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ROYAL AUDIT AUTHORITY
(A Clean Public Service - Nation's Pride)



RAA(AAR-2003)/1558

Dated: 17th May, 2004

Foreword

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

HRH The Crown Prince Dasho Jigme Khesar Namgyel Wangchuck.

The year 2003 concluded with a historic victory of good over evil when under His Majesty’s personal participation the nation rid of the menace of invasive terrorism. The success came at a time when other nations falter and at least found ineffective to tackle the malaise of the evils of terror.

The Annual Audit Report 2003 (AAR 2003) is an account of one year’s of service under the rule of His Majesty to fight the menace within the society. His Majesty’s vision of a complete nation we believe is one safe from external threat and aggression; and morally and ethically a correct society internally.

We hope in this framework this report reinforces the national efforts to safeguard the national integrity and further enhances the quality of governance of Bhutan.

We are happy to report in the year 2003, the Royal Audit Authority had conducted 203 normal audits, 5 special audits, 69 project certifications and 17 statutory audits. During the same year the RAA had transmitted a total of 275 audit reports including 184 inspection reports, 6 special audit reports, 68 project certifications and 17 statutory audit reports.

This report mainly contains the significant audit findings and observations contained in the Inspection Reports that were issued within the calendar year 2003 as presented in the Annexure.

The RAA has also in gist incorporated, the auditees’ recent replies/responses/action taken reports for information of the general public.

This report also points out actions, those that were taken by the government agencies.

As in the AAR 2002 this report also indicates the identity of the officers responsible/accountable for each lapses. While most are directly held accountable for the

lapses as mentioned accountability are fixed on others based on the concept of succession responsibility where the predecessors are either transferred else where or no more in the service.

In the last Annual Audit Report, we had reported audit recovery of over Nu. 27 million. In the year 2003, we had recovered only over Nu. 17 million. We are happy to report that lesser collection as indicator of the positive impact. It would imply that the Zero Tolerance Approach in preventing more public money and resources from being misused/squandered is beginning to see its impact.

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.

As many were concerned that audit findings not to end in reporting, follow-up of previous Annual Audit Reports have been reviewed. These shall form Chapter II of Part I of this Report.

We hope with the issues raised by the RAA in the report will strengthen the internal control system in agencies towards better performance.

We highly appreciate the cooperation and support rendered to us by all the government agencies. Let us all endeavour towards promoting the three pillars of Good Governance; accountability, effectiveness and transparency.

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

Lastly the RAA family joins the Nation in offering our gratitude for the selfless and unparalleled leadership of our Beloved Druk Ngadag Gyalpo Pal Jigme Singye Wangchuck.

May the sun of His rule shine eternally.

(Kunzang Wangdi)
Auditor General of Bhutan

“Establishing proper governance, providing leadership and guidance from the centre, managing programs effectively in departments, managing people well, collecting information and reporting results – these are all essential ingredients of delivering good public service” Auditor General of Canada

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.

Highlights of the year

1. The draft Audit Act of the Kingdom of Bhutan has already been submitted to the Cabinet to be Tabled before the National Assembly.
2. The Office of the Assistant Auditor General, Tsirang was established and inaugurated on 26th July 2003 bringing the total of field offices to three. The office was opened with the objective to:
 - ensure successful implementation of the 9th Plan and Geog Plans;
 - decongest the HQ & ease the demand on housing & other social infrastructure in the Capital community;
 - facilitate the monitoring responsibilities of the Geog Based Development Plans in the 9th Five Year Plan;
 - promote the national objectives of the balanced regional development;
 - cut down on travel budget & save travel time of the auditors;
 - bring auditors closer to the auditees and improve the efficiency on coverage; and
 - facilitate in feasibility of conducting audit annually of auditee's.

The office shall be responsible to audit and report on all public works to be carried out in the following dzongkhags:

- i. Tsirang;
- ii. Dagana;

- iii. Sarpang;
 - iv. Wangduephodrang;
 - v. Punakha; and
 - vi. Gasa
3. A three member delegation led by the Auditor General of Bhutan attended the Ninth Asian Organization of Supreme Audit Institution (ASOSAI) meeting in Manila, Philippines in October 2003.
 4. The Royal Audit Authority-Supreme Audit Institution of Bhutan was elected to the 9 member Governing Board of Asian Organization of Supreme Audit Institution (ASOSAI).
 5. The Auditor General of Bhutan was appointed as Vice-Chairman of Theme I- The possibilities for Bilateral & Multilateral Cooperation for the 18th International Organization of Supreme Audit Institution (INTOSAI) Assembly in Budapest, Hungary.
 6. Peer review of the Royal Audit Authority conducted by Office of the Comptroller & Auditor General of India.
 7. Bhutan was decided to be the host for the 14th Meeting of the INTOSAI Standing Committee on IT audit to be held in Bhutan in the year 2005.
 8. First phase of Audit awareness at the Grass Root for members of GYT, DYT, Gaydrungs and Dzongkhag staffs was conducted.
 9. An “Open Forum” on RAA was organized on 10th December 2003. The objectives of organizing the forum were to:
 - Hear what people say;
 - Exchange views and ideas;
 - Explain what is not clearly interpreted in the reports, media etc. and;
 - Any other business.

The issues discussed were:

- System and seasonality of issuance of Audit Clearance;
- Issues on Lowest Evaluated Substantially Responsive Bid;
- Fixing of accountability;
- Issues on catering;

- Timely auditing;
- Balance between authority and commercial judgment;
- Quality of construction versus lowest bidder;
- Audit of Royal Audit Authority; and
- Tax/ revenue versus Audit Recoveries Account.

The participants included the officials from government Ministries and departments including the media people. Though anticipated participation from private and business sectors were none.

10. Participated in the Companies Act Awareness Workshop as resource person held at Thimphu and Phuentsholing.
11. Issued Annual Audit Report 2002 in October 2003.
12. The Auditor General accompanied by two other officials attended the Inauguration of the 28th Regional Conference of the Eastern India Regional Conference of Institute of Chartered Accountants.
13. During the year the Royal Audit Authority had recruited 7 employees including one electrical engineer, three Senior Auditors etc.
14. During the year the officials of RAA attended number of trainings, seminars and workshops both within and outside the country as summarized below:

Sl. No.	Course	Duration	Location	No. of candidates	Source of Fund
1	Auditing Information Technology	1 month	UP, India	2	Colombo Plan
2	Attachment Course on certification of Govt. Financial Statement	3 weeks	Jaipur, India	3	RGoB
3	Workshop on Performance Audit of Revenue Agency	2 weeks	Lahore, Pakistan	1	ASOSAI
4	IA&AS	13 months	Shimla, India	2	Colombo Plan, MoU
5	Audit of Public Enterprise	1 month	UP, India	2	Colombo Plan
6	Library attachment Course	2 weeks	Samtse, Bhutan	1	RGoB
7	Pro-STAAD Software	10 days	RBIT, P/ling	1	Wang Watershed Project
8	AUTOCAD	2 weeks	RBIT, P/ling	2	RGoB
9	Dzongkha Secretarial Course	45 days	P/ling	1	RGoB
10	Masters in HRM	18 months	Australia	1	SDS
11	Environmental Auditing	2 weeks	Nairobi, Kenya	1	ASOSAI

Chapter II

Review Report of the compliance of the Previous Reports.

The Royal Audit Authority (RAA) so far excluding the Annual Audit Report (AAR) 2003 had issued three (3) AARs Viz: AAR 2000, AAR 2001 & AAR 2002.

The status of the report is constantly being followed-up both at the RAA Headquarters and in the field by the audit inspection team. All the previous AARs have been reviewed and accordingly, the RAA is pleased to incorporate the status of those previous AARs in the AAR 2003. Consolidated status is as presented here below:

Status of compliance of AAR 2000, AAR 2001 & AAR 2002 (Nu. in million)

Table 1.1

Sl. No.	Agency	AAR 2000			AAR 2001			AAR 2002			Total			
		Amount reported	Amount settled	Balance unsettled	Amount reported	Amount settled	Balance unsettled	Amount reported	Amount settled	Balance unsettled	Amount reported	Amount settled	Amount unsettled	% of unsettled amount
1	Ministry of Home Affairs	67.89	50.33	17.56	54.09	43.573	10.517	78.11	27.43	50.68	200.09	121.33	78.757	39.36
2	Ministry of Communications	107.54	98.34	9.20	138.88	131.98	6.90	35.61	17.72	17.89	282.03	248.04	33.99	12.05
3	Ministry of Finance	187.18	180.23	6.95				67.40	51.56	15.84	254.58	231.79	22.79	8.95
4	Ministry of Agriculture	26.04	24.203	1.837	1.57	1.44	0.13	18.10	10.857	7.243	45.71	36.50	9.21	20.15
5	Ministry of Trade & Industry	113.02	92.75	20.27	24.91	2.883	22.027	240.87	204.71	36.16	378.8	300.34	78.457	20.71
6	Ministry of Foreign Affairs				40.69	8.85	31.84	3.21	0.00	3.21	43.9	8.85	35.05	79.84
7	Ministry of Health & Edu.	115.00	113.63	1.37	22.67	17.20	5.47	139.27	132.62	6.65	276.94	263.45	13.49	4.87
8	Judiciary	1.03	0.84	0.19				1.52	0.00	1.52	2.55	0.84	1.71	67.06
9	Royal Bhutan Army				20.688	17.531	3.157	1.94	0.00	1.94	22.628	17.53	5.097	22.53
10	Royal Bhutan Police				75.35	73.26	2.09	1.93	0.10	1.83	77.28	73.36	3.92	5.07
11	Royal Body Guard							0.65	0.33	0.32	0.65	0.33	0.32	49.23
12	Autonomous agencies	19.16	18.461	0.699	100.46	93.12	7.34	6.51	1.18	5.33	126.13	112.76	13.37	10.60
13	Royal Mon. Authority	130.97	130.96	0.01							130.97	130.96	0.01	0.008
14	Royal Ins. Corp. of Bhutan	161.52	0.76	160.76							161.52	0.76	160.76	99.53
15	State Trading Corp. of Bhutan	57.83	0.00	57.83							57.83	0.00	57.83	100.00
16	Bhutan National Bank							2.15	0.10	2.05	2.15	0.10	2.05	95.35
17	Tala Hydro Projects	73.97	64.29	9.68							73.97	64.29	9.68	13.09
18	Dungsum Cement Project	33.40	33.40	0.00							33.4	33.40	0.00	0.00
19	Druk Air Corporation							0.34	0.00	0.34	0.34	0.00	0.34	100.00
20	Penden Cement Authority							8.44	0.00	8.44	8.44	0.00	8.44	100.00
21	Druk Seed Corporation							16.99	14.68	2.31	16.99	14.68	2.31	13.60
22	Food Corporation of Bhutan							5.53	2.60	2.93	5.53	2.60	2.93	52.98
23	Forestry Dev. Corporation				56.747	0.597	56.15	8.05	1.34	6.71	64.797	1.937	62.86	97.01
24	Handicraft Dev. Corporation							1.26	0.59	0.67	1.26	0.59	0.67	53.17
25	Bhutan Board Products Ltd.				176.51	116.82	59.69				176.51	116.82	59.69	33.82
26	Army Welfare Project				20.43	0	20.43				20.43	0.00	20.43	100.00
27	Bhutan Post				60.50	56.29	4.21				60.5	56.29	4.21	6.96
28	BBSC				15.93	15.33	0.60				15.93	15.33	0.60	3.77
	Total	1094.55	808.19	286.36	809.42	578.87	230.55	637.88	465.82	172.06	2541.85	1852.88	689.0	27.11

Either not audited or observation not significant enough to incorporate in AAR

More than two years have elapsed since the first AAR 2000 was released by this authority. It was expected that at least the issue raised in this report would have been resolved by now. However, our review revealed otherwise.

None of the government agencies have fully resolved the issues brought to their attention. Yet the overall scenario of three AARs put together the government agencies including Armed Forces & Judiciary comparatively has better compliance than the corporations. However, the Royal Monetary Authority (RMA) is found to be an exception, which had resolved all the pending unresolved issues.

Considering the amount settled or amount unsettled as a yardstick to measure accountability, transparency and efficiency the then Ministry of Health & Education could be commended for it has only 4.87% of the issues yet to be resolved, followed by the Royal Bhutan Police with 5.07 % and Ministry of Communications with 12.05 %. The Ministry of Foreign Affairs, Judiciary & Royal Body Guard on other hand has about 79.84 %, 67.06% and 49.23% respectively to close the chapter.

It is dismaying to note that corporations such as State Trading Corporation of Bhutan Limited, Druk Air Corporation, Penden Cement Authority and Army Welfare Project had never taken actions on the AARs issued so far. On the other hand the RMA, Bhutan Broadcasting Service Corporation and Bhutan Post do deserve our commendation for their prompt actions had resolved the audit issues substantially.

The RAA would like to inform that till satisfactory action all issues raised in our reports will continue to be pursued. We shall now present the year wise reviews hereafter.

Review of Annual Audit Report 2000

The AAR 2000 was the first of its kind. In the overall scenario the report has only about 26.16% of its observation yet to be resolved fully. There is no improvement in the State Trading Corporation of Bhutan Limited as no actions were reported taken so far. The Royal Insurance Corporation of Bhutan with 99.53 % of the issues yet to be resolved is not any better.

Ministry of Home Affairs AAR 2000

Sl.No.	Nature of observation	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Excess Payments	3.73	2.36	1.37
2.	Misappropriation	2.11	1.93	0.18
3.	Outstanding advance	45.80	42.07	3.73
4.	Outstanding Revenue	1.09	0.90	0.19
5.	Irregular payments	3.12	3.07	0.05
6.	Award of work on cut off points	12.04	0.00	12.04
	Total	67.89	50.33	17.56

The Ministry of Home Affairs made adjustment/recovery of 74.13 % with a balance of Nu.17.56 million. Action taken report on the award of work on cut off points and outstanding advances are the more significant.

Ministry of Finance AAR 2000

Sl. No.	Nature of observation	Nu. in million.		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Excess payments	0.65	0.62	0.03
2.	Irregular payments	1.91	0.00	1.91
3.	Misappropriation	0.18	0.00	0.18
4.	Outstanding revenue	82.90	78.07	4.83
5.	Outstanding advances	100.76	100.76	0.00
6.	Loss of revenue	0.78	0.78	0.00
	Total	187.18	180.23	6.95

The current balance of the Ministry of Finance stands at Nu. 6.95 million after the adjustment/recovery of more than 96.29%. Efforts of the DRC were appreciated to resolve pending revenue issues, most of which pertained to ineffective control periods earlier to the year 2000. Still a substantial amount of outstanding revenue is yet to be recovered and deposited in the Audit Recoveries Account. Since revenue unaccounted is viewed a serious offence, efforts must be made to clear the issue at the earliest.

Ministry of Health & Educations AAR 2000

Sl. No.	Nature of observation	Nu. in million.		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Excess expenditure	0.363	0.34	0.02
2.	Irregular payment	5.25	4.16	1.09
3.	Outstanding revenue	0.49	0.23	0.26
4.	Outstanding advance	100.9	100.90	0.00
5.	Uneconomic purchases	8.00	8.00	0.00
	Total	115.00	113.63	1.37

The Ministry of Health and Education has made significant adjustment/recovery of more than 98.81 % thereby leaving a balance of Nu. 1.37 million. The RAA appreciated the dedicated efforts made by the accountable officials of the concerned Ministry.

Ministry of Communications AAR 2000

Sl. No.	Nature of observation	Nu. in million.		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Irregular payment	17.42	17.30	0.12
2.	Excess payment	4.42	4.42	0.00
3.	Outstanding advance	39.17	37.57	1.60
4.	Outstanding revenue	9.83	6.26	3.57
5.	Tendering losses	8.6	7.87	0.73
6.	Loss of revenue	11.34	9.06	2.28
7.	Award of work on work order	3.72	3.72	0.00
8.	Irregular purchases	10.67	9.90	0.77
9.	Govt. property issued to private	0.97	0.84	0.13
10.	Non accountal of stocks	0.2	0.20	0.00
11.	Misutilisation of budget	1.2	1.2	0.00
	Total	107.54	98.34	9.20

The present status of the figure remains at Nu. 9.20 million after the adjustment/recovery of more than 91.45 %. While the Ministry had made a commendable effort, yet the critical area of revenue and advances need its further effort.

Ministry of Trade & Industry AAR 2000

Sl. No.	Nature of observation	Nu. in million.		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Irregular payment	0.45	0.45	0.00
2.	Misappropriation	0.26	0.13	0.13
3.	Outstanding advance	102.95	90.05	12.90
4.	Outstanding revenue	7.05	0.72	6.33
5.	Loss of revenue	1.40	1.40	0.00
6.	Non-accountal of stock	0.91	0.00	0.91
	Total	113.02	92.75	20.27

The current amount yet to be recovered/adjusted for the Ministry of Trade and Industry stands at Nu. 20.27 million with 82.07 % adjusted/ recovered. The RAA urges further effort be made to account the advances and revenue, which are lying, unsettled for several years.

Ministry of Agriculture AAR 2000

Sl. No.	Nature of Observation	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Excess Payments	0.58	0.22	0.36
2.	Losses due to tendering and procurement lapses	0.42	0.42	0.00
3.	Outstanding Advance	13.09	12.23	0.86
4.	Misappropriation	0.12	0.12	0.00
5.	Outstanding revenue	0.53	0.46	0.07
6.	Irregular Payment	1.83	1.66	0.17
7.	Wasteful expenditure	2.46	2.46	0.00
8.	Award of work without inviting tenders/quotations	7.01	6.633	0.377
	Total	26.04	24.203	1.837

The Ministry of Agriculture has made significant adjustment/ recovery of 92.95 % leaving a balance of Nu. 1.837 million. The RAA commends the Ministry in its efforts to clear almost all the issues.

Autonomous & Independent agencies AAR 2000

Sl. No.	Nature of observation	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Excess payment	0.28	0.28	0.00
2.	Tendering and procurement lapses/irregular purchases	0.61	0.61	0.00
3.	Outstanding advance	13.05	12.351	0.699
4.	Outstanding revenue	5.22	5.22	0.00
	Total	19.16	18.461	0.699

The Autonomous and Independent agencies include National Assembly Secretariat, Cabinet Secretariat, NCCA, RCSC, NWAB, National Museum, and the Institute of Zorig Chusum. A balance of Nu. 0.699 million yet to be recovered with 96.35% of the total amount adjusted/recovered. The outstanding advance of Nu. 0.699 million have to be

recovered from NWAB & National Museum. The RAA would like to commend the other autonomous agencies for their efforts to clear all the issues.

Judiciary AAR 2000

Sl. No.	Nature of observation	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Irregular payment of residential telephone bills	0.39	0.20	0.19
2.	Outstanding revenue	0.64	0.64	0.00
	Total	1.03	0.84	0.19

The balance amount of Nu. 0.19 million needs to be accounted with 18.55% adjusted/recovered of the total amount.

Dungsum Cement Project AAR 2000

Sl. No.	Nature of observation	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Outstanding revenue	0.48	0.48	0.00
2.	Outstanding advance	7.42	7.42	0.00
3.	Excess payment	0.27	0.27	0.00
4.	Non-accountal of stock	0.17	0.17	0.00
5.	Wasteful expenditure	24.95	24.95	0.00
6.	Non-levy of liquidated damages	0.11	0.11	0.00
	Total	33.40	33.40	0.00

Dungsum Cement Project has adjusted/ recovered 100% of the issues/observation that were reflected in the AAR 2000.

Tala Hydroelectric Project Authority AAR 2000

Sl. No.	Nature of observation	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Irregular payment	43.34	43.34	0.00
2.	Excess payment	20.52	20.52	0.00
3.	Recoverable amount from contractor	9.68	0.00	9.68
4.	Non-levy of liquidated damages	0.43	0.43	0.00
	Total	73.97	64.29	9.68

Tala Hydroelectric Project Authority made a significant adjustment/recovery of more than 86.91 % leaving a balance of Nu. 9.68 million. The RAA appreciates the positive understanding of the management in resolving the issues and significant improvements introduced in the management of the project.

Financial Institutions AAR 2000

Sl. No.	Nature of observation	Nu. in million			
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04	Agency
1.	Contract awarded based on cut-off points	47.81	0.00	47.81	RICB
2.	Irregular award of work	61.00	0.00	61.00	RICB
3.	Uneconomic purchase	6.50	0.10	6.40	RICB
4.	Loss due to purchase made from unauthorised suppliers	0.36	0.00	0.36	STCB
5.	Non-realisation of sale proceeds	0.85	0.00	0.85	STCB
6.	Irregular payment of bonus to contractors	0.125	0.00	0.125	RICB
7.	Irregular payment of advances	7.70	0.00	7.70	RICB
8.	Irregular payment of Insurance claim	5.00	0.00	5.00	RICB
9.	Irregular payment of donations	0.090	0.00	0.093	RICB
10.	Other irregular payments	1.08	0.174	0.906	RICB
11.	Works executed without inviting tenders	11.85	0.00	11.85	RICB
12.	Outstanding advances against contractors	18.94	0.00	18.94	RICB
13.	Excess payment	7.66	6.15	1.51	RICB/ RMA/ STCB
14.	Non- accountal of stocks	4.201	0.431	3.77	RICB/ RMA/ STCB
15.	Irregular sale of vehicles	0.087	0.00	0.087	RICB
16.	Execution of substandard works	0.77	0.77	0.00	RMA
17.	Wasteful expenditure	3.879	3.879	0.00	RMA
18.	Monetary policy failure	112.50	112.50	0.00	RMA
19.	Irregular payment of deferential interest	7.71	7.71	0.00	RMA
20.	Avoidable expenditure	3.8	0.00	3.80	STCB
21.	Physical verification of stocks	48.4	0.00	48.40	STCB
	TOTAL	350.312	131.714	218.598	

The Financial Institutions comprises of RICB with a balance of Nu. 160.76 million from a total of Nu. 161.52 million reported, RMA with a balance of only Nu. 0.01 million from the total of Nu.130.97 million reported. The balance of STCB remains same at Nu.57.83 million.

The figure of STCB remains same as was reported at Nu. 57.83 million. The accountability, efficiency and effectiveness is better off in corporate culture appear belied judging from the rate of compliance to the Annual Audit Report 2000.

Review of Annual Audit Report 2001

This is the second Annual Audit Report released by the Royal Audit Authority in sequel to the AAR 2000.

Among the government ministries, as of date the Ministry of Trade & Industry, Ministry of Foreign Affairs and the Ministry of Health & Education have the highest amount of issues to be resolved with 88.43%, 78.25% and 24.13% respectively.

Apart from the government agencies the Army Welfare Project had not attended/ responded to any of the issues incorporated in the Annual Audit Report 2001. The Bhutan Board Products Limited has about 34% to be resolved fully.

In the overall scenario the report has more than 28.48% of the issues further to be resolved.

Ministry of Health & Education AAR 2001

Sl. No.	Nature of observation	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as on 05.03.04
1.	Outstanding Advances	13.98	8.51	5.47
2.	Excess Payments	0.21	0.21	0.00
3.	Wrong booking of expenditure	2.41	2.41	0.00
4.	Non accountal of stocks	0.23	0.23	0.00
5.	Double booking of expenditure	0.29	0.29	0.00
6.	Unconfirmed advance released by GOI Project, Thimphu	0.55	0.55	0.00
7.	Non reconciliation of advances paid to suppliers and the materials received.	5.00	5.00	0.00
	Total	22.67	17.20	5.47

The Ministry of Health and Education made adjustment/ recovery of 75.87 %, leaving a total balance of Nu 5.47 million of outstanding advance to be accounted for.

Ministry of Trade & Industry AAR 2001

Sl. No	Nature of Observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Outstanding Revenue	8.01	2.016	5.994
2.	Outstanding Advances	12.19	0.867	11.323
3.	Wasteful expenditure	3.93	0.00	3.93
4.	Loss of stock	0.78	0.00	0.78
	Total	24.91	2.883	22.027

The Ministry of Trade and Industry has a significant balance of Nu. 22.027 million with 11.57 % adjusted or recovered. The RAA urges the Ministry to take efficient action on the settlement of the outstanding advance in particular to avoid penal actions.

Ministry of Agriculture AAR 2001

Sl.No	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Excess payment	0.12	0.00	0.12
2.	Outstanding revenue	0.94	0.925	0.015
3.	Non-accountal of stores	0.29	0.29	0.00
4.	Irregular payment.	0.22	0.22	0.00
	Total	1.57	1.44	0.13

The current balance of the Ministry of Agriculture is Nu 0.13 million with 91.72% of the total amount adjusted/recovered. The RAA would further encourage the Ministry for total compliance given the excellent track record.

Ministry of Communications AAR 2001

Sl.No	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ Adjusted	Balance amount as of 05.03.04
1.	Irregular contract management	12.44	12.44	0.00
2.	Loss arising from non-enforcement of contract clauses	4.50	2.03	2.47
3.	Outstanding Advances	20.75	20.56	0.19
4.	Outstanding Revenue	61.41	58.75	2.66
5.	Loss due to idle machinery	8.00	8.00	0.00
6.	Poor cost benefit analysis-a huge expenditure	20.00	20.00	0.00
7.	Unreconcilable hire charges	2.18	2.18	0.00
8.	Wasteful expenditure	1.30	1.30	0.00
9.	Lack of budgetary discipline	1.47	0.40	1.07
10.	Irregular payments to contractors	2.83	2.32	0.51
11.	Materials management : a need for improvement	4.00	4.00	0.00
	Total	138.88	131.98	6.90

The Ministry of Communications after adjustment/recovery of more than 95.03 % has a balance of Nu. 6.90 million. The Ministry is encouraged for total compliance.

Ministry of Home Affairs AAR 2001

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Irregular award of work on contract	8.73	8.73	0.00
2.	Excess payments	3.11	2.59	0.52
3.	Non-enforcement of contract clauses	1.77	0.00	1.77
4.	Outstanding revenue	0.77	0.67	0.10
5.	Misutilization of revenue/ funds collected	0.10	0.033	0.067
6.	Outstanding advances	39.47	31.45	8.02
7.	Non-accountal of stock	0.06	0.04	0.02
8.	Unauthorised issue of cement to private parties	0.08	0.06	0.02
	Total	54.09	43.573	10.517

The present status of the Ministry of Home Affairs stands at Nu 10.517 million after the adjustment/recovery of 80.56% of the total amount. The RAA finds that the Ministry will require continuous efforts to be made for attaining total compliance.

Ministry of Foreign Affairs AAR 2001

Sl. No.	Observations	Nu. in million						Amount reflected	Amt. Recovered	Balance as on 05.03.04
		MoFA HQR.	PMB Geneva	PMB New York	RBE Dhaka	RBE Delhi	RBE Kuwait			
1.	Double/ Over Payment	0.81	-	-	-	-	-	0.81	0.00	0.81
2.	Outstanding advance	8.80	5.66*1	3.65	3.00	3.36	0.20	24.67	3.00	21.67
3.	Irregularities in cash closing balance	0.19	-	-	-	-	-	0.19	0.00	0.19
4.	Payment made without supporting bills	0.70	-	-	-	-	0.59	1.29	0.00	1.29
5.	Missing of disbursement vouchers	1.25	5.41	-	-	-	-	6.66	5.41	1.25
6.	Irregularities in travels abroad	0.63	-	-	-	-	-	0.63	0.00	0.63
7.	Irregular payment	2.72	0.33	-	-	0.12	-	3.17	0.00	3.17
8.	Non-accountal of Visa fee	0.28	-	-	-	-	-	0.28	0.28	0.00
9.	Non-production of quotation document	-	-	-	-	-	0.26	0.26	0.00	0.26
10.	Non remittance of statutory deductions	-	0.76*2	-	-	-	0.11	0.87	0.00	0.87
11.	Non accountal of furniture/ equipment	-	1.70	-	-	0.10	-	1.80	0.10	1.70
12.	Non recording of advances in the sub-ledger	-	-	-	-	0.06	-	0.06	0.06	0.00
	Grand Total	15.38	13.86	3.65	3.00	3.64	1.16	40.69	8.85	31.84

*1=SFR 469339.93@ Nu 12.05 Conversion error

*2=SFR 47976.50 @ Nu 46.33 Conversion error

The Ministry of Foreign Affairs has a balance of Nu. 31.84 million with 21.75 % of the total amount adjusted/recovered. The outstanding advances need the immediate attention. The missing disbursement vouchers of Nu. 1.25 million requires special attention.

Bhutan Broadcasting Corporation AAR 2001

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Debtors Management	1.67	1.07	0.6
2.	Outstanding advance	13.58	13.59	0.00
3.	Non-accountal of money	0.47	0.47	0.00
4.	Excess payment	0.21	0.21	0.00
	Total	15.93	15.33	0.60

BBS has a balance of Nu 0.60 million after the adjustment/recovery of more than 96.23 %.

Army Welfare Project (AWP) AAR 2001

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Loss due to acceptance of rectified spirit below specifications.	0.17	0.00	0.17
2.	Commission paid not commensurate with sales generated	0.35	0.00	0.35
3.	Misappropriation	1.00	0.00	1.00
4.	Receipt of contaminated rectified spirit by Gelephu Distillery	3.15	0.00	3.15
5.	Procurement of drugs and chemicals without inviting quotations	1.46	0.00	1.46
6.	Credit Policy: need for review	14.30	0.00	14.30
	Total	20.43	0.00	20.43

The current balance of AWP remains the same as reported with Nu. 20.43 million to be adjusted/recovered.

Bhutan Board Products Limited AAR 2001

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered /adjusted	Balance amount as of 05.03.04
1.	Idle/obsolete items of inventory	7.78	4.481	3.299
2.	Shortages of raw /finished boards financial loss	40.31	18.78	21.53
3.	Loss due to improper procurement practices	5.48	0.00	5.48
4.	Irregular payments of retirement benefits	0.81	0.00	0.81
5.	Work awarded without inviting tenders	69.74	69.74	0.00
6.	Purchase of spare parts for bulldozer	0.298	0.00	0.298
7.	Work awarded to non-licensed contractor	7.30	7.30	0.00
8.	Purchase made without quotation	11.00	11.00	0.00
9.	Avoidable expenditure	1.21	0.00	1.21
10.	Loss arising for purchase of chemical from a single source	6.93	0.00	6.93
11.	Excess payment	0.21	0.03	0.18
12.	Un-reconciled balance	14.57	0.00	14.57
13.	Hiring of private vehicle and irregularities thereof.	0.84	0.277	0.563
14.	Non-accountal of stock	0.33	0.11	0.22
15.	Outstanding advances	9.70	5.10	4.60
Total		176.508	116.818	59.69

The current balance of BBPL remains at Nu 59.69 million with 66.18 % of the total amount adjusted/ recovered.

Bhutan Post AAR 2001

Sl. No.	Nature of observation	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Outstanding advances	14.53	10.32	4.21
2.	Outstanding revenue	3.50	3.50	0.00
3.	Slow moving stocks	28.88	28.88	0.00
4.	Outstanding international mail revenue	13.59	13.59	0.00
Total		60.50	56.29	4.21

The current balance of Bhutan Post stands at Nu. 4.21 million with 93.04% adjusted/recovered.

Royal Bhutan Army AAR 2001

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Purchase of uniform materials without inviting quotations	5.16	5.16	0.00
2.	Purchase of materials in excess of actual requirement resulting in blockade of funds.	1.93	1.32	0.61
3.	Non-deduction of tax from suppliers	0.77	0.00	0.77
4.	Non-accountal of stock	1.016	0.390	0.626
5.	Payment without supporting bills	0.152	0.101	0.051
6.	Estimates: was it unrealistic?	2.6	2.6	0.00
7.	Award of work without floating open tender	7.735	7.735	0.00
8.	Irregular exemption of import duty	1.10	0.00	1.10
9.	Urgent purchases: an excuse to purchase materials without observing purchase formalities	0.225	0.225	0.00
Total		20.688	17.531	3.157

The Royal Bhutan Army had made adjustment/recovery of 84.74 % leaving a balance of Nu.3.157 million. Efforts made by the present management is noteworthy in audit.

Royal Bhutan Police AAR 2001

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Award of contracts on cut off point basis	70.58	70.58	0.00
2.	Procurement of Ammunition boots on negotiation	1.69	1.69	0.00
3.	Purchase without floating tenders	0.99	0.99	0.00
4.	Loss arising from purchases made from other than the lowest bidder	2.09	0.00	2.09
	Total	75.35	73.26	2.09

The Royal Bhutan Police has a balance of Nu 2.09 million with 97.23 % adjusted/ recovered. Efforts made have been noTable.

Autonomous Agencies AAR 2001

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Injudicious expenditure	1.5	0.00	1.5
2.	Excess payment	0.73	0.51	0.22
3.	Outstanding advances	25.4	24.53	0.87
4.	Purchases made from other than the lowest bidder	4.00	4.00	0.00
5.	Purchases made without inviting quotations/tenders	1.40	0.96	0.44
6.	Wasteful expenditure	0.20	0.20	0.00
7.	Execution of extra works without prior approval	11.5	11.50	0.00
8.	Non-enforcement of contract clauses	2.7	0.00	2.70
9.	Irregular award of contract	46.0	46.00	0.00
10.	Outstanding Revenue	4.2	4.19	0.01
11.	Non accountal of cash	0.03	0.03	0.00
12.	Irregular payment	1.2	1.20	0.00
13.	Outstanding loan	1.6	0.00	1.60
	Total	100.46	93.12	7.34

The Autonomous agencies include NCCA, Royal Bhutan Polytechnic, Institute of Zorig Chusum, BOC, RTI, RIM, NDTI, DDC, and NWAB. The total balance to be recovered stands at 7.34 million with 92.70% adjusted/recovered. Efforts made are found noTable, all observations in particular the issue of outstanding loan of 1.60 million must be resolved at the earliest.

