

Part 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 Accounts and Audit Wing maintained the books of accounts, conducted budgetary controls of revenues and expenditures, and undertook periodic audit and inspection of accounts and records.

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, the four Royal Auditors were appointed on 16th April 1970 under a Royal 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. 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 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 RAA.

The Kasho issued by the Third King in 1970, the GARR 1989, the Financial Manual 1988 and the Kasho issued by the Fourth King in 1999 delineated the roles and responsibilities 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 the laws, rules and regulations of all accounts, 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 donation or grants through the government, those for which the government has put up 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 command of His Majesty the King.
- II. Assess and provide information whether the government agencies apply the government resources for the purpose 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 manual to facilitate the exercise of its audit functions to enhance the information value of the 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 of 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 promulgations 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 Chhoetse Penlop His Royal Highness Jigme Khesar Namgyel Wangchuck visited the “*Bhutan Integrity House*” Head Office of the Royal Audit Authority in Kawajangsa on Friday the 30th July and met with the officers and staff.
2. HRH the Chhoetse Penlop graced the Opening Ceremony of the 7th Annual Audit Conference, 2004 on the theme “Barriers to Effective Auditing: Finding Solutions”.
3. Auditor General of Bhutan led a delegation to 18th INTOSAI, General Assembly held in Budapest, Hungary. He was appointed Vice-Chairman of Theme 1-The possibilities of Bilateral & Multilateral Cooperation.
4. Auditor General of Bhutan also led a delegation to Moscow, Russia to attend 13th Meeting of the INTOSAI Standing Committee on IT audit.
5. Audit awareness at the Grass Root for members of GYT, DYT, Gaydrungs and Dzongkhag Staff for 15 Dzongkhags were completed.

6. The second RAA “Open Forum” was organized on 10th December, 2004 objectives 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 participants included the officials from government ministries and departments including the media people. Deputy Speaker representing the private sector had also participated in the open forum discussion. The main points raised by the participant were as follows:

- Reliability of Audit Information Management System;
- Statutory /Propriety audit of corporations to be performed either by the RAA or statutory auditors;
- Bench marks for best management practices of companies and corporations of Bhutan to be incorporated in the report and distributed;
- Procedures to take the old and unresolved matters up to the higher level;
- How RAA is going to protect the informant through the Fraud Alert System in the instance of losing confidentiality?
- RAA to increase manpower and keep some people back in the office for giving further comments and further information on audit responses;
- Assigning right people for right work;
- RAA to come out with ways and means to prevent bribery cases;
- RAA to coordinate with the Department of Revenue & Customs as to what kind of uncollected taxes should go into Audit Recoveries Account so that the forecast national revenue is accomplished;
- Individuals in the agencies to be trained adequately so that they can carry out their own internal auditing;
- Generally understood definition of fraud;
- Environmental auditing a complex issue should be handled by National Environment Commission-Does the RAA have the mandates to carry out environmental auditing; and
- Clarity of fixing of responsibility and accountability to individuals, supervising officials and the approving authority.

7. Issued Annual Audit Report 2003 on 17th May, 2004.

8. The Comptroller & Auditor General of India (C & AG) had consented the request to conduct the Peer Review of the Royal Audit Authority and accordingly assigned Principal Accountant General (Audit), Andhra Pradesh and Accountant General (Audit), Nagaland and Manipur to conduct the review and assessment on:

- Adequacy of Standards/Manuals;
- Compliance with technical standards/Manuals;

- Reporting processes and systems for maintaining quality of reporting;
- Training programmes for staff;
- Quality control systems for auditing practices;
- Organization and management practices;
- Auditing techniques; and
- Audit reports

The auditors from C & AG had made several recommendations including the following:

- to establish an exclusive centralized follow-up division to examine the responses consistently, ensure appropriate responses and to split up the dual function of auditing and following –up of the current divisions;
- to draft and issue audit memos when all the relevant records including photographs if necessary and where possible have been obtained and scrutinized;
- to prepare comprehensive audit checklists for all types of audit;
- to explicitly delineate the authority to issue audit Inspection Reports amongst Auditor General of Bhutan, Head of the Departments, Head of the Office of the Assistant Auditors General and Division Chiefs in the Head Office;
- to incorporate the result of audit of annual accounts of the government, the overall financial condition and results of operations of the government;
- to incorporate the results of performance/value for money audit in the Annual Audit Report;
- to form an exclusive audit team to conduct audit of Income Tax, Property tax and land tax;
- to carry out training needs assessment for the auditors;
- to form one dedicated IT audit team and impart appropriate training;
- to devise a system to ensure disposal of all incoming communications, correspondences etc; and
- to provide special training/attachment courses to officers in the Special Audit & Investigation Division.

While some of the recommendations had already been implemented the RAA had formulated a Plan of Action to implement other recommendations.

9. The Royal Audit Authority in collaboration with UN Systems in Bhutan celebrated 9th December as the International Anti-corruption Day. The Hon'ble Prime Minister of Bhutan graced the occasion as the Chief Guest. Essay competition on "Combating corruption: A Collective responsibility" was organized at two levels of Open and School Category. The result of this essay competition was declared on this day.
10. The RAA launched a Fraud Alert System to report frauds on-line on 9th December, 2004.
11. During the year the Royal Audit Authority had recruited 3 Senior Auditors and 3 auditors.
12. Auditor General of Bhutan led a delegation to Dhaka, Bangladesh to attend Regional Auditor Generals Conference on Harmonizing Institutional Efforts in Promoting Accountability.

13. Auditor General also visited National Counter Corruption Commissioner of Thailand.
14. Zhung Kalyon had a meeting with the Auditor General and it was agreed to endorse all reports for RAC's follow-up and necessary action.
15. Organized a briefing session to members of the Public Accounts Committee on all aspects of auditing, reporting and follow-ups.
16. During the year the officials of the RAA attended number of trainings, seminars and workshops both within and outside the country towards its initiative to build capacity as summarized below:

1. EX-COUNTRY

Sl.No	Course Title	Duration	Location	Slots	Source of fund
1	Workshop on Audit of Public Debt	2 weeks	Canberra, Australia	1	ASOSAI
2	Financial Audit in an IT Environment	2 weeks	Kuala Lumpur, Malaysia	2	ASOSAI
3	Development Mgt. Perspectives for Upgrading Accounting and Auditing Competency Skills for Development	10 days	Manila, Philippines	2	ADB & RGoB
4	Attachment Course in VFM	2 weeks	C&AG, India	3	SDS
5	Attachment Course in IT Audit	2 weeks	C&AG, India	3	SDS
6	13th INTOSAI Standing Committee Meeting on IT Audit& 4th Working Seminar on Performance Auditing on E-Government	2 days	Moscow, Russia	1	INTOSAI
7	Workshop on Environmental Auditing	2 weeks	Kenya	1	ASOSAI
8	Audit of Projects and Infrastructure	1 month	Noida, Delhi, India	1	Colombo Plan
9	Workshop on IT Audit	4 days	Nanjing, China	1	NAO, China & DANIDA Project
10	Auditing in IT Environment	1 month	Noida, Delhi, India	1	Colombo Plan
11	Seminar on the Audit of Information Technology	1 week	Seoul, Korea		ASOSAI
12	Msc. Environmental Impact Assessment and Auditing	11 months	University of East Anglia, UK	1	DANIDA Project
13	Financial Information Through Accounting and Risk Management	1 week	Makati City, Philippines	1	ADB
14	Masters in Human Resource Management	18 months	Wollongong, Australia	1	RGoB
15	IA&AS	12 months	Simla, India	2	GoI (Colombo Plan)
16	Workshop on Audit of Privatization	3 weeks	Philippines	1	ASOSAI
17	Audit of Public Enterprises & Privatization	1 month	India	2	ASOSAI
2.IN-COUNTRY					
	Course Title	Duration	Location	Slots	Source of fund
1	STAAD Pro Software	4-17 Jan	RBIT, Phuentsholing	1	
2	Dzongkha Secretarial Course	4 months	RBIT, Phuentsholing	1	DDA
3	Auto CAD Course	2 weeks	RBIT, Phuentsholing	1	
4	TDS sub module	2 days		1	RRCO, MoF
5	Workshop on Photography	2 weeks	Thimphu	1	DHR, MoLHR
6	Workshop on Public Service Act	3 days	RIM, Thimphu		
7	Auto CAD Course	2 weeks	RBIT, Phuentsholing	2	Urban Sector Programme Support
8	Workshop on Introduction and Implementation of Voting System-Rules and Procedures for election of Director	2 days	Hotel Druk, Phuentsholing	1	MTI

17. This report is the outcome of all the auditors of RAA who have untiringly kept up the spirit of serving the Nation through building a clean society daunting despite various challenges.

Part II

Review of AAR 2003

The Annual Audit Report 2003 was the fourth annual report issued by the Royal Audit Authority. The total amount of irregularities reported in AAR 2003 was Nu. 513.665 million. This is a decline of 19.47% from that of AAR 2002.

The status of the audit observations are constantly being reviewed not only by the field auditors at the time of auditing but also by the Head Quarter through correspondences on a continuous basis. One year after publication of AAR 2003, only Nu. 145.493 million or 28.32% has been adjusted/ recovered leaving the balance of Nu. 368.172 million or 71.68 % still to be settled/resolved as reflected in the consolidated table below:

Status of compliance of Annual Audit Report 2003

Table 1.1

Sl. No	Agency	Amount reported in AAR 2003 (Nu. Million)	Amount recovered/ adjusted (Nu. Million)	Balance amount (Nu. Million)	% unsettled
1.	Ministry of Home & Cultural Affairs	79.773	58.606	21.167	26.53
2.	Ministry of Agriculture	11.348	4.010	7.338	64.66
3.	Ministry of Works and Human Settlement	17.492	6.842	10.650	60.88
4.	Ministry of Education	0.620	0.520	0.100	16.13
5.	Ministry of Health	52.524	38.837	13.687	26.06
6.	Ministry of Finance	1.129	0.237	0.892	79.01
7.	Ministry of Foreign Affairs	10.245	0.403	9.842	96.07
8.	Ministry of Labour & Human Resources	0.145	0.137	0.008	5.52
9.	Ministry of Trade & Industry	0.919	0.354	0.565	61.48
10.	Ministry of Information & Communications	3.509	3.171	0.338	9.63
11.	Druk Air Corporation	89.971	2.525	87.446	97.19
12.	Dungsum Cement Project Authority	0.401	0.000	0.401	100.00
13.	Bank of Bhutan	115.045	2.265	112.780	98.03
14.	Royal Insurance Corporation of Bhutan	3.679	2.901	0.778	21.15
15.	Bhutan Power Corporation	0.673	0.090	0.583	86.63
16.	Bhutan Board Product Limited	85.222	0.000	85.222	100.00
17.	State Trading Corporation of Bhutan Ltd.	8.334	0.000	8.334	100.00
18.	Royal Bhutan Army	21.807	19.589	2.218	10.17
19.	Royal Bhutan Police	2.534	1.373	1.161	45.82
20.	National Women Association of Bhutan.	6.213	2.013	4.200	67.60
21.	Royal Institute of Management	1.370	1.309	0.061	4.45
22.	Judiciary	0.712	0.311	0.401	56.32
	Total	513.665	145.493	368.172	71.68

From the above scenario the RAA expects that vigorous actions need to be initiated by the concerned agencies in following up the matters pointed out by the RAA. The RAA will deem such inaction on the part of the agencies as manifestations of reluctance to accept audit findings and recommendations. We expect the ministers in charge of these organization to take more serious interest in the audit issues.

However, some of the agencies like the Ministry of Labour & Human Resources, the Ministry of Information & Communications and the Royal Institute of Management deserve our commendation for having resolved/ adjusted more than 90% of the amount reported.

Agency wise summary detail of the status is presented as follows:

I. Ministry of Home & Cultural Affairs

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Outstanding advance	31.222	19.525	11.697
2.	Excess/double/over payment	2.993	0.464	2.529
3.	Non-levying of liquidated damages	1.914	0.549	1.365
4.	Wasteful expenditure	0.496	0.356	0.140
5.	Outstanding rural taxes	0.168	0.032	0.136
6.	Shortage of revenue	0.045	0.000	0.045
7.	PoL misuse/shortage	0.240	0.000	0.240
8.	Shortage of stationery /stores	0.502	0.319	0.183
9.	Fictitious booking of expenditure	0.419	0.380	0.039
10.	Misuse of government fund	0.126	0.013	0.113
11.	Procurement of works/goods without tendering	1.040	0.611	0.429
12.	False verification	2.15	0.000	2.150
13.	Termination of contract-accounts unsettled	0.750	0.000	0.750
14.	Payment for works not executed	0.118	0.016	0.102
15.	Non-deduction/recovery	0.243	0.000	0.243
16.	Manipulation in BoQ-Over payment	0.729	0.000	0.729
17.	Non-accountal of advance	0.087	0.087	0.000
18.	Inadmissible payment	0.434	0.157	0.277
19.	Non-production of document	2.341	2.341	0.000
20.	Award of work on cut-off point basis	33.756	33.756	0.000
	Total	79.773	58.606	21.167

The Ministry of Home & Cultural Affairs made adjustment/ recovery of 73.47% with a balance of Nu. 21.167 million. Significantly, the action taken report on award of work on cut-off points basis and adjustment of outstanding advance had been drastic.

II. Ministry of Agriculture

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Outstanding advance	2.927	2.012	0.915
2.	Excess/over payment/expenditure	0.215	0.164	0.051
3.	Inadmissible payment	0.532	0.367	0.165
4.	Non-enforcement of contract terms	0.053	0.000	0.053
5.	Outstanding credit sales	5.673	0.169	5.504
6.	Shortage of revenue	0.915	0.915	0.000
7.	Non-availability of accounts	0.343	0.000	0.343
8.	Outstanding royalty	0.043	0.000	0.043
9.	Non-deduction of tax/rentals	0.205	0.094	0.111
10.	Payment without supporting documents	0.057	0.021	0.036
11.	Non-accountal of advance	0.360	0.245	0.115
12.	Payment for works not executed	0.025	0.023	0.002
	Total	11.348	4.010	7.338

The Ministry of Agriculture has adjusted/ resolved 35.34% of the amount reported in the AAR 2003 leaving the balance of Nu. 7.338 million yet to be resolved/ adjusted. The most pertinent issue which is not resolved and warrant attention is the outstanding credit sales pertaining to AMC, Paro which constitutes over 75% of the balance amount.

III. Ministry of Works & Human Settlement

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Irregular compensation	3.764	3.764	0.000
2.	Short realization of fees	0.348	0.331	0.017
3.	Outstanding taxes	0.240	0.233	0.007
4.	Excess/over/wasteful expenditure	0.254	0.000	0.254
5.	Non-levy of liquidated damages	2.167	1.216	0.951
6.	Irregular award of contract	6.615	0.000	6.615
7.	Payment of residential telephone charges	0.080	0.080	0.000
8.	Excess/over/double payment	1.593	0.012	1.581
9.	Outstanding advances	2.042	1.083	0.959
10.	Irregular/inadmissible payment	0.020	0.000	0.020
11.	Recoverable amount	0.120	0.000	0.120

12.	Non deduction of charges	0.015	0.000	0.015
13.	Non realization of hire charges	0.234	0.123	0.111
	Total	17.492	6.842	10.650

The Ministry of Works & Human Settlement had resolved/ adjusted 39.12% of the amount reported in the previous AAR. The bulk of the balance amount amounting to Nu. 6.615 million is represented by the irregular award of contract pertaining to the Road Maintenance Section, Phuentsholing.

IV. Ministry of Education

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Non realization of revenue	0.035	0.000	0.035
2.	Irregular award of work	0.364	0.364	0.000
3.	Outstanding advances	0.026	0.000	0.026
4.	Payment without supporting documents	0.021	0.000	0.021
5.	Short account of cash	0.012	0.012	0.000
6.	Excess payment	0.018	0.000	0.018
7.	Shortage of materials	0.144	0.144	0.000
	Total	0.620	0.520	0.100

The Ministry of Education had made a significant adjustment of Nu. 0.520 million which 83.87% of the amount reported leaving the balance of Nu. 0.100 million.

V. Ministry of Health

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Outstanding advances	52.392	38.757	13.635
2.	Irregular/inadmissible payment	0.073	0.038	0.035
3.	Double issue of cement	0.019	0.019	0.000
4.	Non deduction of tax	0.040	0.023	0.017
	Total	52.524	38.837	13.687

The Ministry of Health had resolved 73.94% of the issues leaving the balance of Nu. 13.687 million. A considerable amount of recovery/ adjustment has been made for the outstanding advances, which constituted 99.75% of the total amount reported. However, the balance outstanding of Nu. 13.635 million should also be recovered/ adjusted.

VI. Ministry of Finance

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Short/non-collection of taxes	0.776	0.193	0.583
2.	Collection of sales tax on hand receipt basis	0.000	0.000	0.000
3.	Manipulation of value of goods	0.000	0.000	0.000
4.	Outstanding advance	0.031	0.000	0.031
5.	Loss of revenue	0.063	0.044	0.019
6.	Irregular waiver of penalty on evasion of income	0.259	0.000	0.259
	Total	1.129	0.237	0.892

The Ministry of Finance had resolved 20.99% of the amount reported leaving the balance of Nu. 0.892 million. The most significant issue lying unadjusted is the short/ non collection of taxes amounting to Nu. 0.583 million by the Regional Revenue and Customs office, Phuentsholing and Samdrupjongkhar.

VII. Ministry of Foreign Affairs

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Irregular / inadmissible payment	4.382	0.375	4.007
2.	Excess payment	0.094	0.000	0.094
3.	Outstanding advance	5.388	0.028	5.360
4.	Shortage of fund	0.128	0.000	0.128
5.	Non-carry forward of advances	0.253	0.000	0.253
	Total	10.245	0.403	9.842

The Ministry of Foreign Affairs has Nu. 9.842 million still to be resolved after having made the adjustment of Nu. 0.403 million which is 3.93% of the total amount reported. The most prominent issues are the outstanding advance and irregular/ inadmissible payments made by various Embassies of the Royal Government of Bhutan.

VIII. Ministry of Labour & Human Resources

Sl. No	Agencies	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Outstanding advance	0.077	0.069	0.008
2.	Excess payment	0.068	0.068	0.000
	Total	0.145	0.137	0.008

The actions taken by the Ministry of Labour & Human Resources were creditable for they have only Nu. 0.008 million which is 5.52% of the total amount to be resolved.

IX. Ministry of Trade & Industry

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Outstanding advance	0.277	0.000	0.277
2.	Short/non-realization of revenue	0.642	0.354	0.288
	Total	0.919	0.354	0.565

The Ministry of Trade & Industry had resolved 38.52% of the issues leaving the balance of Nu. 0.565 million. It is evident that the various agencies under the Ministry had not initiated any effort to effect recoveries/ adjustment of the outstanding advance reported in the AAR 2003.

X. Ministry of Information & Communications

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Outstanding revenue	3.218	3.062	0.156
2.	Non-collection of endorsement fees	0.163	0.000	0.163
3.	Outstanding fines & penalties	0.052	0.046	0.006
4.	Non-collection of taxes	0.018	0.005	0.013
5.	Non-accountal of cash	0.041	0.041	0.000
6.	Under assessment of value of vehicles	0.017	0.017	0.000
	Total	3.509	3.171	0.338

The Ministry of Information & Communication had resolved 90.37% of the issues leaving the balance of Nu. 0.338 million. The most notable unresolved issues are outstanding revenues and non collection of endorsement fees.

Corporations & Financial Institutions**XI. Druk Air Corporation**

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Outstanding advance	2.256	2.256	0.000
2.	Irregular/inadmissible payment	0.531	0.263	0.268
3.	Non disposal of scrap/obsolete items	20.269	0.000	20.269
4.	Shortage of duty free items	0.028	0.006	0.022
5.	Excess payment	0.126	0.000	0.126
6.	Loss due to theft	0.451	0.000	0.451
7.	Spares lying idle	66.310	0.000	66.310
	Total	89.971	2.525	87.446

The Druk Air Corporation had resolved 2.81% of the issues leaving the balance of Nu. 87.446 million. Despite the fact that the corporation had adjusted fully the outstanding advances, it had failed to resolve most of the issues reported in the AAR 2003. The prominent issues which necessitate management to look into and resolve are the non disposal of scrap/ obsolete items, Loss due to theft and spare parts lying idle.

XII. Dungsum Cement Project Authority

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Non-realization of hire charges	0.176	0.000	0.176
2.	Shortage of materials/books	0.146	0.000	0.146
3.	Outstanding advance	0.079	0.000	0.079
	Total	0.401	0.000	0.401

It is regrettable to note that the Dungsum Cement Project Authority has not initiated any effort to resolve any of the issues reported in the AAR 2003. It has 100% of the issues to be resolved. The management is

required to direct concerted efforts particularly in adjustment of outstanding advances and hire charges in order to avoid commercial interest and penal interest respectively.

XIII. Bank of Bhutan

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Irregular writing off	6.538	2.265	4.273
2.	Irregular sanctioning of personal loan	5.000	0.000	5.000
3.	Unjustified waiver of late fee	0.674	0.000	0.674
4.	Outstanding loan	92.116	0.000	92.116
5.	Non-utilization of R & D fund	10.717	0.000	10.717
	Total	115.045	2.265	112.780

The Bank of Bhutan had resolved only 1.97 % of the issues leaving the balance of Nu. 112.780 million. Except for the issues on irregular writing off of loan which had been resolved partially, it is apparent that no action has been taken to resolve other issues.

XIV. Royal Insurance Corporation of Bhutan

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Irregular payment	0.025	0.000	0.025
2.	Settlement of claims without police report	2.694	2.694	0.000
3.	Sale of vehicle salvages at below the reserve price	0.753	0.000	0.753
4.	Purchases without quotation	0.207	0.207	0.000
	Total	3.679	2.901	0.778

The Royal Insurance Corporation of Bhutan Limited had resolved/ adjusted the amount of Nu. 2.901 million, which is 78.85% of the total amount reported. The corporation needs to take action on the issues of irregular payment and the loss sustained on sale of vehicle salvages below the reserve price.

XV. Bhutan Power Corporation

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Outstanding revenue	0.283	0.000	0.283
2.	Non-deduction of tax	0.025	0.025	0.000
3.	Avoidable expenditure	0.099	0.000	0.099
4.	Outstanding advance	0.266	0.065	0.201
	Total	0.673	0.090	0.583

The Bhutan Power Corporation has significant balance amount of Nu. 0.583 million which are yet to be adjusted/ resolved. Most significant issues are outstanding revenue and the outstanding advance which the management must make an effort to resolve at the earliest.

XVI. Bhutan Board Products Limited

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Outstanding advance	1.914	0.000	1.914
2.	Outstanding debtors	82.685	0.000	82.685
3.	Excess payment	0.623	0.000	0.623
	Total	85.222	0.000	85.222

The Bhutan Board Products Limited has 100% of the issues to be resolved. Most significantly, outstanding debtors are huge for which needs the management to recover the amount.

XVII. State Trading Corporation of Bhutan Limited

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Irregular payment of demurrage	1.323	0.000	1.323
2.	Shortage of stores	0.154	0.000	0.154
3.	Irregular payment of overtime allowance	0.535	0.000	0.535
4.	Outstanding dues	6.153	0.000	6.153
5.	Short deposit of sale proceeds	0.169	0.000	0.169
	Total	8.334	0.000	8.334

The State Trading Corporation of Bhutan Limited has not initiated any effort to resolve any of the issues. It has 100% of the issues which needs to be resolved.

XVIII. Royal Bhutan Army

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Non-levying of liquidated damages	0.485	0.120	0.365
2.	Excess payment	0.658	0.156	0.502
3.	Inadmissible/irregular payments	0.080	0.000	0.080
4.	Shortage of ration	0.389	0.078	0.311
5.	Irregularities in the issue of ration	0.265	0.210	0.055
6.	Shortage of cash	0.374	0.220	0.154
7.	Outstanding advance	19.500	18.805	0.695
8.	Payment for works not executed	0.056	0.000	0.056
	Total	21.807	19.589	2.218

The Royal Bhutan Army has resolved 89.82% leaving the balance of Nu. 2.218 million.

XIX. Royal Bhutan Police

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Outstanding advance	2.367	1.217	1.150
2.	Cash loss due to sale of rations at concession rates	0.154	0.154	0.000
3.	Shortage of rations	0.013	0.002	0.011
	Total	2.534	1.373	1.161

The Royal Bhutan Police had resolved 54.18% of the issues leaving the balance of Nu. 1.161 million. The management should make effort in adjusting the outstanding advances in order to avoid further levy of commercial interest.

Autonomous Agency**XX. Royal Institute of Management**

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Outstanding advance	1.088	1.027	0.061
2.	Procurement without tendering	0.208	0.208	0.000
3.	Excess payment	0.074	0.074	0.000
	Total	1.370	1.309	0.061

The Royal Institute of Management had resolved 95.55% of the issues leaving the balance of only Nu. 0.061 million. The RAA views such compliance as source of encouragement for the future audits.

XXI. NWAB (HQ) & National Handloom Development Project, Khaling

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Non-production of tender document	0.100	0.100	0.000
2.	Procurement without tendering	0.139	0.139	0.000
3.	Outstanding revenue	3.335	1.154	2.181
4.	Outstanding Advance	2.639	0.620	2.019
	Total	6.213	2.013	4.200

The National Women Association of Bhutan had resolved 32.40% of the issues leaving a considerable balance amount of Nu. 4.200 million.

XXII. Judiciary

Sl. No.	Observation in brief	Amount (Nu. Million)	Amount adjusted (Nu. Million)	Balance amount (Nu. Million)
1.	Outstanding advance	0.013	0.000	0.013
2.	Irregular diversion of fund	0.237	0.000	0.237
3.	Non-confirmity in the Attendance Register	0.019	0.000	0.019
4.	Irregular purchase	0.235	0.213	0.022
5.	Payment without supporting documents	0.073	0.000	0.073
6.	Irregular/inadmissible payment	0.063	0.026	0.037
7.	Non-deposit of compensation	0.072	0.072	0.000
	Total	0.712	0.311	0.401

The Judiciary had adjusted Nu. 0.311 million which is 43.68% of the total amount reported and has the balance amount of Nu. 0.401 million which needs to be resolved.

The RAA detected millions of government fund blocked due to excessive procurement by the Central Stores, paying over and above the MRP, huge consumption of time, loss of useful life of medicines etc were some of other findings.

The Government Policy freezing the procurement of pool vehicles was found eventually lifted as numbers of vehicles costing a total amount of Nu.243.461 million were seen procured. A total of 156 number of third country vehicles (101 funded through RGoB) and 96 number of Indian make were found procured.

The Royal Audit Authority had carried out the audit of Personnel Actions such as Promotions, Out-of-turn promotions, training etc to assess the fairness and transparency in the system. However, the Royal Civil Service Commission, the guardian of all the civil servants refused access to records by audit for fair assessment. All observations reflected in the reports are thus results of cooperation rendered by line ministries and agencies.

The findings of rural water supply scheme included non-implementation of some rehabilitation schemes, the normal survey required to be carried out during the lean season of the year was found conducted during the monsoon season, survey team selecting the wrong source of water supply, non-construction of sedimentation tank and non-carrying out of Bacteriological testing as per WHO Guidelines were some of significant findings.

Audit findings 2004

The audit findings are classified under different categories of observations. Attempts have been made to accommodate all the findings under relevant categories but it may be noted that the observations which do not fall under any of the main categories, it is put under category 'others'. The tabulated summary of the AAR 2004 is shown in the Table 1.2. As can be seen from the Table the total irregularities in monetary terms amounted to Nu.369.339 million which is a reduction by 28.097% from that of the AAR 2003, 42.099% from AAR 2002 and 54.370 % from AAR 2001 which had a reported figure of Nu. 513.665 million, Nu. 637.88 million and Nu.809.420 million respectively.

Table 1.2 showing summary of AAR 2004 agency wise, category wise and the amount involved (Nu. million)

Code No.	Category of Irregularities	MoHCA	MoA	MoE	MoF	MoH	MoFA	MoIC	MoWHS	MTI	MoLHR	Armed Forces	Corp. & Fin. Inst.	Auto. Agencies	Judiciary	Geogs	Total
1.	Outstanding advance/loan	52.256	5.989	0.037	0.370	4.725	15.083	0.894	4.185	0.024	3.949	8.076	66.553	2.360	0.107	0.024	164.632
2.	Outstanding revenue/debtors	0.645	0.272	-	1.417	-	-	0.033	-	-	-	-	12.546	0.332	0.689	-	15.934
3.	Procurement without tendering	-	-	-	-	-	-	-	4.388	-	-	3.293	51.237	-	0.161	-	59.079
4.	Loss of revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.000
5.	Avoidable/wasteful purchases/expenditure	2.309	-	-	-	-	-	-	4.251	-	-	-	-	-	-	-	6.560
6.	Over/excess /double payment	2.661	0.030	-	-	0.115	0.596	-	0.850	0.070	0.221	-	0.162	-	-	0.007	4.712
7.	Irregular contract management	5.548	-	-	-	-	-	-	7.198	-	-	0.165	4.000	-	-	-	16.911
8.	Irregular/inadmissible payment	2.363	0.477	0.236	0.750	-	10.172	-	0.085	-	-	1.308	0.359	-	0.121	0.061	15.932
9.	Misappropriation/misuse of revenue	0.157	0.060	-	-	-	-	-	-	-	-	-	0.500	-	-	-	0.717
10.	Shortage of cash/materials/equipment	1.070	0.284	-	-	-	-	-	-	-	-	1.243	0.000	-	-	0.386	2.983
11.	Non-levying of liquidated damages	2.087	-	-	-	-	3.375	-	-	-	-	0.272	0.000	-	-	0.019	5.753
12.	Payments for works not executed/materials not received	1.433	-	-	0.083	-	-	-	-	-	-	-	0.000	-	-	0.009	1.525
13.	Short/Non-deduction of taxes	0.166	-	0.127	-	0.040	-	-	-	-	-	0.869	0.000	-	-	0.084	1.286
14.	Non-accountal of advances/equipment	0.110	-	-	-	-	-	-	-	-	-	-	0.000	-	0.026	-	0.136
15.	Fictitious booking of expenses	-	-	-	-	-	-	-	-	-	-	-	0.000	-	-	-	0.000
16.	Others	-	-	-	0.258	-	-	-	15.547	-	-	10.567	41.980	-	-	4.827	73.179
	Total	70.805	7.112	0.400	2.878	4.880	29.226	0.927	36.504	0.094	4.170	25.793	177.337	2.692	1.104	5.417	369.339

1. Outstanding advance/ Over due loan

The amount aggregating to Nu. 164.632 million had been lying outstanding against various official and third parties. The outstanding advance/ loan amount accounted for 44.57 % of the total amount reported in this report. The irregularities such as money lying in the private hands pending recoveries, time expired loans, outstanding costs etc. are featured under this category. The agencies which accounted for more than 89% of the total outstanding advance are shown in the table below:

Sl.No	Agencies responsible	Amount (Nu. Million)
1.	Corporations & Financial Institutions	66.553
2.	Ministry of Home & Cultural Affairs	52.256
3.	Ministry of Foreign Affairs	15.083
4.	Armed Forces	8.076
5.	Ministry of Agriculture	5.989
	Total	147.957

Of the Nu. 66.553 million reflected against the Corporations & Financial Institutions, Nu. 56.040 million is the amount of loan outstanding/over due term loan for the Royal Insurance Corporation of Bhutan Limited and the other portion is the overdue loan amount pertaining to other financial institutions and advances outstanding of the corporations. The advances reflected against other agencies are the advances which are lying outstanding against the officials, suppliers and contractors.

The concerned agencies are advised to make concerted efforts to recover all the overdue advances with the commercial interest of 16% p.a.

2. Outstanding revenue/ debtors

The RAA detected that the revenue and debtors amounting Nu. 15.934 million have been accrued but not realized. The five agencies which have the highest amount of outstanding revenue/ debtor are as shown below:

Sl.No	Agencies responsible	Amount (Nu. Million)
1.	Corporations & Financial Institutions	12.546
2.	Ministry of Finance	1.417
3.	Judiciary	0.689
4.	Ministry of Home & Cultural Affairs	0.645
5.	Autonomous Agencies	0.332
	Total	15.629

The RAA noted that the Bhutan Postal Corporation Limited had not realized the amount of Nu. 7.863 million. The revenue had been accrued on account of supplies of newspapers and magazines, Special Drawing Rights, Post Shop revenue and royalty.

All corporations are recommended to streamline debtor management and credit rating systems.

3. Procurement without tendering

The irregularities under this category aggregated to Nu. 59.079 million is the second highest amount reported in this report, only behind the amount reported for outstanding advance/loan. The four agencies which had such irregularities are as given in the table:

Sl.No	Agencies responsible	Amount (Nu. Million)
1.	Corporations & Financial Institutions	51.237
2.	Ministry of Works & Human Settlements	4.388
3.	Armed Forces	3.293
4.	Judiciary	0.161
	Total	59.079

The amount reported under Corporations and Financial Institutions has been singly represented by the Bhutan Telecom Corporation. This observation pertains to the direct procurements of transmission equipment and DR MASS from Mitsui & Company, Japan in contravention to the procurement rules. It was observed that Bhutan Telecom Corporation during the year 2000-2001 had directly procured Transmission Equipment and DR MASS valuing Nu.51.237 million from Mitsui & Company, Japan without inviting tenders. The procurements were done on the basis of sale agreement drawn at the time of placing supply orders without creating avenues for any long-term agreement.

The approach for exception to the procurement rules and Government Policy on de-monopolization and procurements were found violated

The agencies should ensure that such formalities are not overlooked so as to offer privilege to the government to obtain competitive rates.

4. Avoidable/ wasteful purchases/ expenditure

Some of the agencies had made avoidable/ wasteful purchases/ expenditure aggregating to Nu. 6.560 million. Such irregularities are the result of improper assessment of requirements in purchases and inadequate exhibition of technical expertise of engineering profession in the construction sector. The only two sectors which accounted for this category are the Ministry of Works & Human Settlements and Ministry of Home & Cultural Affairs with Nu. 4.251 million and Nu. 2.309 million.

Proper material requirement planning and judicious demonstration of field expertise are inevitable to avoid such occurrences in the future.

5. Over/ excess/ double payment

The amount of Nu. 4.712 million were found paid in excess or double by the various agencies. The four sector which accounted for more than 91 % of the total amount reported for this category are given in the table:

Sl.No	Agencies responsible	Amount (Nu. Million)
1.	Ministry of Home & Cultural Affairs	2.661
2.	Ministry of Works & Human Settlements	0.850
3.	Ministry of Foreign Affairs	0.596
4.	Ministry of Labour & Human Resources	0.221
	Total	4.328

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 amount reported for this category is Nu. 16.911 million. The irregularities such as overlooking the formalities in awarding the contract, non rectification of defective works within the defect liability period, unjustified rejection of bids, providing inferior quality of materials,

acceptance works other than specifications, blockage of government funds etc. feature under this category. The four agencies which were responsible for such irregularities are given in the table:

Sl.No	Agencies responsible	Amount (Nu. Million)
1.	Ministry of Works & Human Settlements	7.198
2.	Ministry of Home & Cultural Affairs	5.548
3.	Corporations & Financial Institutions	4.000
4.	Armed Forces	0.165
	Total	16.911

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

7. Irregular/ inadmissible Payment

Most of the agencies reported in this report have made irregular/ inadmissible payment amounting Nu. 15.932 million. Such payments were not in accordance with the admissibility covered under various rules, circulars and orders. The four agencies which have the highest amount reported are given below:

Sl.No	Agencies responsible	Amount (Nu. Million)
1.	Ministry of Foreign Affairs	10.217
2.	Ministry of Home & Cultural Affairs	2.363
3.	Armed Forces	1.308
4.	Ministry of Finance	0.750
	Total	14.638

The agencies should ensure that financial discipline is maintained in respect of various government circulars, rules and orders.

8. Misappropriation/ misuse of revenue

The RAA had detected that the government fund/ revenue of Nu. 0.717 million had been misappropriated or misused. The three agencies responsible are the Bhutan Power Corporation, Ministry of Home & Cultural Affairs and Ministry of Agriculture with Nu. 0.500 million, 0.157 million and 0.060 million respectively. With regard to the embezzlement of Nu.0.500 million pertaining to Bhutan Power Corporation, the Royal Court of Justice, Trashigang pleaded the suspect guilty and imprisoned him for 7 years. However, on appeal to the High Court there was a reversal of verdict and the suspect was pleaded not guilty. The chapter is still not closed and the matter is now referred to the Office of Legal Affairs with permission from the Co-ordination Committee Meeting (CCM).

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

9. Shortage of cash/ materials/ equipment

The shortage of cash/ material/ equipment aggregated to Nu. 2.983 million. The four sectors which are reported for these irregularities are given in the table:

Sl.No	Agencies responsible	Amount (Nu. Million)
1.	Armed Forces	1.243
2.	Ministry of Home & Cultural Affairs	1.070
3.	Geogs	0.386
4.	Ministry of Agriculture	0.284
	Total	2.983

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

10. Non-levying of liquidated damages

The RAA found that the liquidated damages amounting Nu. 5.753 million were not levied for the delay in supplying the materials and delay in completion of the works. It was also noticed that the hindrance registers were not maintained to justify the delay. The four sectors reported in this report are as shown below:

Sl.No	Agencies responsible	Amount (Nu. Million)
1.	Ministry of Foreign Affairs	3.375
2.	Ministry of Home & Cultural Affairs	2.087
3.	Armed Forces	0.272
4.	Geogs	0.019
	Total	5.753

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

11. Payments for works not executed/ materials not received

The payments of Nu. 1.525 million were reported to have been made for the works not executed/ material not received. The three sectors responsible for making such payments are produced below:

Sl.No	Agencies responsible	Amount (Nu. Million)
1.	Ministry of Home & Cultural Affairs	1.433
2.	Ministry of Finance	0.083
3.	Geogs	0.009
	Total	1.525

The agencies should ensure that proper check and balance systems are in place to avoid such lapses.

12. Short/ Non-deduction of taxes

The RAA found out that Nu. 1.286 million accrued to the government were either not deducted or deducted less in contravention to the Taxation Rules of the Kingdom. The three sectors which account for more than 90% of the amount reported are given below:

Sl.No	Agencies responsible	Amount (Nu. Million)
1.	Armed Forces	0.869
2.	Ministry of Home & Cultural Affairs	0.166
3.	Ministry of Education	0.127
	Total	1.162

Deductions should be made as per the Taxation Rules of the Kingdom.

13. Non accountal of advances/ equipment

The amount of Nu. 0.136 million was reported for non-accountal of advances and equipment. The three sectors which are reported are the Ministry of Home & Cultural Affairs and Judiciary with Nu. 0.110 million and Nu. 0.026 million respectively.

Accounting and Inventory control needed to be strengthened.

14. Violation of laws, rules and regulations

To strengthen the capacity of the task force, the Monitoring & Evaluation Division of the Department of Planning proposed training for its members, who were duly approved by the Director, Department of Planning. Subsequently, the identity of the proposed nominees was submitted to the Royal Civil Service Commission. The RCSC however, revoked the candidature of Gaki Tshering, System Analyst, Ministry of Health and Kunzang Norbu, Project Coordinator, DoP. The former was under the probation period and the latter was to proceed on secondment to SNV, Thimphu. However, on scrutiny of the disbursement vouchers, the above two officials were sent for training to Thailand.

