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ROYAL AUDIT AUTHORITY

(A Clean Public Service - Nation's Pride)



RAA(AAR-2002)/

Dated: 16th October, 2003

Foreword

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

HRH The Crown Prince DASHO JIGME KHESSAR NAMGYEL WANGCHUCK.

The Royal Audit Authority is pleased to publish the Annual Audit Report 2002 (AAR 2002).

This is the third Annual Audit Report, a sequel to the Annual Audit Report 2001. We hope this report would reinforce the national effort to safeguard the national integrity and enhance the quality of governance in Bhutan.

All authorities and readers we hope will appreciate that the Annual Audit Report is a universally accepted practice and an obligation of the National Auditing Agency. It is required to be placed before the government and the society. It is also a performance report of the national accountability machinery itself. It should thus be read as a necessary and inevitable obligation of the RAA and viewed accordingly.

The report mainly contains the significant audit findings and observations contained by the Inspection Reports issued within the year 2002. The RAA has also in gist incorporated the auditee's replies/responses/action taken for the information of the general public.

This time the RAA had also indicated the identity of the officers responsible/accountable for each lapses given under every observation. While some are directly accountable for the lapses as mentioned some accountability are fixed based on the concept of succession responsibility where the predecessors are either transferred else where or no more in the service.

In the year 2002, the Royal Audit Authority had transmitted 182 inspection reports.

In the last Annual Audit Report, we had reported audit recovery of over Nu. 19 million. In the year 2002, we had recovered over Nu. 27 million. We believe that the deterrent effect of audit has probably caused more public money and resources from being misused/squandered than the amount that was detected and recovered by audit.

The Report that follows is also an account of one year of dedicated service rendered by the auditors inspired by the His Majesty's Farsighted Vision. I would like to acknowledge the support and cooperation rendered by all auditors in our endeavour to serve the Nation.

We hope with the issues raised by the RAA in the report, the agencies may strengthen the internal control system and work towards better performance.

I also express my gratitude for the valuable support and cooperation of all the audited agencies.

Please feel free to suggest or comment on the Annual Audit Report for our guidance and to improve the future editions.

Sd/-

(Kunzang Wangdi)

Auditor General of Bhutan

PART- I

CHAPTER I

Background

By virtue of the *Kashos* and the provisions contained in the General Auditing Rules and Regulations of Bhutan (GARR), the Royal Audit Authority (RAA), the Supreme Audit Institution (SAI) of Bhutan is responsible for audit of public sector agencies and reporting its findings.

In 1961, the 16th Session of the National Assembly of Bhutan formed a committee of Accounts and Audit in response to the need for establishing accountability. The Committee would comprise of one representative of the King and one representative each from the Cabinet, People and the Monk Body all nominated by the King. The Royal Government issued the first edition of the “Financial Manual” in 1963. The manual provided for the organization of the Development Wing of the government and the Accounts and Audit for the Development Wing. The Audit and Accounts organization maintained the books of accounts, conducted budgetary controls of revenues and expenditures, and undertook periodic audit and inspections of accounts and records.



The Bhutan Integrity House, Kawangjangsa,
Thimphu

In October 1969 the 31st Session of the National Assembly based on a motion proposed by the King to delegate the auditing authority voted for the appointment of Royal Auditors to conduct the audit of accounts and records of the Royal Government. Consequently, four Royal Auditors were appointed on 16th April 1970 under a *Kasho*. The *Kasho* defined and authorized the jurisdiction of the then Royal Audit Department as primarily responsible for the audit of accounts of the Ministry of Finance, Ministries, the Royal Bhutan Army, the Royal Bhutan Police, and His Majesty’s Secretariat.

In 1974, the financial management system was restructured. The Financial Manual 1974 was passed by the 29th Resolution of the 34th Session of the National Assembly. The Committee of Accounts and Audit was re-organized with four permanent posts of Royal Auditors to form the Royal Audit Department under the administrative supervision of the Ministry of Finance. Posts were filled up by one people’s representative, one monastic, one His Majesty the King's representative and one government representative. A representative and participatory arrangement to ensure the auditing is fair and objective without any bias.

In 1985, in order to enhance its effectiveness the department was upgraded as an autonomous and an independent entity as the Royal Audit Authority (RAA).

In tune with the issue of the Financial Manual 1988 to further strengthen the financial management system the General Auditing Rules and Regulations (GARR) was issued in 1989. This properly defined the roles and responsibilities of the Royal Audit Authority.

The *Kasho* issued by the Third King in 1970, the General Auditing Rules and Regulations 1989, the Financial Manual 1988 and the *Kasho* issued by the Fourth King in 1999 delineated the roles and responsibilities of the Royal Audit Authority.

Audit shall primarily be responsible towards enhancing accountability in the government. In pursuance thereof, the Royal Audit Authority's functions are to:

- I. Conduct audit, ascertain and evaluate in accordance with laws, rules and regulations of all account, records and operations pertaining to:
 1. The revenue receipts and expenditures;
 2. Property owned or held in trust by or pertaining to the Government or any of its instrumentalities, Government owned and controlled corporations and their subsidiaries to ascertain and evaluate whether government resources are handled properly and in compliance with laws, rules and regulations;
 3. Non-government entities subsidized, funded by the donations or grants through the government, those for which the government has put up a counterpart fund or those required to pay levy, and loans approved and /or guaranteed by the government;
 4. Foreign assisted and special projects of the Government; and
 5. Any other organization upon commands of His Majesty the King;
- II. Assess and provide information whether the government agencies apply the government resources for the purposes for which they were established and for which they are made available to them;
- III. Prepare and transmit audit reports containing audit findings and recommendations of measures to improve economy, efficiency, and effectiveness of government operations;
- IV. Issue rules and regulations, or manuals to facilitate the exercise of its audit functions to enhance the information value of government accounts and to ensure compliance with the applicable laws, rules and regulations; and
- V. Issue records of outstanding audit observations to accountable officers or any other government officer/employee, upon recommendation of the proper administrative head or authority

and settlement of deficiencies and un-cleared accounts for purposes of promotion in rank or salary, foreign travel, etc. as may be required or necessary.

Besides, the Royal Audit Authority is also responsible to:

1. Promulgate auditing rules and regulations;
2. Institute control measures through the promulgation of rules and regulations or issuance of guidelines governing receipts, disbursements and uses of funds and property, consistent with the total social and economic development efforts of the Government; and
3. Recruit and appoint the officials and employees of the Royal Audit Authority.

Organization of RAA

A good audit service must be supported by an appropriate organizational structure that translates its mandate and facilitates operational responsiveness to the demands of the national accountability goals. The Royal Audit Authority at present has two departments viz: Department of Sectoral Audit (DSA) and Department of Performance, Thematic and Technical Audit (DPTTA) each headed by an Assistant Auditor General. Proposals to restructure the organization of the RAA have been approved by the government. Accordingly, the RAA had already opened up one branch office in Bumthang on 11th November 2002 and very recently on 26th July 2003 another branch office in Tsirang was inaugurated.



Office of the Assistant Auditor General, Bumthang
Established: 11th November 2002



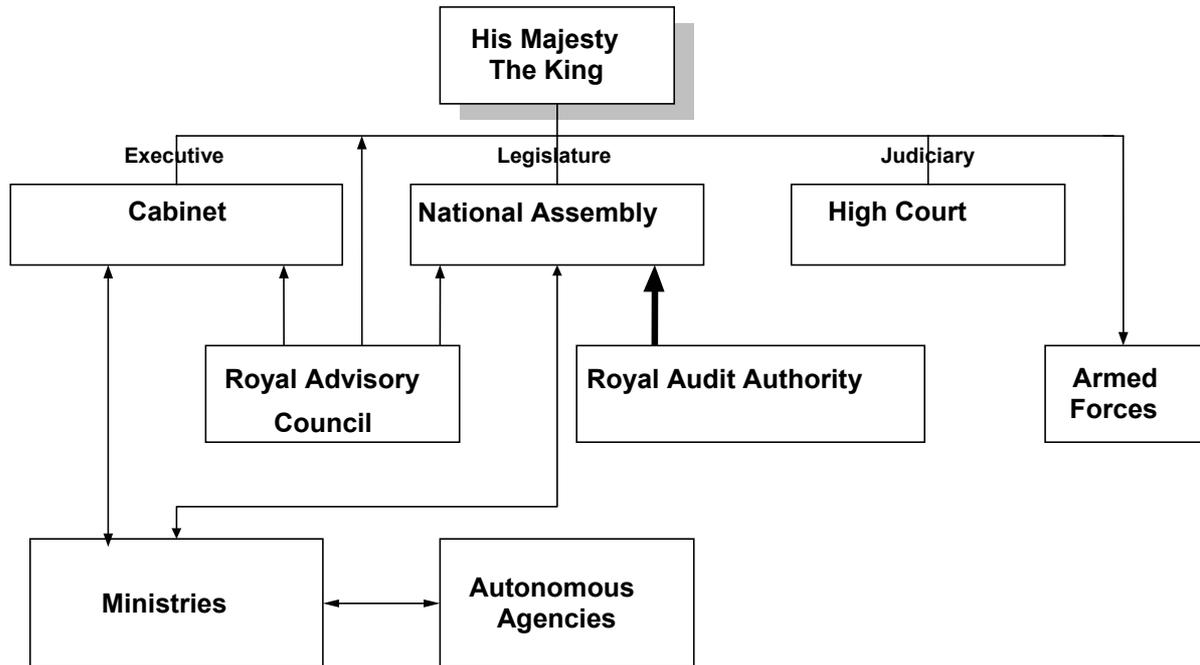
Office of the Assistant Auditor General, Tsirang
Established: 26th July 2003

Restructuring of the Royal Audit Authority

In line with the restructuring in the other Ministries, Organizations and Agencies of the Royal Government, the Royal Audit Authority (RAA) embarked on the process of restructuring its internal organizational structure. The restructuring was necessary for the following reasons:

- ❖ Required by the 25 members task force on Good Governance;
- ❖ Increase roles of RAA in enhancing the good governance and a clean public service;
- ❖ To suit in the efficient utilisation of the new building of RAA;
- ❖ To promote administrative and financial efficiency, accountability and transparency of RAA;
- ❖ To enhance morale and professionalism in the employees of RAA;
- ❖ Harmonizing with restructured Ministries, Departments and Agencies for a synchronized auditing in tune with the new changes;
- ❖ To prepare for the geog based auditing in the Ninth Plan; and
- ❖ To meet the challenges of the future plans and aspirations of RAA

The position of Royal Audit Authority in the Bhutanese System of Governance.

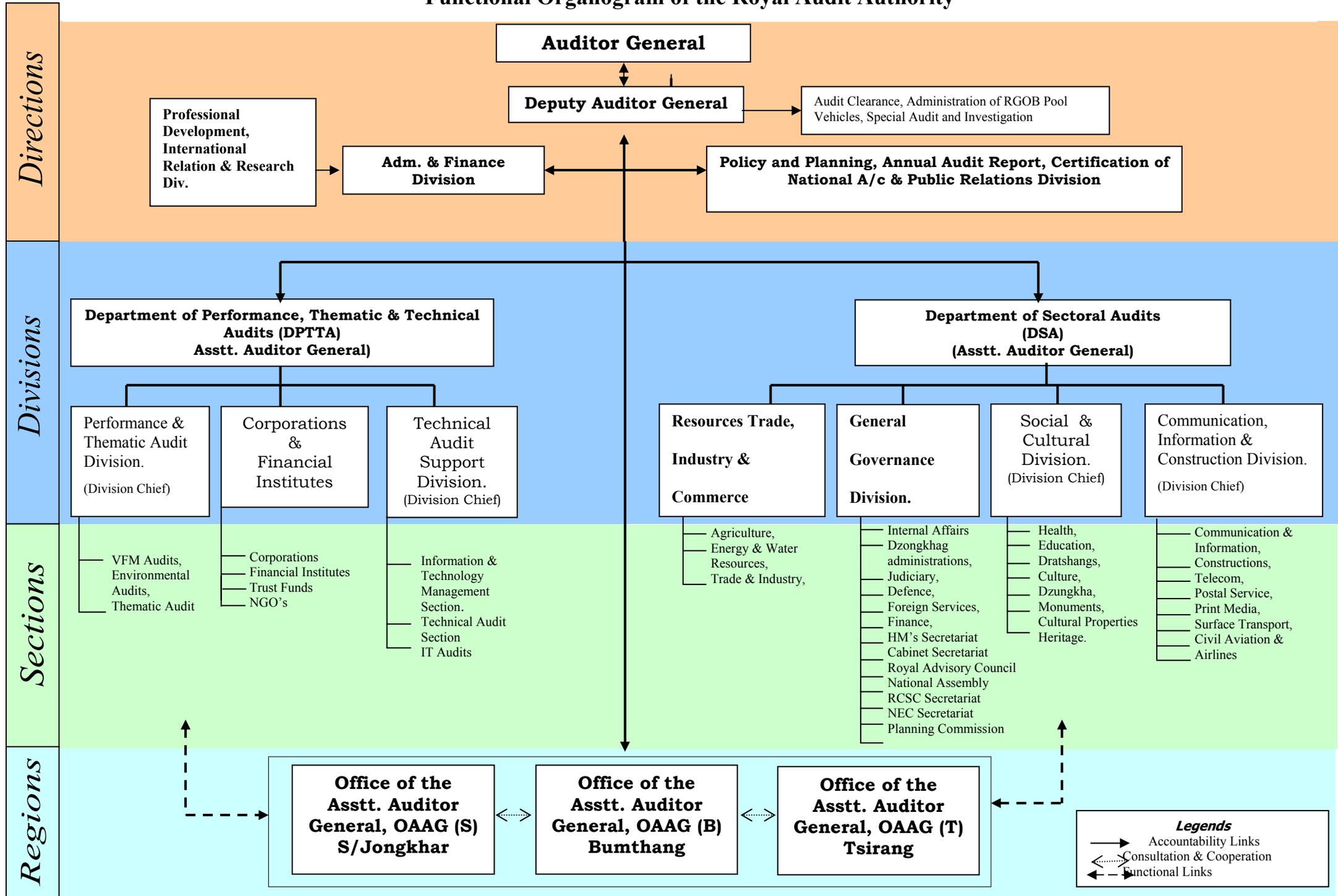


(Source: Enhancing Good Governance- Promoting Efficiency Transparency and Accountability for Gross National Happiness)

As per the decision on restructuring of the Royal Government of Bhutan, every organization is expected to be audited every year. The RAA is required to pursue its findings consistently.

It is, therefore, necessary to establish an organizational structure that is reachable, efficient and cost effective, while also very modern in tune with dynamic governance that the Kingdom strives for. All these are borne out with the goal that even in a delinked auditing system the uniformity and harmony of the different services are enhanced.

Functional Organogram of the Royal Audit Authority



Human Resource Development.

The Royal Audit Authority, the Supreme Audit Institution (SAI) of Bhutan is responsive to the vital need for human resource development in order to maintain a high professional standard in the discharge of its lawful duties. Continuous efforts have been made to enhance professionalism and standards in the auditing profession.

Value for Money Audit.

One of the issues raised and recommended by the Special Task Force for Restructuring of the Government has been the value for money auditing or economy, efficiency and effectiveness auditing in the government. Although the present capability of the RAA does not permit execution of such aspects of auditing in a professional way, the RAA made a giant effort by creating a VFM wing responsible to conduct performance auditing from the year 2001. Thus, there is an immediate need to train its staff in area of value for money audit so as to produce high quality audit reports.

In-house training.

Although scarce resources limit the staff development efforts of the Royal Audit Authority, the authority undertakes a balanced strategy of equal opportunity and continuous in-house training. During the month of July 2003 the RAA conducted a series of training for its staff including the training on audit working papers, audit of constructions, interviewing skills and audit of income tax. The resource persons were all mobilised from within the RAA except for the audit of income tax who were deputed from the Office of the Comptroller & Auditor General of India.

Part II

Chapter II

A Review of the AAR 2001

The AAR 2001 was published on 25th April 2003. The Royal Audit Authority made an attempt to evaluate the follow up status on the observations that featured in the AAR 2001.

We are, therefore, pleased to reproduce in gist the status of those observations for the information of all. It may be noted that little over 53% of the issue or the amount reflected in the AAR 2001 have been either found recovered or adjusted as at 31.7.03

An agency wise summary of the status of AAR 2001 is shown in the Table below:

Sl. No	Agency	Amount reflected in AAR 2001.	Amount adjusted /recovered as on 31.7.03	Balance as on 31.7.03	% not settled	Agencies reported in the AAR 2001
1.	Ministry of Health & Education	22.67	17.02	5.47	24.13	Department of Health Services & GOI Projects
2.	Ministry of Trade & Industry	24.91	2.68	22.23	89.24	Deptt. of Geology & Mines, Trade, Tourism, Industries, RTIO, Thimphu & CMU, Begana
3.	Ministry of Communications	138.88	127.86	11.02	7.93	Road Maintenance Section Lobesa, Trongsa, Trashigang, MPU, P/ling, Mechanical Cell, MoC Secretariat, Department of Civil Aviation, City Corporation, Thimphu, Regional Workshop Hesothangka & L/thang
4.	Ministry of Home Affairs	54.14	10.44	43.70	80.72	Dzongkhag Adm. Dagana, Lhuntse, Mongar, Punakha, Trashigang, Trongsa, Tsirang & S/jongkhar.
5.	Ministry of Agriculture	1.57	1.47	0.10	6.37	Divisional Forest Office Mongar, Samtse, Sarpang, Thimphu, NRTI, Lobesa & PVADP.
6.	Ministry of Foreign Affairs	40.69	1.66	39.03	95.92	Secretariat, PMB Geneva, PMB New York, RBE Delhi, Dhaka, Kuwait
7.	Corporations	334.70	95.82	238.88	71.37	BBSC, Army Welfare Project, FDCL, Bhutan Post & BBPL.
8.	Armed Forces	96.04	91.58	4.45	4.63	Royal Bhutan Army & Royal Bhutan Police.
9.	Autonomous agencies	100.50	84.89	15.61	15.53	Bhutan Olympic Committee, Royal Bhutan Polytechnic, NDTI, NWAB, NCCA, DDC, RIM & RTI
	Total	814.1	433.58	380.52		

Figures in Millions

The Ministry of Foreign Affairs, the Ministry of Trade & Industry and the then Ministry of Home Affairs has the maximum amount of unresolved issues with 95.92 %, 89.24 % and 80.72 % respectively. On the other hand agencies like the Armed Forces, Ministry of Agriculture and the then Ministry of Communications has unresolved issues of only 4.63%, 6.37 % and 7.93 % respectively.

Most of the unresolved issues pertain to the outstanding advances. It is to be mentioned that an advance, which is not adjusted/recovered within the legitimate timeframe permissible by rules, are as good as misuse of funds for private gains. We expect all overdue be settled in order not to be recognized as misuse.

PART III

CHAPTER III.

Summary of AAR 2002.

This chapter and the chapters that follow shall form the part of the AAR 2002.

The observations that are included in these chapters represent the findings featured in the inspection reports issued in the year 2002. In doing so, attempts have been made to reflect the current status of those observations where information were made available as on the time of finalization of this Report.

In this chapter, the RAA would like to briefly present the summary of the AAR 2002 in a tabulated form along with some analytical comments of the whole report. We would like to remind that findings are not just restricted to observations presented in the table since the issues that have no monetary value but still significant are also highlighted in the report.

Audit had detected irregularities amounting to over Nu. 635 million during the year 2002 as presented in the summary table 1.0. All observations are classified under 18 categories as given in the summary table. These categories are used to consolidate all findings of all agencies.

The auditors noted huge lapses by agencies in incurring expenditure either in areas which did not prove fruitful or which could have been avoided. If plans were implemented with proper planning and prudent management of fund utilisation, our National Exchequer would have been either richer or borrowing deficit narrowed by over Nu.39 million.

Outstanding advances against the employees, suppliers and third parties and outstanding revenues from the private companies respectively were the areas having found weaknesses in the financial discipline of government organizations and corporations.

The auditors noted high degree of laxity in payment of advances from government funds while not enough effort was found put to recover/adjust where necessary and possible. Over Nu.355 million of government money is/was lying in the hands of contractors, suppliers and employees pending adjustment and recoveries. The Ministry of Health & Education and the Ministry of Trade & Industries had over Nu.138 million and 128 million respectively awaiting adjustment and recoveries.

Majority of the inspection reports included in this edition of the AAR covers the accounting period up to 30th June 2001 and a very few up to 30th June 2002, therefore, the RAA had logically inferred that government money lying in the private hands is already overdue for recovery or rightly be termed as misuse or dereliction of duty by the public functionaries.

Table 1.0 showing the Category code of observations and the amount involved (in million) for the year 2002

Sl. No.	Category code of observation	MTI	MoA	MoC	MHE	MHA	MoF	MoFA	Corp& Fin. Institute	Auto. Agency	Armed Forces	Judiciary	Total
1.	Outstanding advance	128.43	14.92	2.04	138.48	50.03	4.32	-	11.17	5.20	0.54	-	355.13
2.	Outstanding revenue	9.30	-	11.35	-	0.93	60.20	-	10.61	-	-	-	92.39
3.	Procurement without tendering	25.33	6.48	-	-	10.02	-	-	10.50	-	-	1.29	53.62
4.	Loss of revenue	28.01	-	1.15	-	-	-	-	-	-	-	-	29.16
5.	Avoidable/wasteful purchases /expenditure	19.00	0.06	19.16	-	-	1.06	-	-	-	-	-	39.28
6.	Over / excess /double payment	4.63	0.07	0.13	0.21	1.16	0.03	0.10	0.28	0.28	2.06	0.20	9.15
7.	Defective contract agreement	7.16	-	-	-	2.79	-	-	-	-	-	-	9.95
8.	Irregular/inadmissible payment	-	1.00	0.08	0.08	1.72	-	1.30	1.19	0.34	0.06	0.03	5.80
9.	Misappropriation/misuse of revenue	-	0.04	0.48	-	0.13	0.92	-	1.18	-	-	-	2.75
10.	Acceptance/Payment against defective materials	10.00	-	0.73	-	-	-	-	0.20	-	1.13	-	12.06
11.	Recoverable amount	2.39	-	-	-	-	-	-	0.13	-	-	-	2.52
12.	Irregular booking of expenditure	-	0.27	-	0.13	-	-	-	-	-	-	-	0.40
13.	Non-levying of liquidated damages	5.71	-	0.19	-	1.29	0.29	-	0.01	-	-	-	7.49
14.	Payment for works not executed/materials not received	-	0.12	-	-	0.27	-	-	-	0.09	0.02	-	0.50
15.	Non-deduction, short deduction of taxes	0.12	0.02	-	0.25	0.30	-	0.38	0.05	0.02	-	-	1.14
16.	Non-accountal of advances/equipment	-	0.37	-	-	-	-	0.66	-	-	-	-	1.03
17.	Fictitious payment	-	-	-	-	-	-	-	0.02	-	-	-	0.02
18.	Others	0.79	1.59	0.30	0.12	0.14	0.58	0.77	7.49	0.67	0.71	-	13.16
	Total	240.87	24.94	35.61	139.27	68.78	67.40	3.21	42.82	6.60	4.52	1.52	635.54

Irregular payments in the form of inadmissible payments, excess, double and over payment are still found strongly prevalent in the government agencies. Such amount aggregated to over Nu. 14.95 million. These are undesirably public monies dispersed for private gains and favour.

The Ministry of Finance had revenue outstanding not realised from the business entities amounting to over Nu.60 million. There were numerous cases where the business enterprise puts up an appeal against the Demand Notice for tax payment to the Tax Appeal Committee. But the regional offices were not informed of the decision thereby resulting in either non-payment of taxes or inordinate delay in the payment of taxes. Out of Nu. 60 million outstanding revenue more than Nu.23 million is stated to be under appeal.

There was also a reported case of an attempt to evade tax by one tax payer. This tax payer had submitted an appeal for the amount of expenses that were neither reflected in the account nor its relevant bills and vouchers made available at the time of tax assessment.

The Year 2002 saw a remarkable improvement in the tendering and procurement practices than that of year 2001. The total worth of goods and works procured without competitive tendering reflected in this report is only Nu.53 million as against Nu.326 million in the AAR 2001.

Payment/Acceptance of defective materials /works also was prominently significant which has a total reported figure of over Nu.12 million including Nu.10 million by the Ministry of Trade & Industry.

The Ministry of Trade & Industry had a substantial loss of revenue on account of energy losses, bad debts and weak contract managements/revenue losses due to delayed completion of construction works. All these accounted for a revenue loss of Nu.28 million to the government.

The Druk Seed Corporation had a reported operating losses ranging from Nu.4.70 million in 1999 to Nu.8.20 million in 2001. The cost of manufacturing expenses far exceeded the revenue generated through the sale of its products.

Some of the emerging issues highlighted in the inspection reports and incorporated in this report include irregular recruitment, irregular acceptance of resignation and irregular booking of expenditure amounting to Nu.0.40 million.

We hope the accountable authorities will take upon themselves as the moral duty and responsibility to resolve issues that relate to organization under their control. The severity or vice versa of the audit findings shall be considered as an indication of the quality of the leadership hereafter.

CHAPTER IV.

Ministry of Trade and Industry.

The Royal Audit Authority during the year 2002 had issued eleven inspection reports of agencies under the Ministry of Trade & Industry. The following officials headed the ministry and the departments under it in the year 2002:

Sl. No	Name of Office bearers	Designation
1.	Lyonpo Khandu Wangchuk	Minister
2.	Dasho Karma Dorji	Secretary
3.	Achyut Bhandari	Director General, Department of Trade
3.	Sonam Tshering	Director, Department of Power.
4.	Sonam Yangley	Director, Department of Industries.
5.	Lhatu Wangchuk	Director, Department of Tourism
6.	Gembo Dorji	Deputy Secretary, Administration & Finance Division.

The following table exhibits the summary of the findings in a consolidated form:

Table 1.1 showing summary of the observations by category code and the amount involved.

Sl. No.	Observation in brief.	Amount (Nu.Million)	%	Category code
1.	Outstanding Advance.	128.43	53.32	1
2.	Purchases without approval.	25.33	10.52	3
3.	Energy Losses.	16.69	6.93	4
4.	Wasteful expenditure.	13.13	5.45	5
5	Payment against defective materials.	10.00	4.15	10
6.	Outstanding revenue.	9.30	3.86	2
7.	Loss due to non-inclusion of penalty clauses.	7.16	2.97	7
8.	Loss of Revenue.	7.06	2.93	4
9.	Avoidable purchase.	5.87	2.44	5
10.	Non-levy of liquidated damages.	5.40	2.24	13
11.	Excess payment.	4.63	1.92	6
12.	Bad Debts.	4.26	1.77	4
13.	Recoverable amount.	2.39	0.99	11
14.	Award of work to contractors without valid license.	0.79	0.33	18
15.	Non-enforcement of contract terms.	0.31	0.13	13
16.	Non-deduction of Tax.	0.12	0.05	15
	Total	240.87	100	

Major Findings:

1. Award of supply contract based on single bid and sub-letting thereof, thereby resulting payment against defective materials Nu. 10 Million.