Forestry Development Corporation Limited AAR 2001

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Excess payment	1.52	0.247	1.273
2.	Payment on behalf of contractors	0.135	0.00	1.135
3.	Award of work without approval	0.054	0.044	0.01
4.	Irregular Payment of advances	2.598	0.00	2.598
5.	Booking of fictitious expenditure	0.62	0.00	0.62
6.	Shortage of timber stock	1.43	0.00	1.43
7.	Fictitious muster roll payment	1.12	0.00	1.12
8.	Booking of expenditure through manipulation	0.32	0.00	0.32
9.	Irregular booking of depreciation	0.11	0.00	0.11

10.	Irregular increase in logging rates	0.11	0.00	0.11
11.	Direct allotment of contract for production	20.70	0.00	20.70
12.	Misappropriation	0.905	0.00	0.905
13.	Payment without supporting documents	1.922	0.00	1.922
14.	Negotiated sale of timber	23.32	0.00	23.32
15.	Fictitious payment	0.72	0.00	0.72
16.	Non realization of bills	1.163	0.306	0.857
	Total	56.747	0.597	56.15

The FDCL which had a significant balance of Nu 56.15 million with adjustment/recovery of 1.1% of the total amount is far from satisfactory.

Review of Annual Audit Report 2002

The status of AAR 2002 is not very comfortable. Agencies such as the Ministry of Foreign Affairs, Judiciary, Royal Bhutan Army, Druk Air Corporation and Penden Cement, have none of the issues attended to. All have 100% of the issues to be resolved.

The situation of the Bhutan National Bank, Royal Bhutan Police, Forestry Development Corporation Ltd, Food Corporation of Bhutan and Autonomous agencies with 95.35%, 94.82%, 83.35%, 52.98% and 81.87% of the issues pending respectively are not the most favourable.

At the middle of the scale are the Ministry of Home Affairs, the then Ministry of Communications, Royal Body Guard, with 64.88%, 50.24%, 49.23%, respectively.

The then Ministry of Health & Education, Ministry of Trade and Industry, Ministry of Agriculture, Ministry of Finance and the Druk Seed Corporation should be commended for it has resolved more than 95%, 84%, 60%, 76% and 86% of the issues.

Ministry of Trade and Industry AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Outstanding Advance.	128.43	100.57	27.86
2.	Purchases without approval.	25.33	25.33	0.00
3.	Energy Losses.	16.69	16.69	0.00
4.	Wasteful expenditure.	13.13	13.13	0.00
5.	Payment against defective materials.	10.00	10.00	0.00
6.	Outstanding revenue.	9.30	1.71	5.59
7.	Loss due to non-inclusion of penalty clauses.	7.16	7.16	0.00
8.	Loss of Revenue.	7.06	6.86	0.20
9.	Avoidable purchase.	5.87	5.87	0.00
10.	Non-levy of liquidated damages.	5.40	4.89	0.51
11.	Excess payment.	4.63	4.63	0.00
12.	Bad Debts.	4.26	4.26	0.00
13.	Recoverable amount.	2.39	2.39	0.00
14.	Award of work to contractors without valid license.	0.79	0.79	0.00
15.	Non-enforcement of contract terms.	0.31	0.31	0.00
16.	Non-deduction of Tax.	0.12	0.12	0.00
	Total	240.87	204.71	36.16

The Ministry of Trade and Industry has a balance of Nu. 36.16 million with 84.99 % of the total amount recovered or adjusted. Special efforts must be made for the accounting

of the outstanding advances and the revenue. The performance by category is being found noteworthy.

Ministry of Health and Education AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Outstanding advance.	138.48	132.33	6.15
2.	Non-deduction of taxes.	0.25	0.01	0.24
3.	Excess payment.	0.21	0.11	0.10
4.	Shortage of materials.	0.12	0.09	0.03
5.	Wrong booking of expenditure.	0.13	0.00	0.13
6.	Irregular/inadmissible payment.	0.08	0.08	0.00
	Total	139.27	132.62	6.65

The Ministry of Health and Education made significant recoveries /adjustment of 95.23% leaving a balance of Nu 6.65 million. The Ministry is being appreciated for its full cooperation and effort to resolve the issues fully.

Ministry of Agriculture AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Outstanding Advance.	14.92	9.09	5.83
2.	Procurement without tender.	0.02	0.00	0.02
3.	Payment without measurement.	1.01	0.02	0.99
4.	Irregular/inadmissible payment.	0.62	0.257	0.363
5.	Non-accountal of advances.	0.37	0.37	0.00
6.	Others.	0.28	0.27	0.01
7.	Irregular booking of Expenditure.	0.27	0.26	0.01
8.	Loss due to unauthorized reduction in selling rate of timber.	0.19	0.19	0.00
9.	Payment for works not executed.	0.12	0.10	0.02
10.	Irregular Diversion of fund.	0.11	0.11	0.00
11.	Excess payment.	0.07	0.07	0.00
12.	Avoidable payment.	0.06	0.06	0.00
13.	Misappropriation.	0.04	0.04	0.00
14.	Non-deductions of taxes.	0.02	0.02	0.00
	Total	18.10	10.857	7.243

The present balance of the Ministry of Agriculture remains at Nu 7.243 with 60 % of the total amount recovered or adjusted.

Ministry of Foreign Affairs AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/ adjusted	Balance amount as of 05.03.04
1.	Irregular/inadmissible payment	0.91	0.00	0.91
2.	Non-accountal of materials/gift items	0.69	0.00	0.69
3.	Non-recording of advances	0.66	0.00	0.66
4.	Irregular payment towards hospitality & entertainment	0.39	0.00	0.39
5.	Non-deduction of statutory liabilities	0.38	0.00	0.38
6.	Over payment	0.10	0.00	0.10
7.	Overstatement of outstanding advances	0.08	0.00	0.08
8.	Non-deposit of hard currency into govt. account	0.00	0.00	0.00
	Total	3.21	0.00	3.21

The balance of the Ministry of Foreign Affairs remains the same at Nu 3.21 million with no recoveries/adjustments.

Ministry of Communications AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount Recovered/adjusted	Balance amount as of 05.03.04
1.	Extra & wasteful Expenditure.	19.16	16.88	2.28
2.	Outstanding Revenue.	11.35	0.02	11.33
3.	Outstanding advances.	2.04	0.26	1.78
4.	Loss of Revenue.	1.15	0.00	1.15
5.	Unsatisfactory execution of works/use of materials against specification.	0.73	0.00	0.73
6.	Misappropriation.	0.48	0.48	0.00
7.	Outstanding hire charges.	0.30	0.00	0.30
8.	Non-levying of liquidated damages.	0.19	0.00	0.19
9.	Double payment to the contractor.	0.13	0.00	0.13
10.	Inadmissible payment.	0.08	0.08	0.00
	Total	35.61	17.72	17.89

The Ministry of Communications recovered/adjusted almost 50% of the total amount, leaving a balance of Nu 17.89 million.

Ministry of Home Affairs AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Outstanding advance.	52.52*	25.55	26.97
2.	Procurement without tendering.	16.48**	0.00	16.48
3.	Award of work in deviation to rules- loss to the exchequer.	2.79	0.00	2.79
4.	Irregular/Inadmissible payment.	2.10***	1.03	1.07
5.	Non-levying of liquidated damages.	1.29	0.05	1.24
6.	Excess/double/over payment.	1.16	0.355	0.805
7.	Outstanding Revenue.	0.93	0.137	0.793
8.	Non-deduction of taxes.	0.30	0.044	0.256
9.	Payment for works not executed.	0.27	0.15	0.12
10.	Misuse of revenue collection.	0.13	0.11	0.02
11.	Shortages of stores.	0.10	0.00	0.10
12.	Irregular Booking of advances.	0.04	0.00	0.04
	Total	78.11	27.43	50.68

* Figures have been corrected as 52.52 million from 50.03 million.

** Nu. 6.46 million transferred from Ministry of Agriculture for SEZAP activities executed by the Dzongkhags

*** Nu 0.38 million transferred from Ministry of Agriculture for SEZAP activities executed by the Dzongkhags

The Ministry of Home Affairs made a recovery of 35.12 % leaving a balance of Nu 50.68 million.

Ministry of Finance AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Outstanding tax/revenue/rental.	60.20	49.64	10.56
2.	Outstanding Advance.	4.32	0.07	4.25
3.	Avoidable expenditure.	1.06	1.06	0.00
4.	Misuse of revenue.	0.92	0.00	0.92
5.	Fictitious Expenditure claimed as tax deductible expenses.	0.36	0.27	0.09
6.	Non-imposition of penal interest.	0.29	0.29	0.00
7.	Under-assessment of Corporate Income Tax.	0.13	0.13	0.00
8.	Outstanding credit sales.	0.09	0.09	0.00
9.	Overpayment.	0.03	0.01	0.02
	Total	67.40	51.56	15.84

The Ministry of Finance has a balance of Nu 15.84 million after 76.50% of the total amount has been recovered/adjusted.

Corporations AAR 2002

I. Forestry Development Corporation Limited AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Direct award of construction works.	6.31	0.00	6.31
2.	Misappropriation of Cash.	1.18	1.18	0.00
3.	Inadmissible payment.	0.23	0.13	0.10
4.	Shortage of materials.	0.18	0.00	0.18
5.	Excess payment.	0.12	0.00	0.12
6.	Payment of Fictitious bills.	0.02	0.02	0.00
7.	Non-levying of penalty/liquidated damages.	0.01	0.01	0.00
	Total	8.05	1.34	6.71

The FDCL had made a recovery of only 16.65% of the total amount leaving a balance of Nu 6.71 million.

II. Food Corporation of Bhutan AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Outstanding Loans and advances.	2.85	0.42	2.43
2.	Purchases without quotation.	2.14	2.14	0.00
3.	Inadmissible payment.	0.37	0.00	0.37
4.	Recoverable amount from suppliers/transporters.	0.13	0.00	0.13
5.	Irregular payment.	0.04	0.04	0.00
	Total	5.53	2.60	2.93

The balance amount of FCB remains at Nu. 2.93 million with 47.02% of recovery made.

III. Druk Seed Corporation AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Outstanding Sundry Debtors.	10.61	8.34	2.27
2.	An alarming production expenses than output generated.	6.02	0.00	6.02
3.	Acceptance of poor quality seeds.	0.20	0.20	0.00
4.	Irregular/inadmissible payment.	0.08	0.05	0.03
5.	Non-deduction of taxes.	0.05	0.05	0.00
6.	Non-accountal/Short accountal.	0.03	0.02	0.01
	Total	16.99	14.68	2.31

The Druk Seed Corporation has made a recovery of 86.40 % leaving a balance of Nu. 2.31 million.

IV. Handicraft Development Corporation AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Slow moving/Non-moving Stocks.	1.26	0.59	0.67
	Total	1.26	0.59	0.67

The Handicraft Development Corporation made a recovery of 46.82 % of the total amount with a balance of Nu 0.67 million.

V. Bhutan National Bank AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Award of work/supplies without quotation.	2.05	0.00	2.05
2.	Irregular payment.	0.10	0.10	0.00
	Total	2.15	0.10	2.05

The Bhutan National Bank made a recovery of 4.65 % of the total amount leaving a balance of Nu 2.05 million

VI. Druk Air Corporation AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Inadmissible payment	0.18	0.00	0.18
2.	Excess payment	0.16	0.00	0.16
	Total	0.34	0.00	0.34

The current balance of Druk Air Corporation remains the same at Nu. 0.34 million with no recovery/adjustments.

VII. Penden Cement Authority Limited AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Outstanding advance.	8.32	0.00	8.32
2.	Irregular/inadmissible payment.	0.12	0.00	0.12
	Total	8.44	0.00	8.44

The current balance of Penden Cement Authority Limited remains the same at Nu 8.44 million with no recovery/adjustments.

Autonomous & Independent Agencies AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Outstanding advances.	5.20	1.15	4.05
2.	Outstanding credit sales.	0.60	0.00	0.60
3.	Irregular/inadmissible payment.	0.34	0.00	0.34
4.	Double/Excess payment.	0.19	0.00	0.19
5.	Payment for works not executed/without receiving the materials.	0.09	0.00	0.09
6.	Shortage of materials.	0.07	0.01	0.06
7.	Non-deduction of tax.	0.02	0.02	0.00
	Total	6.51	1.18	5.33

Autonomous and Independent Agencies include NTTA, RIM, National Museum, RTI, BOC, BFF.RBIT, Planning Commission, AWS, DDC, RAC, and DEL. The balance stands at Nu. 5.33 million with 18.13% recovery.

Judiciary AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Award of work without tender	1.29	0.00	1.29
2.	Excess payment.	0.20	0.00	0.20
3.	Irregular/inadmissible payment.	0.03	0.00	0.03
	Total	1.52	0.00	1.52

The current balance of Judiciary remains the same at Nu. 1.52 million with no recovery/adjustments.

Armed Forces.

I. Royal Body Guard AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Outstanding Advance.	0.54	0.27	0.27
2.	Shortage of POL.	0.11	0.06	0.05
	Total	0.65	0.33	0.32

The current balance of Royal Body Guard stands at Nu 0.32 million with recovery of 50.77 % of the total amount.

II. Royal Bhutan Police AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Defective construction.	1.13	0.00	1.13
2.	Double/Excess payment.	0.62	0.10	0.52
3.	Shortage of materials.	0.18	0.00	0.18
	Total	1.93	0.10	1.83

The current balance of Royal Bhutan Police stands at Nu 1.83 million with recovery of only 5.18 % of the total amount

III. Royal Bhutan Army AAR 2002

Sl. No.	Nature of observations	Nu. in million		
		Amount reflected	Amount recovered/adjusted	Balance amount as of 05.03.04
1.	Double/Excess payment.	1.44	0.00	1.44
2.	Manipulation of forest permit - loss of government fund.	0.20	0.00	0.20
3.	Non-deposit of sale proceeds.	0.14	0.00	0.14
4.	Payment for works not executed.	0.02	0.00	0.02
5.	Shortage of rations/lubricants.	0.08	0.00	0.08
6.	Irregular/inadmissible payment.	0.06	0.00	0.06
	Total	1.94	0.00	1.94

The current balance of Royal Bhutan Army remains the same at Nu. 1.94 million with no recovery/adjustments.

Part II

Chapter I

Annual Audit Report 2003

Main Report

This chapter and the chapters that follow shall form the part of the Annual Audit Report 2003.

During the year 2003 the Royal Audit Authority had conducted 294 audits as summarized below:

Sl. No	Particular	Normal Audit	Special audit	Statutory Audit	Project Certification	Total
1.	No. of audit conducted.	203	5	17	69	294

Accordingly the RAA had issued 275 reports as summarized below:

Sl. No	Particular	Normal Audit	Special audit	Statutory Audit	Project Certification	Total
1.	No. of reports issued.	184	6	17	68	275

Special Audit.

Apart from normal inspection audit, the RAA conducted 5 Special Audit of Taktshang Reconstruction Project, Renovation of Petsheling Monastery, Renovation of Rigsum Gonpa, Army Welfare Project, Khuruthang Water Supply and Electric Stove Distribution Project under the National Women Association of Bhutan.

The findings of all the reports were submitted to the concerned head of agencies for necessary action. While two rounds of discussions were already held between the RAA and concerned head of agencies pertaining to the Reconstruction & Renovation works Special Enquiry Committee chaired by Finance Secretary is currently reviewing the Special Audit Report of the Army Welfare Project.

The report on the Special Audit of the Khuruthang Water Supply Project was also submitted to the RCSC. The significant findings include provision of inadequate number of thrust blocks in contrast to drawings and the Bill of Quantity, use of less quantity of lead in Corrugated Iron (CI) pipe joints deviating from the standard, depth of trenches in contravention to specification, excessive release of water than the designed capacity and non-alignment of pipe joints within the permissible angle. The contractor had carried out the renovation works valuing Nu. 2.500 million and the engineers involved were reprimanded. The audit findings had concurred with the rectification's carried out.

Since the management of Electric Stove Distribution Project has initiated no action the whole finding of the audit are incorporated in this Annual Audit Report 2003. The findings include deceiving and fraudulently collecting money from the public of 11 Dzongkhags through overcharging by a total amount of Nu.2.600 million, supply of defective electric stoves, use of superficial firm, collection of irregular advances, non-delivery of stoves after the payment, furnishing false statement, etc.

Value for Money Audit.

The Royal Audit Authority, in order to keep abreast of the latest audit techniques prevalent in different Supreme Audit Institutions has recently embarked upon Value For Money Audit (VFM). The division in the RAA specially assigned for this purpose had conducted such audit in the areas of Inventory Management by Central Stores, Procurement of Computers by government agencies and Referral of Patients outside Bhutan. The recommendations to help resolve all deficiencies were also appropriately provided for. Other theme based audit such as personnel action by the Ministries in the areas of promotion and training is under progress.

Annual Audit Report 2003.

The findings incorporated in the Annual Audit Report 2003 by and large are no different in terms of category of observations from its earlier versions such as excess & inadmissible payment, outstanding advances & revenue. The tabulated summary of the AAR 2003 is presented here below:

Tabulated summary of AAR 2003 showing agency wise, category wise and the amount involved (in millions).

Code No.	Category of Irregularities	MoHCA	MoA	MoWHS	MoE	MoH	MoF	MoFA	MoIC	MoLHR	MTI	Corp.& FI	Armed Forces	Judiciary	Auto. Agencies	Total
1	Outstanding advance/loan	31.222	2.927	2.042	0.026	52.392	0.031	5.641	-	0.077	0.277	96.631	21.867	0.013	3.727	216.873
2	Outstanding revenue/debtors	0.168	5.716	0.474	0.035	-	-	-	3.270	-	0.642	89.121	-	-	3.335	102.761
3	Procurement without tendering	1.040	-	-	-	-	-	-	-	-	-	0.207	-	-	0.347	1.594
4	Loss of revenue	-	-	-	-	-	0.063	-	-	-	-	-	-	-	-	0.063
5	Avoidable/wasteful purchases/expenditure	0.496	-	-	-	-	-	-	-	-	-	0.099	-	-	-	0.595
6	Over/excess /double payment	3.722	0.215	1.847	0.018	-	-	0.094	-	0.068	-	0.749	0.658	-	0.074	7.445
7	Irregular contract management	36.656	0.053	6.615	0.364	-	-	-	-	-	-	-	-	0.235	-	43.923
8	Irregular/inadmissible payment	0.434	0.532	3.864	-	0.073	-	4.382	-	-	-	2.414	0.080	0.082	-	11.861
9	Misappropriation/misuse of revenue	0.913	-	-	-	-	-	-	-	-	-	-	-	0.072	-	0.985
11	Shortage of cash/materials/equipment	-	0.915	-	0.156	-	-	0.128	-	-	-	0.497	0.93	-	-	2.626
13	Non-levying of liquidated damages	1.914	-	2.167	-	-	-	-	-	-	-	-	0.497	-	-	4.578
14	Payments for works not executed/materials not received	0.118	0.025	-	-	-	-	-	-	-	-	-	0.056	-	-	0.199
15	Short/Non-deduction of taxes	0.243	0.205	0.015	-	0.040	-	-	-	-	-	0.025	-	-	-	0.528
16	Non-accountal of advances/equipment	0.087	0.360	-	-	-	-	-	0.041	-	-	-	-	-	-	0.488
17	Fictitious booking of expenses	0.419	-	-	-	-	-	-	-	-	-	-	-	-	-	0.419
18	Others	2.341	0.400	0.468	0.021	0.019	1.035	-	0.198	-	-	113.582	0.265	0.310	0.100	118.739
	Total	79.773	11.348	17.492	0.620	52.524	1.129	10.245	3.509	0.145	0.919	303.325	24.353	0.712	7.583	513.677

1. Outstanding advance/ loan.

An amount aggregating to Nu.216.873 million has been lying outstanding. Issue of government money lying in the private hands pending recovery and adjustment for a very long period of time continues to top the list of irregularities. The five agencies that had the highest outstanding advances were as given below:

Sl. No.	Agencies responsible	Amount (Nu. Million)
1.	Corporations & Financial Institutes	96.631
2.	Ministry of Health	52.392
3.	Ministry of Home & Cultural Affairs	31.222
4.	Armed Forces	21.867
5.	Ministry of Agriculture	2.927
	Total	205.039

The figure of Nu.96.631 million against Corporation & Financial Institutes includes Nu. 92.116 million lying outstanding against various customers of the Bank of Bhutan. The validity period of the loan had already expired. It was noticed that some of the outstanding loan goes as far back as the year 1980.

The RAA always stressed that all over due advances beyond the permissible time must be recovered with commercial interest of 16% per annum.

All old and irrecoverable advances should be reviewed and appropriate action taken.

2. Outstanding revenue/debtors.

The government had revenue/debtors amounting to Nu. 102.761 million lying outstanding against government agencies, third parties and individuals. The five agencies that had the highest outstanding are as elucidated in the Table below:

Sl. No.	Agencies responsible	Amount (Nu. Million)
1.	Corporations & Financial Institutes	89.121
2.	Ministry of Agriculture	5.716
3.	Autonomous agencies	3.335
4.	Ministry of Information & Communications	3.270
5.	Ministry of Works & Human Settlement	0.642
	Total	102.084

The RAA always stressed that all over due revenue beyond the permissible time must be recovered with penal interest of 24% per annum.

All old and irrecoverable revenue should be reviewed and appropriate action taken.

The RAA had noticed a huge amount of outstanding debtors pertaining to Bhutan Board Products Limited (BBPL) & State Trading Corporation of Bhutan Limited (STCBL) with Nu. 82.685 million and Nu. 6.153 million respectively. It mostly relates to sale of boards, furniture, vehicles, spare parts, construction materials etc. In both the agencies the amount of such a magnitude got accumulated due to a lack of sound credit policy and debtor management.

The corporations should streamline debtor management and credit rating systems.

3. Procurement without tendering.

Despite being repeatedly pointed out by the RAA few agencies are still found procuring goods and services without complying to the procurement formalities. The aggregated value of such procurements in this report is Nu.1.594 million. Although the RAA is witnessing a decreasing trend in this irregularity, it still tentamount to non-compliance to Procurement Norms. The three agencies that had this irregularity are as given below:

Sl. No.	Agencies responsible	Amount (Nu. Million)
1.	Ministry of Home & Cultural Affairs	1.040
2.	Autonomous agencies	0.347
3.	Corporations & Financial Institutes	0.207
	Total	1.594

Agencies should strictly respect and enforce Procurement Rules.

4. Wasteful expenditure/avoidable purchases.

Expenditure for which its actual requirement was not properly assessed or purchases which could have been avoided were still found to have been made. Such wasteful/avoidable expenditure amounted to Nu.0.595 million. The two sectors that had such cases are Ministry of Home & Cultural Affairs & Corporations.

The agencies should properly assess the requirement to avoid such occurrences in future.

5. Over/excess/double payment.

It is painful to report yet again that despite the strong concerns raised in previous AARs the instances of excess/double/over payment is still found to be a norm in almost all the audited agencies reported in this Annual Audit Report. The value of such payments amounted to Nu. 7.445 million. The three sectors which accounted for more than 95 % of such payment are elucidated in the Table below:

Sl. No.	Agencies responsible	Amount (Nu. Million)
1.	Ministry of Home & Cultural Affairs	3.722
2.	The Ministry of Works & Human Settlement	1.847
3.	Corporations & Financial Institutes	0.749
	Total	6.318

Proper scrutiny of payments & adequate supervision should be ensured by all the officials responsible for management and control of public funds and resources.

6. Irregular contract management.

The RAA is satisfactorily witnessing a decrease in value of goods and services procured without tendering. However, the paradoxical situation is that the irregularities in contract management denoted in monetary term are increasing at a very alarming rate. Such irregularities included termination of contract but without settlement of advances, evaluation & award of work beyond the authority specified, inadequate notification time for tendering, award of work on cut-off point basis, non-enforcement of contract terms. The value of such irregularities aggregated to Nu.43.923 million. The three agencies that accounted the highest percentage are as given in the Table below:

Sl. No.	Agencies responsible	Amount (Nu. Million)
1.	Ministry of Home & Cultural Affairs	36.656
2.	Ministry of Works & Human Settlement	6.615
3.	Ministry of Education	0.364
	Total	43.635

Greater and cautious implementation of contractual terms and conditions to improve the contractual management is recommended.

7. Irregular/inadmissible payment.

Payments, which were not in accordance with its admissibility covered under various rules, circulars and office orders, were still found to have made. Such payments aggregated to Nu.11.861 million. The three agencies that had the highest of such cases are as given below:

Sl. No.	Agencies responsible	Amount (Nu. Million)
1.	Ministry of Foreign Affairs	4.382
2.	Ministry of Works & Human Settlement	3.864
3.	Corporations & Financial Institutes	2.414
	Total	10.660

Proper scrutiny of payments & adequate supervision should be ensured.

8. Misappropriation/misuse of RGoB fund, revenue.

Misappropriation of RGoB fund and revenue were detected by the RAA. The cumulative total of all these amounted to Nu. 0.985 million. The agencies responsible for the amount were the Ministry of Home & Cultural Affairs and Judiciary with Nu.0.913 million and Nu.0.072 million respectively.

Strengthening of check and balance system including supervisory control to avoid such cases should be ensured.

9. Shortage of cash, revenue & stores.

Shortages of cash/stores/stationery were also detected which logically should also fall under the category of misappropriation. The total value of all these shortages aggregated to Nu.2.626 million. The three sectors that accounted the highest percentage are as given in the Table below:

Sl. No.	Agencies responsible	Amount (Nu. Million)
1.	Armed Forces	0.930
2.	Ministry of Agriculture	0.915
3.	Corporations & Financial Institutes	0.497
	Total	2.342

Strengthening of check and balance system including supervisory control to avoid such cases should be ensured.

10. Fictitious booking of expenditure.

Though the procedures for reporting expenditures are clearly laid out in the Financial Rules & Regulations some expenditure were found fictitiously booked without incurring it, thus defying the financial discipline expected from the finance personnel. The amount of expenditure reported in this category was Nu.0.419 million. The Ministry of Home & Cultural Affairs was responsible for this.

Strengthening of check and balance system including supervisory control to avoid such cases should be ensured.

11. Non-levying of liquidated damages.

Though the contractual terms and conditions stipulated that in the event of a failure of contractor to complete the contract on time it shall be liable for a liquidated damages at pre-determined rates, but it was found not levied resulting in undue favor to the contractor. Time extensions were found granted without justified hindrances as required. Hindrance Registers were mostly not found maintained as well. Liquidated damages for construction works not completed within the stipulated time amounted to Nu.5.218 million. The three sectors that accounted for the highest amount of liquidated damages not imposed were as follows:

Sl. No.	Agencies responsible	Amount (Nu. Million)
1.	Ministry of Works & Human Settlement	2.167
2.	Ministry of Home & Cultural Affairs	1.914
3.	Armed Forces	0.497
	Total	4.578

Penal provisions laid down in the contract documents must be enforced to serve as deterrent against non-enforcement of contractual arrangements.

12. Payment for works not executed.

Though the number of instances of payments made without executing of works had substantially reduced as compared to the previous years the audit detected a sum of Nu.0.199 million paid on this account. Agencies responsible for this amount are as under:

Sl. No.	Agencies responsible	Amount (Nu. Million)
1.	Ministry of Home & Cultural Affairs	0.118
2.	Armed Forces	0.056
3.	Ministry of Agriculture	0.025
	Total	0.199

Proper check and balances must be put in place to prevent such occurrences.

13. Non-deduction/short deduction of taxes.

Though the requirement to deduct taxes are explicitly laid out in the Taxation Rules some of agencies still disregard the provision either by non-deduction or short deduction of taxes. The total of taxes not deducted or less deducted aggregated to Nu.0.528 million. The three sectors that accounted the highest percentage are as given in the Table below:

Sl. No.	Agencies responsible	Amount (Nu. Million)
1.	Ministry of Home & Cultural Affairs	0.243
2.	Ministry of Agriculture	0.205
3.	Ministry of Health	0.040
	Total	0.488

Deduction should be made as per the Taxation rules of the Kingdom.

14. Non-accountal of advances/equipment.

Various agencies whether advertently or inadvertently had not accounted payment of advances in the relevant books of accounts as required under the accounting norms. Similarly equipment/books/other inventory as stated to have purchased were not accounted for. The total aggregated value of such lapses amounted to Nu.0.488 million. The three sectors who accounted for more than 95 % of the non-accountal are as under:

Sl. No.	Agencies responsible	Amount (Nu. Million)
1.	Ministry of Agriculture	0.360
2.	Ministry of Home & Cultural Affairs	0.087
3.	Ministry of Works & Human Settlement	0.041
	Total	0.488

Accounting and Inventory control need to be strengthened.

15. False verification.

One contractor was found paid secured advance of Nu. 2.15 million for materials stated to have brought at construction site. But the site verification revealed that the materials were not brought at site and the one who verified the contractor's claim of secured advance was not the concerned site engineer. The concerned Dzongkhag Administration responsible for this had not responded.

The payment of secured advance must be based on the verification of materials actually brought at site by the concerned site engineers.

16. Manipulation in the Bill of Quantities-Resultant over payment.

The contract for the construction of Hostel Block-1 at Nangkhor Higher Secondary School, Pemagatshel was awarded to M/s Dolma Construction. Verification by the audit team unveiled the manipulation technique used by the contractor, which was not noticed by the tender evaluation team. It transpired from the tender documents that the contractor had manipulated among others the quantity of earthing from 64 numbers to 1 number thus resulting into understatement of Gross Bid amount, whereas the gross bid amount of next lowest evaluated substantially responsive bid was inclusive of the cost for 64

numbers. If there was no manipulation and had the evaluation team exercised its sound judgment with more vigilance the decision could have gone the other way and the Royal Government would have saved Nu.0.729 million. The Dzongkhag Administration, Pemagatshel responsible for this had not responded on this issue as of date.

Proper evaluation of BOQ having regard to the quantity and rate indicated against each item of work should be ensured.

17. Irregular waiver of penalty on evasion of income.

The RRCO, Phuntsholing while carrying out the tax assessment for the year 1999-2001 detected that M/s T & K Company had not disclosed the income amount of Nu. 3.376 million. This amount was added back to taxable income/loss of Previous Year 2000 and the penalty equivalent to double the tax amount evaded was levied. Accordingly demand notice for the tax amounting to Nu. 2.190 million was served.

The company appealed to the Tax Appeal Committee justifying that the evasion was not intentional. The appeal committee waived off 75% of the penalty on the ground that it was the first offence, that the company had settled the undisputed tax and that most evasion cases were from the construction sector because of the subcontracting.

The company did not respect the decision of the committee and further appealed to the Hon'ble Minister, Ministry of Finance. Based on the recommendation of the appeal committee, the Hon'ble Finance Minister waived off 50% of the remaining 25%.

The company was eventually required to pay the tax amount of Nu. 0.375 million only out of Nu. 2.190 million initially raised/ demanded.

The Penal Provision stipulated in the Taxation Rules should be enforced to serve as deterrent against tax evasion. Waiver may be granted if non-declaration of income is proved unintentional.

18. Irregular write-off of loan.

The Royal Audit Authority had found an amount of Nu. 4.273 million being written off by the Board against irregular Medium Term Loan account of proprietor of M/s Choden Chemicals & Industries Limited. It was also learnt from the records that prior to the write-off an amount of Nu.2.265 million were also written off by the Board. The RAA felt that if such kind of relief and concessions were granted time and again it would not only affect the overall profitability of the banking business proprietors may not also give resourceful & enterprising thought to seriously carry on the business.

The Bank of Bhutan had submitted that the said amount of loan was written off on account of company becoming sick for various reasons such as delayed receipt of machinery, shortage of skilled labour, technical snags etc.

The audit opines the justification submitted as simply a managerial problem and not enough to justify write-off of Nu. 6.538 million by the Board.

19. Irregular sanctioning of personal loan.

The RMA's Prudential Regulations 1999 states that "the same Financial Institution is not allowed to extend new loans to a borrower for repayment of arrears on Non- Performing Assets (NPA)" However, it was found that not only the Board of Directors of the Bank of Bhutan had approved the loan even the regulating authority (RMA) had issued the clearance for extending such personal loan to proprietor of M/s Choden Chemicals & Industries Limited.

The RAA found that the Board had approved the loan on the condition that if the borrower defaults repayment of loan including interest component by three instalments in either of the personal loan account or company's loan account, the bank shall take over all the properties mortgaged with the bank. However, it was observed that the borrower had defaulted four installments in both the accounts but for which the bank had not initiated any penal action liable as per the terms and conditions.

The Bank of Bhutan submitted that deviations will have to be allowed in specific instances and that the loan was sanctioned in accordance with the approval of the Royal Monetary Authority.

20. Settlement of Insurance claims without police report.

The RAA had observed that the claims department of the Royal Insurance Corporation of Bhutan had settled claims of Nu. 2.694 million without insisting for the mandatory requirement of Police Verification Report. In most cases police report is waived off as a special case and further verification from the insurer's side were never carried out even when the client did not produce the Police Report.

The issue here is whether the requirement is one of law or management need. If it is not the one of law that is mandatory, the requirement must be made mandatory for all claims for accident.

The RAA felt that the management by exercising their authority to choose which accident requires a Police Report had only given the management a room to manipulate and connive.

Until a legal opinion is provided all claims should be supported by mandatory requirement of the Police Verification Report in the public interest and fairness.