Rules should be applied to all without exception. The concerned agencies should have adhered to the instruction of the Royal Civil Service Commission and the latter should have ensured compliance.

15. Non recording in the measurement book

The City Corporation, Phuntsholing had executed dredging work of riverbed at Dhutikhola and shown an expenditure incurred of Nu.1.602 million as against the estimates of Nu.1.805 million. The actual quantities/value of work done was not recorded other than the number of days worked by the machineries.

16. Illegal construction on the government land

Verification of the survey reports on illegal construction on Government land revealed that there were 134 cases of illegal/unauthorized constructions on Government land. The duration of the occupants ranged from five to thirty five years.

17. Non enforcement of Acts

On verification of the transfer of land ownership, it was found out that 180 applications were received by TCC for transfer of ownership during 2002-2003. The following lapses were observed:

- The applications were not recorded in chronological manner as per the date of application received. Applications received in 2002 were entered with 2003 application and vice versa;
- In some cases applications received late were processed earlier and accorded early approval and reasons for the same were not mentioned;
- As per Land Act, the applications were to be kept for one month and then to be processed thereafter. But in some cases applications were approved within one month and some application in one and half month.

18. Award of supervision work on contract

The Department of Roads under Ministry of Works and Human Settlement had awarded the supervision works of the construction of three number Expressway Bridges to M/s Green Peace Enterprise, Thimphu at his quoted amount of Nu.13.945 million. This is a strong indication that the Ministry or the Department had not attempted to derive value from the professional engineers in the Bridge Division.

19. Irregular Diversion of Funds

Pensioners fund of Wing V Shaba, amounting to Nu. 0.068 million were paid to Tshewang Dorji, firewood supplier and Chuma Wangchuk. However, adjustments were made for Nu 0.008 million

leaving a balance of Nu 0.060 million. Further more a sum of Nu. 0.023 million were paid as advances to the officials. This has resulted in reduction of fund balances to the tune of Nu. 0.083 million.

20. Acceptance of undersized uniforms

During the Financial Year 2002-2003 a total expenditure of Nu.10.484 million was incurred for procurement of uniforms for police personnel. It was noticed that supply orders for the uniform were placed on ad-hoc basis without assessing the required sizes of uniforms. On test measurement of uniforms received, issued and balance available in the store it was noticed that the sizes of uniforms received and issued were not as per the sizes specified in the supply order and the standard sizes given against the uniforms. Hence some of the Non-commission officers could not use the uniform received as they were getting under-sized uniforms though it was marked as bigger size.

21. Overdue pending liabilities

The Bank of Bhutan, Samdrup Jongkhar, had the fixed deposit of Nu. 1.034 million which are matured and unclaimed by the depositor. As per the Manual of Instructions, Volume I, Chapter 3, Para 6(C), the dealing assistant should send a letter to the depositors 10 days before the date of maturity informing/ reminding him that a particular deposit receipt is falling due for payment on a given date. If the depositor does not turn up for encashment/ renewal on the maturity date and also does not send his instructions, a reminder should be sent one month after the date of maturity informing him that interest payment on such deposit ceases at maturity. However, as per the records maintained by the bank, it revealed that the bank management had failed to inform some of the clients as per the manual of Instruction. The unclaimed deposits were directly transferred to C/D ledger under account head 'Deposit Call'

22. Writing off of loans

The Bhutan Development Finance Corporation had written off irrecoverable loans amounting to Nu.12.625 million accumulated during the years 2000 to 2002. The RAA had advised the management to thoroughly review the write-off cases so as to ensure that no undue benefit has been given to loanees and intimate the result to RAA.

The Board of Directors owing to huge default in the repayment of loans by M/s Bhutan Dairy Limited had proposed to write-off Nu.1.500 million provided the loan amount was reduced by Nu.2.500 million. Without fulfilling the obligation of depositing Nu.2.500 million, the Managing Director then had written off Nu.1.500 million.

23. Undue delay in resolving the litigation cases

As many as 338 litigation cases including 51 pertaining to the Head Office involving Nu.22.824 million were pending as per BDFC's records. The litigation cases were filed mainly for non-recovery of loans from the beneficiaries.

24. Loss sustained by opening the Post Shop

Bhutan Post with approval from the Chairman had started a Post Shop/Hallmark and invested a total fund of Nu.9.134 million. The General Manager, Operation was entrusted the responsibility to manage the business and return the capital investment with interest of 15% per annum. The management for reasons not known to the audit was transferred to one Ramanand Thakur, ex-employee of Bhutan Post. During the business period the Post Shop had refunded Nu.6.543 million only leaving a balance amount of Nu.1.665 million excluding the accrued interest of Nu.1.137 million. The interest amount was later written off by the Chairman on the ground of

business not making profit. The audit had found out that such losses occurred in a situation where proper and comprehensive investment/project appraisal was not usually carried out.

25. Heavy stock balance of vegetable seeds

Druk Seed Corporation, Paro had substantial quantities of vegetable seeds lying in the stock without movement for quite a long period ranging between 1 to 4 years. The total value of these stock amounted to Nu.1.473 million.

26. Fixed assets lying unutilized

It was noticed that Druk Seed Corporation, Paro had fixed assets with a book value of Nu. 1.666 million identified as completely idle or partially used in various units under the company.

27. Non achievement of planned target

On comparison of the planned production target and the actual production of timber, the FDCL, Jakar had not been able to achieve the intended target in the Dawathang Forestry Management Unit (FMU) by 69 % in 2002 and 61% in 2003. Besides non-achievement of the planned target the FDCL, Jakar had incurred additional expenditure of Nu. 0.093 million for transporting spillover timber in 2002 in Dawathang FMU as a result of increase in transportation charges by Nu. 0.75 per cft in 2003. Similarly, a sum of Nu. 0.483 million had been spent in 2004 for transporting spillover production of timber with increase in the rate by Nu. 2.50 per cft in 2004. In addition Nu. 0.145 million were incurred for felling and crosscutting and Nu. 0.038 million for debarking.

28. Non execution of work

The Geog Administration, Kabjisa had purchased the materials worth Nu. 0.568 million for re-roofing of Chorten Ningpo Lhakhang towards the end of the financial year 2003-04. The items were properly accounted for in both the Geog stock register and Dzongkhag MAS Register but were physically not available at the site. Upon enquiry, it was found out that the materials were lying at the Dzongkhag store but the work was not executed.

29. Irregular rescheduling of loan exceeding its security value

The erstwhile M/s Namgail Cement Company which had the loan amount of Nu. 31.383 million in December 2000 (under old management) had its total loan mounted to Nu. 62.409 million as on 31.12.03 (Under new management as M/s Druk Cement Company Limited). During the year 2004 the company had paid a total of Nu.3.000 million leaving the loan balances at Nu.64.258 million which is unusually more than the security value of Nu.56.090 million.

30. Irregular booking

The Geog Administrations, Kabjisa and Shenga Bjime had booked the payment of Nu. 0.013 million and Nu. 0.019 million in anticipation of carrying out work in future.

31. Payment made without signing vouchers

On vouching of the payments made by the Geogs under Dzongkhag Administration, Tsirang, it was seen that most of the Geogs had made the payments without the signature of the Controlling officers i.e respective Gups in the payment vouchers. Such instances of payment amounted to Nu. 4.775 million.

32. Issue of permits for construction of buildings - is the system fair?

The City Corporation, Thimphu is the ultimate authority in the capital vested with the power to issue permits for the construction of buildings within the municipal boundaries. Bhutan Building

Rules 2002 under section 4.2.4 stipulated that “*all city corporations should respond to the application for building permit within 30 days and give final approval within 90 days*”. Owing to its practical problems this stipulation was not implemented rather an internal guidelines were introduced. The Guidelines stipulates that the minimum time for processing and issuing permits was stipulated about seven weeks from the date of registration.

Verification of documents revealed the following deficiencies:

- ∞ The serial number recorded in the register for application were not in chronological order according to the date of application received;
- ∞ The approval dates of the structural design were not in serial number according to the date of application received;
- ∞ Approvals for only structural and architectural drawings were given but the same was not apparent for electricity, water and sewerages;
- ∞ While for some the permits were issued in a matter of one to two days of its applications being received some were cleared after a lapse of one year;
- ∞ There were inconsistencies in the time taken by the divisions involved in clearing the applications. While some divisions took almost a month or two to approve the drawings some had taken only a week; and
- ∞ Reasons for rejection of drawings by particular division and how some drawings could be cleared within a short span of time were not on record.

33. Release of payments without adjustments of advances - Nu 1.100 million

M/s Pinewood Builders was paid the full work done value for the various tendered works in the Royal Bhutan Army. However, advance amount of Nu.1.100 million was not adjusted from its final bill payment. The amount still stands recoverable.

34. Application of Commercial Interest of 16% p.a

The Annual Audit Report 2004 requires Commercial Interest of 16% p.a. to be imposed on all recoverable amounts irrespective of whether it was mentioned in the Inspection Reports. The RAA resorts to this policy as all concerned have been given enough time ranging from 3 to 15 months to settle or take appropriate measures.

Chapter II Certification of the Annual Financial Statement for the Financial Year 2002-2003

The Finance & Accounting Manual Chapter XI 11.1.1.2 and Part C of the Financial Management Manual of the Finance Rules and Regulations 2001 required the Royal Audit Authority to certify the Annual Financial Statement prepared by the Ministry of Finance.

The RAA had reviewed the consolidated Annual Financial Statement of the Royal Government of Bhutan for the Financial Year 2002-2003. in accordance with the generally accepted accounting principles and General Auditing Rules and Regulations.

The audit had not detected any material mis-statement and fundamental errors in incorporating the figures in the financial statement. Considering the evolving stage of the preparation process, the auditors were happy to report that the Financial Statement reflected a true and fair view of the budgetary operations of the government subject to some inadvertent minor lapses.

The copy of the certificate with the detailed findings of the auditors, clarification of the Ministry of Finance and RAA's further comments are brought out as **Annexure-A**.

The RAA had made the following recommendations to the Ministry of Finance:

1. To strengthen their internal control system after enacting a National Finance Act or the National Budget Act spelling out with proper mechanism to ensure strict and uniform budgeting discipline;
2. An **exclusive division** under the Department of Budget and Accounts with adequate manpower and exposure to be immediately **established** in order to **speed** up the process of the submission for certification of Annual Financial Statement on time as spelt out in the FRR 2001.
3. The exclusive division should be **headed by an Accountant General or Chief Finance & Accounts Officer possessing professional qualification**.
4. The traditional habit of capturing data after the Fiscal Year should then be replaced with daily punching of information so that at the end of Fiscal Year, the Annual Financial Statement is ready for the purpose of certification audit by the RAA;
5. All figures reflected in the statement needed to be backed up by supporting documents;
6. A sustainable ratio of Total Debt Service (TDS) to amount of internal revenue generated be adopted. The Government should prescribe a limit or a ceiling in terms of percentage of TDS to internal revenue;
7. The financial statement must reflect debt position with external and internal sources or status as on 30th June every year other than actual amount lent, borrowed or repaid;
8. Institution of a consistent and framed method of reporting the loan disbursement for the year so that loan disbursement for the year reported in the Financial Statement tallies with that of source document of DADM;

9. Explore ways & means to expand government revenue base including credible measures to strengthen and broaden tax base;
10. Highlight revenue figures pending collection including amount that pertained to the previous years;
11. Consider the possibility to present the financial position in the form of Balance Sheet and Memorandum accounts extended further by Notes to the Accounts may be explored in future.

Chapter III Performance Audit Reports

The Royal Audit Authority during the year had issued 8 VFM reports.

1. Value For Money Audit/ Performance Audit Report on Central Stores

The Royal Audit Authority apart from conducting propriety audit of the agencies also conducts Value For Money (VFM) Audit and other theme based audit as required of it by the General Auditing Rules & Regulations of the Royal Government of Bhutan. The RAA during the year conducted (VFM) audit of the Central Stores under the Ministry of Works & Human Settlement, the Ministry of Agriculture, the Ministry of Health and Ministry of Education. Some of the significant VFM audit findings Ministry/Department wise are as under:

A. Ministry of Works & Human Settlement

Tender Evaluation System-a huge consumer of time

Prior to the commencement of Financial Years, the Central Stores asked the agencies under the Ministry to submit their yearly material requirement plan. On receipt of the requisitions from the Field Road Maintenance Divisions (FRMD), the Central Store, Phuntsholing compiled the requisitions for the materials required by the FRMD and open tenders are then invited through advertisement in the national newspaper, Kuensel. The tenders received from the suppliers valuing Nu. 100,000.00 and below were opened at the Central Store level while materials valuing more than Nu. 100,000.00 were forwarded to the Ministry and Department for the purpose of evaluation.

On review of the time taken from the receipt of the requisitions from the FRMD and actual delivery of material at site, it was noticed that it takes about 5 to 6 months in the process. As a result only 6 months time is left with the FRMD in a Financial Year for execution of the works. Time consumed for completion of typical tendering formalities to final award of work and receipts of goods at site are as summarized under:

Table 1.3 showing the time consumed for completion of typical tendering formalities to final award of work and receipt of goods.

Sl. No	Particulars	Date	Nos. of days
1.	Date of received of annual requirement from Divisions	12.8.2003	
2.	Time taken to prepare Tender		4
3.	Time taken for the advertisement, sale of tender and time allowed to bid the tenders		17
4.	Time taken to forward the tender to Ministry for opening and evaluation		2
5.	Time taken to evaluate the tenders in Ministry		15
6.	Receive of tenders from Ministry		10
7.	Time taken to process for awarding Notice and collection of performance security		3
8.	Time allowed for submitting performance guarantee		10
9.	Time taken for collecting performance security		6
10.	Issue of procurement order	9.10.2003	1
11.	Time allowed for delivery of materials		45
	Total		113

Auditee's Response:

The management submitted that the comments of the audits in regard to substantial time consumed for evaluation of tender is noted. The possibility to improve the evaluation system

will be submitted to the HQ, for instituting a comprehensive procedure, keeping in line with the procurement system of the Government.

RAA's Comments:

The Ministry should analyse and evaluate the pros and cons of such a lengthy but time consuming system. This system perhaps could be improved if the Ministry coordinates them in earnest effort.

B. Ministry of Agriculture

Excess procurement: Blockage/wastage of fund - Nu. 15.960 million

On review of purchases vis-à-vis sales for the past three financial years, it was seen that the Agriculture Central Store, Phuentsholing had made excessive purchases in the first two years as summarized under:

Table 1.4 showing the excessive purchases made by Agricultural Central Stores, Phuentsholing.

Year	Opening Balance (Nu. Million)	Purchases (Nu. Million)	Total (Nu. Million)	Sales (Nu. Million)	Closing stock (Nu. Million)
2000-01	3.627	12.480	16.107	10.367	5.740
2001-02	5.740	13.267	19.007	9.812	9.190
2002-03	9.190	2.200	11.39	10.357	1.030
Total	18.557	27.947	46.504	30.536	15.960

It was noted that despite the huge opening stock balance valuing Nu.3.627 million, excessive purchases were made during 2000-01 and 2001-2002. Excessive purchases in the two years as tabulated above and in the years before resulted in the following wasteful resources:

- Patented drugs worth Nu.0.720 million had become date expired in the year 2001-02 & 2002-03. However, drugs valuing Nu.195, 484.90 were written-off by the Hon'ble Minister, Ministry of Agriculture
- Non-patented drugs worth Nu.0.774 million were lying in the stock (slow moving)
- Some slow moving non-patented drugs like zinc sulphate, iodine crystal and chloral hydrate were purchased in the year as early as 1997-98.

Auditee's response:

The Ministry of Agriculture in response to the Draft Annual Audit Report provided the following clarifications:

“The Dzongkhag Administrations and Central Programmes submit Indents for medicines and instruments based on the target in the 5 Year Plans and budget proposal submitted to the Ministry of Finance. However, the actual lifting of the medicines/ instruments, compared to the indents submitted, is on the lower side. It has been observed that there is substantial gap between the budget proposal submitted and approved budget, which results in non-lifting of medicines/ instruments by the Dzongkhags/ Central Programmes. During 2000-01 and 2001-02, several new drugs and instruments were added to the Drugs/ instruments lists, by replacing the old and ineffective drugs/ instruments. Considering poor quality of the instruments available in the region, it was also decided to import critical instruments, considering the long life and quality. However, due to inadequate budget provision with the Dzongkhags and Central Programmes and lack of awareness about the new medicines/ instruments, the off take was limited, resulting in accumulation of stock. This issue was discussed in several forums and by constant follow up, the end users was made aware about the benefits of new drugs/ instruments. From the findings of the RAA also, it may be seen that the closing stock at the end of 2002-2003 financial year was only Nu. 1.03 million, which

clearly shows that the medicines/ instruments were disposed off within 2002-2003 financial year.

With regard expired drugs this to submit that majority of the expired drugs had accumulated over a long period of time. Prior to write-off of Nu. 0.195 million worth drugs during 2002-03, no drugs/ instrument were written off in the earlier years. The Livestock Central Store handles approximately Nu. 10.00 million to 12.00 million worth of medicines/ instruments annually. Considering the time period of approximately 15 years, the value of expired medicines worked out to approximately Nu. 0..050 million per annum. Compared to Nu. 10.00 to 12.00 million worth of medicines and instruments handled by the Central Stores annually, the expired drugs constitute a negligible portion.

RAA's Comments:

Such audit findings in the Ministry inspite of having substantial number of highly qualified personnel including agricultural economists and highly paid financial consultant is unexpected. Therefore, appropriate officials should be given the challenges in the areas of stores management and material requirement planning in order that the above situation is not just addressed, but addressed well.

C. Ministry of Education

C.1 Blockage of Fund-Nu.32.756 million

There was a stock balance valuing Nu. 32,756,908.66 even after meeting the Textbooks & Reference books requirement for the academic year 2004 due to excessive purchases made during the financial years 2001-2002 and 2002-2003. The fund blockage had resulted due to direct purchases made on the basis of Curriculum & Professional Support Division's statistic survey. The actual compilation of requisition had been done only for the academic year 2004 and prior to that no compilation had been carried out by the Education Central Store. However, the books were issued to the schools as per the Issue Criteria approved by the CAPSD and Procurement Board of Committee.

Purchase of excessive quantities would not only result in blockage of fund but also increases the probabilities of books becoming obsolete owing to change of syllabus etc. The Royal Audit Authority noted surrender of obsolete books worth Nu. 0.274 million to the Department of National Properties on 13th January, 2004.

MoE's response:

The frequent change of syllabus, which is beyond the control of the Procurement Unit had resulted into huge quantity of books becoming either out of syllabus or redundant. The other reason attributed to huge stock balance was the practice of issue criteria based on the expected life of textbooks policy both by the stores and schools. However, the management assured that only required items and quantities shall be procured and avoid huge stock balance in the future.

RAA's Comments:

Responses given are not substantiated with facts, figures and analysis. The RAA would like to appraise on the action taken to account for the huge sum of precious public fund that is being abused.

C.2 Books supplied in poor packing conditions resulting in huge repacking cost- Nu.2.232 million

The text books for the academic year 2004 supplied by M/s Phama Printers were found packed in beer cartons and were lying in very poor condition.

The Central Store had incurred an additional expenditure of Nu. 2.232 million for purchasing cartoons and waterproof canvas tarpaulin for repackaging the books and stationery for the last three years.

MoE's response:

The unpacking of the supplies is necessary to confirm the quality and quantity mentioned on the packet. The purchase of packing materials is indispensable in order to facilitate proper repacking to ensure the safety of the goods and specifications requisitioned by the schools. However, the management stated that it will improve and standardize the packing terms and conditions by incorporating it in the supply order.

RAA's comments:

It is felt that expenditure can be minimised if the packaging terms & conditions with the suppliers are standardized & stipulated to suit further distributions to schools and also to curb unnecessary expenditure on procurement of repackaging materials.

C.3 Acceptance of rates quoted above the MRP: Financial Implication Nu. 0.314 million

On physical verification of library books supplied for the academic year 2004 it was noted that the rates charged for some of the library books purchased from M/s. KMT Printing Press were higher than the MRP printed on the books. The total value amounted to Nu. 0.314 million.

Usually quotation rates are lower than printed price (MRP) when bulk quantities are purchased. Eg. Advanced Dzongkha Dictionary – MRP Nu. 390, tendered rate Nu. 950. It is not understood as to how the Education Procurement Committee had accepted rate above the MRP.

MoE's response:

The Procurement Unit had followed ICB procedure for the supply of library books after the selections done by the NIE/ CAPSD, Paro and completed all the formalities in consultation with World Bank Procurement Specialist. It mentioned that the Procurement Unit was not aware that the rates should be lower than the MRP since the awards were based on open tender and the purchaser has no right to negotiate with the bidders as in the case of direct purchase.

RAA's Comments:

The Guideline spells out that reasonableness of rates quoted should be ascertained. It is the responsibility of the Procurement Committee to ensure that procurements are prudently made.

C.4 Comparative analysis of expenditure of having its own trucks with the Central Store vis-à-vis the charges on hire of private trucks

A comparative analysis for maintaining cost of Government owned trucks with the Education Central Store vis-à-vis cost of hiring of private trucks as per the PWD hire rate 2002-2003 was carried out by the Audit Team. The analysis revealed that the cost for hiring of private trucks would be much cheaper than maintaining Government vehicles owned by the Central Store. The departmental expenditure amounted to Nu. 2.879 million whereas the hire of private vehicles would have incurred Nu. 1.063 million, thus indicating that hiring would have been cheaper by Nu. 1.063 million.

MoE's response:

The Procurement Unit refuted the observations of RAA on hiring the vehicles as an alternative to having its own fleet of vehicles. They reasoned it out that in view of the convenience, timeliness of delivery and nature of the goods it supplies, it is rational to have its own fleet of vehicles. They proposed RAA to carrying out in-depth study on privatization of transportations and convey the findings to them for future compliance.

RAA's Comments:

It was unfortunate for the agency to outrightly challenge the recommendation of the RAA without any justification. In view of the withdrawal of all such heavy pool vehicles by the government the RAA reserves its comments for the time being to be reviewed in the next audit.

C.5 Quality assurance problems

i. Acceptance of Books supplied without implementing the required improvement

M/s KMT Press had supplied 10,000 copies 'Ruto Zami' booklet for Non-formal Education Division. The Audit Team physically verified the books and compared with the approved sample. Verification revealed that the sample copy of 'Ruto Zami' booklet contained remarks requiring some improvement on pages 3, 4, 5 & 6 by the Non-Formal Education Division but the booklets were supplied without effecting improvements on required pages. The Central Store did not care to check if the changes were affected.

MoE's Response:

The Procurement Unit stated that though the CAPSD had recommended the quality assurance, the UNICEF which had funded the supply of 10,000 copies of "Ruto Zami" verbally directed the stores to accept the supplies and accordingly the store took delivery of the supplies as per supply order.

RAA's Comments:

The accountability system must be there in place no matter who had funded the procurement. The procurement unit should be held answerable for accepting the books without having made the improvements as directed.

ii. Quality of stationery not as per the samples

The physical verification and quality testing of stationery items procured for the Academic Session 2004 was carried out in current audit. Quality check of some books carried out by using testing equipment for checking Gram Square Meter (GSM) indicated that some books supplied were not as per the approved sample.

MoE's Response:

As for the quality check, it stated that due to lack of appropriate equipment to check, they have a mechanism to control the quality of goods by forming a committee involving officials from the Ministry and the selection committee members. It stated that the store had managed to purchase an electronic GSM measurement which too does not give accurate GSM measurement. During the sample selection, the ministerial tender committee selects the paper items based on having met the minimum specified GSM in the bidding document irrespective of variation in the GSM measurement at the time of sample selection.

The management, however, affirmed that it will not compromise the quality and ensure all necessary testing methods while accepting the goods hereafter.

RAA's Comments:

The procurement committees are instituted to ensure that any procurement made gives best Value For Money.

iii. Text printed on the last cover page

M/s KMT Yangkhil had reprinted and supplied 1,285 Concise Physics books for ICSC-Class IX textbooks containing 255 pages during the academic year 2002. However, all the above text books had text printed on the last cover page.

MoE's Response:

On physical verification, it was found that 1285 copies of Concise Physics ICSE for Class IX text book was supplied by M/s KMT Yangkhil, which was published by M/s Selina Publishers, New Delhi.

RAA's comments:

The response is not to the points raised. The Ministry may investigate and comment whether such a system of accepting text books printed on the last cover page amounting to millions of Ngultrum is a sound procurement system.

RAA's general comments:

Central Stores, Department of Education, Phuntsholing lacks total professionalism, competency and other stores management perspectives. The above findings are conclusive testimony of a very poor and weak stores management. Such a system should not be allowed to perpetuate and therefore needed to be revamped. The RAA is hopeful of seeing a rejuvenated Central Stores management the next time it carries out the similar exercise.

2. Value For Money audit on the Government Policy on freezing the procurement of new vehicles

2.1 The Government Policy

With the budget deficit at all time high and the spiraling cost relating to the maintenance of vehicles, the Royal Government of Bhutan decided to impose a freeze on the procurement of any type of vehicles regardless of any source of funding with effect from 10th July, 2001. The Ministry of Finance had also notified all ministries and agencies withdrawing the budget already allocated for procurement of vehicles including those funded by the projects.

2.2 The Scope of audit

The Royal Audit Authority conducted the performance and compliance audit of the decision to freeze the procurement. The scope of the audit also included the examination of purchases made without approval of the Ministry of Finance, if any, and justification for the purchase of new vehicles. The RAA, accordingly examined the records maintained by the Ministry of Finance, Department of Aid & Debt Management and State Trading Corporation of Bhutan Limited.

2.3 The audit findings:

A. Third country imports

Ironically, the Ministry of Finance as a controlling authority had issued 156 Import Authorizations burdening the government exchequer to the tune of Nu.186.812 million. Of this total amount Nu.131.580 million (101 vehicles) were met from the RGoB fund and the rest from the various projects (55 vehicles).

B. Imports from India

The Royal Government of Bhutan has also procured 96 vehicles of Indian make costing Nu.56.649 million. The Finance Secretariat had no knowledge on the procurement of these many vehicles except for 29 Mahindra Boleros and 30 Eicher Trucks although budgetary releases were made by the Department of Budget & Accounts. Out of the 96 vehicles 84 were procured from the RGoB fund and the rest from the various projects. There is no rule, which allows the government organization to purchase Indian vehicles without informing the Ministry of Finance or for that matter the Department of Budget and Accounts.

The above figures do not include the number of vehicles procured by agencies from dealers other than the STCBL without informing the Ministry of Finance, if any.

Break-up of the third country imports are exhibited below agency wise:

Table 1.5 showing the break-up of third country imports agency wise.

Sl.No.	Name of agency	No.of vehicles	Amount (Nu.Million)
1.	Armed Forces	29	36.876
2.	Central Monastic Body	6	6.780
3.	Judiciary	5	5.782
4.	HM's Secretariat	1	0.914
5.	Ministry of Agriculture	12	12.056
6.	Ministry of Education	14	14.427
7.	Ministry of Finance	26	37.718
8.	Ministry of Foreign Affairs	5	5.135
9.	Ministry of Health	15	19.989
10.	Ministry of Home & Cultural Affairs	5	5.288
11.	Ministry of Information & Communications	3	4.331
12.	Ministry of Labour & Human Resources	5	6.436

13.	Ministry of Works & Human Settlement	3	3.796
14.	Ministry of Trade & Industry	18	17.708
15.	National Assembly of Bhutan	1	1.382
16.	Army Welfare Project (RGoB)	1	1.110
17.	Royal Civil Service Commission	1	1.281
18.	Autonomous Bodies	5	4.659
19.	Royal Advisory Council	1	1.234
	Total	156	186.812

Break-up of the vehicles procured from India are exhibited in the table below:

Table 1.6 showing the break up of the vehicles procured from India.

Sl.No	Name of agency	No.of vehicles	Amount (Nu.Million)
1.	Armed Forces	29	13.481
2.	Autonomous bodies	1	0.244
3.	Central Monastic Body	2	0.619
4.	Ministry of Agriculture	3	1.601
5.	Ministry of Education	7	5.831
6.	Ministry of Finance	31	19.411
7.	Ministry of Health	7	3.736
8.	Ministry of Home & Cultural Affairs	2	1.317
9.	Ministry of Works & Human Settlement	6	4.624
10.	Ministry of Trade & Industry	6	4.513
11.	Royal Audit Authority	2	1.267
	Total	96	56.649

In response to the Draft Annual Audit Report, Hon'ble Finance Minister had given the following justifications:

“The government order to freeze import of any type of vehicles regardless of source of funding was issued on 10 July 2001. But the freeze on import of project funded vehicles was lifted by the CCM during its 145th session on 12 March 2002. Thus, the number of project vehicles imported within the period of freeze was only 5 and not 55.

The import of 29 numbers of vehicles for the Armed Forces could not be avoided in view of the prevailing security situation in the south then.

Also, import of utility vehicles for essential services like ambulances etc., became necessary in preparation for the likely conflict in the south.

The purchase of vehicles of Indian make by various government agencies financed either through project fund or RGoB fund are normally done with the approval of the Ministry of Finance. Without the approval of the Ministry no budget will be released by the Department of Budget & Accounts. Although there is no centralized information system within the secretariat as approvals for purchase of vehicles under projects are sometimes processed through the DADM and under RGoB funds are processed through the DBA, there is a system of obtaining approval of the Ministry of Finance in place. There may be one or two cases where the government agency may have purchased the vehicles directly from STCBL without the knowledge of the Ministry. But in general, the approval of the Ministry is always obtained.

It may be noted that the import of vehicles by the government as a whole, did reduce by 53.02% in the first year immediately after the freeze was imposed and by 52.56% and 51.16% during the second and third subsequent years.

While the objective of the government policy to freeze the import of new vehicles could not be achieved fully, which would be unrealistic in any way, the fact that we were able to reduce it

by more than 50% during the three subsequent years had helped to reduce government expenditure to a large extent.”

RAA’s Comments:

Since the circular freezing the purchases came into effect from July 2001 the financial year immediately prior to it was chosen as the base year to ascertain the effectiveness of its enforcement. While there has been little reduction compared with the base year the circular was not strictly enforced. Instead of stricter enforcement of the government directives more new vehicles were being purchased year after year resulting in reduced impact.

Consequently, the initial objective of the government circular freezing the purchase of new vehicles could not be materialized even partially.

Coming to the disagreement on the number of project funded vehicles, auditors at the time of auditing despite inquiry were not given the copy of the government order lifting the ban on procurement of vehicles funded through projects. Even now the RAA is not given the office order other than one correspondence exchanged between the Secretary, Ministry of Finance and the Secretary, Cabinet Secretariat. Therefore, the number of project vehicles i.e.55 taken into account at the time of audit stands correct. The rationality for procurement of 5 import vehicles through the project during the freezing period was neither provided nor situations explained. The Ministry of Finance by not allowing the agencies to procure imported vehicles again during the FY 2004-2005 had put all civil servants, public and auditors into a confusing situation no matter what objectives are being pursued. Further, it revealed from the response of the Ministry that there is urgent need to improve its management as charity begins at home.

3. Value for Money Audit of Personnel Actions

The Royal Audit Authority had carried out the audit of Personnel Actions such as Promotions, Out-of-turn promotions, training etc to assess the fairness and transparency in the system. However, the Royal Civil Service Commission, the guardian of all the civil servants for the reasons best known to them did not provide access to the records to the audit for fair assessment. All observations reflected in the reports are the results of cooperation rendered by line ministries and agencies.

3.1 Promotion

The Bhutan Civil Service Rules and Regulations 2002 Chapter 16, the promotion policy clause states “*the promotion rules and regulations shall facilitate selection and placement of the best suited candidate based on merit to carry out the responsibilities of a higher position and safeguard against disparities in granting promotion*”. But the Meritorious Promotion rule No. 9 shall be applied if a civil servant fulfils the rules & regulations of the Meritorious Promotion.

On scrutiny of the Service Books of the Civil Servants and other related documents of various ministries and agencies for the last five years (i.e. 1.6.1998 –30.6.2003), it was noticed that various ministries and agencies had granted normal promotions to 3,123 employees and meritorious promotions to 179 employees.

3.2 Meritorious Promotions

As per the Bhutan Civil Service Rules and Regulations, the Meritorious Promotion rule No. 9 states, “civil servants may be considered for faster promotion relaxing the minimum required

experience prescribed under the rule No. 4 when he has proven potential to assume the responsibilities of a higher position, when”:

- i. *his past performance has been consistently outstanding;*
- ii. *exceptional act or service in the interest of the public contributing economy, efficiency, or other improvement in the government operations performance; and*
- iii. *meets the promotion criteria prescribed under clause No. 3.*

On examinations of the information and records provided by various ministries and agencies revealed that 179 civil servants were granted meritorious promotion as under:

Table 1.7 showing agencies which had granted meritorious promotions.

Sl. No	Name of Ministry	No. of Case	Period
1.	Ministry of Agriculture	51	1998-2003
2.	Ministry of Finance	14	1998-2003
3.	Ministry of Trade and Industry	12	1998-2003
4.	Ministry of Health	27	1998-2003
5.	Ministry of Education	18	1998-2003
6.	Ministry of Works and Human Settlement	19	1998-2003
7.	Ministry of Information & Communications	17	1998-2003
8.	Ministry of Labour and Human Resources	3	1998-2003
9.	Ministry of Foreign Affairs	3	1998-2003
10.	Ministry of Home and Cultural Affairs	12	1998-2003
11.	Royal Audit Authority	2	1998-2003
12.	National Finance Service	1	1998-2003
	Total	179	

Note: based on the records of the Ministry concerned

It was, however, noted that records including account of meritorious/outstanding performance of the civil servants were not available with the ministries/agencies.

In the absence of such records of meritorious acts performed by each individual with the concerned ministries and agencies, it was not possible to confirm that the meritorious promotions granted were just, fair and free from nepotism and red-tapism.

Few of the ministries who responded to the reports are summarized as under:

Auditee’s response:

In response to the draft audit report, the Ministry of Labour and Human Resources stated that the RCSC has prematurely promoted the officials and had submitted copies of recommendation letters for premature promotions.

The Ministry of Health clarified that the candidates for meritorious promotions are screened through several administrative layers starting from the proponents to the Departments, the Promotion Committee and the Ministry. Further, consultation between the Ministry and RCSC is done before such promotions are finally reviewed and granted by the Royal Civil Service Commission. Therefore, there is a system in place that provides checks and balances and ensures that meritorious promotions granted were just, fair and free from nepotism and red-tapism.

RAA’s comments:

The Ministry of Health despite having advised had not made available the details of outstanding accomplishments of officials to justify the meritorious promotions granted.

3.3 Appointments to higher posts

The table below shows the relevant Cadre, Grade and Designation under the Administrative Cadre of the Civil Service Rules and Regulations.

Table 1.8 showing relevant cadre, grade and designation under Administrative Cadre.

Sl. No.	Grade	Cadre	Designation
1.	1	AC	Secretary
2.	2	AC	Joint Secretary
3.	3	AC	Director
4.	4	AC	Joint Director/Deputy Secretary
5.	5	AC	Deputy Director
6.	6	AC	Under Secretary
7.	7	AC	Assistant Director

On the contrary, it was noticed that the Ministries and Departments have appointed officials of lower grade to hold the post of Directors and Joint Directors. A few instances noted were as under:

Table 1.9 showing instances of lower grade officials appointed to hold the post of higher grades.

Ministry of Agriculture					
Sl No.	Name	Grade	Employee ID No.	Position Held	Department
1.	Thuji Tshering	5	9111030	Joint Director	Secretariat
2.	Dorji Wangchuk,	4	8103046	Director	Secretariat
Ministry of Foreign Affairs					
1.	Daw Penjo	4	8003024	Director	Bilateral Division
Ministry of Education					
1.	Chador Wangdi	5	7906001	Joint Director	Program Division
2.	Karma L. Dorji	5	9106044	Joint Director	School Planning & Building Division
3.	Rinzin Namgyel Dorji	6	9108109	Joint Director	Teacher Development Division
4.	Tshering Dolkar	6	9012007	Joint Director	Career Education & Counselling Division
Ministry of Finance					
1.	Sangay Zam	4	8304028	Director	Department of Revenue and Customs
2.	Nim Dorji	5	8801019	Director	Sustainable Development Secretariat
Ministry of Labour and Human Resources					
1.	Tshering Tobgay	5	9201056	Director	Department of Human Resources
2.	Sangay Dorjee	5	8901005	Director	Bhutan Vocational Qualification Authority
Ministry of Trade & Industry					
1.	Sonam P. Wangdi,	5	8709026	Dy. Secretary	Secretariat
2.	Chimmy Pem	5	8801007	Joint Director	Department of Tourism
3.	Kunzang Norbu	5	8607074	Joint Director	Department of Tourism
Ministry of Health					
1.	Rinchen Dorji	7	7703020	Joint Director	Drugs, Vaccines & Equipment Division.
2.	Sonam Dorji Wangdi	5	9102019	Joint Director	Quality Assurance & Standardise Division.
3.	Dr. Sonam Ugyen	5	9106025	Joint Director	Information & Communication Bureau
4.	Dorji wangchuk	4	7601026	Director	National Institute of Traditional Medicines
5.	Dr. Chencho Dorji	5	8908045	Director	Royal Institute of Health Sciences

The placement of lower grade officials at the higher posts is not in line with administrative cadre prescribed under the Bhutan Civil Service Rules and Regulations. Besides, their appointments to the higher post imply certain privileges that are not available to their respective grades. Such practices may jeopardise the transparency, fairness across Civil Service and may demoralise other senior, eligible and more deserving civil servants in other organisation whose cases are kept in abeyance for want of vacancies.

If such services demand for such posts, the concerned ministries and departments must put up requisition to the Royal Civil Service Commission for Inter-ministerial transfers involving mainly administrative positions first. Only if no candidate suitable is available opportunity must be given to lower grades.

Though all the ministries have been provided with the copies of the report only the Ministry of Health had responded as summarized below:

The Ministry of Health clarified that the civil servants from lower grades were appointed to the higher posts in consultation with the RCSC during the restructure exercises to fill up the posts approved as per the restructure. This has happened mainly due to the shortage of civil servants with appropriate grades in the Ministry or overall government pool to fill in the vacant/created posts. The situation is not only relevant to Health but also government in general; and this will be automatically rectified over a period of time.

RAA's Comments:

There is no record showing that the Ministry had referred the matter to the Royal Civil Service Commission to fill up the vacant posts. Besides, it appeared that RCSC had not made any effort or had failed to uphold the principle of equal opportunity and consideration of all eligible officers across the Civil Service. The consequent of which there are posts without appropriate candidates and persons meriting promotions without vacancies.

3.4 Appointment of Officiating Directors

The Ministry of Labour and Human Resources had appointed several officials as Officiating Directors for unspecified duration who were in grade 5 as under:

Table 1.10 showing instances of lower grade officials being appointed as Officiating Directors.

