration had made excess payment of Nu. 0.045 million in the construction of Dinning Hall at Tsimasham Dratshang. The excess payment had occurred due to payment for works less executed and use of inferior quality of materials. *(AIN 11133; Para 1.4; Accountabilities: Direct: Chura Muni Bhattacharai, JE, EID No. 200807182; Supervisory: Tshering Chopel, DE, EID No. 8808013)*

4.2.2 Dzongkhag Administration, Dagana

During the period the Royal Audit Authority had issued four audit reports under the Dzongkhag Administration, Dagana. There were 22 observations pointed out in the reports involving Nu. 6.457 million out of which 11 observations were resolved prior to the compilation of the draft Annual Audit Report 2013.

The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 4.787 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	3.581	4
2	Shorfalls, lapses and deficiencies	1.206	5
	Total	4.787	

1. Violation of Laws and Rules – Nu. 3.581 million

There were cases of violation of laws and rules involving Nu. 3.581 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Non/less deduction of secured advance	1.397
1.2	Non deduction of liquidated damages	1.667
1.3	Release of final bill without completion of work	-
1.4	Excess reporting of expenditure	0.517
	Total	3.581

The cases of violation of laws and rules are as indicated below:

1.1 Non/less deduction of secured advance – Nu. 1.397 million

- a) The Dzongkhag Administration had not recovered the secured advance of Nu. 0.254 million paid to the contractor for the electrification of Gangzor & Tashiding CPS under Tshendengang Gewog and Zinchella & Tshangkha CPS under Tshangkha Gewog.(*AIN No.: 11065; Para 1; Accountabilities: Direct: Sonam Drukpa, JE, EID No.: 200901100; Supervisory: Jamyang Dorji, DE, EID No.: 9207043*)
- b) The Dzongkhag Administration had not deducted secured advance of Nu. 1.143 million in the construction works at Daleythang Primary School.(*AIN No.:11065; Para: 3.1; Accountabilities: Direct: Tshering Yangzom, JE, EID No.:200307014; Supervisory: Jamyang Dorji, DE, EID No.: 9207043*)

1.2 Non deduction of liquidated damages – Nu. 1.667 million

- a) The Dzongkhag Administration had not deducted liquidated damages of Nu. 0.496 million for the delay in the completion of construction of RNR Centre at Gesarling.(*AIN No.:11065; Para: 2.3; Accountabilities: Direct: Mahesh Lapcha, JE, EID No.:200407014; supervisory: Jamyang Dorji, DE, EID No.: 9207043*)
- b) The Dzongkhag Administration had not deducted liquidated damages of Nu. 0.530 million for delay in the completion of construction works at Daleythang Primary.(*AIN No.:11065; Para: 3.2; Accountabilities: Direct: Tshering Yangzom, JE, EID No.:200307014; supervisory: Jamyang Dorji, DE, EID No.: 9207043*)

- c) The Dzongkhag Administration had not deducted liquidated damages of Nu. 0.415 million for the delay in the completion of construction works at BHU-II at Nimtola.(*AIN No.:11065; Para: 6.2; Accountabilities: Direct: Mahesh Lapcha, JE, EID No.:200407014; supervisory: Jamyang Dorji, DE, EID No.: 9207043*)
- d) The Dzongkhag Administration had not deducted liquidated damages of Nu. 0.226 million for the delay in the completion of construction of classroom & PF toilets at Gumla CPS.(*AIN No.:11065; Para: 9.2; Accountabilities: Direct: Mahesh Lapcha, JE, EID No.:200407014; supervisory: Jamyang Dorji, DE, EID No.: 9207043*)

1.3 Release of final bill without completion of work

The Dzongkhag Administration had released the final payment to the contractor without completing the work of construction of basketball court at Gesarling LSS. It was also found that the work was yet to be completed and the contractor was liable for liquidated damages.(*AIN No.:11065; Para: 7.1; Accountabilities: Direct: Mahesh Lapcha, JE, EID No.:200407014; supervisory: Jamyang Dorji, DE, EID No.: 9207043*)

1.4 Excess reporting of expenditure – Nu. 0.517 million

The Dzongkhag Administration had booked excess expenditure of Nu. 0.517 million in the closed work account for the construction of 3 unit classrooms, PF toilets for boys & girls at Gumla CPS. It was noted that the actual expenditure was lesser than the amount passed for payment.(*AIN No.:11065; Para: 9.1; Accountabilities: Direct: Lham Dorji, JE, EID No.:200707083; supervisory: Jamyang Dorji, DE, EID No.: 9207043*)

2. Shortfalls, Lapses and Deficiencies – Nu. 1.206 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 1.206 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Payments made for works not executed	0.365
2.2	Excess payment	0.841
	Total	1.206

The cases of shortfalls, lapses and deficiencies are as indicated below:

2.1 Payments for works not executed – Nu. 0.365 million

The Dzongkhag Administration had made payment for works not executed amounting to Nu. 0.365 million in the construction of retaining wall and breast wall for the RNR Centre at Gesarling. The physical verification revealed that these walls were never constructed at site.(*AIN No.:11065; Para: 2.1; Accountabilities: Direct: Mahesh Lapcha, JE, EID No.:200407014; supervisory: Jamyang Dorji, DE, EID No.: 9207043*)

2.2 Excess payment – Nu. 0.841 million

- a) The Dzongkhag Administration had made excess payment of Nu. 0.500 million in the construction of RNR Centre at Gesarling. The excess payment had occurred due to erroneous deductions of running bill amount from the Final Bill.(AIN No.:11065; Para: 2.2; Accountabilities: Direct: Mahesh Lapcha, JE, EID No.:200407014; supervisory: Jamyang Dorji, DE, EID No.: 9207043)
- b) The Dzongkhag Administration had made excess payment of Nu. 0.341 million in the construction of RNR Centre at Gesarling. The excess payment had occurred due to payments made for items not executed/provided at site.(AIN No.:11065; Para: 2.4; Accountabilities: Direct: Mahesh Lapcha, JE, EID No.:200407014; Sonam Drukpa, JE, EID No.: 200901100; supervisory: Jamyang Dorji, DE, EID No.: 9207043)

4.2.3 Dzongkhag Administration, Lhuntse

During the period the Royal Audit Authority had issued two audit reports under the Dzongkhag Administration, Lhuentse. There were 8 observations pointed out in the reports involving Nu. 2.585 million out of which 7 observations were resolved prior to the compilation of the draft Annual Audit Report 2013.

The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.719 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.719	5
	Total	0.719	

1. Shortfalls, Lapses and Deficiencies – Nu. 0.719 million

The case of shortfalls, lapses and deficiencies involving Nu. 0.719 million is as indicated below:

1.1 Outstanding advances – Nu. 0.719 million

The Dzongkhag Administration had outstanding advances of Nu. 0.719 million against the contractor for Installation of street lights to various schools.(AIN 11178; Para 6(iii); Accountabilities: Direct: Norbu Tshering, JE, EID No. 200311005; Supervisory: Kelzang Lhundup, DE, EID No. 9707074)

4.2.4 Dzongkhag Administration, Pemagatshel

During the period the Royal Audit Authority had issued five audit reports under the Dzongkhag Administration, Pemagatshel. There were 7 observations pointed out in the reports involving Nu. 6.393 million out of which 2 observations were resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 5.777 million.

Based on the actions taken after issue of the draft AAR 2013, observations amounting to Nu. 2.807 million were resolved. The total unresolved irregularities amounted to Nu. 2.970 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	-	3
2	Shortfalls, lapses and deficiencies	2.970	5
	Total	2.970	

The case of mismanagement is as indicated below:

1. Mismanagement

1.1 Loss of materials

The Dzongkhag Administration had not accounted the materials received from the Central Store, MoWHS in Phuentsholing for the construction of bailey bridges at Kerong & Kurung in Nganglam which resulted in the loss of Government Property. (AIN 11833; Para 5; Accountabilities: Direct & Supervisory: Ugyen Norbu, DE, EID No. 200701037)

2. Shortfalls, Lapses and Deficiencies – Nu. 2.970 million

The case of shortfalls, lapses and deficiencies involving Nu. 2.970 million is as indicated below:

2.1 Non recovery of advances and penalties – Nu. 2.970 million

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

4.2.5 Dzongkhag Administration, Punakha

During the period the Royal Audit Authority had issued one audit report under the Dzongkhag Administration, Punakha. There were 2 observations pointed out in the report involving Nu. 1.534 million out of which no observations were resolved prior to the compilation of the draft Annual Audit Report 2013.

The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 1.534 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	1.534	1 & 2
	Total	1.534	

1. Fraud, Corruption and Embezzlement – Nu. 1.534 million

There were cases of indicators of fraud, corruption and embezzlement involving Nu. 1.534 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Release of entire payment prior to completion of works	1.278
1.2	Recoverable liability of 20% of the total value of balance work	0.256
	Total	1.534

The cases of fraud, corruption and embezzlement are as indicated below:

1.1 Release of entire payment prior to completion of works – Nu. 1.278 million

The Dzongkhag Administration had released the amount of Nu. 1.278 million to the contractor in the construction of Administrative Block at Laptakha Primary School. It was found that the contractor had not carried out the work. The tender committee had made the payment against the bank guarantee to expedite the work in view of the prolonged delay in the completion of the construction. The physical verification revealed that the work which was supposed to have been completed by 30th November 2011 had remained abandoned as on the date of audit (3rd October 2012). The Dzongkhag Administration had finally served the termination letter on 26th October 2012 and asked the contractor to refund the amount of Nu. 1.502 million. The Dzongkhag was yet to receive the refund. (AIN 11059; Para 1; Accountabilities: Direct: Tashi Norbu, JE, EID No. 201101230; Supervisory: Tandin Dorji, District Engineer, EID No. 200401026)

1.2 Recoverable liability of 20% of the total value of balance works – Nu. 0.256 million

The Dzongkhag Administration had not recovered an amount of Nu. 0.256 million on account of 20% recoverable liability from the contractor on termination of the contract for the construction of Administrative Block at Laptakha Primary School. The contract was terminated due to failure of the contractor to complete the work. (AIN 11059; Para 1.2; Accountabilities: Direct: Tashi Norbu, JE, EID No. 201101230; Supervisory: Tandin Dorji, District Engineer, EID No. 200401026)

4.2.6 Dzongkhag Administration, Trashigang

During the period the Royal Audit Authority had issued eight audit reports under the Dzongkhag Administration, Trashigang. There were 16 observations pointed out in the reports involving Nu. 2.687 million out of which 11 observations were resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 1,132 million.

Based on the actions taken after the issue of draft AAR 2013, observations amounting to Nu. 0.725 million were resolved. The total unresolved irregularities amounted to Nu. 0.407 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.407	5
	Total	0.407	

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

The case of shortfalls, lapses and deficiencies involving Nu. 0.407 million is as indicated below:

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

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

4.2.7 Dzongkhag Administration, Trongsa

During the period the Royal Audit Authority had issued one audit report under the Dzongkhag Administration, Trongsa. There were 7 observations pointed out in the report involving Nu. 9.427 million out of which 5 observations were resolved prior to the compilation of the draft Annual Audit Report 2013.

The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.030 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	-	4
2	Shortfalls, lapses and deficiencies	0.030	5
	Total	0.030	

1. Violation of Laws and Rules

The case of violation of laws and rules is as indicated below:

1.1 Payment without completing the work

The Dzongkhag Administration Trongsa had made final payment of Nu. 0.612 million against the fabricated bills submitted by the contractor for renovation of Nimshog School under Korphoog Gewog. The physical verification revealed that only about 50 to 60 percent of the work was completed. (AIN 11019; Para 7; Accountabilities: Direct: Thinlay Dorji, Engineer, EID No. 200707077; Supervisory: Tenzin Tobgay, District Engineer, EID No. 9607022)

2. Shortfalls, lapses and deficiencies – Nu. 0.030 million

The case of shortfalls, lapses and deficiencies involving Nu. 0.030 million is as indicated below:

2.1 Inadmissible payment – Nu. 0.030 million

The Dzongkhag Administration, Trongsa had made inadmissible payment of Nu. 0.030 million on account of salaries to thirteen NFE Instructors. It was found that the salaries were paid even after their resignation from the service. (AIN 11019; Para 3; Accountabilities: Direct: As per List; Supervisory: Tshering Dorji, ADEO, EID No. 9006039)

4.2.8 Dzongkhag Administration, Zhemgang

During the period the Royal Audit Authority had issued three audit reports under the Dzongkhag Administration, Zhemgang. There were 13 observations pointed out in the reports involving Nu. 9.452 million out of which 12 observations were resolved prior to the compilation of the draft Annual Audit Report 2013.

The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 0.085 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.085	4
	Total	0.085	

1. Violation of Laws and Rules – Nu. 0.085 million

The cases of violation of laws and rules involving Nu. 0.085 million are as indicated below:

1.1 Non levy of liquidated damages – 0.085 million

The Dzongkhag Administration had not levied the liquidated damages of Nu. 0.085 million for the delay in the completion of construction of Quarters for Warden and Matron at Gomphu LSS. *(AIN 11203; Para 3; Accountabilities: Direct: Yangki, AE, EID No. 2107178; Supervisory: Kintu, District Engineer, EID No. 200801083)*

1.2 Non completion of work

The Dungkhag Administration, Panbang had not completed the work of construction of toilet at Sonamthang Middle Secondary School within the stipulated time. *(AIN 11181; Para 1; Accountabilities: Direct: Individuals concerned; Supervisory: Kintu, District Engineer, EID No. 200801083)*

4.3 GEWOGS

4.3.1 Gewogs under Chhukha Dzongkhag

I. Sampheling Gewog

During the period the Royal Audit Authority had issued two audit reports of the Gewog Administration, Sampheling. There were 3 observations pointed out in the reports involving Nu. 0.042 million out of which two observations amounting to Nu. 0.012 million were partially resolved prior to the compilation of the draft Annual Audit Report 2013 and did not qualify for inclusion in the draft AAR 2013.