Only M/s Crompton & Greaves Limited(CGL), Chennai out of 16 bids sold had submitted its quote. It was found substantially responsive for the supply of 104 numbers of 33 and 11 KVA distribution transformers for rural electrification. Accordingly, the contract was awarded to the company. The records showed that the company had further sub-contracted the work to M/s IMP Limited, Bombay as the equipment ordered by the Department of Power were below their manufacturing range. Many of the transformers supplied by M/s IMP Limited, Bombay though cleared by DoP inspectors failed, at the time of conducting pre-commissioning test.

All except 8 were either repaired at Central Maintenance Unit (CMU), Begana or by the engineers of M/s IMP Company.

**Auditee's
response:**

The Department of Power submitted that M/s IMP Limited manufactured transformer was supplied instead of M/s CGL as the equipment was below M/s Crompton & Greaves Limited's manufacturing range. It was also submitted that the procurement was based on approval from Asian Development Bank (ADB) after following ADB procedures. The eight numbers of defective transformers were stated to have been replaced out of which six have been commissioned satisfactorily.

**Who is
accountable?:**

It is an indication of a lack of proper study carried out by an implementing agency. The members of the tender committee and the Director, Department of Power are held accountable.

2. Loss of revenue Nu. 7.06 million.

The Ministry of Trade & Industry had lost government revenue amounting to Nu.7.06 million by way of the following:

The audit of Rangjung Power Plant for the FY 1998 to 2000 revealed a revenue loss of Nu.2.46 Million to the RGoB. A detailed study on the matter inferred that it was the result of power utilized for auxiliaries in the powerhouse, for lighting of powerhouse colony, sub-station and by DoP Staffs.

The contractor Central Water Commission (CWC) who had failed to complete the construction of powerhouse on time in Trashigang had put the DoP to a revenue loss of Nu.4.4 million by not generating expected energy.

The Power Project Implementation Unit, DoP, Lhuentse had procured two electromechanical equipment (2 x 60KW) @ Nu.2.85 million from M/s Jyoti Limited, Vadora with a designed load of 120 KW. But the test indicated that the machines were taking up to 84 KW load as against 120 KW thereby resulting into shortfall of 30 %. By rated shortfall of turbine generators there was a shortfall of 0.29 million units of energy generation up to 31.4.01 causing a loss of revenue to the tune of Nu.0.20 million.

Auditee's response:

It was submitted that the loss of revenue in Rangjung Power Plant is due to revision of power tariff for urbanite, charging flat rate where it is not metered and due to usage of power for auxiliary purposes. The meeting held on 30.9.03 stated that Bhutan Power Corporation has already initiated measures like up gradation works, conductoring and metering all customers etc which is expected to reduce such losses in future.

The Chenery Power House, DoP, Trashigang had submitted that the delay was due to revision of design so as to incorporate all CWC norms and the loss of revenue cannot be recovered as the volume of work increased manifold.

The Project Implementation Unit had not submitted any appropriate responses on this issue so far.

Who is accountable?:

The accountability for the losses is fixed on project management and the Director, Department of Power. The RAA will review if measures reportedly taken to reduce losses have actually reduced such losses.

3. Non-levy of liquidated damages Nu. 5.40 Million.

The Ministry of Trade & Industry had not imposed penalty amounting to Nu.5.40 million to contractors and suppliers who had failed to deliver goods and services on time. The detail of amount applicable/chargeable against each company is shown in the table 1.2:

Table 1.2 showing the detail of amount Applicable / chargeable against each company.

Sl. No.	Agency involved	Amount (Nu.Million)
1.	M/s Western India Machinery Co.Pvt.Ltd, Kolkata.	0.22
2.	M/s Jyoti Limited.	1.18
3.	M/s Druk Tiger Construction Co.	0.03
4.	M/s Drapchu Construction.	0.10
5.	M/s Cable Corporation of India, Kolkata.	0.10
6.	M/s Gaki Enteerprise.	0.02
7.	M/s Central Water Commission.	3.00
8.	M/s Deden Construction.	0.71
	Total	5.40

However, the procuring agency had failed to charge the liquidated damages or deduct from their bills which tantamount to undue favour to the contractors/suppliers.

Auditee's response:

It was stated that the firm from Kolkata could not deliver the Genset within the given deadline and that the purchase order was eventually withdrawn and the penal interest will be recovered from the bank guarantee.

The DoP stated that since there was a delay in implementing civil activities for want of adequate fund the department had deferred the delivery of equipment.

The DoP stated that some delays did not affect the work and therefore not penalised. It was also stated that since CWC is a government organisation imposing of liquidated damages is not justifiable and that the work was delayed due to natural calamities.

Who is accountable?:

Some of the responses are not tenable, therefore, the accountability to satisfactorily justify or recover the damages is fixed on the Director, Department of Power.

4. Avoidable purchase of Diesel Generator sets Nu. 5.87 million.

Since the rehabilitation work of Mini Hydel Projects including Chenary Mini hydel was not completed on time the Department of Power had to buy 2 DG sets costing Nu.5.87 million to meet the electricity demand of the consumers. If the works were completed within the scheduled time as stipulated then such purchases would not have been required because the demand of electricity could have been met out of the power generation by the powerhouse.

Auditee's response:

The DoP had submitted that Diesel Generator Sets were procured as per the directives of the government in view of the security reasons in eastern Bhutan to have a standby supply and that it was not installed because rehabilitation was delayed. It was also stated that thirteen other Generator Sets were procured and distributed to other places on standby under the same authority.

Who is responsible?:

Since the RAA was not provided with a copy/record of government directives the accountability for the avoidable procurement is fixed on the Director, Department of Power.

5. Purchases made without approval Nu. 25.33 million.

M/s Larsen & Turbo (L & T) was formally given the contract "Turnkey Package" for 7 numbers 132/33KV and 33/11KV sub-stations associated with 132 KV transmission system. Apart from the contract amount of supplies, additional purchases of power & control cables amounting to Nu. 25.33 million were made on the ground that original agreement did not include all the items as required during the detailed engineering stage. This was a result of the meeting held amongst M/s WAPCOS, M/s L & T and DoP in New Delhi. The Superintending Engineer represented DoP. No approval either in anticipation or ex post facto from the competent authority for such a heavy purchase was on record.

Auditee's response:

It was submitted that the decision to purchase was made by Superintending Engineer, Project Implementation Division so as to accelerate the progress of the works due to which all substations have been commissioned except Nanglam Substation. It was also stated that the purchases were made within the clauses of contract and approved by the secretary.

Who is responsible?:

The requirement of power and control cables should have been foreseen prior to awarding of initial contract, as such the response given is not tenable in audit since the RGoB was deprived of the benefits of competitive bidding. Therefore, accountability is fixed on the Secretary, MTI, Superintending Engineer, Project Implementation Division and the Director, Department of Power.

6. Non-deduction of Tax Nu. 0.12 million.

A scrutiny of Supply Orders, payments released to suppliers by DOP, Headquarters revealed that statutory deductions amounting to Nu.0.12 million as per the Taxation Policy of 1992 were not effected.

***Auditee's
response:***

The DoP Headquarters submitted that the circular requiring the deductions to be made were not issued to concerned offices and that they came to know only through the accounts division.

***Who is
accountable?:***

Until such time the amount of tax is received in audit or the documentary evidence of having paid the tax to Department of Revenue & Customs is submitted to the RAA the accountability is fixed on Finance Officers and the Director, Department of Power.

7. Recoverable amount Nu. 2.39 million.

The CWC was given the work of Survey, Investigation and preparation of pre-feasibility study of Yonglachu Mini Hydel Project. The CWC completed the assignment and submitted the report. In the report, the CWC demanded an amount of Nu.1.53 million to carry out investigation and preparation of Detailed Project Report (DPR). The MTI soon after the work of preparing DPR was allotted to CWC in September 1998 and had advised the firm (9/98) not to carry out the DPR. Late Padmashri Druk Thuksey G.N.Rao had advised the MTI that pre-feasibility report was more or less like a DPR and that the project would have a long gestation period and therefore, not feasible to execute the project. Accordingly the project was not pursued.

However, Project Manager, Lhuentse Power Project on the instruction of Superintending Engineer, Project & Implementation Wing, DoP had released the sum of Nu.1.53 million on 25th March 1999 to CWC after the firm was advised not to carry out the assignment. Since the purpose for which the amount was released stood defeated and that the government had decided not to construct the project the amount so paid in March 1999 stood recoverable.

The Power Project Implementation Unit, DoP, Lhuentse had procured two electromechanical equipment (2 x 60KW) @ Nu.2.85 million from M/s Jyoti Limited, Vadora with a designed load of 120 KW. But the test indicated that the machines were taking up to 84 KW load as against 120 KW thereby resulting into shortfall of 30 % the recoverable amount of which is worked out to Nu.0.86 million approximately.

Auditee's response:

It was stated that the amount of Nu.1.53 million was paid to the CWC by the project office in compliance to the instruction conveyed by Superintending Engineer, Project & Implementation Wing and also on the understanding that the preparation of Detailed Project Report and preconstruction investigations including construction of the project on turn key basis would be awarded to CWC. The meeting held on 30.9.03 submitted that the implementation of the project was stopped.

Who is accountable?:

Since the firm was advised not to carry out the DPR in September 1998 and that the amount was paid in March 1999 on the instruction of Superintending Engineer, Project & Implementation Wing, DoP the accountability for the lapse is fixed on the Director and the Superintending Engineer, Project Implementation Wing, DoP.

Requirement to insert penalty clauses in any form of contract agreement is a long established norm of any procurement practices. Therefore, the reply that the clause was not inserted is not tenable in audit, therefore, accountability for the lapse is fixed on the Director, Department of Power.

8. Wasteful expenditure Nu. 13.13 million.

The RGoB and Government of India had agreed to undertake rehabilitation work of 8 Mini Hydel Projects in Bhutan. The civil works of 5 out of 8 projects were allotted to CWC in addition to their consultancy services. Contract agreement requires all construction drawings/designs prepared by CWC to be reviewed and cleared by DoP.

If DoP had the capabilities to clear and review all drawings/designs prepared by CWC then the appointment of CWC was not rationally justified. The DoP had paid the CWC an amount of Nu.13.13 million on this account.

Auditee's response:

The DoP submitted that the service of CWC had been availed by DoP as per the agreed minutes which stipulated that RGoB would carry out the renovation works with the GOI technical and financial assistance.

Who is accountable?:

Since drawings & designs prepared by CWC were required to be reviewed and cleared by DoP, which means DoP has technical expertise as such the amount paid was rationally not justified, therefore, the accountability is fixed on the Director, DoP.

9. Excess payment Nu. 4.63 million.

A. Consultancy charges Nu. 1.35 million.

The MTI/DoP wanted to pay CWC a consultancy fee of 10 % where as the CWC demanded 20 % of the estimated project cost. The MTI had written to the Ministry of Finance to get the rates fixed by GOI.

When nothing came forth, the DoP had released consultancy charges amounting to Nu.7.27 million within which had resulted in the excess payment of Nu.1.35 million.

**Auditee's
response:**

The DoP submitted that excess consultancy charges may have been paid for some of the projects but the total amount paid had not exceeded its overall contractual obligation.

**Who is
accountable?:**

Since the response submitted is not substantiated with further documentations such as actual contractual obligation and what was paid in the overall context, the accountability is fixed on the Director, Department of Power.

B. Excess payment Nu. 3.28 million.

Nu.3.28 million was found paid in excess of the value of work done in respect of rehabilitation work of Wangdue, Gidakom and Chumey Mini Hydel Projects. The site engineers of DoP had no knowledge of most of the payments released by Accounts Section of DoP.

**Auditee's
response:**

The DoP submitted that the work being rehabilitative in nature had lot of substitutions/additions in the item of works during the actual execution at site. Due to these changes in the BoQ the CWC had prepared the revised estimates for the different projects.

**Who is
accountable?:**

The reply is not tenable because the site engineers ought to know the changes made at the site and the bills that are to be verified by them. Therefore, in the absence of all these the payment stands recoverable and the accountability of which is fixed on the director until such time the excess amount paid is received in audit.

10.Loss due to non-inclusion of penalty clauses Nu. 7.16 million.

Though the contract works were not completed on time the liquidated damages amounting to Nu.5.25 million were not levied because the contract agreement did not incorporate any penalty clauses.

Similarly, rehabilitation and augmentation of Lhuentse Mini Hydel Project awarded to CWC got delayed by more than 18 months but could not impose the penalty since such clause was not incorporated thereby causing a loss of Nu.1.91 million to the National Exchequer.

Auditee's response:

The DoP submitted that Financial Manual 1988 Chapter 11 Section III on works executed departmentally or as deposit works is silent on the penalty to be imposed.

The MTI during the meeting on 30.9.03 submitted that it was not felt necessary to include the penalty clause in the contract agreement as the CWC, a Central Government of India agency is only an executing agency and not a contractor as the RAA views it. It was also stated that without the involvement of CWC, funds for the projects would not have materialised.

Who is accountable?:

The substance of the first part of the reply may be correct if applied to departmentally executed works but not to the works awarded on contract where legally binding contract agreement is drawn. Until such time the RAA is provided with the clarification from the competent authority exempting all contracts with the CWC from inserting the penalty clauses, the accountability for the lapses is fixed on the Director, Department of Power.

11.Non-enforcement of contract terms Nu. 0.31 million.

The Lowest Evaluated Bidder, M/s Dolma Enterprise, Thimphu after placing the supply order for the supply of XLE cables had failed to supply and the supply order was placed to the next lowest evaluated bidder. The tender committee did not penalize the supplier as required in the terms and conditions such as recovery of cost differences etc.

The above amount is the opportunity cost incurred by placing the supply order to the next lowest evaluated bidder.

Auditee's response:

It was stated that the lowest bidder M/s Dolma Enterprise could not supply the materials and for which the firm was penalised by forfeiting its performance security deposits.

Who is accountable?:

Since the performance security deposit was much lesser than the opportunity cost incurred by placing the order with the next lowest bidder, the justification was not accepted in audit. Therefore, the amount of Nu.0.31 million as per the liquidated damages clauses of contract agreement/supply order stands recoverable and the accountability of which is fixed on the Director, Department of Power.

12.Outstanding advance Nu. 128.43 million.

The Ministry of Trade & Industry had Nu.128.43 million lying unadjusted/uncollected in the hands of suppliers, contractors and employees till date of audit. Agency wise summary of advances outstanding are given in the table 1.3:

Table 1.3 showing the agency wise summary of advances outstanding.

Sl. No.	Agency involved	Amount (Nu.Million)
1.	DoP, Headquarter	18.79
2.	DoP, Headquarter	91.20
3.	Power Central stores, P/ling	6.38
4.	Electricity Supply Section, P/ling	0.71
5.	Central Maintenance Section, Begana	0.76
6.	Department of Geology & Mines	0.20
7.	Electricity Supply Unit, Wangdue	0.66
8.	Department of Industries	9.48
9.	Department of Trade	0.25
	Total	128.43

The above figure is the amount reflected in the Sub-Ledger being brought forward year after year without making any efforts either to make adjustments or effect recoveries from the concerned parties. Further, fresh advances were found released without having liquidated the previous advances. Any due not recovered beyond the admissible liquidation period will now include Commercial Interest to be paid by the dealing officials.

Auditee's response:

The meeting held on 30.9.03 submitted that the ministry had written-off Nu.7.37 million and adjusted Nu.1.23 million thereby leaving balance of Nu.119.83 million.

Who is accountable?:

Until such time the whole of the amount is fully liquidated/adjusted the accountability is fixed on the Finance Officers of respective agencies and Deputy Chief Finance Officer of the Ministry.

13. Bad Debts Nu. 4.26 million.

The accounting records reflected an amount of Nu.4.26 million as bad debts both against active and inactive consumers of DoP as on 10.6.02.

Auditee's response: *The DoP submitted that it is vigorously following up to get the matter settled.*

Who is accountable?: *The issue must be satisfactorily resolved and the justification along with future internal control system must convince the RAA. Until such time the issue raised is appropriately attended to, the accountability is fixed on the Director, Department of Power.*

14. Energy Losses Nu. 16.69 million.

During the FY 2000-2001 the DoP had received 63.79 million units of electricity from Chukha Hydro Power Corporation. Out of 63.79 million units of electricity, only 39.01 million units were productively sold to the consumers leaving the balance amounting to Nu. 16 million as energy losses.

The Electricity Supply Unit, Chamkhar, Bumthang also suffered an energy losses aggregating to Nu.0.69 million.

Auditee's response: *The MTI during the meeting held on 30.9.03 stated that Bhutan Power Corporation has already initiated measures like up gradation works, conductoring and metering all customers etc which is expected to reduce such losses in future.*

Who is accountable?: *The accountability for the losses is fixed on the Director, Department of Power. The RAA will review if measures reportedly taken to reduce losses have actually reduced such losses.*

15. Award of work to contractors without valid license Nu. 0.79 million.

The MTI/DoP during the year 2000, had awarded the Civil Works at Paro & Lobeyisa to M/s Namgay Construction, Thimphu whose validity of license was up to December 1999 only. Any work allotted to a contractor without the valid license of MTI is a violation of the existing rules of the RGoB.

Auditee's response: *The DoP headquarters is yet to intimate the RAA on the action taken on this matter.*

Who is accountable?: *Since any work allotted to a contractor without the valid license of MTI is a violation of the existing rules of the RGoB, therefore, accountability for the lapse is fixed on the Director, Department of Power.*

16. Outstanding revenue Nu. 9.30 million.

The **Central Maintenance & Training Section, Begana** had not collected Nu.0.31 million on account of hiring of vehicles, repair & maintenance of transformers and other equipment. Despite repeated audit objections and assurances given by the management to recover the dues, the amount still remained to be collected.

The RTIO, P/ling had not collected outstanding royalty and mineral rent from the following Mining Companies amounting to Nu.4.88 million:

Table 1.4 showing outstanding royalty & mineral rent.

Sl. No	Mining Companies	Amount (Nu. Million)	Remarks
1.	M/s Singye Dolomite Mining Ltd.	3.67	Outstanding balance after adjustment as on 6/12/2001
2.	M/s Jigme Dolomite Crushing Unit	0.39	Outstanding balance after adjustment as on 9/8/01
3.	M/s Jigme Mining Enterprise	0.80	Not adjusted after having taken Over by the RTIO, P/ling from RRCO, Samtse on 1.1.1999
4.	M/s Dhendup Enterprise/Bhutan Minerals & Stone	0.02	
	Total	4.88	

The **Department of Trade** had outstanding surface & royalty/mineral rent of Nu.0.06 million not collected from third parties.

The **Regional Trade & Industries Office in Samdrupjongkhar** had not levied and realised royalties on the excess production aggregating to Nu.4.05 million from M/s Eastern Bhutan Coal Company and M/s Druk Satair Corporation Limited.

Auditee's response: *The RTIO, Phuntsholing and Central Maintenance Section, Begana deposited some outstanding revenue amounting to Nu.0.74 million into audit recoveries account thereby leaving a balance of Nu.4.24 million.*

The RTIO, S/jongkhar stated that as per the annual meeting of the Regional Directors with the heads of departments under MTI, it was agreed that the Regional Directors shall be accountable only for cash collected upon verification of the same by the Department of Geology & Mines staff concerned and that all other aspects concerning royalty, mineral rents and surface rents shall be solely looked after by the DGM themselves.

**Who is
accountable?:**

Until such time an appropriate action is taken or the revenue in question is deposited into audit the accountability for the lapse is fixed on the Executive Engineer, Begana, Head, Administration & Finance Division, MTI, concerned Regional Directors and Director, Department of Geology & Mines.

The RAA expects that the MTI will play a role model of responsibility and accountability that can inspire the private sector by its upright leadership.

CHAPTER V.

Ministry of Agriculture.

The Royal Audit Authority during the year 2002 had issued twenty nine inspection reports of agencies under the Ministry of Agriculture. The following officials headed the ministry and the departments under it in the year 2002:

Sl. No	Name of Office bearers	Designation
1.	Lyonpo Dr.Kinzang Dorji	Minister
2.	Dasho Sangay Thinley	Secretary
3.	Tenzin Dhendup	Director, Department of Agriculture & Livestock Services (DALSS).
4.	Ugyen Thinley	Director, Department of Forestry Services.
5.	Dr. Pema Chhophel	Director, Research, Extension & Irrigation Division
6.	Sonam Wangdi	Deputy Secretary, Administration & Finance Division.

The following table exhibits the summary of the findings in a consolidated form:

Table 1.5 showing summary of the observation by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu.Million)	%	Category code
1.	Outstanding Advance.	14.92	59.82	1
2.	Procurement without tender.	6.48	25.98	3
3.	Payment without measurement.	1.01	4.05	18
4.	Irregular/inadmissible payment.	1.00	4.01	8
5.	Non-accountal of advances.	0.37	1.48	16
6.	Others.	0.28	1.12	18
7.	Irregular booking of Expenditure.	0.27	1.08	12
8.	Loss due to unauthorized reduction in selling rate of timber.	0.19	0.76	18
9.	Payment for works not executed.	0.12	0.48	14
10.	Irregular Diversion of fund.	0.11	0.44	18
11.	Excess payment.	0.07	0.28	6
12.	Avoidable payment.	0.06	0.24	5
13.	Misappropriation.	0.04	0.16	9
14.	Non-deductions of taxes.	0.02	0.08	15
	Total	24.94	100	

Major findings:

1. Outstanding advance Nu.14.92 million.

The Ministry of Agriculture had Nu.14.92 million lying unadjusted/uncollected in the hands of suppliers, contractors and employees till date of audit. Agency wise summary of total advances outstanding are given in the table 1.6:

Table 1.6 showing agency wise outstanding advances.

Sl. No.	Agency	Amount (Nu.Million)	Remarks
1	RNR-RC Yusipang.	0.25	Out of Nu.8.40 million written off by Minister For Agriculture, Nu.6.15 million is from the books of accounts of DALSS, Nu.1.57 million from DRDS and Nu.0.70 million from the Secretariat. These write-off amounts are not incorporated against the balances reflected against them.
2.	National Biodiversity Centre, Serbithang.	0.48	
3.	Department of Forestry Services.	0.54	
4.	Department of Research & Dev. Services (DRDS).	2.87	
5.	RVEC, Serbithang.	0.13	
6.	DALSS.	6.87	
7.	Land Use and Natural Resource Planning III.	0.29	
8.	RNR-Ext. Support Project.	1.24	
9.	Secretariat, Ministry of Agriculture.	2.01	
10.	Trashi Yangtse(SEZAP Fund.	0.24	
	Total	14.92	

It was noted that 89% of advances reflected under MoA Secretariat pertained prior to FY 1996-97. All dues not collected beyond the admissible period must attract Commercial Interest to be paid by the officers responsible.

Auditee's response:

The RAA was intimated that the respective managements are making efforts to recover the outstanding advances/balances and was also informed that the Hon'ble Minister, Ministry of Agriculture had written off irrecoverable advances totalling Nu.8.329 million from the books of accounts of Department of Research & Development, Department of Agriculture & Livestock Support Services and the Secretariat. It was also submitted that adjustment to the tune of Nu.4.32 million have been effected thereby leaving an overall balance of Nu.2.27 million only.

Who is accountable?:

Until such time the outstanding advances/balances are fully liquidated in audit and the adjustment reportedly made is verified the accountability is fixed on the Head of AFD and Paying and Disbursing officers. With regard to the amount written off against M/s STCB of Nu.3.04

million, Contractors of Nu.0.43 million and Bhutan Oil Distributor (BOD) of Nu.0.09 million needs to be reviewed as the individual and legal entity such as M/s STCB and M/s BOD still exist.

2. Irregular/inadmissible payment Nu.1.00 million.

Various agencies under the Ministry of Agriculture had paid irregular/inadmissible payment amounting to Nu.1.00 million to individuals and third parties. Agencies involved and the amount paid are detailed in the table 1.7:

Table 1.7 showing agency wise instances of irregular / inadmissible payment.

Sl. No.	Agencies	Amount (Nu.Million)
1.	RNR-RC, Yusipang.	0.07
2.	DFO, Paro.	0.02
3.	National Biodiversity Centre.	0.07
4.	BFI, Taba.	0.11
5.	Divisional Forest Office, Paro.	0.07
6.	Land Use and Natural Resource Planning III.	0.10
7.	Land Use and Natural Resource Planning III.	0.02
8.	Project Facilitation Office (SEZAP).	0.27
9.	Mongar Dzongkhag (SEZAP).	0.11
10.	Land Use and Natural Resource Planning III.	0.16
	Total	1.00

The descriptive but brief details of each of the above inadmissible payments are as under:

- A.** RNR-RC, Yusipang had paid a sum of Nu.0.07 million to one programme officer for attending duty at Archery Tournament at Changlingmithang for two Financial Years. The amount was not budgeted and the payment thus made was not in line with the rules in vogue and stands recoverable.

Similarly, DFO, Paro had paid Nu.0.02 million as TA/DA to one of its staff who was nominated to join the ministry's team. The office order nominating him had no mention about his entitlement of TA/DA. Though it was regularized by Honourable Minister RAA found out that it was not within the delegation of authority laid down in the Financial Rules and Regulations and the amount stands recoverable.

Auditee's response: *The agencies have not responded appropriately as of date.*

Who is accountable?: *The accountability for such lapses is fixed on the Program Director until such time the amount so paid is deposited into audit recoveries account.*

B. The National Biodiversity Centre had paid Nu.0.07 million as DSA without supporting documents such as legitimate air tickets, proper travel claims.

Auditee's response: *Some supporting documents were produced to audit except air ticket.*

Who is accountable?: *Since air ticket- a mandatory requirement for claims relating to travel outside Bhutan is not produced for verification, the accountability is fixed on the Program Director.*

C. BFI, Thimphu had paid Nu.0.11 million to its instructors on account of leave encashment. The Civil Service Rule stipulates that "A member of the Teaching Cadre enjoying Annual Vacation shall not be entitled to earn leave".

Auditee's response: *BFI submitted that the institute do not follow a vacation system like other educational institutes as duration of training is of one year only.*

Who is accountable?: *Unless the rule is clarified by the competent authority in such a way that entitles the BFI instructors for a leave encashment the accountability is fixed on the principal.*

D. The Divisional Forest Office, Paro had paid Nu.0.07 million on account of residential telephone charges of the officer in charge in contravention to the circular issued by the Ministry of Finance.

Auditee's response: *The DFO, Paro submitted that the payment of residential telephone charges were regularised by the honourable minister. It was also submitted later that after reviewing the residential bills the management found out recoverable private calls of Nu.0.013 million only.*

Who is accountable?: *Since the payment was clearly against the financial rules and regulations and that any exceptions to these rules can only be made by Ministry of Finance, the accountability for such lapses is fixed on the Divisional Forest Officer, until the amount is deposited into Audit Recoveries Account.*

E. The Land Use and Natural Resource Planning III had paid Nu.0.10 million on account of overtime payment in addition to normal DSA to the data punchers for RNR census. The payment of overtime allowances is not covered under the Civil Service Rules in force.