Sl. No	Name	Designation	Emp. ID No.	Gr.	Cadre	Division	Appt. Order/ Order No. & Date	Office
1	Sangay Dorji	Offtg. Director	8901005	5	TC-10	Bhutan Vocational Qualification Authority.	RCSC/MIS-4/2004/ dated 16/01/2004	3307
2	Karma Tshering	Offtg. Director	8709033	5	TC-10	Department of Employment.	RCSC/MIS-4/2004/ dated 16/01/2004	3307
3	Tshering Tobgay	Offtg. Director	9201056	5	SC-5	Department of Human Resources	RCSC/MIS-4/2004/ dated 16/01/2004	3307

As per the Royal Civil Service Rules and Regulations, the Directors' grade should be in Grade III (AC-15). However, the Ministry of Labour and Human Resources had 3 officiating Directors whose grades are below their designations.

It is unfair and depriving of opportunities of those deserving & eligible candidates of the country. Such system would encourage the nepotism and favouritism.

The appointment to officiate on a long term basis does not cover in the Bhutan Civil Service Rules and Regulations. Usually officers are appointed to officiate for a short duration pending appointments decisions or when the incumbents are out of station.

Ministry's response:

The Ministry of Labour and Human Resources (MoLHR) stated that the Royal Civil Service Commission had appointed three officiating directors since they had been heading the respective organisations as head of the organisations before establishment of MoLHR. The officiating directors were appointed with the view to retain those experienced officials.

RAA's Comments:

Such practice lacked transparency, fairness and deprived opportunities of other deserving & eligible candidates within the country. Such a practice is fraught with evidence of nepotism and favouritism. It also deprived more deserving candidates the opportunity to rise or rewarded.

3.5 Training

The Bhutan Civil Service Rules and Regulations 2002, deal with two types of training:

- In-country Training (BCSRR Chapter 11); and
- In-service Training Abroad (BCSRR Chapter 12).

For the purpose of the study of Personnel Action Audit, the Royal Audit Authority has focused on the In-service Trainings.

3.5.1 Government Policy

The In-service training policy shall facilitate appropriate training and development of human resource so that employees become optimally useful to fulfil the requirement for educated human resource of the country towards attaining the national goal of self-reliance, enhance the efficiency capability and quality of existing personnel.

As per the training rules and regulations the term training shall apply to:

- a. Formal university degree courses at the postgraduate level;
- b. Institutional courses (attachments, certificate and diploma courses); and
- c. Study tours, workshops, and seminars outside the country.

3.5.2 Frequency of training

Review of the training undergone by various officials and staff from different ministries and agencies revealed that some individuals had availed number of training, workshops, seminars and study tour maximum up to eleven times within the period of five years (1998 to 2003) as summarized in the table 1.11:

Table 1.11 showing agencies which had high frequency of training opportunities for officials.

Sl. No.	Name of Ministry	Highest frequency Case	Period
1.	Ministry of Agriculture	6 times	1998-2003
2.	Ministry of Trade and Industry	11 times	1998-2003
3.	Ministry of Health	9 times	1998-2003
4.	Ministry of Education	10 times	1998-2003
5.	Ministry of Labour and Human Resources	6 times	1998-2003

Note: *The term trainings included university and institutional courses, study tours, seminars and workshops.*

Though a copy of the reports has been provided, no ministries and agencies had responded.

RAA's Comments

The Royal Audit Authority is of the opinion that every civil servant should have access to equal opportunities for professional development. The above indicate that there is a need to prescribe maximum limit or minimum interval between the trainings even for short durations so that training opportunities are fair and just. A frequency of eleven times of trainings in five years indicates on an average of more than 2 trainings a year which appears quite high.

4. Performance Audit of Rural Water Supply Scheme in Haa Dzongkhag

The Royal Audit Authority had conducted the Performance Audit of Rural Water Supply Schemes (RWSS) under Dzongkhag Administration, Haa for the period from 01-07-2001 to 30-06-2004 which had a total budget of Nu. 237.900 million. Such audit was conducted to ascertain the procedures and benefits accruing to the rural communities under the scheme. The RAA had examined the procedures and practices of implementation.

The objective of the audit was to ascertain that the water supply schemes were executed as per the plan, the water supply had benefited the community and the water source had been identified in the right place and provided safe drinking water.

In the overall scenario achievement of new schemes are commendable.

Findings:

Of the numerous findings included non-implementation of some rehabilitation schemes thereby depriving the beneficiaries of the benefits. As per the survey guidebook issued by the Public Health Engineering Division, the normal survey is required to be carried out during the lean season of the year but on the contrary the survey was conducted during the monsoon season. This is evidenced from the project information sheet. It was further made worse by survey team selecting the wrong source of water supply.

The PHE, Division had developed a non-standard drawing for rural water supply during April 2002 and RWSS Project Standardization Manual to be used as guide in the construction. Although there is provision for sedimentation tank in the manual under reference but no such tanks were found constructed in most of the schemes.

As per WHO Guidelines Bacteriological testing should be carried out either in Dzongkhag hospital or nearest BHU laboratories. However, the Dzongkhag Administration, Haa had not maintained any record to suggest evidence of bacteriological testing.

The audit team visited water supply projects and found no caretakers were appointed except in one project only. This probably had resulted intake tanks filled with sand and leaves thereby blocking the outflow of water. Some of the intake tanks had developed cracks and leakages.

Tap stand without water, non-execution of maintenance works, in-adequate water yield from the source, provision of internal house water facilities in deviation to the scheme, provision of excess and shortage of tap stands, non provision of facilities to some of the houses etc were some other problems detected by the audit team.

Auditee's Response:

The Dzongkhag stated that during the seasons for survey the three technical personnel comprising of one Junior Engineer, one mason and a plumber have to be engaged in the

construction of the already approved project and in the process, the surveys are always delayed. It further stated that the surveys would have been done during the right seasons if the manpower strength were improved.

The Dzongkhag submitted that in almost all the schemes, the provision of settling tank was overlooked at the time of survey and therefore not included in design & estimates. However, it had assured that it would incorporate in future schemes.

With regard to non-testing of water, the Dzongkhag stated that since water testing kits have been brought recently, the documents could not be produced to audit. However, now the training was also given recently, the Dzongkhag is now on track in performing tests henceforth.

The Dzongkhag stated that caretakers were appointed but they had gone for resettlement under Samtse Dzongkhag. However, it stated that almost 95% of the caretakers are functional.

As for the lack of maintenance, it stated that the Dzongkhag is totally relying on the committee formed at the village level to look after the RWS schemes after it is handed over to the beneficiaries. However, those maintenance works which cannot be carried out at the village could be referred to the Dzongkhag. However, the maintenance by the Dzongkhag is subject to the availability of the manpower.

The Dzongkhag stated that the excess or shortage of number of tap stands were either due to the materials for taps which were not constructed were issued to other people who are need of it upon approval of the competent authority or disputes among the family members which had led to have separate tap stands at their own expenses.

RAA's comments:

The Dzongkhag should ensure that the survey is carried out at appropriate season. Bacterial testing as per WHO Guidelines must be carried out to ensure that the water is fit for human consumption. Auditors during the site visit had found no caretakers except one in Balamna, therefore, the statement that almost 95% of the caretakers are functional needed further fact finding exercise.

5. Value for Money Audit on the Procurement System of Drugs and Non-drugs by the Ministry of Health

The Performance Audit on the Procurement System of Drugs and non-drugs were conducted with a view to ascertain the adequacy of the present internal check and balance system relating to procurement, ascertain the accountability and responsibility amongst the dealing officials, ascertain as to whether procurement has been undertaken economically and efficiently and finally to recommend improvements in the procurement systems wherever possible.

5.1 Comparative analysis of drugs and non-drugs procured on the basis of CIF Phuntsholing with that of CIF Thimphu-likely savings of Nu.3.168 million

Comparative analysis of drugs and non-drugs procured on the basis of CIF Phuntsholing with that of CIF Thimphu was conducted to study the cheaper means of procurement to the government. In order to do this items purchased CIF Phuntsholing were added with over head cost incurred by the Medical Supply Depot, Phuntsholing. An analysis revealed that procurements if made CIF Thimphu would have been cheaper by Nu.3.168 million for the Financial Years under review.

5.2 Loss of Nu.0.920 million due to payment of different rates for similar items

The Drugs, Vaccine and Equipment Division had procured medical equipment from two different suppliers at different rates although the items were of same standard and in the same financial year. The government as a consequence had incurred avoidable expenditure of Nu.0.920 million.

5.3 Other findings:

In addition to the above two significant findings numerous other irregularities were observed which included high frequency of movement of pool vehicles, purchased non-drug items lying idle, procurement of expired drugs valuing over Nu.1.218 million in three financial years, late delivery of drugs and uneconomical maintaining of government fleet of trucks.

Auditee's Response:

The management stated that while there are advantages in shifting MSD to DVED, there are also other factors that impede shifting of MSD to the DVED. It stated that a brief study was done in 1999-2000 with regard to this but it revealed hardly any cost difference. However, detailed discussions were carried out but decision to shift to Thimphu was put on hold till date.

With regard to the payment of different rates for the same items, it stated that though it serves the same purpose, there are certain features that differ from each other such as degree of automation and sophistication. It stated such decisions are made by the Tender Selection Committee formed in consultation with the Department and the Ministry.

As to the audit observation on frequent movement of pool vehicles, the management stated that since the nature of supplies being special, delivery of supplies has to overrule other requirements. It has further substantiated with numerous reasons leading to high frequency of movement of the pool vehicles. With regard to the expired drugs, it submitted that accurate quantification cannot be made due to various reasons such as emerging diseases, change in morbidity patterns, change of prescribers, prescribing trend, up gradation of health facilities etc. It reasoned that since medical supplies are life saving in nature, it is better that some of these are kept in excess rather than compromising on the patient's life.

RAA's Comments:

For the procurement of the drugs and non-drugs, it is recommended that the procurement be based on the CIF, Thimphu which is cheaper than CIF, Phuentsholing. The detailed Material Requirement Planning should be prepared while floating the tenders as a remedial measure to avoid avoidable expenditures in future. Further, the Ministry must institute sound inventory management system for economizing the use of drugs and vehicles.

Chapter IV Ministry of Home & Cultural Affairs

The Royal Audit Authority during the year had issued 21 inspection reports of agencies under the Ministry of Home & Cultural Affairs. The following officials headed the Ministry and departments under it during the year 2004:

Sl.No.	Name	Designation
1.	Lyonpo Jigmi Y Thinley	Minister
2.	Dasho Penden Wangchuk	Secretary
3.	Dasho Tshering Wangda	Joint Secretary, Law & Order
4.	Dasho Sonam Tenzin	Director General, Immigration & Census
5.	Nob Tshering	Deputy Secretary, Administration & Finance Division.

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

Table 1.12 showing the summary of observations by category code and amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding advance	52.158	73.66	1
2.	Blockage of Government Funds.	2.797	3.95	7
3.	Irregularities in award of contract, tendering and procurement	2.751	3.88	7
4.	Excess/ over/ double payment	2.661	3.76	6
5.	Irregular/ Inadmissible/ doubtful payment	2.363	3.33	8
6.	Avoidable & unfruitful expenditure	2.309	3.26	5
7.	Non levy of liquidated damages	2.009	2.84	11
8.	False certification of bills	1.433	2.02	12
9.	Shortage/ Non accountal of cash	0.995	1.41	10
10.	Outstanding revenue	0.308	0.43	2
11.	Non collection of cost of land	0.210	0.30	2
12.	Non/Less deduction of house rent	0.166	0.24	13
13.	Misappropriation of funds	0.157	0.22	9
14.	Non deposit of revenue	0.127	0.18	2
15.	Non accountal of stock	0.110	0.16	14
16.	Outstanding cost of books	0.098	0.14	1
17.	Irregularities in cashbook	0.075	0.11	10
18.	Non levy of penal interest	0.078	0.11	11
	Total	70.805	100.00	

Major findings:

1. Avoidable/unfruitful expenditure-Nu.2.309 million

Some of the Dzongkhags under the Ministry of Home & Cultural Affairs had incurred avoidable/ unfruitful expenditure as shown in the table below:

Table 1.13 showing agencies that made avoidable/ unfruitful expenditure.

Sl. No	Dzongkhags	Amount (Nu. Million)
1.	Dzongkhag Administration, Sarpang	2.197
		0.031
2.	Dzongkhag Administration, Bumthang.	0.081
	Total	2.309

A. The work for construction of 26 additional blocks of Relief Camp in Gelephu was awarded to the contractors on work order basis on December 8th, 2003 with the instruction to complete the works by December 31, 2003. The Ministry had conveyed the instruction to immediately stop the construction. A scrutiny of progress report of the work indicated completion of only one third of the work when the instruction was received on 5/1/04 but the Dzongkhag Administration continued with the construction without giving any regard to the

instruction. Had the work been stopped as desired by higher authorities the government would have saved Nu.2.197 million.

Auditee's response: The response of the Dzongkhag Administration is reproduced below “As per the Royal Command received towards the end of October 2003, the Dzongkhag Administration was to construct as many as possible. To expedite the construction work, construction contracts for 26 blocks have been awarded to different contractors while the ongoing 20 blocks had been taken up departmentally. By December 2003 when emergency came into effect (The flush out military operation against the Assam and Bengal militants began on the 15th December, 2003) most of the constructions works were already completed or in most cases the major structural works were complete. Hence, the work already being initiated and almost completed could not be stopped as desired by the Ministry of Home and Culture Affairs whose instruction was received on the 31st December, 2003. Stopping work at that particular juncture would have resulted in spoiling the materials already put in the raised structure as they would become exposed to weather. This matter was intimated to the Ministry of Home and Culture Affairs and accordingly the Ministry instructed to continue the construction to the completion. Instructions were also received to take proper care of the structures completed and the leftover materials.”

Who is accountable?: The reply furnished is not tenable since Pemagatshel Dzongkhag also received similar message on the same day and complied with immediately. The Ministry's instruction to continue construction till completion was not made available to audit. The work was completed and handed over only at the end of February 2004. Therefore, Sonam Dawa, Dzongdag, Dzongkhag Administration, Sarpang is held directly accountable for this huge lapse.

B. The Dzongkhag Administration, Sarpang had purchased 191 Cubic Metre of firewood separately valuing Nu. 0.031 million for the Relief Camp. On verification of the record, it was noticed that there were 240 Cubic Metre of waste and cut-offs which could be used as firewood in the relief camp. As such, the purchase of firewood was a wasteful expenditure.

Auditee's response: The Dzongkhag Administration, Sarpang stated that 191 cu.m of firewood worth Nu. 0.031 million had actually been procured in addition to the timber sawn to minimize the expenditure on firewood.

Who is accountable?: Till the firewood is disposed and amount realized and deposited in to Audit Recoveries Account, Sonam Dawa, Dzongda is held accountable.

C. The Dzongkhag Administration, Bumthang had awarded the work of Construction of solid waste disposal pit at Kukurbithang and Construction of 3 Footpaths to M/s Phuntsho Norlam Construction at the quoted rate of Nu. 2.690 million being the lowest bidder. The contractor initially started the work with construction of approach road to waste disposal pit site and the progress of work was approximately 40% when the Dzongkhag Administration asked the contractor to stop the work based on the public complaint received during the 59th DYT meeting, resulting into avoidable expenditure of Nu. 0.081 million. It was not understood as to why such problem was not addressed earlier since the project engineer in his note-sheet to

Dzongdag for finalization of the site had also indicated that the people were reluctant about the proposed site.

Auditee's response: *The Dzongkhag Administration, Bumthang stated that after identifying the Kukurbithang site, the agreement was drawn with the public of Jalikhar involving gups to start the construction. However, it was only during the 59th DYT meeting that the Administration became aware that the proposed site was the religious place. Further, upon the Command of His Majesty not to take up the development activities in that area, the construction was said to be stopped.*

Who is accountable?: *The Dzongkhag Administration should have foreseen the problem prior to taking up the construction and saved the unnecessary expenditure. As such the Dzongdag is held accountable for the above lapse.*

2. False certification of bills- Nu. 1.433 million

Of the various works awarded on tender the following works were either certified/verified as 100% or 40% complete. But the site verification as conducted jointly by audit team and representatives from the Dzongkhag Administration, Haa revealed other wise thus giving strong indication of collusion between verifying officer (Site Engineers) and the contractors.

Sl. No	Name of Contractors	Work summary	Contract value (Nu. Million)	Remarks
1.	M/s Ugyen Construction, Haa	Construction of retaining Wall at Sheyгада Lhakhang	0.217	Certified as 100% complete but only 40% was completed on verification
2.	M/s Panjor Construction, Haa	Construction of Sangbeykha Gup's Office	1.151	As against the actual completed value of Nu.0.075 million, certified Nu.0.292 million as the value completed
3.	M/s T.P Construction, Haa	Construction of Toilet & Septic tank at Katsho Geog	0.065	Certified as 100% complete but only up to septic tank level was completed on verification.

Auditee's response: *The Dzongkhag Administration, Haa had accepted the audit findings and requested the RAA that such lapses will not be repeated in future.*

Who is accountable?: *M.B. Mongar, Dzongkhag Engineer and I.B. Rai, Site Engineer are held accountable for the lapses. Administrative action taken on them for false verification is awaited in audit.*

3. Excess/over/double payment - Nu.2.661 million

Various Dzongkhags had made payments amounting to Nu. 2.661 million in excess of what was actually admissible. Dzongkhags responsible for making such payments and amount actually paid are as given in the table 1.14:

Table 1.14 showing the agencies which had made excess payments.

Sl. No	Dzongkhag	Amount (Nu. Million)
1.	Dzongkhag Administration, Haa	1.154
2.	Dzongkhag Administration, Sarpang	0.214
		0.393
		0.041

3.	Dzongkhag Administration, Wangduephodrang	0.069
4.	Dzongkhag Administration, Thimphu	0.022
5.	Dzongkhag Administration, Monggar	0.049
6.	Dzongkhag Administration, Zhemgang	0.029
7.	Paro Taktshang Renovation Project	0.107
		0.170
8.	Dzongkhag Administration, Trashiyangtse	0.229
		0.184
Total		2.661

A. M/s Jabab Construction who was awarded the construction work of 4.6 KM farm road at Nobgang-Langpa, Haa was paid excess amount of Nu.1.154 million for works not actually carried out. The payment included Nu.0.613 million for rock stated to have blasted, however joint site verification revealed that the blasting was found not carried out.

Auditee's response: *The RAA was informed that the contractor had deposited the amount paid for rock blasting into Audit Recoveries Account. The blockage of mule track of length 215m had been cleared by the contractor. The boulders which were rolled down to the public land had been collected by the contractor. The contractor was asked to do the bioengineering as soon as the weather favours.*

Who is accountable?: *Until whole of the issue is resolved satisfactorily M.B.Mongar, Dzongkhag Engineer, Haa is held accountable for the lapses.*

B. M/s Kencho Tshering Construction Company who was awarded the contract work for construction of Science Laboratory and Library at Sarpang Middle Secondary School was paid excess amount of Nu.0.214 million for works not executed.

Auditee's response: *The RAA was informed that the measurements in the RA bills in the initial stage have not been made accurately which resulted in excess payment. However, while making the final payments of the bills, the deduction was made with the total amount in the final bill.*

Who is accountable?: *Justification is not tenable as the total quantities of work executed in the running bills must not exceed the quantity of work reflected in the final bill for any works. Therefore excess amount paid should be recovered and the responsibility to do so shall fall on Chhophel Dorji, Assistant Engineer, Dzongkhag Administration, Sarpang.*

C. It was observed that the wages for the labourers engaged in the construction of the Relief Camp at Lekithang were paid at higher rate than the rate specified in the Chathrim of the Ministry of Home & Cultural Affairs, resulting in excess payment of Nu. 0.393 million.

Auditee's response: *The administration submitted that the non Bhutanese skilled labours were paid as high as skilled Bhutanese workers as they had to be engaged to ensure quick completion of the work.*

Who is accountable?: *The administration should produce documentary evidence that commensurate with the Chathrim of the Ministry of Home & cultural Affairs failing which the amount should be recovered and deposited into Audit Recoveries Account. The accountability is fixed on Sonam Dawa, Dzongdag.*

D. Timbers for the construction of Relief Camp at Lekithang purchased from FDCL were paid in excess by Nu. 0.041 million.

Auditee's response: *The Dzongkhag Administration, Sarpang stated that the amount charged for the timber supplied by the FDCL and the initial advance released to them by the Dzongkhag has been due to additional timber required for the construction and that the balance payment of Nu. 0.04 million shall be made in favor of the FDCL and same shall be intimated to the RAA.*

Who is accountable?: *Till the amount is deposited into Audit Recoveries Account, Sonam Dawa, Dzongdag and Pasang Dorji, Dzongkhag Engineer are held accountable.*

E. The Dzongkhag Administration, Wangduephodrang had made the excess payment of Nu. 0.069 million on account of transportation charges of stationeries and WFP items from Taksha chu (road point) to Taksha Lower Secondary School. This was due to entertaining porter charges for two days as against one day specified by the Dzongkhag Administration, Wangduephodrang.

Auditee's response: *The administration submitted that they had allowed two days' porter charges in view of the conditions of the mule track during the monsoon season. It further stated that in the absence of any transit store at the road point, the rations had to be transported immediately to avoid damages.*

Who is accountable?: *Till the amount deposited into Audit Recoveries Account, Tshering Dorji, Head Teacher, Tasha Primary School and Namgay Tshering, Dzongkhag Education Officer are held accountable.*

F. The Dzongkhag Administration, Thimphu had awarded the work of development of Assembly ground at Changangkha Junior High School to M/s Tshering Wangchuk Construction. The work was completed within the stipulated time and the payments of Nu. 0.450 million were made. However, during joint physical verification revealed that the work done was 196 metre against the payments made for 227.76 metre resulting into excess payment of Nu. 0.022 million to the contractor.

Auditee's response: *The Dzongkhag Administration submitted that during the joint verification, the drainage work which was reconstructed after dismantling the existing ones were not taken into consideration. It stated that in the latest verification conducted with the contractor was found to be correct.*

Who is accountable?: *Reply is not tenable. The amount must be deposited into Audit Recoveries Account, for which Sonam Penjor, Junior Engineer is held accountable.*

G. The Dzongkhag Administration, Mongar had made double payment of salary amounting to Nu. 0.049 million to the supporting staff of different schools under the Dzongkhag.

Auditee's response: *The Administration assured that the amount would be recovered and remitted to RAA.*

Who is accountable?: *Till the amount is deposited into Audit Recoveries Account, Ugyen Tshering, Finance Officer is held accountable.*

H. The Dzongkhag Administration, Zhemgang had made the excess payment of Nu. 0.029 million on account of claims of personnel effects. The officials in grade 9 and below were paid for 4 MT to 8 MT and the officials in grade 8 to 4 were paid for 8 MT to 12 MT in contravention of the government circular.

Auditee's response: *The administration stated that the recovery is under process and would deposit the amount into Audit Recoveries Account.*

Who is accountable?: *Until such time the amount is deposited into Audit Recoveries Account, Sangay Thinlay, Dzongdag and the officials concerned are held accountable.*

I. Taktshang Reconstruction Project purchased Bhutanese paints worth Nu. 0.581 million from M/s Sonam Trophel Hardware. While conducting physical verification of the paints it was noticed that the net weight marked on the packets were varying from 100 grams to 450 grams and some from 1 kilogram to 2 kilograms. The quantity actually received was less than the quantity actually paid for resulting into excess payment of Nu. 0.107 million.

Auditee's response: *The supplier upon being informed of the matter had supplied some paints and utilized for the painting of Guest Houses, Security House and Chorten Lhakhang.*

Who is accountable?: *The reply is not tenable. The excess payment made to the supplier should be deposited into the Audit Recoveries Account, for which the accountability shall be fixed on Kinley Gyeltshen, Engineer and Lhatu, Store in Charge.*

J. The contract for 1st class traditional painting for the Taktshang Monastery was awarded to M/s Phurba Painting, Thimphu. The contractor billed the total amount of Nu. 0.176 million, exactly the contract value and accordingly made the payment. The detailed measurement was verified by Karma Wangchuk, the then Project Engineer.

The contractor had again claimed bills supported by measurement sheet prepared by him amounting to Nu.0.223 million. This claim addressed to Dasho Dzongda was made two months after the initial bill payment on the ground that the government engineer while measuring the work done had not considered the height of the room and outer portion thus reducing the value of the work done. Karma Wangchuk verified the claims and remarked that some portion would be entertained.

Later Kinley Gyeltshen, new Project Engineer who replaced Karma Wangchuk submitted a note sheet to Dzongdag. Based on the approval accorded by Dzongdag and Project Manager payment of Nu.0.223 million was made which included those items stated to be inadmissible by former project engineer. This resulted into an excess payment of Nu. 0.170 million.

Auditee's response: *Appropriate response awaited.*

Who is accountable?: *The excess payment should be recovered and deposited into the Audit Recoveries Account, and the accountability to do so is fixed on the Project Engineer, Kinley Gyeltshen.*

K. The Dzongkhag Administration, Trashiyangtse had awarded the construction of Additional Guest House to M/s Tandin Construction, Trashiyangtse. The excess payment of Nu. 0.229 million was made on account of the earth work in excavation and providing and fixing 15 lt white vitreous china low level cistern as noted during joint site verification.

Auditee's response: *The Administration stated that the area earmarked/ allotted for the construction was in Bush and thick jungles and that the terrain was not gentle and uniformly sloped. It further stated that although the quantity of excavation earth has exceeded the BoQ quantity by 167.9 cum, the total bill payment made to the contractor was within the BoQ amount, against the technically sanctioned amount.*

Who is accountable?: *Till the cost difference is deposited into Audit Recoveries Account, the Dzongkhag Engineer and Dzongdag are held accountable.*

L. The Dzongkhag Administration, Trashiyangtse had made excess payment of Nu. 0.184 million on account of carrying charges of personnel effects and head load transportation charges to various officials/staff.

Auditee's response: *The administration submitted that the concerned sector heads were intimated to deposit the amount into Audit Recoveries Account.*

Who is accountable?: *The excess payment should be deposited into the Audit Recoveries Account, and the accountability to do so is fixed on the Dzongkhag Finance Officer and Dzongdag.*

4. Outstanding advances - Nu. 52.158 million

Verification of the Memorandum Register of the various Dzongkhag Administrations revealed huge outstanding advances as detailed in the table 1.15.

Table 1.15 showing agencies wise amount of outstanding advances.

Sl. No	Name of Dzongkhags	Amount (Nu. Million)	Remarks
1.	Dzongkhag Administration, Sarpang	11.811	
2.	Dzongkhag Administration, Trongsa	0.316	
3.	Dzongkhag Administration, Wangduephodrang	0.789	Contract advances
4.	Dzongkhag Administration, Thimphu	2.677	
5.	Dzongkhag Administration, Tsirang	1.467	
6.	Dzongkhag Administration, Mongar	3.019	
7.	Dzongkhag Administration, Zhemgang	1.781	
8.	Dzongkhag Administration, Lhuentse	1.145	
9.	Dzongkhag Administration, Bumthang	10.768	
10.	Dzongkhag Administration, Punakha	0.326	
11.	National Commission for Cultural Affairs	2.365	
12.	MoH&CA, Secretariat	10.272	
13.	Paro Takshang Renovation Project	0.056	
14.	Dzongkhag Administration, Samdrupjongkhar	4.343	
15.	Dzongkhag Administration, Trashiyangtse	0.173	
16.	Dzongkhag Administration, Pemagatshel	0.192	
17.	Dzongkhag Administration, Trashigang	0.658	
	Total	52.158	

Auditee's response: *While some Dzongkhag did not respond some assured to try its best to adjust the same and review the cases with the RAA. Some requested the RAA to understand and appreciate the difficulty of not being able to comply with the rules by the agencies in the field.*

Who is accountable?: *All Dzongkhag Finance Officers, Drawing & Disbursing Officers and Dzongdags of respective Dzongkhags Administration are held accountable to deposit into Audit Recoveries Account with commercial interest of 16% p.a.*

5. Non-levy of liquidated damages – Nu. 2.009 million

Some of the Dzongkhags have not imposed the liquidated damages amounting to Nu. 2.009 million in violation of the terms and conditions stipulated in the contract agreements. Such instances are as shown below in the table 1.16:

Table 1.16 showing the agencies which had not levied liquidated damages.

Sl. No.	Dzongkhags	Amount (Nu. Million)
1.	Dzongkhag Administration, Sarpang	1.444
2.	Dzongkhag Administration, Gasa	0.278
4.	Dzongkhag Administration, Thimphu	0.021
		0.074
		0.031
5.	Paro Taktshang Renovation Project	0.032
6.	Dzongkhag Administration, Bumthang	0.107
7.	Dzongkhag Administration, Trongsa	0.022
	Total	2.009

Auditee's response: *While some of the Dzongkhags Administration have provided with justifications and assured to take actions, some are yet to respond on this issue.*

Who is accountable?: *All Dzongkhag Finance Officers, Drawing & Disbursing Officers and Dzongdags of respective Dzongkhags Administration are held accountable to deposit into Audit Recoveries Account with commercial interest of 16% p.a.*

6. Irregular/ inadmissible/ doubtful payment - Nu 2.363 million

Various Dzongkhags had made irregular and inadmissible payment to various individuals and third parties amounting to Nu. 2.363 million as briefly shown in the table below:

Table 1.17 showing agencies that had made irregular payments.

Sl. No.	Dzongkhag	Amount (Nu. Million)
1.	Dzongkhag Administration, Sarpang	0.057
3.	Dzongkhag Administration, Thimphu	0.048
		0.041
		0.055
4.	Dzongkhag Administration, Tsirang	0.024
		0.076
5.	Dzongkhag Administration, Bumthang	0.395
		0.120
6.	Secretariat, MoHCA	0.207
7.	Dzongkhag Administration, Trongsa	0.061
8.	MoHCA,	0.068
9.	Paro Taktshang Reconstruction Project	0.089
10.	Dzongkhag Administration, Lhuentse	1.094
11.	Dzongkhag Administration, Trashiyangtse	0.028
	Total	2.363

A. The Bhutan Civil Service Rules and Regulations clearly stipulated that a civil servant on transfer can claim carriage charge of personal effects for the minimum capacity prescribed by the Road Safety & Transport Authority for various type of vehicle as per the entitlement. However, on examination of the payment of carriage charges for the officials and staff of the Dzongkhag Administration, Sarpang and Hospital Administration, Gelephu revealed that the carriage charges amounting to Nu.0.024 million and Nu.0.033 million respectively were either paid in excess by taking the maximum carriage limit or above the monetary ceiling prescribed by the Royal Civil Service Commission.

Auditee's response: *The Dzongkhag Administration, Sarpang had accepted the audit findings and stated that the same amount would be recovered from the concerned individual and deposited into Audit Recoveries Account.*

Who is accountable?: *Meera Chhetri, Assistant Administrative Officer and the concerned officials are held accountable to deposit with commercial interest of 16% p. into Audit Recoveries Account.*

B. The Dzongkhag Administration, Thimphu had made an inadmissible payment of Nu. 0.048 million towards porter/pony charges in contravention to the entitlements prior to the revision of BCSR in 2002. It was evident from the fact that the officials in grade 12 & below were paid porter/ pony charges which they were not entitled and officials in grade 8 were paid porter charges for two as against the actual entitlement of one porter. Further, porter/ pony for the wife and children of the officials transferred were also entertained in contravention to the rules.

Auditee's response: *The Dzongkhag Administration stated that the officials were informed and the finance section will initiate recovery from the individuals.*

Who is accountable?: *The amount should be deposited into Audit Recoveries Account. The accountability to effect recovery and to deposit into Audit Recoveries Account is fixed on D.K Rai, Finance Officer.*

C. On cross verification of the TA/DA payments made with the attendance registers, it was found that the Thimphu Dzongkhag had made an inadmissible TA/DA payment of Nu. 0.041 million to various officials. It was observed that in most of the instances, the TA/DA claims were entertained for the days when the officials were in the office. Besides, the attendance registers were also not neatly maintained and monitored.

Auditee's response: *The Dzongkhag Administration stated that the observations were distributed to the concerned officials and their justifications were submitted to audit. It assured that upon further instruction of the RAA, finance section would initiate the recovery and deposit into Audit Recoveries Account.*

Who is accountable?: *Until such time the amount is deposited into Audit Recoveries Account with commercial interest of 16% p.a, the accountability is fixed on D.K Rai, Finance Officer.*

D. Dzongkhag Administration, Thimphu had paid the residential telephone bills amounting to Nu. 0.055 million which was not admissible as per rules.

Auditee's response: *The Dzongkhag Administration stated that the official calls made from the residence shall be paid upon submission of the reimbursement claims duly approved by the approving authority and that the rental charges would be recovered and deposited into Audit Recoveries Account.*

Who is accountable?: *Till the amount paid for unofficial calls are deposited into Audit Recoveries Account, D.K Rai, Finance Officer is held accountable.*

E. The officials and the staff of the Dzongkhag Administration, Tsirang were paid scooter mileage amounting to Nu. 0.024 million which was not admissible as per BCSR 2002.

Auditee's response: *The Administration stated that the officials were informed and the amount would be recovered and deposited into Audit Recoveries Account.*

Who is accountable?: *Until such time the amount is deposited into Audit Recoveries Account, Lhendup Wangchu, Dzongdag and Rudra Mani Dhimal, Finance Officer are held accountable.*

F. The officials of Dzongkhag Administration, Tsirang were paid daily allowance amounting to Nu. 0.076 million for the tours performed within the location of 10 KM which was not admissible as per the rules.

Auditee's response: *The Administration stated that the officials were informed and the amount would be recovered and deposited into Audit Recoveries Account.*

Who is accountable?: *Until such time the amount is deposited into Audit Recoveries Account, Lhendup Wangchu, Dzongdag and Rudra Mani Dhimal, Finance Officer are held accountable.*

G. The Dzongkhag Administration, Bumthang had paid Nu. 0.395 million to Sangay Wangchug, Dzongrab towards the expenditure incurred for the construction of Public Wangkhag at Kurje. However, it was observed that the payment was made based on the hand written statement, which was not supported by bill or cash memos. As such the expenditure could not be accepted in audit.

Auditee's response: *The Administration submitted that the bills were kept with Dzongrab to make payment to the parties.*

Who is accountable?: *The bills with supporting documents must be produced for verification. The accountability is fixed on Sangay Wangchug, Dzongrab.*

H. The Dzongkhag Administration, Bumthang had awarded the work of construction of six unit classroom to M/s Jigme Lhendup Construction at the quoted amount of Nu. 1.933 million. The contractor was paid an amount of Nu. 0.120 million for the works not carried out as verified by the audit.

Auditee's response: *The Dzongkhag Administration submitted that the lapses had occurred due to lack of strict supervision in the absence of the concerned person. However, the administration had assured that the contractor would be asked to execute the work for which the payments were made.*

Who is accountable?: *The amount as agreed should be deposited into Audit Recoveries Account with commercial interest of 16% p.a and for which the accountability is fixed on Tempa Gyeltshen, Dzongkhag Engineer.*

I. The Ministry of Home and Cultural Affairs had sent two officials to Mussorie, India for Indian Administrative Service Course under the Colombo plan. During field trips they were paid 60% DSA by the Ministry which is neither in line with the RGoB rules nor the Colombo Plan. No approval was granted from the RCSC and the DBA and the Ministry had paid on understanding basis from the overall saving without approval from the government. The payment was based on the RCSC circular No. RCSC/PA-13/99/08 dated 18/11/99 which was approved during the 145th Commission Meeting under NEX Program.

The payments made are detailed below:

Sl. No.	Name of Official	Amount (Nu. Million)
1	Sonam P Thaye, Asstt. Personnel Officer	0.114
2	Karma Jamtsho, Adm. Officer	0.093
	Total	0.207

Auditee's response: *The RCSC and the Department of Budget and Accounts, Ministry of Finance have been requested to endorse the DSA payment for the tour during their trainings in India considering the importance of the training.*

Who is accountable?: *The accountability to produce the circular under reference or approval from the competent authority is fixed on Sonam P. Thayee, Assistant Personnel Officer, Karma Jamtsho, Administrative Officer & the disbursing officer.*

J. The Dzongkhag Administration, Trongsa had made the Muster Roll payment of Nu. 0.061 million for the construction of Out Reach Clinic at Nabji. However, it was noticed that the Muster Roll was not supported by the labourer's thumb impressions/ signatures.

Auditee's response: *The administration stated that it has sought explanation from the Site Supervisor and the District Health Supervisory Officer and had found that payments made were authentic. It also stated that the supporting documents stamped with the thumb impression of the labourers were attached for reference.*

Who is accountable?: *Until such time the explanation of the site in-charge and the District Health Supervisory Officer are produced for verification, site in-charge and the Dzongkhag Health Supervisory Officer are jointly held accountable.*

K. A sum of Nu. 0.090 million and Nu. 0.044 million were paid to Dorji Norbu, Census Assistant and Dupchu Dorji, Registration Officer respectively for conducting the census in Haa Dzongkhag. While comparing the TA bills of Chamba Dorji, Team Leader, and Rinchen, census enumerator along with the TA bill of Dorji Norbu and Dupchu Dorji, the start date and the end dates were not tallying though they were in the same team from the beginning to end of the census. Therefore, the porter/pony charges amounting to Nu. 0.040 million paid to Dorji Norbu and Nu. 0.028 million paid to Dupchu Dorji is inadmissible.

Auditee's response: *Dorji Norbu and Drubchu Dorji have submitted the following justifications for their TA/DA claims:*

The variations of the TA/DA claims with those of census officials from Haa were because their TA/DA for certain places fell under non-admissible areas of the Dzongkhag and didn't necessarily mean the end of the census in the dzongkhag until 20/3/2003. This is further supported by the relieving order No. DAH/ADM-25/2003/4333 dated 21/5/2003 of Haa Dzongkhag, where Mr. Dupchu Norbu had been relieved from the Dzongkhag w.e.f 21/05/2005 and instructed to report to the Ministry.

Although, the Census Guidelines restricted to conduct the census beyond geog centers, the team had to conduct the census village wise upon the genuine request of the community leaders and the public for the convenience of the farmers who had to walk from far-flung areas to the geog center in the cold winter season.

The National Census 2002 to 2003 also required thorough verification of all people without leaving any true Bhutanese un-registered and the non-Bhutanese claiming as genuine Bhutanese, the movement from one village to another was therefore necessitated to have more coverage.

Who is accountable?: *The reply is not tenable. Therefore, an inadmissible payment made must be deposited into Audit Recoveries Account and the responsibility to do so is fixed on Finance Officer, Dupchu Dorji and Dorji Norbu.*

L. Samdrup, Carpenter Gr. 4 at Paro Taktshang Reconstruction Project was paid Nu. 0.089 million. Scrutiny of Pay bills/Muster Roll vis-à-vis attendance register revealed he was actually not at site from January 2003 to June 2004.