The unresolved irregularity is as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	-	1 & 2
	Total	-	

1. Fraud, Corruption & Embezzlement

The case of fraud, corruption and embezzlement is as indicated below:

1.1 Shortage/misuse of cash

The Gewog Administration, Sampheling had a case of shortage/misuse of cash from its CD Account. The amount was deposited but appropriate action is awaited. *(AIN 11227; Para 1; Accountabilities: Direct: Thinley Wangmo, CIC Operator, CID No. 10606002144; Supervisory: Mani Kumar Rai, Gup, CID No. 10201001106)*

4.3.2 Gewogs under Dagana Dzongkhag

I. Gesarling Gewog

During the period the Royal Audit Authority had issued one audit report of the Gewog Administration, Gesarling. There were 3 observations pointed out in the report involving Nu. 0.649 million out of which one observation was resolved prior to the compilation of the draft Annual Audit Report 2013.

The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 0.649 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.649	4
	Total	0.649	

1. Violation of Laws and Rules– Nu. 0.649 million

The cases of violation of laws and rules involving Nu. 0.649 million are as indicated below:

1.1 Non levy of liquidated damages – Nu. 0.649 million

- a) The Gewog Administration, Gesarling had not levied liquidated damages amounting to Nu.0.487 million for the delay in the completion of farm road from Trashithang to Phuensumgang. (AIN 11089; Para 2; Accountabilities: Direct: Mahesh Lepcha,JE, ID No. 200407014; Supervisory: Jamyang Dorji, DE, ID No. 9207043)
- b) The Gewog Administration, Gesarling had not levied liquidated damages amounting to Nu.0.162 million for the delay in the completion of farm road from Gesarling to Gangjab. (AIN 11089; Para 3; Accountabilities: Direct: Mahesh Lepcha,JE, EID No. 200407014; Supervisory: Jamyang Dorji, DE, ID No. 9207043)

4.3.3 Gewogs under Haa Dzongkhag

I. Gakidling Gewog

During the period the Royal Audit Authority had issued one audit report of the Gewog Administration, Gakidling. There was one observation pointed out in the report involving Nu. 0.796 million which was not resolved prior to the compilation of the draft Annual Audit Report 2013.

The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.796 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.796	1 & 2
	Total	0.796	

1. Fraud, Corruption & Embezzlement – Nu. 0.796 million

The case of fraud, corruption and embezzlement involving Nu. 0.796 million is as indicated below:

1.1 Release of final payment without completing the work – Nu. 0.796 million

The Gewog Administration, Gakidling had booked an expenditure of Nu. 0.796 million without completing the construction of Ngatsena Lhakhang. The physical verification revealed that the construction work was still under progress and the overall completion of the work was only about 40% of the total work. The construction work was awarded to Ngatsena village committee. (AIN 11013; Para 1; Accountabilities: Direct: Tshering Wangdi, Gup, CID No. 11207001697; Supervisory: Tshering Wangdi, Gup, CID No. 11207001697)

4.3.4 Gewogs under Paro Dzongkhag

I. Naja Gewog

During the period the Royal Audit Authority had issued one audit report of the Gewog Administration, Naja. There were five observations pointed out in the report involving Nu. 1.675 million, out of which two observations amounting to Nu. 0.033 million were resolved prior to the compilation of the draft Annual Audit Report 2013.

The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 1.644 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	1.644	4
	Total	1.644	

1. Violation of Laws and Rules – Nu. 1.644 million

There were cases of violation of laws and rules involving Nu. 1.644 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Non levy of liquidated damages	0.149
1.2	Irregularities in construction of approach roads to individual fields/houses	0.495
1.3	Irregular use of CDG in construction of farm road	1.000
	Total	1.644

The cases of violation of laws and rules are as indicated below:

1.1 Non levy of liquidated damages – Nu. 0.149 million

The Gewog Administration had not levied liquidated damages amounting to Nu. 0.149 million for the delay in the supply of HDPE pipes. (AIN 11231; Para 2; Accountabilities: Direct: Kado, Gup, CID No. 10807001121; Supervisory: Kado, Gup, CID No. 10807001121)

1.2 Irregularities in construction of approach roads to individual fields/houses – Nu. 0.495 million

The joint physical verification of Chamthangka to Ajena farm road under the Gewog revealed that three approach roads leading to individual houses/fields were constructed at the cost of Nu. 0.495 million. Further, the Gewog Administration could not produce the environment clearance and forest clearance for the construction of the approach roads. (AIN 11231; Para 3; Accountabilities: Direct: Kado,Gup,CID No. 10807001121; Supervisory: Kado,Gup,CID No. 10807001121)

1.3 Irregular use of CDG in construction of farm road – Nu. 1.000 million

The Gewog Administration had used the Constitutional Development Grant (CDG) fund of Nu. 1.000 million for the construction of Bemphu farm road which was sanctioned by the Department of National Budget. It was found that the construction of farm road was already covered under normal budgetary programme. The use of fund for activities already covered under the regular programme was in contravention to the CDG Guidelines. (AIN 11231; Para 5; Accountabilities: Direct: Kado,Gup,CID No. 10807001121; Supervisory: Kado,Gup,CID No. 10807001121)

4.3.5 Gewogs under Pemagatshel Dzongkhag

I. Zobel Gewog

During the period the Royal Audit Authority had issued three audit reports of the Gewog Administration, Zobel. There were five observations pointed out in the reports involving Nu. 2.816 million, out of which one observation amounting to Nu. 0.500 million was resolved prior to the compilation of the draft Annual Audit Report 2013.

The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 1.688 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.458	1 & 2
2	Violation of laws and rules	0.077	4
3	Shorfalls, lapses and deficiencies	1.153	5
	Total	1.688	

1. Fraud, Corruption & Embezzlement – Nu. 0.458 million

There were cases of fraud, corruption and embezzlement involving Nu. 0.458 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Payment made for works not executed	0.381
1.2	Payment made for defective works	0.077
	Total	0.458

The cases of fraud, corruption and embezzlement are as indicated below:

1.1 Payments made for works not executed – Nu. 0.381 million

The Gewog Administration had made payments for works not executed amounting to Nu. 0.381 million in the re-surfacing of road from Mongling to Jashar Gonpa. On enquiry it was informed that the contractor was asked to submit the bills for the purpose of booking the expenditure to avoid lapse of fund.(AIN 11074; Para 2; Accountabilities: Direct: Tshering Dekar,JE,EID No. 201001713; Supervisory: Ugyen Norbu,DE,EID No. 200701037)

1.2 Payments made for defective works – Nu. 0.077 million

The Gewog Administration had made payments for defective work amounting to Nu. 0.077 million in the construction of Drasha at Jashar Goenpa funded under Constitutional Development Grant (CDG). It was noted that some items of works were not executed as per the specifications. There were cracks developed in plinth protection, open surface drains and walls which required immediate rectification.(AIN 11074; Para 4; Accountabilities: Direct: Damchen,JE,EID No. 200807175; Supervisory: Ugyen Norbu,DE,EID No. 200701037)

2. Violation of Laws and Rules – Nu. 0.077 million

The case of violation of laws and rules involving Nu. 0.077 million is as indicated below:

2.1 Short levy of liquidated damages – Nu. 0.077 million

The Gewog Administration had made short deduction of liquidated damages amounting to Nu.0.077 million in the re-surfacing works of 0.500 km road from Mongling to Jashar Goenpa.(AIN 11074; Para 3; Accountabilities: Direct: Tshering Dekar,JE,EID No. 201001713; Supervisory: Ugyen Norbu,DE,EID No. 200701037)

3. Shortfalls, Lapses and Deficiencies – Nu.1.153 million

The case of violation of laws and rules involving Nu. 1.153 million is as indicated below:

3.1 Expenditure booked without completing the work – Nu. 1.153 million

The Gewog Administration had booked an expenditure of Nu. 1.153 million without completing the resurfacing work of 0.500 kilometer road from Mongling to Jasher Gonpa. The physical verification revealed that the work was not completed. (AIN 11074; Para 1; Accountabilities: Direct: Tshering Dekar, JE, EID No. 201001713; Supervisory: Ugyen Norbu, DE, EID No. 200701037)

4.3.6 Gewogs under Punakha Dzongkhag

I. Talo Gewog

During the period the Royal Audit Authority had issued two audit reports of the Gewog Administration, Talo. There was one observation pointed out in the reports involving Nu. 0.108 million, which was not resolved prior to the compilation of the draft Annual Audit Report 2013.

The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 0.108 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.108	1 & 2
	Total	0.108	

1. Fraud, Corruption & Embezzlement – Nu. 0.108 million

There was a case of fraud, corruption and embezzlement involving Nu. 0.108 million as indicated below:

1.1 Illegal construction of houses on wet land and non-collection of penalty thereof – Nu. 0.108 million

The Gewog Administration had not collected the penalty of Nu. 0.108 million from three individuals who had carried out illegal construction on wetland. The cases were detected by the National Land Commission during the National Land Cadastral Resurvey Programme in 2011. The Gewog Administration was directed to collect the penalties. (AIN 11225; Para 1; Accountabilities: Direct: Kinley, Gup, CID No. 11008001923; Supervisory: Kinley, Gup, CID No. 11008001923)

II. Guma Gewog

During the period the Royal Audit Authority had issued one audit report of the Gewog Administration, Guma. There were two observations pointed out in the report involving Nu. 0.033 million, out of which none were resolved prior to the compilation of the draft Annual Audit Report 2013.

The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.033 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.033	3
2	Violation of laws and rules	-	4
Total		0.033	

1. Mismanagement – Nu. 0.033 million

The case of mismanagement involving Nu. 0.033 million is as indicated below:

1.1 Outstanding rural taxes – Nu. 0.033 million

The Gewog Administration had outstanding rural tax of Nu. 0.033 million on account of land and house tax. (AIN 11818; Para 2; Accountabilities: Direct: Namgay Tshering,Gup,CID No.11004000401; Supervisory: Namgay Tshering,Gup,CID No.11004000401)

2. Violation of Laws and Rules

The case of violation of laws and rules is as indicated below:

2.1 Farm roads constructed at huge cost remain abandoned due to land disputes

The Gewog Administration had constructed 4 KM farm roads stretching from Dochu-Ritsa to Tongtshana during the financial year 2012-2013. However, the farm road has not been put to effective use and had remained abandoned due to land disputes. (AIN 11818; Para 1; Accountabilities: Direct: Namgay Tshering,Gup,CID No.11004000401; Supervisory: Namgay Tshering,Gup,CID No.11004000401)

III. Barp Gewog

During the period the Royal Audit Authority had issued one audit report of the Gewog Administration, Barp. There were two observations pointed out in the report involving Nu. 0.042 million, out of which one observation did not qualify for inclusion in the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.035 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.035	1 & 2
	Total	0.035	

1. Fraud, Corruption & Embezzlement – Nu. 0.035 million

There was a case of fraud, corruption and embezzlement involving Nu. 0.035 million as indicated below:

1.1 Non accountal of Revenue collection – Nu. 0.035 million

The Gewog Administration, had not accounted revenue of Nu. 0.035 million collected on account of farm road fees collected from individuals of Yewakha and Chimipang village.(AIN 11814; Para 1; Accountabilities: Direct: Kezang Dema,GAO,EID No.200805035; Supervisory: Wangchuk,Gup,CID No.11401000539)

IV. Lingmukha Gewog

During the period the Royal Audit Authority had issued one audit report of the Gewog Administration, Lingmukha. There were three observations pointed out in the report involving Nu. 0.049 million, out of which one observation did not qualify for inclusion in the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.039 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.039	3
2	Shorfalls, lapses and deficiencies	-	5
	Total	0.039	

1. Mismanagement – Nu. 0.039 million

The case of mismanagement involving Nu.0.039 million is as indicated below:

1.1 Discrepancy in bank balance – Nu. 0.039 million

The Gewog Administration had unreconciled discrepancies of Nu. 0.039 million in the amount reflected in the cash book and the bank statement.(AIN 11820; Para 1 of CD account; Accountabilities: Direct: Rinzin Dorji,Gaydrung,CID No.10203000135; Supervisory: Sonam Tobgay,Gup,CID No.11006001052)

2. Shortfalls, Lapses and Deficiencies

The case of shortfall, lapses and deficiencies is as indicated below:

2.1 Lapses in execution of water supply works

The Gewog Administration had released the payment without ascertaining the conformity of works executed to the required specifications in the construction of Rural Water Supply Scheme at Gumkarmo. It was found that the wing wall, valve chamber, masonry channel and air release valve for the intake tank were not provided. (AIN 11820; Para 1 of LC account; Accountabilities: Direct: Maniraj Limboo, JE, EID No.200807181; Supervisory: Tandin Dorji, DE, EID No.200401026)

4.3.7 Gewogs under Samdrup Jongkhar Dzongkhag

I. Wangphu Gewog

During the period the Royal Audit Authority had issued two audit reports of the Gewog Administration, Wangphu. There was one observation pointed out in the report involving Nu. 0.265 million, which was not resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.265 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.265	5
Total		0.265	

1. Shortfalls, Lapses and Deficiencies – Nu. 0.265 million

The case of shortfalls, lapses and deficiencies involving Nu. 0.265 million is as indicated below:

1.1 Payments for items not received – Nu. 0.265 million

The Gewog Administration had made payment of Nu. 0.265 million for the supply of mask dance items under the Constitutional Development Grant (CDG) fund. However, the Gewog Administration had not received the goods. (AIN 11341; Para 1; Accountabilities: Direct: Sangay Tenzin, Gup, CID No.11102007449; Supervisory: Sangay Tenzin, Gup, CID No.11102007449)

4.3.8 Gewogs under Samtse Dzongkhag

I. Dungtse Gewog

During the period the Royal Audit Authority had issued two audit reports of the Gewog Administration, Dungtse. There were four observations pointed out in the report involving Nu.