21. Variation/manipulation in the value of goods.

On cross examination of the Check Post Records of goods imported by individual importer vis-à-vis purchases shown in the Profit & Loss Account revealed variations in the value of goods. Despite similar observation raised in the earlier audits, the RRCO, S/Jongkhar had not initiated any remedial action.

RRCO should cross-verify the returns submitted by the importers with that of information collected independently from other sources to ascertain the correctness of information.

Besides corrective/ preventive measures as recommended above against each observation, administrative/ legal action should also be initiated where appropriate.

22. Non-collection of hire charges.

The Power Chain saw procured by the Dzongkhag Administration, Thimphu were taken by the Engineer-In Charge at site for felling of trees, cross cutting etc. But the records revealed that such works were awarded on contract immediately after the royalty was paid. No hire charges were collected from the contractor who used the equipment for 7 months.

23. Non-derivation of utility from Depot office.

The Integrated Forest Management Project (IFMP) as depot office in Shingkar village, Ura, constructed a two-storied building with four units. The construction had not been completed when the IMF Project was terminated. The building was around 90% complete when it was handed over to the Park Management. However, the building as of now remained idle with the paneling and the flooring of the ground floor dismantled and few ekra walls damaged.

24. Loss of X-ray film.

M/s Morgan Ward Limited was appointed to carry out the Non-Destructive Test for the Wing Area's BAe 146 A/C: A5-RGE. During their testing of the wing, the x-ray films were stolen by the security personnel in the Air Port. Since the stolen films were exposed, the desired result could not be achieved. Though the Maintenance Manager had reported the case to the management, suitable administrative action was not found taken against the employees involved. The management had to pay 50% of the total cost amounting to Nu.0.451 million.

25. Spares lying idle.

On verification of the Engineering Store, Druk Air Corporation, Paro it was noticed that expendable parts & rotatable slow moving parts valuing Nu.66.31 million were found lying idle in the store. It was also seen that some parts were purchased as far back in 1988 and not utilized till date of audit.

26. Unjustified waiver of late fee.

It was found that the Board during 131st Board Meeting had waived of late fee amounting to Nu.0.674 million against Miscellaneous Overdraft A/c of M/s Dendup Group of Companies.

It was mentioned in the above minutes of the meeting that the late fee was waived off based on the request submitted by the borrower citing reasons of the poor performance of the company and closure of some of the units due to circumstances beyond the company management's control. However, from the available records it was evident that the Bank had not carried out detailed study to justify making such decision.

27. Sale of vehicle salvages below the reserve price.

The sale of vehicle scraps & salvages were made through open auction to the general public. However, it was noticed that some of the salvages were sold to public below the company's reserve value resulting into a loss of Nu.0.753 million.

28. Irregular payment of demurrage.

As per the terms and conditions with the clearing agent any demurrage charges incurred resulting from negligence and delay in clearing the cargo will be recovered from the clearing agent. However, demurrage charges amounting to Nu.1.323 million were paid to the clearing agent without properly verifying as to who was responsible for the delay. Loading of such charges without properly verifying the causes of delay to Bhutanese Customer is not fair.

Part - II

Chapter II

Ministry of Home & Cultural Affairs.

The Royal Audit Authority during the year 2003 had issued 35 inspection reports of agencies under the Ministry of Home & Cultural Affairs. The following officials headed the ministry and the departments under it in the first half of year 2003:

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 officials headed the ministry and the departments under it in the later half of year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Jigme Y Thinley	Minister
2.	Dasho Pelden 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 1.2 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	31.222	39.14	1
2.	Excess/double/over payment	2.993	3.75	6
3.	Non-levying of liquidated damages	1.914	2.40	13
4.	Wasteful expenditure	0.496	0.62	5
5.	Outstanding rural taxes	0.168	0.21	2
6.	Shortage of revenue	0.045	0.06	9
7.	PoL misuse/shortage	0.240	0.30	9
8.	Shortage of stationery /stores	0.502	0.63	9
9.	Fictitious booking of expenditure	0.419	0.53	17
10.	Misuse of government fund	0.126	0.16	9
11.	Procurement of works/goods without tendering	1.040	1.30	3
12.	Non-collection of hire charges	0.000		18
13.	False verification	2.15	2.70	7
14.	Termination of contract-accounts unsettled	0.750	0.94	7
15.	Payment for works not executed	0.118	0.15	14
16.	Non-deduction/recovery	0.243	0.30	15
17.	Manipulation in BoQ-Over payment	0.729	0.91	6
18.	Non-accountal of advance	0.087	0.11	16

19.	Inadmissible payment	0.434	0.54	8
20.	Non-production of document	2.341	2.93	18
21.	Award of work on cut-off point basis	33.756	42.32	7
	Total	79.773	100.00	

Major findings:

1. Outstanding advance - Nu. 31.222 million.

Most Dzongkhags had in their books of accounts a sum of Nu.31.222 million lying outstanding against different employees, suppliers and contractors. Advances of some Dzongkhags were very old and dated as far back as 1997-1998. It was apparent from the records that accumulation of advances was due to release of subsequent/frequent advances without liquidating the initial advances. Some Dzongkhags did not mention the purpose for which the advances were given. Dzongkhag wise summary of the amounts are as given in the Table:

Table 1.3 showing the agency wise amount of outstanding advances

Sl. No.	Dzongkhag	Amount (Nu. Million)
1.	Dzongkhag Adm. Thimphu	7.351
2.	Dzongkhag Adm. Lhuentse	2.975
3.	Dzongkhag Adm. Dagana	0.446
4.	Dzongkhag Adm. Mongar	3.362
5.	Dzongkhag Adm. Pemagatshel	0.747
6.	Dzongkhag Adm. Trashigang	8.376
7.	Dzongkhag Adm. Tsirang	5.996
8.	Dzongkhag Adm. Wangduephodrang	0.029
9.	Trongsa Dzong Renovation Project	0.500
10.	Dzongkhag Adm. Punakha	1.246
11.	Dzongkhag Adm. Wangduephodrang	0.194
	Total	31.222

Auditee's response: *Some Dzongkhags did not respond. Some of the Dzongkhag had stated that it is rigorously pursuing the recovery and that the RAA would be intimated about its outcome*

Who is accountable?: *All advances given prior to 30th June 2003 must be recovered with commercial interest of 16 % p.a. and deposited into Audit Recoveries Account. The accountability to collect/adjust and deposit, therefore, is fixed on the respective Dzongdags, Drawing & Disbursing Officer & Finance Officer. Irrecoverable advances if any must be treated as per the Guidelines in the FRR 2001.*

2. Excess/over/double payment - Nu. 2.993 million.

Some Dzongkhags had made payments of Nu. 2.993 million in excess of what was actually admissible as exhibited in the summary Table 1.4:

Table 1.4 .showing agencies that made the excess payments.

Sl. No.	Dzongkhag	Payment made to:	Amount (Nu. Million)
1.	Dzongkhag Adm. Thimphu	M/s FDCL	0.254
		Contractors	0.045
2.	Dzongkhag Adm. Lhuentse	M/s Sonam Jamtsho Construction.	0.045
3.	Dzongkhag Adm. Dagana	M/s Karma Samdrup Construction.	0.130
		M/s Tenzin Construction	0.027
4.	Dzongkhag Adm. Mongar	M/s East West Construction	0.124
		M/s Jigme dorji Construction	0.559
		M/s Jomo Shaykher Construction, Khaling	0.751
5.	Dzongkhag Adm. Pemagatshel	M/s Kunzang Construction	0.530
		M/s Dolma Construction	0.128
		M/s Sonam Jaipo Construction	0.099
6.	Dzongkhag Adm. Haa	M/s Ricky Construction	0.226
7.	Dzongkhag Adm. Wangdue	Apprentice teachers	0.055
8.	Dzongkhag Adm. Tsirang	AFO, Kezang Wangdi	0.020
	Total		2.993

The agency wise details of transactions are as follows:

A. M/s Sonam Jamtsho Construction, Gorgan who was awarded the construction of six-block additional classrooms in Tangmachu Higher Secondary School was paid excess amount of Nu.0.045 million. This excess payment was found out when the second running account bill was verified in comparison with the measurement book.

Auditee's response: *The Dzongkhag Administration, Lhuentse had submitted that the excess amount paid would be recovered and deposited into Audit Recoveries Account.*

Who is accountable?: *The accountability to recover the excess payment and deposit into Audit Recoveries Account is fixed on the site engineer.*

B. The Dzongkhag Administration, Dagana had awarded the construction of RNR Centre at Tshangkha to M/s Karma Samdrup Construction. On comparison the physical measurement and the billed quantity revealed excess payment to the tune of Nu.0.130 million.

Auditee's response: *The Dzongkhag Administration had submitted that such instances had occurred because of the frequent changes and dearth of engineers in the Dzongkhag. However, the Dzongkhag had stated that the contractor was intimidated of the excess payment made and that the contractor had agreed to deposit the same.*

Who is accountable ?: *The accountability to recover the excess payment and deposit into Audit Recoveries Account is fixed on the Dzongdag, Dzongkhag Engineers and Finance Officers.*

C. The Dzongkhag Administration, Dagana had awarded the construction of RNR Center at Drujaygang to M/s Tenzin Construction. On verification of the Measurement Book and the claimed bill revealed that an amount of Nu.0.027 million was found paid in excess of what was actually admissible.

Auditee's response: *The Dzongkhag Administration had submitted that the contractor was reminded to deposit the excess amount paid.*

Who is accountable?: *The accountability to recover the excess payment and deposit into Audit Recoveries Account is fixed on the Dzongdag, Dzongkhag Engineers and Finance Officers*

D. The Dzongkhag Administration, Thimphu had over paid the hire charges of K-500 machine to M/s Forestry Development Corporation. The actual number of days worked as recorded in the Log Book was only 24 days but paid for 30 days, thus resulting into excess payment of Nu.0.066 million. The Dzongkhag also paid a sawing charge at a higher rate aggregating to Nu.0.188 million approximately to M/s Loiten Nidup. Hand sawing charges @ Nu.67/cft was paid instead of M/s FDCL's rate of Nu.20.50/cft without adequate justifications.

Auditee's response: *The RAA was intimated that a letter was sent seeking for clarification on this matter to M/s FDCL and submitted that the phrases "extracted timber" indicates only the actual work done at site which is not true. Other activities such as corridor cleaning, line installation and shifting also indicate the work done at site.*

With regard to payment of sawing charge at a higher rate it was submitted that a rate of Nu.67/cft was actually a negotiated rate. M/s Loiten Nidup, a lowest bidder amongst three had quoted a rate of Nu.72/cft but the Dzongkhag had negotiated to Nu.67/cft. The Dzongkhag had also submitted that while Wangchuk's rate of Nu.20/cft was arrived at by providing him with departmental power chain saw the rate of M/s Loiten Nidup was without providing the same.

Who is accountable?: *The rate of Nu.20.50/cft is that of M/s FDCL and not referring to that of Wangchuk. Therefore, over payment must be recovered and deposited into Audit Recoveries Account for which Sonam Gyeltshen, Deputy Ranger and Finance Section are held accountable.*

E. The Dzongkhag Administration, Thimphu also made an over payment of Nu.0.045 million approximately to various contractors involved in the construction and renovation of toilets and teachers quarters.

Auditee's response: *The Dzongkhag Administration, Thimphu had not responded on this issue as of date.*

Who is accountable?: *All overpayments must be recovered and deposited into Audit Recoveries Account. Therefore, until such time all over payments made are received in audit the accountability shall be fixed on Dorji Sangye, Section Officer & Sangay Wangchuk, Assistant Engineer.*

F. The Dzongkhag Administration, Mongar had paid an excess amount of Nu.0.124 million to M/s East West Construction for deviated quantities and for item of works paid at different rates ignoring the applicability of the Bhutan Schedule of Rates.

Auditee's response: *The Dzongkhag authorities had not responded specifically on the issue.*

Who is accountable?: *The accountability to recover the excess payment and deposit into Audit Recoveries Account is fixed on the Dzongdag, Dzongkhag Engineers and Finance Officers.*

G. The Dzongkhag Administration, Mongar had paid excess amount of Nu.0.559 million to M/s Jigme Dorji Construction, Lhuentse. For additional works instead of paying at Bhutan Schedule of Rates (BSR) plus/minus contractor's percentage put at tender of 2.61% it was actually paid at BSR plus 50% thus resulting into over payment of Nu.0.277 million. On cross checking of the labour escalation payment it revealed an over payment of Nu. 0.033 million due to overstatement of the quantity of work done. During the physical verification at site it was found that the measurement were recorded and payment made at a higher side. Earth work excavation over rock areas was found paid at the rate other than the BSR plus/minus contractor's offered rate thus resulting in over payment of Nu.0.249 million.

Auditee's response: *The Dzongkhag authorities had not responded specifically on the issues raised but consented to recover and deposit the amount.*

Who is accountable?: *The accountability to recover the excess payment and deposit into Audit Recoveries Account is fixed on the Dzongdag, Dzongkhag Engineers and Finance Officers.*

H. The Dzongkhag Administration, Mongar had also paid excess amount of Nu.0.751 million to M/s Jomo Shaykher Construction, Khaling. The company which was already given 29.10% Cost Index was again allowed another 25% Cost Index resulting into over payment of Nu.0.751 million.

Auditee's response: *The Dzongkhag had informed the RAA that the case in question is forwarded to the Dzongkhag Court, Mongar for which the verdict is awaited.*

Who is accountable?: *It is a lapse on the part of technical professionals to commit such errors. Therefore, Dzongdag, approving authority & technical personnel involved in this must be held accountable besides recovering the amount and credit into Audit Recoveries Account.*

I. The Construction of Hostel Block-II (Girls Hostel & Toilet) at Nangkhor Higher Secondary School, Pemagatshel was awarded to M/s Kuenzang Construction. On verification of measurement of work done as per final bills with the specification of the drawings revealed an over payment of Nu.0.116 million. Block I & II though constructed at the same topographical feature of the land, Block II had shown higher quantum of work done amounting to Nu.0.414 million which must be recovered and deposited into audit recoveries account.

Auditee's response: *The Dzongkhag management had not responded on this issue as of date.*

Who is accountable?: *The accountability to recover the excess payment and deposit into Audit Recoveries Account is fixed on the Dzongdag, Dzongkhag Engineers and Finance Officers.*

J. The Construction of Hostel Block-I (Boys Hostel & Toilet) at Nangkhor Higher Secondary School, Pemagatshel was awarded to M/s Dolma Construction. The auditors while verifying the value of work done with that of specification found excess payment amounting to Nu. 0.128 million being made.

Auditee's response: *The Dzongkhag management had not responded on this issue as of date.*

Who is accountable?: *The accountability to recover the excess payment and deposit into Audit Recoveries Account is fixed on the Dzongdag, Dzongkhag Engineers and Finance Officers.*

K. M/s Sonam Jaipo Construction was awarded the extension works of Khar Community School. The rebate of 31.72% was given in the quoted rate. However, the Dzongkhag Administration, Pemagatshel while making the payment had not deducted the rebate offered, thus resulting in excess payment of Nu.0.099 million.

Auditee's response: *The Dzongkhag Administration, Pemagatshel had not responded on this issue as of date.*

Who is accountable?: *The accountability to recover the excess/over payment and deposit into Audit Recoveries Account is fixed on the Dzongdag, Dzongkhag Engineers and Finance Officers.*

L. M/s Ricky Construction was awarded the work of resurfacing and black topping of parking area at Lower market, Ha. The audit team had found that the engineers had not applied the standard technical formulae of Department of Road (DoR) specification. This had resulted in the excess payment of Nu.0.226 million to the contractor.

Auditee's response: *The Dzongkhag had informed the RAA that they were not aware of the application of standard technical formulae of DoR Specification*

Who is accountable?: *Ignorance of the rules & specification is not an excuse expected from the qualified technical personnel. Therefore, the amount*

must be recovered and deposited into audit recoveries account and the accountability for which is fixed on the Dzongkhag Engineer M.B. Mongar and Mahindra Rai.

M. The Dzongkhag Administration, Tsirang had admitted Nu.0.020 million in excess to Kezang Wangdi, Assistant Finance officer on account of disbursing the wages to Dzongkhag dancers.

Auditee's response: *The response from the Dzongkhag is still awaited in audit.*

Who is accountable?: *The amount must be recovered and deposited into audit recoveries account for which Kezang Wangdi is held accountable*

N. The Dzongkhag Administration, Wangdue had made double payment of salary amounting to Nu.0.055 million to the apprentice teachers under it.

Auditee's response: *The Dzongkhag Administration, Wangdue had not responded on this matter as of date.*

Who is accountable?: *Amount of double payment aggregating to Nu.0.055 million must be recovered with commercial interest of 16% p.a. from the concerned teachers and deposited into Audit Recoveries Account. The responsibility to do so is fixed on the Finance Officer since it is a lapse on their part.*

3. Non-levying of liquidated damages - Nu.1.914 million.

Various Dzongkhag Administrations had awarded construction works to the contractors with stipulated deadline for completion. However, most of the contractors had failed to complete but for which the various Dzongkhags as detailed in the Table 1.5 had leniently not imposed the penalty thus giving undue favor to the contractors. Such leniency had cost the government in terms of opportunity cost to the amount of Nu.1.914 million.

Table 1.5 showing Dzongkhags that did not levy liquidated damages to the contractors

Sl. No.	Dzongkhag Administrations	Name of Contractors involved.	Amount (Nu. Million)
1.	Lhuentse	M/s Tsheltrim Construction, Autsho	0.011
2.	Dagana	M/s Karma Samdrup Construction	0.161
		M/s Temzin Construction	0.106
3.	Thimphu	M/s Leki Dorji Construction	0.409
4.	Mongar	M/s East West Construction	0.170
		M/s Daejung Construction, Chaskhar	0.014
		M/s Yangrig Construction	0.196
		M/s Jomo & Shaykhar Co. Khaling	0.360
5.	Haa	M/s Sherub Wangchuk	0.021
		M/s Gado Construction, Samtse	0.021
		M/s Khandu Construction, Haa	0.085
6.	Wangdue	M/s Gaseb Gyeltshen Construction	0.344
7.	Tsirang	M/s Gelep Construction	0.016
	Total		1.914

Auditee's response: *Some of the Dzongkhags had submitted to recover the amount of liquidated damages as worked out by audit and deposit into Audit Recoveries Account.*

The Dzongkhag Administration, Samtse had submitted that the contract work awarded to M/s Gado Construction, Samtse could not be started on time because of three reasons. Firstly, the Dzongkhag could not finalize the site for construction since Dzongkhag Authorities were on a month long tour to Sombeykha. Secondly the procedure to get the skilled labour approved was a very lengthy process since the approval has to be given by the Ministry of Home Affairs and Dzongkhag Administration, Chukha and thirdly the site for the construction of toilet initially planned had to be reoriented as desired by Lam Neten.

With regard to the work awarded to M/s Yangrig Construction, the Dzongkhag Administration, Mongar submitted that after liquidating the outstanding advances, the final bill amount was not enough to recover the penalty. However, the Dzongkhag had submitted that the contractor is reminded with the notice to make necessary deposit.

The Dzongkhag Administration, Mongar had informed the RAA that the issue with M/s Jomo & Shaykher Company is forwarded to the Dzongkhag Court, Mongar for which the verdict is awaited.

Who is accountable?: *Contract agreement is a legally binding document and terms and conditions as stipulated must be respected. The accountability to recover the liquidated damages and deposit into Audit Recoveries Account is fixed on respective Dzongdags, Dzongkhag Engineers and Finance Officers except for the Dzongkhag Administration, Haa whose accountability is fixed on site engineer I.B. Rai and G.M. Rai.*

4. Wasteful Expenditure – Nu. 0.496

A. The Dzongkhag Administration, Dagana had awarded the construction of RNR Center at Drujaygang to M/s Tenzin Construction. It was found that after completing the construction of RNR Center one retaining wall was built at the cost of Nu.0.140 million. However, during the physical verification only about 0.5 metres of the wall above the ground could be visible since the wall was constructed of *some loose stone fillings*. But the contractor had claimed for Random Rubble Masonry (RRM) and the Dzongkhag had entertained it. Four metres of very sTable looking soil is visible at the same level as that of the plinth protection and the drain which means the wall was not very necessary. Therefore, a sum of Nu.0.140 million was found wasteful which must be recovered from the contractor.

Auditee's response: *The Dzongkhag Administration had agreed that there was a flaw in the construction of retaining walls and agreed to recover the amount from the contractor.*

Who is accountable?: *The wasteful expenditure as agreed must be recovered and deposited into Audit Recoveries Account. Therefore, until such time the amount is received in audit the accountability is fixed on the site engineer.*

B. The Dzongkhag Tender Committee, Tsirang had awarded the timber extraction contract to M/s Gelep Construction whose total quote was found the lowest. The timber include Bumthang Bluepine, Trongsa Hemlock and Wangdue Chirpine. The other bidder M/s Phub Tshewang Construction quoted the lowest for the timber item Trongsa Hemlock. Had the contract for this particular item was given to M/s Phub Tshewang Construction the government would have saved Nu.0.356 million.

Auditee's response: *The Dzongkhag Administration, Tsirang submitted that the availability of Trongsa Hemlock in Chendebji Forestry Management Unit is below the approach feeder road, which is very difficult to bring to the road head.*

Who is accountable?: *The response is not supported with documentary evidence, therefore the difference amount must be recovered and deposited into audit recoveries account. The dealing official is held accountable for such lapses.*

5. Outstanding rural tax - Nu.0.168 million.

A. On examination of the revenue records of the Dzongkhag Administration, Dagana found that the rural taxes amounting to Nu.0.118 million remained uncollected for the year 2001 & 2002.

Auditee's response: *The Dzongkhag had submitted that it will follow-up with the concerned gups and appraise the RAA upon realization of dues.*

Who is accountable?: *The dues must be recovered with penal interest of 24 % p.a. and deposited into Audit Recoveries Account. The responsibility to deposit, therefore, shall be fixed on dzongdag & revenue in-charge*

B. The Dzongkhag Administration, Thimphu had an outstanding rural life insurance of Thimphu town aggregating to Nu.0.050 million approximately.

Auditee's response: *The Dzongkhag had stated that the Revenue In-charge is pursuing the matter.*

Who is accountable?: *The dues must be recovered with penal interest of 24 % p.a. and deposited into Audit Recoveries Account. The responsibility to deposit, therefore, shall be fixed on Mindu, Revenue In-charge*

6. Shortage of revenue - Nu. 0.045 million.

Revenue amount of Nu.0.045 million collected as rural taxes was found not deposited into Royal Government Revenue account. The accountant of Dagana Dzongkhag had not deposited the tax, which was apparently misused.

Auditee's response: *The Dzongkhag administration had stated that it will take all necessary steps in realizing the balance amount from the defaulters*

Who is accountable?: *The amount of shortage must be deposited into Audit Recoveries Account with penal interest of 24 % p.a. for which the responsibility to do so falls on the Dzongkhag Accountant besides taking administrative action against him.*

7. POL misuse/shortage - Nu. 0.240 million.

On examination of HSD issue register vis-à-vis the fuel requisition note revealed 8,100 litres of diesel charged as issued to the Dzongkhag (Dagana) vehicle by forging the signature of dzongdag and 1,125 litres of diesel were charged as issued by manipulating the quantity of fuel requisitioned. Further, a sum of Nu.0.037 million received through sale of HSD was not accounted. The value of total shortage/misuse comes to Nu.0.240 million.

Auditee's response: *The Dzongkhag Administration had stated that proper response to this issue would be submitted after obtaining justification from the concerned dealing person.*

Who is accountable?: *The dealing person Tashi Tenzin must deposit the value of shortages/misuse into the Audit Recoveries Account besides administrative action against him.*

8. Shortage of stationery/stores - Nu.0.502 million.

A. The Dzongkhag Administration, Dagana had short accounted stationery worth Nu.0.046 million. The cost of the stationery must be recovered and deposited into Audit Recoveries Account.

Similarly, during the physical verification stationery worth Nu.0.137 million were found short. The physical verification was conducted in presence of the store in-charge, Tashi Tenzin.

Auditee's response: *The Dzongkhag Administration had stated that proper response to this issue would be submitted after obtaining justification from the concerned dealing person.*

Who is accountable?: *The dealing person Tashi Tenzin must deposit the value of shortages/misuse valuing Nu.0.183 million into the Audit Recoveries Account.*

B. On a joint physical verification of Rural Water Supply Scheme (RWSS) of the Dzongkhag Administration, Wangduephodrang, it revealed shortages of materials valuing Nu.0.098 million. It includes 496 bags of cement and 193 metres of chicken wiremesh.

Auditee's response: *It was submitted that 496 bags of cement is issued on a returnable basis in good faith to avoid getting set. With regard to the shortage of wiremesh it was submitted that it was actually issued to the client on urgent and ad hoc basis because of other priorities.*

Who is accountable?: *The justification is after thought & not supported by documentary evidence, therefore, equivalent amount be deposited into Audit Recoveries Account*

C. The Dzongkhag Administration, Punakha was accorded sanction of 7500 cubic feet of timber for renovation of some schools. These timbers were unloaded at M/s Druk Integrated Wood Complex & M/s Dhendup Wood Based Industries for sawing. Out of 5790.61 cubic feet of sawn timber, only 3001.39 cubic feet were found accounted resulting into shortages of 2789.22 cubic feet of timber valuing Nu.0.221 million.

Auditee's response: *The Dzongkhag Administration, Punakha had not responded on this issue as of date.*

Who is accountable?: *Rinchen Dorji, former Dzongkhag Education Officer and his Assistant Phuntsho Dukpa are held accountable to deposit the value of shortages as worked out by audit.*

9. Fictitious booking of expenditure - Nu.0.419 million.

A. Out of Nu.0.565 million received by Dzongkhag Administration, Dagana from National Environment Commission for Geog Environmental Plan, an expenditure of Nu.0.039 million was found reported without actually having executed the activities.

Auditee's response: *The Dzongkhag Administration submitted that due to limited time only 90% of planned activities could be completed at the closing of financial year but booked the whole amount in anticipation of completing the remaining work by July/August. It was also stated that the amount in question was released in favor of Chencho Tshering, former Assistant Finance Officer currently in the Department of Budget & Accounts.*

Who is accountable?: *Chencho Tshering who is responsible according to the Dzongkhag must deposit this amount into Audit Recoveries Account with commercial interest of 16% p.a. besides taking administrative action against him.*

B. The Dzongkhag Administration, Pemagatshel had booked Nu. 0.380 million on account of miscellaneous expenditure but without actually incurring it. On enquiry it was stated that the amount was retained by Kinga Dorji, the cashier.

Auditee's response: *The Dzongkhag Administration had not responded on this issue as of date.*

Who is accountable?: *The amount should be recovered by dzongdag besides investigating the matter as to who is responsible for the fraud and take administrative action accordingly.*

10. Misuse of Government fund - Nu.0.126 million.

A. A sum of Nu.0.044 million was shown as paid to M/s Rabten Agency being 75% of the quoted amount for the supply of one number Pionjor Machine. On enquiry it was found that Nu.0.044 million was retained by the dealing accounts personnel.

Auditee's response: *The Dzongkhag Administration, Dagana had stated that it has already reminded the concerned responsible person, Karpo, currently in the Ministry of Health & Education to settle the issue.*

Who is accountable?: *Using of government fund for personal purpose is highly irregular and needs justification. Further, Karpo is advised to deposit the amount into Audit Recoveries Account with commercial interest of 16% p.a. The dzongdag must initiate administrative action against him.*

B. The Dzongkhag Administration, Wangduephodrang had made excess payment of Nu.0.082 million due to erroneous calculation of pay bills pertaining to the teachers of Tencholing Primary & Nobding Lower Secondary School.

Auditee's response: *It was submitted that a sum of Nu.0.082 million has to be collected from Chhimi Dorji, former Senior Accountant who has agreed to pay back since the money was misused by him.*

Who is accountable?: *The above amount must be deposited into Audit Recoveries Account with commercial interest of 16% p.a. and the accountability for which is fixed on Chhimi Dorji, former Accountant currently in Samtse Dzongkhag.*

11. Procurement of works / goods without tendering - Nu.1.04 million.

Various Dzongkhags had procured goods and services without opting for competitive bidding as required under the Procurement Norms. Summary of such transaction is exhibited in the Table 1.6:

Table 1.6. showing agencies who procured goods without tendering.

Sl. No.	Agency	Amount (Nu. Million)	Remarks
1.	Thimphu Dzongkhag	0.130	Power Chain Saw
2.	Pemagatshel Dzongkhag	0.457	Materials
3.	Thimphu Dzongkhag	0.299	Supply of Doleps
4.	Hospital Administration, Punakha	0.154	Grocery items
	Total	1.040	

Brief descriptive details of transactions are given below:

A. The Dzongkhag Administration, Thimphu had procured one number Power Chain saw for the logging activities related to the renovation of Simtokha Dzong without opting for competitive bidding. The cost of Power Chain Saw was Nu.0.130 million.

Auditee's response: *The Dzongkhag had submitted that the Power Chain Saw was procured without observing purchase formalities since the renovation of the dzong was executed departmentally.*

Who is accountable?: *Procurement formalities must be respected. Sonam Gyeltshen, Deputy Ranger & former Dzongdag, Dasho Karma Dorji who had authorized the procurement shall be held accountable for overlooking the formalities.*

B. The Dzongkhag Administration, Pemagatshel had direct procurement of materials valuing Nu.0.457 million in contravention to norms prescribed in the Procurement Manual.

Auditee's response: *The Dzongkhag had not responded on this issue as of date.*

Who is accountable?: *Procurement rules must be followed. Officials responsible for making the procurement without observing rules are held accountable.*

C. The Dzongkhag Administration, Thimphu for the renovation of Simtokha Dzong had awarded the contract for the supply of Dolep (Flat stone) directly to M/s Gyeltshen Tshongkhang, Paro without respecting the procurement formalities. The value of the supplies was Nu.0.299 million.

Auditee's response: *The Dzongkhag Administration had submitted that the work was directly given to M/s Gyeltshen Tshongkhang since he was a prominent supplier of quality Doleps for Punakha Dzong Renovation Project.*

Who is accountable?: *The response given is not tenable in audit because the Royal Government is deprived of the benefits of competitive bidding. Therefore, former Dzongdag, Dasho Karma Dorji who authorized the award shall stand accountable.*

D. The Hospital Administration, Punakha had procured grocery items classified as patient diet valuing Nu.0.154 million without observing procurement formalities.

Auditee's response: *The management submitted that the requirement of patient diet is not in bulk quantity, therefore, procured on piecemeal basis as and when need arises within the purview of procurement ceiling. However, the management submitted that in future all formalities would be strictly complied with.*

Who is accountable?: *In order to use the government's scarce resources in a most economical manner the prescribed procurement procedures must be followed strictly.*

12.Non-collection of hire charges.

The Power Chain saw procured by the Dzongkhag Administration, Thimphu were taken by the Engineer-In Charge at site for felling of trees, cross cutting etc. But the records revealed that such works were awarded on contract immediately after the royalty was paid. No hire charges were collected from the contractor who used the equipment for 7 months.

Auditee's response: *The Dzongkhag had submitted that the use of Power Chain Saw in the forest was closely monitored. Some experienced people were called to properly handle the machine and negotiated the rates. The rates paid were purely for manual purpose and not the machine.*

Who is accountable?: *The justification submitted is not tenable in audit since such works were awarded on contract. Therefore, hire charges as applicable must be worked out and deposited into Audit Recoveries Account and the responsibility to so shall be fixed on Sonam Gyeltshen, Deputy Ranger.*

13. False verification - Nu.2.15 million.

M/s Leki Dorji Construction on 23rd April 1999 was awarded the construction work of BHU-III at Lingshi with a completion period of 6 months. The work was not completed till date of audit (24.8.02). The contractor was paid 75% secured advance amounting to Nu.2.15 million for materials stated to have brought at site. But the site verification revealed that the materials were not brought at site and the one who verified the claim of secured advance was not the concerned engineer in charge.

Auditee's response: *The Dzongkhag Administration, Thimphu had not responded on this issue as of date.*

Who is accountable?: *Payment of secured advance without actually having the material brought at site is viewed seriously. Former Dzongdag and Dzongkhag Engineer are held accountable.*

14. Termination of contract-non settlement of advances - Nu.0.75 million.

A. Similarly, the contract on construction of Thinleygang Primary School awarded to M/s Druk Ngawang Construction was terminated but outstanding due of Nu.0.470 million was not settled.

Auditee's response: *The Dzongkhag Administration, Thimphu had not responded on this issue as of date.*

Who is accountable?: *The Dzongkhag Authorities or the Dzongkhag Tender Committee shall be held accountable for this lapse. The whole of the advance must be recovered with commercial interest of 16% p.a. and deposited into Audit Recoveries Account.*

B. M/s Jomo & Shaykher Company, Khaling was awarded the construction of BHU II at Balam and made the advance payment of Nu.3.608 million. However, the total amount of bill was only Nu.3.319 million thereby leaving a recoverable balance of Nu.0.280 million. The amount is yet to recover from the contractor.

Auditee's response: *The Dzongkhag Administration, Mongar had written that the contractor was reminded several times to report to the Dzongkhag for discussion and settlement of the issues. Since the contractor had failed to report, the Dzongkhag had decided to pursue the matter through the court of law in Bhutan and intimate the RAA when the case is over.*

Who is accountable?: *Granting of huge advance is in itself a breach of financial rule, therefore the authority that approved the payment shall stand accountable to recover the amount and deposited into Audit Recoveries Account.*

15. Payment for works not executed - Nu.0.118 million.

A. During the site visits conducted jointly by the audit team and the Dzongkhag (Mongar) Site Engineer revealed that some works were not executed though payments were made. The value of works not executed but amount paid comes to Nu.0.032 million.