Auditee's response: *As per the instructions of the Project Manager, he was not provided with any attendants or a driver for his office pool vehicle. As such Mr. Samdrup was engaged by the Project Manager to help him during the odd hours of working.*

Who is accountable?: *The reply is not acceptable. The amount should be deposited into Audit Recoveries Account for which the accountability would be fixed on Kinley Gyeltshen, Project Engineer.*

M. The Dzongkhag Administration, Lhuentse had made the payments amounting to Nu. 1.094 million without the signature and the seal of the head of the Finance Section.

Auditee's response: *The Dzongkhag Administration, Lhuentse stated that the reply would be furnished to RAA only after Tempa Gyeltshen, Finance Officer returns from training in India.*

Who is accountable?: *Till the justifications are received in audit for further verification, the accountability is fixed on Nima Wangdi, Dzongdag and Tempa Gyeltshen, Finance officer.*

N. The Dzongkhag Administration, Trashiyangtse had made the payment of Nu. 0.028 million on account of salaries to two apprentice teachers. The payment was done till December 2001 while the services of the apprentice teachers was availed only up to May 2001 resulting into irregular payment for 7 months.

Auditee's response: *The Administration submitted that this had happened due to negligence of the dealing officials and that the request is made to the accounts section to effect deduction from the salary of Dorji Pasang, Principal, Trashiyangtse MSS.*

Who is accountable?: *Till the amount with commercial interest of 16% p.a is deposited into Audit Recoveries Account, Dorji Pasang, Principal is held accountable.*

7. Shortage/ Non accountal of cash in hand - Nu. 0.995 million

A. An examination of the records of the resettlement account maintained by the Dzongkhag Administration, Sarpang for the Financial Year 2001 to 2003 revealed cash balances of Nu.0.883 million. Neither the cash balances were produced physically for verification nor was the expenditure to that extent incurred during that year.

Auditee's response: *Appropriate action from the Dzongkhag awaited in audit.*

Who is accountable?: *Tshering Dorji, UDC is held accountable to deposit the shortage of cash in hand into Audit Recoveries Account and Dzongdag to initiate administrative action on him.*

B. Dzongkhag Administration, Pemagatshel had not made available for verification the cash amounting to Nu. 0.112 million which was withdrawn from Geog Account towards the end of the financial year.

Auditee's response: *Response awaited.*

Who is accountable?: *Till the amount is deposited into Audit Recoveries Account, Dorji Ngedup, Accountant, Sonam Penjor, Officiating AFO and Jamba Tsheten, Dzongrab are held accountable.*

8. Irregularities in Cash Book - Nu. 0.075 million

The closing bank balance as per the cash book of RAPA, NCCA on 30/06/01 was Nu. 0.463 million whereas as per the bank statement the balance was Nu. 0.388 million resulting in a difference of Nu. 0.075 million. The balance is still being carried forward and no action has been taken against the defaulter.

Auditee's response: *NCCA submitted that the Para has been intimated to the Principal, RAPA.*

Who is accountable?: *The amount should be deposited into the Audit Recoveries Account. The accountability is fixed on Thinley Jamtsho, Principal.*

9. Outstanding cost of books - Nu. 0.098 million

The National Museum, Paro had Nu. 0.098 million lying outstanding against M/s KMT press on account of sale of Colloquium books.

Auditee's response: *The National Museum submitted that the note sheet have been put up to the Hon'ble Minister, Ministry of Finance for approval and once it is granted, the amount would be recovered and deposited into SBA account.*

Who is accountable?: *The outstanding advance should be deposited into the Audit Recoveries Account. The accountability is fixed on Dorji Namgyal, Curator and Gem Tshering, Conservator.*

10. Blockage of government fund - Nu. 2.797 million

A. Department of Culture had procured additional 217537 pieces of Bhutanese papers despite having a stock balance of 2,18,300 pieces valuing Nu. 1.201 million.

Auditee's response: *The Project Management stated that once the site inspections of the Bhutanese Papers are done the RAA would be intimated.*

Who is accountable?: *The accountability is fixed on the Procurement Committee of Taktshang Renovation Project for their extravagance and lack of concern for financial propriety. A utilization plan must be made available to the RAA.*

B. 582 pieces of copper sheets each weighing 14.5 kgs @ Nu. 187.5 per kg was purchased for embossing, making serthogs and statues. Out of which 324 pieces were issued to Druk Bronze Casting unit, Thimphu leaving a balance of 258 sheets valuing Nu. 0.701 million, resulting into blockade of government fund.

Auditee's response: *It was responded that the excess copper sheets were purchased as per the instruction of Dasho Tensoi Lapon, to renovate other lhakhangs nearby Taktsang Pelphug such as Zangtorgpelri, Ugyen Tsimu and Zimchusarpo. During the reconstruction of these lhakhangs the copper sheets would be utilized and RAA intimated.*

Who is accountable?: *The accountability is fixed on Procurement Committee of Taktshang Renovation Project for not exercising any common sense and procuring for projects which were not part of the current project.*

C. The Dzongkhag Administration, Thimphu had the budget provision of Nu. 0.895 million for Fire Security Systems for the Tango and Chary Monasteries for the financial year 2001-02. It was found that the work was not implemented due to the reason that the equipment was not readily available in the market. However, the same budget amount was shown as advance to the Dzongkhag Engineer. The equipment was purchased during the financial year 2002-03 but during the physical verification it revealed that till the date of audit the system was not installed. As such, pending execution of the work had resulted into blockade of funds which otherwise would have been diverted to other significant purposes.

Auditee's response: *The Dzongkhag Administration submitted that the delay in execution of the work was caused due to non-availability of equipments in the local market and the people specialized for the job. It further stated that in the absence of focal person in taking up the religious matters, the works have to be initiated by the officials who are already assigned with the planned activities.*

Who is accountable?: *The job requiring specialized knowledge should be well planned before time. The accountability for the above lapse is fixed on Dasho Sherub Gyeltshen, Dzongdag.*

11. Non collection of cost of land - Nu. 0.210 million

It was noted that the Bhutan Post, Trongsa was allotted land measuring 14,771 sq. ft at the Trongsa municipal area. The cost of the land amounting to Nu. 0.210 million was not realized from the Bhutan Post.

Auditee's response: *The administration stated that the replies furnished by the Bhutan Post are further furnished to RAA for necessary action.*

Who is accountable?: *The amount must be deposited into Audit Recoveries Account and the accountability to do so is fixed on Sonam Gyeltshen, Asstt. Finance Officer and Dzongdag.*

12. Non levy of penal interest- Nu. 0.078 million

The Gups under Dzongkhag Administration, Wangduephodrang, had collected and deposited an amount of Nu. 0.537 million to the Revenue Section in January 2004 towards the collection of Rural House Insurance for the year 2004. However, it was found out that the revenue sections of the Dzongkhag had neither issued revenue receipt against the deposits made by the Gups nor accounted for in the cash book till September 2004 thereby delaying almost by 8 months. As such the penal interest of 24% for eight months amounting to Nu. 0.078 million needs to be levied on the official concerned.

Auditee's response: *The Dzongkhag Administration, Wangduephodrang had reiterated the justifications given by the Gups that the delay was caused due to increased work load of the Gups after decentralization of power, absence of the people in the villages during the times of collections and notification of RICB to deposit the life insurance latest by March.*

Who is accountable?: *Till the amount of penal interest is deposited into Audit Recoveries Account, the accountability is fixed on Ugyen Rinzin of the Revenue Section of the Dzongkhag. It shall carry additional commercial interest of 16 %.*

13. Non deposit of revenue - Nu. 0.127 million

A. On verification of the Revenue collections and deposits for the two financial years 2002-03 and 2003-04 of the Dzongkhag Administration, Tsirang, it was observed that Gyeltshen, Revenue in-charge had not deposited the revenue amounting to Nu. 0.039 million into Revenue Account. Besides, the above recoverable amount, he is also liable to pay penal interest for the late deposit.

Auditee's response: *The administration stated that after adjustment of the excess deposit made and the penal interest accrued thereon, only the amount of Nu. 0.066 million is recoverable.*

Who is accountable?: *The original documents in support of the deposits should be produced for verification. The amount should be deposited into Audit Recoveries Account. Till then, the accountability is fixed on Gyeltshen, Revenue in-charge. Administrative and legal action as appropriate be taken on him and intimated to the RAA.*

B. The Dzongkhag Administration, Pemagatshel had procured 298.05 m³ of firewood out of which 68.55m³ were issued and the balance were disposed off to schools for Nu. 0.088 million. However, the amount was not collected and deposited.

Auditee's response: *The Dzongkhag Administration, Pemagatshel assured that the amount would be recovered and deposited into Audit Recoveries Account.*

Who is accountable?: *Dzongdag is held accountable for depositing the amount.*

14. Non/ Less deduction of house rent - Nu. 0.166 million

A. The officials and the staff of various sector of the Dzongkhag Administration, Tsirang who have been occupying the Government quarter were paying the house rent of 20% instead of 30% of their basic pay resulting into short deduction of Nu. 0.135 million.

Auditee's response: *The administration admitted to the short deduction of rent. It stated that the officials are informed and the recovery would be effected and deposited into Audit Recoveries Account.*

Who is accountable?: *Until such time the amount with penal interest of 24% p.a is deposited into Audit Recoveries Account, Lhendup Wangchu, Dzongdag and the concerned officials are held accountable.*

B. It was also noticed from the House Rent Collection register of the Dzongkhag Administration, Tsirang had not deducted the rent amounting to Nu. 0.031 million from the officials for occupying the government quarters.

Auditee's response: *The administration stated that the office is in the process of collecting the rent and would inform the RAA of its outcome.*

Who is accountable?: *Until such time the amount with penal interest of 24% p.a is deposited into Audit Recoveries Account, Lhendup Wangchu, Dzongdag and the concerned officials are held accountable.*

15. Non accountal of stock - Nu. 0.110 million

A. The Damphu Lower Secondary School under Dzongkhag Administration, Tsirang had not accounted the stock amounting to Nu. 0.088 million in the stock register of the school.

Auditee's response: *Response awaited.*

Who is accountable?: *Till the stocks are accounted for and the RAA intimated, the accountability is fixed on Tashi Penjor, Head Teacher.*

B. The Dzongkhag Administration, Wangduephodrang had supplied 21'' Sony TV costing Nu. 0.022 million to Gaselo Lower Secondary School but on physical verification it was found replaced by the Phillips TV which is unserviceable.

Auditee's response: *The Administration submitted that the reminder was issued to Mr. Jima Dorji, Head Teacher, Gunitsawa Primary School, Paro to deposit the amount.*

Who is accountable?: *The cost of the 21'' Sony TV of Nu. 0.022 million needs to be deposited into Audit Recoveries Account, besides taking administrative action for replacing with unserviceable Phillips TV.*

16. Outstanding revenue - Nu. 0.308 million

A. The Dzongkhag Administration, Mongar had not collected the amount of Nu. 0.325 million on account of municipal taxes. The collection was over due since 1999.

Auditee's response: *The Administration submitted that out of the total amount collectible, Nu. 0.207 had been collected and remitted to the RAA and the balance would be recovered and deposited into Audit Recoveries Account.*

Who is accountable?: *Till the balance of Nu. 0.266 million with commercial interest of 16% is deposited into Audit Recoveries Account, Dzongdag will be held accountable.*

B. The Dzongkhag Administration, Samdrup Jongkhar had not collected Municipal Tax amounting to Nu. 0.042 million from the various plot owners.

Auditee's response: *The Dzongkhag Administration, Samdrup Jongkhar had submitted that the outstanding taxes will be collected with penalty if not deposited on time.*

Who is accountable?: *Until the amount with penal interest is deposited into Audit Recoveries Account the former Dzongdag and the Dzongkhag Engineer will be held accountable.*

17. Irregularities in award of contract, tendering and procurement - Nu. 2.751 million

Various Dzongkhags have not adhered to the Procurement Rules and the Financial Rules and Regulations during the award of contract, tendering and procurement. Such irregularities have burdened the government exchequer to the tune of Nu. 2.751 million as shown in the table below:

Table 1.18 showing the agencies which had overlooked the tender formalities.

Sl. No.	Agency	Amount (Nu. Million)
1.	Paro Taktshang Reconstruction Project	1.732
2.	Dzongkhag Administration, Wangduephodrang	0.134
3.	Punakha Dzong Renovation	0.885
	Total	2.751

A. As per the approval of the procurement committee, the Secretary, Department of Culture procured 400 tolas of gold (dangser) worth Nu. 3.535 million for the Taktshang Reconstruction Project. 204 tolas of gold was issued by the Headquarter to the TRP, thereby leaving a balance of (400-204) 196 tolas of gold. The site in charge stated that the balance quantity amounting to Nu. 1.732 million was with Dasho Tensoi Lapon. The balance amount of gold was physically verified. This indicates that the purchase was not done in the most judicious and prudent manner.

Auditee's response: *Appropriate response awaited.*

Who is accountable?: *RAA to be appraised of the usage of the balance amount of gold worth Nu. 1.732 million at the earliest. The accountability is fixed on the Procurement Committee.*

B. The Dzongkhag Administration, Wangduephodrang had awarded the work of construction of Forest Office cum Residence at Kamichu to M/s Lhaden Construction at the tendered amount of Nu. 0.780 million. However, the work was not awarded to M/s K& T Construction which had quoted Nu. 0.646 million, thereby resulting into extra financial burden of Nu. 0.134 million to the government.

Auditee's response: *The administration stated that in order to maintain the quality of the structure and that M/s Lhaden Construction had good reputation with the Dzongkhag, the tender committee members had decided to award the work to M/s Lhaden Construction instead of the lowest bidder. It further stated that the Dzongkhag administration had obtained budget clearance from Ministry of Finance for the cost exceeded.*

Who is accountable?: *Awarding of work merely on subjective criteria is not a sufficient condition. The cost too, should have been considered in evaluation of the tender. Ugyen D. Shartsho, Officiating Dzongdag and Kinga Dorji, Dzongkhag Engineer are held accountable for favoring a certain party.*

C. It was noticed that the tender committee for the Punakha Dzong Renovation Project had accepted the bidding document in which the unit of some of the items were not in accordance with Bhutan Schedule of Rates. As per the BSR, the length of wires and conduit exceeding 10 m are taken as an excess length and are measured in running meters owing to the huge difference in cost. However, for Punakha Dzong re-electrification, all wiring length exceeding 10m are referred as "Extra Long Point" and was paid in point system amounting to Nu. 0.885 million.

Auditee's response: *The management submitted that the prices fixed for the items not included in the BOQ were based on the market rate of Thimphu. Further, it stated that it was fixed in consultation with representative from the DUDH, Ministry of Works and Human Settlement.*

In their response to the Draft Annual Audit Report "It is acknowledged that all wiring length exceeding 10 metres have been taken as extra long points and payments made on point basis. In fact the reference rate is based on technical sanction issued by erstwhile Department of Power. The rates used for estimating amount in the technical sanction were derived from BSR-2000 (Electrical), based at Phuntsholing with a provision for Punakha cost index. The rates paid were based on the rates quoted by the Contractor and therefore, tender committee did not fix any

price.

Further, as already submitted the payment on point basis did save the national exchequer a sum of approximately Nu.50,000.00.

In view of above, since the rates paid to the contractor have not increased, and since the increase in scope of works could not be avoided, we would like to request that the memo be kindly dropped and very importantly the internal electrification of the Dzong has been professionally and successfully implemented taking into accounts various aspects of safety, reliability, durability and minimum impact on traditional and historic architecture of the Dzong”.

Who is accountable?: *Until such time the physical verification is conducted to ascertain the accuracy of the payment made the accountability is fixed on Dasho Pema Wangchuk, Nob Tshering, Tashi Dargay, Aku Dorji, Yeshi Rangrik Dorji, Tashi Dorji and Karma P. Dorji.*

18. Misappropriation of funds - Nu. 0.157 million

A. The accountant of the Dzongkhag Administration, Pemagatshel had misappropriated the amount of Nu. 0.055 million by preparing false bills. The pay bills of the Gedrungs were prepared prior to their appointments and the amount withdrawn in their names was misused by the accountant.

Auditee’s response: *Response awaited.*

Who is accountable?: *The amount should be deposited into audit recoveries account with 16% commercial interest besides taking administrative action against the defaulter. Until such time, Dorji Ngedup, accountant, Tenzin Jamtsho, AFO and Jamba Tsheten, Dzongrab are held accountable.*

B. Further, the amount of Nu. 0.046 million had been misused by preparing false bills. The Dzongkhag Administration, Pemagatshel had organized song and joke competition in collaboration with Mila Communication. The Mila Communication had written to Dzongdag that the Dzongkhag Administration would meet the expenditure of Nu. 0.033 million. However notwithstanding this, the administration had reimbursed Nu. 0.079 million to Lupon Yeshi Jurmey of Pemagatshel Middle Secondary School, a focal person appointed by the DDC. Further, an effort had been made to meet some of the beneficiaries of the payment and the written statements have been obtained. As evident from the statements made some of the beneficiaries had not received full amount as shown and some have not received the payment at all.

Auditee’s response: *The administration had stated that it has informed Samtse Dzongkhag Administration for the recovery.*

Who is accountable?: *Till the amount is deposited into Audit Recoveries Account, Lupon Yeshi Jurmi, Sonam Penjor, Officiating AFO and Jamba Tsheten, Dzongrab are held accountable.*

C. Similarly, the amount of Nu. 0.056 million was also misused by preparing double disbursement vouchers pertaining to the TA claims of the teaching staff by the accountant of Dzongkhag Administration, Pemagatshel.

Auditee’s response: *Response awaited.*

Who is accountable?: *Till the amount is deposited into Audit Recoveries Account, Dorji Ngedup, accountant, Kinga Dorji, Officiating AFO and Jamba Tsheten Dzongrab are held accountable.*

Chapter V Ministry of Agriculture

The Royal Audit Authority during the year had issued 30 inspection reports of agencies under the Ministry of Agriculture. The following officials headed the Ministry of Agriculture and its Departments under it during the year 2004.

Sl. No	Name of Office bearers	Designation
1.	Lyonpo Sangay Ngedup	Minister
2.	Dasho Sangay Thinley	Secretary
3.	Dasho Dawa Tshering	Director General, Department of Forestry Services
4.	Sherub Gyeltshen	Director, Department of Agriculture
5.	Tenzin Dhondup	Director, DALs
6.	Dr. Pema Chhophel	Director, CORE
7.	Sonam Wangdi	Deputy Secretary, Administration & Finance Division

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

Table 1.19 showing the observations with category code and amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding advance	5.769	81.12	1
2.	Inadmissible/Irregular Payment	0.477	6.71	8
3.	Non-collection of hire charges	0.272	3.83	2
4.	Non deposit of sale proceeds	0.234	3.29	10
5.	Irregular write-off of outstanding advance	0.220	3.09	1
6.	Misappropriation of Funds	0.060	0.84	9
7.	Short deposit of cash	0.050	0.70	10
8.	Excess/ over payment	0.030	0.42	6
9.	Irregularities in allotment of staff quarter	0.000	0.00	16
	Total	7.112	100.00	

Major findings:

1. Inadmissible /irregular payment – Nu. 0.477 million

Various agencies under the Ministry of Agriculture had made irregular payments amounting to Nu. 0.477 million as shown in the table below:

Table 1.20 showing the agencies which had made irregular payments.

Sl. No.	Agency	Amount (Nu. Million)
1.	Quality Control & Regulatory Service	0.080
2.	National Biodiversity Centre, Serbithang	0.070
3.	Bomdeling Wildlife Sanctuary	0.327
	Total	0.477

A. On scrutiny of the payment vouchers of the Quality Control and Regulatory Services (QCRS) revealed that mileage for two wheelers were paid to the officials/staffs who did not own any vehicle. In some cases, TA/DA was paid when the tour was performed within the distance of less than 10 kms. In other instances porter charges were paid while on tour connected by motorable roads. The inadmissible payment amounted to Nu. 0.080 million.

Auditee's response: *The Secretariat submitted that the inadmissible payment of TA/DA claims and Mileage claims would be recovered from the concerned officials and the drawing and disbursing officers of QCRS had been requested to recover and deposit into the Audit Recoveries Account.*

Who is accountable?: *The responsibility to deposit it into Audit Recoveries Account with commercial interest of 16% p.a is fixed on Sonam Wangdi, Dy. Secretary, Head, AFD, Kinzang Wangmo, Finance Officer and Kinley Tenzin, Accountant.*

B. An advance of US \$9100.00 was granted by the Agro Bio-diversity Conservation Project under the National Bio-diversity Centre, Serbithang for study tour to Thailand, Philippines & Vietnam for the seven members of the Royal Advisory Councilors and three members from the Ministry of Agriculture. On verification of the bills it was noticed that an amount of US \$1520.00 was paid on account of the difference of DSA between Philippines and Vietnam for four days, the reason being that they could not visit Vietnam.

Auditee's response: *Response awaited.*

Who is accountable?: *The amount of Nu. 0.070 million should be deposited with commercial interest of 16% p.a. The accountability is fixed on Sonam Leki, SFO, Ministry of Agriculture, currently in RBE, Bangkok.*

C. The management of Bomdeling Wildlife Sanctuary had paid the cost of air ticket amounting to Nu. 0.327 million for three officials nominated for study tour to South Korea, Thailand and Philippines for the duration of 13 days. However, the expenditure pertained to the financial year 2001-02 which needs ex-post facto sanctions from the competent authority. Moreover, air tickets of the officials were not produced for processing the payment and the payment was done earlier than the date shown in the voucher as it is evident from the date reflected in the travel agents money receipt.

Auditee's response: *The management had submitted that this had happened due to the fact that the management of Bomdeling Wildlife sanctuary had several Construction activities in far-flung areas of the park and also that the budget release was not regular and often the balance fund remained unadjusted due to unsettlement of the bills from one funding agency to the other.*

Who is accountable?: *Until the relevant air tickets and regularization order are produced Tshewang Samten, Accountant and Chado Tshering, Former Park Manager will be held accountable.*

2. Excess/over payment – Nu. 0.030 million

The Bhutan German Sustainable RNR Development Project, Lobesa awarded the construction of Nahi Feeder Road, Phase-II to M/s Dawa Tshering construction at the quoted value of Nu. 6.874 million. Joint measurement by the audit team and the project officials revealed differences in quantity of work executed and the quantity claimed in the bills for providing and laying NP2 class RC pipes and HDPE pipes which resulted into excess payment of Nu. 0.030 million.

Auditee's response: *The Management submitted that the excess payment would be deducted from the security deposit money upon completion of defects liability period.*

Who is accountable?: *The excess payment should be deposited into the Audit Recoveries Account with commercial interest of 16% p.a. The accountability is fixed on Abilal Baskota, National Project Manager and Lal Bahadur Chhetri, Forester, GTZ Site Supervisor.*

3. Irregular write-off of outstanding advances - Nu 0.220 million

Outstanding advances of the Secretariat amounting to Nu 0.220 million was written-off by the Hon'ble Minister, Ministry of Agriculture. The details of the outstanding are as given in the table:

Sl. No.	Agency/Supplier/Contractor	Amount (Nu. Million)
1.	M/s BOD/Against Vehicles	0.060
2.	M/s STCBL (Thimphu& P/ling)	0.160
	Total	0.220

The write off should be processed only in event such amounts become irrecoverable after having exhausted all means of recovery. Besides, M/s BOD and M/s STCBL are doing sound and healthy business.

Auditee's response: *The Secretariat submitted that the old outstanding advances could not be recovered despite all its efforts so the matter was put up to the Ministry for approval for write- off.*

Who is accountable?: *The Ministry should justify the write- off by producing documentary evidence of having exhausted all measures of recovery. The accountability is fixed on Dasho Sangay Thinley, Secretary, MOA and Sonam Wangdi, Dy. Secretary, Head, AFD.*

4. Outstanding advances – Nu. 5.769 million

Some of the agencies under the Ministry of Agriculture had not adjusted the advance amounting to Nu. 5.769 million as shown in the table below:

Table 1.21 showing the agencies which had not adjusted the advances.

Sl. No.	Agency	Amount (Nu. Million)
1.	Secretariat, Ministry of Agriculture	0.113
2.	PPD & DRDS, MOA	0.021
4.	RVEC	0.120
6.	Department of Forest	0.030
7.	Agriculture Central Stores, Phuntsholing	1.395
8.	National Biodiversity Centre, Serbithang	0.195
9.	Department of Agriculture and Livestock Support Service	0.620
10.	National Artificial Insemination Programme & Semen Processing Centre, Wangchutaba	0.948
11.	Renewable Natural Resources Extension Support Project	1.200
12.	Department of Research & Development Service	0.388
13.	Divisional Forest Office, Bumthang	0.037
14.	Renewal Natural Resource Research Centre, Bumthang	0.142
15.	Central machinery Unit, Bumthang	0.314
16.	Central Machinery Unit, Bumthang	0.120
17.	Bomdeling Wildlife Sanctuary	0.105
18.	Land Use and Statistics Section	0.021
	Total	5.769

Auditee's response: *While some agencies stated that they are in the process of recovering the amount, some are yet to respond on this issue.*

Who is accountable?: *The outstanding advances should be liquidated/ adjusted at the earliest and intimated to RAA. The concerned Head of agencies, Drawing & Disbursing Officers and Finance Officers are accountable to recover and deposit into Audit Recoveries Account with commercial interest of 16% p.a on the overdue amount.*

5. Non- deposit of sale proceeds into revenue account - Nu 0.234 million

A. During the period 2001-2002, the Vaccine Production Section, Royal Veterinary Epidemiology Centre, Serbithang realized Nu. 0.210 million on account of sale of locally produced vaccines. However, it was observed that the amount was deposited into the Revolving Fund Account maintained by Ministry of Agriculture instead of depositing in the Revenue Account.

Auditee's response: *The RVEC has submitted that they have requested AFD, Ministry of Agriculture to refund the amount and after receipt of the said amount, it would be deposited into the Audit Recoveries Account.*

Who is accountable?: *The amount of Nu. 0.210 million to be deposited into the Audit Recoveries Account with commercial interest of 16% p.a. The accountability is fixed on Dr. Phuntsho Wangdi, Manager.*

B. On scrutiny of revenue receipts of various ranges offices under the Divisional Forest Office, Thimphu it revealed that an amount of Nu 0.024 million was not deposited into the Government Revenue Account by Rinzin Dorji, Deputy Ranger.

Auditee's response: *The office submitted that the amount would be recovered from the concerned individual and deposited into the Audit Recoveries Account.*

Who is accountable?: *The amount should be deposited with penal interest of 24% p.a into Audit Recoveries Account besides, ensuring prompt deposit of revenue in future. The accountability is fixed on Passang Wangchen Norbu, DFO till September 2003, Lobzang Dorji, DFO till date and Karma, Accountant.*

6. Short deposit of cash - Nu. 0.050 million

On reconciliation of the cash collected and deposited to the SBA of the revolving fund account of the Ministry of Agriculture, a short deposit of Nu. 0.050 million was noted.

Auditee's response: *A sum of Nu. 0.120 million had been recovered from Sangay Duba, Senior Accountant vide Non-revenue receipt no. 876694 dt 23/04/04 and deposited into the Medicine Revolving SBA/205/03/08/001(6097).*

Who is accountable?: *The short deposit of Nu. 0.050 million with commercial interest of 16% p.a be deposited into the Revolving Fund Account without further delay under intimation to RAA for which the accountability is fixed on Sonam Leki, SFO, currently in RBE, Bangkok.*

7. Irregularities in allotment of staff quarter

The Bhutan Forestry Institute, Taba had 12 government quarters of different class. It was found out that one Quarter- Class 1(A) was occupied by Dasho Sherub Gyeltshen, Thimphu Dzongdag, and Quarter – Class 1 (B) by Dr. Lungten Norbu, RNRRC, Yusipang. It was not understood why the quarters were allotted to the officials who didn't work for BFI. Another class III and IV quarters were lying vacant.

Auditee's response: *The Institute submitted that Dr. Lungten Norbu, RNRRC, Yusipang had occupied the quarter when he was the Head of Forest Research Division at Taba. In 1995 the office was shifted to Yusipang he continued to occupy the house with deduction of rent till June 2003. However, rent was not deducted after that for the reason that the measurement of carpet area would be informed to him by DNP or BFI. But the measurement was not*

done by BFI on the assumption that it would be done by RNRRC, Yusipang. BFI informed that it would now be done by them. Regarding the quarter occupied by Dasho Sherub Gyeltshen, it was submitted that the quarter given by the Hon'ble Lyonpo, MoA vide letter no. AFD/DFS/16/2002/3900 dt. 28/02/02 for period of two to three months but was not vacated till now. BFI has already intimated to the Department. It was informed that the two vacant quarters are already occupied.

Who is accountable?: *The house rent from Dr. Lungten Norbu should be deducted from July 2003 deposited into the Audit Recoveries Account. With regard to the quarter occupied by Dzongdag, the actions taken by the Department of Forestry Services to be intimated to RAA.*

8. Non-collection of hire charges- Nu. .0.272 million

The Central Machinery Unit, Bumthang has a sum of Nu. 0.272 million lying outstanding on account of hire of machinery for the year 2000.

Auditee's response: *The Unit submitted that the non-collection pertained to the hire charges of machinery by Dhendup Tshering, Bumthang. The management had made every effort to realize the amount and despite several reminders the case had been forwarded to the Royal Court of Justice, Bumthang.*

Who is accountable?: *Until such time the court verdict is intimated, the accountability to settle is fixed on Jambay Yonten, Officer in-charge.*

9. Misappropriation/ misuse of fund/ embezzlement - Nu. 0.060 million

The Integrated Community Development Program unit under Bomdeling Wildlife Sanctuary, Trashiyangtse had conducted various workshops and training for the people residing in the sanctuary incurring total expenditure of Nu. 0.220 million. However, scrutiny of the bills revealed that only Nu. 0.060 million were spent for the activities carried out and the balance of Nu. 0.160 million was claimed using false bills of which Nu. 0.100 million has already been deposited into Audit Recoveries Account.

Auditee's response: *The management stated that the expenditures were incurred for the intended purposes. The printed bills and the cash memos were printed in lieu of hand receipt which the management thought auditors would not accept. Further, it has been stated that in the absence of particular heads against such entertainment, they were being compelled to follow adjustment with faulty claims and booking.*

Who is accountable?: *Till the balance of Nu.0.060 million is deposited into Audit Recoveries Account, Tshewang Samten, DCA, Mr. Ugyen Tshering, Deputy Warden and Chado Tshering, Former Park Manager will be held accountable. The Ministry should take administrative action on all the defaulting officials.*

Chapter VI Ministry of Education

The Royal Audit Authority during the year had issued 3 inspection reports of agencies under the Ministry of Education. The following officials headed the Ministry and its Department under it during the year 2004:

SI No	Name of the Office bearers	Designation
1.	Lyonpo Thinley Gyamtsho	Minister, Ministry of Education
2.	Pema Thinley	Secretary, Ministry of Education
3.	Kinlay Dorji	Director, Department of Youth, Culture & Sports
4.	Tshewang Tandin	Director

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

Table 1.22 showing the summary of the observations by category code and the amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Irregular payment	0.236	59.00	8
2.	Non remittance of TDS	0.066	16.50	13
3.	Non deduction of TDS	0.061	15.25	13
4.	Late adjustment of advance	0.037	9.25	1
	Total	0.400	100.00	

Major findings:

1. Non deduction of TDS - Nu. 0.061 million

A. The Ministry of Education had not deducted 5% TDS from the house rent on account of the office building hired for School Planning & Building Division and flats occupied by the officials as residence during the year 2001 amounting to Nu. 0.024 million.

Auditee's response: *The Ministry submitted that as per the Income Tax Act of the Kingdom of Bhutan wherein it was mentioned that taxes shall be deducted at source with effect from 01.01.02 in the manner and rates prescribed in the notification no. DRC/TAX-TDS/2001-2043 date 26.11.01, TDS was not deducted.*

Who is accountable?: *The amount needs to be deposited into the Audit Recoveries Account with penalty of 24% p.a. Until such time the amount is deposited, the accountability is fixed on Tshewang Dorji, Assistant Finance Officer(AFO).*

B. The Ministry of Education had not deducted 2% TDS on cash purchases above Nu. 10,000 when conducting in-country trainings, meetings, workshops, etc. amounting to Nu. 0.037 million.

Auditee's response: *The Ministry submitted that as per the notification letter no. DRC/TAX-TDS/2001-2043 dated 26/11/01, 2% TDS was not deducted as it does not mention any specific amount or limit as to the cash purchases.*

Who is accountable?: *The amount needs to be deposited into the Audit Recoveries Account with penalty of 24% p.a. Until such time the amount deposited, the accountability is fixed on Tshewang Dorji, AFO.*

2. Late adjustment of advance - Nu. 0.037 million.

An advance of Nu. 0.177 million was given to Pema Wangdi, BBE on 16th July 2002 for the moderation Meeting for Classes 8 & 10 Examination Papers held from 16th July to 20th July

2002. However, it was noticed that the adjustments of Nu. 0.140 million was effected only on 30th June 2003 after a lapse of almost one financial year and leaving a balance of Nu. 0.037 million.

Auditee's response: *The Ministry submitted that after discussions with the BBE officials, the unspent money was retained as pool money to meet the TA/DA, emergency postage expenditures and others, since it was within the financial year.*

Who is accountable?: *Since it is highly irregular, the balance amount should be deposited into the Audit Recoveries Account with commercial interest of 16% p.a. Till it is deposited the accountability is fixed on Pema Wangdi, SSO.*

3. Irregular payment - Nu. 0.236 million

The Non Formal Education Division of the Department of Adult and Higher Education had conducted numerous trainings, meetings and workshops for the Non- Formal Instructors throughout the country. While reviewing the payments made to the catering services, it revealed that payments amounting to Nu. 0.236 million were made on hand receipts of computer printouts without original bills. Since payments were made without obtaining original bills, the genuineness of the bills could not be authenticated.

Auditee's response: *It was submitted that since the programmes were conducted in the Dzongkhags, there were no standard hotels with proper bill/receipts maintained. Therefore, the bills were prepared and printed by the coordinator. It was also submitted that the coordinators had confessed that payments made were genuine.*

Who is accountable?: *Since receipts were also not obtained from the hotels located in the urban towns like Phuentsholing and Paro, the justifications is not acceptable. The accountability is fixed on Chador Wangdi, Joint Director, Programme Division for the deposit of the amount into the Audit Recoveries Account.*

4. Non-remittance of TDS - Nu. 0.066 million

A sum of Nu. 0.066 million was recovered from various suppliers and contractors but was neither remitted to the Department of Revenue & Customs nor deposited into the Non-Revenue Account .

Auditee's response: *Response awaited.*

Who is accountable?: *The non-remittance of TDS should be deposited with penalty of 24% p.a into the Audit Recoveries Account. Sonam Dorji, Chief Accountant, is held responsible for the recovery and deposit of TDS.*

Chapter VII Ministry of Finance

The Royal Audit Authority during the year had issued 8 inspection reports of agencies under the Ministry of Finance. The following officials headed the Ministry and departments under it during the year 2004:

Sl.No	Name	Designation
1.	Lyonpo Wangdi Norbu	Minister
2.	Aum Yangki T Wangchuk	Secretary
3.	Nima Wangdi	Director General, Department of Aid & Debt Management
4.	Dasho Karma Dorji	Director General, Department of National Property
5.	Sonam Wangchuk	Director, Department of Budget & Accounts
6.	Aum Sangay Zam	Director, Department of Revenue & Customs
7.	Letho	Deputy Secretary, Administration & Finance Division

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

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

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding revenue	1.417	49.24	2
2.	Irregular/ Inadmissible Payment	0.750	26.06	8
3.	Outstanding advance	0.370	12.86	1
4.	Violation of laws, rules and regulations	0.258	8.96	16
5.	Payments for works not executed	0.083	2.88	12
	Total	2.878	100.00	

Major findings:

1. Outstanding advance – Nu. 0.370 million

A sum of Nu.0.370 million was lying outstanding against various government employees, departments and others as on 12th April, 2005.

Auditee's response: *The RAA was informed that most balances pertained to medical treatment to third countries and some construction works that were still ongoing.*

Who is accountable?: *Letho, Deputy Secretary, Administration & Finance Division and Finance Officer, Ministry of Finance are held accountable to deposit the amount into Audit Recoveries Account with commercial interest of 16% p.a.*

2. Irregular/inadmissible payment - Nu. 0.750 million

A. The Liaison and Transit Office, Kolkata was found making inadmissible payment of electricity charges of the flats occupied by the LTO officials and those by the Royal Body Guard personnel amounting to Nu.0.421 million. An appropriate response was yet to be received.

Auditee's response: *The Ministry submitted that the case will be reviewed and intimate the outcome.*

Who is accountable?: *Kezang Dorji, LTO is held accountable to follow-up the matter and intimates the outcome or deposit the amount with commercial interest of 16% p.a.*

B. The Liaison and Transit Office, Kolkata was found making inadmissible payment of residential telephone and call charges amounting to Nu.0.076 million. The Foreign Service Entitlement Rules does not provide for extension of such facilities.

Auditee's response:

The response of the LTO, Kolkata is reproduced below “*This office is entrusted with dual responsibilities of Transit Clearance of third country import goods and liaison duty. These duties require frequent interaction through telephone with all the agencies related to clearance of third country goods and liaison work, The agencies involved are mainly clearing Agents, Steamer Agents, Dock/Airport Authorities, Indian customs, Transporters and Airlines, Airport Customs so on for Liaison duty. Instruction/commands for liaison works are urgent ones and are received telephone and are required to communicate through telephone during the odd hours. The ISD and STD facility is provided to the residence of LTO only and besides these fixed lines, all officials possess mobile phones which are mainly used of clearance work and liaison work to cut down the over all cost. And phone bill for those mobile phones are being borne by the officials themselves*”

In view of the above justification the Ministry of Finance submitted that the Committee on Regularization had decided to write-off 50% of the local call charges and allow reimbursement for other official calls made upon proper verification.

Who is accountable?: *Zamtsho Tshering, Ex-LTO is held accountable till such time the up dated figures that stands recoverable are submitted to the RAA.*

C. M/s Kinley Construction was awarded the work of parquet flooring of Banquet Hall. In doing so it was found that 65.40% of the materials used were old ones. The resizing, trimming, smoothening charges of old materials, timbers and the materials and making charges of new parquet strips were paid by the DNP. Further, the timbers for making the new parquet strips were also issued by DNP and the contractor had made the payment of labour charges, cost of food served to labourers, cost of polish and fevicol. However, the contractor had claimed inclusive of old materials valuing Nu.0.253 million used from DNP and made the payment in full. This inadmissible payment stands recoverable.

Auditee's response:

“Under the pressure of time constraint, the department was compelled to complete the parquet flooring of the main hall by reusing old parquets and through engagement of department carpenters who were intended to gain experience in parquet flooring. The expenditure on account of labour and fooding was adjusted against contractor's bill. It may be noted that department's carpenters engaged in parquet flooring were not regular employees but they are all on muster roll paymen. On the advise of auditing team the contractor had been advised to refund Nu.0.253 million”.

Who is accountable?: *The responsibility to deposit the inadmissible payment with commercial interest of 16% p.a is fixed on Dasho Karma Dorji, Director General, Department of National Properties, and Ministry of Finance.*

3. Payment for works not executed - Nu. 0.083 million

M/s Kinley Construction who was awarded the work of parquet flooring of Banquet Hall was found paid Nu.0.083 million for works not executed. Though the contractor had not done the work, the payment to the contractor was made based on the approval granted by the Director General.