0.328 million, out of which two observations amounting to Nu. 0.328 million were resolved prior to the compilation of the draft Annual Audit Report 2013.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	-	4
	Total	-	

1. Violation of Laws and Rules

The cases of violation of laws and rules are as indicated below:

1.1 Defective/Poor workmanship in construction

- The Gewog Administration had accepted various defective works in the construction of RNR building and Store. It was found that the plaster at the plinth were peeling off and cracks have developed in between store building and plinth protection within five months from the date of handing/taking. *(AIN 11236; Para 2.1; Accountabilities: Direct: Kumar Sharma, Site Engineer, EID No.8709055; Supervisory: H.P Adhikari, District Agriculture Officer, EID No.9209030)*
- The Gewog Administration had accepted defective works in the maintenance works of BHU and extension of a quarter under Gewog Administration. It was noted that there were cracks and seepage appearing from the walls of the newly extended quarter. *(AIN 11236; Para 2.2; Accountabilities: Direct: Kumar Sharma, Site Engineer, EID No.8709055; Supervisory: Sonam Dorji, District Health Officer, EID No.8005017)*

4.3.9 Gewogs under Sarpang Dzongkhag

I. Shompangkha Gewog

During the period the Royal Audit Authority had issued one audit report of the Gewog Administration, Shompangkha. There were two observations pointed out in the report involving Nu. 0.231 million, out of which one observation amounting to Nu. 0.186 million were resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.045 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.045	1 & 2
	Total	0.045	

1. Fraud, Corruption and Embezzlement – Nu. 0.045 million

The case of fraud, corruption and embezzlement is as indicated below:

1.1 Acceptance of defective works and payment for electrical item not provided in the construction – Nu. 0.045 million

The Gewog Administration, Shompangkha had made payment of Nu.0.045 million for the electrical items not provided in the construction of Hindu temple at Shompangkha. It was also noted that the Gewog Administration had accepted defective works. (AIN 11428; Para 1.2; Accountabilities: Direct: Karma Choedra,JE,EID No.200507223; Supervisory: Suk Dorji yonzan, Gup,CID No.11311000693)

4.3.10 Gewogs under Trashigang Dzongkhag

I. Merak Gewog

During the period the Royal Audit Authority had issued two audit reports of the Gewog Administration, Merak. There were two observations pointed out in the reports out of which one observation was resolved prior to the compilation of the draft Annual Audit Report 2013.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	-	4
	Total	-	

1. Violation of Laws and Rules

The case of violation of laws and rules is as indicated below:

1.1 Non-rectification of defective works

The Gewog Administration, Merak had not rectified the damaged works of plinth protection and drain in the construction of meeting hall. (AIN 11752; Para 1; Accountabilities: Direct: Gayden,Gup,CID No.11507001316; Supervisory: Gayden,Gup,CID No.11507001316)

II. Kanglung Gewog

During the period the Royal Audit Authority had issued two audit reports of the Gewog Administration, Kanglung. There were two observations pointed out in the report involving Nu. 1.153 million, out of which one observation amounting to Nu. 0.028 million did not qualify for inclusion in the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 1.125 million.

Based on the actions taken after the issue of draft AAR 2013, observations amounting to Nu. 0.220 million were settled. The total unresolved significant issue amounted to Nu. 0.905 million as summarized below.

1. Violation of Laws and Rules – Nu. 0.905 million

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.905	4
	Total	0.905	

The case of violation of laws and rules involving Nu. 0.905 million is as indicated below:

1.1 Expenditure booked under closed works accounts – Nu. 0.905 million

The Gewog Administration, Kanglung had booked an expenditure of Nu. 0.905 million under closed works accounts from the Constitutional Development Grant. However, it was found that the Gewog Administration had not utilized the amount but deposited in the Non-Revenue Account. (AIN 10953; Para 2; Accountabilities: Direct: Kinzang Dorji,Gup,CID No.11503004683; Supervisory: Kinzang Dorji,Gup,CID No.11503004683)

III. Khaling Gewog

During the period the Royal Audit Authority had issued two audit reports of the Gewog Administration, Khaling. There was one observation pointed out in the report involving Nu. 0.730 million which was not fully resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.350 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.350	4
	Total	0.350	

1. Violation of Laws and Rules – Nu. 0.350 million

The case of violation of laws and rules involving Nu. 0.350 million is as indicated below:

1.1 Expenditure booked under closed works accounts – Nu. 0.350 million

The Gewog Administration, Khaling had booked expenditure of Nu. 0.350 million under closed works accounts from the Constitutional Development Grant. However, it was found that the Gewog Administration had not utilized the amount but deposited in the Non-Revenue Account. (AIN 10954; Para 1; Accountabilities: Direct: Tashi Dorji,Gup,CID No.11505000384; Supervisory: Tashi Dorji,Gup,CID No.11505000384)

IV. Udzorong Gewog

During the period the Royal Audit Authority had issued three audit reports of the Gewog Administration, Udzorong. There was one observation pointed out in the report involving Nu. 2.100 million which was not resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 2.100 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	2.100	4
	Total	2.100	

1. Violation of Laws and Rules – Nu. 2.100 million

The case of violation of laws and rules involving Nu. 2.100 million is as indicated below:

1.1 Expenditure booked without completion works – Nu. 2.100 million

The Gewog Administration, Udzorong had booked an expenditure of Nu.2.100 million in the construction of Kadam Lhakhang. However, during the physical verification it was found that only about 70% of the works were completed and the work was delayed by 16 months.(*AIN 11740; Para 1; Accountabilities: Direct: Tenzin Tshewang,Gup,CID No.15105003500; Supervisory: Tenzin Tshewang,Gup,CID No.15105003500*)

V. Phongmey Gewog

During the period the Royal Audit Authority had issued three audit reports of the Gewog Administration, Phongmey. There was one observation pointed out in the report involving Nu. 0.965 million which was not resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.965 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.965	4
	Total	0.965	

1. Violation of Laws and Rules – Nu. 0.965 million

The case of violation of laws and rules involving Nu. 0.965 million is as indicated below:

1.1 Payment made for works not completed – Nu. 0.965 million

The Gewog Administration, Phongmey had made payment of Nu. 0.965 million without completing the construction works at Tadrang Lhakhang.(*AIN 10957; Para 1; Accountabilities:*

VI. Bartsham Gewog

During the period the Royal Audit Authority had issued two audit reports of the Gewog Administration, Bartsham. There was one observation pointed out in the report involving Nu. 1.000 million which was not resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 1.000 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	1.000	4
	Total	1.000	

1. Violation of Laws and Rules – Nu. 1.000 million

The case of violation of laws and rules involving Nu. 1.000 million is as indicated below:

1.1 Expenditure booked under closed works accounts – Nu. 1.000 million

The Gewog Administration, Bartsham had booked expenditure of Nu. 1.000 million under the closed works account from the Constitutional Development Grant (CDG) Fund. The un-utilized balance fund was booked as capital expenditure and same was deposited into Non-Revenue Account.(AIN 10951; Para 1; Accountabilities: Direct: Sonam Dorji,Gup,CID No.11513003191; Supervisory: Sonam Dorji,Gup,CID No.11513003191)

4.3.11 Gewogs under Trashiyangtse Dzongkhag

I. Toedtsho Gewog

During the period the Royal Audit Authority had issued two audit reports of the Gewog Administration, Toedtsho. There was one observation pointed out in the report involving Nu. 0.148 million which was not resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.148 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shorfalls, lapses and deficiencies	0.148	5
	Total	0.148	

1. Shortfalls, Lapses and Deficiencies – Nu. 0.148 million

The case of shortfalls, lapses and deficiencies involving Nu. 0.148 million is as indicated below:

1.1 Non-receipt of Machineries – Nu. 0.148 million

The Gewog Administration had not received agricultural machineries valuing Nu. 0.148 million from the Regional Agriculture Machinery Center, Khangma. The Gewog Administration had already made the payment for the machineries. (AIN 11186; Para 1; Accountabilities: Direct: Pema Gyelpo, AEO, EID No. 7503008; Supervisory: Dechen Wangdi, Gup, CID No. 11605000181)

II. Ramjar Gewog

During the period the Royal Audit Authority had issued two audit reports of the Gewog Administration, Ramjar. There was one observation pointed out in the report which was not resolved prior to the compilation of the draft Annual Audit Report 2013.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	-	5
	Total	-	

1. Shortfalls, Lapses and Deficiencies

The case of shortfalls, lapses and deficiencies is as indicated below:

1.1 Non-installation of the water pump

The Electrification of Water Pump Scheme at Wangringmo under Ramjar Gewog was carried out as Deposit Work by the Electricity Services Division, Bhutan Power Corporation Tashiyangtse. During the site visit it was found that the electrification works were completed in all respect except for the installation of the water pump works. (AIN 11189; Para 1; Accountabilities: Direct: Jampel Dorji, GAO, EID No. 200705035; Supervisory: Karma, Gup, CID No. 11604001297)

4.3.12 Gewogs under Thimphu Dzongkhag

I. Lingzhi Gewog

During the period the Royal Audit Authority had issued four audit reports of the Gewog Administration, Lingzhi. There were two observations pointed out in the report involving Nu. 0.045 million out of which one observation amounting to Nu. 0.010 million did not qualify for inclusion in the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.035 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.035	5
	Total	0.035	

1. Shortfalls, Lapses and Deficiencies – Nu. 0.035 million

The case of shortfalls, lapses and deficiencies involving Nu. 0.035 million is as indicated below:

1.1 Non-production of original money receipt – Nu. 0.035 million

The Gewog Administration, Lingzhi had not produced the original money receipt for Nu.0.035 pertaining to the collections made from the issuance of permits for cordyceps collection. (AIN 11384; Para 2; Accountabilities: Direct: Pema Dendup, Gaydrung, CID No.11406000226; Supervisory: Wangdi, Gup, CID No.11406000171)

4.3.13 Gewogs under Tsirang Dzongkhag

I. Gosarling Gewog

During the period the Royal Audit Authority had issued three audit reports of the Gewog Administration, Gosarling. There were two observations pointed out in the report involving Nu. 0.353 million out of which one observation was resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.353 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.353	5
	Total	0.353	

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

The case of shortfalls, lapses and deficiencies involving Nu. 0.353 million is as indicated below:

1.1 Overpayment – Nu. 0.353 million

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

II. Kilkhorthang Gewog

During the period the Royal Audit Authority had issued three audit reports of the Gewog Administration, Kilkhorthang. There were four observations pointed out in the report involving Nu. 0.052 million out of which three observations amounting to Nu. 0.052 was resolved prior to the compilation of the draft Annual Audit Report 2013.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	-	4
	Total	-	

1. Violation of laws and rules

The case of violation of laws and rules is as indicated below:

1.1 Acceptance of defective works

The Gewog Administration had accepted various defective works in the improvement of 1432.6 m Kabraydangra-Salami farm road. It was found that aggregates used were not as per the specification and the compaction density was not achieved. It was also noted that there were series of defects in providing and laying of stone edging works. (AIN 11851; Para 1.1 and 1.2; Accountabilities: Direct: Tashi Penjor, Engineer, EID No.9607028; Supervisory: Tshewang Norbu, Gup, CID No.11805000688)

4.3.14 Gewogs under Wangduephodrang Dzongkhag

I. Daga Gewog

During the period the Royal Audit Authority had issued two audit reports of the Gewog Administration, Daga. There was one observation pointed out in the report involving Nu. 0.109 million which was not resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 0.109 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.109	3
	Total	0.109	

1. Mismanagement – Nu. 0.109 million

The case of mismanagement involving Nu. 0.109 million is as indicated below:

1.1 Non-deposit of rural life and house insurance premium – Nu. 0.109 million

The Gewog Administration had not deposited rural life and house insurance amounting to Nu. 0.109 million into Dzongkhag Revenue account. (AIN 11645; Para 1; Accountabilities: Direct: Phub Jamtsho, Gaydrung, CID No. 11905000271; Supervisory: Kencho Namgal, Gup, CID No. 11903000399)

II. Kazhi Gewog

During the period the Royal Audit Authority had issued two audit reports of the Gewog Administration, Kazhi. There was one observation pointed out in the report involving Nu. 0.157 million which was not resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.157 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.157	4
	Total	0.157	

1. Violation of Laws and Rules – Nu. 0.157 million

The case of violation of laws and rules involving Nu. 0.157 million is as indicated below:

1.1 Irregular booking of Expenditure – Nu. 0.157 million

The Gewog Administration had paid an amount of Nu. 0.157 million towards the settlement of dues pertaining to the past financial year 2010-2011 for the construction of Damchenthang to Tumtupang farm road without appropriate budget sanction. The payment was met from the budget allocated for construction of Chuchuna to Komathrang farm road during the financial year 2011-2012. (AIN 11634; Para 1; Accountabilities: Direct: Phub Gyeltshen, GAO, EID No. 9507311; Supervisory: Singay Dorji, Gup, CID No. 11908000897)

4.3.15 Gewogs under Zhemgang Dzongkhag

I. Ngangla Gewog

During the period the Royal Audit Authority had issued two audit reports of the Gewog Administration, Ngangla. There were two observations pointed out in the report involving Nu. 0.029 million out of which one observation amounting to Nu. 0.016 million was resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.013 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.013	1 & 2
	Total	0.013	

1. Fraud, Corruption & Embezzlement – Nu. 0.013 million

The case of fraud, corruption & embezzlement involving Nu. 0.013 million is as indicated below:

1.1 Short accountal of cash – Nu. 0.013 million

The Gewog Administration had not accounted cash amount of Nu. 0.013 million. It was found that the closing Bank Balance as per the cash book was Nu. 0.101 million, whereas the closing balance as per the bank statement was Nu. 0.088 million. *(AIN 11207; Para 1; Accountabilities: Direct: Rinchen Wangdi,Gup,CID No. 12005002997; Supervisory: Rinchen Wangdi,Gup,CID No. 12005002997)*

4.4. AUTONOMOUS BODIES

4.4.1 Judiciary

During the period the Royal Audit Authority had issued 40 audit reports of the Judiciary of Bhutan. There were 19 observations pointed out in the reports involving Nu. 0.829 million, out of which 15 observations amounting to Nu. 0.457 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013.