Auditee's response: *The management submitted that the payment had to be made since block wise data had to be punched on*

deadline to be ready for 9th Five Year Plan and for which approval was sought from the minister.

Who is accountable?: *Since the payment of overtime is not covered under the Bhutan Civil Service Rules the accountability is fixed on the project manager.*

F. The Land Use and Natural Resource Planning III had incurred Nu.0.02 million towards the cost of dinner/breakfast in deviation to the circular issued by the ministry.

Auditee's response: *It was submitted that it was a private dinner and that some amount was paid in excess for which recovery will be effected from the hotelier. The Project manager however had deposited the whole amount on 2-10-03.*

Who is accountable?: *Until such time the irregular payment made is deposited into audit recoveries account the accountability is fixed on the Project Manager.*

G. The PFO (SEZAP) and other agencies executing SEZAP activities had made an irregular muster roll payment of Nu.0.27 million approximately. The muster roll payment had no thumb impression and other requirement such as attendance register. The audit observed that some construction of farm roads included free labour contribution from the beneficiaries for which muster roll payment made were not justified and stands recoverable.

Auditee's response: *The project management had submitted that it was the Dzongkhag who was mainly responsible for implementing the activities and the Department of Budget & Accounts have been traditionally releasing the budget to the Dzongkhag under this project for execution. It was also stated that the management was involved only in planning the activities.*

Who is accountable?: *Until such time the issue in question is resolved in audit the accountability is fixed on the Dzongdags responsible for executing SEZAP activities.*

H. The Mongar Dzongkhag, one of the executing agencies of SEZAP activities had paid Nu.0.11 million to Central Machinery Unit, Paro towards hire charges of heavy earth moving equipments from Paro to Mongar. It was stated that the equipment was for the construction of Thangrong-Chaskhar Farm road. But audit had found out that the said equipment had never reached its intended destination. The amount along with Commercial Interest stands recoverable.

Auditee's response: *Neither the Project Facilitation Office (PFO), Khangma nor Dzongkhag Administration, Mongar had submitted any response on this matter as of date.*

Who is accountable?: *Until such time the issue in question is resolved in audit the accountability is fixed on the Dzongdag, Dzongkhag Administration, Mongar.*

- I. The Land Use and Natural Resource Planning III had made some advance payments to the enumerators amounting to Nu.0.16 million without maintaining any supporting documents to justify. Therefore, auditors could not ascertain whether the advances were actually paid to the enumerators.

Auditee's response: *The Project Management submitted that the documents are maintained and that advances were accounted and adjusted.*

Who is accountable?: *Until such time the response given is verified by audit the accountability is fixed on Project Manager.*

3. Misappropriation Nu.0.04 million.

The Accounts Personnel of DFO, Bumthang had initially shown the amount of Nu.0.04 million as remitted to National Pension Board as PF contribution but the verification revealed that it was misused. The amount along with interest components of 16 % was deposited into Audit Recoveries Account.

Auditee's response: *The amount compounded with interest was deposited into audit recoveries account.*

Who is accountable?: *The accountability for such mischief is fixed on the accountant.*

4. Missing of 7 mithuns.

The audit found out the correspondences indicating the missing of 7 Mithuns at Regional Mithun Breeding Farm, Wangkha. The Head quarter had asked the management to fix the responsibility. Neither the management fixed the responsibility nor did the head office fix the accountability.

Auditee's response: *The management submitted that because of semi-wildness nature of Mithun missing of them in the forest is not uncommon and that it is not due to negligence. It was submitted that the value of missing Mithuns was written off by Hon'ble Lyonpo, Ministry of Agriculture.*

5. Non-accountal of advances Nu. 0.37 million.

Audit had found out that the advance of Nu.0.37 million paid to M/s Druk Tshongkhang for the cost of scooters were not accounted for in the relevant books of accounts.

Auditee's response: *It was submitted that the department is in the process of verifying the payment made to Druk Tshongkhang and that the reconciliation statement would be submitted in due course of time.*

Who is accountable?: *Until such time the RAA is informed of the outcome the accountability is fixed on the Director, DALSS, MoA.*

6. Irregular booking of expenditure Nu.0.27 million.

Expenditure incurred but not booked/charged in accordance to the budgetary norms of the Royal Government aggregated to Nu.0.27 million. Agencies who were responsible for such irregular practices and the amount involved are given in the table 1.8:

Table 1.8 showing agencies involved in irregular booking of expenses.

Sl.No	Agencies responsible	Amount (Nu.Million)
1.	Third Forestry Development Project, Khangma	0.10
2.	Bhutan Forestry Institute, Taba.	0.01
3.	Bhutan Forestry Institute, Taba.	0.03
4.	Deptt. Of Agriculture & Live Stock Support Services.	0.13
	Total	0.27

The descriptive details of each transaction are as under:

A. Booking of Nu.0.10 million as final expenditure.

It was observed from the paid voucher of Third Forestry Development Project, Khangma (TFDP) that amount of Nu.0.10 million released to Head of AFD, MoA towards the contribution for RNR Conference was booked as final expenditure without obtaining the supporting bills for the expenses incurred during the RNR Conference.

Auditee's response: *The project management had submitted the adjustment details to the RAA on 1.10.03.*

Who is accountable?: *Until such time the response given is verified by audit the accountability is fixed on the Project Manager.*

B. Excess booking Nu.0.01 million.

Bhutan Forestry Institute, Taba had Nu.0.01 million booked in excess. There was no fund surrender letter and the Bank Reconciliation statement to authenticate its actual utilization.

Auditee's response: *The management submitted that amount of excess booking will be deposited into Audit Recoveries Account.*

Who is accountable?: *Until such time the amount is deposited into Audit Recoveries Account the accountability is fixed on the Principal.*

C. Direct booking of expenditure Nu.0.03 million.

Bhutan Forestry Institute, Taba had Nu.0.03 million withdrawn through self cheque but no expenditure in relation to this amount was reflected in the cash book.

Auditee's response: *The management submitted that due to shortage of money for mess account in the field the money was withdrawn through self cheque and that it was adjusted later.*

Who is accountable?: *Financial discipline must be observed at all time. The response given was sort of a management problem, the accountability is fixed on the Principal.*

D. Double adjustment Nu.0.13 million.

A bill for Nu.0.13 million of M/s Druk Tshongkhang on account of supply of four scooters was booked in the revolving fund account. The Scooters were actually purchased under RNR Extension Project.

Auditee's response: *The department submitted that by mistake an adjustment entry was made in revolving fund account resulting in overstatement of credit in favour of Druk Tshongkhang and that the mistake is now rectified.*

Who is accountable?: *Until such time the mistake rectified is further verified by audit including its corresponding effects the accountability is fixed on Head, Administration and Finance Division.*

7. Payment without measurement Nu.1.01 million.

Agencies under the Ministry of Agriculture paid Nu.1.01 million to contractors without taking the measurement. The agencies responsible and the amount involved are given in the table 1.9:

Table 1.9 showing agencies that made payment without measurements.

Sl. No.	Agencies responsible	Amount (Nu.Million)	Remarks
1.	Bomdeling Wildlife Sanctuary.	0.99	Construction of main office complex.
3.	Regional Veterinary Laboratory, Bumthang.	0.02	
	Total	1.01	

The descriptive details of each transaction are as under:

- A.** Some of the payments for ordinary and hard rock cutting on the construction of main office complex of **BWS, Gallery, Guest House** etc were found made on % basis rather than on actual measurement. Such payment amounted to Nu.0.99 million.

Auditee's response:

The park management submitted that the measurements were not taken due to the lack of technical manpower besides it was practically not possible to measure the rock/boulders piece by piece.

Who is accountable?:

The response is not tenable in audit. Bhutan Schedule of Rates clearly specifies the three dimension measurement to be adopted for making such payment, therefore accountability for such lapses is fixed on the Park Manager.

- B.** The **RVL, Bumthang** had Nu.0.02 million approximately paid to the contractor for which the value of work done was not found recorded in the Measurement Book.

Auditee's response:

It was submitted that the measurement for work done was not recorded stating that the work was given to the contractor on negotiation.

Who is accountable?:

The Officer In-charge is held accountable for executing works without complying with the formalities as required.

8. Excess payment Nu.0.07 million.

The MoA Secretariat had made excess payment to the tune of Nu.0.07 million to M/s Druk Printers on account of Xeroxing of Act Books on Pesticide, Seed etc.

Auditee's response:

The MoA submitted that such works are normally given on work order basis but on emergencies such procedures are bypassed and the proper verification and other formalities are completed subsequently. On 29.9.03 the Ministry of Agriculture deposited the amount into Audit Recoveries Account.

9. Procurement without tendering Nu.6.48 million.

The Ministry of Agriculture had awarded works valuing Nu.6.48 million without opting for competitive bidding as required in the Procurement Manual. The details are outlined in the table 1.10:

Table 1.10 showing agencies that awarded the work without tendering.

Sl. No	Work awarded by	Amount (Nu.Million)	Remarks
1.	Divisional Forest Office, S/jongkhar.	0.02	Procurement of vehicle spare parts.
2.	Trashiyangtse (SEZAP activities).	6.46	Construction of Bumdiling farm road.
	Total	6.48	

The descriptive details of each transaction are as under:

A. Purchases without quotation Nu.0.02 million.

The **DFO, S/Jongkhar** had procured vehicle spares worth Nu.0.02 million without adhering to the procurement norms.

Auditee's response:

The management had not submitted any responses.

Who is accountable?:

Until the issue is satisfactorily resolved in audit the accountability is fixed on the Divisional Forest Officer.

B. The Trashi Yangtse Dzongkhag, one of the executing agencies of SEZAP activities had awarded the construction of Bumdiling farm roads to **M/s Druk Construction Company** without tendering. The total value of such works was Nu.6.46 million.

Auditee's response: *The project management had submitted that it was the Dzongkhag who was mainly responsible for implementing the activities and the Department of Budget & Accounts have been traditionally releasing the budget to the Dzonkhag under this project for execution. It was also stated that the management was involved only in planning the activities. It was also stated that M/s Druk Construction Company had given 2 % less than the subsidised rate available at Central Machinery Unit, Bumthang.*

Who is accountable?: *Until the issue is satisfactorily resolved in audit the accountability is fixed on the Dzongdag, Dzongkhag Administration, Trashiyangtse.*

10. Payment for works not executed Nu.0.12 million.

The Divisional Forest Office (DFO), Mongar had paid Nu.0.12 million on items of work which was not executed or partly executed. This was found out during the site visit conducted jointly by the audit team and the Dzongkhag/PFO Engineers and Range Officers.

Auditee's response: *The DFO, Mongar submitted that all the amounts except from M/s Nagtshomo Construction of Nu.0.02 million have been recovered and deposited into audit recoveries account.*

Who is accountable?: *Unless the whole of the amount is deposited into audit recoveries account the accountability is fixed on the engineer of DFO, Mongar.*

11. Allotment/sale of teak timber at lower than government approved rate-Loss of Nu.0.19 million.

The Senior Official in the Forestry Services Division had approved the rate for timber for Wood Based Industries and Export on special case allotment at Nu.255.57 per Cft. On the contrary, audit had found out that the DFO, S/Jongkhar had realised the proceeds at varying rates resulting into a financial loss of Nu. 0.19 million.

Auditee's response: *The DFO submitted that the rate applied to the special cases allotments were based on the approval of the Head of Department of Forestry Services.*

Who is accountable?: *The reply is not tenable in audit unless it is substantiated by evidences, therefore, the accountability*

is fixed on the DFO.

13. Irregular Diversion of Fund Nu.0.11 million.

During the Fiscal Year 2000-2001 the Project Facilitation Office Khangma had paid Nu.0.36 million to DFO, S/Jongkhar for the maintenance of plantation. It had utilized Nu.0.21 million for the intended purpose, surrendered Nu.0.04 million to the PFO, Khangma and diverted the rest of the fund for some other works without approval from the competent authority.

Auditee's response: *The project management/DFO, S/Jongkhar had not submitted any response on this issue.*

Who is accountable?: *Until the issue is satisfactorily resolved in audit the accountability is fixed on the Project Facilitation Officer and DFO S/Jongkhar.*

14. Avoidable payment of Nu.0.06 million.

The Ministry of Agriculture had evaluated a tender for the supply of Xylane HCL (30 ml vial) for which offer from M/s Indian Immunological was found the most competitive bid. The rate offered was Nu.235/ 30 ml vial.

Ironically, the orders for the supply of the said item was placed to M/s Karma Tshongkhang who did not quote the rate in the tender document and that too at the supply rate of Nu. 283 per 30ml Vial as against the M/s Indian Immunological's offer rate of Nu.235.00.

Such decision had cost the National Exchequer an avoidable expenditure of Nu.0.06 million (1300 x (283-235)). The difference in the rate must be made good by the officer responsible for the change in decision.

Auditee's response: *The Ministry of Agriculture had submitted that though the tender had been called, supply order were not placed because an emergency situation cropped up that compelled the ministry to procure from Karma Tshongkhang at the previous year's tendered rate.*

Who is accountable?: *Since the procurement of such item appears to be of annual feature, proper procurement planning needs to be in place for which the accountability is fixed on the Director, Department of Agriculture & Livestock Services and Stores Officer, Ministry of Agriculture, Phuntsholing.*

15.Non-recovery of the cost of motor cycle supplied Nu.0.04 million.

One Veterinary Officer had taken the delivery of a Bajaj Cable Motor Cycle from the supplier without allotment order. Neither, the officer who took the delivery nor the Ministry initiated any recovery for the cost of Motor Cycle until such time the audit had pointed out.

Auditee's response: *The MoA submitted that based on audit findings immediate corrective action has been taken for recovery of the cost of Motorbike from the officer responsible. The current balance is stated to be of Nu.0.01 million only.*

Who is accountable?: *The accountability for this is fixed on the Veterinary Officer, Regional Veterinary laboratory, Khaling until the whole amount is recovered with Commercial Interest..*

16.Non-deduction of 2% TDS Nu.0.02 million.

The Land Use and Natural Resource Planning III had not made a statutory deductions amounting to Nu.0.02 million from various suppliers bills.

Auditee's response: *The project management had submitted that it had recovered some amount and deposited into Audit Recoveries Account and had also undertaken to recover the balance amount.*

Who is accountable?: *Until such time the whole of the amount of TDS not deducted is received in audit the accountability is fixed on the Project Manager.*

17.Non-production of tender documents Nu.0.24 million.

The Land Use and Natural Resource Planning III had not produced quotations/tender documents pertaining to photocopying and accessories valuing Nu.0.24 million to audit for verification and review. Therefore, reasonableness of rates could not be ascertained.

Auditee's response: *The management had not submitted any response on this issue.*

Who is accountable?: *Until such time the required document is received in audit the accountability is fixed on the Project Manager.*

CHAPTER VI.

Ministry of Communications.

The Royal Audit Authority during the year 2002 had issued thirteen inspection reports of agencies under the Ministry of Communications. The following officials headed the ministry and the departments under it in the year 2002:

Sl. No	Name of Office bearers	Designation
1.	Dasho Leki Dorji	Deputy Minister as head of the ministry
2.	Lt. Dasho Dorji Tenzin	The then Secretary for first half of year.
3.	Lt. Yeshey Tshering	The then Director, Road Safety & Transport Authority
4.	Tshering Dorji	Director General, Department of Urban Development & Housing & Officiating Secretary.
5.	Rinchen Dorji	Director, Department of Roads
6.	Phala Dorji	Director, Department of Civil Aviation
7.	Dorji Choden	Head, National Quality Control Authority
8.	Pem Tsewang	Head, Administration & Finance Division.

The following table exhibits the summary of the findings in a consolidated form:

Table 1.11 showing summary of the observation by category code and the amount involved.

Sl.No .	Agencies	Amount (Nu.Million)	%	Category code
1.	Extra & wasteful Expenditure.	19.16	53.81	5
2.	Outstanding Revenue.	11.35	31.87	2
3.	Outstanding advances.	2.04	5.73	1
4.	Loss of Revenue.	1.15	3.23	4
5.	Unsatisfactory execution of works/use of materials against specification.	0.73	2.05	10
6.	Misappropriation.	0.48	1.35	9
7.	Outstanding hire charges.	0.30	0.84	18
8.	Non-levying of liquidated damages.	0.19	0.53	13
9.	Double payment to the contractor.	0.13	0.37	6
10.	Inadmissible payment.	0.08	0.22	8
	Total	35.61	100	

Major Findings:

1. Non-levying of liquidated damages Nu.0.19 million.

The contract clause stipulates the completion deadlines for any construction works failing which the contractors shall be penalised by way of imposing liquidated damages. However, the following contractors were not penalised:

- A.** The work on construction of temporary water supply scheme, Phase 1 at Changjiji Housing Project was awarded to M/s Alpine Builders with a stipulated completion period of 3 months.

However, the work was not completed as required for which the contractor was liable for a liquidated damages @ 0.1% of the contract price for every day of delay (as per the contract document).

The total amount of liquidated damages comes to Nu.0.13 million.

Auditees response: *It was stated that the work is still under progress and upon completion the amount of damages would be deposited into audit recoveries account.*

Who is accountable?: *Until such time the amount of liquidated damages is deposited into audit recoveries account members of the technical committee would be held accountable.*

- B.** M/s Green Wood Manufacturing Company (GWMC) was placed the supply order for the supply of flush doors, shutters and ply veneer for the total value of Nu.0.63 million with the stipulated supply time of 2 months approximately.

A review of the records suggests that M/s GWMC had not supplied the materials on time for which the supplier was liable for liquidated damages of Nu.0.06 million as per the Procurement Manual.

Auditees response: *The management stated that a nominal penalty amount shall be charged and deposited into audit recoveries account.*

Who is accountable?: *Until such time the amount of liquidated damages is deposited into audit recoveries account Executive Engineer, Estimate & Planning is held accountable.*

2. Extra & wasteful expenditure Nu.19.65 million.

The Ministry of Communications had incurred an extra & wasteful expenditure amounting to Nu.19.65 million. The auditors noted that such

expenditures were incurred due to lack of proper planning and advance studies. Agency wise details of extra & wasteful expenditure incurred are given in the table 1.12:

Table 1.12 showing agencies that made extra & wasteful expenditure.

Sl. No.	Agencies responsible	Amount (Nu.million)	Para Ref.
1.	Department of Roads.	11.74	D
2.	Department of Urban Development & Housing.	3.56	B
3.	Department of Urban Development & Housing.	2.28	C
4.	Department of Urban Development & Housing.	1.58	A
	Total	19.16	

The descriptive details of each transaction are as under:

A. Extra Expenditure due to change in specifications Nu.1.58 million.

One of the contracts for the construction work of Government Housing Project at Changjiji was awarded to M/s Rinson Construction. A closer scrutiny of running bills revealed a huge item where specifications were changed from those originally reflected in the drawings. All those items changed were paid at analysed rates (usually higher than tendered rate) and these changes had cost the Government Exchequer an extra financial burden to the tune of Nu.1.58 million.

The auditors noted that it was due to lack of proper planning and inadequate investigation at initial stages. The DUDH management admitted the lapses in the planning and preparation of estimates.

Auditees response:

It was submitted that an efforts will be made to improve the quality of the estimates within the constraints faced by the department. The department noted that the reasons for the lack of clarity in the drawings and errors in the estimates is the total absence of communications between the architects, the structural engineers, the estimators and the engineers who eventually supervise the construction work at the planning stage. It was also stated that 55% of the extra amount was incurred due to the instruction of the Council of Cabinet Ministers (CCM). The DUDH also submitted that proper co-ordination is now in place and that similar lapses are not repeated in future.

Who is accountable?:

With exception to the extra expenditure incurred due to instructions of the CCM other response is not tenable,

therefore, the head of the engineering cell in the Department of Urban Development & Housing is held accountable to make good the differences.

B. Extra expenditure due to variation in quantities Nu.3.56 million.

The Construction of Low Cost Housing Complex at Changjiji had huge variations between the estimated and actual executed quantities ranging from 20.47 % to 1425 %. This variation had entailed an extra expenditure to the Government Exchequer by Nu.3.56 million.

Auditees response:

It was submitted that an effort will be made to improve the quality of the estimates within the constraints faced by the department. The department noted that the reasons for the lack of clarity in the drawings and errors in the estimates is the total absence of communications between the architects, the structural engineers, the estimators and the engineers who eventually supervise the construction work at the planning stage. The DUDH also submitted that proper co-ordination is now in place and that similar lapses are not repeated in future.

Who is accountable?:

The response is not tenable, therefore, the head of the engineering cell in the Department of Urban Development & Housing is held accountable to make good the differences.

C. Extra expenditure due to execution of more additional/extra items Nu.2.28 million.

The Construction of Low Cost Housing Complex at Changjiji by Department of Urban Development and Housing had substantial number of extra items paid to the contractor for each block. The rates for these extra items were analysed on the basis of market rate which is normally higher than the quoted rates.

Had there been proper assessment during the preparation of estimate the expenditure would have been lower than the expenditure actually incurred by Nu.2.28 million.

Auditees response:

It was submitted that an efforts will be made to improve the quality of the estimates within the constraints faced by the department. The department noted that the reasons for the lack of clarity in the drawings and errors in the estimates is the total absence of communications between the architects, the structural engineers, the estimators and the engineers who eventually supervise

the construction work at the planning stage.

Who is accountable?: *The response is not tenable, therefore, the members of the tender committee are held accountable to make good the extra expenditure.*

D. Injudicious selection of sites resulting into avoidable extra and wasteful expenditure of Nu.11.74 million.

For the construction of Puna-Tsangchu Bridge, a committee of the Department of Roads recommended designing and constructing new bridge at the location of the old Bazam site. The bridge was to be constructed with the financial assistance of Helvetas. M/s Kelwang Consultancy was awarded the work of sub-soil investigation and accordingly the RGoB incurred Nu.0.93 million on this account.

The construction work was awarded to M/s Singye Construction and M/s S.P.Malik & Company. Later on, it was felt that the bridge could not be constructed according to the relevant drawings as the axis line passed directly through the Chorten of the old Bazam Bridge (cantilever bridge). In order to protect the historically significant Chorten (stupa), the site for the bridge was shifted by 11 metres down stream.

Due to shifting of an alignment an additional cost amounting to the tune of Nu.10.81 million had to be borne by the RGoB (Helvetas declined to bear this additional cost) and the cost incurred for sub-soil investigation of Nu.0.93 million also was wasteful.

Auditees response: *The Department of Roads agreed that the site at the original location of the Bazam was the most suitable provided the existing chorten (stupa) is dismantled. The new location was shifted 11 metres down stream as it fell within the acceptable area of influence of the previous bore holes and the conclusion was that the soil and rock conditions would not vary substantially within such a short distance.*

Who is accountable?: *Since additional financial burden of Nu.10.81 million had to be borne by RGoB, the responsibility is fixed on the members of the tender committee and the site selection team for professional and technical lapses and the Ministry for lack of supervision.*

3. Outstanding revenue Nu.11.35 million.

The Regional Offices of the Road Safety and Transport Authority (RSTA) had revenue outstanding of Nu. 11.35 million not collected from various agencies as outlined in the table 1.13:

Table 1.13 showing outstanding revenue against each agency.

Sl. No.	Agencies responsible	Amount (Nu.Million)	Remarks
1.	RSTA, Phuntsholing.	2.63	Renewals & Registration fees.
2.	RSTA, Thimphu.	8.34	-do-
3.	RSTA, Gelephu.	0.38	Registration fees.
	Total	11.35	

The descriptive details of each transaction are as under:

- A.** The Road Safety and Transport Authority, Regional Office, Phuntsholing had revenue outstanding aggregating to Nu.2.63 million.

Auditees response:

The management had stated that an action is being taken to effect recoveries through notifications, reminders etc. The RSTA Headquarters had informed the RAA that new registration of vehicles for those defaulters have been totally stopped and the system is now being computerised through dial-up connections to all regional offices. It had also stated that write-off proposal have been submitted to the Ministry of Finance.

Who is accountable?:

Until such time the amount of outstanding with Commercial Interest is received in the RAA or the write-off obtained from the Ministry of Finance, the Regional Transport Officer, Phuntsholing is held accountable.

- B.** The Road Safety and Transport Authority, Regional Office, Thimphu on similar account as above had an outstanding revenue aggregating to Nu.8.34 million including outstanding counter rent of Nu.0.02 million.

Auditees response:

The management responded stating that a sum of Nu.0.02 million approximately was received and deposited. The RSTA Headquarters had informed the RAA that new registration of vehicles for those defaulters have been totally stopped and the system is being computerised through dial-up connections to all regional offices. It had also stated that write-off proposal have been submitted to the Ministry of Finance.

Who is accountable?: *Until such time the amount of outstanding with Commercial Interest is received in audit or the write-off obtained from the Ministry of Finance, the Regional Transport Officer, Thimphu and Accountant are held accountable.*

- C.** The Road Safety and Transport Authority, Regional Office, Gelephu also had outstanding revenue amounting to Nu.0.38 million on account of vehicle registration fee. The over due amount beyond the period admissible must draw a Commercial Interest from the officer responsible for the lapses.

Auditees response: *The management submitted that it shall initiate appropriate actions as per RSTA Rules and Regulation Act 1999.*

Who is accountable?: *Until such time the amount of outstanding with Commercial Interest is received in audit or the write-off obtained from the Ministry of Finance, the Regional Transport Officer, Gelephu is held accountable.*

4. Loss of Revenue Nu.1.15 million.

- A. Irregular assessment and realization of late fee-resultant loss of revenue Nu.0.87 million.**

There is a rule that imposes a penalty of Nu.100 per day for vehicles that turns up late for renewal after a lapse of one-month grace period. However, the Director and the Regional Transport Officers do waive off certain percentage of penalty on a case by case basis. But in RTO, P/ling the officials responsible for assessing the penal amount had not calculated exactly with a resultant short levy of penalty by Nu.0.87 million.

Auditees response: *The RSTA submitted that while there is provision to impose penalty, in many cases penalty amounts to even more than the cost of vehicle due to which the owners do not turn up for payment, however, it was submitted that with vigorous campaigning such instances are on the decreasing trend.*

Who is accountable?: *Since no satisfactory response was submitted, the responsibility for the lapse is fixed on Ministry and the Regional Transport Officer, Phuntsholing.*

B. Non-levying of 5% ownership transfer taxes-resultant loss of revenue Nu.0.28 million.

The Road Safety and Transport Regulation Act 1999 required ownership transfer tax and transfer fee to be collected while transferring the ownership of vehicles. However, in three of the instances the RSTA HQ had not abided to the requirement with the resultant revenue loss of Nu.0.28 million.

Auditees response: *It was stated that M/s Kuenga Travels was asked to pay Nu.0.28 million.*

Who is accountable?: *Until such time the amount in question is now received in audit with Commercial Interest the responsibility is fixed on the concerned dealing officer, Road Safety & Transport Authority.*

6. Unsatisfactory execution of works/use of materials against the specification by the contractor Nu. 0.73 million.

The City Corporation, P/ling had awarded River Protection works worth Nu.4.49 million to the contractor. During the physical verification at site by the auditors it was noticed that the compaction of the soil was not properly done by the contractor since spots of undulations were clearly visible. The value of such works amounted to Nu.0.15 million approximately. Thus auditors had the reason to suspect the quality of works executed, quality of supervision/monitoring given to the works etc.