Auditee's response: *The parquet flooring of the corridor measuring 540 sft. was to be completed along with that of main hall. It was left undone due to time constraint followed by the dispute between DNP and the contractor over the engagement of Mr. Murthey-an expert in parquet flooring.*

Who is accountable?: *Dasho Karma Dorji, Director General, DNP (approving authority) is held accountable to deposit the amount with commercial interest of 16% p.a. into Audit Recoveries Account.*

4. Violation of laws, rules and regulations, procedures, policies - Nu. 0.258 million

To strengthen the capacity of the task force, the Monitoring & Evaluation Division of the Department of Planning proposed training for its members, who were duly approved by the Director, Department of Planning. Subsequently, the identity of the proposed nominees was submitted to the Royal Civil Service Commission. The RCSC however, revoked the candidature of Gaki Tshering, System Analyst, Ministry of Health and Kunzang Norbu, Project Coordinator, DoP. The former was under the probation period and the latter was to proceed on secondment to SNV, Thimphu. However, on scrutiny of the disbursement vouchers, the above two officials were sent for training to Thailand.

Auditee's response: *The Department submitted that they decided to send the officials for the training as they were important task force members and nominated by the respective Ministry/Agencies. They were sent based on the verbal instruction of the Head of HRD Section, RCSC. However, a few days after the departure of the members the letter revoking the nomination of the above two candidates were received from RCSC. It was also submitted that the department had written to RCSC for their clarifications and recommendations. The RCSC had informed the Ministry vide letter No. RCSC/HRD/16.00/2004/3853 dated 26.10.04 of the retrospective approval for the nomination of Kunzang Norbu as secondment is considered as active service with the Government. However, the case of Gaki Tshering has not been considered and the Department has written to the Ministry of Health.*

Who is accountable?: *The cost incurred on Gaki Tshering must be deposited into the Audit Recoveries Account with commercial interest of 16% p.a. The accountability is fixed on Dhenden Dhondup, Deputy Secretary and Gaki Tshering, System Analyst, Ministry of Health.*

5. Outstanding revenue - Nu. 1.417 million

The Regional Revenue & Customs Office, Thimphu had Nu.1.417 million as outstanding revenue against M/s Damcho Construction Company

Auditee's response: *The RAA was informed that the issue with M/s Damcho Construction is under appeal*

Who is accountable?: *The amount must be deposited with penal interest of 24% p.a into Audit Recoveries Account and the responsibility to do so is fixed on Karma Loday, Regional Director.*

Chapter VIII Ministry of Health

The Royal Audit Authority during the year had issued 6 inspection reports of agencies under the Ministry of Health. The following officials headed the Ministry and departments under it during the year 2004:

Sl No	Name of the Office bearers	Designation
1.	Lyonpo Dr. Jigme Singye	Minister
2.	Dr. Sangay Thinley	Secretary
3.	Dr. Gado Tshering	Director, Department of Health Services
4.	Dr. Dorji Wangchuk	Director,
5.	Dr. Tobgyal Wangchuk	Superintendent
6.	Nado Drukpa	Head, Administration & Finance Division

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

Table 1.24 showing the summary of the summary of the observations by category code and the amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding advance	4.725	96.82	1
2.	Excess payment	0.115	2.36	6
3.	Non deduction of TDS	0.040	0.82	13
	Total	4.880	100.00	

Major Findings:

1. Outstanding advances - Nu. 4.725 million

Various agencies under the Ministry of Health had in their books of accounts outstanding advances amounting to Nu. 4.725 million as detailed below.

Table 1.25 showing the agencies which had not adjusted the advances.

Sl.No.	Agency	Amount (Nu. Million)	Overdue advances (Nu. Million)	Remarks
1.	Department of Medical Services (I/A WHO Accounts)	3.800	3.280	Some advances dated back to 1991 & 1998
2.	UNFPA Project BHU/02/PO1	5.900	0.045	
3.	UNFPA Project BHU/02/PO4 & PO7	0.700	0.100	
4.	I/A UNICEF Accounts	1.500	1.300	
	Total	11.900	4.725	

Some of these amounts were lying outstanding against various officials, suppliers and contractors since 1991.

Auditee's response: *The Ministry submitted that since health activities are conducted in Dzongkhags, advances cannot be avoided and is trying its best to reduce old advances through the process of time barred approval. It was also submitted that new advances are not given without settling the previous advances.*

Who is accountable?: *The response is not acceptable. The balance should be adjusted or deposited into the Audit Recoveries Account with commercial interest of 16 % p.a. The accountability is fixed on Dr. Sangay Thinley, Secretary, Dr. Gado Tshering, Director, Bikash Thapa, DCFO, Thinley Wangdi, Head of AFD, Tshewang Tobgay, SFO and Tshewang Dorji, AFO.*

2. Excess payment - Nu. 0.115 million

Verification of the travelling claims revealed payment of Nu. 0.115 million to the Health officials from the I/A UNICEF accounts on account of DA, porter and pony charges beyond the number of days fixed by the Dzongkhags for attending workshops/seminars.

Auditee's response: *The Ministry submitted that the AFD would have further discussions with the programs/Division and intimate to RAA.*

Who is accountable?: *Since the health officials have not claimed as per the days fixed by the Dzongkhags, the amount of Nu 0.115 million needs to be deposited into the Audit Recoveries Account with commercial interest of 16% p.a. The accountability is fixed on Dr. Gado Tshering, Director, Bikash Thapa, DCFO, Thinley Wangdi, Head of AFD, Tshewang Tobgay, SFO, Tshewang Dorji, AFO and B.K Sharma, Project Accountant*

3. Non deduction of TDS - Nu. 0.040 million

The TDS amounting to Nu. 0.040 million were not deducted from the suppliers/hoteliers and foreign suppliers from the I/A WHO Accounts. Such non-deductions were in contravention to Taxation Rules of the Government.

Auditee's response: *The Ministry submitted that clarification was sought from DRC as the rule was unclear for deduction of TDS for cash purchases since the limit of petty cash purchases is not specified in the revenue rule. It expressed its difficulty to collect the TDS as the suppliers were scattered all over the country and assured that TDS would be collected for all cash purchases above Nu. 10,000.*

Who is accountable?: *The RAA had referred the clarification sought from DRC and found out that TDS is liable for cash purchases above Nu. 10,000.00 and for procurements made on bills, quotations and supply order basis. Since, MOH had done all the procurements on bills, the TDS amounting to Nu. 0.040 million should be deposited into the Audit Recoveries Account with the penal interest of 24% p.a. The accountability is fixed on Dr. Gado Tshering, Director, Bikash Thapa, DCFO, Thinley Wangdi, Head of AFD, Tshewang Tobgay, SFO, Tshewang Dorji, AFO and B.K Sharma, Project Accountant.*

Chapter IX Ministry of Foreign Affairs

The Royal Audit Authority during the year had issued 3 Inspection Reports pertaining to Permanent Missions and Embassies abroad under the Ministry of Foreign Affairs. The following officials headed the Ministry and departments under it during the year 2004:

Sl.No	Name	Designation
1.	Lyonpo Khandu Wangchuk	Minister
2.	Aum Neten Zangmo	Secretary
3.	Lyonpo C.Dorji	Ambassador, RBE Bangkok, Thailand
4.	Lyonpo Dago Tshering	Ambassador, RBE, New Delhi, India
5.	Dasho Jigme Tshultrim	Ambassador, RBE, Dhaka, Bangladesh
6.	Dawa Penjo	Ambassador, PMB, New York, USA
7.	Tshering Wangdi	Ambassador, RBE, Kuwait
8.	Sonam T Rabgye	Ambassador, PMB, Geneva, Switzerland
9.	Thinley Penjor	Director, Multilateral Division
10.	Yeshi Dorji	Director, Bilateral Division
11.	Pema Wangchuk	Deputy Secretary, AFD

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

Table 1.26 showing the observations in brief with category code and amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding advance	15.083	51.61	1
2.	Irregular payment	10.172	34.80	8
3.	Non levy of liquidated damages	3.375	11.55	11
4.	Over payment	0.596	2.04	6
	Total	29.226	100.00	

Major findings:

1. Irregular payment – Nu. 10.172 million

The Royal Bhutanese Embassies under the Ministry of Foreign Affairs had made the irregular payment of Nu. 10.172million as shown by the table below:

Table 1.27 showing the agencies which had made irregular payment.

Sl. No	Embassy	Amount (Nu. Million)	Remarks
1.	RBE, Kuwait	0.243	Inadmissible Special pay
		0.268	Inadmissible RG
2.	PMB, New York	1.269	Inadmissible monthly furniture allowance
		0.655	Payment for 40 feet container & 3 trucks
		0.660	Payment for water, electricity and gas charges on behalf of staff
		1.677	Residential telephone charges/cell phones/cable bills
3.	PMB, Geneva	3.208	Residential telephone/electricity charges
		0.442	Payment of parking fees for private cars
		1.750	Inadmissible payment of school fees, children education allowance, etc
	Total	10.172	

A. The Royal Bhutanese Embassy, Kuwait had made a special pay to Karma Choden amounting to Nu.0.243 million in contravention to the pay scale of the local recruits of the Mission structured by the Royal Civil Service Commission. This payment was made after reaching the maximum pay scale.

Auditee's response: *The RAA was informed that Karma Choden has worked in the Embassy for over 21 years and has exceptional record in terms of the satisfactory performance. He has looked after government vehicle well leading to low*

maintenance cost. Far beyond his official duties, Karma has developed valuable knowledge of all the important personalities here as well as the local customs and traditions and that due to his polite and pleasing personality he gets along well in all the Kuwait Government departments and is effective in obtaining necessary permit and clearances rapidly from them

Who is accountable?: *Such irregular payment may either be regularized from the competent authority or deposit with commercial interest of 16% p.a into Audit Recoveries Account. The responsibility to do so is fixed on Dasho Tshering Wangdi, former Ambassador.*

B. Dasho Tshering Wangdi, former Ambassador was paid Representational Grant (RG) amounting to Nu. 0.268 million while he was on leave for two months. The Foreign Service Rules and Regulations does not permit the payment of RG while one is on leave.

Auditee's response: *The RAA was informed to withdraw the observation as the Ambassador had claimed the proportion of RG in conformity with these new rules.*

Who is accountable?: *The RG paid during the home leave passage should be deposited into Audit Recoveries Account. Former Ambassador is held responsible to do so.*

C. In deviation to the Bhutan Foreign Service Rules and Regulations the Permanent Mission of Bhutan to the United Nation in New York has been paying its diplomats monthly furniture allowance at the rates fixed at the mission level. Such irregular payment for the last three financial years amounting to Nu.1.269 million stands recoverable.

Auditee's response: *The Mission had submitted the advantages of such a practice. The mission does not have to make a big one time investment on furniture, does not have to bear additional cost of maintaining/replacing furniture and that it saves on accounting works including the need to maintain a furniture stock register for officers.*

It was also submitted that around 1996, the Mission decided to convert the rental into furniture allowance giving officers the option to rent or buy furniture of their own choice; even to procure with additional money of their own. This was done without any additional financial burden on the Mission.

Who is accountable?: *The justification is not in accordance to the standing Foreign Service Rules. Therefore, the amount should be deposited into Audit Recoveries Account for which the Permanent Representative and Sangay Zangmo, Deputy Chief Finance Officer is held accountable to do so.*

D. The Permanent Mission of Bhutan to the United Nation in New York had admitted claims on carriage of personal effects to its officers while on transfer to Head quarter. The claims admitted were not in accordance to the entitlements as enshrined in the Foreign Service Rules and Regulations. Such irregular payment amounted to Nu.0.655 million. The officials were entertained 40 feet container instead of 20 feet container and three trucks instead of two trucks.

Auditee's response: *It was submitted that the two trucks allowance applies only in the case of transfer between stations connected by road transport route and no specific number mentioned in the case of transfers not connected by direct road transport routes.*

As for the 40 feet container approval was accorded by the Head of the Mission and the Ministry of Foreign Affairs, Thimphu.

Who is accountable?: *Until such time the amount is deposited into the Audit Recoveries Account Sangay Zangmo, Chief Finance Officer is directly held accountable.*

E. The Permanent Mission of Bhutan to the United Nation in New York paid equivalent Nu.0.660 million on account of residential utility bills such as electricity, water and gas charges. Out of Nu. 0.660 million, Nu. 0.271 million were paid to various agencies on account of residential utility bills and Nu. 0.389 million were paid for utility charges for the office building including utility charges for two residential apartments located in the same building. Payment of such nature is neither in line with the Financial Rules and Regulations 2001 nor with Foreign Service Rules and Regulations.

Auditee's response: *It was submitted that the payment of sewerage/water and gas bills averaging about \$ 300/- a month was approved by the Ambassador in view of the cost savings in rent to the Mission as rental of property in Queens for the officer concerned was \$ 3100 per month.*

Who is accountable?: *The amount must be deposited into Audit Recoveries Account and the responsibility to do so is fixed on Sangay Zangmo, Deputy Chief Finance Officer.*

F. The Permanent Mission of Bhutan to the United Nation in New York had incurred an expenditure of Nu.1.677 million on account of residential telephone charges/cell phones/cable bills. The payment of such nature is in contravention to the circular issued by the Ministry of Finance.

Auditee's response: *With regard to residential telephone bills the RAA was informed that it was not possible to prevent the officers from using the residential telephones for doing part of their reporting and consultation work from homes due mainly to the time difference between New York and Bhutan and other countries where other Bhutanese embassies and Missions are located. Therefore in order to prevent misuse while at the same time not hamper work, the mission imposed restrictions on use of residential telephone bills for overseas calls and in lieu started providing phone cards.*

With regard to cell phones it was submitted that it is no longer a luxury but a necessity and that due to the wide spread use of cell phones, most discussions & consultations take place on cell phones. It would be difficult and even awkward for our officers not to have cell phone facilities when their colleagues in other Missions increasingly use cell phones to conduct business.

With regard to payment of cable bills it was submitted that the mission has been paying the cable bills which would have been done on the basis of approval of the Ministry.

Who is accountable?: *The inadmissible payment must be deposited into Audit Recoveries Account and the responsibility to do so is fixed on Daw Penjo, Permanent Representative and Sangay Zangmo, Deputy Chief Finance Officer.*

G. The Permanent Mission of Bhutan, Geneva had made irregular payment of CHF 64,637.67 (Nu. 2.503) and US \$ 15,579.96 (Nu. 0.705) on account of residential telephone and electricity bills in deviation to circulars issued by the Ministry of Finance.

Auditee's response: *PMB Geneva serves both as a representative of Bhutan to the UN and European Capitals, as well as an Embassy covering entire of Europe including 7 capitals to which the Embassy is accredited. All this translates into a multifarious nature of work. While carrying out its duties the Mission had the practice of paying residential telephone bills of its officers who have to carry out timely and politically-sensitive work with all its contacts in different cities and time zones. In addition, there is the time difference between Geneva and Thimphu and our other embassies and missions, which necessitates numerous telephone calls from the residence. Recognizing this inconvenience and reality former Kutshab kindly approved the use of residence telephones for each officer within reasonable limits.*

Who is accountable?: *All officers are entitled for reimbursement if calls made are duly verified as official calls. Since this was not followed all calls made are presumed private. Therefore, whole of the amount must be deposited into Audit Recoveries Account and the responsibility to do so is fixed on Sonam Tobgay, Finance Officer.*

H. The PMB, Geneva had made inadmissible payment of CHF 11,414 (Nu. 0.442) on account of parking fees for the privately owned cars.

Auditee's response: *Since there are no free parking spaces in Geneva in and around residential / office areas, one has to rent parking spaces for all cars in the same manner that one rents an apartment or house. The Mission has been renting parking space for its office cars as well as for the cars of the officers as and when officers have taken the trouble and expenses to purchase their own vehicle in order to facilitate their work.*

Who is accountable?: *The reply is not tenable as there is no rule allowing such payments. Therefore, the amount must be deposited into Audit Recoveries Account and the responsibility to do so is fixed on Sonam Tobgay, Finance Officer.*

I. The PMB, Geneva made irregular payment amounting to CHF 5,500.00 (Nu. 0.213 million) on account of school fees for the kutshab's daughter in deviation to rules in force. Inadmissible payments also were made on account of DSA to Non-member of the Mission amounting to US \$ 1,000.00 (Nu. 0.045 million) Representational Grant & Foreign Allowance during leave amounting to US \$ 12,685.00 (Nu. 0.574 million) Children Education Allowance amounting to US \$ 1,560.00 (Nu. 0.701 million) after completing higher secondary education, Satellite Sky card amounting to CHF 4,620.00 (Nu. 0.179 million) over and above the entitlement, actual food & lodging expenses amounting to US \$ 349.59 (Nu. 0.016 million) and air fare amounting to CHF 1,722 (Nu. 0.067 million) relating to spouse of Kutshab accompanying his visit to other countries without prior approval of the Head of the Ministry.

Auditee's response: *Payment wise response as submitted is reproduced below:
Under the Foreign Service Rules (1985) CEA is admissible for children between 5-20 years. My daughter, Ms. Sonam Deki Kesang has claimed this educational facility provided by RGoB since her birth date is 9th May*

1982. As stated earlier, the new rule under BCSR 2002 was promulgated by RGOB/RCSC in early 2003 only. Hence the issue of its inadmissibility prior to this date may be reconsidered as all the above mentioned transaction related to the account had taken place in keeping with existing rules then.

As per the command Kutsab's wife (Aum Sangay Choden) accompanied the Royal entourage in Europe. Kutsab was unable to accompany the Royal entourage. A male officer was sent to ensure that the program went smoothly. While undertaking such travel/duty with VVIPs, DSA of US \$ 1000 is provided to members of the Royal delegation. This entitlement is similar to travels within and outside Bhutan for members accompanying VVIP delegation.

Foreign Allowance supplements the salary when an officer is on posting to a mission/embassy. It is therefore an integral part of the salary akin to the full salary drawn by the civil servants in Thimphu when they are on earned leave. Moreover, some expenses for services at an apartment building, where the facilities are centralized, continue to be incurred despite the absence of the resident. Also in some cases the officer has dependent family members who do not travel on home leave and continue to stay at the place of posting thus incurring continued expenses. With regard to the payment of Representational Grant, it may be noted that the Foreign Service Rules and Regulations and subsequent instructions from the Foreign Ministry provide for accounting of 50% and carrying over of any excess expenditure above the 50%. Very often, especially in an expensive place like Geneva, an officer routinely spends well over the RG to entertain counterparts and other contacts. Such representational activities do not stop when an officer avail home leave, as this is a valuable opportunity to renew contacts with relevant counterparts. Therefore, the deduction of RG during leave does not make any practical sense, neither is it provided for in the Foreign Service Rules.

As payment of Children Education Allowance is not an entitlement as per the Foreign Service Rules 2002, an amount of US\$ 1,560 will be refunded

It is a fact that TV news coverage in Switzerland is only in the local languages i.e. French, German and Italian. In order to receive English news of current affairs particularly related to Europe and International developments, the Kutshab in Geneva has to rely on Satellite television connection. Such facilities enable the PMB to follow current news and happenings and report to RGOB on matters of interest and urgency. This TV satellite is therefore an important source of information and a necessity besides also providing entertainment for the VIPs and senior visiting dignitaries.

The cost of US \$ 349.59 incurred at Royal Bhutanese Embassy Guest House, New Delhi for Kutshab and family was settled by PMB with RBE as per prior arrangement between the Embassy / Mission. No separate claim for DSA or refund was made for this purpose. During the transfer, Kutshab had to travel separately in advance as per the instructions of RGoB.

Firstly, spouses are expected to accompany the Ambassador to important functions in keeping with the diplomatic norms and practice. In fact, this responsibility is more demanding in Geneva compared to other embassies and missions as PMB is accredited to seven countries and the European Union. In addition to the usual diplomatic functions Kutshab had to participate in other functions such as Expos, Bhutan exhibitions, Bhutan Friendship Society events, visit by VVIP and other VIP delegations to capitals in Europe. Secondly, it is the mandate of the Kutshab and PMB to promote Bhutan's relations with all countries in Europe. Towards this end, the participation of PMB at such functions and events despite best efforts is the minimum given the fund constraint and the small size of the mission staff strength. Thirdly, there has been a practice in PMB since early 1980's that the spouse of the Kutsab should accompany to attend the function provided the cost of travel is not more than the actual cost of business class as entitled to the Kutshab. Accordingly, both the Kutshab and his spouse sometimes travel by air on economy class on such occasions. Fourthly, when the spouse travels with the Ambassador on official duty to attend functions in other European capitals, no DSA is paid separately for the spouse as it is not entitled. Hence, both the persons have to manage on DSA paid for one. Thus, expenditure for such undertakings is therefore often not adequate and Kutsab must cope given the importance of the event such as the Queen of Netherlands and Denmark's Annual Dinner, President of Finland, Norway and Austria's National Day Dinner etc. Fifthly, the spouse of Kutshab is once in a while required for duty of VVIP based on directives of higher authorities. On such duties only the DSA is paid and that too when Kutshab is not available due to other pressing engagements in Geneva or in other European Capitals. Other directives on movement of VVIPs are conveyed at the last minute and arrangements have to be made at short notice. Protocol services have to be made for transit halts in Paris or other capitals in Europe for VVIP movement. Therefore this entails travel and related cost to the PMB account.

Who is accountable?: *Replies are noted but since there are no rules allowing all such above payments. The amount must be deposited into Audit Recoveries Account. However, the travel of the spouse of Kutshab accompanying the Royal entourage to Europe is dropped. The responsibility is fixed on H.E. DASHO BAP KEZANG, Former Kutshab and Sonam Tobgay, Finance Officer.*

2. Over payment due to incorrect application of conversion rates - Nu. 0.596 million

The Royal Bhutanese Embassy, Kuwait had over paid an amount of Nu.0.596 million due to application of conversion rates in contravention to the circular issued by the Ministry of Finance.

Auditee's response: *The RBE, Kuwait had informed the RAA that the Embassy would apply the conversion orders with immediate effect.*

Who is accountable?: *The overpayment should be deposited into Audit Recoveries Account and the responsibility to do so is fixed on the H.E. Tshering Wangdi, Former Ambassador.*

3. Outstanding advance – Nu. 15.083 million

Some of the Embassies had outstanding advance of Nu. 15.083 million as shown in the table 1.28:

Table 1.28 showing agencies which had not adjusted the advances.

Sl. No.	Agency	Amount (Nu. Million)	Remarks
1.	RBE, Kuwait	0.220	
2.	PMB, New York	14.358	Nu.8.140 million pertained to FY 1985 & before.
3.	PMB, Geneva	0.505	
	Total	15.083	

A. The Royal Bhutanese Embassy, Kuwait had in their books of accounts an amount of Nu.0.220 million lying outstanding against various officials of the Royal Government and some outstanding amount dated as far back as 1989.

Auditee's response: *The Secretariat, Ministry of Foreign Affairs was requested to look into and pursue the matter.*

Who is accountable?: *H.E. Tshering Wangdi, Ambassador is held accountable to pursue the adjustment or deposit the amount into the Audit Recoveries Account at the earliest with commercial interest of 16% p.a.*

B. The Permanent Mission of Bhutan to the United Nation, New York had in their books of accounts a sum of Nu. 14.358 million lying as outstanding against diplomats, local recruits, agencies and others. Some of the amounts were advanced as early as 1991-1992. This is a strong indication of a weak financial control system in the mission.

Auditee's response: *The Mission had submitted that many of these advances pertained to the period before 2000 and that relevant documents for these advances which have accrued during the services of several Finance Officers are difficult to find.*

Who is accountable?: *H.E Daw Penjo, Permanent Representative and Sangay Zangmo, Deputy Chief Finance Officer is held responsible to either adjust or deposit the amount into Audit Recoveries Account.*

C. The PMB, Geneva also had unrealized advance of CHF 6,247.70 (Nu. 0.242 million) and US \$ 5,820.27 (Nu. 0.263 million) against officials and other parties.

Auditee's response: *The RAA was informed that US \$ 584.05 was received and taken into account.*

Who is accountable?: *The amount must be adjusted or deposited into Audit Recoveries Account and the responsibility to do so is fixed on H.E Dasha Bap Kesang, Ambassador and Sonam Tobgay, Finance Officer.*

4. Non-levying of liquidated damages US \$ 75,000 (Nu. 3.375 million)

The Permanent Mission of Bhutan to the United Nation, New York had awarded the construction of the Mission building to M/s Alexander Wolf & Son Company whereby the terms and conditions stipulated that in the event of delay, the contractor would be liable for liquidated damages of US \$ 25,000.00 for every month of delay. However, the same penalty was not found imposed for a delay of 3 months.

Auditee's response: *It was submitted that the committee has submitted several reports on this matter to the Royal Government. It was stated that the Mission's lawyer*

advised against taking the matter to arbitration or court as it would constitute a waiver of the Mission's immunity. This implies that, should the arbitration award or court decision be favor of the contractor it would be enforceable through the court, which would not be in the Mission's interest.

Who is accountable?: *The deductions should have been made prior to making the payment of contracts bills. Tshering Gyeltshen Penjore who is responsible for the construction is held accountable for the lapses.*

Chapter X Ministry of Information and Communications

The Royal Audit Authority during the year had issued 6 inspection reports of agencies under the Ministry of Information & Communications. The following officials headed the Ministry and departments under it during the year 2004:

Sl.No.	Name of official	Designation
1.	Lyonpo Leki Dorji	Minister
2.	Dasho Tashi Phuntsog	Secretary
3.	Nima Wangdi	Director, Road Safety & Transport Authority
4.	Thinley Dorji	Director, Bhutan Communication Authority
5.	Phala Dorji	Director, Department of Civil Aviation.
6.	Ugyen Nima	Deputy Secretary, Administration & Finance Division.

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

Table 1.29 showing the summary of observations by category code and the amount involved.

Sl.No.	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding advances	0.894	96.44	1
2.	Outstanding revenue	0.033	3.56	2
3.	Non adherence to rules and regulations	0.000	0.00	16
4.	Failure of emission test for new vehicles	0.000	0.00	16
	Total	0.927	100.00	

Major findings:

1. Outstanding advances – Nu. 0.894 million

Some of the agencies under the Ministry of Information & Communications had not adjusted the advances against its officials and suppliers as shown in the table below:

Table 1.30 showing agencies which had not adjusted the advances.

Sl. No.	Agency	Amount (Nu. Million)
1.	Road Safety & Transport Authority, HQ	0.020
2.	Ministry of Communications	0.755
3.	Department of Civil Aviation	0.119
	Total	0.894

Auditee's response: *RSTA, Headquarter submitted that the advances are in the process of being adjusted while some are being processed for written off.*

The Ministry submitted that efforts are being made to settle the outstanding advances.

The Department submitted that the outstanding advances would be adjusted from the salary of the individual.

Who is accountable?: *The outstanding advance should be adjusted or deposited into the Audit Recoveries Account with commercial interest of 16% p.a. The accountability is fixed on Ugyen Nima, Dy. Secretary and Namgay Wangmo, Accountant, RSTA, HQ, Pem Tshewang, Dy. Secretary MoWHS & Phala Dorji, Director and Kuenzang Lhendup, Accountant, Department of Civil Aviation.*

2. Non-compliance to Emission Test

2A. Non-adherence to Rules & Regulations

It was found out that many of the vehicles had not undergone emission tests as per the Section 45 of Chapter I of the Road Safety & Transport Regulations 1999 where it states that “a motor

vehicle must undergo a test of emission once every year and the driver or the owner must produce it on demand by an authorized person or a police officer". The year wise registration of vehicles undergone emission test and the balance of vehicle yet to undergo emission tests are detailed below:

Sl. No.	Year	No. of registered vehicle	No. of vehicles undergone test	No. of vehicles yet to undergo test	% of vehicles undergone test
1.	2002	14360	7429	6931	51.73%
2.	2003	14643	9509	5134	64.93%
3.	2004	-	5429	-	-

Note: Sl. No. 2 includes 321 earthmovers and 388 VIP vehicles

It shows that almost half the vehicle population had not undergone emission tests. Therefore expenditure made on account of purchase of stickers etc. were unfruitful besides failing to achieve the very objective of controlling vehicle emissions.

Auditee's response: *RSTA had informed that it has started conducting emission tests for all vehicles that emits smokes including earthmovers and assured that all vehicles will henceforth undergo emission tests.*

Who is accountable?: *The accountability to ensure emission testing of all vehicles is fixed on the Director, RSTA.*

2B. Failure of emission test for new vehicles

Emission tests were conducted with the aim to import better quality of vehicles. However, it was noted that new vehicles of different make of 2003 and 2004 model had failed the emission test. It was not understood whether the new model vehicles had manufacturing defects or the testing equipment were defective. It was noted that almost all vehicles of old model had passed the emission test. As such no concrete opinion could be formed on such huge variation in the result, which needs to be justified by RSTA.

Auditee's response: *RSTA submitted that auto emission is a new concept in Bhutan, which requires trained and experienced manpower to do proper analysis of the result and RSTA staffs had undergone a very short training course for one week on the "operation of the equipment". RSTA was of the opinion that in reality it is always not the case that new vehicles would have better test results, as test results would also depend on the condition of the vehicle, temperature of the engine, altitude tuning, fuel quality, condition of oil filters, air filter elements at the time of testing. RSTA has assured to monitor and create awareness among the owners of new vehicles.*

Who is accountable?: *It may be pointed out it is a futile exercise to subject vehicles to emission tests if quality import is not ensured at the entry of new vehicles into the Kingdom as in some nations. Director is held accountable to effectively monitor the problems and create awareness among people to take remedial measures.*

3. Outstanding revenue – Nu. 0.033 million

The Road Safety and Transport Authority, Samdrupjongkhar had an outstanding amount of Nu. 0.033 million accrued on account of motor vehicle renewal/ registration fees, remained uncollected from the owners and custodians of vehicles.

Auditee's response: *The management submitted that the outstanding amount pertained to the vehicle owners who have not reported to the Regional Office at*

Samdrupjongkhar and that they would have updated and renewed their documents in other Regional and Base offices. It further stated that they have asked all the regional offices to send the confirmations so as to update the records.

**Who is
accountable?:**

Proper confirmation system should be put in place to ascertain the details of vehicle renewal fees collected by other regional offices of RSTA. Till proper reconciliation is carried out and overdue amounts collected with penalty Norbu Jamtsho, Sr. MVI and Thinlay Namgay, RTO are held accountable.

Chapter XI Ministry of Works & Human Settlement

The Royal Audit Authority during the year had issued 16 inspection reports of agencies under the Ministry of Works & Human Settlement. The following officials headed the Ministry and departments under it during the year 2004:

Sl.No	Name	Designation
1.	Lyonpo (Dr.)Kinzang Dorji	Minister
2.	Tshering Dorji	Secretary
3.	Rinchen Dorji	Director, Department of Urban Development & Engineering Services
4.	Phuntsho Wangdi	Director, Department of Roads
5.	Phuntsho Wangdi	Thrompon, City Corporation, Thimphu
6.	Dorji Chhoden	Director, National Quality Control Authority
7.	Jangchuk Gyeltshen	Thrompon, City Corporation, Phuntsholing
8.	Pem Tsewang	Deputy Secretary, Administration & Finance Division

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

Table 1.31 showing summary of observations with category code and amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Award of supervision works on contract	13.945	38.20	16
2.	Award of work without tender	4.388	12.02	3
3.	Unfruitful Expenditure	4.251	11.65	5
4.	Outstanding advance	4.185	11.46	1
5.	No rectification of defective works	3.295	9.03	7
6.	Non realization of cost differences and other penal amount on termination of contract	2.767	7.58	7
7.	Non recording in the measurement book	1.602	4.39	16
8.	Over/excess/double Payment	0.850	2.33	6
9.	Acceptance of work carried out other than specifications	0.777	2.13	7
10.	Unjustified rejection of bids	0.321	0.88	7
11.	Inadmissible Payment	0.085	0.23	8
12.	Defects found within liability period	0.038	0.10	7
13.	Illegal construction on government land	0.000	0.00	16
14.	Non enforcement of Acts	0.000	0.00	16
15.	Providing of inferior quality of CGI Sheets	0.000	0.00	7
16.	Issue of permits for construction of building – How fair is the system?	0.000	0.00	16
	Total	36.504	100.00	

Major findings:

1. Over/excess/double payment – Nu. 0.850 million

Various agencies under the Ministry of Works & Human Settlement had made excess payments as shown in the table below:

Table 1.32 showing the agencies which made excess payments.

Sl. No.	Agency	Amount (Nu. Million)
1.	Field Road Maintenance Division, Phuntsholing	0.102
2.	Field Road Maintenance Section, Samtse	0.205
3.	Field Road Maintenance Division, Chukha	0.520
4.	City Corporation, Thimphu	0.023
	Total	0.850

A. The contract for the construction of Kharband-Singhi Road was awarded to M/s Rohit Prasad Sharma. The contractor was found paid excess amount totaling Nu.0.102 million in terms of over measurement, using wrong specification of wire mesh, payment for non-utilization of excavated materials, etc.

Auditee's response: *The wall has already withstood one monsoon season. It is a much known fact that in a low foot hill place such as Phuentsholing, the monsoon rains tend to induce landslides, mudslides, rockslides and so on. Because the wall is constructed to hold such above mentioned slides, they are completely subjected to unequal stresses at the middle and at the ends. Due to this unbalanced stress or the push experienced by the wall may have sagged slightly. The size of the wire mesh may have been more due to following reasons:*

- a) While laying the wire mesh in the foundation, and during transportation, the wire may undergo some handling stresses, due to which the mesh have been extended and deformed.*
- b) At the time of construction, the masons & labourers have to pull, drag and lift the wire mesh and place it in required position and one possibility is while trying up the two ends together, a push & twist on the mesh is applied and this may also result in the change of its wire mesh size.*

Who is accountable?: *The response is not to the point. Tsheten Dorji, Executive Engineer & Sonam Phuntsho, Assistant Engineer of Field Road Maintenance Division, Phuntsholing are held accountable to deposit the amount with commercial interest of 16% p.a. into Audit Recoveries Account.*

B. The River Training Work at Daina, under the Field Road Maintenance Section, Samtse awarded to Ashi Pema Dolma at the estimated cost of Nu.5.185 million was allowed the cost index of 6.82% over the BSR 2001 on some items of work defying the observation earlier raised by the RAA. This had resulted into excess payment of Nu.0.205 million.

Auditee's response: *The responses of the Ministry is reproduced below “ the Ministry would like to report that this particular Audit Para will be closely pursued by this Ministry to arrive at a mutually agreeable conclusion between RAA and the MoW&HS. For this, the Ministry would require some time to document facts and figures and if Tsheten's clearance should follow this event (clearing the audit para) the incumbent would lose his career advancement opportunity which would be very unfortunate.*

Who is accountable?: *Hon'ble Minister, Secretary, Directors (Rinchen Dorji & Phuntsho Wangdi) are held accountable as per the letter No.IR/DSA/CICD-31/2005/4917 Dated 6th April, 2005. The inadmissible cost index amount be deposited into Audit Recoveries Account with commercial interest of 16% p.a. The Ministry is urged to kindly refrain from granting repetitive benefits to Ashi Pema Dolma on an annual basis.*

C. The improvement of New Road at Damsite, Chukha Hydro Power Corporation using Bitumen Emulsion Macadan was executed departmentally. One item of works executed also included Supply and Stacking of blinding materials Bitumen & Emulsion, an item/nomenclature which is neither found in the BSR nor in any of the specification books. A sum of Nu.0.520 million incurred on this item of work was therefore, highly irregular.

Auditee's response: *Appropriate response awaited.*

Who is accountable?: *P.D. Wangdi, Executive Engineer, FRMD, Chukha is held accountable to deposit the amount to Audit Recoveries Account with commercial interest of 16 % p.a.*

D. The construction of footpath, drains, benches and inner footpaths in the park area at Motithang was awarded to M/s K.P. Construction upon being selected as the lowest evaluated bid for Nu. 0.83 million. On verification of the records, it was noticed that the thickness of providing & laying stone soling and P/L cement concrete were not executed as per the drawing & specification, which resulted into over payment of Nu. 0.023 million.

Auditee's response: *The Management of City Corporation, Thimphu submitted that the thickness of PCC 1:3:6 was increased at certain length of the footpath to reduce the level difference for maintaining even surface. However, during the final payment it had been overlooked and bill passed for the whole length of footpath. It was also submitted that the contractor has been informed accordingly for the recovery of the amount.*

Who is accountable?: *The out put of the contract is sub-standard. The supervisors had failed in discharge of their duties. The official concerned should deposit the amount over paid with commercial interest of 16% p.a. into the Audit Recoveries Account for which the accountability is fixed on Tshering Nidup, JE.*

2. Award of work at estimated cost-extra financial implication – Nu.4.388 million

The River Training Work at Daina, under the Field Road Maintenance Section, Samtse was awarded to Ashi Pema Dolma at the estimated cost of Nu.5.185 million. Further, during the past financial years i.e.2001-2003 and 2003-2004 similar works were awarded to Ashi Pema at the estimated costs. The total value of works all put together arrived at Nu.13.000 million approximately.

From the records available it was noticed that similar river training works in the same vicinity and locality were executed through tenders at a much lower prices than the estimated cost. It was apparent from the quoted price of the various bidders that the prevailing market rates for such works were lower than the estimated costs. As a result the government had sustained estimated financial loss of Nu.4.388 million. This implication has been worked out based on the average rate paid to the contractor on similar works. This implication has been worked out based on the average rate paid to the contractor on similar works.

Auditee's response: *The works were awarded without tendering based on the written instructions received from higher authorities. With great difficulty, we have managed to stop this practice although we receive regular requests, some directly from Gups and Chimis to award works to them without going through the tendering process. Since last year not a single contract has been awarded without tendering, nor are we going to do so in future.*

Who is accountable?: *The Ministers, Secretary and Head of the Departments are granting repetitive benefits to Ashi Pema Dolma on an annual basis. Tsheten Dorji, Executive Engineer is held responsible for not adhering to the advice of the RAA given in the previous AAR on this issue.*

3. Non-rectification of defective works valuing – Nu.3.295 million

The construction of River Training Works, Culverts and retaining works were awarded to various contractors during the financial year 2002-2003 valuing Nu.5.115 million. On reviewing the documents/records it was noted that the proportion of the works valuing Nu.3.295 million were damaged by flood within the defective liability period. As per the clauses of the contract agreement the contractors were required to have insurance coverage of the works to cover the risk of such damages. However, neither the contractors nor the road officials had undertaken to implement this clause.

Auditee's response: *It was submitted that few contractors had agreed to reconstruct and that some security deposit had been forfeited. It was also submitted that insurance possibilities would be looked into in future.*

Who is accountable?: *The damages of the works by flood must be rectified at the cost of contractors and the responsibility to do so falls on H.P. Sharma, Assistant Surveyor of Works and Tsheten Dorji, Executive Engineer of the Field Road Maintenance Division, Phuntsholing.*

4. Non-recording of work done in measurement book – Nu.1.602 million

The City Corporation, Phuntsholing had executed dredging work of riverbed at Dhutikhola and shown an expenditure incurred of Nu.1.602 million as against the estimates of Nu.1.805 million. The actual quantities/value of work done was not recorded other than the number of days worked by the machineries.