The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.373 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.373	4
	Total	0.373	

1. Violation of laws and rules – Nu. 0.373 million

There were cases of violation of laws and rules involving Nu. 0.373 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Payment made for items not provided	0.153
1.2	Acceptance/ execution of substandard works	0.220
1.3	Non rectification of defective works	-
	Total	0.373

The cases of violation of laws and rules are as indicated below:

1.1 Payment made for items not provided – Nu. 0.153 million

The Supreme Court had made irregular payment of Nu. 0.153 million for providing MS diagonal in the construction of Nganglam Dungkhag Court including GI fencing works. During the physical verification, it was noted that the items were not provided by the contractor. (AIN 11468; Para 1; Accountabilities: Direct: Hukumi Ghalay, Jr. Engineer, CID No. 11202000729; Supervisory: Gyeltshen Wangdi, Project Architect, CID No. 11512004618)

1.2 Acceptance/execution of substandard work – Nu. 0.220 million

- a) The Supreme Court had accepted the substandard work valuing Nu. 0.190 million in the construction of Lhamozingkha Dungkhag Court. During the physical verification, it was found that the substandard works in the frames of doors and windows were executed in the main court building. This had resulted in deterioration of five numbers of windows of W1 specification, four numbers of doors of D2 and one door of D1

specifications.(AIN 11468; Para 9; Accountabilities: Direct: Gyeltshen Wangdi, Project Architect, CID No. 11512004618; Supervisory: Gyeltshen Wangdi, Project Architect, CID No. 11512004618)

- b) The Supreme Court had accepted the substandard work valuing Nu. 0.030 million in the Lhamoizingkha Dungkhag Court. It was noted that substandard wood works were carried out in the frames of doors and windows of the guard room. This had resulted in deterioration of three numbers of windows with W- Specification and one door of D-specification.(AIN 11468; Para 10; Accountabilities: Direct: Hukumi Ghalay, Jr. Engineer, CID No. 11202000729; Supervisory: Gyeltshen Wangdi, Project Architect, CID No. 11512004618)

1.3 Non rectification of defective works

The Supreme Court had not carried out the rectification of the defective works in the construction of Sibsoo Dungkhag Court. It was noted that the site development works were not executed as per the specification resulting in numerous defects in the structures built.(AIN 11468; Para 12; Accountabilities: Direct: Yeser Dema, Engineer, EID No. 201101174; Supervisory: Gyeltshen Wangdi, Project Architect, CID No. 11512004618)

4.4.2 Office of the Attorney General

During the period the Royal Audit Authority had issued one audit report of the Office of Attorney General. There was one observation pointed out in the report involving Nu. 0.244 million which was not resolved prior to the compilation of the draft Annual Audit Report 2013.

The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.244 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.244	5
	Total	0.244	

1. Shortfalls, lapses and deficiencies – Nu. 0.0.224 million

The case of shortfalls, lapses and deficiencies is as indicated below:

1.1 Inadmissible payment – Nu. 0.244 million

The Office of Attorney General had made inadmissible payment of Nu. 0.244 million on account of pay arrears and allowances in respect of one official. It was found that the revised pay was paid retrospectively for the period prior to the effective date of application of revision of pay. The pay revision was effective from January 2009 but the arrears were paid for six months prior to that date.(AIN 11583; Para 1; Accountabilities: Direct: Rinzin Penjor, Justice, Supreme

4.4.3 Royal Privy Council

During the period the Royal Audit Authority had issued one audit report of the Royal Privy Council. There were 4 observations pointed out in the reports involving Nu 0.046 million, out of which 2 observations were resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 0.046 million.

Based on the action taken after the issue of draft AAR 2013, one observation without monetary value was resolved. The total unresolved significant irregularity amounted to Nu. 0.046 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.046	5
	Total	0.046	

1. Shortfalls, lapses and deficiencies – Nu. 0.046 million

The case of shortfalls, lapses and deficiencies is as indicated below:

1.1 Loss of office equipment – Nu. 0.046 million

The Royal Privy Council had a case of loss of one laptop costing Nu. 0.046 million which was issued to the official. The loss needs to be made good as per the Property Management Manual (PMM) of Financial Rules and Regulations 2001. *(AIN 11577; Para 4; Accountabilities: Direct: Chokey Gyeltshen, Former Dy. Chief Dzongkha Development Officer, EID No. 8703018; Supervisory: Lyonpo Chenkyab Dorji, Chairman, CID No. 11410005607)*

4.4.4 Royal University of Bhutan

During the period the Royal Audit Authority had issued six audit reports of the Royal University of Bhutan and institutes under it. There were 22 observations pointed out in the reports involving Nu 2.025 million, out of which 10 observations amounting to Nu. 0.366 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 1.659 million.

Based on the action taken by the management, observations amounting to Nu. 0.270 million were resolved. The total unresolved significant irregularities amounted to Nu. 1.389 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.111	3
2	Violation of laws and rules	0.867	4
3	Shortfalls, lapses and deficiencies	0.411	5
	Total	1.389	

1. Mismanagement – Nu. 0.111 million

There were cases of mismanagement involving Nu. 0.111 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Missing guest house items	-
1.2	Non reconciliation of collections	0.046
1.3	Outstanding revenue	0.065
	Total	0.111

The cases of mismanagement are as indicated below:

1.1 Missing guest house items

The Gaeddu College of Business Studies had not accounted various guest house items handed over by the Tala Hydropower Project. It was found that 207 items including furniture, mattresses, electronic items like fridge, television, kitchen items were missing during physical verification. (AIN 11435; Para 5; Accountabilities: Direct: Ugyen Tenzin, Store Assistant, EID No. 200807938; Supervisory: Lhato Jamba, Director, EID No. 9003001)

1.2 Non-reconciliation – Nu. 0.046 million

- The Gaeddu College of Business Studies had unreconciled figure of Nu. 0.046 million in the collection and deposit of guest house charges. It was noted that out of Nu. 0.255 million, only Nu. 0.209 million was deposited with the Accounts section. (AIN 11435; Para 6; Accountabilities: Direct: Tenzin Rabten, Guest House Manager, CID No. 12003002072; Supervisory: B. B Rasaily, EID No. 1108020)
- The Gaeddu College of Business Studies had discrepancies in the amount of revenue receipts and deposits. The deposit details were not made available to the audit. (AIN 11435; Para 8; Accountabilities: Direct: Damber Kumar Kamar, Accountant, EID No. 11070001; Supervisory: Lhato Jamba, Director, EID No. 9003001)

1.3 Outstanding revenue – Nu. 0.065 million

The Gaeddu College of Business Studies had outstanding revenue of Nu. 0.065 million on account of rental charges of structures leased out to various parties. (AIN 11435; Para 7;

2. Violation of laws and rules – Nu. 0.867 million

There were cases of violation of laws and rules involving Nu. 0.867 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Unjustified grant of time extension and revision of supervision fees	0.637
2.2	Unascertainable advance payment and adjustments	0.193
2.3	Non collection of rent	0.037
	Total	0.867

The cases of violation of laws and rules are as indicated below:

2.1 Unjustified grant of time extension and revision of supervision fees – Nu. 0.637 million

The Jigme Namgyel Polytechnic (JNP), Dewathang had paid unjustified additional supervision fees of Nu. 0.637 million for the extended contract period for supervision of re-development of Master Plan of 72.56 acres of land of Jigme Namgyel Polytechnic, Dewathang including designs and drawings of new buildings and entire landscape, new access road linkage in different direction, drainage system, water supply and compound electrical line services. It was noted that the extension of contract period for supervision was approved by the Royal University of Bhutan on the basis of request made by JNP. This had resulted in enhancement of monthly supervision fee from Nu. 75,930.00 to Nu. 91,024.94. The revision of the supervision fee was not justified as the overall contract agreement drawn initially was for the entire project period. (AIN 11269; Para 2; Accountabilities: Direct: M.D Rai, Engineer, EID No. 7808006; Supervisory: Gajel Lhendup, EID No. 8201014)

2.2 Unascertainable advance payment and adjustments – Nu. 0.193 million

The Gaeddu College of Business Studies had not produced the payment and journal vouchers in respect of payment of advances amounting to Nu. 0.193 million and its subsequent adjustments. The RAA noted many instances of personal and official advances being taken by the official which were yet to be adjusted. (AIN 11435; Para 9; Accountabilities: Direct: Ugyen Tshering, Asst. Accounts Officer, EID No. 120904; Supervisory: Lhato Jamba, Director, EID No. 9003001)

2.3 Non collection of rent – Nu 0.037 million

The Samtse College of Education had not collected the rent amounting to Nu. 0.037 million from its tenant. (AIN 11484; Para 3; Accountabilities: Direct: Sonam Tshering, AFO, EID No. RUB 1112067; Supervisory: Kaylzung Tshering, Director General, EID No. 8701047)

3. Shortfalls, lapses and deficiencies – Nu. 0.411 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 0.411 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
3.1	Non recovery of PF contribution	0.108
3.2	Double payment	0.064
3.3	Outstanding advances	0.239
	Total	0.411

The cases of shortfalls, lapses and deficiencies are as indicated below:

3.1 Non recovery of PF contribution – Nu. 0.108 million

The College of Natural Resources, Lobeyssa had not recovered the amount of Nu. 0.108 million on account of PF contribution on resignation of official. It was found that the recovery of PF contribution was erroneously left out in the computation of recovery statement. (AIN 11497; Para 2; Accountabilities: Direct: Tenzin Wangchuk, AAO, EID No. 9404031; Supervisory: Dorji Wangchuk, Director General, EID No. 8103046)

3.2 Double payment – Nu. 0.064 million

The Gaeddu College of Business Studies had made double payment of Nu. 0.064 million in the procurement of library books for the financial year ended June 2012. It was found that the same bill was paid twice. (AIN 11435; Para 3; Accountabilities: Direct: Damber Kumar, Accountant, EID No. 1107001; Supervisory: Ugyen Tshering, AAO, EID No. 120904)

3.3 Outstanding advances – Nu. 0.239 million

The Gaeddu College of Business Studies had outstanding advances of Nu. 0.239 million against various officials. (AIN 11435; Para 4; Accountabilities: Direct: Individuals concerned; Supervisory: Lhato Jamba, Director, EID No. 9003001)

4.4.5 Tourism Council of Bhutan

During the period the Royal Audit Authority had issued six audit reports of the Tourism Council of Bhutan. There were four observations pointed out in the reports involving Nu 12.484 million, out of which two observations amounting to Nu. 11.908 million were resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 0.576 million.

Based on the responses received after the issue of draft AAR 2013 and action taken by the management, observation amounting to Nu. 0.576 million was resolved. The unresolved significant observation without monetary value is as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	-	4
	Total	-	

1. Violation of Laws and Rules

There was a case of violation of laws and rules as indicated below

1.1 Non fulfillment of conditions for availing tax and duty exemptions

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

4.5 CORPORATIONS & FINANCIAL INSTITUTIONS

4.5.1 Bhutan Board Product Limited

During the period the Royal Audit Authority had issued one audit report of the Bhutan Board Product Limited. There were 5 observations pointed out in the reports involving Nu. 2.069 million, out of which 4 observations involving Nu. 1.353 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013.

The total unresolved, significant observation reflected in the AAR 2013 amounted to Nu. 0.527 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.527	5
	Total	0.527	

1. Shortfalls, lapses and deficiencies – Nu. 0.527 million

The case of shortfalls, lapses and deficiencies involving Nu. 0.527 million is as indicated below:

1.1 Outstanding debtors – Nu. 0.527 million

The Bhutan Board Products Limited, Phuentsholing had outstanding debtors aggregating to Nu. 0.527 million. *(AIN 11434; Para 4; Accountabilities: Direct: Dawa Gyeltshen, DGM, Marketing, CID No. 11506003591; Supervisory: Kinley Wangchuk, GM, Marketing, CID No. 12007001893)*

4.5.2 Bhutan Power Corporation Limited

During the period the Royal Audit Authority had issued 13 audit reports of the Bhutan Power Corporation Limited. There were 26 observations pointed out in the reports involving Nu. 17.628 million, out of which 17 observations amounting to Nu. 9.646 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 7.982 million.

Based on the actions taken after the issue of draft AAR 2013, observations amounting to Nu. 7.635 million were either settled or not considered for inclusion in the AAR 2013. The total significant unresolved irregularities amounted to Nu. 0.347 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	-	4
2	Shortfalls, lapses and deficiencies	0.347	5
	Total	0.347	

1. Violation of Laws and Rules

The case of violation of laws and rules is as indicated below:

1.1 Non rectification of defective works

The Electricity Services Division, Zhemgang had not rectified various defective works in the construction of Office cum Residential building at Panbang. (AIN 11400; Para 1; Accountabilities: Direct: Kuenzang, Engineer, EID No. 30000553; Supervisory: Karma Leki, Manager, EID No. 30000483)

2. Shortfalls, lapses and deficiencies – Nu. 0.347 million

The cases of shortfalls, lapses and deficiencies involving Nu. 0.347 million are indicated below:

1.1 Excess/over payment – Nu. 0.347 million

- a) The Electricity Services Division, Samdrupjongkhar had made overpayment of Nu. 0.101 million in the construction of residential building and parking. The overpayment had occurred due to payment made for works not/less executed at site. (AIN 11365; Para 1; Accountabilities: Direct: choda Dorji, Technician, CID No. E30001469; Supervisory: Kunzang Dorji, R. M, CID No. 20000001)
- b) The Electricity Services Division, Samdrupjongkhar had made excess payment of Nu. 0.246 million in the construction of office cum residential building, compound fencing and parking at Dewathang. The excess payment had occurred due to payment made for works less/not executed. (AIN 11365; Para 2.1 Accountabilities: Direct: choda Dorji, Technician, CID No. E30001469; Supervisory: Kunzang Dorji, R. M, CID No. 20000001)

4.5.3 Bhutan Postal Corporation Limited

During the period the Royal Audit Authority had issued 6 audit reports of the Bhutan Postal Corporation Limited. There were 7 observations pointed out in the reports involving Nu 0.307 million, out of which one observation amounting to 0.007 million did not qualify for inclusion in the draft AAR 2013.