Auditee's response: *The Dzongkhag Administration, Mongar admitted that there were some lapses during the measurement and also at the time of passing the bills for payment.*

Who is accountable?: *The amount must be deposited without further delay and the responsibility to do so falls on the site engineer.*

B. The Dzongkhag Administration, Pemagatshel had paid Nu.0.016 million to M/s Jamyang Construction for the item of electrification work not actually executed.

Auditee's response: *The Dzongkhag Administration, Pemagatshel had not responded on this issue as of date.*

Who is accountable?: *The Engineer In-charge who verified the bill is held accountable, besides recovering the amount from the contractor and depositing into audit recoveries account.*

C. The estimated quantity for “providing & fixing dressed wood work in partition with frame” was 1.404 cubic metre, however, the bill claimed and paid was for 14.42 cubic metre resulting into excess payment of Nu.0.070 million. A physical verification of the partition with frame works revealed that actual timber used was only 1.59 cubic metre.

Auditee’s response: *The RAA was informed that the Punakha Dzongkhag Administration had asked the contractor M/s S.T. Construction to deposit the amount as worked out by audit.*

Who is accountable?: *Such instances only indicates collusive act of conduct between the site-engineer and the contractor, which deserve disciplinary action. The amount must be recovered with commercial interest of 16% p.a. and the responsibility to do so is fixed on the site-in-charge Kinley Dorji, Junior Engineer of the dzongkhag.*

16. Non-recovery/deduction - Nu. 0.243 million.

A. M/s Jomo & Shaykher Company, Khaling who were awarded the construction of BHU II at Balam were issued materials valuing Nu. 0.115 million from the Dzongkhag Store but the equivalent amount was not deducted from the final bill.

Auditee’s response: *The Dzongkhag Administration had written that the contractor was reminded several times to report to the Dzongkhag for discussion and settlement of the issues. Since the contractor had failed to report, the Dzongkhag had decided to pursue the matter through the court of law in Bhutan and intimate the RAA when the case is over.*

Who is accountable?: *It is an indication of poor control system in place. Therefore Dzongkhag Engineers, Finance Officer & Store Officer are held accountable besides recovering the amount from the contractor and deposited into audit recoveries account.*

B. Verification of the pay bills of Ugyen Dorji High School revealed that house rent from teachers occupying the government quarters were not deducted. The total of non-deduction worked out to Nu.0.128 million.

Auditee’s response: *The Dzongkhag administration had submitted that Ugyen Dorji High School has the highest number of boarder students in the country and considering the vulnerability of the students the Dzongkhag and School Administration had decided to provide vacant quarters to those selected teachers who otherwise were staying in the rented house to shoulder additional responsibilities in making a better and effective school.*

Who is accountable?: Since there is no such rule to exempt from paying rentals the amount as worked out by audit must be recovered and deposited into audit recoveries account. All teachers who took the payment are held accountable.

17. Manipulation in the BOQ – resultant over payment - Nu.0.729 million.

The construction of Hostel Block-1(Boys hostel and toilet) at Nangkhor Higher Secondary School, Pemagatshel was awarded to M/s Dolma Construction at his quoted amount of Nu. 3.877 million. Verification by the audit team unveiled the manipulation technique used by the contractor to befool the Tender Committee and the evaluation team.

It transpired from the tender documents that M/s Dolma Construction had manipulated by correcting among others the quantity of earthing from 64 numbers to 1 number and accordingly included the amount for 1 number in the total bid amount resulting into understatement of gross bid amount by Nu.0.437 million (63 Nos.@ Nu.6,590). The gross bid amount of the next lowest evaluated substantially responsive bid was inclusive of the cost for 64 numbers thus overstating his bid amount by 0.332 million. If there was no manipulation and had the evaluation team exercised its judgement with more vigilance the decision could have gone the other way.

Considering the above facts that award was obtained with manipulation, the quantum of work measured and paid as per the final bill resulted in over payment of Nu.0.729 million.

Auditee's response: The Dzongkhag Administration had not responded on this issue as of date.

Who is accountable?: The over payment made as a result of manipulation must be recovered and deposited into audit recoveries account. It is therefore, the responsibility of the Tender Committee and the evaluation team to recover the amount.

18. Non-accountal of advances - Nu. 0.087 million.

On reviewing an accounting record the Dzongkhag Administration, Pemagatshel had not reflected in the Sub-Ledger an advance payment of Nu. 0.087 million.

Auditee's response: The Dzongkhag Administration had not responded on this issue as of date.

Who is accountable?: The amount must be recovered or adjustment affected. The responsibility shall fall on Dzongkhag Finance Officer.

19. Inadmissible payment - Nu.0.434 million.

Various Dzongkhags had made inadmissible payment to various individuals and third parties amounting to Nu.0.434 million as briefly shown in the table below:

Table 1.7 showing Dzongkhags that made inadmissible payments..

Sl. No.	Dzongkhags	Amount (Nu. Million)	Paid to
1.	Haa	0.019	Aum Nim Dem
2.	Haa	0.103	Teachers
3.	Haa	0.100	Dzongkhag officials
4.	Wangduephodrang	0.184	
5.	Wangduephodrang	0.028	
	Total	0.434	

Brief details of the transactions are given below:

A. The Hon'ble Secretary, Ministry of Health & Education had on 2nd October, 2000 issued an office order to stop paying teaching allowances to Aum Nim Dem who was relieved from Ugyen Dorji High School to take up the post of Dzongkhag Education Officer. However, on the contrary the Dzongkhag Administration, Haa had paid the inadmissible Teaching Allowance for 5 months amounting to Nu.0.019 million.

Auditee's response: *The dzongkhag had informed the RAA that the incumbent is being intimated to deposit the amount.*

Who is accountable?: *The responsibility to recover and deposit the inadmissible payment made is fixed on the Senior Finance Officer.*

B. The Finance Section of the Dzongkhag Administration, Haa had admitted three (3) months notice pay to teachers on contractual appointment from India upon repatriation from their services. The agreement clearly states "**Three months notice pay shall be paid by the either party in the event of failure to give the required period of notice**" On the contrary, the Dzongkhag had paid a sum of Nu.0.103 million to three teachers in deviation to this rule. Upon expiry of the contract the said term should not have been invoked.

Auditee's response: *The Dzongkhag had stated that such payment occurred because the rule was not properly comprehended.*

Who is accountable?: *The inadmissible payment made must be recovered and deposited into audit recoveries account. Therefore, accountability for such payment is fixed on the Senior Finance Officer, Dzongkhag Administration, Haa.*

C. Verification of the travel documents pertaining to the Dzongkhag Administration, Haa revealed inadmissible payment of Nu.0.100 million on account of TA/DA & porter charges in deviation to the circular issued by the Ministry of Finance.

Auditee's response: *The Dzongkhag had stated that such payment occurred due to misinterpretation of rules and that the staffs who are paid such amount are notified to deposit the same to the RAA.*

Who is accountable?: *Any ambiguity in the rule should have been got clarified from the competent authority before making any payments related to such an account. Therefore, Senior Finance Officer is held accountable to recover and deposit into audit recoveries account.*

D. The Dzongkhag Administration, Wangduephodrang had made irregular/inadmissible payment amounting to Nu.0.184 million. Summary of such inadmissible payments are as given in the table below:

Table 1.8 showing inadmissible payments made by Wangdue dzongkhag.

Sl. No	Particulars of payment	Payees	Amount (Nu. million)
1.	Carriage charges of personal effects (Maximum side)	Dzongkhag officials while on transfer	0.025
2.	Winter salary for apprentice teachers	Apprentice teachers	0.102
3.	Payment of full DSA for the tour performed less than 12 hours of the journey.	Staff & Officials of the Dzongkhag.	0.036
4.	Payment of TA/DA, no approval with the payment voucher	Dasho Pem L. Dorji	0.021
	Total		0.184

Auditee's response: *With regard to the payment of carriage charges & full DSA in lieu of half DSA, it was submitted that it would be recovered from the concerned payees. On payment of winter salary to apprentice teachers it was submitted that the dzongkhag had not received the circular disallowing such payment, as such it would be difficult to recover from them. With regard to payment of TA/DA to Dasho Pem L. Dorji, former Dzongdag, the RAA is informed that the Dzongkhag had already written to the concerned for clarification & regularization.*

Who is accountable?: *All such irregular/ inadmissible payment must be deposited into audit recoveries account. The Drawing & Disbursing Officer is held accountable to do so since such payments could have controlled from his/her end.*

E. Tshering Wangdi, Taekwondo Coach and Jimba Tshering, Games Teacher both working at Bajo Middle Secondary School were paid daily allowance above their grade entitlement and rate thus resulting into inadmissible payment of Nu.0.028 million.

Auditee's response: *The Dzongkhag Administration, Wangdue had not responded on this matter as of date.*

Who is accountable?: *Amount of inadmissible payment aggregating to Nu.0.028 million must be recovered with commercial interest of 16% p.a. from the concerned teachers and deposited into audit recoveries account. The responsibility to do so is fixed on the Finance Officer since it is a lapse on their part.*

20. Non-production of document - Nu.2.341 million.

A sum of Nu.2.341 million was found paid to the staffs of the civil sector of the Dzongkhag Administration, Haa and to the staff of Bali, Basic Health Unit. In order to cross-check the authenticity of the payment and tours performed, Attendance Registers were sought but the same were not produced.

Auditee's response: *The Dzongkhag Administration, Haa did not precisely respond on the issues noted by audit.*

Who is accountable?: *Non-production of documents especially to cross-check the validity and authenticity of the payments made is a serious offence. Therefore, whole of the amount as worked out by audit must be recovered and deposited into audit recoveries account and the responsibility to do so shall be fixed on Dasho Dzongdag.*

21. Award of work on cut-off point basis - Nu.33.756 million.

The Dzongkhag Tender Committee, Tsirang had awarded 19 works valuing Nu.33.756 million by fixing cut-off point. The works were found awarded to the bidders whose bid value is nearest to the cut-off percentage arbitrarily set up by the tender committee. The value of works ranges from Nu.0.342 million to Nu.6.879 million. The awarding of contract works in such a fashion is not in compliance to the Procurement Manual due to which the government is deprived of the benefit of competitive bidding.

Auditee's response: *The Dzongkhag Administration, Tsirang submitted that prior to the opening of the tender documents, the committee members' fixes a cut-off percentage, which is an average of the percentages, put forth by individual members. It was also stated that they have resorted to this procedure to make the awarding of major works fair.*

Who is accountable?: *Awarding of contract works based on cut-off point is a serious breach of discipline and gross violation of the Procurement Manual. The tender committee members are jointly and collectively held accountable for failure to carry out the roles effectively.*

Chapter III

Ministry of Agriculture.

The Royal Audit Authority during the year 2003 had issued 37 inspection reports of agencies under the Ministry of Agriculture. The following officials headed the ministry and the departments under it in the first half of the year 2003:

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

The following officials headed the ministry and the departments under it in the later half of the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Sangay Ngedup Dorji	Minister
2.	Dasho Sangay Thinley	Secretary
3.	Sherub Gyeltshen	Director, Department of Agriculture
3.	Dasho Dawa Tshering	Director, Department of Forestry Services
4.	Tenzin Dhendup	Director, Department of Livestock
5.	Dr. Pema Chhophel	Director, Council of Research & Extension
6.	Sonam Wangdi	Head, Administration & Finance Division

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

Table 1.9 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	2.927	25.79	1
2.	Non-derivation of utility	0.000	0.00	18
3.	Excess/over payment/expenditure	0.215	1.91	6
4.	Inadmissible payment	0.532	4.69	8
5.	Non-availability of items	0.000	0.00	11
6.	Non-enforcement of contract terms	0.053	0.47	7
7.	Outstanding credit sales	5.673	49.98	2
8.	Shortage of revenue	0.915	8.06	11
9.	Non-availability of accounts	0.343	3.02	18
10.	Outstanding royalty	0.043	0.38	2
11.	Non-deduction of tax/rentals	0.205	1.81	15
12.	Payment without supporting documents	0.057	0.50	18
13.	Non-accountal of advance	0.360	3.17	16
14.	Payment for works not executed	0.025	0.22	14
	Total	11.348	100.00	

Major Findings:

1. Outstanding advance - Nu.2.927 million.

Various agencies under the Ministry of Agriculture had in their books of accounts a sum of Nu.2.927 million lying outstanding against different employees, suppliers and contractors. Advances of some agencies were very old and dated as far back as 1999-2000. It was apparent from the records that accumulation of advances was due to release of subsequent/frequent advances without liquidating the initial advances. Agency wise summary of the amounts are as given in the table below:

Table 1.10 showing Outstanding advances of the agencies under Ministry of Agriculture.

Sl. No.	Agencies	Amount (Nu. Million)	Remarks
1.	National Soil Service Centre, Semtokha.	0.037	
2.	Nature Conservation Division.	0.568	Balance of initial advance of Nu.0.623 million.
3.	Nature Conservation Division.	0.013	
4.	RNR-ESP	0.112	
5.	AMC, Paro	0.548	
6.	Central Machinery Unit, Bumthang	0.397	
7.	Divisional Forest Office, Sarpang	0.049	
8.	National Warm Water Fish Culture Centre	1.203	
	Total	2.927	

Auditee's response:: *While fewer agencies had not responded at all others submitted that an action to recover the advances would be thoroughly pursued and deposited into audit recoveries account.*

Who is accountable?: *The accountability to recover and deposit into audit recoveries account with commercial interest of 16% per annum is fixed on all the Officer In-Charge, Drawing & Disbursing Officer and concern Finance Officers.*

2. Non-derivation of utility from Depot office.

The Integrated Forest Management Project (IFMP) as depot office in Shingkar village, Ura, constructed a two-storied building with four units. The construction had not been completed when the IMF Project was terminated. The building was around 90% complete when it was handed over to the Park Management. However the building as of now remained idle with the paneling and the flooring of the ground floor dismantled and few ekra walls damaged.

Auditee's response: *The Park office did not foresee any usage of the building since its headquarter is located at Ura. However, we have nominated a caretaker until unfortunately the Department of Budgets & Accounts discontinued the budget provision for the same.*

The Park Office has also submitted a proposal to WWF for supporting the completion of the building and put it into a better use by converting into an eco lodge. Further, we have been proposing the completion of the building even during the yearly

budget discussion. However, the two proposals did not materialize as there was no response from the donor or there was a budget constraint.

Who is accountable?: *The responsibility of bringing it into productive use rests on the Ministry of Agriculture. The Department of Forestry is also held accountable for the lapses.*

3. Excess/over expenditure - Nu.0.215 million.

Various agencies under the Ministry of Agriculture had made payments either over or excess of what was actually admissible. A summary of the transactions and agencies involved are given in the table below:

Table 1.11 showing agencies that made excess payments and the parties involved.

Sl. No.	Agencies involved.	Amount (Nu. Million)	Amount paid to.
1.	National Nublang Breeding Farm	0.035	M/s Jigme Dorji Construction, Wamrong.
2.	DFO, Tsirang	0.090	M/s Ngotong Construction.
3.	Nature Conservation Division	0.033	Dorji Wangchuk
4.	NRTI, Lobeysa	0.022	Civil Servants on transfer
5.	AMC, Paro	0.010	Civil Servants on transfer
6.	DFO, Tsirang	0.025	
	Total	0.215	

Brief details of the transactions are given here under:

A. The compound fencing work at National Nublang Breeding Farm, Tashi Yangphu was found awarded to M/s Jigme Dorji Construction, Wamrong. Verification of paid bills revealed payments for fixing of 810 angle posts as against 766 numbers actually found fixed at the site, thus resulting into over payment of Nu.0.035 million.

Auditee's response: *The management submitted that the number of angle post found out by audit is not correct. It was stated that they have formed a committee to verify the finding and submitted that some angle posts were found washed away by the land slide.*

Who is accountable?: *The statement that the landslide washed some angle posts away is not tenable in audit as the case was not reported earlier. Therefore, accountability for the lapses shall be fixed on the Farm Manager.*

B. The construction of Beat Office at Tsirangdara was awarded to M/s Ngotong Construction. On verification of its relevant records it revealed payment in excess of what was actually admissible. Such over payment amounted to Nu.0.090 million. It included excess payment of Nu.0.019 million due to wrong calculation, Nu.0.020 million for site development, Nu.0.029 million for centering & shuttering for mud wall, Nu.0.022 million on alteration and non-execution of work.

Auditee's response: *The DFO, Tsirang had submitted that they have already written to the concerned contractors to refund the excess payment made as a*

result of calculation errors and that upon realization the RAA would be intimidated.

Who is accountable?: *As agreed the over payment made must be received in audit, therefore, until such time the accountability is fixed on the Divisional Forest Officer, Tsirang.*

C. Dorji Wangchuk, Programme Director of National Mushroom Center during his study tour to Japan, Thailand, Singapore and Nepal was paid excess Daily Subsistence Allowance of equivalent Nu.0.033 million (US\$ 726 x Nu.46) in deviation to the rates circulated for National Executed Projects (NEX) by the Royal Civil Service Commission from time to time.

Auditee's response: *The management of Nature Conservation Division had not responded on this issue as of date.*

Who is accountable?: *The excess payment made must be recovered and deposited into audit recoveries account for which Paying Officer is held accountable.*

D. The civil servants transferred to/from Natural Resources Training Institute (NRTI), Lobesa were paid an excess amount of Nu. 0.022 million on account of carrying charges of personnel effects.

Auditee's response: *The response of the management is still awaited in audit. The concerned officials have been instructed to refund the overpayment made to them. Nu. 7238.00 have already been recovered and deposited with RAA.*

Who is accountable?: *Until the amount is deposited into ARA, the Paying Office and the Director are held accountable to deposit the balance amount of Nu. 0.015 million into Audit Recoveries Account.*

E. The AMC, Paro had paid its staff amounting to Nu. 0.012 million as carriage charges in excess of their entitlements.

Auditee's response: *The management submitted that a sum of Nu. 0.002 was already recovered.*

Who is accountable?: *Till the amount is recovered from the officials, the Paying Officer and the Programme Director are held accountable.*

F. The DFO, Tsirang had also paid its staff an amount of Nu.0.025 million as transportation charges in deviation to government rules in force.

Auditee's response: *The response of the management is still awaited in audit.*

Who is accountable?: *Till the amount is recovered from the officials, the Paying Officer and the District Forest Officer are held accountable.*

4. Inadmissible payment - Nu.0.532 million.

Various agencies under the Ministry of Agriculture had made payments, which was not admissible as per the rules in vogue. Such inadmissible payments amounted to Nu. 0.532 million and summary of which is exhibited in the table below:

Table 1.12 showing inadmissible payment made by agencies under the ministry.

Sl. No.	Agencies who made the payment	Amount (Nu. Million)	Payment made to:
1.	NRTI, Lobeysa	0.068	Civil Servants under Teaching Cadre
2.	RNR-ESP	0.034	Officials
3.	AMC, Paro	0.024	Officials/staff
4.	NRTI	0.308	Lecturers
5.	GIADP, Gelephu	0.050	Inadmissible Telephone bills
6.	DFO, Sarpang	0.048	Staff
	Total	0.532	

Brief details of the transactions are given here under:

A. A civil servant of the teaching cadre who has rendered less than Seven months in a particular year shall be entitled for one month's leave salary. However, two months vacation salaries were paid to the staff of NRTI who had served less than seven months. Therefore, an amount equal to Nu. 0.068 million were paid in excess.

Auditee's response: *Concerned officials have been asked to refund the excess payment, which will be deposited into Audit Recoveries Account upon recovery.*

Who is accountable?: *The paying officer and the Director, NRTI are held accountable to recover the inadmissible payment and deposited into audit recoveries account.*

B. The RNR-ESP conducted a series of workshops during which the officials were paid inadmissible DSA amounting to Nu. 0.034 million.

Auditee's response: *The Project Management has requested the Director, Council of Research & Extension to verify such payments and obtain refund/justifications.*

Who is accountable?: *Until the amount is accounted in RAA, the respective Paying is held accountable.*

C. The AMC, Paro paid Nu. 0.024 million to the officials/staff in excess to their entitlement.

Auditee's response: *The response of the management is still awaited in audit.*

Who is accountable?: *Until the amount is accounted for, the Paying Officer & Programme Manager are held accountable.*

D. The lecturers and instructors of NRTI engaged on official duties during vacations were paid proportionate to the number of days they were deprived of their vacations, besides the normal salary for the vacation period. The salary paid for official duties during winter vacation were inclusive of teaching allowance while they were not involved in teaching. Further the teaching allowances were already paid with their vacation salary. Therefore, the payment of Nu. 0.308 million as teaching allowance is not justified.

Auditee's response: *Whatever work a teacher does like preparing & planning lessons, preparing & developing training materials, evaluating & assessing assignments/ projects etc. are all teaching related activities although he may not be teaching in the classroom.*

Who is accountable?: *The paying officer & the director are held accountable to recover the amount and deposited into audit recoveries account. Nu.0.025million have been deposited into Audit Recoveries Account.*

E. The Project Management, Integrated Area Development Project, Gelephu had paid Nu.0.050 million on account of telephone bills of the then Project Co-ordinator's residence at Thimphu and monthly rental charges for his residence at Gelephu. The Ministry of Finance disallowed the payments of telephone bills on such account.

Auditee's response: *The RAA is yet to receive responses on this issue.*

Who is accountable?: *This inadmissible payment is recoverable from the present Director, Department of Livestock, Ministry of Agriculture.*

F. The Divisional Forest Office, Sarpang had paid inadmissible carriage charges to its employees amounting to Nu. 0.133 million. The staffs were paid at the maximum capacity as opposed to the minimum capacity prescribed by the rule.

Auditee's response: *The management responded that a sum of Nu.0.085 million was recovered.*

Who is accountable?: *This inadmissible payment must be deposited into audit recoveries account by the Paying Officer & Divisional Forest Officer.*

5. Non-availability of items.

A. During the physical verification of stocks in Natural Resource Training Institute, Lobesa, ten binoculars, two cameras, nine gas cylinders and three gas stoves were found missing.

Auditee's response: *The management stated that whatever binoculars bought are available for verification.*

Who is accountable?: *The store officer & the director are held accountable to make good the missing items other than the binoculars which will have to be verified.*

6. Non-enforcement of contract terms - Nu.0.053 million.

The Regional Veterinary Laboratory, Khaling upon the approval of the Hon'ble Lyonpo, Ministry of Agriculture had awarded the contract for maintenance of slaughter house at Borvilla to M/s Archana Construction, Samtse.

As transpired from the note sheet and the contractor's letter (attached to the note sheet) the tender committee consisting of senior officials of Ministry of Agriculture had re-negotiated with the contractor and had agreed to carry out the work at the estimated cost, without cost index. However, the contractor was paid a cost index of 25% amounting to Nu. 0.053 million.

Auditee's response: *The management has not commented on this issue.*

Who is accountable?: *The Incharge, RVL Khaling are held accountable to make good the unauthorized payment.*

7. Outstanding credit sales - Nu. 5.673 million.

The AMC, Paro had outstanding credit sales of Nu. 5.673 million. Some of these amount were as old as twelve years. The management had not adhered to the instructions of the Ministry of Agriculture to discontinue the credit sales facility.

Auditee's response: *The response of the management is still awaited in audit.*

Who is accountable?: *The whole of the outstanding must be realized with commercial interest and the responsibility to do so shall be fixed on the Programme Manager.*

8. Shortage of revenue - Nu. 0.915 million.

A. Cross verification of the total revenue collections with the total remittances/deposits in the bank pertaining to the Divisional Forest Office, Bumthang revealed a revenue shortage of Nu.0.878 million.

Auditee's response: *The management had submitted that the concerned individual Mr. Lham Tshering, Ex-Accountant had already deposited Nu.0.814 million thereby leaving a balance of Nu.0.064 million only.*

Who is accountable?: *The concerned DFO is held accountable to make good the balance shortages with penal interest of 24% p.a. and deposited into audit recoveries account, besides taking administrative action against him.*

B. The Ministry of Agriculture invited tenders for the construction of Layer Shed, Feed Store and Grower Shed at Regional Pig Breeding Farm. A total of 50 tender documents were found sold @ Nu. 750 per tender document but its proceeds amounting to Nu.0.037 million were not deposited into Government Revenue Account.

Auditee's response: *The National Warm Water Fish Culture Centre (NWWFCC) Gelephu is yet to respond on this issue.*

Who is accountable?: *The amount of Nu.0.037 million is recoverable from Karma Denka of the Procurement Section of the Ministry.*

9. Non-availability of accounts - Nu.0.343 million.

As per World Wildlife Fund grant letter a sum of Nu.0.343 million was found released to the Bomdeling Wildlife Sanctuary but the related accounts supposed to be with Nature Conservation Division was not available on record. In the absence of records and documents the authenticity of expenditure incurred, if any, could not be ascertained in audit.

Auditee's response: *Neither the Nature Conservation Division nor the Park Manager, Bomdeling had responded on this issue as of date.*

Who is accountable?: *Until such time the proper accounts or the amount in question is received in audit the accountability is fixed on the Park Manager, Bomdeling.*

10. Outstanding royalty - Nu.0.043 million.

Various agencies under the Ministry of Agriculture had royalty amounting to Nu.0.043 million not collected from the parties liable for such payment.

A. Revenue amounting to Nu.0.020 million for the sale of pigs and fish remained uncollected from Dungpa, Gelephu since 1996-97.

Auditee's response: *The management of National Warm Water Fish Culture Centre (NWWFCC) Gelephu informed the RAA that it has reminded the parties to settle the dues.*

Who is accountable?: *The accountability to deposit the amount of Nu.0.020 million with penal interest of 24% p.a. is fixed on Tenzin Dhendup, currently the*

B. The number of pigs shown as sold in the register compared with the revenue cash book found some differences. The 27 number of pigs as sold in the stock register were not found reflected in the revenue cash book. The value of this un-reconciled transactions amounted to Nu.0.035 million.

Auditee's response: *The management of National Warm Water Fish Culture Centre (NWWFCC) Gelephu submitted that some records amounting to Nu.0.012 million were updated and some duplicate bills re-forwarded to the parties concerned for early settlement.*

Who is accountable?: *The outstanding dues as agreed should be recovered and deposited into audit recoveries account with penal interest of 24% p.a. The responsibility to do so is fixed on the Officer In-charge.*

11. Non-deduction of tax/rentals - Nu.0.205 million.

Various agencies in the Ministry had not effected statutory deductions as required under the Revised Taxation Policy 1992. It amounted to Nu.0.205 million as elucidated in the table below:

Table 1.13 showing agencies responsible for not deducting taxes/rentals.

Sl. No.	Agencies responsible	Amount (Nu. Million)	Tax collectible from:
1.	CMU, Bumthang	0.015	Various contractors
2.	DFO, Sarpang	0.164	Rental from staff
3.	DFO, Sarpang	0.026	Various suppliers
	Total	0.205	

Brief details of transactions are given here under:

A. The Central Machinery Unit, Bumthang had not effected the statutory deductions from the bills of suppliers/contractors amounting to Nu.0.064 million.

Auditee's response: *The CMU, Bumthang had informed the RAA that the tax amount of Nu.0.049 million is already recovered thereby leaving a balance of Nu.0.015 million only.*

Who is accountable?: *The responsibility to deposit the tax as computed by the RAA is fixed on the Officer In-charge.*

B. The Divisional Forest Office, Sarpang had not deducted house rentals from the employees occupying government quarters amounting to Nu.0.164 million.

Auditee's response: *The management had not responded on this issue as of date.*

Who is accountable?: *The responsibility to deposit the tax as computed by the RAA is fixed on the Divisional Forest Officer.*

C. The Divisional Forest Office, Sarpang had not deducted 2% TDS amounting to Nu. 0.031 million.

Auditee's response: *The management had submitted that a sum of Nu0.005 million is recovered.*

Who is accountable?: *The responsibility to deposit the tax as computed by the RAA is fixed on the Divisional Forest Officer.*

12. Payment without supporting document - Nu.0.057 million.

The National Warm Water Fish Culture Centre (NWWFCC) Gelephu had paid a sum of Nu.0.073 million to suppliers and officials without the supporting documents.

Auditee's response: *The management had submitted that they have been trying to find the supporting documents but in the absence of account personnel tracing of the document has proved difficult. However, the management had informed the RAA that supporting documents for Nu.0.016 million was found.*

Who is accountable?: *Such responses are not tenable in audit. A sum of Nu.0.016 million should be recovered from the Store In-charge, Nu.0.019 million from Sonam Wangdi, Head, AFD, MoA and Nu.0.037 million from Tenzin Dhendup, currently the Director for the Department of Agriculture & Livestock Support Services, Ministry of Agriculture.*

13. Non-accountal of advances - Nu.0.360 million.

A. The National Warm Water Fish Culture Centre (NWWFCC) Gelephu had in their books of accounts a sum of Nu.0.332 million paid to various suppliers/organization/staff towards the advance payment. However, on verification of the records it was found that the advances were neither recorded in the sub-ledger nor the adjustment effected till the date of audit.

Auditee's response: *The management submitted that a thorough crosscheck was done and found adjustments amounting to being made though not reflected in the sub-ledger.*

Who is accountable?: *The contention is not of the adjustment being made but is an issue that was not reflected in the sub-ledger. The adjustment being made as replied has already been considered for the advances, which are accounted/recorded in the sub-ledger. Therefore, all such advances must be recovered with commercial interest of 16% p.a and deposited into audit recoveries account. The responsibility to furnish the details of adjustment if made or deposit the amount in audit recoveries account is fixed on the Officer In-charge.*

B. The Divisional Forest Office, Sarpang had not accounted the advances paid to its staff during the year 2000-2001 to 2002-2003. Such non-accountal amounted to Nu.0.051 million.

Auditee's response: *The management had submitted that adjustments to the tune of Nu.0.023 million have been made.*

Who is accountable?: *The total amount not accounted for as worked out by audit must be recovered and deposited into audit recoveries account with commercial interest of 16% p.a., the responsibility to deposit the amount with commercial interest has been fixed on the Divisional Forest Officer, Sarpang.*

14. Payment for works not executed - Nu.0.025 million.

The renovation work of DFO building in Tsirang was awarded to M/s Ngotong Construction. Verification of records revealed payment totaling Nu.0.025 million for works not executed.

Auditee's response: *The DFO, Tsirang had agreed to recover the amount as found by the audit team.*

Who is accountable?: *As agreed the payment made for works not executed must be received in audit, therefore, until such time the accountability is fixed on the Divisional Forest Officer, Tsirang.*

Chapter IV

Ministry of Works & Human Settlement.

The Royal Audit Authority during the year 2003 had issued 10 inspection reports of agencies under the Ministry of Works & Human Settlement. The following officials headed the ministry and the departments under it in the first half of year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Dasho Leki Dorji	Dy. Minister
2.	Tshering Dorji	Offtg. Secretary
3.	Dorji Choden	Director, National Quality Control Authority
4.	Rinchen Dorji	Director, Department of Roads
5.	Pem Tshewang	Head, Administration & Finance Division

The following officials headed the ministry and the departments under it in the later half of year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Dr. Kinzang Dorji	Minister
2.	Tshering Dorji	Secretary
3.	Rinchen Dorji	Director, Department of Housing & Urban Development
4.	Phuntsho Wangdi	Director, Department of Roads
5.	Dorji Choden	Director, National Quality Control Authority
6.	Pem Tshewang	Head, Administration & Finance Division

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

Table 1.14 showing summary of the observations by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Irregular compensation	3.764	21.52	8
2.	Short realization of fees	0.348	1.99	18
3.	Outstanding taxes	0.240	1.37	2
4.	Excess/over/wasteful expenditure	0.254	1.45	6
5.	Non-levy of liquidated damages	2.167	12.39	13
6.	Irregular award of contract	6.615	37.82	7
7.	Payment of residential telephone charges	0.080	0.46	8
8.	Excess/over/double payment	1.593	9.11	6
9.	Outstanding advances	2.042	11.67	1
10.	Irregular/inadmissible payment	0.020	0.11	8
11.	Recoverable amount	0.120	0.69	18
12.	Non deduction of charges	0.015	0.09	15
13.	Non realization of hire charges	0.234	1.34	2
	Total	17.492	100.00	

Major findings:

1. Irregular compensation - Nu.3.764 million

A. The City Corporation, Thimphu had made the payment of Nu. 0.159 million towards the compensation for demolishing the structure built on the plots which was not approved by the government.

Auditee's response: *The management submitted that the construction was allowed as per the Royal Command and that the compensation was made in line with the directives of the Expressway Coordination Committee meeting in the interest of Royal Government to expedite construction of the Expressway to avoid cost escalation due to its delay.*

Who is accountable?: *Copy of the instructions of the CCM and the Money receipt from the Royal Bhutan Army must be furnished to the RAA to settle this issue. Therefore, until such time, the authority who approved such payment and Thrompon, Thimphu City Corporation are held accountable.*

B. The compensation amount of Nu. 0.264 million was made for the orchard and plots, which was not affected by the Express Way.

Auditee's Response: *The management stated that the alignment of the express way fell on the excess land, the owner had not applied for regularizing it. Therefore the owner was deprived of claiming the compensation for the affected land and that the amount paid was for the fruits bearing trees and the structures affected by the Express way.*

Who is accountable?: *The structure built on the excess land which was not regularized is illegal. The owner should have been given the opportunity to regularize and then pay for the compensation. The Thrompon is held accountable for such lapses.*

C. Further, the compensation of Nu. 0.206 million was paid on account of the government plots taken on lease, which was affected by the Express Way. However, the plot was already within the alignment of the Express Way. The plots should have been returned to the lessor on the expiry of the term but the compensation had been claimed which is in contravention to the agreement clause.