Auditee's response: *Appropriate response awaited.*

Who is accountable?: *M.D. Rai, Assistant Engineer and Deepak Chhetri, Executive Engineer, City Corporation, Phuntsholing are held accountable to satisfactorily settle the audit issues.*

5. Tendering lapses/unjustified rejection of bids-extra financial implication – Nu.0.321 million

Six (6) bidders responded the NIT for the work of Rehabilitation of Tshimalakha Internal Road floated in the Kuensel. The first and the second lowest bidder was out rightly rejected on the ground of having no signature of authorized signatory in the bid form and awarded the work to the third lowest bid, M/s Tachog Construction. However, upon verification of M/s Tachog Construction's tender document and the agreement it was noted that the requirement to submit the statement of rate analysis for the entire unit rate in the bill of quantity along with the form of bid was not fulfilled. Therefore, third lowest bidder should have also been equally considered non-responsive and by not doing so tantamount to undue favor to the contractor thereby resulting into extra financial implication of Nu.0.321 million to the Royal Government.

Auditee's response: *Appropriate response awaited.*

Who is accountable?: *Rinchen Dorji, Director and Tshering Dorji, Secretary, Ministry of Works & Human Settlement are held accountable for the apparent favour shown to a private contractor.*

6. Outstanding advance – Nu. 4.185 million

Various departments and agencies as detailed under the Ministry had in their books of accounts a sum of Nu. 4.185 million lying as outstanding against officials and suppliers.

Table 1.33 showing the agencies which had not adjusted the advances.

Sl. No	Name of agency	Amount (Nu.Million)	Remarks
1.	Field Road Maintenance Division, Thimphu	3.044	Nu.3.028 million against third parties
2.	Mechanical Division, Department of Roads	0.294	Against Employees.
3.	Department of Roads (HQ)	0.314	
4.	Secretariat, MoWHS	0.533	Outstanding advance of erstwhile MoC transferred.
	Total	4.185	

Auditee's response: *The FRMD, Thimphu stated that advances reflected against employees and other third parties have been recovered and adjusted except the one from M/s Bhutan Engineering Company of Nu.0.164 million.*

The Mechanical Division had informed that adjustment of balance amount would be intimated.

Who is accountable?: *The amount from M/s Bhutan Engineering Company be deposited with commercial interest of 16% p.a. into Audit Recoveries Account. The responsibility is fixed on Ugyen Mama Dorji, Chief Accountant and Tshering Wangdi (B), Executive Engineer, FRMD, Thimphu.*

Pem Tshewang, Head, AFD is held accountable to satisfactorily resolve the issue.

7. Inadmissible payment - Nu. 0.085 million

M/s Choden Constructions who was awarded the contract for construction of 2 dwelling houses under Sarpang Field Division, DoR was found paid excess amount of Nu. 0.053 million for works not executed.

Similarly the construction of NWF Dwellings at Lhaling under Tshendagang sub-division awarded to M/s Krishna Construction was paid Nu. 0.032 for items not executed but billed.

Auditee's response: *The division submitted that the contractor has been asked to deposit the excess payment and the site engineer had been cautioned to be more careful in future and stated that such lapses would not be repeated in future.*

Who is Accountable?: *Tshering Wangdi, Executive Engineer, Sarpang and Site Engineer are accountable to deposit into the Audit Recoveries Account with commercial interest of 16% p.a.*

8. Illegal construction on Government Land

Verification of the survey reports on illegal construction on Govt. land revealed that there were 134 cases of illegal/unauthorized constructions on Govt. land. The duration of the occupants ranged from five to thirty five years. It was not understood as to why TCC had not taken any initiatives to demolish the structures.

Auditee's response: *The TCC intimated that the detail reports had been submitted to the Hon'ble Lyonpo and Dasho Zimpon along with the photographs of the*

structures. The matter had already been forwarded to the higher authorities and there is no instruction till now. The other reasons stated were due to shortage of manpower. As per the survey report prepared by building inspectors, many settlers were recorded landless. The matter is very serious and the building inspectors cannot solve it alone unless there is a strong Govt. order. After submission of report to Dasho Zimpon, TCC was instructed to survey Govt. vacant land outside the Thimphu municipal periphery for shifting the people. The policy was to provide some land for settlement if they were landless.

In response to the Draft Annual Audit Report the Hon'ble Minister stated that most of the cases of encroachment on government land/ illegal constructions were very old cases, most of them more than 15 years old. Immediate action to remove them could not be taken since most of them have appealed to higher authorities for Kidu.

Who is accountable?: *This indicates absence or existence of very poor administration and management in the TCC. The accountability is fixed on Phuntsho Wangdi, Thrompon and the concerned officers. The Town Committee and supervising Ministry also appears to have failed in discharging its role.*

9. Non- enforcement of Acts- delay in transfer of property ownership

On verification of the transfer of land ownership, it was found out that 180 applications were received by TCC for transfer of ownership during 2002-2003. The following lapses were observed:

- The applications were not recorded in chronological manner as per the date of application received. Applications received in 2002 were entered with 2003 application and vice versa;
- In some cases applications received late were processed earlier and accorded early approval and reasons for the same were not mentioned;
- As per Land Act, the applications were to be kept for one month and then to be processed thereafter. But in some cases applications were approved within one month and some application in one and half month.

Auditee's response: *TCC submitted that application were not recorded in chronological manner due to the reason being that incomplete documents sent through some one else, and documents re-submitted were re-entered as fresh entry. With regard to applications received late and processed earlier were due to the following reasons:*

- *Cases held up due to land pooling and guided land development*
- *Illegal structure on land*
- *Thram recorded by Survey of Bhutan not reflected in the cadastral map*
- *Plot owners holding two names under Thram record*
- *Non tally of plot boundary and numbers with cadastral plan*
- *Reluctance of paying 5% property transfer tax*
- *Encroachment of structures on Govt. land*
- *Refusal to produce clearance from financial institutions*
- *No proper contact address*

- *Disputed on plots*
- *Structure build on excess land*

Some of the applications approved within one month were the Royal cases considered under the Royal command.

In response to the Draft Annual Audit Report the Hon'ble Minister stated "The ministry has issued strict instructions to the City Corporation to have a fair, uniform and transparent system in place so that transfer of property ownership is done smoothly. This Ministry has also asked Thimphu City Corporation to submit monthly reports on the transactions so that it can be monitored from the Ministry"

"The staffs working in the City Corporation have to be very thorough and also strict since slightest mistake could have far-reaching implications. Most people usually expect Thimphu City Corporation to make exceptions and bend rules. They complain when TCC applies the rules strictly"

Who is accountable?:

There should be a proper procedure and mechanism in place and is consistently followed with all the applicants. Approval accorded on priority should be properly documented for future review. Application not supported with required documentations must be out rightly rejected. The accountability for the lapses is fixed on Thrompon and Sangay Penjor, Land Record Officer.

10. Non-realization of cost differences and other penal amount on contract terminated - Nu.2.767 million

The contract for the construction of retaining walls along the Thimphu-Babesa Express Way awarded to M/s Pine Wood Builders was later terminated and the balance work executed departmentally. The cost incurred on the works by the department amounted to Nu.8.396 million as against the value of balance work Nu. 6.190 million resulting into a cost differences of Nu.2.206 million. After taking into account the forfeited Performance Security amount, retention money, liquidated damages, unadjusted advances etc. the recoverable amount worked out to Nu.1.950 million.

Similar instances encountered with the contract for the construction of Gabion wall awarded to Tandin Wangchuk, M/s Sha Construction where there was a cost differences of Nu.0.817 million.

Auditee's response: *It was submitted that the project had completed the balance work at the tendered cost and that realization of cost differences does not arise.*

Who is accountable?: *Since the scope of work was curtailed to arrive at the tendered amount the response is not tenable, therefore, Hasta Bahadur Sangpang, the then Deputy Chief Finance Officer, Karma Rinzin, the Project Manager and Phuntsho Wangdi, Director, Department of Roads are held accountable to ensure that the recoveries are affected and deposit the accepted amount.*

11. Award of supervision works on contract – Nu.13.945 million

The Department of Roads under Ministry of Works and Human Settlement had awarded the supervision works of the construction of three number Expressway Bridges to M/s Green Peace Enterprise, Thimphu at his quoted amount of Nu.13.945 million. This is a strong indication that the Ministry or the Department had not attempted to derive value from the professional engineers in the Bridge Division.

Auditee's response: *It was submitted that the Department of Roads did not design the bridge and therefore no supervision experience related to such kind of bridges.*

In response to the Draft Annual Audit Report the Hon'ble Minister stated "It is unfortunate the Department of Roads still does not have the capacity to design and undertake construction of major bridges as a result of which DoR has to all the time rely on outside consultants. This arrangement is not only costly to the government but also the consultants cannot be held responsible for poor quality of works after their contract is completed. Therefore, this Ministry had issued strict instructions to build in-house capacity on priority basis"

Who is accountable?: *The Department should institute a system whereby in-house professionals are given the challenges and incentives to upgrade the skills and knowledge. Therefore, Phuntsho Wangdi, Director, Department of Roads and Tshering Dorji, Secretary, Ministry of Works and Human Settlement are held accountable to strengthen its division.*

12. Unfruitful expenditure - Nu.4.251 million

The box cutting work at Toktokha between Dochula-Lobesa highway was executed departmentally. The initial cutting was completed at the cost of Nu.3.647 million. However, before vehicles could ply on it major landslides occurred twice or thrice making it impossible to clear for vehicular traffic though expenditure amounting to Nu.0.604 million was incurred for the attempt to rectify.

Auditee's response: *It was stated that the work as a part of the road improvement was carried out based on the instruction from the Ministry. The Field Road Maintenance Division also stated that they had put in every effort to make the road suitable for traffic but could not do so owing to frequent collapsing of the walls and that the matter would be put up to the higher authorities for advice and necessary action.*

In response to the Draft Annual Audit Report the Hon'ble Minister stated "As the Department has submitted to the RAA, it seems this work was undertaken without any technical planning. This Ministry has issued instructions to the Department not to resume this work as it will be costly and will hardly serve any purpose. Besides, the existing road in this area is wide enough to allow double-lanning. Since the official who had issued instruction is no longer with MoWHS. This case may be closed."

Who is accountable?: *Both the head quarter and the division are held accountable for not carrying out detailed studies before incurring huge investments. The Ministry is advised to investigate further and take administrative action against those actually responsible for the wasteful expenditure.*

13. Defect found within liability period Nu. 0.038 million

Verification of the resurfacing work on Darachu to Tsirang road revealed defects on some parts of the road before the liability period was over. The seal coating of the resurfaced road were washed away leaving behind the premix carpeting only. The value of this work comes to Nu. 0.031 million. In some part of the roads whole resurfacing work, premix carpeting and seal coating valuing Nu. 0.007 million were found damaged.

Auditee's response: *The management submitted that the contractor has been asked to carry out the rectification work immediately failing which the work to be carried out departmentally and the expenditure incurred to be deducted from the retention money.*

Who is Accountable?: *Tshering Wangdi, Executive Engineer, FRMD, Sarpang and Sonam Wangmo, Site Engineer are accountable for carrying out rectification works.*

14. Providing of inferior quality of CGI Sheets and poor workmanship

The constructions of 2 dwelling houses at Darachu under Sarpang sub-division was awarded to M/s Choden Construction at the quoted rate of Nu. 0.246 million. During the joint physical verification it was found out that the CGI sheets provided in the toilet was of inferior quality and the ceiling frames were not done properly.

Auditee's response: *The division submitted that the contractor has been asked to take up the work and replace the inferior quality materials with the specified brand.*

Who is Accountable?: *Tshering Wangdi, Executive Engineer, FRMD, Sarpang and Sonam Wangmo, Site Engineer are accountable for carrying out rectification works.*

15. Acceptance of work carried out other than specifications - Nu. 0.777 million

The resurfacing work on Sarpang- Darachu road measuring 6.5 km was awarded to M/s Sha Construction, Thimphu at the estimated cost of Nu. 3.805 million against the tendered amount of Nu. 3.819 million. During the joint physical verification it was found out that work carried out was not as per the specification and requires major rectification. The audit team noted that especially the last stretch of 2 kms before reaching Darachu is a result of poor workmanship and a total lack of commitment by the contractor. The premix carpet and the seal coats have already peeled of in about 3 months after the completion.

Auditee's response: *The division submitted that the contractor has been asked to re-do the work immediately otherwise the work to be carried out departmentally and the expenditures incurred deducted from the contractor's bills which remains unsettled. The division also ensured that the contractor to be dealt with strictly according to the clause of the agreement signed and CDB be informed of the performance of the concerned contractor.*

Who is Accountable?: *The accountability is fixed on Tshering Wangdi, Executive Engineer Sarpang and Jamyang Chhoden, Site Engineer are held accountable for the lapses and getting the work re-done.*

16. Issue of permits for construction of buildings-how fair is the system?

The City Corporation, Thimphu is the ultimate authority in the capital vested with the power to issue permits for the construction of buildings within the municipal boundaries. Bhutan Building Rules 2002 under section 4.2.4 stipulated that “*all city corporations should respond to the application for building permit within 30 days and give final approval within 90 days*”. Owing to its practical problems this stipulation was not implemented rather an internal guidelines were introduced. The Guidelines stipulates that the minimum time for processing and issuing permits was stipulated about seven weeks from the registration date.

Verification of documents revealed the following deficiencies:

- ∞ The serial number recorded in the register for application were not in chronological order according to the date of application received;
- ∞ The approval dates of the structural design were not in serial number according to the date of application received;
- ∞ Approvals for only structural and architectural drawings were given but the same was not apparent for electricity, water and sewerages;
- ∞ While for some the permits were issued in a matter of one to two days of its applications being received some were cleared after a lapse of one year;
- ∞ There were inconsistencies in the time taken by the divisions involved in clearing the applications. While some divisions took almost a month or two to approve the drawings some had taken only a week; and
- ∞ Reasons for rejection of drawings by particular division and how some drawings could be cleared within a short span of time were not on record.

**Auditee's
response:**

It was stated that the building application is received at the reception and is assigned with a receipt date, which is forwarded to the Building Application Section for preliminary check. If the application is found not supported with relevant and necessary documents, the applicant is informed of the deficiencies and is asked to resubmit the application in full set. On the other hand the other applicants with comprehensive and sufficient documents get processed faster, which the date of receipt will obviously be later than the prior ones. According of approval is entirely based on the applicant's conformity to the standards, by-laws and building rules in force.

After the last audit in 2002, the TCC has started maintaining separate register for both major and minor works. Minor works like extension and alterations to the existing structure do not require drawings like electrical, water and sewerage; thus can be processed faster than the major ones.

The three weeks time frame for the approval (structural, electrical, water supply and sewerage) could also get stretched as the Building Application Section at the moment is not a self-contained one. Apart from this, there are lot of other issues to be resolved and clarified (like excess land, land regularization, land demarcation etc.) which has to be tabled to the Committee.

**Who is
Accountable?:**

The comment of the Building Section regarding the approval of drawings within one to two days is still awaited in audit supported with actual cases. The responsibility to initiate appropriate measures to streamline the issuance and rejection of permits is fixed on architect Sailesh and Thrompon, Nima Wangdi.

Hon'ble Minister's final comments:

"The Ministry of Works and Human Settlement would like to submit that all possible efforts are being made to correct the shortcomings in the tendering process, to ensure effective monitoring of the works during the construction process so as to achieve quality, to control misuse and wastage to get the best value for money and to avoid contractual disputes with

contractors. A number of initiatives and measures have already been taken such as the revision of the Bhutan Schedule of Rates, Procurement Manual, the Standard Bidding Document and strict enforcement of criteria by the Construction Development Board. In addition the Internal Audit Unit is being strengthened which so far has not been effective due to inability of RCSC to fill two vacancies. With these numerous and other initiatives and measures being taken, this Ministry is quite confident that there will be tremendous improvements in the construction management and monitoring besides achieving quality works in the country. This Ministry is also adopting zero tolerance approach to misuse and mismanagement as far as possible”.

RAA’s final comments:

The recent initiative of the Ministry to introduce professionalism, uphold standards in engineering and construction industry is laudable and encouraged. The RAA expects the future audit reports would reveal sea change in the implementation of development works. The Ministry’s policy of Zero Tolerance if implemented to the spirit of the letter, we agree it can be a reality.

Chapter XII Ministry of Trade and Industry

The Royal Audit Authority during the year had issued 6 inspection reports of agencies under the Ministry of Trade & Industry. The following officials headed the Ministry and departments under it during the year 2004:

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

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

Table 1.34 showing summary of observations with category code and amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category Code
1.	Over payment	0.070	74.47	6
2.	Outstanding advances	0.024	25.53	1
	Total	0.094	100.00	

Major findings:

1. Outstanding advance - Nu.0.024 million

The Department of Industry in their books of accounts had Nu.0.024 million lying outstanding pending recovery/adjustment.

Auditee's response: The RAA was informed that the recovery of advance is already started.

Who is accountable?: The responsibility to deposit/ liquidate shall be fixed on Dorji Tshering, DCFO and Drawing & Disbursing Officer.

2. Over payment - Nu. 0.070 million

M/s S.T. Construction who was awarded the construction of RCC post with barbed wire fencing at Bhalujhora, Pasakha was paid an excess amount of Nu. 0.070 million on account of work not executed but claimed and verified for payment. This was revealed when the auditors conducted the joint physical verification. The number of RCC post actually constructed was 329 where as the number claimed and paid was 390. Similarly the height of RCC post of the boundary wall and fencing were found claimed higher than the actual value of work done at site.

Auditee's response: The amount was recovered and deposited into Audit Recoveries Account.

Who is accountable?: Prem Gurung, Site Engineer is accountable for the lapse. Secretary, MTI is responsible to take administrative action on him.

Chapter XIII Ministry of Labour and Human Resources

The Royal Audit Authority during the year had issued 9 inspection reports of agencies under the Ministry of Labour and Human Resources. The following officials headed the Ministry and departments under it during the year 2004:

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.	Dawa Gyeltshen	Director, Department of Human Resources
5.	Karma Tshering	Director, Department of Employment
6.	Sangay Dorji	Director, Bhutan Vocational Qualification Authority
7.	Nim Dorji	Head, Administration & Finance Division

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

Table 1.35 showing the summary of the observations by category code and the amount involved.

Sl.No	Observation in brief	Amount (Nu. Million)	%	Category Code
1.	Outstanding advance	3.949	94.70	1
2.	Excess payment	0.221	5.30	6
3.	Review of selection system of candidates for Youth Exchange Program and Korean-Bhutan Cooperation Foundation	0.000	0.00	16
	Total	4.170	100.00	

Major Findings:

1. Excess payment – Nu. 0.221 million

Various agencies under the Ministry of Labour and Human Resources had made excess payment amounting to Nu. 0.221 million as shown in the table below:

Table 1.36 showing the agencies which had made excess payment.

Sl. No.	Agencies	Amount (Nu. Million)
1.	Royal Bhutan Institute of Technology	0.094
2.	National Institute of Zorig Chusum	0.098
3.	National Institute of Zorig Chusum	0.029
	Total	0.221

A. A total sum of Nu. 0.094 million were paid excess DSA to the following officials of RBIT during the short-term training on Project Planning and Management and repair of electronic equipment in India as detailed below:

Sl.No	Name & Designation	US \$	Excess payment (Nu. Million)
1.	Kezang Chhodar, Principal	1,193 @48	0.047
2.	Nima Dukpa, Lecturer	1,193@48	0.043
3.	Sangay Dorji, Sr. Instructor	250@48	0.004
	Total		0.094

The officials under Sl.no 1 & 2 were paid DSA of \$181.00 instead of \$ 100.00 per day for 10 days and \$90.00 for 5 days. As per the RCSC circular the DSA of US \$ 100.00 is admissible for training period less than 10 days and half DSA for exceeding 10 days in India.

On the contrary the official under Sl.No. 3 was paid \$100.00 per day although the source of fund was same. However, he was paid DSA twice for one day resulting into excess payment of Nu. 0.012 million. The balance of Nu. 0.004 million has to be recovered.

Auditee's response: *The Institute explained that the officials were paid according to the circular issued by RCSC where it was mentioned that \$181.00 to be paid if it was funded by DANIDA. However, it was agreed that excess DSA would be recovered on installment basis.*

Who is accountable?: *Until such times it is deposited into the Audit Recoveries Account with commercial interest of 16% p.a the concerned officials are held responsible.*

B. As per the Ministry of Finance the hire charges for the private vehicle is Nu. 9.00 Per k.m for long body 4WD and Nu. 700 for halt charges. However, the National Institute of Zorig Chusum had paid from the SDA project for the financial year 2001-2002 at a higher rate thus resulting into excess payment of Nu. 0.054 million. Similarly, for the Financial Year 2002-2004, the NIZC had made an excess payment of Nu. 0.044 million on account of hire charges for private vehicle.

Auditee's response: *Response awaited.*

Who is accountable?: *The excess amount should be deposited into the Audit Recoveries Account and the responsibility is fixed on Jigme Cholen Yezer, Principal, Thinley Wangchuk, Assistant Principal and Jamtsho, Project Accountant.*

C. The project management of National Institute of Zorig Chusum had entertained 4 to 5 days as enforced halts for the officials who had attended the short term training on Vocational Education Training at Philippines, FDDI, India & Training on casting and Prorated in Himalayan Pure House, Nepal. As per the circular from Ministry of Finance, the enforced halt entertained is at the most for 2 days only for a round trip. This resulted into an excess payment of Nu. 0.029 million as shown below:

Sl. No.	Name & Designation	Enforce halt claimed (US\$)	Admissible (US\$)	Difference	Exchange rate	Excess payment (Nu.Million)
1.	Jamtsho, Sr. Accountant	130 x 4 days = 520	130 x 2 days = 260	260	45	0.012
7.	Singye Karma, Instructor	100 x 4 days = 400	100 x 2 days = 200	200	46.10	0.009
8	Dawa Penjore, Instructor	120 x 5 days = 600	120 x 2 days = 240	360	44.30	0.008
					Total	0.029

Auditee's response: *The Institute submitted that the excess payment would be recovered.*

Who is accountable?: *The excess payment should be deposited into the Audit Recoveries Account with commercial interest of 16% p.a and the accountability to do so is fixed on Jigme Cholen Yezer, Principal, Thinley Wangchuk, Assistant Principal and Jamtsho, Project Accountant.*

2. Outstanding advance – Nu. 3.949 million

Various agencies under the Ministry of Labour and Human Resources had not adjusted the advance against officials and suppliers as shown in the table below:

Table 1.37 showing the agencies which had not adjusted the advances.

Sl. No	Agency	Amount (Nu. Million)
1.	Royal Bhutan Institute of Technology	0.055
2.	National Institute of Zorig Chusum- SDS Project Phase II	3.680
3.	National Institute of Zorig Chusum	0.214
	Total	3.949

Auditee's response: *The agencies had assured that the outstanding amount will be liquidated and the out come would be intimated to the RAA.*

Who is accountable?: *The old outstanding advances should be deposited into the Audit Recoveries Account with commercial interest of 16% p.a the accountability is fixed on Kezang Wangdi, AFO.*

Pema Gyeltshen, Project Manager and Samten Wangdi, Project Accountant is held accountable to adjust/deposit into the Audit Recoveries Account.

Jigme Cholen Yezer, Principal, Thinley Wangchuk, Assistant Principal is held accountable to adjust/ deposit into the Audit Recoveries Account.

3. Review of selection system of candidates for Youth Exchange Program and Korean-Bhutan Cooperation Foundation

The Department of Employment and Labour had conducted various programs to create self-employment opportunities for students who could not complete their higher studies or those unemployed. The programs offered were:

- a) Youth exchange program with Holland, to create more concrete and realistic images of the society and culture in the minds of the youth both in Bhutan and The Netherlands for a period of 10 months;
- b) Korean- Bhutan Cooperation Foundation (KBCF) to provide vocational training in Bakery, Beautification, Boiler Making, Electronic Repairs, Carpentry,

Mandarin Cultivation and Souvenir Making, as of now 16 candidates had completed the work. However, on review of the documents it revealed that two candidates who had participated in the Youth Exchange Program were selected again for KBCF, thus defeating the objective of providing fair and equal chance. It revealed lack of fairness and transparency in the selection criteria and procedure, which has provided sufficient room to be subjective in the decision of the selection committee.

Auditee's response: *It was intimated that the decision to allow the participant to take part in both the programs were made jointly by the department and KBCF as the two programs had different objectives. The Youth program was to help understand the culture and tradition, concept of sustainable development, work ethics, employment and labour issues while the KBCF aimed to provide an opportunity to acquire basic skills to help them create an opportunity for self employment. Further, the candidates would not be eligible for credit guarantee scheme loan (free of collateral) offered by the financial institutions for self-employment. The Department stated that the selection was done by a committee comprising of representation form BCCI, DEL and KBCF, Both oral and written examination were conducted and procedures followed strictly in line with the in country training rules and regulations.*

Who is accountable?: *Since both programs have common objectives of employment and labour issues, the justification provided is not acceptable. The accountability is fixed on Karma Tshering, Director, DEL.*

Chapter XIV Armed Forces

I. Royal Bhutan Army

The Royal Audit Authority during the year had issued 2 inspection reports of the Royal Bhutan Army. The following personnel in the various capacities headed the Royal Bhutan Army in the year 2004:

Sl. No.	Name	Designation
1.	Goongleon Gongma Lam Dorji	Chief of Operations Officer
2.	Lt. Col. Sonam Tshering	Defence Accounts Officer
3.	Sangay Wangdi	Deputy Chief Finance Officer

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

Table 1.38 showing the summary of the observations by category code and the amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding advances	4.461	60.81	1
2.	Release of payments without adjustments of advance	1.100	15.00	1
3.	Shortage of rations	0.903	12.31	10
4.	Non deduction of liquidated damages	0.272	3.71	11
5.	Shortage of cash	0.188	2.56	10
6.	Shortage of hire charges	0.106	1.44	10
7.	Non settlement of accounts	0.100	1.36	1
8.	Irregular diversion of funds	0.083	1.13	16
9.	Inadmissible payment	0.077	1.05	8
10.	Shortage of ration sale proceeds	0.046	0.63	10
	Total	7.336	100.00	

Major findings:

1. Inadmissible payment – Nu. 0.077 million

Payment of rental charges of residential telephone bills from the office had been stopped vide circular no. MF/GEN/99/4089 dated 31st May 1999 of the Ministry of Finance. However, in contravention to the circular, rental charges of Nu. 0.077 million for the period 01/07/02 to 20/06/03 in respect of officials in AHQ, Wings and Locations were borne by the Government.

Auditee's response: The RAA was given the approval accorded by Hon'ble Gongleon Gongma.

Who is accountable?: Unless the approval is endorsed by MoF it cannot be accepted in audit.

2. Outstanding advances – Nu. 4.461 million

Table 1.39 showing the agencies which had not adjusted the advance.

Sl No	Agency	Amount (Nu. Million)
1.	AHQ, Luntenphu	4.429
2.	MTC, Tencholing	0.005
3.	RBA, Dewathang	0.027
	Total	4.461

A. Scrutiny of the sub ledger for the financial year 2002-2003 of the AHQ, Lungtenphu revealed outstanding advance of Nu 4.429 million against Wings/Locations and officials of RBA. Further, it was noticed that subsequent advances were paid to the officials prior to liquidation of the previous advances in defiance to the financial rules.

Auditee's response: *Response awaited.*

Who is accountable?: *Recoveries/adjustments must be initiated at the earliest under intimation to RAA. Failing which the accountability is fixed on Lt. Colonel Penden Wangdi, Defense Accounts Officer.*

B. A sum of Nu. 0.005 million was lying outstanding against officials and troops of the Military Training Center (MTC), Tencholing. The RBA should take necessary steps to recover the outstanding advances.

Auditee's response: *Response awaited.*

Who is accountable?: *The outstanding advance should be deposited/adjusted within the stipulated time to avoid further accumulation.*

C. The Royal Bhutan Army, Dewathang had the outstanding amount of Nu. 0.027 million unadjusted from the officials .

Auditee's response: *The management submitted that the amount of Nu. 0.017 million has been deposited into Audit Recoveries Account and the amount of Nu. 0.026 million would be adjusted after the repair of the generator set and the amount of 0.024 million would be written off after forming the board of officers.*

Who is accountable?: *Till the necessary adjustments are made and the RAA intimated, the accountability is fixed on the concerned Drawing & Disbursing Officer.*

3. Non-settlement of accounts - Nu.0.100 million

A sum of Nu. 0.100 million was released to Major Navin Gautam from Pre-cast Stone Masonry Block (PSMB) account to purchase a golf set for official gift of RBA. However, the amount has not been refunded into the PSMB account that tantamount to misappropriation and diversion of funds.

Auditee's response: *Appropriate response waited.*

Who is accountable?: *Initiative must be taken to realize the amount under intimation to RAA. The accountability is fixed on Major Navin Gautum.*

4. Release of payments without adjustments of advances - Nu 1.100 million

M/s Pinewood Builders was awarded the work of the construction of Chief Operation Officer's (COO) Office at the Army Headquarters at Lungtenphug for Nu. 2.720 million. The mobilization advances of Nu. 1.510 million paid for phase II construction at Command Centre, Dewathang was taken into account as mobilization advance for the construction of COO's Office. Out of Nu 1.510 million, a sum of Nu. 0.410 million only had been adjusted vide 1st and 2nd Running Bill Account (RAB) leaving a balance of Nu 1.100 million. On submission of the 3rd Running Bill Account, the firm requested the AHQ, Lungtenphug to release the 3rd Running Bill in full. The remaining mobilization advances of Nu 1.100 million was requested to be recovered from the retention and final bill for the construction of 07 blocks family quarters at Ramitey, Phuntsholing, which was accordingly consented by the former Dy. COO, Brigadier Chunjur Dorji on 25/10/2002.

Again on submission of the final bill for the construction of COO's office, the firm again requested that bill be released in full and the balance amount Nu.1.100 million to be recovered from the final bill of the Family quarter construction in Ramitey.

However, on release of final payment of Nu 1.520 million for the construction of 07 blocks family quarters at Ramitey, the balance advances of Nu 1.100 million have not been recovered. Further more, retention money of Nu. 1.820 million were released without deducting the advances.

Auditee's response: *Response awaited*

Who is accountable?: *Proper justifications must be provided for non-realization of the amount. The amount must be deposited into the Audit Recoveries Account failing which the accountability will be fixed on Colonel Sangay Penjor, Deputy COO and Major Sonam Dorji, OC, Constructions.*

5. Non deduction of liquidated damages - 0.272 million

As a substitute work of Phase II construction at Command Centre, Dewathang, M/s Pinewood Builders was awarded the construction of the COO's office at Army Headquarters, Lungtenphug amounting to Nu. 2.72 million. As per the work order the work was to be completed within 6 months from the date of issue of the work. However, the work could not be completed on time. The work was delayed by 296 days. The contractor had applied for time extension. The DY. COO due to the hindrances at site granted a time extension of 215 days. However as per the hindrance register, it stated that no Reinforcement Cement Concrete (RCC) and cement works could be carried out for 41 days owing to severe cold. However, as per the cement issue register, works were carried out. Further, a time extension of 39 days were granted due to rainfall and snowfall, but scrutiny of the cement issue register revealed that cement works were carried out.

As a result the liquidated damages are calculated as below:

Total No. of days delayed	296 days
Less: Hindrances admissible (215-41-39)	135 days
No. of days liable for liquidated damages	161 days

Liquidated damages @ 2% of the contract amount for each month is

$$\text{Nu.2.7 million} \times \frac{2}{30} \times 161 = \text{Nu 0.292 million}$$

$$30 \quad 100$$

However, as per the Financial Manual 1988, liquidated damages should not exceed 10% of the contract price. Therefore the liquidated damage recoverable is

$$\text{Nu. 2.72million} \times 10\% = \text{Nu 0.272million}$$

Auditee's response: *Response awaited.*

Who is accountable?: *The liquidated damages must be deposited into the Audit Recoveries Account and the accountability to do so is fixed on Major Sonam Dorji, OC, Constructions.*

6. Shortage of ration sale proceeds – Nu. 0.046 million

During the tenure of Captain Tshewang Rinzin as Quartermaster at Wing-V, Shaba, a sum of Nu 0.188 million was collected as sale proceeds from rations for the period from April 2003 to August 2003. However, only a sum of Nu 0.142 million was deposited leaving a balance of Nu 0.046 million.

Auditee's response: *Response awaited.*

Who is accountable?: *The remaining balance of sale proceeds should be deposited into Audit Recoveries Account. The accountability to do so is fixed on Major Tshewang Rinzin.*

7. Shortage of rations - Nu. 0.903 million.

A. Physical verification of ration stores at the AHQ, Luntenuphu revealed shortages worth Nu. 0.825 million.

Auditee's response: *AHQ, Luntenuphu submitted that in obedience to convening order no. 503/Q (Accts)/73 dated 26 march 2003 and no. 503/Q(Accts)/79 dated 14 Jan. 2004, a Board of officers carried out the case study on the pattern of losses on the date collected for three years. The permissible loss percentage then came into effect from 1st April 2004. However it did not cover the shortages pertaining to the earlier period. As discussed in then exit conference on 13th July 2004, chronological events as desired along with calculated sheets after applying the permissible losses were submitted. AHQ requested that the shortages of the previous year and shortages worth Nu. 0.825 million to be considered through the existing permissible loss.*

Who is accountable?: *The shortages should be recovered from the responsible officials. The accountability to do so is fixed on Lt. Col. Tika Ram Rai.*

B. The physical verification of the ration store of Wing V, Shaba revealed shortages worth Nu. 0.078 million.

Auditee's response: *Response awaited.*

Who is accountable?: *The cost of shortages to be deposited by the concerned officials into the Audit Recoveries Account otherwise the accountability is fixed on Major Tshewang Rinzin.*

8. Shortages of hire charges - Nu. 0.106 million

The Motor Transport Workshop (MTW), Samarzingkha hired out two recovery vans to private parties at the rate fixed by RBA. Verification of the records revealed shortages of Nu. 0.106 million on account of the following:

- a) Non deposit of hire charges Nu. 0.069 million.
- b) Outstanding hire charges of Nu. 0.019 million.
- c) Recovery vehicle rendered but charged not realized Nu 0.018 million.

Auditee's response: *Response awaited.*

Who is accountable?: *The hire charges should be deposited into Audit Recoveries Account. The accountability is fixed on Lt. Col. Rinzin Dorji, MTO.*

9. Irregular diversions of pensioner's fund - Nu. 0.083 million

Pensioners fund of Wing V Shaba, amounting to Nu. 0.068 million were paid to Tshewang Dorji, firewood supplier and Chuma Wangchuk. However, adjustments were made for Nu 0.008 million leaving a balance of Nu 0.060 million. Furthermore a sum of Nu. 0.023 million were paid as advances to the officials. This has resulted in reduction of fund balances to the tune of Nu. 0.083 million.

Auditee's response: *Appropriate response awaited.*

Who is accountable?: *The unauthorized and irregular diversion of funds should be deposited into the pensioners' fund. The responsibility is fixed on Major Tshewang Rinzin.*

10. Shortage of cash - Nu. 0.188 million

Upon the physical verification of the cash balance of the internal funds of Military Training Centre (MTC) Wing –VI, Tencholing on accounts pertaining to RBA sawmill, sale of recruits excess ration, café fund, vegetable shop, tailor and barber shop, Nu. 0.188 million cash was found short.

Auditee's response: *The MTC submitted that the cash shortage was figured as the cash book was not closed during the handing/taking of accounts form Maj. D.S Wakhley. The handing/taking was done as per the ledger balance and not as per the cash book. The concerned official was called for settlement of accounts but was involved in VVIP visits at Damthang. The MTC informed that RAA would be intimated after the settlement of accounts.*

Who is accountable?: *The cash shortage of Nu 0.188 million should be recovered from the concerned dealing officer Major Gyem Thinley, Second in Command and be deposited into the respective accounts beside taking administrative action deemed necessary.*

II. Royal Body Guard

The Royal Audit Authority during the year had issued 1 inspection report of the Royal Body Guard. The following personnel in the various capacities headed the Royal Body Guard in the year 2004:

Sl. No.	Name	Designation
1.	Brigadier Dhendup Tshering	Commandant
2.	Lt. Col. Ugyen Wangdi	Pay & Accounts Officer.
3.	Tashi Tshering	Senior F finance Officer

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

Table 1.40 showing the summary of observations with category code and amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding advances	1.284	38.24	1
2.	Inadmissible/ Irregular payments	1.205	35.88	8
3.	Non deduction of health contribution	0.869	25.88	13
	Total	3.358	100.00	

Major findings:

1. Inadmissible/irregular payment – Nu. 1.205 million

A. Local calls and rental charges of the residential telephone bills of the officials of RBG amounting to Nu. 0.139 million were paid from the office.

Auditee's response: *The RGB stated that due to the nature of their duty requiring them to be on duty round the clock, telephone facilities are needed to communicate the confidential information. They also stated that the telephones were used only for the official purposes.*

Who is accountable?: *Payment of residential bills from the office has been stopped by the Ministry of Finance. The amount should be deposited into the Audit Recoveries Account. The accountability is fixed on the Lt. Col. Ugyen Wangdi, Pay and Accounts Officer and Tashi Tshering, Finance Officer.*

B. A sum of Nu. 1.066 million were paid on account of the residential electricity charges from the office from the period 1st July 2002 to 30th June 2003.

Auditee's response: *As Armed Forces are entitled for free residential electricity facilities the Government of India has been providing enough budgetary grant to meet this payment and therefore payments were made accordingly. However, as suggested by the RAA the RBG is now discussing this issue with the concerned authorities of Armed Forces to resolve this matter.*

Who is accountable?: *The RBG should seek clarification from the Ministry of Finance failing which the amount should be deposited into the Audit Recoveries Account. The accountability is fixed on Lt. Col. Ugyen Wangdi, Pay and Accounts Officer.*

2. Outstanding advances - Nu. 1.284 million

A sum of Nu. 1.709 million were lying outstanding against the government employee, RBG personnel and other parties as on 31st March 2003. Of the total outstanding advances Nu. 1.410 million dated back to 1996 and 2000. However, as on 31st March 2005, the actual

outstanding amount under Pay & Accounts Office stood at Nu.0.125 million and balance of Nu.1.159 million under PSMB Bricks Factory Unit.

Auditee's response: *The RAA was informed that Nu. 0.425 million has been recovered and adjusted. Of the balance amount Nu.1.159 million pertained to PSMB Bricks Factory unit initially paid as its establishment cost and this amount cannot be recovered or adjusted unless the amount is capitalized as the unit is still in existence. A sum of Nu.0.080 million pertained to the purchase of paints for tennis court and waiting for bills for adjustment. Rest of the amount is vigorously being pursued for recovery with respective agency and individual.*

Who is accountable?: *The overdue advances with commercial interest of 16% p.a be deposited into Audit Recoveries Account. The accountability to do so is fixed on Lt. Col. Ugyen Wangdi, Pay and Accounts Officer and Tashi Tshering Finance Officer. Major Tshewang Tandin, Construction Officer is held accountable to get the amount of Nu.1.159 million capitalized through competent authority.*

3. Non- deduction of health contribution - Nu. 0.869 million

Despite pointing out in the earlier inspection reports, health contribution amounting to Nu. 0.869 million were not deducted from the RBG personnel.