The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.300 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	-	3
2	Violation of laws and rules	-	4
3	Shorfalls, lapses and deficiencies	0.300	5
Total		0.300	

1. Mismanagement

The case of mismanagement is as indicated below:

1.1 Loss of office equipment

The Bhutan Postal Corporation Limited, Thimphu had cases of loss of four laptops issued to the officials. Of the four cases, it was found that only two cases were reported to the Royal Bhutan Police. (AIN 11712; Para 2; Accountabilities: Direct: Phintsho Dorji, Dy. Managing Director, CID No. 10811000115, Norbu Zangmo, Manager, Community Center, CID No. 11107000167 and Tseten Geltsen, Ex-Managing Director, CID No. 10802000664; Supervisory: Tseten Geltsen, Ex-Managing Director, CID No. 10802000664)

2. Violation of Laws and Rules

There were cases of violation of laws and rules as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Irregular change in the decision to procure city buses from initial approval	-
2.2	Irregularities in promotions	-
	Total	-

The cases of violation of laws and rules are as indicated below:

2.1 Irregular change in the decision to procure city buses from initial approval

The Bhutan Postal Corporation Limited had obtained Cabinet approval to procure 13 additional buses (one pre-fabricated body bus – Ural India and 12 Toyota Coaster buses) to enhance and improve the public transport system in Thimphu. The Ministry of Finance had issued the Import Authorization to the Bhutan Postal Corporation Limited to place order and process for procurement through appropriate agency for Big Indian pre-fabricated body bus and M/s STCBL for 13 Toyota Coaster Buses. However, the supply of buses was not awarded to M/s STCBL instead it had floated tender as the delivery time offered by M/s STCBL was six months. On review of the delivery of the buses by the firm which was selected, it was seen that it had taken longer than what M/s STCBL offered. As such, the decision of the management to complete procurement of buses within shorter period was not achieved. The management's submission of having received telephonic instruction from the Cabinet Secretary to purchase any suitable or appropriate city buses of international standard could not be validated in absence of appropriate written statements. (AIN 11712; Para 1; Accountabilities: Direct: Concerned individuals; Supervisory: Tseten Geltsen, Ex-Managing Director, CID No. 10802000664)

2.2 Irregularities in promotions

- a) The Bhutan Postal Corporation Limited, Thimphu had given irregular fast track promotions to three officials not confirming to the corporation's Service Rules and Regulations 2011. It was found that the Corporate Management Committee considered individuals for fast track promotions without assessing the merit and fulfilling the criteria set for fast track promotions. *(AIN 11712; Para 3.1, 3.2 & 3.3; Accountabilities: Direct: Concerned individuals; Supervisory: Sonam Tobgye, Dy. Managing Director, CID No. 10907002481 and Tseten Geltsen, Ex-Managing Director, CID No. 10802000664)*
- b) The Bhutan Postal Corporation Limited, Thimphu had considered promotion of one official without obtaining audit clearance certificate as required by the Service Rules and Regulations 2011. It was noted that the official could not obtain audit clearance certificate as she was accountable for few unsettled audit observations in the audit report of the corporation. *(AIN 11712; Para 4; Accountabilities: Direct: Pema Tashi, General Manager, HRMD, CID No. 10903000878, Phintsho Dorji, Dy. Managing Director, ROD, CID No. 10811000115 and Sonam Tobgye, Dy. Managing Director, UOD, CID No. 10907002481; Supervisory: Tseten Geltsen, Ex-Managing Director, CID No. 10802000664)*
- c) The Bhutan Postal Corporation Limited, Thimphu had approved the up-gradation of 19 employees from grade 12 to 11 as per the modified grading structure of the Revised Service Rules and Regulations 2011. It was found that there were numerous inconsistencies in the consideration of individuals for up-gradation. With such exercise, some of the individuals who had served less than a year in the previous grade unjustifiably benefited which might have impact on the seniority and increments of the individuals who were senior to them. Further, it was also noted that one individual who was demoted to grade 12 for double recoupment case of western union money transfer just prior to the up-gradation exercise benefited by not having to serve at that grade as his elevation to grade 11 was automatic through up-gradation exercise. There were also cases where two officials who were selected for same grade level were placed in different grades after the up-gradation. In view of these inconsistencies, it appeared that the up-gradation exercise was not carried out objectively but to benefit few. *(AIN 11712; Para 5; Accountabilities: Direct: Individuals concerned; Supervisory: Tseten Geltsen, Ex-Managing Director, CID No. 10802000664)*

3. Shortfalls, Lapses and Deficiencies – Nu. 0.300 million

The case of shortfalls, lapses and deficiencies involving Nu. 0.300 million is as indicated below:

3.1 Inadmissible payment – Nu. 0.300 million

The Bhutan Postal Corporation Limited had made inadmissible payment of Nu. 0.300 million on account of payment for pre-mature termination of lease agreements for the lease of post shop on the ground floor of the General Post Office, Thimphu as per the lease agreement drawn in 2004. However, on scrutiny of the lease agreements which were renewed subsequently, it was found that the latest lease agreement renewed in 2011 stated that it had superseded all earlier agreements and did not contain provision on payment on premature termination. Hence, the payment made to the lessee was not found justifiable. *(AIN 11712; Para 7; Accountabilities:*

Direct: Tseten Geltsen, Ex-Managing Director, CID No. 10802000664; Supervisory: Sonam Tobgye, Dy. Managing Director, UOD, CID No. 10802000664)

4.5.4 Bhutan Telecom Limited

During the period the Royal Audit Authority had issued 5 audit reports of the Bhutan Telecom Limited. There were 6 observations pointed out in the reports involving Nu 0.667 million, out of which one observation did not qualify for inclusion in the draft Annual Audit Report. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu 0.657 million.

Based on actions taken after the issue of draft AAR 2013, observations amounting to Nu. 0.657 million was either settled or not considered for inclusion in the AAR 2013. The significant irregularity reported is as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	-	5
	Total	-	

The case of shortfalls, lapses and deficiencies is as indicated below:

1. Shortfalls, lapses and deficiencies

1.1 Non registration of land

The Bhutan Telecom Limited, Samdrup Jongkhar had not registered the land measuring 27.773 acres at various places within six eastern Dzongkhags. *(AIN 11380; Para 2; Accountabilities: Direct: Individuals concerned; Supervisory: Rabilal Pokhrel, Regional Manager, CID No. 11108000886)*

4.5.5 Construction Development Corporation Limited

During the period the Royal Audit Authority had issued one audit report of the Construction Development Corporation Limited. There were 4 observations pointed out in the reports involving Nu 0.410 million, out of which 3 observations involving Nu. 0.237 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013.

The total unresolved significant observation reflected in the AAR 2013 amounted to Nu. 0.174 million.

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.174	5
	Total	0.174	

1. Shortfalls, lapses and deficiencies – Nu 0.174 million

The case of shortfalls, lapses and deficiencies involving Nu. 0.174 million is indicated below:

1.1 Outstanding debtors – Nu. 0.174 million

The Construction Development Corporation Limited had outstanding advances of Nu. 0.174 million against various officials. *(AIN 11392; Para 3.2; Accountabilities: Direct: Sonam Dorji (Former MD), EID No. 8907089 and D.N Sharma, CID No. 9507051; Supervisory: P.K Das, GM Finance, CID No. 1787341)*

4.5.6 DHI - Infra Limited

During the period the Royal Audit Authority had issued one audit report of the DHI – Infra Limited. There were 3 observations pointed out in the reports involving Nu 0.082 million, out of which none of the observations was resolved prior to compilation of the draft AAR 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 0.082 million.

Based on the actions taken after the issue of draft AAR 2013, observations amounting to Nu. 0.031 million were either resolved or not considered for inclusion in the AAR 2013. The unresolved irregularity amounted to Nu. 0.051 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.051	4
	Total	0.051	

1. Violation of Laws and Rules – Nu. 0.051 million

The case of violation of laws and rules involving Nu. 0.051 million is as indicated below:

1.1 Discrepancies in pay fixation and financial implication thereof – Nu. 0.051 million

The RAA noted discrepancies in the pay fixation by the DHI-Infra Limited pertaining to four employees on completion of their probation period which had resulted in financial implication of Nu. 0.051 million. It was noted that the employees were given six increments based on Service Manual of the Druk Green Power Corporation. However, since those employees were recruited after the endorsement of the DHI Infra Service Manual which prescribes lower

structure, the fixation of pay based on DGPC's Service Manual was not found justified. (AIN 11684; Para 2; Accountabilities: Direct: Ms. Kritika Neopaney, Interim HR Manager, CID No. 11804000565 and Kencho Tshering, HR Manager, CID No. 11603003474; Supervisory: Dorji Namgay, Chief Executive Officer, CID No. 10101000500)

4.5.7 Dungsam Cement Corporation Limited

During the period the Royal Audit Authority had issued one audit report of the Dungsam Cement Corporation Limited. There were 31 observations pointed out in the reports involving Nu 73.821 million, out of which six observations amounting to Nu. 0.062 million did not qualify for inclusion in the draft AAR 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 73.760 million.

Based on the actions taken after the issue of draft AAR 2013, observations amounting to Nu. 58.954 million were either resolved or not considered for inclusion in the AAR 2013. The total significant unresolved irregularities amounted to Nu. 14.805 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	3.875	4
2	Shortfalls, lapses and deficiencies	10.930	5
	Total	14.805	

1. Violation of Laws and Rules – Nu. 3.875 million

There were cases of violation of laws and rules involving Nu. 3.875 million are as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Execution of substandard works	-
1.2	Abnormal deviation in earthwork	3.875
1.3	Non rectification of work	-
	Total	3.875

The cases of violation of laws and rules are as indicated below:

1.1 Execution of substandard works

The DCCL had accepted various substandard works in the construction of structures (colony buildings). It was noted that the gusset plates provided at the support of the trusses were not executed as per the BOQ specifications. There were cases of improper size of gusset plate being provided, roof truss not being placed properly on the RCC props and nuts and bolt not being provided at all. (AIN 11698; Para 6; Accountabilities: Direct: Kezang Tshering, Construction Engineer, CID No. 11505001698; Supervisory: Sonam Wangchuk, GM, Project, CID No. 11303000556)

1.2 Abnormal deviation in earthwork – Nu. 3.875 million

The RAA noted huge deviations in the quantities claimed and paid for amounting to Nu. 3.875 million in the item, "Excavation in foundation trenches or drains, width >1.5m, area <10 Sqm in plan – all kinds of soil" for the entire area of the structures built. The deviations had occurred mainly due to unrealistic estimates prepared by the engineers.(AIN 11698; Para 7; Accountabilities: Direct: Kezang Tshering, Construction Engineer, CID No. 11505001698; Supervisory: Sonam Wangchuk, GM, Project, CID No. 11303000556)

1.3 Non rectification of work

The DCCL had not carried out the rectification works in RCC Box Culvert at Chainage 1300 at Marungri Mines road. It was found that the foundation of RRM toe wall was damaged.(AIN 11698; Para 11; Accountabilities: Direct: Kezang Tshering, Construction Engineer, CID No. 11505001698; Supervisory: Sonam Wangchuk, GM, Project, CID No. 11303000556)

2. Shortfalls, Lapses and Deficiencies – Nu. 10.930 million

There were cases of shortfalls, lapses and deficiencies involving Nu. 10.930 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
2.1	Excess/over payment	5.495
2.2	Short recovery of cement and TMT cost and losses thereof	1.384
2.3	Non reconciliation of balances of materials	3.949
2.4	Inadmissible payment	0.102
	Total	10.930

The cases of shortfalls, lapses and deficiencies are as indicated below:

2.1 Excess/over payment – Nu. 5.495 million

- The DCCL had made excess payment of Nu. 1.763 million in the construction of Plant Colony Building Package – III (D type). The excess payment had occurred due to payment made for works less executed at site.(AIN 11698; Para 1.1; Accountabilities: Direct: Kesang Tshering, Construction Engineer, EID No. 11505001698; Supervisory: Sonam Wangchuk, GM, Project, CID No. 11303000556)
- The DCCL had made excess payment of Nu. 1.228 million in the constructions of Plant Colony Building Package I,II and III. The excess payment had occurred due to payment at higher rates for TMT reinforcement bars.(AIN 11698; Para 1.2; Accountabilities: Direct: Kesang Tshering, Construction Engineer, EID No. 11505001698; Supervisory: Sonam Wangchuk, GM, Project, CID No. 11303000556)
- The over payment of Nu. 0.823 million was made in the contract for base course and bituminous works at Kangreze mines road. The over payment had occurred due to

recording of excess length of RCC slab and other soil filling works.(AIN 11698; Para 1.3; Accountabilities: Direct: Kesang Tshering, Construction Engineer, EID No. 11505001698; Supervisory: Sonam Wangchuk, GM, Project, CID No. 11303000556)