The City Corporation, P/ling had awarded river protection works to the contractors in six packages. As per the tender specification the wire mesh should have been 4mm diameter & 100mm x 100 mm complete. In contravention to this specification contractors in all six packages had supplied wire mesh of 130mm x 130 mm and in some cases wire mesh were above 170mm x 170 mm but all were paid for 100m x 100mm. The City Corporation, P/ling had not rejected the material. The total payment for the supply of these materials aggregated to Nu.0.58 million.

Auditors believe that supplying of materials against the specification would not only have the financial implications but would also have a bearing on the quality of work output. The cost difference must be made good by the officials who had failed to check the materials properly.

Auditees response: *The City Corporation, Phuntsholing had submitted that the contractors were asked to rectify the flaws and deposit the difference amount of supplying wrong specification of steel wire mesh.*

Who is accountable?:

Until such time the flaws reported were rectified and the amount in question is deposited now with Commercial Interest into audit recoveries account the responsibility is fixed on the Thrompon, City Corporation, Phuntsholing.

7. Double payment to the contractor Nu.0.13 million.

The City Corporation, P/ling had made the following double payments to the contractors valuing Nu.0.13 million:

- A.** Bill for excavation of 30 running metre valuing Nu.0.02 million was paid twice to the contractor justifying that the excavated trenches were flooded for which the contractor had to excavate repeatedly.
- B.** There was a double payment for the excavation of trenches for the pipes and cabbies amounting to Nu.0.02 million.
- C.** Similarly, double payment of Nu.0.09 million was made to M/s Chapcha Engineering Company for the work on providing and laying hand packed stone masonry and for other works which was already paid.

All double payments to be made good with Commercial Interest in the Audit Recoveries account.

Auditees response:

The City Corporation informed the RAA that the matter is actively being pursued with the agencies to whom the payments were made.

Who is accountable?:

Until such time the amount in question with Comercial Interest is received in audit the responsibility is fixed on the then Executive Engineer and Site Engineer, City Corporation, Phuntsholing.

8. Inadmissible payment Nu.0.08 million.

The RSTA HQ had awarded the contract for Designing and Drafting of New Driver's Manual of 130 pages to M/s IMPACT Consultancy & Advertising for Nu.0.19 million approximately. However, on actual receipt of manual it contained only 74 pages but actually paid for 130 pages. Thus, it had resulted into inadmissible payment of Nu.0.08 million which must be accounted for in the Audit Recoveries Account.

Auditees response:

The management stated that the work was not actually based on the number of pages but on content and its component.

Who is accountable?: *The response needed to be verified, until then the responsibility is fixed on the director, Road Safety & Transport Authority.*

9. Outstanding advances Nu.2.04 million.

The Ministry of Communications had outstanding advances amounting to Nu.2.04 million as given in the table 1.14:

Table 1.14 showing agency wise outstanding advances.

Sl. No.	Agencies responsible.	Amount (Nu.Million)
1.	Department of Roads, Headquarter.	1.78
2.	RSTA, Headquarter.	0.26
	Total	2.04

Auditees response: *It was submitted that the amount of outstanding advances are all carried over to the latest inspection reports.*

Who is accountable?: *It is immaterial whether it is brought forward or not so long the advances are not liquidated, therefore, long overdue amount be deposited with Commercial Interest, the accountability is fixed on the controlling officers and Finance Officers.*

10. Irregular acceptance of resignation of Flight Safety Officer by the Ministry.

The Department of Civil Aviation had forwarded the letter of resignation of a Flight Safety Officer to the Ministry of Communications for processing with appropriate authorities. The Civil Service Rule states that the authority to accept resignation of civil servant in grades 8 to 4 is the Chairman of the RCSC. The officer resigning was in BCSR Grade VII. The Ministry instead of getting the resignation approved from the competent authority had approved the resignation.

Analytical review of government fund invested for his studies/trainings/seminars for the last 5 years revealed that an amount of Nu.1.56 million was spent for training him to be a flight operations inspector, besides availing number of opportunities through nominations from RCSC. After his resignation, the DCA has no officer equivalent to his level of qualification and experience, and therefore, the department is handicapped to that extent.

Auditees response: *The management submitted that the resignation of flight safety officer was approved by the Secretary, Royal Civil Service Commission (RCSC).*

Who is accountable?: *The accountability is fixed on the Secretary (RCSC) and Deputy Minister, Ministry of Communications for non compliance.*

11. Misappropriation of Nu. 0.48 million.

A. Sale proceeds of taxi meter Nu.0.42 million.

The Road Safety and Transport Regulation Act 1999 required all taxis to be equipped with a taxi meter in order to fix a minimum charge. Accordingly, RSTA HQ had procured taxi meters amounting to Nu.2.27 million and supplied to its clients at the cost price. But only Nu.1.85 million approximately was realised and deposited into the Budget Fund Account resulting into non-accountal of Nu.0.42 million.

Auditees response: *The RSTA submitted that the proceeds were recovered and administrative action taken against the official at fault.*

B. Revenue shortage Nu.0.06 million.

The Road Safety and Transport Authority, Samdrupjongkhar had failed to account revenue shortage of Nu.0.06 million. This is the balance amount of Nu.0.81 million originally misappropriated less the equivalent monetary value of 20 years imprisonment of culprit.

Auditees response: *It was responded that the accountant of the Regional Transport Office, S/Jongkhar was convicted and imprisoned for 20 years.*

Who is accountable?: *Until the balance amount of Nu.0.06 million is received in audit the accountability is fixed on RTO, S/Jongkhar.*

12. Outstanding hire charges Nu.0.30 million.

The Regional Workshop, Hesothangka had not realised the hire charges of its equipment & machinery to government agencies and third parties amounting to Nu.0.30 million.

Auditees response: *The management had indicated that vigorous action would be taken to collect the outstanding hire charges.*

Who is accountable?: *Until such time the amount in question is collected and deposited the regional manager is held accountable.*

The Ministry of Communications should have exercised its mandate much more diligently and professionally in not only preventing waste of resources but setting standards for construction industry.

CHAPTER VII.

Ministry of Health and Education.

The Royal Audit Authority during the year 2002 had issued ten inspection reports of agencies under the Ministry of Health & Education. The following officials headed the ministry and the departments under it in the year 2002:

Sl. No	Name of Office bearers	Designation
1.	Lyonpo Sangay Ngedup	Minister
2.	Dr. Sangay Thinley	Secretary
3.	Pem Thinley	Director General, Department of Education.
4.	Dr. Gado Tshering	Director, Department of Health Services.
5.	Thinley Wangdi	Head, Administration & Finance Division.

The following table exhibits the summary of the findings in a consolidated form:

Table 1.15 showing summary of the observation by category code and the amount involved.

Sl. No.	Observation in Brief	Amount (Nu.Million)	%	Category code
1.	Outstanding advance.	138.48	99.43	1
2.	Non-deduction of taxes.	0.25	0.18	15
3.	Excess payment.	0.21	0.15	6
4.	Shortage of materials.	0.12	0.09	18
5.	Wrong booking of expenditure.	0.13	0.09	12
6.	Irregular/inadmissible payment.	0.08	0.06	8
	Total	139.27	100	

Major findings:

1. Outstanding advance Nu.138.48 million.

The Ministry of Health & Education had outstanding advances of Nu.138.48 million lying unadjusted/uncollected from various third parties and agencies. Agency wise details of the amount are as given in the table 1.16:

Table 1.16 showing agency wise outstanding advances.

Sl. No.	Agencies	Amount (Nu.Million)
1.	Department of Health (I/A account).	11.65
2.	National Institute of Education, Paro.	0.03
3.	Secretariat, MoHE.	0.15
4.	Regional Referral Hospital, Mongar	0.78
5.	DANIDA Assisted Accounts.	123.78
6.	Education Division.	2.09
	Total	138.48

All dues not collected beyond the admissible period must attract Commercial Interest to be paid by the officers responsible.

Auditees response:

It was submitted that the department would make careful efforts to comply with rules in future and that the recoverable advances would be recovered. It was also stated that irrecoverable advances would be processed for write-off.

Who is accountable?:

Until such time the above amount is liquidated in full all concerned finance officers, project manager and head of Administration & Finance Division are held accountable. The amount must be deposited into Audit Recoveries Account with Commercial Interest from the stipulated due date.

2. Excess payment Nu.0.21 million.

The Ministry of Health & Education had made excess payment to the tune of Nu.0.21 million by way of following:

- A.** One Programme Officer of the IECH Bureau under the Health Department while on training in Bangkok for 46 days was paid in DSA rates instead of Stipend as applicable under the rules. Thus excess payment/expenditure to the tune of Nu.0.11 million was incurred by the department.

Auditees response:

It was submitted that they have written to the UNICEF seeking clarification on the matter and that RAA would be intimated after receiving the confirmation

Who is accountable?:

Until such time the clarification or money paid in excess is received in audit Programme Officer, IECH is held accountable for payment with Commercial Interest.

- B.** The Department of Health also made an excess DSA payment of Nu.0.05 million approximately to health workers who went on a study tour to South India.

Auditees response: *The management submitted that the concerned officials were asked to justify their extra claims.*

Who is accountable?: *Until such time the DSA paid in excess is accounted for in audit with Commercial Interest the finance officer who made the payment is held accountable.*

- C. The Education Division made an excess payment amounting to Nu.0.05 million approximately as inadmissible DSA and to the supplier of wall maps.

Auditees response: *The Education Division submitted that the excess payment will be recovered and deposited into Audit Recoveries Account.*

Who is accountable?: *Until such time the amount in question is accounted for in audit with Commercial Interest the accountability is fixed on Head of Administration & Finance Division.*

3. Shortage of materials Nu.0.12 million.

During the physical verification Sherubtse College had shortage of library books worth Nu.0.03 million approximately.

Similarly, the physical verification of the Regional Referral Hospital Construction Project in Mongar found a material shortage of Nu.0.21 million. Items that were missing include 1166 square feet of carpet, 1649.69 kilograms of Angle Iron Post and 210 pieces of CGI Sheets. However, on being pointed out by RAA a sum of Nu.0.08 million approximately was deposited into Audit Recoveries Account.

Auditees response: *Sherubtse College had not responded on this issue till date. The Regional Referral Hospital Construction Project in Mongar had submitted that necessary stock entries have been made and sum of Nu.0.05 million approximately have been deposited leaving a balance amount of Nu. 0.09 million approximately still to be accounted for.*

Who is accountable?: *Until such time the balance amount with Commercial Interest is fully accounted for in audit the accountability is fixed on the Project Manager and for the shortage of Library books the responsibility is fixed on Deputy Chief Accountant.*

4. Wrong booking of expenditure Nu.0.13 million.

It was observed that Nu.0.13 million approximately was incurred from the HRD Fund of the DANIDA assisted accounts for the entertainment purposes. The expenditure was incurred on the recognition of Health Personnel who have served more than 25 years of their services to the nation and the people of Bhutan. Approval to meet the expenditure from the HRD DANIDA Fund was accorded by the Hon'ble Minister, Ministry of Health & Education. The Financial Rule, however, does not allow incurring of expenditure from the Capital Budget (HRD Fund) for Current/Revenue Expenditure (Entertainment) purposes.

Auditees response: *The project management submitted that the procedures have been overlooked, budget offences have been committed and financial integrity could not be maintained.*

Who is accountable?: *Financial discipline must be respected, therefore, accountability for the lapses is fixed on the Head of Administration and Finance Division.*

5. Non-deduction of tax Nu.0.25 million.

Statutory deductions as required by the taxation policy of the Royal Government amounting to Nu.0.25 million were not effected by the Education Division from the bills of various suppliers.

Auditees response: *It was submitted that the tax deductible shall be recovered from the supplier. It was also submitted that since the amount is quite huge the supplier may resist.*

Who is accountable?: *Statutory deductions must be made at all cost. Until such time the above tax is accounted and received in audit with Commercial Interest the accountability for the lapses is fixed on the Head of Administration and Finance Division for failure to discharge his duty and the amount be refunded to Ministry of Finance.*

6. Irregular/inadmissible payment Nu.0.08 million.

- A.** There is a circular from the Royal Civil Service Commission which states the inadmissibility of teaching allowances to employees under teaching cadre during training/study and maternity leave except on permissible vacation. In contravention to this rule the National Institute of Education, Paro had made the inadmissible payment of Nu.0.09 million to lecturers.

Similarly, the National Institute of Education, Samtse made an inadmissible payment of Nu.0.21 million to its lecturers.

Auditees response: *The National Institute of Education, Paro and Samtse submitted that the payment was made due to oversight but stated that recovery of Nu.0.05 million have been effected and that the balance amount would be recovered and deposited into audit recoveries account. The NIE, Samtse also stated that the institute had recovered Nu.0.18 million leaving a recoverable balance of Nu.0.04 million and that the balance amount would be recovered.*

Who is accountable?: *Until such time the balance amount of inadmissible payment made is fully accounted for in audit the accountability is fixed on the directors of the two institutes.*

B. The Education Division made an inadmissible payment of Nu.0.04 million approximately to the teachers who were called for the evaluation at Punakha and Paro. The rule states that those teachers who are based/posted in these two places but called for the evaluation would not be admissible for DSA.

Auditees response: *It was submitted that the amount is being adjusted/deposited on a case by case basis.*

Who is accountable?: *Until such time the inadmissible payment made is fully accounted for in audit the accountability is fixed on lecturers (payees), NIE Paro.*

The Royal Audit Authority hopes that the Ministry will institute effective internal control measures in particular effective control of donor funds.

CHAPTER VIII.

Ministry of Home Affairs.

The Royal Audit Authority during the year 2002 had issued ten inspection reports of agencies under the Ministry of Home Affairs. The following officials headed the ministry and the departments under it in the year 2002:

Sl. No.	Name of Office bearers	Designation
1.	Lyonpo Thinley Gyamtsho	Minister
2.	Dasho Pema Wangchuk	Secretary
3.	Dasho Dr.Sonam Tenzin	Director General, Department of Immigration & Census
4.	Dasho Tshering Wangda	Director General, Law & Order Division
5.	Nob Tshering	Head, Administration & Finance Division.

The following table exhibits the summary of the findings in a consolidated form:

Table 1.17 showing summary of the observation by category code and the amount involved.

Sl. No.	Observation in Brief	Amount (Nu.Million)	%	Category code
1.	Outstanding advance.	50.03	72.74	1
2.	Procurement without tendering.	10.02	14.57	3
3.	Award of work in deviation to rules- loss to the exchequer.	2.79	4.06	7
4.	Irregular/Inadmissible payment.	1.72	2.50	8
5.	Non-levying of liquidated damages.	1.29	1.88	13
6.	Excess/double/over payment.	1.16	1.69	6
7.	Outstanding Revenue.	0.93	1.35	2
8.	Non-deduction of taxes.	0.30	0.44	15
9.	Payment for works not executed.	0.27	0.39	14
10.	Misuse of revenue collection.	0.13	0.19	9
11.	Shortages of stores.	0.10	0.15	18
12.	Irregular Booking of advances.	0.04	0.06	18
	Total	68.78	100	

Major Findings:

1. Payment for works not executed Nu.0.27 million.

Some Dzongkhags under the Ministry of Home Affairs had paid Nu.0.27 million for works not executed. Such transactions are outlined in the table 1.18:

Table 1.18 showing agencies that made payment for works not executed.

Sl. No.	Agencies responsible	Amount (Nu.Million)	Remarks
1.	Dzongkhag Administration, Gasa.	0.06	Construction work of RNR, Centre.
2.	Dzongkhag Administration, Sarpang.	0.15	Construction works
3.	Dzongkhag Administration, Paro.	0.06	Construction of aqua privy toilets & re-roofing.
	Total	0.27	

The descriptive details are as follows:

- A.** The Dzongkhag Administration, Gasa had awarded the construction work of RNR Centre at Laya to Lhaba Tshering. A team consisting of Dzongkhag Officials and auditors that visited the site found out that the contractor was paid for works not executed amounting to Nu.0.06 million approximately.

Auditee's response: *The Dzongkhag Administration, Gasa is yet to intimate the RAA on the action taken on this matter.*

Who is accountable?: *Until such time the payment made is received in audit the accountability is fixed on the Dzongkhag Engineer.*

- B.** The Dzongkhag Administration, Sarpang paid Nu.0.23 million and Nu.0.02 million to M/s Sonam Dorji Construction and M/s K.P. Construction respectively for works not executed. M/s Sonam Dorji Construction after being pointed out by audit, amount to the tune of Nu.0.12 million was deposited into the Audit Recoveries Account thereby leaving a recoverable balance of Nu.0.11 million. M/s Kamal Construction was also paid Nu.0.02 million approximately for works not executed.

Auditee's response: *The Dzongkhag Administration, Sarpang has not informed the RAA of the action taken on this matter.*

Who is accountable?: *Until such time the payment made with Commercial Interest is deposited into audit recoveries account, the accountability is fixed on the Dzongkhag Engineer.*

- C.** The Dzongkhag Administration, Paro paid Nu.0.06 million to contractors for works not executed. It includes Nu.0.04 million and Nu.0.02 million paid to M/s Zamling Construction and M/s Kuenphen Construction respectively for the construction of Aqua Privy toilets and re-roofing of Rinpung Primary School.

Auditee's response:

The Dzongkhag Administration, Paro had informed the RAA that a reminder letter has been written to the concerned contractors about depositing the amount paid.

Who is accountable?:

Until such time the payment made with Commercial Interest is received in audit the accountability for the lapses is fixed on the Dzongkhag Engineer, Assistant Engineer and Junior Engineers of Dzongkhag Administration, Paro.

2. Excess/double/over payments Nu.1.16 million.

The Ministry of Home Affairs had made excess/double/over payment to the tune of Nu.1.16 million by way of the following transactions given in the table 1.19:

Table 1.19 showing agencies that made excess/double/over payments.

Sl. No	Agencies responsible	Amount (Nu.Million)	Remarks
1.	Dzongkhag Administration, Gasa.	0.03	Official tours and construction works.
2.	Dzongkhag Administration, Sarpang.	0.08	Construction of storm water drainage & RT works
3.	Dzongkhag Administration, Samtse.	0.06	Paid to labourers & apprentice teachers.
4.	Secretariat, Ministry of Home Affairs.	0.09	Refund of labour security deposits.
5.	Dzongkhag Administration, Pemagatshel.	0.10	Renovation of Mikuri Primary School.
6.	Dzongkhag Administration, Trashigang.	0.09	Wages & procurement of CGI Sheets and
7.	Dzongkhag Administration, Mongar.	0.71	Procurement, construction works etc.
	Total	1.16	

The descriptive detail of each transaction is as follows:

- A.** The Dzongkhag Administration, Gasa had made double/over payment to the tune of Nu.0.03 million to contractor and officials for the construction of toilets and for official tours conducted.

Auditee's response:

The Dzongkhag Administration, Gasa is yet to intimate the RAA on the action taken on this matter.

Who is accountable?:

Until such time the over payment made is received in audit the accountability is fixed on the Dzongkhag Engineer and accountant.

- B.** The Dzongkhag Administration, Sarpang made an excess payment amounting to Nu. 0.04 million for the construction of storm water drainage to M/s R D Construction. This was observed during the site visit comprising of municipal officials and auditors. M/s Sonam Rabphel Construction which was awarded the river protection work was also paid an excess amount of Nu.0.04 million. The measurement recorded was higher than actual execution at site.

Auditee's response: *The Dzongkhag Administration, Sarpang has not informed the RAA of any action taken on this matter.*

Who is accountable?: *Until such time the payment made is received with Commercial Interest in audit the accountability is fixed on the Dzongkhag Site Engineer.*

- C.** The Dzongkhag Administration, Samtse in the renovation works of W/T main building and staff quarters at Dorokha departmentally had over paid Nu.0.04 million to the muster roll labourers. The teachers appointed for the Non-Formal Education classes were paid their gross salary instead of proportionate net pay as per the appointment order resulting to over payment of Nu.0.02 million.

Auditee's response: *The Dzongkhag Administration, Samtse submitted that they have written both to the present and former Dungpa of Dorokha Dungkhag to justify on the over-payments made. With respect to the over-payment to non-formal teachers it was stated that no such payments have been entertained thereafter and that it happened due to various office orders being issued at different times.*

Who is accountable?: *The Dzongkhag Administration, Samtse had informed the RAA that the accountability for the lapses be fixed on the former Dungpa, accordingly former dungpa is held accountable. For overpayment to the non-formal teachers the Dzongkhag Finance Officer is held accountable to deposit the differences.*

- D.** The Secretariat, Ministry of Home affairs had made double payment of Nu.0.06 million to M/s Druk Chogley Construction Company. The labour security deposit money which was already paid was again claimed by the company by producing the Labour Repatriation Certificate. The Ministry without verifying it made the payment. The Ministry also refunded Nu.0.03 million in excess of actual security deposit.

Auditee's response:

The Ministry is yet to intimate the RAA on the action taken in this matter.

Who is accountable?: *Until such time the money with Commercial Interest is recovered and deposited into audit recoveries account M/s Druk Chogley Construction Company and the accountant who made the payment are held accountable.*

- E.** The Dzongkhag Administration, Pemagatshel for the renovation of Mikuri Primary School and maintenance of Dungmin Primary School had over paid the contractor by Nu.0.10 million.

Auditee's response: *The RAA is informed that the Dzongkhag Administration is still tracing for the records.*

Who is accountable?: *Until such time the issue in question is fully resolved former Dzongdag and Dzongkhag Engineer of Pemagatshel Dzongkhag are held accountable.*

- F.** The Dzongkhag Administration, Trashigang had paid excess amount of Nu.0.09 million on procurement of Cement and wages.

Auditee's response: *The Dzongkhag has not taken any action on this issue.*

Who is accountable?: *Until such time the amount paid in excess with Commercial Interest is received in audit the accountability is fixed on Dasho Dzongdag, Dzongkhag Education Officer, Senior Accountant, Dzongkhag Engineer and Finance Officer.*

- G.** The Dzongkhag Administration, Mongar had over payment of Nu.0.71 million. It includes Nu.0.54 million on various constructions, Nu.0.10 million on payment of allowances, Nu.0.01 million on procurement and Nu.0.06 million as double payments.

Auditee's response: *With regard to over payment on construction it was stated that a sum of Nu.0.26 million would be recovered and deposited into audit recoveries account. The response also stated that the overpayment on coursed rubble masonry and earth work excavation pertaining to the construction of girls' hostel in Yadi are not realistic, therefore, needs re-verification. With regard to other over payments it was stated that the payment made in deviation to rules would be recovered and deposited into audit recoveries account.*

Who is accountable?: *The payment made over and excess of what was actually entitled must be deposited into audit recoveries account with Commercial Interest. Therefore, until such time the amount is received in audit the accountability is fixed on former Dasho Dzongdag, currently the Chief of Protocol, Ministry of Foreign Affairs.*

3. Irregular booking of advances Nu.0.04 million.

The Dzongkhag Administration, Gasa had booked an advance of Nu.0.04 million against Bank of Bhutan. The purpose of the advance was to exchange US \$ for official use by head of the Dzongkhag while on trip abroad. The advance was not brought forward to the succeeding financial year.

Auditee's response: *The RAA was informed that the Dzongkhag had written to former dzongdag currently in Mongar to account for the amount.*

Who is accountable?: *Until such time the amount is deposited into audit recoveries account the former dzongdag is held accountable.*

4. Outstanding advance Nu.53.95 million.

The Ministry of Home affairs had outstanding advances of Nu.50.03 million lying unadjusted/uncollected from various third parties and agencies. Agency wise details of the amount are as given in the table 1.20:

Table 1.20 showing agency wise outstanding advances.

Sl. No.	Agencies	Amount (Nu.Million)
1.	Dzongkhag Administration, Gasa.	0.10
2.	Dzongkhag Administration, Sarpang.	15.17
3.	Dzongkhag Administration, Paro.	0.53
4.	Dzongkhag Administration, Samtse.	0.58
5.	MoHA Secretariat.	22.77
6.	Dzongkhag Administration. Pemagatshel.	2.75
7.	Dzongkhag Administration. Trashigang.	3.37
8.	Dzongkhag Administration, Trashiyangtse.	4.76
	Total	50.03

Out of Nu.15.17 million reflected under Dzongkhag Administration, Sarpang an advance of Nu.7.41 million was paid to Store Unit, Power, Phuntsholing for procurement of materials. All dues not collected beyond the admissible period must attract Commercial Interest to be paid by the officers responsible.

Auditee's response: While some of the Dzongkhag Administrations informed the RAA that they have brought forward the advances in the current audit report some stated that it is under process of recovery.

Who is accountable?: It is immaterial whether it is brought forward or not so long the advances are not liquidated, therefore, the accountability is fixed on the Dzongdags and Finance Officers to deposit the amount with Commercial Interest from the stipulated due date.

5. Outstanding revenue Nu.0.93 million.

Agencies under the Ministry of Home Affairs had outstanding revenue not deposited into Royal Government Revenue Account aggregating to Nu.0.93 million. It is summarized in the table 1.21:

Table 1.21 showing outstanding revenue against each agency.

Sl. No.	Agencies responsible	Amount (Nu.Million)	Remarks
1.	Gelephu Dungkhag.	0.15	Land & house taxes
2.	Dzongkhag Administration, Samtse.	0.73	Gungda Woola, Municipal taxes etc.
3.	Dzongkhag Administration, Mongar.	0.05	Municipal taxes
	Total	0.93	

The descriptive detail of each transaction is as follows:

- A.** Gelephu Dungkhag had collectible outstanding tax of Nu.0.15 million approximately from various gups and land/house owners under the Dungkhag.

Auditees response: The RAA is yet to be intimated on any action taken on this matter.

Who is accountable?: Until such time the government revenue with penal interest is deposited fully the accountant, revenue assistant and site engineer are held accountable.

- B.** The Dzongkhag Administration, Samtse had total outstanding revenue yet to be realised from the public amounting to Nu.0.63 million in lieu of Gungda Woola. Further, revenue collected but not deposited by Dungkhag officials comes to Nu.0.07 million. It was also observed that Municipal taxes for the FY 1998 to 2001 amounting to Nu.0.03 million remained outstanding.

Auditees response: The Dzongkhag Administration, Samtse had submitted that the administration had written to Dungpa of Dorokha to collect the outstanding revenue from the

public and deposit to the Royal Government Revenue (RGR) Account. The administration also stated that the letter was written both to present and former Dungpa to deposit the revenue collected directly to audit recoveries account. Further, the administration has issued disconnection notice of the service facilities provided by the municipality and Bhutan Power Corporation should they refuse to pay.

Who is accountable?:

Until such time the outstanding revenue with penal interest is deposited either into audit recoveries account or RGR account the former Dungpa, present Dungpa, Administrative Officer and Draftsman of Samtse Dzongkhag are held accountable.

C.The Dzongkhag Administration, Mongar also had outstanding revenue/municipal tax of Nu.0.05 million approximately.