Auditee's Response: *The management stated that the lease agreement for the land in question was drawn in 1997 which was much before the proposal for the Express Way. It also stated that only the renewal of the lease agreement was effected from 1.3.2000 which was after the proposal of the express way and that the compensation made was as per the directives of the Expressway Coordination Committee Meeting.*

Who is accountable?: *Copy of the instructions of the CCM must be furnished to the RAA to settle this issue. Further, the lease agreement should not have*

been renewed. The responsibility for the lapses is fixed on the Thrompon, City Corporation, Thimphu.

D. The compensation amount of Nu. 3.024 million was also made to the individuals who had occupied excess land which were not regularized under the orders of the competent authority.

Auditee's response: *The management submitted that the corporation had not been able to regularize the excess land at one time due to frequent change in alignment by the Department of Roads.*

Who is accountable?: *Payment in advance prior to finalization of the issue is a prima facie evidence of undue favor given to the land owners and breach of financial discipline. The responsibility for the lapses is fixed on the Thrompon, , City Corporation, Thimphu.*

E. The amount of Nu. 0.111 million was made on account of compensation for dismantling the semi permanent structure located at Changzamtog, which fell under the construction of Express Way. However, the supporting documents for the lease were not authentic and besides it was surprising that the allotment of the plots dates back to 1992 whereas the application for the lease was applied in 1994. As such, the compensation is not justified.

Auditee's response: *The management submitted that the corporation is not responsible for the issuance of lease agreement prior to 1994 since it pertains to the period before the area taken over by it. Regarding the compensation made it submitted that though the agreement clause did not contain the compensation, it had followed the directives of the Expressway Coordination Committee Meeting to avoid further delays to the project of National importance.*

Who is accountable?: *The payment of compensation which is not in line within rules and admissibility is highly irregular. Therefore, the authority who approved such payment and Thrompon, Thimphu City Corporation are held accountable.*

2. Short realization of fees - Nu.0.348 million.

The City Corporation, Phuentsholing had outstanding amount of Nu. 0.348 million collectible on account of Water Supply and Sewerage charges.

Auditee's response: *The RAA is informed that the PCC had already served the notice to the concerned users to clear dues immediately within the end of December 2002.*

Who is accountable?: *Till the amount is collected and deposited into Audit Recoveries Account, the Thromponl is held accountable.*

3. Outstanding taxes - Nu.240 million.

A. The City Corporation, Thimphu had not collected the amount of Nu. 0.103 million on account of Land and Urban house taxes, under Development fees and Service charges and water and sewerage bill for the period.

Auditee's response: *The management submitted that some of the amount in question pertained to the crematorium for which the write-off proposal was submitted to the Ministry of Finance. The balance amount pertained to property owners who are living abroad.*

Who is accountable?: *Till the amount is realized and deposited into Audit Recoveries Account with penal interest of 24 % p.a. the Thrompon is held accountable.*

B. The City Corporation, Phuentsholing had not collected the amount of Nu. 0.137 million on account of house/ land taxes from the various plot owners during the year.

Auditee's response: *The PCC had already issued notification to the concerned plot owners to clear the outstanding amount as early as possible. The same will be deposited to the Audit Recoveries Account.*

Who is accountable?: *Till the amount is collected and deposited into Audit Recoveries Account with penal interest of 24% p.a. the Thrompon is held accountable.*

4. Excess/over/wasteful expenditure - Nu.0.254 million.

While checking the 5th Running bill for the construction of Town Hall Building, it was noticed that the City Corporation, Phuentsholing had incurred an avoidable expenditure of Nu. 0.096 million on account of dismantling and rectifications of the works. Further, the amount of Nu. 0.158 million was incurred on the execution of the original work, which had to be dismantled due to the revisions of the drawings.

Auditee's response: *The installation and fixation of windows and ventilators were originally carried out as per drawing with the shutters opening outside for maximum functional utility of inside space. However, the Dy. Minister and the Director, on a visit to the construction site, pointed out that it was a wrong placement and that the traditional decorative elements on a window like horzhong, joshing and carvings should be exposed to outside for aesthetical and traditional look. Therefore, the contractor and the site engineers were instructed to dismantle and refer the windows and ventilators to rectify the mistake.*

Who is accountable?: *How the structure should look like must be foreseen at the designing stage and not later at the expense of the government. Therefore, the then Deputy Minister, Ministry of Communications, currently the Minister, Ministry of Information and Communications is held accountable.*

5. Non Levy of liquidated damages - Nu. 2.167 million.

A.The Road Maintenance Section (RMS), Trashigang had not deducted the liquidated damage of Nu. 0.156 million from M/s Penden Construction for the delay in construction of Resurfacing works of Duksum-Tashiyangtse road. Though the contractor had reported the hindrance of 27 days on account of rainfall and break down of machinery to the Executive Engineers, it was not approved.

Further, the liquidated damage of Nu.0.511 million was not levied from the following contractors on account of irregularity in the recording of hindrance of 63 days prior to the start of the work.

Sl. No.	Name of contractor	Amount of liquidated damage
1.	M/s Yurung construction	0.437
2.	M/s WCC	0.074
Total		0.511

The work for the construction of Bartsham-Ramjar Road was awarded to M/s Singye Construction Company at the contract value of Nu. 21.293 million. It was noticed that against the stipulated date of completion i.e 15th April 2002, the contractor had delayed the work by 260 days as of date of audit. However, as against 260 days of delay, 181 days were recorded in the hindrance register as a genuine. But on detailed review of the delay and hindrance recorded, it was noticed that out of 181 days, hindrance of 30 days on event of late release of mobilization advance was not justifiable as this does not necessarily delay the contractor to start the work. As such the contractor was liable to pay the liquidated damage for 109 days amounting to Nu. 1.160 million.

Similarly, the RMS, Tashigang had not deducted the liquidated damage of Nu. 0.284 million from M/s Welfare Construction Company for the delay of 30 days in completion of the construction of Gomkora-Tomyangtse road.

Auditee's response: *Since the work was stopped on 14th June 2002, before the end of contract period and subsequent rescind of work by the section, the contractor had not delayed the work. In fact the contractor has still 27 days hindrance to complete the work but the work could not be carried out due to rainfall which would adversely affect the quality of work.*

The measurements are taken only after reasonable quantity of work had been executed. S the hindrance recorded by the unit was genuine and MLTC had approved, the contractors were not levied penalty.

The RMS, Tashigang stated that the hindrance of 181 days is justified and the liquidated damages for 79 days amounting to Nu. 0.841 million would be recovered from the contractor's bill payable upto the date of audit. And that the total liquidated damages till the completion date would be worked out and recovered from the contractor.

The RMS, Tashigang had reported that since volume of work has been increased, the extra time of five months has been granted by DOR. As such the recovery from the contractor is not advisable since the contract period has been extended.

Who is accountable?: *The Executive Engineer is held accountable and the amount of liquidated damage should be recovered from the contractor since the hindrance of 27 days was not approved.*

The liquidated damage for 79 days should be recovered and besides, the approval for 181 days be furnished to RAA. Until such time, the dealing official is held accountable.

Since the non-inclusion of item of work in BOQ was known and rectified only at the end of the contract period, the concrete justifications from the engineers who had estimated and the MLTC members for not analyzing the same at the time of work is insisted. Until such time, the dealing official is held accountable.

B. The Road Maintenance Section, Trongsa had awarded the work of resurfacing of Yotongla-Ura Highway to M/s U. Dee Construction Company. However, the completion of the work was delayed and the work was carried over as spill over work. The review of the hindrance register, 70 days have been detected as unjustified delay for which the liquidated damage amounted to Nu. 0.334 million. Since the work was not completed on time, the security deposit of Nu. 0.279 million had been forfeited on account of penalty. However, the balance amount of Nu. 0.056 million remains collectible from the contractor on account of liquidated damages.

Auditee's response: *The management had not stated anything about the balance amount recoverable from the contractor.*

Who is accountable?: *Till the amount is recovered and deposited into Audit Recoveries Account, the Finance Officer is accountable.*

6. Irregular award of Contract - Nu. 6.615 million.

A. The Road Maintenance Section, Phuentsholing had awarded the River Training (RT) Work to M/s. Pema Dema Construction on the basis of Kasho at the departmental estimate cost of Nu. 4.972 million. The work was completed before the schedule but at a higher cost of Nu. 4.903 million. A Cost Benefit Analysis (CBA) was carried out between the work awarded without inviting tenders and the work awarded on contract by selecting a similar type of work awarded on contract at the same site. A result of analysis revealed that the Government had foregone the saving of Nu. 2.401 million by awarding the work on work order basis. Per Metre cost of RT works were Nu.24,513.70 and Nu.12,507.59 for the works awarded on Kasho and tender respectively.

Auditee's response: *The Road Maintenance Section, Phuentsholing had requested the HQ., DoR to respond on this issue. The RAA had not received the same as of date.*

Who is accountable?: *Kashos must be respected but the authority awarding the work must give due regard for economy and prudent management for expenditure that could be avoided.*

B. The Road Maintenance Section, Thimphu had incurred a total amount of Nu. 1.712 million for hiring different vehicles during the financial year 2000-2001 for various works as shown in the Table below:

Table 1.15 showing individuals/agencies whose vehicles were hired by the department on the basis of approval.

Sl. No.	Name of owner	Amount (Nu. Million)	Type of Vehicle
1.	Dorji Gyeltshen	0.091	Tractor
2.	Sonam Tobgay	0.118	Tractor
3.	Rinchen Dolma	0.256	Tractor
4.	Dorji	0.356	Truck
5.	Ugyen Thinley	0.142	DCM
6.	Tshering	0.278	Truck
7.	M/s Phub Brothers	0.026	Tripper
8.	M/s Wangdi Construction	0.425	Tripper
9.	Tenzin Dorji	0.020	Tractor
Total		1.712	

The above vehicles were hired on the approval basis and not in accordance with the General Government Directives. Therefore, hiring of vehicles without observing the hiring formalities had deprived the benefit of competitive rates.

Auditee's response: *Clarification has been sought from the Mechanical Cell for the above lapses.*

Who is accountable?: *Till the justification for not observing the tender formalities in hiring the vehicles is obtained, the approving authority is held accountable.*

7. Payment of residential telephone charges - Nu.0.080 million.

The Road Maintenance Section, Lobeyisa had paid the residential telephone charges of the officials amounting to Nu. 0.080 million from its LC account, which is highly irregular and inadmissible.

Auditee's response: *The management had submitted that the condition of the road network have to be communicated to higher authorities and to the public for information. The division was also responsible to look after flood protection work of Punakha Dzong, construction of Wangdue Zam & projects.*

Who is accountable?: *Till the amount is recovered and deposited into Audit Recoveries Account, the Finance Officer & the Executive Engineer are held accountable.*

8. Excess/over/double payment - Nu.1.593 million.

Various agencies under the Ministry had made payments amounting to Nu.1.593 million in excess of what was actually admissible. Agencies responsible for making such payments and amount actually paid are as given in the table below:

Table 1.16 showing excess/over/double payment made.

Sl. No.	Agencies responsible	Amount(Nu .Million)	Paid to:
1.	RMS, Phuntsholing	0.073	M/s Pema Dema Construction
2.	RMS, Lobesa	0.378	M/s Rinchen Daba Construction, M/s Welfare Construction Company, M/s Nima Construction Company, Mr. Nala
3.	City Corporation, Phuntsholing	0.038	M/s Chapcha Engineering Company.
4.	RMS, Trashigang	1.023	M/s Welfare Construction Company.
5.	City Corporation, P/ling	0.081	
	Total	1.593	

Brief detail of each instances are as under:

A. The Road Maintenance Section, Phuentsholing had made excess payment of Nu. 0.073 million to M/s Pema Dema Construction on account of adding cost index for the work of River Training Work, which was awarded on the work order basis. As per the BSR-2001, any rates calculated adding cost index shall not be used for making payments to contractors and shall be strictly as per the contract agreement only. The payment is not allowable and hence, the amount so paid is recoverable.

Auditee's response: *The management had requested the HQ, DoR to submit suiTable justification on this issue.*

Who is accountable?: *Till the amount is recovered and deposited into Audit Recoveries Account, the Executive Engineer is held accountable.*

B. The Road Maintenance Section, Lobeyesa had awarded the contract work for laying of base course to Rinchen Daba. During the physical verification of the road, it was found that an excess measurement was recorded in the measurement book resulting in excess payment of Nu. 0.186 million.

Auditee's response: *The management had submitted justifications only on the variations in the material consumption.*

Who is accountable?: *Till the amount is recovered and deposited into Audit Recoveries Account, the Executive Engineer is held accountable.*

C. The Road Maintenance Section, Lobeyesa had hired two excavators from M/s Welfare Construction Company and M/s Nima Construction Company for R/T works on the left bank of Phochu, Punakha and Road Improvement on Samtapana-Chuserbu & Ddungdung-Nyelsa Lawala Highway respectively. On verification of the hire charges payment, it revealed that the over payment of Nu. 0.180 million was made to the contractor on account of payment for one extra hour rate for every 8 working hours.

Further, the overpayment of Nu. 0.012 was made to Mr. Nala, contractor for providing and filling hand packed stone in GI wire mesh. However, during the physical verification, it was noticed that the size and weight of the GI wire mesh was less and not to the specifications, resulting into overpayment.

Auditee's response: *The management submitted that payments were made in line with Hiring Agreement. With regard to overpayment to contractors efforts were put in to recover from the concerned contractor.*

Who is accountable?: *Till the amount is recovered and deposited into Audit Recoveries Account, the officer involved in executing defective hiring agreement and the site engineer for accepting GI Wiremesh of different specification are held accountable.*

D. The Phuentsholing City Corporation had made the excess payment of Nu. 0.038 million to M/s Chapcha Engineering Company Pvt. Ltd for the work of Package-6 (Up-stream left bank) on account of differences in the rates paid to the contractor and the actual rates worked out.

Auditee's response: *The RAA is informed that the corporation will write to the contractor to deposit the excess amount and the same shall be remitted to the Audit Recoveries Account.*

Who is accountable?: *Till the amount is recovered and deposited into Audit Recoveries Account, the site engineer who certified the claim & Thrompon are held accountable.*

E. The work of Security Force water supply at Ramitey was executed departmentally by City Corporation, Phuentsholing as Deposit work. The total fund received from the Royal Bhutan Army was Nu. 1.607 million against which an expenditure of Nu. 1.638 was incurred by the corporation resulting in excess expenditure of Nu. 0.081 million (including the balance Nu. 0.050 million as supervision charges).

Auditee's response: *We have already submitted the details of actual necessary bills/ vouchers to the Commander, Security Force, RBA, Phuentsholing for necessary settlement. This amount shall be deposited into Audit Recoveries Account.*

Who is accountable?: *Till the amount is recovered and deposited into Audit Recoveries Account, the dealing official is held accountable.*

F. The construction of Gomkora-Tomiyangtse road formation cutting was awarded to M/s Welfare Construction Company. On verification of the vouchers it revealed that while making the payments to the contractor the Road Maintenance Section, Trashigang had overlooked the contract documents and have made excess payment amounting to Nu. 1.023 million on account of not deducting the 5% rebate offered by the contractor.

Auditee's response: *The RMS, Tashigang had submitted that due to oversight the rebate amount was not deducted and assured that the same shall be deducted from the next running account bills.*

Who is accountable?: *The amount should be recovered and deposited into Audit Recoveries Account and till this is done, the Site Engineer is held accountable.*

9. Outstanding advances - Nu.2.042 million.

Agencies under the Ministry of Works & Human Settlement had in their books of accounts an amount of Nu.2.042 million lying outstanding against various officials and third parties. Summary of it is shown in the table below:

Table 1.17 showing agencies that has Outstanding advances

Sl. No.	Agencies responsible	Amount (Nu. Million)	Remarks
1.	RMS, Thimphu	1.036	Includes OBA of FY 1995-96
2.	RMS, Lobesa	0.792	OBA transferred from HQ
3.	City Corporation, P/ling	0.214	
	Total	2.042	

Auditee's response: *While some management had submitted that the letter has been sent to all the Units concerned asking for the deposit of old outstanding amount some had stated that an action would be put in to recover the old dues.*

Who is accountable?: *All overdue advances must be recovered with Commercial Interest of 16% p.a. and deposited into Audit Recoveries Account, the concerned Executive Engineers & Thrompon are held accountable.*

10. Inadmissible/irregular payment – Nu.0.020 million.

In the resurfacing of roadwork both at Tala-Raidak and Samtse-Sipsu road, the payment of Nu.0.020 million was made to the contractor for a segregated item of work “sweeping of road surface” which was neither found in the Bhutan Schedule of Rates (BSR) or in the coefficient book as a separate item. Therefore, it resulted into inadmissible payment.

Auditee's response: *The management had requested the HQ, DoR to submit suiTable justification on this issue.*

Who is accountable?: *The Executive Engineer & the site engineer are held accountable till the amount is fully recovered and deposited into audit recoveries account.*

11. Recoverable amount - Nu.0.120 million.

The Road Maintenance Section, Thimphu had paid the amount of Nu. 0.400 million to DGM, Ministry of Trade & Industry for carrying out soil investigation for Bailey bridge at TTC, Paro. However, the DGM had not executed the work at all and refunded Nu. 0.280 million leaving the balance of Nu. 0.120 million, which is recoverable.

Auditee's response: *The letter is forwarded to the Director, DGM asking for the justification as to why the balance amount has not been deposited.*

Who is accountable?: *The amount with commercial interest be deposited into Audit Recoveries Account, the finance officer of RMS, Thimphu and the Director, DGM is held accountable.*

12. Non deduction of transportation Charges - Nu.0.015 million.

The Excavator 320B belonging to M/s Welfare Construction Company, Trongsa was hired by the Road Maintenance Section, Lobeysa for the R/T works at Phochu, Punakha. However, the transportation charges amounting to Nu. 0.015 million was not deducted from the bill payments to the contractor as the RMS, Lobeysa had transported the machine from Trongsa to Punakha. Besides, it was also agreed that the transportation charges will be borne by the hirer.

Auditee's response: *The management had submitted that it has rechecked all the relevant disbursement vouchers and found that payment has not been made.*

Who is accountable?: *Till the amount is fully recovered and deposited into Audit Recoveries Account, the Site Engineer who certified the bill is held accountable.*

13. Non - realization of hire charges - Nu.0.234 million.

The Phuentsholing City Corporation had not realized the hire charges amounting to Nu. 0.111 million for the hire of Pneumatic Road Roller of 8-10 from the following parties.

Table 1.18 showing third party agencies liable for paying hire charges.

Sl. No.	Name of the parties	Amount (Nu. Million)
1.	M/s Yangkhil Construction	0.004
2.	M/s Druk Chapchap Engineering	0.033
3.	Secretary, PSA	0.002
4.	M/s Druk Seed Corporation.	0.019
5.	M/s Tshela Construction.	0.030
6.	M/s Dekeeling Builders	0.012
7.	M/s S. N Construction.	0.003
8.	M/s Lhojong Construction.	0.008
Total		0.111

Further, the shed rents amounting to Nu. 0.123 million lying outstanding against the lessees. It was noticed that an outstanding amount of Nu. 0.045 million pertained to financial year 2000-2001 for which no initiatives were taken to realize the amount.

Auditee's response: *The RAA is informed that the efforts would be made to recover the outstanding due from the parties and deposited into the Audit Recoveries Account. The PCC had written letters to all the concerned shed owners to clear their outstanding dues within 31st December 2002.*

Who is accountable?: *The amount with Commercial Interest be deposited into Audit Recoveries Account. The official responsible is held accountable.*

Chapter V

Ministry of Education.

The Royal Audit Authority during the year 2003 had issued 5 inspection reports of agencies under the Ministry of Education. The following officials headed the ministry and the departments under it in the first half of the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Sangay Ngedup	Minister
2.	Dr. Sangay Thinlay	Secretary
3.	Pem Thinley	Director General, Department of Education.
4.	Thinley Wangdi	Head, Administration & Finance Division

The following officials headed the ministry and the departments under it in the later half of the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Thinley Gyamtsho	Minister
2.	Pem Thinley	Secretary
3.	Chewang Tandin	Director, Department of School Education
4.	Nim Dem	Director, Adult & Higher Education
5.	Kinley Dorji	Department of Youth & Sports
6.	Nado Rinchen	Head, Administration & Finance Division

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

Table 1.19 showing summary of the observations by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Non realization of revenue	0.035	5.65	2
2.	Irregular award of work	0.364	58.71	7
3.	Outstanding advances	0.026	4.19	1
4.	Payment without supporting documents	0.021	3.39	18
5.	Short accountal of cash	0.012	1.94	11
6.	Excess payment	0.018	2.90	6
7.	Shortage of materials	0.144	23.23	11
	Total	0.620	100.00	

Major findings:

1. Non realization of house rent - Nu.0.035 million.

The National Institute of Education, Samtse had not realized the house rent of Nu. 0.035 million from the lecturers for the occupation of government quarters.

Auditee's response: *The management submitted that it had requested the Secretary to consider for non deduction.*

Who is accountable?: *Until such time the amount is realized and deposited to the ARA, the accountability is fixed on the Director, NIE.*

2. Irregularities in the award of contract - Nu.0.364 million.

The re-electrification work of the National Institute of Education, Samtse was awarded to M/s Druk Wangden Construction, Phuentsholing, who was the ninth lowest bidder among eleven contractors who responded the tender. As such the national exchequer had sustained the financial loss of Nu. 0.364 million on account of not awarding the work to the lowest bidder. The award was not justified with valid reasons and justifications.

Auditee's response: *The management had not specifically responded as to why it had awarded the work to the 9th lowest bidder.*

Who is accountable?: *The justifications for awarding the contract to the ninth lowest bidder should be furnished to RAA. The accountability is fixed on the Director, NIE.*

3. Outstanding advances - Nu.0.026 million.

The National Institute of Education, Samtse had the outstanding advances of Nu. 0.026 million against the employees from the LC Account.

Auditee's response: *The management had not responded on this issue as of date.*

Who is accountable?: *All over due advances amount should be recovered with commercial interest of 16% p.a. and deposited to the ARA. Till the amount is recovered and deposited into ARA, the accountability is fixed on the Director, NIE.*

4. Payment without supporting documents - Nu.0.021 million.

The Regional Education Store, Phuentsholing had paid the amount of Nu. 0.021 million towards the muster roll payment. However the muster roll did not bear either the signature or the thumb impression of the labourers.

Auditee's response: *The management has requested the Regional Education Officers concerned to furnish the details of the original supporting documents pertaining to the muster roll payment and others for onward submission to the Royal Audit Authority.*

Who is accountable?: *Till the supporting documents are furnished for verification, the stores officer is accountable.*

5. Short accountal of cash - Nu.0.012 million.

The Youth Centre had not accounted the amount of Nu. 0.012 million raised through hiring of conference hall, refreshment served and heating charges. The amount was neither recorded in the cashbook nor physically available.

Auditee's response: *The management submitted that the amount was recovered and accounted for.*

Who is accountable?: *Until the amount accounted for is made available for verification of the audit, Director, Department of Youth & Sports is held accountable.*

6. Excess Payment - Nu.0.018 million.

The Youth Centre had made an excess payment of Nu. 0.018 million to M/s Officers's Enterprises, Thimphu for the supply and fixing of synthetic carpet measuring 2340 sq.ft. However, on physical measurement of the carpet it was noticed that only 1416.88 sq. ft of carpet was fitted, resulting into excess payment.

Auditee's response: *The management had submitted that since the dealing official had already resigned and availed his benefits, it would be difficult to recover and that the write-off is proposed.*

Who is accountable?: *The amount with commercial interest be deposited into the Audit Recoveries Account by paying and disbursing officers.*

7. Shortage of materials valuing - Nu.0.144 million.

During the physical verification of the store of the Youth Centre, Motithang, it was found that there was a shortage of material worth Nu. 0.078 million.

Similarly, on the verification of the Regional Educational Store, Trashigang Dzongkhag it was found that text books & stationery valuing Nu.0.066 million were either received short or missing.

Auditee's response: *The Youth Centre has asked the RAA to verify since at the time of auditing listed items were issued to the lodging rooms. The Regional Store, Trashigang refuted the finding of audit.*

Who is accountable?: *Till the cost of the missing items are recovered and deposited into ARA the Director, Department of Youth & Sports /store officer is held accountable.*

Chapter VI

Ministry of Health.

The Royal Audit Authority during the year 2003 had issued 10 inspection reports of agencies under the Ministry of Health. The following officials headed the ministry and the departments under it in the first half of year 2003:

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

The following officials headed the ministry and the departments under it in the later half of the year 2003:

Sl. No	Name of Office Bearers	Designation
1.	Lyonpo Dr. Jigme Singye	Minister
2.	Dr. Sangye Thinley	Secretary
3.	Dr. Gado Tshering	Director, Department of Health Services
4.	Dr. Dorji Wangchuk	Director, Department of Public Health
5.	Nado Dukpa	Head, Administration & Finance Division

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

Table 1.20 showing summary of the observations by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding advances	52.392	99.75	1
2.	Irregular/inadmissible payment	0.073	0.14	8
3.	Double issue of cement	0.019	0.04	18
4.	Non deduction of tax	0.040	0.08	15
	Total	52.524	100.00	

Major findings:

1. Outstanding advances - Nu.52.392 million.

Agencies under the Ministry of Health had in their books of accounts an amount of Nu.52.392 million lying outstanding against various officials and third parties. Summary of it is shown in the Table 1.20:

Table 1.21 showing agencies that have an Outstanding advances.

Sl. No.	Agencies responsible	Amount (Nu. Million)	Remarks
1.	GOI, Health Construction Project	7.026	Includes OBA of FY 2000-2001
2.	Department of Health	6.037	Officials/third parties
3.	UNFPA Project	6.197	Dzongdags, DMO's, DHSO's & IECH Officials
4.	DANIDA Project, HSPS II	33.122	Officials & Suppliers
5.	DANIDA Project, HSPS II	0.010	
	Total	52.392	

Auditee's response:

The Project Management submitted that most of the outstanding advances reflected in the audit memo are released for the ongoing works and hence could not be adjusted at the time of auditing of the Project accounts. Efforts to recover have been initiated. It was further submitted that sum of Nu. 2.5 million is loaned to General Hospital, Mongar.

Who is Accountable?:

Until such time all over due advances are recovered with commercial interest of 16% p.a. and deposited into the ARA, the concerned Project /Programme Manager and Head, AFD are held accountable.

2. Inadmissible/ irregular payment - Nu.0.073 million.

Agencies under the Ministry of Health had made some irregular/inadmissible payment amounting to Nu.0.073 million as summarized in the table below:

Table 1.22 showing agencies who made some irregular payments..

Sl. No.	Agencies responsible	Amount (Nu. Million)	Paid to:
1.	Department of Health	0.016	Dungtsho trainees.
2.	DANIDA Project HSPS-II	0.034	Consultants & Caterers
3.	GOI, Health Project	0.023	Trainees
	Total	0.073	

Brief detail of each instances are as under:

A. The Department of Health had paid an amount of Nu. 0.016 million as porter charges to the Dungtsho trainees during the field attachments. However, the trainees are not entitled for the porter charges.

Auditee's response:

The amount will be recovered and deposited into the RAA.

Who is accountable?:

The Head, AFD would be accountable till the amount is recovered and deposited into Audit Recoveries Account.

B. The DANIDA Project HSPS-II had made the payment of Nu. 0.034 million was made on account of incidental expenses of the consultants in contravention to the contract agreement signed between MoHE & Management Service Group, New Delhi.

Auditee's response: *The payment was made due to oversight and the clause not properly reviewed at the time of payment. However, the clause quoted also mentions that it could be paid on prior approval from the client, the MoHE.*

Who is accountable?: *Till the amount is recovered and deposited into Audit Recoveries Account, the Head of AFD is held accountable.*

C. The GOI, Health Project has paid the DSA at dollar rate to the participants, who attended the training conducted in India. As per the rules, DSA payable at dollar rate in India are only to those UN projects & other donor funded projects. As such the amount of Nu. 0.023 million paid in excess over the actual entitlements is not admissible.

Auditee's response: *The Project Management honored the sanction orders issued by the Health Ministry for the payment of DSA at dollar rate. However, the matter is now being referred to the Personnel Section, Health Department to provide necessary RCSC approval for the training/ Payment of DSA at dollar rates.*

Who is accountable?: *The accountability is fixed on the payee Sonam Wangdi, Electrical Engineer of the GOI, Project.*

3. Double Issue of Cement - Nu.0.019 million.

The Central Store, Phuentsholing had issued cement double the quantity requisitioned to the projects under the same scheme in Zhemgang & Punakha. The value of extra quantity of cement issued was Nu.0.019 million.

Auditee's response: *The concerned Dzongkhags were informed regarding the double issue of cement and both the Dzongkhags have acknowledged the receipt of the same. The above corrections have been incorporated in our books of accounts opened for the new scheme in the same dzongkhags.*

Who is accountable?: *The RAA will have to verify the fact as stated. Therefore, until then accountability is fixed on the Assistant Engineer, Stores.*

4. Non deduction of TDS - Nu.0.040 million.

The DANIDA HSPS-II had not deducted the 2% TDS amounting to Nu. 0.040 million from the gross amount of bills of the various contractors and suppliers.

Auditee's response: *The non-deductions occurred due to advances made by the Department to the various individuals, officers and the organizations. When they made the payments, they were*

probably unaware of the TDS deductions. Whatever the adjustment bills they have submitted, adjustments were made against their advances in the Finance section.

Who is accountable?:

Till the amount is recovered and deposited into Audit Recoveries Account, the Head of AFD is held accountable.

Chapter VII

Ministry of Finance.

The Royal Audit Authority during the year 2003 had issued 4 inspection reports of agencies under the Ministry of Finance. The following officials headed the ministry and the departments under it in the first half of the year 2003:

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

The following officials headed the ministry and the departments under it in the later half of the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Wangdi Norbu	Minister
2.	Aum Yangki T Wangchuk	Secretary
3.	Sonam Wangchuk	Director, Department of Budget & Accounts.
4.	Lam Dorji	Director, Department of Planning.
5.	Nima Wangdi	Director, Department of Aid & Debt Management.
6.	Sangay Zam	Director, Department of Revenue & Customs
7.	Letho	Head, Administration & Finance Division.

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

Table 1.23 showing summary of the observations by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Short/non-collection of taxes	0.776	68.73	18
2.	Collection of sales tax on hand receipt basis	-	0.00	18
3.	Manipulation of value of goods	-	0.00	18
4.	Outstanding advance	0.031	2.75	1
5.	Loss of revenue	0.063	5.58	4
6.	Irregular waiver of penalty on evasion of income	0.259	22.94	18
	Total	1.129	100.00	

Major findings:

1. Short/Non-collection of taxes - Nu.0.776 million.

A. The Regional Revenue & Customs Office (RRCO), Samdrup Jongkhar had not collected taxes in accordance with the taxation policy of the government. It includes Nu.0.169 million and Nu.0.087 million on account of Business Income Tax (BIT) & Bhutan Sales Tax (BST) respectively.

Auditee's response: *With regard to BIT the RRCO, S/Jongkhar had not responded till date. For non-collection of BST it was stated that the items on which BST was not levied was treated as parts of machinery, which is exempted.*

Who is accountable?: *The justification is not tenable in audit since the materials used for construction of sheds for the plant and machineries cannot be termed as peculiar and directly related to the manufacture of final product. However, the RRCO may produce clarification from the competent authority.*

B. The RRCO, Phuntsholing had short levied BST and Custom Duty amounting to Nu.0.520 million by wrong application of the method/formula to derive the Free On Board (FOB) value.

Auditee's response: *The RRCO, Phuntsholing had submitted that the rule was not very clear on the method of working out the FOB value based on the CIF and that officials were not well versed in applying certain rules. It was also informed that the CIF value provided by the importers were ignored and reassessed by the office on the higher side.*

Who is accountable?: *The Import Section must work out the differences and recover and deposit the amount into audit recoveries account. The responsibility to do so is fixed on the Regional Director, RRCO, Phuntsholing.*

2. Collection of sales tax on hand receipt basis.

It was noted that the RRCO, Samdrup Jongkhar had collected/ realized BST on goods/consignments at the entry point based on the hand receipts produced by importers. Collection of BST on hand receipts must not be entertained since it creates avenue for manipulation/evasion of taxes.

Auditee's response: *It was submitted that they have been insisting and educating the importers on this issue and that they would put in every effort to do away with this kind of unhealthy practice.*

Who is accountable?: *The RRCO, S/jongkhar is held accountable to institute appropriate system.*

3. Variation/manipulation of value of goods.

On cross examination of the Check Post Records of goods imported by individual importer vis-a-vis purchases shown in the Profit & Loss Accounts revealed variations in the value of goods. Despite similar observation raised in the earlier audits, the RRCO, S/jongkhar had not initiated any remedial action.

Auditee's response: *The RRCO, S/jongkhar is yet to respond on this issue.*

Who is accountable?: *The RRCO S/jongkhar is held accountable to identify the root cause of such variations and institute remedial measures to mitigate such variations.*

4. Outstanding advance - Nu.0.031 million.

The then Planning Commission now under the Ministry of Finance had an outstanding advance of Nu.0.031 million against government officials and private agencies. Almost all the advances stood unadjusted since 1997-1998.