- d) The over payment of Nu. 0.552 million was made in the construction of Plant Colony Building Package – II (F type). The over payment had occurred due to non-deduction of window lintels and sills from the brick works and payment for synthetic painting separately.(AIN 11698; Para 1.4; Accountabilities: Direct: Kesang Tshering, Construction Engineer, EID No. 11505001698; Supervisory: Sonam Wangchuk, GM, Project, CID No. 11303000556)
- e) The excess payment of Nu. 0.420 million was made in the construction of Plant Colony Building Package I at Chenkari. The excess payment had occurred due to separate payment made for window components and the synthetic paintings for windows. The rates quoted for window components were inclusive of synthetic painting, grills etc.(AIN 11698; Para 1.5; Accountabilities: Direct: Kesang Tshering, Construction Engineer, EID No. 11505001698; Supervisory: Sonam Wangchuk, GM, Project, CID No. 11303000556)
- f) The over payment of Nu. 0.355 million was made in the construction of Plant Colony Building Package III. The over payment had occurred due to non-deduction of window lintels and sills from the brick works and double payment for synthetic painting grills which were included in the rates for window component as per the specification.(AIN 11698; Para 1.6; Accountabilities: Direct: Kesang Tshering, Construction Engineer, EID No. 11505001698; Supervisory: Sonam Wangchuk, GM, Project, CID No. 11303000556)
- g) The DCCL had made excess payment of Nu. 0.218 million in the procurement of pre-fabricated ladder design GI cable racks/trays and associate hardware for cable laying in outdoor receiving area. The excess payment had occurred due to payment made at higher rates than quoted rates.(AIN 11698; Para 1.9; Accountabilities: Direct: Jigme Tshewang, Head, Finance, CID No. 11101003631; Supervisory: Tshering Tenzin, GM, FAD, CID No. 10103002448)
- h) The excess payment of Nu. 0.101 million was made in the formwork of Plant Colony Building D and F.(AIN 11698; Para 1.10; Accountabilities: Direct: Kesang Tshering, Construction Engineer, EID No. 11505001698; Supervisory: Sonam Wangchuk, GM, Project, CID No. 11303000556)
- i) The excess payment of Nu. 0.035 million was made in the execution of Random Rubble Masonry works in foundation and trenches in different colonies. The excess payment had occurred due to payment made for quantities more than actually executed at site.(AIN 11698; Para 1.13; Accountabilities: Direct: Kesang Tshering, Construction Engineer, EID No. 11505001698; Supervisory: Sonam Wangchuk, GM, Project, CID No. 11303000556)

2.2 Short recovery of cement and TMT cost and losses thereof – Nu. 1.384 million

The DCCL had not recovered the cost of cement and TMT amounting to Nu. 1.384 million from the contractors engaged in various colony constructions. The losses incurred apparently due to increase in the cost of steel and cement as against the fixed recovery rates as per the Contract. It was found that the cost escalation was not provisioned in the contract. (AIN 11698; Para 8; Accountabilities: Direct: Kesang Tshering, Construction Engineer, CID No. 11505001698; Supervisory: Sonam Wangchuk, GM, Project, CID No. 11303000556)

2.3 Non reconciliation of balances of materials – Nu. 3.949 million

The DCCL had unreconciled differences of TMT rod amounting to Nu. 3.949 million which were issued to contractors for various constructions. It was found that there was excess/deficit of quantities of TMT rods issued to the contractors which need to be reconciled. (AIN 11698; Para 9; Accountabilities: Direct: Kesang Tshering, Construction Engineer, CID No. 11505001698; Supervisory: Sonam Wangchuk, GM, Project, CID No. 11303000556)

2.4 Inadmissible payment – Nu. 0.102 million

The DCCL had made inadmissible payment of Nu. 0.102 million in the construction of check dam at Kangreze mines. It was found that besides inbuilt rate for earth work and back filling in the earth excavation and laying of additional gabion wall at the base, it was paid separately which was not admissible. (AIN 11698; Para 12; Accountabilities: Direct: Kesang Tshering, Construction Engineer, CID No. 11505001698; Supervisory: Sonam Wangchuk, GM, Project, CID No. 11303000556)

4.5.8 Dungsam Polymers Limited

During the period the Royal Audit Authority had issued one audit report of the Dungsam Polymers Limited. There were 10 observations pointed out in the reports involving Nu 3.431 million, out of which four observations amounting to Nu. 2.919 million were resolved prior to compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013.

The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.421 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.421	5
	Total	0.421	

1. Shortfalls, Lapses and Deficiencies – Nu. 0.421 million

The cases of shortfalls, lapses and deficiencies involving Nu. 0.421 million are as indicated below:

1.1 Over/excess payment – Nu. 0.421 million

- a) The Dungsam Polymers Limited had made overpayment of Nu. 0.257 million in the construction of retaining wall in front of the factory shed. The excess payment had occurred due to works less executed at site. (AIN 11439; Para 1.1; Accountabilities: Direct: Pema, Site Engineer, CID No. 11604001776; Supervisory: Lungpa Tandin, Manager, CID No. 10906002277)
- b) The overpayment of Nu. 0.164 million was made in the construction of foundation works of the staff quarter at Chenkari. The overpayment had occurred due to wrong application of unit rate and payment made for work less executed. (AIN 11439; Para 1.3.3; Accountabilities: Direct: Pema, Site Engineer, CID No. 11604001776; Supervisory: Lungpa Tandin, Manager, CID No. 10906002277)

4.5.9 Food Corporation of Bhutan Limited

During the period the Royal Audit Authority had issued 4 audit reports of the Food Corporation of Bhutan Limited. There were 6 observations pointed out in the reports involving Nu 10.938 million, out of which none of the observations were resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 10.938 million.

Based on the action taken after the issue of draft AAR 2013, observation involving Nu. 8.256 million were either resolved or not considered for inclusion in the AAR 2013. The total unresolved significant issues amounted to Nu. 2.682 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.625	3
2	Violation of laws and rules	2.057	4
Total		2.682	

1. Mismanagement – Nu. 0.625 million

The case of mismanagement is as indicated below:

1.1 Outstanding revenue – Nu. 0.625 million

The Food Corporation of Bhutan Limited, Phuentsholing had not collected revenue of Nu. 0.625 million on account of rent on Auction Yard Hall, Godown and residential housing colony. (AIN 11322; Para 1; Accountabilities: Direct: Pemo, Office Assistant, EID No. 891600; Supervisory: Pema Wangchuk, Deputy General Manager, EID No. 910110)

2. Violation of Laws and Rules

The case of violation of laws and rules is as indicated below:

2.1 Shortages and damages of food grains and agency items – 2.057 million

The Food Corporation of Bhutan Limited, Phuentsholing had huge shortages in quantities of food grains and agency items valuing Nu. 2.057 million. Some of the stock were declared damaged. It was found that the management did not have a set benchmark or ceiling for allowable wastages/losses. (AIN 11322; Para 2; Accountabilities: Direct: Individuals concerned; Supervisory: Singay Dukpa, Joint Managing Director, EID No. 820545)

4.5.10 Natural Resources Development Corporation Limited

During the period the Royal Audit Authority had issued 3 audit reports of the Natural Resources Development Corporation Limited. There were 14 observations pointed out in the reports involving Nu 3.171 million, out of which 9 observations amounting to Nu. 1.977 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 1.194 million.

Based on the responses and actions taken after the issue of draft AAR 2013, observations amounting to Nu. 1.072 million were either resolved or not considered for inclusion in the AAR 2013. The total significant unresolved irregularities amounted to Nu. 0.122 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	-	4
2	Shortfalls, lapses and deficiencies	0.122	5
	Total	0.122	

1. Violation of laws and rules

The case of violation of laws and rules is as indicated below:

1.1 Improper and unsuccessful plantation

The Natural Resources Development Corporation Limited, Monggar had incurred expenditure of Nu. 0.555 million on Plantation Creation and Maintenance at Rongmachu Forest Management Unit. The physical verification revealed that the plantations were not carried out as per the norms and standards of nursery and plantation. It was found that fencing poles used were undersized and not fixed properly and the fencing was executed with three strand barbed wires. There was a zero survival rate of the plants. (AIN 11555; Para 7; Accountabilities: Direct: Tashi Wangdi, Unit Incharge, DoFPS, EID No. 2108033; Supervisory: Tandin Wangchuk, RM, CID No. 12007002027)

2. Shortfalls, lapses and deficiencies – Nu. 0.122 million

The case of shortfalls, lapses and deficiencies is as indicated below:

2.1 Outstanding advances – Nu. 0.122 million

The Natural Resources Development Corporation Limited, Monggar had outstanding advances of Nu. 0.122 million against various parties. *(AIN 11555; Para 6; Accountabilities: Direct: Migmar Dorji, AFO, CID No. 11912001491; Supervisory: Tandin Wangchuk, Regional Manager, CID No. 12007002027)*

4.5.11 Penden Cement Authority Limited

During the period the Royal Audit Authority had issued one audit report of the Penden Cement Authority Limited. There was one observation pointed out in the report involving Nu 2.208 million, which was not resolved prior to compilation of the draft AAR 2013.

The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 2.208 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	2.208	4
Total		2.208	

1. Violation of Laws and Rules – Nu. 2.208 million

The case of violation of laws and rules involving Nu. 2.208 million is as indicated below:

1.1 Payment of BST and penalty on behalf of defaulters – Nu. 2.208 million

The Penden Cement Authority Limited had made payment of Nu. 2.208 million to Regional Revenue & Customs Office on account of Bhutan Sales Tax (BST) and penalty on behalf of various agents which had purchased cement from PCAL. The amount must be recovered from the concerned agents. *(AIN 11574; Para 1; Accountabilities: Direct: Sherab Tenzin, General Manager, Sales, EID No. 00067; Supervisory: Dr. Jigme Singye, Managing Director, EID No. 0175)*

4.5.12 State Trading Corporation of Bhutan Limited

During the period the Royal Audit Authority had issued two audit reports of the State Trading Corporation of Bhutan Limited. There were 20 observations pointed out in the reports involving Nu 121.550 million, out of which 9 observations involving Nu. 34.723 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for

inclusion in the draft AAR 2013. The total unresolved significant observation reflected in the draft AAR 2013 amounted to Nu. 86.827 million.

Based on the responses and actions taken after the issue of draft AAR 2013, the observations amounting to Nu. 14.727 were either settled or not considered for inclusion in the AAR 2013. The total significant unresolved irregularities amounted to Nu. 72.100 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Fraud, Corruption & Embezzlement	0.046	1 & 2
2	Shortfalls, lapses and deficiencies	72.054	5
	Total	72.100	

1. Fraud, Corruption and Embezzlement – Nu. 0.046 million

The case of indicator for fraud, corruption and embezzlement involving Nu. 0.046 million is as indicated below:

1.1 Misappropriation of sales revenue and transportation charges – Nu. 0.046 million

The Regional Office, State Trading Corporation of Bhutan Limited, Thimphu had a case of misappropriation of sales revenue and transportation charges amounting to Nu. 0.243 million on account of sale of explosive. It was found that the official had misappropriated the amount by tampering the documents while depositing the cash received from the customers to Finance & Accounts Section. The Sales Executive had manipulated the amount in the money receipts through manipulation of indent prepared by EXIM and Money Receipt issued by the Finance & Accounts Section. Further, the official misappropriated the transportation charges against the door-to-door service delivery by making the customers deposit the amount into the personal bank account of Sales Executive.

The management had discovered the lapses through its own internal mechanism and the management was supposed to have recovered amount of Nu. 0.377 million which was more than the amount worked out by the RAA. The management responded that it will refund the excess recovery amounting to Nu. 0.135 million to the official.

The RAA insisted on further investigating the difference amount of Nu. 0.135 million before making refund to the official. The case was referred to Anti-Corruption Commission. The amount was recovered leaving a balance of Nu. 0.046 million. (AIN 11076; Para 1; Accountabilities: Direct: Karma Choney Dorji, Sales Executive, CID No. 11601002863; Supervisory: Dipraj Pradhan, Head EXIM, CID No. 11407001853)

2. Shortfalls, Lapses and Deficiencies – Nu. 72.054 million

The cases of shortfalls, lapses and deficiencies involving Nu. 72.054 million are as indicated below:

2.1 Outstanding sundry debtors – Nu. 72.054 million

- a) The State Trading Corporation Limited, Phuentsholing had overdue sundry debtors of Nu. 67.703 million. The outstanding debtors pertained to the period 2012 and years prior to it. *(AIN 11637; Para 7; Accountabilities: Direct: Ugyen Chada, GM, FAS, CID No. 11102004710; Supervisory: Ugyen Chada, GM, FAS, CID No. 11102004710)*
- b) The State Trading Corporation Limited, Thimphu had outstanding debtors amounting to Nu. 4.351 million from 2002-2009. *(AIN 11076; Para 7; Accountabilities: Direct: Shanti Subba, Dy. Finance Manager, CID No. 21214000288; Supervisory: Ugyen Chada, GM, FAS, CID No. 11102004710)*

4.5.13 Wood Craft Centre Limited

During the period the Royal Audit Authority had issued one audit report of the Wood Craft Center Limited. There were 10 observations pointed out in the reports involving Nu. 2.107 million, out of which 7 observations involving Nu. 1.127 million were either resolved prior to the compilation of the draft Annual Audit Report 2013 or did not qualify for inclusion in the draft AAR 2013. The total unresolved significant observation reflected in the draft AAR 2013 amounted to Nu. 0.981 million.