Auditee's response: *The RAA was informed that the case is being discussed with higher authorities for uniform application throughout the Armed Forces.*

Who is accountable?: *Lt. Col. Ugyen Wangdi, Pay and Accounts Officer and Tashi Tshering, Finance Officer is held responsible to follow-up and obtain clarifications from the Ministry of Finance.*

III. Royal Bhutan Police

The Royal Audit Authority during the year had issued 1 inspection report of the Royal Bhutan Police. The following personnel in the various capacities headed the Royal Bhutan Police in the year 2004:

Sl.No	Name of officials	Designation
1.	Lt. Col. Sonam Thondrup	Acting Chief of Police
2.	Lt. Col. Tandin Wangdi	Drawing & Disbursing Officer
3.	Major Wangdi Norbu	Pay & Accounts Officer

The following table exhibits the findings in a consolidated form:

Table 1.41 showing the summary of observations with category code and amount involved.

Sl.No	Observations in brief	Amount (Nu.Million)	%	Category code
1.	Acceptance of undersized uniforms	10.484	69.44	16
2.	Procurement without tender	3.293	21.81	3
3.	Outstanding advance	1.131	7.49	1
4.	Supply of poor quality geysers	0.165	1.09	7
5.	Non deduction of transportation charges	0.026	0.17	8
	Total	15.099	100.00	

Major findings:

1. Acceptance of under-sized uniforms – Nu. 10.484 million

During the Financial Year 2002-2003 total expenditure of Nu.10.484 million was incurred for procurement of uniforms for police personnel. It was noticed that supply orders for the uniform were placed on ad hoc basis without assessing the required sizes of uniforms. On test measurement of uniforms received, issued and balance available in the store it was noticed that the sizes of uniforms received and issued were not as per the sizes specified in the supply order and the standard sizes given against the uniforms. Hence some of the Non-commission officers could not use the uniform received as they were getting under-sized uniforms though it was marked as bigger size.

Auditee's response: *It was submitted that supply order is placed in three different sizes such as Extra large size, Large Size and Medium Size as it is impossible to take measurement for all the individuals due to large number of personnel. Hence stitching based on the three different sizes were adopted for years.*

Who is accountable?: *Until the issue is satisfactorily resolved in audit with indication of sound uniform procurement management the accountability is fixed on Lt. Col. Tandin Wangdi, Drawing & Disbursing Officer and Major Wangdi Norbu, Pay & Accounts Officer.*

2. Non-deduction of transportation charges - Nu.0.026 million

On verification of the procurement bills and challans it was noticed that in some cases the RBP vehicles were engaged to transport the uniforms from the suppliers based in Phuntsholing. There is a system in place where the custom officials stationed in the various check posts are to endorse the goods challan with official seal and sign. However, the challans for procuring huge quantities of uniforms from the suppliers of Phuntsholing were never found endorsed thus signaling the transportation of the entire quantity of uniforms by the RBP vehicles as the same are not required to stop at the check post.

Auditee's response: *The RAA was informed that they are still in the process of verifying as to how the uniform consignments were lifted.*

Who is accountable?: *Lt. Colonel Tandin Wangdi is held accountable for the lapses. Administrative action must be taken on the one responsible under intimation to the RAA.*

3. Supply of poor quality geysers at Chamgang Jail worth- Nu.0.165 million

M/s Phuensum Builders, Thimphu as part of the contract package had supplied 25 number geysers. On close verification 18 number of geysers (paint peeled off, rusted and some parts damaged) installed in Block-I and II were found not used by the prisoner. Of the 7 geysers (condition same as before) installed in Block-III, 4 were not functioning in totality and 3 geysers being used were found leaking and very risky to use.

Auditee's response: *The RAA was informed that the contractor has been informed of the lapses and that 12 new geysers are brought at site and upon bringing another 12 new geysers the department would request the Department of Standard & Quality Control to verify the quality.*

Who is accountable?: *Until the issue is satisfactorily resolved with replacement and verified by the RAA team, Karma Phuntsho, Section Officer is held accountable.*

4. Outstanding advance - Nu. 1.131 million

The Royal Bhutan Police had in their sub-ledgers a sum of Nu.1.131 million lying outstanding against the officials, private parties and agencies.

Auditee's response: *The RAA was informed that they are extensively following-up with the concerned contractors or individuals to recover or adjust the outstanding advances.*

Who is accountable?: *The responsibility to recover the over-due outstanding advances with commercial interest of 16% p.a is fixed on Lt. Col. Tandin Wangdi, Drawing & Disbursing Officer and Major Wangdi Norbu, Pay and Accounts Officer.*

5. Procurement without open tendering - Nu. 3.293 million

The Royal Bhutan Police had procured prisoner's ration, prisoner's vegetables and Dekha vegetables worth Nu.1.594 million, 1.274 million and 0.425 million respectively without opting for Open Competitive Bidding.

Auditee's response: *It was submitted that the tender committee had overlooked the procurement rules and went for limited bidding instead of open tender and further stated that the present practice is already discontinued and started implementing the procurement rules.*

Who is accountable?: *The Procurement Committee, Major Phub Dorji, Major L.B Pradhan, Major Wangdi Norbu, Drimpon Jigme Namgyel and Major Loday Jamtsho are held accountable for the lapses.*

Chapter XV Financial Institutions & Corporations

The Royal Audit Authority during the year 2004 had issued 37 inspection reports pertaining to the Financial Institutions & Corporations.

I. Bank of Bhutan Limited

Apart from the statutory audit being conducted by a firm of Chartered Accountants empanelled with the Royal Audit Authority the RAA also conduct propriety audit. The observations reflected in the Annual Audit Report 2004 pertained to the branches across the country.

The Bank of Bhutan during the year 2004 was managed and administered by the following:

Sl.No	Name of official	Designation
1.	Lyonpo Wangdi Norbu	Chairman
2.	Tshering Dorji	Managing Director
3.	G.P. Sharma	Deputy Managing Director (Credit)
4.	Passang Tshering	Deputy Managing Director (Operation)

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

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

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding loan	6.159	84.94	1
2.	Overdue Pending liabilities	1.034	14.26	16
3.	Non Collection of CBC and OC	0.058	0.80	1
	Total	7.251	100.00	

Major findings:

1. Outstanding loan - Nu. 6.159 million

A. On verification of the Medium Term Loan Ledger of the Bank of Bhutan, Lhuentse, it revealed that loan amounting to Nu. 0.046 million were lying unrealized (overdue) from clients namely Tshering Wangchuk and Sonam Tshering.

Auditee's response: *The management submitted that Tshering Wangchuk's case had been forwarded to the The Royal Court of Justice, Lhuentse for the recovery of loan. However, on appeal the Court had granted time extension for 6 months (01/03/04 to 01/09/04) wherein if the borrower fails to comply within the given time, the stock and book debt in trade would be surrendered to the bank. In case of Sonam Tshering, since he failed to repay the amount despite several reminders, the case is forwarded to the court.*

Who is accountable?: *The Bank Management must follow up with the court for recovery of the amount. The accountability is fixed on Jigme Chogyel, Bank Manager.*

B. Review of the Small Business Artisans Credit Scheme (SBACS) ledger maintained by the Bank of Bhutan, Mongar, revealed Nu. 4.506 million lying outstanding as of 31st December 2003

Auditee's response: *The Management submitted that the bank is taking initiatives to contact the defaulters and that out of 34 cases 3 clients have already started repaying the amount regularly. 5 of the cases forwarded to the court were already resolved and 6 more cases are expected to resolve at the end of April 2005. Branch has been advised to regularly follow-up the matter with the concerned authority and with the borrowers.*

Who is accountable?: *The Management must follow up with the court to expedite the early recovery. The accountability is fixed on Tenzin Dorji, Bank Manager.*

C. On review of the SBAC ledger maintained by the Bank of Bhutan, Samdrupjongkhar, it revealed that an unrealized/ unrecovered loans amounting to Nu. 0.607 million from various clients were transferred to HQ for taking appropriate action. Accordingly, the HQ had forwarded all the cases to Samdrupjongkhar Court for settlement and the responsibility to follow up the cases were entrusted to the BoB, Samdrupjongkhar. However, it was noted that majority of the cases had remained unsettled till the date of audit.

Auditee's response: *The management submitted that they are following the cases forwarded to the court and the loans pertain to the release made under 'Small Business and Artisans Credit Scheme' initiated at the command of His Majesty of the King of Bhutan to uplift the poor. However, the shops of the borrowers in Nganglam & Daifam have been closed and settled in other parts of the country. As such the whereabouts of these people could not be traced out. However, recovery suit has been filed against them in the Hon'ble Courts of Daifam and Nganglam in late 1998 & early 1999. The courts too could do little due to the above referred reasons except one case that was resolved recently. The Bank of Bhutan has been directed to make concerted efforts to recover the loans as soon as possible.*

Who is accountable?: *Till the management follows up the cases and expedites early settlement, V.T George, currently Internal Auditor and the Bank Manager are held accountable.*

D. The Bank of Bhutan, Trashigang had the outstanding loan of Nu. 1.00 million. Some of the cases were forwarded to the Royal Court of Justice, Trashigang for settlement.

Auditee's response: *The management submitted that they are following up the cases with the court and RAA would be intimated of its outcome.*

Who is accountable?: *Till the amount is recovered, Tharpo Drukpa, Deputy Chief Manager is held accountable.*

2. Overdue pending liabilities - Nu.1.034 million

The Bank of Bhutan, Samdrup Jongkhar, had the fixed deposit of Nu. 1.034 million which are matured and unclaimed by the depositor. As per the Manual of Instructions, Volume I, Chapter 3, Para 6 C, the dealing assistant should send a letter to the depositors 10 days before the date of maturity informing/ reminding him that a particular deposit receipt is falling due for payment on a given date. If the depositor does not turn up for encashment/ renewal on the maturity date and also does not send his instructions, a reminder should be sent one month after the date of maturity informing him that interest payment on such deposit ceases at maturity. However, as per the records maintained by the bank, it revealed that the bank

management had failed to inform some of the clients as per the manual of Instruction. The unclaimed deposits were directly transferred to C/D ledger under account head 'Deposit Call'

Auditee's response: *The details of the matured and unclaimed fixed deposits of the branch were notified in the Kuensel Issue of 31st March, 2005, at present only five numbers of deposits aggregating to Nu.0.079 million remained outstanding. The others have since been paid.*

Who is accountable?: *Till whole of the amount is paid, V.T George, Bank Manager is held accountable.*

3. Non collection of CBCs and OC - Nu. 0.058 million

The Bank of Bhutan, Samdrupjongkhar had not collected 3 Constituent Bills held for Collection (CBC) amounting to Nu.0.049 million and 2 Outward Cheque (OC) amounting to Nu 0.009 million.

Auditee's response: *The management stated that the matter is taken up with the concerned banks and is being followed up constantly.*

Who is accountable?: *Till the amount is collected, V.T. George, Bank Manager is held accountable.*

II. Bhutan Development Finance Corporation Limited

Apart from the statutory audit being conducted by a firm of Chartered Accountants empanelled with the Royal Audit Authority the RAA also conduct propriety audit.

The BDFC in the year 2004 was administered and managed by the following:

Sl.No	Name of official	Designation
1.	Lyonpo Wangdi Norbu	Chairman (1.4.01 to 3.9.03)
2.	Aum Yangki T Wangchuk	Chairperson (From Sept. 03 till date)
3.	Sangay Khandu	Managing Director (18.3.92 to 30.4.97)
4.	Karma Rangdol	Managing Director (1.4.97 to 4.4.02)
5.	Kuenzang Namgyel	Managing Director (23.3.02 to 12.12.03)
6.	Ngawang Gyeltse	Managing Director (Jan. 04' till date)
7.	Ugyen Namgyel	General Manager, Finance & IT (June 03' till date)
8.	Ugyen Dhendup	General Manager, Credit (Inception till date)
9.	Tashi Penjor	General Manager, Branch Operation (Inception till date)

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

Table 1.43 showing summary of the observation by category code and the amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Undue delay in resolving the litigation cases	22.824	55.07	16
2.	Writing off of loans	12.625	30.46	16
3.	Irregular sanctioning of loan	4.000	9.65	7
4.	Overdue loan balances	1.180	2.86	1
5.	Outstanding loans	0.652	1.57	1
6.	Excess payment	0.162	0.39	6
	Total	41.443	100.00	

Major findings:

1. Writing off of loans - Nu.12.625 million

The BDFC had written off irrecoverable loans amounting to Nu.12.625 million accumulated during the years 2000 to 2002. The RAA had advised the management to thoroughly review the write-off cases so as to ensure that no undue benefit has been given to loanees and intimate the result to RAA.

Auditee's response: *The write-off under Agriculture and Loan Department (ALD) were mainly because of the "Arrears Recovery Strategy" which was indeed an interim policy initiated by the management to resolve and clean up the old and bad loan cases. The write-offs under Industrial Loan Department (ILD) was all as per the decision of the courts which do not write-off loans arbitrarily.*

Who is accountable?: *Managing Director and Project Officers are held accountable to produce relevant and satisfactory court verdicts/ justifications for write-offs of such huge amount of money.*

All cases of the above write-off amount were reviewed and found some pertinent issues that warrant further publication in the Annual Audit Report. Some of such issues are briefly discussed hereunder:

A. The Board of Directors owing to huge default in the repayment of loans by M/s Bhutan Dairy Limited had proposed to write-off Nu.1.500 million provided the loan amount was

reduced by Nu.2.500 million. Without fulfilling the obligation of depositing Nu.2.500 million, the Managing Director had written off Nu.1.500 million. When the case for recovery was in the court of law the proposal of the management to consider write-off of Nu.1.500 million was found not rational.

Auditee's response: *As per the agreement the case was forwarded to Legal Division for further action. With the persuasive follow-up by Legal Division the client had paid the entire defaulted amount and currently his account is regular and up to date.*

Who is accountable?: *Karma Rangdol, the then Managing Director is held accountable for the lapses. The Board of Directors may comment on the rationality behind such write-off cases.*

B. Mr. Nagphel Kencho had defaulted the loan amounting to Nu.1.684 million and the management had seized the workshop establishments on the basis of the recommendation of National Commission on Loan and realized Nu.0.856 million being the cost of nine sheds of workshop leaving the balance of Nu.0.991 million. The Board during its 47th meeting decided to drop off the recommendation of the Commission and had unjustifiably written off Nu.0.991 million. On the other hand this loanee also had litigation on loan misuse cases in Dzongkhag Court, Paro amounting to Nu.0.225 million.

Auditee's response: *The EDP loan scheme was specially initiated by the Royal Government under which loans were given without any tangible assets to secure the loan. When this project failed miserably, BDFC had no option but to take over the project assets and dispose it off. Since the above loan was unsecured and there was definitely no way to recover the loan, management had no option but to write-off and close the case.*

Technically the management cannot include the above loan balance with the rural credit loans purely on legitimacy of the EDP loan scheme and the rural credit loans. Thus EDP loan balances was written-off and rural credit loan is currently being litigated presently in Royal Court of Justice, High Court, Thimphu

Who is accountable?: *Karma Rangdol, the then Managing Director then is held accountable for the lapses. Any project big or small needed to be appraised through proper study. The Board of Directors may comment the rationale behind such write-off cases. The RAA shall also be intimated on the outcome of the court cases.*

2. Undue delay in resolving the litigation cases valuing - Nu.22.824 million

As many as 338 litigation cases including 51 pertaining to the Head Office involving Nu.22.824 million were pending as per BDFC's records. The litigation cases were filed mainly for non-recovery of loans from the beneficiaries. It warrants timely action by the management for recovery.

Auditee's response: *The delay in the follow-up action of the litigations has not been due to negligence of the BDFC rather reasons all beyond its control.*

One of the few reasons is the appeal cases. When the cases reach to court, people appeal to His Majesty for Kidu after which the process in action is suspended. For instances we have as many as 70 appeal cases under Paro Dzongkhag alone which has very badly affected the litigation process.

The other reason is the seizure order of the court and disposing it off through public auction. However, there is a difficulty in getting those assets sold where outstanding loan amount is more than the value of assets seized.

Next is the financing of EDP clients who are not required to put in mortgage for the loan. Unfortunately when EDP project fails the management has to take over assets which mostly do not fetch good price in the open auction.

In response to the Draft AAR, the management informed the RAA that out of 338 cases 327 cases with monetary value of Nu. 10.097 million have been settled as of 31 December 2004.

Who is accountable?: *The present Managing Director, Legal Officer and Project Officers are jointly held accountable for following up the cases with the Hon'ble Courts. The responses needed to be substantiated with facts and figures to enable RAA to form its final opinion and up date the figures accordingly.*

3. Excess payment - Nu.0.162 million

The management while sponsoring 5 officers for a training on Project Finance and Investment Appraisal course in the Philippines were paid excess DSA amounting to Nu.0.162 million. The management had paid negotiated DSA rate for the training period instead of regulating payment as per the government prescribed rate. One is entitled full DSA of US \$ 130.00 for first 10 days and 50% for balance 16 days but by paying negotiated rate of US \$ 130.00 throughout the training period of 26 days had entailed extra expenditure amounting US \$ 3900.00.

Auditee's response: *It was stated that according to service rules the trainees should have been paid DSA of USD of 130/- for Phillipines. Since there was no external funding the corporation negotiated and paid USD 120/- per person less USD 10/- and saved a total of USD 1250/-equivalent to Nu.0.061 million.*

Who is accountable?: *The reply is not tenable. The management should have applied the RGoB rates for the regulations of the DSA claim so as to generate more savings. The excess payment should be recovered from the concerned officials and the responsibility to do so shall be fixed on Ugyen Namgyel, Finance Manager.*

4. Irregular sanctioning of loan - Nu.4.000 million

Ugyen Wangdi, Managing Director of M/s Bhutan Dairy Limited was sanctioned two project loans including Over Draft facilities amounting to Nu. 4.000 million. When they had already defaulted the repayment of the loan amounting to Nu.6.586 million, granting of further loan for new two projects was not justifiable. It was also found that land – part of mortgage was already sold to 4 persons. A report to this extent submitted by Legal/Recovery officer was not given any due regard.

Auditee's response: *Mr.Ugyen Wangdi had availed a total of Nu.4.000 million under three separate loan accounts of Hotel projects, house renovation project and Over Draft. While OD loan has been closed, two accounts are up to date with excess payments in both the accounts.*

Who is accountable?: *The response is not to the points raised. Karma Rangdol, the then Managing Director is held accountable for the lapses. The Board of Directors may comment on this issue.*

5. Overdue loan balances - Nu.1.180 million

It was noticed that in a good number of cases the loans had matured long back and huge balances were outstanding against the loanees. In some cases the borrowers (*Names reflected under Auditee's response*) had not deposited even a single installment towards the repayment of the loans though the loans had matured long back. There are instances where loans had been sanctioned and paid between the years 1991 to 1993 and had matured between the years 1997 to 1999.

Auditee's response: *BDFCL could not recover the loan from Mrs. Sangay Buddha because of the natural calamity which washed away all her mortgaged assets by the flood in Phuntsholing in the year 2001. The client had at least paid Nu.0.100 million collected from her friends and relatives. She is given some time to pay at least the principal amount.*

With Dawa Tshering the Legal Division is constantly following up with the client. The guarantor upon being pressurized by the BDFCL had brought the heir of the client and made an arrangement to pay Nu.2500 per month.

With Dorji Wangchuk the management had already received the seizure order of the mortgaged assets and had conducted auction twice.

With Thinley Jamtsho the loan has been up dated and regular.

With Kado since the management has exhausted all the ways and means to recover the loan the case was put up to the Royal Court of Justice, Dzongkhag Court, Thimphu.

Who is accountable?: *Managing Director, Legal and concerned Project Officers are jointly held accountable to resolve the cases.*

6. Outstanding loans – Nu. 0.652 million

The BDFC, Samdrupjongkhar had the outstanding loans amounting to Nu. 0.652 million. However, some of the cases have been already forwarded to the court.

Auditee's response: *The management submitted that they have introduced PAR_(Portfolio at Risk) strategy to clear off the old defaulted loans and that they are following up cases forwarded to the Hon'ble courts.*

Who is accountable?: *Till the management follows up and expedites the cases for early settlement, Tenzin Wangdi, Dzongkhag Credit Officer, Samdrupjongkhar is held accountable.*

III. Royal Insurance Corporation of Bhutan Limited

Apart from the statutory audit being conducted by a firm of Chartered Accountants empanelled with the Royal Audit Authority the RAA also conduct propriety audit.

The RICBL during the year 2004 was managed by the following personalities:

Sl.No	Name of person	Designation
1.	Lyonpo Wangdi Norbu	Chairman
2.	Lamkey Tshering	Managing Director
3.	Tshering Gyeltshe	General Manager, CID
4.	Nado Gyeltshen	General Manager, GID
5.	Gyem Tshering	General Manager, GAD
6.	Surajit Dutta	General Manager, F&A
7.	Gyem Dendup	General Manager, Thimphu

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

Table 1.44 showing summary of the observation by category code and the amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Overdue loan outstanding	56.040	99.96	1
2.	Inadmissible payment of motor vehicle claim	0.069	0.04	8
3.	Irregular rescheduling of loan exceeding its security value	0.000	0.00	16
	Total	56.109	100.00	

Major findings:

1. Overdue loan outstanding - Nu. 56.040 million

It was observed that the Corporation's Overdue (OD) loan outstanding for the year ended 31 December 2003 was Nu. 66.403 million. It was further noted that the corresponding OD figure for the year ended 31 December 2004 dropped to Nu.56.040 million.

Auditee's response: *The management submitted that they did not take action against overdue range from 1-3 months as they consider these accounts under watch category and they were closely monitoring. Further, the management submitted that only 172 cases have been remaining OD as of date for which an appropriate action would be initiated.*

Who is accountable?: *Improvement over OD figures in 2004 from 2003 is appreciated. However, until the issues are resolved to acceptable standard, Tshering Gyeltshe, General Manager, Central Investment Department and Lamkey Tshering, Managing Director are held accountable.*

2. Irregular rescheduling of loan exceeding its security value

The erstwhile M/s Namgail Cement Company was taken over by a new management in December, 2000 and renamed as M/s Druk Cement Company Limited. On the day of taking over the company had a loan status amounting to Nu.31.383 million including over due interest of Nu.7.340 million. It was observed that as of 31.12.03 there was only one installment repayment of Nu.1.200 million for Industrial Term-Loan and additional loans were sanctioned to the client. The Board had approved number of rescheduling especially at a time when the payments of installments were due. Numbers of fresh agreements were drawn to this effect.

The company which had the loan amount of Nu. 31.383 million in December 2000 had its total loan mounted to Nu. 62.409 million on 31.12.03. During the year 2004 the company had paid a total of Nu.3.000 million leaving the loan balances at Nu.64.258 million which is more than the security value of Nu.56.090 million (*As of date of audit i.e. 15th March, 2004*).

The management constituted a sub-committee to draw up a revival package for the company. The sub-committee came up with 17 options two of which were proposed for implementation along with some conditions. It included 2 year interest holiday with an installment payment of Nu.4.000 million during the period and normal installment thereafter with interest. The other option was conversion of loan amounting to Nu.23.000 million into equity and the loan balances payable over a span of 10 years with an interest of 12% per annum. Against these two options the company offered counter proposal to increase 2 years interest holiday to 3 years and repayment period from 10 years to 13 years.

Auditee's response:

The taking over of the company was always the last resort. The financial institutions normally try to revive the sick industries at the interest of the institutions as well as the economy. To do that some deviations from the normal norms and ethics can be made so that the money already involved in the project can be ploughed back. Secondly the Financial Institutions generally do not have the technical expertise to run an industrial business. There was no repayment as the company was still under augmentation stage and sufficient funds could not be generated to meet its obligations. During the 79th Board Meeting held in December, 2003 the Board had formed a committee comprising of two (2) Board of Directors and one representative from the Ministry of Finance to thrash out plan for its revival.

The Sub-committee came up with 17 options two of which were chosen for implementation. It included 2 year interest holiday with an installment payment of Nu.4.000 million during the period and normal installment thereafter with interest. The other option was conversion of loan amounting to Nu.23.000 million into equity and the loan balances payable over a span of 10 years with an interest of 12% per annum. These two options were offered with 7 conditions such as appointment of full time Managing Director with qualified accountant, reconstitution of the Board of Directors with at least two representatives of the lenders, Re-registration of the Company as per the Companies Act 2000, the board and the management to maintain independence as opposed to current style, company to function in compliance to the Companies Act 2000, etc.

The management in its response to the Draft Annual Audit Report stated that the Board during its 82nd meeting had approved to grant interest holiday for two years on the condition that the company deposit Nu.1 million every quarter during interest holiday period. The response further stated that the company had already deposited Nu. 4 million till date and that loan balances as on 31st March 2005 stood at Nu.61.582 million.

Who is accountable?:

The accountability for the gross lapses in failing to carry out detailed professional investment analysis is fixed on Dhanapati Adhikari, Manager and Tshering Gyeltshe, General Manager, Central Investment Department.

3. Inadmissible payment of Motor Vehicle claim - Nu.0.069 million

“If the ownership of the vehicle is changed without informing the Underwriter and effecting changes in the policy, the own damage claim up to maximum of 50% of the assessed loss may be paid less NCB, if any”, stated at Point No. 4 of the Note dated 25.4.2001.

It was found that the management had paid full claim amount of Nu.0.139 million to Phuntsho Namgyal for the vehicle bearing registration No.BP-2-1909 which met with an accident. It was in the name of Sonam Tobgay but the policy holder was Phuntsho Namgyal.

Auditee’s response: *Although the claim admissible is to the extent of 50% incase the ownership is changed without informing the under-writers, the management has made special consideration as the transfer of ownership has been within the immediate family members and ownership change appears to have been intimated.*

Who is accountable?: *The payment was in total contravention to the laid down policy of the Corporation. Therefore, Nado Gyeltshen, General Manager and Lamkey Tshering, Managing Director, are held accountable.*

IV. Bhutan Broadcasting Service Corporation Limited

Apart from the statutory audit being conducted by a firm of Chartered Accountants empanelled with the Royal Audit Authority the RAA also conduct propriety audit.

The Bhutan Broadcasting Service Corporation during the year 2004 was managed and administered by the following:

Sl.No	Name of official	Designation
1.	Lyonpo Leki Dorji	Chairman
2.	Mingbo Dukpa	Managing Director
3.	Tshewang Rinzin	Finance Manager

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

Table 1.45 showing summary of the observation by category code and the amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Pending collections	3.355	74.70	2
2.	Outstanding advances	0.877	19.53	1
3.	Inadmissible/irregular payment	0.259	5.77	8
	Total	4.491	100.00	

Major findings:

1. Inadmissible/irregular payment - Nu. 0.259 million

The work for the supply and installation of fiber optics STL system in between Chubachu Complex and Sangaygang station was awarded to M/s Etho Metho Electrics Co. Thimphu at the lowest evaluated bid of Nu 1.999 million. On review of the records, it was noted that the supply of 2" HDPE Pipes was found substituted with 3" PVC pipes for underground cabling. The change in specification was approved by the management in favor of the contractor. It was understood that the contractor had made use of the PVC pipes disposed off by BDFC. The cost of pipes as per the information obtained from BDFC was Nu. 0.256 million of which 0.250 million already included in the bid document. It was noted that instead of the additional cost of Nu. 0.006 million the management had paid Nu. 0.265 million resulting in an excess payment of Nu 0.259 million as shown below:

Sl No.	Particulars	Amount (Nu. Million)	Amount (Nu. Million)
1.	Bid Value	1.999	
2.	Extra cost due to change in specifications	0.006	
3.	Total Payable		2.005
4.	Bills Paid		2.264
		Excess(4-3)	0.259

Auditee's response:

The management submitted that M/s Etho Metho had submitted the drawing of the trenches and the pipe size was 2" HDPE pipes with just one fiber optic cable but later the management decided to have another 10 pair analogue telephone cable laid out because it was cheaper to lay analog cable than to buy expensive head and equipment for two way communications. As the link between the studio and the transmitter would be permanent one and with plans to increase the number of radio and TV channels in future, it was felt necessary for bigger pipes. The contractor was instructed to construct manholes without additional cost at regular intervals to allow laying cables easily in future. Therefore it was decided to use 3" pipe from BDFC. A similar HDP pipe was costing Nu.256.25

per meter which amounted to Nu. 0.640 million therefore Nu 0.265 million was paid as additional work.

BBS went for local contractor who provided several man holes with no additional cost which today facilitated regular maintenance and laying of additional cables through the pipe between Sangaygang and Chubachu.

Who is accountable?: *It is not proper and ethical to violate tender norms. Besides, the management should have directly enquired the rates charged from BDFC. The excess payment of Nu. 0.259 with 16% commercial interest p.a. be deposited into Audit Recoveries Account. The accountability is fixed on Mingbo Dukpa, Managing Director, Sonam Tobgay, Chief Engineer and Dorji Wangchuk, GM, HRAD.*

2. Outstanding advances - Nu. 0.877 million

Advances amounting Nu. 0.877 million under T.V. Account, Normal Account and Imprest Account were lying outstanding against the employees, suppliers and other parties. It was noted that some of the OBA pertained to the fiscal year 2000-2001.

Auditee's response: *The management submitted that no further advances would be granted before liquidation of initial advances and that nominations for training would also be stopped till the OBA is adjusted.*

Who is accountable?: *The accountability is fixed on Tshewang Rinzin, Finance Manager and Mingbo Dukpa, Managing Director*

3. Pending collections - Nu. 3.355 million

An amount of Nu. 3.355 million were lying as outstanding against various Government Organization/Parties/Individuals on account of radio announcements, video shooting, editing, hire of equipment etc. as on 31/12/03. Some of the amounts pertained to 1994.

Auditee's response: *The management submitted that a sum of Nu. 1.090 million have been realized and written-off Nu.1.275 million by the Board thereby leaving a balance of Nu 0.989 million. Every measure is being taken to collect the bills at the earliest.*

Who is accountable?: *The management must recover the amount with commercial interest of 16% p.a. The amount written-off against the government agencies needed further review as all such agencies are still in existence. Further, the Management must carry out the analysis of the existing credit system so as to take appropriate decision to insist cash payments or streamline the credit policy to have an efficient credit system ensuring timely realization of bills. The accountability is fixed on Ashok Moktan, General Manager, and Mingbo Dukpa, Managing Director.*

V. Bhutan Postal Corporation Limited

Apart from the statutory audit being conducted by a firm of Chartered Accountants empanelled with the Royal Audit Authority the RAA also conduct propriety audit.

The Bhutan Postal Corporation during the year 2004 was administered and managed by the following:

Sl.No	Name of official	Portfolio
1.	Lyonpo Leki Dorji	Chairman
2.	Dasho Meghraj Gurung	Managing Director
3.	Sonam Peldon	Finance Manager

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

Table 1.46 showing summary of the observation by category code and the amount involved.

Sl. No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Non-realization	7.863	83.10	2
2.	Losses sustained by opening the Post Shop	1.599	16.90	16
	Total	9.462	100.00	

Major findings:

1. Losses sustained by opening the Post Shop - Nu. 1.599 million

Bhutan Post with approval from the Chairman had started a Post Shop/Hallmark and invested a total fund of Nu.9.134 million. The General Manager, Operation was entrusted the responsibility to manage the business and return the capital investment with interest of 15% per annum. The management for reasons not known to the audit was transferred to one Ramanand Thakur, ex-employee of Bhutan Post. During the business period the Post Shop had refunded Nu.8.672 million including advances, stocks and receivables thereby leaving irrecoverable balance amount of Nu.0.462 million. The loss amount did not include the accrued interest of Nu.1.137 million. The interest amount was later written off by the Chairman on the ground of business not making profit. The audit had found out that such losses occurred in a situation where proper and comprehensive investment/project appraisal was not usually carried out.

Auditee's response: *The management attributed reasons of losses to lack of experiences, competition and venturing into new non-core area of business etc.*

Who is accountable?: *The present management is held responsible to pursue for recovery of interest accrued and balance of principal amount from those concerned.*

2. Non-realization - Nu.7.863 million

Some branches under the Bhutan Postal Corporation Limited had not realized the revenue amounting to Nu. 7.863 million as shown below:

Table 1.47 showing the agencies which had not realized the revenue.

Sl. No.	Agency	Amount (Nu. Million)
1.	Bhutan Post, Phuntsholing	0.107
2.	Bhutan Post, HQ	6.333
3.	Bhutan Post, HQ	0.471
4.	Bhutan Post, HQ	0.952
	Total	7.863

A. Bhutan Post through its branch in Phuntsholing supplies newspapers and magazines to various organizations and individuals. Out of the total bill amount of Nu.3.533 million raised the balance of 0.107 million remained unrealized.

Auditee's response: *The RAA was informed that details have been sent to the concerned offices and that once the reconciliation is completed RAA would be intimated accordingly.*

Who is accountable?: *W. Wangdi, Regional Manager then, Phuntsholing is held accountable to deposit into Audit Recoveries Account.*

B. Bhutan Postal Corporation Limited has a facility of Special Drawing Rights (SDR) for the letters, parcels and Express Mail Service (EMS) received from countries like Great Britain, Switzerland, Denmark, Japan, Netherlands, India, Thailand, Nepal, Korea, USA, Singapore, Bangladesh, Maldives, Italy and Pakistan. However, on scrutiny it was observed that international mail revenue amounting to Nu.6.333 million have been lying outstanding and some outstanding dating as far back as 1994.

Auditee's response: *The RAA was informed that the accounting procedure between Bhutan Post and other Postal Administration is defined by Universal Postal Union and accepted by its members including Bhutan Post. Accordingly the claims of the Bhutan Post are submitted to the concerned Postal Administration who verifies and confirms the acceptance of the claim. The amount will be realized on part by part basis as per usual international settlement practices.*

Who is accountable?: *Leela Pradhan, Manager, International Accounts Settlement is held directly responsible to initiate the realization sooner.*

C. After failure of the Post Shop business operated by the Bhutan Postal Corporation Limited, the management was handed over to Ramanand Thakur, ex-employee of the agency with the conditions that he will make monthly payment of Nu.0.015 million as revenue to the Bhutan Post, 15% interest on fund released and rental charges. However, these terms and conditions were not respected as Nu.0.471 million were yet to be realized.

Auditee's response: *The case is now forwarded to the Royal Court of Justice.*

Who is accountable?: *The legal unit of the corporation is held responsible to follow-up the matter under intimation of its outcome to the RAA.*

D. A contract for the production of Bhutan's postal stamps was given to Inter-Governmental Philatelic (IGPC), New York. As per the contract IGPC will produce 10 special issues each year for sale in the international market and pay Bhutan Postal Corporation a royalty of US \$ 0.110 million. On verification it was observed that royalty amounting to Nu.0.952 million were lying outstanding against the production of year 2000.

Auditee's response: *The management stated that in order to maintain long term business relationship the company i.e.IGPC as requested would be allowed to produce one special issue without royalty in return for payment of outstanding royalty against the production of year 2000 amounting to Nu.0.952 million thereafter at the earliest.*

Who is accountable?: *Managing director is held responsible to realize the dues at the earliest.*

VI. Bhutan Power Corporation Limited

Apart from the statutory audit being conducted by a firm of Chartered Accountants empanelled with the Royal Audit Authority the RAA also conduct propriety audit.

The Royal Audit Authority during the year had issued 7 inspection reports of agencies under the Bhutan Power Corporation. The Corporation during the year 2004 was administered and managed by the following:

Sl.No	Name of official	Designation
1.	Lyonpo Yeshey Zimba	Chairman
2.	Chewang Rinzin	Managing Director
3.	Sonam Tobjey	Senior Manager, Finance & Accounts.

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

Table 1.48 showing summary of the observation by category code and the amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Embezzlement of cash	0.500	13.41	9
2.	Outstanding energy charges	0.141	3.78	2
3.	Non collection of revenue	0.045	1.21	2
4.	Inadmissible Payment	0.031	0.83	8
	Total	0.717	100.00	

Major findings:

1. Outstanding energy charges - Nu. 0.141 million

On verification of the consumer ledgers of ESD, Samtse it revealed a total outstanding of Nu. 0.141 million on account of sale of electrical energy charges. No actions like disconnecting the electricity lines and imposition of surcharges for the number of months delayed were taken.

Auditee's response: *The management stated that the major portions of the unpaid bills are from factories. Agreements have been drawn for installment payment. The remaining balance is in the process of realizing.*

Who is accountable?: *Singye Dorji, Manager & Tashi Wangdi, Supervisor are held accountable to deposit the amount with 16% Commercial Interest p.a. into Audit Recoveries Account and legal action proceeded where needed be intimated to the RAA .*

2. Embezzlement of cash -Nu. 0.500 million

The ESD, BPC, Trashigang had shown the booking of Nu. 0.550 million towards the payment of materials supplied by the Stores Unit, Phuntsholing during the month of September 2001. However, on verification of the relevant documents, it was found that only Nu. 0.050 million was remitted towards purchase of ACSR conductor and the balance amount of Nu 0.500 million was found to be embezzled by the accountant by manipulating figures in the books of accounts.

Auditee's response: *"Bhutan Power Corporation had lodged case No. BPC/HRA/HR-13/2004/1156 dated June 09, 2004 with the District Court at Trashigang implicating its former accountant, Mr. Biren Thapa in connection with misappropriation of the Corporation funds amounting to Nu. 500,500.00 and subsequently obstructing justice with concealment/ destruction of*

evidences related to the case.

The trial took place from June 29, 2004 to August 20, 2004 and the district court found the accused guilty of above charges and sentenced him to seven years of prison term and repayment of Nu. 500,500.00 to the corporation. However, when the accused appealed to the High Court on 4th Oct, 2004, the High Court on 6th Oct, 2004 issued the verdict by overturning the decision of the lower court and dismissed the case without any hearings on the following grounds:

- i) There is no formal Charge Sheet by the Court of Law, required as per section 187.1 of the CCPC.*
- ii) There is no proof beyond reasonable doubt, required as per section 96.2 of the CCPC.*
- iii) Hence the case is set aside as per provision of section 156 of the CCPC and*
- iv) Dismissed subsequent to the provisions of the section 110 (b) of the CCPC.*

Though the proceedings of the lower court had, however, proven beyond reasonable doubt the following elements of the case:

- a) The accused had violated an existing statute (provisions of the penal code) and the Royal Government of Bhutan's Financial Manual (1988).*
- b) The accused had the criminal intent that can be inferred from his violation of the statute and should be entirely held responsible for the natural and the provable consequences of his acts. The misappropriation of funds especially in the capacity of an accountant whose fiduciary duty is to be the honest custodian of the organization's funds, beyond reasonable doubt the intents of the accused.*
- c) The accused also has the full capacity not only to have the intent but also to commit the crime.*
- d) On the question of due process, the case has gone through an exhaustive trial proceeding at the lower court but is dismissed on a procedural technicality by the High Court. In this case, the lower court has carried out extensive fact finding with discoveries and depositions and granted a fair hearing to the accused and hence met the due process requirement.*

The matter was referred to the Cabinet Secretary to place the case before the CCM (vide letter no. 5/BPC/HRA/MD/2004/429 dated November 19, 2004) with request to grant permission to seek the legal advice of the Department of Legal Affairs as the corporation neither has a legal division nor the legal expertise to deal with such cases. The Department of Legal Affairs is the official prosecutor for the Government.