Auditee's response: *It was submitted that some advances were reflected in the Last Pay Certificate (LPC) of those who were transferred, some payees could not be traced out, a reminder was sent to some and so on.*

Who is accountable?: *All over due amount must be deposited into audit recoveries account with commercial interest of 16% p.a. The responsibility for this is fixed on the Director & Finance Officer. Had the amount been mentioned in the LPC it should be adjusted accordingly.*

5. Loss of revenue - Nu.0.063 million.

The Royal Government had lost the revenue of Nu.0.063 million because RRCO, Phuntsholing had not levied duties on imported goods. Summary of each transactions are as under:

A. The verification of the import declaration documents disclosed that BST had not been levied on goods imported either by not producing the Tax Exemption Certificates or whose validity of Tax Exemption Certificate were already expired. The transactions amounting to Nu. 0.044 million were not within the perimeters of the promulgated Rules on the Sales tax, Customs and Excise Act of the Kingdom of Bhutan 2000.

Auditee's response: *The RRCO, Phuntsholing submitted that Tax Exemption Certificate which could not be produced during the auditing process would be traced out and furnished to audit.*

Who is accountable?: Until such time the required documents are furnished to the audit the Regional Director, RRCO, Phuntsholing is held accountable.

B. An examination of import documents of goods declared on producing the Tax Exemption Certificates revealed that the parties who were exempted from payment of Bhutan Sales Tax had imported goods more than the quantity admissible. Therefore, the tax amount and the fines applicable on such account amounted to Nu. 0.019 million.

Auditee's response: The RRCO, Phuntsholing had informed the RAA that the observation on misuse of exemption certificate pertain to M/s Larsen & Toubro Limited who had not used one of the exemption certificates issued to them. It was also stated that the concerned party was intimated to deposit the calculated tax amount along with fine and penalty on coir mattress to the Royal Audit Authority.

Who is accountable?: The tax and duty so calculated must be deposited into audit recoveries account. Therefore, the accountability to do so is fixed on the Regional Director, RRCO, Phuntsholing.

6. Irregular waiver of penalty on evasion of income - Nu.0.259 million.

The RRCO, Phuntsholing while undergoing the tax assessment for the year 1999-2001 detected that M/s T & K Construction Company had not disclosed the income amount of Nu.3.376 million. This amount was added back to taxable income/loss of 2000 and the penalties equivalent to double the tax amount sought to be evaded were levied. Accordingly demand notice for the tax amounting to Nu.2.190 million was served.

The company appealed to the Tax Appeal Committee on the pretext that the evasion was not intentional. The appeal committee waived off 75% of the penalty on the ground that it was the first offence, that the company had settled the undisputed tax and that most evasion cases were from the construction sector because of the subcontracting. The company did not abide by the appeal committee's decision and further appealed to the Hon'ble Minister, Ministry of Finance and based on the recommendation waived off 50% of the remaining 25%.

The RAA felt that there were no concrete, valid and justifiable reasons to waive off 75% penalty by the Tax Appeal Committee and the note submitted by the Tax Appeal Committee to the Hon'ble Finance Minister was not made available to the RAA.

Auditee's response: The RRCO, Phuntsholing submitted that the Tax Appeal Committee after hearing and discussing the case waived off 75% of the amount and the balance 50% of the remaining 25% by the Hon'ble Finance Minister based on the recommendation of the Department of Revenue and Customs.

**Who is
accountable?:**

The Department of Revenue and Customs had initially out rightly rejected the company's appeal for the waiver of 25% balance but later recommended to the Hon'ble Minister for waiver. The rationale for the switch in the decision for the waiver by the Department of Revenue & Customs needs to be elaborated and explained to the RAA. Until such time the accountability is fixed on the Tax Appeal Committee.

Chapter VIII

Ministry of Foreign Affairs.

The Royal Audit Authority during the year 2003 had issued 3 inspection reports of agencies under the Ministry of Foreign Affairs.

The following officials headed the ministry and the departments under it in the first half of the year 2003:

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 officials headed the ministry and the departments under it in the later half of the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Khandu Wangchuk	Minister
2.	Aum Neten Zangmo	Secretary
3.	Thinley Penjor	Director, Multilateral Division
4.	Yeshi Dorji	Director, Bilateral Division
5.	Sangay Rinchen	Director, SAARC & Pacific Division
6.	Dasho Tashi Dorji	Head, Administration & Finance Division

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

Table 1.25 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	4.382	42.77	8
2.	Excess payment	0.094	0.92	6
3.	Outstanding advance	5.388	52.59	1
4.	Shortage of fund	0.128	1.25	11
5.	Non-carry forward of advances	0.253	2.47	1
	Total	10.245	100.00	

The contents of the annual audit report pertaining to the Ministry of Foreign Affairs includes the significant observations reflected in the Inspection Reports of three embassies viz: Royal Bhutanese Embassy, New Delhi, India, Dhaka, Bangladesh and Bangkok, Thailand.

Major findings:

1. Irregular / inadmissible payments - Nu. 4.382 million.

Various Embassies had made irregular / inadmissible payments amounting to Nu. 4.382 million. Summary of such payments made are as follows:

Table 1.26 showing inadmissible payments made by Royal Bhutanese Embassies.

Sl. No.	Embassies responsible	Amount (Nu. Million)	Remarks
1.	RBE, Dhaka	0.314	Electricity, Water, Sewerage etc.
		0.306	Residential Telephone Charges.
		0.160	Inadmissible medical bills.
		0.363	RG not accounted with bills.
2.	RBE, Bangkok	0.298	Inadmissible FA & RG while in Bhutan.
		0.022	Two times Home Leave Travel Passage.
		0.439	Inadmissible Children Education Allowance.
		0.172	Inadmissible electricity charges
		0.526	Residential Telephone Charges.
3.	RBE, New Delhi	0.091	Inadmissible RG payment
		0.073	Inadmissible teaching allowance
		0.014	Inadmissible Foreign Allowance
		0.149	Inadmissible telephone & TV charges
		1.455	Inadmissible electricity charges.
	Total	4.382	

Brief description of each instances are as under:

A. The Royal Bhutanese Embassy, Dhaka, Bangladesh had incurred an expenditure of Nu.0.314 million on account of electricity, water, sewerage, garbage disposal and gas bills of the officers and staffs in the Embassy. Payment of residential utility bills from the RGoB fund is neither in line with the Financial Rules and Regulations nor with Foreign Service Rules and Regulations.

Auditee's response:

The RBE, Dhaka had submitted that the official residence of Kutshab and other officers have to be maintained at a very high standard befitting the status of an ambassador and representative of Bhutan. It was also stated that Bangladesh is very notorious for its disorder and lawlessness and for security reasons the ambassador's residence has to be lit the whole night.

Who is accountable?:

Whatever entitled to and appropriate is provided by rules. Therefore, the electricity charges met out of RGoB fund, which are not admissible, shall stand recoverable. With regard to payment of other utility bills the concerned individual officers is held responsible to deposit the amount as reflected in the report.

B. The Royal Bhutanese Embassy, Dhaka had also paid inadmissible residential telephone charges in deviation to circular issued by the Ministry of Finance. The telephone charges include both rental and calls made. The total payment on this account comes to Nu.0.306 million.

Auditee's response: *The RBE, Dhaka had submitted that the process of obtaining and maintaining a telephone line itself is a tedious and expensive affair and that the officials most of the time has to work from the phone due to many disruptions with strikes and floods during the monsoon.*

Who is accountable?: *Since all government organization are governed by rules the RBE, Dhaka is also treated alike. Therefore, the amount as worked out by the audit team must be deposited by concerned officials into audit recoveries account.*

C. The Royal Bhutanese Embassy, Dhaka had paid an amount of US \$ 3488.00 (US \$ 3488 x 46=0.160 million) approximately to former ambassador towards the medical expenses incurred mostly while on travel abroad.

Auditee's response: *The RBE, Dhaka had informed the RAA that a copy of the approval by the then Secretary, Ministry of Foreign Affairs could not be obtained but instead a copy of the email message authorizing the ambassador was found submitted.*

Who is accountable?: *Relevant documents must be provided to the audit.*

D. A revised version of the Bhutan Civil Service Rules & Regulations including the entitlement of foreign services requires the payment of Representational Grant to be properly accounted for. This requirement was overlooked and made the payment amounting to Nu. 0.363 million (US \$ 7910 x 46=0.363 million).

Auditee's response: *The RBE, Dhaka had submitted that it had adopted the methods as desired by the then Officiating Foreign Secretary. Other officers who are no more in the embassy will be directed to submit the bills directly to the RAA. It was also stated that the Kutshab and Tashi Wangchuk will submit the bills to the RAA.*

Who is accountable?: *The accounts must be submitted in audit otherwise the amount stands recoverable. Till that is done, the Head of Chancery is held accountable.*

E. The Foreign Service Rules & Regulations, stipulate that Foreign Allowance & Representational Grant shall not apply to the members when they are temporarily in Bhutan for any reasons.

On the contrary, the RBE, Bangkok, Thailand had paid a sum of Nu.0.298 million (US\$ 6482 x 46) to Hon'ble Kutshab for the duration he was in Bhutan which is not admissible as per the above rule.

Auditee's response: *The RBE, Bangkok had informed the RAA that responses and other follow-ups are under process.*

Who is accountable?: *The Paying and Disbursing Officer should be aware of this rule. Therefore, Paying & Disbursing Officer is held responsible to recover and deposit the inadmissible payment made to His Excellency, the Kutshab.*

F. The Hon'ble Minister, Ministry of Foreign Affairs in the year 2000 had issued an office order stating that Foreign Service Personnel and their families during their tenure in the embassies/missions will be allowed to avail only one home leave passage at government expense. However, Ugyen Chozom of the RBE, Bangkok had availed two times in deviation to the above office order, thus resulting in inadmissible payment of Nu.0.022 million.

Auditee's response: *The RBE, Bangkok had informed the RAA that responses and other follow-ups are under process.*

Who is accountable?: *The amount of inadmissible payment made must be recovered and deposited into audit recoveries account. Therefore, accountability is fixed on Ugyen Chozom of the Ministry of Foreign Affairs, Thimphu & Head of Chancery, RBE, Bangkok.*

G. On a scrutiny of pay bills revealed that some of the officials of the RBE, Bangkok had availed the Children Education Allowance (CEA) in contravention to its entitlement rules. The children of those officers are either studying in Bhutan availing free education or beyond the age limit prescribed. The cumulative of this inadmissible payment amounted to Nu.0.439 million (US \$ 9562 x Nu. 46).

Auditee's response: *The RBE, Bangkok had informed the RAA that responses and other follow-ups are under process.*

Who is accountable?: *The amount of inadmissible payment made must be recovered and deposited into audit recoveries account. Therefore, accountability is fixed on Pema Wangchuk, HoC, Chang D Tshering First Secretary and Sonam Leki, First Secretary (Finance).*

H. The RBE, Bangkok had paid the electricity charges for the residence of Hon'ble Kutshab amounting to Nu. 0.172 million (US\$ 3748.98 x Nu.46) from the RGoB fund. Payment of residential utility bills from the RGoB fund is neither in line with the Financial Rules and Regulations nor with Foreign Service Rules and Regulations.

Auditee's response: *The RBE, Bangkok had informed the RAA that responses and other follow-ups are under process.*

Who is accountable?: *In the absence of clear cut guidelines as to its admissibility the RBE, Bangkok is advised to take the matter with the Royal Government. Therefore, until such time the RAA is informed of its admissibility the electricity charges met out of RGoB fund shall stand recoverable.*

I. The Royal Bhutanese Embassy, Bangkok had also paid inadmissible residential telephone charges in deviation to circular issued by the Ministry of Finance. The

telephone charges include both rental and calls made. The total payment on this account comes to Nu.0.526 (US\$ 11446 x Nu.46) million.

Auditee's response: *The RBE, Bangkok had informed the RAA that responses and other follow-ups are under process.*

Who is accountable?: *Circulars issued by the Ministry of Finance must be followed strictly unless there is a separate office order issued for the embassies/missions. Therefore, all such payments as worked out by the RAA must be recovered and deposited into audit recoveries account. The accountability to do so is fixed on the Head of Chancery & Finance Officer.*

J. Miss Lily Wangchuk was paid Representational Grant amounting to Nu.0.091 million in contravention to Foreign Service Rules & Regulations – 2002. As per rule it is admissible to the diplomats from BCSR Grade 8 and above.

Auditee's response: *The RBE, New Delhi had responded but not to the points raised.*

Who is accountable?: *Rules must be respected. Therefore, such inadmissible payment must be deposited into Audit Recoveries Account and the responsibility to do so shall be fixed on the Head of Chancery, RBE, New Delhi.*

K. The Dzongkhag Language Teachers who were posted abroad were paid teaching allowance amounting to Nu.0.073 million in addition to Foreign Allowance, which is not admissible as per the FSRR-2002.

Auditee's response: *The RBE, New Delhi submitted that the individual teachers were reminded to refund the amount.*

Who is accountable?: *Such inadmissible payment must be deposited into Audit Recoveries Account and the responsibility to do so shall be fixed on the Head of Chancery, RBE, New Delhi and the Finance Officer.*

L. Officials of the RBE, New Delhi when their services were reverted and relieved back to Bhutan were paid Foreign Allowance for the whole month instead of actual number of days worked in the embassy. This had resulted in inadmissible payment of Nu.0.014 million (US \$ 327 x Nu. 45).

Auditee's response: *The RBE, New Delhi had stated that the amount would be recovered.*

Who is accountable?: *The inadmissible payment must be deposited into Audit Recoveries Account and the responsibility to do so is fixed on the Head of Chancery, RBE, New Delhi.*

M. The RBE, New Delhi had paid residential telephone rental, mobile and Cable TV charges amounting to Nu.0.149 million in deviation to the circular issued by the Ministry of Finance.

Auditee's response: *The head of AFD agreed to submit the final opinion of the Ministry with regard to payment of telephone charges. For the payment of TV charges, it was submitted that the amount so paid would be recovered from guest house account and remit to the Audit Recoveries Account.*

Who is accountable?: *The inadmissible payment must be recovered and deposited into Audit Recoveries Account and the responsibility to do so is fixed on the Head of Chancery, RBE, New Delhi.*

N. A sum of Nu.1.455 million was incurred towards electricity charges which includes Chancery and residential buildings. The officials/staff were charged a nominal electricity charges for lighting only, however, bills for the energy consumption on air conditioning, heaters, cooking appliances and fans were borne by the office which is not admissible under any rules in force.

Auditee's response: *The RBE, New Delhi had submitted that the meter is already installed. For the payment already made, it was agreed that the amount would be recovered or ex post facto sanction from Ministry of Finance obtained for regularization.*

Who is accountable?: *In the absence of clear-cut guidelines as to its admissibility the RBE, New Delhi is advised to take the matter with the Royal Government. Therefore, until such time the RAA is informed of its admissibility the electricity charges met out of RGoB fund shall stand recoverable and the responsibility to do so is fixed on the Head of Chancery, RBE, New Delhi.*

2. Excess payment - Nu. 0.094 million.

A. The diplomats and other staff of the RBE, Dhaka while making official tours within and abroad were paid Daily Subsistence Allowance (DSA) of Nu.0.079 million in excess of what is actually admissible/entitled.

Auditee's response: *The RBE, Dhaka had submitted that since some of the officials are no more in the embassy but are transferred else where in the various ministries under RGoB, a copy of the audit observation is endorsed to them for necessary action.*

Who is accountable?: *All such payments must be deposited into Audit Recoveries Account. Therefore, responsibility to do so shall be fixed on the individual officers reflected in the annexure of the inspection report.*

B. During the official tour of Hon'ble Kutshab, RBE, Bangkok to Yangon and Mandalay the audit team had found that he was paid excess DSA of Nu.0.015 million(US\$336 x Nu.46).

Auditee's response: *The RBE, Bangkok had informed the RAA that responses and other follow-ups are under process.*

Who is accountable?: *All such excess payments must be deposited into Audit Recoveries Account. The Head of Chancery & Finance Officer are held accountable to recover and remit the amount to the RAA.*

3. Outstanding advance - Nu. 5.388 million.

A. A review of Sub-Ledgers pertaining to RBE, Dhaka revealed an outstanding amount of Nu.0.469 million in equivalent of US \$ 5738 & Taka 0.262 million.

Auditee's response: *The RAA is informed that it has already initiated the recovery of the outstanding advances.*

Who is accountable?: *All advances that were long overdue for recovery / adjustment must be recovered immediately with commercial interest of 16% p.a. and deposited into Audit Recoveries Account. The responsibility to do so shall be fixed on the Head of Chancery, RBE, Dhaka.*

B. The RBE, Bangkok had a sum of Nu. 0.092 million (US\$ 2000) lying outstanding in the name of C.Care Asia Foundation without adjustment being effected for more than three Financial Years. The amount was stated to have been paid on behalf of the Ministry of Health.

Auditee's response: *The RBE, Bangkok had informed the RAA that responses and other follow-ups are under process.*

Who is accountable?: *The amount should be deposited into the Audit Recoveries Account. The responsibility to do so is fixed on the Head of Mission.*

C. The RBE, New Delhi also had a sum of Nu.4.827 million lying outstanding against the officials, suppliers, contractors and other parties. Some of the advances dates as far back as 1997-1998.

Auditee's response: *The RBE, New Delhi had agreed to expedite follow up.*

Who is accountable?: *All advances that were long overdue for recovery / adjustment must be recovered immediately with commercial interest of 16% p.a. Upon recovery it must be deposited into audit recoveries account and the responsibility to do so shall be fixed on the Head of Administration & Finance, RBE, New Delhi.*

4. Shortage of fund - Nu.0.128 million from the student account.

The Royal Civil Service Commission releases Student Fund for stipend on a biannual basis to the RBE, Dhaka for disbursement. A review of the releases and the actual payment made to them since June 1999 to January 2003 revealed some differences. In

order to track the differences an in depth analysis was carried out. It revealed that in May 1999 there was a change in the accounting personnel from Kinley Gyeltshen to Phuntsho Wangdi, which logically and practically means all releases as of January 1999 should cover up all stipend disbursement to students up to June 1999. But on the contrary it was found that a payment of stipend amounting to US \$ 2791(Nu. 0.128 million) pertaining to the period before and including June 1999 was made from the releases for July-December 1999 indicating the shortages for the period up to June 1999.

Auditee's response: *The RBE, Dhaka had informed the RAA that they would follow-up with Kinley Gyeltshen.*

Who is accountable?: *Responsibility to ascertain the exact amount of shortages rests with Head of Chancery & all Finance Officers involved. The status be notified to the RAA.*

5. Non-carrying forward of advances - Nu.0.253 million.

On a scrutiny of sub-ledger it was found that a sum of Nu. 0.272 million had been booked as an advance in the name of Special Account. However, it was noticed that a mere sum of Nu.0.018 million only was shown as transferred to RBE, main account thereby leaving a difference of Nu.0.253 million which was not accounted for in the books of accounts.

Auditee's response: *The RBE, New Delhi had submitted that it is making every effort to trace it.*

Who is accountable?: *All advances that were long overdue for recovery / adjustment must be deposited immediately with commercial interest of 16% p.a into Auidt Recoveries Account. The responsibility to do so shall be fixed on the Head of Administration & Finance, RBE, New Delhi.*

Chapter IX

Ministry of Labour & Human Resources.

The Royal Audit Authority during the year 2003 had issued 5 inspection reports of agencies under the Ministry of Labour & Human Resources.

Pema Wangda and Tshering Tobgay headed the then Department of Employment and Labour and the National Technical Training Authority respectively.

The following officials headed the ministry and the departments under it in the later half of the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Ugyen Tshering	Minister
2.	Dasho Pem L Dorji	Secretary
3.	Pema Wangda	Director, Department of Labour
4.	Karma Tshering	Director, Department of Employment
5.	Sangay Dorji	Director, Bhutan Vocational Qualification Authority.
6.	Tshering Tobgay	Director, Department of Human Resources
7.	Nima Dorji	Head, Administration & Finance Division

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

Table 1.27 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	0.077	53.10	1
2.	Excess payment	0.068	46.90	6
	Total	0.145	100.00	

Major findings:

1. Outstanding advance - Nu.0.077 million.

The then Royal Technical Institute, Kharbandi and the Royal Bhutan Institute of Technology, Kharbandi under the Ministry of Labor & Human Resources had an outstanding amount of Nu.0.010 million and Nu.0.067 million respectively.

Auditee's response:

The Royal Technical Institute had submitted that they have spared no efforts in the past and still persevering to collect the outstanding due.

The RBIT, Kharbandi submitted that it would not release further advances unless prior advances are realized.

Who is accountable?: *The concerned Head of Institute & Finance Officers are held accountable to pursue for recovery with commercial interest of 16% p.a. and to process for write-off where required.*

2. Excess payment - Nu.0.068 million.

The Institute of Zorig Chusum, Trashiyangtse had awarded the construction of retaining walls behind the boys' hostel to M/s Mangalam Construction. On verification it was noted that the work had been awarded to the contractor who was already taking up the construction of boys' hostel on the ground that the works will be executed at the same site and both materials and manpower resources were readily available in hand. On further scrutiny it was found that the said contractor had offered rebate of 10% but the management had not availed this offer, thus resulting into excess payment of Nu.0.068 million.

Auditee's response: *The management submitted that the necessity to construct wall occurred due to severe natural calamity due to which the contractor was requested on urgent basis to save from further damage.*

Who is accountable?: *It was apparent from the final bill that the contractor had applied the same item rates quoted for the initial works on the construction of retaining walls thus substantiating that the award had been made on the same terms and conditions. Therefore, the institute should recover and deposit the amount computed by audit as excess into Audit Recoveries Account.*

Chapter X

Ministry of Trade & Industry.

The Royal Audit Authority during the year 2003 had issued 6 inspection reports of agencies under the Ministry of Trade & Industry. The following officials headed the ministry and the departments under it in the first half of the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Khadu Wangchuk	Minister
2.	Dasho Karma Dorji	Secretary
3.	Lhatu Wangchuk	Director General, Department of Tourism
4.	Achyut Bhandari	Director General, Department of Trade
5.	Sonam Yangley	Director, Department of Industries
6.	Sonam Tshering	Director, Department of Power
7.	Dorji Wangda	Director, Department of Geology & Mines
8.	Gembo Dorji	Head, Administration & Finance Division

The following officials headed the ministry and the departments under it in the later half of the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Yeshey Zimba	Minister
2.	Dasho Karma Dorji	Secretary
3.	Lhatu Wangchuk	Director General, Department of Tourism
4.	Achyut Bhandari	Director General, Department of Trade
5.	Sonam Yangley	Director, Department of Industries
6.	Sonam Tshering	Director, Department of Energy
7.	Dorji Wangda	Director, Department of Geology & Mines
8.	Gembo Dorji	Head, Administration & Finance Division

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

Table 1.28 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	0.277	30.14	1
2.	Short/non-realization of revenue	0.642	69.86	2
	Total	0.919	100.00	

Major findings:

1. Outstanding advance - Nu.0.277 million.

Various agencies under the Ministry of Trade & Industries had in total an outstanding amount of Nu.0.277 million as summarized in the Table below:

Table 1.29 showing agencies that have an outstanding advances.

Sl. No.	Agencies responsible	Amount (Nu. Million)	Remarks
1.	MTI, Secretariat	0.216	
2.	Deptt. Of Geology & Mines	0.061	Personal advances.
	Total	0.277	

Auditee's response: *The management submitted that all outstanding recoveries shall be made and inform the RAA accordingly.*

Who is accountable?: *The concerned Head of the organization & Finance Officer are held accountable to deposit the overdue amount with commercial interest of 16% p.a.*

2. Short/non realization of revenue - Nu. 0.642 million.

The Regional Trade & Industry Office, Gelephu had not realized rent from the occupants of the Industrial Estate amounting to Nu.0.642 million.

Auditee's response: *It was submitted that the office had tried all means to realize the dues by executing legally binding lease agreements, by conducting meetings and serving reminders.*

Who is accountable?: *The responsibility to deposit the outstanding rent is fixed on the Regional Director, RTIO, Gelephu.*

Chapter XI

Ministry of Information & Communications.

The Royal Audit Authority during the year 2003 had issued 5 inspection reports of agencies under the Ministry of Information & Communications. The following officials headed the ministry and the departments under it in the first half of the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Dasho Leki Dorji	Dy. Minister
2.	Tshering Dorji	Ofttg. Secretary
3.	Kinley D. Dorji	Head, Division of Information Technology
4.	Thinlay Dorji	Director, Bhutan Telecom Authority
5.	Nima Wangdi	Director, Road Safety & Transport Authority
6.	Ugyen Nima	Head, Administration & Finance Division

The following officials headed the ministry and the departments under it in the later half of the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Leki Dorji	Minister
2.	Dasho Tashi Phuntshok	Secretary
3.	Rinchen Dorji	Director, Department of Roads
4.	Tenzin Choeda	Director, Department of Information Technology
5.	Pem Tshewang	Head, Administration & Finance Division

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

Table 1.30 showing summary of the observations by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding revenue	3.218	91.71	2
2.	Non-collection of endorsement fees	0.163	4.65	18
3.	Outstanding fines & penalties	0.052	1.48	2
4.	Non-collection of taxes	0.018	0.51	18
5.	Non-accountal of cash	0.041	1.17	16
6.	Under assessment of value of vehicles	0.017	0.48	18
	Total	3.509	100.00	

Major findings:

1. Outstanding revenue - Nu.3.218 million.

A. The Regional Transport Office, Phuentsholing had not collected the amount of Nu. 2.634 million on account of renewal fees of the vehicles for the year 2001 & 2002.

Auditee's response:

The management had submitted that efforts have been made to realize the dues and that dues pertaining to the period prior to FY 1997 is written off by the Ministry of Finance.

Who is accountable?: *Till the outstanding renewal fee is collected from the defaulters, the Regional Transport Officer is held accountable.*

B.The Regional Transport Office, Samdrup Jongkhar had not collected the motor vehicle fees amounting to Nu. 0.584 million from the various owners/ custodians of the vehicles.

Auditee's response: *This amount pertains to are either disposed off or auctioned vehicle. The RSTA states some vehicles are lying in workshops as scrap and some off road. They have forwarded the case to the HQ and thus decided that the vehicles will be deleted from their records if they fail to renew their documents within six months and that the individuals having such records will not be permitted fresh registration or re-registration unless they clear previous dues with applicable late penalties.*

Who is accountable?: *The RSTA should furnish the current status of renewal fees realized, outstanding and registration cancellations besides taking appropriate measures to ensure timely updating of records and collect the renewal fees on time in future.*

2. Non collection of endorsement fees - Nu.0.163 million.

The Regional Transport Office, Phuentsholing had not collected the endorsement fees of Nu. 0.163 million from M/s Hindustan Construction Company & M/s Jaiprakash Industries for the fiscal years 2001-2002 & 2002-2003.

Auditee's response: *The management had intimated the RAA that it has followed up with the HQ and received the instruction to collect the existing rate of Nu. 850.00 per month.*

Who is Accountable?: *Till the full amount is deposited into Audit Recoveries Account, the Regional Transport Officer is held accountable. The matter if not expedited will also draw commercial interest.*

3. Outstanding fines & penalties - Nu.0.052 million.

The Regional Transport Office, Phuentsholing had not collected fines and penalties amounting to Nu. 0.052 million. Besides, the documents seized from the defaulters were also not available for verification.

Auditee's response: *The management had informed the RAA that documents seized from the defaulter are now available for verification and that a sum of Nu.0.037 million have been realized leaving a balance of Nu.0.012 million*

Who is accountable?: *Till the amount is fully collected and deposited into Audit Recoveries Account, the Regional Transport Officer is held accountable. The amount stated to have realized will be verified.*

4. Non collection of tax - Nu. 0.018 million.

The Regional Transport Office, Thimphu had not collected the transfer tax of Nu. 0.018 million on account of ownership transfer of the TATA Indica Diesel DLX.

Auditee's response: *We have contacted the buyer of the car to confirm and deposit the transfer taxes without further delay.*

Who is accountable?: *Till the amount is recovered, the Regional Transport Officer is held accountable.*

5. Non accountal of cash - Nu.0.041 million.

On review of the cash book, it was noticed that the Road Safety and Transport Authority, HQ had not recorded the cash receipt of Nu. 0.041 million. The total of receipts in the cash book was wrongly computed as 3.136 million as against the actual total of Nu.3.176 million.

Auditee's response: *The management had informed the RAA that it was not the case of misuse and that ledgers have been updated & differences reconciled..*

Who is accountable?: *The finance officer is held accountable till the fact is confirmed and endorsed by the Ministry.*

6. Under assessment of value of vehicles - Nu.0.017 million.

It was noted that the Regional Transport Office had under-assessed the value of vehicle to the tune of Nu. 0.017 million for the purpose of charging 5% transfer tax. As per the Road Safety and Transport Regulation 1999, the authority shall apply depreciation on the basis of diminishing method to arrive at the current value of the vehicle. However, it was noticed that the assessments were done simply inspecting without actually carrying out detail investigations as required.

Auditee's response: *The RTO had stated that the ownership transfer is done openly and fairly within the system. As the price differs from time to time and model to model, the uniformity in assessment cannot be the same. However, they take into consideration the revenue generation while working with it and try not to go below the average.*

Who is accountable?: *The RSTA is advised to apply standard norms to assess the value of vehicles or revise the standard if not applicable. The accountability to revise the present norm if not applicable is fixed on the Director, RSTA.*

Chapter XII

CORPORATIONS & FINANCIAL INSTITUTIONS.

Besides the statutory audit conducted by a Chartered Accountant Firms from India, the Royal Audit Authority also conduct propriety audit. The RAA during the year 2003 had issued 20 inspection reports of agencies grouped under financial institutes and corporations.

1. DRUK AIR CORPORATION.

During the year the RAA had issued two inspection reports. The following personnel occupied the various portfolios of the corporation in the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Jigme Y Thinley	Chairman
2.	Sangay Khandu	Managing Director
3.	S. Ghosh	Finance Manager

Summary of the significant observations is given in the table below:

Table 1.31 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	2.256	2.51	1
2.	Irregular/inadmissible payment	0.531	0.59	8
3.	Non disposal of scrap/obsolete items	20.269	22.53	18
4.	Shortage of duty free items	0.028	0.03	11
5.	Excess payment	0.126	0.14	6
6.	Loss due to theft	0.451	0.50	18
7.	Spares lying idle	66.310	73.70	18
	Total	89.971	100.00	

Major findings:

1. Outstanding advance - Nu. 2.256 million.

The Druk Air Corporation had an amount of Nu.2.256 million lying unsettled against the employees, other parties and sundry debtors.

The management was advised to take immediate remedial measures to liquidate the advances.

**Auditee's
response:**

The Druk Air Management is yet to intimate the latest status of the outstanding amount.

Who is accountable?: *All over due advances must be recovered with Commercial Interest of 16% p.a for which the accountability fixed on Managing Director and the Finance Officer.*

2. Irregular/Inadmissible payment - Nu.0.531 million.

A. The service manual of the corporation states that “a maximum of 3 days transit will be permitted on full DSA and one day additional DSA may be considered if the situation demands” on travel abroad. In contravention to this provision officers while traveling abroad were paid for more than three days thus resulting in the irregular payment of Nu. 0.116 million. Such irregular payment must be recovered and deposited into Audit Recoveries Account.

Auditee’s response: *The Druk Air Management submitted that the payments were made as per the travel plan prepared by the administration of the corporation based on the availability of the connecting flight.*

Who is accountable?: *All irregular payment made must be deposited into Audit Recoveries Account and the accountability for which shall fall on Managing Director & the Finance Manager.*

B. In contravention to the Ministry of Finance’s circular which states that “Government funds cannot be used for paying membership fees or other expenses for individual sports such as golf and swimming” the Druk Air Corporation had paid Nu.0.048 million to Thimphu Golf Club as membership fee.

Auditee’s response: *The Druk Air Management submitted that it was an institutional fee and not paid against any individual participants. Against this payment the corporation is permitted to nominate 8 participants.*

Who is accountable?: *Expenditure which are not incurred wholly, exclusively and necessarily for business purposes must be stopped forthwith.*

C. The Druk Air Corporation had paid inadmissible DSA to its officials traveling abroad in contravention to the service rules. Such inadmissible payment amounted to Nu.0.167 (0.015 + 0.152) million.

Auditee’s response: *The Druk Air Management is yet to respond on the payment of Nu.0.015 million. With regard to the payment of Nu.0.152 million it was stated that it was paid in line with the Revised Service Manual.*

Who is accountable?: *All irregular payment made stands recoverable and be deposited into the Audit Recoveries Account. The accountability is fixed on Managing Director & Finance Manager.*

D. As per the rule officials/staff while on training/simulator course full DSA will be paid for 1st seven days and rest of the period will be paid 50% of the DSA. However,

it was noticed that management had paid inadmissible DSA beyond the entitlement amounting to Nu. 0.200 million.

Auditee's response: *The management had submitted that some payments were made in line with the Corporate Service Manual and some paid based on the commercial judgment made by the corporation. The management agrees to review and recover the inadmissible payment.*

Who is accountable?: *The accountability to recover payments which are inadmissible is fixed on the Managing Director and Finance Manager.*

3. Non-disposal of scraps & obsolete items - Nu. 20.269 million.

The Druk Air Management had not disposed off scraps and obsolete items valuing Nu.20.269 million. Similar issue was raised in the previous audit but the management had not heeded.