Based on the actions taken after the issue of draft AAR 2013, observations amounting to Nu. 0.084 million were either resolved or not considered for inclusion in the AAR 2013. The unresolved irregularities amounted to Nu. 0.896 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.896	5
	Total	0.896	

1. Shortfalls, Lapses and Deficiencies – Nu. 0.896 million

The cases of shortfalls, lapses and deficiencies involving Nu. 0.896 million are as indicated below:

2.1 Variation between the Material Requisition/Issue Note and Actual Consumption – Nu. 0.896 million

- a) On verification of the Material Requisition/Issue Note (MRIN) and Actual Consumption of Wood Craft Centre Limited, Thimphu, it was found that there was excess issue of materials valuing Nu. 0.600 million which had remained unaccounted for. The quantity of materials issued from the store should agree with the actual consumption of materials for finished, semi-finished goods and unused materials after adjusting allowable waste. (AIN 11652; Para 1; Accountabilities: Direct: Kezang Wangmo, Assistant Store Officer, CID No. 10710000405 and Sherab Yangzom, Store Assistant, CID No.11407001065; Supervisory: Mon Bdr. Rai, General Manager, CID No. 21108000221)
- b) The Wood Craft Centre Limited, Thimphu further had a case of excess issue of materials valuing Nu. 0.296 million in the production. This had occurred apparently due to lack of controls in issue of raw materials. (AIN 11652; Para 2; Accountabilities: Direct: Kezang Wangmo, Assistant Store Officer, CID No. 10710000405 and Sherab Yangzom, Store Assistant, CID No.11407001065; Supervisory: Mon Bdr. Rai, General Manager, CID No. 21108000221)

4.5.14 Royal Insurance Corporation of Bhutan

During the period the Royal Audit Authority had issued one audit report of the Royal Insurance Corporation of Bhutan limited. There were 5 observations pointed out in the reports involving Nu 1.447 million, out of which one observation did not qualify for inclusion in the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 1.442 million.

Based on actions taken after the issue of draft AAR 2013, the observations amounting to Nu. 1.442 million were either settled or not considered for inclusion in the AAR 2013. The unresolved irregularity is a summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	-	3
	Total	-	

1. Mismanagement

The case of mismanagement is as indicated below:

1.1 Non execution of proposed project against the loans sanctioned

The Royal Insurance Corporation of Bhutan had sanctioned industrial loan of Nu. 5.000 million on the basis of collateral securities worked out to Nu. 17.641 million. However, it was noticed that components of collateral securities also included civil structure valuing Nu. 11.466 million which was yet to be started. This had flawed the estimation of the collateral security and had enhanced its value. It was also noted that the management had not validated the viability of the

proposed project through confirmation of information from the relevant authorities. Further, the client had not paid a single installment even after a lapse of one year from its initial repayment date. The inspection report also indicated that the proposed construction was not even started as scheduled.(AIN 11672; Para A1; Accountabilities: Direct: Tenzin Chophel, Development Officer, CID No. 10805002518; Supervisory: Jambay Wangchuk, Manager, CID No. 11605001200)

4.6 NON-GOVERNMENTAL ORGANIZATIONS

4.6.1 Bhutan Chamber of Commerce & Industry

During the period the Royal Audit Authority had issued 4 audit reports of the Bhutan Chamber of Commerce & Industry and its units. There were 4 observations pointed out in the reports involving Nu. 0.712 million which were not resolved prior to the compilation of the draft Annual Audit Report 2013. The total unresolved significant observations reflected in the draft AAR 2013 amounted to Nu. 0.712 million.

Based on actions taken after the issue to draft AAR 2013, the observations amounting to Nu. 0.120 million were either resolved or not considered for inclusion in the AAR 2013. The total unresolved irregularities amounted to Nu. 0.592 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Mismanagement	0.292	3
2	Shortfalls, lapses and deficiencies	0.300	5
	Total	0.592	

1. Mismanagement – Nu. 0.292 million

The case of mismanagement involving Nu. 0.292 million is as indicated below:

1.1 Non enforcement of training bond and recovery thereof – Nu. 0.292 million

The Bhutan Chamber of Commerce & Industry, Thimphu had not recovered the amount of Nu. 0.292 million from the official who had resigned from service without fulfilling the training obligations. It was found that the official had resigned after serving only one and eighteen days after completion of the course as against the requirement of having to serve double the period of the course as per Guidelines for HRD support to Private Sector and Corporate Sector 2007.(AIN 11517; Para 1; Accountabilities: Direct: Kencho Tshering, DHI, Infra, CID No. 1160300374 ; Supervisory: Deki Seldron, Research Officer, CID No. 1195000459)

2. Shortfalls, Lapses and Deficiencies – Nu. 0.300 million

The case of shortfalls, lapses and deficiencies involving Nu. 0.300 million is as indicated below:

2.1 Inadmissible payment – Nu. 0.300 million

The Bhutan Chamber of Commerce & Industry, Thimphu had made inadmissible payment of Nu. 0.300 million on account of benefits under Early Retirement Scheme. The official who had availed benefits under Early Retirement Scheme had served only four year year and one month. It was found that the BCCI neither had provisions for such scheme under its service manual nor did it follow the eligibility criteria under Bhutan Civil Service Rules and Regulations 2010.(AIN

11517; Para 2; Accountabilities: Direct: Dawa Tshering, Ex. Adm. Officer, CID No. 11914001719 ; Supervisory: Kencho Tshering, DHI, Infra, CID No. 1160300374)

4.6.2 Royal Society for Protection of Nature

During the period the Royal Audit Authority had issued one audit report of the Royal Society for the Protection of Nature (RSPN). There was one observation pointed out in the report involving Nu. 0.381 million which was partially resolved prior to the compilation of the draft Annual Audit Report 2013.

The total unresolved significant observations reflected in the AAR 2013 amounted to Nu. 0.218 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Shortfalls, lapses and deficiencies	0.218	5
	Total	0.218	

1. Shortfalls, Lapses and Deficiencies – Nu. 0.218 million

The case of shortfalls, lapses and deficiencies involving Nu. 0.218 million is as indicated below:

1.1 Outstanding advances – Nu. 0.218 million

The Royal Society for Protection of Nature had outstanding advances of Nu. 0.218 million against the official.(AIN 11571; Para 1; Accountabilities: Direct: Wangchuk Namgyel, Engineer; Supervisory: Dr. Lam Dorji, Executive Director, CID No. 10811001878)

4.6.3 Tarayana Foundation

During the period the Royal Audit Authority had issued two audit reports of the Tarayana Foundation. There were three observations pointed out in the report involving Nu. 4.089 million which were not resolved prior to the compilation of the draft Annual Audit Report 2013.

The total unresolved significant observations reflected in the AAR 2013 amounted to Nu.4.089 million as summarized below:

Sl. No.	Observation Category	Nu. in million	Category Code
1	Violation of laws and rules	0.155	4
2	Shorfalls, lapses and deficiencies	3.934	5
	Total	4.089	

1. Violation of Laws and Rules – Nu. 0.155 million

There were cases of violation of laws and rules involving Nu. 0.155 million as summarized below:

Sl. No.	Observation in brief	Nu. in million
1.1	Payment not supported by receipt	0.093
1.2	Wrong reporting of expenditure	0.062
	Total	0.155

The cases of violation of laws and rules are as indicated below:

1.1 Payment not supported by receipt – 0.093 million

The UN Support to Implementing Partner (IP) under HACT project implemented by Tarayana had made payment of Nu. 0.093 million towards 90% payment for the supply of 100 sets of Econ San toilet pans. However, the payment was not supported by relevant documents such as receipt/ acknowledgement from the recipient. Thus the RAA could not validate the authenticity of the payment made. *(AIN 11711; Para 5.1; Accountabilities: Direct: Roseleen Gurung, Program Officer, CID No. 11812000633; Supervisory: Sonam Pem, Programme Director, CID No. 10805002003)*

1.2 Wrong reporting of expenditure – Nu. 0.062 million

A review of FACE forms used for reporting expenditure under HACT project implemented by the Tarayana revealed several deficiencies resulting in over/less reporting of expenditure by the project management. Such discrepancies amounted to Nu. 0.062 million during the review. *(AIN 11711; Para 5.2; Accountabilities: Direct: Roseleen Gurung, Program Officer, CID No. 11812000633; Supervisory: Sonam Pem, Programme Director, CID No. 10805002003)*

2. Shortfalls, Lapses and Deficiencies – Nu. 3.934 million

The case of shortfalls, lapses and deficiencies involving Nu. 3.934 million is as indicated below:

2.1 Outstanding advances – Nu. 3.934 million

The Tarayana Foundation had outstanding advances of Nu. 3.934 million against various officials and parties. *(AIN 11578; Para 1; Accountabilities: Direct: Individuals concerned; Supervisory: Chime Paden Wangdi, Secretary General, CID No. 11410003243)*

CHAPTER 5

PERSISTENT IRREGULARITIES IN CONSTRUCTION WORKS – A DRAIN OF RESOURCES

This chapter highlights the areas of concern in the procurement of works on the basis of prevailing practices observed across the board. The issues in the constructions constitute substantial irregularities that are being reported every year to the Parliament both through Auditor General's Annual Audit Reports and individual audit reports to agencies concerned. Besides, the RAA also carried out a comprehensive study on issues in constructions and accordingly issued the reports through AG's Advisory Series on Construction and Procurement in 2007 and AG's Advisory Series on Procurement of Consultancy Services 2013 cautioning the authorities of areas susceptible to undesired practices. However, the RAA's importunate insistence for improved compliances and adherences through these reports do not seem to yield desired results. The management of contract works is still plagued with regular issues of overpayments, double payments, acceptance of defective works, payments for works not executed, substandard works etc.

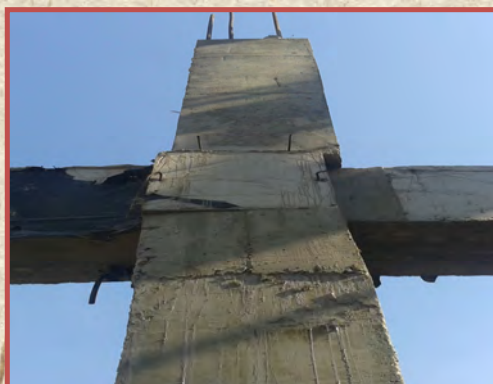


Fig 5.1: Defective alignment of column

The persistence of problems, concerns and issues being regularly pointed out through the RAA's reports indicates laxity of implementing agencies concerned in upholding the principles of public procurements and remains oblivious to the wastages and losses of resources. Besides, qualities of constructions are often found compromised. The RAA feels that the gravity and potential to render huge losses and wastages of public resources warrant attention of the government. It is thus felt important to identify factors that reinforce its occurrences and becoming endemic nationwide.

The issues referred herein are not intended for any individual actions but to draw attention of the government to the existence of irregularities in the construction works and highlight factors that reinforce its occurrences. The government needs to address the issues through appropriate interventions. It is also not to undermine the good work undertaken by some agencies which are diligent in the administration of procurement/contract. The issues highlighted below pertain to agencies which need to reinforce their efforts to uphold the principle of public procurement.



Fig 5.2: Defective alignment of beams

A diagnostic review indicate that the flawed, ineffective enforcements of the regulatory requirements ensuing from inadequate internal safeguards, controls in the administration of contracts, inadequate exercise of due diligence by those charged with the responsibilities and inadequate internal arrangement for enforcing accountability are some of the factors that contribute to perpetuation of problems.

5.1 Inadequacies of internal safeguards and controls

The inadequacies of internal mechanisms to ensure check and balance render conducive environment and reins to officials charged with the responsibilities to circumvent and flout rules, requirements and best practices, embrace unprofessional and in some cases, unethical practices apparently not in the interest of the procurement principles. The wastages and losses in terms of over, excess payments, payments for works not executed and inflated bills, acceptance of defective works, etc., are immediate consequences of maladministration that apparently accord secondary importance to internal governance. The wastages, losses also arise from inaccurate specifications and quantification of works. The following prevailing practices in the agencies manifest inadequate internal governance.

Double payment of Nu. 78.278 million was falsely certified by site engineer and officials.

The bill contained inflated quantities of works items “Providing and laying dense Bituminous Macadam (DBM)” and “Providing and laying Asphalt Concrete (AC)” . (Reported in AAR 2012)

- ❖ The steering committees to oversee the project are in some cases not instituted.
- ❖ The estimates and Bills of Quantities (BoQs) prepared in some cases are flawed and erroneous. The preparation of estimates and BoQs are entrusted to persons who are not competent. This invariably results in huge deviations entailing payment at analyzed rates which are usually higher than the bid amount.
- ❖ The agencies do not carry out rate analysis for items not included in the Bhutan Schedule of Rates, rendering basis for enhanced claims using different nomenclatures, methodologies for items at the convenience of agencies.
- ❖ The Technical Sanctions which are prerequisite to validate structural soundness of construction and ensuring correctness of designs and drawings, specifications in some cases are not obtained.
- ❖ The job delegations lack segregation of responsibilities. In some cases a single person is entrusted with multiple works such as preparation of design, drawings, estimates, preparation of BOQs, technical specification, evaluation of the bids, supervision, monitoring, measurement of actual work done and verification of bills/claims. There is a lack of check and control over multiple works carried out giving rise to situations of conflict of interest, overburdening the individual, giving scope for manipulations and collusive practices, thereby, impeding economy, efficiency and effectiveness.

- ❖ The estimates, BOQs and final claims are not reviewed properly as to the quantum actually executed by appropriate authority.

5.2 Failure to exercise due diligence

The sound decisions are hampered due to failure to exercise due diligence by those entrusted with the responsibility. It undermines prudence, reasonableness and rationality of the decisions rendering incapable of protecting the interest of the government. The agency relationship or the trusteeship is diminished. Following are some of the actions that demonstrate failure to exercise due diligence by the agencies concerned.