Auditee's response:

The Dzongkhag Administration, Mongar submitted that it is still in the process of collection.

Who is accountable?:

The government revenue with penal interest must be deposited either into audit recoveries account or into Royal Government Revenue Account. Therefore, until such time the issue is settled the accountability is fixed on former Dasho Dzongdag, currently the Chief of Protocol, Ministry of Foreign Affairs.

6. Procurement of works/goods without tendering Nu.10.02 million.

The Dzongkhag Administration, Trashiyangtse had awarded various construction works during the FY 2000-2001 amounting to Nu.3.08 million without going for competitive bidding.

Auditee's response:

The Dzongkhag Administration, Trashiyangtse is yet to take action on this matter.

Who is accountable?:

Former Dzongdag and Senior Finance Officer are held accountable for the lapses.

The Dzongkhag Administration, Mongar had awarded construction works of Bumpazor BHU-II and Balam BHU-II on work order basis valuing Nu.3.33 million and 3.61 million respectively.

Auditee's Response:

The Dzongkhag Administration, Mongar is yet to take action on this matter.

Who is accountable?:

The works awarded on work order basis is a serious deviation from the established rules. Therefore, accountability is fixed on former Dasho Dzungdag, currently the Chief of Protocol, Ministry of Foreign Affairs.

7. Irregular/inadmissible payment Nu.1.72 million.

The Ministry of Home Affairs had made some irregular payment of Nu.1.72 million as outlined in the table 1.22.

Table 1.22 showing agencies that made irregular/inadmissible payments.

Sl. No.	Agencies responsible	Amount (Nu.Million)	Remarks
1	Dzongkhag Administration, Paro.	0.06	Renovation of Shaba High & Bitekha Primary School.
2	Dzongkhag Administration, Paro.	0.17	Residential Telephone charges & transportation.
3.	Dzongkhag Administration, Samtse.	1.11	Vacation salary to apprentice teachers & residential telephone charges.
4.	Dzongkhag Administration, Gasa.	0.38	No supporting documents.
	Total	1.72	

The descriptive detail of each transaction is as follows:

- A.** The Dzongkhag Administration, Paro made an inadmissible payment of Nu.0.06 million approximately to contractors for the renovation of Shaba High School and Bitekha Primary School (M/s Tashi Construction & M/s Sonamchen Construction).

Auditee's response:

The Dzongkhag Administration, Paro had not intimated the RAA on any action taken on this matter.

Who is accountable?:

Until such time the irregular amount paid is received in audit the accountability is fixed on the Dzongkhag Engineer and his Assistant Engineer.

- B.** The Dzongkhag Administration, Paro also incurred transportation charges of Nu.0.17 million in deviation to the rates standardised by the Road Safety and Transport Authority.

Auditee's response:

The Dzongkhag Administration, Paro had not intimated the RAA on any action taken on this matter.

Who is accountable?:

Until such time the inadmissible amount paid is received in audit the accountability is fixed on the Senior Finance Officer of the Dzongkhag.

- C. The Dzongkhag Adm, Samtse had paid inadmissible vacation salary to apprentice teachers amounting to Nu.0.06 million in contravention to their appointment order. It also paid inadmissible residential telephone charges amounting to Nu.0.02 million in contravention of the circulars issued by the Ministry of Finance. Further, The Dzongkhag Administration, Samtse made inadmissible contingent squad payment amounting to Nu.0.14 million. Muster roll payment amounting to Nu.0.89 million was also made without maintaining basic requirement such as places of work done, value of work done etc.

Auditee's response:

With respect to inadmissible vacation salary it was stated that no such payments have been entertained thereafter and that it happened due to various office orders being issued at different times. About inadmissible telephone charges and contingent squad payment it was stated that they have written to the concerned asking them to deposit directly to audit recoveries account. Regarding irregularities on muster roll payment it was stated that the audit recommendations are now complied with.

Who is accountable?:

All inadmissible payment must be deposited into audit recoveries account, therefore, until such time the amount is received in audit the accountability is fixed on the Dzongkhag Finance Officer, former Dzongkhag Education Officer, District Agriculture Officer, Personal Assistant, Sipsu Dungpa and senior surveyor.

- D. The Dzongkhag Administration, Gasa had made payment aggregating to Nu.0.38 million approximately without supporting documents.

Auditee's response:

The Dzongkhag Administration, Gasa submitted that due to remoteness of the Dzongkhag and harsh climatic condition, materials for construction activities were procured from Dzongkhag's suppliers.

Who is accountable?:

The response submitted is not tenable in audit. Until such time the issue is resolved in audit the accountability for the lapse is fixed on the Dzongkhag Engineer.

8. Non-levying of liquidated damages Nu.1.29 million.

The contract clause stipulates the completion deadlines for any construction works failing which the contractors shall be penalised by way of imposing liquidated damages. However, the following contractors were not penalised. Outlines of the instances are given in the table 1.23.

Table 1.23 showing agencies who failed to penalise contractors for the delay in the completion of construction works.

Sl. No.	Agencies responsible	Amount (Nu.Million)	Remarks
1.	Dzongkhag Administration, Trashigang.	0.79	Delay in the construction of Thungkhar School.
2.	Dzongkhag Administration, Pemagatshel.	0.07	Delay in the construction of Yurung BHU.
3.	Dzongkhag Administration, Samtse.	0.05	For works not completed on time.
4.	Dzongkhag Administration, Mongar.	0.38	Construction of water supply line & class room block.
	Total	1.29	

The descriptive detail of each transaction is as follows:

- A.** Dzongkhag Adm, Samtse had not levied liquidated damages amounting to Nu.0.05 million for the works not completed in time (M/s Lhaba Construction).

Auditee's response:

It was submitted that the construction was taken up during the dry season where contractor had to fetch water from a very long distance and due to which the time extension was given.

Who is accountable?:

The reply is not tenable in audit, therefore accountability is fixed on the Dzongkhag Engineer.

- B.** The Contract for the construction of Yurung BHU-II was delayed without justified hindrances but the Dzongkhag Administration, Pemagatshel had not imposed the penalty amounting to Nu.0.07 million.

Auditee's response:

The Dzongkhag Administration, Pemagatshel had submitted the responses but did not state anything on the liquidated damages liable to be imposed.

Who is accountable?:

Without justified hindrances the delay in construction is liable for liquidated damages. Therefore, until such time the amount of liquidated damages with Commercial Interest is received in audit the accountability is fixed on former dzongdag, Dzongkhag Engineer and finance officer.

- C.** The Dzongkhag Administration, Trashigang had not imposed the penalty for the delay in completion of the construction of Thungkar Primary School amounting to Nu.0.79 million (M/s Perfection Engineer and Consultant Private Limited)

Auditee's response:

The Dzongkhag Administration, Trashigang had informed the RAA that an approval for write-off was obtained from the competent authority. Contents of the note sheet conveying the approval as submitted to the RAA is briefly summarised as follows "It was stated that the contractor had failed to complete the work within the stipulated time and that a new modality was developed where it was jointly executed with the concerned Project Section Officer. The final billed amount of Nu.98,78,720.40 included deviation and material cost escalation which is yet to be scrutinized. It was also stated that while closing the bills due to huge initial advance payments the account could hardly adjust the advances due to which 2% BIT and 7% Security deposits were not at all deducted. The note sheet also stated that the contractor was already overpaid and that the remaining balance would be required to clear the pending payments for the local laborers"

Who is accountable?:

The contents of the note sheet not only speaks of the lapses and weaknesses of Project Management but also indicated a lack of earnest & diligent effort on the part of contractor because of which there is a cost escalation of almost 100%.The statement that due to huge initial advance payment 2% BIT & 7% Security were not deducted is not tenable as it is more of a indication of lack of financial discipline being followed. Therefore, liquidated damages with Commercial Interest must be deposited into audit recoveries account, the accountability of which is fixed on the Project Manager until such time the amount as worked out by audit is received in audit.

- D.** The Contract for the construction of water supply line from Kheringree to Yakpogang and construction of class room block at Gyelpoishing was delayed without justified hindrances. But Dzongkhag Administration, Mongar had not levied damages to the contractors M/s Chimi Wangchuk and M/s Yangrig Construction amounting to Nu.0.18 million and Nu.0.20 million respectively.

Auditee's Response:

The Dzongkhag Administration, Mongar is yet to take action on this matter.

Who is accountable?: *The works awarded on work order basis is a serious deviation from the established rules. Therefore, accountability is fixed on former Dasho Dzongdag, currently the Chief of Protocol, Ministry of Foreign Affairs.*

9. Shortages of stores Nu. 0.10 million.

For the construction of Shari Community School, Paro, the Education Central Store, P/ling through Store Assistant had issued 748 pieces of CGI Sheets to Gup of Shari. However, on physical verification only 650 pieces were found available resulting into shortages of 98 sheets valuing Nu.0.04 million approximately.

Auditee's response: *The Dzongkhag Administration, Paro had stated that the person responsible for these shortages had agreed to handover the CGI Sheets to the school authority. It was also stated that he was reportedly out of station at the time of auditing.*

Who is accountable?: *Until the RAA is informed of the material being handed over to the school authority along with acknowledgement the accountability is fixed on Ex-Shari Gup, present councillor in the Royal Advisory Council and Dzongkhag Education Officer.*

The Dzongkhag Administration, Mongar had not accounted Cement and CGI sheet amounting to Nu.0.06 million. These items were meant for construction of Out Reach Clinic. The value of the goods with Commercial Interest needs to be accounted in the Audit Recoveries Account.

Auditee's response: *The Dzongkhag Administration, Mongar had not informed of any action taken on this matter.*

Who is accountable?: *The value of shortages must be made good in audit. Therefore, until such time the amount is received in audit the accountability is fixed on former Dasho Dzongdag, currently the Chief of Protocol, Ministry of Foreign Affairs.*

10. Shortage/misuse of revenue collection Nu.0.13 million.

The Rural taxes, fines and penalties etc amounting to Nu.0.09 million (amount included 24% penal charges of Nu.0.06 million) collected by Dzongkhag Administration, Samtse was not deposited into the Royal Government Revenue Account.

Auditee's response: *The Dzongkhag Administration, Samtse had submitted that it has written to the officer responsible for the lapse who was transferred to the Ministry of Agriculture. It also*

stated that he had agreed to refund the revenue amount not accounted for by him.

Who is accountable ?: *Until such time the amount misappropriated is received in audit former Revenue In-charge who is currently the accountant in the Ministry of Agriculture is held accountable.*

The Secretariat, Ministry of Home Affairs had a revenue shortage of Nu.0.04 million. This was revealed during the physical verification of cash.

Auditee's response: *The Secretariat, Ministry of Home Affairs is yet to intimate RAA on the action taken on this matter.*

Who is accountable ?: *Though some deposits were made leaving a balance of Nu.0.02 million, the accountability is fixed on the Deputy Chief Accountant.*

11. Non-deduction/less deduction/non collection of Tax Nu.0.30 million.

The agencies under the Ministry of Home Affairs had not deducted/less deducted taxes as outlined in the table 1.25:

Table 1.24 showing agencies that did not effect tax deductions.

Sl. No.	Agencies responsible	Amount (Nu.Million)	Remarks
1.	Dzongkhag Administration, Samtse.	0.02	Salary taxes, health contribution etc.
2.	Dzongkhag Administration, Trashigang.	0.13	TDS from suppliers and contractors
3.	Dzongkhag Administration, Trashiyangtse	0.03	
4.	Dzongkhag Administration, Mongar.	0.12	Building processing fee, land demarcation fee etc.
	Total	0.30	

The descriptive detail of each transaction is as follows:

- A.** The Dzongkhag Administration, Samtse had not effected statutory deductions such as salary tax, health contributions and less deduction of house rents amounting to Nu.0.02 million.

Auditee's response: *The Dzongkhag Administration, Samtse had submitted that as per audit observations the deductions are being made.*

Who is accountable?: *Until such time the whole of the amount is received in audit the accountability is fixed on the Dzongkhag Finance Officer and former Dzongkhag Education Officer.*

B. Similarly, Dzongkhag Administration, Trashigang had not deducted taxes of Nu.0.13 million from the bills of suppliers and contractors.

Auditee's response: *The Dzongkhag Administration, Trashigang submitted that they are in the process of recovering the amount from the suppliers and contractors.*

Who is accountable?: *Until such time the amount of taxes is received in audit the accountability is fixed on Dasho Dzongdag and Finance Officer.*

C. The Dzongkhag Administration, Trashiyangtse had also not deducted taxes of Nu.0.03 million.

Auditee's response: *The Dzongkhag Administration, Trashiyangtse submitted that the deduction would be effected from the suppliers and contractors.*

Who is accountable?: *Until such time the amount of taxes is received in audit the accountability is fixed on the Finance Officer.*

D. The Dzongkhag Administration, Mongar had revenue of Nu.0.12 million either not collected or collected lesser amount. Such revenue pertain to building processing fee, land demarcation fee etc.

Auditee's response: *Some recoveries are being made and deposited into audit recoveries account.*

Who is accountable?: *Until such time the whole of the amount is deposited into audit recoveries account the accountability is fixed on the former Dasho Dzongdag, currently the Chief of Protocol, Ministry of Foreign Affairs.*

12. Award of work in deviation to rules-financial implication to the exchequer Nu.2.79 million.

The Dzongkhag Administration, Mongar had during the Financial Year 2000-2001 awarded substantial number of capital works on tender. On reviewing the documents it was noticed that the lowest bidders to the following works were rejected without documenting any justifiable reasons as required in the procurement manual. Such decisions on the part of the Dzongkhag Tender Committee had cost extra money to the National Exchequer by Nu.2.79 million.

Table 1.25 showing financial implication of not awarding the work to the lowest bidders without documenting any reasons/justifications.

Sl. No.	Name of work	Work Awarded to	Work awarded @	Lowest bid Nu. Million	Differences Nu. Million
1.	Construction of 4 units staff quarter at GHS.	M/s Gayjur Construction	3.23	1.50	1.73
2.	Construction of BHU at L/thang.	M/s T.Tobgay construction	3.19	2.81	0.39
3.	Construction of toilets at GHS.	M/s Thinley Wangdi	0.93	0.67	0.26
4.	Construction of 32 capacity hostel.	M/s Rigwang Construction	0.92	0.84	0.08
5.	Construction of toilet at Yadi.	M/s Druk Phuensum Con	1.14	1.01	0.13
6.	Construction of RNR at Yadi.	M/s Tshamphu construction	2.15	2.05	0.10
7.	Water supply from Khengree.	M/s Chimi Wangchuk	3.69	3.59	0.10
					2.79

The differences for the lowest evaluated bids be accounted in the Audit Recoveries Account by the officers responsible for the decisions.

Auditee's response:

The Dzongkhag Administration, Mongar stated that the works were awarded in deviation to rules as per the decision of the Dzongkhag Tender Committee.

Who is accountable?:

Any tender committee is expected to follow the Procurement Guidelines and not rubberstamp its contents. Therefore, accountability for such lapses is fixed on the Dzongkhag Tender Committee Chaired by former Dasho Dzongdag, currently the Chief of Protocol, Ministry of Foreign Affairs.

The RAA expects the Ministry of Home Affairs to play an effective role in coordination and supervision of the internal control systems and integrity systems so that resources meant to benefit the public do receive proper application.

CHAPTER IX.

Ministry of Finance.

The Royal Audit Authority during the year 2002 had issued nine inspection reports of agencies under the Ministry of Finance. The following officials headed the ministry and the departments under it in the year 2002:

Sl. No	Name of Office bearers	Designation
1.	Lyonpo Yeshey Zimba	Minister
2.	Dasho Wangdi Norbu	Secretary
3.	Aum Y.T. Wangchuk	Director General, Department of Aid & Debt Management.
3.	Lam Dorji	Director, Department of Budgets & Accounts.
4.	Nima Wangdi	Director, Department of Revenue & Customs.
5.	Letho	Head, Administration & Finance Division.

The following table exhibits the summary of the findings in a consolidated form:

Table 1.26 showing summary of the observation by category code and the amount involved.

Sl. No.	Observation in Brief	Amount (Nu.Million)	%	Category code
1.	Outstanding tax/revenue/rental.	60.20	89.32	2
2.	Outstanding Advance.	4.32	6.41	1
3.	Avoidable expenditure.	1.06	1.57	5
4.	Misuse of revenue.	0.92	1.36	9
5.	Fictitious Expenditure claimed as tax deductible expenses.	0.36	0.53	18
6.	Non-imposition of penal interest.	0.29	0.43	13
7.	Under-assessment of Corporate Income Tax.	0.13	0.19	18
8.	Outstanding credit sales.	0.09	0.13	18
9.	Overpayment.	0.03	0.04	6
	Total	67.40	100	

Major findings:

1. Outstanding advance Nu.4.32 million.

The Ministry of Finance has an advances outstanding reflected against various third parties/ suppliers/employees aggregating to Nu. 4.32 million as summarized in the table 1.27:

Table 1.27 showing outstanding advances agency wise.

Sl. No	Agency	Amount (Nu.Million)
1.	Ministry of Finance, Secretariat.	4.04
2.	Regional Revenue & Custom Office, P/ling.	0.13
3.	Regional Revenue & Custom Office, Thimphu.	0.08
4.	Regional Revenue & Custom Office, Gelephu.	0.07
	Total	4.32

The over due advances beyond the period admissible must be accounted for with Commercial Interest in the Audit Recoveries Account.

Auditee's Response: *While some agencies submitted that actions are being taken to collect the money some did not respond.*

Who is accountable?: *Until such time the above amount is fully accounted for either in audit or in the agencies' books of accounts finance officers and concerned regional directors are held accountable.*

2. Outstanding tax/revenue/rental 60.20 million.

The Regional Revenue & Customs Offices (RRCO) has outstanding revenue/tax/rental yet to be collected from various companies amounting to Nu.60.20 million. Amount of taxes collectible by various RRCO's are as shown in the table 1.28:

Table 1.28 showing outstanding revenue region wise.

Sl. No	Regional Revenue & Customs Offices (RRCO)	Amount (Nu. Million)
1.	Regional Revenue & Custom Office, P/ling.	13.63
2.	Regional Revenue & Custom Office, Thimphu.	38.33
3.	Regional Revenue & Custom Office, Gelephu.	0.63
4.	Regional Revenue & Custom Office, Samtse.	6.54
5.	Regional Revenue & Custom Office, S/jongkhar.	1.07
	Total	60.20

The Regional Revenue & Customs Office, Phuentsholing had outstanding taxes aggregating to Nu.13.63 million not collected from the following companies given in the table 1.29:

Table 1.29 showing outstanding taxes by client wise under Phuentsholing region.

Sl. No.	Name of Company	Amount (Nu.Million)
1.	M/s Bhutan Board Product Limited.	9.45
2.	M/s Namgay Hotel.	1.78
3.	M/s Bhutan Engineering Company.	0.81
4.	Various Importers.	1.59
	Total	13.63

The amount reflected against M/s Bhutan Board Products Limited (BBPL) includes interest component for the tax not paid as per the taxation rule. For the outstanding tax amount of Nu.5.21 million a case has been put up to the Tax Appeal Committee, Department of Revenue and Customs, but the decision is awaited. Further, M/s BBPL had not paid the Royal Government a dividend amounting to Nu.2.37 million including the tax components for the year 1998.

Auditee's response: *The RRCO, Phuntsholing submitted that the case is under appeal.*

Who is accountable?: *Until such time the government revenue in question under appeal is resolved the Director, Department of Revenue & Customs and Regional Director, Regional Revenue & Customs Office, Phuntsholing is held accountable.*

The **RRCO, P/ling** also has outstanding tax reflected against M/s Namgay Hotel amounting to Nu.1.78 million. The case has been submitted to the Headquarter who in turn had submitted to the Office of the Legal Affairs. The decision is awaited.

M/s Bhutan Engineering Company had not filed in the tax returns on time as required for running the Government Central Workshop in Phuentsholing. The accounts for the business year covering from 1995 to 1999 were submitted only in 2001. The tax assessed on the accounts submitted and late fine imposed by the assessing authority amounting to Nu.0.29 million & Nu.0.52 million respectively is yet to be deposited.

Auditee's response: *With regard to non-settlement of tax of Nu. 1.78 million approximately against M/s Namgay Hotel the RRCO,Phuntsholing submitted that on Headquarter's instructions an amount of Nu.0.60 million was realised. The case pertaining to M/s Bhutan Engineering Company was stated to have been transferred to RRCO, Thimphu.*

Who is accountable?: *Until such time the government revenue in question is resolved fully the Regional Director, Regional Revenue & Customs Office, Phuntsholing is held accountable.*

The **RRCO, P/ling** had not realised the import bills amounting to Nu.0.59 million from the importers. Some of the amounts reflected above are accumulated from the Financial Year as far back in 1992-93.

Auditee's response: *The RRCO, Phuntsholing had informed the RAA that the matter was put up to the Director, Department of Revenue & Customs to take up further actions.*

Who is accountable?: *Until such time the government revenue in question is resolved fully the Regional Director, Regional Revenue & Customs Office, Phuntsholing is held accountable.*

The **RRCO, Samdrupjongkhar** had not realised tax amounting to Nu.1.07 million against the demand notice issued in 1998/1999. The case was stated to be under appeal.

Auditee's response: *The RRCO, S/Jongkhar submitted that they have not received anything on the case put up for appeal.*

Who is accountable?: *Until such time the government revenue in question is fully resolved the Regional Director, Regional Revenue & Customs Office, S/jongkhar is held accountable.*

The **RRCO, Thimphu** had outstanding taxes aggregating to Nu. 38.33 million not collected from the companies given in the table 1.30:

Table 1.30 showing outstanding taxes by client wise under Thimphu region.

Sl. No	Name of company	Amount (Nu.Million)
1.	M/s Rabsel Construction Company.	1.87
2.	M/s Druk Chogley Construction Company.	25.13
3.	M/s JD Construction Company.	0.46
4.	M/s Druk Construction Company.	0.12
5.	M/s Chapcha Engineering Private Limited.	1.68
6.	M/s Damchu Construction Company.	8.44
7.	M/s Ongdi Timber Industries.	0.09
8.	M/s Kelwang Tiger Beer.	0.02
9.	M/s Jungshi Hand Made Paper Factory.	0.02
10.	M/s Choden Saw Mill, Haa.	0.02
11.	Importers.	0.48
	Total	38.33

The **RRCO, Thimphu** stated that the bulk of the tax amount from serial number **1** to **8** pertains to the penalty on income evaded. The case was stated to be under appeal.

The companies at Serial Number **9 & 10** were given the chance to pay the assessed taxes on instalment basis but failed to pay the amount.

The amount at serial number **11** is the value of customs duty/tax, labour and transportation charges of the goods received from Paro Customs Office and Phuentsholing but released by the Customs Transit Office, Thimphu to the consignees without requiring them to clear the dues.

Auditee's response: *The RRCO, Thimphu had not submitted any action taken on this matter as of date.*

Who is accountable?: *Until such time the whole of the issue is resolved or the tax amount deposited into audit recoveries account the former and present Regional Directors are held accountable.*

The RRCO, Gelephu had not collected rural taxes amounting to Nu.0.63 million from various dzongkhags and dungkhags under its region. Some taxes were outstanding since 1986.

Auditee's response: *The RRCO, Gelephu intimated the RAA about some collections being made.*

Who is accountable?: *Until such time the whole of the issue is resolved or the tax amount deposited into audit recoveries account the former and present Regional Directors are held accountable.*

The RRCO, Samtse had outstanding taxes aggregating to Nu.6.54 million not collected from the companies given in the table 1.31:

Table 1.31 showing outstanding taxes client wise under Samtse Region.

Sl. No.	Name of Company	Amount (Nu.Million)
1.	M/s Jigme Mining Enterprise, Pugli .	2.06
2.	M/s Lhaki Cement, Private Limited, Gomtu.	1.99
3.	M/s Yangzom Cement Private Limited.	0.43
4.	M/s Chundu Enterprise, Pugli.	0.68
5.	M/s Singye Dolomite Mining Industry, Duarpani.	0.95
6.	M/s Bhutan Dolomite Powdering Unit.	0.35
7.	M/s Dhendup Hume Industries.	0.08
	Total	6.54

Some of the tax outstanding related to more than one tax year of assessment and some of the outstanding dated as far back as 1991.

Auditee's response: *The RRCO, Samtse submitted that the cases are all under appeal.*

Who is accountable?: *Until such time the government revenue in question under appeal is resolved the Regional Director, Regional Revenue & Customs Office, Samtse is held accountable to pay with Commercial Interest.*

3. Fictitious expenditure claimed as tax deductible expenses Nu.0.36 million.

M/s Asian Minerals Export had submitted an appeal for Nu.0.36 million but was rejected owing to the fact that the expenses were neither accounted in the accounts submitted to the RRCO, Phuntsholing nor the relevant bills and vouchers made available at the time of tax assessment.

Auditee's response: *The RAA was intimated that the company M/s Asian Minerals Export was served with revised demand notice.*

Who is accountable?: *Until such time the whole of the issue is resolved or the tax amount deposited into audit recoveries account the former and present Regional Directors are held accountable.*

4. Misuse of revenue Nu.0.92 million.

A scrutiny of revenue collections and deposits statement at the main check post, RRCO, P/ling observed a revenue misuse by not depositing amounting to Nu.0.55 million approximately. Further, a sum of Nu.0.29 million approximately was short accounted for by underwriting/non recording the receipt amount figures in the computer with malafied intentions of covering up the misused amount. The Deputy Chief Accountant, had also misused the revenue of Nu.0.08 million by issuing fake money receipts.

Auditee's response: *The RAA is intimated that the accountant involved in this misappropriation cases was terminated and that he was served with an office order to deposit the entire sum.*

Who is accountable?: *Until such time the whole of the amount misappropriated is deposited into audit recoveries account the accountant, finance officer and the Regional Director of RRCO, Phuntsholing are held accountable.*

5. Avoidable expenditure Nu.1.06 million.

The Liaison & Transit Office (LTO), Kolkata had incurred a demurrage charges amounting to Nu.1.06 million on behalf of importers mainly government departments. Had the import documents been furnished on time within the allowable seven to ten days then the Government would have saved Nu.1.06 million for the FY 2000-2001.

Auditee's response: *It was submitted that the Liaison Transit Office, Kolkata had to incur those expenses due to delay in documentation by the importers concerned and that the charges have been incorporated in the Import Bills.*

Who is accountable?: *The amount may have been recovered from the private importers but the amount recovered from the government agencies is still a loss to the government. Therefore, until such time proper procedures and internal control systems are in place to avoid such losses to the government the Liaison and Transit Officer is held accountable.*

6. Under-assessment of Corporate Income Tax Nu.0.13 million.

M/s Druk Chogley Construction Company's tax liabilities for the period 1995-2000 was under-assessed by Nu.0.13 million due to accounting of lesser amount of income and by excess adjustment of Tax Deducted at Source.