Auditee's response: *The Druk Air Management informed the RAA that an item Pilot Head PIN was sold to Air Baltic and that obsolete parts along with the Book Value have been submitted to the Board of Directors for write-off. The board has advised the management to look for interested buyers.*

Who is accountable?: *The Druk Air Corporation must make efforts to dispose off items to avoid blockade of fund. The value realized be deposited into the Audit Recoveries Account. The responsibility to do so is fixed on the Managing Director.*

4. Shortage of Duty Free items - Nu. 0.028 million.

The physical verification of duty free stocks revealed shortages valuing Nu.0.028 million.

Auditee's response: *The Druk Air Management informed the RAA that the said items were issued to the Secretary & ADC to the Crown Prince and that the bill have been raised and payment awaited.*

Who is accountable?: *The value of shortages must be deposited into the Audit Recoveries Account for which the responsibility is fixed on In-charge, Duty Free Section.*

5. Excess payment - Nu. 0.126 million.

A. The contract for the construction of in-flight kitchen & renovation of existing Duty Free building was awarded to M/s Chencho Construction, Paro. On scrutiny of bills paid and actual value of work done, it was noticed that a sum of Nu.0.030 million was paid to the contractor in excess of what was actually admissible. Some of such payments occurred due to calculation errors and non-deduction of rebates offered by the contractor.

Auditee's response: *The Druk Air Management had not appropriately responded on this issue rather it was submitted why the management had to construct such a building.*

Who is accountable?: *The amount of excess payment made must be for which the responsibility shall be fixed on Finance Manager & Engineer In-charge.*

B. The Druk Air had paid a sum of Nu.0.096 million to Duty Free Shop, Thimphu more than what was actually payable in terms of the agreement.

Auditee's response: *The management had not specifically commented on this issue rather it has endorsed a copy of the letter written by the Duty Free management.*

Who is accountable?: *The amount must be deposited into the Audit Recoveries Account by the official responsible for making the excess payment.*

6. Loss of X-ray film - Nu. 0.451 million.

M/s Morgan Ward Limited was appointed to carry out the Non-Destructive Test for the Wing Area's BAe 146 A/C: A5-RGE. During their testing of the wing, the x-ray films were stolen by the security personnel in the Air Port. Since the stolen films were exposed, the desired result could not be achieved. Though the Maintenance Manager had reported the case to the management, suiTable administrative action was not found taken against the employees involved. The management had to pay 50% of the total cost amounting to Nu.0.451 million.

Auditee's response: *The management had not stated anything on what kind of action has been taken in order to recover the loss sustained by the corporation for incurring an unproductive expenditure of Nu. 0.451 million.*

Who is accountable?: *The responsibility to take administrative action on the security personnel for the loss rests with the Managing Director.*

7. Spares lying idle worth -Nu.66.310 million.

On verification of the Engineering Store, Druk Air Corporation, Paro it was noticed that expendable parts & roTable slow moving parts valuing Nu.66.31 million were found lying idle in the store. It was also seen that some parts were purchased as far back in 1988 and not utilized till date of audit.

***Auditee's
response:***

The management had submitted that they do not have very substantial stock than a normal operator would need. Further, it was stated that due to old age of the aircrafts, it needed to hold maximum stock to meet the urgent demand in times of emergency.

***Who is
accountable?:***

The management must institute a sound inventory management policy so that there would not have excessive stock while at the same time there is no shortage of fast moving and critical spare parts. The responsibility to do so shall be fixed on Procurement Manager & Engineering Section.

2. Dungsum Cement Project Authority.

The following personnel occupied the various portfolios of the corporation in the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Yeshi Zimba	Chairman
2.	Tashi Tshering	Dy. Managing Director

Summary of the significant observations is given in the table below:

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.	Non-realization of hire charges	0.176	43.89	18
2.	Shortage of materials/books	0.146	36.41	11
3.	Outstanding advance	0.079	19.70	1
	Total	0.401	100.00	

Major findings:

1. Non-realization of hire charges - Nu.0.176 million.

The Bull Dozer belonging to the company was hired out to the M/s Gyaltshen Construction, Gelephug on two separate occasions for 21.5 days @ Nu.13,596 per day. Out of the total hire charges a sum of Nu.0.176 million still remained to be collected.

Auditee's response: *The project authority had submitted that the due amount is collected from the firm and deposited into audit recoveries account.*

Who is accountable?: *The Cheque drawn in favor of the audit recoveries account was dishonored by the Bank of Bhutan due to error in preparation. Therefore, the project authority is held accountable to get the right thing done.*

2. Shortage of materials/books - Nu.0.146 million.

A. The physical verification of the stores conducted by a joint team of auditors and company officials found that materials worth Nu.0.075 million and books/references valuing Nu.0.010 were found lesser than what was reflected in the respective ledgers.

Auditee's response: *The management submitted that the value of materials accumulated during the period 1983 to December 2000 was estimated at Nu. 4.517 million. Considering the value of inventory, the amount of irregularities as noted is very*

insignificant, say about 1.06%, therefore, write-off be considered.

Who is accountable?: *The write-off approval from the competent authority will have to be furnished to the RAA to form its final opinion. With regard to missing of books/references the project authority must recover the equivalent cost and the responsibility to do so shall fall on the project management.*

B. Similarly, on a comparison of stock balance with the list of items auctioned, items retained for future use and list of obsolete/unserviceable items revealed some discrepancies including shortages valuing Nu.0.061 million.

Auditee's response: *The project management had submitted that reconciliation exercise would be attempted and the final outcome intimated to the RAA.*

Who is accountable?: *The reconciled stock account must be furnished to the RAA or else the concerned dealing official shall be held accountable to make good the shortages.*

3. Outstanding advance - Nu.0.079 million.

A sum of Nu.0.079 million remained outstanding against the different parties. The project management is advised to take immediate action to recover the outstanding dues.

Auditee's response: *The management submitted that efforts would be made to recover/adjust the outstanding dues immediately.*

Who is accountable?: *The project management should take stringent measures to recover the outstanding dues with commercial interest of 16 % p.a. The accountability for this shall fall on the finance section of the project authority.*

3. Bank of Bhutan.

The following personnel occupied the various portfolios of the corporation in the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Wangdi Norbu	Chairman
2.	Tshering Dorji	Managing Director
3.	Passang Tshering	Dy. Managing Director
4.	Gayalri Sharma	Dy. Managing Director

Summary of the significant observations are given in the table below:

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

Sl No.	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Irregular writing off	6.538	5.68	18
2.	Irregular sanctioning of personal loan	5.000	4.35	18
3.	Unjustified waiver of late fee	0.674	0.59	18
4.	Outstanding loan	92.116	80.07	1
5.	Non-utilization of R & D fund	10.717	9.32	18
	Total	115.045	100.00	

Major findings:

1. Irregular write off - Nu 6.538 million.

The Royal Audit Authority had found an amount of Nu.4.273 million being written off by the Board against irregular Medium Term Loan account of Proprietor of M/s Choden Chemicals and Industries Limited. It was also learnt from the correspondences that prior to this write-off an amount of Nu.2.265 million were also written off by the Board. The RAA felt that if such kind of relief and concessions were granted time and again it would not only affect the overall profitability of the banking business proprietors may not also give resourceful & enterprising thought to seriously carry on the business.

Auditee's response:

The BoB management had submitted that justification for writing off of such a huge amount is on the account of company becoming sick for various reasons such as delayed receipt of machinery, shortage of skilled labour, technical snags etc. These factors resulted in a time and cost overrun. The periodical interest application together with other pre-operative expenses during the long implementation period increased the debt burden on the company.

Who is accountable?:

The justification submitted is not adequate to write-off such a huge amount since the problems as highlighted is supposed to have foreseen when the project is conceptualized and prepared for the worst accordingly. It simply is a managerial problem and may lead to more

write-offs in future. Therefore, such justification is not tenable in audit and the accountability for such leniency shall fall on Board & Management.

2. Sanctioning of personal loan of - Nu.5 million for adjustment of irregular MTL Account.

The Royal Monetary Authority's (RMA) Prudential Regulations 1999 states that “*The same Financial Institution is not allowed to extend a new loans to a borrower for repayment of arrears on Non-Performing Assets (NPA)*” However, it was found that not only the Board of Directors had approved the loan even the regulating authority (RMA) had issued clearance to Bank of Bhutan for extending such personal loan to the proprietor of M/s Choden Chemicals and Industries Limited.

The RAA found that the Board had approved the loan on the condition that if the borrower defaults repayment of loan including interest by three installments in either of the personal loan account or M/s Choden Chemicals and Industries Limited's loan account, the bank shall take over all the properties mortgaged with the bank. However, it was observed that the borrower had defaulted four installments in both the accounts for which the bank had not initiated any penal action liable as per the terms and conditions.

Auditee's response:

The management submitted that all actions resorted to by the bank was actually with the approval of the Board and concurrence from the only regulating authority i.e. the Royal Monetary Authority. It was also submitted that circumstances that warrant deviations will have to be allowed in specific instances.

Who is accountable?:

The very essence of bringing out the regulation is defeated if it is not applied consistently. Therefore, the Board of Directors and the RMA are held accountable for deviating from the norms. Further, the management is also held accountable for not initiating any action when the customer defaulted the repayment in more than the number of instances allowed by the Board.

3. Unjustified waiver of late fee - Nu.0.674 million.

It was found that the Board during 131st Board Meeting had waived of late fee amounting to Nu.0.674 million against Miscellaneous Overdraft A/c pertaining to the proprietor of M/s Dhendup Group of Companies.

It was mentioned in the above minutes of the meeting that the late fee was waived off based on the request submitted by the borrower citing reasons of the poor performance of the company and closure of some of the units due to circumstances beyond the company management's control. However, from the available records it was evident that the Bank had not carried out any detailed study to justify making such decision.

Auditee's response: *It was submitted that the amount of late fee was waived off based on the above cited reasons and on the condition that the borrower deposit a sum of Nu.4.00 million within certain time frame which was in fact complied with by the borrower.*

Who is accountable?: *The bank had not carried out any assessment of the performance of the company. Since most of the problems of the company were related to managerial lapses, the writing off of the entire amount of late fee was not justifiable for which the management shall stand accountable.*

4. Outstanding loan - Nu.92.116 million.

An amount of Nu.92.116 million were lying outstanding against various customers of the bank as at 31.12.02 for which the validity period had already expired. It was noticed that some of the outstanding amount goes back as far as the year 1980.

Auditee's response: *The management submitted that the observation shall be noted for compliance.*

Who is accountable?: *Outstanding loan to the magnitude of Nu.92.116 million is certainly a matter of great concern that must be resolved at the earliest. Until such time the whole of the over due amount is realized with commercial interest of 16% p.a. the accountability shall be fixed on the management.*

5. Non-utilization of Research & Development Fund - Nu.10.717 million.

It was noticed that an amount of Nu.10.717 million had accumulated through transfer of 1% of the profit towards Research & Development (R & D) fund. However, the funds were not utilized.

Auditee's response: *It was submitted that due to low-key trust towards EDP in the kingdom, the fund was earlier utilized to conduct the 1st EDP in Thimphu and project feasibility survey of the Gedu Wood Manufacturing Corporation in Gedu. The fund thereafter was not used and proposed to recommend the Board to utilize the fund towards Bank's market research & product development.*

Who is accountable?: *The poor utilization of R & D Fund indicates lack of creativity and encouragement in the field of research activities. Financial Institutions including Bank of Bhutan is the back bone of the country's economic growth; therefore, it must have a think tank for promotion & diversification of its business activities and promoting customer relations. The management is therefore held accountable for not initiating R & D activities commensurate with its size.*

4. Royal Insurance Corporation of Bhutan.

The following personnel occupied the various portfolios of the corporation in the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Wangdi Norbu	Chairman
2.	Lamkey Tshering	Managing Director
3.	Suraji Dutla	Finance Manager

Summary of the significant observations are given in the table below:

Table 1.34 showing summary of the observations by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Irregular payment	0.025	0.67	8
2.	Settlement of claims without police report	2.694	73.23	18
3.	Sale of vehicle salvages at below the reserve price	0.753	20.52	18
4.	Purchases without quotation	0.207	5.58	3
	Total	3.679	100.00	

Major findings:

1. Irregular payment - Nu.0.025 million.

The Royal Insurance Corporation of Bhutan (RICB) paid taxi charges to its officials while on training abroad in contravention to the rules. As per the rule when the officials are paid Daily Subsistence Allowance (DSA), they are not entitled to claim for the incidental expenses including taxi charges.

Auditee's response:

The RICB management submitted that they were of the understanding that DSA does not include cost of traveling & conveyance and other incidental expenses.

Who is accountable?:

Since the payment of taxi charges were not in accordance with the rules the same amount must be recovered for which the Managing Director is held accountable.

2. Settlement of claims without police report - Nu.2.694 million.

The RAA had observed that the claims department had settled claims amounting to Nu.2.694 million without insisting for the mandatory requirement of police report. In most cases police report is waived off as a special case and further verification from the insurer's side were never carried out even when the client did not produce the Police report.

Auditee's response: *In absence of the police report, the legality and the authenticity of the payments made were questionable. The management submitted that beside police report there are other documents such as spot inspection report, spot photographs, surveyor's report to ascertain the genuineness/merit of the accident. The police report is insisted where the management is not satisfied with genuineness of the claim.*

Who is accountable?: *Police report must be the basis of all claims and must be followed consistently. The management by exercising their authority to choose which accident requires a police report had only given the management a room to manipulate and discriminate. Therefore, the management is held accountable for entertaining claims not supported by police report.*

3. Sale of vehicle salvages below the reserve price - Nu.0.753 million.

The sale of vehicle scraps & salvages were made through open auction to the general public. However, it was noticed that some of the salvages were sold to public below the company's reserve value resulting into a loss of Nu.0.753 million.

Auditee's response: *The management submitted different scenarios whereby the tender committee makes spot discussion/ decision to accept bid lower than the reserve value. The scenarios include the salvages not sold for several occasions, minimize loss due to deterioration of salvage condition and to avoid storage problem.*

Who is accountable?: *Since most of the deals were negotiated by the management either at later stages or with some parties who were not even present when the decision were made, the tender committee or the management is held accountable.*

4. Purchases without quotation - Nu.0.207 million.

On verification of the paid voucher, it was noticed that purchase of Air Ticket was made without quotation amounting to Nu.0.207 million. The purchases were made only from single firm all the year round.

Auditee's response: *The management submitted that purchases were made on a piecemeal basis and as such there was no system of calling quotation. However, the management agreed to put the system in place in future.*

Who is accountable?: *An objection of the audit is not on procuring on piecemeal basis but on the company not resorting to maintaining live quoted rates for the office supplies. A proper procurement system must be put in place immediately and the responsibility for which shall fall on the Managing Director.*

5. Bhutan Power Corporation.

The contents of the report under this corporation include those inspection reports of the agencies under the then Department of Power. The following personnel occupied the various portfolios of the corporation in the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Yeshey Zimba	Chairman
2.	Sonam Tshering	Managing Director
3.	Gautam Khanna	General Manager (Finance)

Summary of the significant observations is given in the table below:

Table 1.35 showing summary of the observations by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding revenue	0.283	42.05	2
2.	Non-deduction of tax	0.025	3.71	15
3.	Avoidable expenditure	0.099	14.71	5
4.	Outstanding advance	0.266	39.52	1
	Total	0.673	100.00	

Major findings:

1. Outstanding revenue/energy charges - Nu. 0.283 million.

The Electricity Supply Division, BPC, Monggar had a sum of Nu.0.283 million lying outstanding against various consumers on account of energy charges.

Auditee's response: *The management had submitted that Corporation has taken over all the Assets & Liabilities of the erstwhile department.*

Who is accountable?: *Since the outstanding amount pertained to the period prior to 30th June 2002, amount must be recovered with Commercial Interest of 24% p.a for which the accountability shall fall on the Manager, BPC, Monggar.*

2. Non-deduction of tax - Nu. 0.025 million.

The Electricity Services Division, Paro had failed to effect statutory deduction amounting to Nu. 0.025 million from one M/s A.K.Electronics, Kolkatta for the supply of electrical goods.

Auditee's response: *The Electricity Services Division, Paro had not responded on this issue as of date.*

Who is accountable?: *By not effecting tax deduction, government is deprived of the revenue by Nu.0.025 million. The management must deposit the tax amount with commercial interest into Audit Recoveries Account and the responsibility for the lapses shall fall on Manager, ESD, Paro.*

3. Avoidable expenditure - Nu.0.099 million.

M/s K.R Enterprise, Thimphu had supplied electrical materials to Electricity Services Division, Paro. The rates charged by M/s K.R. Enterprise was more than the rates usually being charged by the Central Stores Division. Had the order been placed to the Central Stores Division, the office could have saved Nu.0.099 million.

Auditee's response: *The Electricity Services Division, Paro had not responded on this issue as of date.*

Who is accountable?: *The accountability for not procuring materials through the Central Stores & incurring loss is fixed on the Manager, ESD, Paro.*

4. Outstanding advance - Nu. 0.266 million.

A. The BPC, Trashigang had outstanding advances aggregating to Nu. 0.018 million lying against the officials/staff and other third parties.

Auditee's response: *The management submitted that immediate follow-up shall be taken to recover/adjust the amount.*

Who is accountable?: *All over due amount must be recovered with commercial interest of 16 % p.a. for which the accountability is fixed on the Managing Director & Manager, BPC, Trashigang.*

B. The Power Project Implementation Unit, Lhuentse had an outstanding advance of Nu.0.080 million lying against the employees and other third parties.

Auditee's response: *The Project Management had submitted that reminders were sent for early recovery/adjustment.*

Who is accountable?: *All over due amount must be deposited into Audit Recoveries Account with commercial interest of 16 % p.a.*

C. The Electricity Services Division, Bumthang had a total advance of Nu.0.168 million remaining unsettled against different suppliers and individuals. It is noticed that some outstanding advances were paid as far back as 1996-1997.

Auditee's response: *The concerned parties are intimated for the recovery of the remaining amount.*

Who is accountable?: *The amount must be deposited with commercial interest of 16% p.a into Audit Recoveries Account for which the accountability is fixed on the Manager, BPC, Bumthang.*

6. Bhutan Board Products Limited.

The following personnel occupied the various portfolios of the corporation in the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Leki Dorji	Chairman
2.	Namgay Ngedup	Managing Director

Summary of the significant observations is given in the table below:

Table 1.36 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	1.914	2.25	1
2.	Outstanding debtors	82.685	97.02	2
3.	Excess payment	0.623	0.73	6
	Total	85.222	100.00	

Major findings:

1. Outstanding advance - Nu. 1.914 million.

The Bhutan Board Products Limited (BBPL) had an outstanding advance of Nu. 1.914 million against suppliers. In some case additional advances were paid before liquidating the previous advances.

Auditee's response: *The BBPL management had submitted that many materials against which advances were granted were on transit and that it would be adjusted upon receipt of materials.*

Who is accountable?: *Release of additional advances before liquidating the previous advances must be discouraged. The responsibility to liquidate the outstanding amount shall fall on Managing Director & Finance Personnel.*

2. Outstanding debtors - Nu.82.685 million.

The audit team had noticed a huge amount of outstanding debtors amounting to Nu.82.685 million on account of sale of boards and furniture. Amount of such a magnitude got accumulated due to a lack of sound credit policy before the present management took over.

Auditee's response: *The management had submitted that it had introduced "cash and carry policy", prepared "Arrear Recovery Strategy" (ARS) for implementation in 2003 and that credit sales is hereafter limited to few credible parties only.*

Who is accountable?: *The accountability to recover the old dues shall be fixed on the Managing Director & Commercial/ Marketing officials.*

3. Excess payment - Nu.0.623 million.

A. The agreement executed between Bhutan Telecom and BBPL on usage and maintenance of 1-7 Km of Takti feeder road required the BBPL to bear 2/3 of the tender cost that was equivalent to Nu.0.322 million. However, on the contrary the BBPL had paid Nu.0.609 million, resulting into excess payment of Nu.0.287 million.

Auditee's response: *The management had submitted that the payments were released to Bhutan Telecom based on their claim and further stated that since Bhutan Telecom is also audited by the RAA the management seeks the RAA's assistance in recovering the excess amount paid.*

Who is accountable?: *An agreement is a legally binding document enforceable in any courts of law in Bhutan. Therefore, the Managing Director is held accountable to recover the excess amount paid.*

B. The river restoration works at Pasakha was carried on cost sharing basis amongst BBPL, Druk Cement Company and Oxygen & Gas Limited at an agreed percentage of 45:45:10. The work was executed by Druk Cement Company (DCC).

The total bill amount of Nu.3.300 million was submitted by the executing agency for which BBPL was required to pay 45% of it i.e. Nu.1.485 million, but on the contrary the management had paid Nu.1.712 million thereby resulting into excess payment of Nu.0.227 million.

Auditee's response: *The management submitted that since M/s Oxygen & Gas Company was in the initial stage and not yet started its commercial production, it could not arrange the payment. Therefore, BBPL and DCC had decided to bear 50% each and later recover from M /s Oxygen & Gas Company Limited.*

Who is accountable?: *The amount must be recovered immediately for which the Managing Director is held accountable. The accounts should be rectified by booking the above expenditure as receivable from M/s Oxygen & Gas Limited.*

C. The billed amount included Nu.0.109 million on account of salary and traveling/daily allowances paid to the employees of M/s DCC and over time payment to Bull Dozer Operator. Such payment was not incorporated in the agreement. The whole of this amount should be recovered.

Auditee's response: *The management had not responded specifically on the issues raised. It had just stated that the heavy down pour during the year had aggravated the situation at Pasakha to such an extent*

that delay would have jeopardized the whole situation and wash out the factory & colony. It was also stated that overtime payment to operator was made in order to shorten the restoration time.

Who is accountable?:

Since such payment was not covered in the agreement it stands recoverable. Therefore, responsibility to recover the amount falls on the Managing Director.

7. State Trading Corporation of Bhutan Limited.

The following personnel occupied the various portfolios of the corporation in the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Dasho Karma Dorji	Chairman
2.	Dasho Dorji Namgyel	Managing Director
3.	A. Roy Choudhary	Finance Manager

Summary of the significant observations is given in the table below:

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

Sl. No.	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Irregular payment of demurrage	1.323	15.87	8
2.	Shortage of stores	0.154	1.85	11
3.	Irregular payment of overtime allowance	0.535	6.42	8
4.	Outstanding dues	6.153	73.83	2
5.	Short deposit of sale proceeds	0.169	2.03	11
	Total	8.334	100.00	

Major findings:

1. Irregular payment of demurrage - Nu.1.323 million.

As per the terms and conditions with the clearing agent any demurrage charges incurred resulting from negligence and delay in clearing the cargo will be recovered from the clearing agent. However, demurrage charges amounting to Nu.1.323 million were paid to the clearing agent without properly verifying as to who was responsible for the delay. Loading of such charges without properly verifying the causes of delay to Bhutanese Customer is not fair.

Auditee's response:

The management had submitted that there is misinterpretation of certain charges as demurrage charges because the management is not aware of such huge amount having been paid nor has any customer complained for unfairly loading such charges. It was further stated that whatever little demurrage charges that have occurred have been either due to discrepant shipping documents, defective import documents, late receipt of documents or late receipt of containers by the customer, in all of such cases clearing agent cannot be held responsible.

Who is accountable?:

The Managing Director is held accountable to institute proper system of verification of the demurrage charges.

2. Shortage of stores worth - Nu.0.154 million.

The physical verification of the stock revealed shortages of store items valuing Nu. 0.154 million.

Auditee's response: *The management stated that such differences have been of concern to the management and that over the years several efforts have been made to strengthen the stores management.*

Who is accountable?: *The value of such shortages must be recovered for which the accountability is fixed on the Managing Director.*

3. Irregular payment of overtime allowances - Nu.0.535 million.

The Service Rules of STCBL stipulates that “The Corporation shall pay overtime allowances to employees from Grade 9 and below for any work done beyond normal working hours which may be decided by the Managing Director based on the nature and exigency of work involved.....” In contravention to service rules overtime allowance of Nu.0.535 million were paid to officers of grade 8 and above. Further, approval accorded by the Managing Director for the payment of his allowance to himself is not in line with the rules.

Auditee's response: *The management had stated that it was not an overtime payment but a lump sum monetary compensation for updating the books and records for timely year end audit purposes since several months were engaged in series of audits. It was also mentioned that if the management wishes to withdraw such incentives it might bring down the morale of the staff thus proving it counter productive.*

Who is accountable?: *Rewards should be earned by effectively performing ones duties and responsibilities but not for updating books of accounts which is part of a normal function. Therefore, the whole of the amount must be recovered from the employees, accountability for which is fixed on the Managing Director.*

4. Old outstanding dues - Nu.6.153 million.

An amount of Nu.6.153 million is yet to be realized from the customers ranging from government organizations/employees to private parties for the sale of vehicles, spare parts, heavy machinery, construction materials etc.

Auditee's response: *The management had submitted that cases have been filed in the court against several debtors in phases which are at varying stages of hearing and disposal by the court.*

Who is accountable?: *Commercial Organization such as STCBL and backed by very qualified Board Members should by now have a well established debtor management system including the credit*

rating of the customer. Debtors management is a highly specialized responsibility for which the management should train some of its staff in this area of specialization to mitigate from such happening in future for which the Managing Director should be held accountable.

5. Short deposit of sale proceeds - Nu.0.169 million.

The branch office STCBL, Thimphu had short deposited sale proceeds amounting to Nu.0.169 million. This irregularity was noticed when reconciling whether the proceeds stated to have deposited were reflected in the bank statement. The dealing person has cleverly manipulated the deposit slips.

***Auditee's
response:***

The management had not responded on this issue as of date

***Who is
accountable?:***

It is an indication of a lack of strong internal control system in place. The Managing Director is held accountable to recover the amount with Commercial Interest of 16 % p.a & for instituting proper control system.

Chapter XIII

Armed Forces

1. Royal Bhutan Army.

The Royal Bhutan Army is headed by the following personnel in the various capacities in the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Goongleon Gongma Lam Dorji	Chief Operations Officer (COO)
2.	Colonel Sangye Penjor	Officiating Deputy COO
3.	Lt. Colonel Sonam Tshering	Defence Accounts Officer

Summary of the significant observations is given in the table below:

Table 1.38 showing summary of the observations by category code and the amount involved.

Sl. No.	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Non-levying of liquidated damages	0.485	2.27	13
2.	Excess payment	0.658	3.29	6
3.	Inadmissible/irregular payments	0.080	0.37	8
4.	Shortage of ration	0.389	1.78	11
5.	Irregularities in the issue of ration	0.265	1.21	18
6.	Shortage of cash	0.374	1.71	11
7.	Outstanding advance	19.500	89.12	1
8.	Payment for works not executed	0.056	0.26	14
	Total	21.807	100.00	

Major findings:

1. Non-levying of liquidated damages - Nu.0.485 million.

Various Wings of the Royal Bhutan Army including the Headquarter, Lungtenphu had awarded construction works to the contractors with stipulated deadline for completion. However, most of the contractors had failed to complete but for which the respective wings had leniently not imposed the penalty thus giving undue favor to the contractors. Such leniency had cost the government in terms of opportunity cost to the amount of Nu.0.485 million. Brief detail of each instances are as follows:

A. The construction work of one unit Officer Quarter at Samarzingkha awarded to M/s Cee Dee Construction, Thimphu was delayed by 30 days without any recorded justified hindrances. Therefore, the contractor was liable for a liquidated damages amounting to Nu.0.035 million.

Auditee's response:

The RAA was intimated that the Defence Accounts Officer was requested to deduct the liquidated damages and deposit to Audit Recoveries Account.

Who is accountable?: *The amount of liquidated damages must be deposited into Audit Recoveries Account. Therefore, until such time the amount is received in the RAA the accountability is fixed on the Defense Accounts Officer.*

B. M/s Sangay Enterprise, Thimphu was placed the supply order for the supply of angle posts, struts and concertina wire valuing Nu.5.667 million for fencing of Command Centre, Daifam. Despite granting three times time extension, supplies could not be completed within a stipulated time frame. Thus liquidated damages amounting to Nu.0.190 million though liable to be imposed as per the contractual terms were overlooked.

Auditee's response: *The RBA management stated that the orders placed were huge and that it was not possible for the supplier to supply the stores in time owing to the then security situation.*

Who is accountable?: *Since there were no justified hindrances recorded, the response given is not tenable. Therefore, liquidated damages amounting to Nu.0.190 million must be recovered and deposited into Audit Recoveries Account with commercial interest the responsibility of which shall fall on the construction committee.*

C. Various Fire Wood Supplier to the Army Headquarter, Lungtenphug were not levied the liquidated damages valuing Nu. 0.075 million though required by the supply order for the delay in supply of firewood.

Auditee's response: *The RBA stated that the contractor supplies firewood as per resources made available by the Department of Forestry and as per their requirement. It was also stated that after verifying the ground realities the liquidated damages were considered by RBA and also that the contractor had never failed to meet their requirement.*

Who is accountable?: *The justification submitted is not tenable because one cannot afford to make mockery of the contractual terms & conditions framed by one self. Therefore, liquidated damages amounting to Nu. 0.075 million with commercial interest must be deposited into Audit Recoveries Account and the responsibility of which shall fall on the Defense Accounts Officer.*

D. M/s Jain Metal, Phuntsholing was placed the supply order for the supply of utensils. The supply was delayed by 18 days for which liquidated damages amounting to Nu.0.025 million was not imposed.

Auditee's response: *It was stated that the dealer had asked for the time extension but the dealing officer was on leave and the one officiating was not aware of the processing formalities. The response also stated that the delay had not affected their requirement.*

Who is accountable?: *One should respect the terms and conditions in the agreement. The responsibility to recover the liquidated damages with commercial interest be deposited into Audit Recoveries Account. Responsibility shall fall on Wing Commander & Purchasing Committee.*

E. M/s Bhutan Sports Goods Company, Thimphu had delayed the supply of goods by 67 days for which it was liable for a liquidated damage of Nu.0.022 million.

Auditee's response: *It was stated that the supply order did not stipulate the deadline for the complete supply of goods and that the supplier had completed the entire supply within the stipulated deadline of 25th February 2002.*

Who is accountable?: *The reply is not tenable as the date in one of the challans was 15th March, 2002. The amount of liquidated damages with commercial interest be deposited into Audit Recoveries Account. Responsibility shall fall on Wing Commander & Purchasing Committee.*

F. M/s R. Penjor Tshongkhang who was placed the supply order to supply utensils valuing Nu. 0.896 million within 45 days was delayed by 4 days. Thus it was liable for a liquidated damages of Nu.0.063 million.

Auditee's response: *The RBA management stated that the liquidated damages for 4 days shall be recovered.*

Who is accountable?: *The responsibility to recover and deposit into Audit Recoveries Account shall fall on Wing Commander.*

G. In Ramitey, Phuntsholing M/s Gyeltshen Construction was awarded the construction work of approach road. The work was not completed within the stipulated time frame and was granted time extension. On reviewing the hindrance register it was observed that 40 days was not a justified hindrance. Therefore, liquidated damages amounting to Nu.0.075 million must be recovered and deposited into Audit Recoveries Account.

H.

Auditee's response: *The management submitted that the final bill is not settled yet.*

Who is accountable?: *The responsibility to recover the liquidated damages with commercial interest and deposit into Audit Recoveries Account shall fall on Wing Commander & Site Engineer.*

2. Excess payment - Nu. 0.658 million

A. A scrutiny of pay bills revealed that the pay on promotion was not fixed as per Integrated Pay Scales approved by His Majesty the King on 1st July 1990. It was observed that the RBA has prepared a fixed chart showing the lump sum pay to be given at the time of promotion and the same has been continuing since 1st July 1999

in contravention to Principles of pay fixation para 10, sub para (b), (c) and (d). This had resulted into excess payment of Nu.0.244 million.

Auditee's response: *The response stated that the length of commissioned service on promotion is adequately protected to admit the enhanced financial benefits to the newly promoted members of the armed forces bringing parity in terms of pay and allowances. It was also stated that considering the inherent drawbacks in the pay fixation, the detailed study would be undertaken in consultation with higher authorities to modify or rectify the drawbacks where necessary.*

Who is accountable?: *Since the management had agreed the anomalies in pay fixation, the responsibility to recover the excess payment and deposit into Audit Recoveries Account falls on Defense Accounts Officer.*

B. M/s Lhab Dorji, Fire wood supplier for Wing 8 had billed twice for the same supply of firewood thus resulting in the double payment of Nu.0.101 million. This double payment must be recovered with commercial interest and deposited into Audit Recoveries Account.

Auditee's response: *The RBA stated that the excess/double payment made to the Firewood supplier is being reviewed and that the matter is also being pursued with the concerned Wing 8. However, Wing 8 had submitted that double payments were made.*

Who is accountable?: *Double payment made must be deposited with commercial interest into Audit Recoveries Account and the responsibility of which shall fall on Wing Commander.*

C. Wangdue Forest Division, Lobesa had awarded M/s Kencho Construction a contract for supply of firewood in the locality of Punakha, Wangdue and Lobesa @ of Nu.2600.00 per truck load. On the contrary MTC, Tencholing had awarded the contract to the same company at the higher rate of Nu.2945.00 per truck load thus resulting in the excess payment of Nu.0.157 million.

The rate of Nu.2945.00 per truck load is the higher rate quoted by Nado but authorized M/s Kencho Construction (whose quoted rate was Nu.2750.00 per Truck Load) to supply and concurred by the Board of Officer's Committee.