Excess payment of Nu. 15.773million was made in the construction due to erroneous estimates and BoQs. (Reported in AAR 2012)

- ❖ The Tender Committee and Tender Evaluation Committee in some cases fail to exercise due diligence;
- ❖ Not carrying out rate analysis for the items not included in the Bhutan Schedule of Rates (BSR) rendering basis for enhanced claims;
- ❖ The estimates, BoQs and claims of contractors are not reviewed resulting in flawed estimates & BoQs and enhanced claims in terms of over, excess payment, double payment, falsified claims, etc;
- ❖ Topographic survey awarded as a package of contract which give rise to situations of possible conflict of interest. The contractor possibly take undue advantage to maximize benefits at the cost of the government;
- ❖ Committees failing to note unbalanced rates resulting in unjustified award at the cost of the government.
- ❖ Total reliance put on e-tool evaluation system by Tender and Evaluation Committees, resulting in failure to administer necessary checks which are not detected by the system;
- ❖ Payment of price escalation on advances entailing unjustified additional cost to the government;
- ❖ Incorporating insurance coverage as a separate items of work at the cost of the government.

5.3 Inadequate accountability mechanism and ethics

The lack of mechanism to enforce accountability on those charged with responsibilities is a probable cause for persistence of irregularities arising from poor monitoring and supervision of work. Absence of system to make the wrong doers account for his action is an incentive to reinforce undesirable practices. For instance, site engineers entrusted with the responsibility of supervision and monitoring of particular construction sites may possibly connive with

contractors to falsely certify claims if there is no internal arrangements to make him accountable for his actions. Even in case of wrong actions detected, if the punitive actions are limited to recovery of only excess claims without any administrative actions, it does not serve as deterrents for the same individual as well as others would-be wrongdoers. Mere recovery is considered substitute for quality of works already compromised.

The accountability is not extended to the third parties, contractors and consultants engaged in the execution of works and provision of services. Thus, the agencies do not have strong internal arrangements to prescribe stricter punitive actions to discourage undesired practices by public officials as well as private individuals engaged as contractors and consultants. This comes as incentives for various undesired practices. Thus there is a need to have a separate law or system to enforce accountability to third parties.

Excess payment of Nu. 21.177million was passed and certified for payment due to wrong application of measurement method and flawed technical specifications.

5.4 Incapacity of agencies to undertake constructions

The execution of constructions works by agencies which do not possess the ability or the competence prove to be a blunder. It jeopardizes whole implementation process rendering huge wastages and losses. The inexperience and inadequacy of engineers have led to various flaws such as incorrect estimates, BoQs, technical specifications, inappropriate working methodology etc, which have affected the implementation of the constructions.

The construction works imposed on agencies without assessing the capabilities in terms of technical competencies have far reaching impact on quality as well as cost of the constructions. The additional burden thrust on agencies besides their core business functions is therefore seen as one of the contributing factors that drive inefficiencies and ineffectiveness in the implementation of construction works. The government is deprived of professional services which undermine quality of constructions.

The Department of Civil Aviation under the Ministry of Information and Communications was entrusted with the constructions of domestic airports at Gelephu, Yonphula and Bumthang.

Similarly, Royal University is entrusted with numerous constructions for various institutions under it.

5.5 Failure to conduct feasibility studies

The agencies executing complex construction works often fail to carry out feasibility studies entailing activities such as hydrological, geodetic, topographical survey, etc., which are prerequisite and vital to implementation of the constructions projects. The successful completion of the project depends on completeness of these studies and not doing it will have far reaching impact on quality, cost and time of the construction projects. Prevailing practices in some construction works indicated inadequate studies being undertaken resulting in time and cost overruns and compromising on quality of the constructions apparently in absence of legal requirements to conduct such studies.

5.6 Lack of coordination

There is a lack of coordination with the central agencies. The agencies which do not have required technical competencies to comprehend certain solutions to the technical problems associated with the construction works undertaken by them are ought to seek advices from relevant competent authorities. It has potential to add value to the decisions to be made. However, there is a lack of communication between these agencies. For instance, the Ministry of Information and Communications and Ministry of Works and Human Settlement are not consulted pertaining to ICT and Construction Projects.

5.7 Conclusion

The flawed enforcements of the regulatory requirements governing constructions have led to botched implementation undermining its very soundness and value for money in the use of public resources. Huge amount of resources will go waste, if root causes are not addressed. The implementation of project show failure to exercise due diligence by those entrusted with the responsibilities. Inadequate internal safeguards or poor internal control system render favorable environment to circumvent and flout rules, requirements and best practices, apparently not in the interest of the government. These result in many questionable and undesirable practices and other recurrent problems and issues.

The RAA draws attention of the government to the irregularities (though not exhaustive) persisting in the construction works and indicate its possible causes. These problems work against the principle of procurement undermining value for money in the use of public resources. Remedial measures are therefore required through appropriate government interventions by undertaking holistic approach to address recurrent issues that are becoming endemic in the system.

CHAPTER 6

RECOMMENDATIONS

In accordance with the Section 44 of the Audit Act of Bhutan 2006, a dedicated chapter on audit recommendations is maintained to contain series of suggested course of actions that need to be acted upon by the audited agencies in improving economy, efficiency and effectiveness of their operations in the use of public resources. The recommendations are generic and drawn on the basis of the overall findings and deficiencies noted in the operations of audited agencies during the year. It is also based on the experiences and observed issues that require to be addressed through appropriate interventions.

Apart from the recommendations in the individual audit reports, the Royal Audit Authority also formulates AG Advisory Series to report on the findings and recommendations of significant and frequently occurring issues or on specific issues of potential significance requiring timely attention of the Government. During the year, AG's Advisory Series on Procurement of Consultancy Services containing series of issues in the management and engagement of consultants by the procuring agencies and specific recommendations was issued for necessary actions by the government and appropriate authorities.

The recommendations contained in this chapter are further intended to draw kind attentions of the government and authorities to address issues that are noted by the RAA in course of auditing during the period.

6.1 Need to reinforce adherence to PMM for repair and maintenance of buildings & infrastructures

Clause 4.1, Chapter IV of the Property Management Manual stipulates the requirement of preparing schedules of routine maintenance works to be undertaken and prescribing the life periods in respect of different types of non-expendable properties which should be submitted to the Department of National Properties (DNP) from time to time. The DNP shall get these schedules accepted by the Government and prescribe their global application across the Government.

However, the current practice of carrying out maintenance work is dependent on the discretion of the agencies concerned. The prevalence of such practice may not ensure economical use of property as some agencies resort to repeated maintenance before the scheduled time resulting in avoidable expenditures, while others may not undertake maintenance of property within defined time that may entail huge cost at the end.

The Government must therefore, ensure that maintenance of non-expendable properties especially the buildings etc, are scheduled and accepted by reinforcing the compliances through appropriate directives and control mechanisms. Appropriate guidelines must be developed to manage and administer the maintenance of non-expendable properties and adequate fund should be allocated based on the maintenance schedule.

6.2 Need to stipulate requirement for undertaking pre-feasibility studies in construction projects

The pre-feasibility study activities such as geo-technical, hydrological, geodetic etc., are not specified/stipulated in the form of legal requirements in any Law or Rules governing procurement of complex works. There is no basis for procuring agencies to carry out such activities. The RAA has been raising these issues on the basis of standard practices. As experienced in the past, some of the construction projects are rendered susceptible to enormous cost escalations and time overruns due to inevitable changes that ensued from erroneous or incomplete pre-feasibility studies carried out during early stage.

The government must see the viability of incorporating specific clauses on requirement of pre-feasibility studies through appropriate legislations or Rules and Regulations governing procurement of works.

6.3 Need to institute workable system to avoid retention of unexpended fund

The practice of retaining unspent fund in the form of cash warrant/drafts to avoid lapse of funds at the close of the financial year has become common to most of the budgetary agencies. Those agencies which are not able to complete or even to start the particular activity for which the budget was already released, do not surrender the unspent fund for fear of affecting release of subsequent budget in the subsequent financial year. Such practices are in violation of the budgetary norms of the government.

The government must study and institute a workable system to bring about conformity and adherence to the budgetary norms of the government.

6.4 Need to enhance reliability of e-tools for tender evaluation

The e-tool evaluation system which provides online evaluation system with integration of New Point Based System is aimed at offering multiple advantages besides ensuring transparency, efficiency and objectivity in evaluation of tenders. The system is continuously being improved as and when necessary based on the feedbacks from the users.

However, the RAA noted that the system lacks critical feature to detect and address any unbalanced rates quoted by the bidders and information on works in hand of the bidders concerned. The existence of extreme rates would entail further review by the committee to establish its reasonableness and undertake further reviews to minimize the potential adverse financial consequences which may arise if the contract is awarded to bidder who had submitted an unbalanced bid. Besides, it is seen that total reliance is put on the system and no manual checks are exercised once it is input in the system by the evaluation committee and tender committee on the correctness and reliability of the output generated. The system comes as defense for any deficiencies arising in the evaluation and awarding systems.

As such the appropriate authorities must enhance the reliability of the system by holistically integrating the functions critical for objective decision making while awarding the contract.

6.5 Need to enhance internal controls and safeguards in reducing reinforcement of irregularities in procurement and constructions

The irregularities in the procurement constitute substantial deficiencies reported in the Annual Audit Report every year. The persistence of problems in the procurement areas can be attributed mainly to lack of internal safeguards and internal controls within the agency. On the other side, in absence of any serious actions taken for lapses, complicity of officials is encouraged. The officials who engage in the irregularities benefit and are motivated to reinforce the irregularities. Not to generalize but for a few unscrupulous officials, it may be regular practices to intentionally involve in certifying wrong claims as there is no stronger punitive actions being initiated for wrong doing beyond repayment of what was over paid if detected. There is incentive to indulge in deceptive practices.

There is a need to enforce internal controls and safeguards to reduce non compliances to procurement norms. Besides, stringent actions must be initiated on those responsible to avoid recurrences of lapses.

**Exhibit – I: AUDITORS' REPORT ON THE AUDIT OF ACCOUNTS & OPERATIONS OF THE
ROYAL AUDIT AUTHORITY FOR THE FISCAL YEAR ENDED 30 JUNE 2013**

S. GHOSE & CO.
CHARTERED ACCOUNTANTS



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**AUDITOR'S REPORT ON THE RECEIPTS & PAYMENTS STATEMENT OF LC ACCOUNT NO.
108.01/01 OF THE ROYAL AUDIT AUTHORITY OF BHUTAN FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2013.**

1. We have audited the attached Receipts and Payments Statement of LC Account No.108.01/01 of the **Royal Audit Authority of Bhutan (RAA)** for the Financial Year ended 30 June 2013 and the annexed Expenditure Statement for the year then ended as required under Section 83 of the Audit Act of Bhutan 2006.
2. The preparation of these financial statements is the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit.
3. We have conducted our audit in accordance with the Auditing Standards generally accepted in Bhutan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
4. We report that :
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion, proper books of account as required under the Financial Rules & Regulations, 2001 have been maintained by the RAA so far as it appears from our examination of those books and records.
 - (c) The Receipts & Payments Statement of LC A/c No. 108.01/01 and the Expenditure Statement referred to in this report are in agreement with the books of account.
 - (d) In our opinion and to the best of our information and according to the explanations given to us the said Receipts & Payments Statement and the Expenditure Statement give the information required by the Financial Rules & Regulations, 2001 in the manner so required and give a true and fair view;
 - i) In the case of the Receipts & Payments Statement of the Receipts and Payments of the said authority for the year ended 30 June 2013; and
 - ii) In the case of the Expenditure Statement, of the expense of the said authority for the year then ended.

Date: 14.01.2014
Place: Thimphu

For S.Ghose & Co.
Chartered Accountants
FRN 302/184E


(CA C.Chattopadhyay)
Mg. Partner
Membership No. 051254

For the Year ended 30th June - 2013

EXHIBIT – II: GLOSSARY OF TERMS

Following words in the AAR 2013 shall mean the commission or omission of the actions stated against it.

A	Malpractices and abuses	Unethical and improper practices and abuses of authority by the government functionaries for payments made for the works not executed, materials not received at sites, acceptance and payments for substandard works with ulterior intention.
B	Misappropriation	Willful malpractice by public functionaries either for direct or indirect personal gains.
C	Intentional double bookings/irregular/unauthorized payment	Double/excess/irregular/unauthorized payments made intentionally for ulterior motives. Payments/booking of expenditures unauthorized duly or in excess of amount done intentionally.
D	Non/short accountal	Failures by the functionaries to account the government properties, funds, taxes and revenue.
E	Mismanagement of fund	Improper management of funds
F	Mismanagement of revenue and taxes	Improper management of revenue and taxes
G	Management of properties	Improper use and management of properties
H	Violation of accounting norms	Noncompliance of accounting requirements in relation to maintenance of accounting records, receipts, payments including sanctioning and authorization.
I	Violation of procurement norms	Works and supply contracts made in deviation to procurement manuals and contract terms and agreement
J	Violation of Acts, Directives and Policies	Non-compliance to directives, Acts and Policies framed/issued by the government functionaries.
K	Over inadmissible/irregular/double payment	Payment made in excess of what was actually inadmissible, payment not as per the rules and regulations and payment made twice for the same purposes.
L	Non/improper recording in books	Non-updating books of accounts and improper maintenance of accounts.
M	Non reconciliation/certification of balances	Non-reconciliation, confirmation and certification of balances.
N	Irregularities in advances	Money lying in the hands of suppliers, contractors, employees and third parties beyond the reasonable period due to irregular and excess payment as well as inadequate records keeping and follow up.
O	Irregularities in recoveries	Non/short recovery of amounts due to government.
P	Irregularities in property management	Deficiencies in management, uses, physical safeguards, custody and control of properties.
Q	Non/short deductions	Non deduction or short deduction of taxes, rebates and advances etc. from the bills claimed.
R	Shortfalls and uneconomical operations	Deficiencies and lapses in the operations, resulting in inefficiencies, losses and non-attainment of intended goals.