Auditee's response: *The RAA was informed that while transferring the amount to the summary from the detail figure it was messed up and typed incorrectly resulting in the differences of Nu.0.06 million. With regard to 0.07 million it was stated that the RRCO, Thimphu had sent a revised demand notice to the managing director.*

Who is accountable?: *Until such time the amount of Nu.0.07 million with penal interest is received in audit the Regional Director, RRCO, Thimphu is held accountable.*

7. Non-imposition of penal interest Nu.0.29 million.

M/s Bhutan Engineering Company paid the belated Corporate Income Tax (CIT) liabilities pertaining to the income received from the Sewerage Project amounting to Nu.3.00 million. But the RRCO, Thimphu had not imposed the penal interest @ 24% per annum amounting to Nu. 0.29 million as required under the Taxation Policy 1992.

Auditee's response: *The RAA was intimated that the issue was related to the long pending dispute between the DANIDA Project and the company. The company after prolonged negotiation with the project managed to get the money. The RRCO, Thimphu further stated that the tax amount is quite huge and the company had good tax compliance in the preceding years, therefore, presuming that the company would have paid the tax amount as soon as they received the money from the project they did not pursue*

the matter further. However, it was stated that they have written to the company to deposit the amount.

Who is accountable?: *Until such time the amount of penal interest is received in audit the present and former Regional Director, RRCO, Thimphu are held accountable.*

8. Outstanding credit sales Nu.0.09 million.

The Duty Free Shop had outstanding credit sales of Nu.0.09 million not realised from its clients.

Auditee's response: *The management of Duty Free Shop submitted that the credit sales will be recovered and deposited into audit recoveries account.*

Who is accountable?: *Until such time the amount of credit sales is received in audit the manager is held accountable.*

9. Overpayment Nu.0.03 million.

The RRCO, Samtse had over paid Nu.0.03 million on account of supervision charges and construction of office building.

Auditee's response: *The RRCO, Samtse is yet to intimate the RAA on the action taken on this matter.*

Who is accountable?: *The Regional Director and Finance Officer of the RRCO, Samtse are held accountable until the amount overpaid is received in audit with Commercial Interest.*

The RAA expects the Ministry of Finance to set a role model of efficiency, effectiveness and accountability in accounting for all taxes that are due to the exchequer. The RAA hopes that it shall not be required to introduce the suspension of Audit Clearance.

Chapter X.

Ministry of Foreign Affairs.

The Royal Audit Authority had audited the accounts & operations of the Ministry of Foreign Affairs including its missions and embassies with exceptions to RBE, Bangkok. The following officials headed the ministry and the departments under it in the year 2002:

Sl. No	Name of Office bearers	Designation
1.	Lyonpo Jigme Y Thinley	Minister
2.	Dasho Ugyen Tshering	Secretary
3.	Dasho Jigme Tshultrim	Chief of Protocol
4.	Dasho Tashi Dorji	Head, Administration & Finance Division.
5.	Sonam T Rabgye	Director, Multilateral Division
6.	Dawa Penjo	Director, Bilateral Division
7.	Thinley Dorji	Head, Asia & SAARC Division

The following table exhibits the summary of the findings in a consolidated form:

Table 1.32 showing summary of the observations by category code and the amount involved.

Sl. No.	Observation in brief.	Amount (Nu.Million)	%	Category code
1	Irregular/inadmissible payment	0.91	28.35	8
2	Non-accountal of materials/gift items	0.69	21.50	18
3	Non-recording of advances	0.66	20.56	16
4	Irregular payment towards hospitality & entertainment	0.39	12.15	8
5	Non-deduction of statutory liabilities	0.38	11.84	15
6	Over payment	0.10	3.12	6
7	Overstatement of outstanding advances	0.08	2.49	18
8	Non-deposit of hard currency into govt.account	0.00	0.00	
	Total	3.21	100	

Major Findings:

1. Over Payment Nu.0.10 million.

The Secretariat, Ministry of Foreign Affairs had over paid Nu.0.09 million on account of catering charges, travels abroad etc. Similarly, the Permanent Mission of Bhutan, Geneva had overpaid Nu.0.01 million towards foreign allowance and representational grant.

Auditee's response:

With regard to the over payment on catering charges the RAA was informed that the total number of guests short listed was for 1000 heads where as the invitees confirmed were 700 heads. It was stated that the protocol had negotiated for 625 heads assuming lesser number would be turned up but actual invitees turned out to be 700 heads. With respect to the over payment on others it was informed that responsible officials and agencies have been informed of the over payment and will be recovered shortly.

Who is accountable?:

The RAA is yet to receive the over payment made by the Ministry of Foreign Affairs, therefore, accountability is fixed on the then Finance Officers Pema Yangzom, Norbu Dendup, Ugyen Chewang and other Officers Passang Wangdi, Deputy Director, Singey Dorji, Deputy Secretary and Sangay Rinchen, Deputy Director.

2. Non-recording of advances in the sub-ledger Nu.0.66 million.

The Secretariat, Ministry of Foreign Affairs had not recorded a sum of Nu.0.66 million advanced to various officials, agencies and private parties in the relevant books of accounts. Thus the amount remained outstanding as of date.

Auditee's response:

It was submitted that a sum of Nu.0.34 million approximately was recorded in the relevant ledgers and for the remaining amount it was stated that a matter was being examined

Who is accountable?:

Until the RAA verifies the entries in the ledger and the remaining amount is deposited into audit recoveries account, the accountability is fixed on the then Finance Officers Pema Yangzom, Norbu Dendup, and other Officers Passang Wangdi, Deputy Director, Singey Dorji, Deputy Secretary and Sangay Rinchen, Deputy Director.

3. Non-accountal of materials/gift items Nu.0.69 million.

The gift items worth Nu.0.46 million found purchased by the Secretariat was not accounted for in the relevant stock ledgers. Similarly stores item valuing Nu.0.27 million approximately was found unaccounted.

Auditee's response:

The Secretariat, Ministry of Foreign Affairs had stated that adequate corrective measures are being initiated including entries in the stock account valuing Nu.0.28 million approximately. Regarding gift items it was stated that an appropriate response would be submitted at a future date.

Who is accountable?:

The RAA will have to verify the accountal made by the Secretariat, therefore, until such time the verification is carried out and rest of the issues are satisfactorily resolved the accountability is fixed on Dorji Wangchuk, Protocol Assistant, Dawa Nidup and Yeshi Tshewang, Store In charges.

4. Non-deposit of hard currency into Government Account US\$ 0.15 million.

The verification of visa fees collection and deposits statement found that the fees in dollars amounting to US \$ 0.15 million were deposited in Ngultrum rather than in dollars.

Auditee's response:

The Ministry of Foreign Affairs informed the RAA that the services of the culprit was terminated.

5. Irregular /inadmissible payment Nu.0.91million.

The Royal Bhutanese Embassy, Kuwait had incurred an expenditure of Nu.0.86 million (US \$ 19116) for attending meetings, seminars, workshops etc. The payment vouchers for this expenditure is not supported by requirements such as invitation letter, programme, facilities offered by host country, tour reports etc.

Auditee's response:

The RBE, Kuwait submitted some invitation letters.

Who is accountable?:

Until such time the issue is satisfactorily resolved with the production of tour reports and programmes and the invitation letter that was not submitted earlier in the RAA, the accountability is fixed on the then Ambassador Sonam T. Rabgye.

Similarly, the Royal Bhutanese Embassy, New Delhi had paid a sum of Nu.0.05 million on account of representational grant but in deviation to Foreign Service Rules & Regulations.

Auditee's response: *The RAA is yet to receive the response either from the Ministry of Foreign Affairs or RBE, New Delhi.*

Who is accountable?: *Until such time the issue is satisfactorily resolved in the RAA, the accountability is fixed on the individual payees and Tashi Tshering, Finance Officer.*

6. Irregular payment of hospitality & entertainment Nu.0.39 million (US\$ 8578).

The Royal Bhutanese Embassy, Kuwait had incurred an expenditure of Nu.0.39 million on account of entertaining guests. Documentary requirements such as list of guests, quotation for catering etc. were not found documented.

Auditee's response: *The Royal Bhutanese Embassy, Kuwait had informed the RAA that it has taken full diligence in catering by checking quality and capability of the service providers thereby selecting only the most suitable one. It was also submitted that Bhutan being politically and economically insignificant was able to enhance its image as a friendly country only by entertaining diplomats and locals. It was further submitted that RBE, Kuwait being one man Mission finds it very difficult to keep record of quotation and maintaining files, records etc.*

Who is accountable?: *The RAA need to be informed of the procedures instituted for future adoption and references.*

7. Non-deduction of salary tax & health contribution Nu.0.38 million.

The Permanent Mission of Bhutan in Geneva had not deducted a statutory liabilities such as salary tax & health contribution amounting to Nu.0.04 million (US \$ 1276).

Auditee's response: *The PMB, Geneva informed the RAA that such taxes from the local recruits were not deducted since inception. It was however, stated that such deductions are now made mandatory.*

Who is accountable?: *Until such time the issue is satisfactorily resolved in the RAA, the accountability is fixed on the then Finance Officer, Ugyen Chewang*

Similarly, the PMB, New York had not effected the statutory deductions such as health contribution, salary tax from the pay bills of local recruits (mostly Bhutanese in deviation to Foreign Service Rules & Regulations) amounting to Nu.0.34 million (US \$ 7449).

Auditee's response:

The PMB, New York informed the RAA that such taxes from the local recruits were not deducted since inception. It was however, stated that such deductions are now made mandatory.

Who is accountable?:

Until such time the issue is satisfactorily resolved in the RAA, the accountability is fixed on the then Finance Officer, Kunzang Thinley.

8. Overstatement of outstanding advances Nu.0.08 million.

On totalling the amount of advances released and adjustments carried out, it was found that Royal Bhutanese Embassy, New Delhi had overstated the outstanding advances by Nu.0.08 million.

Auditee's response:

The RAA is yet to receive the response from the Ministry of Foreign Affairs or RBE, New Delhi.

Who is accountable?:

Until such time the issue is satisfactorily resolved in the RAA, the accountability is fixed on the then Finance Officer Damchoe and current Finance Officer Tashi Tshering.

The Ministry of Foreign Affairs and the Finance must appoint competent finance personnel who are well versed in rules, regulations and procedures.

CHAPTER XI.

Corporations.

The Royal Audit Authority during the year 2002 had issued ten inspection reports of agencies grouped under financial institutes and corporations.

I.Forestry Development Corporation Limited.

Besides the statutory audit conducted by a Chartered Accountant Firm from India, the Royal Audit Authority also conduct regulatory audit. The following personnel occupied the various portfolios of the corporation in the year 2002.

Sl. No	Name of Office bearers	Designation
1.	Lyonpo Kinzang Dorji	Chairman
2.	Namgay Wangchuk	Managing Director
3.	S.Ghosh	Finance Manager

Summary of RAA's major findings is given in the table 1.33 below:

Table 1.33 showing summary of the observation by category code and the amount involved.

Sl. No.	Observation in Brief	Amount (Nu.Million)	%	Category code
1.	Direct award of construction works.	6.31	78.39	3
2.	Misappropriation of Cash.	1.18	14.66	9
3.	Inadmissible payment.	0.23	2.86	8
4.	Shortage of materials.	0.18	2.24	18
5.	Excess payment.	0.12	1.49	6
6.	Payment of Fictitious bills.	0.02	0.25	17
7.	Non-levying of penalty/liquidated damages.	0.01	0.12	13
	Total	8.05	100	

Major findings.

1. Misappropriation of Cash Nu.1.18 million.

Finance Personnel of Forestry Development Corporation Limited (FDCL), Headquarter had in 1999 misappropriated Nu.0.45 million by manipulating figures in the cashbook. The whole amount as misappropriated has been deposited through the Court of Law on 21st November 2002.

The Assistant Accounts Officer during the year 1999/2000 had misappropriated Nu.0.73 million by fraudulently preparing disbursement vouchers and by way of booking advances as expenditure.

Auditee's response:

With respect to the second issue it was submitted that the management had given time extension to the Assistant Accounts Officer quite a number of times and eventually got deposited into FDCL Headquarter. The service of the official was compulsorily retired by the Board.

Who is accountable?:

The RAA holds the Board accountable for encouraging corrupt practices through its lenient approach.

2. Inadmissible payment Nu.0.23 million.

A. Residential telephone bills Nu.0.16 million.

FDCL had made inadmissible payment of residential telephone bills amounting to Nu.0.16 million. Auditors had found out such payment in contravention to the corporation rules. The details of such payment are as given in the table 1.34:

Table 1.34 showing agencies that made inadmissible telephone charges.

Sl. No.	Agency	Amount (Nu.Million)
1.	M/s FDCL, Headquarter.	0.05
2.	P/ling Division.	0.02
3.	Ringpung Division.	0.02
4.	Wang Division.	0.04
5.	Engineering Division .	0.03
	Total	0.16

The board had regularized such payment and increased the limit.

Auditee's response:

The FDCL submitted that the Board had regularised the payment of residential telephone bills and approved the ceiling of reimbursement. It was also stated that the circular of the MoF is not applicable to FDCL, which has its own Service Rules and Financial Manual.

Who is accountable?:

The payment of residential telephone bills were disallowed by the Ministry of Finance, no exceptions can be made by any authority except MoF. FDCL is advised to get it clarified from MoF whether MoF circular is applicable to FDCL.

B. Donation to MoA-Archery team Nu.0.07 million.

FDCL, Thimphu had donated Nu.0.07 million to the Archery Team of the Ministry of Agriculture in deviation to the circular from the Ministry of Finance and without the approval of the Board of Directors.

Auditee's response: *The management submitted that the Board had regularised the payment. Further, it was stated that the MoF had fixed the ceiling at Nu.0.05 million per tournament.*

3. Non-levying of penalty/liquidated damages Nu.0.01 million.

It was observed that FDCL, Wang Division had not levied the liquidated damages amounting to Nu.0.01 million for the delay in construction of forest road under Gidakom Range.

Auditee's response: *The management of FDCL submitted that the delay was due to heavy rain and frequent breakdown of Bull Dozer and that the construction was completed within the extended time satisfactorily. The management also submitted that they have started maintaining the Hindrance Register*

Who is accountable?: *The response stating that one of the reasons for delay was due to frequent break down of Bull Dozer is not acceptable in audit, therefore, the accountability is fixed on the Divisional Manager, Wang Division.*

4. Excess payment Nu.0.12 million.

FDCL, Wang Division had paid Nu.0.03 million in excess of the actual value of work done for the construction of forest road under Gidakom Range.

The Wangdigang Forest Management Unit had paid Nu.0.09 million to the contractor in addition to the value of work done. The payment was stated to have been paid for extra works done but auditors had not found any evidence of extra work taken up.

Auditee's response: *The FDCL, Wang Division did not respond as of date.*

Wangdigang Forest Management Unit submitted that the construction of 50 metres additional road was found unavoidable due to terrain condition and that the work was awarded to the same contractor since tendering of small work was not found feasible. It was also mentioned that 40 days delay was mainly because of

the major portion of the road passing through a marshy area.

Who is accountable?:

The Divisional Manager, Wang Division is held accountable for the excess payment made since no appropriate responses were furnished.

Since the auditors have not found any evidences of having taken up extra works the response given is not tenable as such, therefore, accountability for the excess payment is fixed on the Divisional Manager, Wangdigang Forest Management Unit.

5. Shortage of materials Nu. 0.18 million.

The Mechanical Store at Paro under FDCL had shortage of spare parts worth Nu.0.18 million detected by audit during the physical verification.

Auditee's response:

The RAA was informed that a committee was formed to verify the excess and shortage of spare parts and confirmed a shortage of spares valuing Nu.0.04 million It was also later stated that since the work of reconciliation is beyond the capacity of the FDCL, based on the management's recommendation, the Board has accorded approval for appointing a firm of Chartered Accountants to complete the task.

Who is accountable?:

The outcome should be verified by the RAA but in the mean time the confirmed shortage valuing Nu.0.04 million must be deposited into audit recoveries account. Therefore, until such time the accountability is fixed on the store keeper, Engineering Division.

6. Payment of fictitious bills Nu. 0.02 million.

The Engineering Division of FDCL while on official tour had claimed lodging bills printed from the computer. Such payment amounted to Nu.0.02 million.

Auditee's response:

The management submitted that the actual recoverable amount which was less than Nu.0.01 million. was already recovered. Further, it was stated that the concerned staffs were warned not to repeat such unhealthy practices.

7. Direct award of road construction contracts Nu.6.31 million.

FDCL, Zhongar Division had directly awarded the road construction contracts to the following contractors without observing formalities in contravention to the rules. The value of such award of work amounted to Nu.5.06 million as detailed below in the table 1.35:

Table 1.35 showing the agency to whom the works were awarded without tender.

Location	Contract Value (Nu.Million)	Value of Work done (Nu. Million)	Contractor
Rongmachu,Lhuentse	2,216,700.00	2,012,773.83	Kuenzang
Rongmachu,Lhuentse	995,878.87	991,750.47	Kuenzang
Sonjari (LFMU)	1,850,541.12	1,781,787.68	M/S Norlan Construction, Thimphu
	5,063,119.99	4,786,311.98	

Similarly, FDCL, Zhemgang Division had directly awarded the road construction work valuing Nu.1.02 million to Mrs. Dorji Yudon, C/o Yeshey Construction, Zhemgang. The Board agreed that no such direct contract would be awarded in future.

Further, Wangdigang Forest Management Unit had awarded the construction of retaining walls to one Mr.Tashi Phuntsho based on approval accorded by Secretary, FSD on his application. The work had an estimated value of Nu.0.23 million.

Auditee's response:

The management submitted that the direct award of road construction work was done on the basis of approval accorded by the Chairman, Board of FDCL and also stated that the Board had agreed not to entertain such works in future.

The Chairman clarified that one contract was awarded directly based on the contribution to the Tsa-Wa-Sum, one because the amount involved was not very huge and the last reason put forth was that in the tendering system majority of the contractors quote abnormally low rates, just to get the work thereby hindering the quality.

Who is accountable?:

Requirement to tender all capital works is a long established norm of any government agencies /government corporations including FDCL. Therefore, accountability for the lapses is fixed on the Chairman, FDCL.

II. Food Corporation of Bhutan.

Besides the statutory audit conducted by Chartered Accountant Firms from India, the Royal Audit Authority also conduct regulatory audit. The following personnel occupied the various portfolios of the corporation in the year 2002.

Sl. No	Name of Office bearers	Designation
1.	Lyonpo Kinzang Dorji	Chairman
2.	Sherub Gyeltshen	Managing Director
3.	R. Swaminathan	Finance Manager

Summary of RAA's major findings not yet resolved in audit is given in the table 1.36 below:

Table 1.36 showing summary of the observation by category code and the amount involved

Sl. No.	Observation in Brief	Amount (Nu.Million)	%	Category code
1.	Outstanding Loans and advances.	2.85	51.54	1
2.	Purchases without quotation.	2.14	38.70	3
3.	Inadmissible payment.	0.37	6.69	8
4.	Recoverable amount from suppliers/transporters.	0.13	2.35	11
5.	Irregular payment.	0.04	0.72	8
	Total	5.53	100	

Major Findings:

1. Purchases without quotation Nu.2.14 million.

The Food Corporation Bhutan (FCB) had procured 264.30 metric tonnes (MT) of raw rice amounting to Nu. 2.14 million without competitive bidding. Audit could not assess the reasonableness of rates paid to the suppliers.

Auditee's response:

It was stated that the quotation for the supply of Raw Rice was initially not processed since the supply of 600 Mt of raw rice by M/s Sha & Company was in progress. Further, it was stated that since there was a need for additional quantity of rice to replenish the National Food Security Reserve, quotation was received from M/s Ayesha Export, Kishanganj for 551 Brand rice and the rate for 551 rice of the 4th sample was found acceptable as raw rice and that the party had agreed to supply as raw rice instead of 551 rice. Besides, the Board allowed such purchases through formation of committee. The

incorporation of penalty clauses is not practical on business such as commodity trading.

Who is accountable?: *The response is not tenable in audit, therefore, the accountability is fixed on the former Managing Director.*

2. Irregular payment Nu. 0.04 million.

FCB had made the payment of Nu.0.04 million to the contractor based on the estimated value without measurement being taken in the Measurement Book (MB). In the absence of MB and contractor's bill, the actual consumption of materials and actual amount payable could not be ascertained.

Auditee's response: *The management submitted that since the work after making spot quotation was awarded on lump sum amount which was estimated based on Bhutan Schedule of Rates the need to maintain Measurement Book was not felt necessary.*

Who is accountable?: *It is mandatory to maintain Measurement Book in any construction related works. Therefore, the accountability for not maintaining the Measurement Book is fixed on the former Managing Director.*

3. Recoverable amount from suppliers/transporters Nu.0.13 million.

FCB had received consignments (Mona Brand Palm Oil) worth US \$ 1127 in a damaged condition. Although the supplier firms from Singapore had agreed to compensate for the damaged consignment, The FCB did not make further attempt to get the compensation. The equivalent value recoverable amounts to Nu.0.05 million.

Similarly, FCB had 2.414 Mt of Palm Oil received short from the transporters. The value of this shortage was estimated at US \$ 1738 which, is equivalent to Nu.0.08 million

Auditee's response: *The management submitted that the supplier had agreed to make good the losses in the next order but the FCB did not import the oil later and the amount remained uncollected. Further, it was stated that the supplier had agreed to refund the value of goods short received but not refunded as yet.*

Who is accountable?: *The amount with Commercial Interest be accounted for by the former Managing Director.*

4. Outstanding Loans and advances Nu.2.85 million.

Bad and Doubtful loans and advances as of December 2001 stood at Nu.2.85 million. Of this total amount 94 % were lying receivable since 1992 & 1993 and must now be accounted for in Audit Recoveries Account with Commercial Interest from the officers responsible to account.

Auditee's response: *The FCB management had submitted that the cases have been referred to the Court of Law in Phuntsholing.*

Who is accountable?: *Until such time the RAA is informed of the outcome the accountability is fixed on the Managing Director.*

5. Inadmissible payment Nu.0.37 million.

FCB has been regularly paying sitting fees to the invitees during its various meetings. As per Section 63 of the Companies Act 1989, only directors are entitled to the sitting fees.

FCB had a office orders setting limit for payment of residential telephone bills of officials by the corporation. Not adhering to the orders, the telephone charges were paid over and above the set limit amounting to Nu.0.28 million.

Auditee's response: *The FCB management had submitted that the matter regarding the payment of sitting fees to invitees was placed before the Board in its 36th meeting and stated that the Companies Act has no reference on this issue. In respect of residential telephone charges the management stated that the Board had permitted the management to treat the charges as part of corporation's expenditure*

Who is accountable?: *Since the Company's Act of the Kingdom of Bhutan did not stipulate the payment of sitting fees to the invitees regardless of who approved it, the Managing Director is held accountable. The payment of residential telephone bills were disallowed by Ministry of Finance, no exceptions can be made by any authority except MoF, therefore Managing Director is held accountable.*

III. Druk Seed Corporation.

Besides the statutory audit conducted by Chartered Accountant Firms from India, the Royal Audit Authority also conduct regulatory audit. This includes corporate bodies where government has major interests and Druk Seed Corporation (DSC) is one of them. The following personnel occupied the various portfolios of the corporation in the year 2002.

Sl. No	Name of Office bearers	Designation
1.	Lyonpo Kinzang Dorji	Chairman
2.	Jambay Dorji	Managing Director
3.	K.S.Nagrajan	Finance Manager

Summary of major findings is given in the table 1.37 below:

Table 1.37 showing summary of the observation by category code and the amount involved.

Sl.No.	Observation in Brief	Amount (Nu.Million)	%	Category code
1.	Outstanding Sundry Debtors.	10.61	62.45	2
2.	An alarming production expenses than output generated.	6.02	35.43	18
3.	Acceptance of poor quality seeds.	0.20	1.18	10
4.	Irregular/inadmissible payment.	0.08	0.47	8
5.	Non-deduction of taxes.	0.05	0.29	15
6.	Non-accountal/Short accountal.	0.03	0.18	18
	Total	16.99	100	

Major Findings.

1. Huge outstanding sundry debtors Nu.10.61 million.

Amount aggregating to Nu.10.61 million as at 31st March 2002 were lying outstanding against various parties on account of sale of seeds, fertilisers etc as summarised in the table 1.38:

Table 1.38 showing debtors that did not clear their dues.

Sl. No.	Particulars	Debit balance
1.	Dzongkhags.	1.98
2.	Commission Agents.	1.87
3.	Retailers.	0.05
4.	Registered Seed Growers.	1.84
5.	Export.	0.78
6.	Projects and Institutions.	3.16
7.	Other Debtors.	0.24
8.	GTZ R/Fund RSG/CA.	0.18
9.	Other advances.	0.11
10.	Commission agent (old).	0.06
11.	Others (old).	0.12
12.	Projects & Inst. (Old).	0.22
	Total	10.61

The ministry's instruction not to extend credit facilities without approval was not complied with, which had resulted in accumulation of huge outstanding as above. All overdue not collected beyond the admissible period must attract Commercial Interest to be paid by the officers responsible in the Audit Recoveries Account.

Auditee's response: *The management of DSC informed the RAA that outstanding sundry debtors as of 31.12.02 have been reduced to Nu.3.34 million from 10.64 million. It was also stated that starting from the year 2003 the management has strictly complied to the policy of no credit both to Registered Seed Growers (RSGs) and other customers.*

Who is accountable?: *It is immaterial whether it is carried over or not so long it remained unrealized, therefore, until such time the debts are realized the accountability for the amount with Commercial Interest is fixed on the Managing Director and the officer responsible.*

2. Non-deduction of taxes Nu.0.05 million.

Statutory requirement to deduct taxes amounting to Nu.0.05 million were not met by the management.

Auditee's response: *The management of DSC stated that the latest balance is only Nu.0.02 million and had undertaken to recover the whole amount very shortly.*

Who is accountable?: *Until such time the whole of the tax amount with Commercial Interest is received in audit the accountability for the lapse is fixed on the Finance Officer.*

3. Non-accountal/Short accountal Nu.0.03 million.

Audit had noted that 151.63 cft. of timber worth Nu.0.02 million procured was not accounted for in the stock register. In the absence of stock accountal, the actual utilisation of timber could not be ascertained.

Similarly, 4 number tyres valuing Nu. 0.01 million were not accounted for.

Auditee's response: *The management stated that they have opened a stock register and had accounted accordingly. It was also stated that the timber was actually used for making partitions within the green houses and net frames in the open fields.*

Who is accountable?: *Until such time the response given is verified by audit the accountability for the lapse is fixed on the Managing Director. For the non-accountal of tyres, Leki Dakpa, Administration Assistant has been held accountable.*

4. Acceptance of poor quality seeds worth Nu.0.20 million.

DSC had placed the supply order for the purchase of 4000 Kg. of Rajma Seeds to one trading company in New Delhi. Out of the whole lot of seeds received, 239 Kg amounting to Nu.0.20 million was declared as total loss owing to the reasons that the seeds were not true to its type, contained lots of foreign materials, not processed and did not contain properties of quality seeds.

Audit had found out that the payments were made even after establishing that the seeds were of poor quality.