The request for submitting the case to CCM was approved by Hon'ble Tengey Lyonpo, Chairman of Bhutan Power Corporation. BPC has also taken the approval for Department of Legal Affairs to prosecute the case on BPC's behalf. The matter has now been referred to the Department of

Legal Affairs by the Cabinet Secretary vide letter no. COM/15/04/427 date 06 November 2004, however, BPC has not heard anything on this matter as yet.

Who is accountable?: *Until such time the RAA is intimated of the decisions of the BPC, HQ Biren Thapa, Accountant and Khandu Dorji, Sr. Manager are held accountable for making good the losses and other related penalties under the law.*

3. Inadmissible payment - Nu. 0.031 million

The ESD, BPC, Trashigang had made inadmissible payment of Nu. 0.031 million to officials and staff towards Transfer of TA claims.

Auditee's response: *The management submitted that such lapses had occurred due to ignorance of rule.*

Who is accountable?: *Khandu Dorji, Sr. Manager, ESD, BPC, Trashigang is held accountable to deposit the same to Audit Recoveries Account with 16 % Commercial Interest p.a.*

4. Non collection of revenue - Nu. 0.045 million

The ESD, BPC, Trashigang had revenues amounting to Nu. 0.045 million yet to be collected by various sub- divisions.

Auditee's response: *The management stated that the outstanding amount lying uncollected could attribute to the huge number of rural consumers, who are not able to travel long distances to clear their bills. However measures such as disconnection for non payment of bills are instituted. The management submitted that the amount of Nu. 0.494 million have been collected by various sub divisions.*

Who is accountable?: *Khandu Dorji, Sr. Manager, ESD, BPC, Trashigang is held accountable to deposit the same to Audit Recoveries Account with 16 % Commercial Interest p.a.*

VII. Bhutan Telecom Corporation Limited

Apart from the statutory audit being conducted by a firm of Chartered Accountants empanelled with the Royal Audit Authority the RAA also conduct propriety audit.

The Bhutan Telecom Corporation during the year 2004 was administered and managed by the following:

Sl.No	Name	Designation
1.	Lyonpo Leki Dorji	Chairman
2.	Sangay Tenzin	Managing Director
3.	Chhimi Dorji	Finance Manager

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

Table 1.49 showing summary of the observation by category code and the amount involved.

Sl.No	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Direct procurements of transmission equipment and DR MASS	51.237	100.00	3
	Total	51.237	100.00	

Major finding:

1. Direct procurements of transmission equipment and DR MASS - Nu. 51.237 million

It was observed that Bhutan Telecom Corporation during the year 2000-2001 had directly procured Transmission Equipment and DR MASS valuing Nu.51.237 million from Mitsui & Company, Japan without inviting tenders. The procurements were done on the basis of sale agreement drawn at the time of placing supply orders without creating avenues for any long-term agreement.

The approach for exception to the procurement rules and Government Policy on de-monopolization and procurements were found violated.

Auditee's response: Auditee's response reproduced as under "*The domestic telecommunications network has been established in our Kingdom under the Japanese Government's Grant Aid Scheme. Since it was an aid package, it was mandatory to install the equipment manufactured and originating from Japan. We did not have a choice of vendor's and/ or manufacturers. Mitsui & Company Limited, Japan is not a manufacturer but the authorized trading company of the equipment manufacturing company, NEC. We have to deal with their customers only through their authorized agents. NEC's equipment are of proprietary in nature and except for this firm itself, no other equipment manufacturers in the world can manufacture and supply operational & maintenance spares or expansion equipment for our existing network. Therefore, it does not make sense to call for quotation/tenders from any other company as has been pointed out in the RAA's memo.*" The Board during 24th Board Meeting concurred the justification.

Who is accountable?: Unless a copy of a government policy on this is made available, it becomes difficult for RAA to accept the justification of the company. The

argument that they have to deal only with the authorized agent of NEC is not supported with documentary evidence. The cases and copies of comparative rate study carried out by the procurement division of any should be furnished to enable RAA to form its final opinion after ascertaining public interest and government instructions carried out acceptably. Therefore, responsibility to do so shall rest on the concerned Managing Director.

VIII. Druk Seed Corporation of Bhutan Limited

Apart from the statutory audit being conducted by a firm of Chartered Accountants empanelled with the Royal Audit Authority the RAA also conduct propriety audit.

The Druk Seed Corporation of Bhutan during the year 2004 was administered and managed by the following:

Sl.No	Name of official	Portfolio
1.	Lyonpo Sangay Ngedup	Chairman
2.	P.M.Pradhan	Managing Director
3.	K.S. Nagarajan	Finance Manager

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

Table 1.50 showing summary of observations by category code and the amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Fixed assets lying unutilized	1.666	35.91	16
2.	Heavy stock balance of vegetable seeds	1.473	31.75	16
3.	Outstanding advances	1.162	25.05	1
4.	Outstanding sundry debtors	0.338	7.29	2
	Total	4.639	100.00	

Major findings:

1. Heavy stock balance of vegetable seeds - Nu. 1.473 million

Substantial quantities of vegetable seeds were found lying in the stock without movement for quite a long period ranging between 1 to 4 years. The total face value of these stock amounted to Nu.1.473 million.

Auditee's response: *The management stated that it is due to accumulation over several years' stock. Druk Seed Corporation shall make efforts to dispose it off.*

Who is accountable?: *The accountability is fixed on Jambay Dorji, former Managing Director for procuring the used stock and Kesang Tshering General Manager, Marketing for not making necessary efforts.*

2. Outstanding advances - Nu.1.162 million

Amount to the extent of Nu.1.162 million were lying outstanding against staff in the organization both present and ex-employees.

Auditee's response: *The RAA was informed that the Finance Division was instructed to promptly settle the advances given in various forms and that some dues and credit sales were transferred in the name of the staff who were responsible for the transactions.*

Who is accountable?: *P.M.Pradhan, Managing Director and K.S Nagarajan, Finance Manager are held accountable to deposit with 16% Commercial Interest p.a. into Audit Recoveries Account.*

3. Outstanding sundry debtors - Nu. 0.388 million

The Druk Seed Corporation had sundry debtors amounting to Nu.0.338 million. Some of these debts have been accumulated right from the year 1995.

Auditee's response: *It was submitted that the outstanding debt have been reduced and debt amount prior to the year 1995 have been approved by the board for write-off.*

Who is accountable?: *P.M.Pradhan, Managing Director and K.S Nagarajan, Finance Manager are held accountable to effect recovery of the balance with 16% Commercial Interest p.a. and deposit in Audit Recoveries Account.*

4. Fixed assets lying unutilized - Nu. 1.666 million

It was noticed that fixed assets with a book value of Nu. 1.666 million were identified as completely idle or partially used in various units under the company.

Auditee's response: *The RAA was informed that the proposal to auction out assets no longer required was put up to the board for seeking approval and got the same approved. It was submitted that two auctions have been conducted and disposed off most of the unserviceable assets. A committee has been formed to verify and assess idle assets.*

Who is accountable?: *P.M Pradhan is held responsible till such time the issue is satisfactorily resolved including putting the idle assets into effective use or effectively disposed off.*

IX. Forestry Development Corporation Limited

Apart from the statutory audit being conducted by a firm of Chartered Accountants empanelled with the Royal Audit Authority the RAA also conduct propriety audit.

The FDCL during the year 2004 was managed and administered by the following:

Sl.No	Name of official	Designation
1.	Lyonpo Sangay Ngedup	Chairman
2.	Namgay Wangchuk	Managing Director 01/01/00 to 27/09/03
3.	Ugyen Thinley	Managing Director 27/09/03 till date
4.	O.R. Easwarlal	Finance Manager

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

Table 1.51 showing summary of observations by category code and the amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Non realization of debt	0.804	40.44	2
2.	Non achievement of planned target	0.759	38.18	16
3.	Outstanding advance	0.425	21.38	1
	Total	1.988	100.00	

Major findings:

1. Outstanding advances - Nu. 0.425 million

A. A sum of Nu. 0.081 million was lying outstanding against officials/ contractors of Forestry Development Corporation Limited, Zhongar Division, Mongar as on 31/12/03.

Auditee's response: The management submitted that the concerned persons have been informed to deposit the outstanding amount with commercial interest.

Who is accountable?: The management must deposit with 16% Commercial Interest p.a. into the Audit Recoveries Account. The accountability is fixed on Rinchen Dorji, Divisional Manager and Pema Norbu, Assistant Accounts Officer, Samdrupjongkhar.

B. A sum of Nu. 0.394 million was paid as advance to Mr. Dendup Tshering for the Wangdigang FMU Road construction by the Forestry Development Corporation Limited, Zhemgang. The outstanding advances pertained to the year 2001.

Auditee's response: The management submitted that the case is being dealt with by the FDCL headquarter, Thimphu where the contractor was asked to refund the amount vide letter no. FDCL/HQ/ACCTT/01/1400 dated 01/06/04.

Who is accountable?: The amount should be deposited into the Audit Recoveries Account with commercial interest of 16% p.a. The accountability is fixed on Ugyen Thinlay, Managing Director, Wangdi Phuntsho, Divisional Manager and Ramesh Vishwa, Assistant Finance Officer.

2. Non-achievement of planned target resulting into avoidable expenditure of Nu. 0.759 million

On comparison of the planned production target and the actual production of timber, the FDCL, Jakar had not been able to achieve the intended target in the Dawathang Forestry Management Unit (FMU) by 69 % in 2002 and 61% in 2003. Besides non-achievement of the planned target the FDCL, Jakar had incurred additional expenditure of Nu. 0.093 million for transporting spillover timber in 2002 in Dawathang FMU as a result of increase in

transportation charges by Nu. 0.75 per cft in 2003. Similarly, a sum of Nu. 0.483 million had been spent in 2004 for transporting spillover production of timber with increase in the rate by Nu. 2.50 per cft in 2004. In addition Nu. 0.145 million were incurred for felling and crosscutting and Nu. 0.038 million for debarking.

Auditee's response: *The management submitted that due to the bad road conditions at Dawathang, targeted volume of timber could not be transported at the tendered rate of 2002 and 2004 and the spill over timber had to be transported with fresh tendered rate in the following year.*

Who is accountable?: *The explanation is not convincing. The accountability for incurring extra expenditure is fixed on G.S Chhetri, Divisional Manager.*

3. Non realization of Debt. Nu. 0.804 million

On closure of the Integrated Forestry Development Project (IFDP), FDCL, Jakar had taken over the sundry debtors amounting to Nu. 0.804 million as a part of transfer of assets and liabilities. However, the debt were not realized some dating as far back to 1988. The debts pertained to the unrealized sale proceeds of the forest produce.

Auditee's response: *The management submitted that the amounts could not be collected as most of the parties could not be traced, and as such the case was forwarded to the court by the IFDP management before its closure.*

Who is accountable?: *The accountability is fixed on G.S Chhetri, Divisional Manager to deposit the amount into the Audit Recoveries Account with commercial interest of 16 % p.a.*

Chapter XVI Autonomous Agency

The Royal Audit Authority during the year 2004 had issued 6 inspection reports pertaining to the Autonomous Agencies.

I. Bhutan Football Federation (BFF)

The following officials headed the BFF in the year 2004:

Sl. No	Name of Office bearers	Designation
1.	Lyonpo Khandu Wangchuk	President
2.	Ugyen Wangchuk	General Secretary

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

Table 1.52 showing summary of observations with category code and amount involved.

Sl.No	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding advances	2.200	100.00	1
	Total	2.200	100.00	

Major finding:

1. Outstanding advances - Nu. 2.200 million

On review of the sub ledger of BFF it revealed that a sum of Nu. 2.200 million were lying in the name of regional offices and responsible officials as OBA. Non settlement of advances within the financial year is a serious lapse.

Auditee's response: *BFF has submitted that nearly 50% of the outstanding advances have been either recovered or adjusted.*

Who is accountable?: *The management should take initiatives for early recovery and adjustments of balance outstanding advances. Until such times the accountability is fixed on K.B Basnet, Secretary General and T.B Rai, Finance Manager. Any amount not settled and not adjusted shall now carry a 16% commercial interest p.a. and must be deposited into Audit Recoveries Account.*

II. Cabinet Secretariat

The following officials headed the Cabinet Secretariat during the year 2004:

Sl No	Name of the Office bearers	Designation
1.	Dasho Sherub Tenzin	Secretary
2.	Dorji Wangdi	Head, Administrative & Finance Division

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

Table 1.53 showing summary of observations with category code and amount involved.

Sl.No	Observation in brief	Amount (Nu. Million)	%	Category code
1	Outstanding advance	0.160	100.00	1
	Total	0.160	100.00	

Major finding:

1. Outstanding advance - Nu. 0.160 million

On scrutiny of the vouchers, the Cabinet Secretariat had the outstanding advance of Nu. 0.160 million (US \$ 3,271.29 X Nu. 49) lying unadjusted against the officials who accompanied Hon'ble Minister, Lyonpo Kinzang Dorji on tour abroad.

Auditee's response: Response awaited.

Who is accountable?: *The amount with commercial interest of 16 % p.a. must be deposited into Audit Recoveries Account. Kuenlay, Chief Accountant is held accountable.*

III Wood Craft Centre

The following officials headed the organizations in the year 2004:

Sl. No	Name of Office bearers	Designation
1.	Dasho Sangay Thinley	Chairman
2.	Sangay Wangdi	Managing Director
3.	James Kuriakose	Finance Manager

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

Table 1.54 showing summary of observations with category code and amount involved.

Sl.No	Observation in brief	Amount (Nu. Million)	%	Category code
1.	Outstanding dues on credit sales	0.332	100.00	2
	Total	0.332	100.00	

Major finding:

1. Outstanding dues on credit sales – Nu. 0.332 million

An amount of Nu. 0.332 million were lying unrealized as of 23/08/04 from various parties on account of credit sales of furniture made prior to 31st December 2002. In many cases proper address of the sundry debtors were not documented which was a deterring factor for effective follow-up of the dues.

Auditee's response: *The management submitted that constant follow-up are being done to realize the dues*

Who is accountable?: *The accountability is fixed on Sangay Wangdi, Managing Director and James Kuriakose, Finance Manger. The amount with 16% Commercial Interest p.a. must be deposited in Audit Recoveries Account.*

Chapter XVII Judiciary

The Royal Audit Authority during the year 2004 had issued 30 inspection reports pertaining to the various Royal Courts of Justice. The important portfolios of the esteemed Royal Court of Justice, Thimphu were held by:

Sl. No	Name of the Office Bearer	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 1.55 showing summary of observations by category code and the amount involved.

Sl. No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Non deposit of collections into SBA	0.613	55.53	2
2.	Procurement without quotations	0.161	14.58	3
3.	Irregular/ inadmissible payment	0.121	10.96	8
4.	Outstanding advance	0.107	9.69	1
5.	Non Deposit of revenue	0.076	6.88	2
6.	Non accountal of scooter	0.026	2.36	14
	Total	1.104	100.00	

Major findings:

1. Non deposit of revenue - Nu. 0.076million

A. The Royal Court of Justice, Mongar had not deposited the revenue amounting to Nu. 0.030 million in RGR account, realized by way of compensation in lieu of one year imprisonment from Cheten. The amount was kept in SBA account.

Auditee's response: *The court submitted that the amount was not deposited into RGR account since the total collectible amount of Nu. 36,000.00 could not be realized instantly from Mr. Cheten and that they have now realized the whole amount which would be deposited into RGR account towards the end of the month.*

Who is accountable?: *Till the proof of the whole amount of revenue deposited into Revenue Account is made available to RAA, Lobzang Rinzin, Drangpon will be held accountable.*

B. The Royal Court of Justice, Chukha had not deposited the revenue amounting to Nu. 0.046 million realized on account of court fees.

Auditee's response: *Response awaited.*

Who is accountable?: *The amount be deposited with the penal interest of 24% p.a and the accountability is fixed on Lungten Dubjur, Drangpon.*

2. Non-accountal of Scooter - Nu. 0.026 million

The Royal Court of Justice, Mongar had purchased scooter model 1998 for Nu. 0.026 million. However, based on the previous audit observations pertaining to non accountal of the scooter, further investigations were carried to trace the existence of the scooter. It was found out that the scooter was kept near M/s Dorji Lhendup Workshop, Mongar without any care. The only remains of the scooter were its outer covers without engine and other accessories.

Auditee's response: *The Court submitted that ever since the time of Drangpon Thinlay Dorji, the scooter was taken for repair to M/s Dorji Lhendup Workshop and that the condition of the scooter had become irreparable.*

Who is accountable?: *The Dzongkhag Court should have ensured proper care and initiated to surrender the scooter to the DNP as it is the government property. Till the amount of loss sustained by government on account of negligence of the officials is made good, Damchoe Dorji, Drangpon is held accountable.*

3. Irregular / Inadmissible payment – Nu. 0.121 million

A. The Royal Court of Justice, Wangduephodrang had made an irregular payment of Nu. 0.074 million on account of false TA/DA claims. It was evident from the fact that in most of the cases, the court hearings were conducted on the days for which the travel claims were made, indicating that the officials were in the office at the same time. Further, in rest of the cases, it was found out that the official had claimed the TA/DA during the period when he was officiating as Drangpon and court hearing was also conducted.

Auditee's response: *The Royal Court of Justice, Wangduephodrang had submitted that the irregular payments were made during the time of former Drangpon and Ramjam, they are being intimated and that the RAA would be intimated upon receipt of replies from them.*

Who is accountable?: *The amount be deposited with 16% commercial interest p.a. into Audit Recoveries Account, Kuenzang Tobgay, Drangpon beside the court should take administrative action for acts unbecoming of an official of Justice..*

B. The Royal Court of Justice, Chukha had made the irregular payment of Nu. 0.020 million to Karma Tenpa, Accountant on account of false travel claims submitted by him. Four bench clerks were made to sign the travel authorizations and the travel claims were signed by him on behalf of all. Later, when it came to the notice of the Drangpon the amount was charged against the accountant but there was no indication of his acceptance.

Auditee's response: *The Royal Court of Justice, Chukha had submitted that the amount has been charged to his name and that he would be made to clear it.*

Who is accountable?: *Such practice of irregular payment is viewed as serious and as a result of gross negligence on the part of the Drawing and Disbursing officer who sanctioned the payment. The amount should be deposited with 16% commercial interest p.a. immediately into the Audit Recoveries Account. The accountability is fixed on Lungten Dubjur, Drangpon. Administrative Action must be taken on four bench clerks and Accountant, Karma Tempa for their actions.*

C. The Royal Court of Justice, Tsirang had made the irregular payment of Nu. 0.027 million to Dasho Drangpon on account of unjustifiable travel claims. Mostly the tour pertained to repair of vehicles at Phuentsholing and collections of stationeries from Phuentsholing. However, it was not understood as to why the repairs had to be done at Phuentsholing when such facilities are available within the vicinity of Thimphu and Gelephu. Besides, documents were not maintained if the vehicles could not be repaired at those places. Further, the cost of travel far exceeded the value of stationeries collected from Phuentsholing and the terms of reference executed between the supplier and the management was not produced to audit.

Auditee's response: *Response awaited.*

Who is accountable?: *Till the appropriate justification is furnished to RAA, Dasho Tshultrim Gyeltshen, Drangpon is held accountable.*

4. Outstanding advance – Nu. 0.107 million

The Royal Court of Justice, Chukha had the outstanding advance of Nu. 0.107 million lying against the officials of the court.

Auditee's response: *Response awaited.*

Who is accountable?: *The advances with commercial interest of 16% p.a be deposited into Audit Recoveries Account. The accountability is fixed on Lungten Dubjur, Drangpon.*

5. Procurement without calling quotations - Nu. 0.161 million.

The Royal Court of Justice, Tsirang had procured the equipments worth Nu. 0.111 million and 0.050 million respectively. However, quotations were not called as required by the Procurement Manual.

Auditee's response: *The Royal Court of Justice, Tsirang is yet to respond on this issue.*

Who is accountable?: *Procurement rules must be respected more so by a Court of Law. Dasho Tshultrim Gyeltshen, Drangpon who authorized the procurement shall be held accountable for overlooking the requirements.*

6. Non-deposit of collections into SBA accounts - Nu. 0.613 million

On verification of the collection of money from various clients vis-à-vis deposit made into SBA Account, it was noticed that the Royal Court of Justice, Chukha had collected the amount of Nu. 0.613 million from various clients but were not deposited into SBA Account. It was learnt that the money was with the former Drangpon, who had retired from the service.

Auditee's response: *The Royal Court of Justice, Chukha had responded that these discrepancies are in the process of verification and results would be intimated to RAA with the handing/ taking note of the accounts*

Who is accountable?: *The amount with 16% Commercial Interest p.a. be deposited into Audit Recoveries Account. Lungten Dubjur, Drangpon is held accountable.*

Chapter XVIII Audit of Geog Administrations

In keeping with the Policy of the Royal Government of Bhutan on “Decentralization and Geog Based Planning” the elected leaders of the community have been entrusted with greater responsibility in implementing the plans. In line with this the RAA had carried out auditing at the grassroots level.

The RAA had also conducted familiarization tour to most of the Geogs in the country with the view to instill the sense of responsibility towards nation building through participation of the elected members in the developmental activities. Awareness of elected members on the procedures, rules and objectives of auditing were also made. The RAA had conducted the audit of 36 Geogs under three Dzongkhags separately in the year 2004. The remaining Geogs will be covered in our next plan.

Since audit is being conducted of activities carried out by Geogs themselves first time, we have agreed to treat the first phase as advisory and no punitive actions will be insisted against defaulting Gup, unless inevitable by the nature of the lapse.

The observations pertaining to these three Dzongkhags are brought out hereunder.

I Geogs under Dzongkhag Administration, Punakha

The Royal Audit Authority during the year had issued 9 inspection reports of geogs under the Dzongkhag Administration, Punakha. The following gups headed the geogs under Dzongkhag Administration, Punakha in the year 2004:

Sl.No	Name of official	Designation
1.	Gomchen	Gup, Geog Administration, Goenshari.
2.	Phuntsho Namgay	Gup, Geog Administration, Dzomi.
3.	Dolay	Gup, Geog Administration, Chhubu.
4.	Samten Phuntsho	Gup, Geog Administration, Bjime.
5.	Namgay	Gup, Geog Administration, Talo.
6.	Touchung	Gup, Geog Administration, Toewang.
7.	Pema Dorji	Gup, Geog Administration, Guma.
8.	Tshering Tobgay	Gup, Geog Administration, Kabjisa.
9.	Kencho Wangdi	Gup, Geog Administration, Lingmukha.

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

Table 1.56 showing summary of observations with category code and amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Irregular booking	0.032	61.538	16
2.	Adjustment made without supporting documents	0.020	38.462	16
	Total	0.052	100.00	

Major findings:

1. Adjustment made without supporting documents - Nu. 0.020 million

On verification of the documents, it was observed that Kabjisa and Guma Geog Administration, under Punakha Dzongkhag, had made the adjustment of advances of Nu. 0.020 million released without the supporting documents as shown in the table below:

Table 1.57 showing Geogs which had made adjustment of advances without supporting documents.

Sl. No	Geog	Amount (Nu. Million)
1.	Geog Administration, Kabjisa	0.007
2.	Geog Administration, Guma	0.013
	Total	0.020

A. The Geog Administration, Kabjisa had made the adjustment of Nu. 0.007 against the advance released to Sonam Tobgay, DFO, Punakha for the supply of 1,750 nos. of saplings for private forest plantation in Guma Geog. However, the adjustment was based on the bills prepared on the letterhead pad and no challans and receipts were found attached with the voucher. As such it could not be ascertained whether the money had gone to Government Account without the receipts being attached.

Auditee's response: *Response awaited.*

Who is accountable?: *The accountability is fixed on Sonam Tobgay, DFO to issue proper money receipt and Tshering Tobgay, Gup was advised to collect proper Government Money Receipt.*

B. The Geog Administration, Guma had adjusted the amount of Nu. 0.013 million against the advance released to Sonam Tobgay, DFO for the supply of 3,250 nos. of saplings for private forest plantation in Guma Geog. But the adjustment was made based on the bills prepared on the letterhead pad without challans and receipts.

Auditee's response: *Response awaited.*

Who is accountable?: *The accountability is fixed on Sonam Tobgay, DFO to issue proper money receipt and Pema Dorji, Gup was advised to collect proper Government Money Receipt.*

2. Irregular booking - Nu. 0.032 million

A. The Geog Administration, Kabjisa had booked the payment of Nu. 0.013 million in anticipation of carrying out work in future.

Auditee's response: *The administration stated that the money had to be withdrawn before the lapse of the financial year in order to meet the expenditure incurred toward labourers who were engaged in the month of June & July.*

Who is accountable?: *Charging of expenditure in anticipation of the work to be carried out is irregular and the accountability is fixed on Aku Dorji to deposit it into Audit Recoveries Account.*

B. The Geog Administration, Shenga Bjime had booked the payment of Nu. 0.019 million in anticipation of carrying out work in future.

Auditee's response: *The administration stated that the money had to be withdrawn before the lapse of the financial year in order to meet the expenditure incurred toward labourers who were engaged in the month of June & July.*

Who is accountable?: *Charging of expenditure in anticipation of the work to be carried out is irregular and the accountability is fixed on Aku Dorji to deposit it into Audit Recoveries Account.*

II Geogs under Dzongkhag Administration, Tsirang

The Royal Audit Authority during the year had issued 12 inspection reports of geogs under the Dzongkhag Administration, Tsirang. The following gups headed the geogs in the year 2004:

Sl.No	Name of official	Designation
1.	Kota Dukpa	Gup, Geog Administration, Patele.
2.	Kezang Tshering	Gup, Geog Administration, Tsirangtoe.
3.	L.T Tamang	Gup, Geog Administration, Shemjong.
4.	Yeshey	Gup, Geog Administration, Mendrelgang.
5.	H.B Tamang	Gup, Geog Administration, Barshong.
6.	T.R Sanyasi	Gup, Geog Administration, Phuentsenchu.
7.	K.K Monger	Gup, Geog Administration, Rangthangling.
8.	K.B Tamang	Gup, Geog Administration, Dunglagang.
9.	K.B Tamang	Gup, Geog Administration, Goseling.
10.	Baliram Pulami	Gup, Geog Administration, Kikhorthang.
11.	L.B Monger	Gup, Geog Administration, Tsholingkhar.
12.	Chandra Prasad Gurung	Gup, Geog Administration, Beteni.

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

Table 1.58 showing summary of observations with category code and amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category code
1.	Payment made without signing vouchers	4.775	90.66	16
2.	Non collection/ deposit of Rural Life and Housing insurance	0.386	7.33	10
3.	Non collection/ Non deposit of rural taxes	0.057	1.07	13
4.	Outstanding advance	0.024	0.46	1
5.	Non levy of penal interest	0.019	0.36	11
6.	Non deduction of health contribution	0.004	0.08	13
7.	Irregular payment	0.002	0.04	8
	Total	5.267	100.00	

Major findings:

1. Payment made without signing vouchers - Nu. 4.775 million

On vouching of the payments made by the Geogs under Dzongkhag Administration, Tsirang, it was seen that most of the Geogs had made the payments without the signature of the Controlling officers i.e respective Gups in the payment vouchers. Such instances of payment amounted to Nu. 4.775 million as shown in the table below:

Table 1.59 showing the payment made without obtaining the signature of the controlling officer.

Sl. No.	Geog	Amount (million)
1.	Geog Administration, Betini	0.059
2.	Geog Administration, Tsholingkhar	0.011
3.	Geog Administration, Kikhorthang	0.074
4.	Geog Administration, Goseling	0.107
5.	Geog Administration, Barshong	1.017
6.	Geog Administration, Mendrelgang	2.300
7.	Geog Administration, Tsirangtoe	1.131
8.	Geog Administration, Patele	0.076
	Total	4.775

**Auditee's
response:**

While some of the Geogs stated that the powers had been delegated to the Dzongkhag Finance Officer, some are yet to respond to this issue.

Who is accountable?: *The rules and procedures must be respected. As such, all controlling officers and the Dzongkhag Finance Officers are held accountable to ensure compliance in future.*

2. Non collection/ deposit of rural life and housing insurance - Nu. 0.386 million

On review of the collections and the deposit of the Rural Life Insurance and Housing Insurance premium of the Geogs under Dzongkhag Administration, Tsirang, it was noticed that some of the Geogs had not collected the premiums at all while some Geogs had not deposited the collections into the accounts maintained by the Dzongkhags. Such non collections and non deposit of premiums amounted to Nu. 0.386 million as shown in the table below:

Table 1.60 showing the geogs which had not collected or deposited the insurance premiums.

Sl. No	Geog	Amount (Nu. Million)
1.	Geog Administration, Betini	0.025
2.	Geog Administration, Tsholingkhar	0.003
3.	Geog Administration, Kikhorthang	0.078
4.	Geog Administration, Goseling	0.062
5.	Geog Administration, Dunglagang	0.037
6.	Geog Administration, Rangthangling	0.057
7.	Geog Administration, Phuentenchu	0.008
8.	Geog Administration, Barshong	0.020
9.	Geog Administration, Mendrelgang	0.019
10.	Geog Administration, Tsirangtoe	0.064
11.	Geog Administration, Patele	0.013
	Total	0.386

Auditee's response: *Most of the Geog administration submitted that they felt it was not compulsory to insure the life. They also attributed to the reasons such as maximum families not holding Goong numbers, government servants depositing insurance premium directly through respective departments and non-affordability of the people to pay the premium.*

Who is accountable?: *The amount be deposited into Audit Recoveries Account. The accountability is fixed on Gups of the respective Geog Administrations.*

3. Non levy of penal interest - Nu. 0.019 million

The audit had observed that some of the geogs under Dzongkhag Administration, Tsirang had not levied penal interest for the delay in deposit of various taxes collected from the people.

Table 1.61 showing Geog which had not levied penal interest for delay deposit of taxes.

Sl. No	Geog	Amount (Nu. Million)
1.	Geog Administration, Tsholingkhar	0.002
2.	Geog Administration, Rangthangling	0.017
	Total	0.019

Auditee's response: *The Geog administration, Tsholing submitted that the concerned officials were instructed to deposit the amount immediately. However, Rangthangling Geog stated that since the Geog had deposited the collections in time, reasons for the delayed deposit were beyond their understanding.*

Who is accountable?: *The amount be deposited into Audit Recoveries Account. The Gups of the respective Geogs and Dzongkhag Revenue In-charge are held accountable.*

4. Non deduction of health contribution - 0.004 million

Two geogs under Dzongkhag Administration, Tsirang had not deducted the Health Contribution from the salary of the officials of the Geog administration as shown by the table below:

Table 1.62 showing geogs which had not deducted health contribution.

Sl. No	Geog	Amount (Nu. Million)
1.	Geog Administration, Kikhorthang	0.003
2.	Geog Administration, Dunglagang	0.001
	Total	0.004

Auditee's response: *While the Geog administration, Kikhorthang stated that the amount would be recovered and deposited into Audit Recoveries Account, the Geog administration, Dunglagang is yet to respond on this matter.*

Who is accountable?: *The amount be deposited into Audit Recoveries Account. Rudramani Dhimal, Finance Officer and Neptey Maya Accountant are held accountable.*

5. Non-collection/ Non-deposit of rural taxes- Nu. 0.057 million.

Some of the Geogs under Dzongkhag Administration, Tsirang had either not collected the rural taxes from the people or not deposited the taxes collected into the Revenue Account. Such instances are as shown in the table below:

Table 1.63 showing the geogs which had not collected or deposited the taxes.

Sl. No	Geog	Amount (Nu. Million)
1.	Geog Administration, Kikhorthang	0.008
2.	Geog Administration, Dunglagang	0.007
3.	Geog Administration, Tsirangtoe	0.001
4.	Geog Administration, Patele	0.041
	Total	0.057

Auditee's response: *The Geog administrations are yet to respond on this issue.*

Who is accountable?: *The amount be deposited in Audit Recoveries Account. The Gups of respective Geogs are held accountable.*

6. Outstanding advance - Nu. 0.024 million

An amount of Nu. 0.020 million was paid to Phurba Bomjan, Forester being the advance payment for conducting the forestry training to the farmers of Barshong Geog. However, the same was neither found adjusted nor refunded as on date of audit.

Similarly, the Geog Administration, Shemjong had the amount of Nu. 0.004 million lying unadjusted against M/s Agriculture Commission Agents, Damphu.

Auditee's response: *The administration is yet to respond on this issue.*

Who is accountable?: *The amount be deposited into Audit Recoveries Account with 16% commercial interest p.a., Namgay Budhar, Accountant is held accountable.*

7. Irregular Payment - Nu. 0.002 million

On examination of the TA/DA bills of the Geog Administration, Mendrelgang, it was noticed that a sum of Nu. 0.002 million was paid to Yeshey, Gup towards the TA/DA claims. However, it was found that the controlling officer had not signed the travel allowance bills.

Auditee's response: *The administration submitted that at the time of payment, the controlling officer, who was the chairman, DYT had gone to Thimphu to attend meeting on DYT/GYT chathrim.*

Who is accountable?: *The accountability for the above lapse is fixed on Neptey Maya, Geog Accountant.*

III Geogs under Dzongkhag Administration, Wangduephodrang

The Royal Audit Authority during the year had issued 15 inspection reports of geogs under the Dzongkhag Administration, Wangdue. The following gups headed the geogs in the year 2004:

Sl. No	Name of official	Designation
1.	Dophu	Gup, Geog Adminsitration, Rubesa.
2.	Wangchuk	Gup, Geog Adminsitration, Phobjikha.
3.	Chador Namgyal	Gup, Geog Adminsitration, Phangyul.
4.	Kinlay Dorji	Gup, Geog Adminsitration, Thedtsho.
5.	Rinchen Peljore	Gup, Geog Adminsitration, Sephu.
6.	Chokila	Gup, Geog Adminsitration, Athang.
7.	Phub Tshewang	Gup, Geog Adminsitration, Dangchu.
8.	Dorji Gyaltshen	Gup, Geog Adminsitration, Daga.
9.	Tshewang Tandin	Gup, Geog Adminsitration, Gasethaogom.
10.	Dechen	Gup, Geog Adminsitration, Bjena.
11.	Dophu	Gup, Geog Adminsitration, Gangtoe.
12.	Sigay Dorji	Gup, Geog Adminsitration, Kazhi.
13.	Kinlay Dorji	Gup, Geog Adminsitration, Gasetshowom.
14.	Phub Dorji	Gup, Geog Adminsitration, Nyisho.
15.	Chajay	Gup, Geog Adminsitration, Nahi.

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

Table 1.64 showing summary of observations with category code and amount involved.

Sl.No	Observations in brief	Amount (Nu. Million)	%	Category Code
1.	Irregular Payment	0.059	60.21	8
2.	Non-deduction of health contribution	0.023	23.47	13
3.	Payment made for works not executed	0.009	9.18	12
4.	Excess payment	0.007	7.14	6
5.	Non accountal of stock	0.000	0.00	14
	Total	0.098	100.00	

Major findings:

1. Non-deduction of health contribution- Nu. 0.023 million

On verification of the records, it revealed the most of the geogs under Dzongkhag Administration, Wangduephodrang had not deducted the Health Contribution from the salary of the Geog officials as shown below:

Table 1.65 showing the Geogs which had not deducted the health contribution.

Sl. No.	Geog	Amount (Nu. Million)	Deposited
1.	Geog Administration, Nahi	0.001	
2.	Geog Administration, Nyisho	0.004	Instructed the Gup to deposit
3.	Geog Administration, Gangtoe	0.004	-do-
4.	Geog Administration, Bjena	0.001	
5.	Geog Administration, Thedtsho	0.004	Instructed the Gup to deposit
6.	Geog Administration, Athang	0.004	-do-
7.	Geog Administration, Phangnul	0.004	-do-
8.	Geog Administration, Phobjikha	0.001	
	Total	0.023	

Auditee's response: Response awaited.

Who is accountable?: The amount deposited into Audit Recoveries Account. Respective Gups and Accountants are held accountable.

2. Non accountal of stock

The Geog Administration, Gangtoe had constructed an Out Reach Clinic at Rameychen through community participation with some materials like cement and CGI sheets supplied by UNICEF. During the physical verification it was found that only 52 numbers of CGI sheets were actually utilized at site as against 62 numbers of CGI Sheets supplied by the UNICEF. As a result part of the roof still had shenglep roofing.

Auditee's response: *The Administration submitted that the concerned gup had been instructed to settle the para immediately.*

Who is accountable?: *Until such time the wooden roofing are replaced by the CGI sheet and intimated to RAA, the accountability is fixed on Dophu.*

3. Excess payment - Nu. 0.007 million

The Geog Administration, Bjena had made the payment of Nu. 0.021 million to M/s Gaseb Enterprise for the supply of 4 mm glass pan. However, on verification of the bills and other related documents, it was noticed that the Geog Administration had received materials worth only Nu. 0.014 million resulting into excess payment of Nu. 0.007 million.

Auditee's response: *The administration submitted that the supplier was informed of the observation and instructed the Gup to settle the para immediately.*

Who is accountable?: *Till the amount is recovered and deposited into Audit Recoveries Account, Sonam, Accountant and Dechen, Gup are held accountable.*

4. Irregular payment - Nu. 0.059 million

The Geog Administration, Sephu had paid the amount of Nu. 0.561 million to M/s Zeko Hiring Agent for the hire charges of the excavator. The verification of the logbook revealed that the excavator had been put to use continuously for 11 hours a day for 26 days. However, audit deems it irrational in view of operator foregoing lunch break during the day. As such the Geog administration should allow at least one hour for lunch break and recover the equivalent amount of Nu. 0.059 million from the hiring agent.

Auditee's response: *The administration submitted that in view to avoid the lapse of fund, the operator was requested to work extra hours a day and that the payments were made upon verification of the Gup and the designated officials of the Geog.*

Who is accountable?: *A proper justification must be provided to enable RAA to review its observation. Rinchen Penjor, Gup is held accountable.*

5. Payment made for works not executed - Nu. 0.009 million

The Geog Administration, Thedtsho had made the muster roll payment of Nu. 0.009 million to masons engaged for the construction of irrigation channels at Rinchengang. However, on verification of the muster roll, it was noticed that the muster roll was not signed by the recipient. Upon enquiry, the administration stated that the amount withdrawn was kept with the accountant since the work was ongoing and the financial year coming to an end.

Auditee's response: *The administration submitted that the concerned gup was instructed to settle the para immediately.*

Who is accountable?: *The accountability is fixed on Kinley Dorji, Gup. The Gup is cautioned not to repeat such lapses and to produce the evidence of the work done and payment made to the concerned payees.*