Auditee's response: *The management submitted that contract was not given to the one who quoted the lowest because of serious inconvenience caused in the past. Nado requested Kencho to supply firewood on his behalf as he was not able to do so. The Board had agreed to it since it found Kencho more capable in terms of experience, transport and man power. The RBA HQ submitted that the rate of Wangdue Forest Division is for 8 Cubic Metre where as the rate of RBA is that 11.12 Cubic Metre. The RBA stated that the decision had benefited the organization.*

Who is accountable?: *The reply is not tenable since the standard carrying capacity of the truck is 8 Cubic Metres. Therefore, the Wing Commander is held accountable to recover the excess payment made and deposit into Audit Recoveries Account.*

D. Wing IX-Central Headquarter, Gelephug had made excess payment of Nu.0.024 million for items either less executed than recorded in the Measurement Book or not executed at all. This excess payment was made to the contractor M/s Choten Tshering Construction for the work on repeater station at Setipokra.

Auditee's response: *The management agreed that it was a commission of error on their part and submitted that such mistakes would not be repeated in the future.*

Who is accountable?: *The excess payment must be deposited into Audit Recoveries Account. Therefore, until such time the amount in question is received in audit the Commander, Central HQ is held accountable.*

E. Wing IX- Central Headquarter, Gelephug had awarded contract work on "Construction work of drainage and water reservoir tanks" to M/s Rinson Construction. It was found that Nu.0.032 million was paid in excess of what was actually admissible.

Auditee's response: *The management agreed that it was a commission of error on their part and submitted that such mistakes would not be repeated in the future. The RBA HQ informed the RAA that the responsible officials would be intimated for recovery.*

Who is accountable?: *The excess payment must be deposited into Audit Recoveries Account. Therefore, until such time the amount in question is received in audit Wing Commander & Site Engineer are held accountable.*

F. In Ramitey, Phuntsholing, firewood contractor was paid an excess sum of Nu.0.014 million approximately than what was actually admissible.

Auditee's response: *The management submitted that it was not the case of excess payment but stated that at times the supplier had loaded more than 8 Cubic Meter (specified quantity) thereby charging on pro-rata basis. The RBA HQ informed the RAA that in future it would ensure to make payments within the standard carrying capacity.*

Who is accountable?: *The justification submitted by RBA Wing of Ramitey is not tenable in audit because the capacity of the truck is clearly indicated. Therefore, excess payment must be recovered and deposited into Audit Recoveries account for which the Zepon, RBA, Phuentsholing is held accountable.*

G. Similarly, firewood supplier of Haa, Demo Company (Rinchen Khandu) was paid excess amount of Nu.0.086 million. The payment made for 14m³ per truck load was against the carrying capacity of 10m³.

Auditee's response: *It was submitted that Army Headquarter had instructed them to take 14m³ as the carrying capacity and not 10m³ as taken by auditors. It was stated that instruction to take 10m³ came after the contractual duration was completed. The RBA HQ submitted that the carrying capacity is now standardized.*

Who is accountable?: *Since similar issue/irregularities was raised in previous audit specifying the standard capacity of the truck management's justification cannot be accepted in audit now. Therefore, the Wing Commander is held accountable until such time the excess payment made is received in audit.*

3. Inadmissible/irregular payment - Nu.0.080 million.

Notwithstanding the circular issued by the Ministry of Finance disallowing the rental charges of residential phone bills, the same in respect of officials and staff of Army Head Quarter and Security Forces amounting to Nu. 0.080 million were paid from office. These charges stand recoverable.

Auditee's response: *The RBA stated that the matter has been submitted to the Chief Operations Officer and that the outcome would be submitted.*

Who is accountable?: *The whole of the amount must be recovered and deposited into Audit Recoveries Account for which the responsibility shall fall on the Defense Accounts Officer.*

4. Shortage of ration worth - Nu.0.389 million.

A. During physical verification of Ration Store of Army Headquarter, a Lungtenphu ration worth Nu.0.229 million was found short.

Auditee's response: *The management had submitted that a proposal to form a Board of Officers to review the shortages at Ration Store, to form a base for permissible loss percentage in all ration store, loss on transit, handling & spillage losses is already being initiated and that the board's recommendation would soon be submitted to the RAA*

Who is accountable?: *The course of action proposed would formalize only future losses but not replenish past losses. Therefore, the equivalent value of past losses beyond the normally accepted norms should be recovered from the responsible officials and accountability of which shall fall on Zepon, HQ.*

B. Similarly, physical verification of Ration Store at Wing V-Shabesa a ration shortage worth Nu.0.145 million approximately was observed.

Auditee's response: *The RAA was informed that the shortage is an old outstanding case which was given as loan to individuals. It was also stated that an effort is being put in to realize the amount. The RBA HQ submitted that the Internal Audit Office would take up the case and the RAA would be intimated of its outcome*

Who is accountable?: *Until such time the value of shortages is received in audit, Wing Zoepon and the Wing Commander are held accountable.*

C. The physical verification of ration store at Nganglam in presence of Major Dezang Dhendup and Captain Tenzin Dorji, former and current Quarter Master respectively was conducted. A ration shortage valuing Nu.0.015 million was observed.

Auditee's response: *The RBA HQ submitted that the Internal Audit Office would take up the case and the RAA would be intimated of its outcome.*

Who is accountable?: *The value of shortages must be recovered and deposited into Audit Recoveries Account. Therefore, until such time the amount in question is received in audit, Major Dezang Dhendup & Captain Tenzin Dorji are held accountable.*

5. Irregularities in the issue of ration - Nu.0.265 million.

A. Issue of ration on loan to officers/troops - Nu.0.189 million.

During physical verification of Ration Store of Army Headquarter, a Lungtenphu ration worth Nu.0.189 million was found given on loan to the officers/troops. But the same amount was neither found returned nor its equivalent cost recovered till the date of audit.

Auditee's response: *The management submitted that it is usually the officers who take extra quantity of ration in advance and subsequently reimburse through adjustment on monthly or quarterly ration authorization. It was also submitted that it is on the process of adjustment and that such practices shall be minimized in future. The RBA HQ had informed the RAA that the latest balance is about Nu.0.070 million.*

Who is accountable?: *The value of ration as stated to have recovered will have to be verified. Therefore, until such time the Zoepon, HQ shall be held accountable.*

B. Double issue of free ration worth - Nu.0.012 million.

Free ration worth Nu.0.012 million was found issued twice.

Auditee's response: *It was submitted that the officers to whom the ration was issued twice were informed to deposit its equivalent value.*

Who is accountable?: *The equivalent value must be recovered from the concerned officials and deposit into Audit Recoveries Account. Therefore, Zoepon, HQ is held accountable to do so.*

C. Transit loss - Nu.0.064 million.

I. Ration items like Dalda, Milk Powder and Tea leaf amounting to Nu.0.036 million were shown as transit loss. The RAA is doubtful whether transit losses could actually occur to those items, which are usually packed in sealed containers.

Auditee's response: *The management submitted that losses occurred due to the distribution procedures to the various outpost and sub-units. It was also stated that at times there are situation whereby the packed ration items weighed less than the net weight printed on the tins/bags.*

Who is accountable?: *Since such heavy transit losses were not observed in other wings and locations under similar conditions & environment, management's justification cannot be accepted in audit. Therefore, the Wing Zoepon is held accountable for such a heavy losses.*

II. Similarly, Wing IV, Nganglam had also reflected huge quantities of ration items as transit losses. The value of such losses amounted to Nu.0.028 million. The RAA is doubtful whether transit losses could actually occur to those items, which are usually packed in sealed containers.

Auditee's response: *The RAA was informed that the HQ would consult the concerned Wing.*

Who is accountable?: *Since such heavy transit losses were not observed in other wings and locations under similar conditions & environment, management's justification cannot be accepted in audit. Therefore, Major Dezang Dhendup is held accountable for such a heavy losses.*

6. Shortage of cash - Nu.0.374 million.

A. On verification of miscellaneous cashbook maintained by the Defence Accounts Office for the collection and deposit of money it was found that there was a short deposit of Nu.0.015 million.

Auditee's response: *The RBA had submitted that the amount is being included and updated in the ration sale proceeds accounts submitted to the Ministry of Finance.*

Who is accountable?: *Until such time the issue in question is satisfactorily verified & resolved or the short deposit received in audit Defense Accounts Officer is held accountable.*

B. The physical verification of cash balances at Wing 1-Tendu conducted in presence of Captain Thinley Rabjur, Officer-in-charge revealed a cash shortage of Nu.0.072 million.

Auditee's response: *The RBA informed the RAA that No.796 Captain Thinley Rabjur is answerable to the cash shortage and that the wing is facing acute shortage of Imprest Fund. The RBA HQ informed that the concerned Wing would be instructed to inform the recovery status.*

Who is accountable?: *The amount of cash shortage must be recovered and deposited into Audit Recoveries Account and the accountability of which shall fall on Captain Thinley Rabjur.*

C. The closing cash balance of Imprest Fund pertaining to Wing III-Gunitsawa as on 30.10.02 was Nu.0.071 million approximately. But the same was not produced for physical verification stating that the cash balance is with Major SB Rai who was on leave at the time of audit.

Auditee's response: *The RAA was informed that out of Nu.0.071 million, Nu.0.006 million have been recovered from the officer concerned and the balance still lying outstanding against the officer and that the concerned officer is reminded to deposit the same. The RBA HQ informed that the concerned Wing would be instructed to inform the recovery status.*

Who is accountable?: *Until such time the balance amount is deposited into Audit Recoveries Account the Wing Commander is held accountable*

D. A review of Handing/Taking between Major Thinley Tobgay and Major DS Wakhley in MTC, Tencholing revealed less handing over of cash/closing balance by Nu.0.058 million.

As per Cash Book only Nu.0.139 million was shown as closing balance where as on computation of balance by the audit team the same should have been Nu.0.198 million thus resulting in a shortage of Nu.0.058 million.

Auditee's response: *The management refuted the finding of the RAA stating that there was no difference as worked out by the auditing team and requested the audit to verify during the next audit.*

Who is accountable?: *The response refuting the audit observation should be substantiated with facts and figures. Since that was not done the amount must be recovered and deposited into Audit Recoveries Account with Commercial Interest and for which Major Thinlay Tobgye & Major D.S Wakley are held accountable.*

E. In Lhamoyzingkha a sum of Nu.0.123 million was not carried forward as opening balance in the subsequent month thereby resulting in the cash shortage.

Auditee's response: *It was submitted that the said amount was not accounted during the handing/taking over between Lt. Colonel Phub Dorji and Major Dorji Wangchuk. The RAA was also informed that the previous commandant Lt. Colonel Dorji Khandu had agreed to sort it out with Army Headquarter. The RBA HQ informed the RAA that the Defence Accounts Officer would verify the accounts and intimate results accordingly.*

Who is accountable?: *Until the matter is satisfactorily resolved in audit or the amount in question is deposited into Audit Recoveries Account, Lt. Colonel Phub Dorji & Major Dorji Wangchuk are held accountable.*

F. In Dagapela, a sum of Nu.0.035 was found not accounted for in the relevant Books of Accounts. Some portion of this amount was actually released for construction of generator shed.

Auditee's response: *The Security Force, Dagapela submitted that some portion of it has been utilized for the construction of generator shed at Dagapela and that some amount has been accounted for.*

Who is accountable?: *The response submitted must be verified by the RAA, therefore, until such time the verification is done Lt. Colonel Chencho is held accountable.*

7. Outstanding advance - Nu.19.500 million.

A. The RBA-AHQ, Lungtenphu has Nu.18.805 million including Nu. 13.090 million paid to Bhutan Power Corporation was lying outstanding. The outstanding advances were found accumulated as a result of frequent release of advances without liquidating the previous advances.

Auditee's response: *The RBA submitted that the advances paid to the wings/locations were mainly for repair and maintenance of structure/deposit work for supply of powers/land compensation, Imprest fund to the wings and pay advances to the RBA personnel.*

Who is accountable?: *All overdue outstanding advances must be recovered with commercial interest of 16% p.a. and deposited into Audit Recoveries Account and the responsibility for which shall fall on the Defence Accounts Officer.*

B. Wing V-Shabesa had Outstanding advances of Nu. 0.138 million lying against officers and troops from the various accounts of Wing Administration. The accounts include NCO's account, Video Fund account, Lhaxhang account and Imprest Fund account.

Auditee's response: *The management responded stating that the outstanding advances would be recovered and RAA intimated accordingly.*

Who is accountable?: *Until such time the outstanding advances are recovered with commercial interest of 16% p.a. or adjusted, Wing Commander is held accountable.*

C. Wing VI & MTC, Tencholing had Outstanding advances of Nu.0.557 million from the Centre Fund Account lying against officers, troops and recruits. The Outstanding advances were found accumulated due to frequent release of advances without liquidating the previous ones.

Auditee's response: *The management submitted that all Outstanding Advances were under process of recovery except Sawmill rental which became defunct owing to objection from Forest Department and fire accident.*

Who is accountable?: *Since the Outstanding advances were over due for recovery it must be deposited into Audit Recoveries Account with commercial interest of 16% p.a. Therefore, until such time the whole of the amount is received in audit, the Wing Commander is held accountable.*

8. Payment without execution of works - Nu.0.056 million.

A sum of Nu.0.056 million released for purchasing sand and boulders for execution of External Service Connection work at Shabesa Wing Administration was found paid to Lieutenant Colonel Pema Wangdi without having actually executed the work.

Auditee's response: *The RAA was informed that the amount was actually not paid to the Lt. Colonel but was wrongly stated and that the management would rectify. The RBA HQ submitted that suiTable response would be furnished upon arrival of Internal Auditors who are currently on tour to Paro and Haa.*

Who is accountable?: *The response of the Wing Administration is not tenable and must be recovered and deposited into Audit Recoveries Account. Therefore, until such time the amount is received in audit, the Wing Commander and the Construction Committee are held accountable.*

2. Royal Bhutan Police.

The Royal Bhutan Police was headed by the following personnel in the capacity noted against them in the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lt. Colonel Sonam Thondup	Chief of Police
2.	Lt. Colonel Tandin Wangdi	Deputy Chief of Police (Adm.)
3.	Captain Wangdi Norbu	Pay & Accounts Officer

Summary of the significant observations is given in the table below:

Table 1.39 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	2.367	93.41	1
2.	Cash loss due to sale of rations at concession rates	0.154	6.08	11
3.	Shortage of rations	0.013	0.51	11
	Total	2.534	100	

Major findings:

1. Outstanding advance - Nu.2.367 million.

The Royal Bhutan Police had huge outstanding advances amounting to Nu.10.675 million lying against various suppliers, contractors, officials and other third parties as on 30th June 2002. The RAA noted that some advances were paid time and again before liquidating the previous advances.

Auditee's response:

The RBP management had submitted they would adhere to the valuable comments made by the RAA. It was also submitted that majority of advances pertain to the construction and yearly purchases of vehicle from M/s STCB and that final outstanding status would be intimated to the RAA.

Who is accountable?:

All overdue amount must be deposited into Audit Recoveries Account with Commercial Interest of 16 % p.a. Until such time the balance amount is brought to zero the Deputy Chief of Police (Adm. & Accts.) is held accountable.

2. Cash loss due to sale of rations at concession rates - Nu.0.154 million & shortage valuing Nu.0.013 million.

A. The RBP, Division V, Gelephu & Division IX, Trashigang had issued ration apart from the normal entitlement the left over balances at concession rates instead of at approved rate thus resulting into a cash shortage of Nu.0.069 million and Nu.0.017 million respectively. The RAA had also noticed that RBP personnel of Division X were issued free ration more than their entitled scale thus resulting in the cash loss of Nu.0.068 million.

Auditee's response: *It was stated that the troops with larger family members were issued more quantity and otherwise for those with smaller family members. It was also stated that such practices are now stopped and that issues are made as per the entitlement. With regard to excess issue of ration at concession rates it was submitted that the ration admissible as per the scale was drawn together whatever entitled not knowing the excess quantity to be stored.*

Who is accountable?: *Since the rule doesn't specify that troops with larger family will be entitled more and smaller family will get fewer rations. Either the whole of the amount or adjustment detail from their future entitlement are received in audit, the accountability for losses shall fall on the Superintendent of Police Div-V, Div-IX and Div-X.*

B. A ration balance was not carried forward, thus understating the book balance in the subsequent month that resulted in shortages of ration valuing Nu.0.013 million.

Auditee's response: *It was stated that the dealing clerk cum store in-charge has made an inaccurate maintenance of issue records thereby projecting nil stock balance.*

Who is accountable?: *The amount of shortages as agreed must be deposited into Audit Recoveries Account. Therefore, responsibility to deposit the amount shall fall on Pelpon Dalbir Subbha.*

Chapter XIV

National Women Association of Bhutan.

The Royal Audit Authority had conducted the audit of Wood Energy Conservation Project, National Handloom Development Project and the Headquarter, National Women Association of Bhutan (NWAB). The NWAB and projects during the year 2003 were manned by the following personnel.

Sl. No.	Name of office bearer	Designation
1.	Dasho Dawa Dem	Secretary
2.	Sengye Tobgay	Project Co-ordinator, Wood Energy Conservation Project
3.	Sonam Chhopel	General Manager, National Handloom Development Project, Khaling

The RAA would like to present the audit findings pertaining to the Wood Energy Conservation Project separately and the other two in a consolidated form:

A. Wood Energy Conservation Project.

This part of Annual Audit Report is based on the Special Audit Report on account of distribution of Electric Stoves to the rural people of Bhutan by the Wood Energy Conservation Project under the National Women Association of Bhutan (NWAB).

The RAA had received number of complaints from the public of various Dzongkhags regarding the supply of inferior quality of stoves and thereby deceiving public by over charging the cost of stoves. The complaint also included the variation between the stoves displayed during the demonstration and actual supplies made both in terms of quality and cost. Based on the various complaints and on the instructions of higher authorities Special Audit was thus carried out.

The finding of the audit team is briefly discussed as follows:

1. Deceiving & fraudulently collecting the public money - Nu.2.668 million.

The rates as per the invoice of M/s Arihant Industries obtained from the supplier in Delhi and from the Regional Revenue & Customs Office, Phuntsholing is tabulated below:

Sl. No.	Type	Quantity (No)	Rate(Nu)	Amount (Nu)	Watt
1.	Double Burner	200	1395.00	279,000	1250
2.	Double Burner	600	1566.00	939,600	2000
3.	Single Burner	200	769.00	153,800	1250
	Total			1,372,400	

The above amount was shown as the total cost of the stoves. However, during the field visits of 11 Dzongkhags, total number of stoves distributed to the communities were collected and found that two types of stoves with different watts and different makes were distributed. Even the rates were found different in different regions.

The total cost of stoves amounting to Nu. 4.040 million was apparently realized from the public. Considering the supplier's rate as the bench mark, the project management had collected excess by Nu.2.668 million from the public. The excess amount needed immediate recovery.

2. Non-existence of the firm (M/s Arihant Industries).

In order to establish the genuine existence of the firm and its related business on Briquetting Machineries and to further confirm the purchase rate, a visit to the factory in Faridabad and Marketing Office in Delhi was made. According to the invoice referred above M/s Arihant Industries in Faridabad was recorded as the supplier of the stoves. However, the factory is being used for **Hi-Tech Agro Projects (P) Ltd.** This factory manufactures briquette products only as confirmed from the staff of the factory. It was also confirmed that the electric stoves were assembled as per the request of the Project Coordinator, Singey Tobgay in the same factory. Therefore, project co-ordinator was found accountable against the fictitious invoices.

3. Irregular advances collected.

The advances of Nu.0.845 million were found collected from the public prior to the actual distribution of the stoves. The delivery of the stoves took almost 8 to 9 months thereby temporarily misusing the hard-earned income of the general public. Such collection is liable for a commercial interest.

4. Abuse and misuse of authority by the Project Coordinator.

A. The Project Co-ordinator initiated direct recruitment of staff without obtaining approval from the competent authority. It is also proven that some of the staff were not paid the salaries for several months and terminated them without giving enough notification. It was also observed that the staffs recruited were without any knowledge of the electrical appliances.

B. The Project Fund was more than Nu.4.400 million approximately but no accounting records were maintained and furnished for verification. This is evident that all the cash transactions and bank accounts were carried out through his personal saving accounts maintained both in the Bank of Bhutan and Bhutan National Bank, Thimphu. This had resulted into mismanagement of project fund.

5. Non-delivery of Stoves after the payment.

Twenty households had made payments in advance like other beneficiaries as per the instruction of the project management amounting to Nu.0.019 million and till the date of audit the stoves were not delivered, thus putting public trusts and confidence on Royal Government of Bhutan in stake.

6. Deceiving the beneficiaries by not supplying the sample stoves.

The physical verification of stoves distributed to the public in terms of quality, size and brand name and comparing with that of samples shown during demonstration period revealed that the stoves distributed were smaller in size and with different make. The written statement of Oko Tshering (Former employee of the project) also authenticated that the sample and the actual distribution were not the same and were of inferior quality. The samples for demonstration were purchased @ Nu.3500 and Nu. 1750 for double and single burner respectively from M/s Dolma Enterprise, Thimphu. These samples were a “**Commands brand**” and the only dealer in Bhutan. Therefore, it is understandable why invariably all the beneficiaries have complained of faulty and inferior quality of stoves. The supply of stoves of different brand and make had lost public trust and confidence.

7. Furnishing false statement.

Singey Tobgay had responded to audit through Pema Wangdi, Secretary to HRH that the stove supply was contracted to Sonam Jamtsho and he was just co-ordinating the project as a part of the contribution. However, the established fact is that all the cash transactions were executed through his personal accounts maintained both at bank of Bhutan and Bhutan National Bank.

8. Poor quality and non-utilization of stoves by the beneficiaries.

During the field visits, it has been observed that generally all the stoves were faulty and giving several problems including electrical shocks while cooking, getting spoilt faster etc. In some of the Dzongkhags, the communities have not used the stoves as MCB power capacity installed do not match with the internal load. The statements from various Dzongkhags are supporting the observation presented.

9. Loan for procurement of electrical stoves.

The Project Management had initiated the public to avail Rural credit Loan from the Bhutan Development Finance Corporation (BDFC). In the case of Trashy Yangtse Dzongkhag, the project management availed loan directly in advance on behalf of the communities from the BDFC. In case of Mongar Dzongkhag, the loans were granted to the public and then paid to the project management. Therefore, as most of the stoves are spoilt and not functioning/damaged, the rural communities are deprived and taxed with the payment of the principal loan and the accrued commercial interest. The agencies concerned including the RCSC Secretariat is yet to take action on the reports.

B. NWAB (HQ) & National Handloom Development Project, Khaling.

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.	Non-production of tender document	0.100	1.61	18
2.	Procurement without tendering	0.139	2.24	3
3.	Outstanding revenue	3.335	53.68	2
4.	Outstanding Advance	2.639	42.48	1
	Total	6.213	100.00	

1. Non-production of tender document - Nu.0.100 million.

The National Handloom Development Project (NHDP), Khaling had procured computers and accessories valuing Nu.0.100 million. However, in absence of proper documents the actual cost incurred on purchase of computers could not be ascertained.

Auditee's response: *The project management had submitted that the NWAB Head Office in Thimphu was requested to clarify the objection raised by the RAA.*

Who is accountable?: *The management must ensure to obtain the appropriate documents in support of any procurement to facilitate verification. Therefore, until such time the para is satisfactorily resolved in audit the General Manager, NHDP, Khaling is held accountable.*

2. Procurement of works/goods/services without tendering - Nu.0.139 million.

The NHDP, Khaling had carried out major maintenance of vehicle at M/s Chhimi Automobiles, Changzamtog, Thimphu. A total expenditure of Nu. 0.139 million was incurred during the FY 2000-2001 and 2001-2002. However, quotations for repair and maintenance works were not invited to ensure maintenance through competitive bids thus deviating from the standing norms stipulated in the Procurement Manual.

Auditee's response: *The project management submitted that repairs and maintenance of vehicles was carried out by calling on the spot quotation from three workshops and further assured to comply with the procurement formalities.*

Who is accountable?: *The procurement norms must be respected. Documents as stated must be furnished for verification. Therefore, the General Manager is held accountable for ensuring strict compliance of procurement rules henceforth.*

3. Outstanding revenue - Nu. 3.335 million.

The NHDP, Khaling had a revenue aggregating to Nu.3.335 million lying outstanding against the officials, customers and Handicraft Development Corporation (HDC), Thimphu. This outstanding is on account of the sale proceeds of the finished products and sale of yarn to the villagers.

Auditee's response: *The project management had stated that a bulk of the above amount is receivable from Handicraft Development Corporation, Thimphu alone who continues to release Nu.0.300 million on quarterly basis. Apart from HDC , some amount is receivable from their own centres, project weavers and few government officials.*

Who is accountable?: *The management must streamline the debtor management to ensure timely realization of the proceeds. While RAA appreciates arrangement made with Handicraft Emporium, all over due outstanding must be realized without further delay and for which the General Manager is held accountable.*

4. Outstanding advance - Nu.2.639 million.

The NWAB HQ had an amount of Nu.2.639 million lying as outstanding against various individuals and other parties. Of the total amount Nu.2.575 million is categorized as prior year advances which means already due for recovery.

Auditee's response: *The management had submitted that an effort is put in to recover the outstanding amount.*

Who is accountable?: *All over due advances adjusted/ recovered with commercial interest of 16% p.a the responsibility to do so falls on the Secretary, NWAB.*

Chapter XV

Royal Institute of Management.

The Royal Institute of Management is/was headed by the following personnel in the capacity noted against them in the year 2003:

Sl. No.	Name of Office Bearers	Designation
1.	Lyonpo Dr. Jigme Singye	Chairman
2.	Namgay Wangmo	Director
3.	Bina Rai	Finance Officer

Summary of the significant observations is given in the table below:

Table 1.41 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	1.088	79.42	1
2.	Procurement without tendering	0.208	15.18	3
3.	Excess payment	0.074	5.40	6
	Total	1.370	100.00	

Major findings:

1. Outstanding advance - Nu.1.088 million.

On a review of Memorandum Register pertaining to the Royal Institute of Management (RIM), Simtokha revealed an amount of Nu.1.088 million lying outstanding against trainees, staff and other parties. It was also observed some old outstanding advances yet to recover.

Auditee's response:

The management submitted that it would make every effort to recover outstanding advances where ever possible and propose for write-off where the chances for recovery are very remote.

Who is accountable?:

All over due advances must be recovered with commercial interest of 16% p.a. and deposited into audit recoveries account. The responsibility to do so is fixed on the Director & Drawing & Disbursing Officer , Royal Institute of Management.

2. Procurement without tendering - Nu.0.208 million.

The Royal Institute of Management had carried out the repairs of its fleet of 5 vehicles and procured spares without opting for competitive bidding in contravention to Procurement Norms. The value of such activities amounted to Nu.0.208 million.

Auditee's response: *The management submitted that such works in future would only be carried out upon calling of quotation.*

Who is accountable?: *No institute/organization are permitted to overlook the requirement in the Financial Manual, therefore, it must be justified with substantiated reasons. The Director, Royal Institute of Management is held accountable for justifying the lapses.*

3. Excess payment - Nu.0.074 million.

The RIM had hired vehicle for office management and basic book keeping course conducted for geog clerks in different Dzongkhags. On review of the paid vouchers it was revealed that detention charges @ Nu.1800 instead of Nu.700 per day as per rule for 68 days was paid, thus resulting into excess payment of Nu.0.074 million.

Auditee's response: *The management had submitted that the matter on hiring of vehicle was discussed and agreed in the general meeting that all team members would hire vehicle from the open market and go by the prevailing market rate, whereby a vehicle traveling less than 80 KM a day is payable @ Nu.1800 per day. It was also submitted that RSTA notification elaborated by audit is nice way of looking at the forces of demand and supply chain existing in the market. The rule covers only the demand side but not that of supply and that RSTA rule do not apply to private individuals.*

Who is accountable?: *Hiring norms of the government must be respected. Therefore, accountability for making excess payment beyond the norms is fixed on the Director & the committee members, RIM. The excess amount paid must be recovered and deposited into audit recoveries account.*

Chapter XVI

Judiciary.

The Royal Audit Authority during the year 2003 had issued 27 inspection reports pertaining to the various courts of the Royal Government of Bhutan. The following personnel occupied the important portfolios in the year 2003.

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 is given in the table below:

Table 1.42 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	0.013	1.83	1
2.	Irregular diversion of fund	0.237	33.29	18
3.	Non-confirmity in the Attendance Register	0.019	2.67	8
4.	Irregular purchase	0.235	33.01	7
5.	Payment without supporting documents	0.073	10.25	18
6.	Irregular/inadmissible payment	0.063	8.85	8
7.	Non-deposit of compensation	0.072	10.11	9
	Total	0.712	100.00	

Major Findings:

1. Outstanding advances - Nu.0.013 million.

The Dzongkhag Court, Mongar had an amount of Nu. 0.013 million lying outstanding against the official and the supplier.

Auditee's response:

The Monggar District Court had reported that despite reminders being served there was no response from the official and regarding the outstanding amount from the supplier, the amount would be recovered or accountability fixed on the accountant.

Who is accountable?:

The amount should be recovered and deposited into Audit Recoveries Account with commercial interest of 16% p.a. Until such time, the accountant is held accountable.

2. Irregular diversion of Funds -Nu.0.237 million.

The Dzongkhag Court, Mongar had diverted the funds amounting to Nu. 0.237 million initially allotted for the installation of PABX machines to the purchase of computers without the approval from the competent authority.

Auditee's response: *The Dzongkhag Court had stated that the purchase of computers was made in view of urgent need of the bench clerks who were in need of computers in carrying out their work. The approvals have been sought from the High Court but had not received the approvals for the same.*

Who is accountable?: *Till the approval from the competent authority is furnished to the RAA, the Dasho Drangpon is held accountable.*

3. Non conformity in the Attendance Register - Nu.0.019 million.

On scrutiny of the Travelling claims of the officials, it was noted that the Dzongkhag Court, Mongar had made the payments of Nu. 0.019 million on travel to the officials who were actually not out of station. This was indicated by signature of the officials in the attendance register during the period of tour.

Auditee's response: *The travel claims were genuine since the officials have actually gone for the tours during the period. However, upon their return from the tours, they have mistakenly signed in the Attendance Register which rendered non conformity of the attendance register with that of the travel claims bills.*

Who is accountable?: *The response so obtained is not tenable, since it involves as high as nine officials, the amount is recoverable and should be deposited into Audit Recoveries Account. Till then, the accountant & the approving officer are held accountable.*

4. Irregular purchase - Nu.0.235 million.

A. The High Court, Thimphu had purchased the Dzongkha script software (Dr. Kinzang) for Nu. 0.213 million for the installation in the office computers. However, it was not understood as to why the software had to be bought since the DDC had distributed the different version (Word Perfect) to the High Court, all Dzongkhag Courts and the Dungthrim free of cost.

Auditee's response: *Response awaited*

Who is accountable?: *The justification for the purchase of the software while it was freely available should be furnished to the RAA and until such time, the Registrar General is held accountable.*

B. The Dzongkhag Court, Tsirang had made the irregular purchase of two cordless phone for Nu. 0.022 million.

Auditee's response: *The purchase of the phones was unavoidable in view of the urgent work to be carried out by the court. However, this would be regularized by obtaining approvals from the Hon'ble Chief Justice and furnish to RAA.*

Who is accountable?: *Until such time, the approval is obtained from the competent authority, the Dasho Drangpon is accountable.*

5. Payment without supporting documents - Nu. 0.073 million.

On review of the SBA accounts of the Phuentsholing Dungkhag Court, it was found that the payment of Nu. 0.073 million reflected as payments to the plaintiffs were not supported by necessary documents. As such the audit could not establish the authenticity of the payment.

Auditee's response: *Though the payments were already done in favour of the plaintiffs, it was not properly receipted and as such it could not be shown to the audit. However, it will be verified upon calling all the clients and cross check the amount deposited and withdrawn by them. If still the differences exist, the Bench Clerk who was the dealing person would be made to furnish the explanations.*

Who is accountable?: *Till the proper supporting documents is shown or the amount is deposited into Audit Recoveries Account, the Dasho Drangpon and bench clerk are held accountable.*

6. Inadmissible TA/DA Payment - Nu.0.063 million.

The Dzongkhag Court, Monggar had made the payment of Nu. 0.010 million to Dasho Drangpon on account of TA/DA claims while on tour to Trashigang. However, though the tour authorization was produced for audit, neither any letter from Dzongkhag Court, Trashigang requiring the official was on record nor purpose of the visit which should have been submitted as tour report was made available for the audit to authenticate the payment.

Further, the amount of Nu. 0.053 million was also made to Dasho Drangpon on account of TA/DA for three occasions on tours made to Phuntsholing and Thimphu. However, the necessary documents for the claims were not produced and the genuineness of the payment could not be established.

Auditee's response: *The tour for the official was made to resolve the issues relating to the period while the official was the Drangpon of Trashigang. The tour was also performed accordingly as per the verbal order of His Lordship the Chief Justice and as per the order no. High Court(Adm-8)02/57.*

The tours made on three occasions were made as per the orders made from the High court, Thimphu. These were not documented. However, this would not be repeated in future.

Who is accountable?: *It is an acceptable practice to submit the tour reports. Since the tour reports are not produced to Audit, the payment could not be authenticated. So till the documents are furnished to audit, the accountability is fixed on the official concerned.*

Since the documents were not produced, the amount paid is not supported. So, till the necessary documents are furnished to RAA for verification, the Dasho Drangpon is held accountable.

7. Non-deposit of compensation - Nu.0.072 million.

The High Court, Thimphu had not deposited the amount of Nu. 0.072 million collected on account of compensation from the clients.

***Auditee's
response:***

Response awaited.

***Who is
accountable?:***

Till the necessary documents are produced for verification or the amount is deposited into Audit Recoveries Account, the Dasho Drangpon is held accountable.