Auditee's response: *The management stated that the germination test result was 70% in all bags and the crop's performance was good. The management also stated that the cost of processing loss and discarded seeds weighing 239 Kg were deducted and balance payments made.*

Who is accountable?: *Until such time the response given is verified by audit the accountability for the lapse is fixed on the Managing Director.*

5. Irregular/inadmissible payment Nu.0.08 million.

The DSC of Bhutan made the following payments not admissible under rules:

- A.** Audit had observed that the residential telephone and monthly rental charges aggregating to Nu.0.04 million of some of the officials were paid from the office in contravention to circular issued by the Ministry of Finance.

Auditee's response: *The RAA is informed that the management had sought ex-post facto approval in 29th Management Board Meeting and got approved. The RAA was further informed that rental charges and private calls amounting to Nu.0.01 million approximately have been realised from two officials.*

Who is accountable?: *Exceptions to the circular can only be made by the Ministry of Finance. Therefore, any order authorising the Board to approve must be provided to the RAA or else the accountability for the lapse would be fixed on the Managing Director.*

- B.** Audit had observed that Nu.0.01 million was disbursed towards Muster Roll payment without preparing Muster Roll of the labourers. In the absence of which, the number of labourers engaged and the actual work executed could not be ascertained.

Auditee's response:

The management submitted that the payment had been made by the Ex-Farm Manager and that the inquiries from the workers in the farm indicated that the payment had been made to regular labourers. The RAA was informed that farm managers and finance division were strictly warned to scrutinise the necessary requirement before disbursing payments in future.

Who is accountable?:

Since the response is not supported with documentary evidences the accountability for the lapse is fixed on the Ex-Farm Manager.

- C.** The Regional Offices of Bajo and Phubjikha had incurred an expenditure of Nu.0.03 million towards Muster Roll payment but without obtaining the thumb impression/signature of the labourers. In the absence of which, the authenticity of the payment made could not be vouched in audit.

Auditee's response:

The management submitted that the original muster roll payment bill had been sent to the regional manager and got duly acknowledged.

Who is accountable?:

Since the basic requirement to operate Muster Roll was not complied with at the time of making the payment, the response cannot be accepted in audit. The chances of payment being fictitious cannot be ruled out, therefore, the accountability is fixed on the Managing Director.

6. Operating losses at an increasing trend.

From the audited financial statement it was found that DSC has been sustaining recurring losses at an increasing rate every year. The year 1999, 2000 and 2001 saw huge operating losses of Nu.4.70 million, Nu. 5.58 million and Nu.8.20 million respectively.

Auditee's response:

The management submitted that the profitability of the company is largely influenced by compounded technical failures and that to remedy the situation the Board has assigned a Task Force to come up with a strategy. The management also submitted that DSC is neither purely a service provider nor purely a trading organization. It is rather mandated to function as the "National Seed Grid

and Seed Bank” affordable to Bhutanese farmers, hence cannot build full profit margin on its products.

Who is accountable?: *The RGoB need to review the advisability of this company to continue.*

7. Import expenses exceeded export income.

From the analysis of the import expenses with that of the export income of the seeds and plants for the year ending 1998 to 2001, it revealed that the value of imports had far exceeded the value of export income as outlined in the table 1.39 below:

Table 1.39 comparing export income to import expenses.

Year	Imports (Nu. Million)	Exports (Nu. Million)
1998	12.13	4.22
1999	8.04	1.39
2000	16.57	3.59
2001	4.59	1.30
Total	41.33	10.5

Auditee’s response:

The management of DSC stated that the company had made several attempts to produce hybrid seed to export to some of the reputed seed companies in order that they receive the parent lines. Though the attempts are still being pursued result is yet to materialise owing to lack of technical capacity, trained personnel in seed science and technology. It was also stated that about 70% of its earning comes from sale of fertilizers imported from India thus exceeding the export.

Who is accountable?: *The Board and the Management need to be answerable for the poor performance.*

8. Production expenses exceeded output generated by Nu.6.02 million.

The comparative analysis of production expenses and the output generated by the cost centres (Regional Farms) indicated that production expenses for the year 2001 exceeded the output generated by more than 250%. Output generated was Nu.2.41 million as against the production expenses of Nu.8.43 million.

Auditee’s response:

The management submitted that the poor profitability of the company is largely influenced by compounded technical failures and that to remedy the situation the Board has assigned a Task Force to come up with a strategy.

**Who is
accountable?:**

The company enjoys the autonomy of corporate setup but functions more as a bureaucratic and regulatory body. Thus, sustaining increasing expenditure over decreasing income for a long period. The board and the management need to be held accountable for the poor performance.

The RAA urges that unless a thorough review is carried and redefine the objectives and goals of the organization, it may be advisable to close the company and import seed.

IV. Handicraft Development Corporation.

Besides the statutory audit conducted by Chartered Accountant Firms from India, the Royal Audit Authority also conduct regulatory audit. The following personnel occupied the various portfolios of the corporation in the year 2002.

Sl. No	Name of Office bearers	Designation
1.	Lungten Wangdi	Managing Director
2.	Pema Wangdi	Deputy Managing Director
3.	Mathew P	Finance Manager

Major Findings:

1. Slow moving/Non-moving stocks Nu.1.26 million.

The corporation had stocks worth Nu.1.26 million declared either as slow moving or dead (obsolete).

Auditee's response:

The management of Handicraft Development Corporation had stated that stocks worth Nu.0.59 million approximately was already sold off thereby leaving a balance stock valued at Nu.0.67 million. It was also stated that strenuous efforts would be made to sell all the balance stocks.

Who is accountable?:

Until such time the balance stock is cleared the Managing Director is held accountable.

V.Bhutan National Bank.

Besides the statutory audit conducted by Chartered Accountant Firms from India, the Royal Audit Authority also conduct regulatory audit. This includes corporate bodies where government has major interests. Bhutan National Bank is one of such agencies that RAA conduct regularity audit. The following personnel occupied the various portfolios of the corporation in the year 2002.

Sl. No.	Name of Office bearers	Designation
1.	Lyonpo Khadu Wangchuk	Chairman
2.	Kipchu Tshering	Managing Director
3.	Karma	Deputy Managing Director
4.	Saugata Bangdopadhgay	Finance Manager

Table 1.40 showing summary of the observation by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu.Million)	%	Category code
1.	Award of work/supplies without quotation.	2.05	95.35	3
2.	Irregular payment.	0.10	4.65	8
	Total	2.15	100	

Major Findings:

1. Irregular payment Nu. 0.10 million.

It was observed that the Management of Branch Office, BNB, P/ling had incurred expenditure to the tune of Nu.0.10 million on account of repairing the private residential flat occupied by Financial Advisor to BNB. Incurring of such expenditure in the private residence by the bank without any adjustment/deduction against the rental is highly irregular.

Auditee's response:

The management of BNB had submitted that the company had to fulfil the contractual requirements and that there was very little to avoid the situation. The Board had regularised the payment.

Who is accountable?:

The justification submitted is not tenable since it is the responsibility of the landlord to repair its property, therefore accountability is fixed on the Managing Director, BNB until such time the amount paid is deposited into audit recoveries account.

2. Award of work/supplies without quotation Nu.2.05 million.

It was observed that during the year 1999 alone purchases from various suppliers on a piece meal basis to the tune of Nu.2.05 million were made without opting for Compulsory Competitive Bidding. Items procured mostly include stationery and office equipments. Attempts have not been made to assess the annual requirement and take the advantages of bulk purchases.

Auditee's response:

The RAA was informed that the board had approved the procurements worth Nu.2.05 million on the ground that such direct procurement had saved the bank's money than going through the competitive bidding and that as part of best practices it was not unusual for a company to procure items from established firms for assured quality and the timeliness. The Board while according the approval for the past procurement had directed the management to prepare proposals acceptable to the Board regarding its future procurement strategies.

Who is accountable?:

The justification is not substantiated with documents and analysis to suggest that direct procurement had brought financial savings to the organization. The RAA is yet to receive copy of the proposal on procurement strategies from the BNB as desired by its Board, therefore, until such time the proposal is received by the RAA the accountability is fixed on the Managing Director.

VI.Druk Air Corporation.

Besides the statutory audit conducted by Chartered Accountant Firms from India, the Royal Audit Authority also conduct regulatory audit. The following personnel occupied the various portfolios of the corporation in the year 2002.

Sl. No	Name of Office bearers	Designation
1.	Lyonpo Jigme Y. Thinley	Chairman
2.	Sangay Khandu	Managing Director
3.	Rinzin Dorji	Finance Manager

Summary of major findings is outlined in the table 1.41 below:

Table 1.41 showing summary of the observation by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu.Million)	%	Category code
1.	Inadmissible payment	0.18	52.94	8
2.	Excess payment	0.16	47.06	6
	Total	0.34	100	

Major findings:

1. Excess payment Nu.0.16 million.

On the basis of Office Order cabin crews were paid 7% incentive as commission on the net sales made on board. On a closer scrutiny of incentives paid, it revealed an excess payment to the tune of Nu.0.16 million to the crew members. Audit also observed that payment of such incentives did not have the approval of the Board of Directors.

Auditee's response:

The Druk Air Corporation had submitted that 7 % commission on duty free sales paid to the crew members is based only on sales on board and that the calculations were correctly made.

Who is accountable?:

Since the total value of sales figure used for the calculation of commission included some ground sales, errors in the figure due to overwriting and some sales made to officials of Revenue and Customs the Finance Officer, Druk Air Corporation is held accountable until such time the amount so paid is deposited into audit recoveries account.

2. Irregularities in the recruitment of officials.

The management of Druk Air Corporation had appointed some officials to refill the vacancies in the company. Ironically, the recruitment of three officials (two ex-employees) was in contravention to the set procedures. As per the service rule any appointment has to be made by conducting interview by the committee comprising the senior officials of the company and a representative from Royal Civil Service Commission.

The Senior Secretary/Personnel Assistant to the Managing Director was directly appointed to officer's grade (Grade-VII) and her pay was fixed by giving 16 increments at a time. Such fixing of pay was not in line with the Service Rules of the corporation. Service Rules requires the appointment of individuals in Officer's Grade to have a minimum qualification of Master's Degree in the relevant filed.

Similarly, one Commercial Supervisor was appointed directly without following the recruitment procedure and for which he did not possess the required qualification as per the Service Rules. Service Rules requires the appointment of individuals in Officer's Grade to have a minimum qualification of Master's Degree in the relevant filed.

**Auditee's
response:**

The management submitted that despite two times vacancy announcement there was no eligible candidate until one day this current Personal Assistant (Ex-employee of Druk Air Corporation) applied for the post. With regard to appointment of Commercial Supervisor, it was submitted that no vacancy announcement was made because even if it was made no candidate would have been eligible other than this current employee who was trained in Interline Accounting. It was also submitted that such irregular appointments were ratified by the Board.

**Who is
accountable?:**

An appointment of Ex-employees (who were serving in the lowest level in the corporation) to Officer's Grade is highly irregular and justification provided is not adequate. Therefore, until such time the RAA is satisfied with adequate justification, the Managing Director and Head of Administration and Finance, Druk Air Corporation are held accountable.

3. Inadmissible payment Nu.0.18 million.

Audit had noticed the payment of taxi fares while on training abroad even though they were paid DSA. In this instance the management had paid Nu.0.07 million approximately. The Service Manual of the corporation

stipulated that “Training DSA shall include a local transportation expenses including from/to the nearest airport/railway station and airport taxes”. Therefore, the payments of taxi charges were not in accordance with the provision of the Service Rules of the corporation.

During the flight disruption due to bad weather in Paro, the meal and laundry charges pertaining to the crew members were paid by the management though they were paid the DSA. Such payment had accumulated to the tune of Nu.0.11 million. The board, however, had regularized the payment.

Auditee’s response:

The RAA was informed that officials deputed for training were suffering losses and for which the matter has been put up to the Board and that the Managing Director had issued an order to this effect thereby entitling taxi charges. With regard to meal and laundry charges the management had stated that the crew members are entitled for lunch and for breakfast and dinner the RAA shall be informed once the management completes the review of their Kolkata Branch Office.

Who is accountable?:

Since the service manual does not allow for the payment of taxi fares, the Managing Director and Finance Officer are held accountable. They are also held accountable for the payment of meal and laundry charges

VII.Penden Cement Authority Limited.

Besides the statutory audit conducted by Chartered Accountant Firms from India, the Royal Audit Authority also conduct regulatory audit. This includes corporate bodies where government has major interests. The Penden Cement Authority Limited (PCAL)is one of such agencies. The following personnel occupied the various portfolios of the corporation in the year 2002.

Sl.No	Name of Office bearers	Designation
1.	Lyonpo Khandu Wangchuk	Chairman
2.	Tshering Phuntsho	Managing Director
3.	Guha Thakurta	Finance Manager

Table 1.42 showing summary of the observation by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu.Million)	%	Category code
1.	Outstanding advance.	8.32	98.58	1
2.	Irregular/inadmissible payment.	0.12	1.42	8
	Total	8.44	100	

Major Findings:

1. Irregular/inadmissible payment of sitting fees to the invitees Nu.0.12 million.

During the various Board and Annual General Meetings in the year 1998, 1999 and 2000, sitting fees to the tune of Nu.0.12 million were found paid to the invitees.

Companies Act 1989 states that, sitting fees are to be paid only to the Board of Directors as remuneration.

Auditee's response:

The management of PCAL submitted that the payment to Board of Directors are guided by the provisions of the Company Act where as payments to employees are made with approval of the Board/Managing Director. It was also stated that the principle of payment of sitting fees to invitees was approved by the Board.

Who is accountable?:

Since the Company's Act of the Kingdom of Bhutan did not stipulate the payment of sitting fees to the invitees regardless of who approved it, the Managing Director is held accountable.

2. Transfer of Hollow-Brick Project- Default in the payment of instalments.

The Ministry of Trade and Industry and Mr. Passang Dorji of Ada, Wangdi had signed an agreement on the transfer of Hollow Brick Project to the latter. The total cost of the project was Nu.3.71 million approximately to be spread over 5 years and the payment to be made in 20 equal quarterly instalments. Auditors had found out serious default in payment of instalments. The management had not invoked penalty clause of the agreement.

Auditee’s response: *The management of PCAL had asked the audit to refer the observation to the Ministry of Trade and Industry with whom the agreement was drawn.*

Who is accountable?: *Until the issue is satisfactorily resolved in audit the Managing Director is held accountable.*

3. Unadjusted advance of Nu.8.32 million.

As per the record, an amount of Nu.8.32 million was lying outstanding against the employees. Overdue advances beyond the period admissible be accounted for with Commercial Interest in Audit Recoveries Account by the Managing Director and the Finance Manager.

Auditee’s response: *The RAA was informed that salary advances & Car/CPF advances from the employees are being regularly recovered as per the service rules and that for other advances regular follow-up actions were being taken up for liquidation.*

Who is accountable?: *Until such time the whole of the advances with Commercial Interest are liquidated the Managing Director and Finance Officer, PCAL are held accountable.*

CHAPTER XII.

I. Autonomous & Independent Agencies.

The Royal Audit Authority during the year 2002 had issued seventeen inspection reports pertaining to the following autonomous and independent agencies of the Royal Government of Bhutan.

Sl. No.	Agencies	Headed by:
1.	National Technical Training Authority	Tshering Tobgay
2.	Dzongkhag Development Commission	Dasho Sangay Dorji
3.	Royal Institute of Management	Namgay Wangmo
4.	National Driving Training Institute	Bumchu Wangdi
5.	Dzongkhag Development Commission	Dasho Sangay Dorji
6.	National Museum, Paro	Sonam Tobgay
7.	Royal Technical Institute	Sangay Dorji
8.	Department of Employment & Labour	Pema Wangda
9.	Bhutan Olympic Committee	D.K. chetri
10.	Bhutan Football Federation	K.B Basnet
11.	National Technical Training Authority	Tshering Tobgay
12.	Royal Bhutan Institute of Technology	Kezang Chador
13.	National Environment Commission	Dasho Nado Rinchen
14.	Planning Commission	Daw Tenzin
15.	Army Welfare Sawmill	Phub Dorji
16.	National Assembly Secretariat	Dasho Tashi Phuntsho
17.	Royal Advisory Council	Dasho Rinzin Gyeltshen

Table 1.44 showing summary of the observation by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu.Million)	%	Category code
1.	Outstanding advances.	5.20	89.69	1
2.	Outstanding credit sales.	0.60	4.48	18
3.	Irregular/inadmissible payment.	0.34	2.54	8
4.	Double/Excess payment.	0.19	1.57	6
5.	Payment for works not executed/without receiving the materials.	0.09	0.90	14
6.	Shortage of materials.	0.07	0.52	18
7.	Non-deduction of tax.	0.02	0.30	15
	Total	6.51	100	

Major Findings:

1. Outstanding advances Nu.5.20 million.

The autonomous and independent agencies have an advances outstanding reflected against various third party suppliers/employees aggregating to Nu. 5.20 million as summarized in the table 1.45:

Table 1.45 showing agency wise outstanding advances.

Sl. No.	Agencies	Amount (Nu.Million)
1.	National Technical Training Authority.	0.03
3.	Royal Institute of Management.	0.09
4.	National Museum, Paro.	0.11
5.	Royal Technical Institute.	0.16
6.	Bhutan Olympic Committee.	0.54
7.	Bhutan Football Federation.	3.11
8.	Royal Bhutan Institute of Technology.	1.08
9.	Planning Commission.	0.03
10.	Army Welfare Sawmill.	0.05
	Total	5.20

Auditee's response: *The RAA was intimated that the respective managements are making efforts to recover the outstanding advances/balances and intimate the audit accordingly.*

Who is accountable?: *Until such time the outstanding advances/balances are fully liquidated, the accountability is fixed on the Head of the management and Finance Officers.*

2. Shortage of materials/timber Nu.0.07 million.

The random verification of materials procured by National Technical Training Authority (NTTA) for construction of Training Centre, Vocational Skill Scheme and for general purpose revealed shortages of items valued at Nu.0.06 million. The Army Welfare Sawmill also had a shortage of 149.82 cft of sawn log amounting to Nu.0.01 million.

Auditee's response: *The NTTA submitted that the dealing person was asked to account for the shortages. The management of Army Welfare Sawmill did not respond appropriately to the observation raised.*

Who is accountable?: *Until the shortages are resolved fully, the accountability is fixed on the Finance Officer and Manager of NTTA and Army Welfare Sawmill respectively.*

3. Payment for works not executed/without receiving the materials Nu.0.09 million.

The Bhutan Olympic Committee had awarded the work of renovation/extension of Taekwondo hall at the Swimming pool sports complex to M/s R.D.C. Construction. The management had paid Nu.0.09 million for the work not executed at all.

Auditee's response: *The BOC submitted that the case was forwarded to the District Court and that the outcome is awaited.*

Who is accountable?: *Until the time the court verdict is heard by RAA or the amount deposited into audit recoveries account with commercial interest the accountability for the lapse is fixed on the Secretary General, BOC.*

4. Non-deduction of tax Nu.0.02 million.

The Army Welfare Sawmill had also not deducted the tax amounting to Nu.0.02 million from the bills of transporters and suppliers as required.

Auditee's response: *It was submitted that the deductions were erroneously overlooked. However, it was stated that the suppliers and transporters were reminded to deposit the tax.*

Who is accountable?: *Until such time the amount paid is accounted for in audit the accountability for the lapse is fixed on the manager.*

5. Double/excess payment Nu.0.19 million.

Autonomous and Independent agencies had made a total of Nu.0.19 million in excess of what is actually admissible. Summary is given in the table 1.46:

Table 1.46 showing agencies responsible for making double / excess payment.

Sl. No.	Agencies responsible	Amount (Nu.Million)
1.	Dzongkha Development Commission.	0.02
2.	Bhutan Olympic Committee.	0.08
3.	Bhutan Football Federation.	0.02
4.	Royal Bhutan Institute of Technology.	0.02
5.	Royal Advisory Council.	0.05
	Total	0.19

The descriptive details of the transactions are as follows:

- A.** The DDC had made payment of DSA and porter / pony charges in excess of what is actually admissible under the rule. It amounted to Nu.0.02 million.

Auditee's response: *The DDC had not responded on the recovery status as at 30.9.03.*

Who is accountable?: *Until such time the excess amount paid is accounted for in audit the accountability for the lapse is fixed on the manager.*

- B.** The Bhutan Olympic Committee (BOC) had awarded the work of renovation/extension of Taekwondo hall at the Swimming Pool Sports Complex to M/s R.D.C. construction. The management had paid Nu.0.08 million in excess of what was actually admissible.

Auditee's response: *The RAA was intimated that the contractor was asked to refund the excess amount paid.*

Who is accountable?: *Until such time the excess amount paid is accounted for in audit the accountability for the lapse is fixed on the Secretary General, BOC.*

- C.** The Bhutan Football Federation (BFF) had paid Nu.0.02 million to the contractor in excess of what was admissible on account of fixing of partition walls and making of racks in the BFF office.

Auditee's response: *The BFF management had not responded on this issue.*

Who is accountable?: *Until such time the excess amount paid is accounted for in audit the accountability for the lapse is fixed on the Secretary General, BFF.*

- D.** The Royal Bhutan Polytechnic had paid a stipend to 88 final year students placed on the OJT with different agencies for 45 days. However, review of payment vouchers revealed a sum of Nu. 0.02 million approximately paid in excess of their actual entitlement.

Auditee's response: *The Royal Bhutan Institute of Technology informed the RAA that the payment was made due to oversight and that it is difficult to recover since their whereabouts cannot be traced out.*

Who is accountable?: *Since the response submitted is not tenable the accountability is fixed on the Principal and Finance Officer, Royal Bhutan Polytechnic.*

- E.** The Royal Advisory Council paid excess DSA to officers/staffs amounting to Nu.0.05 million for which the RAA had fixed the responsibility on the paying officer.

Auditee's response: *It was submitted that an attempt would be made to recover from the councillors who are already resigned.*

Who is accountable?: *Since it was the responsibility of the paying and disbursing officer to verify the admissibility prior to the release of the amount, the accountability is fixed on the Drawing and Disbursing officer.*

6. Irregular/inadmissible payment Nu.0.34 million.

The following agencies had made irregular / inadmissible payment aggregating to Nu.0.34 million. Summary is outlined in the table 1.47:

Table 1.47 showing agencies responsible for making irregular payments.

Sl. No.	Agencies responsible	Amount (Nu.Million)
1.	Dzongkha Development Commission.	0.03
2.	Department of Employment & Labour.	0.04
3.	Bhutan Football Federation.	0.24
4.	Bhutan Football Federation.	0.03
	Total	0.34

The descriptive details of the transactions are as follows:

- A.** The DDC had made a payment of Nu.0.03 million approximately to Motion Picture Association on account of Swimming Pool Stage rental charges. This was paid on the ground that the association had suffered a loss by staging the Dzongkhag Movies during off season. The agreement between Motion Picture Association and the DDC did not specify that the loss, if any, sustained would be compensated by DDC.

Auditee's response: *The DDC had so far not responded on this matter after the issue of the inspection report.*

Who is accountable?: *Until such time the irregular payment made is accounted for in audit the accountability for the lapse is fixed on the Secretary, DDC.*

- B.** The Department of Employment & Labour while procuring one Daewoo Musoo vehicle through M/s Chundu Automobiles had paid Nu.0.70 million including Customs handling charge of Nu.0.04 million. On verification the payment was not supported with bills for custom handling charges.

Auditee's response: *The DEL had submitted that either the amount would be recovered or obtain justification from the supplier.*

Who is accountable?: *Until such time the irregular payment made is accounted for in audit the accountability for the lapse is fixed on the Director, DEL.*

- C.** The Bhutan Football Federation had paid Nu.0.24 million as honorarium to the committee /executive members including civil servants for the volunteer services rendered to the federation. Audit opines that the term honorarium normally implied as one time lump sum payment and not through out the year round on a

monthly basis. Similarly volunteer means rendering services for free of cost.

Auditee's response: *The BFF had so far not responded on this matter after the issue of the inspection report.*

Who is accountable?: *Until such time the irregular payment made is accounted for in audit the accountability for the lapse is fixed on the General Secretary, BFF.*

D. The Bhutan Football Federation had paid Nu.0.03 million to the nominees for attending seminars / workshops as DSA which was not admissible as per the rules.

Auditee's response: *The BFF had so far not responded on this matter after the issue of the inspection report.*

Who is accountable?: *Until such time the irregular payment made is accounted for in audit the accountability for the lapse is fixed on the General Secretary, BFF.*

7. Outstanding Credit Sales Nu.0.60 million.

Review of records relating to sales of sawn timber and sale of apple boxes by Army Welfare Sawmill and subsequent realisation of proceeds revealed that an amount aggregating to Nu.0.60 million were lying outstanding. Some of the outstanding pertains to the period as early as 1979. It was also noticed that some of the parties were entertained fresh credit sales without liquidating the previous balances.

Auditee's response: *The RAA was informed that the management had recovered/collected Nu.0.32 million thereby leaving a balance of Nu.0.28 million.*

Who is accountable?: *Until such time outstanding sales is recovered and deposited in audit recoveries account the accountability is fixed on the manager, Army Welfare Sawmill.*

Chapter XIII.

Judiciary.

The Royal Audit Authority during the year 2002 had issued seven inspection reports pertaining to various courts of the Royal Government of Bhutan. The following personnel occupied the important portfolios in the year 2002.

Sl. No.	Name of Office bearers	Designation
1.	His Lordship Lyonpo Sonam Tobgye	Chief Justice of Bhutan
2.	Tshering Dorji	Registrar General

Summary of the significant observations that are yet to settle in audit is given in the table 1.48 below:

Table 1.48 showing summary of the observation by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu.Million)	%	Category code
1.	Award of work without tender	1.29	84.87	3
2.	Excess payment.	0.20	13.16	6
3.	Irregular/inadmissible payment.	0.03	1.97	8
	Total	1.52	100	

Major Findings:

1. Irregular/inadmissible payment Nu.0.03 million.

The Dzongkhag Court, Trashigang had paid inadmissible mileage claims amounting to Nu.0.03 million.

Auditee's response:

The Dzongkhag Court, Trashigang is yet to intimate the RAA on any action taken on this matter.

Who is accountable?:

The inadmissible payment made should be deposited into audit recoveries account, therefore, until the money is received in audit the accountability is fixed on Dasho Drangpon.

2. Excess payment Nu.0.22 million.

The Courts of Law had made irregular payment aggregating to Nu.0.22 million as outlined in the table 1.49:

Table 1.49 showing agencies responsible for making excess payment.

Sl. No.	Agencies responsible	Amount (Nu.Million)
1.	Dzongkhag Court, Mongar.	0.09
2.	Dzongkhag Court, Trashiyangtse.	0.10
3.	Dzongkhag Court, Trashigang.	0.01
4.	Dungthrim, Wamrong.	0.02
	Total	0.20

The descriptive details of the transactions are as follows:

- A.** The Dzongkhag Court, Trashiyangtse had an excess amount of Nu.0.10 million approximately paid to the contractor on the construction of new residential quarters of the Drangpon.

Auditee's response: *The Dzongkhag Court, Trashiyangtse is yet to intimate the RAA on any action taken on this matter.*

Who is accountable?: *The excess payment made should be deposited into audit recoveries account, therefore, until the money is received in audit the accountability is fixed on Dasho Drangpon.*

- B.** The Dzongkhag Court, Trashigang had paid excess transportation charges of Nu.0.01 million on account of transporting computers and its accessories.

Auditee's response: *The Dzongkhag Court, Trashigang is yet to intimate the RAA on any action taken on this matter.*

Who is accountable?: *The excess payment made should be deposited into audit recoveries account, therefore, until the money is received in audit the accountability is fixed on Dasho Drangpon.*

- C.** The Wamrong Dungthrim had paid excess porter/pony charges than is actually admissible amounting to Nu.0.02 million.

Auditee's response: *The Wamrong Dungthrim had not intimated the RAA of any action taken on this matter.*

Who is accountable?: *The excess payment made should be deposited into audit recoveries account, therefore, until the money is received in audit the accountability is fixed on Dasho Drangpon.*

- D.** During the joint physical verification of the maintenance works it revealed that the Dzongkhag Court, Mongar had paid excess amount of Nu.0.04 million than what was actually entitled. It also paid Nu.0.03 million and Nu.0.02 million respectively in excess for the

procurement of two wooden cupboards and travels performed by court officials.

Auditee's response: *The Dzongkhag Court, Mongar is yet to respond on this issue.*

Who is accountable?: *The excess amount paid must be deposited into audit recoveries account. Therefore, till the time the money is received in audit the accountability is fixed on the Drangpon.*

3. Award of work without tender Nu.1.29 million.

The Dzongkhag Court, Trashiyangtse had awarded the construction of parking, garages, barbed wire fencing and other works without going in for competitive bidding. The value of such works amounted to Nu.1.29 million.

Auditee's response: *The Dzongkhag Court, Trashiyangtse is yet to submit satisfactory justification on this matter.*

Who is accountable?: *Until such time the objection raised is properly attended to the accountability is fixed on the Drangpon.*

CHAPTER XIV.

Armed Forces.

I. Royal Body Guard.

The Royal Body Guard located in Dechencholing is/was headed by the following personnel in the capacity noted against each in the year 2002.

Sl. No.	Name of Office bearers	Designation
1.	Brigadier Dendup Tshering.	Commandant
2.	Lieutenant Colonel Penden Wangdi.	Pay and Accounts Officer

Summary of the significant findings yet to settle in audit is outlined in the table 1.50 below:

Table 1.50 showing summary of the observation by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu.Million)	%	Category code
1.	Outstanding Advance.	0.54	83.07	1
2.	Shortage of POL.	0.11	16.93	18
	Total	0.65	100	

Major Findings:

1. Shortage of POL Nu.0.11million.

Upon verification of the bills and their subsequent entry in the POL stock register, it was observed that 6000 litres Diesel Oil amounting to Nu.0.11 million was found neither recorded nor physically available.

Auditee's response:

The RBG submitted the acceptable standard as given by the Ministry of Trade & Industries allowing for the shrinkage losses of POL products. It was stated that in line with the standard out of 6000 litres of shortage 3529.35 litres of diesel is covered within this allowance. The RAA was also informed that the rest of the shortages were attributable to evaporation during storage in the under ground tank and due to handling for which an effort is being made to draw an acceptable standard involving all the relevant bodies.

**Who is
accountable?:**

Until such time the acceptable standard for rest of the shortages is worked out and intimated to the RAA the accountability is fixed on Motor Transport Officer (MTO).

2. Outstanding Advance Nu.0.54 million.

The RBG has an advances outstanding reflected against various third party suppliers/employees aggregating to Nu. 0.54 million.

**Auditee's
response:**

The RAA was informed that strenuous actions have been initiated to effect recoveries from the staffs and agencies and the current balance now stood at Nu.0.27million.

**Who is
accountable?:**

Until such time the RAA is informed of its adjustment and liquidation of the whole amount the accountability is fixed on the pay and accounts officer.

II. Royal Bhutan Police.

The Royal Bhutan Police is/was headed by the following personnel in the capacity noted against them in the year 2002.

Sl.No	Name of Office bearers	Designation
1.	Colonel Wangdi Tshering.	Chief of Police
2.	Lt. Col. Tandin Wangdi.	Administration Officer

Summary of the significant findings yet to settle in audit is outlined in the table 1.51 below:

Table 1.51 showing summary of the observation by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu.Million)	%	Category code
1.	Defective construction.	1.13	58.55	10
2.	Double/Excess payment.	0.62	32.12	6
3.	Shortage of materials.	0.18	9.33	18
	Total	1.93	100	

Major Findings:

1. Double/Excess payment Nu.0.62 million.

The Royal Bhutan Police had Nu.0.62 million paid either in excess or double than what was actually admissible. Various branches responsible for such payment are as outlined in the table 1.52:

Table 1.52 showing RBP branch offices responsible for making double/excess payment.

Sl. No.	Agencies responsible	Amount (Nu.Million)
1.	Royal Bhutan Police, Gelephu	0.28
2.	Royal Bhutan Police, Lhuentse	0.14
3.	Royal Bhutan Police, Trashigang.	0.09
4.	Royal Bhutan Police, S/jongkhar	0.11
	Total	0.62

The descriptive details of the transactions are as follows:

- A. The Royal Bhutan Police (RBP) had awarded the construction of protection wall at Lodrai jail to M/s Dophu Construction. The handing/taking over note indicated that works were completed in every respect and in accordance to the specification amounting to Nu.0.49 million. However, during the joint physical verification at site the actual value

of work done worked out to Nu.0.21 million only thereby resulting in excess payment of Nu.0.28 million.

Auditee's response:

The RBP had stated that the excess measurement found by audit is not correct and requested for joint verification. It was also submitted that the excess payment as they found out would be recovered from the contractor's security deposit with-held by them. It was also mentioned that the final bill was prepared in advance

Who is accountable?:

Until the measurement is conducted jointly by RAA and RBP the accountability for the excess payment is fixed on Deputy Chief of Police (Administration) and Head of RBP Regional Construction.

- B.** The RBP had awarded the construction of retaining wall at Lhuentse Police Station cum lock up to M/s Jigme Dorji Construction. The handing/taking over note indicated that the works were completed but during the site visit it was noted that the contractor was overpaid (value of work done less than the actual payment made) to the tune of Nu.0.14 million.

Auditee's response:

The RBP had stated that the excess measurement found by audit is not correct and requested for joint verification. It was also submitted that the excess payment as they found out would be recovered from the contractor's security deposit with-held by them. It was also mentioned that the final bill was prepared in advance

Who is accountable?:

Until the measurement is conducted jointly by RAA and RBP the accountability for the excess payment is fixed on Deputy Chief of Police (Administration) and Head of RBP Regional Construction.

- C.** The RBP, Trashigang had paid an excess amount of Nu.0.09 million in total (value of work done less than the actual payment made) to the various contractors on account of the construction of retaining wall, toilets & CGI sheet roofing for officer's quarter etc. The RBP, S/jongkhar also made an excess payment of Nu.0.11 million on similar works.

Auditee's response:

With regard to the construction of new retaining walls the Royal Bhutan Police had submitted that the re-measurement of demolished walls cannot be done as the measurement recorded was done prior to its demolition.

With regard to the excess payment on CGI Sheet roofing the RBP defied the audit finding stating that it was not

the case of excess payment since the measurement was done as per the specification.

With regard to excess payment on construction of retaining walls the RBP had stated that the excess measurement found by audit is not correct and requested for joint verification. It was also submitted that the excess payment as they found out would be recovered from the contractor's security deposit with-held by them. It was also mentioned that the final bill was prepared in advance

Who is accountable?: *Until the measurement is conducted jointly by RAA and RBP the accountability for the excess payment is fixed on Deputy Chief of Police (Administration) and Head of RBP Regional Construction.*

9. Shortage of materials Nu.0.18 million.

The Royal Bhutan Police, S/Jongkhar had procured and used 3200.67cft of timber for construction and renovation of temporary family quarters. However, as per joint measurement, the actual consumption of timber worked out to 2176.28 Cubic feet only thereby resulting in difference/shortage amounting to Nu.0.18 million.

Auditee's response: *The RBP submitted that the timbers available in the market were of oversize and that it had to be re-sawn after purchase to keep the works in progress. It was also stated that the timbers were also used for strutting, propping, scaffolding and as shuttering works which becomes unserviceable after use, thus attributing for the shortages. The Superintendent of Police, S/Jongkhar requested the RAA to re-measure the timber.*

Who is accountable?: *Until the re-measurement is done the accountability for the lapses is fixed on Superintendent of Police, S/Jongkhar and Site Engineer.*

3. Defective Construction Nu.1.13 million.

The Royal Bhutan Police had awarded the construction of 18 unit semi permanent family quarters at Pemagatshel to M/s Dorji Construction, Thimphu. During site visit by audit team accompanied by an official from RBP, S/jongkhar noticed that 18 units semi permanent family quarter was not constructed as per the specification. The value of such works excluding the cost of materials amounts to Nu.0.70 million approximately.

Similarly, the construction of 18 units family quarters at Gedu awarded to M/s Kencho Dorji Construction had defective works detected by audit. The value of such work amounted to Nu.0.43 million.

**Auditee's
response:**

It was submitted that the rectification of one block consisting of nine units have been completed and rectification of other blocks having same capacity is under progress. In a meeting convened between the Chief of Police and Assistant Auditor General, it was submitted that all rectification works were completed and requested the RAA to verify the same during the next audit.

**Who is
accountable?:**

Until the RAA conduct the re-verification the accountability for the lapses is fixed on the Pay & Accounts Officer, RBP.

III. Royal Bhutan Army.

The Royal Bhutan Army is headed by the following personnel in the various capacities in the year 2002.

Sl. No	Name of Office bearers	Designation
1.	Lam Dorji	Gongloen Gongma
2.	Lt.Colonel Sonam Tshering	Defence Accounts Officer

Summary of the significant findings yet to settle in audit is outlined in the table 1.53 below:

Table 1.53 showing summary of the observation by Category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu.Million)	%	Category code
1.	Double/Excess payment.	1.44	22.40	6
2.	Manipulation of forest permit - loss of government fund.	0.20	3.11	18
3.	Non-deposit of sale proceeds.	0.14	2.18	18
4.	Payment for works not executed.	0.02	0.31	14
5.	Shortage of rations/lubricants.	0.08	2.95	18
6.	Irregular/inadmissible payment.	0.06	0.93	8
	Total	1.94	100	

Major Findings:

1. Double/Excess payment Nu.1.44 million.

The Royal Bhutan Army by its various wings including the Headquarter had made double/excess payment to various contractors amounting to Nu.1.44 million. The details of payments made by various wings are as follows:

- A.** The Royal Bhutan Army (RBA) had paid an excess amount of Nu.0.07 million to M/s Phub Brothers Construction. The value of the work done was lesser than the amount paid and in some cases the amount were paid twice for the same work.

Auditee's response:

The RAA was intimated that the excess payment made to the contractor would be recovered from the contractor.

Who is accountable?:

Until such time the excess payment made is deposited with Commercial Interest into audit recoveries account the accountability is fixed on engineer and Defence Accounts Officer.

- B.** The RBA also paid an excess amount of Nu.0.09 million to M/s Phub Brothers Construction related to the construction of 4 block toilet at Army Headquarter, Samazingkha. The amounts paid were either more than the actual value of work done or payment made for works not executed.

Auditee's response: *The RBA had submitted that the excess amount paid is being recovered from the contractor.*

Who is accountable?: *Until such time the excess payment made is deposited with Commercial Interest into audit recoveries account the accountability is fixed on engineer and Defence Accounts Officer.*

- C.** M/s Rinchen Daba Construction, firewood supplier to the Military Training Centre, Tencholing was paid excess amount of Nu.0.03 million approximately for 10 truck loads of firewood. The supplier was paid for 152 truck loads of firewood where as the forest permit indicated the supply of 142 truck loads only.

Auditee's response: *The RBA Headquarters had informed the RAA that it has instructed the Military Training Centre, Tencholing to investigate the matter and that the RAA would be informed of its outcome.*

Who is accountable?: *Until such time the excess payment made is deposited with Commercial Interest into audit recoveries account the accountability is fixed on engineer and Wing Commander.*

- D.** M/s Rana Transport Company who was awarded the work of transporting cement without inviting tender was paid excess amount of Nu.0.06 million approximately. It occurred due to ad-hoc revision of transportation charges within a month.

Auditee's response: *The RAA is informed that the bills for transportations of cement is paid from Zeopon Office, Phuntsholing.*

Who is accountable?: *The RBA did not comment either on the excess payments made or ad hoc revision of rates. Therefore, the accountability for the excess payment is fixed on Zeopon, RBA, Phuntsholing to deposit with Commercial Interest.*

- E.** The RBA, Wing II-Damthang had awarded the construction of 2 blocks single storied family quarters to M/s Chapchap Engineering Company. The company was paid for the earth work excavation for 60 metre by 25 metre by 12.75 metre but the physical verification at site revealed that the actual excavation was only 50 metre by 25 metre by 1.50 metre thus

resulting in excess payment by Nu.0.54 million. Similarly, the company was also paid an excess amount of Nu.0.05 million for the value of work done by overstating the quality in the measurement Book than it had actually executed.

Auditee's response:

The RAA was informed that the extra quantity was due to the development of football ground for the wing executed by the same contractor on the instruction of Ex Brigadier DB Chetri and OC, Construction Ex Major Tashi Gyeltshen. It was also stated that an Ex-Post facto approval have been sought.

Who is accountable?:

The accountability for the lapses is fixed on the officer conveying the instruction i.e. Ex Brigadier DB Chetri and OC, Construction Ex Major Tashi Gyeltshen and the Commandant, Damthang.

- F.** M/s Rinson Construction, contractor for the construction of 6 blocks single storied officers quarter at MTC, Tencholing was paid an excess amount of Nu.0.18 million. This payment was made for works executed either less than the quantity recorded in the measurement book or works executed in deviation to the drawings and design.

Auditee's response

The RAA is informed that the findings would be noted for future compliance. It was stated that the difference in measurement is due to use of either old or elongated measuring tapes and due to human variations and amount of tensions applied. It further stated that the excess payment made is being recovered.

Who is accountable?:

Until such time the amount paid in excess is deposited with Commercial Interest into audit recoveries account the accountability is fixed on Wing Commander and site engineer.

- G.** M/s Cee Dee Construction, contractor for the construction of 2 blocks single storied family quarters at MTC, Tencholing was paid an excess amount of Nu.0.18 million approximately. The value of works executed at site was less than the measurement/actual quantity executed at site.

Auditee's response:

The RAA is informed that the findings would be noted for future compliance. It was stated that the difference in measurement is due to use of either old or elongated measuring tapes and due to tensions human variations and amount of tensions applied. It further stated that the excess payment made is being recovered.

Who is accountable?: *Until such time the amount paid in excess is deposited with Commercial Interest into audit recoveries account the accountability is fixed on Wing Commander and site engineer.*

H. Similarly, the RBA, Lodrai had made an excess payment aggregating to Nu.0.24 million to various contractors including M/s Yurung Construction, M/s Cee Dee Construction and M/s Rinson Construction.

Auditee's response: *The RBA, Lodrai did not respond on this matter as of date.*

Who is accountable?: *Until such time the amount paid in excess is deposited with Commercial Interest into audit recoveries account the accountability is fixed on Wing Commander and site engineer*

2. Manipulation of forest permit - loss of government fund Nu.0.20 million.

Audit had found out that fire wood supplier of Wing-VI/MTC (M/s Rinchen Daba Construction) had manipulated the figure in the forest permit by prefixing and suffixing certain figure with the actual figure and claimed more by Nu.0.20 million approximately.

Auditee's response: *The RBA Headquarters had informed the RAA that it has instructed the Military Training Centre, Tencholing to investigate the matter and that the RAA would be informed of its outcome.*

Who is accountable?: *Until such time the excess payment made is deposited with Commercial Interest into audit recoveries account the accountability is fixed on engineer and Wing Commander.*

3. Irregular/inadmissible payment Nu.0.06 million.

There is a standing government circular which stated that rental charges of residential phones should be borne by the concerned user. However, on the contrary, the RBA have been paying the rental charges for 22 connections amounting to Nu.0.06 million approximately.

Auditee's response: *The RBA had informed that the nature of duty performed by the Armed Forces is not time bound and that it entails execution of commands and instructions from the residences to the various Wings/Security Force locations irrespective of time and place. It was*

also stated that considering the round the clock nature of duty rendered by the Armed Forces such payment was approved by Chief Operations Officer.

Who is accountable?:

Since the payment was clearly against the financial rules and regulations and that any exceptions to these rules can only be made by Ministry of Finance, the accountability for such lapses is fixed on the Defence Accounts Officer.

4. Payment for works not executed Nu.0.02 million.

The RBA, Yongphula had paid Nu.0.02 million to M/s Keened Construction Company for the construction work of approach road to RBA, Camp, Trashhi Yangtse. The auditors found that the payment made for providing and laying V-shaped drain was actually not executed at site.

Auditee's response:

The RBA, Yonphula had not responded on this issue as of date.

Who is accountable?:

The Wing Commander and Site Engineer are held accountable until such time the amount paid is made good in audit.

5. Non-deposit of sale proceeds Nu.0.14 million.

The RBA, Yongphula had sold rations worth Nu.0.45 million to troops and officers. The sale proceeds were not deposited to DAO, AHQ. On being pointed out by the auditors Nu.0.31 million approximately was deposited into Audit Recoveries Account thereby leaving a balance of Nu.0.14 million.

Auditee's response:

The RBA had submitted that some of the above amount is with Quartermaster Wing –IV, Major Dezang Dendup and some with Major Nima Tshering.

Who is accountable?:

Major Dezang Dendup, Major Nima Tshering and Quartermaster Wing IV are held accountable until such time the amount of shortages are deposited into audit recoveries account.

6. Shortage of rations/lubricants Nu.0.08 million.

The physical verification of ration store at RBA, Yonphula wing revealed shortages of food items worth Nu. 0.08 million approximately.

Auditee's response:

The RBA Yonphula did not submit appropriate justification. It simply mentioned how the losses had occurred such as excess melting, leakages, damage

during loading and etc.

**Who is
accountable?:**

Major N.Tshering and Major D Lhendup of Wing –XIV are held accountable until such time the shortages are made good in audit.

Chapter XV.

Royal Audit Authority.

One of the common issues raised in any forum is: “Who audits the Audit?” With a view to promote greater accountability amongst auditors and improving the RAA’s own house keeping, an independent professional firm of Chartered Accountants conduct the audit of accounts of the RAA. Professional firms empanelled with the RAA are appointed as the RAA auditors only for a maximum period of three years. Besides external audit conducted by an independent professional firm, internal audit is also carried out on a rotation basis by the Divisions/Branch Offices of the RAA.

The Royal Audit Authority in the year 2002 is/was headed by the following personnel in the various capacities.

Sl. No	Name of Office bearers	Designation
1.	Dasho Kunzang Wangdi	Auditor General
2.	Lhaden Zom	Head, Administration & Finance Division
3.	Puran K. Dural	Finance Officer

A copy of the Audited Receipt and Payment Statement of the RAA for the Financial Year 2001-2002 and report thereon of the external auditors, M/s Nag & Associates, Chartered Accountants together with management report and also indication of action taken by the RAA on the deficiencies/lapses are appended in this report.

The RAA would like to summarise the contents of both the audit reports of M/s Nag & Associates for the Financial Year 2001-2002 and Office of Assistant Auditor General, Bumthang (OAAG) that conducted the internal audit of the RAA Headquarter for the Financial Year 2002-2003. The summary includes only the commissions or omissions against the requirement and not the observations that affirmed our prevailing healthy practices.

A. Summarized findings of M/s Nag & Associates:

With regard to the adequacy and correctness of accounting records and internal controls in general the Chartered Accountants observed the following, that:

- I. the updating of Fixed Asset Register though carried out is not in accordance with the requirement in the Property Management;
- II. the training expenses which included food bills were not supported by certificates confirming the number of participants;

- III. the entries corrected in the Sub-ledger have not been authenticated by the person who is doing the same; and
- IV. there was an excess & inadmissible payment for some in-country travels and catering bills respectively and that some payments were not supported by valid documentary requirements.

With regard to the inventory control and related record keeping the auditors observed few differences in the store items, the store items which have been transferred from the old office have not been properly recorded in the stock book and that the entries made in the stock book on the basis of Good Receipt Note & Good Issue Note have not been properly authenticated by attesting the signature of the store keeper.

In the Audit Recoveries Account it was observed that the details of certain deposits made directly by the auditees with Bank of Bhutan were not available for verification and the internal control system with regards to reconciliation of Audit Recoveries Account between divisions and Finance Section is not adequate.

The Chartered Accountants also observed that reasons for certain telephone calls made to different countries have not been properly recorded and suggested that effective steps be taken to control the private calls and recover where applicable.

With regard to travel claims it was observed that travel authorisation have not been revised regularly.

B. Summarized findings of OAAG, Bumthang:

The internal audit conducted by OAAG, Bumthang noted the deficiencies *inter alias* the following:

- I. That some of the financial transactions were not supported by necessary documents such as the list of programme and participants for payment towards catering of lunches and dinners;
- II. .That the mileage given by the Pool Vehicles of the RAA varied from 3.10 Km/litre to 7.29 Km/litre;
- III. That the RAA had made an excess payment of Nu.2500 (Two Thousand Five Hundred only) due to non-payment of quoted rate;
- IV. That the RAA have not been able to achieve 100% result in terms of the audit planned and audit conducted;
- V. That an expenditure of Nu.0.15 million was incurred from travel budget that resulted into unbudgeted expenditure; and

VI. That there was an increasing trend of retaining cash balances at the end of every month ranging from Nu.3000(Three Thousand only) to Nu.19000 (Nineteen Thousand only).

Nag & Associates

Chartered Accountants

Head Office : 2, CHOWRINGHEE APPROACH

K O L K A T A - 7 0 0 0 7 2

R I N G : 2 2 1 2 - 5 2 1 7

F A X - 0 0 9 1 3 3 2 2 3 4 8 1 4 5

GRAM : N A G A U D I T

AUDITORS' REPORT

The Hon'ble Auditor General of Bhutan,
Royal Audit Authority,
Tashi chhodzong,
Thimphu, Bhutan

1. We report that we have audited the annexed Receipts & Payments Account of Royal Audit Authority's Budgetary Operations for the year ended 30th June 2002 together with Trial Balance as on that date drawn on cash basis, in terms of letter No. RAA (ADM-05)-2003/1041 dt 17/04/2003 and these are in agreement with the books of accounts maintained as per the provisions of Financial Manual.
2. Our examinations of books and records are based on generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary for this purpose.
3. The Trial Balance and Receipts and Payments Account have been drawn up on the basis of budgetary allocations by DBA of Royal Government of Bhutan.
4. As required by the Terms of Reference of Audit issued with the letter of appointment, we enclose a statement on the matters specified therein.
5. Statutory deductions regarding Salary Tax, Health Contributions, GPF, GIS and TDS have been deducted as per the prescribed rate of RGOB.
6. We report that: -
 - i) 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.
 - ii) Proper books of account have been maintained by RAA so far as appears from our examination of the books.
 - iii) In our opinion and to the best of our information and according to the explanations given to us, the Trial Balance and the Receipts and Payments Account for the year ended 30th June 2002 gives a true and fair view of the budgetary funds received and expenditure incurred there from.

For NAG & ASSOCIATES,
Chartered Accountants


(S. N. Mukherjee)
PARTNER

Date: 29th April 2003
Place : Thimphu.



**ROYAL AUDIT AUTHORITY
THIMPHU : BHUTAN**

RECEIPTS & PAYMENTS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2002

	RECEIPTS (Nu.)	PAYMENTS (Nu.)
1 Opening Balance:		
a. Cash		
b. Bank		
2 Releases:		
a. Budgetary	33,096,435.00	
b. Non Revenue	174,720.00	
c. Refundable Deposits	124,793.42	
d. Un-cashed Cheques	3,525.00	
3 Grants in-Kind:		
a. Donor A		
b. Donor B		
4 Borrowings in-kind:		
c. Lender A		
d. Lender B		
5 Revenue Receipts/Remittances.		
a. Personal Income Tax(Salary)	455,549.00	455,549.00
b. Personal Income Tax(Earned Leave)	1,922.00	1,921.50
c. House Rent	554,147.00	554,147.00
d. Health Contribution	165,010.00	165,010.00
e. Bhutan Sales Tax -TDS -2%(HQ)	48,390.50	48,391.00
f. Bhutan Sales Tax -TDS -2%(SJ)	11,179.71	15,578.83
g. Cost of Tender Forms (HQ)	10,500.00	10,500.00
h. Cost of Tender Forms (SJ)	2,600.00	2,600.00
6 Other Recoveries/Remittances:		
a. GPF: Employees Contribution	958,103.00	958,103.00
b. Govt. Insurance Scheme	99,420.00	99,420.00
c. Other Insurance Premia		-
d. Loans from Financial Institutions:		-
I. Bank of Bhutan	190,800.00	190,800.00
II. Bhutan National Bank	1,364,948.00	1,364,948.00
III. Royal Insurance Coroporation	181,908.00	181,908.00
e. Audit Staff Welfare Scheme	250,600.00	250,600.00
f. Others (Imprest - SamdrupJongkhar)	1,821,766.89	1,854,925.14
7 Personal Advances.	5,525,310.03	5,729,706.45
8 Miscellaneous Receipts/Payments		
a. Non-Revenue A/C. Deposits		29,075.10
b. Refundable Dep. A/C. Deposits(HQ)	31,944.00	81,893.00
c. Refundable Dep. A/C. Deposits(SJ)	47,811.14	108,292.02
d. Payment to DBA(HQ)	26,656.00	222,915.00
e. Payment to DBA(SJ)		41,293.30
f. Audit Recovery(Pvt. Tel.)	13,854.70	13,854.70
g. Others		3,525.00
h. Others (Cash recovery& adj. by SJ)	14,000.00	
i. Others (UNDP)	14,975.00	14,975.00
j. Others (Penalty)	6,102.00	6,102.00
k. 1% Contribution	13,809.00	13,809.00
H.Payment to DBA(Lapsed Fund)		1,285,542.92
9 Suspense:		
a. Stock		
b. Purchases		
c. PW Advances		
d. Intra-Agency Assignments		
e. Opening Adv. Balance	189,962.85	
f. Opening Imprest balance	80,204.87	
10 Budgetary Expenditure: (Schedule - I)		
a. Current		29,894,190.33
b. Capital		1,865,238.85
c. Lending		
d. Repayments		
11 Closing Balances:		
a. Cash		16,132.97
b. Bank		
Total :	45,480,947.11	45,480,947.11

[Signature]
Finance Officer
Royal Audit Authority

Signed in terms of our report of even date

Drawing & Disbursing Officer
Royal Audit Authority

For NAG & ASSOCIATES
Chartered Accountants

Thimphu
Date 29.04.03
ASSISTANT AUDITOR GENERAL
Royal Audit Authority
Thimphu



[Signature]
(S. N. Mukherjee)
PARTNER